



# Weekly Regional HOG PRICE Report

November 24, 2020

## Things to Consider....

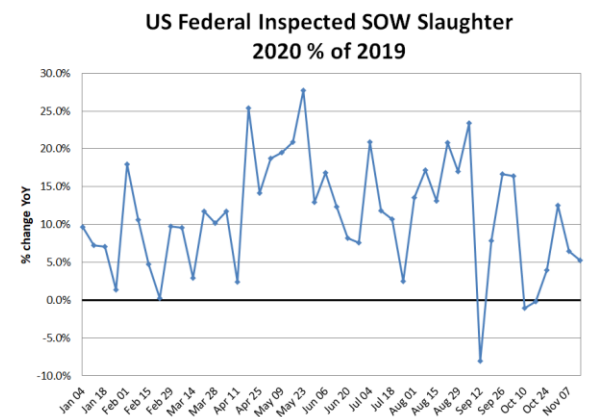
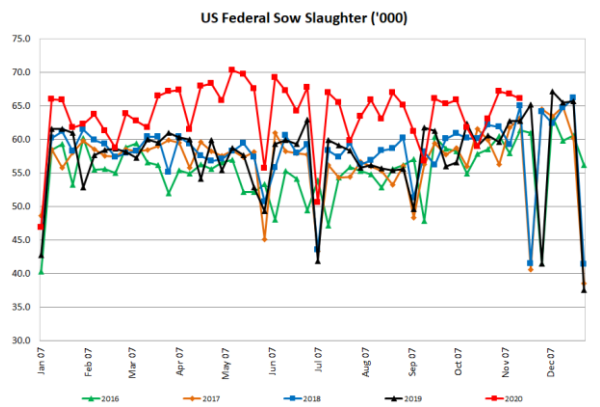
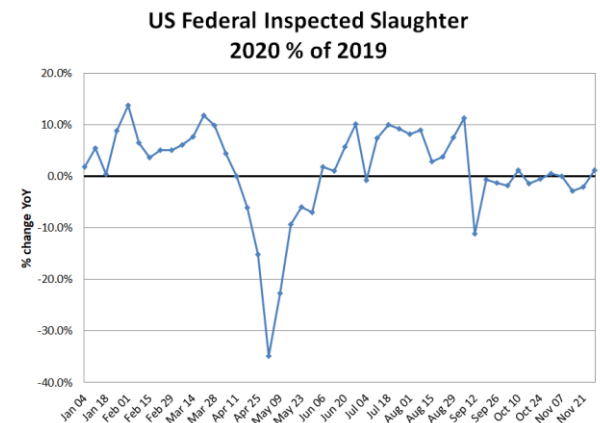
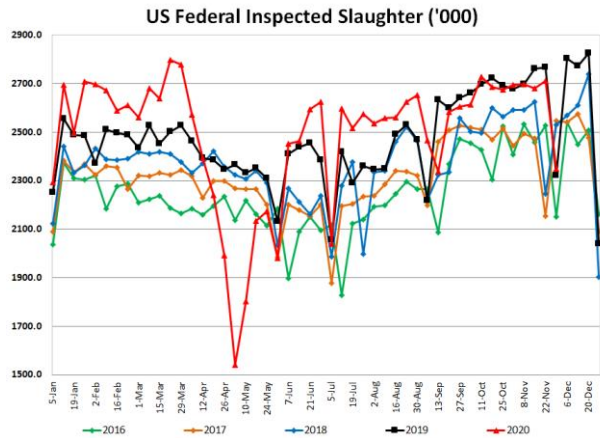
As the market closes in on the final month of 2020 it only seems fitting to look back at what happened in what may be considered one of the most disrupted years in US pig production (or a least we can hope).

The weekly percent change in US Federally Inspected slaughter (top graph) paints a horrific story from earlier this year with numbers 10-30% below 2019 for 7 consecutive weeks due to major US processing plant closures associated with Covid-19 outbreaks. After around mid-June the 2020 % of 2019 slaughter graph goes on to show the return to positive percent changes as the industry played catch up, slaughtering more animals than had ever been seen before during the summer months. Only to then settle in at 0% starting mid-September as the backlog of market ready hogs had finally worked their way through the system. The good news here, is that slaughter capacity in the US has returned to its pre-covid volumes.

The question everyone is asking now is, where are slaughter numbers going to be in the weeks and months ahead? It should not come as a surprise that many production forecasts have pig numbers dropping in 2021 as sow liquidation was recorded for most of the last year and is continuing although at a slower rate, even as market hog slaughter numbers have leveled off compared to 2019.

