



Weekly Regional HOG PRICE Report

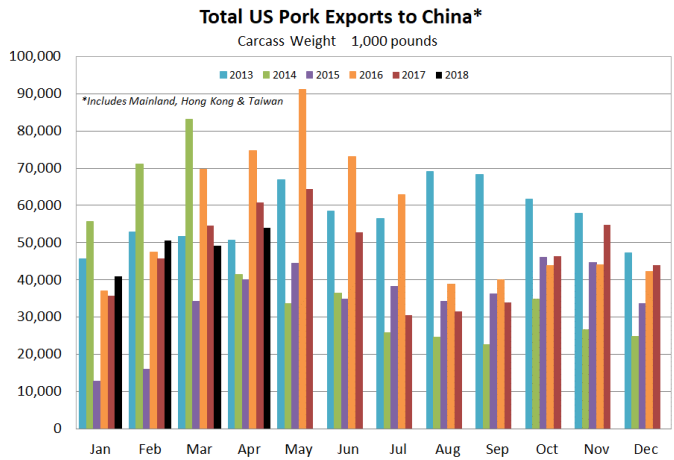
July 10, 2018

Things to Consider....

Lean hog futures continue to react negatively as China imposed a second round of tariffs on US pork imports bringing the total tax value to 62%. In retaliation to US imposed tariff on Chinese goods, China imposed a second 25% tariff on pork, adding to the original 25% tariff put on in early April. The combined 50% tariff was added to a pre-existing 12% tariff that China had on US pork. Pork trade with China as shown in the graph to the right had been trailing 2017 by a small margin but was still considered a strong market for US pork. The remainder of 2018 is undoubtedly going to be lower which we will see later this month when the May export numbers are released.

The result of this trade war is going to be sharply lower prices for US hog producers who are soon going to experience significant losses once cash prices begin to trade into the late summer and fall months. Canadian producers will also be in the same situation as base price calculations for cash are going to struggle due to the back log of pork and other proteins. Not only has China imposed tariffs on pork products but beef and poultry have also seen tariffs imposed which in turn will result in more backed up proteins in the North American market.

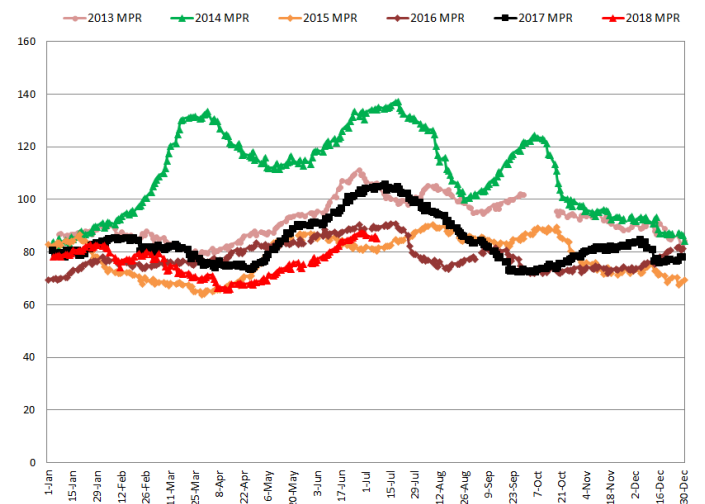
Pork Cut-out so far this year has traded below the 5-year average as shown in the graph to the right. Pork cut-out appears to have peaked for the year, and seasonally looks to trade lower into the 3rd quarter. Expectations are for pork values to grind lower for the next couple of months unless there is a disruption to the flow of pigs during the hot summer month ahead. In years of extreme heat, we have seen pork and pig prices rally in the late summer due to short-term supply shortages. Producers are encouraged to sell on the cash markets for the remainder of the summer and look to set targets for the 4th quarter of 2018 and 1st quarter of 2019 to reduce exposure to a potentially damaging end to the year.



