



# Weekly Regional HOG PRICE Report



September 8, 2020

## Things to Consider....

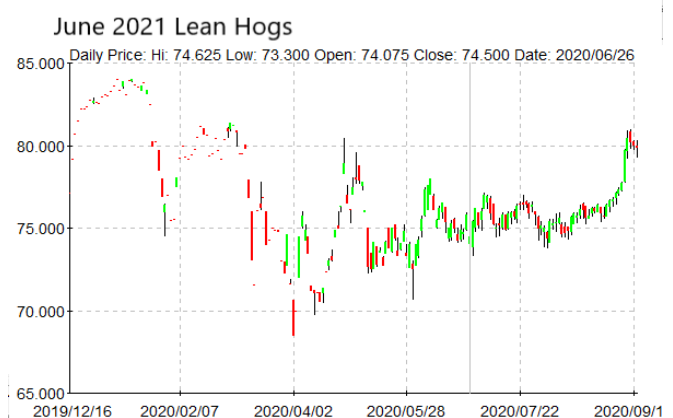
News of ASF in Germany has rocked the hog industry with price movement in BOTH directions depending on which side of the pond you are located. For North and South America, the news has fueled pork and hog prices for the short-term while hog prices in Germany and other regions of the EU have tumbled due to export bans.

China, South Korea and Japan were quick to impose bans on pork imports from Germany following the discovery of the first case on ASF in a wild boar. Since that discovery last week, 4 more animals have been discovered this week bringing the total to 5. Germany is a major pork exporter to all of Asia and these bans will now put more pork on the domestic EU market while at the same time causing shortages and higher demand from the Asian countries. As China and South Korea continue to battle their own ASF impacts, the demand for pork could reach new levels, depending on the length of the bans imposed by some of the world's largest pork importers.

Pork exporting countries including, Canada, USA, Spain and Brazil will see increased pork demand and export sales, at least for the short-term. Germany and its Ag leaders are in negotiations with China and others to try to get the ban reduced to regional areas of the infection versus the entire country. Time will tell if those negotiations are successful.

China's latest report from the Ag Ministry pegged their sow herd just under 27 Million, which is significantly lower than their reported top of 45 Million sows in 2017/2018. This combined with fewer pounds of pork imported from Germany is one of the leading factors in the current North American price rally.

Although all news sounds positive right now, producers need to keep in mind how quickly things can change. Anyone looking to reduce risk for the fourth quarter of 2020 and first half of 2021 should use the latest price rally as an opportunity to get some hedges on the books. A small percentage of production should be considered at currently pricing levels.



# Weekly Hog Price Recap

Regional and national cash hogs improved for much of the week, with lighter moves early and better gains the back-half of the week. CME cash started the week lower, however improved the remainder of the week. Wholesale pork primal values were mixed, however strong gains in hams and bellies helped push pork cutout \$3.19/cwt over week ago levels.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	4-Sep-20	Head	28-Aug-20		
ISM pm		\$44.74		\$42.16	\$2.59	6.1%
WCB pm		\$44.68		\$42.22	\$2.45	5.8%
Nat pm		\$44.50		\$42.58	\$1.92	4.5%
CME Index*		\$57.53		\$56.74	\$0.79	1.4%
Sows, 300-449lbs	12,518	\$18.49	14,158	\$19.02	-\$0.53	-2.8%
Sows, 500+ lbs	10,969	\$25.91	11,871	\$25.40	\$0.51	2.0%
BoC Exch		1.3075		1.3156	-0.0081	-0.6%

\* Represents Friday-Thursday average

Monitored Canadian hog markets were generally stronger. Only values out of Quebec were reported under the previous week, down \$4.50/hog. The OlyW 20 improved \$2.50/hog while values out of Ontario and Hylife were each \$1.50/hog higher and the ML Sig 4 was nearly unchanged. In the US, values out of Tyson rose \$2.50/hog while JM improved \$5.00/hog from the previous week.

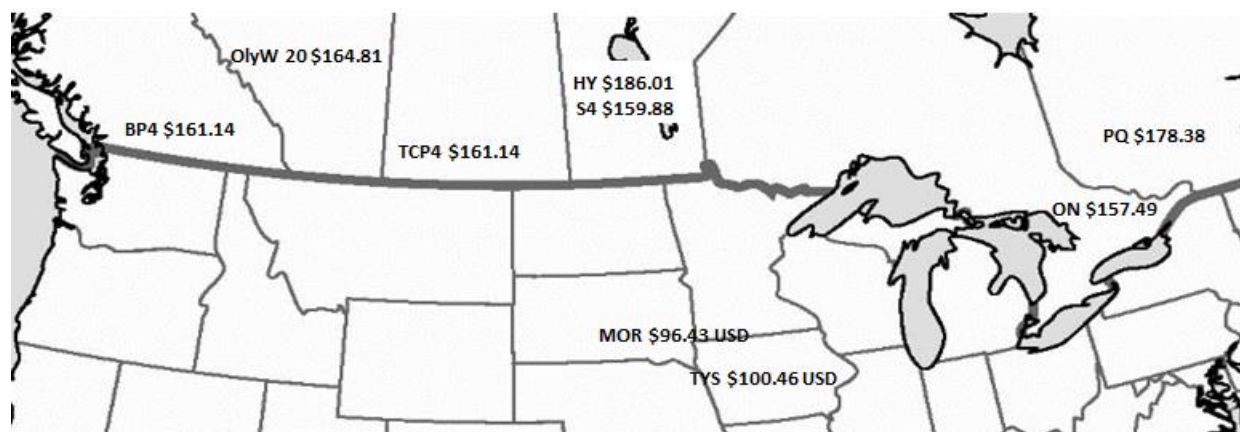
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW20	2020 YTD	Difference to OlyW20	Last 13 weeks	Difference to OlyW20	Ending 4-Sep-20	Difference to OlyW20
OlyW 17/19/20*	\$171.20		\$168.41		\$151.29		\$164.81	
ML Sig 4	\$176.27	\$5.07	\$164.73	-\$3.68	\$150.25	-\$1.04	\$159.88	-\$4.93
BP4/TCP4 **	\$177.99	\$6.79	\$168.63	\$0.22	\$160.42	\$9.14	\$161.14	-\$3.67
Hylife	\$181.13	\$9.93	\$170.83	\$2.42	\$176.67	\$25.39	\$186.01	\$21.21
Ontario***	\$174.84	\$3.64	\$157.47	-\$10.94	\$141.62	-\$9.67	\$157.49	-\$7.32
Québec	\$182.75	\$11.55	\$185.68	\$17.27	\$173.54	\$22.26	\$178.38	\$13.57
Tyson (USD)	\$127.85	-\$43.35	\$99.99	-\$68.42	\$84.73	-\$66.55	\$100.46	-\$64.35
John Morrell (USD)	\$119.95	-\$51.25	\$90.49	-\$77.92	\$76.55	-\$74.73	\$96.43	-\$68.38

