



Weekly Regional HOG PRICE Report

November 3, 2020

Things to Consider....

With the US Federal election now mainly behind us and President-Elect Joe Biden expected to be inaugurated on January 20, 2021 as the 46th American President, the market can once again focus on key fundamentals of the industry for establishing the next possible move in pricing.

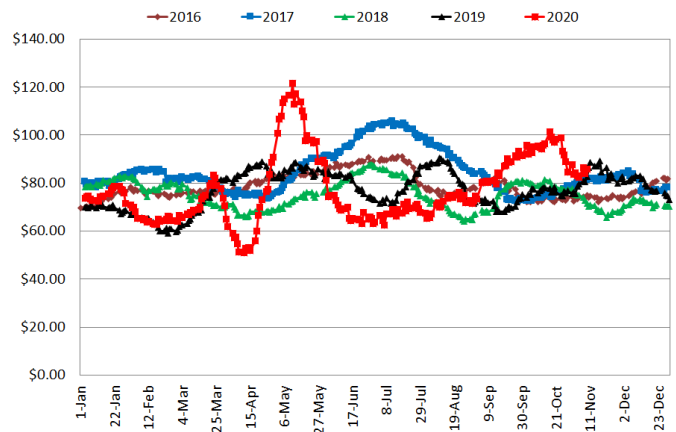
Although the last couple of weeks have been somewhat negative, the market appears to be stabilizing with pork cut-out posting multiple positive days late in the week after 10 days of lower reported values. Cash hog prices also appear to be leveling off as regional prices register minor gains.

After reaching what could be considered the near-term high of \$101.42 in mid-October, pork cut-out has declined nearly \$20 US per cwt in a similar time frame where cash hog prices, as measured by the CME index have only dropped \$7 US per cwt. The price spread graph shown here illustrates that cut-out and cash have narrowed to within \$11 US, the narrowest margin seen since early April 2020. Packers appear willing to pay for hogs heading into the back half of the final quarter of 2020 giving up some of the huge margin witnessed over the last 7 months.

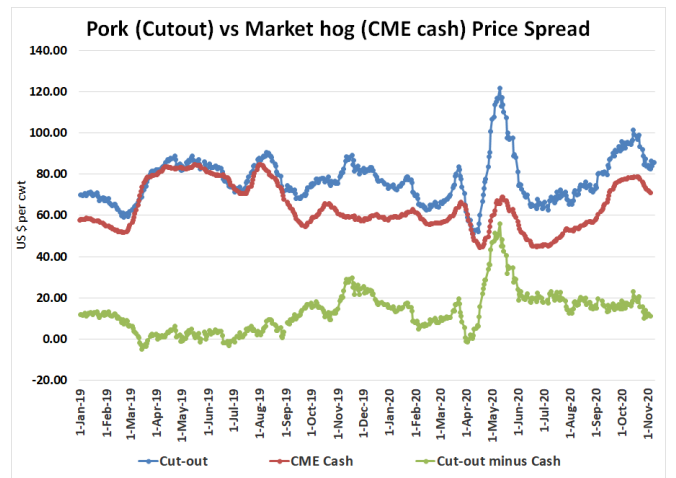
Cash hog prices which nearly reached \$80 US per cwt, recorded the highest daily price since Aug 15th, 2019, over 14 months ago. The positive move was welcomed by all producers north and south of the border as margins remained thin and sporadic for most regions for several months. Those markets that included some form of cut-out value, be it a percentage or premium linked to cut-out performed slightly better during the challenging times, but as can be seen in the data below, the impact of cut-out based prices have eased this week with the narrowing as mentioned above.

If cash hog prices and cut-out are to trade “more normal” regarding their spread between each other, the price discrepancies seen between regions will lessen. However, if cut-out once again decides to “run away” from cash the spread will again appear, and certain regional prices will outperform others.

