



Weekly Regional HOG PRICE Report



Things to Consider....

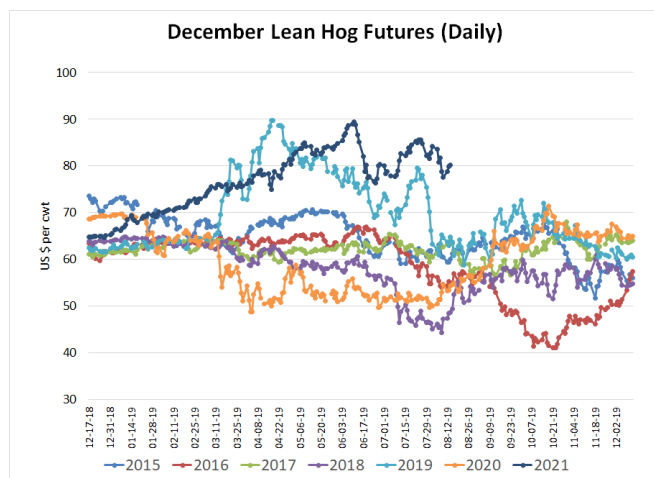
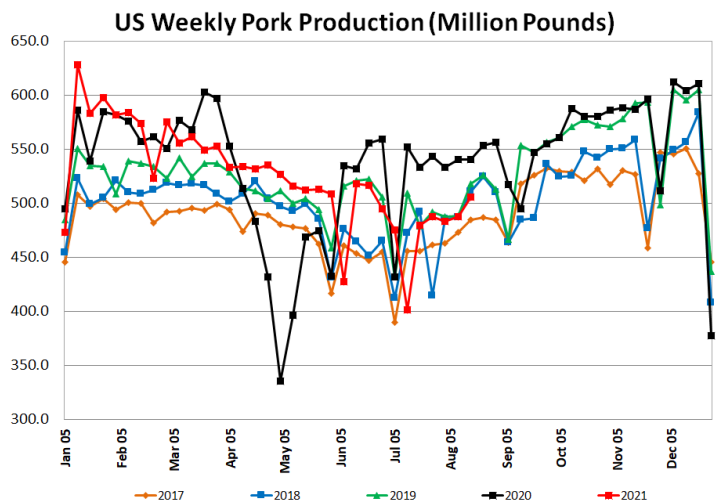
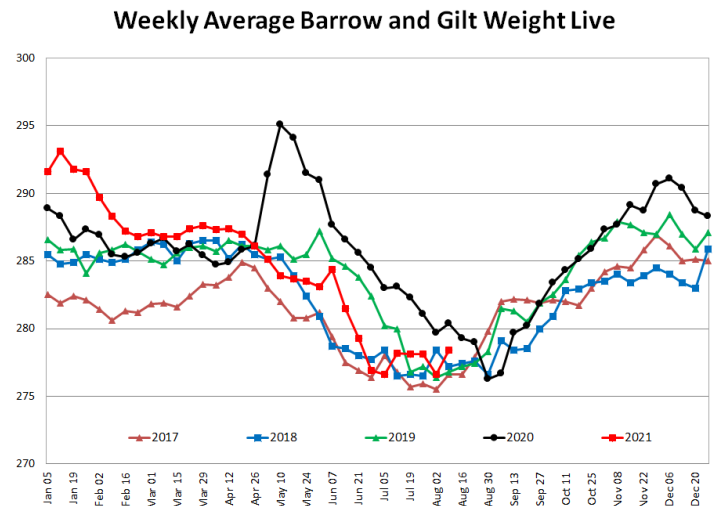
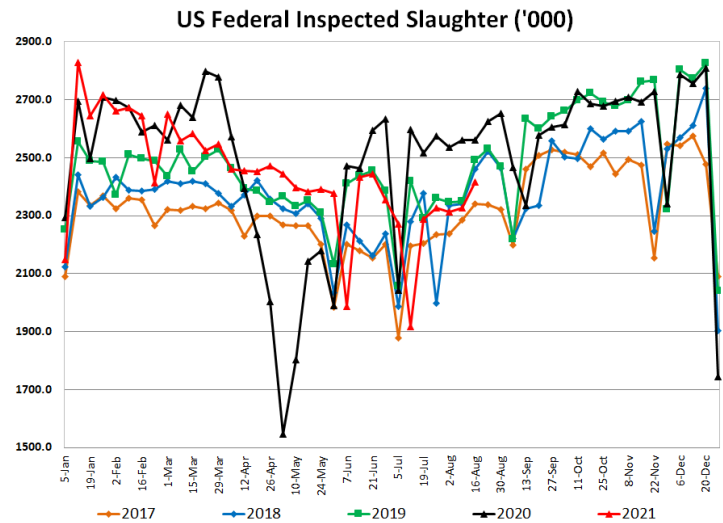
August 17, 2021

