

## Things to Consider....

March 9, 2021

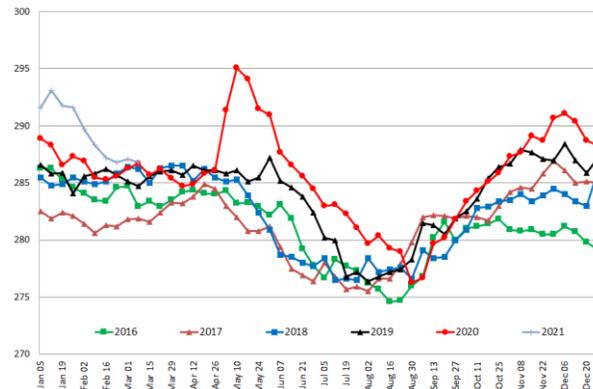
With lean hog futures continuing to register new contract highs over the last couple of weeks, a review of slaughter and production is worthy to see if the current trend has a chance to continue.

Weekly barrow and gilt live weights, which started the year near record highs, have declined sharply to more seasonal levels matching the weights of 2020 and 2018 in recent published weeks. The decline in weight can be attributed to high hog markets which promote movement of animals out of the barn and sharply higher feed costs which has encouraged finishers to market animals slightly lighter than what was seen over the past 5-6 months. Current weights at 287 live have not been seen since late Oct 2020, with the trend likely to continue for the remainder of the spring. The flip side to higher hog prices however is that producers will also try to maximize revenue per animal sold and if hog prices appreciate enough beyond the cost of gain due to the increased cost of feed, the trend of heavier animals could return.

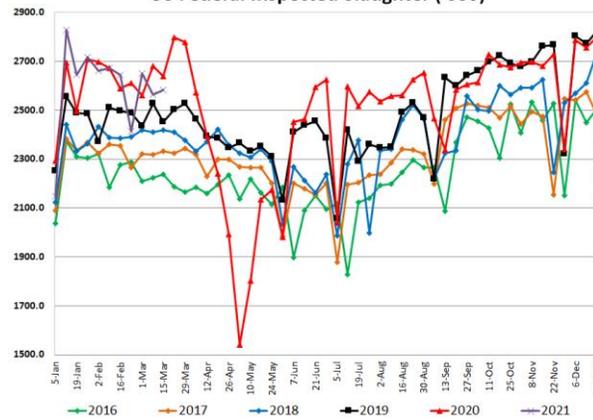
So far in 2021, after 11 weeks of production, US Federally inspected slaughter is -0.4% below the same weeks in 2020, however with weight being higher over those 11 weeks, total pork production has been slightly higher. Unlike 2020, slaughter and production are not expected to crash, which of course occurred due to plant closures related to Covid outbreaks. The spring and summer of 2021 are projected to follow a more seasonal pattern with declining volumes and numbers as temperatures rise over the coming months. Production is still projected near 2019 levels and possibly closer to 2018 levels later this year providing interest in the market from outside sources.

The bottom graph illustrates the Commitment of Traders report for lean hog futures. Simply put, the "large spec" long position as of the most recent week is the greatest the market has witnessed in an exceptionally long time. For now, the interest in pork and hogs is high. Producers who have covered some of the risk for this year's production can afford to sit back and watch to see what the market can do. Producers who have not participated in any protection for 2021 should consider some protection at current contract highs.

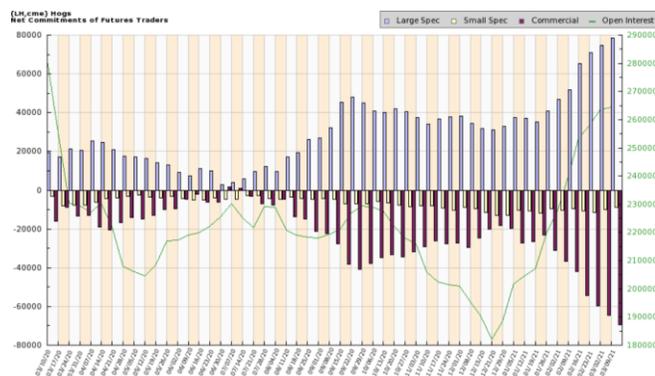
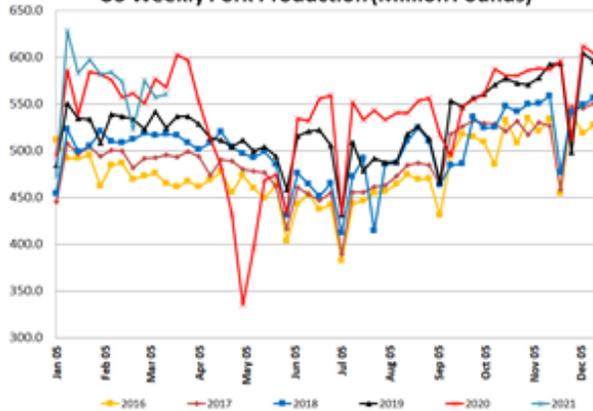
Weekly Average Barrow and Gilt Weight Live



