



Weekly Regional HOG PRICE Report



October 9, 2018

Things to Consider....

Since the last time lean hog futures were reviewed in this report (about a month ago), most 2019 contracts have reached new highs while the remaining 2018 months remain below top levels registered earlier in the year. Although the remaining October and December contracts have not reached top values from earlier in 2018, they have performed well given the circumstances of the last few months.

December futures topped at \$60 US per cwt in the last couple of weeks following a massive 6-week recovery which saw the contract come back from a low of \$44 in mid August. The recovery was spurred by several pieces of news that turned the once ALL negative industry into a more positive market. Trade deals between the US, Mexico and Canada were positive while news of ASF spreading in China and Europe bolstered prices.

However, as of late the positive news appears to be waning, which historically can prove to be a turning point in the market, at least in the short-term. With most 2019 contracts near the top end of trade, producer selling, and long liquidation are being noticed providing a cap to the market. Seasonally, prices trend lower into the 4th quarter pressured by meat values that traditionally weaken heading into US Thanksgiving. Producers should not be surprised to see hog futures and cash prices begin to decline in the weeks ahead.

As for hog production margins as illustrated at the end of the report, a return to slightly positive numbers in the cash market means there are some considerable positive numbers for the early and mid parts of 2019. The opportunity to secure some positive returns for 2019 should not be passed up as plenty of negative news can easily surface once into the large slaughter weeks expected later this year.

Dec 2018 Lean Hogs



June 2019 Lean Hogs



July 2019 Soymeal



July 2019 Corn



Weekly Hog Price Recap

Regional and national cash hogs were reported moderately mixed during the week. Daily bids were considered moderate peaking Tuesday and Wednesday with both those days reporting higher values. CME cash reported moderate daily gains in each of the last 5 business days. Wholesale pork values were mixed, with weakening loins, ribs and butts dragging cutout \$0.11/cwt lower.

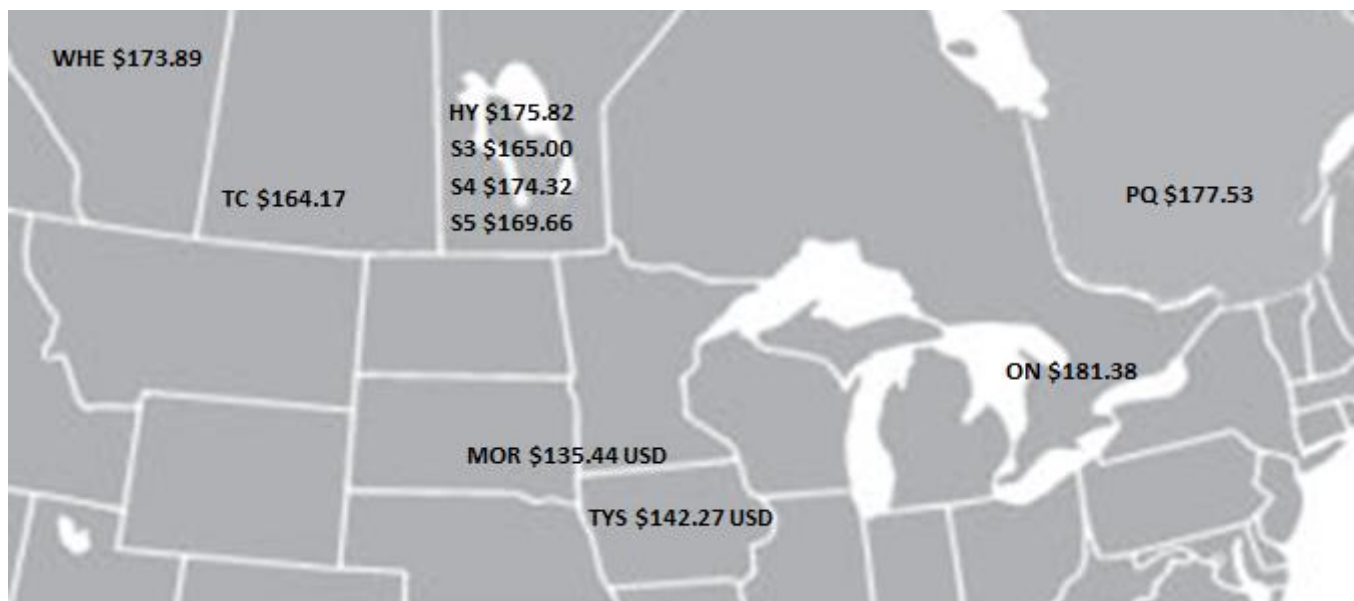
Cash Price	Weekly Averages		w/w	% Chg
	5-Oct-18	28-Sep-18		
ISM pm	\$63.49	\$62.89	\$0.60	1.0%
WCB pm	\$63.43	\$62.84	\$0.59	0.9%
Nat pm	\$63.31	\$62.50	\$0.81	1.3%
CME Index*	\$68.50	\$63.69	\$4.81	7.6%
BoC Exch	1.2858	1.2970	-0.0112	-0.9%

