



Weekly Regional HOG PRICE Report



January 2, 2019

Things to Consider....

Happy New Year and All the Best in 2019!

The most recent US Cold Storage report revealed total pork stocks at 507.6 million pounds for November, a decline of 63.3 million pounds from October. This volume brings pork in cold storage 1% over last year. The month-over-month decline reflects a typical significant seasonal drop in total hams in cold storage, offset in part by rises in other pork cuts.

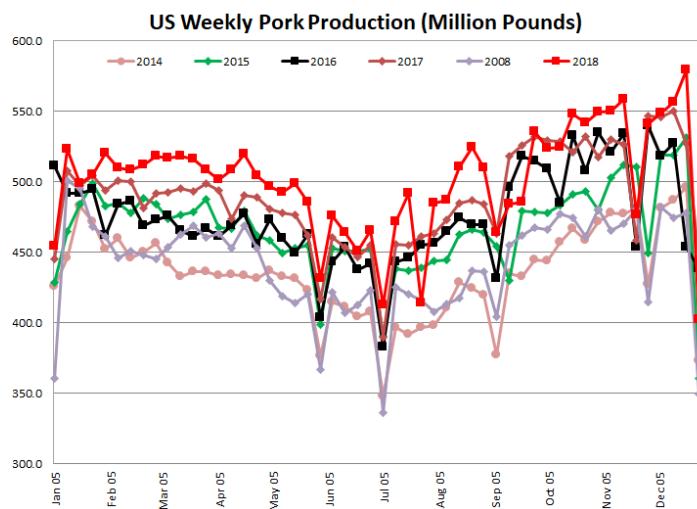
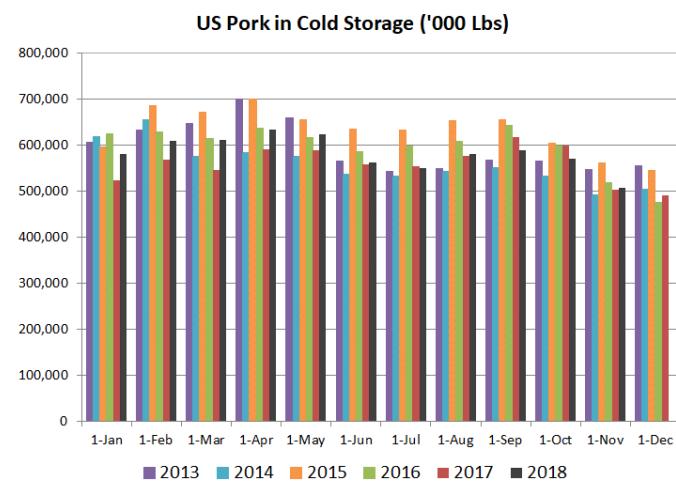
Total ham supplies in cold storage dropped 79.7 million pounds, down 45.3% for November. Boneless hams decreased 40.4 million pounds while the bone-in variety fell 39.3 million pounds from last reported. Picnics in cold storage declined 1,335 thousand pounds while butts edged 609 thousand pounds higher.

Spare ribs in cold storage increased volume by 7.0 million pounds, 8.1% 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 end of the first quarter. Bellies in cold storage increased 10.2 million pounds, in a seasonally expected move, bringing supplies 4.8% over last year.

Total loins in cold storage reported very little change, down 283 thousand pounds with the bone-in variety up 494 thousand pounds and boneless down 777 thousand pounds. Historically speaking pork in cold storage tends to be stable to lower from November into December primarily a reflection of reduced hams in cold storage however butt supplies fall seasonally for this period as well.

Total US pork production in 2018 was reported 2.6% above 2017 as illustrated in the adjacent graph. Given the excess production, the fact that Cold Storage was only 1% above year ago levels YTD, it supports the theory of ongoing strong demand for pork both domestically and abroad. Lean hog futures have recorded weakness in nearby contracts however hedging opportunities remain for mid summer and early fall periods which currently have contractible prices near 3-year highs. Producers are encouraged to have some protection on for 2019 heading into the first quarter.

US Pork in Cold Storage					
('000 lbs)	Nov-18	Oct-18	Nov-17	M/M %	Y/Y %
Picnics	6,544	7,879	6,866	-16.9%	-4.7%
Hams	96,380	176,085	98,224	-45.3%	-1.9%
Bellies	36,859	26,690	35,164	38.1%	4.8%
Loins	33,932	34,215	36,440	-0.8%	-6.9%
Ribs	108,325	101,370	100,218	6.9%	8.1%
Butts	17,623	17,014	25,799	3.6%	-31.7%
Trimmings	43,033	42,156	37,484	2.1%	14.8%
Other	81,239	79,323	93,602	2.4%	-13.2%
Total Pork	507,557	570,894	502,324	-11.1%	1.0%



Weekly Hog Price Recap

Regional and national cash hog values managed to wrap up the week modestly higher, with most strength reported Wednesday. Cash hog bid volume was mostly light. CME cash declined daily, bringing the week \$1.56/cwt lower than the previous. Pork cutout fell \$0.86/cwt as most primals weakened during the holiday shortened week.

