



# Weekly Regional HOG PRICE Report



September 25, 2018

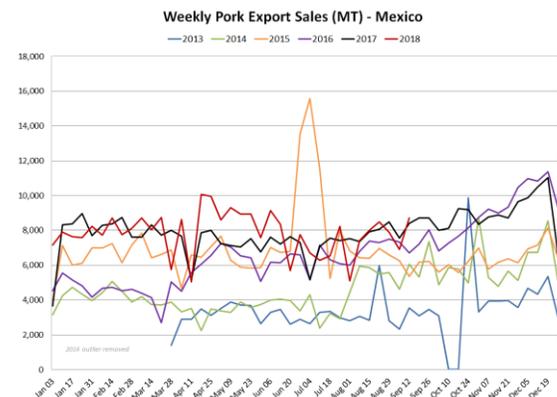
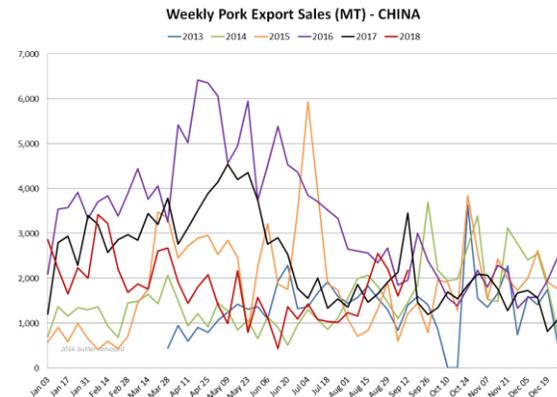
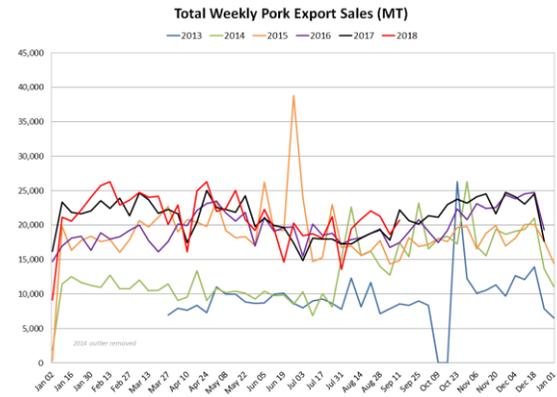
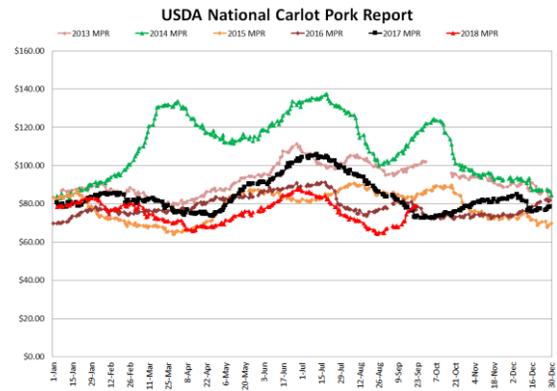
## Things to Consider....

The value of pork made a significant move in the right direction over the last 2 weeks as illustrated by the USDA National Carlot Pork report in the graph to the right. Pork cut-out has rallied from \$67.77 per cwt (5 - Year low) on Sep 6<sup>th</sup> to \$80.45 per cwt reported the afternoon of Sep 25<sup>th</sup>. The gain of \$12.68 US per cwt, bringing cut-out to within the range of previous years, relays the message of strong export demand and meat movement both domestically and abroad. The move, which comes after a steady decline from late June can be considered somewhat seasonal as in other years like 2013, 2014, 2015 and to a lesser extent 2016 cut-out rose between August and September following a late summer decline. Although during those years when cut-out rose into late fall/early winter it must also be noted that meat values peaked in early to late October and declined to there seasonal low towards late November and early Dec.

The recent rise in meat values and the corresponding rally in lean hog futures has provided hog producers with an excellent opportunity to hedge profitable 2019 production margins and seasonal production values for the remainder of 2018. Producers are encouraged to have some protection for the next 6 months even considering recent improvements in pork movement and price.

Further to the story of a stable export pace for 2018 (contrary to what the market said for the last 3 months), weekly pork exports continue at a pace ahead of 2017 and ahead of any other year since the weekly data has been collected for pork. And although China showed a decline in weekly imports relative to 2017 in the first half of the year, the weekly numbers of the last 2 months have matched those of a year ago.

Mexico as shown in the graph on the bottom right has also imported more pork in 2018 compared to 2017 erasing the entire falsified market expectation that US pork exports would plummet to zero in these countries due to trade tariffs. Clearly the data says otherwise, and the market should continue to maintain some level of support based on the "normal" pork movement abroad which also could see increases due to disease issues facing parts of Asia and Eastern Europe.



