

The Ginzel Weekly Hog & Pork Report **Commercial Focus 11-16-15**

Summary: Wednesday's restricted F.I. Hog slaughter gave the market a head fake, prompting a rally for Wholesale Pork and Lean Hog futures prices for Wednesday and Thursday. However, the slaughter disruption was mostly made up on Saturday with the F.I. hog slaughter bouncing to 259,000 head (compared with 137,000 a year earlier) giving a weekly total at 2,388,000 head (compared with 222,200,00 a year earlier), this put strong downside price pressure late this week. This expanded Saturday slaughter is seen as BEARISH for early next week as this extra tonnage needs to be moved into consumption, freezer stocks or export channels.

We expect the Pork Packers tried to get ahead this late week bulge in Pork Output by sharply breaking Wholesale Pork prices during Friday's session. The USDA's AM Friday Wholesale Pork quote was reported to be sharply lower at -\$3.13 per cwt lower than Thursday's PM posting. We see this as a Fundamentally BEARISH market with burdensome Pork supplies in the market channel.

The Iowa/Southern Minnesota Market hog weights this week were reported to be up +1.6# heavier than the previous week but still -1.4# below last year's exceedingly heavy hogs due to PEDv and very tight market hog availability. This increase in Market Hog weights suggests Hog inventories are sizable and will likely expand numbers in coming weeks.

The USDA's November WASDE report forecast expanding domestic Per Capita Meat availability for both 2015 and 2016. Highlights of the November WASDE report follow this summary.

POTPORRI:

The USDA's NOVEMBER WASDE report for 2015 and 2016 forecasts expanding Per Capita Total Meat Availabilities—Seen as a negative factor for 2016. For 2016, lower Prices for Steers, Hogs and Broiler meats relative to 2015.

HIGHLIGHTS NOVEMBER WASDE 11/10/15 US RED MEAT AND POULTRY:							
BEEF, MILLION POUNDS:						#'s Per	\$ Steer
	Production	Imports	T. Supply	Exports	T. Use	Capita	\$/cwt
2013	25,791	2,250	28,649	2,590	25,475	56.3	\$125.89
2014	24,320	2,947	27,850	2,573	24,687	54.1	\$154.56
2015 Oct	23,859	3,437	27,887	2,282	25,045	54.5	\$149.19
2015 Nov	23,780	3,432	27,803	2,223	24,980	54.4	\$149.19
% M/M	99.7%	99.9%	99.7%	97.4%	99.7%	99.8%	97.2%
% Yr/Yr	97.8%	116.5%	99.8%	86.4%	101.2%	100.6%	96.5%
2016 Oct	25,024	3,045	28,629	2,425	25,644	55.4	\$136-\$147
2016 Nov	24,914	3,045	28,559	2,425	25,574	55.3	\$136-\$147
% M/M	99.6%	100.0%	99.8%	100.0%	99.7%	99.8%	92.5%
% Yr/Yr	105.2%	88.7%	103.0%	109.1%	102.7%	101.8%	94.8%
US PORK, MILLION POUNDS:						#'s Per	\$ B & G's
						Capita	\$/cwt
2013	23,200	880	24,705	4,992	19,095	46.8	\$64.05
2014	22,861	1,008	24,486	4,857	19,070	46.4	\$76.03
2015 Oct	24,599	1,107	26,266	4,999	20,592	49.7	\$50.82
2015 Nov	24,526	1,106	26,192	4,996	20,521	49.5	\$50.82
% M/M	99.7%	99.9%	99.7%	99.9%	99.7%	99.6%	100.6%
% Yr/Yr	107.3%	109.7%	107.0%	102.9%	107.6%	106.7%	66.8%
2016 Oct	24,943	1,000	26,618	5,225	20,743	49.7	\$47-\$50
2016 Nov	24,943	1,000	26,618	5,225	20,743	49.7	\$47-\$50
% M/M	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	102.1%
% Yr/Yr	101.4%	90.3%	101.3%	104.5%	100.7%	100.0%	89.5%
U.S. RED MEAT & POULTRY, MILLION POUNDS:						#'s Per	Cents/#
						Capita	Broilers
2013	92,947	3,449	98,604	15,802	80,660	203.6	
2014	91,855	4,297	98,294	15,652	80,574	202.0	104.9
2015 Oct	94,366	4,911	101,344	14,553	84,547	210.6	90
2015 Nov	94,414	4,917	101,398	14,327	84,754	211.2	89.5
% M/M	100.1%	100.1%	100.1%	98.4%	100.2%	100.3%	99.4%
% Yr/Yr	102.8%	114.4%	103.2%	91.5%	105.2%	104.6%	85.3%
2016 Oct	97,243	4,389	103,876	15,637	86,053	212.8	84-91
2016 Nov	97,183	4,389	103,889	15,512	86,177	213.2	83-89
% M/M	99.9%	100.0%	100.0%	99.2%	100.1%	100.2%	98.3%
% Yr/Yr	102.9%	89.3%	102.5%	108.3%	101.7%	100.9%	96.1%

