



Weekly Regional HOG PRICE Report



March 5, 2020

Things to Consider....

US Cold Storage reported total pork stocks at 625.2 million pounds for January, an increase of 44.7 million pounds from levels reported for December as most pork categories reported increased quantities.

Increased volumes of total hams in cold storage accounted for the majority of the report-over-report increase, rising 28.6 million pounds for January. The rise in ham stocks can be considered seasonal, as supplies rebound following the end of holiday ham buying. Notably, spare-ribs and butts each reported increases of more than 5 million pounds in cold storage and historically tend to climb seasonally into February as well.

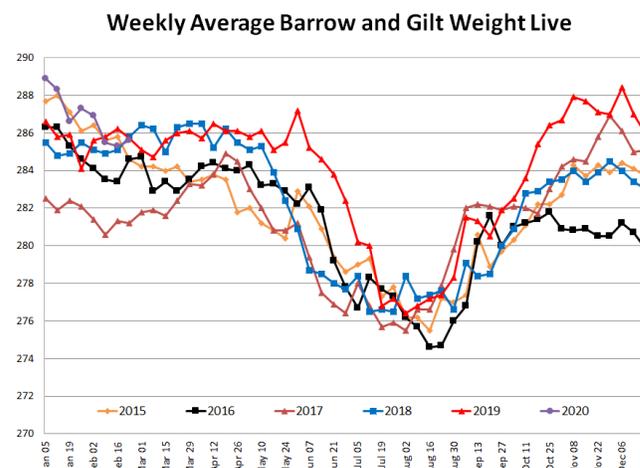
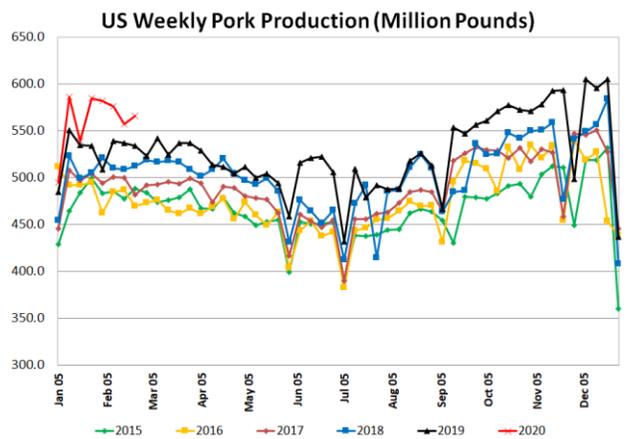
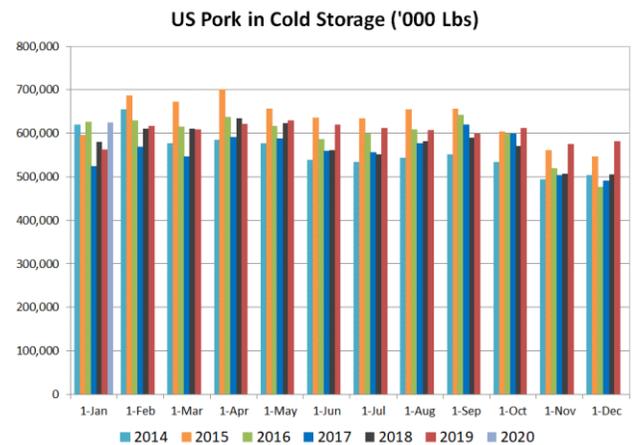
The category accounting for Other pork declined 5.5 million pounds from previously reported, while trimmings and unclassified pork declined modestly from December levels (634 and 159 thousand pounds, respectively).

Remaining pork categories increased more moderately, however collectively rose 11 million pounds for January. Typically, total pork in cold storage climbs from January into February, a reflection of increased ham and spare-rib supplies among other more moderate rises.

Overall, US pork production declined 3.4 million pounds on average for the weeks of January, averaging 557 million pounds per week. Production continues at high levels, rising nearly 9 million pounds per week for February so far. The pork industry eagerly awaits increased pork exports to help consume the record volumes, particularly to China as the country faces severe shortages caused by ASF. Concerns with Covid-19 affecting the Asian economy remains a limiting factor.

Average hog weights have declined seasonally adding to the drop in total production with barrow and gilts now at similar levels to 2018 and 2019. For hog prices to rebound into the second quarter weights will need to remain at or below 2019 levels. With slaughter still running above year ago levels, less pork may be easier to achieve with less weight per carcass. Although the processing industry has encouraged heavier hogs with added bonuses for "big pigs" it has hurt producer returns more than adding to the bottom line.