With the first half of 2021 now behind us and the market settled well into the 3rd quarter, a clearer picture of slaughter and total pork production are starting to emerge. The impact of 2020, when liquidation occurred, has now surfaced in the numbers as shown by the US Federally Inspected Slaughter graph.

Up until late June, 2021 slaughter (red line) recorded volumes above both 2018 and 2019. However since the long weekend in early July, 2021 slaughter has been lower than 2018 and 2019 for 5 consecutive weeks. It is worth mentioning that the declines are very minimal compared to those years, but non the less they are lower and are projected to continue lower for the remainder of the marketing year.

At first glance the lower slaughter, lighter weights and reduced pork production might indicate a bullish price trend into the late fall months however a quick look at December futures relative to the last 6 years show that the above mentioned bullish factors are already priced into the market.

Hog producers looking to protect against potential market weakness due to unforeseen issues that may arise later this year, should use the current pricing opportunity to limit risk for the end of 2021 and early 2022. The market is expected to be volatile and from the trend that appears to be forming in the December lean hog contract shown below, hedging is recommended soon than later.



Weekly Hog Price Recap

Regional cash hogs varied with mid-week declines offsetting more modest improvements recorded in the week, while national cash declined near daily. CME cash fell every day, however generally at more conservative daily moves. Most wholesale pork values declined on the week which weighed pork cutout \$2.10/cwt under the previous week's average.

| USD Cash Price | Weekly Averages | | | | w/w | % Chg |
|------------------|-----------------|-----------|--------|----------|---------|-------|
| | Head | 13-Aug-21 | Head | 6-Aug-21 | | |
| ISM pm | | \$102.86 | | \$105.22 | -\$2.37 | -2.2% |
| WCB pm | | \$102.58 | | \$104.84 | -\$2.27 | -2.2% |
| Nat pm | | \$99.86 | | \$101.92 | -\$2.05 | -2.0% |
| CME Index* | | \$110.50 | | \$111.99 | -\$1.49 | -1.3% |
| Sows, 300-449lbs | 11,699 | \$85.42 | 12,708 | \$81.96 | \$3.46 | 4.2% |
| Sows, 500+ lbs | 11,721 | \$92.03 | 11,037 | \$88.19 | \$3.84 | 4.4% |
| BoC Exch | | 1.2529 | | 1.2534 | -0.0005 | -0.0% |

* Represents Friday-Thursday average

Canadian market hog values declined as much \$4/hog given the decline in cash hog and pork values. The ML Sig 4 fell \$4/hog, followed closely by hog values out of Ontario and Hylife and those out of Quebec fell shy of \$3.50/hog. Markets derived from lagged base pricing recorded improvement with the OlyW 21 up shy of \$1/hog, BP/TC up closer to \$0.75/hog and the OlyW 20 was near even with the week previous. In the US, hog values out of Tyson & JM each fell near \$4.75/hog from week ago levels.

