



Weekly Regional HOG PRICE Report



September 13, 2019

Things to Consider....

Lean hog futures finished the week with the largest 2- day gain seen so far in 2019. Most nearby contracts gapped limit up on Thursday and held the \$3.00 gain into the close allowing for expanded trading limits on Friday. As a result, Dec 2019, Feb 2020 and Apr 2020 opened \$4.50 US per cwt higher Friday morning and managed to close with the expanded limit gains to end the week. The 2-day rally of \$7.50 US and \$11.00 US per cwt gain from the low set Tuesday signals a very strong reversal in the hog market. The weekly move in lean hog futures coupled with a slightly lower loonie vaulted forward contract prices nearly \$15-20 higher in only 4 days. Contract prices reached the highest trading level seen since July 31st, marking a turnaround in the market.

Not only did nearby months experience significant upside, but deferred contracts through the middle of 2020 also managed solid gains.

As for rationale behind the rally, most of the upside has been credited to news of Chinese meat buyers inquiring about US pork and reports released Wednesday that China would exempt American pork from additional tariffs imposed during the current trade war.

News of improving trade talks between China and the Trump administration provided much of the underlying strength as China's Commerce Ministry said Chinese firms have started to inquire about prices for US farm goods and that possible purchases, included pork.

The speculation of increased pork purchases from China has lingered in the market for the last 6 months due to the spread of ASF. Recent trade activity and reported weekly pork exports appear to have confirmed the speculation going forward.

December 2019 Lean Hogs



April 2019 Lean Hogs



June 2020 Lean Hogs



Weekly Hog Price Recap

Regional and national cash hog pricing fell daily and lost more as the week progressed on generally light to moderate packer cash bid volume. CME cash also fell every day last week, however reported stronger declines at the start of the week. Wholesale pork primals varied on the week with falling belly and rib values pushing pork cutout -\$0.63/cwt lower than the previous Friday.

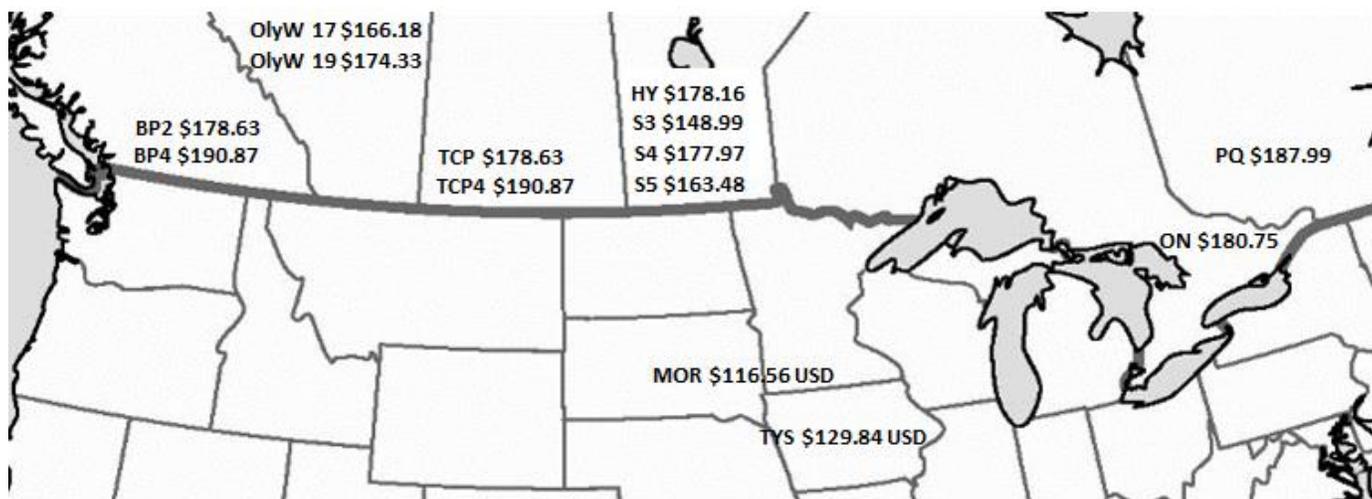
Cash Price	Weekly Averages		w/w	% Chg
	6-Sep-19	30-Aug-19		
ISM pm	\$54.38	\$60.15	-\$5.77	-9.6%
WCB pm	\$54.36	\$60.11	-\$5.75	-9.6%
Nat pm	\$53.89	\$59.76	-\$5.88	-9.8%
CME Index*	\$66.12	\$72.27	-\$6.15	-8.5%
BoC Exch	1.3252	1.3288	-0.0036	-0.3%

* Represents Friday-Thursday average

Monitored Canadian hog markets were down \$12-\$17 per hog from a week earlier. Values out of Ontario, Quebec and the OlyW 19 declined the most, followed by the Sig 5 which fell \$15.50/hog. Hylife and the Sig 4 each declined \$13.50/hog while remaining markets were closer to \$12/hog lower than a week earlier. In the US, Tyson values dropped \$15.75/hog while JM declined \$12/hog.

