



Weekly Regional HOG PRICE Report



September 11, 2018

Things to Consider....

US livestock and meat trade data reported July pork exports at 425,096 thousand pounds, a drop of 29.2 million pounds from last month but a gain of 34.8 million pounds over the same month last year. The rate of decrease month over month is seasonal as shown in the bar graph to the right. The next seasonal move is for exports to pick up from August until the end of the year when volumes can reach their highs annually. Currently, total US pork exports are at 6.5% year-to-date over last year-to-date. The July reported pork export numbers were the 12th consecutive month of higher year over year exports, dating all the way back to Aug of 2017. So far, every month in 2018 has reported a greater export volume than the same month in 2017. This data disproves the theory of significant loss in export business due to the trade tariffs and implies that the market was sharply undervalued over the last 2 months. If exports were going to drop due to the trade tariffs with China and Mexico, much of the impact would have shown up in the July data.

The report-over-report decline reflects the fact that most major destinations for US pork lessened their imports of US pork for the month of July. South Korea reported the largest drop from June, reducing their volume by 9.3 million pounds. US pork to Mexico also reported a notable decrease in pork from the US, falling 8.8 million pounds. China*, Colombia and Japan each lessened their imports of US pork by more than 5 million pounds for July. These declines as mentioned above are seasonal and expected to return later in the year.

Exports as a percent of monthly production for July increased half a percent to 27.8%, bringing the figure 10.3% over last year. Production for the weeks of July averaged 447.5 million pounds, up 56.0 Mlbs on average per week from June.

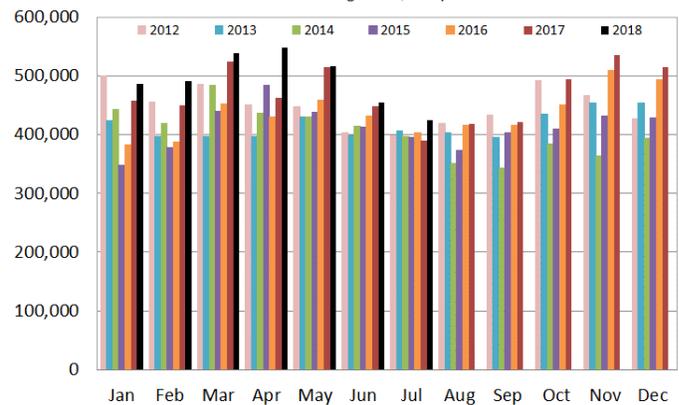
Lean hogs are trading near the upper end of the recent 3-month range and providing good hedging opportunities for producers. As mentioned in last week's article, producers should use this opportunity to secure some protection for late 2018 and early 2019 production.

US Pork Exports (carcass weight, 1,000 pounds)						
Top 7 Countries	Jul-17	Jun-18	Jul-18	M/M%	Y/Y%	YTD/LYTD%
Australia	16,570	16,593	17,993	8.4%	8.6%	5.5%
Canada	45,011	41,625	40,818	-1.9%	-9.3%	-2.4%
Colombia	11,193	22,143	17,102	-22.8%	52.8%	63.7%
China*	30,573	33,558	28,259	-15.8%	-7.6%	19.2%
Japan	87,930	98,299	93,738	-4.6%	6.6%	-1.4%
Mexico	128,683	136,239	127,417	-6.5%	-1.0%	4.3%
South Korea	25,114	50,281	40,974	-18.5%	63.2%	41.9%

