



Weekly Regional HOG PRICE Report

July 17, 2018

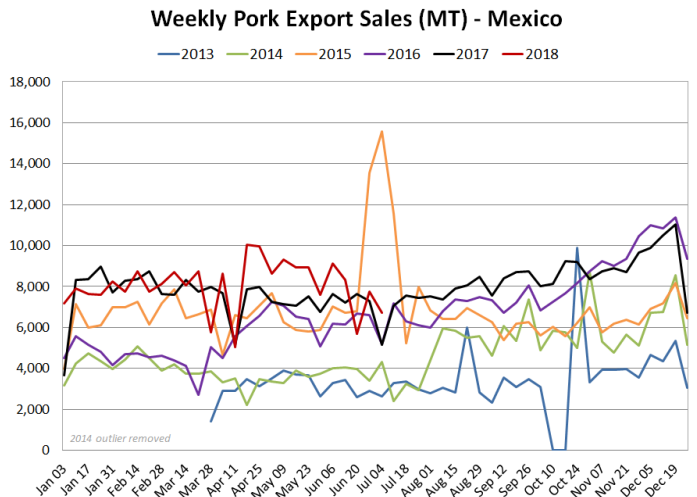
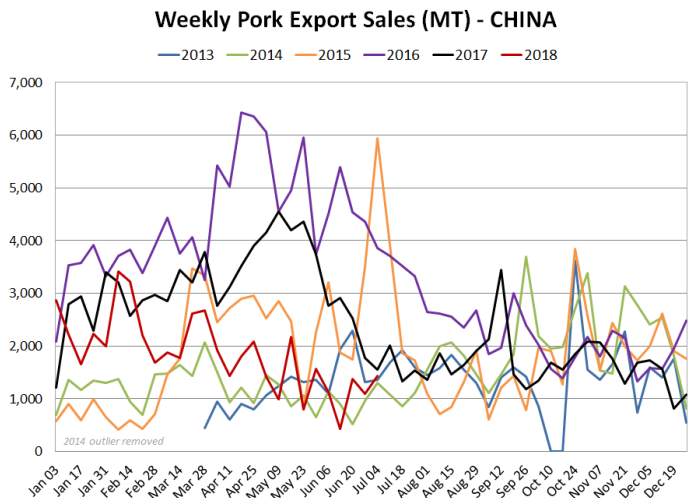
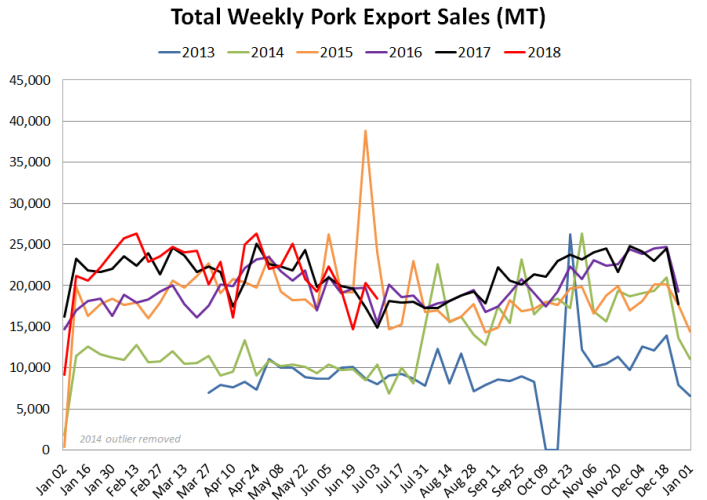
Things to Consider....

Lean hog futures continue to struggle in the wake of ongoing negative news surrounding excess hog supplies and the threat of declining US pork exports to major buyers. With tariffs now in place by both China and Mexico, it will be interesting to see how quickly the Weekly Pork Export numbers will be impacted. So far, weekly pork exports have NOT been hugely impacted by the original round of tariffs which began in April. As you can see from the chart to the right, which illustrates US pork exports through the week ending July 5th, volumes have declined but no more than previous years. The Total Pork Export Sales graph clearly illustrates that US pork exports decline slightly in the summer months and is very seasonal. Exports typically decline through late August and then pick up again later in the year.

AS for direct exports sales to China, the graph to the right does illustrate a decline from late January to early July, however in the wake of all the tariff, there actually were a couple weeks of higher volumes compared to the low set in early June. As more data comes available following the latest round of tariffs, we will get a better idea of the full impact on pork trade.

Similarly, pork imports by Mexico also have experienced some decline since a new high was set in April, however even with the seasonal decline the weekly imports of Pork from the US remain ABOVE last year.

So, the question at this point is, has the market taken too much out of price based on the assumption of lost exports. The data here suggests that is the case. Time will tell, as more weekly data becomes available, a better understanding of potentially lost markets will appear. With the major sell off seen recently in the market there is little opportunity for forward contracting. Producers are encouraged to sell in the cash market until better pricing opportunities arise.