* Represents Friday-Thursday average

Monitored Canadian hog markets were generally \$5-\$16/hog stronger on the week with markets based off CME cash up the most. Pricing out of the east was again up the most, with Quebec up shy of \$16/hog and Ontario rising near \$11/hog. The Sig 4 was up \$9/hog and Hylife improved \$7/hog. The WHE rose \$6/hog while the Sig 5 was up closer to \$5/hog, weighed on in part by it's average with the Sig 3 which only edged \$1/hog higher. In the US, VMR-based Tyson jumped \$9/hog benefitting from higher cash bids overall while JM improved more than \$1/hog on the week.

Regional Pricing, \$/hog								
Packer/Region	Difference		2018 YTD	Difference		Last 13 weeks	Difference	
	3 Year	to WHE		to WHE	to WHE		5-Oct-18	to WHE
WHE 2017	\$172.64		\$169.27		\$157.96		\$173.89	
ML Sig 3	\$165.54	-\$7.10	\$159.93	-\$9.34	\$144.18	-\$13.78	\$165.00	-\$8.90
ML Sig 4	\$175.62	\$2.97	\$171.79	\$2.52	\$164.79	\$6.82	\$174.32	\$0.43
ML Sig 5	\$170.59	-\$2.05	\$165.86	-\$3.41	\$154.48	-\$3.48	\$169.66	-\$4.24
Thunder Creek **	\$168.59	-\$4.06	\$165.18	-\$4.09	\$157.35	-\$0.61	\$164.17	-\$9.73
Hylife	\$176.69	\$4.05	\$172.88	\$3.61	\$165.14	\$7.18	\$175.82	\$1.93
Ontario	\$181.07	\$8.43	\$176.48	\$7.21	\$166.50	\$8.53	\$181.38	\$7.49
Québec	\$179.50	\$6.85	\$174.56	\$5.28	\$165.91	\$7.94	\$177.53	\$3.64
Tyson (USD)	\$139.91	-\$32.74	\$137.77	-\$31.50	\$126.00	-\$31.97	\$142.27	-\$31.62
John Morrell (USD)	\$133.48	-\$39.16	\$130.91	-\$38.37	\$115.99	-\$41.98	\$135.44	-\$38.45

