



Weekly Regional HOG PRICE Report

June 19, 2018

Things to Consider....

Conflicting news and fundamentals had lean hog futures on both sides of the board over the past week. As projected in last weeks article, one simple announcement was able to derail the gains seen in the market so far this month. As of late last week, US President Trump threatened more tariffs on China, this time looking to impose 10% tariffs on as much as \$200 Billion worth of Chinese goods. Concerns over the current trade war have pork traders and exporters on high alert with projections of lower total volume abroad impacting future values. Those lower projections however have yet to show up in the data with recent ERS export data reporting a new record high.

US livestock and meat trade data reported April pork exports at 547,931 thousand pounds, which represents a new historical high for pork volume traded ever for the US. This brings total pork exports 168.7 million pounds over last year-to-date.

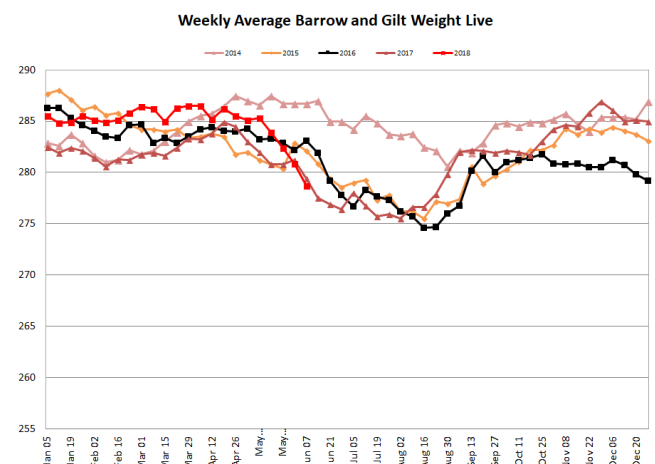
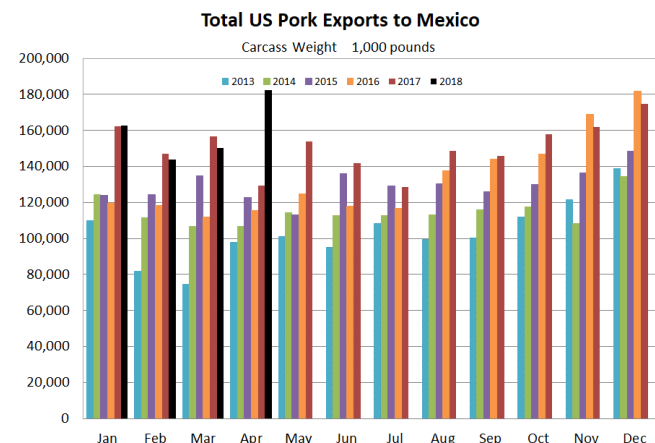
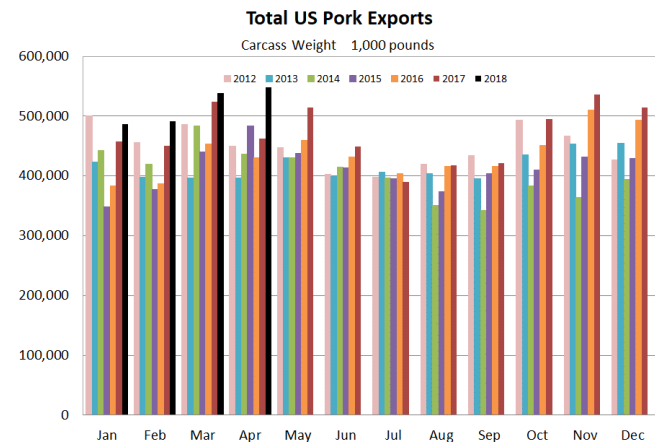
The 9.8-million-pound rise in total US pork exports for April can be attributed to a significant rise in US pork exported to Mexico. Volume to Mexico also reached a historical high on the latest report. The increase to Mexico alone offset declines to other major destinations for US pork. Exports to Mexico surged 32.1 million pounds for April, at a time when seasonally they tend to import less pork from the US. China* was the only other major destination to increase their imports of US pork, rising 4.9 million pounds from last reported.

Although available trade data is supportive to the market, analysts are projecting a sharp decline in the tonnage moving during the summer months and into the highly populated 4th quarter of 2018. Hog producers need to consider the potential decline in exports a serious threat to pricing later this year and consider some price protection of around 50% of production.

Continuing the positive side of the equation, hog weights have slipped to the lowest level in 5 years contributing to lower pounds of pork on a weekly basis which has been supportive to cash. Reduced cash a month ago, higher feed costs along with some warm temperature all combined to see a reduction in live weights. Producers are encouraged to take advantage of strong cash price by staying current with marketing and keeping weights down.

