

AB Pork Hog Commentary and Margin Update

Quarterly H&P - Mar 2018	2017	2018	%18/17
All Hogs and Pigs	70,701	72,908	103.1%
Kept for Breeding	6,098	6,200	101.7%
Market Hogs	64,603	66,708	103.3%
Mkt hog Wt. Groups			
Under 50 pounds	20,407	21,047	103.1%
50-119 pounds	17,862	18,422	103.1%
120-179 pounds	14,435	14,874	103.0%
180 pounds and over	11,899	12,364	103.9%
Dec-Feb Pig Crop	31,146	32,341	103.8%
Dec-Feb Pigs per Litter	10.43	10.58	101.4%
Sows Farrowing			
'17-'18 Dec-Feb	2,986	3,057	102.4%
'18 Mar-May	3,014	3,078	102.1%
'18 Jun-Aug	3,121	3,165	101.4%

Over the past week, hog markets, both cash and futures have recoded major losses due to both supply and demand influences. On the supply side, the shortened holiday week allowed packers to ease up significantly on bids for live hogs as numbers remained abundant going into Good Friday and the Easter long weekend. At the same time, the USDA reported their latest Hogs and Pigs estimates, confirming ongoing growth to the breeding herd south of the border. Kept for breeding was reported at 6.200 Million sows, the highest reported breeding number since March 2008, exactly 10 years ago. (shown in the graph below) Adding to the recent negativity was the fact that

performance of sows farrowing continues to improve, with litter sizes reaching a new record.

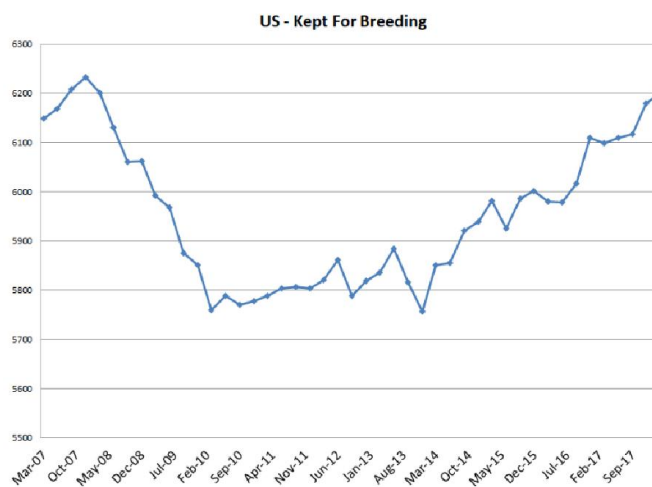
On the demand side of the equation, markets were hit hard particularly early this week, on confirmation of import tariffs that China placed on US pork which took effect on Monday.

Chinese pork imports are expected to drop to near zero in the weeks and months ahead unless other arrangements can be made between the 2 powerhouse trading countries.

China over the last year (2017) has been considered the 5th largest customer of US pork.

Their annual volume in 2017 reached 424

million pounds of pork including volumes shipped through Hong Kong, Mainland China and Taiwan. The loss of this market to US exporters is significant however volumes to China will be picked up by other countries, namely Canada and the EU, opening opportunities for the US to enter into new markets with available supply. In the end, the realization is that supply of pork in the world has not changed and neither has supply. The channels by which pork moves from country to country is likely to change but overall volume will not.

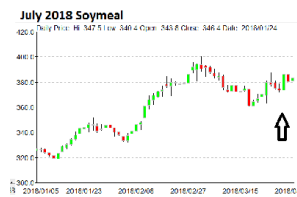


Hogs: Lower (-ve)

Corn/Wheat: Higher (-ve)

Soymeal: Higher (-ve)

CDN \$: Higher(-ve)

