



# Weekly Regional HOG PRICE Report



October 11, 2019

## Things to Consider....

US Federally inspected hog slaughter reached the second highest level in history over the past week registering over 2.700 Million head. Last weeks near record volume was only the second time US kill levels surpassed the 2.7 million mark.

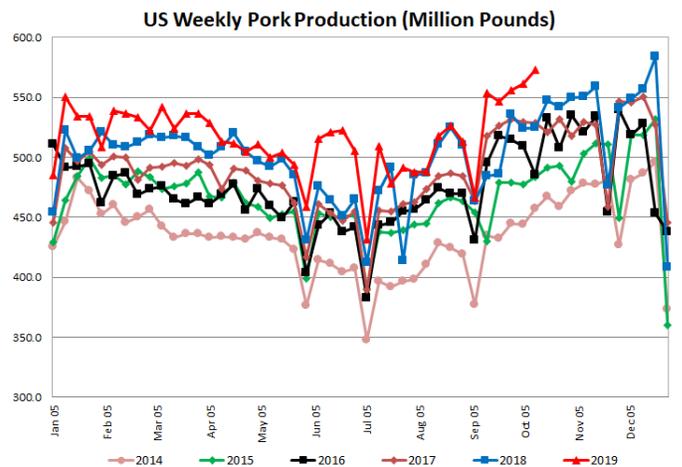
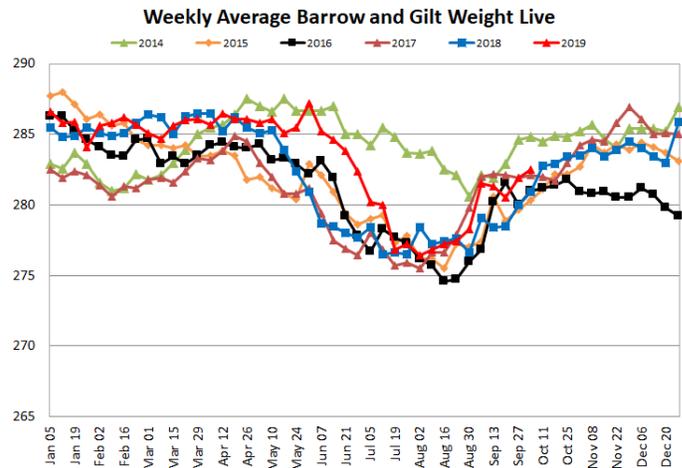
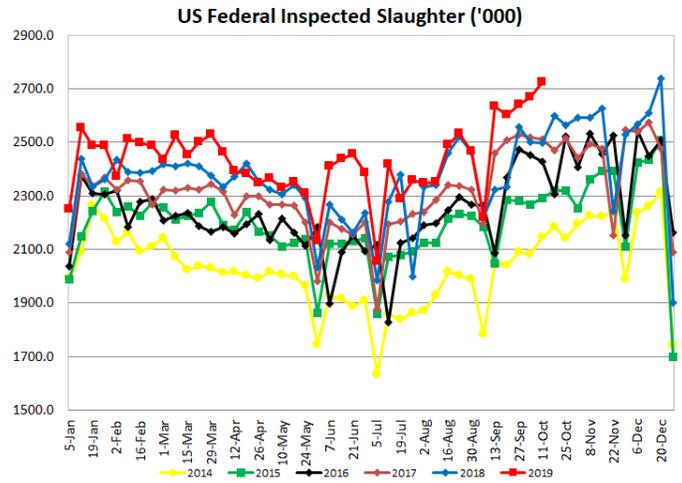
Lean hog futures which have traded steady to firm in nearby months and firm to higher in deferred contracts have not been severely impacted by the record volumes. With demand forecast to be near record levels heading into 2020, the market can absorb the massive number of hogs being slaughtered this month and projected for the 4<sup>th</sup> quarter of 2019.

Average slaughter weights continue to hover near 2018 levels which are not considered burdensome at this point in the year. Weights are sitting right around the last 4-year average with expectations to continue seasonally higher as per usual with late season growth of hogs.

In any other year the current level of production being reported for October would be an extremely bearish factor with a likely negative impact on cash hog and future prices. However, since the market is factoring in major declines in Chinese pork production, hog prices in North America are doing relatively well based on the amount of meat hitting the market.

The latest reports out of China have domestic production down 40% from a year ago with some private forecasters indicating it could be as much as 60-70% lower than a year ago.

With June 2020 lean hog futures at new highs, some protection is warranted but at the same time leaving a portion of production open to potentially maximize returns on a run once into the spring of 2020.