The November USDA WASDE report forecasts increased the Total Red Meat and Poultry Per Capita availability for both 2015 and 2016. Per Capita Red Meat and Poultry supply for 2016 is now estimated to be 213.2# up +2.0# from this year and up +11.2# relative to 2014. This suggests U.S. consumers will have ample meat supplies ahead.

Given lackluster Meat exports indicates greater quantities need to be consumed domestically.

The Fed Steer price forecast for 2016 was unchanged from the previous month. Farm Level Steer prices for 2016 are now expected to be more than -5% below this year. For 2016, Beef exports were expanded but Beef Imports were decreased. U.S. consumers are forecast to have 55.3# available compared with 54.4# during 2015.

Domestic Pork availability for 2016 was about unchanged relative to this year but Farm Level Hog prices are expected to be lower by around -4.5% below this year. Pork Production and Farm level Hog prices were unchanged when compared with the previous monthly forecast.

Despite Bird Flu outbreaks, earlier this year, Total Red Meat and Poultry availability for 2015 are still +4.6% above a year earlier levels. A further 2.0# per capita increase is forecast for 2016 being led by increased Poultry meat production.

The lower Soybean and Corn values indicate lower livestock and Poultry feeding costs ahead. The WASDE report forecast Soybean Meal prices for 2015 will average \$368.49 per ton, 75.2% of a year earlier, and for 2016 expected to average \$320.00, at 86.8% of the current year at the midpoint. Farm level Corn prices for 2015 are estimated to average \$3.70 per bushel (83% of the previous year) and the mid-point price forecast for 2016 at \$3.65 per bushel (98.6% of this year's average price.)

WEEKLY HOGS/PORK SECTOR STATISTICS:

