



Weekly Regional HOG PRICE Report



February 26, 2019

Things to Consider....

US Cold Storage reported total pork stocks at 505.3 million pounds for December, a modest decline of 2.3 million pounds or 0.4% under November. This brings pork in cold storage 3.1% over December of last year.

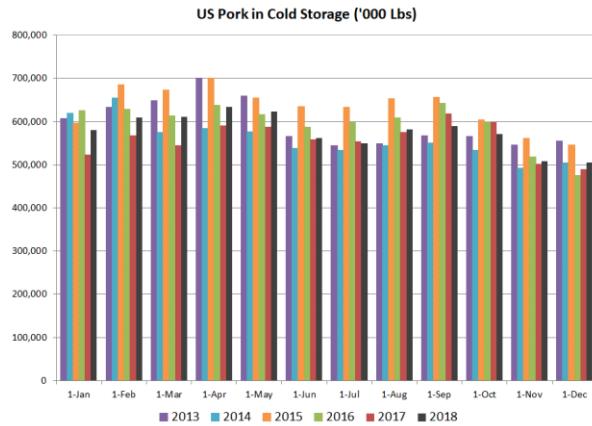
The report-over-report decline reflects a typical significant seasonal drop in total hams in cold storage, offset in part by rises in other pork cuts however primarily spare-ribs.

Total ham supplies in cold storage dropped 23.3 million pounds, down 24.1% from November and 9.8% under last year. Bone-in hams reported the greatest share of the decline in hams overall, falling 21.4 million pounds or -57.7% from last reported. Picnics in cold storage were stable, up 288 thousand pounds, while butts edged 874 thousand pounds lower. Spare ribs in cold storage increased volume by 16.0 million pounds, 14.8% over last reported and 19.2% over last year. Supplies for the cut tend to report higher quantities in cold storage following its seasonal low reached in August, peaking near the latter half of the first quarter.

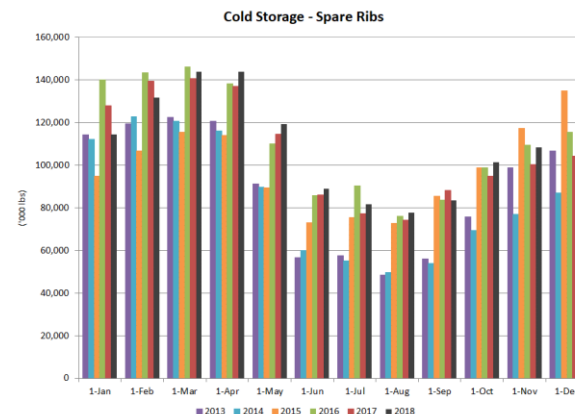
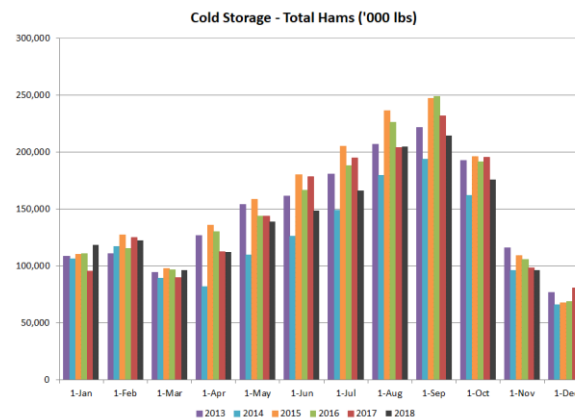
Bellies in cold storage increased 5.4 million pounds, in a seasonally expected move, bringing supplies 14.6% over last reported and 6.6% over last year. Total loins in cold storage reported very little change, up 160 thousand pounds overall, on modestly increased bone-in hams offset by another slight reduction in the boneless variety. Historically speaking pork in cold storage rises from December into January primarily a reflection of mounting hams, ribs and butts in cold storage.

