



# Weekly Regional HOG PRICE Report



July 9, 2019

## Things to Consider....

As cash prices continue to soften into the mid summer months, the futures market appears to have registered a short-term bottom with most contracts gaining from the lows set in the past 10 sessions.

US federally inspected slaughter has trended closer to 2018 levels for the past 6 weeks, easing the amount on pork hitting the market. Earlier in the year slaughter numbers became quite the concern with volumes well above the previous year. Traders now expect volumes to continue like 2018 throughout the summer with a possible increase to last year once into the 4<sup>th</sup> quarter.

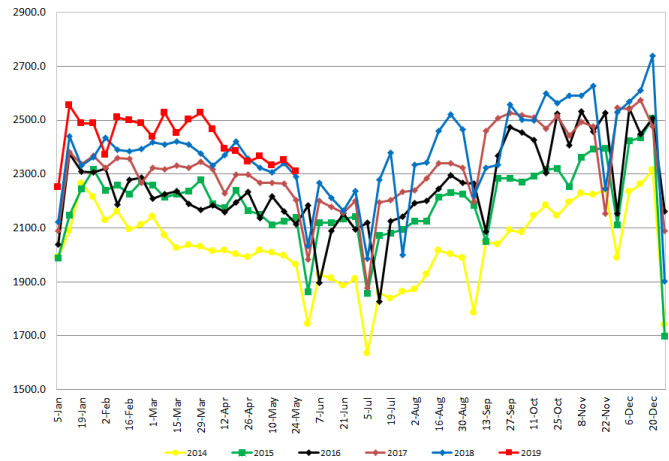
Nearby August futures were able to claw back close to \$5 US per cwt now trading just over \$80 US per cwt. At the same time December 2019, shown in the adjacent graph, managed to push back over \$70 US per cwt providing some optimism for firm pricing into the 4<sup>th</sup> quarter of 2019 and first quarter of 2020.

Although December lean hog futures traded to a record \$90 US per cwt and have since declined \$20 US to trade at \$70, producers need to keep in mind how high December remains compared to recent history.

The graph to the right illustrates the December lean hog futures for the last 5 years. Today, Dec at \$70 US per cwt is still well above any other Dec contract from the previous 5 years. It certainly is not as high as the \$90 reached back in April however from a risk management perspective, December remains at excellent value for forward contracting.

Producers should continue to look for ways to secure some protection for the end of 2019 and beginning of 2020.

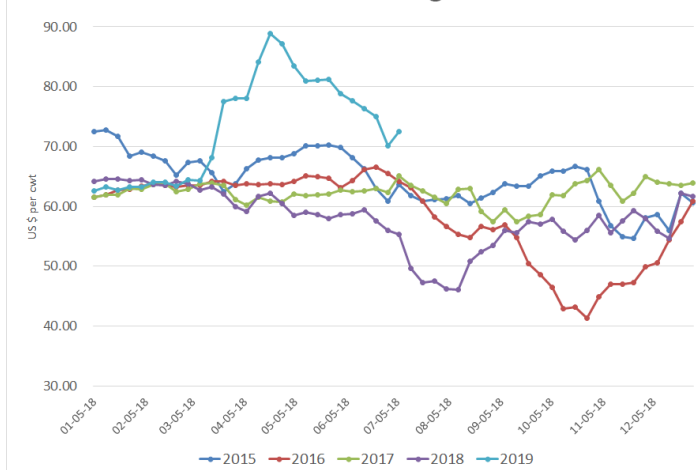
US Federal Inspected Slaughter ('000)



December 2019 Lean Hogs



December Lean Hog Futures



## Weekly Hog Price Recap

Cash hog values fell all week on mostly moderate packer cash bid volume which peaked Wednesday. Regional cash pricing went unreported Friday on very light post-holiday. Wholesale pork values were generally weaker with lower belly, butt and ham values dragging pork cutout \$0.67/cwt lower than a week earlier.

