



# Weekly Regional HOG PRICE Report



June 7, 2019

## Things to Consider....

Pork prices have taken a breather since mid to late March which is when they first crested \$80 US per cwt for 2019. That move in early spring came on the heels of a sharp decline with took pork prices to a 5-year low in February. Quite surprising that given all the talk in the news of projected demand for later in 2019 that prices could fall to the lowest level seen in over 5 years.

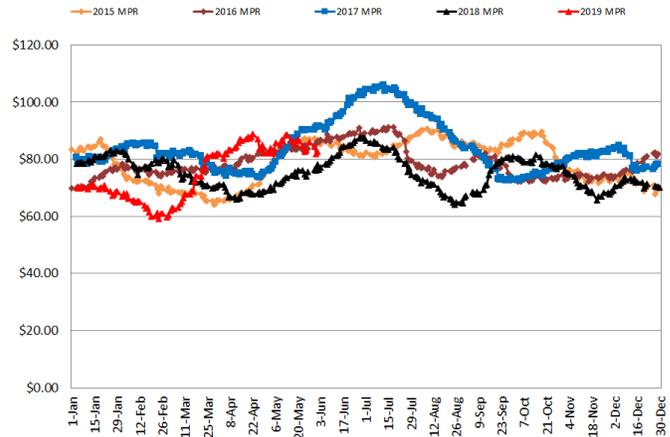
Since the rally in late March and April pork prices have not seen any further upside nor have they declined a whole lot. Seasonally from this week forward there tends to be one more surge into mid summer before a very traditional decline occurs to the end of the year.

However, 2019 may be the one year that changes that trend given ongoing talks of increased exports for the latter half of the year. The concern right now is that cash hog prices have increased to a level that likely can not be supported by the current cut-out. As shown in the graph to the right, the spread between cut-out and cash has evaporated to near nil. It must be mentioned though, that during this time of the year, the spread between cut-out and cash does become its narrowest closing to within zero several times in the last 5 years. The looming problem is that for the spread to widen, either cut-out must increase, or cash has to decrease.

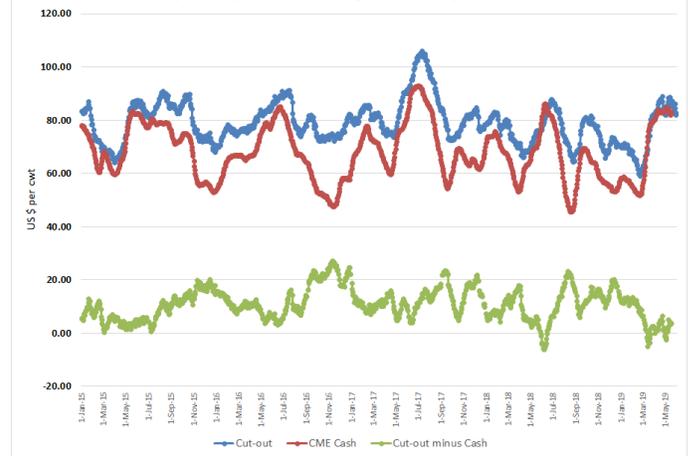
A look at pork production volumes in the adjacent graph suggests cash could see weakness based on greater supplies than the past 5 years, unless major movement begins in the form of exports.

Given recent weakness to hog futures producers are encouraged to hold off adding to existing positions however any recovery to previous highs will be seen as selling opportunities for the rest of the year and into 2020.

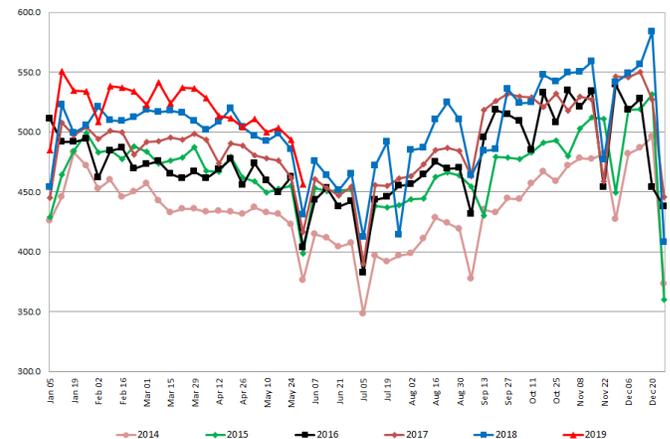
### USDA National Carlot Pork Report



### Pork (Cutout) vs Market hog (CME cash) Price Spread



### US Weekly Pork Production (Million Pounds)



# Weekly Hog Price Recap

Cash hogs were reported primarily weaker on light to moderate cash bid volume with Monday a US holiday and Tuesday regional pricing unreported due to confidentiality. Monitored cash markets were generally \$2.60-\$2.90/cwt lower from last week. CME cash was also lower, down \$1.84/cwt from a week earlier.