US Pork in Cold Storage					
('000 lbs)	Jan-20	Dec-19	Jan-19	M/M %	Y/Y %
Picnics	10,559	7,669	7,067	37.7%	49.4%
Hams	114,621	85,995	112,660	33.3%	1.7%
Bellies	70,872	66,647	53,736	6.3%	31.9%
Loins	50,109	49,123	34,949	2.0%	43.4%
Ribs	125,943	120,877	127,107	4.2%	-0.9%
Butts	26,028	20,457	20,527	27.2%	26.8%
Trimmings	52,801	53,435	47,104	-1.2%	12.1%
Other	84,460	89,965	78,254	-6.1%	7.9%
Total Pork	625,188	580,464	562,733	7.7%	11.1%



Weekly Hog Price Recap

Regional and national cash hog pricing varied with larger daily moves reported early-to-midweek when packer cash bid volume was higher. Conversely, CME cash declined the front-half of the week with daily improvements late week not enough to offset earlier declines. Most wholesale pork values improved, excluding moderate declines reported for bellies and ribs, which overall helped pork cutout climb \$0.57/cwt higher than week ago levels.

Cash Price	Weekly Averages		w/w	% Chg
	21-Feb-20	14-Feb-20		
ISM pm	\$49.30	\$48.93	\$0.37	0.8%
WCB pm	\$49.31	\$48.84	\$0.47	1.0%
Nat pm	\$49.44	\$49.36	\$0.07	0.1%
CME Index*	\$55.76	\$57.36	-\$1.60	-2.8%
BoC Exch	1.3242	1.3274	-0.0032	-0.2%

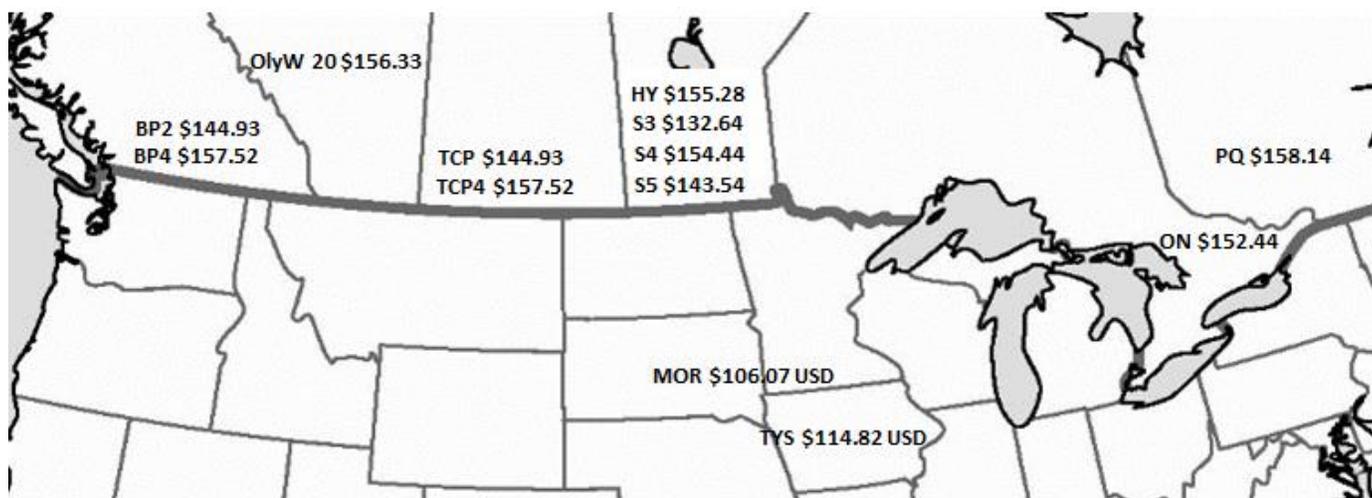
* Represents Friday-Thursday average

Monitored Canadian hog markets generally fell \$3-4/hog from week ago levels, excluding the ML Sig 5 which declined \$1.50/hog and the OlyW 20 which dropped nearly \$9/hog. Despite the week-over-week decline, the OlyW 20 remains among the strongest of monitored Canadian markets, only behind values out of Quebec currently. In the US, Tyson fell \$1.50/hog lower while values out of JM improved \$1/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 21-Feb-20	Difference to OlyW20
OlyW 2020***	\$184.17		\$166.30		\$166.76		\$156.33	
ML Sig 3	\$163.36	-\$20.81	\$136.19	-\$30.11	\$131.32	-\$35.44	\$132.64	-\$23.69
ML Sig 4	\$177.37	-\$6.80	\$161.40	-\$4.90	\$162.15	-\$4.62	\$154.44	-\$1.89
ML Sig 5	\$170.38	-\$13.79	\$148.80	-\$17.50	\$146.73	-\$20.03	\$143.54	-\$12.79
BP2/TCP **	\$170.32	-\$13.85	\$148.84	-\$17.46	\$146.25	-\$20.52	\$144.93	-\$11.40
BP4/TCP4 **	\$176.76	-\$7.41	\$161.73	-\$4.57	\$162.33	-\$4.43	\$157.52	\$1.19
Hylife	\$178.35	-\$5.82	\$162.09	-\$4.21	\$162.76	-\$4.00	\$155.28	-\$1.05
Ontario	\$182.10	-\$2.06	\$160.64	-\$5.66	\$160.62	-\$6.14	\$152.44	-\$3.89
Québec	\$185.86	\$1.69	\$176.58	\$10.28	\$184.95	\$18.19	\$158.14	\$1.81
Tyson (USD)	\$138.82	-\$45.35	\$117.49	-\$48.81	\$113.41	-\$53.35	\$114.82	-\$41.51
John Morrell (USD)	\$131.60	-\$52.57	\$109.44	-\$56.86	\$105.68	-\$61.08	\$106.07	-\$50.26

