

AB Pork Hog Commentary and Margin Update

Over the last week the USDA reported Cold Storage of total pork stocks at 611.0 million pounds for March 2018, up 1.3 million pounds from February with that figure revised 5.1 million pounds lower. With 3 months now reported the cumulative total brings pork in cold storage 65.6 million pounds over last year, or an increase of roughly 10% higher. Current levels can be considered midrange compared to more recent years and near even with levels reported in 2016 at this time. Due to the fact that Cold Storage in 2017 was historically low, these levels appear to be elevated or burdensome.

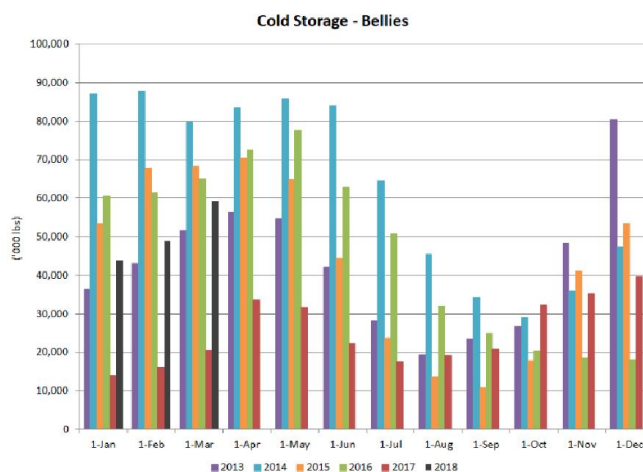
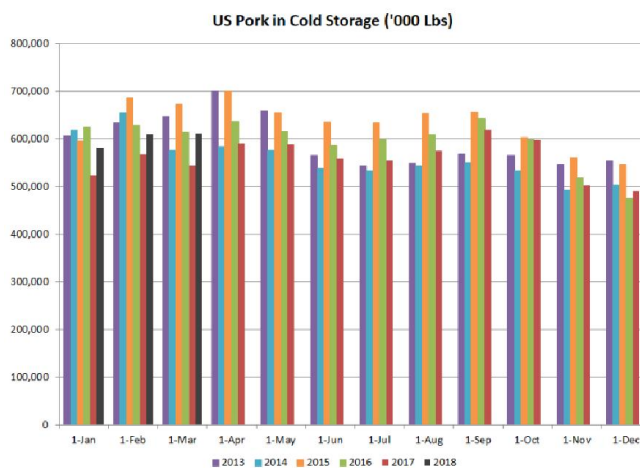
The generally stable pork in cold storage month over month reflects the balance between a steep decline in hams, and mostly modest increases in other pork categories.

Total ham supplies dropped seasonally, falling 26.4 million pounds from February, with both varieties down evenly. Butts in cold storage also declined, falling 1.8 million pounds, while picnics in cold storage were reported 2.7 million pounds higher for March. Spare rib supplies increased 12.4 million pounds, bringing supplies 3.3 million over last year.

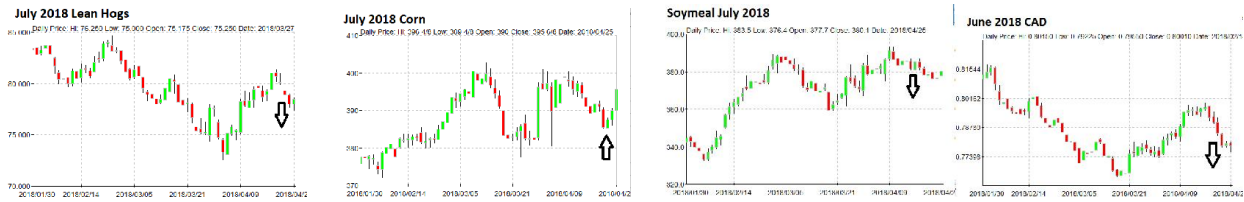
Bellies rose 10.2 million pounds, with current supplies sitting 38.6 million pounds over last year. Historically speaking, pork in cold storage tends to rise into April. Given the ramp up in hog slaughter, this is likely to be represented in the next report out in mid May.

Hog markets continue to struggle amongst large kills, heavy weights and stable but sensitive demand. Cash markets are called steady for the next 2 weeks as packers appear to be in good shape.

