



Weekly Regional HOG PRICE Report



Things to Consider....

October 2, 2018

On Thursday of last week (Sep 27) the USDA released its latest Quarterly Hogs and Pigs report. As can be seen in the table to the right, most categories came in lower than trade expectations, which had been released prior to the report on Thursday. The report was considered bullish and helped the lean hog futures market rally on Friday and again Monday to new contract highs. The latest news on hog numbers will help stabilize the market following an extreme quarter of sharply volatile prices.

Although the Kept for Breeding number was slightly higher than estimates, All Hogs, Market Hogs and all Weight groups were reported over 1% lower than the estimates. This is good news for the 4th quarter of 2018 and the start of 2019 as total slaughter numbers should not exceed slaughter capacity in the US.

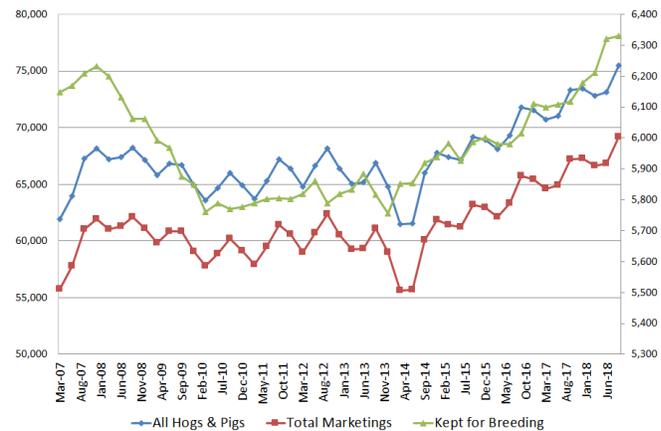
After reaching a new bottom in 2014, Total Marketings have climbed steadily to the new record high of 69.156 Million hogs in the latest report. These new production records are being fuelled by increased sow numbers and the steady improvement to genetic potential and improved bio security leading to higher pigs per litter. The graph in the middle right and bottom right illustrate the magnitude of growth that has been seen in US production over the last half decade.

It should be pointed out, that numbers continue to grow above last year with most categories 2-4% higher in production however the markets expectation of continued growth beyond those numbers has been slowed. With demand still on track to have the best year on record, the lower number of hogs on feed could provide underlying support the market needs during the historically low fall months ahead.

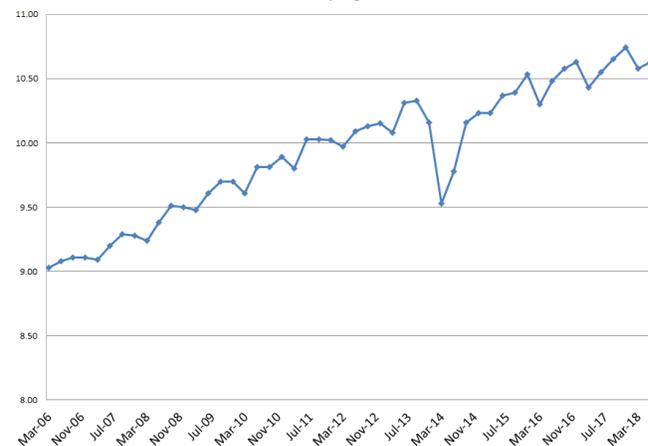
Following the release of the report on Thursday, most 2019 hog contracts reached new highs providing further opportunity for producers across the country to hedge profitable margins for much of the 2019 season. News of a new trade deal between the USA, Mexico and Canada pushed the Canadian dollar higher eroding some of the prices and margins for next year. However, even with the negative impact of the higher dollar, hog prices continued to be good value for producers seeking protection from volatility.

Quarterly H&P - Sept 2018	2017	2018	Est	%18/17	%Est-Act
All Hogs and Pigs	73,549	75,486	103.8%	102.6%	-1.2%
Kept for Breeding	6,087	6,330	103.6%	104.0%	0.4%
Market Hogs	67,462	69,156	103.8%	102.5%	-1.3%
Mkt hog Wt. Groups					
Under 50 pounds	21,568	22,092	104.0%	102.4%	-1.6%
50-119 pounds	19,626	20,262	104.2%	103.2%	-1.0%
120-179 pounds	14,129	14,356	103.3%	101.6%	-1.7%
180 pounds and over	12,139	12,445	103.6%	102.5%	-1.1%
Jun-Aug Pig Crop	33,048	34,159	104.2%	103.4%	-0.8%
Jun-Aug Pigs per Litter	10.65	10.72	101.0%	100.7%	-0.3%
Sows Farrowing					
'18 Jun-Aug farrowed	3,103	3,185	103.2%	102.6%	-0.6%
'18 Sep-Nov intentions	3,070	3,163	102.9%	103.0%	0.1%
'18/19 Dec-Feb intentions	3,025	3,115	102.1%	103.0%	0.9%

Total US Inventory, Marketings & Kept for Breeding



US Quarterly Pigs Per Litter



Weekly Hog Price Recap

Regional and national pricing reported good strength to start the week, however following the peak in volume and value Tuesday, daily cash slipped to end with Friday declining modestly. Daily cash bid volume was moderate throughout the week, peaking Tuesday which was the highest daily increase of the week. CME cash reported even stronger daily gains, rising \$1.11-\$1.70/cwt daily. Wholesale pork values improved again this week with all primals averaging above the week previous, bringing cutout \$2.36/cwt higher.

