



Weekly Regional HOG PRICE Report



October 6, 2020

Things to Consider....

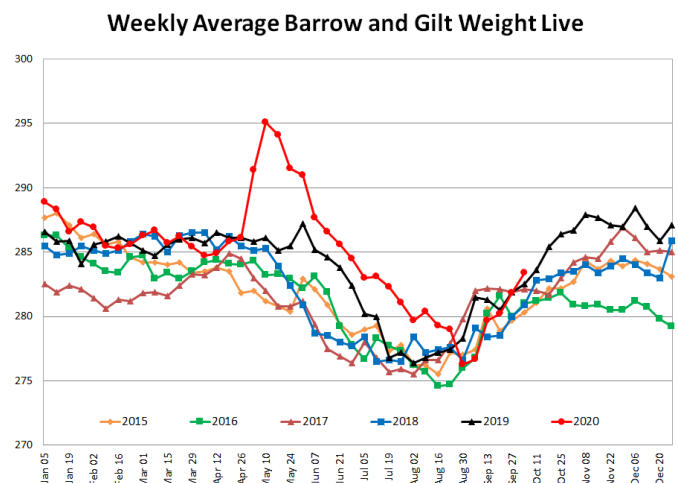
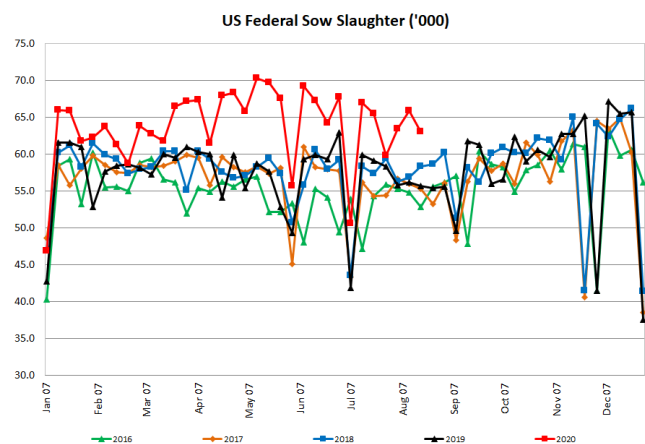
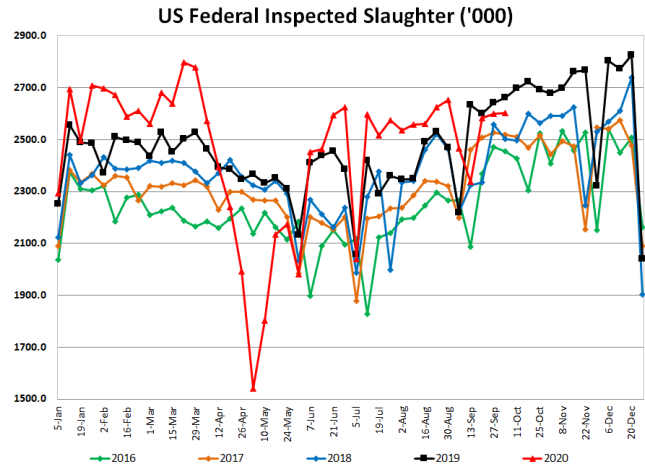
The week ending Oct 3rd marked the 4th consecutive week that US Federally Inspected Slaughter came in below year ago levels. The data shown in the adjacent graphs illustrate how sow slaughter remains above year ago levels, which means barrow and gilt slaughter is notably lower to force the overall total under 2019.

US slaughter levels have hovered around 2.600 Million, excluding holiday weeks, for nearly 4-5 months. These volumes in mid to late summer were considered burdensome however now that we have moved into the fall months, a 2.600 Million kill is considered seasonal or even slightly below seasonal, compared to last year.

Strength in the cash market has provided significant support to the lean hog futures which carried a discount to cash at the start of the week. Nearby Oct which is set to expire in the next week has narrowed up to within pennies of the CME cash market, but heavily traded Dec currently is \$10 US/cwt behind the cash. Historically, cash would decline through the last quarter meeting Dec futures, but as the market has shown so far this year, 2020 in nothing near normal. Expectations are for Dec lean hog futures to continue part way to meet cash, with some pressure expected once into the holiday season (late Nov and Dec).

Barrow and gilt live weights have started to rebound which is very normal for this time of year. With the heat of the summer behind us and fall temperatures aiding in growth rates, hogs are destined to return to the mid 280's. Weights as of the past reported week are just above the 2019 level after spending a little better than a month below the average weekly weights of last year. Good news on the lower weights of the past month is that packers have been able to get current on slaughter ready hogs which will help hold cash prices into the 4th quarter. Hogs do not appear backed up at this point in the year.