US Pork in Cold Storage					
('000 lbs)	Mar-18	Feb-18	Mar-17	M/M %	Y/Y %
Picnics	11,314	8,645	8,783	30.9%	28.8%
Hams	96,296	122,745	90,193	-21.5%	6.8%
Bellies	59,210	49,012	20,570	20.8%	187.8%
Loins	39,529	38,740	36,361	2.0%	8.7%
Ribs	143,964	131,601	140,639	9.4%	2.4%
Butts	20,622	22,468	21,925	-8.2%	-5.9%
Trimmings	56,416	51,183	40,087	10.2%	40.7%
Other	93,534	97,216	83,593	-3.8%	11.9%
Total Pork	611,048	609,780	545,463	0.2%	12.0%



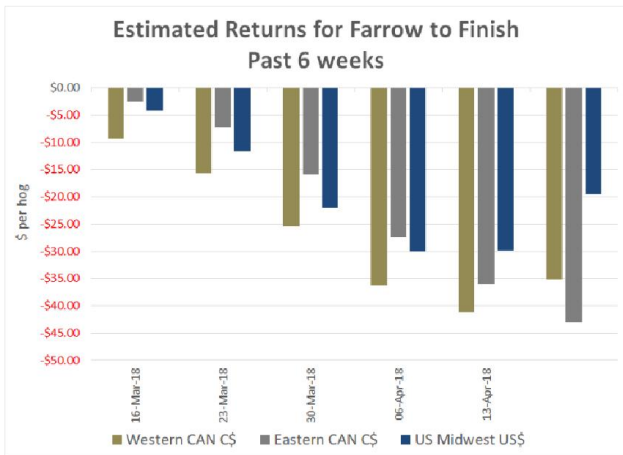
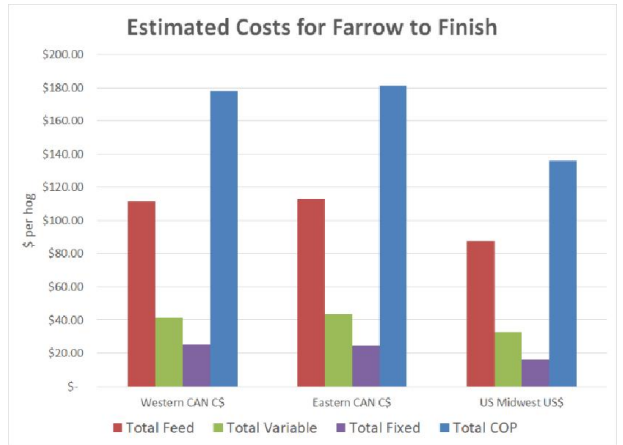
Hog Futures: Lower (-ve) Corn/Wheat: Higher (-ve) Soymeal: Lower (+ve) CDN \$: Lower (+ve)



**Graphs above are a visual to illustrate weekly market changes impacting hog finishing margins.*

For the week ending April 20th there were 2 positive and 2 negative factors influencing forward margins but in the more immediate market 3 out of the 4 were positive with only the cost of grain going against the market. Spot margins for the third week in April improved tremendously with a significant shift in the cash markets both in the US and Canada. Canadian cash prices climbed as much as \$12-14 in some markets propped up by gains south of the border but also gained on weakness in the Lonnie as shown in the indicator graph on the top far right. The CAD dropped 2 cents over the week adding to this weeks bottom line.

March 2018	Estimated Returns for Farrow to Finish		
	280 lb Hog Western CAN C\$	280 lb Hog Eastern CAN C\$	280 lb Hog US Midwest US\$
Feed Costs			
Sow	\$ 15.16	\$ 14.31	\$ 8.21
Nursery	\$ 16.35	\$ 16.92	\$ 9.76
Grow-Finisher	\$ 79.89	\$ 81.92	\$ 69.49
Total	\$ 111.40	\$ 113.15	\$ 87.46
Non-Feed Costs			
Variable	\$ 41.41	\$ 43.70	\$ 32.70
Fixed Costs	\$ 25.25	\$ 24.55	\$ 16.03
Total Costs	\$ 178.06	\$ 181.40	\$ 136.19
Weekly Cash Average	CAN \$ per hog	CAN \$ per hog	US\$ per hog
16-Mar-18	168.78	178.95	132.01
23-Mar-18	162.51	174.25	124.61
30-Mar-18	152.65	165.51	114.18
06-Apr-18	141.87	154.15	106.21
13-Apr-18	136.88	145.46	106.39
20-Apr-18	143.02	138.34	116.73
Weekly Margin*	Western CAN C\$	Eastern CAN C\$	US Midwest US\$
16-Mar-18	-\$9.28	-\$2.45	-\$4.18
23-Mar-18	-\$15.55	-\$7.15	-\$11.58
30-Mar-18	-\$25.41	-\$15.89	-\$22.01
06-Apr-18	-\$36.19	-\$27.25	-\$29.98
13-Apr-18	-\$41.18	-\$35.94	-\$29.80
20-Apr-18	-\$35.04	-\$43.06	-\$19.46
Bank of Canada Noon Rate (weekly average)	1.2621		
<small>* Margin Calculated using Weekly Cash Average hog price and last reported monthly cost of production</small>			
<small>*Farrow to Wean costs estimated for Nov 2017, nursery-finish for Dec 2017-Apr 2018</small>			



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