USDA National Carlot Pork Report - Cutout



Pork (Cutout) vs Market hog (CME cash) Price Spread



June 2020 Lean Hogs



Weekly Hog Price Recap

Regional and national cash generally improved for the better part of the week however mid-to-late week declines weighed on earlier gains, while CME cash by comparison fell daily. Wholesale pork values also fell, particularly bellies which dropped \$41.01/cwt, driving pork cutout \$9.74/cwt under week ago levels.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	30-Oct-20	Head	23-Oct-20		
ISM pm		\$62.53		\$63.60	-\$1.07	-1.7%
WCB pm		\$62.33		\$63.57	-\$1.24	-2.0%
Nat pm		\$61.57		\$61.24	\$0.33	0.5%
CME Index*		\$76.38		\$78.55	-\$2.17	-2.8%
Sows, 300-449lbs	12,671	\$30.15	11,035	\$27.92	\$2.22	8.0%
Sows, 500+ lbs	14,135	\$39.15	12,331	\$37.00	\$2.15	5.8%
BoC Exch		1.3267		1.3141	0.0126	1.0%

* Represents Friday-Thursday average

Monitored Canadian hog markets generally fell on the week, excluding the BP/TC pricing which edged more than \$0.50/hog higher. Pricing out of Hylife declined the most, falling \$18/hog, followed by values out of Quebec which dropped more than \$17.50/hog. Ontario fell more than \$5.25/hog while the Sig 4 declined \$2.50/hog. Pricing out of the OlyW was down more moderately, with the 2021 \$0.60/hog lower while the 2020 was \$0.25/hog lower. In the US hog values also fell with Tyson values declining \$2/hog while JM was down \$2.50/hog from the previous week.

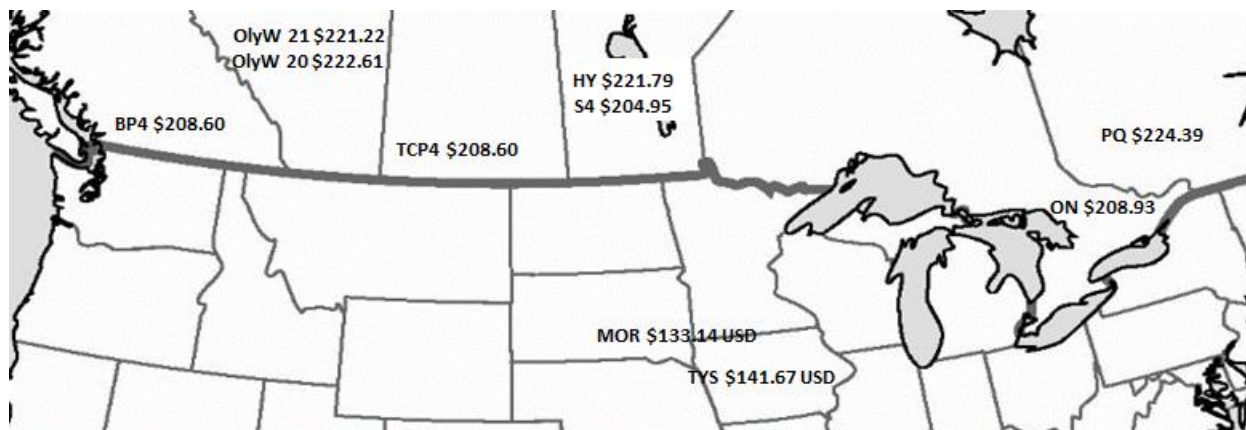
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW20	2020 YTD	Difference to OlyW20	Last 13 weeks	Difference to OlyW20	Ending 30-Oct-20	Difference to OlyW20
OlyW 17/19/20*	\$172.93		\$175.74		\$188.87		\$222.61	
OlyW 2021	\$183.34	\$10.41	\$182.60	\$6.86	\$191.51	\$2.64	\$221.22	-\$1.39
ML Sig 4	\$176.80	\$3.87	\$170.78	-\$4.96	\$181.29	-\$7.57	\$204.95	-\$17.65
BP4/TCP4 **	\$177.80	\$4.87	\$173.17	-\$2.57	\$180.10	-\$8.76	\$208.60	-\$14.01
Hylife	\$183.39	\$10.46	\$182.90	\$7.15	\$209.82	\$20.96	\$221.79	-\$0.82
Ontario***	\$175.62	\$2.69	\$165.94	-\$9.80	\$183.08	-\$5.79	\$208.93	-\$13.67
Québec	\$184.42	\$11.48	\$192.83	\$17.08	\$205.18	\$16.31	\$224.39	\$1.78
Tyson (USD)	\$127.30	-\$45.63	\$106.65	-\$69.09	\$121.36	-\$67.51	\$141.67	-\$80.94
John Morrell (USD)	\$119.86	-\$53.08	\$98.00	-\$77.75	\$115.15	-\$73.71	\$133.14	-\$89.47

*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 were mixed as lower hog values were buoyed by a decline in feed costs. Canadian farrow-to-finish feed costs edged \$0.80/hog lower while those in the monitored US region dropped \$1.65/hog from a week earlier.

