



Weekly Regional HOG PRICE Report



December 4, 2018

Things to Consider....

Last reported US Weekly Pork export data confirms that pork demand continues at a robust pace in most major buying regions. Weekly data reported for the week ending Nov 23rd reported strong imports from China providing underlying strength resulting in the higher lean hog futures seen last week. Although lean hog futures have taken a bit of a breather to start this week contract highs were again reached during trade last week.

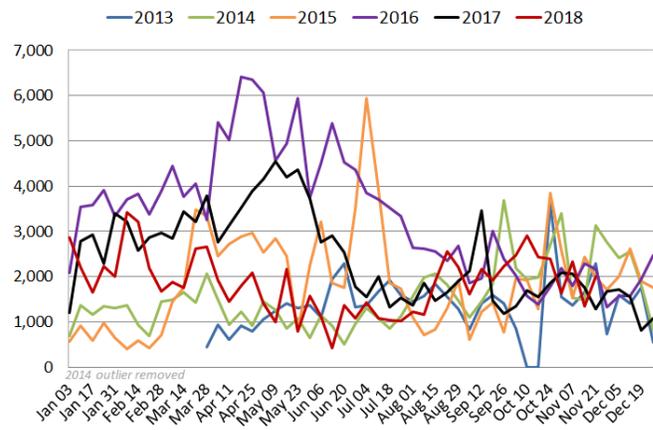
Aside from actual pork movement, recent reports have also indicated China has made some significant purchases of US pork, even with the 60 plus % of tariffs that exist on imported pork products from the US. As of late China has reported purchases of 3,348 tonnes of pork to be shipped before the end of 2018 and confirmed purchases of over 9000 tonnes to be shipped in 2019. The combined tonnage was one of the largest orders placed by China since earlier this spring. As China has now reported its 70th case of ASF, there is concern that pork supplies for late in 2019 could be a concern.

Although this information is deemed to be positive to the market, producers must remember that lean hog futures will already have factored in the data. Further gains in the market are not expected based on the information reported above. It would take another round of significant buying or additional orders to further propel the market beyond its current highs.

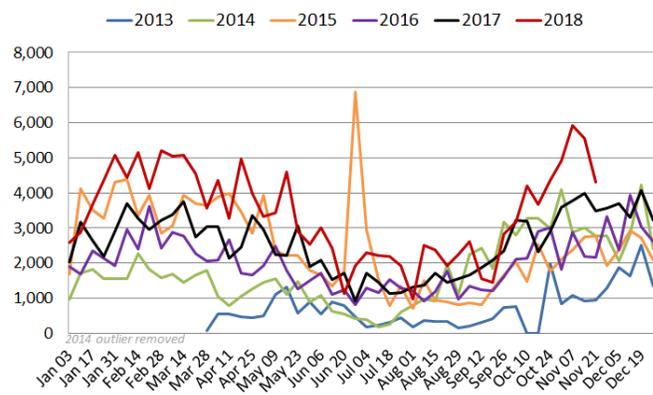
Not only has China been recording impressive import numbers but South Korea has become a dominant source of buying for the US pork market. The graph illustrating Pork Exports Sales to South Korea shows a spike to nearly 6000 tonnes in one week back in early November, a volume only ever seen back in the summer of 2015.

The strong futures markets and relatively low Canadian dollar are providing excellent hedging opportunity for producers who are looking to reduce price risk for much of 2019. Producers are encouraged to have a minimum of 25% hedged for the first half of 2019.

