



# Weekly Regional HOG PRICE Report



November 20, 2018

## Things to Consider....

Lean hog futures recorded major gains over the past week on news reports out of the US that President Trump may soon be negotiating improved trade deals with China. In a statement made last Friday, President Trump announced that "China wants a deal". Over the past week Chinese officials released a list of items to the Trump administration which would help resolve the now \$250 plus billion tariffs being imposed on Chinese and US imports by either country. Although President Trump indicated the list was quite full, it was missing a few very key points which he believed were negotiable. This news comes after the Trump administration was preparing to impose another round of tariffs on Chinese imports in the amount of \$260 Billion dollars which would then include ALL imports from China.

A trade deal or at a minimum news of one will continue to offer support to the hog market on expectations of increased pork movement to China. Although recent export data confirms some decline in total pork exports to the Asian country, the numbers have not seen a drastic decline, like once believed earlier this year.

As of early this week the only remaining 2018 contract, December, was trading near its 3-month high of \$60 US per cwt, while ALL 2019 contracts posted new life of contract highs. With summer 2019 contracts reaching \$84-85 US per cwt, there are hedging opportunities for Canadian hogs well over \$200 per hog once again.

Positive news has been flowing nicely through the industry for a couple month now providing multi-year high contracting opportunities. Hog producers familiar with forward contracting will know prices being offered at today's levels for much of 2019 have not been seen for several years and are above averages recorded over the last 4 years. With the Canadian dollar trading near 76.00 cents US/CAD, the \$/kg prices are profitable for most of the upcoming year.

Producers need to keep in mind that markets can run out of positive news, the same way they can run out of negative news. We only need to look back a few short months ago to remember that markets do not go down forever, but similarly nor do they go up forever.

### Dec 18 Lean Hogs



### April 19 Lean Hogs



### July 19 Lean Hogs



## Weekly Hog Price Recap

Regional and national cash hogs faced another week of significant declines, with the declines reported early week. Daily cash bid volume started low early in the week, increasing to mildly moderate daily volume by midweek. Softer wholesale pork values continue to be reflected in cash hogs, with cutout \$3.23/cwt lower than a week earlier.

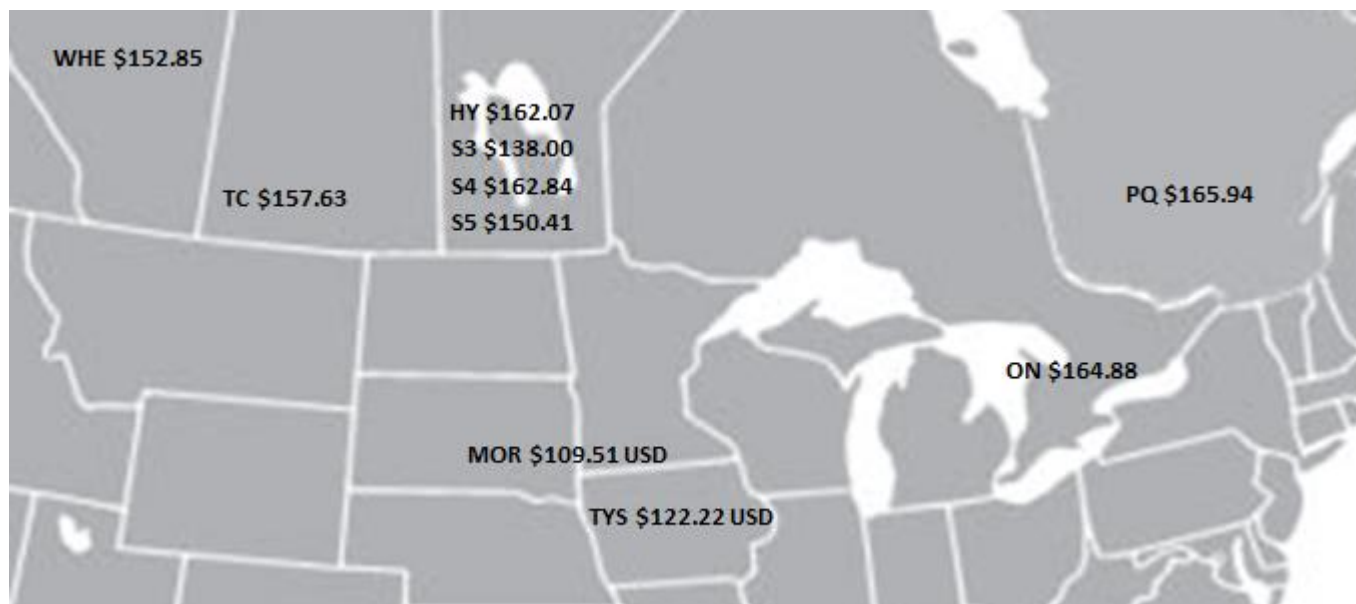
Cash Price	Weekly Averages		w/w	% Chg
	16-Nov-18	9-Nov-18		
ISM pm	\$51.00	\$54.70	-\$3.70	-6.8%
WCB pm	\$50.97	\$54.54	-\$3.58	-6.6%
Nat pm	\$51.62	\$55.03	-\$3.40	-6.2%
CME Index*	\$60.50	\$63.59	-\$3.09	-4.9%
BoC Exch	1.3208	1.3128	0.0080	0.6%

