



Weekly Regional HOG PRICE Report

January 5, 2021

Things to Consider....

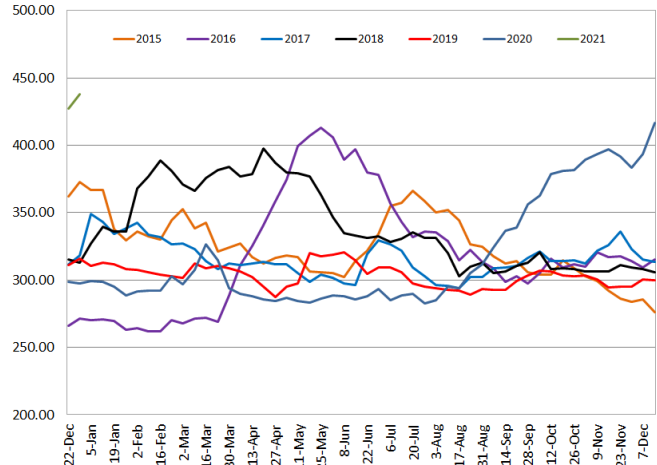
Feed prices to start the year are certainly not what hog producers were looking for, coming off a year of less-than-ideal margins. Escalating futures have pushed delivered feed prices to 7-year highs with current prices not seen since the commodity run of 2014. Although the Canadian dollar, which is trading slightly above the 2020 average has eased the surge by a small margin, it has not compensated for the major swing upward in most feed grain and protein markets.

Soymeal, canola meal, peas, DDG's and most other protein sources whether traded on the futures exchange or in the cash market have all seen relative moves higher on persistent news of dryness in South American and a looming drought just across the border in much of the US Delta and Northern Plains. Although the severe drought has yet to reach the US Midwest, long-term forecasters are beginning to become concerned with the dryness as it continues to move east. The US Drought Monitor comparison below shows year over year differences with much of the US wheat growing regions now in jeopardy. If conditions persist over the coming weeks and months, many of the already planted wheat acres and unplanted spring acres could shift to more profitable crops like soybeans and corn. With soybean and corn prices up 30-35% in the last quarter and wheat only 15% higher, the switch to more profitable crops could lead to fewer wheat acres in 2021. Time will tell as the battle for seeded acres heats up over the next couple of months.

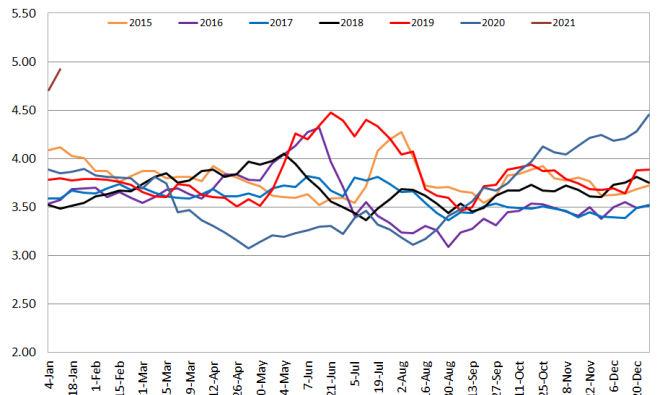
For now, all eyes are on the January 12th WASDE report and NASS Crop Production report which currently has both soybean and corn ending stocks dropping further on strong demand. The final production numbers for 2020 will also be reported by the USDA on the 12th.

At this point, much of the bullish news has been factored into the futures and resulting delivered prices. Hog producers and other feed users should look for the reports being reported this week as the latest news to provide the next trend in feed pricing.

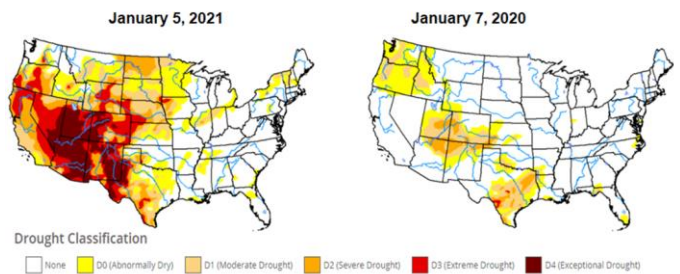
CBOT Soybean Meal Futures - Weekly Nearby



