



# Weekly Regional HOG PRICE Report



August 7, 2018

## Things to Consider....

US Meat trade data was released yesterday confirming a sharp decline in pork exports to China during the month of June. As shown in the table to the right and graph below, China's year over year drop came in at -47.0 %, however their year to date volumes remain higher than the same period in 2017. Expectations of the market are for the volumes to continue lower for the remainder of 2018 justifying the sharp decline currently expressed in the lean hog futures.

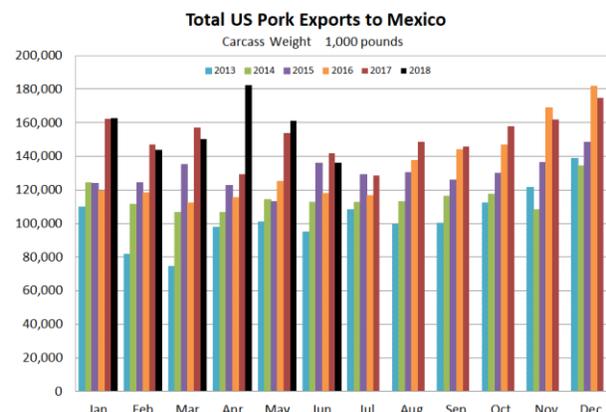
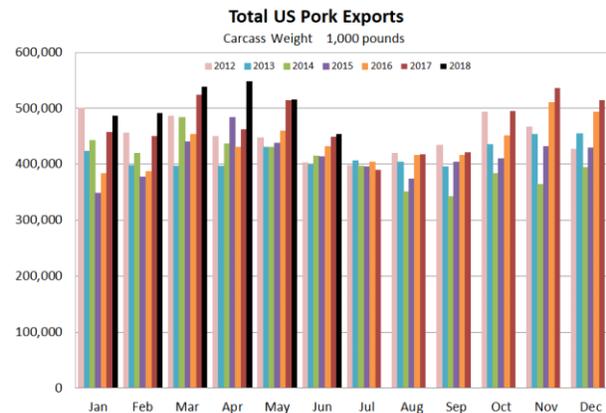
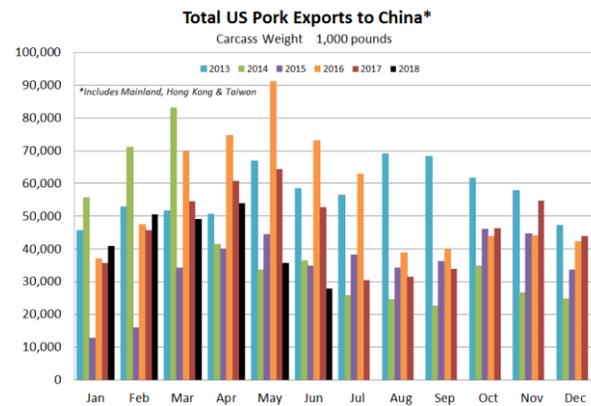
A bit surprising however, was total monthly pork exports were not lower than last year coming in at 454.4 M pounds compared to 448.5 M in 2017. Although exports were sharply lower than the month of May, the seasonal decline is very normal illustrated by the graph to the right. The year over year increase was only 1.3% higher however the fact that it was higher remains positive for the pork industry. Also, cumulative volumes continue to grow with 2018 exports 6.1% above last year with 6 months of the year now accounted for.

The other major US export market of concern has been Mexico with ongoing tariffs expected to reduce volume traded between them and the US. The graph on the bottom right shows Mexico number's slightly lower year over year however cumulative year to date numbers remain 5.1% above the same period last year. As illustrated in the graph Mexico seasonally has a bottom in imports during the month of July and then begins the climb of more purchased and imported pork through the end of the year. As the months pass and more data is released we will see whether or not the established trend continues this year.

