



Weekly Regional HOG PRICE Report



November 6, 2018

Things to Consider....

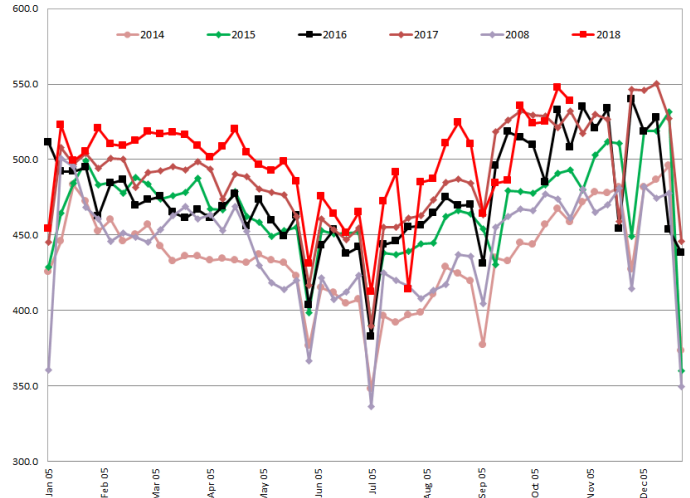
Total pork production for the last couple of weeks has once again returned to above historical highs after trading below year ago levels for nearly 6 weeks. As can be seen in the graph pork production, which is the combination of slaughter and weight, has traded above 2017 for most of the year. Only in the last couple of months have we seen the amount of pork produced in the US soften slightly compared to last year. The softening of production caused mainly by the slight reduction in slaughter was one of the reasons hog futures have been able to record new contract highs just last week.

US federally inspected weekly hog slaughter reached a new all time high of 2.599 million hogs for the week ending Oct 20th with this week's kill also testing the upper limit of slaughter capacity recording 2.593 million hogs. These extremely high and record kill levels are only possible due to the expansion efforts that have been seen to the US slaughter capacity over the last couple of years.

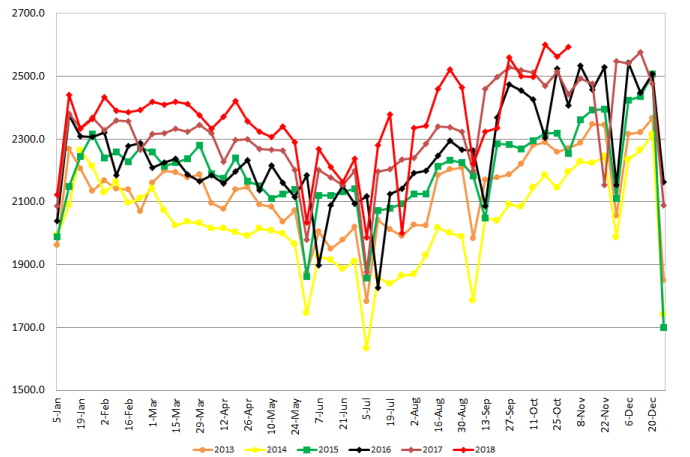
With weights making their seasonal accent to higher levels more production can be expected in the weeks and months ahead. This will not come as a surprise to the industry or price as the annual increase in weights is fully expected and priced into the market.

Hog futures appear to have hit a plateau with a sharp decline reported today after most 2019 contracts reached new highs either last Friday or on Monday. For producers looking to add protection for later this year or into 2019, the contract highs of last week should be viewed as strong selling targets.