CBOT Corn Futures - Weekly Nearby



U.S. Drought Monitor Comparison



Weekly Hog Price Recap

Regional and national cash varied during the holiday-shortened New Year week, with regional cash facing mid-week declines. Despite being reported lightly higher for much of the week, CME cash averaged below the previous week. Wholesale pork primals made significant increases by the end of the week, excluding picnics. US pork cutout rose \$3.91/cwt from the previous week.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	1-Jan-21	Head	25-Dec-20		
ISM pm		\$50.28		\$51.43	-\$1.15	-2.2%
WCB pm		\$50.56		\$51.25	-\$0.69	-1.4%
Nat pm		\$49.99		\$50.81	-\$0.82	-1.6%
CME Index*		\$60.12		\$61.35	-\$1.23	-2.0%
Sows, 300-449lbs	9,278	\$35.23	8,702	\$36.62	-\$1.39	-3.8%
Sows, 500+ lbs	8,455	\$42.49	7,086	\$43.69	-\$1.20	-2.7%
BoC Exch		1.2769		1.2862	-0.0093	-0.7%

* Represents Friday-Thursday average

Canadian hog markets were generally \$4.50 to \$6.50 per hog under week ago levels, excluding those out of Hylife which rose \$4/hog and those out of the OlyW 21 R2 which fell \$0.70/hog from the previous week. For reference, the OlyW 21 fell shy of \$6/hog (not including the floor price). The OlyW 20 declined \$6.50/hog, while values out of Quebec fell \$6/hog. Hog values out of Ontario dropped \$5.25/hog, while the Sig 4 fell nearly \$5/hog and BP/TC pricing declined \$4.50/hog. In the US, Tyson fell more than \$3.50/hog while JM was down \$1.50/hog from week ago levels.

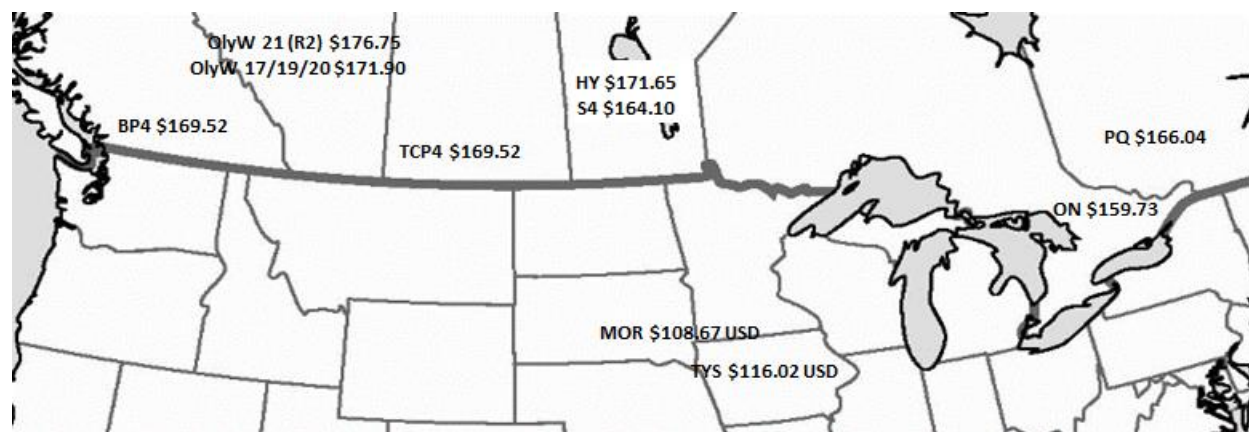
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW21	2020 YTD	Difference to OlyW21	Last 13 weeks	Difference to OlyW21	Ending 1-Jan-21	Difference to OlyW21
OlyW 2021 (R2)**	\$183.95		\$183.51		\$200.03		\$176.75	
OlyW 17/19/20*	\$174.76	-\$9.19	\$178.58	-\$4.93	\$201.29	\$1.26	\$171.90	-\$4.84
ML Sig 4	\$179.06	-\$4.89	\$177.38	-\$6.13	\$187.64	-\$12.39	\$164.10	-\$12.64
BP4/TCP4	\$178.83	-\$5.12	\$175.18	-\$8.33	\$191.56	-\$8.47	\$169.52	-\$7.22
Hylife	\$183.57	-\$0.37	\$182.73	-\$0.78	\$193.68	-\$6.35	\$171.65	-\$5.10
Ontario***	\$176.18	-\$7.77	\$168.18	-\$15.33	\$189.05	-\$10.98	\$159.73	-\$17.02
Québec	\$185.68	\$1.73	\$192.05	\$8.55	\$202.26	\$2.23	\$166.04	-\$10.71
Tyson (USD)	\$127.13	-\$56.82	\$110.55	-\$72.96	\$133.66	-\$66.36	\$116.02	-\$60.73
John Morrell (USD)	\$119.47	-\$64.48	\$101.84	-\$81.67	\$124.78	-\$75.25	\$108.67	-\$68.08

*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

** 13 week average and the latest week uses the OlyW'21 including the floor price

*** Ontario pricing does not include any pork or cutout based formulas for market hogs

To Note: OlyW and BP4/TCP4 are nearly a full 1 week lag to Sig 4, Hylife, Ontario & Quebec



Weekly Hog Margins

Another week of falling hog and pork values weighed on hog margins this past week and were further pressured by a rise in feed costs. Canadian farrow-to-finish feed costs rose \$2.35/hog while those in the monitored US region increased \$2.65/hog from a week earlier.

