



# Weekly Regional HOG PRICE Report



March 19, 2020

## Things to Consider....

I hope this message finds everyone safe and well during these unprecedented times. As we all need to play our part in the fight against Covid-19, let's remember to recognize the guidelines issued by Health Canada and Government Agencies.

At this point, given all we know about the novel coronavirus, many have been wondering and asking what the spread of the disease and slowing of the economy has done to meat prices and particularly pork and hog prices in Canada and around the world.

In this week's article we are going to review some of the recent trends in hog prices around the world compared to a Canadian price represented by the ON average. All the graphs illustrated have been converted into CAD per kg to show comparison in direction and value.

First, hog prices in China currently trading at \$7.00 CAD/kg compared to \$1.35 CAD across most Canadian regions confirms that the impact of the virus in China did not have a negative influence on hog prices. The affects of ASF in Asia and Europe are still being felt across the country.

Secondly in Europe, now considered the epicenter of the virus, hog prices have continued to gain momentum as shown by cash hog prices in Poland at \$2.90 CAD/kg and Denmark at \$2.91 CAD/kg. Also, important to note, both European countries have seen prices increase following the spread of Covid-19 and resulting closures of many social services and travel.

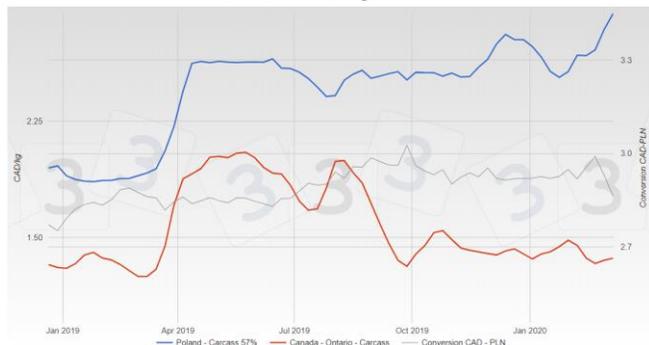
The reality of the situation is that meat consumption has not been negatively impacted by the spread of the virus as would have been projected based on the reaction of the lean hog futures market. But instead the hoarding of food including meat and the increased domestic consumption due to more people cooking at home has actually created a demand pull in the market. Many supply chains are being put to the test right now including meat supplies which continue to fly off the shelf at an unprecedented rate. Wholesale suppliers are scrambling to replace retail orders and packers are scrambling to replenish wholesale stocks.

As domestic demand for meat reaches a new seasonal high and certain areas of the world (Asia) begin to see the light at the end of the tunnel, hog prices in Canada and the US are expected to improve. Not only are supplies beginning to decrease domestically but exports once again will see further improvements adding to the support to prices.

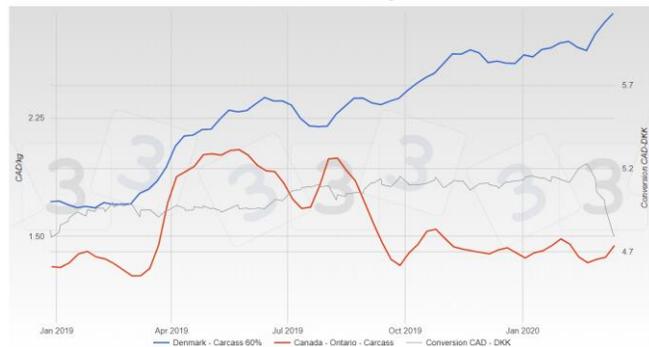
### China vs Canada (ON) CAD/kg



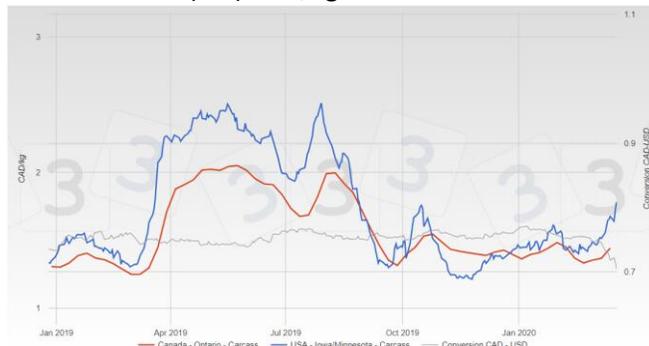
### Poland vs Canada (ON) CAD/kg



### Denmark vs Canada (ON) CAD/kg



### USA vs Canada (ON) CAD/kg



Source: pig333

## Weekly Hog Price Recap

Regional and national cash hog pricing improved midweek when packer cash bid volume was also higher. CME cash by comparison improved the latter half of the week, offsetting declines made earlier. Wholesale pork values finished the week generally higher, as early-week strength helped primals improve over week-ago levels. Pork cutout rose \$1.41/cwt on the week.