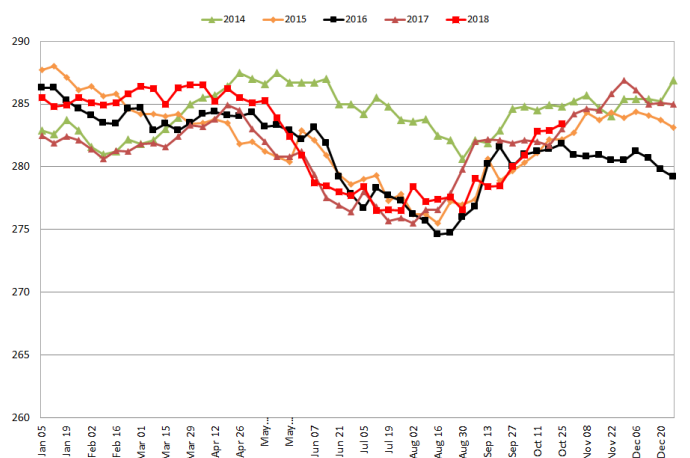
US Weekly Pork Production (Million Pounds)



US Federal Inspected Slaughter ('000)



Weekly Average Barrow and Gilt Weight Live



Weekly Hog Price Recap

Cash hog values were reported mixed throughout the week, with weakness primarily reported the latter half of the week. Daily cash bids were reported moderate most of the week, with high volumes midweek. The CME cash average was dragged lower on follow-through weakness from late the week previous as well as reported declines early last week. Continued weakness in wholesale pork values offered little support, with cut-out \$1.17/cwt lower than a week earlier.

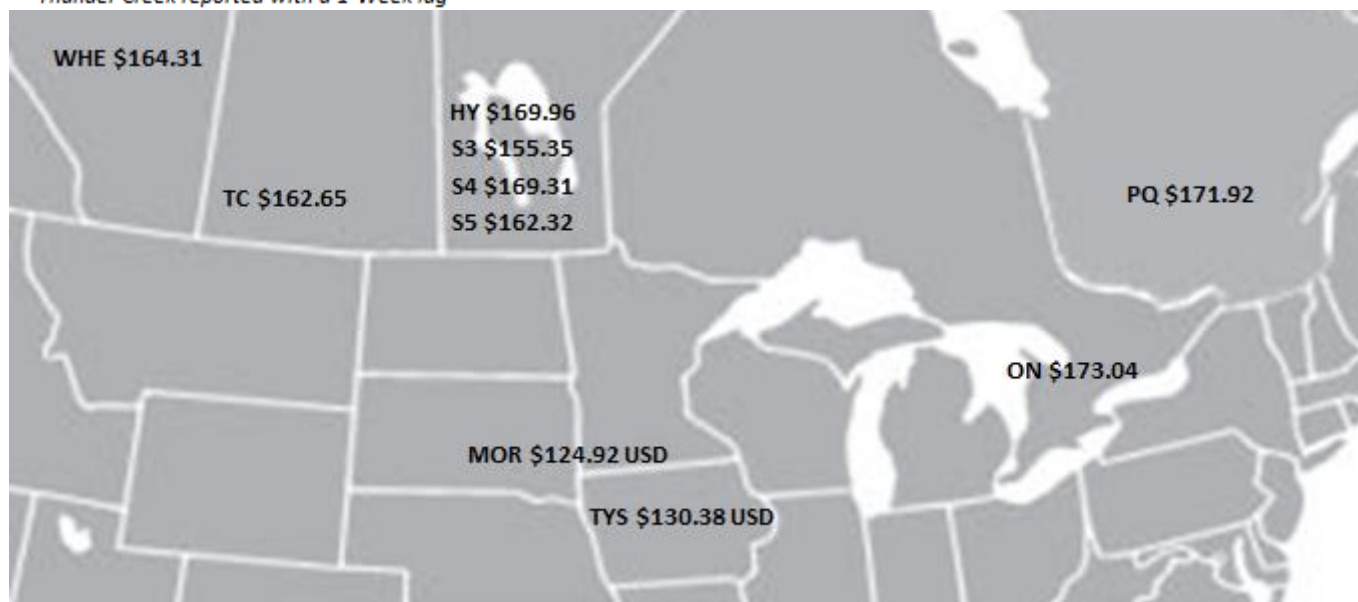
Cash Price	Weekly Averages		w/w	% Chg
	2-Nov-18	26-Oct-18		
ISM pm	\$58.44	\$57.64	\$0.80	1.4%
WCB pm	\$58.38	\$57.53	\$0.85	1.5%
Nat pm	\$57.94	\$57.58	\$0.36	0.6%
CME Index*	\$64.04	\$65.50	-\$1.46	-2.2%
BoC Exch	1.3117	1.3083	0.0034	0.3%

