



Weekly Regional HOG PRICE Report



November 8, 2019

Things to Consider....

Since lean hog futures peaked in mid-October, the market has experienced mainly range-bound trade. Weakness in late October was met by steady to firm futures over the last couple of weeks as news articles continue to point towards improving US and Canadian pork exports into 2020 and beyond.

As illustrated by the lean hog contracts shown here, summer 2020 and beyond have been more responsive to the news due to a lengthier period of time for things to develop. Although export news has been positive amongst massive slaughter numbers, it is unlikely to see December move much higher with only 4 weeks left until expiry. Without a major surge in cash markets, Dec lean hogs are destined to expire in the mid \$60's US per cwt.

April 2020 and June 2020 on the other hand have appeared to register a short-term bottom and were not forced to close the gap established on September 12 and 13th. Commonly futures markets will work there way through the low end of the gap before resuming the trend but in the case of spring and summer lean hogs, it appears, at least for the time being, that the gap will continue to remain in place with prices trading steady to firm since the beginning of the month.

According to a report released this week by food consults Gira for the US pork industry, pork exports to China are forecast to remain high through 2025. The report also predicted that the peak would come in 2022 and that China would recover from the outbreak of ASF by 2027. Although these dates are only estimates and predictions they do support long-term pricing models in the coming years.

Major changes by Tyson and JBS to no longer accept hogs with Paylean (Ractopimine) signals the need and desire for all companies to export to China.

Currently, there still appears to be tops in the market and should be used by producers in protecting some profits for 2020 however percentages in the coming year may be lower than previous years based on market optimism.

December 2019 Lean Hogs



April 2020 Lean Hogs



June 2020 Lean Hogs



Weekly Hog Price Recap

Cash hog values declined another week with daily losses reported. Packer cash bid volume was considered mostly moderate to lower into the end of the week. CME cash also declined daily however at a more moderate pace. Wholesale pork values were mixed from a week earlier as lower bellies, loins and butts pushed pork cutout \$0.18/cwt lower.

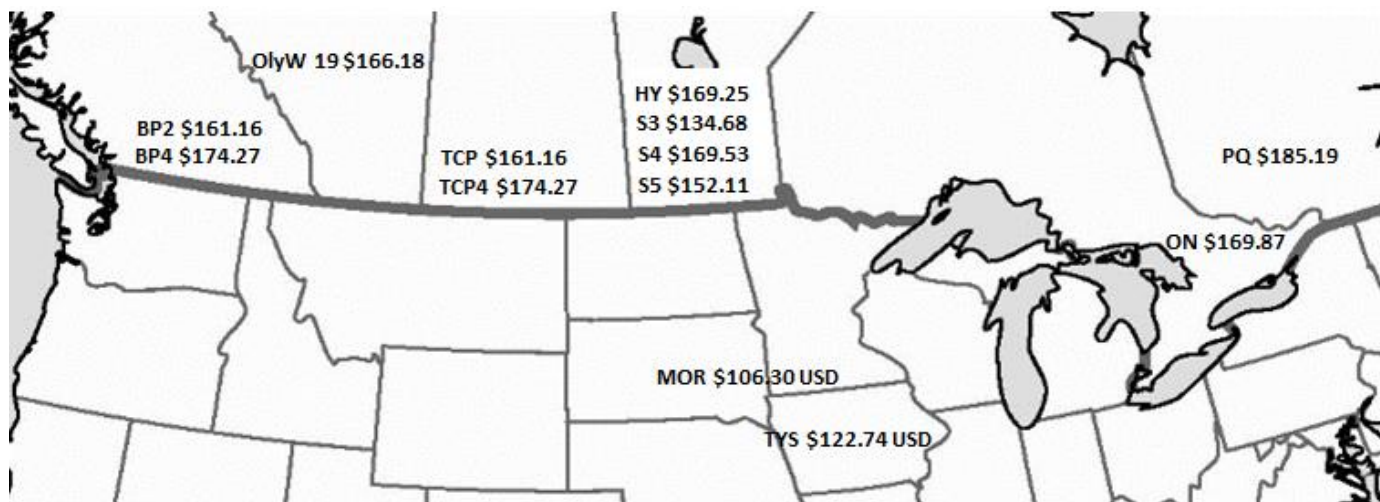
Cash Price	Weekly Averages		w/w	% Chg
	1-Nov-19	25-Oct-19		
ISM pm	\$49.39	\$55.04	-\$5.65	-10.3%
WCB pm	\$49.42	\$54.96	-\$5.53	-10.1%
Nat pm	\$50.14	\$55.08	-\$4.94	-9.0%
CME Index*	\$63.12	\$65.46	-\$2.34	-3.6%
BoC Exch	1.3120	1.3083	0.0037	0.3%

* Represents Friday-Thursday average

Monitored Canadian hog markets were generally \$5-\$9 per hog lower, excluding values out of Quebec which declined near \$2/hog. Values out of the Sig 5 fell the most, followed by the OlyW 19 which fell \$7/hog. Remaining monitored Canadian markets such as those out of Ontario and the prairies were generally \$5-\$6 per hog lower. In the US, Tyson values declined shy of \$9/hog while JM values declined \$11.50/hog from a week earlier.

