



Weekly Regional HOG PRICE Report



February 5, 2019

Things to Consider....

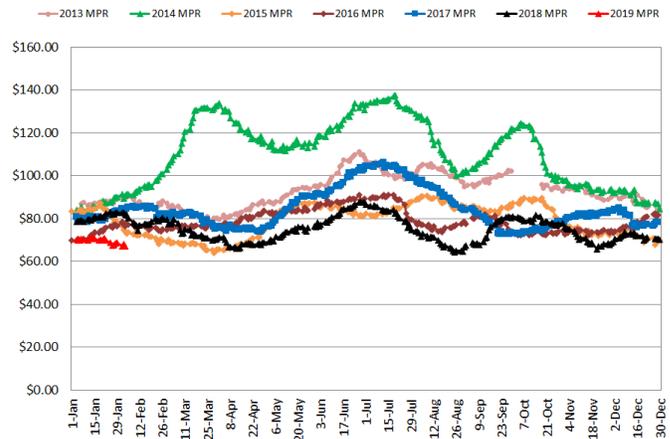
It has not been a great start to the year for pork prices with the National Carlot Pork Report illustrating prices in the US at a 5-year low through the 2nd week of February. Although abundant hog supplies south of the border are partially to blame for cut-out weakness, another main reason for depressed pork prices in North America has been the sharp decline of pork prices in China. To some, lower pork values in China may come as a surprise given the number of animals that been culled due to African Swine Fever, however not all animals have been culled and destroyed but rather hundreds of thousands of pigs have come to market early in an attempt for producers to avoid being swept up in containment efforts.

Prices of wholesale pork in China are down 15% from January 2018 as farmers rush herds to market to avoid losing total value as containment sweeps across the country. As the spread of the disease continues, illustrated in the adjacent map, Beijing has ordered the slaughter of nearly 1 Million pigs. Although 1 Million hogs are not that significant compared to China's hog population it does provide added supply to the market pressuring prices even during the peak holiday demand season.

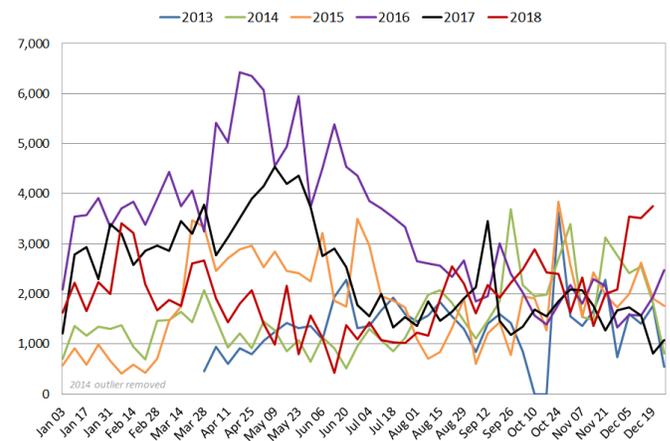
As a result of today's efforts to control the disease some analysts are forecasting a shift in supply and demand in the second half of 2019. Rabobank senior analyst Chenjun Pan was recently quoted saying *"While pork supply is believed to be sufficient in the first quarter, the big supply issue will arise later in the year, with pork imports expected to increase substantially due to local supply shortages."* In a research report, Pan said that pork production in China could drop by as much as 20 per cent in 2019.

Weekly exports to China from the US have already experienced an increase from mid 2018 shown in the graph to the right and as more data is released from the USDA (reports are behind due to the government shut down), expectations are for the volumes to continue to grow. Hog producers are encouraged to be patient and look for improved hedging opportunities in the coming months.

USDA National Carlot Pork Report



Weekly Pork Exports (MT) - CHINA



Weekly Hog Price Recap

Regional and national cash hog pricing began the week with daily increases however losses the latter half of the week removed early gains. CME cash by comparison reported more moderate daily changes however dipped lower each day. Wholesale pork primals were primarily lower on the week, with pork cutout ending \$0.98/cwt lower.

