



Weekly Regional HOG PRICE Report



September 22, 2020

Things to Consider....

The latest US Cold Storage report pegged pork stocks at 467.7 million pounds for August, up 1.5% or 7.0 million pounds from the previous report however current levels in cold storage are 139.1 million pounds or -22.9% under last year. Categories on the report varied with increased cold storage stocks of hams generally offset by reduced levels of bellies.

Bellies is storage dropped 11.8 million pounds or -27.9% from July, bringing bellies -33.2% under the highs reached last year.

Total hams in cold storage rose 11.4 million pounds or +8.4% for August with the boneless and bone-in varieties up evenly. The rise can be considered seasonal as ham stocks in storage tend to rise from April through September, however current levels are -26.9% under last year for this time.

The Other pork category, which includes ears, tails, feet, neckbones and snouts, climbed 5.6 million pounds or +11.6% for August with current levels -37.5% under last year.

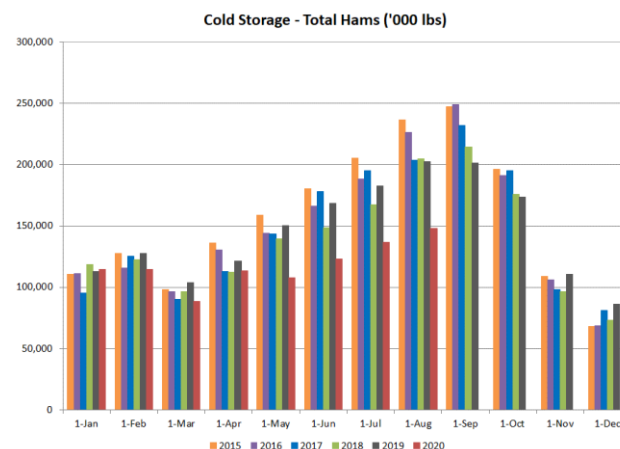
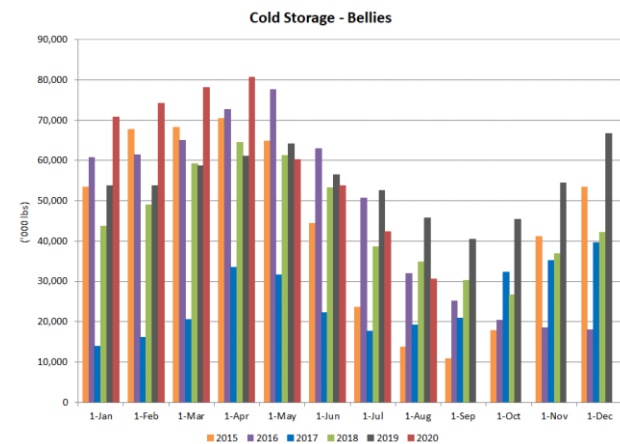
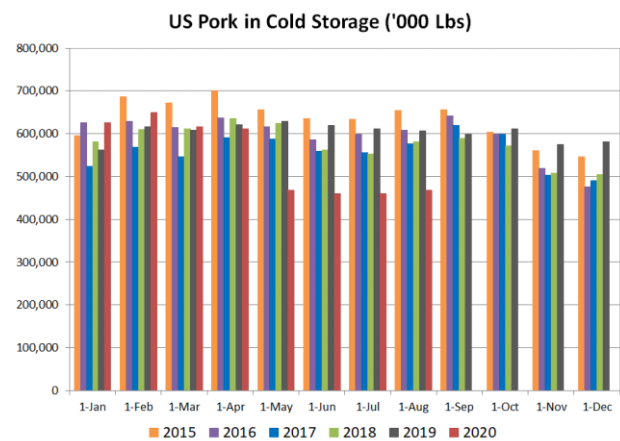
Total loins in cold storage edged 2.5 million pounds higher or +6.8%, primarily due to increased boneless loins, bringing overall stocks -6.3% under last year. It is worth noting that current levels are considerably above recent historical years for this time, excluding the highs reached in 2019.

Trimming also reported a significant decline, dropping 3.6 million pounds or -8.7% from previously reported and -10.8% under last year.

Although the latest storage numbers are significantly lower than the previous year and, in most cases, the 5-Year average, producers need to realize that this information is already priced into the market. Lean hog futures traded to contract highs in the past week and appear to have reached some resistance having stalled on the way up.

Producers looking to reduce exposure for the last quarter of 2020 and first half of 2021 should consider the current forward contracting prices an opportunity. The Canadian dollar trading sub 75 cents is also providing support to forward contract prices. A portion of hogs priced at current levels could aid in cash flow for the next 6-8 months.

