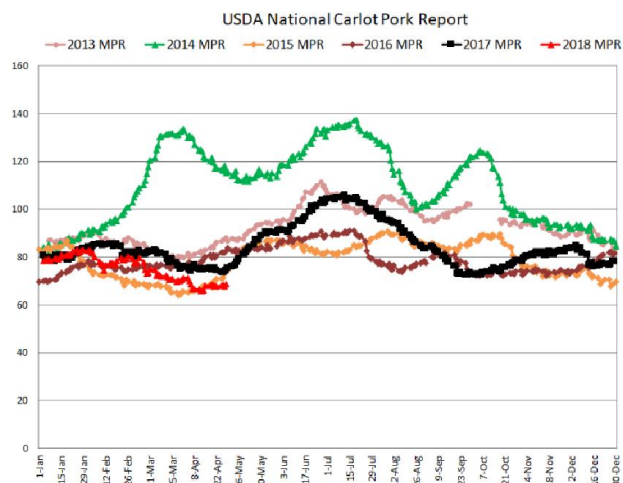


# AB Pork Hog Commentary and Margin Update

May 2<sup>nd</sup>, 2018

Pork cut-out values are currently trading at their lowest value in over 5 years. Not only are prices seasonally low but they have also marked a low point not seen since a similar collapse in meat prices early in 2015. Small gains were registered over the past week however demand continues to be a major concern with US pork exports still up in the air due to looming trade wars between two powerful trading nations, China and the USA.



Monthly Cutout			
	April	June	
2012	\$ 77.88	\$ 92.00	\$14.12
2013	\$ 83.44	\$ 103.26	\$19.82
2014	\$ 123.09	\$ 125.07	\$1.98
2015	\$ 67.58	\$ 84.84	\$17.26
2016	\$ 79.16	\$ 87.80	\$8.63
2017	\$ 74.86	\$ 96.53	\$21.67
2018	\$ 68.08		
6 Yr average			\$ 13.91

As shown in the table to the left, pork cut-out values historically increase from April through June. Over the last 6 years the average gain in pork has been nearly \$14 per cwt when calculating the monthly averages of both periods. The month of April in 2018 resulted in an average price of \$68.08 US per cwt. A potential gain of \$14 could lift cut-out to the lower/mid \$80's providing a chance for cash to touch \$80 once into the middle of the summer.



Lean hog futures as illustrated by the Aug contract to the left still have a discount to potential summer cash. The August futures currently trading in the mid 70's, is at the lower half of the range from nearly 1 year ago. Although having reached \$80's several times earlier this year it appears the market is going to struggle to push futures above that level unless new news is released supporting positive trade action.

Hog Futures: Steady

Corn/Wheat: Higher (-ve)

Soymeal: Higher (-ve)

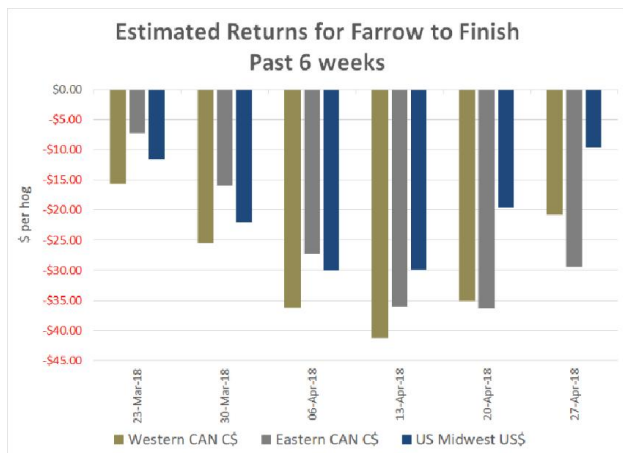
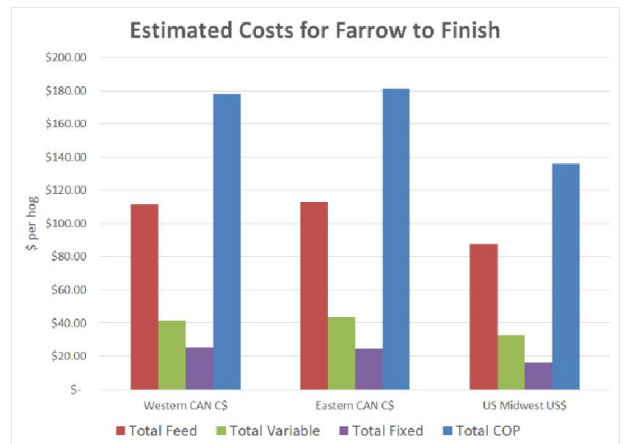
CDN \$: Steady



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

Canadian margins improved by nearly \$13-15 per hog over the past week supported by the recent slide in the Canadian dollar which boosted weekly cash prices. As shown in the table below Canadian cash hog prices were as much as \$14.00 per hog higher while US spot prices climbed nearly \$10. Cash is called steady to firm for the week ahead as packers look to take advantage of good processing margins.

March 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\$
<b>Feed Costs</b>			
Sow	\$ 15.16	\$ 14.31	\$ 8.21
Nursery	\$ 16.35	\$ 16.92	\$ 9.76
Grow-Finisher	\$ 79.89	\$ 81.92	\$ 69.49
<b>Total</b>	<b>\$ 111.40</b>	<b>\$ 113.15</b>	<b>\$ 87.46</b>
<b>Non-Feed Costs</b>			
Variable	\$ 41.41	\$ 43.70	\$ 32.70
Fixed Costs	\$ 25.25	\$ 24.55	\$ 16.03
<b>Total Costs</b>	<b>\$ 178.06</b>	<b>\$ 181.40</b>	<b>\$ 136.19</b>
<b>Weekly Cash Average</b>			
	CAN \$ per hog	CAN \$ per hog	US\$ per hog
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	145.11	116.73
27-Apr-18	157.27	152.02	126.65
<b>Weekly Margin*</b>			
	Western CAN C\$	Eastern CAN C\$	US Midwest US\$
23-Mar-18	<b>-\$15.55</b>	<b>-\$7.15</b>	<b>-\$11.58</b>
30-Mar-18	<b>-\$25.41</b>	<b>-\$15.89</b>	<b>-\$22.01</b>
06-Apr-18	<b>-\$36.19</b>	<b>-\$27.25</b>	<b>-\$29.98</b>
13-Apr-18	<b>-\$41.18</b>	<b>-\$35.94</b>	<b>-\$29.80</b>
20-Apr-18	<b>-\$35.04</b>	<b>-\$36.29</b>	<b>-\$19.46</b>
27-Apr-18	<b>-\$20.79</b>	<b>-\$29.38</b>	<b>-\$9.54</b>
<b>Bank of Canada Noon Rate (weekly average)</b>			<b>1.2850</b>
* Margin Calculated using Weekly Cash Average hog price and last reported monthly COP			
* Farrow to Wean costs estimated for Nov 2017, nursery-finish for Dec 2017-Apr 2018			



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