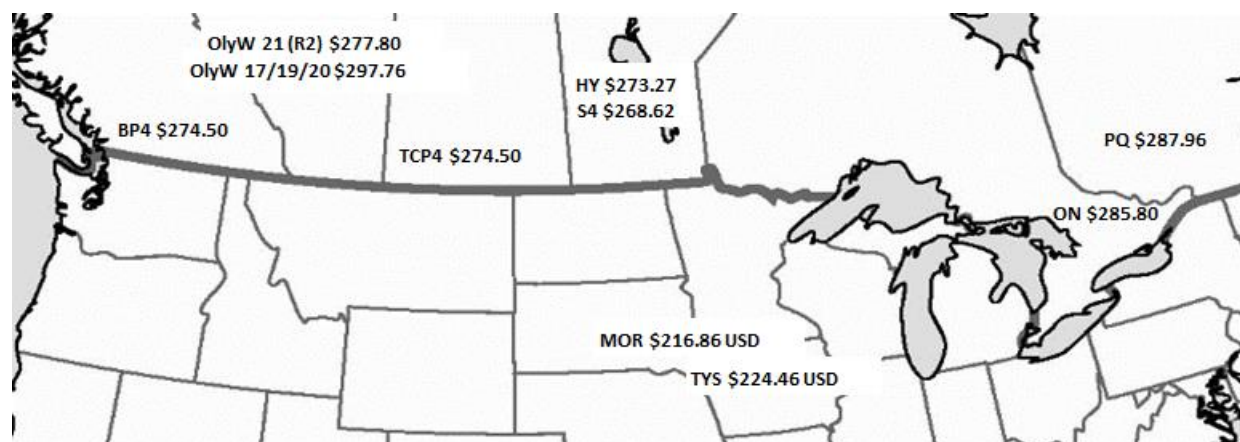
| Regional Pricing, \$/hog | | | | | | | | |
|--------------------------|----------|----------------------|----------|----------------------|---------------|----------------------|------------------|----------------------|
| Packer/Region | 3 Year | Difference to OlyW21 | 2021 YTD | Difference to OlyW21 | Last 13 weeks | Difference to OlyW21 | Ending 13-Aug-21 | Difference to OlyW21 |
| OlyW 2021 (R2)** | \$195.09 | | \$239.90 | | \$271.45 | | \$277.80 | |
| OlyW 17/19/20* | \$187.90 | -\$7.19 | \$258.05 | \$18.15 | \$297.93 | \$26.48 | \$297.76 | \$19.96 |
| ML Sig 4 | \$190.64 | -\$4.45 | \$239.70 | -\$0.20 | \$271.68 | \$0.23 | \$268.62 | -\$9.19 |
| BP4/TCP4 | \$191.75 | -\$3.34 | \$237.94 | -\$1.96 | \$272.92 | \$1.47 | \$274.50 | -\$3.30 |
| Hylife | \$195.36 | \$0.27 | \$242.05 | \$2.15 | \$271.52 | \$0.08 | \$273.27 | -\$4.53 |
| Ontario*** | \$189.72 | -\$5.37 | \$251.80 | \$11.90 | \$290.05 | \$18.60 | \$285.80 | \$8.00 |
| Québec | \$200.13 | \$5.04 | \$253.46 | \$13.56 | \$288.50 | \$17.05 | \$287.96 | \$10.16 |
| Tyson (USD) | \$139.89 | -\$55.20 | \$208.16 | -\$31.74 | \$246.88 | -\$24.57 | \$224.46 | -\$53.35 |
| John Morrell (USD) | \$132.90 | -\$62.19 | \$204.82 | -\$35.08 | \$242.93 | -\$28.51 | \$216.86 | -\$60.94 |

*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

Most hog margins recorded significant weakness from week ago levels, pressured by decreased hog values and further weighed on by an increase in feed costs. Canadian farrow-to-finish feed costs climbed \$1.65/hog while those in the monitored US region increased a little more, up \$1.80/hog from a week earlier.

