

November 16, 2021

Things to Consider....

Since the end of October, nearby and deferred lean hogs futures have traded in opposing directions providing varying opportunities for producers looking for risk mitigation in late 2021 and into 2022.

As illustrated by the lean hog futures charts, nearby December 2021 has traded unchanged from late Oct to late Nov. That, following the sharp run up in the first week of October in reaction to the September Hog & Pig report released on Sep 24th which was then followed by an equivalent collapse during the month of October. With December hogs trading range bound just above \$75 US per cwt, the expectation is for that contract to expire near \$75 as CME cash prepares to merge with the nearby around the 14th of December.

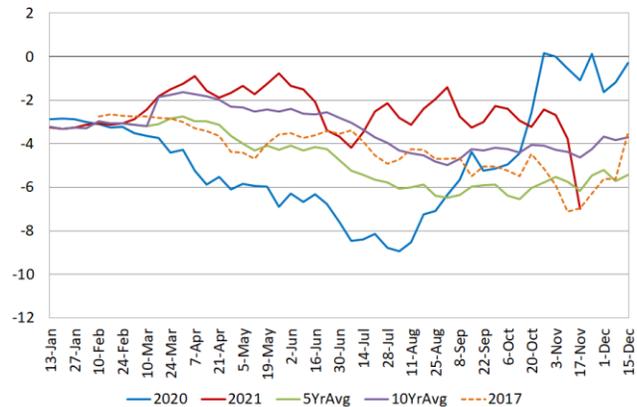
A sharp contrast to the direction of the December has been the activity in Feb, April and most other 2022 hog contracts.

The spread chart shown above illustrates that in early October the Dec contract was approximately -\$3 below the Feb contract (red line), and had been that way since March 2021. Historically speaking the Dec contract has shown a spread to the Feb anywhere from 1 under to as much as 6 under before commonly leveling out in the fall and settling between 4 and 6 dollars below the Feb at expiry. However recently in 2021, the weekly spread chart shows that Dec traded to as much as \$7 under the Feb and the daily trade went beyond \$8 below the Feb.

The large gap or spread between Dec and Feb indicates that the market anticipates lower cash due to more hogs into the end of the calendar year, but does not believe the numbers will be burdensome once into the start of 2022. The market is unwilling, based on the larger than normal spread, to bring Feb down with December. Other positive news is the June 2022 lean hogs and other summer months have reached new contract highs this week, as the market anticipates further tightening of supplies once into the middle of 2022 which was projected in the last USDA H&P report released in Sep.

The next major supply report is to be released in late December, on the 23rd. That report will either confirm the numbers published in Sep or provide a new set triggering further reaction and direction for the market.

Lean Hog Weekly Spread: Dec-Feb



Dec 2021 Lean Hogs



February 2022 Lean Hogs



June 2022 Lean Hogs



Weekly Hog Price Recap

Cash hogs declined near daily, with regional and national cash reported higher only Thursday. CME cash was also recorded lower moves overall, however resulted in a more moderate week-over-week change compared to cash hogs. Most wholesale pork values slid throughout much of the week, only hams and ribs finished higher, with US pork cutout down \$2.52/cwt from the previous week's average.

USD Cash Price	Weekly Averages					
	Head	12-Nov-21	Head	5-Nov-21	w/w	% Chg
ISM pm		\$58.62		\$61.40	-\$2.78	-4.5%
WCB pm		\$58.58		\$61.36	-\$2.78	-4.5%
Nat pm		\$58.41		\$60.48	-\$2.07	-3.4%
CME Index*		\$78.37		\$78.78	-\$0.41	-0.5%
Sows, 300-449lbs	13,601	\$65.73	13,433	\$62.17	\$3.57	5.7%
Sows, 500+ lbs	10,889	\$72.16	12,528	\$68.12	\$4.03	5.9%
BoC Exch		1.2473		1.2418	0.0055	0.4%

* Represents Friday-Thursday average

Market hog values generally declined, however some markets managed to improve on the week such the OlyW 21 which climbed more than \$1/hog and the ML Sig 4 which was up shy of \$0.75/hog. Hog values out of Quebec and Ontario each fell near \$1/hog, while the OlyW 20 was \$2/hog lower, Hylife fell \$4/hog and BP/TC dropped shy of \$6/hog. In the US, hog values out of Tyson declined \$6/hog while JM was down closer to \$5.75/hog from week ago levels.

