



# Weekly Regional HOG PRICE Report



## Things to Consider....

February 23, 2021

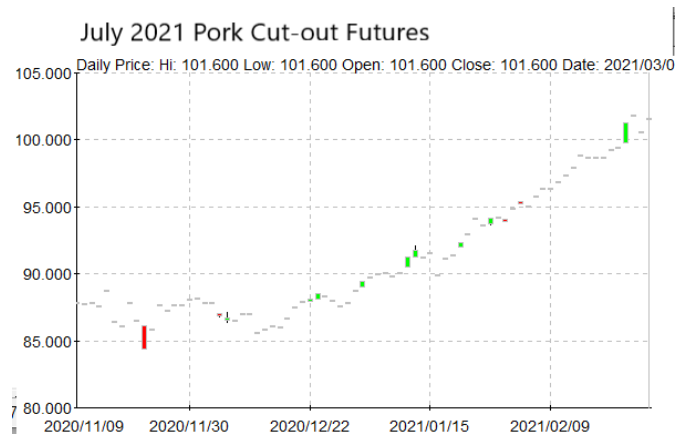
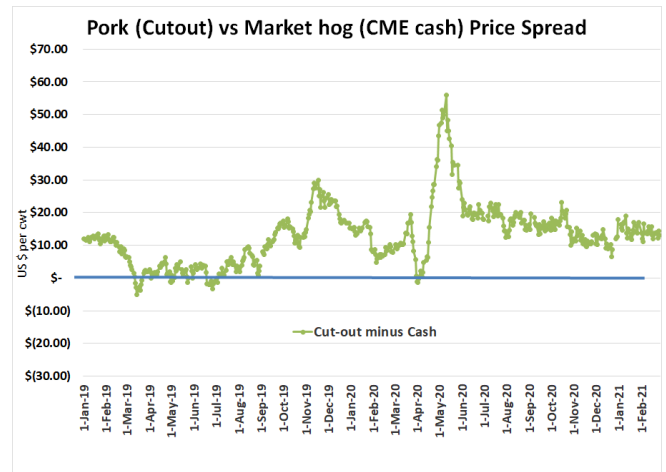
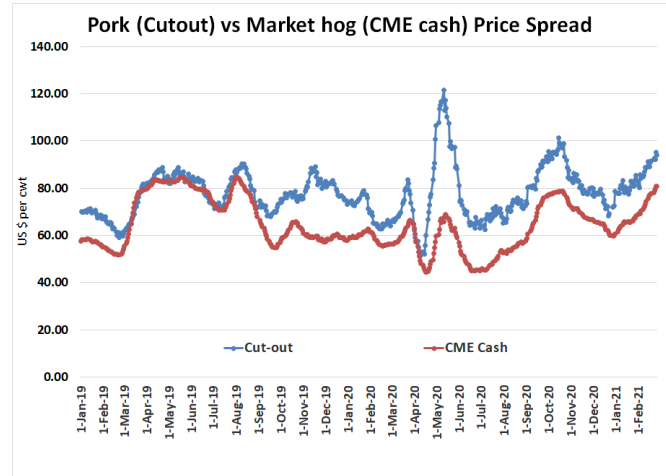
Over the last 2 years there have only been 13 days where cut-out has spent time above \$100 US per cwt with all those days being consecutive and considered short-lived.

The sharp rally in the first few days of May 2020, when pork (and other meat) stocks were flying off the shelves due to panic buying, is the last time the market demonstrated signs of strong underlying support, until now.

Since the drop off following those \$100 plus pork values, cut-out and CME cash have maintained a steady level of firmness as shown in the top graph. The spread between pork and CME cash also spiked in May 2020 but since has maintained a difference between \$10-20 US per cwt. That spread today sits at \$13.00 US per cwt, a healthy but reasonable differential. The fact that any difference exists means packer do have some room for bidding up hogs should supplies dwindle, which is supportive to cash.

The bottom graph illustrates the July 2021 Pork cut-out futures. These newly reported future contracts have traded since November 2020 and are now providing some insight as to potential direction and value of pork prices into the coming months. The Pork Cut-out futures also provide an idea on potential cash prices based on historical spreads. Currently the cut-out to cash spread for both July contracts is roughly \$6 US, cut-out at \$100 and July lean hogs at \$94 US per cwt. The 2020 spread for July pork and cash is not the greatest year for making comparisons given what the market went through, and looking at 2019, the spread was between zero to \$5 and even inverted at times between March and July. B

Based on historical data a \$5 spread is common for the summer months which imply July hogs are positioned well against cut-out. Question remains however if both are upward trending or on their way down. Based on the long-winded rally that began in mid-December 2020, it could be possible that both hog futures and cut-out take a break from the steady incline higher.



