



Weekly Regional HOG PRICE Report



September 15, 2020

Things to Consider....

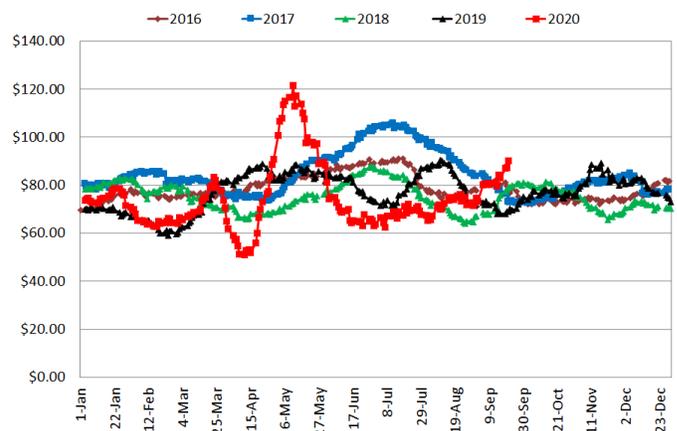
Pork cut-out has rallied to a seasonal 5-year high breaking \$90 US/cwt, while hams approached \$100 US/cwt which is not only a seasonal 5-year high but also an annual 5-Year high as shown in the second graph. Hams which typically rally in the 4th quarter due to seasonal holiday buying are seeing price hikes sooner than normal as supplies become a concern for later this year.

Earlier in 2020 pork cut-out rallied sharply to \$120 US per cwt before collapsing to just above \$60 US, where it traded for nearly a month. But since the low established in the first week in July, pork has consistently put on value to now trade above the previous 5 years. The first graph illustrates how the move has been somewhat counter-seasonal, at least during the second half of summer, but now could see further strength, as meat prices do rise from Sep to mid-November.

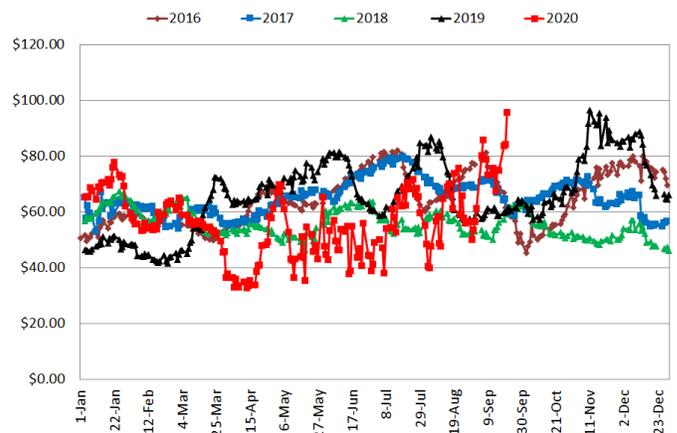
A combination of export demand and the threat of lessening domestic supply is fueling the pork market. At a time of increased buying from major Asian importers, due to the ASF presence in Germany and resulting pork import bans, the quantity of pork in North America is destined to decline due to liquidation.

The combination of firming demand and lower supplies is the fuel providing strength in the market today. Do not be confused with this information adding strength later in the year. The strength today is coming from this anticipation. Any strength later in the year will need to come from new "news". Remember that the market knows everything we know before we know it. If you heard a piece of news today, the market knew about it yesterday. Lean hog futures are bouncing off contract highs across the board. Producers are encouraged to do some forward pricing to reduce the potential risk of volatile prices in the coming 6-8 months.

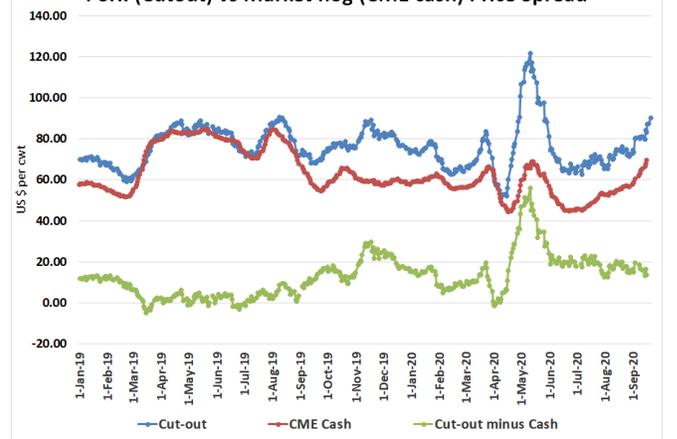
USDA National Carlot Pork Report - Cutout



