

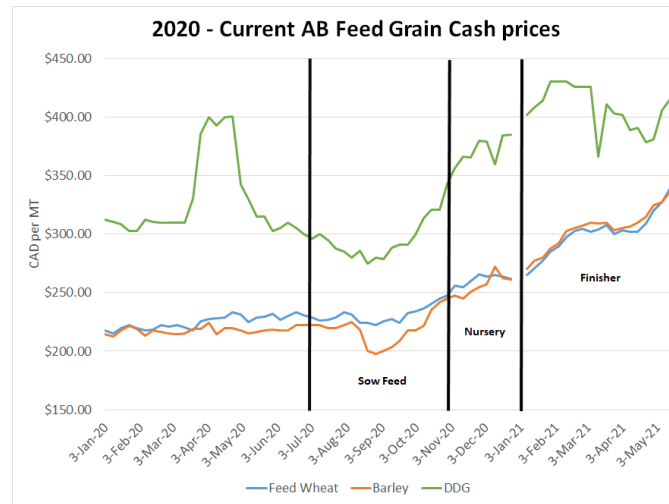
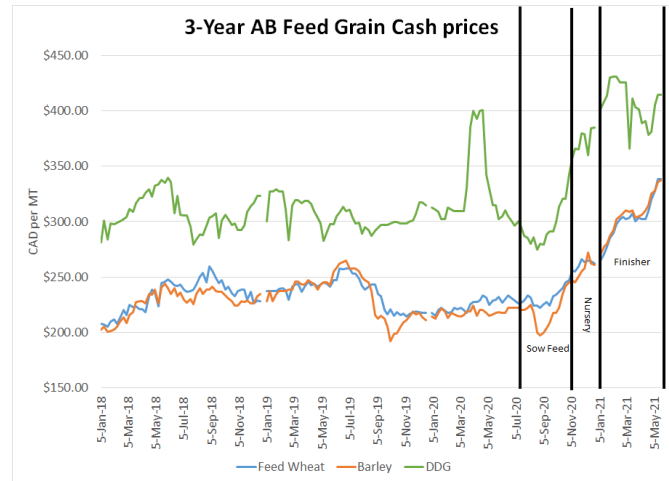
Things to Consider....

May 18, 2021

Discussion around feed costs in Alberta and across the Prairies has been a hot topic since the start of the year as price increases of nearly 70% in some commodities have producers concerned about cost of production and margin calculations. This week's article is intended to help explain the values used on page 3 to calculate margin.

Calculating feed costs and their resulting contribution to total COP depend highly on the time period being reviewed and the stage of pig growth being considered. For example a market hog that is slaughtered this week consumed feed since mid November. In November, feed costs were a fraction of what they are today however still contributed to the cost of growing that pig marketed recently. As illustrated in the adjacent graphs, feed grains have been on a steady climb in Alberta since harvest 2020 concluded which will continue to add to the values published below but they may not compare to individual calculations that are considering only current feed costs. Also worth mentioning is when reviewing COP or feed costs for a farrow to finish operation which marketed hogs this week, the sow feed for that market hog needs to be considered from July 2020 to Nov 2020 when the sow was in gestation and lactation. At that time, Alberta barley prices were the lowest level (yes, lowest) in 3 years and wheat prices were under \$225 per mt, which today are approaching \$340 per mt (\$9.25 per bushel).

Farrow to finish and/or finish only feed costs are going to continue to increase likely until new crop, which actually is not that far away. With spring planting wrapping up across the prairies, most animals being weaned this month will consume most of their feed from new crop supply. Top feed values are likely to be reported in the next month with some easing happening in the protein market as clearly shown by the graph of the August soymeal futures. Just this week, US soymeal futures traded to their lowest level in over 5 months and a strong Canadian dollar is helping to lower the protein portion of the feed ration. It appears there is easing in the near future which will eventually be reported in this publication in late fall (Oct-Nov) when COP is calculated for market hogs.