Cash Price	Weekly Averages		w/w	% Chg
	6-Mar-20	28-Feb-20		
ISM pm	\$50.75	\$49.59	\$1.16	2.3%
WCB pm	\$50.70	\$49.55	\$1.14	2.3%
Nat pm	\$50.59	\$49.83	\$0.76	1.5%
CME Index*	\$56.54	\$56.23	\$0.31	0.6%
BoC Exch	1.3389	1.3331	0.0058	0.4%

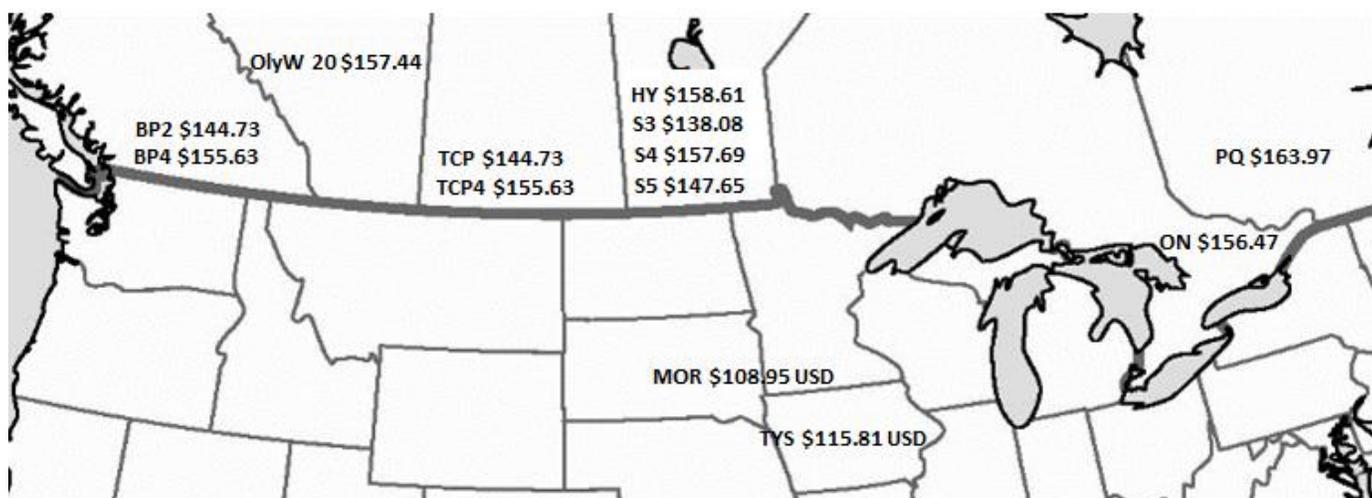
\* Represents Friday-Thursday average

Monitored Canadian hog markets improved generally \$1.50/hog from week ago levels, excluding the Sig 5 which was up more than \$2/hog as the Sig 3 jumped \$4.50/hog. The OlyW 20 rose closer to \$1.75/hog, while remaining monitored Canadian markets were modestly under \$1.50/hog. In the US, Tyson values fell \$0.25/hog while JM values increased \$2/hog from the previous week.

Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW20	2020 YTD	Difference to OlyW20	Last 13 weeks	Difference to OlyW20	Ending 6-Mar-20	Difference to OlyW20
OlyW 2020***	\$183.69		\$164.36		\$165.22		\$157.44	
ML Sig 3	\$162.79	-\$20.90	\$136.12	-\$28.24	\$134.14	-\$31.08	\$138.08	-\$19.36
ML Sig 4	\$177.05	-\$6.64	\$160.53	-\$3.83	\$161.24	-\$3.97	\$157.69	\$0.25
ML Sig 5	\$169.94	-\$13.75	\$148.30	-\$16.06	\$147.67	-\$17.55	\$147.65	-\$9.79
BP2/TCP **	\$169.93	-\$13.76	\$147.87	-\$16.49	\$146.95	-\$18.27	\$144.73	-\$12.72
BP4/TCP4 **	\$176.48	-\$7.21	\$160.31	-\$4.05	\$160.83	-\$4.39	\$155.63	-\$1.81
Hylife	\$178.01	-\$5.68	\$161.25	-\$3.11	\$161.89	-\$3.33	\$158.61	\$1.17
Ontario	\$181.66	-\$2.03	\$159.65	-\$4.71	\$160.07	-\$5.15	\$156.47	-\$0.97
Québec	\$185.55	\$1.86	\$173.91	\$9.55	\$178.95	\$13.74	\$163.97	\$6.52
Tyson (USD)	\$138.42	-\$45.27	\$117.24	-\$47.12	\$115.50	-\$49.72	\$115.81	-\$41.63
John Morrell (USD)	\$131.11	-\$52.58	\$109.11	-\$55.26	\$107.69	-\$57.53	\$108.95	-\$48.49