US Pork in Cold Storage					
('000 lbs)	Aug-20	Jul-20	Aug-19	M/M %	Y/Y %
Picnics	7,610	7,089	10,063	7.3%	-24.4%
Hams	148,055	136,621	202,454	8.4%	-26.9%
Bellies	30,533	42,374	45,723	-27.9%	-33.2%
Loins	39,714	37,189	42,371	6.8%	-6.3%
Ribs	62,593	63,169	79,353	-0.9%	-21.1%
Butts	14,520	13,557	16,200	7.1%	-10.4%
Trimming	37,467	41,020	42,008	-8.7%	-10.8%
Other	53,645	48,069	85,780	11.6%	-37.5%
Total Pork	467,682	460,635	606,784	1.5%	-22.9%



Weekly Hog Price Recap

Cash hog values made significant daily moves, with the strongest gain reported Monday while Friday was down the most. CME cash improved daily by comparison, with stronger gains the latter half of the week. Wholesale pork strengthened overall, with higher primal values pushing pork cutout \$3.55/cwt over a week earlier.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	18-Sep-20	Head	11-Sep-20		
ISM pm		\$61.51		\$50.75	\$10.76	21.2%
WCB pm		\$61.51		\$50.51	\$11.00	21.8%
Nat pm		\$60.07		\$50.07	\$10.01	20.0%
CME Index*		\$66.75		\$62.04	\$4.71	7.6%
Sows, 300-449lbs	12,437	\$17.73	11,206	\$17.92	-\$0.19	-1.0%
Sows, 500+ lbs	13,250	\$25.35	10,649	\$25.53	-\$0.19	-0.7%
BoC Exch		1.3181		1.3178	0.0003	0.0%

* Represents Friday-Thursday average

Monitored hog markets improved across the board with values out of the Ontario and the OlyW up the most, each \$15/hog higher than the previous week. Hog values out of Hylife were up \$12.25/hog while the ML Sig 4 improved \$10/hog and BP/TC rose more than \$8.50/hog. Values out of Quebec improved the least, up only \$3.75/hog in comparison. In the US, values out of Tyson rose \$15.75/hog while those out of JM surged \$23/hog from the previous week.

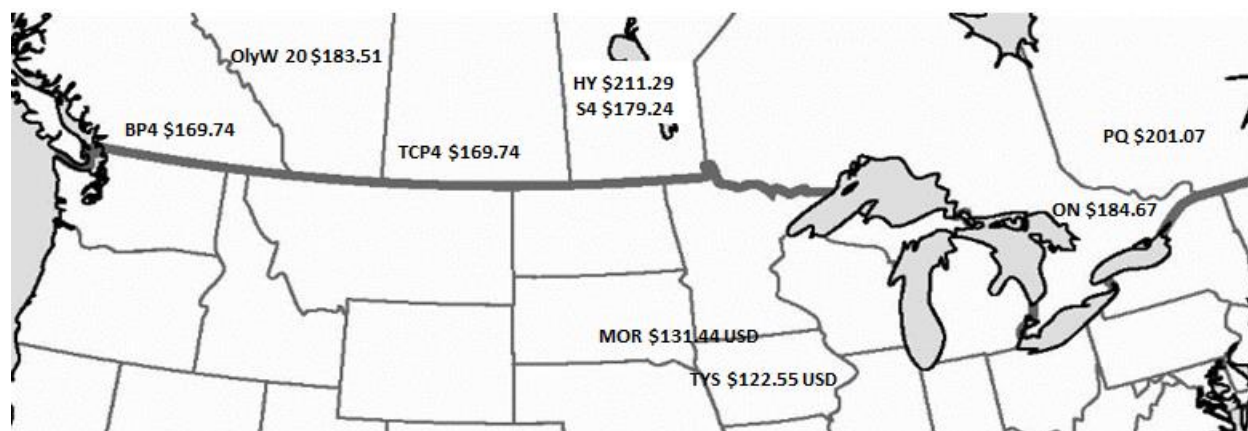
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW20	2020 YTD	Difference to OlyW20	Last 13 weeks	Difference to OlyW20	Ending 18-Sep-20	Difference to OlyW20
OlyW 17/19/20*	\$170.80		\$168.82		\$154.09		\$183.51	
ML Sig 4	\$175.73	\$4.93	\$165.24	-\$3.58	\$153.91	-\$0.18	\$179.24	-\$4.27
BP4/TCP4 **	\$177.30	\$6.49	\$168.46	-\$0.37	\$160.74	\$6.65	\$169.74	-\$13.77
Hylife	\$181.95	\$11.15	\$176.75	\$7.92	\$181.92	\$27.82	\$211.29	\$27.77
Ontario***	\$174.26	\$3.46	\$158.53	-\$10.29	\$147.72	-\$6.38	\$184.67	\$1.16
Québec	\$182.46	\$11.66	\$186.41	\$17.59	\$177.33	\$23.23	\$201.07	\$17.56
Tyson (USD)	\$127.10	-\$43.71	\$100.80	-\$68.02	\$90.37	-\$63.73	\$122.55	-\$60.96
John Morrell (USD)	\$119.39	-\$51.42	\$92.08	-\$76.74	\$84.99	-\$69.10	\$131.44	-\$52.07

