



Weekly Regional HOG PRICE Report



March 6, 2019

Things to Consider....

December lean hog futures recorded new contract highs earlier this week, reaching \$64.85 US per cwt during Tuesday's session and are expected to continue steady to higher in the weeks to come. Unlike nearby months, December has traded with a firm undertone since it came on the board mid last summer.

Much of the upside for the latter part of 2019 is coming from ongoing concerns over the spread of ASF in China and the threat of reduced pork supplies later this year. To date China has reported 110 cases of ASF in 28 of its provinces with 2 new provinces reporting their first cases in the last week. New cases in Taiwan and Vietnam are also suggesting the disease is showing no signs of slowing down anytime soon. Countries like Poland are also experiencing increased cases of the disease on both wild and domestic population of hogs. With no signs of a solution to the spread of the disease late 2019 and 2020 hog futures have the potential to outperform previous years.

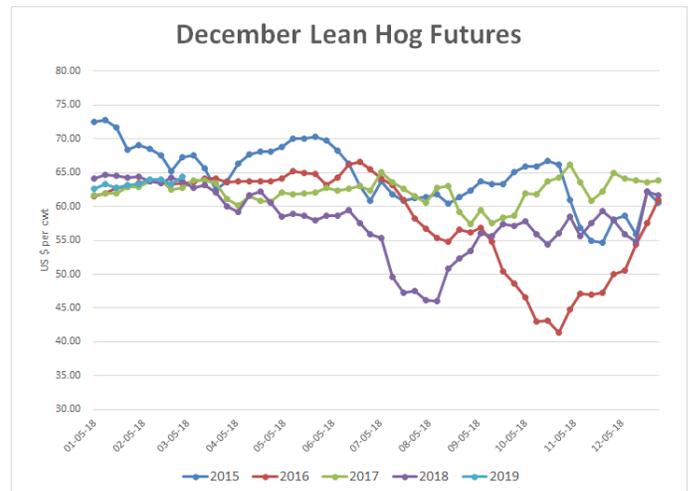
The December futures illustrated weekly in the graph to the right from 2015 through to 2019 show that the Dec contract does not spend a lot of time above \$65.00 US per cwt and only a few weeks in the last 4 years has the contract traded over \$70. Although this year could be one of those years that sees December at, or above \$70 hog producers need to remain consistent with their risk management strategies and lock in favourable prices when they are available.

Eternal optimism is a natural trait of most famers and livestock producer's, which is why we do what we do. However, with fourth quarter forward contract prices now approaching some of the highest levels in 4-5 years, producers are encouraged to take a serious look at locking in a portion of production. If today's prices for the 4th quarter end up being your lowest prices for that period, you will have had a very good end to the year.

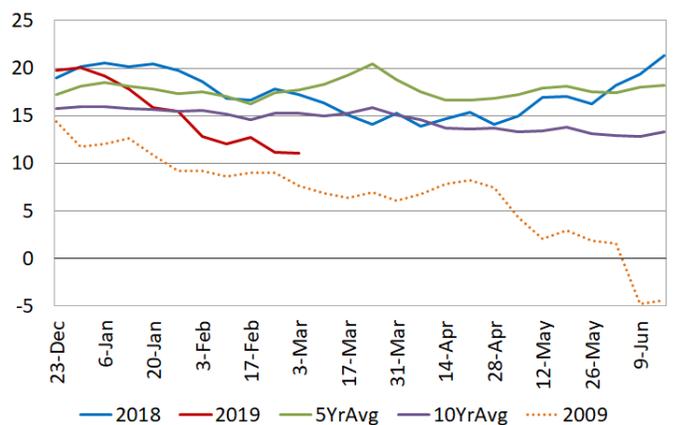
December 2019 Lean Hogs



December Lean Hog Futures



Lean Hog Weekly Spread: Jun-Dec



Weekly Hog Price Recap

Cash hog pricing reported declines daily, on generally low cash bid volume much of the week. Cash hog bid volume did peak with high volume Wednesday, aligning with the greatest decrease in wholesale pork values on the week. Wholesale pork primal values by comparison generally increased throughout the week, excluding declines Wednesday, bringing cutout \$0.39/cwt over the previous week's average.