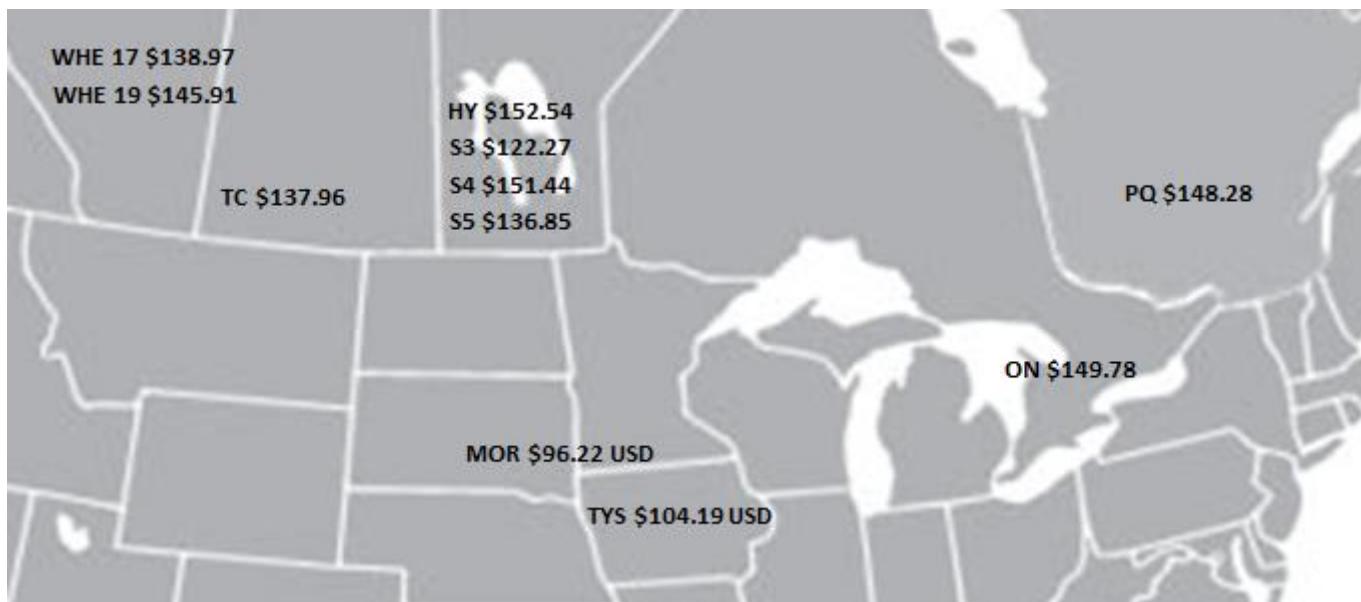
Cash Price	Weekly Averages			
	28-Dec-18	21-Dec-18	w/w	% Chg
ISM pm	\$44.61	\$44.58	\$0.03	0.1%
WCB pm	\$44.58	\$44.50	\$0.08	0.2%
Nat pm	\$44.84	\$45.23	-\$0.39	-0.9%
CME Index*	\$53.18	\$54.74	-\$1.56	-2.8%
BoC Exch	1.3623	1.3473	0.0150	1.1%

* Represents Friday-Thursday average

Values out of Ontario fell \$2.60/hog, weakening the most on the week. The WHE as well as Thunder Creek and Quebec fell just over \$2/hog, while ML Sig values each declined near \$1.25-\$1.50/hog. Margins out of Hylife declined the least on the week, falling \$0.50/hog. In the US Tyson values dropped \$3.00/hog while JM managed to climb modestly, up \$0.15/hog.

Packer/Region	Regional Pricing, \$/hog							
	3 Year	Difference to WHE	2018 YTD	Difference to WHE	Last 13 weeks	Difference to WHE	Ending 28-Dec-18	Difference to WHE
WHE 2017	\$171.88		\$165.81		\$155.79		\$138.97	
WHE 2019							\$145.91	\$6.94
ML Sig 3	\$164.20	-\$7.68	\$155.54	-\$10.27	\$142.75	-\$13.04	\$122.27	-\$16.70
ML Sig 4	\$175.04	\$3.16	\$169.73	\$3.91	\$163.73	\$7.94	\$151.44	\$12.47
ML Sig 5	\$169.63	-\$2.25	\$162.63	-\$3.18	\$153.24	-\$2.55	\$136.85	-\$2.12
Thunder Creek **	\$168.01	-\$3.87	\$162.68	-\$3.13	\$155.11	-\$0.68	\$137.96	-\$1.01
Hylife	\$176.08	\$4.20	\$170.52	\$4.71	\$163.66	\$7.87	\$152.54	\$13.57
Ontario	\$180.31	\$8.43	\$173.78	\$7.96	\$166.04	\$10.24	\$149.78	\$10.81
Québec	\$178.71	\$6.83	\$172.09	\$6.28	\$164.93	\$9.14	\$148.28	\$9.31
Tyson (USD)	\$139.03	-\$32.85	\$134.19	-\$31.62	\$123.81	-\$31.99	\$104.19	-\$34.78
John Morrell (USD)	\$132.44	-\$39.44	\$126.54	-\$39.27	\$113.81	-\$41.99	\$96.22	-\$42.75

