



Weekly Regional HOG PRICE Report



February 21, 2019

Things to Consider....

With expanded limits and a second consecutive day of limit down trade in nearby contracts it can be said that the bottom has officially fallen out of the hog market. April lean hogs settled nearly \$4 US per cwt lower on Wednesday, following a \$3 drop on Tuesday in 2 of the most negative days seen in the market in recent history.

The sharp decline in futures has been blamed on a rumour initiated on social media that African Swine Fever had been detected in Canada. The rumour was quickly put to rest during midday trade on Tuesday however not before the market had done its damage. And even after the rumour was proven to be false, the onslaught of selling continued today as sell stops were triggered on a technical collapse in the market.

As illustrated in the graphs of lean hog futures most of the market's negativity is being focused in the next 3-6 months while firm pricing is still being offered for later in 2019. The December lean hog futures traded to a contract high of \$64.45 per cwt last week while settling just under \$63 today. Reasoning for the firm market later in the year is the belief that China and other countries impacted by ASF will have greater demand for pork once they have gone through abundant short-term supplies due to accelerated slaughter.

With so much uncertainty in the market, hog producers are encouraged to use up any previously placed hedges or forward contracts in the weeks ahead to supplement prices during the current collapse.

As for adding to any potential risk management for 2019, spring and summer months have been devalued beyond cash expectations and should be avoided until some recovery is recognized. Producers should pay close attention to fall and winter months of 2019 and begin to build a strategy for covering some production in that period.

April 2019 Lean Hogs



June 2019 Lean Hogs



December 2019 Lean Hogs



Weekly Hog Price Recap

Cash hog pricing declined throughout most of the week, with regional pricing significantly weaker Friday on minimal volume. Cash bid volume for regional pricing was generally moderate, peaking Tuesday. CME cash weakened throughout the week, generally \$0.20-\$0.30/cwt lower daily. Wholesale pork primals also weakened throughout much of the week, dragging pork cutout \$1.91/cwt lower from a week earlier.

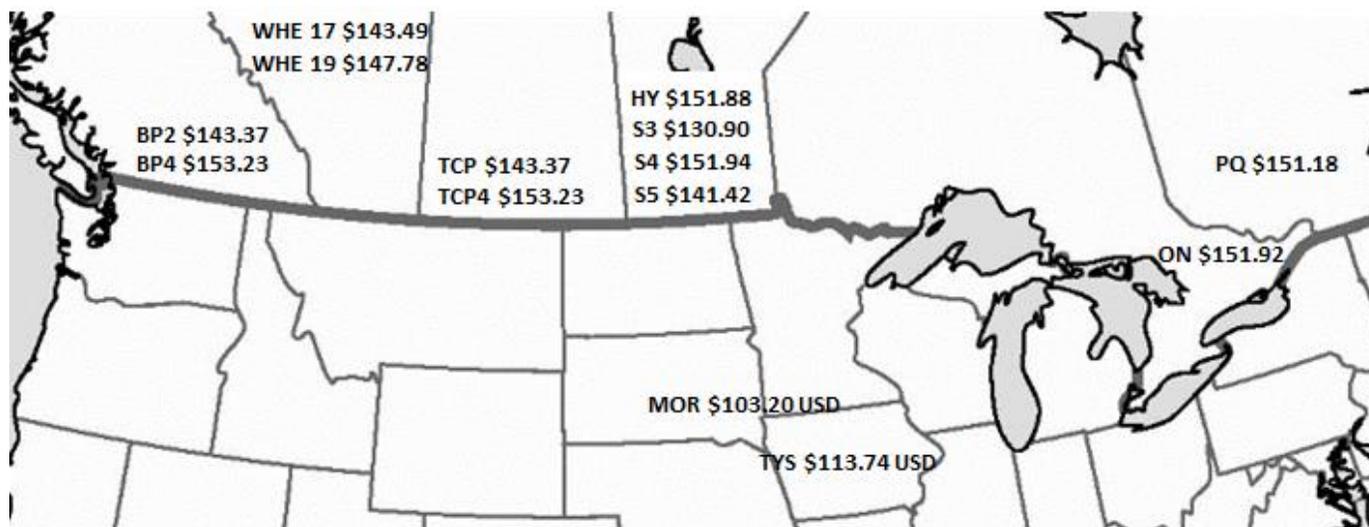
Cash Price	Weekly Averages		w/w	% Chg
	15-Feb-19	8-Feb-19		
ISM pm	\$48.08	\$49.42	-\$1.34	-2.7%
WCB pm	\$47.93	\$49.50	-\$1.56	-3.2%
Nat pm	\$48.48	\$49.89	-\$1.42	-2.8%
CME Index*	\$55.57	\$57.07	-\$1.50	-2.6%
BoC Exch	1.3269	1.3191	0.0078	0.6%

