



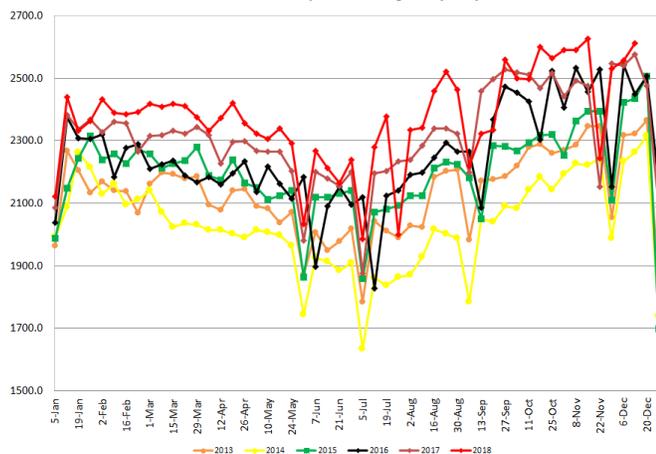
Weekly Regional HOG PRICE Report

December 18, 2018

Things to Consider....

Cash markets continue to struggle heading into the holiday season as packers take advantage of ample hog supplies limiting values needed to attract record volumes. US federally inspected slaughter topped 2.600 million hogs again last week adding to the weakness that has been experienced over the last 2 months. US weekly cash markets peaked in early October and have been trending lower ever since. Good news is that the downward trend appears to be easing which could signal a turnaround in cash markets once into the New Year.

US Federal Inspected Slaughter ('000)



Lean hog futures on the other hand have been steady increasing over the last 2 months and only recently have they experienced some weakness. Most 2019 lean hog contracts traded sharply higher from the start of October registering new contract highs, with some just recorded last week. More nearby months like February and April however peaked in late November and have come under some pressure dropping \$2-3 US per cwt from their posted highs.

Although lean hogs have dropped off from top values, they still provide excellent hedging opportunities for producers looking to limit risk for much of 2019. Deferred contracts such as October and December 2019 are still very near their top, down only a \$1 US from the peak reached last week. With the Canadian dollar in the producer's favor, hedging is encouraged for a minimum of 25% of production. Coverage of 50% in most volatile months is also recommended.

Feb 19 Lean Hogs



July 2019 Lean Hogs



December 2019 Lean Hogs



Weekly Hog Price Recap

Regional and national cash hogs slipped another week, with late week strength not enough to reverse early week losses amid moderate cash bid volume. CME cash by comparison, declined throughout the week however daily price moves were more moderate. Wholesale pork values were generally improved excluding hams and butts, with cutout \$0.88/cwt higher than a week earlier.