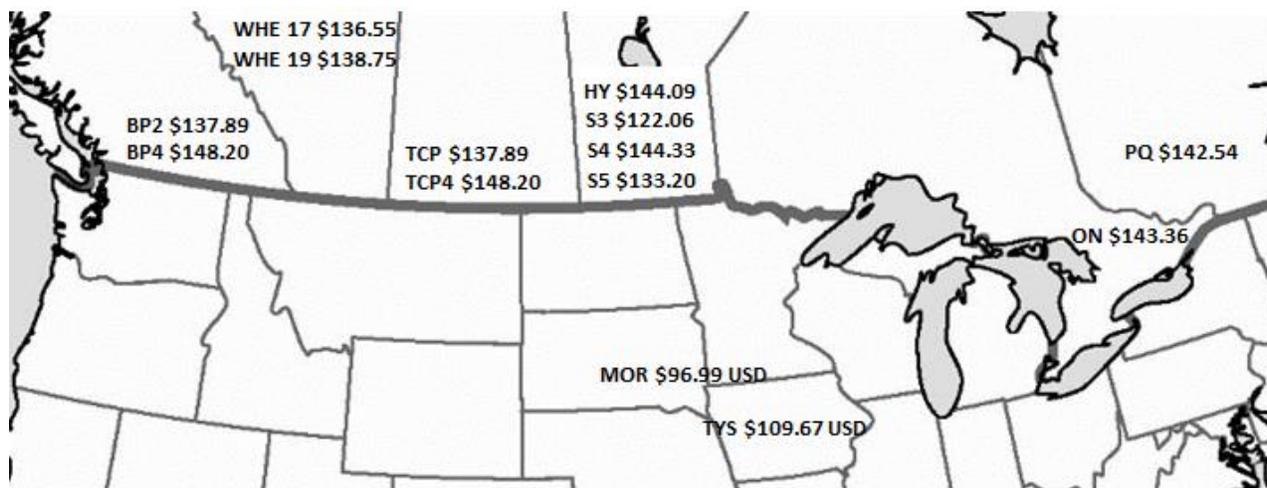
Cash Price	Weekly Averages		w/w	% Chg
	1-Mar-19	22-Feb-19		
ISM pm	\$45.45	\$47.32	-\$1.87	-4.0%
WCB pm	\$44.95	\$47.25	-\$2.30	-4.9%
Nat pm	\$45.34	\$47.57	-\$2.23	-4.7%
CME Index*	\$52.71	\$54.20	-\$1.49	-2.7%
BoC Exch	1.3189	1.3194	-0.0005	-0.0%

* Represents Friday-Thursday average

Monitored hog markets were generally \$3-\$6/hog lower from a week earlier, reporting a fifth consecutive week of losses on either side of the border. Market values derived from regional cash base pricing were typically among the weakest on the week. The WHE 19 fell more than \$5.50/hog, while those out of the WHE 17 and Sig 5 fell closer to \$5/hog. Values out of BP/TCP were down \$3/hog while remaining Canadian markets declined around \$4/hog. In the US, Tyson values decreased \$3.25/hog while those out of JM declined even further, ending \$4.75/hog from a week earlier.

Regional Pricing, \$/hog								
Packer/Region	Difference		2018 YTD	Difference		Last 13 weeks	Difference	
	3 Year	to WHE		Difference	to WHE		Ending 1-Mar-19	Difference to WHE
WHE 2017	\$170.89		\$165.81		\$144.61		\$136.55	
WHE 2019	\$173.43	\$2.54	\$167.83	\$2.02	\$149.13	\$4.52	\$138.75	\$2.20
ML Sig 3	\$162.93	-\$7.96	\$155.54	-\$10.27	\$130.73	-\$13.88	\$122.06	-\$14.48
ML Sig 4	\$174.40	\$3.51	\$169.73	\$3.91	\$152.96	\$8.34	\$144.33	\$7.79
ML Sig 5	\$168.68	-\$2.21	\$162.63	-\$3.18	\$141.85	-\$2.77	\$133.20	-\$3.35
BP2/TCP **	\$167.44	-\$3.46	\$162.68	-\$3.13	\$142.45	-\$2.16	\$137.89	\$1.35
BP4/TCP4 **	\$173.85	\$2.95	\$169.10	\$3.29	\$153.07	\$8.45	\$148.20	\$11.65
Hylife	\$175.40	\$4.50	\$170.52	\$4.71	\$153.44	\$8.83	\$144.09	\$7.54
Ontario	\$179.48	\$8.59	\$173.78	\$7.96	\$152.82	\$8.21	\$143.36	\$6.82
Québec	\$177.90	\$7.01	\$172.09	\$6.28	\$150.89	\$6.27	\$142.54	\$5.99
Tyson (USD)	\$138.55	-\$32.34	\$134.27	-\$31.55	\$113.07	-\$31.55	\$109.67	-\$26.87
John Morrell (USD)	\$131.68	-\$39.21	\$126.54	-\$39.27	\$103.63	-\$40.98	\$96.99	-\$39.55

