



# Weekly Regional HOG PRICE Report



May 2, 2019

## Things to Consider....

Volatility appears to be the name of the game going forward. After successfully reaching 4-Year highs early this month (April 11), June lean hog futures shed \$12 US per cwt (\$28 CDN per hog) in just over a week dropping to \$87.00 on Monday, April 29<sup>th</sup> from \$99.00 on April 15<sup>th</sup>. Futures did manage to muster a limit up day on Wednesday easing some of the recent declines. Although summer contracts experienced this major pull back the deferred Oct and Dec 2019 contracts were not hit as hard and managed to only lose \$8 and as of today are only \$5 US per cwt off the highs from early this month.

News of ASF spreading through Asia and Eastern Europe continues to dominate the market place however data being release here in North America has yet to support the tremendous move that has been seen in the market.

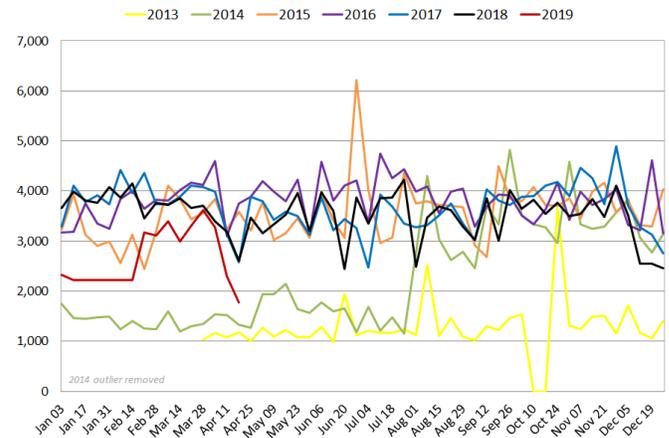
Many projections and expectations include increased pork exports for later in 2019 however year to date information recently released by the USDA does not imply much has changed from the year previous. For example, Weekly exports to Japan shown here to the right have experienced significant declines in recent weeks, dropping to levels not seen in over 4 years. Although the China number continue to be supportive, the total US values, although slightly higher than last year are struggling to support current market levels.

Pork Cut-out values as illustrated here have also reached a mid season top, settling lower in the past week closer to \$80 US per cwt from the upper \$80's a week earlier. Pork Cut-out traditionally increases from this time period through to the middle of July when seasonally pork prices top for the year and begin their usual trend lower in the late 3<sup>rd</sup> and 4<sup>th</sup> quarters. This year the expectation is for that trend not to happen. With Oct lean hogs trading near \$90 US per cwt, Cut-out is going to have to trade above those levels to sustain the market hog price. Futures today are projecting that cut-out is going to be near \$100 US per cwt come fall. Although this could happen, it is going to have to take a lot of pork movement abroad to get the meat market to reach those record levels for that time of year.

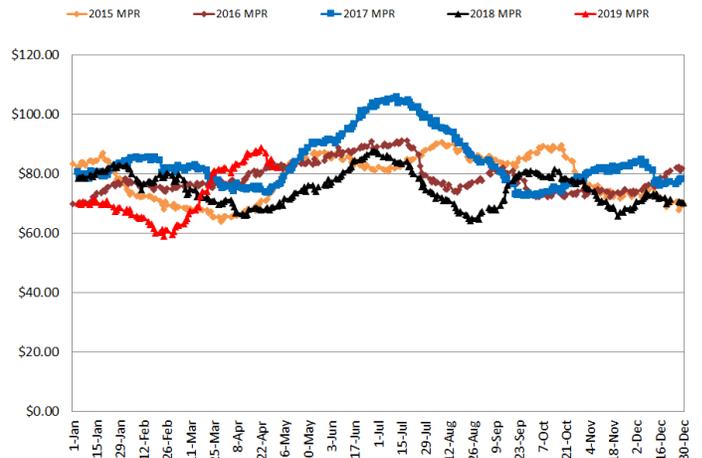
### June 2019 Lean Hogs



### Weekly Pork Exports (MT) - Japan



### USDA National Carlot Pork Report



## Weekly Hog Price Recap

Cash hogs finished the week higher, despite lower values reported Monday and Friday. Cash hog bid volume was lighter this week, except volume Wednesday which was above average. CME cash by comparison reported stable daily gains all week. Wholesale pork values were mixed throughout the week, with a significant drop in bellies and a decline in loin values pulling pork cutout \$2.97/cwt under last week's average.