Sow slaughter, if large enough, can be used as a leading indicator to supply, and suggests that not only will market ready hog numbers begin to decline slightly in 2021, they will continue to decline for approximately 12-18 months as a result of the net production removed from the system. Productivity gains will be expected to dampen some of the impact of lost sows but pigs/litter at 1% higher will not make up the ground lost from an average of 10% fewer sows' year to date in 2020.

Producers who currently have some protection on the books for 2021 can likely afford to monitor the situation in the short-term. Producers who are fully exposed to the market may choose to use the near contract highs in the summer months to lock in profitable prices for what still could prove to be an uncertain production year in 2021.



# Weekly Hog Price Recap

Cash hogs were mixed to generally lower throughout most of the week, with regional cash reporting some mid-week gains while national cash improved only Friday. By comparison, CME cash declined daily. Wholesale pork values also varied during the week however most primals finished lower, pushing pork cutout \$4.04/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 continue to slide, generally \$2 to \$9 per hog under week ago levels. Values out of Quebec and Hylife were each down more than \$9/hog. Ontario declined \$5.50/hog, followed by BP/TCP values which fell \$4.50/hog and remaining Canadian markets were \$2-\$2.75/hog lower. US hog values also fell, with Tyson down more than \$4.25/hog while JM fell closer to \$3/hog from week ago levels.

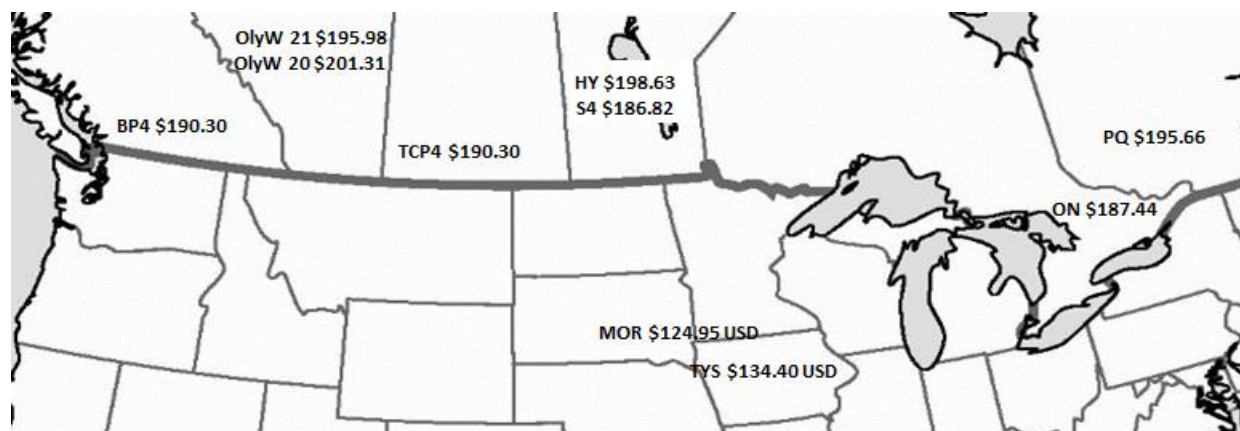
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW20	2020 YTD	Difference to OlyW20	Last 13 weeks	Difference to OlyW20	Ending 20-Nov-20	Difference to OlyW20
OlyW 17/19/20*	\$174.05		\$177.79		\$200.19		\$201.31	
OlyW 2021	\$184.00	\$9.95	\$183.82	\$6.03	\$199.63	-\$0.56	\$195.98	-\$5.33
ML Sig 4	\$177.48	\$3.43	\$172.07	-\$5.72	\$189.49	-\$10.71	\$186.82	-\$14.50
BP4/TCP4 **	\$178.68	\$4.63	\$174.76	-\$3.02	\$188.38	-\$11.81	\$190.30	-\$11.01
Hylife	\$183.87	\$9.82	\$183.59	\$5.81	\$215.81	\$15.61	\$198.63	-\$2.68
Ontario***	\$176.36	\$2.31	\$167.69	-\$10.10	\$192.99	-\$7.20	\$187.44	-\$13.87
Québec	\$185.43	\$11.38	\$193.49	\$15.71	\$211.47	\$11.28	\$195.66	-\$5.65
Tyson (USD)	\$127.61	-\$46.44	\$108.73	-\$69.05	\$131.37	-\$68.83	\$134.40	-\$66.91
John Morrell (USD)	\$119.97	-\$54.08	\$99.97	-\$77.81	\$125.27	-\$74.92	\$124.95	-\$76.36

\*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 continue to weaken on lower hog and pork values and were further pressured by rising feed costs. Canadian farrow-to-finish feed costs rose shy of \$1/hog while those in the monitored US region were up closer to \$0.75/hog.

