



Weekly Regional HOG PRICE Report



July 21, 2020

Things to Consider....

Although lean hog futures have not provided much in the way of forward pricing opportunities, cash hog prices have shown a small glimmer of hope over the last couple of weeks with prices stalling on the way down and managing small gains.

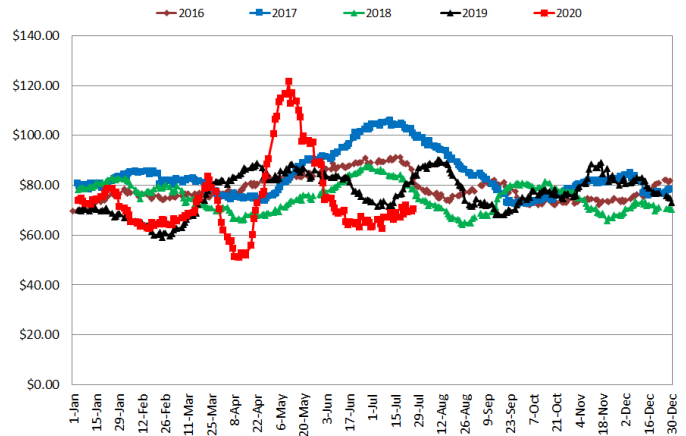
One form of underlying support, although small, is coming from strength in pork values as illustrated by cut-out in the adjacent graphs. Pork cut-out remains at a 5-year low, but the trend is encouraging compared to 3 out of the other 4 historical years. As shown in the graph, in years like 2016, 2017 and 2018 pork cut-out values were on the decline from the first of July however this year the market appears to be building value which could lead to more seasonal prices in pork come the fall months.

As Canadian hog pricing formulas continue to be a topic of discussion it is important to point out that the spread between cutout and cash (CME index) has now traded at \$20 for nearly 2 months.

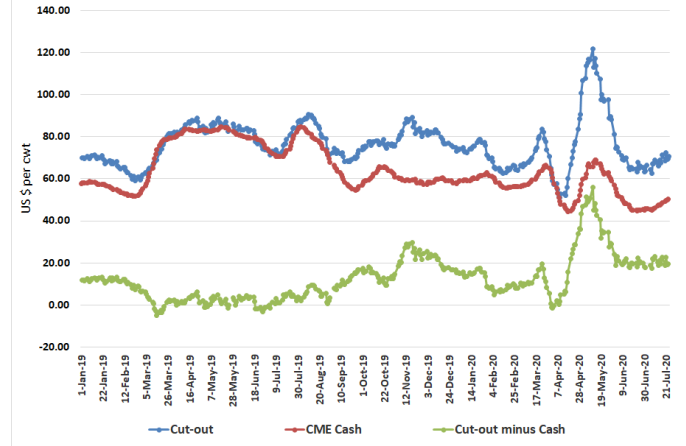
Following the big swing from zero to nearly \$60 US in difference, the price spread between cutout and the CME cash seems to have landed at \$20 and is holding there. This is just another reason why using a portion of the cut-out in Canadian pricing could provide a more transparent method of valuing hogs compared to the current mechanisms. However, the use of the cut-out is only useful if processors are willing to keep existing grading factors in place to allow producers to see an improved pricing overall.

Historically a \$20 price spread between meat and live animals happens a couple times a year but historically does not usually last as long as what has been seen in the market recently.

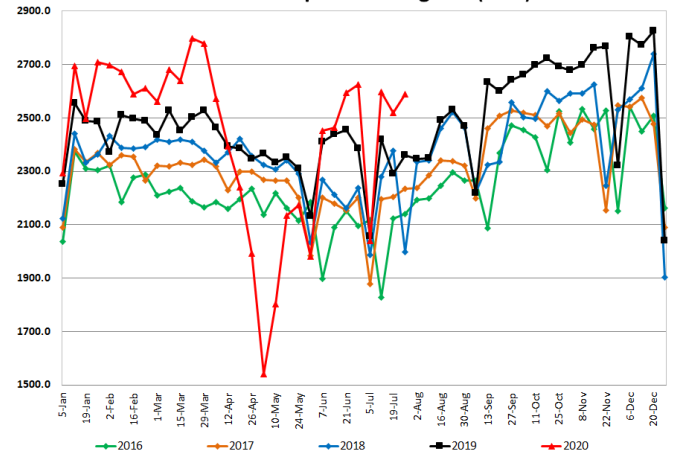
USDA National Carlot Pork Report - Cutout



Pork (Cutout) vs Market hog (CME cash) Price Spread



US Federal Inspected Slaughter ('000)