For now, hog producers have little opportunity to forward price market hogs as futures remain at the bottom end of the current 3 and 6-month trading range. Cash remains the other option for marketing until the existing trend changes.

| US Pork Exports (carcass weight, 1,000 pounds) |                |                |                |               |             |             |
|--|----------------|----------------|----------------|---------------|-------------|-------------|
| Top 5 Countries                                | Jun-17         | May-18         | Jun-18         | M/M%          | Y/Y%        | YTD/LYTD%   |
| Japan  | 94,584         | 106,197        | 98,299         | -7.4%         | 3.9%        | -2.5%       |
| Mexico   | 141,738        | 161,265        | 136,239        | -15.5%        | -3.9%       | 5.1%        |
| Canada   | 39,577         | 41,887         | 41,625         | -0.6%         | 5.2%        | -1.2%       |
| South Korea                                    | 39,156         | 67,334         | 50,281         | -25.3%        | 28.4%       | 40.0%       |
| China*   | 52,707         | 35,761         | 27,911         | -22.0%        | -47.0%      | 14.8%       |
| <b>All US Pork Exports</b>                     | <b>448,541</b> | <b>515,763</b> | <b>454,348</b> | <b>-11.9%</b> | <b>1.3%</b> | <b>6.1%</b> |

\*Includes Mainland, Hong Kong & Taiwan



## Weekly Hog Price Recap

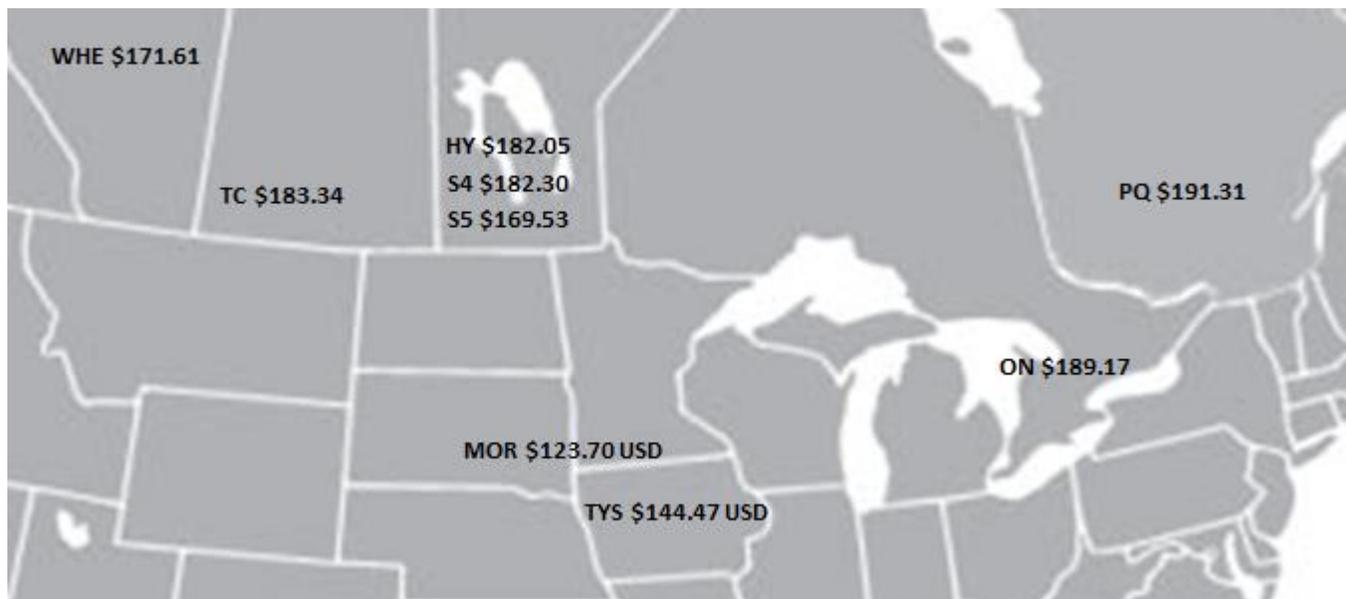
Cash hogs reported another week of losses, with each of the last five business days reporting significant declines. Regional and national cash reported higher bid volume to start the week, finishing the week amid moderate volume. Regional and national cash fell near \$7/cwt on the week, while CME cash fell closer to \$5/cwt.