Regional Pricing, \$/hog								
Packer/Region	Difference		2019 YTD	Difference		Last 13 weeks	Difference	
	3 Year	to OlyW '19		to OlyW '19	to OlyW '19		1-Nov-19	to OlyW '19
OlyW 2019	\$175.39		\$183.22		\$176.78		\$166.18	
ML Sig 3	\$164.05	-\$11.34	\$171.51	-\$11.71	\$153.37	-\$23.42	\$134.68	-\$31.50
ML Sig 4	\$176.09	\$0.69	\$182.71	-\$0.51	\$178.63	\$1.85	\$169.53	\$3.35
ML Sig 5	\$170.08	-\$5.31	\$177.11	-\$6.11	\$166.00	-\$10.78	\$152.11	-\$14.08
BP2/TCP **	\$169.16	-\$6.23	\$176.51	-\$6.71	\$170.37	-\$6.41	\$161.16	-\$5.03
BP4/TCP4 **	\$175.21	-\$0.18	\$181.55	-\$1.67	\$181.00	\$4.22	\$174.27	\$8.09
Hylife	\$177.10	\$1.71	\$183.79	\$0.57	\$179.33	\$2.54	\$169.25	\$3.06
Ontario	\$181.15	\$5.75	\$188.29	\$5.07	\$180.79	\$4.00	\$169.87	\$3.68
Québec	\$182.02	\$6.63	\$191.26	\$8.04	\$193.80	\$17.01	\$185.19	\$19.00
Tyson (USD)	\$138.98	-\$36.41	\$141.83	-\$41.39	\$131.69	-\$45.10	\$122.74	-\$43.44
John Morrell (USD)	\$132.07	-\$43.32	\$135.82	-\$47.40	\$121.13	-\$55.65	\$106.30	-\$59.88

**Thunder Creek reported with a 1-Week lag



Weekly Hog Margins

Hog margins weakened on continued cash hog value declines and additional pressure from increased feed costs. Canadian farrow-to-finish feed costs rose \$0.50/hog higher, while those out of the monitored US region edged \$0.25/hog higher from week ago levels.

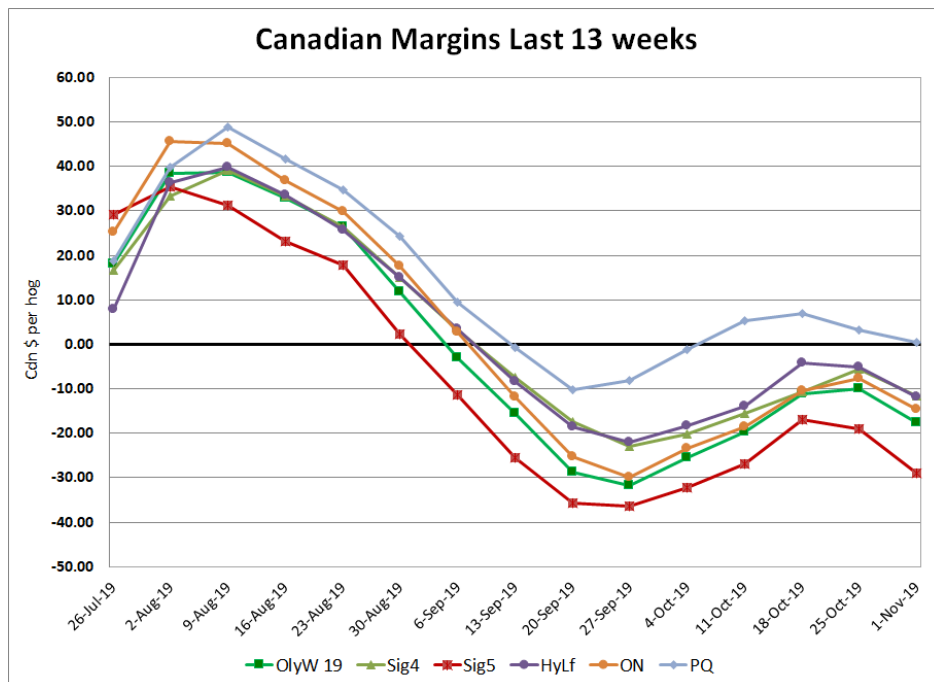
Hog margins calculated out of the Sig 5 weakened the most on the Canadian side, down near \$10/hog, followed by the OlyW 19 which weakened around \$7.50 per hog. Margins out of Ontario, Hylife and the Sig 4 were \$6-\$7 per hog weaker, while those out of Quebec were down around \$3/hog from a week earlier. In the US, Tyson margins weakened \$8.50/hog while JM margins were calculated more than \$11/hog weaker.

Regional MARGINS, \$/hog						
Packer/Region	1-Nov-19	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 19/Alberta	\$166.18	\$124.24	\$39.45	\$20.05	\$183.74	-\$17.56
ML Sig 4/Manitoba	\$169.53	\$121.98	\$39.54	\$19.55	\$181.07	-\$11.54
ML Sig 5/Manitoba	\$152.11	\$121.98	\$39.54	\$19.55	\$181.07	-\$28.96
Hylife/Manitoba	\$169.25	\$121.99	\$39.54	\$19.55	\$181.08	-\$11.83
Ontario	\$169.87	\$119.92	\$40.71	\$23.76	\$184.39	-\$14.52
Québec	\$185.19	\$122.61	\$40.50	\$21.65	\$184.76	\$0.43
Tyson (USD)/Iowa	\$122.74	\$85.18	\$28.70	\$16.57	\$130.45	-\$7.71
John Morrell (USD)/ND	\$106.30	\$83.45	\$28.70	\$16.57	\$128.72	-\$22.42

* Feed costs standardized for a 285 pound market hog

US Regional Margins

- Tyson: \$ -7.71 USD X 1.3120 = \$ -10.12 in Canadian Dollars
- Morrell: \$ -22.42 USD X 1.3120 = \$ -29.42 in Canadian Dollars



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