



# Weekly Regional HOG PRICE Report



December 20, 2019

## Things to Consider....

### Merry Christmas and All the Best in 2020.

Over the past week the Trump administration announced a “Breakthrough” in trade talks with China which will result in the signing of Phase 1 of trade negotiations which have lingered for more than a year.

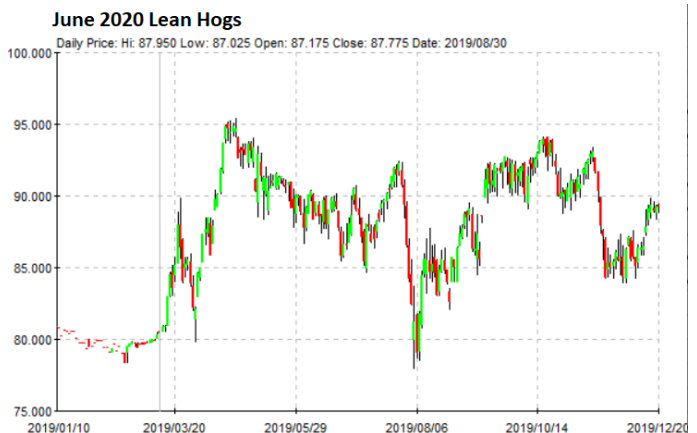
President Trump announced late last week that the updated trade deal will be signed “very shortly” and will result in China purchasing an increased level of US farm goods, including pork, in exchange for a reduction of tariffs on US imports to China. In the newly negotiated trade deal China has agreed to decrease tariffs on 850 products including frozen pork and have committed to buy \$40 Billion of US agricultural goods annually.

The lean hog market welcomed the news as the ongoing trade dispute between the World’s 2 largest economies had plagued the industry since the spring of 2019. The attached graphs illustrate how markets have struggled since late March when the US added additional tariffs on Chinese imports.

Although the news is considered positive long-term the immediate impact is not expected to be extreme. US slaughter levels continue to come in near record levels and numbers will have to seasonally decline until a major move is expected in the cash and futures market.

As the market trades into a holiday shortened week, futures are expected to trade two-sided with no major trend expected to emerge until the New Year. Producers are encouraged to continue monitoring the market and take advantage of any major upside by adding to coverage levels.

The latest USDA Hogs and Pigs report is scheduled to be released Monday, December 23<sup>rd</sup>. Early expectations are for little surprises to show up in the report.



## Weekly Hog Price Recap

CME and regional cash hog values improved most of the week, while national values rose daily on good volume. Packer cash bid volume climbed as the week progressed, excluding Thursday which represented the low of the week. Wholesale pork values varied however most primals averaged higher overall than week ago levels. The pork cutout value improved \$0.78/cwt over the previous week's average.

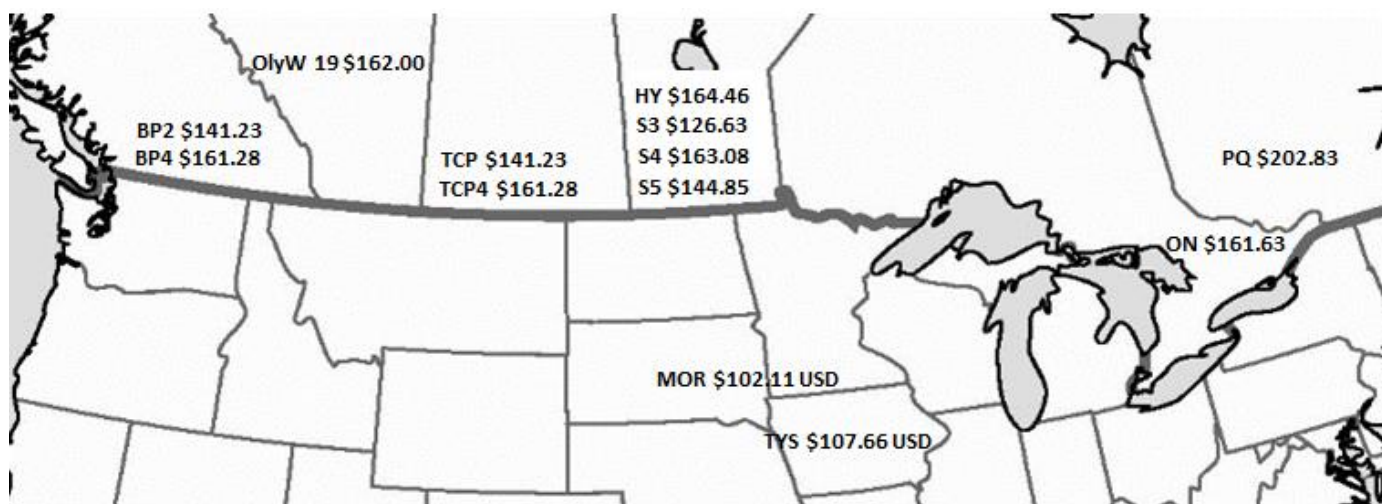
Cash Price	Weekly Averages		w/w	% Chg
	13-Dec-19	6-Dec-19		
ISM pm	\$47.39	\$45.33	\$2.06	4.5%
WCB pm	\$47.41	\$45.27	\$2.14	4.7%
Nat pm	\$47.67	\$45.43	\$2.24	4.9%
CME Index*	\$59.13	\$57.95	\$1.18	2.0%
BoC Exch	1.3207	1.3250	-0.0043	-0.3%

