



Weekly Regional HOG PRICE Report

July 24, 2018

Things to Consider....

Since the beginning of the summer there has been little to speak of in the form of opportunity to forward sell market hogs, however when considering hog margin, the other half of the equation appears to be providing some value. Each of the graphs to the right illustrate the last year in futures prices for protein (soymeal) and grain markets (corn and wheat), of which we know make up a large percentage of the feed ration. Keep in mind the impact of lower feed prices is not immediate on margins but rather a benefit that will appear over time, say in 4-months as producers feed hogs with lower input costs.

What can be determined from the graphs is that the base price from which Canadian feeds costs are derived from, are trading near if not at the lowest level seen in the past 8-12 months. Although these graphs are shown in USD, due to how the futures are traded, they still represent the direction of overall feed prices in Western Canada. As we all know the Canadian dollar has impacted feed prices in a non-beneficial way, however that variable does not have any influence on the base prices as shown in the graphs here. Some producers may wish for a higher Canadian dollar to ease the impact on feed prices however most will prefer a lower dollar which has continued to support our hog prices through these trying times.

The trade war and ongoing tariffs amongst the US and several of its major trading partners, including Canada, has negatively impacted most commodities, including major feed ingredients. Hog producers can use these uncertain times as an opportunity to secure feed ingredients near the lower end of the medium to long term trading range. As shown in the graphs, wheat futures and corn appear to have hit their short-term bottom and have lifted off the lows from last week, however soybeans and soymeal futures continue to trade near the 8-month low. As the graph at the top right shows, the downside is slowing for the soy market. Hog producers should take this opportunity to buy soymeal from now until harvest to eliminate any pollination or harvest concerns which could send prices back up. Hog producers can also use the approaching harvest period in Canada to secure lower valued grains compared to higher valued spring prices from earlier this year.

Soymeal - October 2018



Spring Wheat - December 2018



Corn- December 2018



Weekly Hog Price Recap

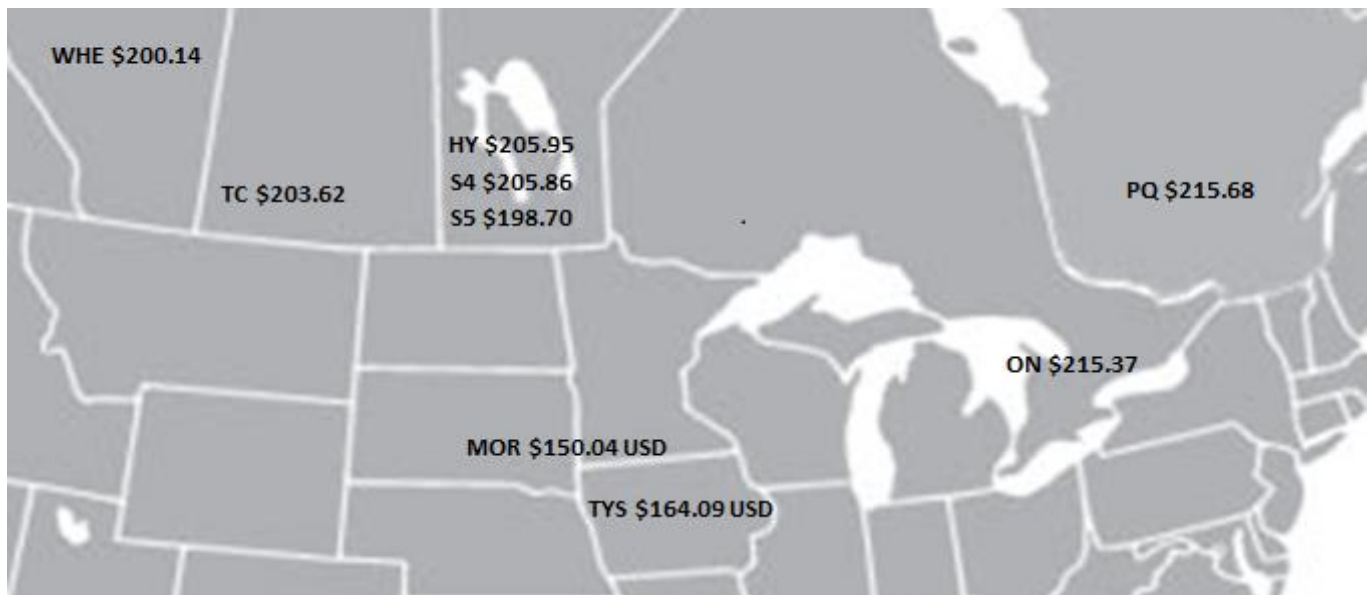
Cash markets dropped significantly this week on moderate volume which peaked to a high Tuesday at more than 16k regionally. The WCM dropped \$4.70/cwt from a week earlier, while the ISM was not reported Friday due to confidentiality. CME cash fell near \$2/cwt on the weekly average.