US Federal Inspected Slaughter ('000)



US Weekly Pork Production (Million Pounds)



# Weekly Hog Price Recap

Regional and national cash hogs were generally up 10% from the week previous, with strong daily improvements overall and Thursday recording more than \$2-\$3/cwt rises. CME cash also improved daily, however recorded more consistent increases. Most wholesale pork primals improved, excluding hams, which helped push pork cutout \$1.30/cwt over the previous week.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	5-Mar-21	Head	26-Feb-21		
ISM pm		\$82.04		\$74.55	\$7.48	10.0%
WCB pm		\$81.85		\$74.47	\$7.38	9.9%
Nat pm		\$79.78		\$72.19	\$7.59	10.5%
CME Index*		\$83.29		\$79.13	\$4.16	5.3%
Sows, 300-449lbs	14,758	\$68.77	13,535	\$62.54	\$6.22	9.9%
Sows, 500+ lbs	12,675	\$76.45	11,611	\$70.45	\$6.00	8.5%
BoC Exch		1.2645		1.2596	0.0049	0.4%

\* Represents Friday-Thursday average

Hog values out of Hylife were up \$2.50/hog while those out of BP/TC as well as Quebec were up closer to \$5/hog. The OlyW 21 was up \$5.25/hog while the OlyW 20 rose \$8.25/hog from a week earlier. The ML Sig 4 jumped more than \$9.50/hog while hog values out of Ontario rose \$11.50/hog. In the US, Tyson surged more than \$16.50/hog while values out of JM were up \$15.25/hog from the previous week.

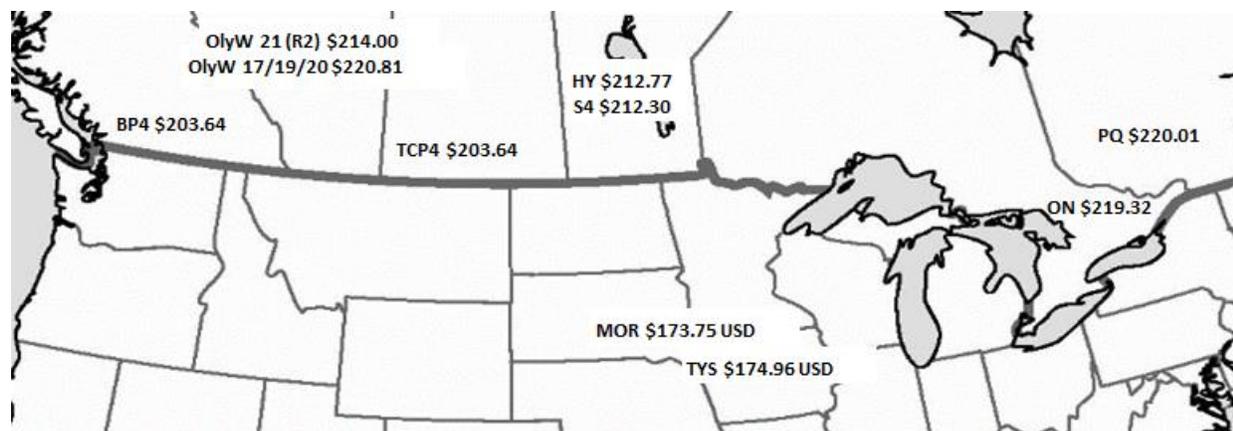
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW21	2021 YTD	Difference to OlyW21	Last 13 weeks	Difference to OlyW21	Ending 5-Mar-21	Difference to OlyW21
OlyW 2021 (R2)**	\$184.38		\$190.84		\$189.39		\$214.00	
OlyW 17/19/20*	\$175.99	-\$8.39	\$192.87	\$2.04	\$189.15	-\$0.24	\$220.81	\$6.80
ML Sig 4	\$179.63	-\$4.74	\$186.78	-\$4.06	\$181.60	-\$7.80	\$212.30	-\$1.70
BP4/TCP4	\$179.19	-\$5.19	\$182.11	-\$8.73	\$180.09	-\$9.31	\$203.64	-\$10.36
Hylife	\$184.32	-\$0.06	\$195.25	\$4.42	\$188.09	-\$1.30	\$212.77	-\$1.23
Ontario***	\$176.60	-\$7.78	\$188.16	-\$2.68	\$181.59	-\$7.81	\$219.32	\$5.32
Québec	\$187.08	\$2.70	\$199.50	\$8.66	\$192.34	\$2.95	\$220.01	\$6.01
Tyson (USD)	\$126.50	-\$57.87	\$137.09	-\$53.75	\$132.06	-\$57.33	\$174.96	-\$39.05
John Morrell (USD)	\$119.08	-\$65.30	\$136.29	-\$54.55	\$128.52	-\$60.87	\$173.75	-\$40.26

