



Weekly Regional HOG PRICE Report



March 13, 2019

Things to Consider....

Newton's third law of motion states: What goes up, must come down, so it must be true that What goes down, must come up. Although the latter may not actually be a law of motion, it certainly has been the case for lean hog futures which have registered both monumental collapse and astonishing upside in just a few short weeks.

Limit down moves only a few short weeks ago on Feb 19th and 20th have been followed by near limit up moves over the last week on Mar 8th and 11th. The recent surge in all 2019 lean hog contracts have confirmed the all-important turnaround and bottoming of the market, at least for the time being.

In what some analysts are calling a seasonal bounce, summer lean hogs futures illustrated by the August chart, have recovered nearly all the losses experienced since the start of the calendar year. August lean hogs last traded over \$84 US per cwt on Dec 14, 2018 and today crept to a high of \$83.45, just \$0.50 from the top nearly 3 months ago. More nearby contracts such as the lead April and nearby June have not quite returned to the late November/ mid December highs but are continuing to put up positive numbers with cash also providing some support.

The daily CME Lean Hog Index cash price posted its first positive day since January 24th and is expected to continue higher as pork cut-out has also turned the corner adding nearly \$5 US since the middle of last week. Trade talks continue to center around China and ongoing challenges with ASF, however this news should not come as a surprise to the market as the situation appears to be as critical as it was earlier in the year. What has changed is the speculative position which now believes pork shortages in China are going to lead to higher pork values in exporting countries like Canada and the US. Producers need to be patient to see just how far this rally is willing to go.

June 2019 Lean Hogs



August 2019 Lean Hogs



December 2019 Lean Hogs



Weekly Hog Price Recap

Regional cash hog pricing managed modest increases overall, with strength reported Monday and Friday overpowering declines the balance of the week. Cash hog bid volume was considered moderate to light, peaking Tuesday which was the greatest declining day of the week. Wholesale pork primals reported firmer values across the board, bringing pork cutout \$2.80/cwt higher than the previous week's average.

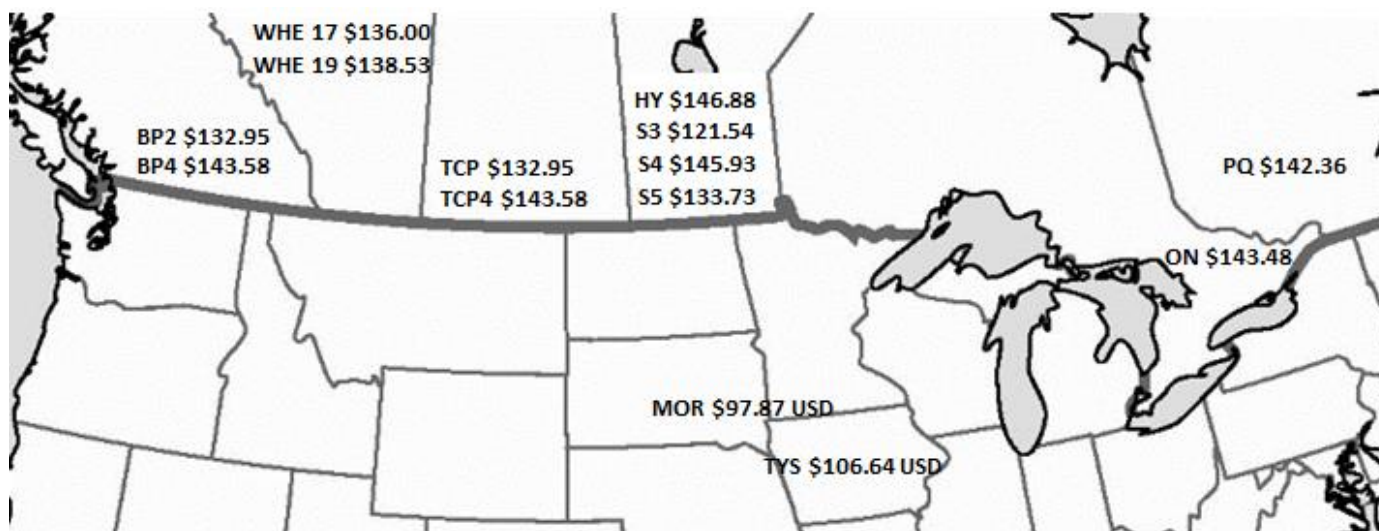
Cash Price	Weekly Averages		w/w	% Chg
	8-Mar-19	1-Mar-19		
ISM pm	\$45.50	\$45.45	\$0.05	0.1%
WCB pm	\$45.37	\$44.95	\$0.42	0.9%
Nat pm	\$45.03	\$45.34	-\$0.31	-0.7%
CME Index*	\$51.83	\$52.71	-\$0.88	-1.7%
BoC Exch	1.3388	1.3189	0.0199	1.5%