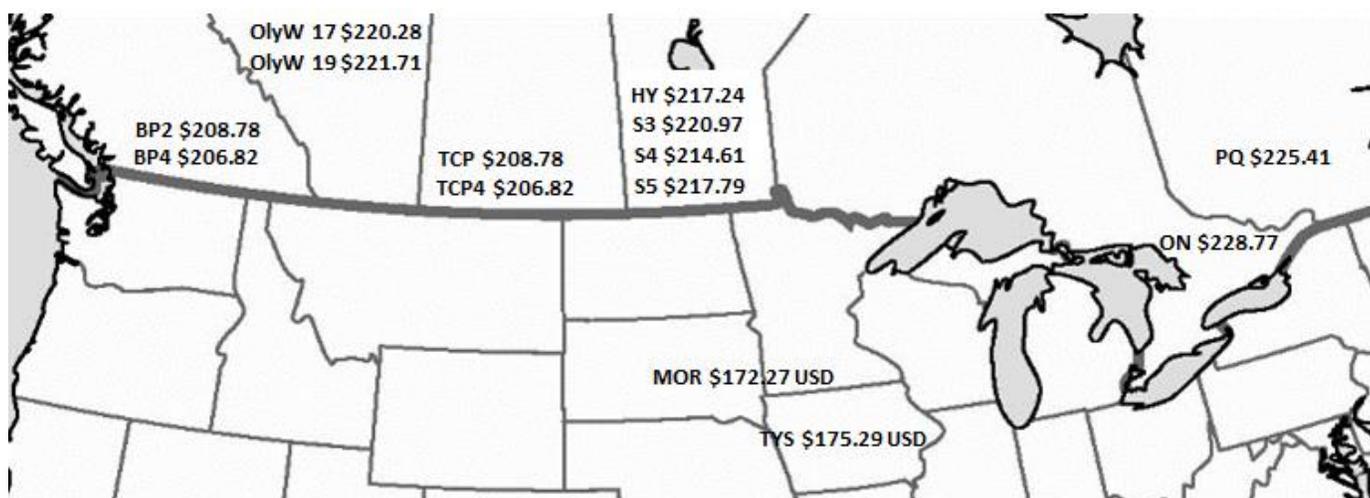
| Cash Price | Weekly Averages |           | w/w    | % Chg |
|------------|-----------------|-----------|--------|-------|
|            | 26-Apr-19       | 19-Apr-19 |        |       |
| ISM pm     | \$81.71         | \$79.19   | \$2.52 | 3.2%  |
| WCB pm     | \$81.14         | \$78.83   | \$2.31 | 2.9%  |
| Nat pm     | \$80.33         | \$77.93   | \$2.40 | 3.1%  |
| CME Index* | \$82.71         | \$80.26   | \$2.45 | 3.1%  |
| BoC Exch   | 1.3440          | 1.3357    | 0.0083 | 0.6%  |

\* Represents Friday-Thursday average

Monitored Canadian markets were generally \$7-9/hog higher on continued improvements in cash hog markets and the stronger rate of exchange. The OlyW 17 and Sig 5 was up the most, \$9/hog, followed by pricing out of Hylife, OlyW 19 and those out of Ontario. The Sig 4 and pricing out of Quebec rose near \$7/hog. The TCP/BP pricing, based on a one-week lag, was up \$4.50/hog on the BP2/TCP and \$3.50/hog on the BP4/TCP4. In the US, Tyson values rose \$7.50/hog while JM values improved near \$5/hog.

| Regional Pricing, \$/hog |            |             |          |             |             |               |                  |             |
|--------------------------|------------|-------------|----------|-------------|-------------|---------------|------------------|-------------|
| Packer/Region            | Difference |             | 2019 YTD | Difference  |             | Last 13 weeks | Difference       |             |
|                          | 3 Year     | to OlyW '19 |          | to OlyW '19 | to OlyW '19 |               | Ending 26-Apr-19 | to OlyW '19 |
| OlyW 2019                | \$173.87   |             | \$166.50 |             | \$170.80    |               | \$221.71         |             |
| OlyW 2017                | \$171.40   | -\$2.47     | \$165.00 | -\$1.50     | \$169.96    | -\$0.84       | \$220.28         | -\$1.43     |
| ML Sig 3                 | \$163.46   | -\$10.41    | \$156.24 | -\$10.26    | \$162.26    | -\$8.55       | \$220.97         | -\$0.74     |
| ML Sig 4                 | \$174.72   | \$0.85      | \$166.92 | \$0.42      | \$170.57    | -\$0.24       | \$214.61         | -\$7.09     |
| ML Sig 5                 | \$169.11   | -\$4.77     | \$161.58 | -\$4.92     | \$166.41    | -\$4.39       | \$217.79         | -\$3.92     |
| BP2/TCP **               | \$167.40   | -\$6.47     | \$156.57 | -\$9.93     | \$160.98    | -\$9.82       | \$208.78         | -\$12.93    |
| BP4/TCP4 **              | \$173.69   | -\$0.19     | \$162.45 | -\$4.05     | \$165.55    | -\$5.25       | \$206.82         | -\$14.88    |
| Hylife                   | \$175.80   | \$1.92      | \$168.51 | \$2.01      | \$172.29    | \$1.49        | \$217.24         | -\$4.46     |
| Ontario                  | \$179.90   | \$6.02      | \$171.03 | \$4.53      | \$175.84    | \$5.04        | \$228.77         | \$7.06      |
| Québec                   | \$179.83   | \$5.96      | \$168.55 | \$2.05      | \$173.11    | \$2.31        | \$225.41         | \$3.71      |
| Tyson (USD)              | \$138.95   | -\$34.93    | \$129.12 | -\$37.38    | \$133.67    | -\$37.13      | \$175.29         | -\$46.41    |
| John Morrell (USD)       | \$132.23   | -\$41.65    | \$124.47 | -\$42.03    | \$129.32    | -\$41.48      | \$172.27         | -\$49.43    |