\*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

Hog margins continue to improve on significant strength in hog and pork values, with all monitored markets recording a second week of positive margins. Canadian farrow-to-finish feed costs edged \$0.25/hog higher while those in the monitored US region declined \$0.75/hog from week earlier.

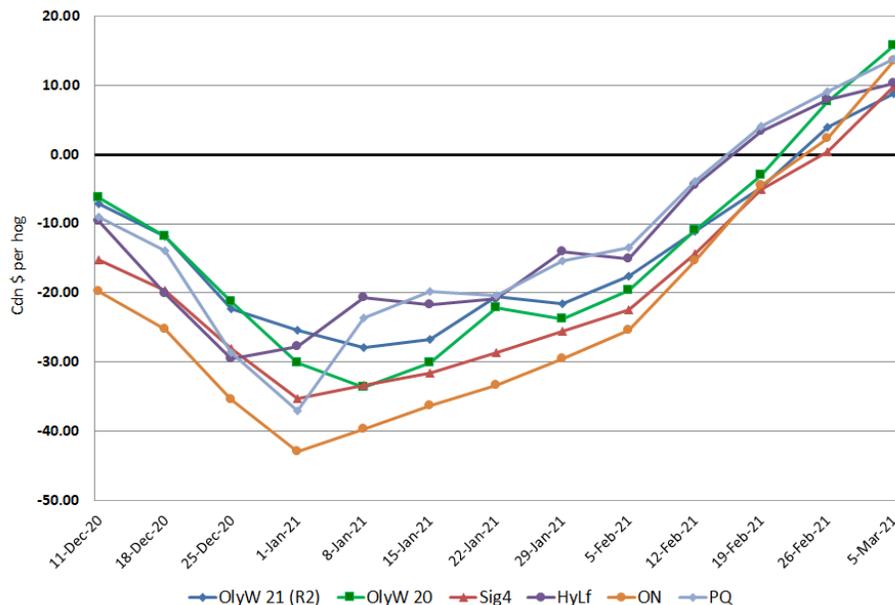
Hog margins out of the OlyW 20 finished the week the strongest north of the border, up \$8 from last reported to nearly \$15.75/hog profits. Quebec strengthened \$4.75 to nearly \$14/hog profits, while Ontario margins improved \$11.25 to \$13.50/hog profits. Hog margins out of Hylife strengthened \$2.25 to \$10.25/hog profits while ML Sig 4 margins improved nearly \$9.50 to nearly \$10/hog profits and the OlyW 21 strengthened \$5 to shy of \$9/hog profits. In the US, Tyson margins strengthened \$18 to \$25.70/hog profits while JM margins were up \$16 to \$26.25/hog profits from a week earlier.

Regional MARGINS, \$/hog						
Packer/Region	5-Mar-21	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$220.81	\$145.64	\$39.45	\$20.05	\$205.14	\$15.67
OlyW 21 (R2)/Alberta	\$214.00	\$145.64	\$39.45	\$20.05	\$205.14	\$8.86
ML Sig 4/Manitoba	\$212.30	\$143.38	\$39.54	\$19.55	\$202.47	\$9.83
Hylife/Manitoba	\$212.77	\$143.39	\$39.54	\$19.55	\$202.48	\$10.29
Ontario	\$219.32	\$141.32	\$40.71	\$23.76	\$205.79	\$13.53
Québec	\$220.01	\$144.01	\$40.50	\$21.65	\$206.16	\$13.85
Tyson (USD)/Iowa	\$174.96	\$103.99	\$28.70	\$16.57	\$149.26	\$25.70
John Morrell (USD)/ND	\$173.75	\$102.26	\$28.70	\$16.57	\$147.53	\$26.22

\* Feed costs standardized for a 285 pound market hog

Tyson: \$25.70 USD x 1.2635 = \$32.47 CAD  
 Morrell: \$26.22 USD x 1.2635 = \$33.13 CAD

## Canadian Margins Last 13 weeks



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