



Weekly Regional HOG PRICE Report



March 26, 2019

Things to Consider....

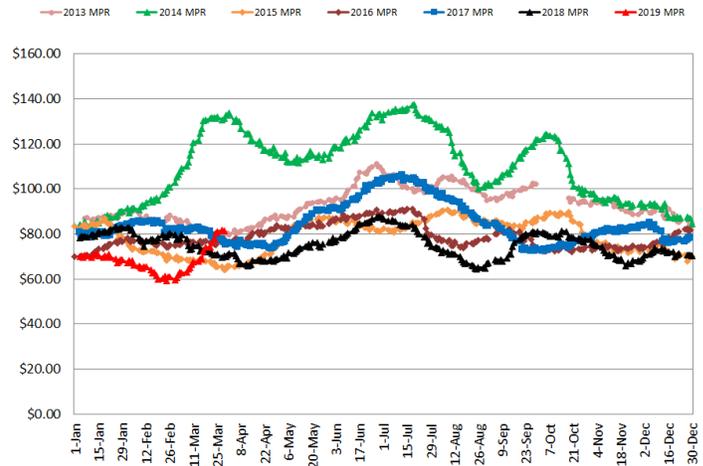
Lean hogs experienced another week of extreme volatility with futures reaching new highs last Friday but selling off for the last 5 sessions in what can be described as a calming in the market. The top summer contract being the August futures reached a high of \$102.975 just a week ago and settled Thursday at \$96.05 a difference of \$7 US per cwt or \$15 per hog. The sharp decline comes after a 10-day rally which took futures from a multi-year low to a 4 year high in just 10 trading sessions. The market continues to weigh in on the impact of ASF in China and the potential long-term impact it may have on the North American hog market. For now, pork prices have experienced some upside, trading over \$80 US per cwt for the first time in 2019 moving from a 5 year low to a 5 year high as shown in the adjacent graph.

Recently released US Cold Storage reported total pork stocks at 616 million pounds for February, a jump of 53.2 million pounds or 9.5% over January, bringing pork in cold storage 1.0% over last year. For comparison, pork in cold storage for January was up 11.4% from levels reported for December previously. These rate of increases in pork stocks are typical for the start of the year and reflect increasing pork in generally most categories on the report.

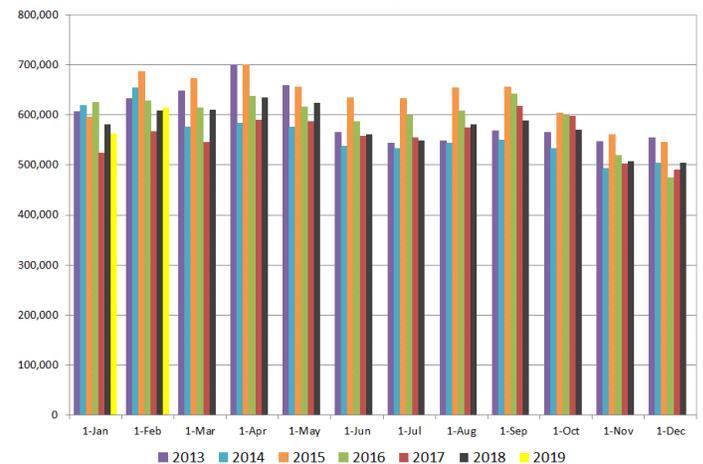
Total hams in cold storage rose similarly to spare-ribs, up 15.1 million pounds or 13.4% higher than the figure reported in January. The boneless variety reported the greatest portion of the overall rise in hams, rising 14.1 million pounds from last reported. Picnics in cold storage were generally stable, down a modest 325 thousand pounds.

Rises in Cold Storage do not support the theory of a significant increase in pork exports and as mentioned in last week's article, the new perceived "demand" that is being projected for China, has not yet showed up in the numbers. That is not saying it won't show up, just that it has not showed up significantly to date for the North American market. Even with futures trading off the highs of late last week, hog producers are encouraged to take advantage of current contracting prices to reduce risk exposure for the remainder of 2019.

USDA National Carlot Pork Report



US Pork in Cold Storage ('000 Lbs)



US Pork in Cold Storage

('000 lbs)	Feb-19	Jan-19	Feb-18	M/M %	Y/Y %
Picnics	6,742	7,067	8,644	-4.6%	-22.0%
Hams	127,741	112,660	122,743	13.4%	4.1%
Bellies	53,795	53,736	49,012	0.1%	9.8%
Loins	38,694	34,945	38,740	10.7%	-0.1%
Ribs	142,606	127,110	131,600	12.2%	8.4%
Butts	25,315	20,527	22,503	23.3%	12.5%
Trimming	51,385	47,104	51,186	9.1%	0.4%
Other	83,637	78,254	97,215	6.9%	-14.0%
Total Pork	615,979	562,732	609,813	9.5%	1.0%

Weekly Hog Price Recap

Regional and national cash hog pricing surged again this week on moderate daily cash bid volume. Regional cash improved more as the week progressed, with daily increases of \$1.25 to \$4/cwt daily and Thursday representing the greatest daily rise of the week. CME rose \$1 to \$1.70/cwt daily. Wholesale pork primals also reported a surge in values, strengthening pork cutout \$7.01/cwt over the previous week's average.