\* Represents Friday-Thursday average

Monitored Canadian hog markets were generally up \$1 to \$3.50 per hog from week ago levels. The Sig 5 and the OlyW 19 improved the most, each up near \$3.50/hog, while values out of Ontario were up shy of \$3/hog. Quebec pricing rose \$1.75/hog, while Hylife was up \$1.50/hog and the Sig 4 was up a dollar per hog. In the US, Tyson improved \$4/hog while JM values rose \$4.50/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 13-Dec-19	Difference to OlyW '19
OlyW 2019	\$176.39		\$180.59		\$161.49		\$162.00	
ML Sig 3	\$163.97	-\$12.42	\$165.17	-\$15.42	\$129.26	-\$32.22	\$126.63	-\$35.37
ML Sig 4	\$176.94	\$0.55	\$180.52	-\$0.07	\$164.63	\$3.14	\$163.08	\$1.08
ML Sig 5	\$170.47	-\$5.92	\$172.85	-\$7.74	\$146.95	-\$14.54	\$144.85	-\$17.15
BP2/TCP **	\$169.92	-\$6.47	\$172.44	-\$8.15	\$147.08	-\$14.41	\$141.23	-\$20.77
BP4/TCP4 **	\$176.02	-\$0.37	\$179.54	-\$1.05	\$164.25	\$2.76	\$161.28	-\$0.72
Hylife	\$177.98	\$1.59	\$181.57	\$0.98	\$165.72	\$4.24	\$164.46	\$2.46
Ontario	\$181.93	\$5.54	\$185.08	\$4.49	\$163.05	\$1.57	\$161.63	-\$0.37
Québec	\$184.37	\$7.98	\$192.77	\$12.18	\$192.51	\$31.02	\$202.83	\$40.84
Tyson (USD)	\$139.00	-\$37.39	\$137.54	-\$43.05	\$112.77	-\$48.72	\$107.66	-\$54.33
John Morrell (USD)	\$132.06	-\$44.33	\$130.93	-\$49.67	\$103.41	-\$58.08	\$102.11	-\$59.88

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



# Weekly Hog Margins

Monitored hog margins strengthened on cash improvements, with Canadian margins receiving additional modest support on modestly lower feed costs. Canadian farrow-to-finish feed costs edged \$0.15/hog lower while those in the monitored US region climbed \$0.10/hog from a week earlier.

Margins out of the OlyW 19 and ML Sig 5 improved the most from week ago levels, each strengthening \$3.50/hog. That being said, Sig 5 margins continue to be the weakest among monitored Canadian markets. Ontario hog margins strengthened \$3/hog, while Quebec improved \$2/hog from a week earlier. Margins out of Hylife and the Sig 4 improved more moderately, up \$1.50 & \$1 per hog respectively. In the US, margins calculated out of Tyson as well as JM each strengthened near \$4.50/hog.

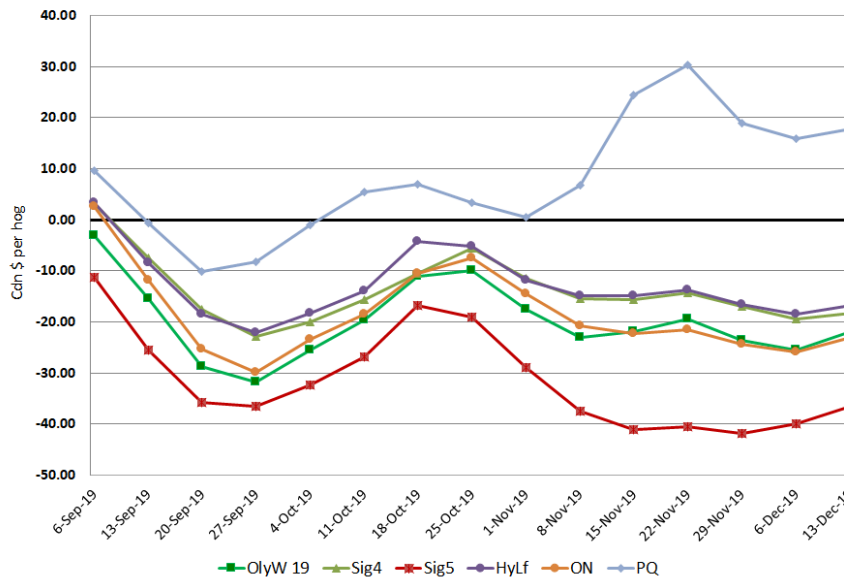
Regional MARGINS, \$/hog						
Packer/Region	13-Dec-19	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 19/Alberta	\$162.00	\$124.48	\$39.45	\$20.05	\$183.98	-\$21.98
ML Sig 4/Manitoba	\$163.08	\$122.22	\$39.54	\$19.55	\$181.31	-\$18.23
ML Sig 5/Manitoba	\$144.85	\$122.22	\$39.54	\$19.55	\$181.31	-\$36.46
Hylife/Manitoba	\$164.46	\$122.23	\$39.54	\$19.55	\$181.32	-\$16.86
Ontario	\$161.63	\$120.16	\$40.71	\$23.76	\$184.63	-\$23.00
Québec	\$202.83	\$122.85	\$40.50	\$21.65	\$185.00	\$17.83
Tyson (USD)/Iowa	\$107.66	\$85.87	\$28.70	\$16.57	\$131.14	-\$23.48
John Morrell (USD)/ND	\$102.11	\$84.14	\$28.70	\$16.57	\$129.41	-\$27.30

\* Feed costs standardized for a 285 pound market hog

## US Regional Margins

- Tyson: \$ (23.48) USD X 1.3207 = \$ (31.01) in Canadian Dollars
- Morrell: \$ (27.30) USD X 1.3207 = \$ (36.06) in Canadian Dollars

Canadian Margins Last 13 weeks



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