* Represents Friday-Thursday average

Monitored Canadian markets were generally lower on the week, excluding markets with base pricing which includes regional pricing such as the WHE. The WHE was up a modest \$0.10/hog, while the Sig 3 rose \$2/hog to reduce losses on the Sig 5 price to \$0.50/hog lower on the week. Other markets in Canada which include base pricing from the 201 faced week-over-week declines, generally \$2.50/hog to \$5/hog lower. Pricing out of Ontario, the Sig 4 and Hylife were all down near \$2-\$3/hog, while values out of Quebec declined the most. In the US, Tyson fell \$1.25/hog while JM values climbed \$1.75/hog.

Regional Pricing, \$/hog								
Packer/Region	Difference		2018 YTD	Difference		Last 13 weeks	Difference	
	3 Year	to WHE		Difference	to WHE		Difference	to WHE
WHE 2017	\$172.20		\$169.17		\$150.05		\$164.31	
ML Sig 3	\$164.94	-\$7.26	\$159.75	-\$9.42	\$137.00	-\$13.05	\$155.35	-\$8.96
ML Sig 4	\$175.29	\$3.09	\$172.03	\$2.86	\$157.37	\$7.32	\$169.31	\$5.00
ML Sig 5	\$170.13	-\$2.07	\$165.89	-\$3.28	\$147.18	-\$2.87	\$162.32	-\$1.99
Thunder Creek **	\$168.19	-\$4.02	\$165.41	-\$3.75	\$147.48	-\$2.56	\$162.65	-\$1.66
Hylife	\$176.31	\$4.10	\$172.91	\$3.74	\$157.36	\$7.31	\$169.96	\$5.65
Ontario	\$180.68	\$8.47	\$176.73	\$7.56	\$158.44	\$8.39	\$173.04	\$8.73
Québec	\$179.13	\$6.93	\$174.91	\$5.75	\$156.76	\$6.71	\$171.92	\$7.61
Tyson (USD)	\$139.54	-\$32.66	\$137.64	-\$31.53	\$119.18	-\$30.86	\$130.38	-\$33.93
John Morrell (USD)	\$132.99	-\$39.22	\$130.55	-\$38.62	\$111.03	-\$39.01	\$124.92	-\$39.39