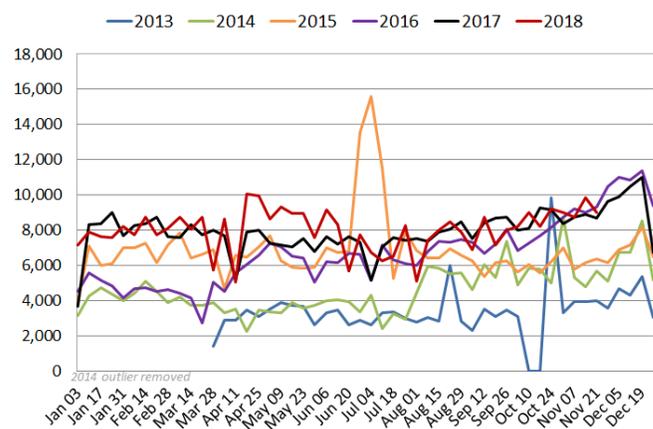
Weekly Pork Export Sales (MT) - CHINA



Weekly Pork Export Sales (MT) - South Korea



Weekly Pork Export Sales (MT) - Mexico



Weekly Hog Price Recap

Regional and national cash hogs began the week lower, with week-over-week declines offset in part by improvements reported midweek. CME cash however, reported lower values each day. Daily cash bid volume was moderate with higher volume midweek. Wholesale pork values managed to improve from a week earlier, as most primal values strengthened following the holiday-shortened week. Pork cutout was \$1.25/cwt higher from last week.

Cash Price	Weekly Averages		w/w	% Chg
	30-Nov-18	23-Nov-18		
ISM pm	\$49.32	\$51.00	-\$1.68	-3.3%
WCB pm	\$49.22	\$50.91	-\$1.69	-3.3%
Nat pm	\$49.77	\$51.06	-\$1.29	-2.5%
CME Index*	\$56.88	\$58.15	-\$1.27	-2.2%
BoC Exch	1.3279	1.3229	0.0050	0.4%

* Represents Friday-Thursday average

Despite firmer wholesale pork values, cash hogs declined as ample hog supplies pressured packer bids. The WHE and Sig 5 were down \$3.50/hog while pricing out of the east, such as those out of Ontario and Quebec, declined \$2.75/hog. Remaining monitored hog pricing markets in Canada declined near \$2/hog. In the US, Tyson fell \$0.75/hog while JM pricing was calculated \$3.50/hog lower.

Regional Pricing, \$/hog								
Packer/Region	Difference		2018 YTD	Difference		Last 13 weeks	Difference	
	3 Year	to WHE		to WHE	to WHE		30-Nov-18	to WHE
WHE 2017	\$172.05		\$167.80		\$156.06		\$147.23	
ML Sig 3	\$164.62	-\$7.43	\$158.04	-\$9.76	\$145.18	-\$10.89	\$133.12	-\$14.11
ML Sig 4	\$175.05	\$3.00	\$171.10	\$3.30	\$161.48	\$5.42	\$155.51	\$8.28
ML Sig 5	\$169.84	-\$2.20	\$164.57	-\$3.23	\$153.33	-\$2.73	\$144.32	-\$2.91
Thunder Creek **	\$168.01	-\$4.04	\$164.49	-\$3.31	\$150.75	-\$5.31	\$147.37	\$0.13
Hylife	\$176.10	\$4.05	\$171.92	\$4.12	\$162.07	\$6.01	\$155.75	\$8.52
Ontario	\$180.40	\$8.35	\$175.55	\$7.75	\$163.90	\$7.83	\$155.60	\$8.37
Québec	\$178.78	\$6.73	\$173.87	\$6.07	\$161.08	\$5.01	\$154.84	\$7.60
Tyson (USD)	\$139.24	-\$32.81	\$136.28	-\$31.52	\$123.78	-\$32.28	\$115.87	-\$31.36
John Morrell (USD)	\$132.74	-\$39.31	\$128.87	-\$38.93	\$117.44	-\$38.62	\$105.87	-\$41.36