## Weekly Hog Price Recap

Regional and national pricing reported solid gains much of the week, particularly early week which reported daily increases of \$2-\$3/cwt. Daily cash bid volume was moderately high all week, peaking Wednesday. CME cash values reported good strength as well however gained later in the week compared to regional cash. Wholesale pork values continue to improve with rising primal cuts pushing cut-out \$7.32/cwt higher from the previous week's average.

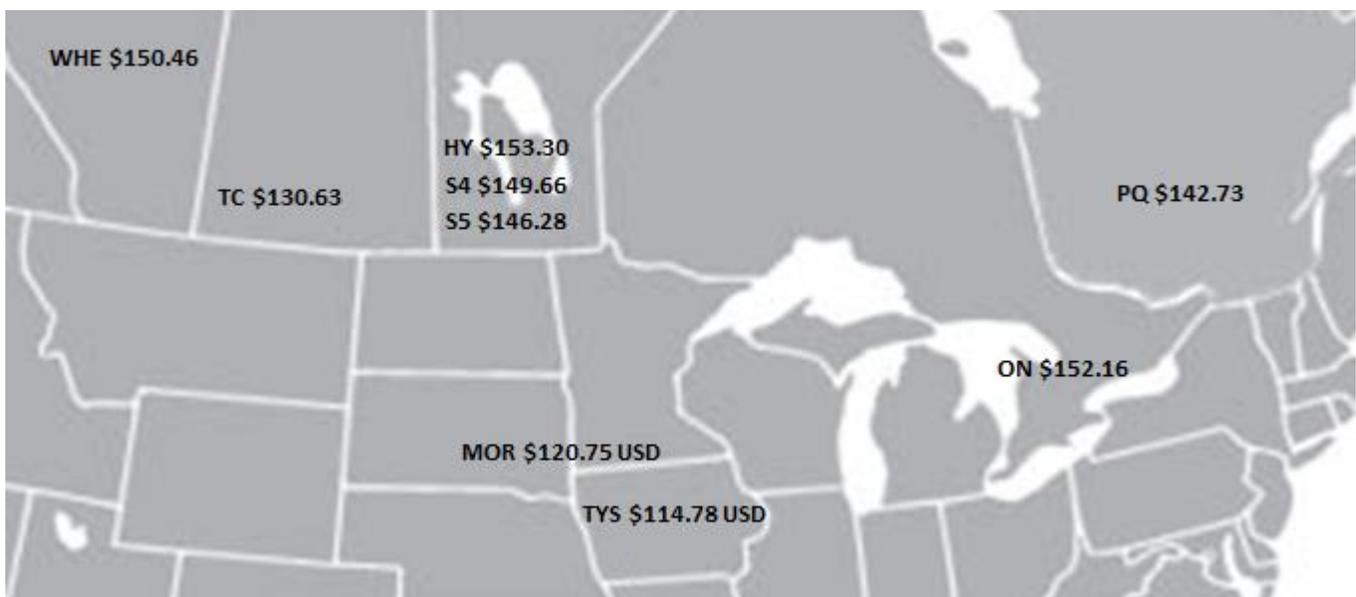
Cash Price	Weekly Averages		w/w	% Chg
	21-Sep-18	14-Sep-18		
ISM pm	\$56.44	\$48.15	\$8.29	17.2%
WCB pm	\$56.37	\$48.09	\$8.28	17.2%
Nat pm	\$55.50	\$46.91	\$8.58	18.3%
CME Index*	\$56.12	\$49.00	\$7.12	14.5%
BoC Exch	1.2956	1.3070	-0.0114	-0.9%

\* Represents Friday-Thursday average

Monitored hog markets reflected the significant rises in cash hogs with the hog value out of Ontario rising the most, up near \$18/hog. The WHE improved \$17/hog, followed by the Sig 5 and values out of Quebec which were both up near \$16/hog. Remaining Canadian markets were up \$13-\$15/hog. In the US, Tyson and JM values were up \$16 & \$17 per hog respectively.

Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to WHE	2018 YTD	Difference to WHE	Last 13 weeks	Difference to WHE	Ending 21-Sep-18	Difference to WHE
WHE 2017	\$ 172.89		\$169.19		\$164.84		\$150.21	
ML Sig 3	\$ 165.84	-\$7.05	\$159.70	-\$9.49	\$150.96	-\$13.89	\$142.90	-\$7.31
ML Sig 4	\$ 175.86	\$2.97	\$171.90	\$2.72	\$172.01	\$7.17	\$149.66	-\$0.55
ML Sig 5	\$ 170.87	-\$2.03	\$165.80	-\$3.39	\$161.49	-\$3.36	\$146.28	-\$3.93
Thunder Creek **	\$ 168.96	-\$3.94	\$165.71	-\$3.48	\$166.82	\$1.98	\$130.63	-\$19.58
Hylife	\$ 176.93	\$4.04	\$172.91	\$3.72	\$172.19	\$7.35	\$153.30	\$3.09
Ontario	\$ 181.34	\$8.45	\$176.51	\$7.33	\$174.26	\$9.41	\$152.16	\$1.95
Québec	\$ 179.81	\$6.92	\$174.82	\$5.63	\$174.94	\$10.09	\$142.73	-\$7.48
Tyson (USD)	\$ 140.03	-\$32.86	\$137.78	-\$31.40	\$131.46	-\$33.39	\$114.78	-\$35.43
John Morrell (USD)	\$ 133.66	-\$39.23	\$130.70	-\$38.48	\$120.65	-\$44.19	\$120.75	-\$29.46