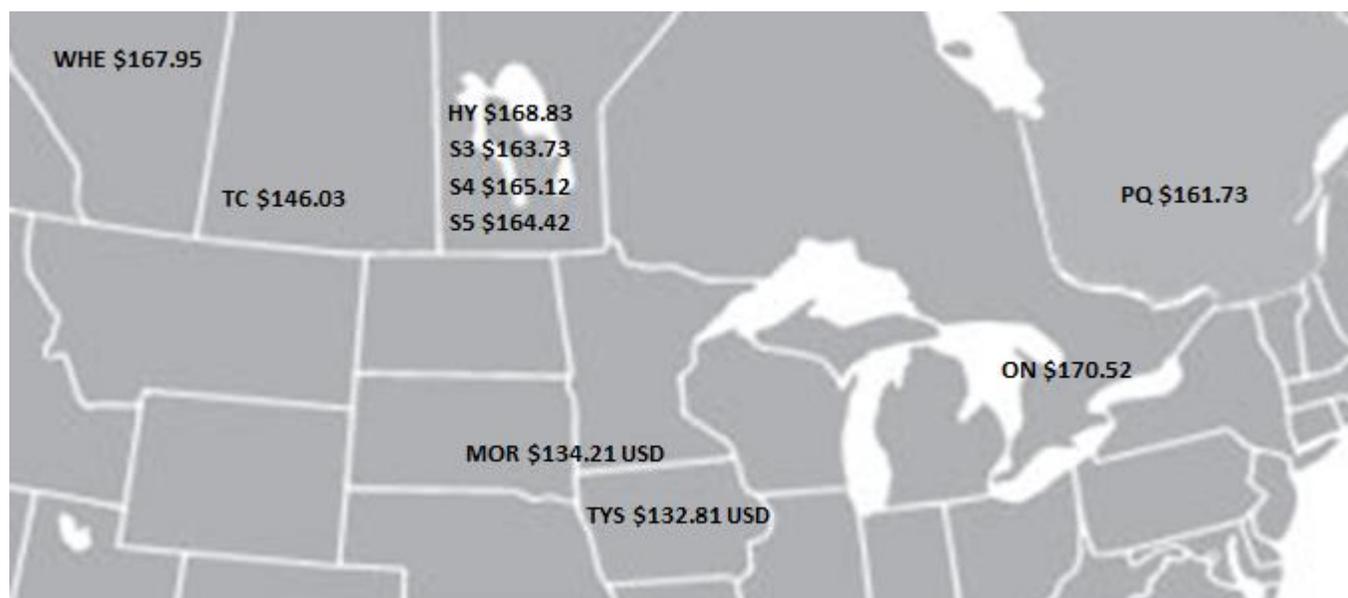
Cash Price	Weekly Averages		w/w	% Chg
	28-Sep-18	21-Sep-18		
ISM pm	\$62.89	\$56.44	\$6.45	11.4%
WCB pm	\$62.84	\$56.37	\$6.47	11.5%
Nat pm	\$62.50	\$55.50	\$7.00	12.6%
CME Index*	\$63.69	\$56.12	\$7.57	13.5%
BoC Exch	1.2970	1.2956	0.0014	0.1%

* Represents Friday-Thursday average

Monitored Canadian hog markets were generally \$15-\$19/hog stronger on the week. Markets out of the east such as Ontario and Quebec increase near \$19/hog while the WHE and Sig 5 followed closely, rising \$18/hog. Remaining Canadian markets were \$15-\$16/hog higher from last week. In the US, Tyson values improved \$18/hog while JM rose closer to \$13.50/hog.

Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to WHE	2018 YTD	Difference to WHE	Last 13 weeks	Difference to WHE	Ending 28-Sep-18	Difference to WHE
WHE 2017	\$172.76		\$169.15		\$160.96		\$167.95	
ML Sig 3	\$165.70	-\$7.06	\$159.80	-\$9.35	\$147.44	-\$13.52	\$163.73	-\$4.21
ML Sig 4	\$175.72	\$2.95	\$171.73	\$2.57	\$167.76	\$6.80	\$165.12	-\$2.83
ML Sig 5	\$170.73	-\$2.04	\$165.76	-\$3.39	\$157.60	-\$3.36	\$164.42	-\$3.53
Thunder Creek **	\$168.73	-\$4.03	\$165.21	-\$3.95	\$161.24	\$0.27	\$146.03	-\$21.92
Hylife	\$176.80	\$4.04	\$172.81	\$3.65	\$168.10	\$7.13	\$168.83	\$0.89
Ontario	\$181.18	\$8.42	\$176.36	\$7.20	\$169.65	\$8.68	\$170.52	\$2.58
Québec	\$179.62	\$6.85	\$174.48	\$5.33	\$169.47	\$8.51	\$161.73	-\$6.21
Tyson (USD)	\$139.95	-\$32.82	\$137.65	-\$31.50	\$128.07	-\$32.89	\$132.81	-\$35.14
John Morrell (USD)	\$133.58	-\$39.18	\$130.79	-\$38.36	\$118.32	-\$42.64	\$134.21	-\$33.73