# Weekly Hog Price Recap

Cash hogs improved for much of the week, with national cash reporting stronger gains early on while regional cash was reported higher each day however went unreported Friday. CME cash improved daily, with stronger gains the front-half of the week. Wholesale pork primals also improved for the majority of the week, with pork cutout ending \$3.62/cwt over the previous week.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	19-Feb-21	Head	12-Feb-21		
ISM pm		\$70.31		\$67.04	\$3.27	4.9%
WCB pm		\$70.26		\$67.10	\$3.16	4.7%
Nat pm		\$68.80		\$64.06	\$4.74	7.4%
CME Index*		\$76.24		\$71.74	\$4.50	6.3%
Sows, 300-449lbs	12,241	\$57.41	13,362	\$52.40	\$5.01	9.6%
Sows, 500+ lbs	10,041	\$64.62	10,092	\$58.93	\$5.69	9.7%
BoC Exch		1.2677		1.2712	-0.0035	-0.3%

\* Represents Friday-Thursday average

Monitored hog markets were generally up \$8 to \$11 per hog on the week, excluding markets derived from lagged base pricing. Values out of Ontario were up the most, \$11.25/hog higher, followed by the Sig 4 which rose nearly \$9.75/hog. Hog values out of Quebec, the OlyW 20 and Hylife were each up more than \$8/hog, while the OlyW 21 rose \$6.75/hog and BP/TC values climbed \$4.50/hog from a week earlier. In the US, Tyson jumped \$8.50/hog while values out of JM were up \$6.50/hog from the previous week.

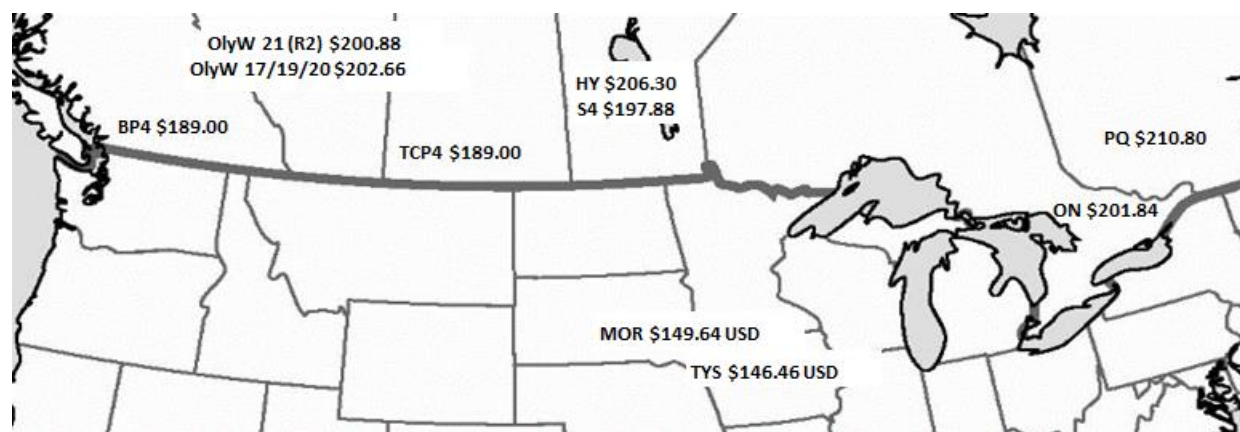
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW21	2021 YTD	Difference to OlyW21	Last 13 weeks	Difference to OlyW21	Ending 19-Feb-21	Difference to OlyW21
OlyW 2021 (R2)**	\$184.06		\$185.53		\$187.01		\$200.88	
OlyW 17/19/20*	\$175.59	-\$8.47	\$186.07	\$0.53	\$186.51	-\$0.49	\$202.66	\$1.78
ML Sig 4	\$179.36	-\$4.69	\$180.86	-\$4.68	\$178.30	-\$8.71	\$197.88	-\$3.00
BP4/TCP4	\$179.05	-\$5.01	\$176.65	-\$8.89	\$178.33	-\$8.67	\$189.00	-\$11.88
Hylife	\$183.96	-\$0.10	\$190.61	\$5.07	\$184.37	-\$2.63	\$206.30	\$5.42
Ontario***	\$176.29	-\$7.77	\$180.89	-\$4.64	\$177.50	-\$9.51	\$201.84	\$0.95
Québec	\$186.73	\$2.67	\$194.35	\$8.81	\$188.84	\$1.83	\$210.80	\$9.92
Tyson (USD)	\$126.29	-\$57.77	\$128.57	-\$56.97	\$127.16	-\$59.84	\$146.46	-\$54.42
John Morrell (USD)	\$118.74	-\$65.32	\$127.78	-\$57.76	\$122.48	-\$64.53	\$149.64	-\$51.24