Wholesale pork values varied daily, with steep declines in ribs and bellies pulling cutout \$1.12/cwt under levels reported a week earlier.

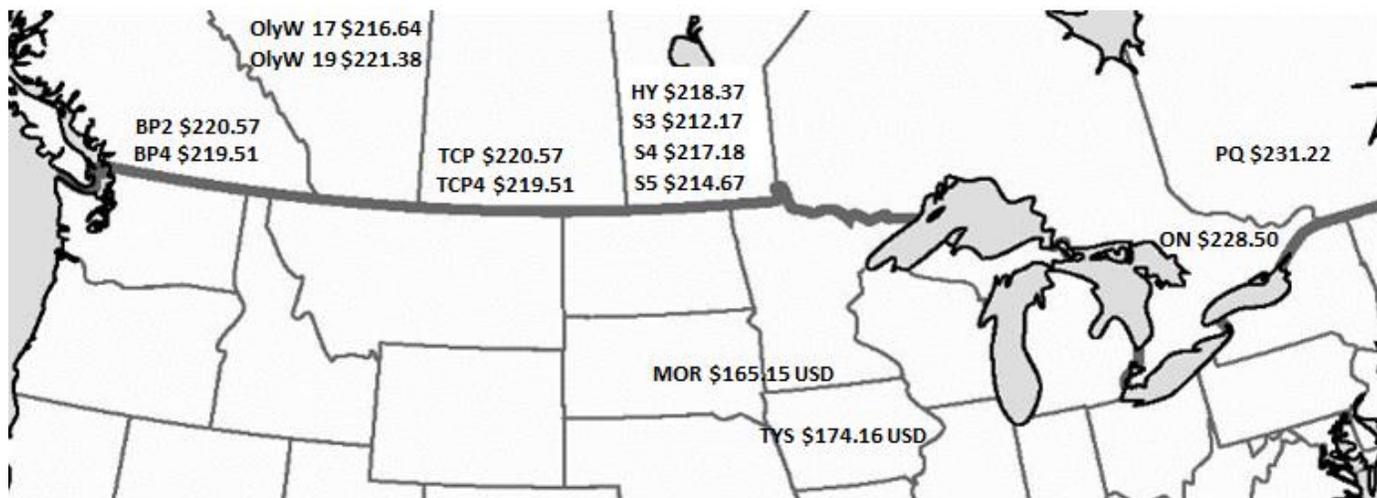
Cash Price	Weekly Averages		w/w	% Chg
	31-May-19	24-May-19		
ISM pm	\$78.12	\$80.73	-\$2.62	-3.2%
WCB pm	\$77.72	\$80.40	-\$2.69	-3.3%
Nat pm	\$76.93	\$79.85	-\$2.93	-3.7%
CME Index*	\$82.60	\$84.35	-\$1.75	-2.1%
BoC Exch	1.3492	1.3437	0.0055	0.4%

\* Represents Friday-Thursday average

Hog markets took a tumble as a result of weaker base pricing, with monitored Canadian markets \$2-\$7/hog weaker overall. Pricing out of the OlyW 17 was down the most from a week earlier, \$7/hog lower. Values out of the Sig 5 fell \$6/hog, with the \$9/hog drop on the Sig 3 driving that figure lower. OlyW 19 pricing declined \$4.50 while the Sig 4, Hylife and Ontario values were each around \$3/hog lower. Pricing out of Quebec declined the least, down \$1.80/hog. US values out of Tyson and JM were down \$4 and \$5.50 per hog respectively.

Regional Pricing, \$/hog								
Packer/Region	Difference		2019 YTD	Difference		Last 13 weeks	Difference	
	3 Year	to OlyW '19		Difference to OlyW '19	Difference to OlyW '19		31-May-19	Difference to OlyW '19
OlyW 2019	\$175.40		\$179.35		\$199.99		\$221.38	
OlyW 2017	\$172.79	-\$2.61	\$177.55	-\$1.79	\$199.55	-\$0.44	\$216.64	-\$4.74
ML Sig 3	\$164.97	-\$10.44	\$170.57	-\$8.77	\$196.55	-\$3.43	\$212.17	-\$9.21
ML Sig 4	\$176.12	\$0.71	\$178.44	-\$0.91	\$196.16	-\$3.83	\$217.18	-\$4.20
ML Sig 5	\$170.56	-\$4.85	\$174.51	-\$4.84	\$196.36	-\$3.63	\$214.67	-\$6.70
BP2/TCP **	\$168.98	-\$6.42	\$170.72	-\$8.63	\$189.84	-\$10.15	\$220.57	-\$0.81
BP4/TCP4 **	\$175.14	-\$0.26	\$174.70	-\$4.65	\$189.81	-\$10.18	\$219.51	-\$1.87
Hylife	\$177.19	\$1.79	\$180.04	\$0.70	\$198.54	-\$1.45	\$218.37	-\$3.01
Ontario	\$181.44	\$6.04	\$184.45	\$5.10	\$206.23	\$6.24	\$228.50	\$7.12
Québec	\$181.45	\$6.05	\$182.71	\$3.36	\$203.47	\$3.48	\$231.22	\$9.84
Tyson (USD)	\$139.98	-\$35.42	\$139.80	-\$39.55	\$157.25	-\$42.73	\$174.16	-\$47.22
John Morrell (USD)	\$133.15	-\$42.25	\$135.04	-\$44.31	\$155.25	-\$44.74	\$165.15	-\$56.22