| Cash Price | Weekly Averages |           | w/w     | % Chg  |
|------------|-----------------|-----------|---------|--------|
|            | 3-Aug-18        | 27-Jul-18 |         |        |
| ISM pm     | \$57.85         | \$65.05   | -\$7.20 | -11.1% |
| WCB pm     | \$57.79         | \$64.90   | -\$7.11 | -11.0% |
| Nat pm     | \$57.81         | \$64.81   | -\$7.00 | -10.8% |
| CME Index* | \$69.89         | \$75.24   | -\$5.35 | -7.1%  |
| BoC Exch   | 1.3007          | 1.3106    | -0.0099 | -0.8%  |

\* Represents Friday-Thursday average

Canadian hog markets based off slaughter-derived pricing declined the most on the week. The Sig 5 and WHE declined near \$16/hog, while pricing out of the east such as Ontario and Quebec fell near \$15/hog. Other Canadian hog markets based off slaughter-derived pricing fell around \$13/hog. In the US, JM values fell shy of \$15/hog while VMR-based Tyson pricing fell \$12/hog.

| Regional Pricing, \$/hog |            |          |          |            |          |               |                 |          |
|--------------------------|------------|----------|----------|------------|----------|---------------|-----------------|----------|
| Packer/Region            | Difference |          | 2018 YTD | Difference |          | Last 13 weeks | Difference      |          |
|                          | 3 Year     | to WHE   |          | to WHE     | to WHE   |               | Ending 3-Aug-18 | to WHE   |
| WHE 2017                 | \$189.98   |          | \$175.23 |            | \$191.61 |               | \$171.61        |          |
| ML Sig 4                 | \$191.52   | \$1.54   | \$178.18 | \$2.95     | \$193.66 | \$2.05        | \$182.30        | \$10.69  |
| ML Sig 5                 | \$189.84   | -\$0.13  | \$173.74 | -\$1.49    | \$190.35 | -\$1.26       | \$169.53        | -\$2.08  |
| Thunder Creek            | \$186.09   | -\$3.89  | \$170.93 | -\$4.30    | \$187.21 | -\$4.40       | \$183.34        | \$11.73  |
| Hylife                   | \$192.88   | \$2.90   | \$179.43 | \$4.20     | \$195.25 | \$3.64        | \$182.05        | \$10.43  |
| Ontario                  | \$201.96   | \$11.99  | \$186.40 | \$11.17    | \$204.02 | \$12.41       | \$189.17        | \$17.55  |
| Québec                   | \$198.32   | \$8.34   | \$182.53 | \$7.30     | \$200.35 | \$8.74        | \$191.31        | \$19.70  |
| Tyson (USD)              | \$167.48   | -\$22.50 | \$145.37 | -\$29.86   | \$157.12 | -\$34.49      | \$144.47        | -\$27.14 |
| John Morrell (USD)       | \$163.27   | -\$26.71 | \$138.73 | -\$36.50   | \$150.50 | -\$41.11      | \$123.70        | -\$47.91 |



