



Weekly Regional HOG PRICE Report



February 20, 2020

Things to Consider...

The latest US meat trade data reported pork exports for December at a new historical monthly high at nearly 681 million pounds, surpassing the previous highs recorded in Nov'19 & Apr'18. US pork exports rose 57.7 million pounds from November, or 9% over the previous report. This brought total US pork exports 154.9 million pounds over last December or 29.4% higher, and finished 2019 +7.7% over last year-to-date.

US pork exports to China* accounted for the greatest share of the monthly figure, with volume 63 million pounds over November levels. Mainland China has recorded greater monthly volumes of imported US pork compared to Mexico (typically the largest importer of US pork) for the past two consecutive reports, with the mainland accounting for 34% of December's overall pork exports and Mexico sitting around 22%. For comparison, China* for the previous 12-months averaged 14.5% of total US pork exports, while Mexico's 12-month average sits at 25.3%. Exports to China are expected to continue at higher volumes given the domestic shortfall ASF has had on the country's hog herd.

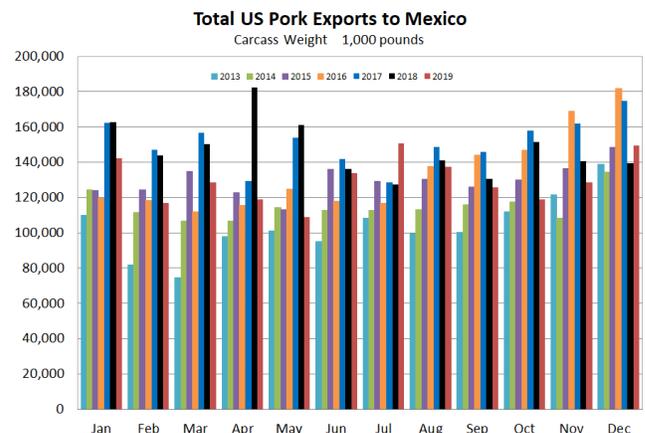
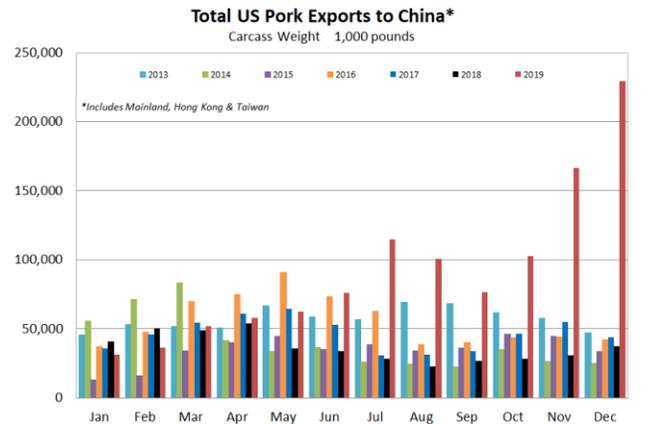
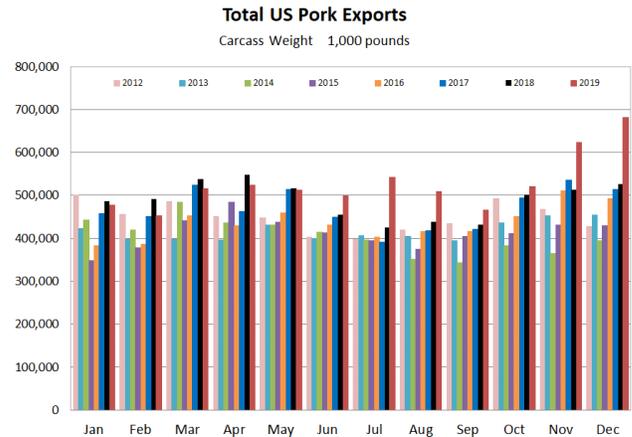
Mexico improved 20.8 million pounds over November levels, reaching a 5-month high at 149,550 thousand pounds. US pork to Panama also increased notably for December, with the latest volume up 10.7 million pounds on the latest report and reaching a new historical high at 15.2 million pounds. It's worth noting however that volume to Panama tends to surge for the month of December before falling to generally 2-3 million pounds monthly for the remainder of the year. Exports to remaining major destinations for US pork declined from November levels. (China* includes mainland China, Taiwan and Hong Kong as a total)

As the market struggles to comprehend the eventual impact of ASF in Asia and parts of Europe, producers in North America are faced with non profitable market hog prices and slumping packer demand due to excess hog availability.

Although world demand for pork is projected to be strong for the foreseeable future, packer capacity re-enters the conversation after being absent for several years. The adage goes, one hog beyond packer capacity is worth nothing if nobody can kill it. The industry needs to see pig number decline seasonally before prices are to recover or capacity increase (again).