Weekly Hog Price Recap

US cash hog values improved for much of the week, with regional cash rising the most Tuesday and national cash improving more early in the week. CME cash climbed daily, with stronger gains reported midweek. Wholesale pork primal values were mixed from the previous week, however a strong rise in ham values and good improvement in picnic and belly values pushed pork cutout \$2.22/cwt over week ago levels.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	17-Jul-20	Head	10-Jul-20		
ISM pm		\$31.11		\$29.52	\$1.59	5.4%
WCB pm		\$31.07		\$29.51	\$1.56	5.3%
Nat pm		\$31.17		\$29.47	\$1.70	5.8%
CME Index*		\$46.76		\$45.44	\$1.32	2.9%
Sows, 300-449lbs	13,685	\$17.20	12,707	\$16.71	\$0.49	2.9%
Sows, 500+ lbs	13,923	\$24.44	11,565	\$24.22	\$0.22	0.9%
BoC Exch		1.3567		1.3563	0.0004	0.0%

* Represents Friday-Thursday average

Monitored Canadian hog markets improved on rising cash hog values and the stable exchange rate with only the OlyW 20 lower, down more than \$1/hog on the week due to its lagged base pricing. Due to the temporary fixed pricing out of BP/TCP, hog values were unchanged from the previous week while the ML Sig 4 climbed more than a \$1/hog. Values out of Ontario were up \$3.75/hog while those out of Quebec were \$6/hog higher. In the US, values out of Tyson rose \$5/hog while JM was up \$3.25/hog from week ago levels.

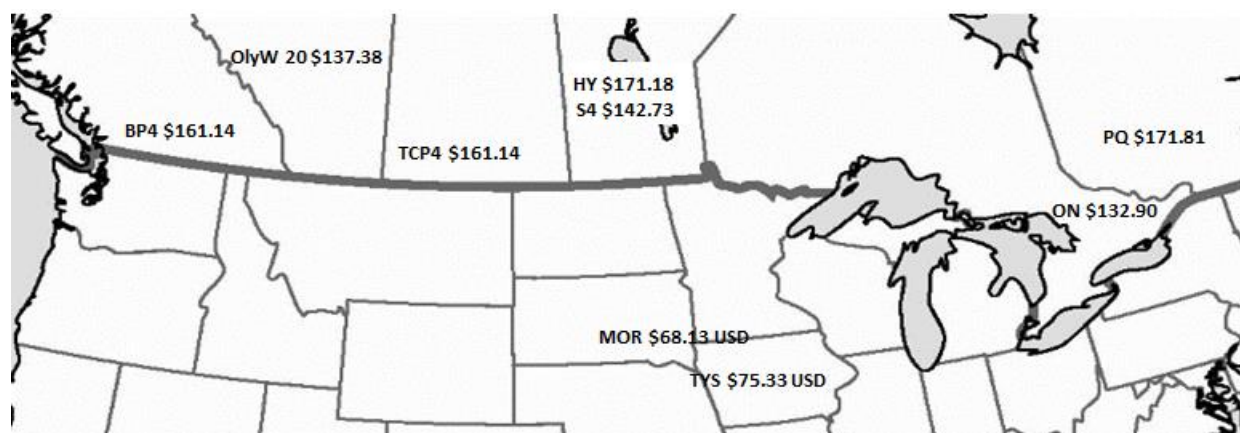
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW20	2020 YTD	Difference to OlyW20	Last 13 weeks	Difference to OlyW20	Ending 17-Jul-20	Difference to OlyW20
OlyW 17/19/20*	\$173.73		\$170.77		\$168.04		\$137.38	
ML Sig 4	\$179.34	\$5.61	\$167.06	-\$3.70	\$164.36	-\$3.67	\$142.73	\$5.35
BP4/TCP4 **	\$180.92	\$7.20	\$170.46	-\$0.31	\$169.70	\$1.67	\$161.14	\$23.76
Hylife	\$184.52	\$10.79	\$176.51	\$5.74	\$193.15	\$25.11	\$171.18	\$33.80
Ontario***	\$178.39	\$4.66	\$159.38	-\$11.39	\$153.54	-\$14.49	\$132.90	-\$4.48
Québec	\$185.15	\$11.43	\$187.75	\$16.98	\$202.03	\$34.00	\$171.81	\$34.43
Tyson (USD)	\$131.63	-\$42.09	\$101.95	-\$68.81	\$82.97	-\$85.07	\$75.33	-\$62.05
John Morrell (USD)	\$123.68	-\$50.05	\$92.02	-\$78.75	\$72.92	-\$95.12	\$68.13	-\$69.25