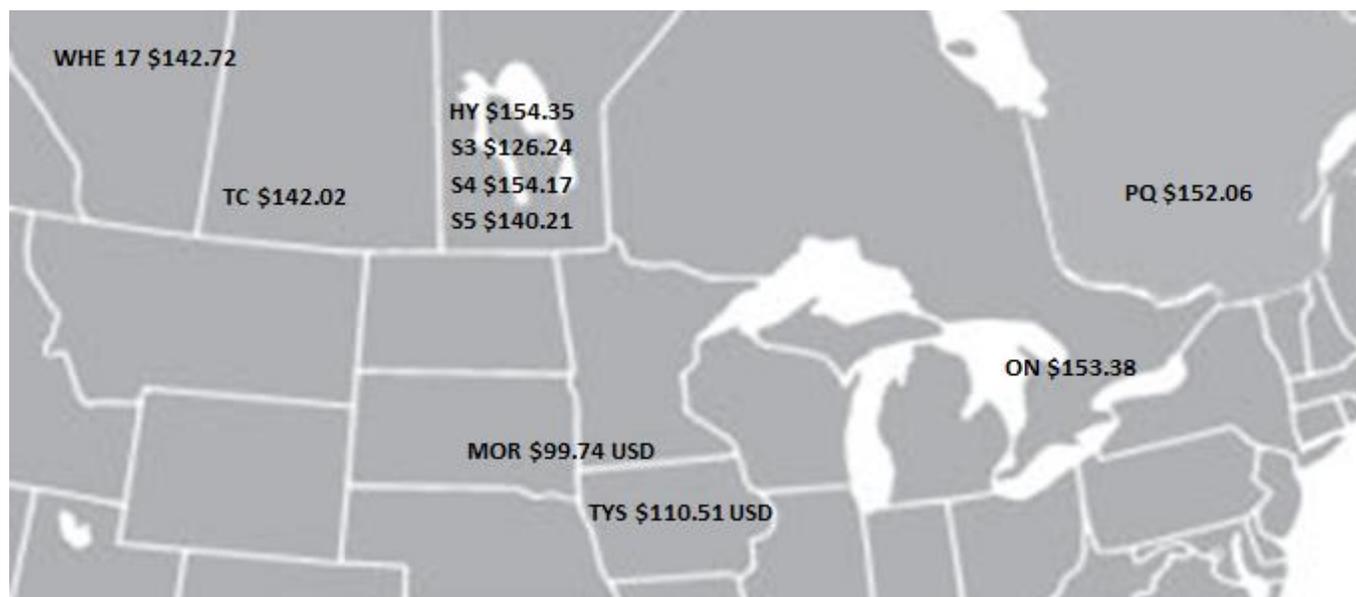
Cash Price	Weekly Averages		w/w	% Chg
	14-Dec-18	7-Dec-18		
ISM pm	\$46.37	\$47.71	-\$1.33	-2.8%
WCB pm	\$46.27	\$47.63	-\$1.37	-2.9%
Nat pm	\$46.68	\$48.22	-\$1.54	-3.2%
CME Index*	\$55.63	\$56.26	-\$0.63	-1.1%
BoC Exch	1.3373	1.3293	0.0080	0.6%

* Represents Friday-Thursday average

Most monitored markets on either side of the border declined from a week earlier. The only Canadian market to report improved values from last week was the newly WHE 2019 which rose \$1/hog. Hog markets based off 201-derived pricing declined the least, falling \$0.50-\$1/hog. Alternatively pricing out of Thunder Creek, the Sig 5 and WHE 17 each fell near \$2/hog. In the US, JM pricing declined shy of \$3/hog while Tyson dropped more than \$4/hog.

Regional Pricing, \$/hog								
Packer/Region	Difference		2018 YTD	Difference		Last 13 weeks	Difference	
	3 Year	to WHE		to WHE	to WHE		14-Dec-18	to WHE
WHE 2017	\$172.00		\$166.84		\$158.72		\$142.72	
WHE 2019							\$149.99	\$7.27
ML Sig 3	\$164.45	-\$7.55	\$156.84	-\$10.00	\$147.43	-\$11.28	\$126.24	-\$16.47
ML Sig 4	\$175.08	\$3.08	\$170.43	\$3.59	\$164.53	\$5.82	\$154.17	\$11.45
ML Sig 5	\$169.78	-\$2.22	\$163.64	-\$3.21	\$155.98	-\$2.73	\$140.21	-\$2.51
Thunder Creek **	\$168.06	-\$3.94	\$163.63	-\$3.21	\$155.02	-\$3.70	\$142.02	-\$0.70
Hylife	\$176.13	\$4.13	\$171.23	\$4.39	\$164.94	\$6.22	\$154.35	\$11.63
Ontario	\$180.40	\$8.40	\$174.69	\$7.84	\$167.61	\$8.90	\$153.38	\$10.66
Québec	\$178.79	\$6.79	\$173.00	\$6.16	\$165.38	\$6.66	\$152.06	\$9.34
Tyson (USD)	\$139.19	-\$32.82	\$135.33	-\$31.51	\$126.59	-\$32.13	\$110.51	-\$32.21
John Morrell (USD)	\$132.60	-\$39.40	\$127.76	-\$39.08	\$118.63	-\$40.09	\$99.74	-\$42.98