WEEKLY F.I. HOGS/PORK STATISTICS, USDA												
F.I. HOG SLAUGHTER, 1,000's				F.I. CARCASS WT, #/Hd.				F.I. PORK PRODUCTION, MIL #s				
Week	F.I. Hogs	A/P	% Yr/Yr	S. Index	#/Hd.	A/P	% Yr/Yr	S. Index	Mil #s	A/P	% Yr/Yr	S.Index
9/26/15	2282.8	A	109.2%	106.6%	210	A	98.6%	99.2%	478.9	A	107.7%	106.0%
10/3/15	2268.8	A	108.9%	106.6%	211	A	99.1%	99.4%	477.6	A	107.6%	106.2%
10/10/15	2292.8	A	106.9%	108.0%	211	A	99.1%	99.7%	483.3	A	105.8%	107.9%
10/17/15	2319.2	A	106.2%	109.6%	212	A	99.1%	100.0%	491.1	A	105.1%	109.9%
10/24/15	2322.1	A	108.3%	109.0%	212	A	99.1%	100.3%	492.9	A	107.5%	109.4%
10/31/15	2254.3	A	102.7%	109.5%	213	A	99.1%	100.6%	479.8	A	101.7%	110.3%
11/7/15	2360.0	P	106.0%	108.3%	212	P	98.6%	101.0%	499.4	P	104.5%	109.3%
11/14/15	2388.0	P	107.5%	108.7%	212	P	98.6%	101.1%	506.9	P	106.2%	109.8%
11/21/15				103.8%				101.0%				104.8%
11/28/15				101.8%				101.2%				103.1%
Year Ago	F.I. Hogs		5 yr avg	S. Index	Year Ago	6 Yr. Avg	S. Index	Year Ago	5 Yr.Avg			S.Index
10/4/14	2083.5		2218.8	106.6%	213	200.2	99.2%	444.8	444.3			106.0%
10/11/14	2144.4		2218.2	106.6%	213	200.5	99.4%	443.7	445.4			106.2%
10/18/14	2184.0		2246.6	108.0%	213	201.2	99.7%	456.9	452.6			107.9%
10/25/14	2143.6		2280.7	109.6%	214	201.7	100.0%	467.1	460.8			109.9%
11/1/14	2194.4		2267.1	109.0%	214	202.3	100.3%	458.6	458.9			109.4%
11/8/14	2227.1		2278.9	109.5%	215	202.8	100.6%	471.7	462.6			110.3%
11/15/14	2222.4		2252.9	108.3%	215	203.7	101.0%	478.1	458.4			109.3%
11/22/14	2243.3		2262.4	108.7%	215	204.0	101.1%	477.5	460.5			109.8%
11/29/14	1987.4		2159.5	103.8%	215	203.8	101.0%	481.6	439.5			104.8%
12/6/14	2236.1		2118.8	101.8%	215	204.2	101.2%	427.0	432.5			103.1%
12/13/14	2262.4		2253.4	108.3%	216	204.5	101.4%	481.7	459.6			109.6%
12/20/14	2314.1		2286.6	109.9%	215	203.7	101.0%	486.7	465.2			110.9%
12/27/14	1739.6		2096.1	100.7%	214	203.3	100.8%	495.9	425.0			101.3%
A- Actual P-Preliminary S.Index is the weekly seasonal % of of the five year average weekly rate, derived.												
Developed by John Ginzel. JGINZEL@HOTMAIL.COM												

A- Actual P-Preliminary S.Index is the weekly seasonal % of of the five year average weekly rate, derived.

Developed by John Ginzal, JGINZEL@HOTMAIL.COM

- This week's F.I. Hog slaughter rate is expanding seasonally and is approaching the "Industry Capacity". We generally view Industry's weekly Capacity to be around 2.4 million heads.
- Weekly Hog Carcass weights held unchanged relative to last week at 212# but are below year earlier weights. Seasonally, Hog Carcass weights have a tendency to increase some more in coming weeks. The recently released Weekly Iowa/S. Minnesota Market live hog weight gained strongly showing a +1.6# increase from the previous week. This suggests ample market hog inventories are available this fall.

LEAN HOG FUTURES:

This week, the December Lean Hog futures contract rallied strongly Wednesday and Thursday only to sell off Friday. Pork Output is approaching "The Industry's Capacity" in our opinion.

Hog Produces should evaluate their hedge coverage and consider expanding some coverage into the summer 2016 contracts if some feeding margins can be protected.

December Lean Hog Futures, Daily Bar Chart:



The December Lean Hog futures contract rallied Wednesday and Thursday only to reverse and sell off during Friday's session. However, early week lows were not tested Friday.