*3 Year average uses actual OlyW'17, OlyW'19 and OlyW'20 for respective weeks. Starting Jan 2020 prices includes \$0.06 per kg proximity bonus

**Thunder Creek reported with a 1-Week lag

*** Ontario pricing does not include any pork or cutout based formulas for market hogs

To Note: OlyW and BP4 are nearly a full 1 week lag to Sig 4, Hylife, Ontario & Quebec



Weekly Hog Margins

Canadian hog margins improved on strength in cash hog and pork cutout values, and were further supported by a reduction in feed costs. Canadian farrow-to-finish feed costs fell shy of \$3/hog on the week, while those in the monitored US region declined more than \$2/hog.

Hog margins out of Quebec strengthened \$9/hog to \$3/hog losses and continues as the least weak compared to other monitored margins. Margins off the Sig 4 improved \$4/hog to \$28/hog losses, while the OlyW improved \$1.50/hog to \$36/hog losses and Ontario strengthened more than \$6.50/hog to \$41.50/hog losses. In the US, Tyson margins strengthened more than \$7/hog to \$47/hog losses while JM improved near \$5.50/hog from the previous week to more than \$52.50 per hog losses.

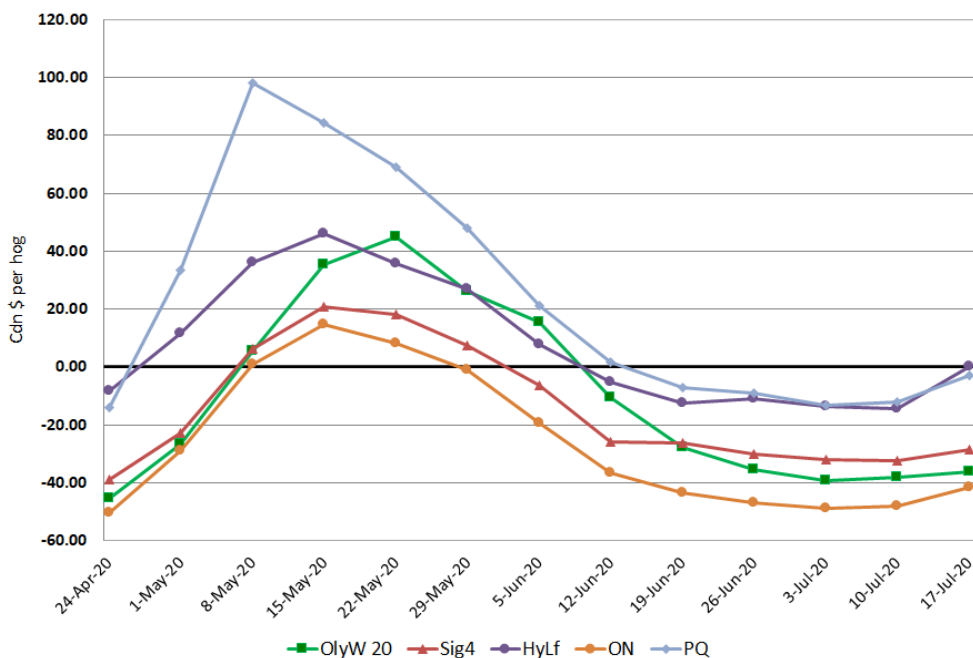
Regional MARGINS, \$/hog						
Packer/Region	17-Jul-20	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$137.38	\$114.23	\$39.45	\$20.05	\$173.73	-\$36.35
ML Sig 4/Manitoba	\$142.73	\$111.97	\$39.54	\$19.55	\$171.06	-\$28.33
Hylife/Manitoba	\$171.18	\$111.98	\$39.54	\$19.55	\$171.07	\$0.11
Ontario	\$132.90	\$109.91	\$40.71	\$23.76	\$174.38	-\$41.48
Québec	\$171.81	\$112.60	\$40.50	\$21.65	\$174.75	-\$2.94
Tyson (USD)/Iowa	\$75.33	\$77.28	\$28.70	\$16.57	\$122.55	-\$47.22
John Morrell (USD)/ND	\$68.13	\$75.55	\$28.70	\$16.57	\$120.82	-\$52.69

* Feed costs standardized for a 285 pound market hog

US Regional Margins

- Tyson: \$ (47.22) USD X 1.3567 = \$ (64.06) in Canadian Dollars
- Morrell: \$ (52.69) USD X 1.3567 = \$ (71.48) in Canadian Dollars

Canadian Margins Last 13 weeks



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