



Weekly Regional HOG PRICE Report



September 1, 2020

Things to Consider....

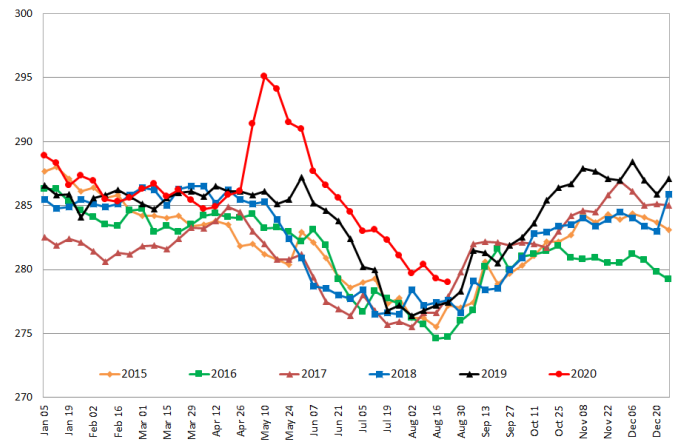
The first few days of September have been favorable to hog and pork prices based on a bullish set up that appears to be on the horizon. October and December 2020 lean hog futures gapped higher during the past week signalling the potential for more upside in the weeks and months ahead. The futures board is currently anticipating ongoing strength in the cash, moving Oct lean hogs from a discount position to a premium over cash. Oct lean hogs now sit roughly \$1 US per cwt above the CME 1-day cash.

Lower weights are one of the contributing factors to the now talked about bullish set up. Midwestern barrow and gilt weights are now within a pound of previous year levels and have continued to drop into late August. Slaughter numbers on the other hand remain high compared to previous years, however the fact the industry continues to slaughter large weekly numbers means it is working through the animals that are in the pipeline. Packers are going to continue to kill massive weekly numbers given the huge processing margins currently in place. With pork cutout now over \$80 US/cwt and cash still lagging behind around \$59.00 US per cwt, the incentive for packers to slaughter more animals is as large as it has been all year. A \$20 per cwt spread implies roughly a \$45-\$50 per hog profit margin for the processor.

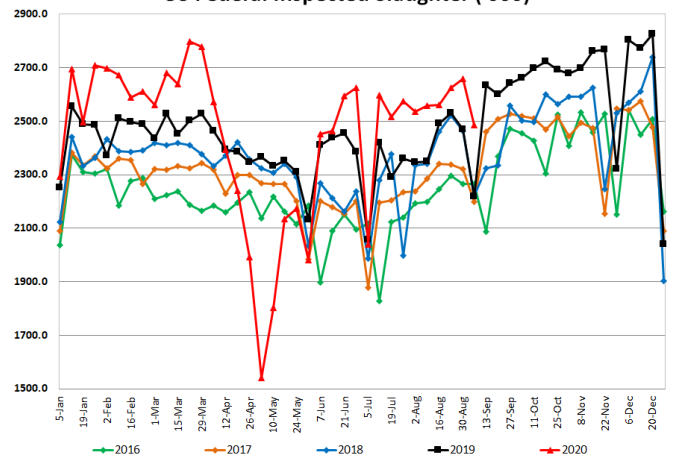
Another positive that showed up in the past week was the latest Weekly pork export sales which came in at the second highest level for 2020. Export sales which had softened in July picked up throughout the month of August. With most tariffs now reduced or removed for US pork, exports are expected to have a strong 4th quarter.

Hog producers looking to reduce risk for the coming months should begin to pay closer attention to the market. The past 2-3 months have not provided much in the way of profitable hedging however recent upside is starting to make things a little more interesting.

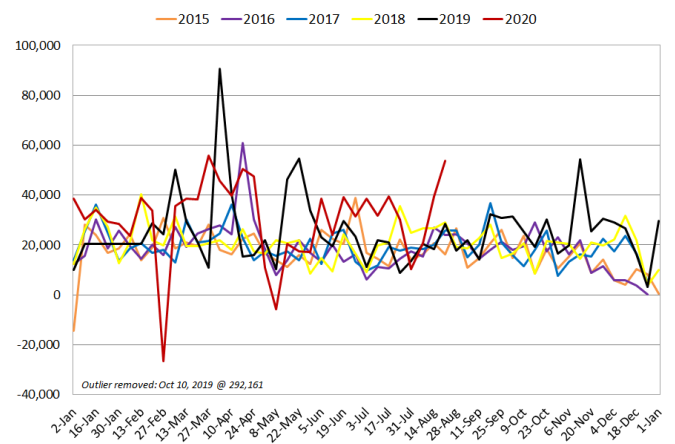
Weekly Average Barrow and Gilt Weight Live



US Federal Inspected Slaughter ('000)



Total US Weekly Pork Export Net Sales



Weekly Hog Price Recap

Regional and national cash hogs improved much of the week with only Thursday lower, however national cash reported stronger gains most other days compared to regional pricing. Similarly, CME cash rose much of the week however at more moderate levels. Wholesale pork primal values ended the week mixed with declines in loins, picnics and hams driving pork cutout \$1.55/cwt under week ago levels.