For producers looking to reduce some of the risk associated with the rest of 2020 and the first half of 2021, current price levels are a good starting point for a portion of hogs. With expectations of higher prices in 2021 protection around 25% will help limit risk and leave a majority of production open to either future pricing opportunities or cash marketing.



Weekly Hog Price Recap

Regional and national cash hog values averaged the week stronger however mid-week improvements were significantly reduced by significant declines Friday, particularly in regional cash. Alternatively, CME cash improved daily. Most wholesale pork primals reported increased values which help support pork cutout \$2.86/cwt over a week earlier.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	2-Oct-20	Head	25-Sep-20		
ISM pm		\$64.59		\$63.95	\$0.64	1.0%
WCB pm		\$64.49		\$63.85	\$0.64	1.0%
Nat pm		\$64.10		\$63.64	\$0.47	0.7%
CME Index*		\$76.28		\$72.92	\$3.36	4.6%
Sows, 300-449lbs	11,908	\$18.18	12,804	\$17.13	\$1.05	6.2%
Sows, 500+ lbs	13,615	\$27.11	13,072	\$25.52	\$1.59	6.2%
BoC Exch		1.3342		1.3346	-0.0004	-0.0%

* Represents Friday-Thursday average

Monitored hog markets reported significant gains again this week, generally \$8 to \$15 per hog higher. The OlyW 20 and BP/TC pricing were each up more than \$15/hog, followed by values out of Quebec which improved more than \$10.50/hog. The Sig 4 rose \$9.75/hog, while values out of Ontario were up \$8.25/hog and Hylife improved \$7.50/hog. In the US, values out of Tyson jumped \$8.75/hog while JM climbed nearly \$1.50/hog from the previous week.

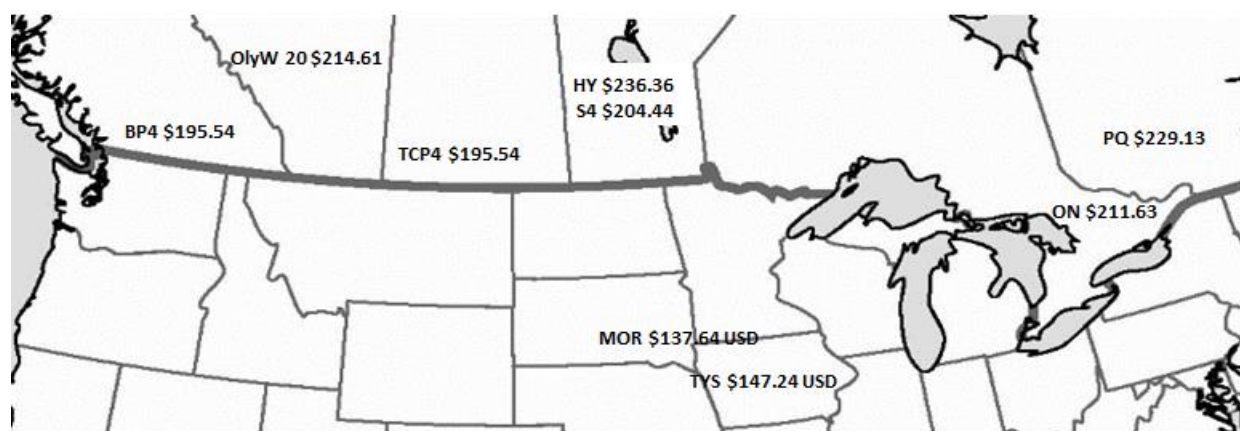
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW20	2020 YTD	Difference to OlyW20	Last 13 weeks	Difference to OlyW20	Ending 2-Oct-20	Difference to OlyW20
OlyW 17/19/20*	\$171.08		\$170.82		\$164.56		\$214.61	
ML Sig 4	\$175.74	\$4.65	\$167.02	-\$3.79	\$162.80	-\$1.76	\$204.44	-\$10.17
BP4/TCP4 **	\$177.00	\$5.91	\$169.58	-\$1.24	\$165.89	\$1.33	\$195.54	-\$19.07
Hylife	\$182.24	\$11.16	\$179.03	\$8.21	\$192.65	\$28.10	\$236.36	\$21.76
Ontario***	\$174.35	\$3.27	\$161.04	-\$9.77	\$159.86	-\$4.69	\$211.63	-\$2.98
Québec	\$182.70	\$11.61	\$188.56	\$17.75	\$186.32	\$21.77	\$229.13	\$14.53
Tyson (USD)	\$126.89	-\$44.19	\$102.63	-\$68.18	\$101.32	-\$63.24	\$147.24	-\$67.37
John Morrell (USD)	\$119.32	-\$51.76	\$94.00	-\$76.82	\$96.42	-\$68.13	\$137.64	-\$76.97

*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 continue to strengthen on cash hog and wholesale pork value improvements however were offset in part by a rise in feed costs. Canadian farrow-to-finish feed costs rose \$1.75/hog while those in the monitored US region climbed closer to \$1/hog from a week earlier.