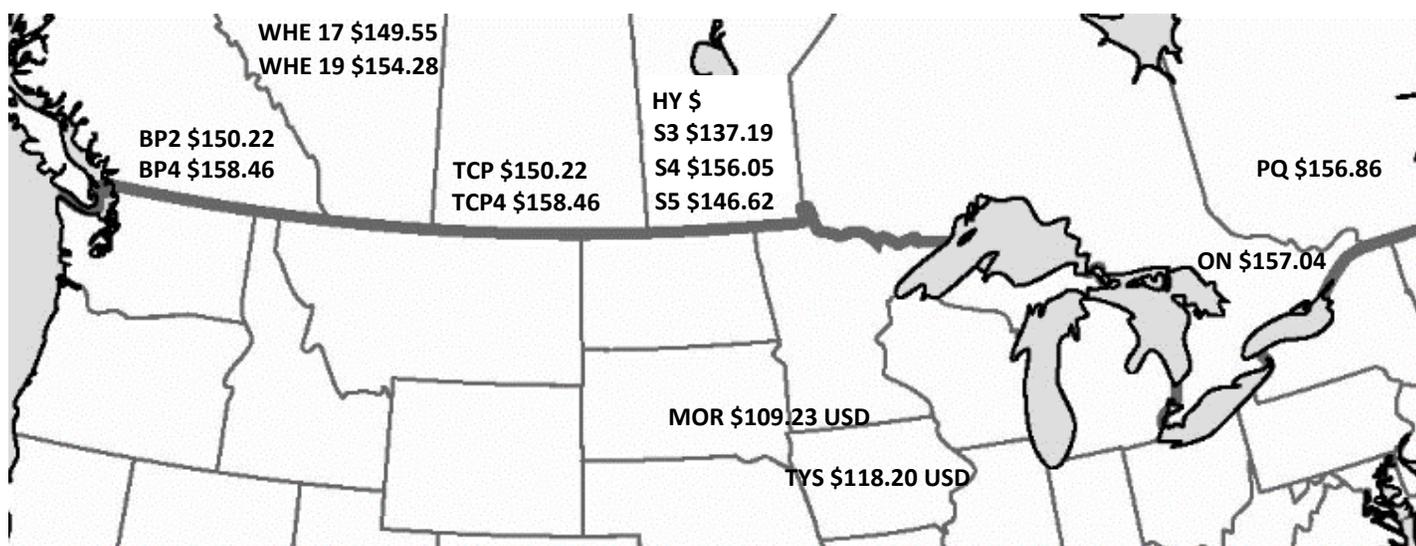
Cash Price	Weekly Averages		w/w	% Chg
	1-Feb-19	25-Jan-19		
ISM pm	\$50.97	\$52.01	-\$1.04	-2.0%
WCB pm	\$50.83	\$51.90	-\$1.07	-2.1%
Nat pm	\$51.09	\$52.00	-\$0.91	-1.7%
CME Index*	\$57.67	\$58.39	-\$0.72	-1.2%
BoC Exch	1.3191	1.3318	-0.0127	-1.0%

* Represents Friday-Thursday average

Monitored Canadian hog markets erased the gains earned the week previous, declining \$1-\$4/hog on the week. Markets based off regional cash pricing such as the ML Sig 3 & 5, and other pricing such as Hylife and the WHE 17, declined the most on the week each near \$4/hog lower. Values out of Ontario and those out of the Sig 4 declined closer to \$3/hog, while the WHE 19 fell more than \$2/hog and Quebec values were down \$1/hog. Pricing out of Britco/Thunder Creek is calculated off a 1-week lag, each up more than \$2/hog. In the US, Tyson values were stable to narrowly unchanged while those out of JM declined near \$2/hog.

Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to WHE	2018 YTD	Difference to WHE	Last 13 weeks	Difference to WHE	Ending 1-Feb-19	Difference to WHE
WHE 2017	\$171.67		\$165.81		\$148.00		\$149.55	
WHE 2019	\$174.06	\$2.39	\$167.83	\$2.02	\$152.66	\$4.65	\$154.28	\$4.74
ML Sig 3	\$163.88	-\$7.80	\$155.54	-\$10.27	\$134.07	-\$13.94	\$137.19	-\$12.35
ML Sig 4	\$174.94	\$3.27	\$169.73	\$3.91	\$156.37	\$8.37	\$156.05	\$6.50
ML Sig 5	\$169.42	-\$2.25	\$162.63	-\$3.18	\$145.22	-\$2.78	\$146.62	-\$2.92
BP2/TCP **	\$167.95	-\$3.72	\$162.68	-\$3.13	\$146.18	-\$1.83	\$150.22	\$0.67
BP4/TCP4 **	\$174.21	\$2.53	\$169.10	\$3.29	\$156.64	\$8.64	\$158.46	\$8.92
Hylife	\$175.98	\$4.31	\$170.52	\$4.71	\$156.89	\$8.88	\$155.90	\$6.35
Ontario	\$180.15	\$8.48	\$173.78	\$7.96	\$156.83	\$8.83	\$157.04	\$7.49
Québec	\$178.51	\$6.84	\$172.09	\$6.28	\$155.17	\$7.17	\$156.86	\$7.32
Tyson (USD)	\$138.90	-\$32.77	\$134.19	-\$31.62	\$115.01	-\$32.99	\$118.20	-\$31.35
John Morrell (USD)	\$132.31	-\$39.36	\$126.54	-\$39.27	\$106.19	-\$41.81	\$109.23	-\$40.32