* Represents Friday-Thursday average

Monitored Canadian markets continue to slide, generally down another \$1.50-\$3.50/hog this past week. Markets derived from 201-base pricing typically declined the least. Pricing out of Quebec was calculated \$1.50/hog lower while those out of Brito/Thunder Creek 4, Hylife and the Sig 4 were each down near \$2/hog. WHE 17 also saw values decline near \$2/hog while those based off WHE 19 fell closer to \$2.75/hog. Values out of Ontario declined the most north of the border, falling \$3.50/hog. In the US, Tyson values were down near \$4/hog while those out of JM declined near \$3.25/hog.

Regional Pricing, \$/hog								
Packer/Region	Difference		2018 YTD	Difference		Last 13 weeks	Difference	
	3 Year	to WHE		to WHE	to WHE		15-Feb-19	to WHE
WHE 2017	\$171.36		\$165.81		\$146.13		\$143.49	
WHE 2019	\$173.81	\$2.45	\$167.83	\$2.02	\$150.57	\$4.44	\$147.78	\$4.30
ML Sig 3	\$163.50	-\$7.86	\$155.54	-\$10.27	\$132.39	-\$13.74	\$130.90	-\$12.58
ML Sig 4	\$174.72	\$3.36	\$169.73	\$3.91	\$154.47	\$8.33	\$151.94	\$8.45
ML Sig 5	\$169.12	-\$2.23	\$162.63	-\$3.18	\$143.43	-\$2.70	\$141.42	-\$2.07
BP2/TCP **	\$167.75	-\$3.61	\$162.68	-\$3.13	\$143.87	-\$2.26	\$143.37	-\$0.11
BP4/TCP4 **	\$174.06	\$2.70	\$169.10	\$3.29	\$154.55	\$8.42	\$153.23	\$9.75
Hylife	\$175.75	\$4.39	\$170.52	\$4.71	\$155.02	\$8.89	\$151.88	\$8.39
Ontario	\$179.89	\$8.53	\$173.78	\$7.96	\$154.60	\$8.46	\$151.92	\$8.44
Québec	\$178.26	\$6.90	\$172.09	\$6.28	\$152.64	\$6.51	\$151.18	\$7.70
Tyson (USD)	\$138.77	-\$32.58	\$134.27	-\$31.55	\$113.88	-\$32.25	\$113.74	-\$29.75
John Morrell (USD)	\$132.05	-\$39.31	\$126.54	-\$39.27	\$104.90	-\$41.23	\$103.20	-\$40.29