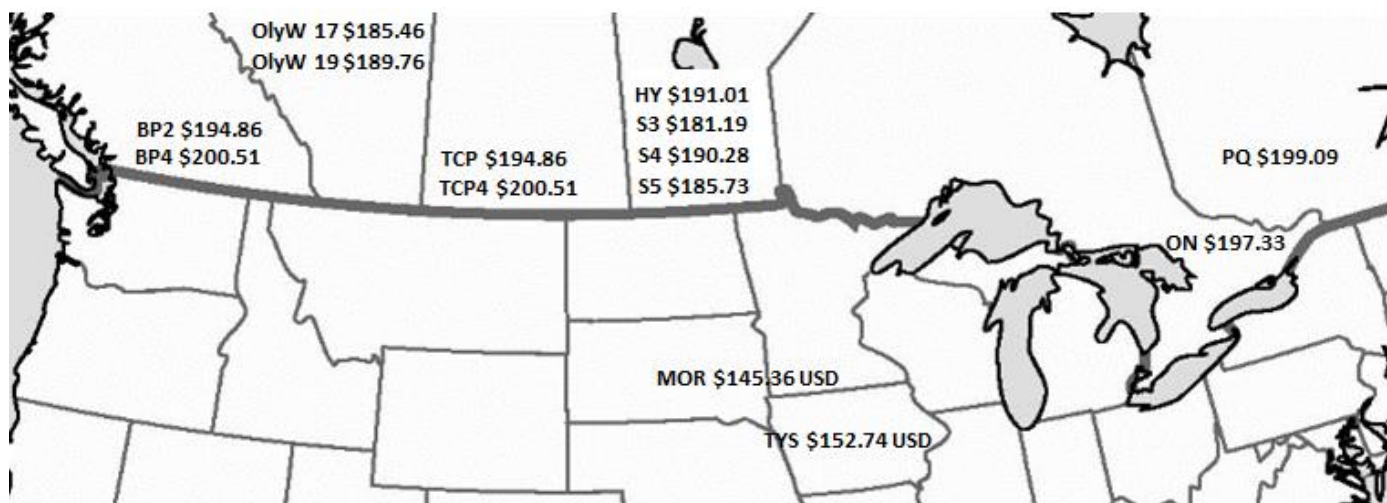
Cash Price	Weekly Averages		w/w	% Chg
	5-Jul-19	28-Jun-19		
ISM pm	\$68.39	\$70.57	-\$2.18	-3.1%
WCB pm	\$68.20	\$70.36	-\$2.16	-3.1%
Nat pm	\$67.24	\$70.74	-\$3.50	-4.9%
CME Index*	\$73.39	\$77.64	-\$4.25	-5.5%
BoC Exch	1.3086	1.3139	-0.0053	-0.4%

\* Represents Friday-Thursday average

Hog markets were \$9 to \$13.50/hog lower with the OlyW 19 down the most from the previous week. Values out of Hylife and Ontario declined \$11.50/hog, followed closely by the Sig 4 which fell \$11/hog. The OlyW 17 fell near \$10/hog, along with other markets such as those out of Quebec and the Sig 5. US-based Tyson values fell shy of \$10/hog while JM pricing was down \$4.50/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		5-Jul-19	to OlyW '19
OlyW 2019	\$175.61		\$184.37		\$214.88		\$189.76	
OlyW 2017	\$172.84	-\$2.76	\$182.02	-\$2.35	\$211.39	-\$3.49	\$185.46	-\$4.30
ML Sig 3	\$164.99	-\$10.62	\$175.67	-\$8.71	\$209.46	-\$5.41	\$181.19	-\$8.57
ML Sig 4	\$176.34	\$0.73	\$183.10	-\$1.27	\$210.19	-\$4.68	\$190.28	\$0.52
ML Sig 5	\$170.67	-\$4.93	\$179.39	-\$4.99	\$209.83	-\$5.05	\$185.73	-\$4.02
BP2/TCP **	\$169.35	-\$6.25	\$177.33	-\$7.05	\$210.83	-\$4.05	\$194.86	\$5.10
BP4/TCP4 **	\$175.63	\$0.02	\$180.92	-\$3.46	\$210.11	-\$4.77	\$200.51	\$10.75
Hylife	\$177.39	\$1.78	\$184.62	\$0.25	\$211.77	-\$3.11	\$191.01	\$1.25
Ontario	\$181.60	\$6.00	\$189.61	\$5.23	\$221.40	\$6.52	\$197.33	\$7.57
Québec	\$181.68	\$6.07	\$188.49	\$4.12	\$221.83	\$6.96	\$199.09	\$9.33
Tyson (USD)	\$140.01	-\$35.60	\$144.25	-\$40.12	\$169.98	-\$44.90	\$152.74	-\$37.02
John Morrell (USD)	\$133.03	-\$42.58	\$139.05	-\$45.32	\$164.54	-\$50.34	\$145.36	-\$44.40

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



# Weekly Hog Margins

Monitored hog margins weakened significantly however reduced feed costs helped to offset a good portion of the week-over-week declines. Canadian farrow-to-finish feed costs dropped \$3/hog while in the monitored US region were closer to \$1.40/hog lower.