Monitored Canadian hog markets varied however some improved as much as \$4.50/hog from week ago levels while others slipped below the previous week. Hog values out of the OlyW 20 improved the most while values out of Ontario were up near \$4/hog and the ML Sig 4 improved \$3.25/hog. Hog values out of Hylife slipped \$1/hog while those out of Quebec edged \$0.60/hog lower. In the US, values out of Tyson rose \$4.75/hog while JM improved \$5.25/hog from the previous week.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	28-Aug-20	Head	21-Aug-20		
ISM pm		\$42.16		\$39.83	\$2.33	5.9%
WCB pm		\$42.22		\$39.70	\$2.52	6.4%
Nat pm		\$42.58		\$38.70	\$3.88	10.0%
CME Index*		\$56.74		\$55.05	\$1.69	3.1%
Sows, 300-449lbs	14,158	\$19.02	13,953	\$17.97	\$1.05	5.8%
Sows, 500+ lbs	11,871	\$25.40	13,476	\$24.82	\$0.58	2.3%
BoC Exch		1.3156		1.3190	-0.0034	-0.3%

* Represents Friday-Thursday average

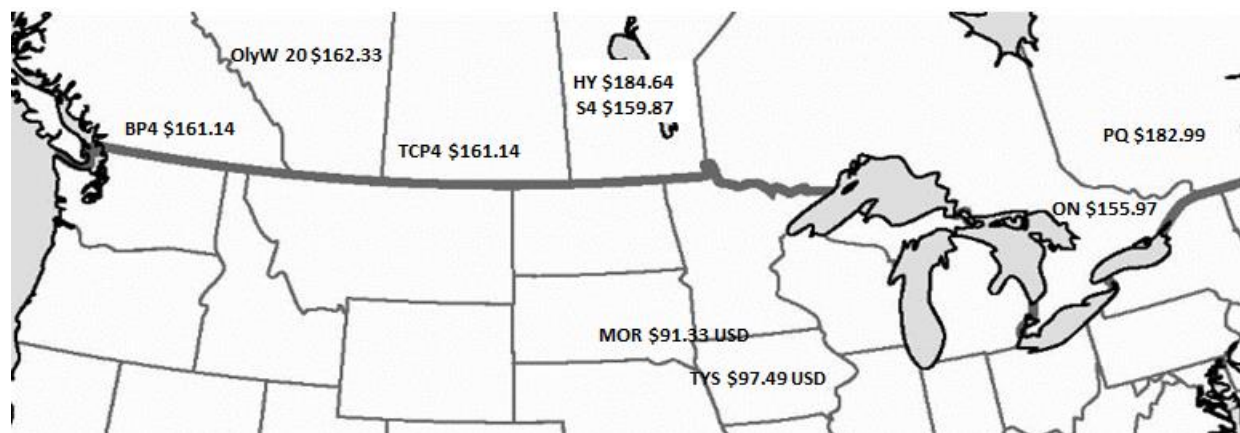
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW20	2020 YTD	Difference to OlyW20	Last 13 weeks	Difference to OlyW20	Ending 28-Aug-20	Difference to OlyW20
OlyW 17/19/20*	\$171.47		\$168.52		\$153.34		\$162.33	
ML Sig 4	\$176.65	\$5.18	\$164.87	-\$3.65	\$151.20	-\$2.14	\$159.87	-\$2.46
BP4/TCP4 **	\$178.41	\$6.94	\$168.85	\$0.33	\$162.54	\$9.20	\$161.14	-\$1.19
Hylife	\$182.42	\$10.95	\$175.53	\$7.02	\$177.50	\$24.16	\$184.64	\$22.32
Ontario***	\$175.27	\$3.80	\$157.47	-\$11.04	\$141.68	-\$11.66	\$155.97	-\$6.36
Québec	\$183.05	\$11.58	\$185.89	\$17.38	\$175.05	\$21.71	\$182.99	\$20.67
Tyson (USD)	\$128.34	-\$43.13	\$99.96	-\$68.56	\$83.55	-\$69.79	\$97.49	-\$64.84
John Morrell (USD)	\$120.42	-\$51.05	\$90.31	-\$78.20	\$74.73	-\$78.61	\$91.33	-\$71.00

*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 varied from generally \$2.50/hog stronger or weaker, with some margins pressured by reduced pork cutout values while others gained on support from improved hog values. Farrow-to-finish feed costs rose \$1.60-\$1.80/hog on either side of the Canadian/US border.