Weekly Hog Price Recap

Cash hogs began the week stronger initially, however faced declines the latter part of the week. Regional and national cash were up the most Tuesday, while Thursday recorded to greatest daily decline. CME cash was also up the first part of the week and recorded modest daily declines late in the week. Wholesale pork values generally improved for much of the week, excluding hams, with pork cutout ending \$1.99/cwt over the previous week.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	14-May-21	Head	7-May-21		
ISM pm		\$121.32		\$118.53	\$2.79	2.4%
WCB pm		\$120.89		\$118.21	\$2.67	2.3%
Nat pm		\$115.45		\$113.78	\$1.68	1.5%
CME Index*		\$110.73		\$108.03	\$2.70	2.5%
Sows, 300-449lbs	10,905	\$62.20	10,743	\$66.83	-\$4.63	-6.9%
Sows, 500+ lbs	12,466	\$67.62	12,115	\$71.10	-\$3.48	-4.9%
BoC Exch		1.2109		1.2244	-0.0135	-1.1%

* Represents Friday-Thursday average

Canadian market hog values improved overall, generally up \$2-\$4 per hog. The OlyW 20 was up the most rising \$4/hog, followed by values out of Ontario and Quebec which were up each up near \$3.50/hog. Hylife rose \$3/hog, while the OlyW 21 was up shy of \$2.50 and the ML Sig 4 climbed \$2.25/hog. Only hog values out of BP/TC declined, due to its lagged base pricing, falling \$2/hog from a week earlier. In the US, Tyson was up \$4.50/hog while JM rose \$5.50/hog from the previous week.

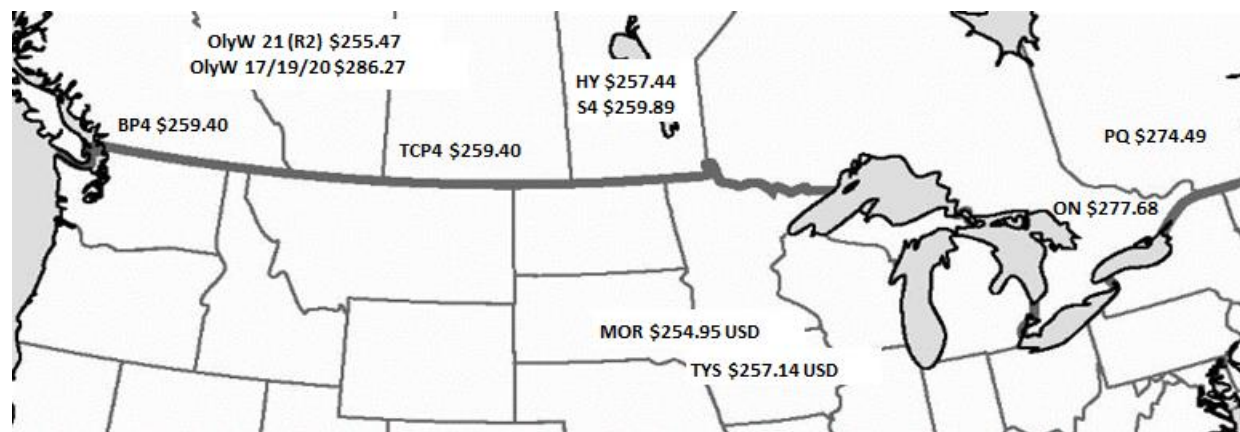
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW21	2021 YTD	Difference to OlyW21	Last 13 weeks	Difference to OlyW21	Ending 14-May-21	Difference to OlyW21
OlyW 2021 (R2)**	\$189.00		\$218.66		\$235.47		\$255.47	
OlyW 17/19/20*	\$181.53	-\$7.47	\$230.76	\$12.11	\$252.67	\$17.20	\$286.27	\$30.80
ML Sig 4	\$184.70	-\$4.30	\$217.81	-\$0.84	\$236.18	\$0.71	\$259.89	\$4.42
BP4/TCP4	\$185.66	-\$3.35	\$214.00	-\$4.66	\$232.03	-\$3.44	\$259.40	\$3.93
Hylife	\$189.26	\$0.26	\$221.68	\$3.02	\$237.11	\$1.64	\$257.44	\$1.97
Ontario***	\$182.64	-\$6.36	\$225.64	\$6.98	\$247.90	\$12.43	\$277.68	\$22.21
Québec	\$193.03	\$4.03	\$229.48	\$10.82	\$246.96	\$11.49	\$274.49	\$19.02
Tyson (USD)	\$132.50	-\$56.50	\$181.64	-\$37.01	\$207.52	-\$27.95	\$257.14	\$1.67
John Morrell (USD)	\$125.30	-\$63.71	\$178.74	-\$39.91	\$203.95	-\$31.52	\$254.95	-\$0.52

*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

Canadian hog margins strengthened significantly this past week amid good improvement in hog and pork values and were further supported by a drop in feed costs. Canadian farrow-to-finish feed costs declined \$4.50/hog while those in the monitored US region fell \$3/hog from week earlier.