Hog margins out of the OlyW 20 weakened \$1.50 to \$97.25/hog profits, while those out of Quebec fell \$5 to \$86.40/hog profits and Ontario declined \$5.50 to \$84.65/hog profits. OlyW 21 margins were down \$0.75 to \$77.25/hog profits, Hylife margins weakened \$5.40 to \$75.40/hog profits, while ML Sig 4 dropped \$5.60 to \$70.75/hog profits. In the US, hog margins out of Tyson weakened \$5.85 to nearly \$75/hog profits while JM margins were \$6.50 lower to \$69/hog profits.

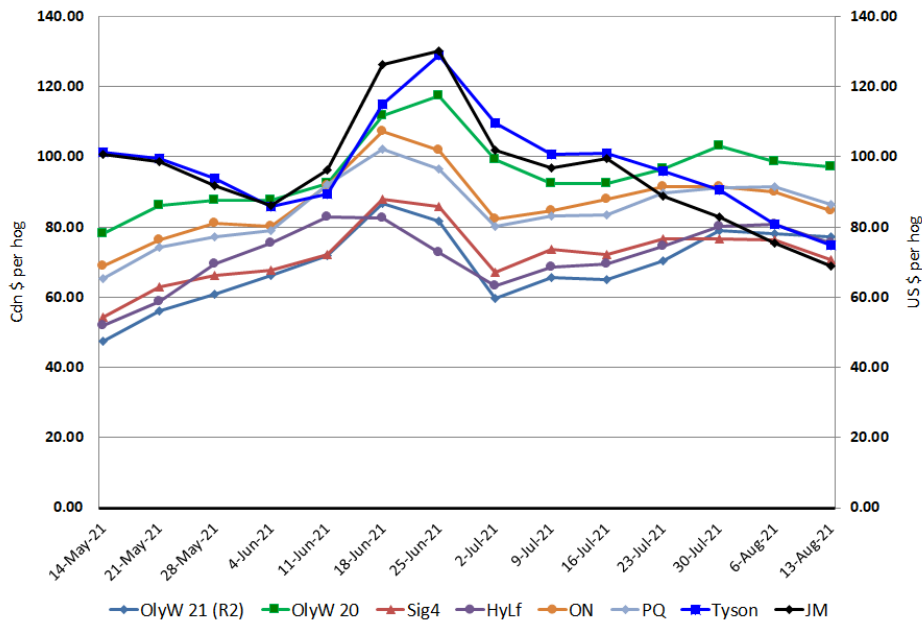
| Regional MARGINS, \$/hog | | | | | | |
|--------------------------|-----------|----------|------------------|---------|-----------|---------------|
| Packer/Region | 13-Aug-21 | | Farrow to Finish | | Total COP | Weekly Margin |
| | Hog Price | Feed* | Variable | Fixed | | |
| OlyW 20/Alberta | \$297.76 | \$141.03 | \$39.45 | \$20.05 | \$200.53 | \$97.23 |
| OlyW 21 (R2)/Alberta | \$277.80 | \$141.03 | \$39.45 | \$20.05 | \$200.53 | \$77.27 |
| ML Sig 4/Manitoba | \$268.62 | \$138.77 | \$39.54 | \$19.55 | \$197.86 | \$70.76 |
| Hylife/Manitoba | \$273.27 | \$138.78 | \$39.54 | \$19.55 | \$197.87 | \$75.40 |
| Ontario | \$285.80 | \$136.71 | \$40.71 | \$23.76 | \$201.18 | \$84.62 |
| Québec | \$287.96 | \$139.40 | \$40.50 | \$21.65 | \$201.55 | \$86.41 |
| Tyson (USD)/Iowa | \$224.46 | \$104.31 | \$28.70 | \$16.57 | \$149.58 | \$74.88 |
| John Morrell (USD)/ND | \$216.86 | \$102.58 | \$28.70 | \$16.57 | \$147.85 | \$69.01 |

* Feed costs standardized for a 285 pound market hog

Tyson: \$74.88 USD x 1.2623 = \$94.52 CAD

Morrell: \$69.01 USD x 1.2623 = \$87.11 CAD

Canadian & US Margins Last 13 weeks



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