**Thunder Creek reported with a 1-Week lag



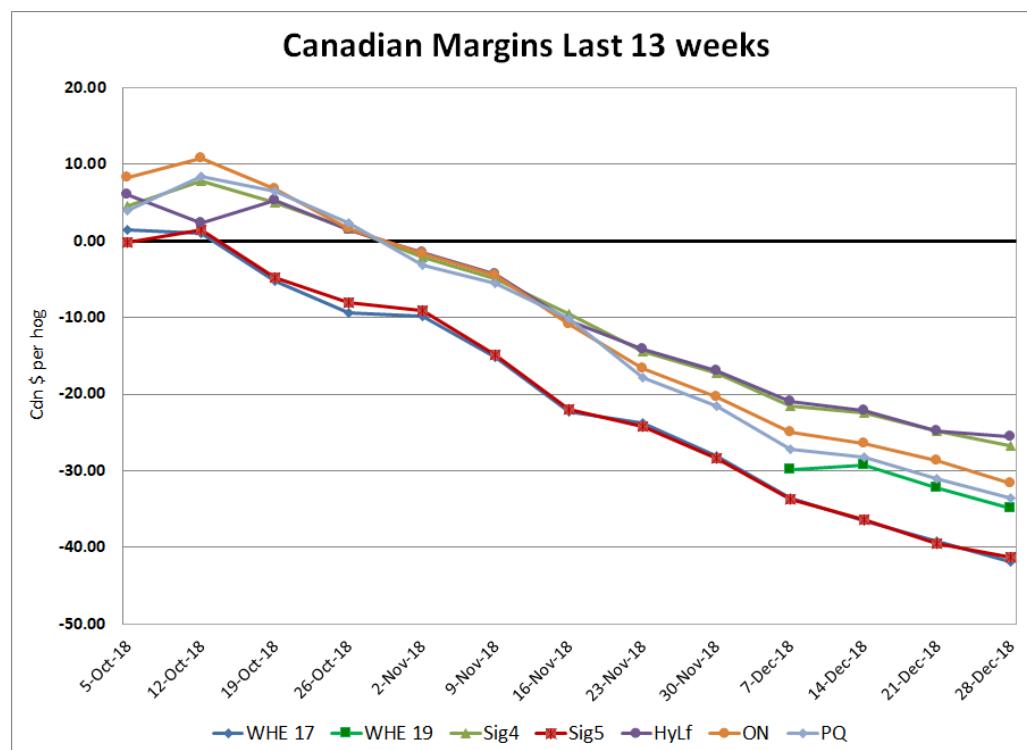
Weekly Hog Margins

Hog margins fell to lows not reported since early-September. Hog margins typically begin to improve in early January. Canadian farrow to finish feed costs rose 0.35/hog, while those in monitored US regions declined \$0.30/hog. Hog margins weakened during the holiday shortened week, with Canadian markets generally \$0.75/hog to \$3/hog lower. Margins out of HyLife weakened the least, falling \$0.75/hog, while the Sig 4 declined less than \$2/hog. Hog margins out of Quebec and the WHE 19 were \$2.50/hog lower, while those out of Ontario fell \$3/hog. In the US, Tyson margins fell \$2.75/hog while those out of JM managed to increase \$0.50/hog.

Regional MARGINS, \$/hog						
Packer/Region	28-Dec-18	Farrow to Finish			Total	Weekly Margin
	Hog Price	Feed*	Variable	Fixed	COP	
WHE17/Alberta	\$138.97	\$121.30	\$39.45	\$20.05	\$180.80	-\$41.83
WHE 19/Alberta	\$145.91	\$121.30	\$39.45	\$20.05	\$180.80	-\$34.89
ML Sig 4/Manitoba	\$151.44	\$119.04	\$39.54	\$19.55	\$178.13	-\$26.69
ML Sig 5/Manitoba	\$136.85	\$119.04	\$39.54	\$19.55	\$178.13	-\$41.28
Thunder Creek/SK	\$137.96	N/A				N/A
Hylife/Manitoba	\$152.54	\$119.05	\$39.54	\$19.55	\$178.14	-\$25.60
Ontario	\$149.78	\$116.98	\$40.71	\$23.76	\$181.45	-\$31.67
Québec	\$148.28	\$119.67	\$40.50	\$21.65	\$181.82	-\$33.54
Tyson (USD)/Iowa	\$104.19	\$83.89	\$28.70	\$16.57	\$129.16	-\$24.97
John Morrell (USD)/ND	\$96.22	\$81.98	\$28.70	\$16.57	\$127.25	-\$31.03

* Feed costs standarized for a 285 pound market hog

US Regional Margins – Tyson \$ (24.97) USD X 1.3623 = \$ (34.02) in Canadian Dollars
Morrell \$ (31.03) USD X 1.3623 = \$ (42.27) in Canadian Dollars



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