Cash Price	Weekly Averages		w/w	% Chg
	20-Jul-18	13-Jul-18		
ISM pm	\$71.34	\$75.28	-\$3.94	-5.2%
WCB pm	\$70.45	\$75.17	-\$4.71	-6.3%
Nat pm	\$70.58	\$75.61	-\$5.04	-6.7%
CME Index*	\$79.12	\$81.46	-\$2.34	-2.9%
BoC Exch	1.3185	1.3142	0.0043	0.3%

* Represents Friday-Thursday average

The WHE fell near \$8.50/hog. The Sig 3, dropping more than \$10/hog, weighed on the Sig 5 dragging the price series down \$7/hog. Pricing out of Ontario declined \$6/hog, while remaining Canadian markets based off slaughter derived base pricing were \$4-\$5/hog lower on the week. Out of the US, VMR-based Tyson declined \$5/hog on tighter bid variance then reported a week earlier, and JM dropped near \$10/hog.

Regional Pricing, \$/hog								
Packer/Region	Difference		2018	Difference	Last	Difference	Ending	Difference
	3 Year	to WHE	YTD	to WHE	13 weeks	to WHE	20-Jul-18	to WHE
WHE 2017	\$189.98		\$174.94		\$188.54		\$200.14	
ML Sig 4	\$191.52	\$1.54	\$177.42	\$2.48	\$189.11	\$0.56	\$205.86	\$5.72
ML Sig 5	\$189.84	-\$0.13	\$173.47	-\$1.47	\$187.03	-\$1.52	\$198.70	-\$1.45
Thunder Creek	\$186.09	-\$3.89	\$169.63	-\$5.32	\$180.32	-\$8.22	\$203.62	\$3.48
Hylife	\$192.88	\$2.90	\$178.80	\$3.86	\$191.07	\$2.52	\$205.95	\$5.80
Ontario	\$201.96	\$11.99	\$185.71	\$10.77	\$199.28	\$10.74	\$215.37	\$15.22
Québec	\$198.32	\$8.34	\$181.41	\$6.46	\$193.99	\$5.45	\$215.68	\$15.53
Tyson (USD)	\$167.48	-\$22.50	\$145.03	-\$29.92	\$153.98	-\$34.56	\$164.09	-\$36.05
John Morrell (USD)	\$163.27	-\$26.71	\$139.25	-\$35.69	\$149.60	-\$38.94	\$150.04	-\$50.10