**Thunder Creek reported with a 1-Week lag



Weekly Hog Margins

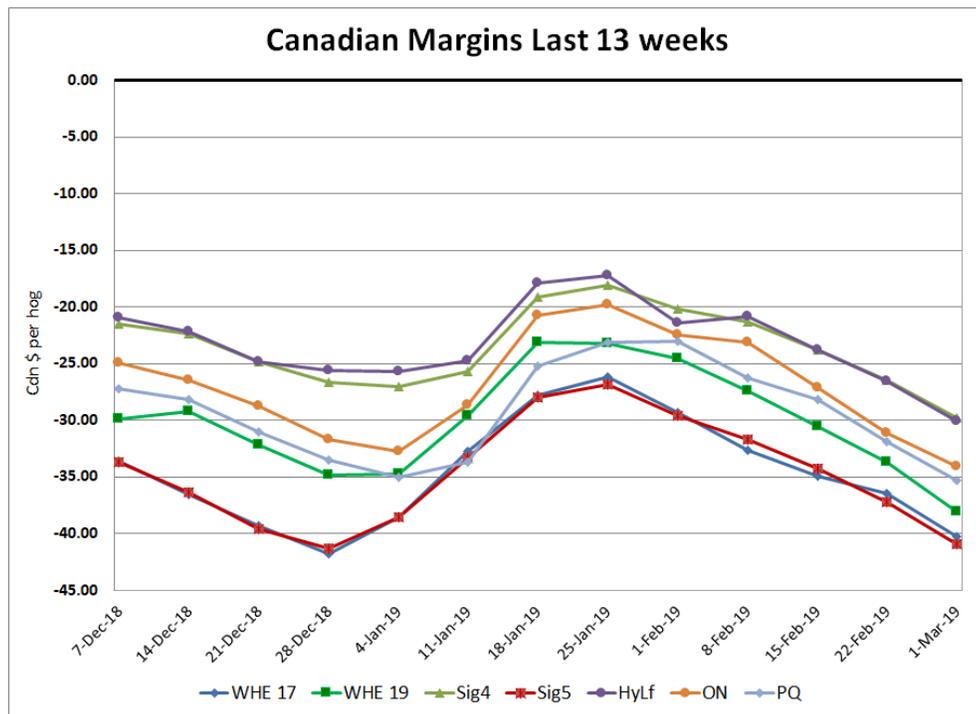
Canadian hog margins slide another \$3-\$4/hog this week, with many reaching their weakest level since September of last year. A decrease in feed costs did offer some support to margins overall, with farrow-to-finish feed costs on either side of the border \$1-\$1.25/hog lower from a week earlier.

Hog margins out of the WHE 19 declined the most on the week, falling shy of \$4.50/hog. Other Canadian hog margins were typically \$3-\$3.50/hog weaker, with those based off 201-derived hog pricing on the lower end of the declines. In the US, Tyson margins were calculated near \$1.50/hog weaker while JM margins weakened \$3.75/hog.

Regional MARGINS, \$/hog						
Packer/Region	1-Mar-19	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE17/Alberta	\$136.55	\$117.30	\$39.45	\$20.05	\$176.80	-\$40.25
WHE 19/Alberta	\$138.75	\$117.30	\$39.45	\$20.05	\$176.80	-\$38.05
ML Sig 4/Manitoba	\$144.33	\$115.04	\$39.54	\$19.55	\$174.13	-\$29.80
ML Sig 5/Manitoba	\$133.20	\$115.04	\$39.54	\$19.55	\$174.13	-\$40.93
Hylife/Manitoba	\$144.09	\$115.05	\$39.54	\$19.55	\$174.14	-\$30.05
Ontario	\$143.36	\$112.98	\$40.71	\$23.76	\$177.45	-\$34.09
Québec	\$142.54	\$115.67	\$40.50	\$21.65	\$177.82	-\$35.28
Tyson (USD)/Iowa	\$109.67	\$81.56	\$28.70	\$16.57	\$126.83	-\$17.16
John Morrell (USD)/ND	\$96.99	\$79.65	\$28.70	\$16.57	\$124.92	-\$27.93

* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$ (17.16) USD X 1.3189 = \$ (22.63) in Canadian Dollars
 Morrell \$ (27.93) USD X 1.3189 = \$ (36.84) in Canadian Dollars



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