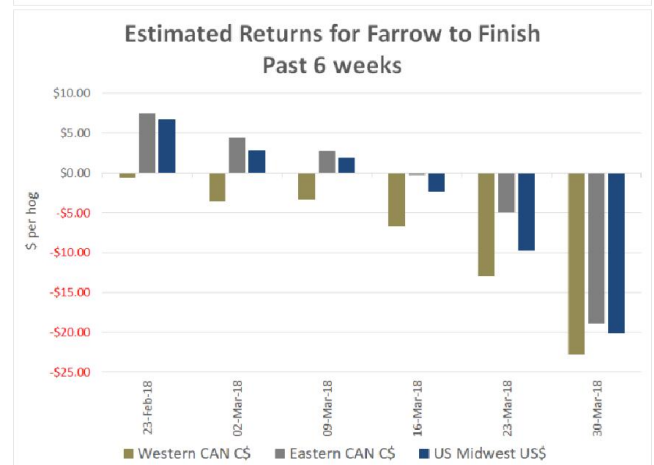
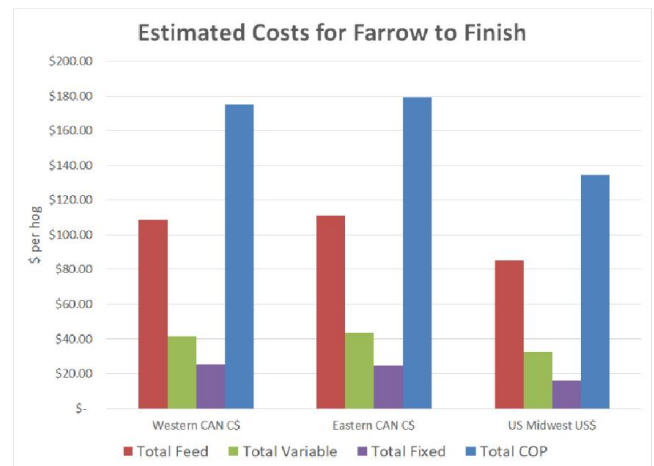


***Graphs above are a visual to illustrate weekly market changes impacting hog finishing margins.*

All four major influencing factors to hog finishing margins were negative this week as hog prices traded sharply lower on trade dispute news between China and the US and a higher Loonie. Projected feed costs did not provide much for comfort also recording major gains late last week on gain stock news and acre estimates for 2018. Sharp declines are showing up in the soybean market today and spilling over into the corn market as China announced duties on US soybean imports in retaliation to more US tariffs on Chinese goods.

February 2018		Estimated Returns for Farrow to Finish		
		280 lb Hog	280 lb Hog	280 lb Hog
		Western CAN C\$	Eastern CAN C\$	US Midwest US\$
Feed Costs				
Sow	\$	13.50	\$ 14.41	\$ 8.22
Nursery	\$	15.22	\$ 16.84	\$ 9.48
Grow-Finisher	\$	80.00	\$ 79.87	\$ 67.59
Total	\$	108.72	\$ 111.12	\$ 85.29
Non-Feed Costs				
Variable	\$	41.41	\$ 43.48	\$ 32.83
Fixed Costs	\$	25.25	\$ 24.55	\$ 16.19
Total Costs	\$	175.38	\$ 179.15	\$ 134.31
Weekly Cash Average				
		CAN \$ per hog	CAN \$ per hog	US\$ per hog
23-Feb-18		174.78	186.63	140.95
02-Mar-18		171.80	183.55	137.11
09-Mar-18		172.09	181.82	136.21
16-Mar-18		168.78	178.95	132.01
23-Mar-18		162.51	174.25	124.61
30-Mar-18		152.65	160.27	114.18
Weekly Margin*				
		Western CAN C\$	Eastern CAN C\$	US Midwest US\$
23-Feb-18		-\$0.60	\$7.48	\$6.64
02-Mar-18		-\$3.58	\$4.40	\$2.80
09-Mar-18		-\$3.29	\$2.67	\$1.90
16-Mar-18		-\$6.60	-\$0.20	-\$2.30
23-Mar-18		-\$12.87	-\$4.90	-\$9.70
30-Mar-18		-\$22.73	-\$18.88	-\$20.13
Bank of Canada Noon Rate (weekly average)				1.2888

* Margin Calculated using Weekly Cash Average and last reported monthly cost of production



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