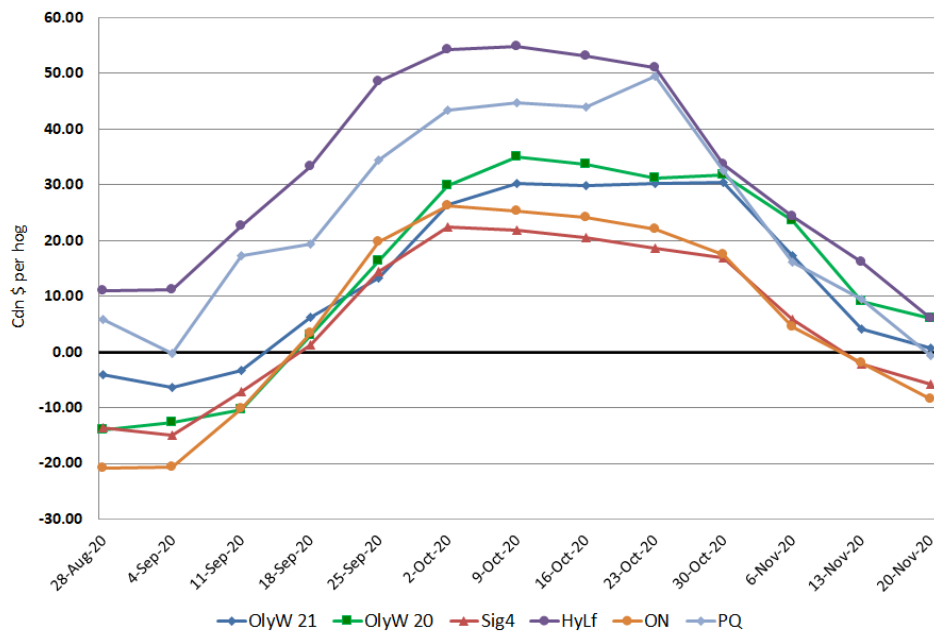
Margins out of Hylife weakened \$10 to \$6/hog profits, while the OlyW 20 fell \$3 to \$6/hog profits and the OlyW 21 declined nearly \$3.50 to \$0.75/hog profits. Remaining monitored hog margins calculated overall losses. Margins out of Quebec weakened \$10 to \$0.50/hog losses, while the Sig 4 fell \$3.50 to \$5.75/hog losses and margins out of Ontario dropped nearly \$6.50 to \$8.50/hog losses. In the US, Tyson margins weakened \$4.75 to nearly \$4/hog losses while JM margins fell \$4 to \$11.50/hog losses.

Regional MARGINS, \$/hog						
Packer/Region	20-Nov-20		Farrow to Finish		Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$201.31	\$135.69	\$39.45	\$20.05	\$195.19	\$6.12
OlyW 21/Alberta	\$195.98	\$135.69	\$39.45	\$20.05	\$195.19	\$0.79
ML Sig 4/Manitoba	\$186.82	\$133.43	\$39.54	\$19.55	\$192.52	-\$5.70
Hylife/Manitoba	\$198.63	\$133.44	\$39.54	\$19.55	\$192.53	\$6.10
Ontario	\$187.44	\$131.37	\$40.71	\$23.76	\$195.84	-\$8.40
Québec	\$195.66	\$134.06	\$40.50	\$21.65	\$196.21	-\$0.55
Tyson (USD)/Iowa	\$134.40	\$93.03	\$28.70	\$16.57	\$138.30	-\$3.90
John Morrell (USD)/ND	\$124.95	\$91.30	\$28.70	\$16.57	\$136.57	-\$11.62

\* Feed costs standardized for a 285 pound market hog

Tyson:  $-(\$3.90) \text{ USD} \times 1.3033 = -\$5.08 \text{ CAD}$   
 Morrell:  $-(\$11.62) \text{ USD} \times 1.3033 = -\$15.14 \text{ CAD}$

## Canadian Margins Last 13 weeks



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