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		Ending 6-Sep-19	Difference to OlyW '19
OlyW 2019	\$175.40		\$187.99		\$200.42		\$174.33	
OlyW 2017	\$172.60	-\$2.81	\$185.03	-\$2.97	\$195.56	-\$4.86	\$166.18	-\$8.15
ML Sig 3	\$164.69	-\$10.72	\$179.06	-\$8.93	\$191.16	-\$9.26	\$148.99	-\$25.34
ML Sig 4	\$176.08	\$0.68	\$186.61	-\$1.38	\$198.50	-\$1.92	\$177.97	\$3.63
ML Sig 5	\$170.40	-\$5.01	\$182.84	-\$5.15	\$194.83	-\$5.59	\$163.48	-\$10.85
BP2/TCP **	\$169.24	-\$6.17	\$181.85	-\$6.14	\$198.18	-\$2.24	\$178.63	\$4.30
BP4/TCP4 **	\$175.34	-\$0.06	\$185.13	-\$2.87	\$200.37	-\$0.05	\$190.87	\$16.54
Hylife	\$177.05	\$1.65	\$187.70	-\$0.29	\$198.70	-\$1.72	\$178.16	\$3.83
Ontario	\$181.34	\$5.93	\$193.54	\$5.55	\$206.78	\$6.36	\$180.75	\$6.42
Québec	\$181.43	\$6.02	\$193.27	\$5.28	\$208.72	\$8.30	\$187.99	\$13.65
Tyson (USD)	\$139.50	-\$35.91	\$146.92	-\$41.07	\$157.13	-\$43.29	\$129.84	-\$44.50
John Morrell (USD)	\$132.62	-\$42.78	\$141.64	-\$46.36	\$151.19	-\$49.23	\$116.56	-\$57.77

**Thunder Creek reported with a 1-Week lag



Weekly Hog Margins

Monitored hog margins have weakened to their lowest level recorded since late March, however the latest week's declines were offset in part by a reduction in feed costs. Canadian farrow to finish feed costs were down \$1.50-\$2/hog while those out of the US fell near \$1/hog.

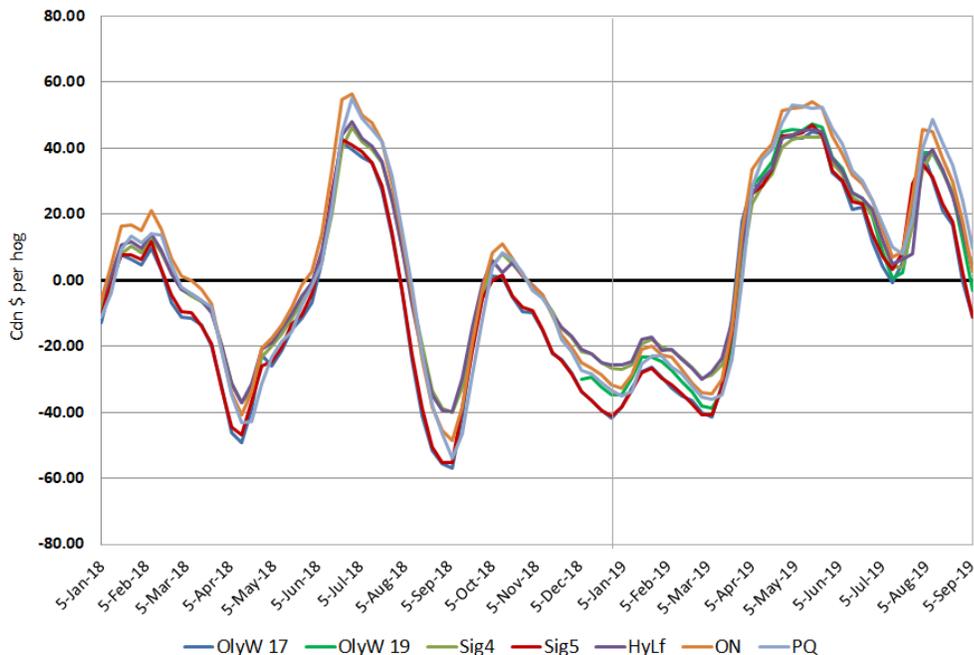
Hog margins out of Ontario and the OlyW 19 were down near \$15/hog, followed closely by those out of Quebec. Margins calculated out of the Sig 5 weakened \$13.50/hog, while those out of the Sig 4 & Hylife were down around \$11.50/hog. Margins out of the OlyW 17 weakened shy of \$11/hog. In the US, hog margins were down more than \$14/hog out of Tyson while those out of JM weakened \$11/hog.

Regional MARGINS, \$/hog						
Packer/Region	6-Sep-19	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 17/Alberta	\$166.18	\$117.93	\$39.45	\$20.05	\$177.43	-\$11.25
OlyW 19/Alberta	\$174.33	\$117.93	\$39.45	\$20.05	\$177.43	-\$3.10
ML Sig 4/Manitoba	\$177.97	\$115.67	\$39.54	\$19.55	\$174.76	\$3.21
ML Sig 5/Manitoba	\$163.48	\$115.67	\$39.54	\$19.55	\$174.76	-\$11.28
Hylife/Manitoba	\$178.16	\$115.68	\$39.54	\$19.55	\$174.77	\$3.39
Ontario	\$180.75	\$113.61	\$40.71	\$23.76	\$178.08	\$2.67
Québec	\$187.99	\$116.30	\$40.50	\$21.65	\$178.45	\$9.54
Tyson (USD)/Iowa	\$129.84	\$80.56	\$28.70	\$16.57	\$125.83	\$4.01
John Morrell (USD)/ND	\$116.56	\$78.83	\$28.70	\$16.57	\$124.10	-\$7.54

* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$ 4.01 USD X 1.3252 = \$ 5.31 in Canadian Dollars
 Morrell \$ (7.54) USD X 1.3252 = \$ (9.99) in Canadian Dollars

Canadian Margins 2018-2019 Year to Date



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