USDA National Carlot Pork Report - Hams



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



Weekly Hog Price Recap

Regional and national cash hogs improved for much of the week despite starting the week lower Tuesday. CME cash improved daily during the holiday shortened week, the stronger gains early on. Pork cutout rose \$4.50/cwt from the previous week, carried higher as most primals reported significant increases excluding declines in butts and ribs.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	11-Sep-20	Head	4-Sep-20		
ISM pm		\$50.75		\$44.74	\$6.01	13.4%
WCB pm		\$50.51		\$44.68	\$5.84	13.1%
Nat pm		\$50.07		\$44.50	\$5.57	12.5%
CME Index*		\$62.04		\$57.53	\$4.51	7.8%
Sows, 300-449lbs	11,206	\$17.92	12,518	\$18.49	-\$0.57	-3.1%
Sows, 500+ lbs	10,649	\$25.53	10,969	\$25.91	-\$0.38	-1.4%
BoC Exch		1.3178		1.3075	0.0103	0.8%

* Represents Friday-Thursday average

Monitored hog markets improved on the week with those out of Quebec up the most, \$19/hog higher. Hog values out of Hylife and Ontario also reported significant increases, up \$13 & \$12 per hog respectively while the ML Sig 4 rose more than \$9/hog. The OlyW 20 climbed shy of \$4/hog, due to its lagged base price. In the US, values out of Tyson rose \$5/hog while JM improved \$12.00/hog from the previous week.

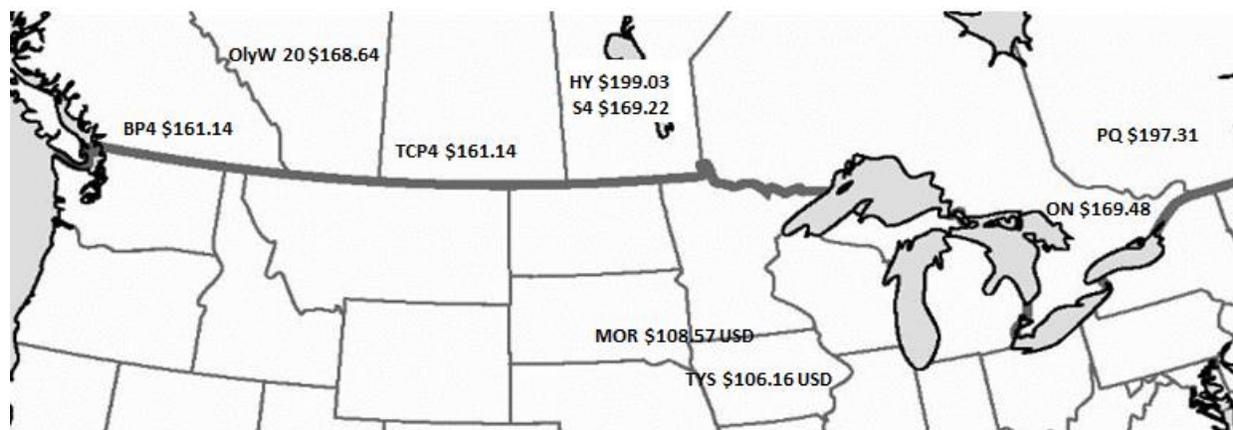
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW20	2020 YTD	Difference to OlyW20	Last 13 weeks	Difference to OlyW20	Ending 11-Sep-20	Difference to OlyW20
OlyW 17/19/20*	\$170.94		\$168.42		\$151.42		\$168.64	
ML Sig 4	\$175.96	\$5.01	\$164.85	-\$3.56	\$151.44	\$0.02	\$169.22	\$0.59
BP4/TCP4 **	\$177.61	\$6.67	\$168.42	\$0.00	\$159.53	\$8.10	\$161.14	-\$7.50
Hylife	\$182.02	\$11.07	\$176.10	\$7.69	\$178.43	\$27.00	\$199.03	\$30.39
Ontario***	\$174.49	\$3.55	\$157.81	-\$10.61	\$143.74	-\$7.68	\$169.48	\$0.84
Québec	\$182.59	\$11.64	\$186.00	\$17.59	\$174.94	\$23.52	\$197.31	\$28.67
Tyson (USD)	\$127.42	-\$43.53	\$100.18	-\$68.24	\$86.78	-\$64.64	\$106.16	-\$62.48
John Morrell (USD)	\$119.58	-\$51.37	\$90.99	-\$77.43	\$79.77	-\$71.65	\$108.57	-\$60.07

*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

Hog margins strengthened this week on improved hog and pork values however were offset in-part by a rise in feed costs. Canadian farrow-to-finish feed costs climbed \$1.50/hog while those in the monitored US region rose \$1/hog from a week earlier.

