



Weekly Regional HOG PRICE Report



January 25, 2019

Things to Consider....

Hog finishing margins as we know in Canada are affected by 4 major variables namely 1) Hog prices 2) Exchange rate 3) Grain/energy prices and 4) Soy/protein prices. The impact or change of each variable varies, depending on its value and direction, with all 4 combining to have significant impact on the bottom line for hog producers across the country.

As of late depending on how we look at margins, there has been movement in both directions resulting in 2 sides to the story. The graph on page 3 illustrates that margins over the past 13 weeks have been increasing since a bottom near the last week in Dec or early Jan. Margins remain negative but appear to be working their way towards profitability. The reason for the increase has been mainly due to the upward movement in CASH hog prices which have been significantly impacted by the drop in the Canadian dollar illustrated by the March 2019 CAD\$ Futures. This drop in the Loonie or rise in Exchange rate has significantly aided current margins as has the normal seasonal move in cash hog prices.

The opposite has happened however for forward margins. Margins for summer months or even fall 2019 months have experienced a significant decline impacted mainly by the recent collapse of the lean hog futures market and the slow but slightly steady increase in the soymeal market.

Producers should not only focus on current hog margins but also be aware of costs in the future to allow for better decision making on forward margins should the opportunity present itself as it did a few short months ago.

March 2019 CAD\$ Futures



July 2019 Corn Futures



July 2019 Soymeal Futures



June 2019 Lean Hog Futures



Weekly Hog Price Recap

Cash hogs reported improved values throughout most of the week on mostly moderate packer bid volume. Stronger gains were reported at the start of the week, when wholesale pork values were also reported higher. Wholesale pork cutout declined modestly from last week's average, with declines in butt and belly values offsetting rises to loins, hams and picnics. Pork cutout was down \$0.12/cwt.

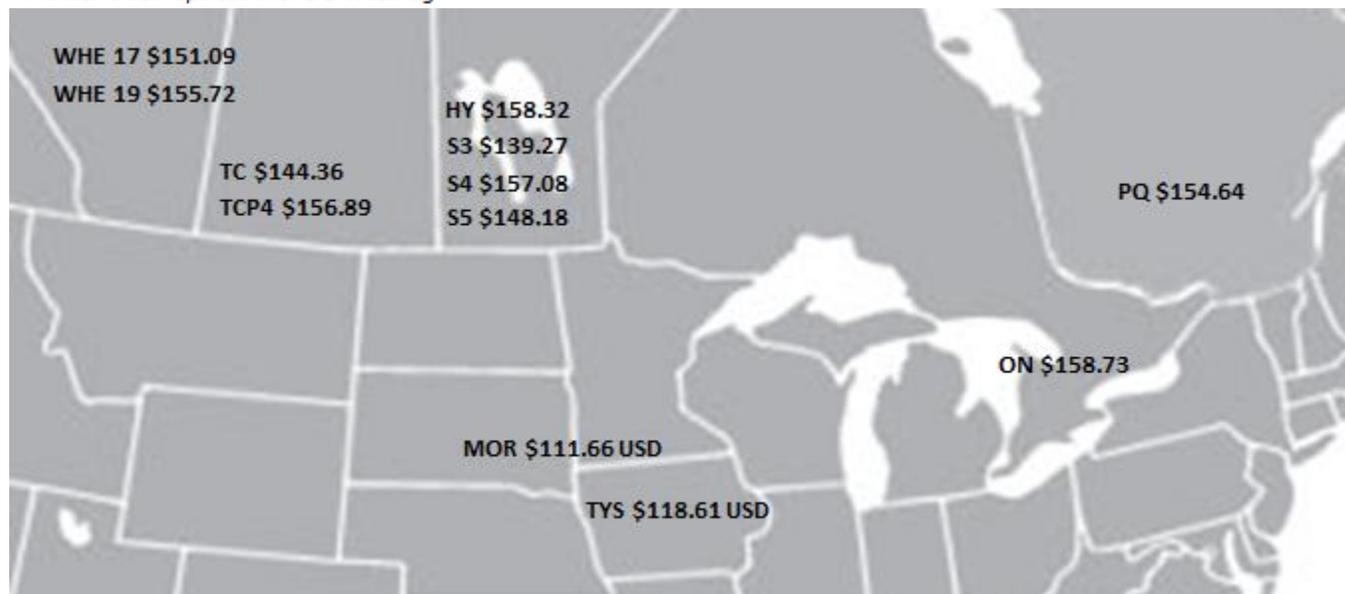
Cash Price	Weekly Averages		w/w	% Chg
	18-Jan-19	11-Jan-19		
ISM pm	\$52.17	\$50.92	\$1.25	2.5%
WCB pm	\$52.00	\$50.95	\$1.05	2.1%
Nat pm	\$51.61	\$50.45	\$1.16	2.3%
CME Index*	\$57.84	\$55.43	\$2.41	4.3%
BoC Exch	1.3267	1.3264	0.0003	0.0%

