



# Weekly Regional HOG PRICE Report



October 20, 2020

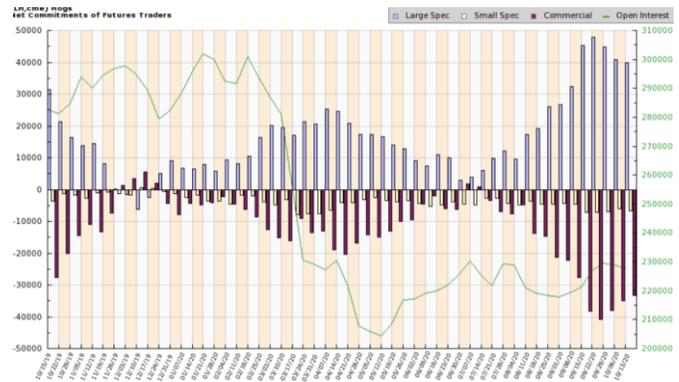
## Things to Consider....

As the cash hog market appears to be slowing down, lean hog futures have experienced some major sell pressure dropping sharply after registering contract highs in most trading months just last week. Nearby December lean hogs have fared the best in the near-term however traded down the daily limit mid this week.

As illustrated in the lean hog futures graphs 2021 contracts have been hit hardest losing as much as \$5 US per cwt in just 5 trading sessions, which took nearly 3 weeks to put on.

Cash hog declines are partially to blame for the weakness in futures however another contributing factor is long liquidation by large speculative positions. The bar chart above quantifies the Commitment of Traders report over the last year. As can be seen, large specs started going long the hog market in a significant way around late June, early July. They continued to extend their long position until just recently when positions started to decline in and around the 3<sup>rd</sup> week of September. The decline of long positions also known as long liquidation signals that profit taking is happening and "funds/speculators" who were long the market have decided further upside it limited at this time and will exit the market to secure profits.

When the liquidation begins, it signals an opportunity for producers to act. Selling the market when the funds are extremely long is typically a good opportunity to take advantage of a market rally that has occurred. Over the last 4 weeks recommendations have been made for producers to begin protecting a portion of their production in what was an up-trending market. Although the highs have now passed, for the near-term, not all is lost, as expectations are still for prices to do well into the later part of 2020 and into 2021.



### December 2020 Lean Hogs



### April 2021 Lean Hogs



### June 2021 Lean Hogs



# Weekly Hog Price Recap

Regional and national cash were mixed to lower with throughout the week, while CME cash improved much of the week however at more moderate daily moves. Wholesale pork values were generally higher, excluding butts and picnics, with pork cutout up \$2.90/cwt over week ago levels.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	16-Oct-20	Head	9-Oct-20		
ISM pm		\$63.97		\$64.99	-\$1.02	-1.6%
WCB pm		\$63.96		\$64.91	-\$0.95	-1.5%
Nat pm		\$63.11		\$64.41	-\$1.30	-2.0%
CME Index*		\$78.26		\$77.50	\$0.76	1.0%
Sows, 300-449lbs	10,920	\$25.67	11,907	\$21.66	\$4.02	18.6%
Sows, 500+ lbs	11,904	\$33.84	12,179	\$30.37	\$3.46	11.4%
BoC Exch		1.3174		1.3234	-0.0060	-0.5%

\* Represents Friday-Thursday average

Monitored Canadian hog markets climbed generally \$0.50 to \$2 per hog over the previous week. Values out of BP/TC improved the most, up \$2/hog, followed by those out of Quebec and the OlyW 21 which were each up \$1/hog. Ontario and the OlyW 20 each improved near \$0.75/hog while the Sig 4 was up \$0.50 and Hylife closer to \$0.25/hog higher. In the US, Tyson edged \$0.25/hog higher while JM fell \$2/hog from the previous week.

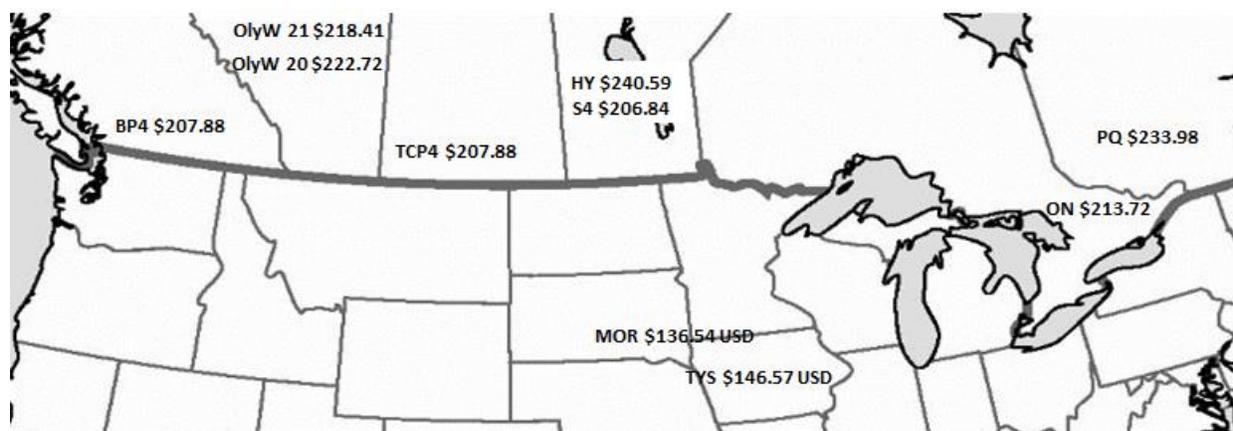
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW20	2020 YTD	Difference to OlyW20	Last 13 weeks	Difference to OlyW20	Ending 16-Oct-20	Difference to OlyW20
OlyW 17/19/20*	\$171.87		\$173.39		\$177.43		\$222.72	
OlyW 2021	\$182.66	\$10.79	\$180.64	\$7.25	\$182.71	\$5.28	\$218.41	-\$4.31
ML Sig 4	\$176.15	\$4.28	\$169.00	-\$4.39	\$172.72	-\$4.72	\$206.90	-\$15.82
BP4/TCP4 **	\$177.25	\$5.38	\$171.42	-\$1.98	\$172.85	-\$4.58	\$207.36	-\$15.36
Hylife	\$182.78	\$10.91	\$181.25	\$7.86	\$201.50	\$24.06	\$239.56	\$16.84
Ontario***	\$174.86	\$2.99	\$163.66	-\$9.74	\$172.53	-\$4.91	\$213.72	-\$9.00
Québec	\$183.41	\$11.54	\$190.81	\$17.41	\$196.27	\$18.84	\$233.98	\$11.26
Tyson (USD)	\$126.99	-\$44.88	\$104.83	-\$68.56	\$112.65	-\$64.79	\$146.57	-\$76.15
John Morrell (USD)	\$119.50	-\$52.37	\$96.17	-\$77.22	\$107.35	-\$70.08	\$136.54	-\$86.18