February Lean Hog Futures, Daily Bar Chart



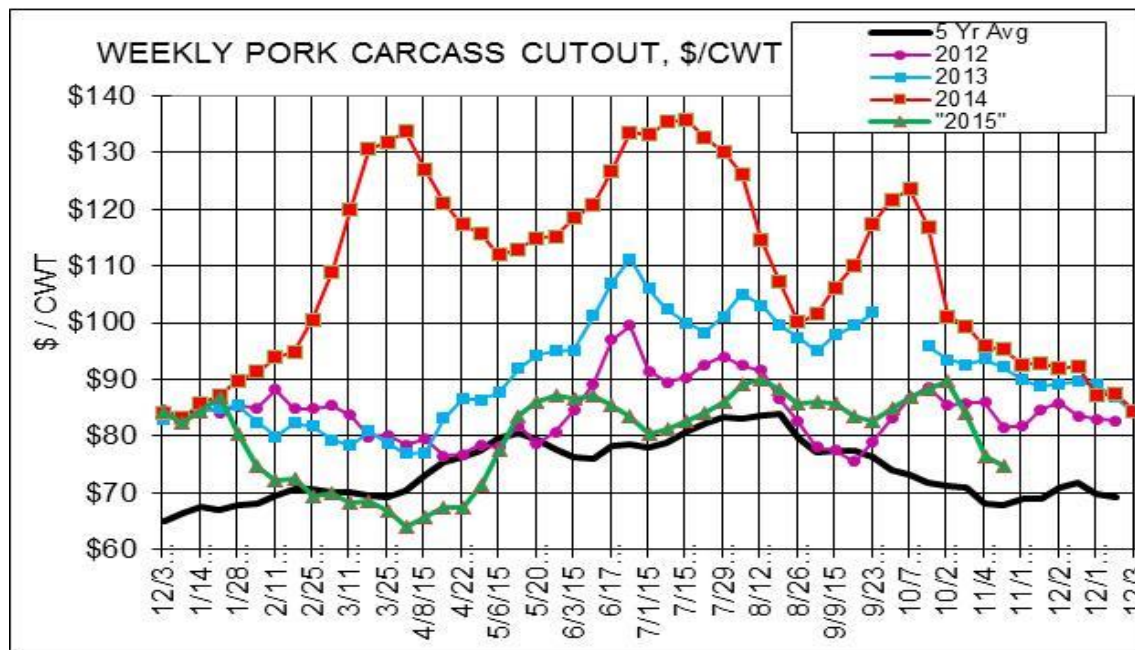
For speculators, we continue to prefer trading from the short side. In this environment we see more Bearish forces than Bullish and see high odds that the early week lows likely will be taken out next week.

April Lean Hog Futures Contract, Daily



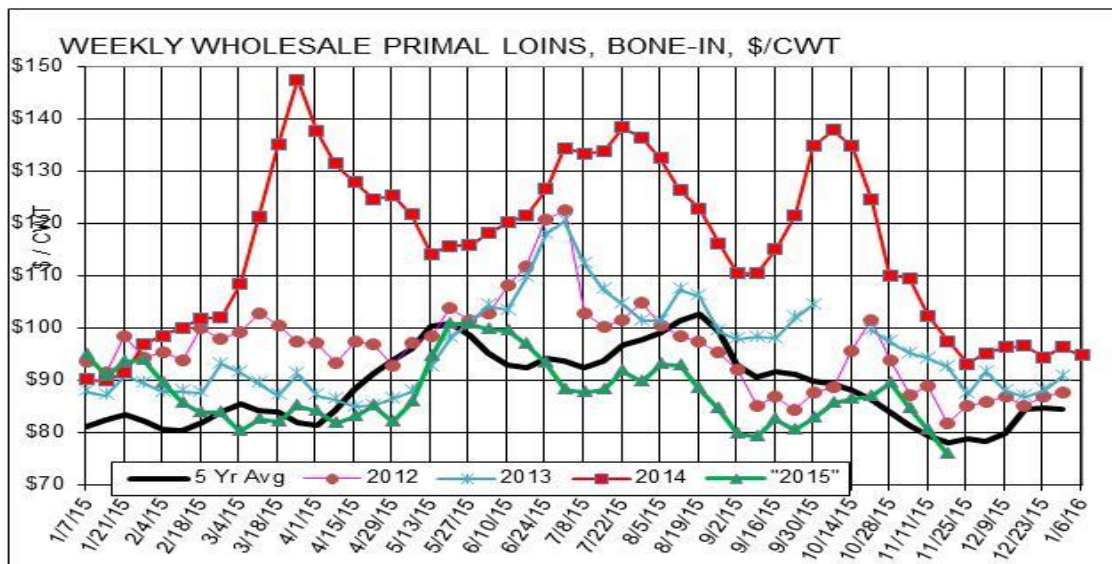
The April Lean Hog future trades with a similar pattern seen for the December and the February contracts.