* Represents Friday-Thursday average

Monitored Canadian hog markets improved \$3-\$7/hog on the week, with markets derived from CME-based cash up the most. Pricing out eastern Canada, such as Ontario and Quebec, rose between \$6-\$7/hog. The WHE 19 and the Sig 4 each improved near \$5/hog. The WHE 17 and Sig 5 were up the least, near \$3.50/hog higher, while remaining Canadian markets were generally up \$4/hog. In the US, Tyson values were up \$5.50/hog while those out of JM improved \$2/hog.

Regional Pricing, \$/hog								
Packer/Region	Difference		2018 Difference		Last Difference		Ending Difference	
	3 Year	to WHE	YTD	to WHE	13 weeks	to WHE	18-Jan-19	to WHE
WHE 2017	\$171.85		\$165.81		\$149.95		\$151.09	
WHE 2019							\$155.72	\$4.63
ML Sig 3	\$164.10	-\$7.75	\$155.54	-\$10.27	\$136.35	-\$13.59	\$139.27	-\$11.82
ML Sig 4	\$175.06	\$3.20	\$169.73	\$3.91	\$158.42	\$8.47	\$157.08	\$5.99
ML Sig 5	\$169.59	-\$2.26	\$162.63	-\$3.18	\$147.38	-\$2.56	\$148.18	-\$2.91
Thunder Creek **	\$168.04	-\$3.81	\$162.68	-\$3.13	\$148.60	-\$1.35	\$144.36	-\$6.73
TCP4	\$174.31	\$2.45	\$168.90	\$3.09	\$157.38	\$7.43	\$156.89	\$5.81
Hylife	\$176.11	\$4.26	\$170.52	\$4.71	\$158.92	\$8.97	\$158.32	\$7.23
Ontario	\$180.30	\$8.45	\$173.78	\$7.96	\$159.22	\$9.28	\$158.73	\$7.64
Québec	\$178.64	\$6.79	\$172.09	\$6.28	\$157.80	\$7.85	\$154.64	\$3.55
Tyson (USD)	\$139.02	-\$32.84	\$134.19	-\$31.62	\$116.98	-\$32.97	\$118.61	-\$32.48
John Morrell (USD)	\$132.46	-\$39.39	\$126.54	-\$39.27	\$108.30	-\$41.65	\$111.66	-\$39.43