\*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 recorded another week of significant strength on good gains in hog and pork values, however feeds costs increased modestly. Canadian farrow-to-finish feed costs edged \$0.35/hog while those in the monitored US region climbed \$0.55/hog from a week earlier.

Quebec and Hylife managed to end the week with positive hog margins, each strengthening near \$8 to \$4/hog and \$3.25/hog respectively. Margins out of the OlyW 20 were also up \$8 but to \$3/hog losses, while the OlyW 21 strengthened \$6.25 to \$4.75/hog losses from a week earlier. ML Sig 4 margins strengthened \$9.25 to \$5/hog losses while Ontario was up nearly \$11 to \$4.50/hog losses. In the US, Tyson margins strengthened more than \$8.50 to \$3.50/hog losses while JM margins were up \$6 to \$1.25/hog profits from a week earlier.

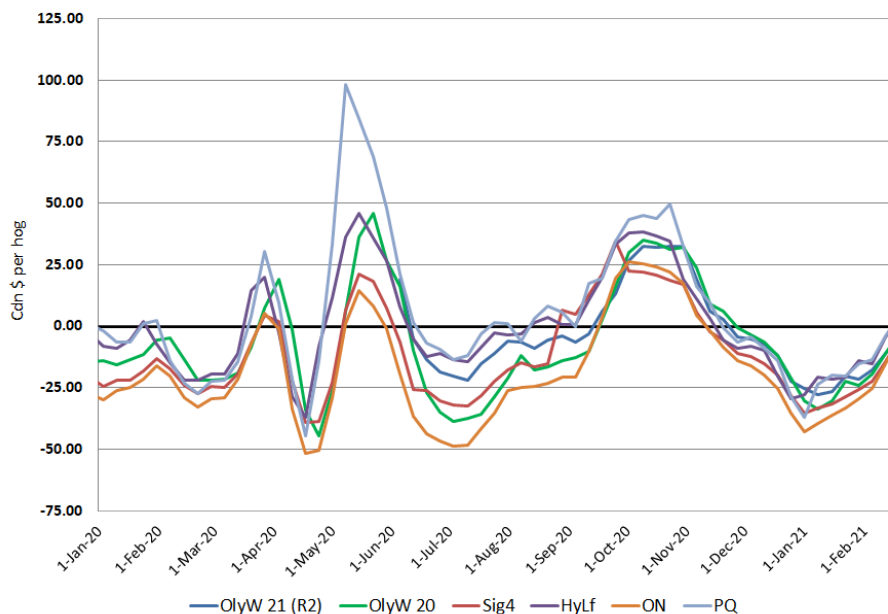
Regional MARGINS, \$/hog						
Packer/Region	19-Feb-21	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$202.66	\$146.16	\$39.45	\$20.05	\$205.66	-\$3.00
OlyW 21 (R2)/Alberta	\$200.88	\$146.16	\$39.45	\$20.05	\$205.66	-\$4.78
ML Sig 4/Manitoba	\$197.88	\$143.90	\$39.54	\$19.55	\$202.99	-\$5.11
Hylife/Manitoba	\$206.30	\$143.91	\$39.54	\$19.55	\$203.00	\$3.30
Ontario	\$201.84	\$141.84	\$40.71	\$23.76	\$206.31	-\$4.47
Québec	\$210.80	\$144.53	\$40.50	\$21.65	\$206.68	\$4.12
Tyson (USD)/Iowa	\$146.46	\$104.81	\$28.70	\$16.57	\$150.08	-\$3.62
John Morrell (USD)/ND	\$149.64	\$103.08	\$28.70	\$16.57	\$148.35	\$1.29

\* Feed costs standardized for a 285 pound market hog

Tyson:  $\$(3.62)$  USD x 1.2603 =  $\$(4.56)$  CAD

Morrell:  $\$1.29$  USD x 1.2603 =  $\$1.63$  CAD

## Canadian Margins 2020-2021



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