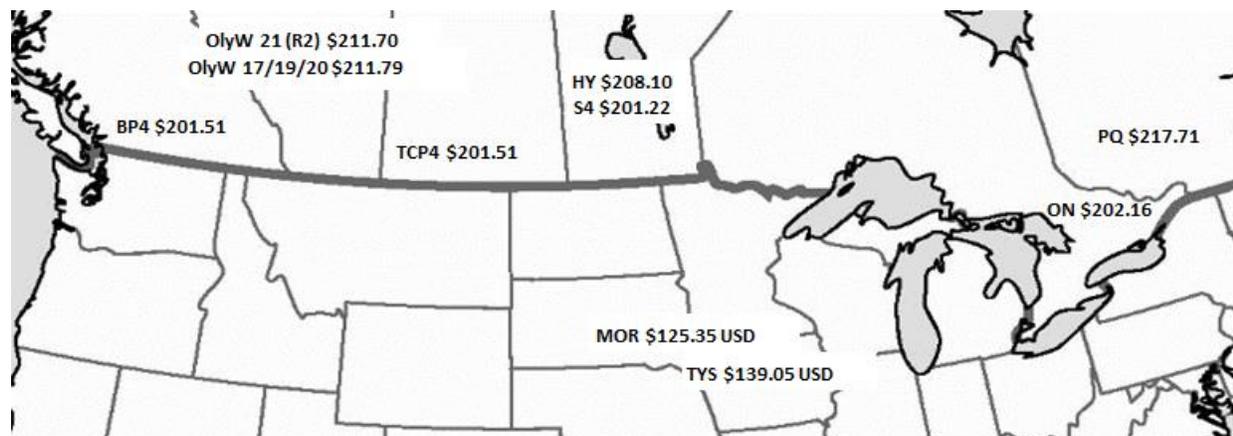
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW21	2021 YTD	Difference to OlyW21	Last 13 weeks	Difference to OlyW21	Ending 12-Nov-21	Difference to OlyW21
OlyW 2021 (R2)**	\$200.79		\$240.51		\$242.50		\$211.70	
OlyW 17/19/20*	\$195.46	-\$5.33	\$256.48	\$15.98	\$252.63	\$10.13	\$211.79	\$0.09
ML Sig 4	\$196.42	-\$4.37	\$237.83	-\$2.68	\$233.24	-\$9.26	\$201.22	-\$10.49
BP4/TCP4	\$197.29	-\$3.50	\$238.50	-\$2.00	\$239.89	-\$2.61	\$201.51	-\$10.20
Hylife	\$200.52	-\$0.27	\$240.41	-\$0.09	\$236.94	-\$5.55	\$208.10	-\$3.60
Ontario***	\$196.34	-\$4.45	\$248.52	\$8.02	\$240.45	-\$2.04	\$202.16	-\$9.54
Québec	\$207.68	\$6.89	\$252.54	\$12.03	\$250.29	\$7.79	\$217.71	\$6.01
Tyson (USD)	\$144.88	-\$55.91	\$199.99	-\$40.52	\$179.82	-\$62.68	\$139.05	-\$72.65
John Morrell (USD)	\$137.47	-\$63.33	\$193.76	-\$46.74	\$165.77	-\$76.73	\$125.35	-\$86.36

*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 generally fell on the week as most markets recorded lower values. Feed costs modestly impacted hog margins, with Canadian farrow-to-finish feed costs climbing \$0.25/hog while those in the monitored US region edged \$0.15/hog lower than a week earlier.