Weekly Hog Price Recap

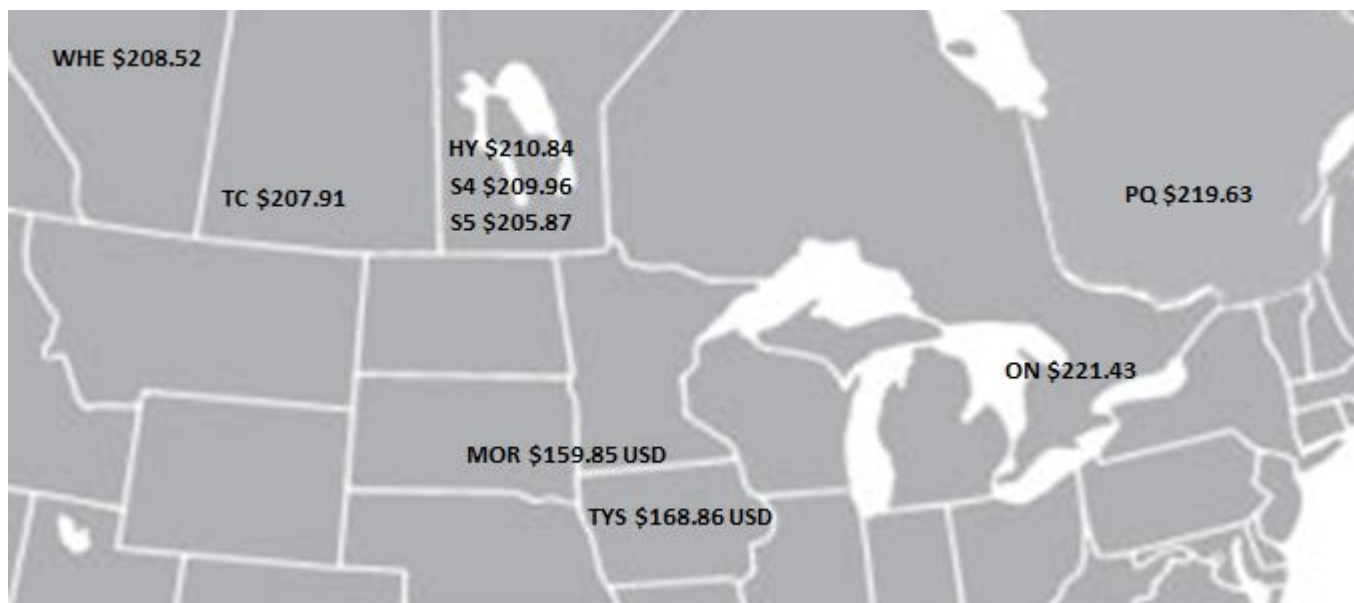
Cash hog markets were down regardless of region, with daily values particularly lower mid-to-late week. Thursday reported the largest decline, with that day reported at minimum volume. Regional markets fell near \$3/cwt, while national pricing declined \$1.50/cwt and CME cash near \$1/cwt lower.

Cash Price	Weekly Averages		w/w	% Chg
	13-Jul-18	6-Jul-18		
ISM pm	\$75.28	\$78.21	-\$2.93	-3.7%
WCB pm	\$75.17	\$78.01	-\$2.84	-3.6%
Nat pm	\$75.61	\$77.14	-\$1.53	-2.0%
CME Index*	\$81.46	\$82.46	-\$1.00	-1.2%
BoC Exch	1.3142	1.3133	0.0009	0.1%

* Represents Friday-Thursday average

The WHE declined the least, falling \$2.50/hog. Markets that followed closely were those based off slaughter-based pricing such as Hylife, the Sig 4 and pricing out of Ontario - all down near \$3/hog. The Sig 5 and pricing out of Thunder Creek and Quebec declined more than \$4/hog. In the US, JM pricing dropped near \$6/hog while Tyson pricing declined \$0.50/hog.

Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to WHE	2018 YTD	Difference to WHE	Last 13 weeks	Difference to WHE	Ending 13-Jul-18	Difference to WHE
WHE 2017	\$189.98		\$174.04		\$184.00		\$208.52	
ML Sig 4	\$191.52	\$1.54	\$176.41	\$2.37	\$184.36	\$0.36	\$209.96	\$1.45
ML Sig 5	\$189.84	-\$0.13	\$172.57	-\$1.47	\$182.57	-\$1.43	\$205.87	-\$2.65
Thunder Creek	\$186.09	-\$3.89	\$168.41	-\$5.63	\$174.64	-\$9.36	\$207.91	-\$0.61
Hylife	\$192.88	\$2.90	\$177.83	\$3.79	\$186.47	\$2.47	\$210.84	\$2.32
Ontario	\$201.96	\$11.99	\$184.65	\$10.61	\$194.01	\$10.01	\$221.43	\$12.91
Québec	\$198.32	\$8.34	\$180.18	\$6.14	\$188.04	\$4.04	\$219.63	\$11.11
Tyson (USD)	\$167.48	-\$22.50	\$144.35	-\$29.70	\$150.25	-\$33.75	\$168.86	-\$39.65
John Morrell (USD)	\$163.27	-\$26.71	\$138.87	-\$35.17	\$147.12	-\$36.88	\$159.85	-\$48.67