Dec Lean Hogs 2018



USDA National Carlot Pork Report



Weekly Hog Price Recap

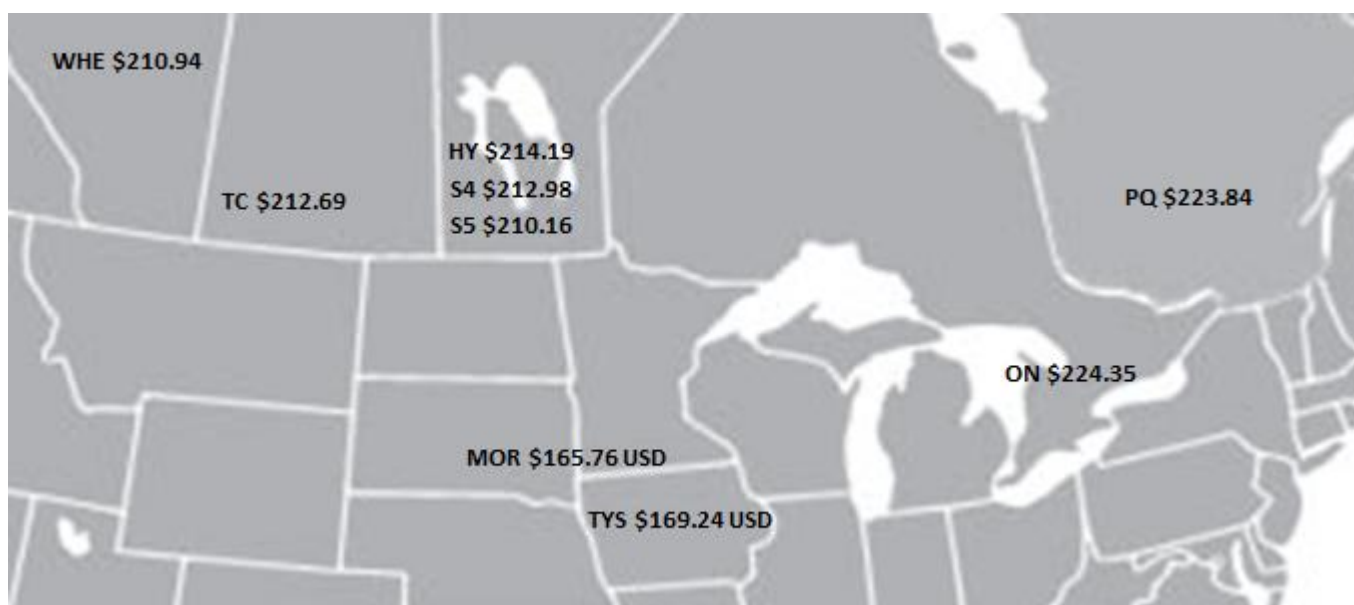
Regional cash started the week stronger, as packer demand to fill holiday-shortened week schedules helped pricing climb. The latter half of the week, pricing declined amid light volume. Regional cash volume was mostly moderate to start the week, lightening out as the week progressed. CME cash by comparison declined each day, more at the start of the week with lighter declines to end the week.

Cash Price	Weekly Averages		w/w	% Chg
	06-Jul-18	29-Jun-18		
ISM pm	\$78.21	\$77.55	\$0.66	0.8%
WCB pm	\$78.01	\$77.44	\$0.57	0.7%
Nat pm	\$77.14	\$77.68	-\$0.54	-0.7%
CME Index*	\$82.46	\$84.93	-\$2.47	-2.9%
BoC Exch	1.3133	1.3270	-0.0137	-1.0%

* Represents Friday-Thursday average

Monitored hog markets weakened on lower cash pricing during the holiday-shortened week. Additionally, Canadian markets received further pressure from the falling rate of exchange. Markets based off CME cash declined the most this week, falling \$8-\$9/hog. Hog markets based off regional pricing declined in the general range of \$2-\$5/hog. US-based JM pricing improved modestly while VMR-based Tyson declined near \$8/hog.