**Thunder Creek reported with a 1-Week lag



Weekly Hog Margins

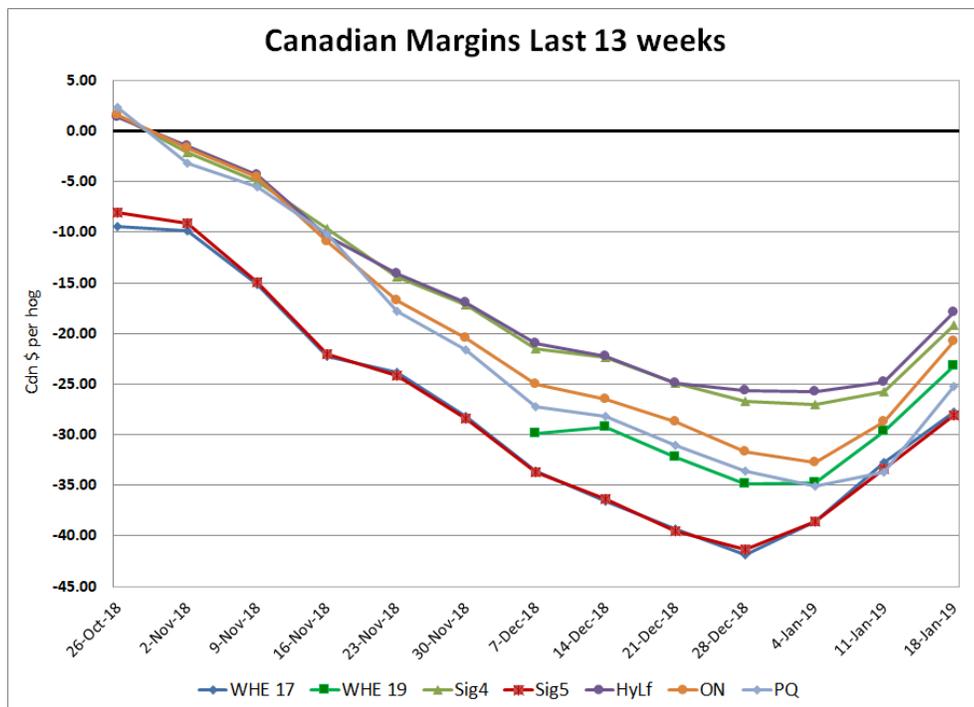
Monitored hog margins improved on the week on stronger cash markets, further aided by a reduction in feed costs and the stable rate of exchange. Canadian farrow-to-finish feed costs decreased \$1.75/hog while those in the monitored US region fell \$1.30/hog.

Hog margins out of Ontario and Quebec were up the most between \$8-\$8.50/hog. Margins calculated off the WHE 17 and Sig 5 improved \$5/hog, while remaining Canadian margins were up \$6-\$7/hog. In the US, hog margins based off Tyson pricing strengthened shy of \$7/hog while those out of JM improved closer to \$3.50/hog.

Regional MARGINS, \$/hog						
Packer/Region	18-Jan-19	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE17/Alberta	\$151.09	\$119.38	\$39.45	\$20.05	\$178.88	-\$27.79
WHE 19/Alberta	\$155.72	\$119.38	\$39.45	\$20.05	\$178.88	-\$23.16
ML Sig 4/Manitoba	\$157.08	\$117.12	\$39.54	\$19.55	\$176.21	-\$19.13
ML Sig 5/Manitoba	\$148.18	\$117.12	\$39.54	\$19.55	\$176.21	-\$28.03
Thunder Creek/SK	\$144.36	N/A				N/A
Hylife/Manitoba	\$158.32	\$117.13	\$39.54	\$19.55	\$176.22	-\$17.90
Ontario	\$158.73	\$115.06	\$40.71	\$23.76	\$179.53	-\$20.80
Québec	\$154.64	\$117.75	\$40.50	\$21.65	\$179.90	-\$25.26
Tyson (USD)/Iowa	\$118.61	\$83.90	\$28.70	\$16.57	\$129.17	-\$10.56
John Morrell (USD)/ND	\$111.66	\$81.99	\$28.70	\$16.57	\$127.26	-\$15.60

* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$ (10.56) USD X 1.3267 = \$ (14.00) in Canadian Dollars
 Morrell \$ (15.60) USD X 1.3267 = \$ (20.70) in Canadian Dollars



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