# Weekly Hog Price Recap

Cash hog pricing varied in the week however ended favourably higher than last week on early strength. CME cash by comparison improved daily but at a more moderate pace throughout much of the week. Wholesale pork values also advanced as most primals strengthened in value, helping push cutout \$3.61/cwt higher.

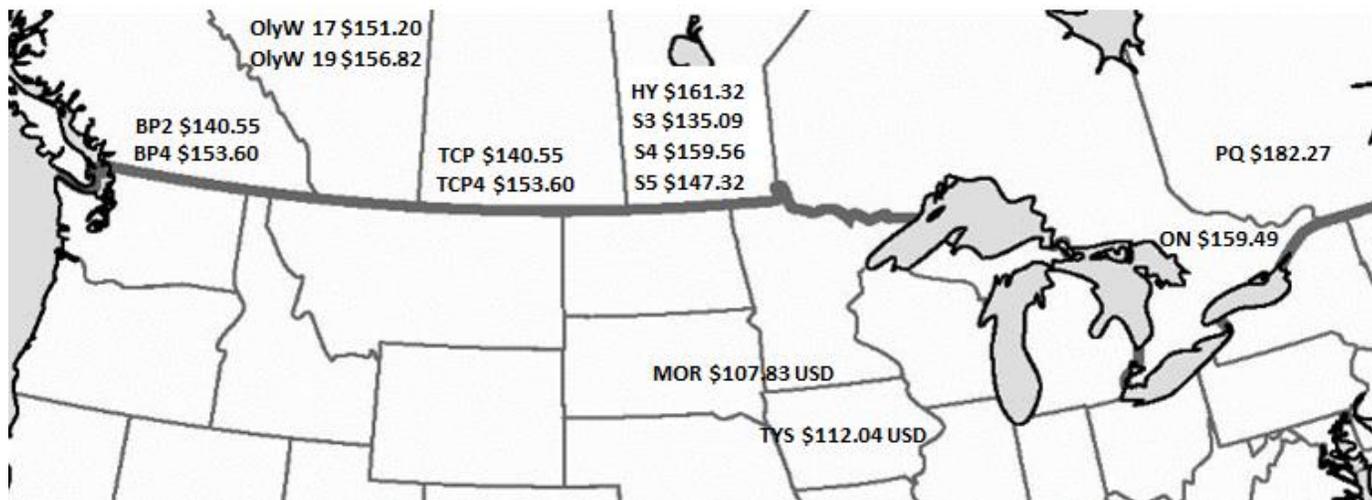
Cash Price	Weekly Averages		w/w	% Chg
	4-Oct-19	27-Sep-19		
ISM pm	\$50.41	\$48.09	\$2.31	4.8%
WCB pm	\$50.16	\$48.00	\$2.16	4.5%
Nat pm	\$49.53	\$47.19	\$2.34	5.0%
CME Index*	\$57.85	\$54.93	\$2.92	5.3%
BoC Exch	1.3286	1.3260	0.0026	0.2%

\* Represents Friday-Thursday average

Monitored Canadian hog markets were generally \$5 to \$9 per hog higher than a week earlier on gains in cash hogs and the improved rate of exchange. Values out of the OlyW 17 and Quebec improved more than \$9/hog, followed by those out of Ontario and the OlyW 19. Remaining monitored Canadian markets were up \$5-\$6 per hog from a week earlier. In the US, Tyson values weakened near \$6.50/hog while JM fell \$4.50/hog from a week earlier.

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 4-Oct-19	Difference to OlyW '19
OlyW 2019	\$175.03		\$184.65		\$185.22		\$156.82	
OlyW 2017	\$172.09	-\$2.94	\$181.23	-\$3.42	\$179.58	-\$5.64	\$151.20	-\$5.62
ML Sig 3	\$163.87	-\$11.15	\$174.08	-\$10.57	\$170.79	-\$14.43	\$135.09	-\$21.73
ML Sig 4	\$175.81	\$0.78	\$183.98	-\$0.67	\$185.81	\$0.58	\$159.56	\$2.74
ML Sig 5	\$169.86	-\$5.17	\$179.03	-\$5.62	\$178.30	-\$6.93	\$147.32	-\$9.49
BP2/TCP **	\$168.85	-\$6.17	\$178.52	-\$6.13	\$181.00	-\$4.22	\$140.55	-\$16.27
BP4/TCP4 **	\$175.11	\$0.08	\$183.03	-\$1.62	\$187.42	\$2.19	\$153.60	-\$3.21
Hylife	\$176.76	\$1.74	\$184.97	\$0.32	\$185.69	\$0.47	\$161.32	\$4.50
Ontario	\$180.88	\$5.85	\$189.98	\$5.33	\$190.76	\$5.54	\$159.49	\$2.68
Québec	\$181.39	\$6.36	\$191.54	\$6.89	\$197.87	\$12.65	\$182.27	\$25.46
Tyson (USD)	\$138.90	-\$36.13	\$143.50	-\$41.15	\$141.89	-\$43.34	\$112.04	-\$44.78
John Morrell (USD)	\$131.91	-\$43.11	\$137.76	-\$46.89	\$135.08	-\$50.15	\$107.83	-\$48.99