Margins out of Hylife continue to be strongest compared to other monitored markets, strengthening \$5.75/hog to \$54.25/hog profits, while those out of Quebec improved \$9/hog to nearly \$43.50/hog profits. Hog margins out of the OlyW rose \$13.50/hog to \$30/hog profits, while those out of Ontario improved \$6.50/hog to nearly \$26.25/hog profits and the ML Sig 4 strengthened \$8/hog to \$22.25/hog profits. In the US, Tyson margins strengthened \$8/hog to nearly \$17/hog profits while JM margins were modestly improved at \$9/hog profits.

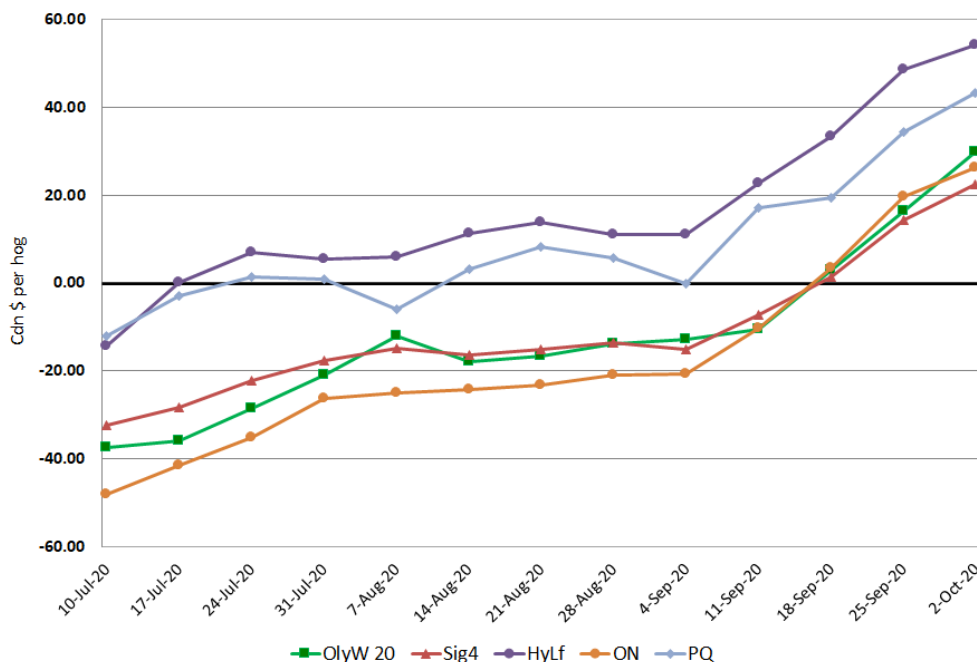
Regional MARGINS, \$/hog						
Packer/Region	Farrow to Finish				Total COP	Weekly Margin
	2-Oct-20 Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$214.61	\$125.25	\$39.45	\$20.05	\$184.75	\$29.86
ML Sig 4/Manitoba	\$204.44	\$122.99	\$39.54	\$19.55	\$182.08	\$22.36
Hylife/Manitoba	\$236.36	\$123.00	\$39.54	\$19.55	\$182.09	\$54.27
Ontario	\$211.63	\$120.93	\$40.71	\$23.76	\$185.40	\$26.23
Québec	\$229.13	\$123.62	\$40.50	\$21.65	\$185.77	\$43.36
Tyson (USD)/Iowa	\$147.24	\$85.10	\$28.70	\$16.57	\$130.37	\$16.87
John Morrell (USD)/ND	\$137.64	\$83.37	\$28.70	\$16.57	\$128.64	\$9.00

* Feed costs standardized for a 285 pound market hog

US Regional Margins

- Tyson: \$ 16.87 USD X 1.3342 = \$ 22.51 in Canadian Dollars
- Morrell \$ 9.00 USD X 1.3342 = \$ 12.00 in Canadian Dollars

Canadian Margins Last 13 weeks



Disclaimer: Commodity Professionals Inc. presents this report as a snapshot of the market using current information available at the time of the report. These findings are for informational purposes only and should not be reproduced or transmitted by any means without permission. Commodity Professionals Inc. does not guarantee, and accepts no legal liability arising from or connected to, the accuracy, reliability, or completeness of any material contained in the publication.