



Weekly Regional HOG PRICE Report



September 6, 2019

Things to Consider....

The latest ASF report by OIE, the World Organization for Animal Health, reported total losses for the latest period of August 17th to the 29th at 52,886 dead or culled animals due to the virus. For comparison, the previous report stated 164,111 losses. The addition of 298 new ASF outbreaks brings the total number of ongoing cases worldwide to 8,075.

European countries reported losses of 32,918 and represented the greatest number of losses compared to other regions on the report. Russia accounted for more than half of the figure for the European region. Outbreaks for the European region accounted for more than two thirds of the global total for the reported period, sitting at 219 new outbreaks for the region. For perspective, 131 of those new cases were found in the wild boar population with only three considered ongoing.

Swine losses in Asia totalled 19,935 with the majority reported in Laos as ASF has spread into the most of the country's 18 provinces. Outbreaks in China are often thought to be under reported, with the country reporting only one new outbreak since the previous OIE update for the first half of August. Retail pork prices in China are reportedly more than 50% higher than a year earlier, reaching a record high early this August and expected to continue rising as local hog and pork supplies wane.

Also, on the report Africa notified sources of 33 losses in free range pigs in Mashonaland Central.

On a related note, the 18th North American Animal Health Committee Meeting was held this week. The committee which includes representation from Canada, Mexico and the US announced they will work together to develop comprehensive surveillance, improved biosecurity security measures, and coordinated communications and testing to help labs expedite diagnostic tests results.

So far, the impact of ASF to North American pricing for both hog and pork prices can be considered positive but may also be considered disappointing by some, who believed a huge rally would occur as a result of the disease abroad. The graph to the right illustrates Cut-out (blue), US cash (red) and their difference (green). So far in 2019 the spread between cash and cut-out has been considerably tighter compared to the previous year. This tightness implies packers have been willing to pay for hogs closer to meat values making margins thinner for processors. Overall strength in meat values, although lower over the last 2 weeks appear to be maintaining a low around \$70 US per cwt. Expectations are for meat values to find strength late in 2019 and early 2020 as the impact of ASF continues to take its toll on world pork availability.

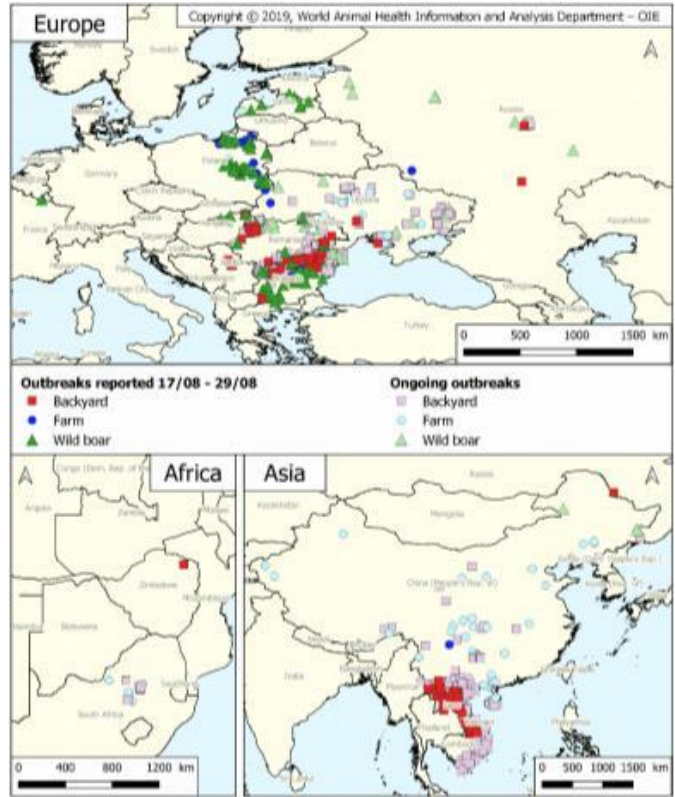
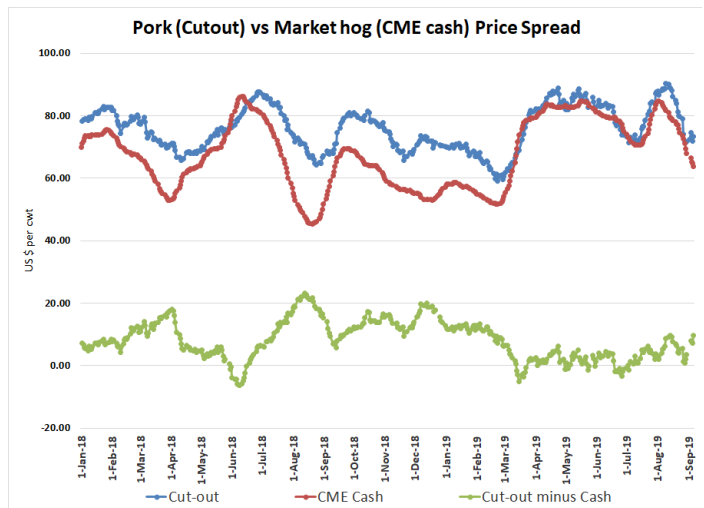


Figure 1. ASF outbreaks reported through the EWS within the period. The outbreaks notified between August 17 and 29 are pointed with a higher color intensity compared to the ongoing outbreaks (lighter colors).