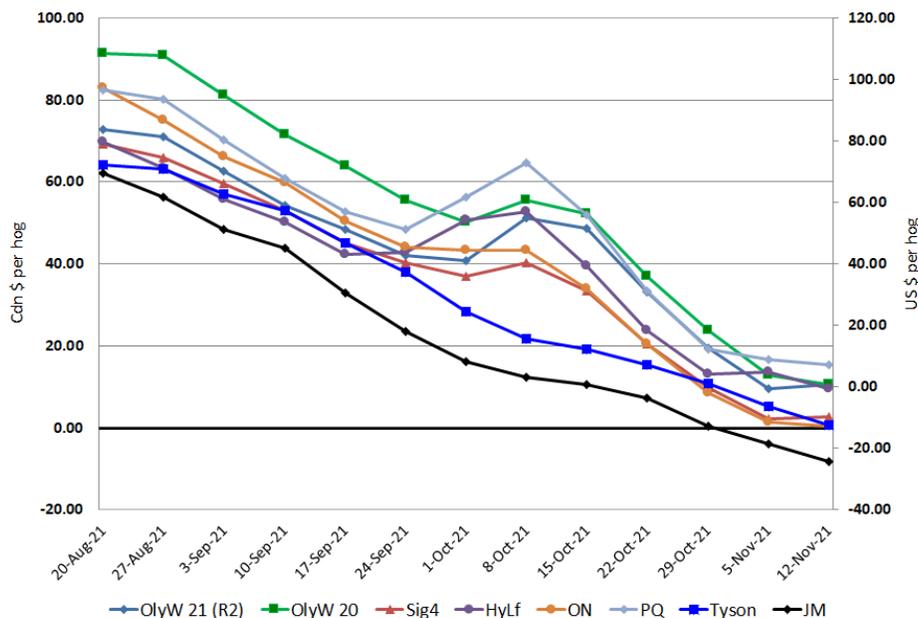
Despite the continued slide in hog margins, monitored Canadian margins remain at positive values. Hog margins out of the Quebec weakened more than \$1.25 to \$15.50/hog profits, while the OlyW 20 fell \$2.25 and OlyW 21 was up shy of \$1 with each near \$10.50/hog profits. Hylife margins weakened more than \$4 to \$9.50/hog profits, while ML Sig 4 margins strengthened \$0.50 to nearly \$2.75/hog profits and Ontario fell nearly \$1.25 to \$0.25/hog profits. Hog margins in the US face dollar per hog losses, with Tyson and JM each weakening near \$5.75 on the week to \$12.25/hog and \$24.25/hog losses respectively.

Regional MARGINS, \$/hog						
Packer/Region	12-Nov-21		Farrow to Finish		Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$211.79	\$141.72	\$39.45	\$20.05	\$201.22	\$10.57
OlyW 21 (R2)/Alberta	\$211.70	\$141.72	\$39.45	\$20.05	\$201.22	\$10.48
ML Sig 4/Manitoba	\$201.22	\$139.46	\$39.54	\$19.55	\$198.55	\$2.67
Hylife/Manitoba	\$208.10	\$139.47	\$39.54	\$19.55	\$198.56	\$9.54
Ontario	\$202.16	\$137.40	\$40.71	\$23.76	\$201.87	\$0.29
Québec	\$217.71	\$140.09	\$40.50	\$21.65	\$202.24	\$15.47
Tyson (USD)/Iowa	\$139.05	\$106.14	\$28.70	\$16.57	\$151.41	-\$12.36
John Morrell (USD)/ND	\$125.35	\$104.41	\$28.70	\$16.57	\$149.68	-\$24.33

* Feed costs standardized for a 285 pound market hog

Tyson: $\$(12.36)$ USD x 1.255 = $\$(15.51)$ CAD
 Morrell: $\$(24.33)$ USD x 1.255 = $\$(30.52)$ CAD

Canadian & US Margins Last 13 weeks



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