Mid-week, Wholesale Pork Markets values continued selling off as burdensome Pork supplies depressing the market:



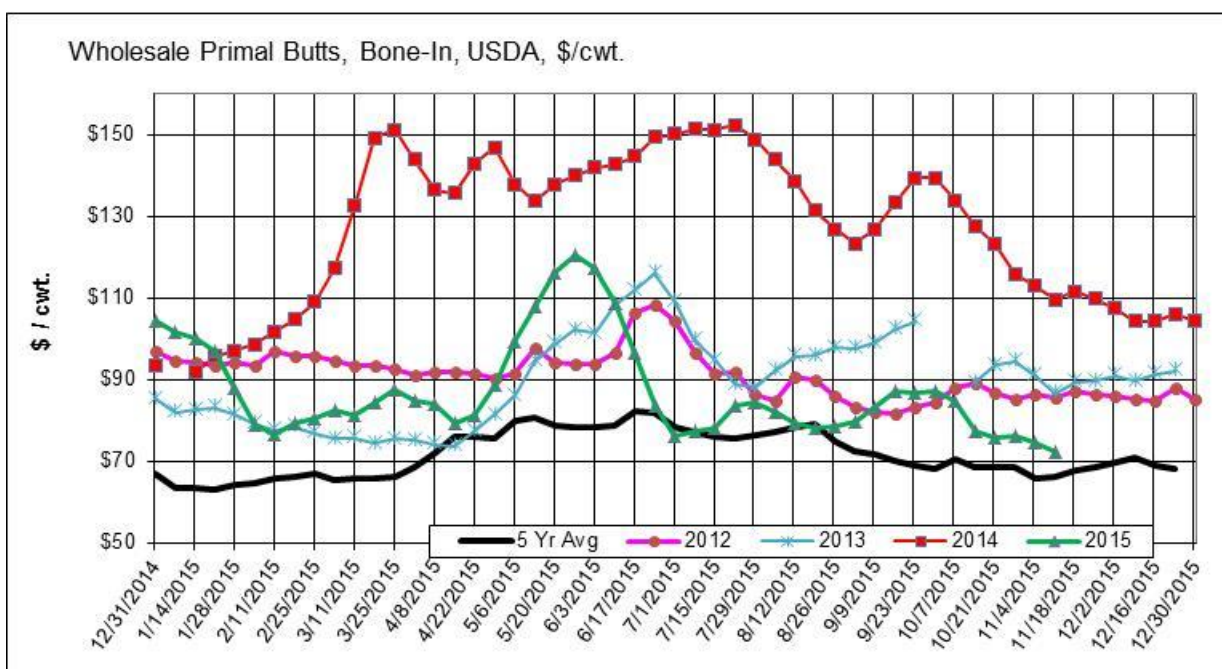
Mid-week the AMS/USDA Wholesale Composite Pork Carcass prices continued selling off going to \$74.85 per cwt. compared with the previous week at \$76.41 vs. a year ago at \$95.28. Friday's Composite Pork Carcass price was reported at \$75.28 per cwt.

Mid-week, Wholesale Fresh Pork Loin prices sagged showing more seasonal weakness going to very depressed levels, Fresh Pork cut demand ahead of Thanksgiving tends to be lackluster:



Wednesday's Composite Wholesale Pork Loin Primal values eroded going to \$75.82 compared with a week earlier at \$80.45 and a year ago reported at \$97.45. The meat trade usually experiences declining Fresh Pork demand during early November ahead of the Thanksgiving holiday.

