



# Weekly Regional HOG PRICE Report



March 22, 2019

## Things to Consider....

The last 2 weeks have been nothing short of astonishing with most lean hog futures sky rocketing to their highest-level dating back to 2014, nearly 5 years ago. In just 2 short weeks the August lean hog contract has gained \$20.00 US per cwt contributing nearly \$50 Canadian per hog to the bottom line of producers across the country. On March 8<sup>th</sup>, Aug traded to a session low of \$79.00 and today broke \$100 reaching a daily high of \$102.97 US per cwt.

There is no question that the fuel behind this fire is centered around Chinese ASF, pork production and the potential for US and NA pork exports in the weeks, months and year ahead. However, many uncertainties exist as the market attempts to navigate through this uncharted territory. To date China's pork imports from the US have been slightly higher than previous years and are gaining volumes week by week but so far nothing on paper from the export side justifies the current rally. It is the anticipation however that exports will rise tremendously resulting in higher valued pork products abroad.

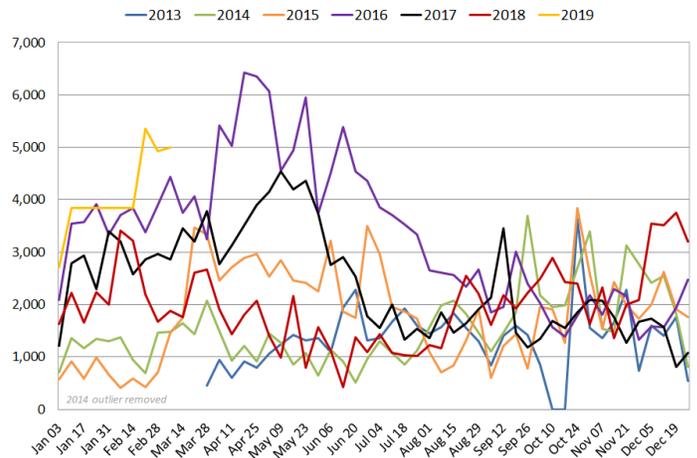
In a recently released report China's pork production is estimated at 16% lower than it was a year ago with many suggesting that in 2019, Chinese pork production could drop as much as 20%. To put the current volume decline in context, a 16% decline in Chinese production is equivalent to 1.5X the total US annual production. It is astonishing just how much pork has been displaced which will continue into 2019, but for it to benefit Canada and US markets long-term we need to be able to supply the product. To date the EU, and Brazil have been the key suppliers of pork to China with Canada and the US representing 3<sup>rd</sup> and 4<sup>th</sup> spots shipping roughly 13-14% each of China's imports. North American markets will need to grab market share beyond history is prices are going to maintain current levels or higher prices projected for the summer.

In regards to hedging, any previously placed forward contracts should be considered sound risk management decisions. With the new information available, producers should have some coverage in place, (max 50%) and remain open on the remainder (for now) to try and capture the benefits of what appears to be a record year for pricing.

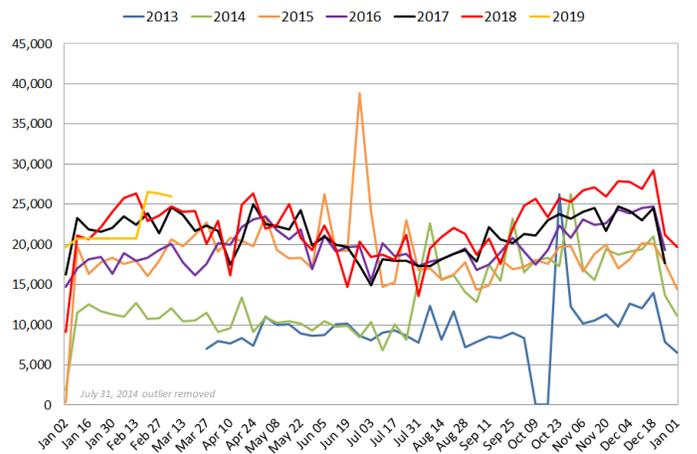
## August 2019 Lean Hogs



## Weekly Pork Exports (MT) - CHINA



## Total Weekly Pork Exports (MT)



## Weekly Hog Price Recap

Cash hog pricing, particularly regional and national, managed significant increases throughout the week on good moderate cash bid volume. Regional cash was up \$1.50-\$1.85/cwt daily except Friday which surged \$2.50/cwt. CME cash began the week more modestly, rising more each day as the week wore on. Wholesale pork primals reported good strength throughout most of the week, strengthening pork cutout \$4.34/cwt over the previous week's average.