*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

Nearly all monitored hog margins strengthened to profitable levels this week on significant improvements in hog and pork values. Pulling back on some of this strength however was another increase in feed costs, with farrow-to-finish feed costs up nearly \$1.50/hog on either side of the CAN/US border.

Margins out of Hylife continue to be strongest compared to other monitored markets, up \$10.75/hog to more than \$33/hog profits, while Quebec margins improved the least on the week, up \$2.25/hog to \$19.50/hog profits. Margins calculated out of Ontario strengthened \$13.50/hog to \$3.50/hog profits, while the OlyW improved \$13.25/hog to \$3/hog profits and the ML Sig 4 rose \$8.50/hog to \$1.25/hog profits. In the US, JM strengthened \$21.50/hog to \$3.75/hog profits while Tyson margins were the only to report overall losses by the week's end, improving \$15/hog to nearly \$7/hog losses.

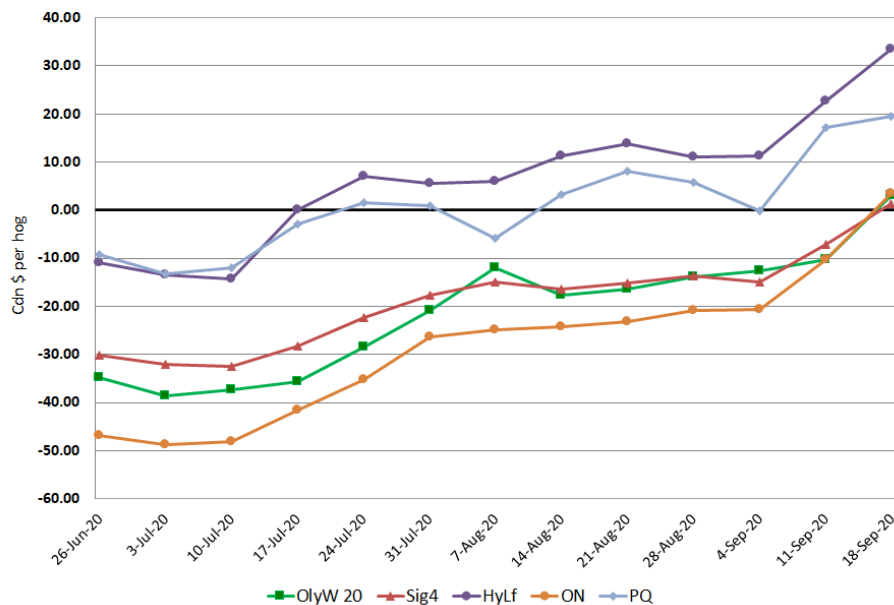
Regional MARGINS, \$/hog						
Packer/Region	18-Sep-20	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$183.51	\$121.07	\$39.45	\$20.05	\$180.57	\$2.94
ML Sig 4/Manitoba	\$179.24	\$118.81	\$39.54	\$19.55	\$177.90	\$1.34
Hylife/Manitoba	\$211.29	\$118.82	\$39.54	\$19.55	\$177.91	\$33.38
Ontario	\$184.67	\$116.75	\$40.71	\$23.76	\$181.22	\$3.45
Québec	\$201.07	\$119.44	\$40.50	\$21.65	\$181.59	\$19.48
Tyson (USD)/Iowa	\$122.55	\$84.14	\$28.70	\$16.57	\$129.41	-\$6.86
John Morrell (USD)/ND	\$131.44	\$82.41	\$28.70	\$16.57	\$127.68	\$3.76

* Feed costs standardized for a 285 pound market hog

US Regional Margins

- Tyson: \$ (6.86) USD X 1.3181 = \$ (9.04) in Canadian Dollars
- Morrell: \$ 3.76 USD X 1.3181 = \$ 4.96 in Canadian Dollars

Canadian Margins Last 13 weeks



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