**Thunder Creek reported with a 1-Week lag



Weekly Hog Margins

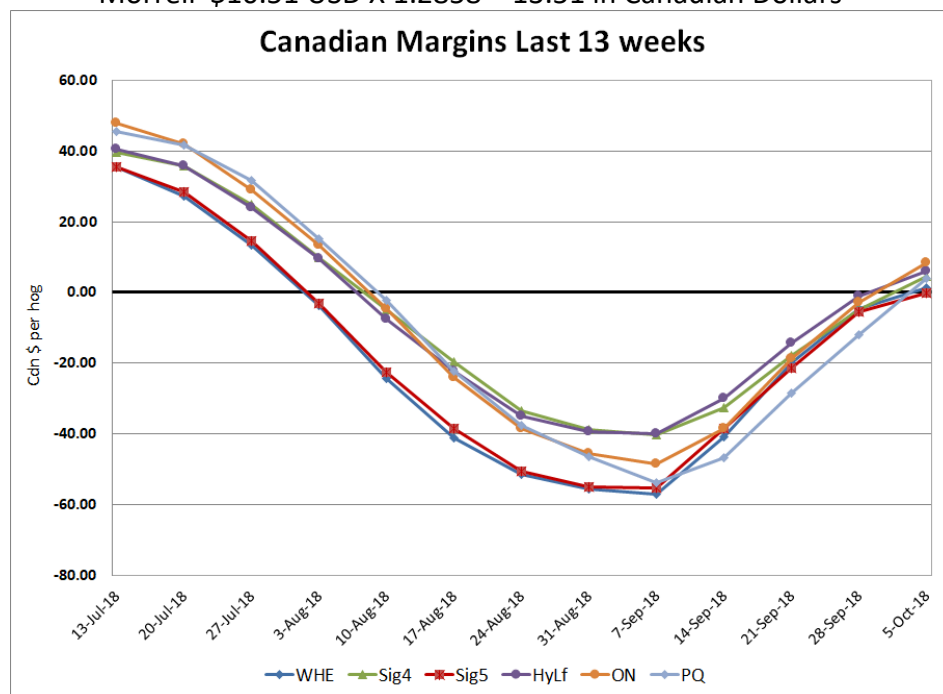
Hog margins reported another solid week on rising cash hog values. Canadian hog margins were changed very little overall on feed costs with Canadian farrow-to-finish feed down \$0.15/hog, while US hog margins were weakened \$0.50/hog due to the estimated farrow-to-finish feed cost increase.

Monitored Canadian hog margins were generally \$5.50-\$16/hog stronger, with Ontario and Quebec calculating margins up at the top end of that range. Quebec margins improved \$16/hog while Ontario's calculated margins were \$11/hog stronger. The Sig 4 hog margins were \$9/hog stronger, followed by those calculated out of Hylife which rose \$7/hog. Hog margins based off the WHE were \$6/hog stronger, followed closely by those based off the Sig 5. In the US, Tyson margins improved \$9/hog while JM margins improved shy of \$1/hog.

Regional MARGINS, \$/hog						
Packer/Region	5-Oct-18 Hog Price	Farrow to Finish			Total COP	Weekly Margin
		Feed*	Variable	Fixed		
WHE/Alberta	\$173.89	\$112.97	\$39.45	\$20.05	\$172.47	\$1.42
ML Sig 4/Manitoba	\$174.32	\$110.71	\$39.54	\$19.55	\$169.80	\$4.52
ML Sig 5/Manitoba	\$169.66	\$110.71	\$39.54	\$19.55	\$169.80	-\$0.14
Thunder Creek/SK	\$164.17	N/A				N/A
Hylife/Manitoba	\$175.82	\$110.72	\$39.54	\$19.55	\$169.81	\$6.01
Ontario	\$181.38	\$108.65	\$40.71	\$23.76	\$173.12	\$8.26
Québec	\$177.53	\$111.34	\$40.50	\$21.65	\$173.49	\$4.04
Tyson (USD)/Iowa	\$142.27	\$81.57	\$28.70	\$16.57	\$126.84	\$15.43
John Morrell (USD)/ND	\$135.44	\$79.66	\$28.70	\$16.57	\$124.93	\$10.51

* Feed costs standardized for a 285 pound market hog

US Regional Margins - Tyson \$15.43 USD X 1.2858 = 19.84 in Canadian Dollars
 - Morrell \$10.51 USD X 1.2858 = 13.51 in Canadian Dollars



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