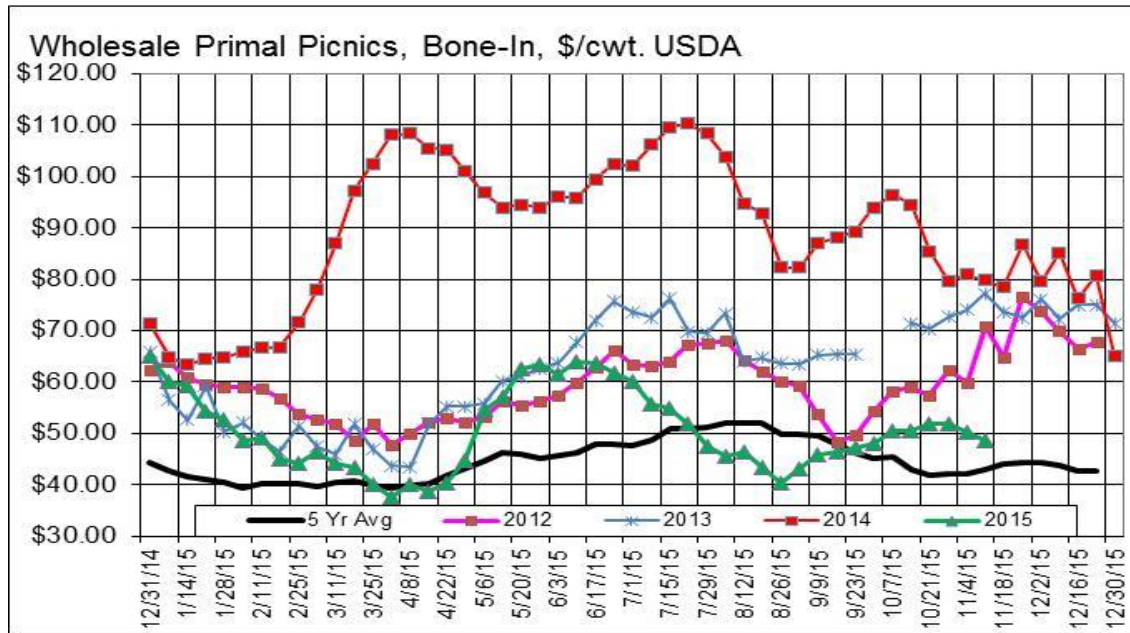
Mid-week, Wholesale Primal Pork Butts prices were under less downside pressure than seen for Pork Loins:



Reproduction or rebroadcast of any portion of this information is strictly prohibited without written permission. The information reflected herein is derived from sources believed to be reliable; however, this information is not guaranteed as to its accuracy or completeness. Opinions expressed are subject to change without notice, this material and any view expressed herein are provided for informational purposes only and should not be construed in any way as an inducement to buy or sell commodity futures or options contracts. Past performance is not indicative of future results.

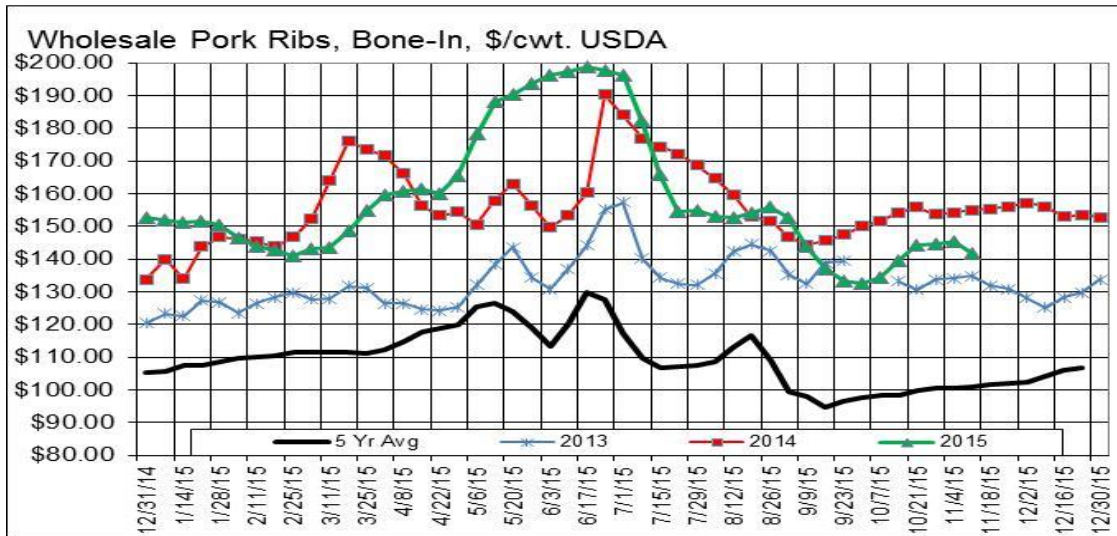
Mid-week Wholesale Primal Pork Butts prices were reported at \$72.21 per cwt. compared with the previous week at \$74.44 and a year earlier at \$109.57.