* Represents Friday-Thursday average

Monitored Canadian markets were mixed on the week, ranging from \$2.75/hog higher to \$5/hog under the previous week. The weakest values were those based on a week-lag, BP/TCP each down near \$5/hog. Values out of Quebec were down \$2/hog, while those out of the WHE 17 declined near \$0.50/hog. ML Sig 4 and H@ms were up \$1.50/hog, while those out of Hylife rose near \$2.75/hog. Values out of Ontario and the WHE were near unchanged from a week earlier. In the US, values calculated out Tyson were \$3.50/hog lower while JM rose \$0.75/hog higher.

Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to WHE	2018/19 YTD	Difference to WHE	Last 13 weeks	Difference to WHE	Ending 8-Mar-19	Difference to WHE
WHE 2017	\$170.61		\$162.43		\$143.92		\$136.00	
WHE 2019	\$173.17	\$2.56	\$164.71	\$2.28	\$148.34	\$4.42	\$138.53	\$2.53
ML Sig 3	\$162.59	-\$8.02	\$151.73	-\$10.70	\$130.08	-\$13.84	\$121.54	-\$14.46
ML Sig 4	\$174.19	\$3.58	\$166.89	\$4.47	\$152.30	\$8.38	\$145.93	\$9.93
ML Sig 5	\$168.40	-\$2.21	\$159.31	-\$3.12	\$141.19	-\$2.73	\$133.73	-\$2.26
BP2/TCP **	\$167.18	-\$3.43	\$159.36	-\$3.07	\$141.60	-\$2.32	\$132.95	-\$3.05
BP4/TCP4 **	\$173.65	\$3.05	\$166.34	\$3.91	\$152.21	\$8.29	\$143.58	\$7.59
Hylife	\$175.18	\$4.57	\$167.64	\$5.22	\$152.82	\$8.90	\$146.88	\$10.88
Ontario	\$179.21	\$8.60	\$170.27	\$7.84	\$151.99	\$8.07	\$143.48	\$7.48
Québec	\$179.43	\$8.83	\$170.31	\$7.89	\$151.77	\$7.85	\$142.36	\$6.36
Tyson (USD)	\$138.37	-\$32.24	\$130.96	-\$31.46	\$112.46	-\$31.46	\$106.64	-\$29.36
John Morrell (USD)	\$131.45	-\$39.16	\$123.08	-\$39.35	\$103.27	-\$40.65	\$97.87	-\$38.13

