



Weekly Regional HOG PRICE Report



February 2, 2021

Things to Consider....

US wholesale pork values, as illustrated by the USDA Cut-out chart, are trading at the highest level recorded in the last 7 years for this week seasonally. Only back in 2017 were pork prices in the mid to upper 80's US per cwt in early February. The current price of pork is more normally associated with weeks in May and August however strong US pork export sales, dwindling US cold storage numbers and steady to lower supply numbers are all contributing to the strength in meat prices.

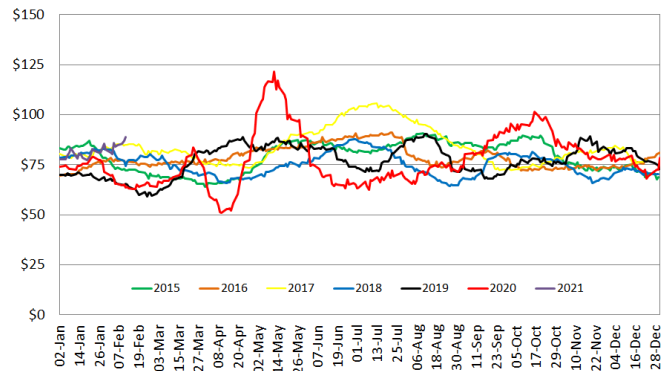
The overall pork cut-out is being supported by most of the major cuts which are trading at or near seasonal highs for the beginning of February. The roller coaster ride of which was pork values in 2020 is not expected to repeat in 2021, but rather a more steady/firm tone is likely for meat prices during the year.

Strong pork prices have initiated a long-awaited surge in cash hog prices which finally have established a higher trend after starting the year on a weak note. The bottom of the cash market which coincided with the last day of 2020 has now traded steady to firm for most of the first 5 weeks of 2021.

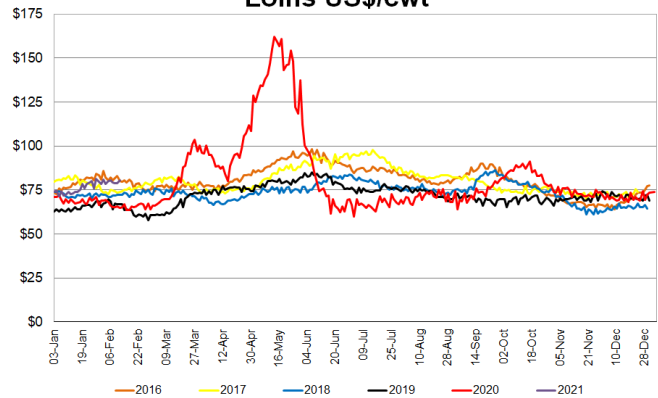
Lean hog futures have also taken a turn for the good trading higher for nearly 2 straight months as shown by the July Lean Hog futures graph shown here. July futures, like many others on the board started to gain strength around Dec 15th and have now registered nearly 2 full months of higher trade. Pork cut-out is adding to the strength in lean hogs but news around the world of ongoing ASF issues in China and other parts of Asia are underpinning prices and bolstering bids for meat domestically and abroad.

Lean hog futures are expected to make a correction in the near-term given that they are now in over-bought territory however producers could afford to give the futures some leeway to see just how far this bull run will go. Having between 25-50% of 2021 hog production at current contract highs would be considered good risk management given ongoing uncertainty in the market.

