



# Weekly Regional HOG PRICE Report



July 31, 2018

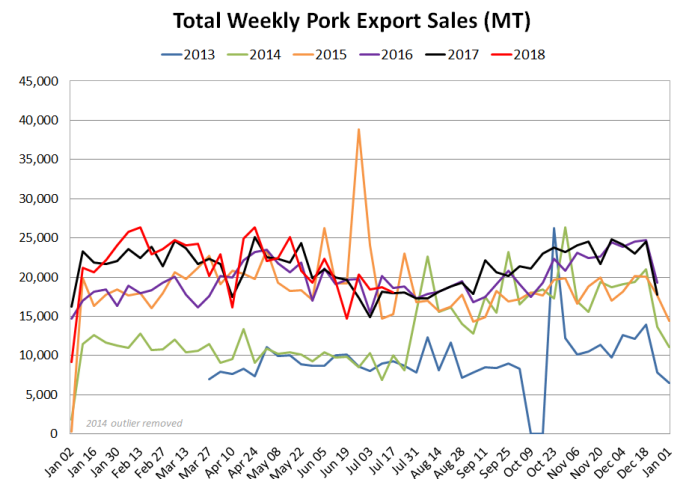
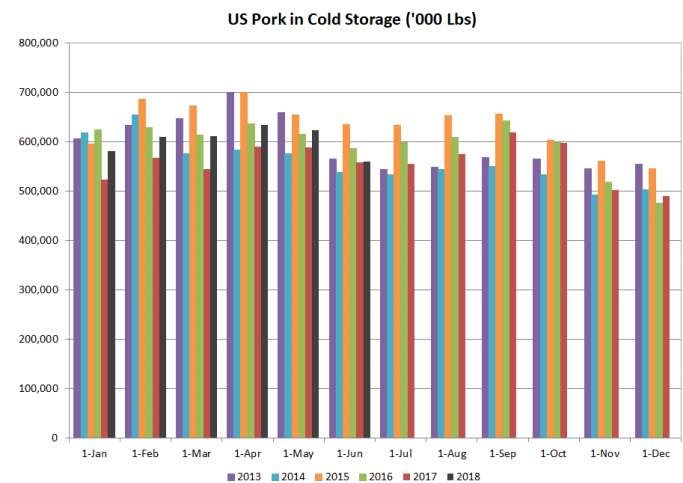
## Things to Consider....

Although the lean hog futures market has not rebounded in any way, there appears to be less negative news streaming through the industry compared to a month ago. In recent weeks US Cold Storage numbers were released with pork quantities continuing with the seasonal decline seen in previous years. Cold storage reported total pork stocks at 560.0 million pounds for June, a drop of 63.7 million pounds from May or -10.2%. This brought pork in cold storage near even with last year due to a much larger month over month decline compared to 2017. The overall decline on the report can be attributed to falling pork in nearly all categories with exception to overall hams in cold storage and a modest rise in butts.

Reports such as this, which indicate very seasonal trade action and meat movement, makes one wonder where and when the impact of the current trade war will appear. Some would argue that the larger of the tariffs which were not imposed until the first week in July, would not appear in these reports and will show up in months to come which quite possibly could be true. However as shown in the graph to the right, weekly pork exports which now include 3 weeks in July did not see major declines in weekly sales to major markets like China and Mexico. And somewhat surprisingly, weekly pork exports, even including the first 3 weeks in July, continue to trade higher than the quantities in 2017. So, with more and more information being reported POST-tariff, it is going to be interesting to see how much actual negative impact is seen to supply and demand.

So far, we know there are going to be a lot of hogs shipped later this year however at the moment from the data shown above there has not been as significant of an impact to demand as may be otherwise stated in the futures market. Time will tell with more weekly and monthly reports to be released ahead. For now, cash remains the best option for pricing of market hogs.

US Pork in Cold Storage					
('000 lbs)	Jun-18	May-18	Jun-17	M/M %	Y/Y %
<b>Picnics</b>	7,268	10,110	7,698	-28.1%	-5.6%
<b>Hams</b>	148,739	139,295	178,311	6.8%	-16.6%
<b>Bellies</b>	51,248	61,234	22,291	-16.3%	129.9%
<b>Loins</b>	32,053	36,519	39,897	-12.2%	-19.7%
<b>Ribs</b>	88,871	119,286	85,993	-25.5%	3.3%
<b>Butts</b>	15,734	15,313	15,057	2.7%	4.5%
<b>Trimming</b>	45,132	56,969	32,781	-20.8%	37.7%
<b>Other</b>	85,049	92,610	90,064	-8.2%	-5.6%
<b>Total Pork</b>	<b>560,034</b>	<b>623,725</b>	<b>559,010</b>	<b>-10.2%</b>	<b>0.2%</b>



