



# Weekly Regional HOG PRICE Report

## Things to Consider....

January 16, 2019

Technical weakness has devalued lean hog futures significantly over the past week following fundamental losses that were registered over the last month.

Lean hog futures for the most part have traded lower since reaching a market top on November 20<sup>th</sup>, nearly 2 months ago. Although the market mustered some strength late in Dec and early Jan managing to stay within a few dollars of the recent high, this week's collapse has taken spring futures nearly \$10 US per cwt below the top equal to over \$20 per hog Canadian beneath the once attractive spring price.

April lean hogs shown in the top graph, illustrate how aggressive the move has been with mid-week trade at the lowest level seen since Aug 16<sup>th</sup> 2018. The now 5-month low appears destined to close a gap in the April market made back in mid-August. If successful, the April futures would need to drop another \$1.25 US per cwt closing the upside gap created on Aug 16<sup>th</sup>.

June lean hogs also shown here have experienced a similar fate with weakness registering a 5-month low today.

### April 2019 Lean Hogs



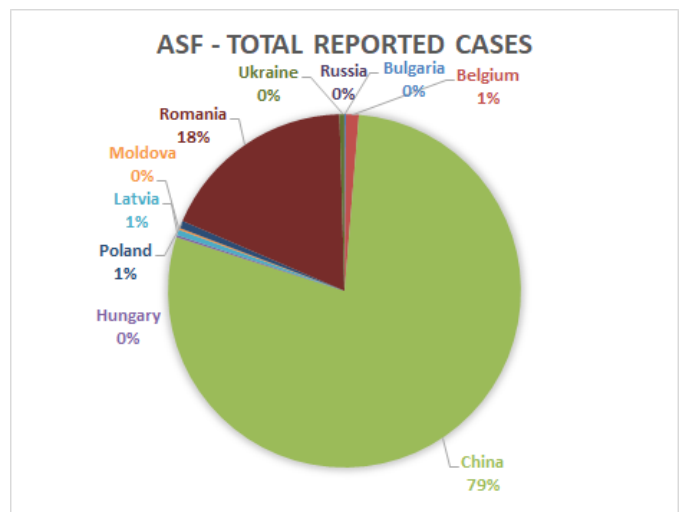
### June 2019 Lean Hogs



ASF Outbreak Update											
	Nov 10-30, 2018			Oct 26-Nov 9, 2018		Oct 19-25, 2018		Oct 5-18, 2018		Sep 28-Oct 4, 2018	
	New Outbreaks	Cases	Losses	Cases	Losses	Cases	Losses	Cases	Losses	Cases	Losses
Bulgaria				5	5	1					
Belgium	11	17	17	6	6			32	32		
China	13	622	4,477	200	18950	545	1,157	2,194	40,911	102	378
Hungary	5	5	5	3	3			1	1		
Latvia	14	15	15	2	1			7	7		
Moldova								7	53	1	
Poland	17	25	25					7	7		
Romania	20	230	230	113	113	48	48	324	324	127	115
Ukraine	6	15	3,260	2	2328	2	12	1	56		
Russia	1	1	1								
<b>Total</b>	<b>87</b>	<b>930</b>	<b>8,030</b>	<b>331</b>	<b>21,406</b>	<b>596</b>	<b>1,217</b>	<b>2,573</b>	<b>41,391</b>	<b>230</b>	<b>493</b>

A lack of fresh positive news is being blamed for the market weakness however some of the over inflated upside is simply being removed from prices. Although ASF is a real thing and is ever more common now in Asia and parts of Europe, the North American market has yet to reap the rewards or benefits from the spread of the disease. The most recent cases of the disease have been published through to the end November 2018 however the total impact of the disease is still to be determined. This is not to say that demand will not pick up later in 2019 however there are no significant signs of huge import orders coming from China immediately.

For now, hog producers are encouraged to sit on the sidelines and allow the futures to “do their thing”. With nearby Feb19 futures only a couple dollars above cash there is no opportunity now to use futures to mitigate risk. Producers should be patient and use the next rally as a chance to add to existing positions or begin building some protection for the year ahead.



## Weekly Hog Price Recap

Regional and national cash hog values reported good strength the first half of the week, with declines Thursday and Friday pulling back on earlier reported strength. CME cash posted daily gains throughout the week, with the greatest daily gains reported late week. Wholesale pork improved overall with cutout up \$0.40/cwt on higher rib, ham and belly values.