Pork in Cold Storage can be considered neutral to slightly positive and so cannot be blamed for the recent slide in both cash and nearby lean hog futures. The outright collapse in the market can be somewhat explained by emotion (centered around ASF in China) and projections for ample pork supplies in the next 2-3 months. Although the decline has been nothing short of horrendous, it appears the futures may have reached a near-term bottom with positive trade early this week signalling a potential change in the trend.

Of significant note, producers should be aware that although nearby contracts have been hit hard and devalued, deferred contracts in 2019 currently are trading at contract highs. And not only contract highs for 2019 but near contract highs from the last 4 years. Dec 2019 lean hogs traded to a top of \$64.675 US/cwt just today (Wed) which has only been seen a handful of times since 2015. So, although there is not much to do in the way of forward contracting spring or summer hogs, some attention is recommended for the last quarter of the year. More to come next week on 2019, 4th quarter hedging, Stay tuned.....



US Pork in Cold Storage					
('000 lbs)	Dec-18	Nov-18	Dec-17	M/M %	Y/Y %
Picnics	6,832	6,544	5,982	4.4%	14.2%
Hams	73,118	96,380	81,082	-24.1%	-9.8%
Bellies	42,251	36,859	39,620	14.6%	6.6%
Loins	34,092	33,932	35,129	0.5%	-3.0%
Ribs	124,310	108,325	104,264	14.8%	19.2%
Butts	16,749	17,623	23,883	-5.0%	-29.9%
Trimming	48,441	43,033	43,080	12.6%	12.4%
Other	78,855	81,239	86,880	-2.9%	-9.2%
Total Pork	505,287	507,557	490,047	-0.4%	3.1%



Weekly Hog Price Recap

Regional and national cash hog pricing reported strength at the start and end of the week, however reported daily declines the remainder of the week. Cash bid volume was generally considered moderate. Alternately, CME cash weakened throughout the week reporting typically \$0.30/cwt losses daily. Wholesale pork primal values varied daily however ended lower overall, with pork cutout ending the week \$5.06/cwt lower.

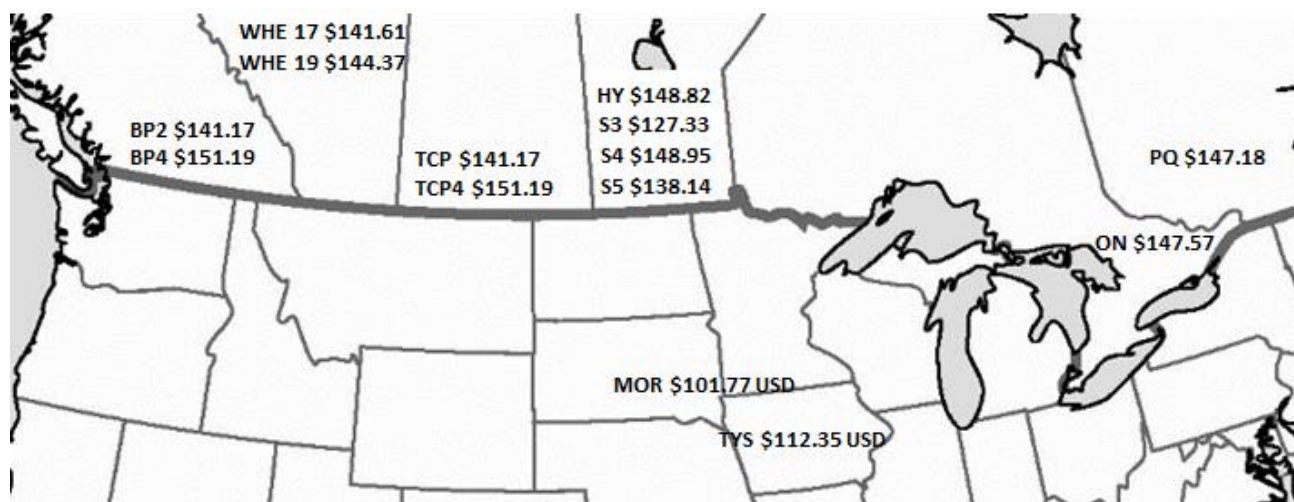
Cash Price	Weekly Averages		w/w	% Chg
	22-Feb-19	15-Feb-19		
ISM pm	\$47.32	\$48.08	-\$0.76	-1.6%
WCB pm	\$47.25	\$47.93	-\$0.69	-1.4%
Nat pm	\$47.57	\$48.48	-\$0.90	-1.9%
CME Index*	\$54.20	\$55.57	-\$1.37	-2.5%
BoC Exch	1.3194	1.3269	-0.0075	-0.6%