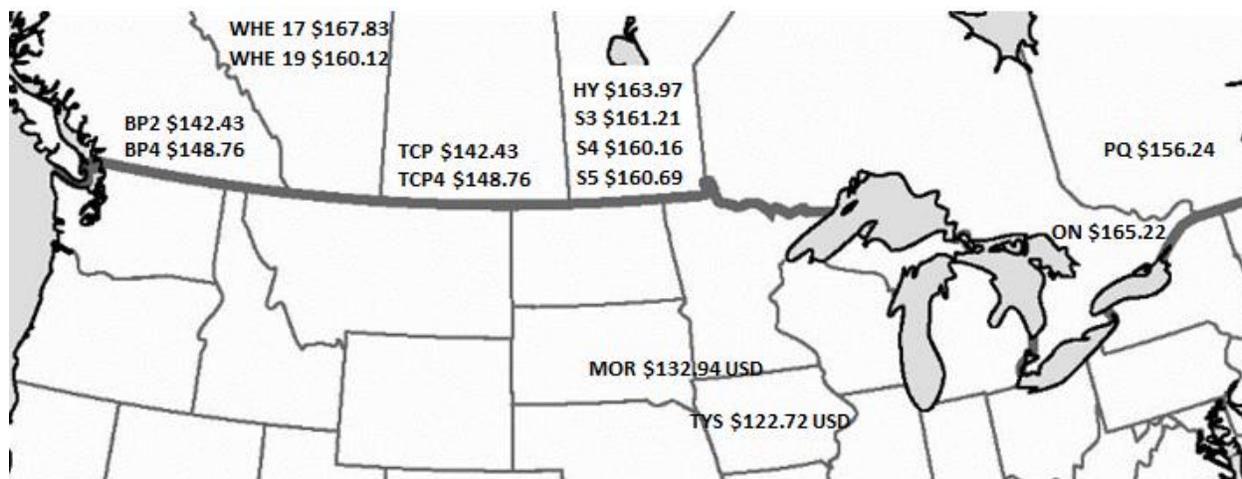
Cash Price	Weekly Averages		w/w	% Chg
	22-Mar-19	15-Mar-19		
ISM pm	\$62.84	\$51.79	\$11.06	21.3%
WCB pm	\$62.23	\$51.72	\$10.51	20.3%
Nat pm	\$60.76	\$50.59	\$10.17	20.1%
CME Index*	\$59.29	\$53.40	\$5.89	11.0%
BoC Exch	1.3346	1.3357	-0.0011	-0.1%

* Represents Friday-Thursday average

Monitored Canadian markets surged \$9-\$21/hog higher from a week earlier, with those derived from the 201-report up on the lower end of that range. BP2/TCP saw values improve \$9/hog, while those out Hylife were up almost \$11/hog. Hog market values out of Quebec, as well as Hylife, rose \$12/hog. BP4/TCP4 which is reported on a 1-week lag, increased shy of \$3.50/hog. Markets based off regional pricing improved significantly more, with the WHE 19 up \$15/hog and the ML Sig 5 up \$18/hog. Values out of the WHE 17 strengthened the most among Canadian markets, rising \$21.50/hog from last week. In the US, Tyson values were up \$14/hog while JM values were calculated shy of \$22/hog higher.

Regional Pricing, \$/hog								
Packer/Region	Difference		2018/19 Difference		Last Difference		Ending Difference	
	3 Year	to WHE	YTD	to WHE	13 weeks	to WHE	22-Mar-19	to WHE
WHE 2017	\$170.31		\$162.26		\$146.24		\$167.83	
WHE 2019	\$172.81	\$2.50	\$164.31	\$2.06	\$148.81	\$2.57	\$160.12	-\$7.71
ML Sig 3	\$162.23	-\$8.08	\$151.63	-\$10.63	\$133.72	-\$12.52	\$161.21	-\$6.63
ML Sig 4	\$173.87	\$3.56	\$166.51	\$4.26	\$152.50	\$6.26	\$160.16	-\$7.67
ML Sig 5	\$168.06	-\$2.24	\$159.07	-\$3.19	\$143.11	-\$3.13	\$160.69	-\$7.15
BP2/TCP **	\$166.69	-\$3.62	\$158.69	-\$3.57	\$141.13	-\$5.11	\$142.43	-\$25.40
BP4/TCP4 **	\$173.25	\$2.94	\$165.73	\$3.47	\$151.19	\$4.95	\$148.76	-\$19.08
Hylife	\$174.88	\$4.57	\$167.33	\$5.08	\$153.46	\$7.22	\$163.97	-\$3.86
Ontario	\$178.83	\$8.52	\$169.85	\$7.59	\$152.61	\$6.36	\$165.22	-\$2.61
Québec	\$178.96	\$8.65	\$169.68	\$7.43	\$151.35	\$5.10	\$156.24	-\$11.60
Tyson (USD)	\$138.10	-\$32.21	\$130.50	-\$31.76	\$113.46	-\$32.78	\$122.72	-\$45.12
John Morrell (USD)	\$131.28	-\$39.03	\$123.04	-\$39.21	\$106.98	-\$39.26	\$132.94	-\$34.90