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



# Weekly Hog Margins

Following two months of weakness, monitored margins managed to recover generally \$4-\$7 per hog. Improved margins were tempered in part by rising feed costs. Canadian farrow to finish feed costs were up \$2.50/hog while those out in the monitored US region were up near \$2 per hog from week ago levels.

OlyW 17 and Quebec hog margins improved the most from the week previous, each strengthening more than \$7/hog and followed closely by margins out of the OlyW 19 & Ontario. Margins calculated off the Sig 5 were up \$4/hog while remaining margins were up \$2-\$3 per hog. In the US, Tyson hog margins strengthened \$7 per hog while those out of JM improved \$5/hog from the previous week.

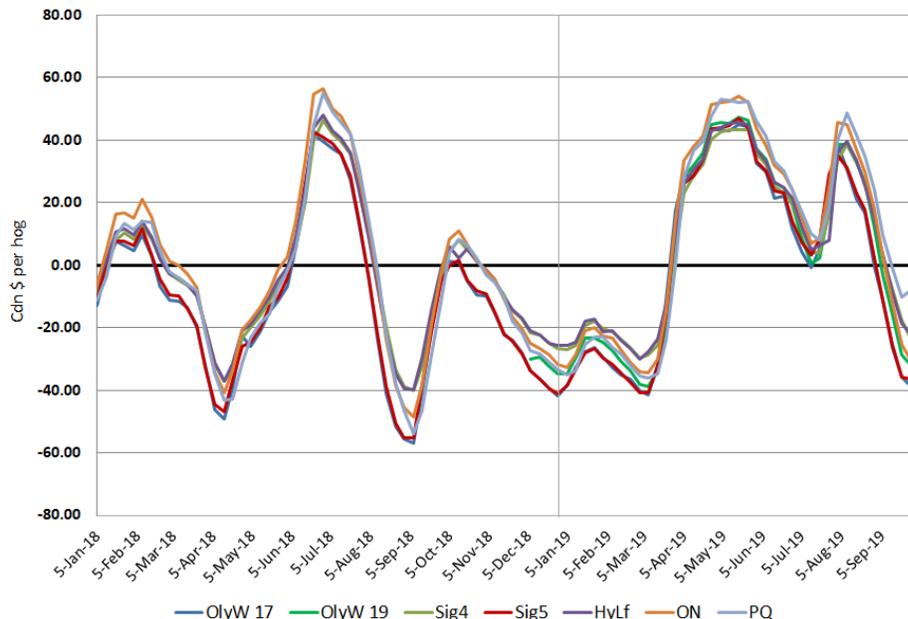
Regional MARGINS, \$/hog						
Packer/Region	4-Oct-19	Farrow to Finish			Total	Weekly Margin
	Hog Price	Feed*	Variable	Fixed	COP	
OlyW 17/Alberta	\$151.20	\$122.81	\$39.45	\$20.05	\$182.31	-\$31.11
OlyW 19/Alberta	\$156.82	\$122.81	\$39.45	\$20.05	\$182.31	-\$25.49
ML Sig 4/Manitoba	\$159.56	\$120.55	\$39.54	\$19.55	\$179.64	-\$20.08
ML Sig 5/Manitoba	\$147.32	\$120.55	\$39.54	\$19.55	\$179.64	-\$32.32
Hylife/Manitoba	\$161.32	\$120.56	\$39.54	\$19.55	\$179.65	-\$18.33
Ontario	\$159.49	\$118.49	\$40.71	\$23.76	\$182.96	-\$23.47
Québec	\$182.27	\$121.18	\$40.50	\$21.65	\$183.33	-\$1.06
Tyson (USD)/Iowa	\$112.04	\$84.22	\$28.70	\$16.57	\$129.49	-\$17.45
John Morrell (USD)/ND	\$107.83	\$82.49	\$28.70	\$16.57	\$127.76	-\$19.93

\* Feed costs standardized for a 285 pound market hog

## US Regional Margins

- Tyson: \$ -17.45 USD X 1.3286 = \$ -23.18 in Canadian Dollars
- Morrell: \$ -19.93 USD X 1.3286 = \$ -26.48 in Canadian Dollars

Canadian Margins 2018-2019 Year to Date



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