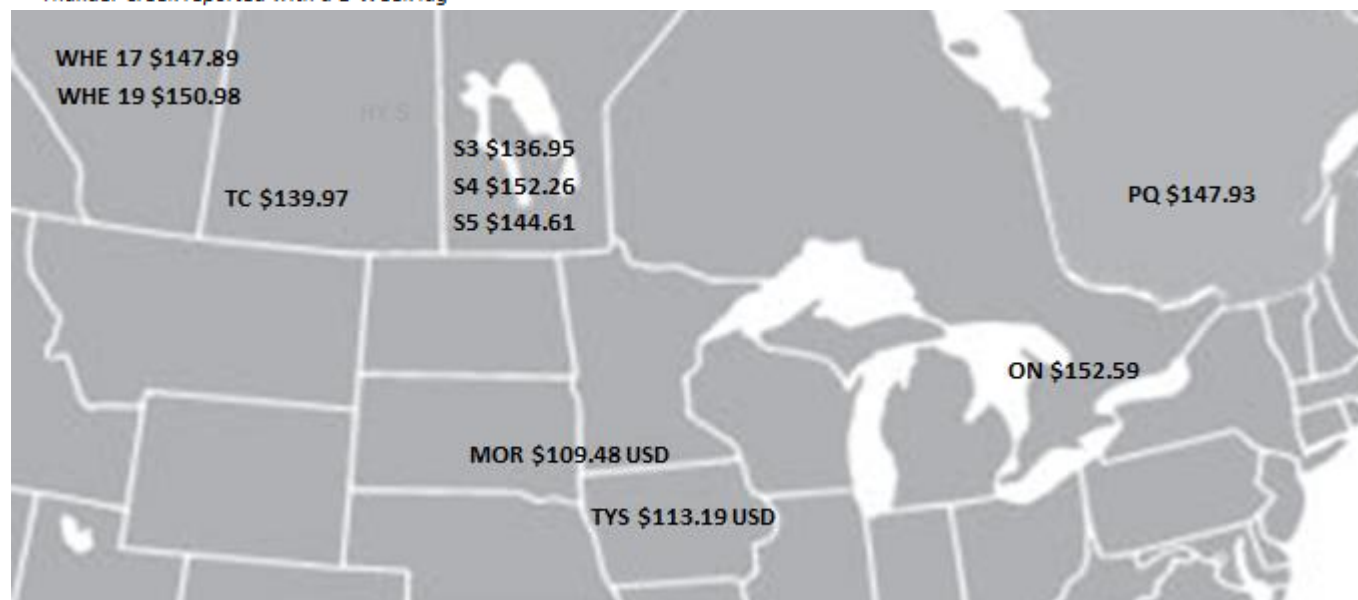
Cash Price	Weekly Averages		w/w	% Chg
	11-Jan-19	4-Jan-19		
ISM pm	\$50.92	\$47.63	\$3.29	6.9%
WCB pm	\$50.95	\$47.52	\$3.43	7.2%
Nat pm	\$50.45	\$46.95	\$3.50	7.5%
CME Index*	\$55.43	\$53.28	\$2.15	4.0%
BoC Exch	1.3264	1.3538	-0.0274	-2.0%

\* Represents Friday-Thursday average

All monitored Canadian markets improved on the week, with those out of the WHE and Sig 5 up the most. The WHE 17 rose \$5/hog while those out of the WHE 19 and Sig 5 were each up more than \$4/hog. Pricing out of Thunder Creek and those out of Ontario rose near \$3/hog, while remaining Canadian markets rose \$0.50/hog. In the US, Tyson values jumped more than \$8/hog while JM values were calculated \$7/hog higher.

Regional Pricing, \$/hog								
Packer/Region	Difference		2018 YTD	Difference		Last 13 weeks	Difference	
	3 Year	to WHE		to WHE	to WHE		11-Jan-19	to WHE
WHE 2017	\$171.87		\$165.81		\$151.35		\$147.89	
WHE 2019							\$150.98	\$3.08
ML Sig 3	\$164.13	-\$7.73	\$155.54	-\$10.27	\$137.74	-\$13.61	\$136.95	-\$10.94
ML Sig 4	\$175.03	\$3.16	\$169.73	\$3.91	\$159.95	\$8.60	\$152.26	\$4.36
ML Sig 5	\$169.59	-\$2.27	\$162.63	-\$3.18	\$148.85	-\$2.51	\$144.61	-\$3.29
Thunder Creek **	\$168.00	-\$3.87	\$162.68	-\$3.13	\$150.73	-\$0.62	\$139.97	-\$7.93
Hylife	\$176.37	\$4.50	\$170.52	\$4.71	\$161.68	\$10.32		
Ontario	\$180.28	\$8.41	\$173.78	\$7.96	\$161.02	\$9.67	\$152.59	\$4.70
Québec	\$178.62	\$6.76	\$172.09	\$6.28	\$159.91	\$8.56	\$147.93	\$0.03
Tyson (USD)	\$138.98	-\$32.88	\$134.19	-\$31.62	\$118.58	-\$32.77	\$113.19	-\$34.70
John Morrell (USD)	\$132.44	-\$39.42	\$126.54	-\$39.27	\$109.44	-\$41.91	\$109.48	-\$38.41

