



Weekly Regional HOG PRICE Report

December 1, 2020

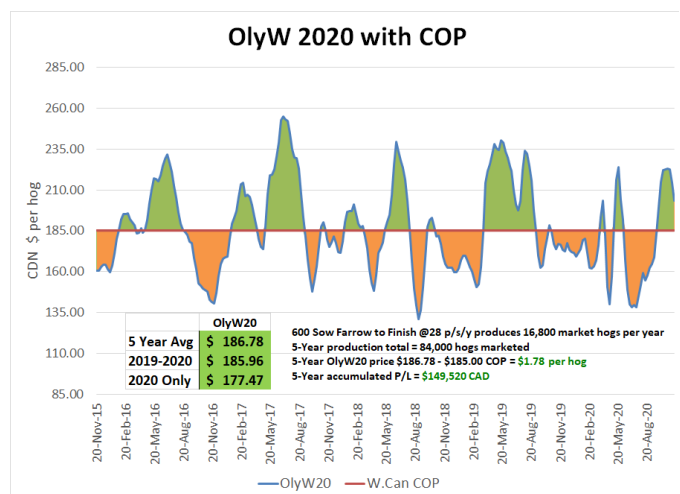
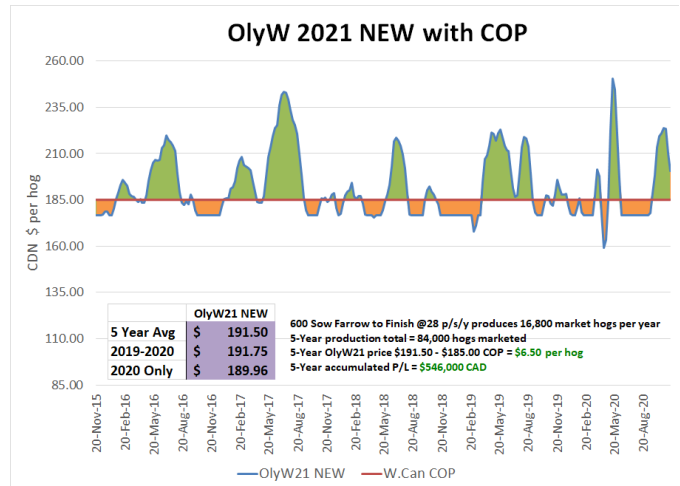
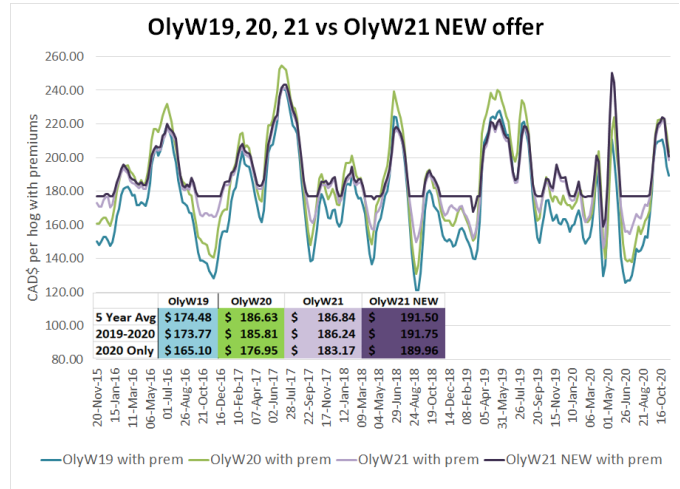
Things to Consider....

It has been just over a week since Olymel released their latest Hog Supply Agreement with many producers and industry participants interested in knowing what the most recent changes could mean for the resulting price offered for market hogs.

The graphs illustrated here provide a multi-year analysis of the latest offer re-created over history compared to other Olymel offers which have been available to the industry during the last number of years. The pricing comparison and graph demonstrate the impact of the newly offered floor-price component of the agreement and its impact on long-term hog values. Although limited to the upside during high price periods (as has been confirmed by Olymel) the OlyW21 NEW (R2) provides significant support at the bottom end of the price range. Depending on weight, premiums, bonuses and incentives per hog floor pricing could average approximately \$175.00 CAD. Regardless of a producer's actual price per hog cost of production, a floor price offered within the industry provides a target for which producers and participants can use to achieve profitability. The other 2 graphs provided quantify the net 5-year profitability using \$185.00 CAD as an example for cost of production. Producers can use this information to calculate their own independent valuation for margins.