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



# Weekly Hog Margins

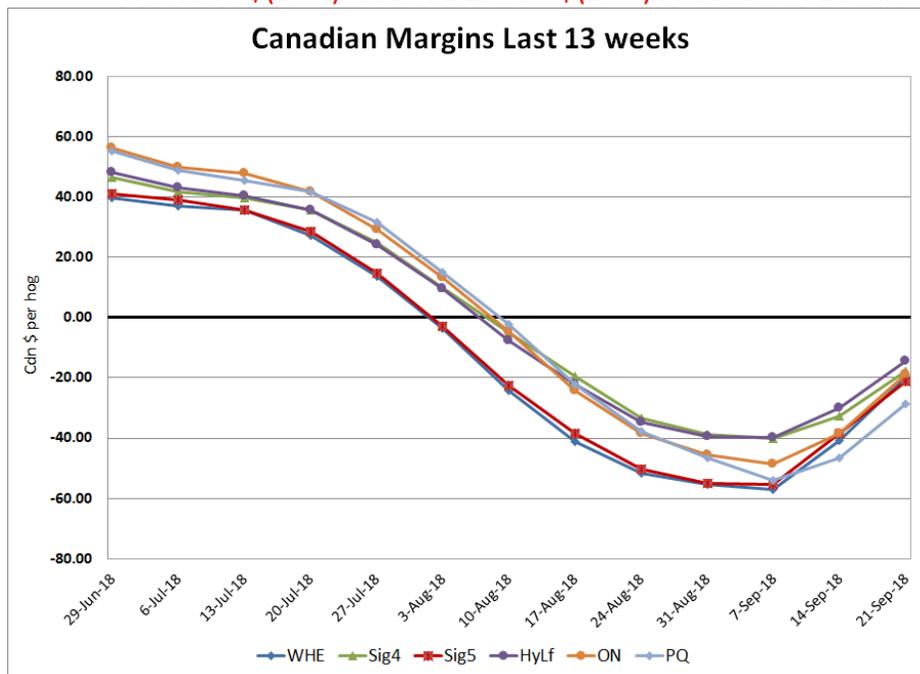
Hog margins improved due to the surge in cash hogs as well as a notable reduction in feed costs. Canadian farrow to finish feed costs dropped near \$1.80/hog while those in the US fell near of \$1/hog.

Monitored hog margins improved drastically given the strength in both volume and value of cash hog markets. WHE margins improved the most on the week, surging near \$21/hog. Hog margins calculated out of Ontario improved just shy of \$20/hog. Quebec and Sig 5 hog margins were \$18/hog higher, while the Sig 4 and Hylife margins were near \$15/hog stronger. In the US, monitored hog margins based off Tyson and JM markets were \$16.50 and \$18/hog stronger respectively.

Regional MARGINS, \$/hog						
Packer/Region	21-Sep-18	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE/Alberta	\$150.46	\$110.78	\$39.45	\$20.05	\$170.28	-\$19.82
ML Sig 4/Manitoba	\$149.66	\$108.52	\$39.54	\$19.55	\$167.61	-\$17.95
ML Sig 5/Manitoba	\$146.28	\$108.52	\$39.54	\$19.55	\$167.61	-\$21.33
Thunder Creek/SK	\$130.63	N/A				N/A
Hylife/Manitoba	\$153.30	\$108.52	\$39.54	\$19.55	\$167.61	-\$14.31
Ontario	\$152.16	\$106.46	\$40.71	\$23.76	\$170.93	-\$18.77
Québec	\$142.73	\$109.15	\$40.50	\$21.65	\$171.30	-\$28.57
Tyson (USD)/Iowa	\$114.78	\$79.36	\$28.70	\$16.57	\$124.63	-\$9.85
John Morrell (USD)/ND	\$120.75	\$77.45	\$28.70	\$16.57	\$122.72	-\$1.97

\* Feed costs standardized for a 285 pound market hog

- US Regional Margins – Tyson **\$(9.85)** USD X 1.2956 = **\$(12.76)** in Canadian Dollars
- Morrell **\$(1.97)** USD X 1.2956 = **\$(2.55)** 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.