\* Represents Friday-Thursday average

All monitored Canadian markets were reported lower on the week, declining generally \$5-\$7.50/hog. Markets based off regional pricing declined the most, with the WHE and Sig 5 each falling \$7.50/hog on the week. Pricing based off the Sig 4 and those out of Quebec declined near \$5/hog while remaining Canadian markets were generally \$6-\$7/hog lower. In the US, Tyson and JM pricing fell near \$7.50/hog.

Regional Pricing, \$/hog								
Packer/Region	Difference		2018 Difference		Last Difference		Ending Difference	
	3 Year	to WHE	YTD	to WHE	13 weeks	to WHE	16-Nov-18	to WHE
WHE 2017	\$172.05		\$168.62		\$151.84		\$152.85	
ML Sig 3	\$164.67	-\$7.38	\$159.02	-\$9.60	\$139.88	-\$11.97	\$138.00	-\$14.85
ML Sig 4	\$175.06	\$3.02	\$171.74	\$3.12	\$158.06	\$6.22	\$162.84	\$9.98
ML Sig 5	\$169.88	-\$2.17	\$165.38	-\$3.24	\$148.97	-\$2.88	\$150.41	-\$2.44
Thunder Creek **	\$167.96	-\$4.09	\$165.17	-\$3.45	\$147.50	-\$4.34	\$157.63	\$4.78
Hylife	\$176.09	\$4.05	\$172.58	\$3.96	\$158.46	\$6.61	\$162.07	\$9.22
Ontario	\$180.42	\$8.38	\$176.36	\$7.74	\$159.70	\$7.85	\$164.88	\$12.02
Québec	\$178.84	\$6.80	\$174.63	\$6.01	\$157.35	\$5.51	\$165.94	\$13.09
Tyson (USD)	\$139.29	-\$32.76	\$137.13	-\$31.49	\$120.42	-\$31.42	\$122.22	-\$30.64
John Morrell (USD)	\$132.78	-\$39.26	\$129.79	-\$38.83	\$113.46	-\$38.39	\$109.51	-\$43.34

