



Weekly Regional HOG PRICE Report



Things to Consider....

Lean hog futures peaked on and around June 7-10th with the top contract (July 2021) reaching \$123.60 US per cwt on back to back days (June 7th & 8th). July currently holds the record for top value for 2021 YTD, edging past the top tick of June which recorded a daytime high of \$123.07 on June 14th, the day prior to its expiry. Most other lean hog contracts reached their highs during that same week but have since seen a major correction of \$12-18 US per cwt or a drop of roughly 15-20%.

The drop has come as a result of long liquidation by large speculators on reports of weakening pork markets in other major exporting regions, particularly Europe and easing of potential export demand.

December lean hog futures peaked at \$89.55 US prior to registering a low of \$74.12 just 10 trading sessions later, on June 24th. Since then however hog futures have rebounded following the release of the June H&P report. December has climbed back above \$80 US per cwt recovering just over 1/3 of the value lost during the mid-Jun collapse.

Questions going forward are whether or not the early June, mid June or current futures values are more representative of current market conditions? There is no secret that pork demand abroad has diminished in major buying countries and US pork exports are trailing behind 2020 year to date, but at the same time some disease issues including PRRS are surfacing in the North American herd potentially easing production for the latter part of 2021 and early 2022.

At the same time lean hog futures reached their peak between June 7-10th the Canadian dollar had also climbed to a nearby top of 83.00 US/CAD holding Canadian values back. More recently though, the dollar has declined, helping contract prices.

For example a quick calculation with a zero basis and 1.800 factor

$$\begin{aligned} \$89.55 \text{ US} * 1.800 * 1.2050 \text{ (83 cents)} &= \$194.23 \\ \$194.23 / 1.800 / 1.2500 \text{ (80 cents)} &= \$86.23 \text{ US} \end{aligned}$$

What the example demonstrates is that if the Loonie trades around 80 Cents US while December lean hogs approached \$86 US per cwt, the combination would match the top forward contract prices for the year that were set between Jun 8th & 10th. Producers looking to build coverage for the 4th quarter of 2021 and 1st quarter of 2022 should use the previous contract highs as an end target to establish protection.

June 15, 2021

July 2021 Lean Hogs



December 2021 Lean Hogs



February 2022 Lean Hogs



Sep 2021 Canadian Dollar



Weekly Hog Price Recap

Regional and national cash hogs recorded daily increases with stronger gains mid-to-late week, while CME cash also improved daily however at a more consistent pace compared to cash hogs. Most wholesale pork values improved on the week, excluding ribs and hams, which helped drive pork cutout \$3.91/cwt over the week previous.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	11-Jun-21	Head	4-Jun-21		
ISM pm		\$118.51		\$112.31	\$6.20	5.5%
WCB pm		\$117.97		\$112.39	\$5.58	5.0%
Nat pm		\$111.62		\$108.06	\$3.56	3.3%
CME Index*		\$118.75		\$114.02	\$4.73	4.1%
Sows, 300-449lbs	12,028	\$48.40	9,426	\$50.34	-\$1.94	-3.8%
Sows, 500+ lbs	13,392	\$54.15	9,871	\$56.28	-\$2.13	-3.8%
BoC Exch		1.2101		1.2070	0.0031	0.3%

* Represents Friday-Thursday average

Canadian market hog values continue to improve with those out of Quebec & Ontario up the most, rising \$15 & 13.75 per hog respectively. Hylife hog values rose nearly \$9.75/hog, followed by the OlyW 21 which was up \$7.50/hog. The OlyW 20 improved near \$6.75/hog, while the ML Sig 4 was up \$6.50/hog and BP/TC was \$5.25/hog higher. In the US, Tyson improved \$4.25/hog while JM jumped \$11.50/hog from the previous week.

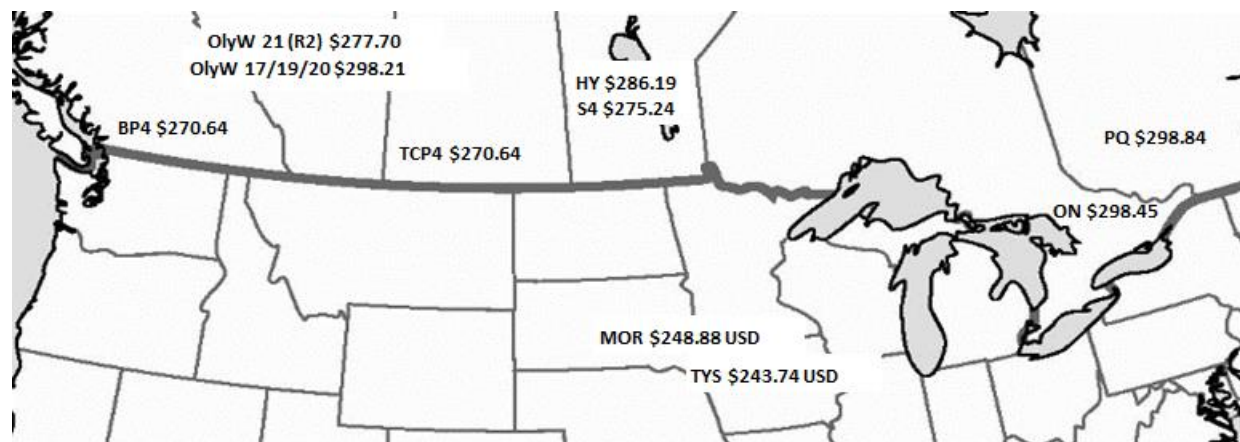
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW21	2021 YTD	Difference to OlyW21	Last 13 weeks	Difference to OlyW21	Ending 11-Jun-21	Difference to OlyW21
OlyW 2021 (R2)**	\$191.20		\$226.91		\$253.16		\$277.70	
OlyW 17/19/20*	\$183.89	-\$7.32	\$241.28	\$14.37	\$275.56	\$22.41	\$298.21	\$20.51
ML Sig 4	\$186.95	-\$4.25	\$226.43	-\$0.48	\$254.43	\$1.27	\$275.24	-\$2.46
BP4/TCP4	\$187.95	-\$3.25	\$222.93	-\$3.98	\$251.76	-\$1.40	\$270.64	-\$7.06
Hylife	\$191.62	\$0.42	\$230.48	\$3.57	\$255.40	\$2.24	\$286.19	\$8.49
Ontario***	\$185.33	-\$5.88	\$236.12	\$9.20	\$269.96	\$16.80	\$298.45	\$20.74
Québec	\$195.76	\$4.55	\$239.04	\$12.12	\$267.53	\$14.37	\$298.84	\$21.14
Tyson (USD)	\$135.14	-\$56.07	\$192.52	-\$34.39	\$231.31	-\$21.85	\$243.74	-\$33.97
John Morrell (USD)	\$127.96	-\$63.24	\$189.93	-\$36.98	\$227.47	-\$25.69	\$248.88	-\$28.83