**Thunder Creek reported with a 1-Week lag



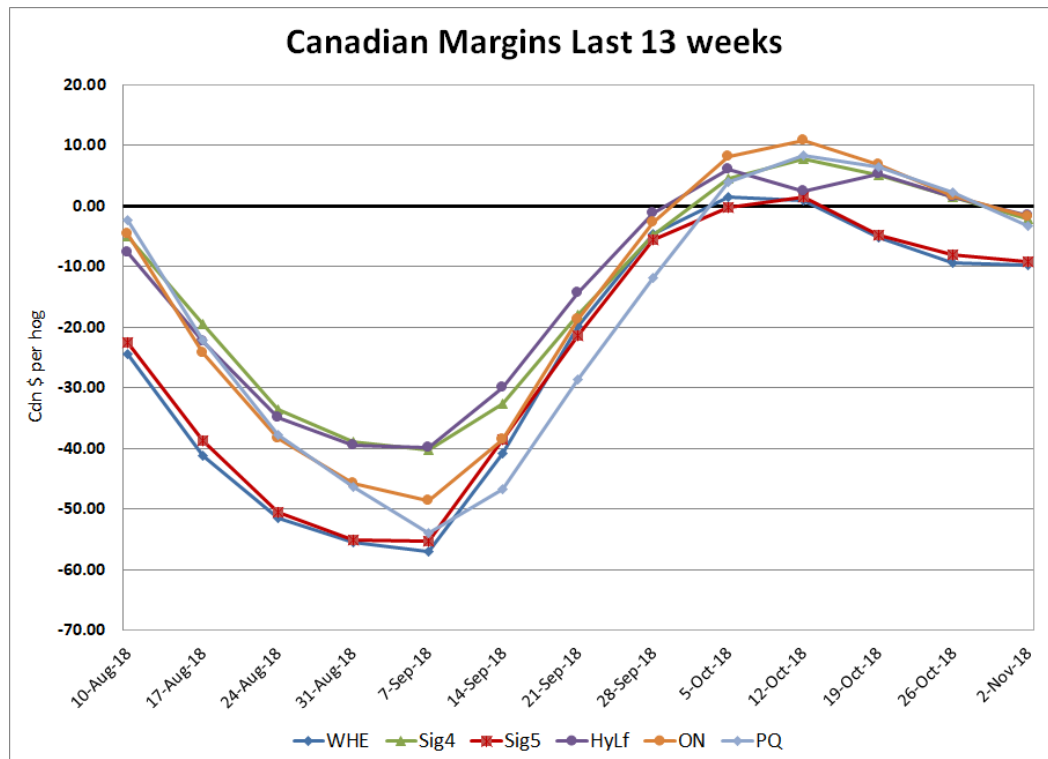
Weekly Hog Margins

Hog margins continue to face weakness on falling hog values, as well as a rise in reported feed costs. Farrow to finish feed costs rose near \$0.50/hog north of the border while those in monitored US regions rose closer to \$0.25/hog. Hog margins for CME-based markets such as Quebec, Ontario, the Sig 4 and Hylife reported the greatest declines on the week. Out of Quebec, hog margins were calculated \$5.50/hog lower, while margins based off the Sig 4 or Ontario pricing were both more than \$3/hog weaker and Hylife just shy of \$3/hog weaker. For comparison, margins based off the Sig 5 were \$1/hog lower, while the WHE saw margins decrease less than \$0.50/hog. In the US, Tyson margins weakened \$1.50/hog while those out of JM were calculated near \$1.50/hog higher.

Regional MARGINS, \$/hog						
Packer/Region	2-Nov-18	Farrow to Finish			Total	Weekly Margin
	Hog Price	Feed*	Variable	Fixed	COP	
WHE/Alberta	\$164.31	\$114.61	\$39.45	\$20.05	\$174.11	-\$9.80
ML Sig 4/Manitoba	\$169.31	\$112.35	\$39.54	\$19.55	\$171.44	-\$2.13
ML Sig 5/Manitoba	\$162.32	\$112.35	\$39.54	\$19.55	\$171.44	-\$9.12
Thunder Creek/SK	\$162.65	N/A				N/A
Hylife/Manitoba	\$169.96	\$112.36	\$39.54	\$19.55	\$171.45	-\$1.49
Ontario	\$173.04	\$110.29	\$40.71	\$23.76	\$174.76	-\$1.72
Québec	\$171.92	\$112.98	\$40.50	\$21.65	\$175.13	-\$3.21
Tyson (USD)/Iowa	\$130.38	\$81.90	\$28.70	\$16.57	\$127.17	\$3.21
John Morrell (USD)/ND	\$124.92	\$79.99	\$28.70	\$16.57	\$125.26	-\$0.34

* Feed costs standardized for a 285 pound market hog

- US Regional Margins - Tyson \$3.21 USD X 1.3117 = 4.21 in Canadian Dollars
- Morrell \$(0.34) USD X 1.3117 = \$(0.44) in Canadian Dollars



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