\*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

Monitored hog margins weakened on the decline in cash hog values and were further pressured by a rise in feed costs. Canadian farrow-to-finish feed costs rose nearly \$2/hog while those in the monitored US region climbed closer to \$1.75/hog from a week earlier.

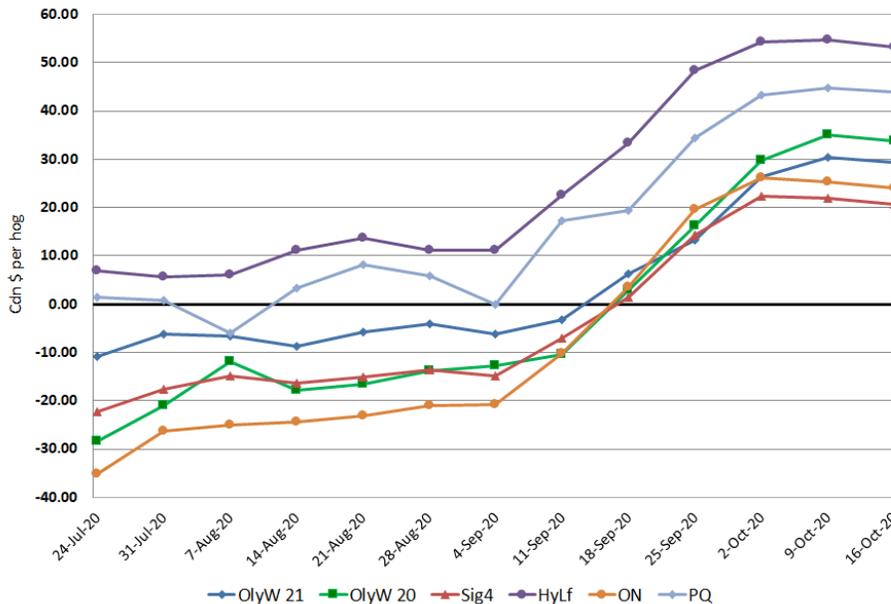
Margins out of Hylife continue at strong levels however weakened \$1.50 to \$53.25/hog profits, followed by margins out of Quebec which edged near \$0.75 to \$44/hog profits. The OlyW calculated hog margins near \$1 weaker to \$33.75/hog profits out of the OlyW 20 and \$29.50/hog profits on the OlyW 21. Ontario weakened more than \$1 to \$24/hog profits and the Sig 4 fell closer to \$1.50 to \$20.50/hog profits. In the US, Tyson margins weakened nearly \$1 to \$12.75/hog profits while JM margins fell nearly \$3.75 to \$4.50/hog profits.

Regional MARGINS, \$/hog						
Packer/Region	16-Oct-20	Farrow to Finish			Total	Weekly Margin
	Hog Price	Feed*	Variable	Fixed	COP	
OlyW 20/Alberta	\$222.72	\$129.49	\$39.45	\$20.05	\$188.99	\$33.73
OlyW 21/Alberta	\$203.60	\$129.49	\$39.45	\$20.05	\$188.99	\$14.61
ML Sig 4/Manitoba	\$206.90	\$127.23	\$39.54	\$19.55	\$186.32	\$20.58
Hylife/Manitoba	\$239.56	\$127.24	\$39.54	\$19.55	\$186.33	\$53.23
Ontario	\$213.72	\$125.17	\$40.71	\$23.76	\$189.64	\$24.08
Québec	\$233.98	\$127.86	\$40.50	\$21.65	\$190.01	\$43.97
Tyson (USD)/Iowa	\$146.57	\$88.62	\$28.70	\$16.57	\$133.89	\$12.68
John Morrell (USD)/ND	\$136.54	\$86.89	\$28.70	\$16.57	\$132.16	\$4.38

\* Feed costs standardized for a 285 pound market hog

US Regional Margins – Tyson \$ 12.68 USD X 1.3174 = \$ 16.70 in Canadian Dollars  
 Morrell \$ 4.38 USD X 1.3174 = \$ 5.77 in Canadian Dollars

Canadian Margins Last 13 weeks



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