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



# Weekly Hog Margins

Another week of cash hog strength coupled with a decline in feed costs gave hog margins yet another boost to reach strong levels not seen since mid-June of last year. Farrow-to-finish feed costs declined significantly from a week earlier, with those north of the border down \$1.25/hog and those in the monitored US region weakening nearly \$1.50/hog.

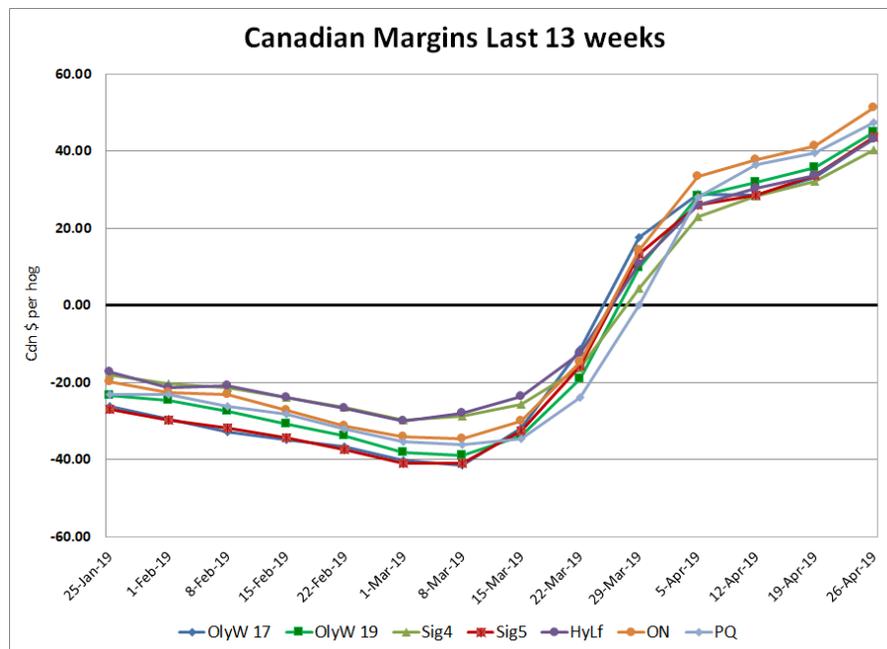
Hog margins out of the OlyW 17 improved the most, up \$10.25/hog from a week earlier and followed closely by margins calculated out of the Sig 5 and Ontario. Margins out of the OlyW 19, Hylife and Sig 4 strengthened near \$9/hog, while those out of Quebec were up \$8/hog. In the US, Tyson margins rose more than \$9.50/hog and JM was up \$6/hog.

| Regional MARGINS, \$/hog |           |                  |          |         |           |               |
|--------------------------|-----------|------------------|----------|---------|-----------|---------------|
| Packer/Region            | 26-Apr-19 | Farrow to Finish |          |         | Total COP | Weekly Margin |
|                          | Hog Price | Feed*            | Variable | Fixed   |           |               |
| OlyW 17/Alberta          | \$220.28  | \$117.33         | \$39.45  | \$20.05 | \$176.83  | \$43.45       |
| OlyW 19/Alberta          | \$221.71  | \$117.33         | \$39.45  | \$20.05 | \$176.83  | \$44.88       |
| ML Sig 4/Manitoba        | \$214.61  | \$115.07         | \$39.54  | \$19.55 | \$174.16  | \$40.45       |
| ML Sig 5/Manitoba        | \$217.79  | \$115.07         | \$39.54  | \$19.55 | \$174.16  | \$43.63       |
| Hylife/Manitoba          | \$217.24  | \$115.08         | \$39.54  | \$19.55 | \$174.17  | \$43.07       |
| Ontario                  | \$228.77  | \$113.01         | \$40.71  | \$23.76 | \$177.48  | \$51.29       |
| Québec                   | \$225.41  | \$115.70         | \$40.50  | \$21.65 | \$177.85  | \$47.56       |
| Tyson (USD)/Iowa         | \$175.29  | \$79.77          | \$28.70  | \$16.57 | \$125.04  | \$50.25       |
| John Morrell (USD)/ND    | \$172.27  | \$77.86          | \$28.70  | \$16.57 | \$123.13  | \$49.14       |

\* Feed costs standardized for a 285 pound market hog

## US Regional Margins

- Tyson - \$50.25 USD X 1.3440 = \$67.54 in Canadian Dollars
- Morrell - \$49.14 USD X 1.3440 = \$66.04 in Canadian Dollars



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