* Represents Friday-Thursday average

Hog markets on either side of the border continue to decline, falling four consecutive weeks. Monitored Canadian markets were \$2-\$4/hog lower from a week earlier. Markets out of the east were down the most north of the border, with Ontario and Quebec values dropping near \$4/hog. Those based off regional markets were down near \$3.50/hog, such as the WHE 19, Sig 3 and Sig 5. 201-derived markets such as Hylife and the Sig 4 fell closer to \$3/hog. WHE 17 and values out of Thunder Creek and Britco were down on the lower end of the range, falling \$2/hog. In the US, Tyson and JM values were down \$1.50-\$2/hog from a week earlier.

Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to WHE	2018 YTD	Difference to WHE	Last 13 weeks	Difference to WHE	Ending 22-Feb-19	Difference to WHE
WHE 2017	\$171.15		\$165.81		\$145.44		\$141.61	
WHE 2019	\$173.66	\$2.51	\$167.83	\$2.02	\$149.97	\$4.53	\$144.37	\$2.75
ML Sig 3	\$163.25	-\$7.90	\$155.54	-\$10.27	\$131.58	-\$13.85	\$127.33	-\$14.28
ML Sig 4	\$174.60	\$3.44	\$169.73	\$3.91	\$153.82	\$8.38	\$148.95	\$7.34
ML Sig 5	\$168.94	-\$2.22	\$162.63	-\$3.18	\$142.70	-\$2.73	\$138.14	-\$3.47
BP2/TCP **	\$167.63	-\$3.52	\$162.68	-\$3.13	\$143.18	-\$2.25	\$141.17	-\$0.45
BP4/TCP4 **	\$173.97	\$2.82	\$169.10	\$3.29	\$153.72	\$8.28	\$151.19	\$9.58
Hylife	\$175.61	\$4.45	\$170.52	\$4.71	\$154.34	\$8.91	\$148.82	\$7.20
Ontario	\$179.72	\$8.57	\$173.78	\$7.96	\$153.76	\$8.33	\$147.57	\$5.95
Québec	\$178.12	\$6.97	\$172.09	\$6.28	\$151.83	\$6.39	\$147.18	\$5.56
Tyson (USD)	\$138.69	-\$32.46	\$134.27	-\$31.55	\$113.54	-\$31.89	\$112.35	-\$29.26
John Morrell (USD)	\$131.90	-\$39.26	\$126.54	-\$39.27	\$104.31	-\$41.12	\$101.77	-\$39.84