Margins out of Hylife and Quebec continue in positive territory, with values out of Quebec up nearly \$17.50/hog to \$17.25/hog profits and Hylife up \$11.50/hog to more than \$22.50/hog profits. Hog margins out of the ML Sig 4 improved nearly \$8/hog to \$7/hog losses, while the OlyW 20 strengthened more than \$2/hog to \$10/hog losses and Ontario margins strengthened \$10.50/hog to \$10.25/hog losses. In the US, Tyson margins improved \$4.75/hog to nearly \$22/hog losses while JM strengthened \$11/hog to \$17.75/hog losses.

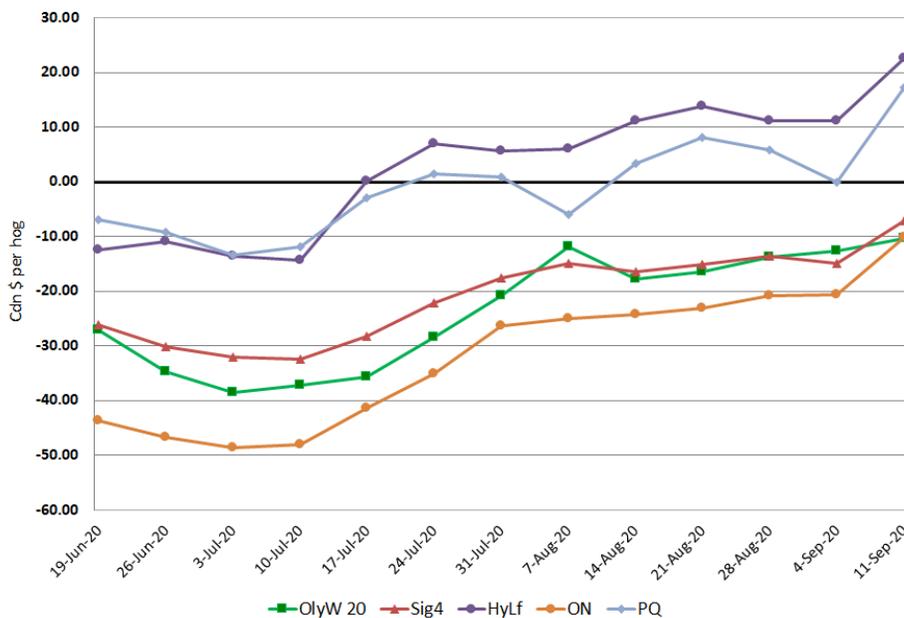
Regional MARGINS, \$/hog						
Packer/Region	11-Sep-20		Farrow to Finish		Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$168.64	\$119.53	\$39.45	\$20.05	\$179.03	-\$10.39
ML Sig 4/Manitoba	\$169.22	\$117.27	\$39.54	\$19.55	\$176.36	-\$7.14
Hylife/Manitoba	\$199.03	\$117.28	\$39.54	\$19.55	\$176.37	\$22.66
Ontario	\$169.48	\$115.21	\$40.71	\$23.76	\$179.68	-\$10.20
Québec	\$197.31	\$117.90	\$40.50	\$21.65	\$180.05	\$17.26
Tyson (USD)/Iowa	\$106.16	\$82.75	\$28.70	\$16.57	\$128.02	-\$21.86
John Morrell (USD)/ND	\$108.57	\$81.02	\$28.70	\$16.57	\$126.29	-\$17.72

* Feed costs standardized for a 285 pound market hog

US Regional Margins

- Tyson: \$ (21.86) USD X 1.3178 = \$ (28.81) in Canadian Dollars
- Morrell \$ (17.72) USD X 1.3178 = \$ (23.35) in Canadian Dollars

Canadian Margins Last 13 weeks



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