As has been discussed during recent industry meetings, the introduction of new formulas and pricing can be attributed to negotiations and discussions between marketing boards, Provincial boards, producers, packers and analysts. The work completed over the last year needs to be applauded with general improvements being one of the resulting factors of the work done in 2020. Although Time Magazine declared 2020 "The Worst Year Ever", the hog industry can look beyond the negativity and pull from it a couple of shining lights.

The newly released OlyW21 Hog Supply Agreement does not answer all the questions that exist in today's pricing atmosphere however it does start to address some of the key fundamentals that have led to the deterioration of farms and total hog numbers in Western Canada.



Weekly Hog Price Recap

Regional and national cash hogs declined during the holiday-shortened week, as did CME cash with generally consistent daily declines. Wholesale pork values varied by the end of the week however lower picnics, hams and butts weighed pork cutout \$0.55/cwt under the previous week.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	20-Nov-20	Head	13-Nov-20		
ISM pm		\$58.81		\$60.14	-\$1.33	-2.2%
WCB pm		\$58.39		\$59.91	-\$1.53	-2.5%
Nat pm		\$58.76		\$60.42	-\$1.66	-2.7%
CME Index*		\$69.21		\$71.18	-\$1.97	-2.8%
Sows, 300-449lbs	14,219	\$41.68	14,418	\$37.15	\$4.53	12.2%
Sows, 500+ lbs	12,669	\$48.83	12,575	\$45.20	\$3.63	8.0%
BoC Exch		1.3079		1.3064	0.0015	0.1%

* Represents Friday-Thursday average

Canadian hog markets declined again this past week, generally \$3 to \$6 per hog under week ago levels. Values out of the OlyW declined the most from the previous week, with the 2020 down nearly \$6.25/hog and the 2021 down more than \$6.50/hog. Ontario and the Sig 4 each fell around \$4/hog, while Hylife was down \$3/hog and the BP/TC was \$2.75/hog lower. US hog values also fell, with Tyson down nearly \$5.50/hog while JM fell closer to \$2.25/hog from week ago levels.

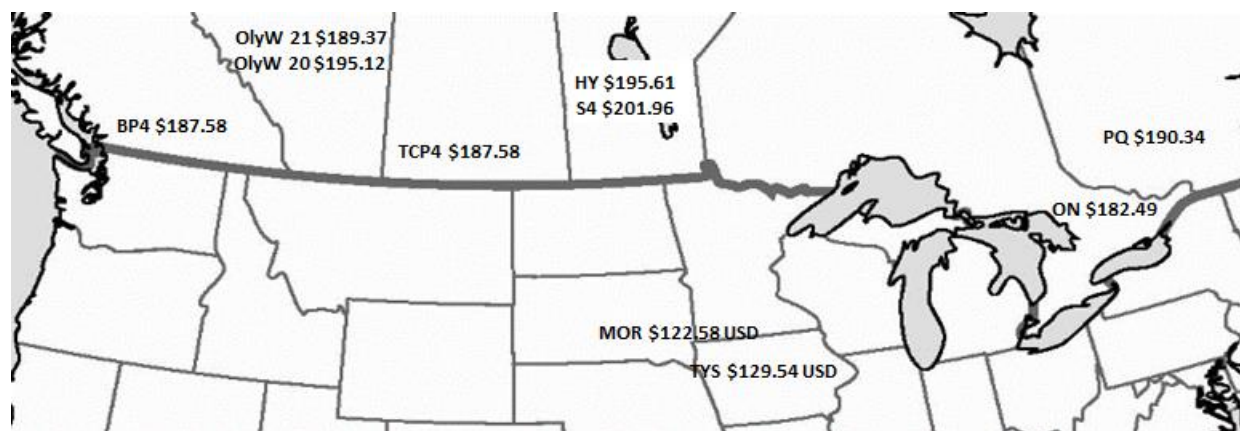
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW20	2020 YTD	Difference to OlyW20	Last 13 weeks	Difference to OlyW20	Ending 27-Nov-20	Difference to OlyW20
OlyW 17/19/20*	\$174.28		\$178.16		\$202.72		\$195.12	
OlyW 2021	\$184.06	\$9.78	\$183.94	\$5.78	\$200.96	-\$1.76	\$189.37	-\$5.75
ML Sig 4	\$180.27	\$5.98	\$181.85	\$3.68	\$211.18	\$8.47	\$201.96	\$6.84
BP4/TCP4 **	\$178.84	\$4.56	\$175.04	-\$3.12	\$190.42	-\$12.30	\$187.58	-\$7.54
Hylife	\$183.92	\$9.64	\$183.61	\$5.45	\$216.65	\$13.93	\$195.61	\$0.50
Ontario***	\$176.38	\$2.09	\$168.01	-\$10.15	\$195.03	-\$7.69	\$182.49	-\$12.62
Québec	\$185.55	\$11.26	\$193.42	\$15.26	\$212.04	\$9.32	\$190.34	-\$4.77
Tyson (USD)	\$127.52	-\$46.76	\$109.20	-\$68.97	\$133.83	-\$68.89	\$129.54	-\$65.57
John Morrell (USD)	\$119.87	-\$54.42	\$100.46	-\$77.70	\$127.68	-\$75.04	\$122.58	-\$72.54