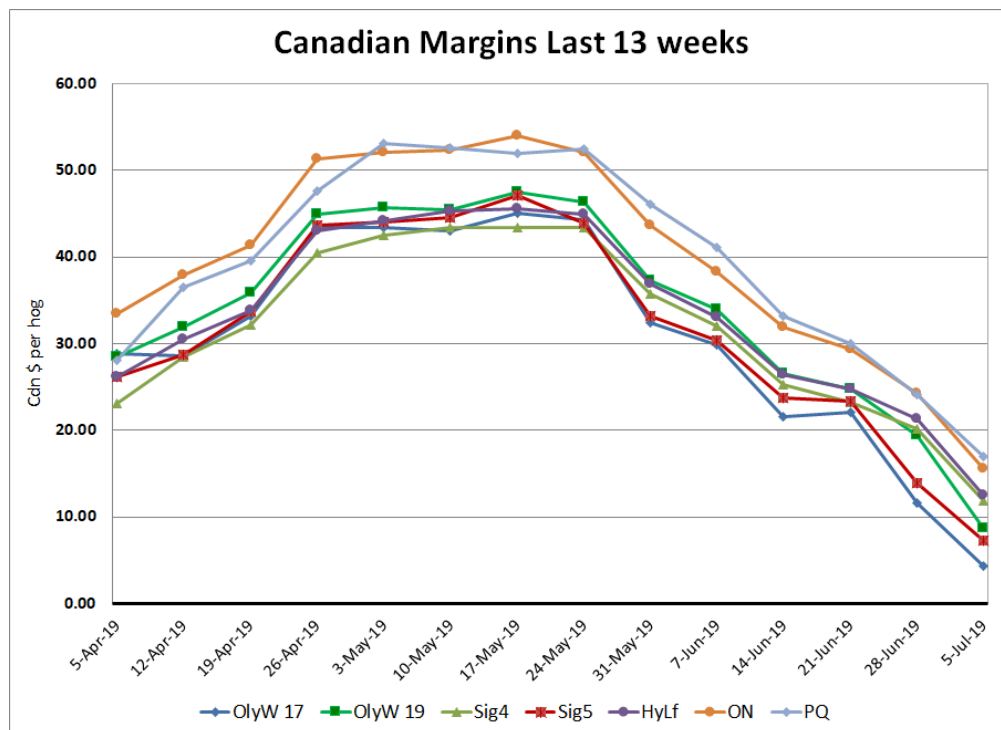
Hog margins out of the OlyW 19 weakened the most, down \$10.75/hog, while those out of Hylife, Ontario and the Sig 4 were each near \$8/hog lower. Hog margins based off the Olyw 17 or out of Quebec weakened near \$7/hog. In the US, Tyson margins were \$8/hog lower while those out JM weakened \$3/hog from a week earlier.

Regional MARGINS, \$/hog						
Packer/Region	5-Jul-19	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 17/Alberta	\$185.46	\$121.63	\$39.45	\$20.05	\$181.13	\$4.33
OlyW 19/Alberta	\$189.76	\$121.63	\$39.45	\$20.05	\$181.13	\$8.63
ML Sig 4/Manitoba	\$190.28	\$119.37	\$39.54	\$19.55	\$178.46	\$11.82
ML Sig 5/Manitoba	\$185.73	\$119.37	\$39.54	\$19.55	\$178.46	\$7.27
Hylife/Manitoba	\$191.01	\$119.38	\$39.54	\$19.55	\$178.47	\$12.54
Ontario	\$197.33	\$117.31	\$40.71	\$23.76	\$181.78	\$15.55
Québec	\$199.09	\$120.00	\$40.50	\$21.65	\$182.15	\$16.94
Tyson (USD)/Iowa	\$152.74	\$85.26	\$28.70	\$16.57	\$130.53	\$22.21
John Morrell (USD)/ND	\$145.36	\$83.53	\$28.70	\$16.57	\$128.80	\$16.56

\* Feed costs standardized for a 285 pound market hog

## US Regional Margins

- Tyson - \$22.21 USD X 1.3086 = \$29.06 in Canadian Dollars
- Morrell - \$16.56 USD X 1.3086 = \$21.67 in Canadian Dollars



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