*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 improved significantly the past week on strong cash hog and pork values despite a rise in feed costs. Canadian farrow-to-finish feed costs rose \$2/hog while those in the monitored US region were up \$1.50/hog from a week earlier.

Hog margins out of the OlyW 20 were up nearly \$4.75 to \$92.25/hog profits, followed by margins out of Quebec & Ontario which were up \$13 & \$11 per hog respectively to \$92/hog profits. Hylife was up nearly \$7.75 to \$83/hog profits while the ML Sig 4 strengthened \$4.50 to \$72/hog profits and the OlyW 21 was up \$5.50 to \$71.75/hog profits. In the US, Tyson hog margins improved \$3.50 to \$89.25/hog profits while JM margins strengthened \$10 to more than \$96/hog profits from a week earlier.

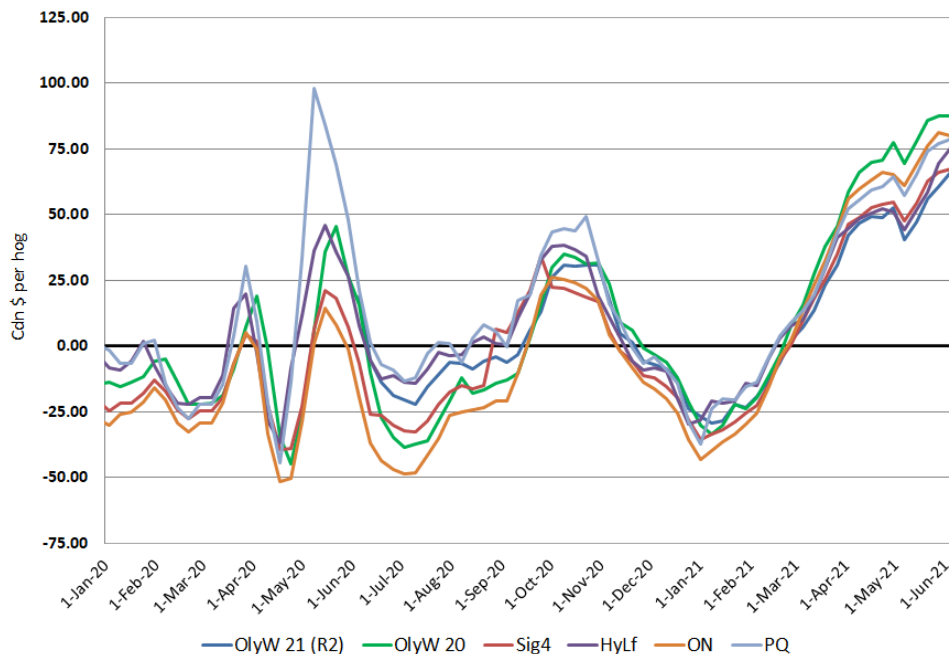
Regional MARGINS, \$/hog						
Packer/Region	11-Jun-21	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$298.21	\$146.36	\$39.45	\$20.05	\$205.86	\$92.35
OlyW 21 (R2)/Alberta	\$277.70	\$146.36	\$39.45	\$20.05	\$205.86	\$71.84
ML Sig 4/Manitoba	\$275.24	\$144.10	\$39.54	\$19.55	\$203.19	\$72.05
Hylife/Manitoba	\$286.19	\$144.11	\$39.54	\$19.55	\$203.20	\$82.99
Ontario	\$298.45	\$142.04	\$40.71	\$23.76	\$206.51	\$91.94
Québec	\$298.84	\$144.73	\$40.50	\$21.65	\$206.88	\$91.96
Tyson (USD)/Iowa	\$243.74	\$109.17	\$28.70	\$16.57	\$154.44	\$89.30
John Morrell (USD)/ND	\$248.88	\$107.44	\$28.70	\$16.57	\$152.71	\$96.17

* Feed costs standardized for a 285 pound market hog

Tyson: \$89.30 USD x 1.2188 = \$108.84 CAD

Morrell: \$96.17 USD x 1.2188 = \$117.21 CAD

Canadian Margins 2020-2021



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