**Thunder Creek reported with a 1-Week lag



Weekly Hog Margins

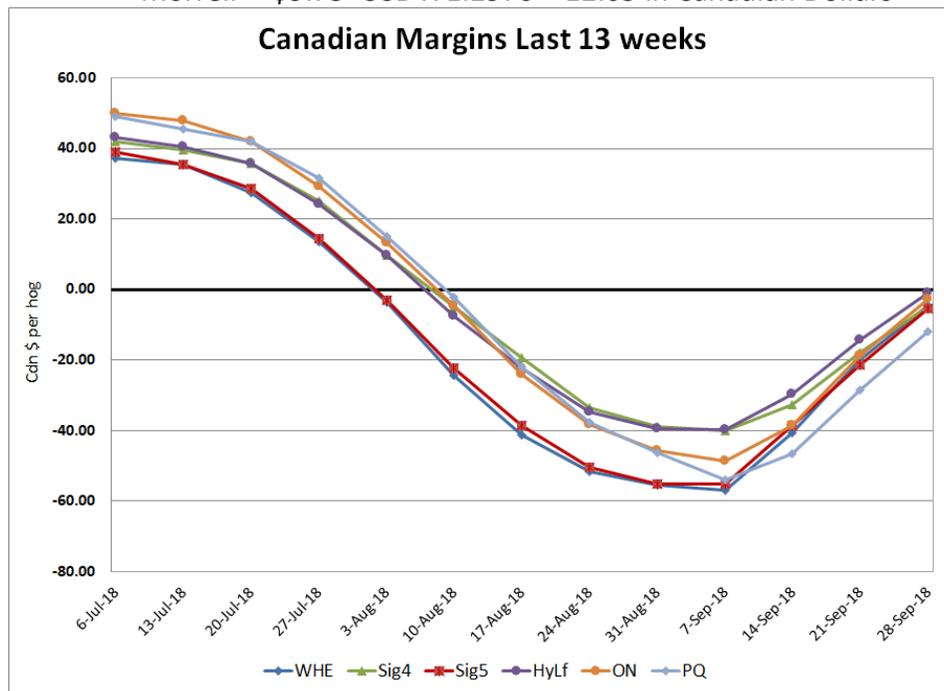
Hog margin improvements were seen on both sides of the border as hog values continue to report an upturn in pricing. Rises in hog values were tempered however by an increase in feed costs on the week. Canadian farrow to finish feed costs rose more than \$2/hog while US feed costs climbed near \$1.75/hog from a week earlier.

Monitored Canadian hog margins were generally \$13-\$16/hog stronger, with Ontario and Quebec calculating margins up at the top end of that range. The WHE and Sig 5 margins both rose more than \$15/hog while remaining hog margins were \$13/hog stronger on the week. In the US, monitored hog margins based off Tyson and JM markets were \$16 and just shy of \$12/hog respectively.

Regional MARGINS, \$/hog						
Packer/Region	28-Sep-18	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE/Alberta	\$167.95	\$113.11	\$39.45	\$20.05	\$172.61	-\$4.66
ML Sig 4/Manitoba	\$165.12	\$110.85	\$39.54	\$19.55	\$169.94	-\$4.82
ML Sig 5/Manitoba	\$164.42	\$110.85	\$39.54	\$19.55	\$169.94	-\$5.52
Thunder Creek/SK	\$146.03		N/A			N/A
Hylife/Manitoba	\$168.83	\$110.86	\$39.54	\$19.55	\$169.95	-\$1.12
Ontario	\$170.52	\$108.79	\$40.71	\$23.76	\$173.26	-\$2.74
Québec	\$161.73	\$111.48	\$40.50	\$21.65	\$173.63	-\$11.90
Tyson (USD)/Iowa	\$132.81	\$81.10	\$28.70	\$16.57	\$126.37	\$6.44
John Morrell (USD)/ND	\$134.21	\$79.19	\$28.70	\$16.57	\$124.46	\$9.75

* Feed costs standardized for a 285 pound market hog

- US Regional Margins – Tyson \$6.44 USD X 1.2970 = 8.35 in Canadian Dollars
- Morrell \$9.75 USD X 1.2970 = 12.65 in Canadian Dollars



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