**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

Hog margins were generally around \$3/hog weaker from last week to \$30/hog losses overall. Lower market values were tempered modestly from reduced feed costs overall, with Canadian farrow-to-finish feed costs down near \$0.50/hog and those out of the US edged \$0.20/hog lower than the week previous.

Margins out of the Sig 5 weakened the least on the week, declining a little over \$1/hog and remains the weakest overall at \$38/hog losses. Hog margins out of Quebec fell \$4/hog and now in-line with other margins, while Ontario and the Sig 4 each saw margins weaken more than \$3/hog. Hylife was down \$2.50/hog from week ago levels and is currently the strongest margin compared to other Canadian hog margins. Margins out of the OlyW 20 weakened near \$8.50/hog to \$28/hog losses. In the US, Tyson margins weakened \$0.65/hog while JM strengthened more than \$1/hog from week ago levels.

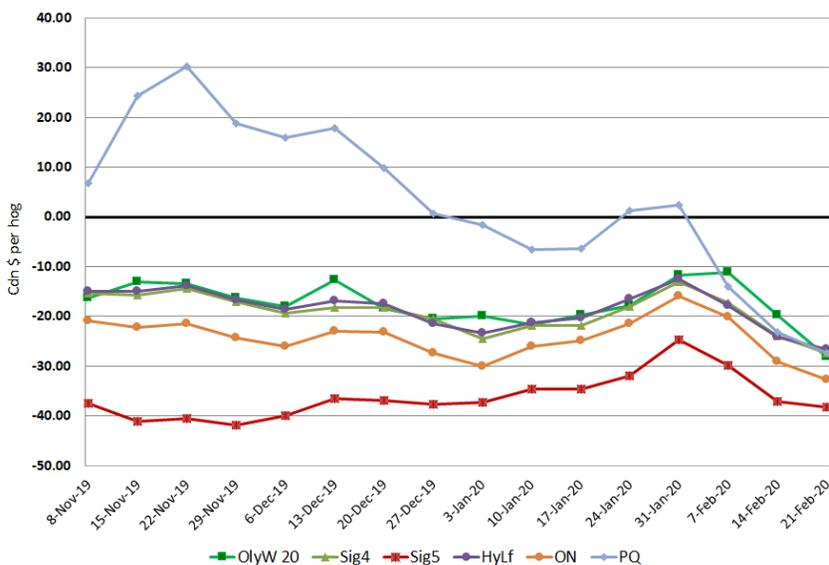
Regional MARGINS, \$/hog						
Packer/Region	21-Feb-20		Farrow to Finish		Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$156.33	\$124.97	\$39.45	\$20.05	\$184.47	-\$28.14
ML Sig 4/Manitoba	\$154.44	\$122.71	\$39.54	\$19.55	\$181.80	-\$27.36
ML Sig 5/Manitoba	\$143.54	\$122.71	\$39.54	\$19.55	\$181.80	-\$38.26
Hylife/Manitoba	\$155.28	\$122.72	\$39.54	\$19.55	\$181.81	-\$26.53
Ontario	\$152.44	\$120.65	\$40.71	\$23.76	\$185.12	-\$32.68
Québec	\$158.14	\$123.34	\$40.50	\$21.65	\$185.49	-\$27.35
Tyson (USD)/Iowa	\$114.82	\$85.19	\$28.70	\$16.57	\$130.46	-\$15.64
John Morrell (USD)/ND	\$106.07	\$83.46	\$28.70	\$16.57	\$128.73	-\$22.66

* Feed costs standardized for a 285 pound market hog

US Regional Margins

- Tyson: \$ (15.64) USD X 1.3242 = \$ (20.71) in Canadian Dollars
- Morrell: \$ (22.66) USD X 1.3242 = \$ (30.00) in Canadian Dollars

Canadian Margins Last 13 weeks



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