*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 continued declines in hog and pork values and were further pressured by rising feed costs. Farrow-to-finish feed costs climbed \$0.50/hog on either side of the Canadian/US border.

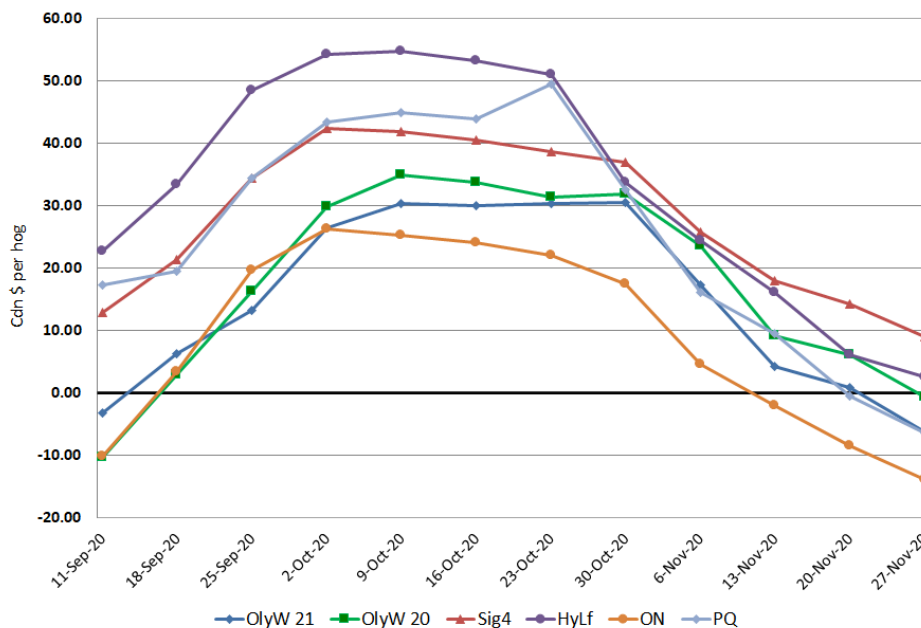
Recent market weakness has pushed monitored hog margins into negative territory, excluding those out of the Sig 4 and Hylife. Hylife fell \$3.50 to \$2.50/hog profits overall while the Sig 4 fell more than \$5.25 to nearly \$9/hog profits. The OlyW 20 weakened \$6.75 to \$0.50/hog losses while the 2021 declined \$7 to \$6.25/hog losses. Margins out of Ontario declined \$5.50 to nearly \$14/losses. In the US, Tyson margins weakened \$5.25 to \$9/hog losses while JM margins weakened \$2.75 to nearly \$14.50/hog losses.

Regional MARGINS, \$/hog						
Packer/Region	27-Nov-20	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$195.12	\$136.21	\$39.45	\$20.05	\$195.71	-\$0.59
OlyW 21/Alberta	\$189.37	\$136.21	\$39.45	\$20.05	\$195.71	-\$6.34
ML Sig 4/Manitoba	\$201.96	\$133.95	\$39.54	\$19.55	\$193.04	\$8.92
Hylife/Manitoba	\$195.61	\$133.96	\$39.54	\$19.55	\$193.05	\$2.56
Ontario	\$182.49	\$131.89	\$40.71	\$23.76	\$196.36	-\$13.87
Québec	\$190.34	\$134.58	\$40.50	\$21.65	\$196.73	-\$6.39
Tyson (USD)/Iowa	\$129.54	\$93.46	\$28.70	\$16.57	\$138.73	-\$9.19
John Morrell (USD)/ND	\$122.58	\$91.73	\$28.70	\$16.57	\$137.00	-\$14.42

* Feed costs standardized for a 285 pound market hog

Tyson: \$(9.19) USD x 1.2952 = \$(11.90) CAD
 Morrell: \$(14.42) USD x 1.2952 = \$(18.68) CAD

Canadian Margins Last 13 weeks



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