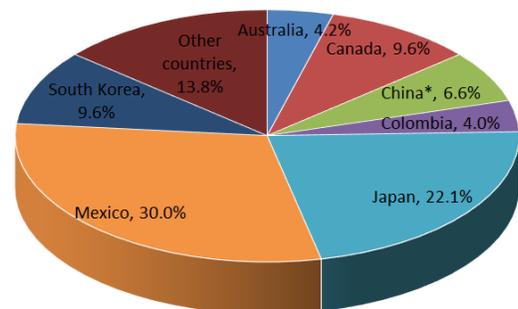
*Includes Mainland, Hong Kong & Taiwan

Total US Pork Exports

Carcass Weight 1,000 pounds



Percentage of Total US Pork Exports



Weekly Hog Price Recap

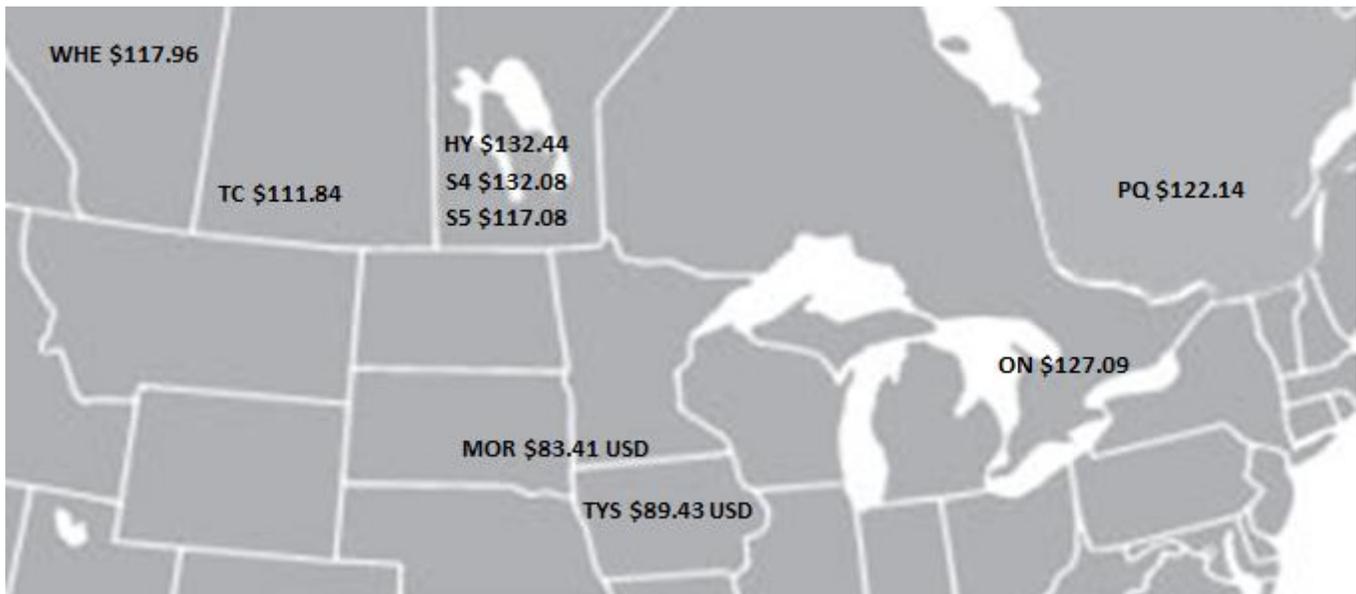
Regional and national pricing reported solid gains throughout the week, particularly Friday which saw values rise \$3/cwt. Daily cash bid volume was stable and moderate for the week. CME cash values reported modest daily increases however the rises were not enough to pull over the previous weekly average. Wholesale pork values improved overall, helping drive cash hog values higher, with cutout reported \$2.51/cwt higher on the week.

Cash Price	Weekly Averages		w/w	% Chg
	7-Sep-18	31-Aug-18		
ISM pm	\$39.40	\$36.84	\$2.56	6.9%
WCB pm	\$39.36	\$36.80	\$2.56	7.0%
Nat pm	\$38.42	\$36.87	\$1.55	4.2%
CME Index*	\$45.76	\$46.56	-\$0.80	-1.7%
BoC Exch	1.3180	1.2974	0.0206	1.6%

* Represents Friday-Thursday average

Monitored hog markets were generally improved on rising hog values, with Canadian markets receiving further support from the improved rate of exchange. Overall, rising Canadian markets were as much as \$3/hog higher. Most pricing out of the prairies were \$1.5-\$2/hog higher. The Canadian markets to report decreases were those out of Quebec, down \$4/hog, and Thunder Creek which was down \$7/hog. In the US, Tyson values were reported \$1.25/hog lower while those out of JM improved more than \$3/hog.

Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to WHE	2018 YTD	Difference to WHE	Last 13 weeks	Difference to WHE	Ending 7-Sep-18	Difference to WHE
WHE 2017	\$189.98		\$168.76		\$174.03		\$117.96	
ML Sig 4	\$191.52	\$1.54	\$173.49	\$4.74	\$181.81	\$7.78	\$132.08	\$14.13
ML Sig 5	\$189.84	-\$0.13	\$167.31	-\$1.44	\$172.71	-\$1.31	\$117.08	-\$0.87
Thunder Creek	\$186.09	-\$3.89	\$166.04	-\$2.71	\$175.87	\$1.84	\$111.84	-\$6.12
Hylife	\$192.88	\$2.90	\$174.38	\$5.63	\$182.14	\$8.11	\$132.44	\$14.48
Ontario	\$201.96	\$11.99	\$180.36	\$11.61	\$188.44	\$14.41	\$127.09	\$9.13
Québec	\$198.32	\$8.34	\$177.05	\$8.29	\$187.12	\$13.10	\$122.14	\$4.18
Tyson (USD)	\$167.48	-\$22.50	\$139.49	-\$29.26	\$141.97	-\$32.06	\$89.43	-\$28.53
John Morrell (USD)	\$163.27	-\$26.71	\$131.73	-\$37.02	\$130.06	-\$43.97	\$83.41	-\$34.54