\*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 were mixed to stronger from the previous week, with support from better hog values generally offset by pressure in feed costs. Farrow-to-finish feed costs climbed \$1.25/hog on either side of the Canadian/US border.

Margins out of Hylife continue in positive territory, nearly unchanged at \$11/hog profits, while those out of Quebec weakened the most by falling \$6/hog to breakeven and other Canadian margins remain at losses. The OlyW 20 improved more than \$1/hog to nearly \$13/hog losses, while the Sig 4 weakened more than \$1/hog to \$15/hog losses and margins out of Ontario were nearly stable from the previous week at \$20/hog losses. In the US, Tyson margins improved \$1.75/hog to \$26/hog losses while JM strengthened nearly \$4/hog to \$29/hog losses.

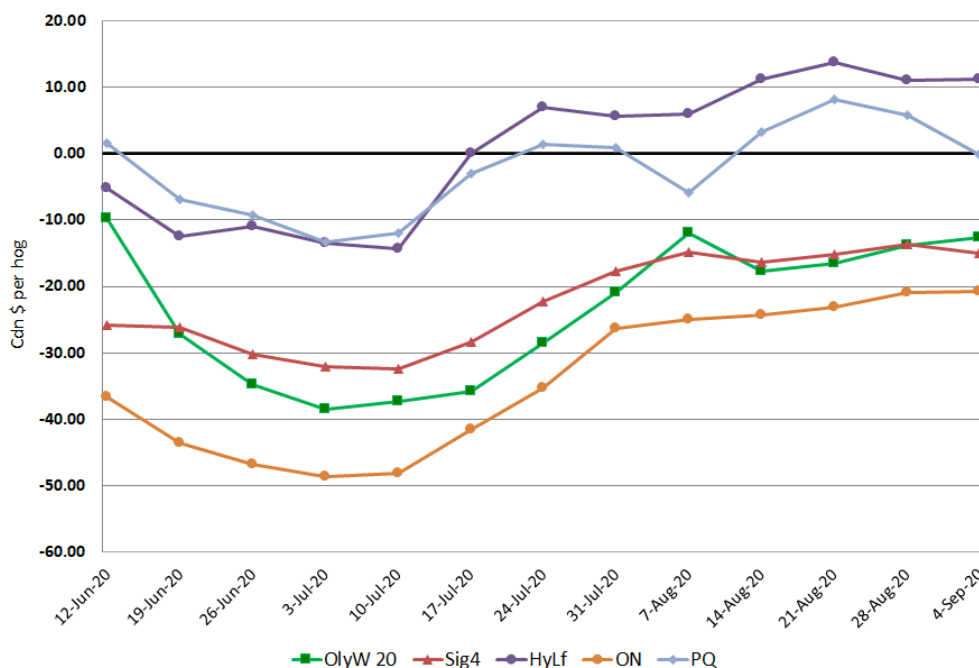
Regional MARGINS, \$/hog						
Packer/Region	4-Sep-20	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$164.81	\$118.01	\$39.45	\$20.05	\$177.51	-\$12.70
ML Sig 4/Manitoba	\$159.88	\$115.75	\$39.54	\$19.55	\$174.84	-\$14.96
Hylife/Manitoba	\$186.01	\$115.76	\$39.54	\$19.55	\$174.85	\$11.16
Ontario	\$157.49	\$113.69	\$40.71	\$23.76	\$178.16	-\$20.67
Québec	\$178.38	\$116.38	\$40.50	\$21.65	\$178.53	-\$0.15
Tyson (USD)/Iowa	\$100.46	\$81.82	\$28.70	\$16.57	\$127.09	-\$26.63
John Morrell (USD)/ND	\$96.43	\$80.09	\$28.70	\$16.57	\$125.36	-\$28.93

\* Feed costs standardized for a 285 pound market hog

## US Regional Margins

- Tyson: \$ (26.63) USD X 1.3075 = \$ (34.82) in Canadian Dollars
- Morrell: \$ (28.93) USD X 1.3075 = \$ (37.83) in Canadian Dollars

## Canadian Margins Last 13 weeks



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