Despite the week-over-week declines in Quebec and Hylife margins, these hog margins continue at profitable levels. Hylife margins weakened \$2.70/hog to \$11/hog profits, while those out of Quebec weakened \$2.40/hog to \$5.75/hog profits. Margins out of the ML Sig 4 as well as those out of the OlyW 20 finished the week at \$13.75/hog losses, up \$1.45 and \$2.60 per hog respectively from the previous week, while margins out of Ontario improved \$2.30/hog to nearly \$21/hog losses. In the US, Tyson margins strengthened \$3.75/hog to \$28.25/hog losses while JM margins strengthened more than \$3.50/hog to \$32.75/hog losses from a week earlier.

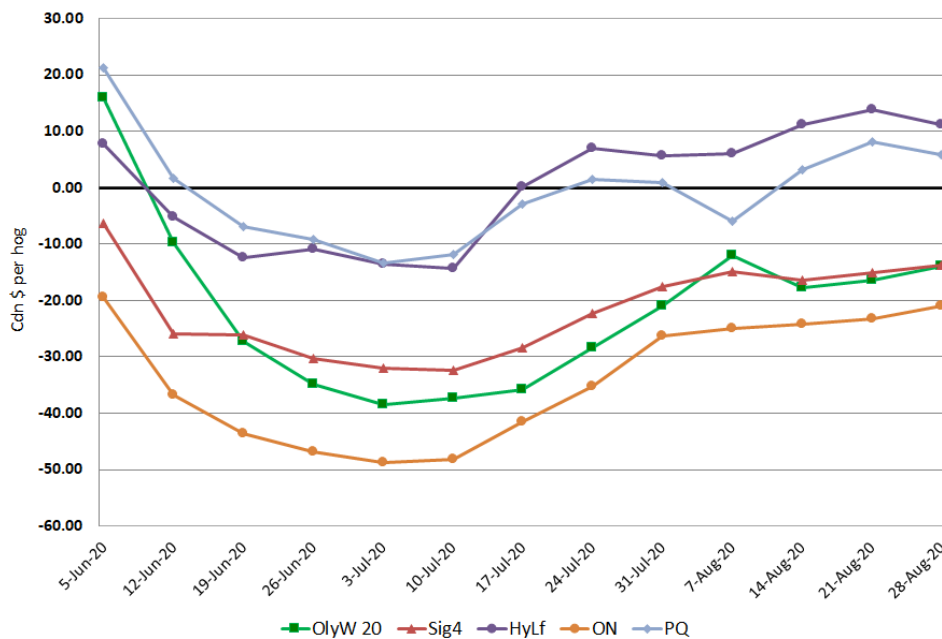
Regional MARGINS, \$/hog						
Packer/Region	28-Aug-20		Farrow to Finish		Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$162.33	\$116.71	\$39.45	\$20.05	\$176.21	-\$13.88
ML Sig 4/Manitoba	\$159.87	\$114.45	\$39.54	\$19.55	\$173.54	-\$13.67
Hylife/Manitoba	\$184.64	\$114.46	\$39.54	\$19.55	\$173.55	\$11.09
Ontario	\$155.97	\$112.39	\$40.71	\$23.76	\$176.86	-\$20.89
Québec	\$182.99	\$115.08	\$40.50	\$21.65	\$177.23	\$5.76
Tyson (USD)/Iowa	\$97.49	\$80.60	\$28.70	\$16.57	\$125.87	-\$28.38
John Morrell (USD)/ND	\$91.33	\$78.87	\$28.70	\$16.57	\$124.14	-\$32.81

* Feed costs standardized for a 285 pound market hog

US Regional Margins

- Tyson: \$ (28.38) USD X 1.3156 = \$ (37.34) in Canadian Dollars
- Morrell: \$ (32.81) USD X 1.3156 = \$ (43.16) in Canadian Dollars

Canadian Margins Last 13 weeks



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