**Thunder Creek reported with a 1-Week lag



Weekly Hog Margins

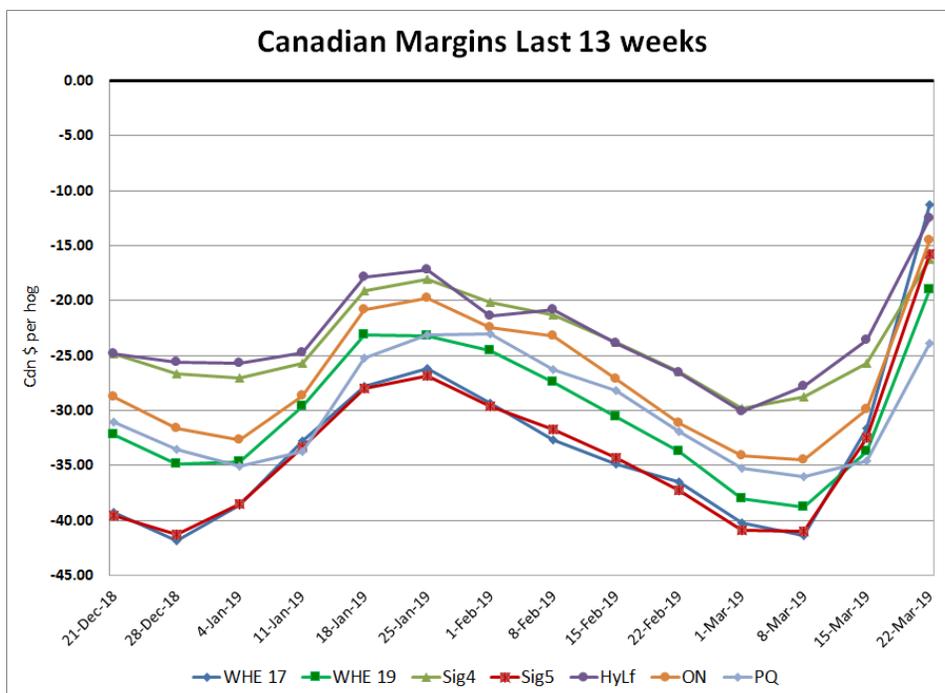
Hog margins recovered significantly over the course of the last week, with monitored Canadian margins improving \$9 to \$20/hog overall. The current margin levels have returned to levels not seen since late November. An increase in feed costs pulled back modestly on the overall gains in hog margins. Farrow-to-finish feed costs for Canadian markets rose \$1.25/hog while those in the US were up shy of \$1/hog.

Hog margins out of the WHE 17 improved the most from a week earlier, strengthening \$20/hog. Margins calculated off the Sig 5 were up near \$17/hog, followed by those out of Ontario and the WHE 19 which were up near \$15/hog. Hog margins improved \$11/hog out of both Quebec and Hylife, while the Sig 4 strengthened over \$9/hog. In the US, Tyson margins were up near \$14/hog and JM hog margins strengthened \$21/hog.

Regional MARGINS, \$/hog						
Packer/Region	22-Mar-19	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE17/Alberta	\$167.83	\$119.61	\$39.45	\$20.05	\$179.11	-\$11.28
WHE 19/Alberta	\$160.12	\$119.61	\$39.45	\$20.05	\$179.11	-\$18.99
ML Sig 4/Manitoba	\$160.16	\$117.35	\$39.54	\$19.55	\$176.44	-\$16.28
ML Sig 5/Manitoba	\$160.69	\$117.35	\$39.54	\$19.55	\$176.44	-\$15.75
Hylife/Manitoba	\$163.97	\$117.36	\$39.54	\$19.55	\$176.45	-\$12.48
Ontario	\$165.22	\$115.29	\$40.71	\$23.76	\$179.76	-\$14.54
Québec	\$156.24	\$117.98	\$40.50	\$21.65	\$180.13	-\$23.89
Tyson (USD)/Iowa	\$122.72	\$81.68	\$28.70	\$16.57	\$126.95	-\$4.23
John Morrell (USD)/ND	\$132.94	\$79.77	\$28.70	\$16.57	\$125.04	\$7.90

* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$ (4.23) USD X 1.3346 = \$ (5.65) in Canadian Dollars
 Morrell \$ 7.90 USD X 1.3346 = \$ 10.54 in Canadian Dollars



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