# Weekly Hog Margins

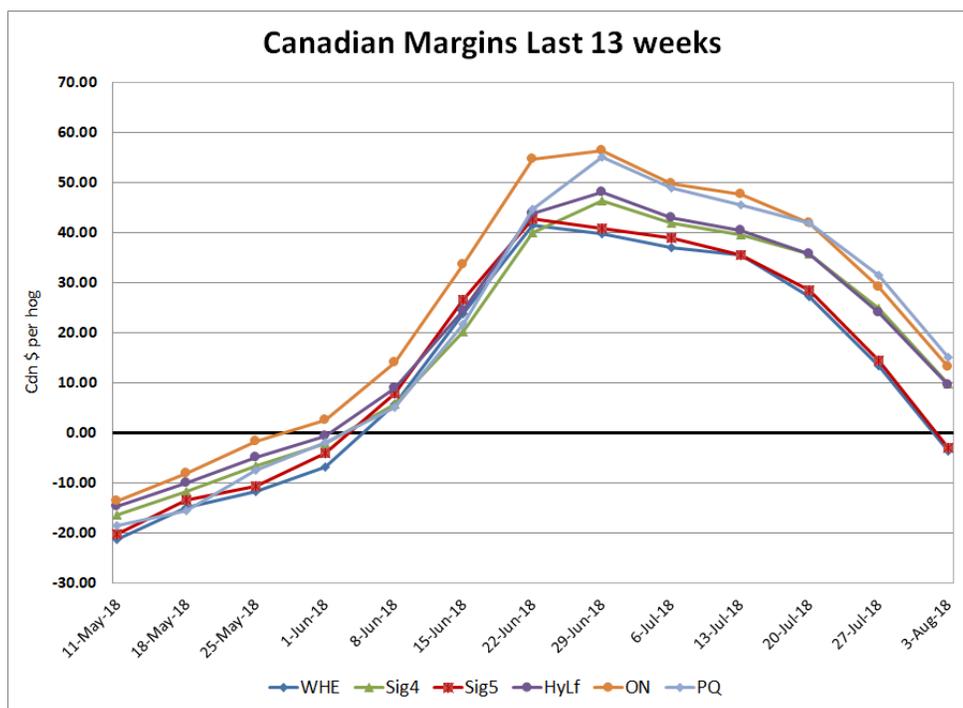
Hog margins declined significantly on falling hog pricing values and were further pressured by rising feed costs. Farrow to finish feed costs on either side of the border rose near \$1.50/hog on the week.

Hog margins based off CME cash fell near \$15/hog, such as Hylife and the Sig 4. Other Canadian margins weakened \$16-\$17/hog. In the US, Tyson margins were calculated \$13/hog lower while JM margins were more than \$16/hog weaker.

| Regional MARGINS, \$/hog |           |                  |          |         |           |               |
|--------------------------|-----------|------------------|----------|---------|-----------|---------------|
| Packer/Region            | 3-Aug-18  | Farrow to Finish |          |         | Total COP | Weekly Margin |
|                          | Hog Price | Feed*            | Variable | Fixed   |           |               |
| WHE/Alberta              | \$171.61  | \$115.68         | \$39.45  | \$20.05 | \$175.18  | -\$3.57       |
| ML Sig 4/Manitoba        | \$182.30  | \$113.42         | \$39.54  | \$19.55 | \$172.51  | \$9.79        |
| ML Sig 5/Manitoba        | \$169.53  | \$113.42         | \$39.54  | \$19.55 | \$172.51  | -\$2.98       |
| Thunder Creek/SK         | \$183.34  |                  | N/A      |         |           | N/A           |
| Hylife/Manitoba          | \$182.05  | \$113.42         | \$39.54  | \$19.55 | \$172.51  | \$9.54        |
| Ontario                  | \$189.17  | \$111.36         | \$40.71  | \$23.76 | \$175.83  | \$13.34       |
| Québec                   | \$191.31  | \$114.05         | \$40.50  | \$21.65 | \$176.20  | \$15.11       |
| Tyson (USD)/Iowa         | \$144.47  | \$82.12          | \$28.70  | \$16.57 | \$127.39  | \$17.08       |
| John Morrell (USD)/ND    | \$123.70  | \$80.21          | \$28.70  | \$16.57 | \$125.48  | -\$1.78       |

\* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$17.08 USD X 1.3007 = \$22.22 in Canadian Dollars  
 - Morrell **\$(1.78)** USD X 1.3007 = **\$(2.32)** in Canadian Dollars



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