Weekly Hog Margins

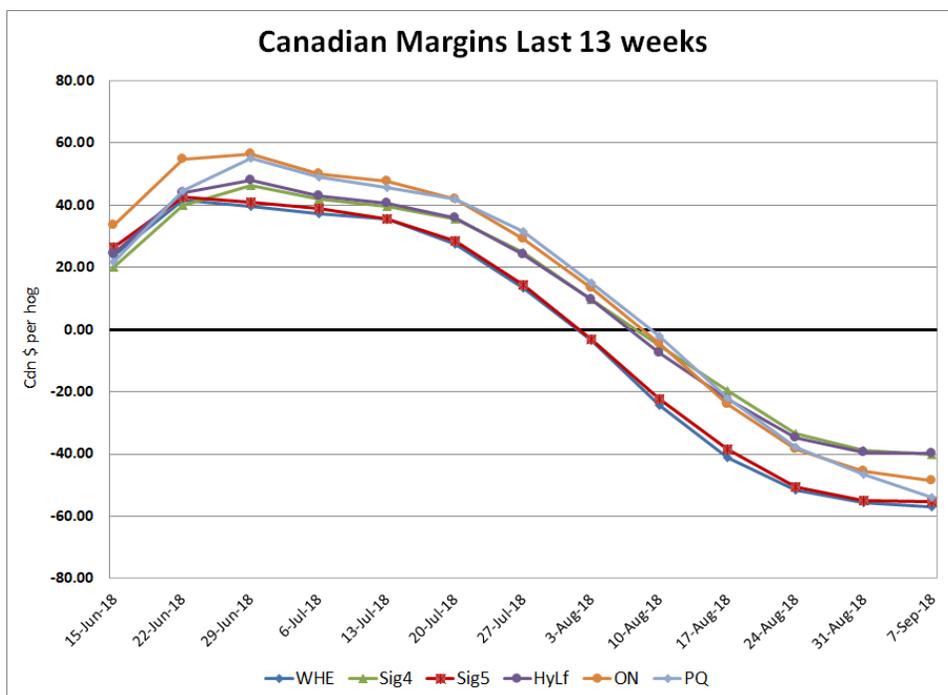
Hog margins weakened despite improved market values due to significant pressure from rising feed costs. Canadian farrow to finish feed costs surged \$3/hog while those in the US rose near \$/hog.

Monitored Canadian margins were modestly weaker to as much as \$7.50/hog weaker. Margins calculated off the Sig 5 were marginally unchanged, following by those out of Hylife which fell \$0.50/hog. The WHE and Sig 4 calculated hog margins which were \$1.50/hog weaker, while those out of Ontario were down near \$3/hog. Quebec hog margins dropped the most on the week, weakening \$7.50/hog. In the US, Tyson margins fell \$3.50/hog while those calculated out JM climbed \$1/hog higher.

Regional MARGINS, \$/hog						
Packer/Region	7-Sep-18	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE/Alberta	\$117.96	\$115.48	\$39.45	\$20.05	\$174.98	-\$57.02
ML Sig 4/Manitoba	\$132.08	\$113.22	\$39.54	\$19.55	\$172.31	-\$40.23
ML Sig 5/Manitoba	\$117.08	\$113.22	\$39.54	\$19.55	\$172.31	-\$55.23
Thunder Creek/SK	\$111.84		N/A			N/A
Hylife/Manitoba	\$132.44	\$113.22	\$39.54	\$19.55	\$172.31	-\$39.87
Ontario	\$127.09	\$111.16	\$40.71	\$23.76	\$175.63	-\$48.54
Québec	\$122.14	\$113.85	\$40.50	\$21.65	\$176.00	-\$53.86
Tyson (USD)/Iowa	\$89.43	\$82.05	\$28.70	\$16.57	\$127.32	-\$37.89
John Morrell (USD)/ND	\$83.41	\$80.14	\$28.70	\$16.57	\$125.41	-\$42.00

* Feed costs standardized for a 285 pound market hog

- US Regional Margins – Tyson **\$(37.89)** USD X 1.3180 = **\$(49.94)** in Canadian Dollars
- Morrell **\$(42.00)** USD X 1.3180 = **\$(55.36)** in Canadian Dollars



Disclaimer: Commodity Professionals Inc. presents this report as a snapshot of the market using current information available at the time of the report. These findings are for informational purposes only and should not be reproduced or transmitted by any means without

permission. Commodity Professionals Inc. does not guarantee, and accepts no legal liability arising from or connected to, the accuracy, reliability, or completeness of any material contained in the publication.