



Weekly Regional HOG PRICE Report



Things to Consider....

October 5, 2021

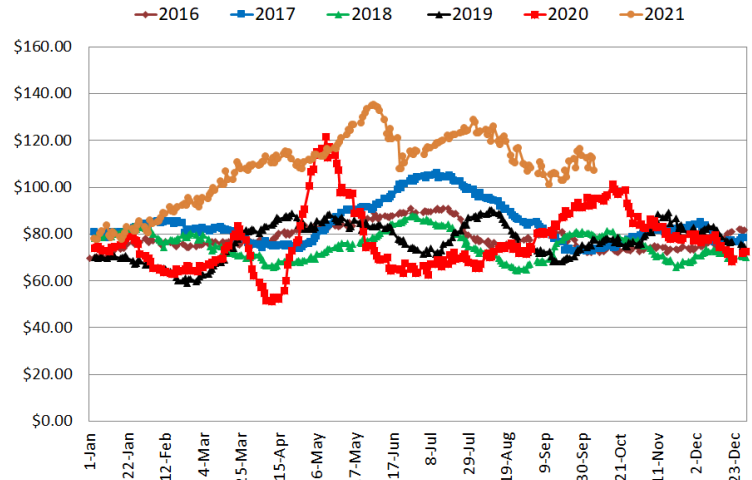
Historically speaking, pork cut-out values, as illustrated in the following graphs, are at their highest levels seen in history for this time of year. Only in 2020 has pork cut-out surpassed the \$100 US per cwt mark in the 4th quarter until this year.

Pork cut-out has now spent most of 2021 above the \$100 mark surpassing that price level back in March. Expectations are for cut-out to drift lower into the end of the year, which is very seasonal, however a value sub \$80, which is common at calendar year end, is not necessarily in the cards.

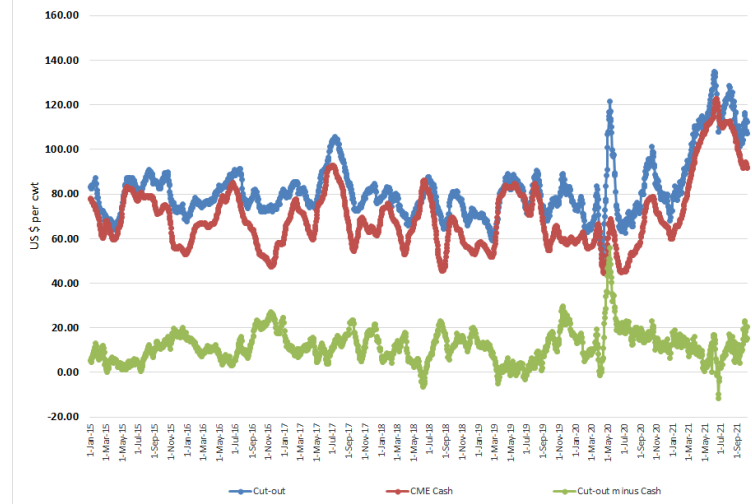
With the newly traded pork cut-out futures slowly gaining traction and volume, their values are becoming more usable to industry participants. The December 2021 Pork Cut-out futures contract shown below has reached highs above \$100 US per cwt and found significant support around \$90 US. Expectations are for the meat market to hold pork in and around \$95 US per cwt as it trades currently. Volatility is expected to continue as uncertainty around exports continues to loom.

With cut-out pegged near \$95 for the end of the year, the historical spread below (green line) shows a spread to CME cash between \$0 and \$20 per cwt. More recently the spread has been large around \$20 US per cwt but on average remains around \$10-15. With cut-out at \$95 that would result in a CME cash between \$80-85 US per cwt for December lean hogs. For reference Dec 2021 lean hogs are trading at \$78.70 US per cwt implying a discount to cut-out more than what has been seen so far this year.

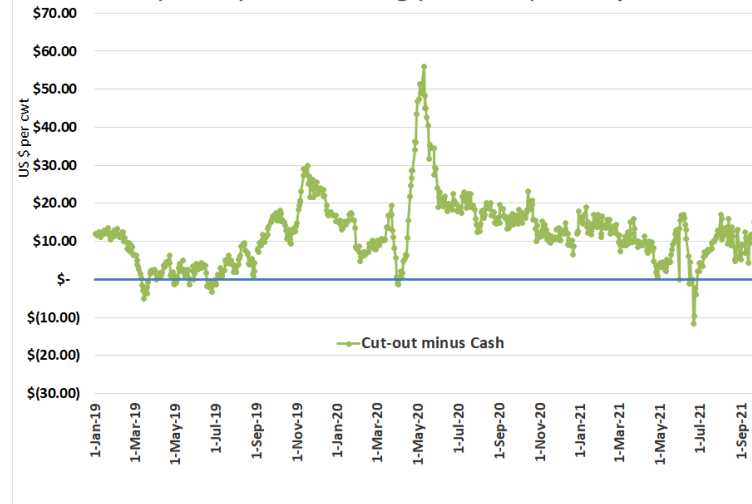
USDA National Carlot Pork Report - Cutout