**Thunder Creek reported with a 1-Week lag



Weekly Hog Margins

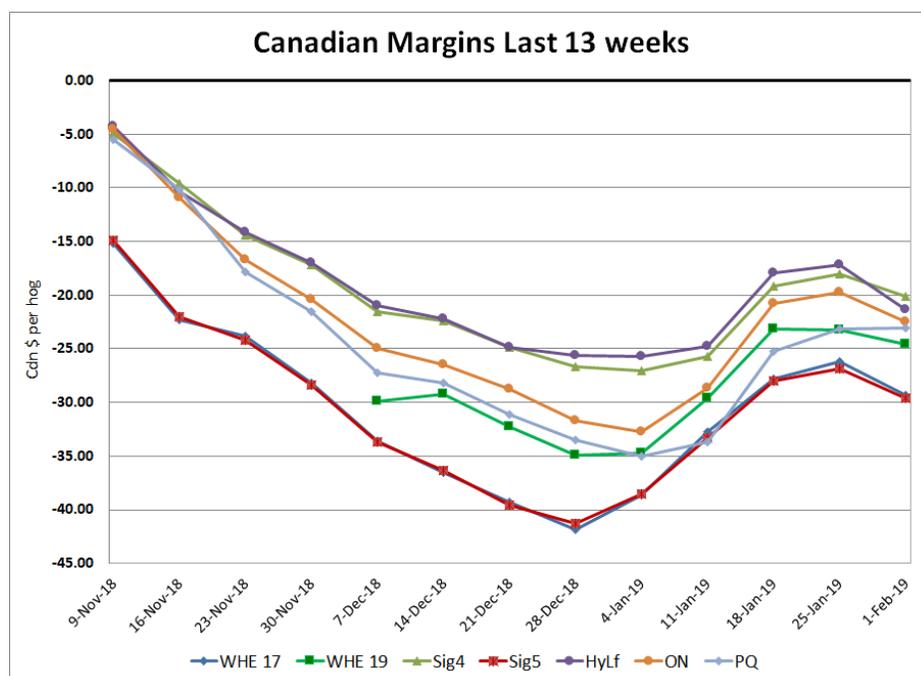
Hog market values erased the previous week's rise resulting in weakened margins, while feed costs managed to revert to cost levels two weeks prior in moves that reversed last week's increased costs. Canadian farrow-to-finish feed costs fell near \$1/hog while those in the monitored US region fell \$0.30/hog.

Of the monitored hog margins, margins calculated out of Hylife declined the most, down \$4/hog. Those calculated out of the WHE 17, Sig 5 and Ontario were each down near \$3/hog. Margins calculated off the Sig 4 were down more than \$2/hog while the WHE 19 weakened more than \$1/hog and Quebec margins were near unchanged. In the US, Tyson margins were improved modestly while JM margins were calculated \$2/hog lower.

Regional MARGINS, \$/hog						
Packer/Region	1-Feb-19	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE17/Alberta	\$149.55	\$119.37	\$39.45	\$20.05	\$178.87	-\$29.32
WHE 19/Alberta	\$154.28	\$119.37	\$39.45	\$20.05	\$178.87	-\$24.59
ML Sig 4/Manitoba	\$156.05	\$117.11	\$39.54	\$19.55	\$176.20	-\$20.15
ML Sig 5/Manitoba	\$146.62	\$117.11	\$39.54	\$19.55	\$176.20	-\$29.58
Hylife/Manitoba	\$155.90	\$118.20	\$39.54	\$19.55	\$177.29	-\$21.39
Ontario	\$157.04	\$115.05	\$40.71	\$23.76	\$179.52	-\$22.48
Québec	\$156.86	\$117.74	\$40.50	\$21.65	\$179.89	-\$23.03
Tyson (USD)/Iowa	\$118.20	\$83.93	\$28.70	\$16.57	\$129.20	-\$11.00
John Morrell (USD)/ND	\$109.23	\$82.02	\$28.70	\$16.57	\$127.29	-\$18.06

* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$ (11.00) USD X 1.3191 = \$ (14.51) in Canadian Dollars
 Morrell \$ (18.06) USD X 1.3191 = \$ (23.82) in Canadian Dollars



Disclaimer: Commodity Professionals Inc. presents this report as a snapshot of the market using current information available at the time of the report. These findings are for informational purposes only and should not be reproduced or transmitted by any means without permission. Commodity Professionals Inc. does not guarantee, and accepts no legal liability arising from or connected to, the accuracy, reliability, or completeness of any material contained in the publication.