Weekly Hog Price Recap

Regional and national cash hog pricing declined heavily on the week, with packer cash bid volume moderate to lighter in general. CME cash also fell considerably, falling daily. Pork cutout dropped \$8.31/cwt from a week earlier as most wholesale pork primals reported significant declines in value.

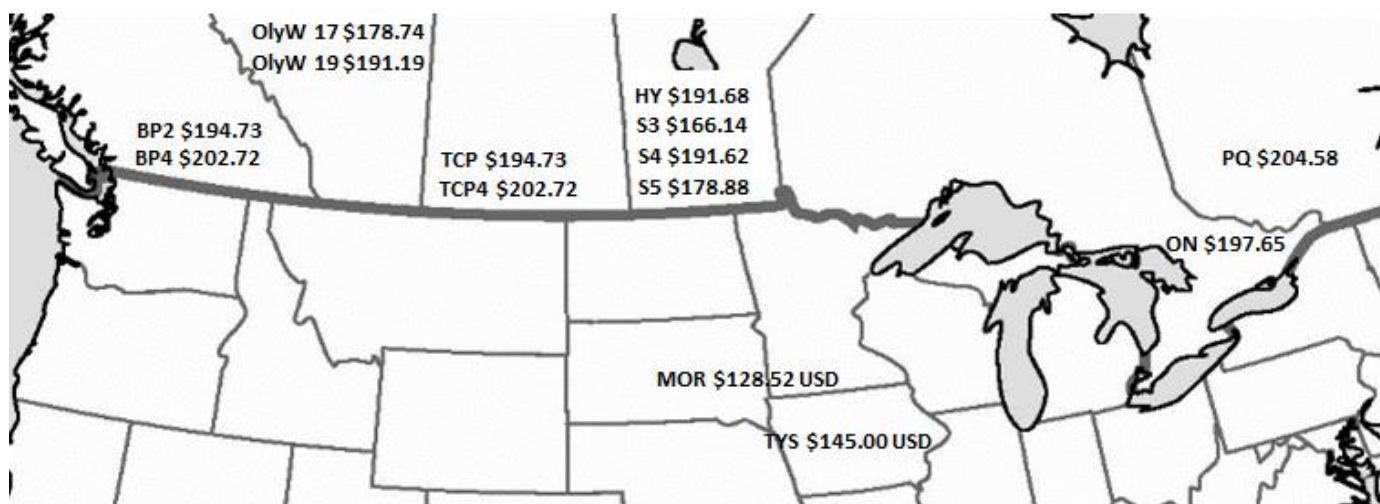
Cash Price	Weekly Averages		w/w	% Chg
	30-Aug-19	23-Aug-19		
ISM pm	\$60.15	\$67.93	-\$7.78	-11.4%
WCB pm	\$60.11	\$67.65	-\$7.54	-11.1%
Nat pm	\$59.76	\$67.45	-\$7.69	-11.4%
CME Index*	\$72.27	\$77.38	-\$5.11	-6.6%
BoC Exch	1.3288	1.3300	-0.0012	-0.1%

* Represents Friday-Thursday average

Monitored Canadian hog markets were down \$11-\$18 per hog from a week earlier. Values out of the OlyW 17 declined the most, followed by those out of the Sig 5 which fell \$16/hog. The OlyW 19 was down \$15/hog while those out of Ontario fell near \$13/hog. Remaining Canadian markets were around \$11 per hog lower than a week earlier. In the US, Tyson declined \$8.50 and JM dropped more than \$15/hog.

Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW '19	2019 YTD	Difference to OlyW '19	Last 13 weeks	Difference to OlyW '19	Ending 30-Aug-19	Difference to OlyW '19
OlyW 2019	\$175.43		\$188.38		\$203.67		\$191.19	
OlyW 2017	\$172.64	-\$2.78	\$185.57	-\$2.82	\$199.12	-\$4.55	\$178.74	-\$12.45
ML Sig 3	\$164.80	-\$10.63	\$179.92	-\$8.46	\$195.74	-\$7.93	\$166.14	-\$25.05
ML Sig 4	\$176.09	\$0.67	\$186.86	-\$1.52	\$201.12	-\$2.55	\$191.62	\$0.43
ML Sig 5	\$170.46	-\$4.97	\$183.39	-\$4.99	\$198.43	-\$5.24	\$178.88	-\$12.31
BP2/TCP **	\$169.20	-\$6.23	\$181.94	-\$6.44	\$200.94	-\$2.74	\$194.73	\$3.54
BP4/TCP4 **	\$175.31	-\$0.12	\$184.96	-\$3.42	\$202.34	-\$1.34	\$202.72	\$11.53
Hylife	\$177.06	\$1.63	\$187.97	-\$0.41	\$201.39	-\$2.29	\$191.68	\$0.49
Ontario	\$181.36	\$5.93	\$193.91	\$5.52	\$209.91	\$6.24	\$197.65	\$6.46
Québec	\$181.43	\$6.00	\$193.42	\$5.04	\$211.55	\$7.88	\$204.58	\$13.39
Tyson (USD)	\$139.57	-\$35.85	\$147.39	-\$40.99	\$160.19	-\$43.49	\$145.00	-\$46.20
John Morrell (USD)	\$132.73	-\$42.70	\$142.35	-\$46.03	\$154.73	-\$48.95	\$128.52	-\$62.67