US Pork Exports (carcass weight, 1,000 pounds)						
Top 7 Countries	Dec-18	Nov-19	Dec-19	M/M%	Y/Y%	YTD/LYTD%
Australia	29,989	29,989	23,553	-21.5%	-21.5%	32.9%
Canada	48,017	53,099	44,316	-16.5%	-7.7%	4.8%
China*	37,543	166,463	229,576	37.9%	511.5%	201.8%
Colombia	32,418	29,138	22,955	-21.2%	-29.2%	4.4%
Japan	92,784	101,644	90,954	-10.5%	-2.0%	-5.2%
Mexico	139,492	128,755	149,550	16.2%	7.2%	-11.7%
South Korea	77,042	56,549	50,884	-10.0%	-34.0%	-14.0%
All US Pork Exports	526,062	623,257	680,956	9.3%	29.4%	7.7%

*Includes Mainland, Hong Kong & Taiwan



Weekly Hog Price Recap

Cash hog pricing varied throughout the week, with heavier losses reported Wednesday. Packer cash bid volume was considered generally moderate to lighter, peaking midweek. CME cash declined daily, however daily moves were more moderate compared to those reported in regional and national cash. Wholesale pork values fell with all primals averaging lower weekly values, driving pork cutout \$6.31/cwt under week ago levels.

Cash Price	Weekly Averages		w/w	% Chg
	7-Feb-20	31-Jan-20		
ISM pm	\$51.09	\$54.32	-\$3.23	-5.9%
WCB pm	\$50.94	\$54.25	-\$3.31	-6.1%
Nat pm	\$51.38	\$54.14	-\$2.76	-5.1%
CME Index*	\$60.70	\$62.19	-\$1.49	-2.4%
BoC Exch	1.3287	1.3201	0.0086	0.7%

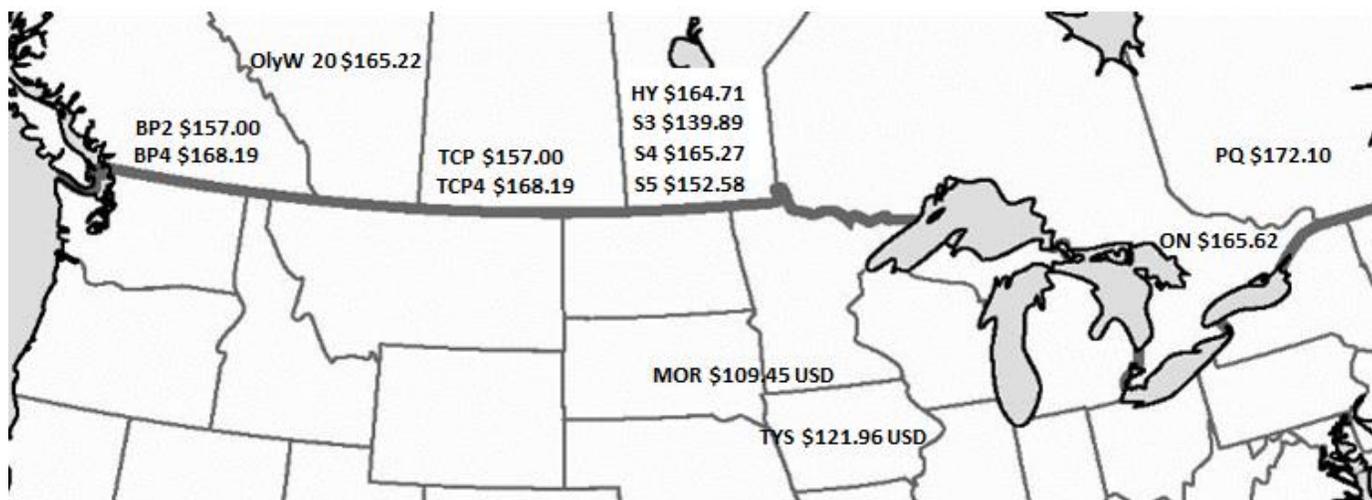
* Represents Friday-Thursday average

Monitored Canadian hog markets were generally \$4-\$5/hog lower than week ago levels, excluding the new OlyW 20 and values out of Quebec which were down \$9 and more than \$16 per hog respectively. Hylife and the ML Sig 5 were each down near \$5/hog while remaining markets were generally \$4/hog lower than the previous week. In the US, Tyson edged \$0.30/hog lower while JM declined near \$7/hog from week ago levels.

Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW20	2020 YTD	Difference to OlyW20	Last 13 weeks	Difference to OlyW20	Ending 7-Feb-20	Difference to OlyW20
OlyW 2020***	\$184.46		\$168.09		\$168.23		\$165.22	
ML Sig 3	\$163.82	-\$20.64	\$137.47	-\$30.62	\$128.54	-\$39.69	\$139.89	-\$25.33
ML Sig 4	\$177.59	-\$6.88	\$163.08	-\$5.01	\$163.64	-\$4.60	\$165.27	\$0.05
ML Sig 5	\$170.72	-\$13.74	\$150.27	-\$17.81	\$146.09	-\$22.14	\$152.58	-\$12.64
BP2/TCP **	\$170.52	-\$13.95	\$148.90	-\$19.19	\$145.17	-\$23.07	\$157.00	-\$8.23
BP4/TCP4 **	\$176.81	-\$7.65	\$161.96	-\$6.13	\$162.93	-\$5.30	\$168.19	\$2.97
Hylife	\$178.59	-\$5.87	\$163.86	-\$4.23	\$164.29	-\$3.94	\$164.71	-\$0.51
Ontario	\$182.45	-\$2.02	\$162.70	-\$5.39	\$161.86	-\$6.37	\$165.62	\$0.40
Québec	\$186.10	\$1.63	\$181.97	\$13.88	\$192.90	\$24.66	\$172.10	\$6.88
Tyson (USD)	\$139.14	-\$45.33	\$118.05	-\$50.04	\$111.66	-\$56.58	\$121.96	-\$43.26
John Morrell (USD)	\$131.98	-\$52.49	\$110.73	-\$57.36	\$103.47	-\$64.76	\$109.45	-\$55.78

**Thunder Creek reported with a 1-Week lag

***OlyW20 was calculated using formulas for 3 years previous to provide comparisons above. Price includes \$0.06 per kg proximity bonus



Weekly Hog Margins

Monitored hog margins weakened on falling hog values, further pressured by an uptick in feed costs. Canadian farrow-to-finish feed costs increased around \$0.60/hog while those in the monitored US region were more stable, climbing \$0.15/hog from the week previous.

Hog margins out Quebec weakened the most, down another \$16.50/hog, and has slipped to negative levels however remains the least weak compared to other monitored Canadian markets. The OlyW 20 weakened more than \$9/hog from the calculated margins for the previous week, similar to margins levels out of Ontario. Margins out of the Sig 5 as well as Hylife each weakened more than \$5/hog, with the Sig 5 maintaining the weakest margin north of the border, while remaining Canadian margins weakened near \$4/hog. In the US, Tyson margins improved modestly, strengthening \$0.10/hog, while JM weakened \$7/hog from week ago levels.

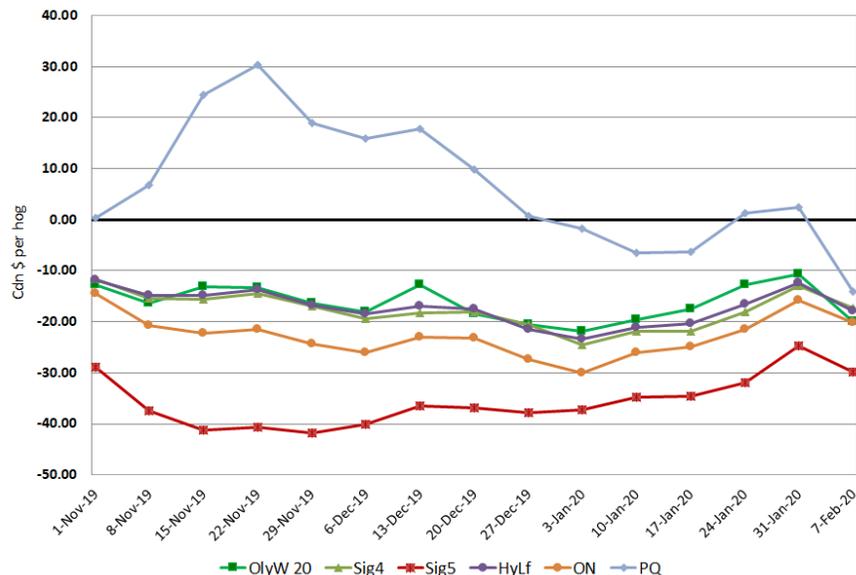
Regional MARGINS, \$/hog						
Packer/Region	7-Feb-20	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$165.22	\$125.67	\$39.45	\$20.05	\$185.17	-\$19.95
ML Sig 4/Manitoba	\$165.27	\$123.41	\$39.54	\$19.55	\$182.50	-\$17.23
ML Sig 5/Manitoba	\$152.58	\$123.41	\$39.54	\$19.55	\$182.50	-\$29.92
Hylife/Manitoba	\$164.71	\$123.42	\$39.54	\$19.55	\$182.51	-\$17.80
Ontario	\$165.62	\$121.35	\$40.71	\$23.76	\$185.82	-\$20.20
Québec	\$172.10	\$124.04	\$40.50	\$21.65	\$186.19	-\$14.09
Tyson (USD)/Iowa	\$121.96	\$85.23	\$28.70	\$16.57	\$130.50	-\$8.54
John Morrell (USD)/ND	\$109.45	\$83.50	\$28.70	\$16.57	\$128.77	-\$19.32

* Feed costs standardized for a 285 pound market hog

US Regional Margins

- Tyson: \$ (8.54) USD X 1.3287 = \$ (11.35) in Canadian Dollars
- Morrell: \$ (19.32) USD X 1.3287 = \$ (25.67) in Canadian Dollars

Canadian Margins Last 13 weeks



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