\*\*Thunder Creek reported with a 1-Week lag



# Weekly Hog Margins

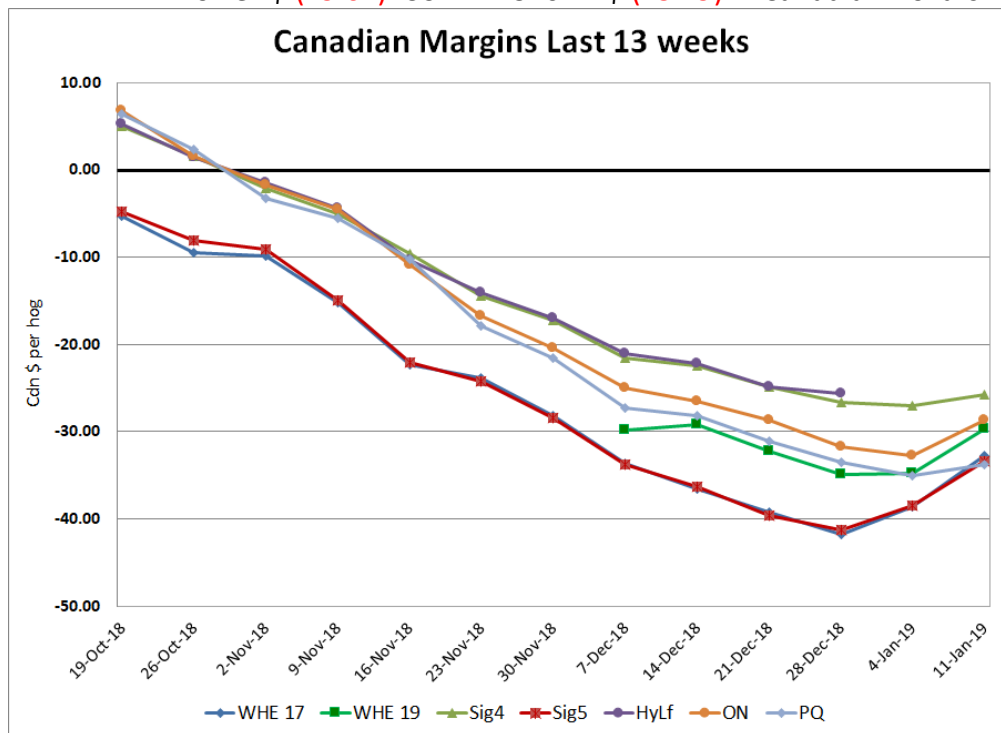
Monitored hog margins improved on the week on stronger cash markets, despite the lower rate of exchange affecting Canadian markets. Canadian farrow-to-finish feed costs decreased \$0.75/hog while those in monitored US regions increased \$0.50/hog.

Hog margins out of the WHE and Ontario were up the most between \$4-\$5/hog. Margins out of the Sig 4 and Quebec rose near \$1.50/hog. In the US, hog margins based off Tyson pricing strengthened shy of \$8/hog while those out of JM improved closer to \$6.50/hog.

Regional MARGINS, \$/hog						
Packer/Region	11-Jan-19	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE17/Alberta	\$147.89	\$121.12	\$39.45	\$20.05	\$180.62	-\$32.73
WHE 19/Alberta	\$150.98	\$121.12	\$39.45	\$20.05	\$180.62	-\$29.64
ML Sig 4/Manitoba	\$152.26	\$118.86	\$39.54	\$19.55	\$177.95	-\$25.69
ML Sig 5/Manitoba	\$144.61	\$118.86	\$39.54	\$19.55	\$177.95	-\$33.34
Thunder Creek/SK	\$139.97		N/A			N/A
Hylife/Manitoba						
Ontario	\$152.59	\$116.80	\$40.71	\$23.76	\$181.27	-\$28.68
Québec	\$147.93	\$119.49	\$40.50	\$21.65	\$181.64	-\$33.71
Tyson (USD)/Iowa	\$113.19	\$85.19	\$28.70	\$16.57	\$130.46	-\$17.27
John Morrell (USD)/ND	\$109.48	\$83.28	\$28.70	\$16.57	\$128.55	-\$19.07

\* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$ (17.27) USD X 1.3264 = \$ (22.91) in Canadian Dollars  
 Morrell \$ (19.07) USD X 1.3264 = \$ (25.29) in Canadian Dollars



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