**Thunder Creek reported with a 1-Week lag



Weekly Hog Margins

Ongoing weakness has dropped hog margins to their lowest level reached in two months on the continued slide in cash hog markets. Modestly reduced feed costs north of the border helped Canadian margins by falling near \$0.50/hog lower while feed costs in the US region edged \$0.50/hog higher.

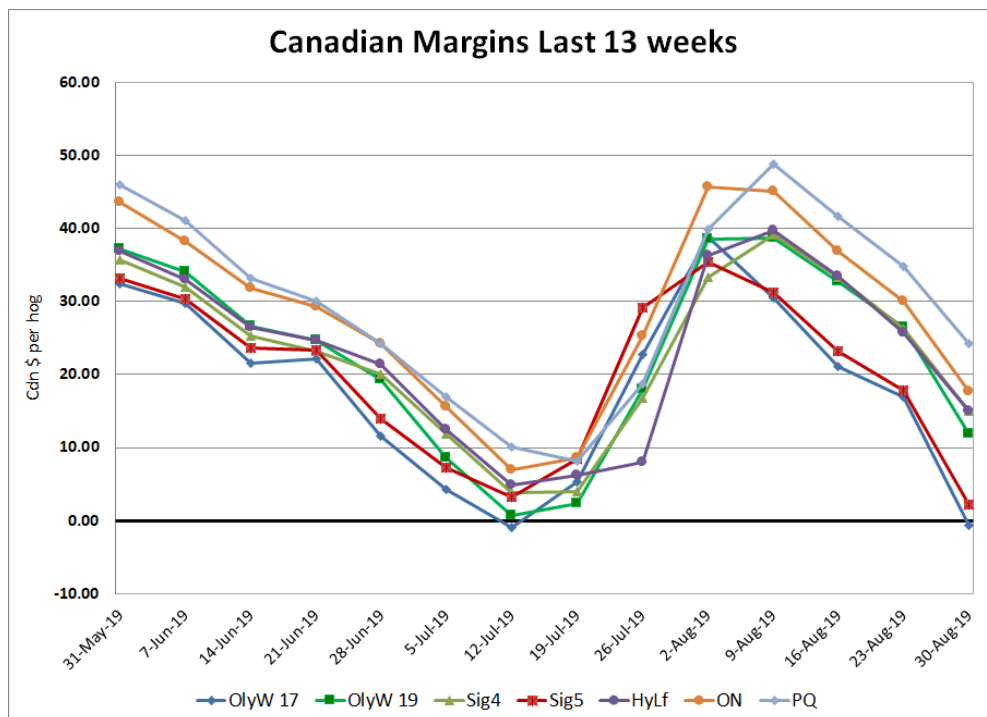
Hog margins out of the OlyW 17 were near \$17.50/hog weaker from last week while those out of the Sig 5 were \$15.50/hog lower. Margins calculated out of the OlyW 19 weakened \$14.50/hog and those out of Ontario were down \$12/hog and remaining Canadian hog margins were around \$11/hog weaker. In the US, hog margins out of Tyson fell \$8.50 per hog and JM weakened more than \$16/hog.

Regional MARGINS, \$/hog						
Packer/Region	30-Aug-19	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 17/Alberta	\$178.74	\$119.81	\$39.45	\$20.05	\$179.31	-\$0.57
OlyW 19/Alberta	\$191.19	\$119.81	\$39.45	\$20.05	\$179.31	\$11.88
ML Sig 4/Manitoba	\$191.62	\$117.55	\$39.54	\$19.55	\$176.64	\$14.98
ML Sig 5/Manitoba	\$178.88	\$117.55	\$39.54	\$19.55	\$176.64	\$2.24
Hylife/Manitoba	\$191.68	\$117.56	\$39.54	\$19.55	\$176.65	\$15.03
Ontario	\$197.65	\$115.49	\$40.71	\$23.76	\$179.96	\$17.69
Québec	\$204.58	\$118.18	\$40.50	\$21.65	\$180.33	\$24.25
Tyson (USD)/Iowa	\$145.00	\$81.51	\$28.70	\$16.57	\$126.78	\$18.22
John Morrell (USD)/ND	\$128.52	\$79.78	\$28.70	\$16.57	\$125.05	\$3.47

* Feed costs standardized for a 285 pound market hog

US Regional Margins

- Tyson: \$18.22 USD X 1.3288 = \$24.21 in Canadian Dollars
- Morrell: \$3.47 USD X 1.3288 = \$4.61 in Canadian Dollars



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