Hog margins out of the OlyW 20 were up more than \$8.50 to \$78/hog profits, followed by margins out of Ontario and Quebec which each climbed \$8/hog to \$69 and \$65.25 per hog respectively. ML Sig 4 margins rose \$6.75 to \$54.50/hog profits while Hylife was up \$7.50 to \$52/hog profits and the OlyW 21 was up \$7 to \$47.25/hog. In the US, Tyson hog margins strengthened \$8 to \$101.25/hog profits while JM margins were up \$8.50 to \$100.75/hog profits from a week earlier.

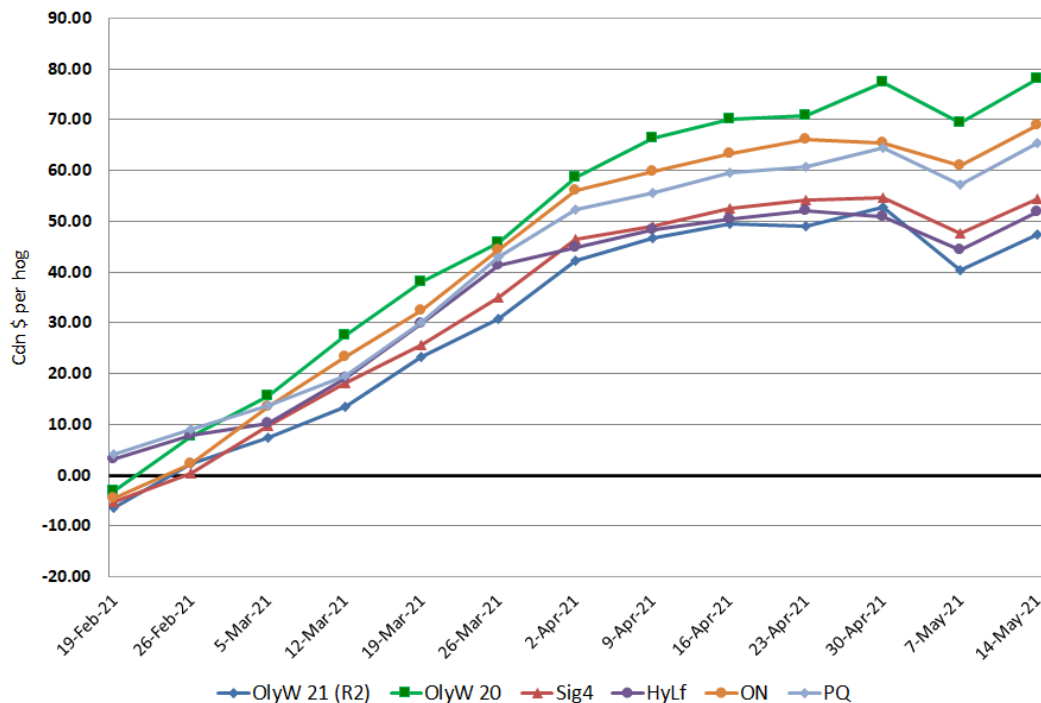
Regional MARGINS, \$/hog						
Packer/Region	Farrow to Finish				Total COP	Weekly Margin
	14-May-21 Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$286.27	\$148.63	\$39.45	\$20.05	\$208.13	\$78.14
OlyW 21 (R2)/Alberta	\$255.47	\$148.63	\$39.45	\$20.05	\$208.13	\$47.34
ML Sig 4/Manitoba	\$259.89	\$146.37	\$39.54	\$19.55	\$205.46	\$54.43
Hylife/Manitoba	\$257.44	\$146.38	\$39.54	\$19.55	\$205.47	\$51.97
Ontario	\$277.68	\$144.31	\$40.71	\$23.76	\$208.78	\$68.90
Québec	\$274.49	\$147.00	\$40.50	\$21.65	\$209.15	\$65.34
Tyson (USD)/Iowa	\$257.14	\$110.56	\$28.70	\$16.57	\$155.83	\$101.31
John Morrell (USD)/ND	\$254.95	\$108.83	\$28.70	\$16.57	\$154.10	\$100.85

* Feed costs standardized for a 285 pound market hog

Tyson: \$101.31 USD x 1.2051 = \$122.09 CAD

Morrell: \$100.85 USD x 1.2051 = \$121.53 CAD

Canadian Margins Last 13 weeks



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