**Thunder Creek reported with a 1-Week lag



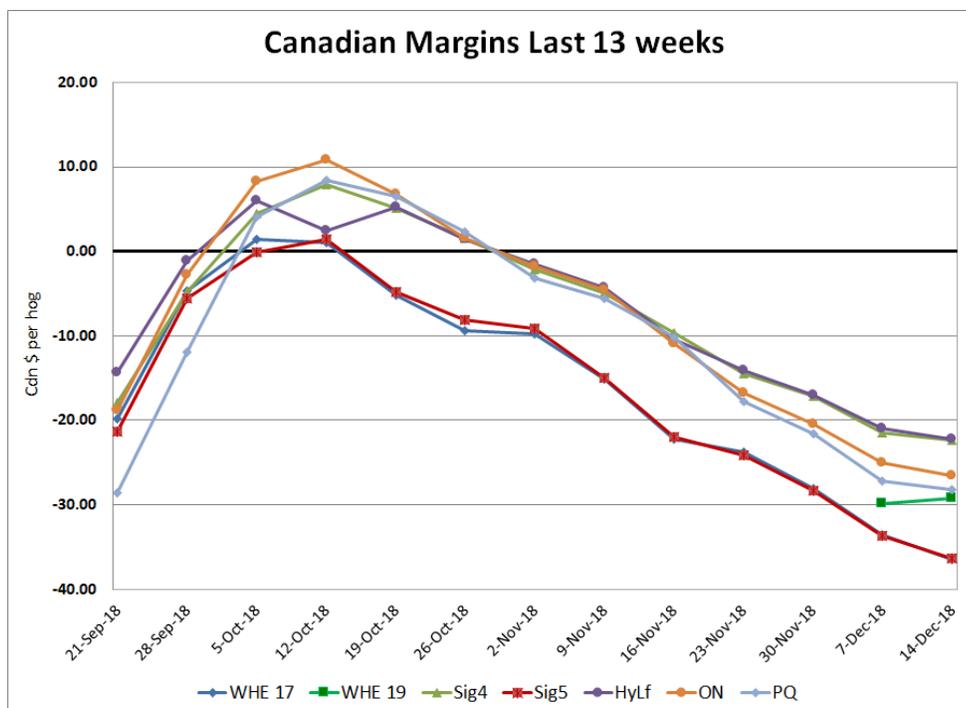
Weekly Hog Margins

Feed costs inched higher this week, putting further pressure on hog margins, dragging hog margins to 13-week lows. Canadian farrow to finish feed costs climbed 0.60/hog, while those in monitored US regions were narrowly unchanged to modestly higher. Hog margins off the WHE 19 managed to strengthen a modest \$0.60/hog, while the WHE 17 & Sig 5 weakened near \$3/hog. Hog margins out of Ontario and Hylife each weakened more than \$1/hog while those out of Quebec and off the Sig 4 fell less than \$1/hog. In the US, Tyson hog margins dropped \$4/hog while JM margins were calculated \$3/hog lower.

Regional MARGINS, \$/hog						
Packer/Region	14-Dec-18	Farrow to Finish			Total	Weekly Margin
	Hog Price	Feed*	Variable	Fixed	COP	
WHE17/Alberta	\$142.72	\$119.73	\$39.45	\$20.05	\$179.23	-\$36.51
WHE 19/Alberta	\$149.99	\$119.73	\$39.45	\$20.05	\$179.23	-\$29.24
ML Sig 4/Manitoba	\$154.17	\$117.47	\$39.54	\$19.55	\$176.56	-\$22.39
ML Sig 5/Manitoba	\$140.21	\$117.47	\$39.54	\$19.55	\$176.56	-\$36.35
Thunder Creek/SK	\$142.02	N/A				N/A
Hylife/Manitoba	\$154.35	\$117.48	\$39.54	\$19.55	\$176.57	-\$22.22
Ontario	\$153.38	\$115.41	\$40.71	\$23.76	\$179.88	-\$26.50
Québec	\$152.06	\$118.10	\$40.50	\$21.65	\$180.25	-\$28.19
Tyson (USD)/Iowa	\$110.51	\$83.79	\$28.70	\$16.57	\$129.06	-\$18.55
John Morrell (USD)/ND	\$99.74	\$81.88	\$28.70	\$16.57	\$127.15	-\$27.41

* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$ (14.43) USD X 1.3373 = \$ (19.30) in Canadian Dollars
 Morrell \$ (24.51) USD X 1.3373 = \$ (32.78) in Canadian Dollars



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