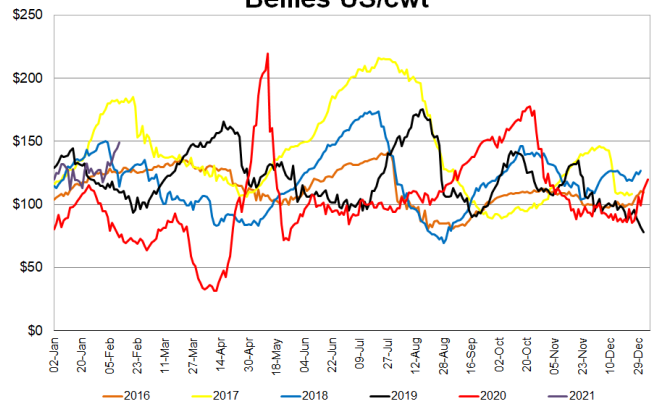
USDA Cutout US\$/cwt



Loins US\$/cwt



Bellies US/cwt



July 2021 Lean Hogs



Weekly Hog Price Recap

Cash hogs were reported higher for most of the week, however regional cash reported better mid-week gains. By comparison, CME cash improved daily and reported more modest moves. Wholesale pork primals also improved overall, driving pork cutout \$2.99/cwt over the previous week.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	29-Jan-21	Head	22-Jan-21		
ISM pm		\$56.88		\$55.04	\$1.84	3.4%
WCB pm		\$56.96		\$55.13	\$1.83	3.3%
Nat pm		\$56.40		\$55.00	\$1.40	2.5%
CME Index*		\$66.75		\$65.62	\$1.13	1.7%
Sows, 300-449lbs	14,185	\$43.75	14,525	\$41.01	\$2.74	6.7%
Sows, 500+ lbs	11,942	\$49.14	12,446	\$46.49	\$2.65	5.7%
BoC Exch		1.2761		1.2699	0.0062	0.5%

* Represents Friday-Thursday average

Most monitored hog markets improved excluding the OlyW 20 & 21 due to their lagged base pricing, down \$1.25 and \$0.70/hog respectively. BP/TC values are also based on lagged pricing, however managed to improve \$0.75/hog. Hylife rose the most on the week, up more than \$7/hog, followed by those out of Quebec which were up \$5.50/hog. Ontario hog values improved \$4.25/hog, and the Sig 4 climbed \$3.50/hog. In the US, Tyson rose \$4/hog while values out of JM were up closer to \$3.75/hog from the previous week.

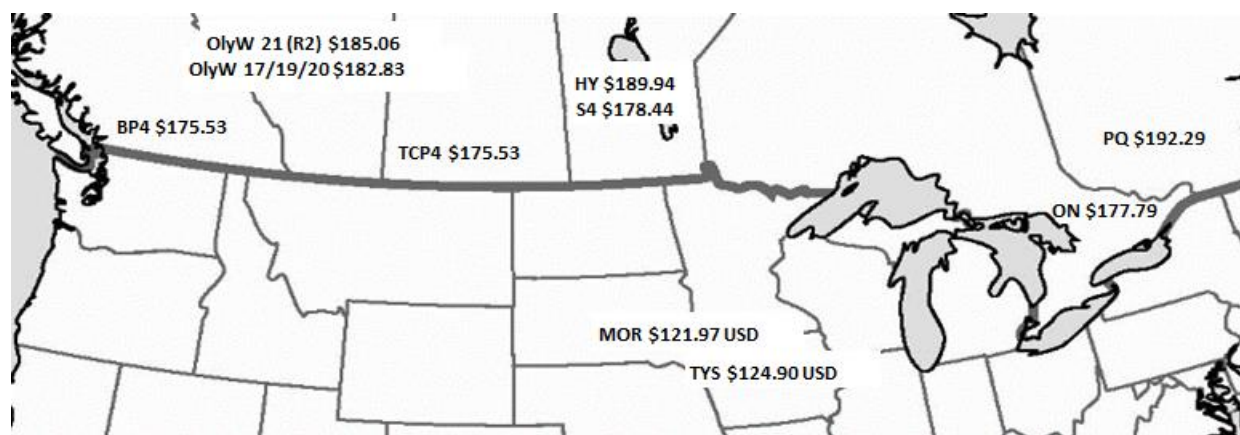
Regional Pricing, \$/hog								
Packer/Region	Difference		2021 YTD	Difference		Last 13 weeks	Ending 29-Jan-21	Difference to OlyW21
	3 Year	to OlyW21		to OlyW21	to OlyW21			
OlyW 2021 (R2)**	\$183.98		\$179.60		\$190.40		\$185.06	
OlyW 17/19/20*	\$175.38	-\$8.60	\$179.06	-\$0.54	\$190.38	-\$0.01	\$182.83	-\$2.23
ML Sig 4	\$179.31	-\$4.67	\$174.03	-\$5.57	\$179.62	-\$10.78	\$178.44	-\$6.62
BP4/TCP4	\$179.06	-\$4.92	\$170.99	-\$8.62	\$182.39	-\$8.01	\$175.53	-\$9.53
Hylife	\$183.71	-\$0.27	\$184.64	\$5.03	\$184.77	-\$5.62	\$189.94	\$4.88
Ontario***	\$176.28	-\$7.70	\$172.44	-\$7.16	\$179.03	-\$11.36	\$177.79	-\$7.27
Québec	\$186.46	\$2.48	\$187.70	\$8.10	\$190.81	\$0.41	\$192.29	\$7.23
Tyson (USD)	\$126.59	-\$57.39	\$120.86	-\$58.74	\$127.47	-\$62.92	\$124.90	-\$60.16
John Morrell (USD)	\$118.90	-\$65.08	\$117.06	-\$62.55	\$119.97	-\$70.43	\$121.97	-\$63.09

*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

Monitored hog margins generally improved on the week with the rise in hog and pork values more than offsetting an uptick in feed costs. Canadian farrow-to-finish feed costs increased \$0.50/hog while those in the monitored US region were unchanged from a week earlier.