Wholesale Primal Picnic prices eased a bit this week but continue to be above the longer term average:



Mid-week Wholesale Picnic values eased some more going to \$48.58 per cwt. compared with a week earlier reported at \$50.28 per cwt. compared with a year ago at \$79.85.

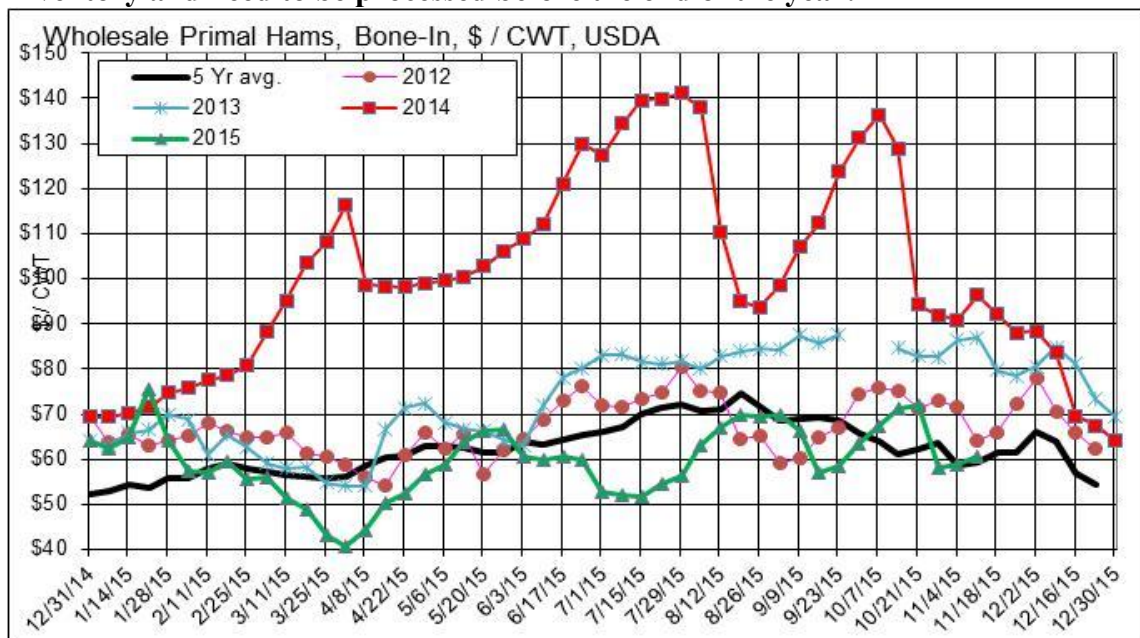
Mid-Week, Wholesale Rib prices slipped some compared with the previous week, given the potential for seasonally expanding Pork output in coming weeks, this could prompt Pork Rib values to erode if freezer stocks build to rapidly:



Wednesday's Wholesale Rib prices were posted at \$141.58 per cwt compared with the prior week at \$145.57 vs. a year earlier being posted at \$155.03. We continue to be concerned, if Pork output expands in coming weeks, it could be sufficient to build Pork Rib Freezer programs too rapidly and prompt a dip in Wholesale Pork Rib values as Rib users pull back their bids for the next round of orders for building their freezer programs for next spring and summer merchandizing.

