

Friday, January 23, 2015

Hog Prices: ↓ Soymeal: ↔
Corn: ↔ CDN Dollar: ↓

Forward contract prices opened lower this morning. After indications of support were experienced earlier in the week, US cash markets moved lower in yesterday's trade, dropping under the benchmark \$70/cwt in all of the reporting regions. Lower wholesale pork values may have contributed to the cash market move as all of the primal cuts were lower, thereby impacting the operating margins of many plants. The USDA released its Monthly Cold Storage report yesterday, which showed pork inventory down 10% compared to year ago levels at the end of December. This number was largely anticipated as December production was still well below that of December 2013. There are early signs of burdensome chicken inventory with breast meat inventory up 44% from year ago levels, a symptom of rapid expansion in the poultry industry. Lean Hog futures continue to move lower, with spring and summer contracts down 13% over the last 3 weeks. The combination of weak cash market fundamentals, combined with further selling by the large speculators have all 2015 contracts down 2% to start trading this morning. Fall month contracts have been the firmest of all contracts, despite ideas of heavy hog supplies coming in this timeframe. As a result, producers should consider pricing a portion of their August – October production at current prices.

Canadian delivered soymeal prices opened even this morning. There is talk of looming weakness across the complex noting a recent collapse in palm oil futures and Brazilian production that is expected to surpass record levels even if the low estimate reflects actual production numbers; e.g. the range is presently between 92 and 96 MMT while the current record sits at 86.7 MMT. Weather 'issues' in the southern hemisphere are reportedly localized and not widespread. Nevertheless, a distinct move lower will likely not materialize until yield and production numbers start to roll in, all else being equal.

Canadian delivered corn prices opened even this morning. US corn futures are trading in a mixed and choppy pattern to finish off the week. As of this writing, the value of reported changes relative to yesterday's trade (and today's opening) has reversed direction twice and currently trading higher. Technical indicators suggest a move lower is in the works and demand from ethanol is forecast to be negative despite strong production relative to year ago. Sales of between 800,000 and 1.0 MMT are expected in today's Export Sales report from the USDA.

US Slaughter	
436,000	Thursday
431,000	Thursday (year ago)
W. Corn Belt	\$69.05
National Price	\$74.51
Daily Sig 3	\$156.58
Daily Sig 4	\$163.61
Thunder Creek	\$156.21
4-Month Fwd.	\$162.15
B of C Ex. Rate (Noon)	
\$1.2371 CAD/ \$0.8083 USD	
Cash Prices Week Ending January 24, 2015	
Signature 3	155.88/70.71
Signature 4	162.06/73.51
h@ms Cash	160.56/72.83
Hylife	n/a
Thunder Creek	156.90/71.17
ISO Weans	\$66.02 US Avg.
Feeder Pigs	\$83.40 US Avg.
#1 Export Sows (+500lbs)	\$40.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig. #3		144.11	145.82 149.80	150.58 154.00	166.24 176.50	174.22 181.06	176.06 182.33	169.56 177.54	156.39 165.52	151.33 158.75	136.95 140.38
Maple Leaf Sig. #4		145.17	145.17 149.36	149.35 151.77	162.86 174.11	172.13 177.65	174.91 179.77	172.15 176.96	156.64 172.99	152.52 158.70	143.12 146.66
Soymeal Winnipeg Delivered	522	505	505	492	492	486					
Corn Wpg, Delivered	184										

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