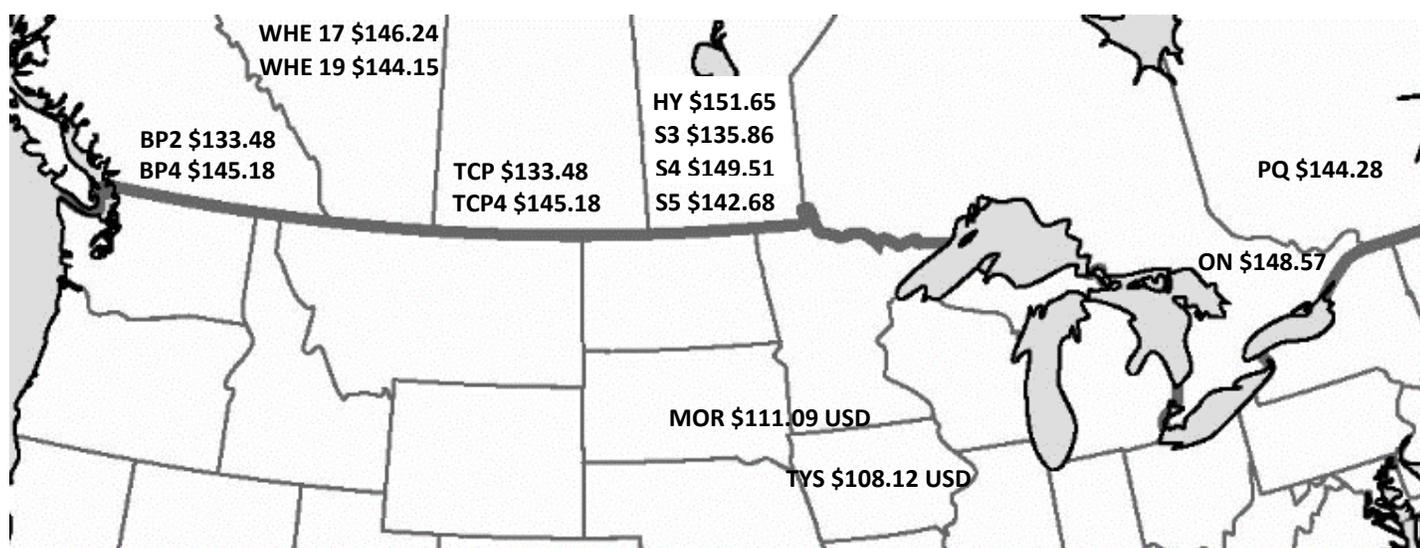
Cash Price	Weekly Averages		w/w	% Chg
	15-Mar-19	8-Mar-19		
ISM pm	\$51.79	\$45.50	\$6.29	13.8%
WCB pm	\$51.72	\$45.37	\$6.36	14.0%
Nat pm	\$50.59	\$45.03	\$5.56	12.4%
CME Index*	\$53.40	\$51.83	\$1.57	3.0%
BoC Exch	1.3357	1.3388	-0.0031	-0.2%

\* Represents Friday-Thursday average

Monitored Canadian markets improved \$3.50-\$10/hog higher, with those based off regional pricing up the most from a week earlier. The WHE 17 jumped \$10.25/hog, while the ML Sig 5 rose closer to \$9/hog. The WHE 19 rose more than \$5.50/hog, and pricing out of Ontario & Hylife both improved \$5/hog. ML Sig 4 and Hams were each up near \$3.50/hog. Remaining Canadian markets were up less than \$2/hog. In the US, Tyson values were up \$1/hog while values out of JM improved the most on the week - up \$13/hog.

Regional Pricing, \$/hog								
Packer/Region	Difference		2018/19 Difference		Last Difference		Ending Difference	
	3 Year	to WHE	YTD	to WHE	13 weeks	to WHE	15-Mar-19	to WHE
WHE 2017	\$170.39		\$162.17		\$144.19		\$146.24	
WHE 2019	\$172.94	\$2.56	\$164.38	\$2.21	\$147.89	\$3.70	\$144.15	-\$2.09
ML Sig 3	\$162.32	-\$8.06	\$151.47	-\$10.69	\$130.82	-\$13.37	\$135.86	-\$10.38
ML Sig 4	\$174.00	\$3.61	\$166.62	\$4.45	\$151.94	\$7.75	\$149.51	\$3.27
ML Sig 5	\$168.18	-\$2.21	\$159.05	-\$3.12	\$141.38	-\$2.81	\$142.68	-\$3.56
BP2/TCP **	\$166.91	-\$3.48	\$158.95	-\$3.22	\$140.94	-\$3.25	\$133.48	-\$12.76
BP4/TCP4 **	\$173.44	\$3.05	\$166.00	\$3.83	\$151.55	\$7.36	\$145.18	-\$1.07
Hylife	\$174.99	\$4.60	\$167.39	\$5.22	\$152.61	\$8.42	\$151.65	\$5.40
Ontario	\$178.97	\$8.58	\$169.93	\$7.76	\$151.62	\$7.43	\$148.57	\$2.33
Québec	\$179.16	\$8.77	\$169.90	\$7.73	\$151.03	\$6.84	\$144.28	-\$1.96
Tyson (USD)	\$138.20	-\$32.19	\$130.61	-\$31.56	\$112.27	-\$31.92	\$108.12	-\$38.12
John Morrell (USD)	\$131.30	-\$39.09	\$122.89	-\$39.28	\$104.14	-\$40.05	\$111.09	-\$35.15