US Pork Exports (carcass weight, 1,000 pounds)						
Top 5 Countries	Apr-17	Mar-18	Apr-18	M/M%	Y/Y%	YTD/LYTD%
Japan	103,107	104,237	95,048	-8.8%	-7.8%	-3.5%
Mexico	129,305	150,360	182,430	21.3%	41.1%	7.4%
Canada	43,173	48,203	41,152	-14.6%	-4.7%	-0.8%
South Korea	45,477	87,748	77,172	-12.1%	69.7%	42.5%
China*	60,854	49,107	54,010	10.0%	-11.2%	38.5%
All US Pork Exports	462,927	538,108	547,931	1.8%	18.4%	8.9%

*Includes Mainland, Hong Kong & Taiwan



Weekly Hog Price Recap

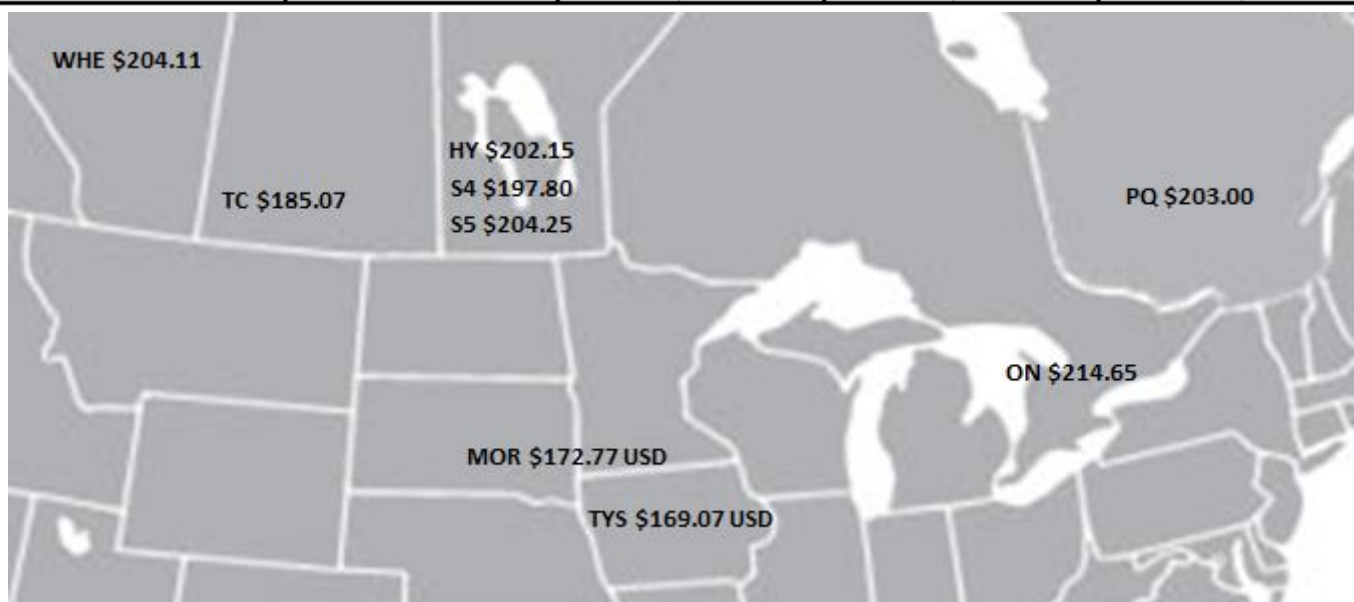
Cash hog pricing surged on the week with significant rises reported each day. National and regional pricing rose \$1.25-\$2/cwt daily except Friday which was up near \$0.20/cwt regionally and \$1/cwt nationally. CME cash was up \$1.25-\$1.50/cwt daily. Bid volume was consistently moderate throughout the week, peaking Wednesday.

Cash Price	Weekly Averages		w/w	% Chg
	15-Jun-18	8-Jun-18		
ISM pm	\$81.48	\$73.88	\$7.59	10.3%
WCB pm	\$81.38	\$73.77	\$7.61	10.3%
Nat pm	\$80.45	\$72.90	\$7.55	10.4%
CME Index*	\$78.64	\$72.68	\$5.96	8.2%
BoC Exch	1.3043	1.2954	0.0089	0.7%

* Represents Friday-Thursday average

Monitored markets improved greatly this week on the strong gains made in cash hog values. Canadian markets received additional support from significant strength in the rate of exchange. Markets based off regional cash pricing rose the most on the week, with the WHE 2010 and the Sig 3 surging near \$20/hog. Other markets based on similar regional/national markets such as the WHE 2017, the Sig 5 and pricing out of Ontario rose \$16-\$17/hog. Other Canadian markets generally based off CME case rose \$12-\$14/hog except for pricing out of Thunder Creek which was up \$9/hog. Monitored US markets rose \$16-\$17/hog on the week.

Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to WHE	2018 YTD	Difference to WHE	Last 13 weeks	Difference to WHE	Ending 15-Jun-18	Difference to WHE
WHE 2017	\$189.98		\$167.37		\$162.46		\$204.11	
ML Sig 4	\$191.52	\$1.54	\$170.00	\$2.63	\$165.60	\$3.14	\$197.80	-\$6.31
ML Sig 5	\$189.84	-\$0.13	\$165.93	-\$1.45	\$160.98	-\$1.48	\$204.25	\$0.14
Thunder Creek	\$186.09	-\$3.89	\$161.51	-\$5.86	\$155.65	-\$6.81	\$185.07	-\$19.04
Hylife	\$192.88	\$2.90	\$171.33	\$3.96	\$167.04	\$4.59	\$202.15	-\$1.96
Ontario	\$201.96	\$11.99	\$177.41	\$10.04	\$171.71	\$9.25	\$214.65	\$10.54
Québec	\$198.32	\$8.34	\$172.68	\$5.30	\$166.41	\$3.95	\$203.00	-\$1.11
Tyson (USD)	\$167.48	-\$22.50	\$139.38	-\$27.99	\$133.28	-\$29.18	\$169.07	-\$35.04
John Morrell (USD)	\$163.27	-\$26.71	\$134.35	-\$33.02	\$128.89	-\$33.57	\$172.77	-\$31.34



Weekly Hog Margins

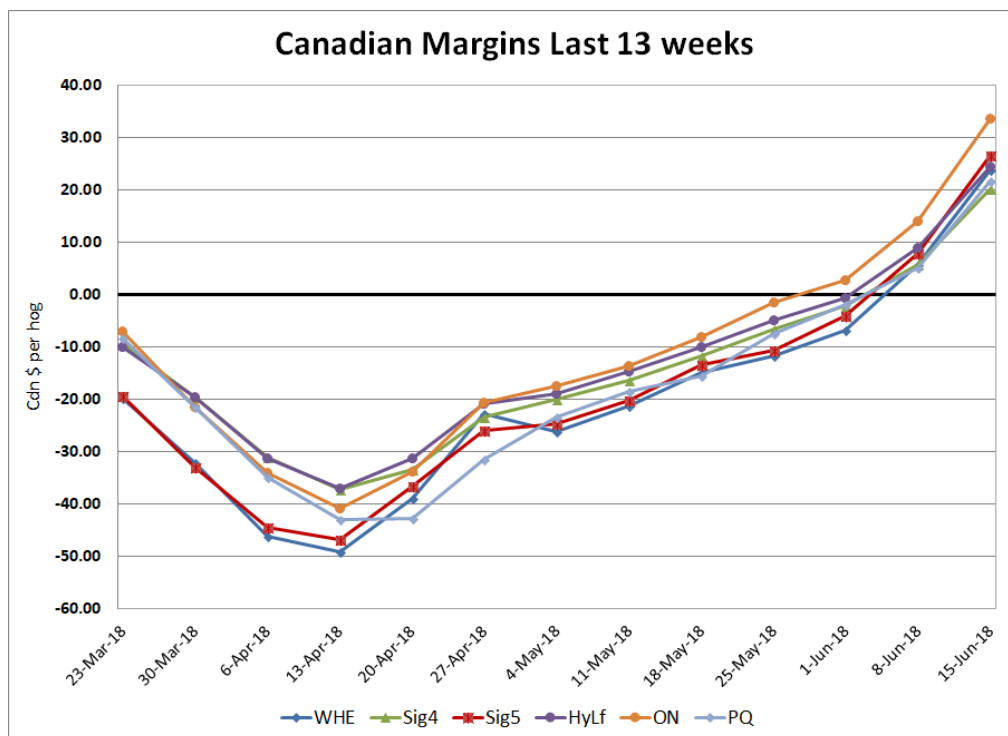
Feed costs were supportive to hog margins, with Canadian farrow to finish feed costs down near \$1.75/hog while costs south of the border declined closer to \$1.50/hog.

Monitored margins received the majority of their week-over-week strength from the significant rises in hog pricing. Hog margins calculated out of Ontario improved the most this week, surging shy of \$20/hog. This was followed by the Sig 5 which improved \$19/hog and the WHE 2017 up \$18/hog. Other Canadian margins were \$14-\$16/hog stronger from last calculated. US hog margins were \$17-\$18/hog stronger.

Regional MARGINS, \$/hog						
Packer/Region	15-Jun-18	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
WHE/Alberta	\$204.11	\$120.78	\$39.45	\$20.05	\$180.28	\$23.83
ML Sig 4/Manitoba	\$197.80	\$118.52	\$39.54	\$19.55	\$177.61	\$20.19
ML Sig 5/Manitoba	\$204.25	\$118.52	\$39.54	\$19.55	\$177.61	\$26.64
Thunder Creek/SK	\$185.07	N/A				N/A
Hylife/Manitoba	\$202.15	\$118.52	\$39.54	\$19.55	\$177.61	\$24.54
Ontario	\$214.65	\$116.46	\$40.71	\$23.76	\$180.93	\$33.72
Québec	\$203.00	\$119.15	\$40.50	\$21.65	\$181.30	\$21.70
Tyson (USD)/Iowa	\$169.07	\$85.31	\$28.70	\$16.57	\$130.58	\$38.49
John Morrell (USD)/ND	\$172.77	\$83.40	\$28.70	\$16.57	\$128.67	\$44.10

* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$38.49 USD X 1.3043 = \$50.20 in Canadian Dollars
 - Morrell \$44.10 USD X 1.3043 = \$57.52 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.