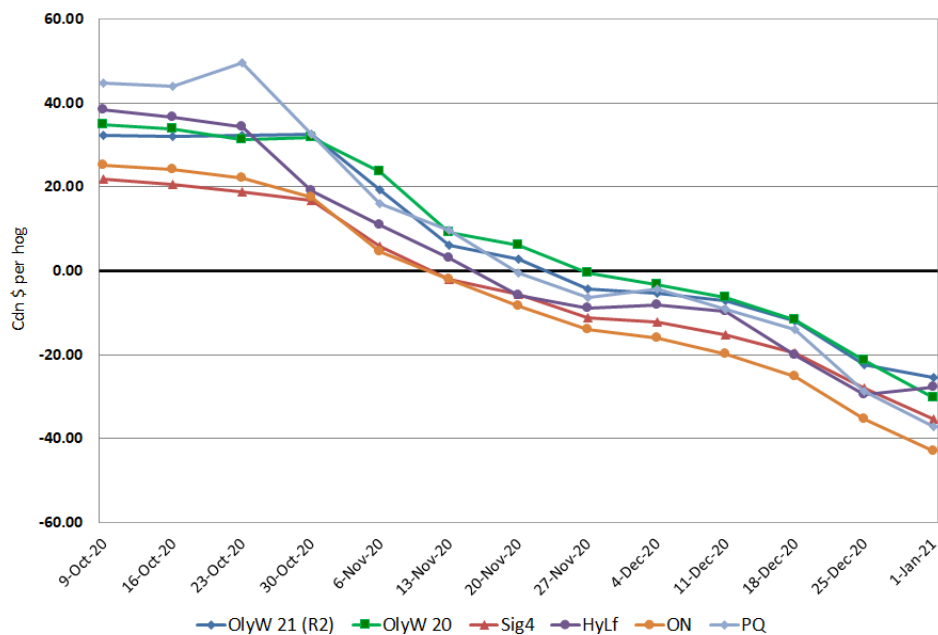
The OlyW 21 R2 weakened \$3 to \$25.25/hog losses and the OlyW 20 was down nearly \$9 to \$30.25/hog losses, while Hylife improved \$1.74 on the week to \$27.75/hog losses. Margins out of Quebec fell \$8.50 to \$37/hog losses while the Sig 4 was down \$7.25 to \$35.25/hog and those out of Ontario weakened more than \$7.50 to \$43/hog from the previous week. In the US, Tyson margins were down nearly \$5.50 to \$30.25/hog losses while JM margins weakened \$4 to \$35.75/hog losses.

Regional MARGINS, \$/hog						
Packer/Region	1-Jan-21 Hog Price	Farrow to Finish Feed*	Variable	Fixed	Total COP	Weekly Margin
OlyW 20/Alberta	\$171.90	\$142.59	\$39.45	\$20.05	\$202.09	-\$30.19
OlyW 21 (R2)/Alberta	\$176.75	\$142.59	\$39.45	\$20.05	\$202.09	-\$25.34
ML Sig 4/Manitoba	\$164.10	\$140.33	\$39.54	\$19.55	\$199.42	-\$35.32
Hylife/Manitoba	\$171.65	\$140.34	\$39.54	\$19.55	\$199.43	-\$27.78
Ontario	\$159.73	\$138.27	\$40.71	\$23.76	\$202.74	-\$43.01
Québec	\$166.04	\$140.96	\$40.50	\$21.65	\$203.11	-\$37.07
Tyson (USD)/Iowa	\$116.02	\$100.93	\$28.70	\$16.57	\$146.20	-\$30.18
John Morrell (USD)/ND	\$108.67	\$99.20	\$28.70	\$16.57	\$144.47	-\$35.80

* Feed costs standardized for a 285 pound market hog

Tyson: \$(30.18) USD x 1.2707 = \$(38.35) CAD
 Morrell: \$(35.80) USD x 1.2707 = \$(45.49) CAD

Canadian Margins Last 13 weeks



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