Weekly Hog Margins

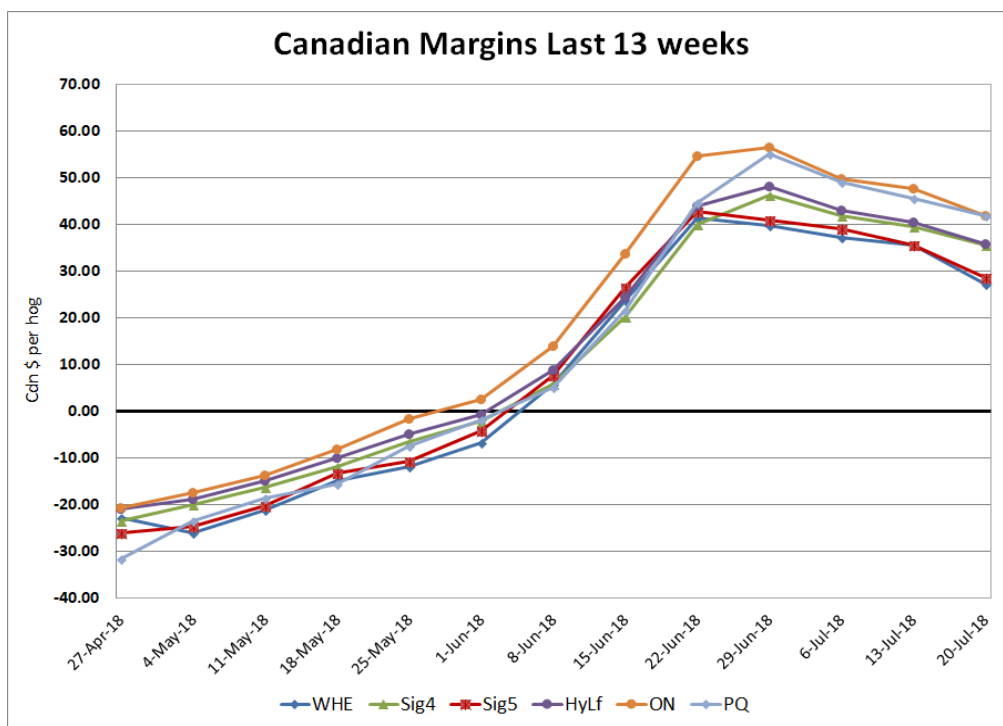
Hog margins received little help from feed costs, as farrow to finish feed costs were only marginally changed from a week earlier on either side of the border. Monitored Canadian hog margins weakened \$4-\$8/hog on the week. Calculated margins based off regional pricing like the WHE and Sig 5 weakened the most, down \$8/hog and \$7/hog respectively. Margins out of Ontario fell shy of \$6/hog, Hylife margins were calculated \$4.75/hog lower while others such as those out of Quebec or based off the Sig 4 were closer to \$4/hog lower. In the US, Tyson margins fell shy of \$5/hog while those out of JM dropped closer to \$10/hog.

Regional MARGINS, \$/hog						
Packer/Region	20-Jul-18 Hog Price	Farrow to Finish			Total COP	Weekly Margin
		Feed*	Variable	Fixed		
WHE/Alberta	\$200.14	\$113.31	\$39.45	\$20.05	\$172.81	\$27.33
ML Sig 4/Manitoba	\$205.86	\$111.05	\$39.54	\$19.55	\$170.14	\$35.72
ML Sig 5/Manitoba	\$198.70	\$111.05	\$39.54	\$19.55	\$170.14	\$28.56
Thunder Creek/SK	\$203.62	N/A				N/A
Hylife/Manitoba	\$205.95	\$111.05	\$39.54	\$19.55	\$170.14	\$35.81
Ontario	\$215.37	\$108.99	\$40.71	\$23.76	\$173.46	\$41.91
Québec	\$215.68	\$111.68	\$40.50	\$21.65	\$173.83	\$41.85
Tyson (USD)/Iowa	\$164.09	\$79.62	\$28.70	\$16.57	\$124.89	\$39.20
John Morrell (USD)/ND	\$150.04	\$77.71	\$28.70	\$16.57	\$122.98	\$27.06

* Feed costs standardized for a 285 pound market hog

US Regional Margins - Tyson \$39.20USD X 1.3185 = \$51.69 in Canadian Dollars

- Morrell \$27.06USD X 1.3185 = \$35.68 in Canadian Dollars



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