Friday's Wholesale Pork Rib prices were reported to be \$138.83 as Pork Packers were trying to liquidate burdensome cooler stocks.

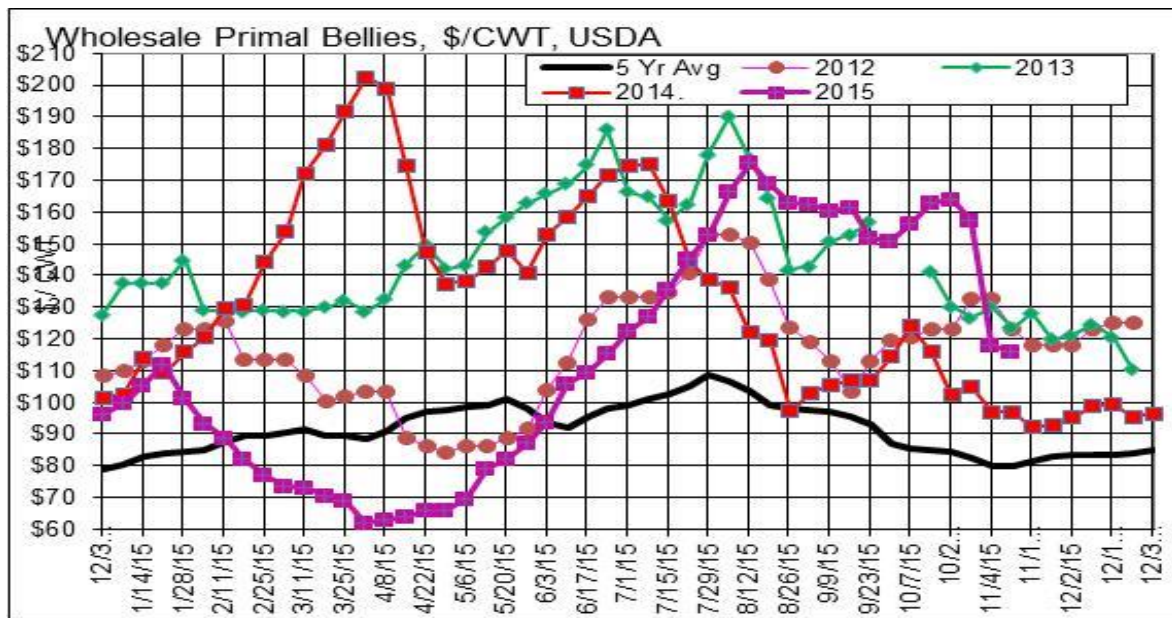
Mid-week, Wholesale Ham prices continued to be quite depressed and trading below the Longer Term average values, apparently the trade is reacting to the USDA's Cold Storage report that indicates a "Mountain of Hams" are in Freezer Inventory and need to be processed before the end of the year:



Reproduction or rebroadcast of any portion of this information is strictly prohibited without written permission. The information reflected herein is derived from sources believed to be reliable; however, this information is not guaranteed as to its accuracy or completeness. Opinions expressed are subject to change without notice, this material and any view expressed herein are provided for informational purposes only and should not be construed in any way as an inducement to buy or sell commodity futures or options contracts. Past performance is not indicative of future results.

Wednesday's Wholesale Primal Ham price was reported at \$60.72 per cwt. compared with \$58.75 the previous week vs. a year earlier at \$96.34.

Mid-Week Wholesale Primal Pork Belly prices stabilized, but we expect more downside pressure will be developing in coming weeks. Wholesale Pork Bellies are the only Pork Primal cut trading at premiums to a year ago levels:



Mid-week Wholesale Primal Pork Belly prices stabilized being posted at \$115.99 compared with the previous week at \$118.13 and a year ago at \$96.83. Apparently, the fresh Belly production from the cut now exceeds the current Bacon slice demand and surplus Fresh Bellies needs to be priced into freezer stocks.

Friday's session posted Wholesale Pork Belly Primal prices at \$114.42 per cwt.