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



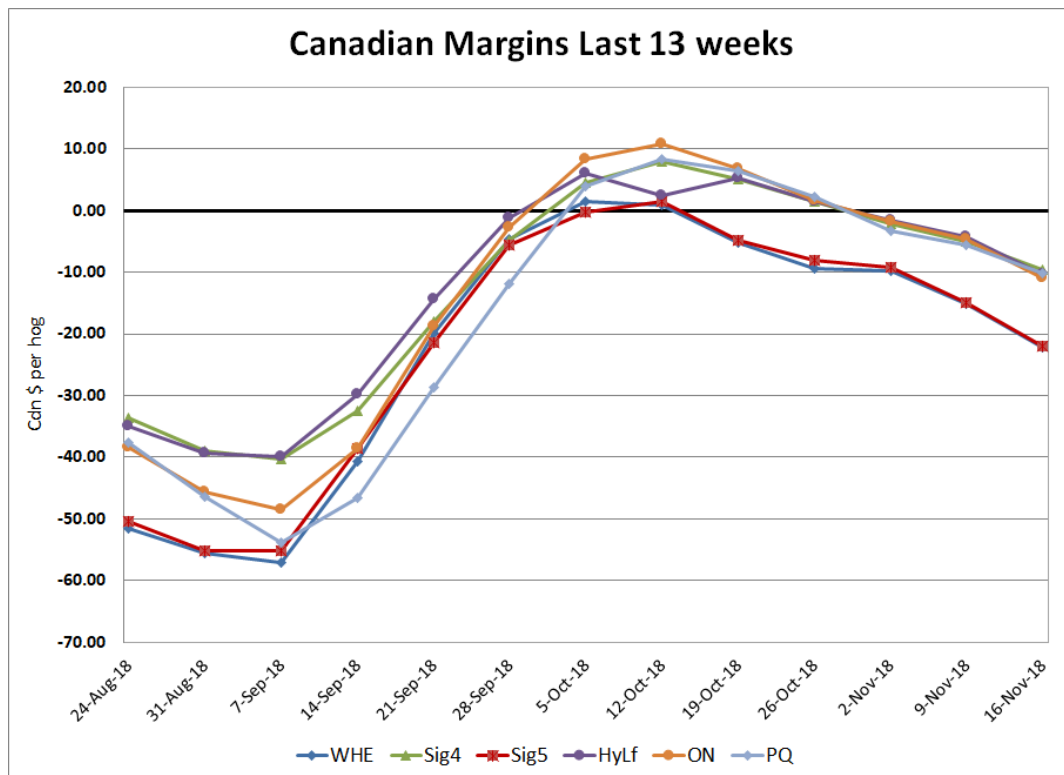
# Weekly Hog Margins

Hog margins were weaker again this past week, falling on softer hog market values. Feed costs only modestly offset lessened hog values, with farrow to finish feed costs near \$0.25-\$0.50/hog lower in Canada and down \$0.65/hog in monitored US regions. Hog margins in all monitored regions on either side of the border were generally \$4.50-\$7/hog weaker from the previous week. Margins out of the WHE and those based off the Sig 5 declined the most, each down \$7/hog. Hylife and Ontario hog margins fell near \$6/hog while the Sig 4 and Quebec hog margins were calculated near \$4.50/hog lower. In the US, Tyson and JM margins were roughly \$6.75/hog lower on the week.

Regional MARGINS, \$/hog						
Packer/Region	16-Nov-18	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE/Alberta	\$152.85	\$115.61	\$39.45	\$20.05	\$175.11	-\$22.26
ML Sig 4/Manitoba	\$162.84	\$113.35	\$39.54	\$19.55	\$172.44	-\$9.60
ML Sig 5/Manitoba	\$150.41	\$113.35	\$39.54	\$19.55	\$172.44	-\$22.03
Thunder Creek/SK	\$157.63	N/A				N/A
Hylife/Manitoba	\$162.07	\$113.36	\$39.54	\$19.55	\$172.45	-\$10.38
Ontario	\$164.88	\$111.29	\$40.71	\$23.76	\$175.76	-\$10.88
Québec	\$165.94	\$113.98	\$40.50	\$21.65	\$176.13	-\$10.19
Tyson (USD)/Iowa	\$122.22	\$81.74	\$28.70	\$16.57	\$127.01	-\$4.79
John Morrell (USD)/ND	\$109.51	\$79.83	\$28.70	\$16.57	\$125.10	-\$15.59

\* Feed costs standardized for a 285 pound market hog

- US Regional Margins – Tyson \$ (4.79) USD X 1.3208 = \$ (6.36) in Canadian Dollars
- Morrell \$ (15.59) USD X 1.3208 = \$ (20.59) in Canadian Dollars



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