## Weekly Hog Price Recap

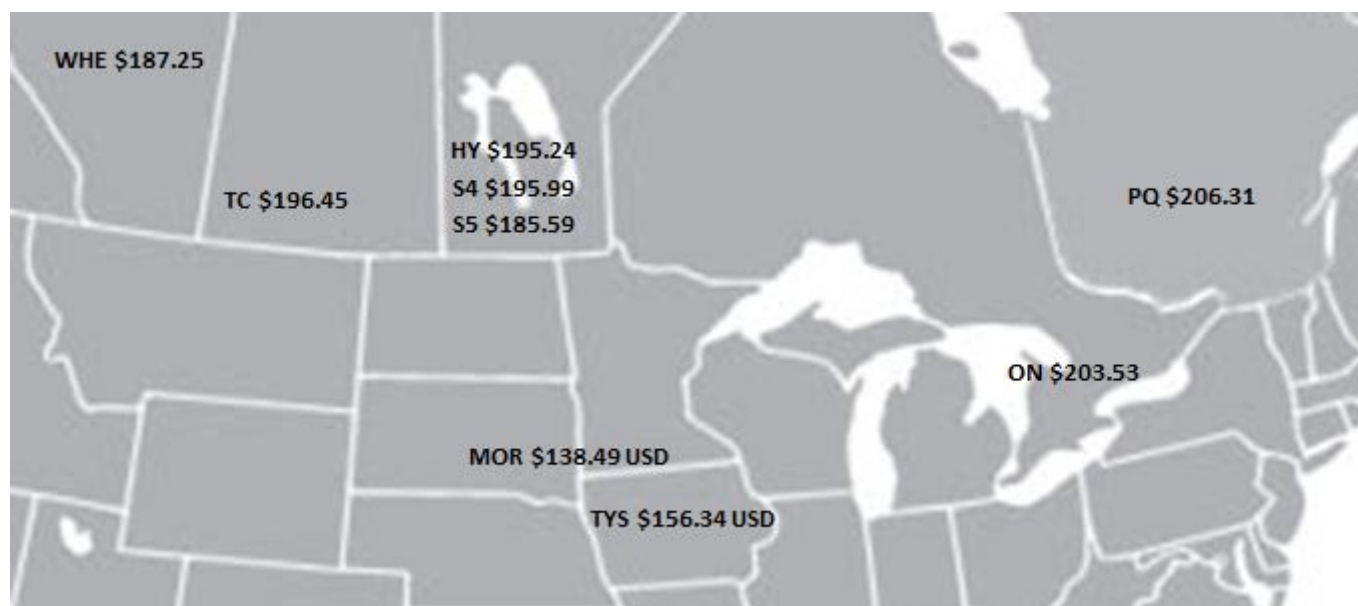
Cash markets faced another significantly weak situation this week on mostly moderate volume which peaked to a high Tuesday at more than 16k nationally. This was a trend that occurred last week as well. Regional and national cash fell an average of \$6/cwt on the week. CME cash by comparison fell near \$3.50/cwt from a week earlier.

Cash Price	Weekly Averages		w/w	% Chg
	27-Jul-18	20-Jul-18		
ISM pm	\$65.05	\$71.34	-\$6.29	-8.8%
WCB pm	\$64.90	\$70.45	-\$5.55	-7.9%
Nat pm	\$64.81	\$70.58	-\$5.77	-8.2%
CME Index*	\$75.24	\$79.12	-\$3.88	-4.9%
BoC Exch	1.3106	1.3185	-0.0079	-0.6%

\* Represents Friday-Thursday average

Canadian hog markets based off slaughter-derived pricing declined the least on the week. Markets such as Hylife, ML Sig 4 and pricing out of Ontario and Quebec fell \$10-\$11/hog. Markets based off regional pricing reported further weakness, with the WHE and Sig 5 down near \$13/hog. In the US, VMR-based Tyson fell modestly by comparison, down \$8/hog, while JM pricing dropped \$11.5/hog.

Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to WHE	2018 YTD	Difference to WHE	Last 13 weeks	Difference to WHE	Ending 27-Jul-18	Difference to WHE
WHE 2017	\$189.98		\$175.35		\$190.66		\$187.25	
ML Sig 4	\$191.52	\$1.54	\$178.04	\$2.69	\$192.15	\$1.48	\$195.99	\$8.74
ML Sig 5	\$189.84	-\$0.13	\$173.88	-\$1.47	\$189.46	-\$1.20	\$185.59	-\$1.67
Thunder Creek	\$186.09	-\$3.89	\$170.52	-\$4.83	\$184.78	-\$5.89	\$196.45	\$9.19
Hylife	\$192.88	\$2.90	\$179.35	\$3.99	\$193.85	\$3.19	\$195.24	\$7.98
Ontario	\$201.96	\$11.99	\$186.31	\$10.95	\$202.43	\$11.77	\$203.53	\$16.27
Québec	\$198.32	\$8.34	\$182.24	\$6.88	\$198.17	\$7.51	\$206.31	\$19.06
Tyson (USD)	\$167.48	-\$22.50	\$145.40	-\$29.95	\$156.10	-\$34.57	\$156.34	-\$30.91
John Morrell (USD)	\$163.27	-\$26.71	\$139.23	-\$36.12	\$150.68	-\$39.98	\$138.49	-\$48.76



