

Processor Hog Pricing For the Week Ending Friday October 11th 2013

For the second consecutive week, the shutdown of non-essential US Government services has resulted in the USDA Market News prices used by pork processors to establish formula prices not being available.

As a result, the hog industry has been forced to find equitable, alternative ways to price hogs. Unfortunately, this puzzle has proven to be difficult to solve. Some US processors have elected to reference the CME Lean Hog futures, while others have decided to use Urner Barry (a private information provider) published cutout values and still others, albeit the smaller processors, are still using the last published price from September 30th.

Canadian processors appear to have agreed to use CME Lean hog futures and establish historical relationships between the cash market and the nearby futures month for each week.

Therefore, producers marketing through h@ms this week will have their hogs priced accordingly:

Maple Leaf's formula for determining the reference price will use the daily futures nearby settlement price as published on the Chicago Mercantile Exchange (CME) plus the historical 5-year average weekly basis.

This week's basis values are:

- National Pricing Series used to set Signature 4 Price is +\$1.73/cwt
- Western Cornbelt Pricing Series used to set Signature 3 Price is -\$1.61/cwt

HyLife's formula for hogs slaughtered the week of October 7th, 2013 will be determined using the publicly available CME Lean Hog futures plus the 5 year historical average basis for this week. The price for the week will be the average of the daily closed price on the CME futures for Friday October 4th to Thursday, October 9th, 2013 (4 days due to no slaughter on Friday).

Thunder Creek's formula for hogs slaughtered next week will be determined on October 15th, 2013.

h@ms has been involved in some of the discussions related to price discovery and are somewhat, but not entirely satisfied with this week's pricing methods. They are, however, consistent and competitive with other Canadian processors' pricing methods.

Looking ahead to next week, we hope that the US situation will be resolved but it is looking more and more likely that this could be prolonged and price discovery will continue to be done using alternative methods.

h@ms assures their members that we will do our utmost to ensure the prices you receive are reflective of actual market conditions and are competitive with prices hog producers receive in both Canada and the US.