**Thunder Creek reported with a 1-Week lag



Weekly Hog Margins

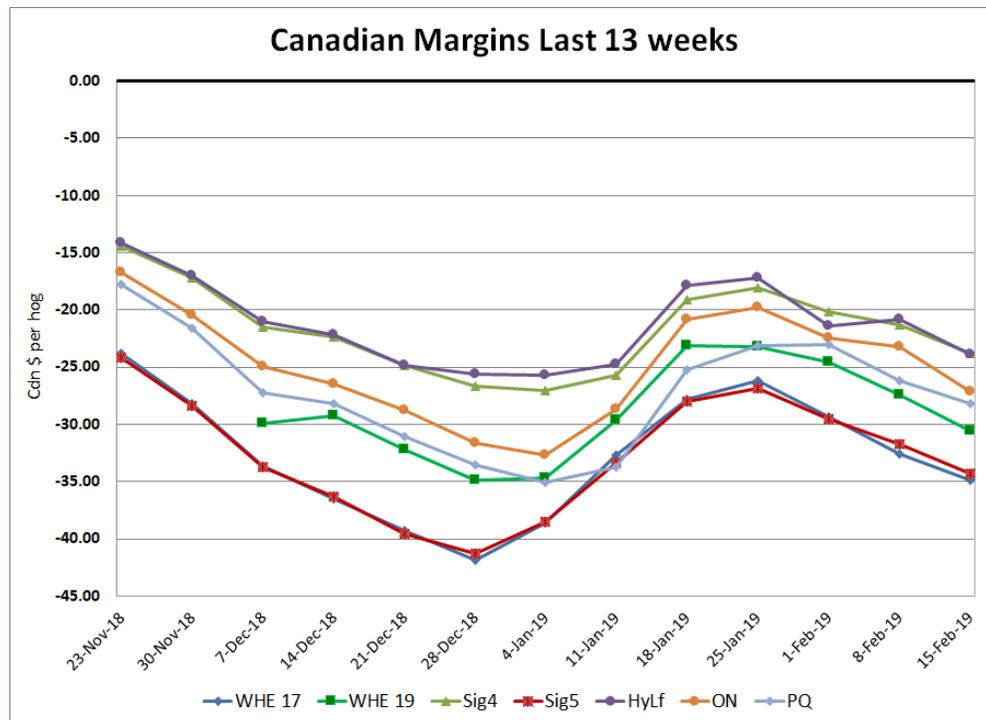
Continued losses in hog market values has dragged margins to levels reported a month earlier. Canadian margins were additionally pressured by a modest rise in feed costs, while those in monitored US regions were stable to slightly lower. Farrow-to-finish feed costs for Canadian markets rose near \$0.40/hog while those in the US weakened a modest \$0.10/hog.

Monitored Canadian hog margins were generally \$2-\$4/hog weaker, with margins calculated out of Ontario the weakest - \$4/hog lower from last week. Margins out of Hylife and the WHE 19 were down near \$3/hog while remaining margins were typically \$2/hog lower. In the US, Tyson and JM hog margins each declined more than \$3/hog.

Regional MARGINS, \$/hog						
Packer/Region	15-Feb-19	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE17/Alberta	\$143.49	\$118.89	\$39.45	\$20.05	\$178.39	-\$34.90
WHE 19/Alberta	\$147.78	\$118.89	\$39.45	\$20.05	\$178.39	-\$30.61
ML Sig 4/Manitoba	\$151.94	\$116.63	\$39.54	\$19.55	\$175.72	-\$23.78
ML Sig 5/Manitoba	\$141.42	\$116.63	\$39.54	\$19.55	\$175.72	-\$34.30
Hylife/Manitoba	\$151.88	\$116.64	\$39.54	\$19.55	\$175.73	-\$23.85
Ontario	\$151.92	\$114.57	\$40.71	\$23.76	\$179.04	-\$27.12
Québec	\$151.18	\$117.26	\$40.50	\$21.65	\$179.41	-\$28.23
Tyson (USD)/Iowa	\$113.74	\$83.00	\$28.70	\$16.57	\$128.27	-\$14.53
John Morrell (USD)/ND	\$103.20	\$81.09	\$28.70	\$16.57	\$126.36	-\$23.16

* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$ (14.53) USD X 1.3269 = \$ (19.28) in Canadian Dollars
 Morrell \$ (23.16) USD X 1.3269 = \$ (30.73) in Canadian Dollars



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