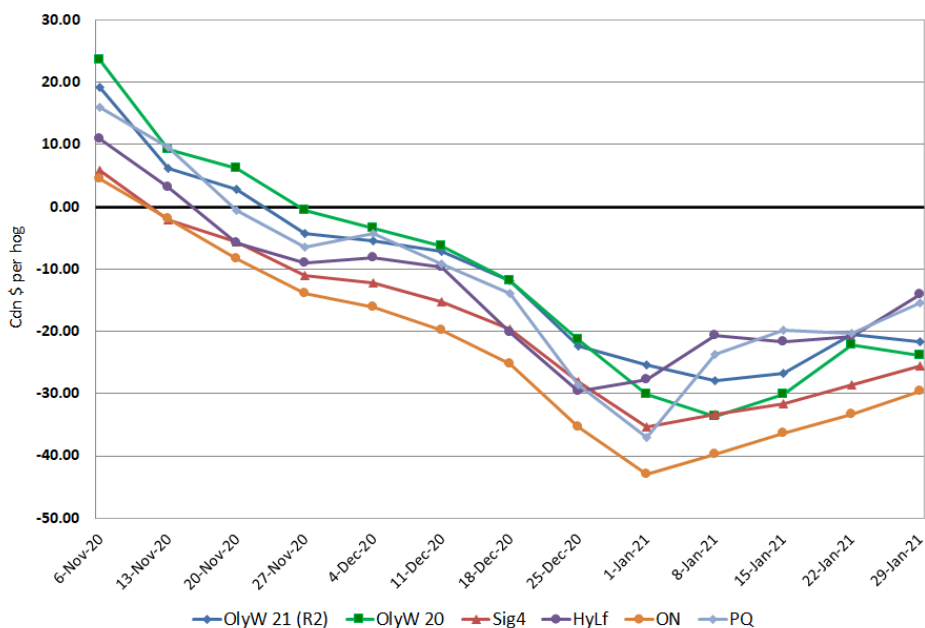
Hylife hog margins strengthened nearly \$6.75 to \$14/hog losses, while those out of Quebec improved \$5 to nearly \$15.50/hog losses. The OlyW 21 finished the week at around \$21.75/hog losses while the OlyW 20 slipped to nearly \$24/hog losses, each down more than \$1/hog on the week. Hog margins out of the Sig 4 strengthened \$3 to \$25.50/hog losses, while Ontario improved \$3.75 to \$29.50/hog losses. In the US, Tyson margins strengthened \$4.50 to \$24.50/hog losses while JM margins were up \$3.75 to nearly \$25.75/hog losses from a week earlier.

Regional MARGINS, \$/hog						
Packer/Region	29-Jan-21	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$182.83	\$147.19	\$39.45	\$20.05	\$206.69	-\$23.86
OlyW 21 (R2)/Alberta	\$185.06	\$147.19	\$39.45	\$20.05	\$206.69	-\$21.63
ML Sig 4/Manitoba	\$178.44	\$144.93	\$39.54	\$19.55	\$204.02	-\$25.58
Hylife/Manitoba	\$189.94	\$144.94	\$39.54	\$19.55	\$204.03	-\$14.09
Ontario	\$177.79	\$142.87	\$40.71	\$23.76	\$207.34	-\$29.55
Québec	\$192.29	\$145.56	\$40.50	\$21.65	\$207.71	-\$15.42
Tyson (USD)/Iowa	\$124.90	\$104.08	\$28.70	\$16.57	\$149.35	-\$24.45
John Morrell (USD)/ND	\$121.97	\$102.35	\$28.70	\$16.57	\$147.62	-\$25.65

* Feed costs standardized for a 285 pound market hog

Tyson: $\$(24.25)$ USD x 1.2818 = $\$(31.08)$ CAD
 Morrell: $\$(25.65)$ USD x 1.2818 = $\$(32.84)$ CAD

Canadian Margins Last 13 weeks



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