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



# Weekly Hog Margins

Hog margins were pressured by lower cash hog pricing in the holiday-shortened week, as well as stronger feed values. Canadian farrow-to-finish feed costs surged \$4.60/hog while those in monitored US regions were more than \$3/hog.

Hog margins overall were \$6.50 to \$11.75/hog weaker, with those based of markets derived from regional pricing the weakest. OlyW 17 margins fell \$11.75/hog followed by those out of the Sig 5 which were \$10.75/hog lower. OlyW 19 margins weakened \$9/hog, while those out of Ontario and Hylife were closer to \$8/hog weaker. Hog margins out of the Sig 4 and Quebec declined the least on the week, down \$7.75/hog and \$6.50/hog respectively. In the US, Tyson margins fell \$6.75/hog while those out of JM were \$8.75/hog weaker.

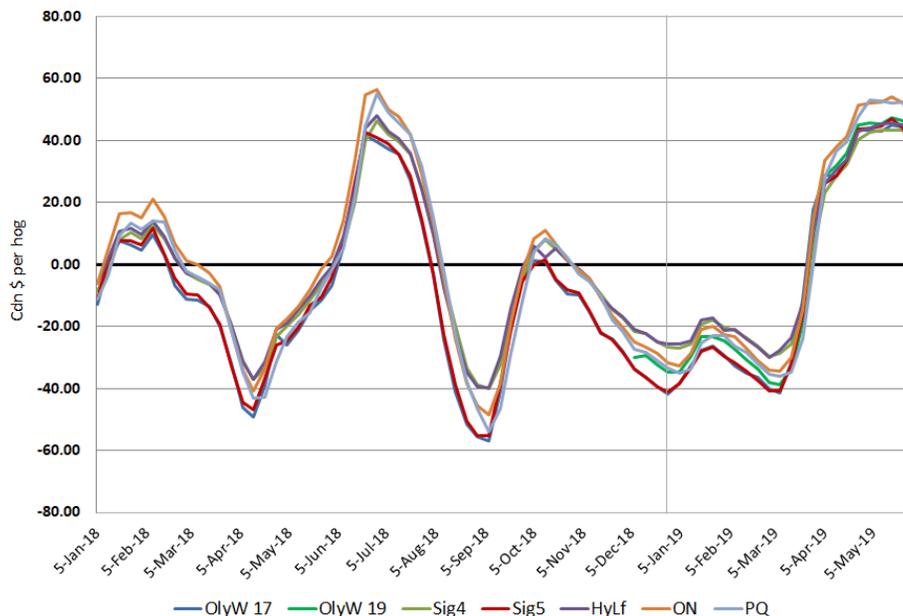
Regional MARGINS, \$/hog						
Packer/Region	31-May-19	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 17/Alberta	\$216.64	\$124.67	\$39.45	\$20.05	\$184.17	\$32.47
OlyW 19/Alberta	\$221.38	\$124.67	\$39.45	\$20.05	\$184.17	\$37.21
ML Sig 4/Manitoba	\$217.18	\$122.41	\$39.54	\$19.55	\$181.50	\$35.68
ML Sig 5/Manitoba	\$214.67	\$122.41	\$39.54	\$19.55	\$181.50	\$33.17
Hylife/Manitoba	\$218.37	\$122.42	\$39.54	\$19.55	\$181.51	\$36.86
Ontario	\$228.50	\$120.35	\$40.71	\$23.76	\$184.82	\$43.68
Québec	\$231.22	\$123.04	\$40.50	\$21.65	\$185.19	\$46.03
Tyson (USD)/Iowa	\$174.16	\$85.22	\$28.70	\$16.57	\$130.49	\$43.67
John Morrell (USD)/ND	\$165.15	\$83.31	\$28.70	\$16.57	\$128.58	\$36.57

\* Feed costs standardized for a 285 pound market hog

## US Regional Margins

- Tyson - \$43.67 USD X 1.3492 = \$58.92 in Canadian Dollars
- Morrell - \$36.57 USD X 1.3492 = \$49.34 in Canadian Dollars

## Canadian Margins 2018-2019 Year to Date



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