# Weekly Hog Margins

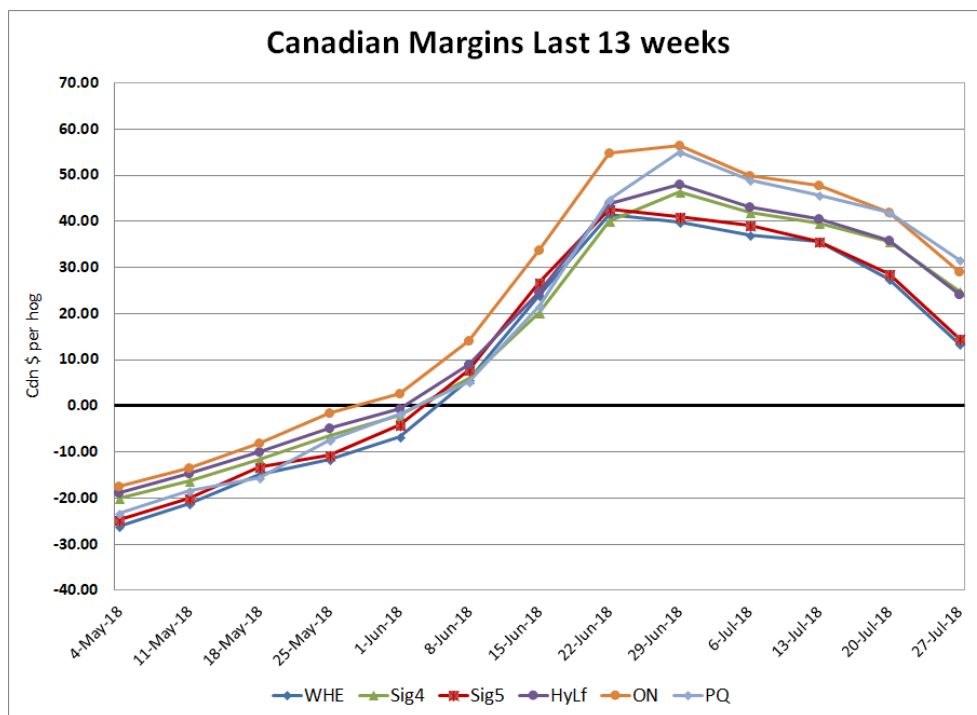
Hog margins were greatly pressured by falling hog pricing, and further pressured by rising feed costs. Farrow to finish feed costs on either side of the border rose near \$1/hog on the week.

Overall, Canadian hog margins declined \$10-\$14/hog. Markets based off the CME saw margins weaken on the lower end of that range, particularly out of Quebec and the Sig 4. Markets based off regional pricing such as the Sig 5 and WHE calculated margins which weakened the most. US-based Tyson margins fell more than \$8/hog while JM margins were calculated \$12.50/hog weaker.

Regional MARGINS, \$/hog						
Packer/Region	27-Jul-18	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE/Alberta	\$187.25	\$114.24	\$39.45	\$20.05	\$173.74	\$13.51
ML Sig 4/Manitoba	\$195.99	\$111.98	\$39.54	\$19.55	\$171.07	\$24.92
ML Sig 5/Manitoba	\$185.59	\$111.98	\$39.54	\$19.55	\$171.07	\$14.52
Thunder Creek/SK	\$196.45	N/A				N/A
Hylife/Manitoba	\$195.24	\$111.98	\$39.54	\$19.55	\$171.07	\$24.17
Ontario	\$203.53	\$109.92	\$40.71	\$23.76	\$174.39	\$29.14
Québec	\$206.31	\$112.61	\$40.50	\$21.65	\$174.76	\$31.55
Tyson (USD)/Iowa	\$156.34	\$80.64	\$28.70	\$16.57	\$125.91	\$30.43
John Morrell (USD)/ND	\$138.49	\$78.73	\$28.70	\$16.57	\$124.00	\$14.49

\* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$30.43 USD X 1.3106 = \$39.88 in Canadian Dollars  
 - Morrell \$14.49 USD X 1.3106 = \$18.99 in Canadian Dollars



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