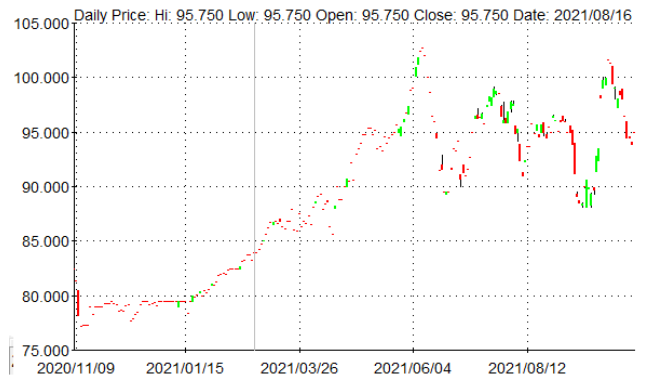
Pork (Cutout) vs Market hog (CME cash) Price Spread



Pork (Cutout) vs Market hog (CME cash) Price Spread



Dec 2021 PORK CUTOUT



Weekly Hog Price Recap

Regional and national cash hogs fell daily with heavier declines recorded early-week. In contrast, CME cash improved for much of the week, especially mid-week, however ended the week modestly lower. Most wholesale pork primals recorded higher values, excluding loins, which supported pork cutout \$7.45/cwt over the previous week's average.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	1-Oct-21	Head	24-Sep-21		
ISM pm		\$75.18		\$80.22	-\$5.04	-6.3%
WCB pm		\$75.00		\$79.88	-\$4.88	-6.1%
Nat pm		\$75.53		\$79.82	-\$4.29	-5.4%
CME Index*		\$92.57		\$92.72	-\$0.15	-0.2%
Sows, 300-449lbs	13,523	\$63.68	11,261	\$69.56	-\$5.87	-8.4%
Sows, 500+ lbs	12,940	\$72.05	11,932	\$78.02	-\$5.96	-7.6%
BoC Exch		1.2678		1.2744	-0.0066	-0.5%

* Represents Friday-Thursday average

Canadian market hog values generally declined, however those derived from base pricing which includes cutout did improve significantly. Hog values out of Quebec were up nearly \$9/hog, followed by those out of Hylife which were \$8.50/hog higher. Ontario hog values were nearly unchanged from the week previous, while the Sig 4 fell more than \$2/hog. BP/TP fell \$4.75/hog, while the OlyW 20 was down more than \$4.25/hog and the OlyW 21 slipped nearly \$0.50/hog. In the US, hog values out of Tyson dropped nearly \$11.75/hog while JM fell near \$10/hog from week ago levels.

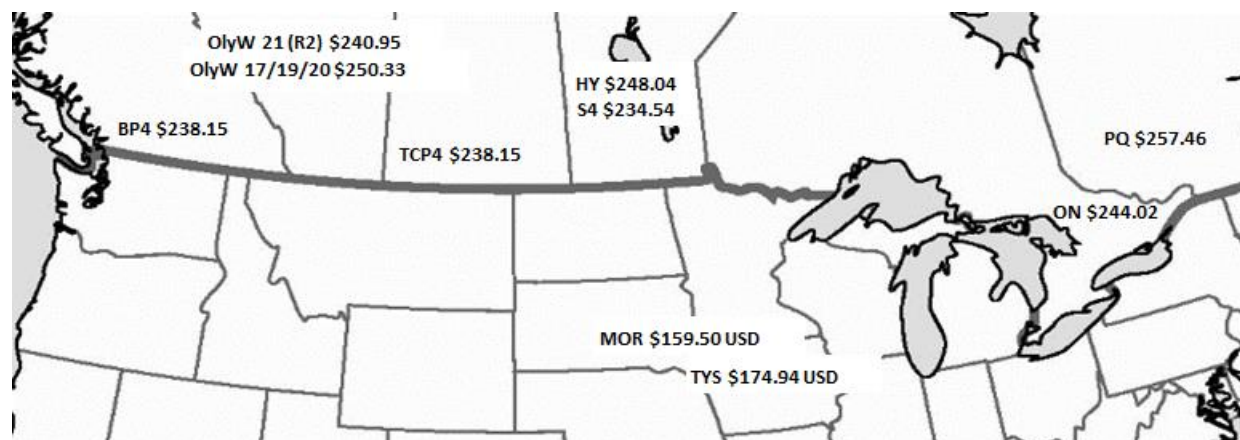
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW21	2021 YTD	Difference to OlyW21	Last 13 weeks	Difference to OlyW21	Ending 1-Oct-21	Difference to OlyW21
OlyW 2021 (R2)**	\$199.25		\$242.59		\$263.04		\$240.95	
OlyW 17/19/20*	\$193.26	-\$5.99	\$260.45	\$17.86	\$282.86	\$19.83	\$250.33	\$9.38
ML Sig 4	\$195.07	-\$4.18	\$241.47	-\$1.12	\$259.53	-\$3.50	\$234.54	-\$6.40
BP4/TCP4	\$195.65	-\$3.60	\$241.21	-\$1.38	\$263.91	\$0.88	\$238.15	-\$2.80
Hylife	\$199.14	-\$0.11	\$243.30	\$0.71	\$260.10	-\$2.94	\$248.04	\$7.09
Ontario***	\$194.92	-\$4.33	\$253.32	\$10.73	\$273.27	\$10.23	\$244.02	\$3.07
Québec	\$205.55	\$6.30	\$255.50	\$12.91	\$275.55	\$12.52	\$257.46	\$16.51
Tyson (USD)	\$144.26	-\$54.99	\$207.19	-\$35.40	\$219.23	-\$43.81	\$174.94	-\$66.01
John Morrell (USD)	\$137.18	-\$62.07	\$202.47	-\$40.12	\$209.85	-\$53.18	\$159.50	-\$81.45