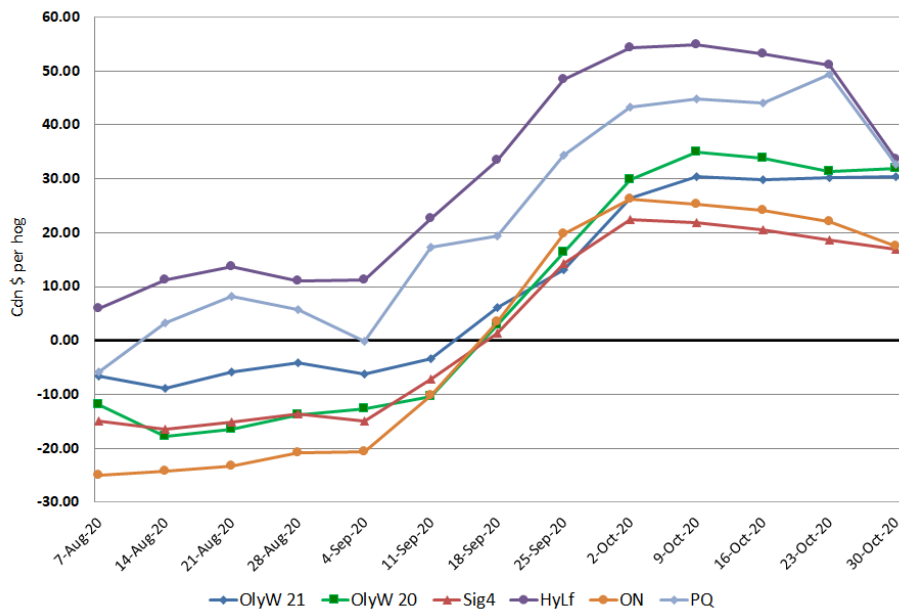
Margins out of Hylife weakened the most from the previous week, down \$17.30 to \$33.70/hog profits and remain the strongest compared to other monitored markets. Margins out of Quebec and the OlyW also finished the week with stronger profits overall, with Quebec weakening nearly \$17 to \$32.65/hog profits, the OlyW 20 up \$0.50/hog to nearly \$32/hog profits and the OyW 21 up \$0.20 to \$30.50/hog profits. Margins calculated out of Ontario declined \$4.50 to \$17.50/hog profits while the ML Sig 4 weakened \$1.80 to nearly \$17/hog profits. In the US, Tyson margins edged modestly stronger to nearly \$7.50/hog profits while JM margins fell \$1 to \$0.65/hog profits.

Regional MARGINS, \$/hog						
Packer/Region	30-Oct-20	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$222.61	\$131.24	\$39.45	\$20.05	\$190.74	\$31.87
OlyW 21/Alberta	\$206.40	\$131.24	\$39.45	\$20.05	\$190.74	\$15.66
ML Sig 4/Manitoba	\$204.95	\$128.98	\$39.54	\$19.55	\$188.07	\$16.88
Hylife/Manitoba	\$221.79	\$128.99	\$39.54	\$19.55	\$188.08	\$33.71
Ontario	\$208.93	\$126.92	\$40.71	\$23.76	\$191.39	\$17.54
Québec	\$224.39	\$129.61	\$40.50	\$21.65	\$191.76	\$32.63
Tyson (USD)/Iowa	\$141.67	\$88.96	\$28.70	\$16.57	\$134.23	\$7.44
John Morrell (USD)/ND	\$133.14	\$87.23	\$28.70	\$16.57	\$132.50	\$0.64

* Feed costs standardized for a 285 pound market hog

Tyson: \$7.44 USD x 1.3145 = \$9.78 CAD
 Morrell: \$0.64 USD x 1.3145 = \$0.84 CAD

Canadian Margins Last 13 weeks



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