\*\*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

Canadian hog margins were only modestly improved with gains in hog values being offset nearly entirely by rises in feed costs. Current hog margin levels are near \$27 per hog losses overall. Canadian farrow-to-finish feed costs rose \$1.39/hog while those out of the monitored US region were \$0.70/hog over the week previous.

Margins out of Quebec continue to remain the least weak compared to other Canadian margins, however were fairly stable at \$22/hog losses. Margins out of Hylife and the Sig 4 were also stable overall, generally around \$24/hog losses. Margins out of the OlyW 20 improved \$0.25/hog to \$27.50/hog losses, while those out of Ontario strengthened \$0.10/hog to \$29/hog losses. In the US, margins out of Tyson edged \$0.40/hog weaker to \$14.50/hog losses while JM margins strengthened \$1.75/hog to \$19.50/hog losses.

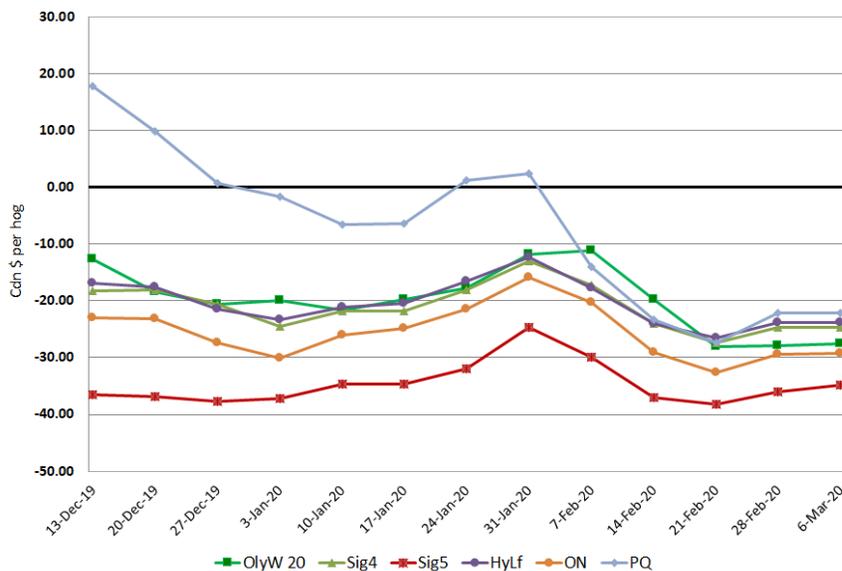
Regional MARGINS, \$/hog						
Packer/Region	6-Mar-20	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$157.44	\$125.57	\$39.45	\$20.05	\$185.07	-\$27.63
ML Sig 4/Manitoba	\$157.69	\$123.31	\$39.54	\$19.55	\$182.40	-\$24.71
ML Sig 5/Manitoba	\$147.65	\$123.31	\$39.54	\$19.55	\$182.40	-\$34.75
Hylife/Manitoba	\$158.61	\$123.32	\$39.54	\$19.55	\$182.41	-\$23.80
Ontario	\$156.47	\$121.25	\$40.71	\$23.76	\$185.72	-\$29.25
Québec	\$163.97	\$123.94	\$40.50	\$21.65	\$186.09	-\$22.12
Tyson (USD)/Iowa	\$115.81	\$84.92	\$28.70	\$16.57	\$130.19	-\$14.38
John Morrell (USD)/ND	\$108.95	\$83.19	\$28.70	\$16.57	\$128.46	-\$19.51

\* Feed costs standardized for a 285 pound market hog

## US Regional Margins

- Tyson: \$ (14.38) USD X 1.3389 = \$ (19.25) in Canadian Dollars
- Morrell: \$ (19.51) USD X 1.3389 = \$ (26.12) in Canadian Dollars

## Canadian Margins Last 13 weeks



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