*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 monitored hog margins weakened again this past week on generally lower hog values and were further pressured by increased feed costs. Canadian farrow-to-finish feed costs climbed \$0.90/hog while those in the monitored US region were up \$1.15/hog.

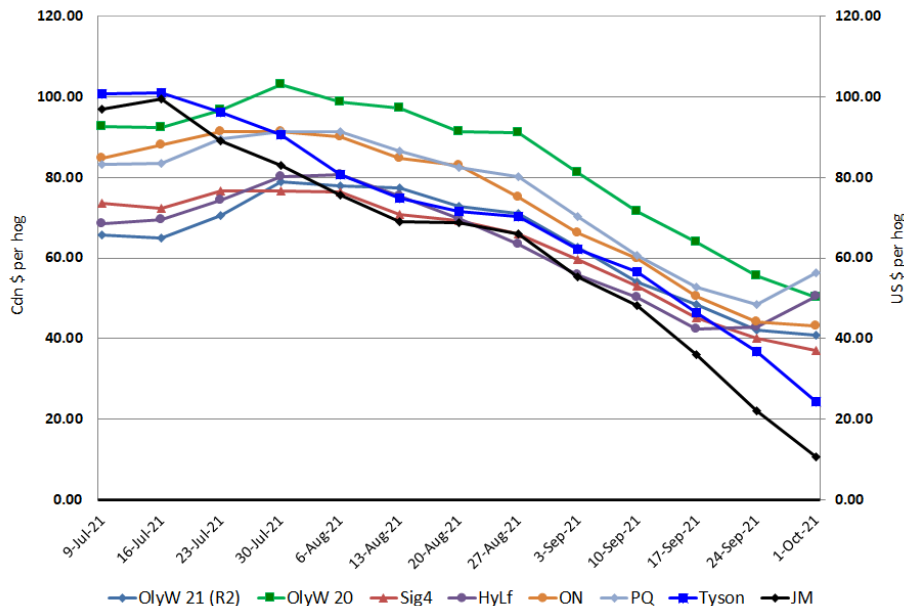
Hog margins out of Quebec strengthened \$8 to \$56.35/hog profits, followed by Hylife which rose \$7.65 to \$50.60/hog profits and the OlyW 20 which weakened \$5.30 to \$50.25/hog profits. Margins out of Ontario weakened \$0.85 to \$43.25/hog profits while the OlyW 21 fell \$1.30 to \$40.85/hog profits and the Sig 4 was down \$3 to \$37.10/hog profits. In the US, hog margins out of Tyson weakened \$12.25 to \$24.50/hog profits while JM margins were \$11.30 lower to \$10.75/hog profits.

Regional MARGINS, \$/hog						
Packer/Region	1-Oct-21	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$250.33	\$140.60	\$39.45	\$20.05	\$200.10	\$50.23
OlyW 21 (R2)/Alberta	\$240.95	\$140.60	\$39.45	\$20.05	\$200.10	\$40.85
ML Sig 4/Manitoba	\$234.54	\$138.34	\$39.54	\$19.55	\$197.43	\$37.11
Hylife/Manitoba	\$248.04	\$138.35	\$39.54	\$19.55	\$197.44	\$50.60
Ontario	\$244.02	\$136.28	\$40.71	\$23.76	\$200.75	\$43.27
Québec	\$257.46	\$138.97	\$40.50	\$21.65	\$201.12	\$56.34
Tyson (USD)/Iowa	\$174.94	\$105.18	\$28.70	\$16.57	\$150.45	\$24.49
John Morrell (USD)/ND	\$159.50	\$103.45	\$28.70	\$16.57	\$148.72	\$10.78

* Feed costs standardized for a 285 pound market hog

Tyson: \$24.49 USD x 1.2575 = \$30.80 CAD
 Morrell: \$10.78 USD x 1.2575 = \$13.56 CAD

Canadian & US Margins Last 13 weeks



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