\*\*Thunder Creek reported with a 1-Week lag



# Weekly Hog Margins

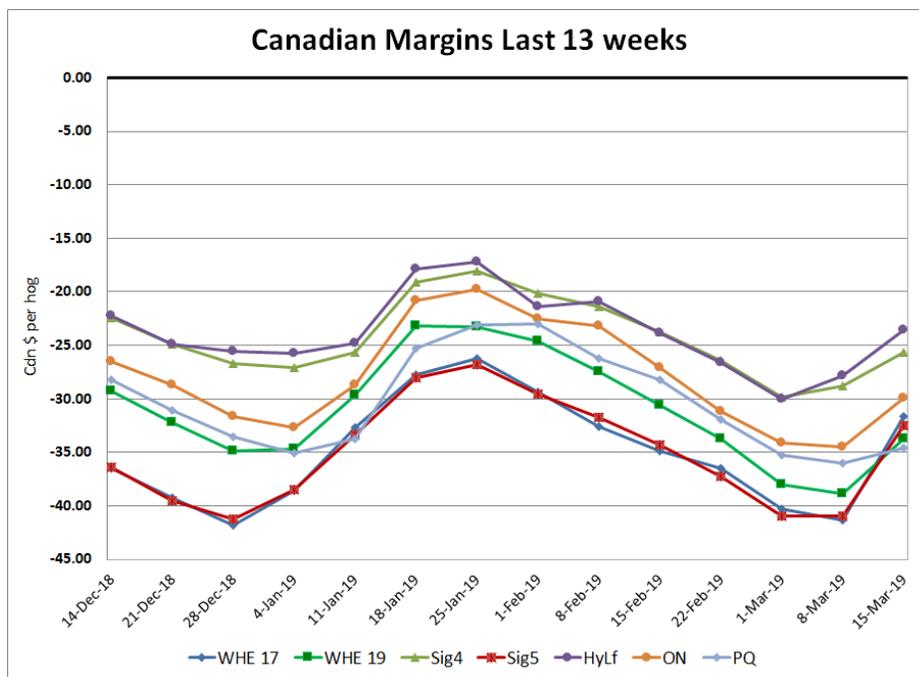
Hog margins recovered some of their amassed weakness for the first time since mid-January, with monitored Canadian margins improving \$1.50 to \$9.75/hog from last week. Farrow-to-finish feed costs for Canadian markets rose near \$0.50/hog while those in the US weakened a modest \$0.35/hog.

Hog margins out of the WHE 17 strengthened \$9.75/hog, followed by margins out of the Sig 5 which improved \$8.50/hog. The WHE 19 margins strengthened \$5/hog, followed closely by those out of Ontario and Hylife. Sig 4 margins were up \$3/hog and those out of Quebec improved \$1.50/hog. In the US, Tyson margins rose \$1.85/hog while JM hog margins surged near \$13/hog.

Regional MARGINS, \$/hog						
Packer/Region	15-Mar-19	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE17/Alberta	\$146.24	\$118.37	\$39.45	\$20.05	\$177.87	-\$31.63
WHE 19/Alberta	\$144.15	\$118.37	\$39.45	\$20.05	\$177.87	-\$33.72
ML Sig 4/Manitoba	\$149.51	\$116.11	\$39.54	\$19.55	\$175.20	-\$25.69
ML Sig 5/Manitoba	\$142.68	\$116.11	\$39.54	\$19.55	\$175.20	-\$32.52
Hylife/Manitoba	\$151.65	\$116.12	\$39.54	\$19.55	\$175.21	-\$23.56
Ontario	\$148.57	\$114.05	\$40.71	\$23.76	\$178.52	-\$29.95
Québec	\$144.28	\$116.74	\$40.50	\$21.65	\$178.89	-\$34.61
Tyson (USD)/Iowa	\$108.12	\$80.84	\$28.70	\$16.57	\$126.11	-\$17.99
John Morrell (USD)/ND	\$111.09	\$78.93	\$28.70	\$16.57	\$124.20	-\$13.11

\* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$ (17.99) USD X 1.3357 = \$ (24.03) in Canadian Dollars  
 Morrell \$ (13.11) USD X 1.3357 = \$ (17.51) in Canadian Dollars



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