**Thunder Creek reported with a 1-Week lag



Weekly Hog Margins

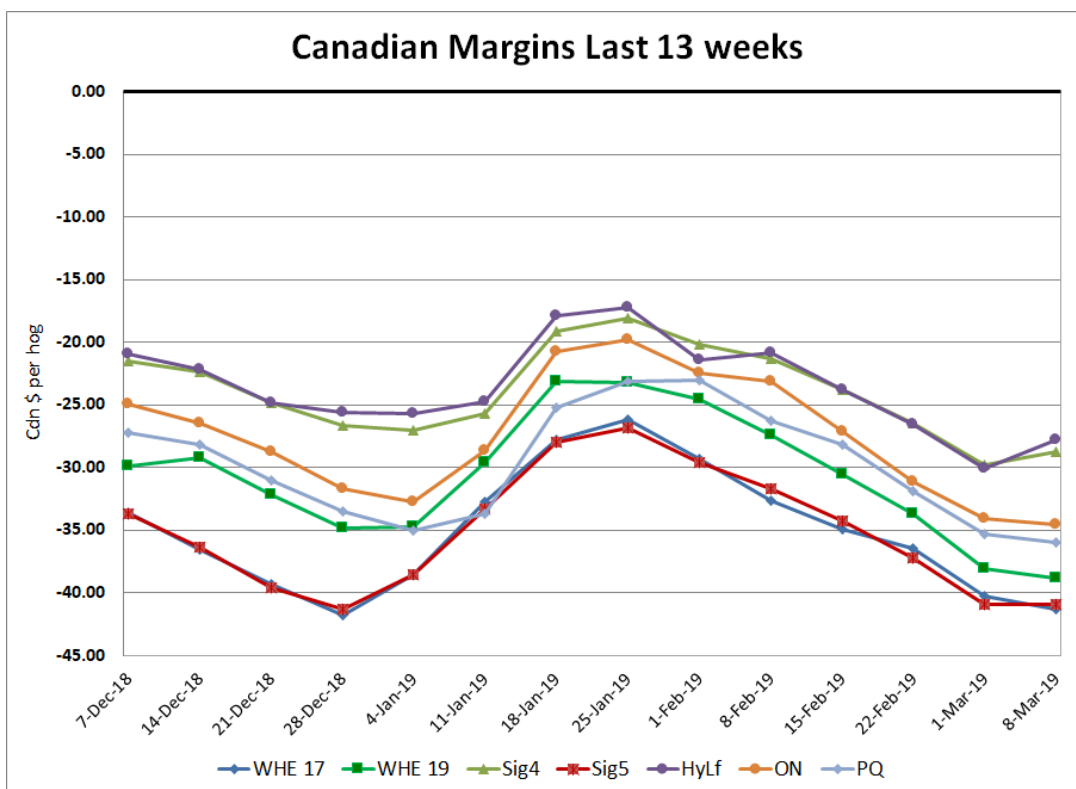
Canadian margins faced some additional pressure by a modest rise in feed costs, while those in monitored US regions eased on the week. Farrow-to-finish feed costs for Canadian markets rose near \$0.55/hog while those in the US weakened a modest \$0.35/hog.

Hog margins out of the WHE 17, Quebec and the WHE 19 were all near \$1/hog weaker, while margins out of Ontario were down near \$0.50/hog. Margins calculated off the Sig 5 were near stable, while Sig 4 margins improved \$1/hog and Hylife margins were up \$2.25/hog. In the US, Tyson margins weakened more than \$2.50/hog while JM margins were calculated \$1/hog stronger.

Regional MARGINS, \$/hog						
Packer/Region	8-Mar-19	Farrow to Finish			Total	Weekly Margin
	Hog Price	Feed*	Variable	Fixed	COP	
WHE17/Alberta	\$136.00	\$117.85	\$39.45	\$20.05	\$177.35	-\$41.35
WHE 19/Alberta	\$138.53	\$117.85	\$39.45	\$20.05	\$177.35	-\$38.82
ML Sig 4/Manitoba	\$145.93	\$115.59	\$39.54	\$19.55	\$174.68	-\$28.75
ML Sig 5/Manitoba	\$133.73	\$115.59	\$39.54	\$19.55	\$174.68	-\$40.95
Hylife/Manitoba	\$146.88	\$115.60	\$39.54	\$19.55	\$174.69	-\$27.81
Ontario	\$143.48	\$113.53	\$40.71	\$23.76	\$178.00	-\$34.52
Québec	\$142.36	\$116.22	\$40.50	\$21.65	\$178.37	-\$36.01
Tyson (USD)/Iowa	\$106.64	\$81.20	\$28.70	\$16.57	\$126.47	-\$19.83
John Morrell (USD)/ND	\$97.87	\$79.29	\$28.70	\$16.57	\$124.56	-\$26.69

* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$ (19.83) USD X 1.3388 = \$ (26.55) in Canadian Dollars
 Morrell \$ (26.69) USD X 1.3388 = \$ (35.73) in Canadian Dollars



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