Weekly Hog Margins

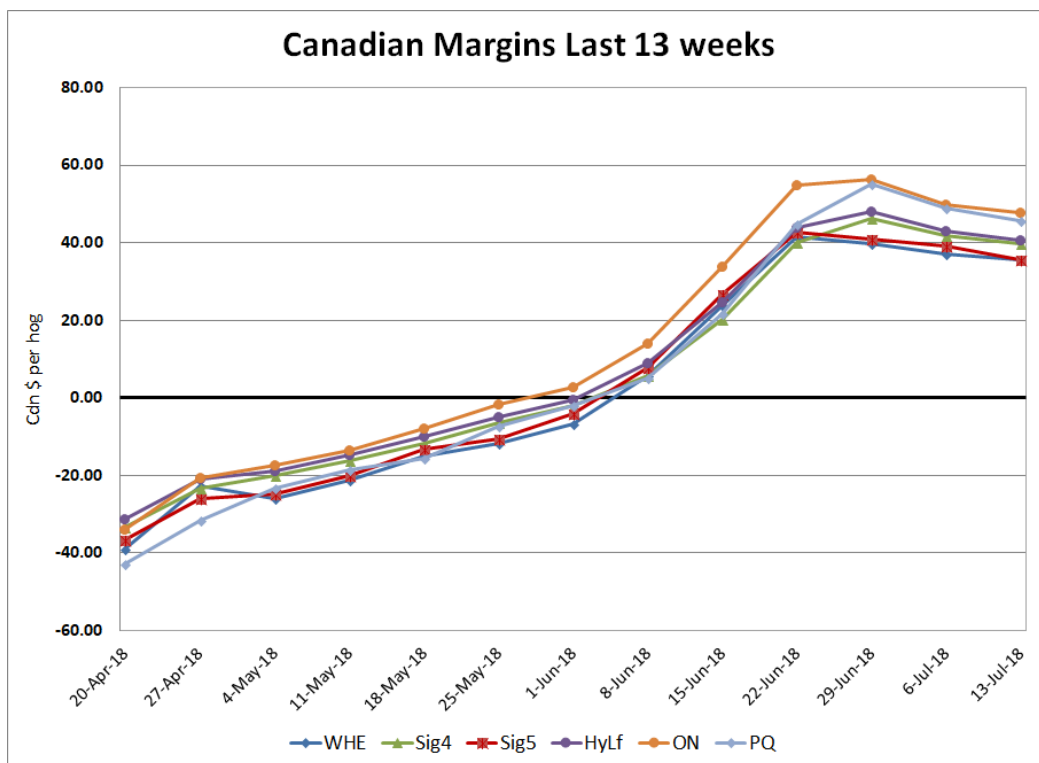
Hog margins received modest help from falling farrow to finish feed costs. Canadian farrow to finish feed costs fell shy of \$1/hog while those in the monitored US regional declined \$0.70/hog.

Canadian hog margins weakened \$1.6-\$3.50/hog on the week. Calculated margins based off the Sig 5 and out of Quebec declined the most, falling \$3.50/hog, while the WHE declined the least down \$1.60/hog. In the US, JM margins were calculated \$5/hog weaker while Tyson margins were modestly stronger.

Regional MARGINS, \$/hog						
Packer/Region	13-Jul-18	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE/Alberta	\$208.52	\$113.50	\$39.45	\$20.05	\$173.00	\$35.52
ML Sig 4/Manitoba	\$209.96	\$111.24	\$39.54	\$19.55	\$170.33	\$39.63
ML Sig 5/Manitoba	\$205.87	\$111.24	\$39.54	\$19.55	\$170.33	\$35.54
Thunder Creek/SK	\$207.91	N/A				N/A
Hylife/Manitoba	\$210.84	\$111.24	\$39.54	\$19.55	\$170.33	\$40.51
Ontario	\$221.43	\$109.18	\$40.71	\$23.76	\$173.65	\$47.78
Québec	\$219.63	\$111.87	\$40.50	\$21.65	\$174.02	\$45.61
Tyson (USD)/Iowa	\$168.86	\$79.55	\$28.70	\$16.57	\$124.82	\$44.04
John Morrell (USD)/ND	\$159.85	\$77.64	\$28.70	\$16.57	\$122.91	\$36.94

* Feed costs standardized for a 285 pound market hog

US Regional Margins - Tyson \$44.04 USD X 1.3142 = \$57.88 in Canadian Dollars
 - Morrell \$36.94 USD X 1.3142 = \$48.55 in Canadian Dollars



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