**Thunder Creek reported with a 1-Week lag



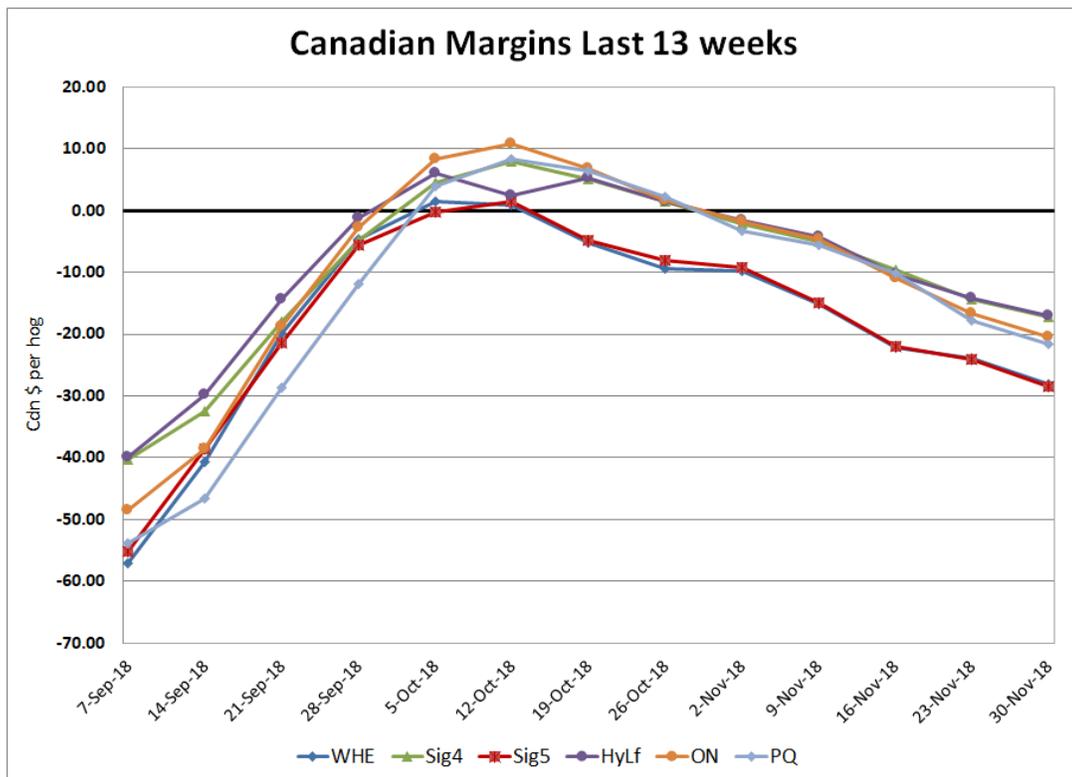
Weekly Hog Margins

Falling hog values continue to pressure margins, dragging hog margins to 11-week lows. Feed added further weakness to margins, with farrow to finish feed costs up near \$1/hog in Canada and near \$0.70/hog higher in monitored US regions. Monitored Canadian hog margins weakened \$2.75/hog to shy of \$4.50/hog. Margins based off regional pricing declined the most, while prairie pricing based off the 201-report declined on the lower end of the overall range. In the US, Tyson hog margins were \$1.50/hog lower while JM hog margins fell \$4/hog.

Regional MARGINS, \$/hog						
Packer/Region	30-Nov-18	Farrow to Finish			Total	Weekly Margin
	Hog Price	Feed*	Variable	Fixed	COP	
WHE/Alberta	\$147.23	\$115.88	\$39.45	\$20.05	\$175.38	-\$28.15
ML Sig 4/Manitoba	\$155.51	\$113.62	\$39.54	\$19.55	\$172.71	-\$17.20
ML Sig 5/Manitoba	\$144.32	\$113.62	\$39.54	\$19.55	\$172.71	-\$28.39
Thunder Creek/SK	\$147.37	N/A				N/A
Hylife/Manitoba	\$155.75	\$113.63	\$39.54	\$19.55	\$172.72	-\$16.97
Ontario	\$155.60	\$111.56	\$40.71	\$23.76	\$176.03	-\$20.43
Québec	\$154.84	\$114.25	\$40.50	\$21.65	\$176.40	-\$21.56
Tyson (USD)/Iowa	\$115.87	\$81.88	\$28.70	\$16.57	\$127.15	-\$11.28
John Morrell (USD)/ND	\$105.87	\$79.97	\$28.70	\$16.57	\$125.24	-\$19.37

* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$ (11.28) USD X 1.3279 = \$ (14.98) in Canadian Dollars
 Morrell \$ (19.37) USD X 1.3279 = \$ (25.72) in Canadian Dollars



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