**Thunder Creek reported with a 1-Week lag



Weekly Hog Margins

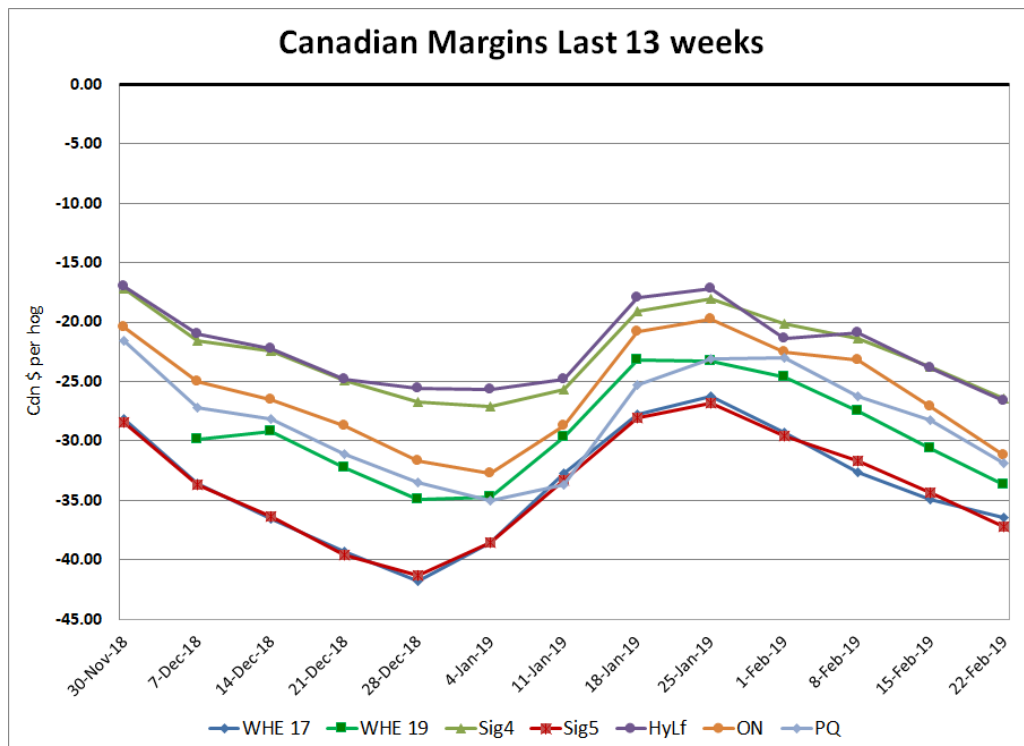
Hog margins continue to be pressured by weakness in cash hog markets however, were modestly offset with an easing of feed costs. Farrow-to-finish feed costs on either side of the border lessened \$0.30-\$0.40/hog.

Monitored hog margins are the weakest reported since the first week of the year, weakening another \$1.50-\$4/hog from a week earlier. Margins calculated out of Ontario weakened \$4/hog, followed closely by those out of Quebec. The Sig 5 and WHE 19 were \$3/hog lower from last week, while Hylife and Sig 4 margins were down near \$2.50/hog. The WHE 17 weakened the least on the week, down \$1.50/hog. In the US, both Tyson and JM hog margins were calculated \$1/hog weaker.

Regional MARGINS, \$/hog						
Packer/Region	22-Feb-19	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE17/Alberta	\$141.61	\$118.57	\$39.45	\$20.05	\$178.07	-\$36.46
WHE 19/Alberta	\$144.37	\$118.57	\$39.45	\$20.05	\$178.07	-\$33.70
ML Sig 4/Manitoba	\$148.95	\$116.31	\$39.54	\$19.55	\$175.40	-\$26.45
ML Sig 5/Manitoba	\$138.14	\$116.31	\$39.54	\$19.55	\$175.40	-\$37.26
Hylife/Manitoba	\$148.82	\$116.32	\$39.54	\$19.55	\$175.41	-\$26.59
Ontario	\$147.57	\$114.25	\$40.71	\$23.76	\$178.72	-\$31.15
Québec	\$147.18	\$116.94	\$40.50	\$21.65	\$179.09	-\$31.91
Tyson (USD)/Iowa	\$112.35	\$82.62	\$28.70	\$16.57	\$127.89	-\$15.54
John Morrell (USD)/ND	\$101.77	\$80.71	\$28.70	\$16.57	\$125.98	-\$24.21

* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$ (15.54) USD X 1.3194 = \$ (20.50) in Canadian Dollars
 Morrell \$ (24.21) USD X 1.3194 = \$ (31.94) in Canadian Dollars



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