Regional Pricing, \$/hog								
Packer/Region	Difference		2018 YTD	Difference		Last 13 weeks	Ending 06-Jul-18	Difference
	3 Year	to WHE		to WHE	to WHE			
WHE 2017	\$189.98		\$172.77		\$178.14		\$210.94	
ML Sig 4	\$191.52	\$1.54	\$175.16	\$2.40	\$179.09	\$0.95	\$212.98	\$2.04
ML Sig 5	\$189.84	-\$0.13	\$171.34	-\$1.43	\$176.89	-\$1.25	\$210.16	-\$0.78
Thunder Creek	\$186.09	-\$3.89	\$166.95	-\$5.82	\$168.85	-\$9.29	\$212.69	\$1.75
Hylife	\$192.88	\$2.90	\$176.61	\$3.84	\$181.15	\$3.01	\$214.19	\$3.25
Ontario	\$201.96	\$11.99	\$183.29	\$10.53	\$187.84	\$9.70	\$224.35	\$13.41
Québec	\$198.32	\$8.34	\$178.72	\$5.96	\$181.87	\$3.74	\$223.84	\$12.90
Tyson (USD)	\$167.48	-\$22.50	\$143.44	-\$29.33	\$145.59	-\$32.54	\$169.24	-\$41.70
John Morrell (USD)	\$163.27	-\$26.71	\$138.09	-\$34.67	\$142.86	-\$35.27	\$165.76	-\$45.18



Weekly Hog Margins

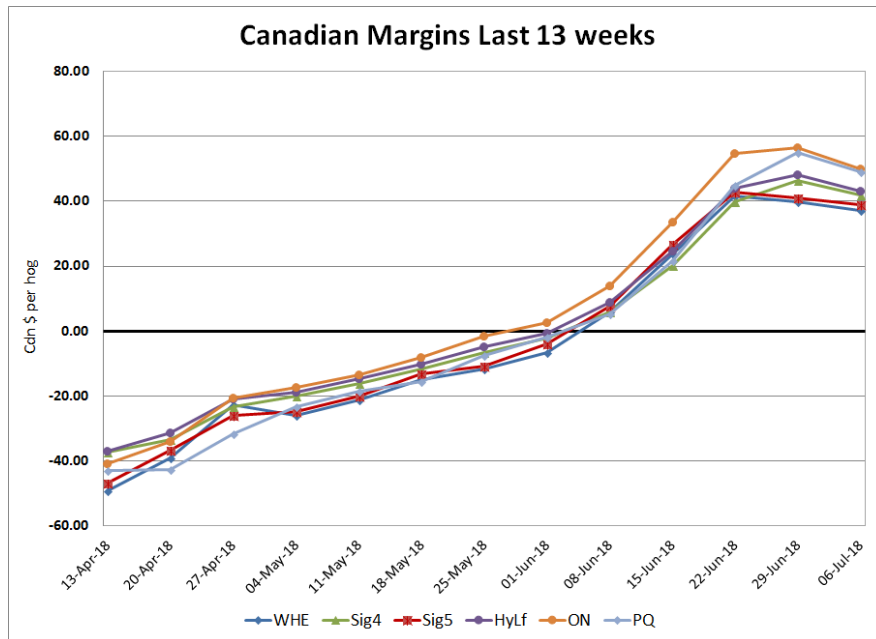
Farrow to finish feed costs offset weakness of hog margins partially, with Canadian farrow to finish feed costs falling close to \$3/hog while costs out of the US declined near \$2/hog.

Canadian hog margins weakened \$2-\$6/hog on the week, with slaughter-based markets such as the Sig 4, Hylife, Ontario and Quebec pricing down the most. Tyson margins declined \$5.50/hog while those out of JM were calculated \$3/hog higher.

Regional MARGINS, \$/hog						
Packer/Region	06-Jul-18	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE/Alberta	\$210.94	\$114.31	\$39.45	\$20.05	\$173.81	\$37.13
ML Sig 4/Manitoba	\$212.98	\$112.05	\$39.54	\$19.55	\$171.14	\$41.84
ML Sig 5/Manitoba	\$210.16	\$112.05	\$39.54	\$19.55	\$171.14	\$39.02
Thunder Creek/SK	\$212.69	N/A				N/A
Hylife/Manitoba	\$214.19	\$112.05	\$39.54	\$19.55	\$171.14	\$43.05
Ontario	\$224.35	\$109.99	\$40.71	\$23.76	\$174.46	\$49.89
Québec	\$223.84	\$112.68	\$40.50	\$21.65	\$174.83	\$49.01
Tyson (USD)/Iowa	\$169.24	\$80.25	\$28.70	\$16.57	\$125.52	\$43.72
John Morrell (USD)/ND	\$165.76	\$78.34	\$28.70	\$16.57	\$123.61	\$42.15

* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$43.72 USD X 1.3133 = \$57.42 in Canadian Dollars
 - Morrell \$42.15 USD X 1.3133 = \$55.36 in Canadian Dollars



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