

November 23, 2021

Things to Consider....

US federally inspected hog slaughter for the US Thanksgiving holiday week was reported at 2,261 thousand head: down -14.2% from a week earlier, -3.4% under last year and -1.4% year-to-date compared to the same weeks in 2020.

US sow slaughter for the week ending November 13th was up +0.4% from the previous week to 60,900 head, which is -7.9% compared to last year. Year-to-date, sow slaughter is up +2.3% compared to the same weeks in 2020.

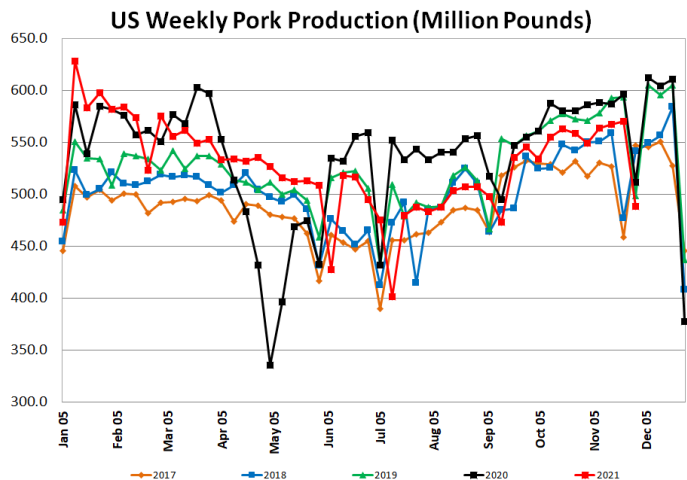
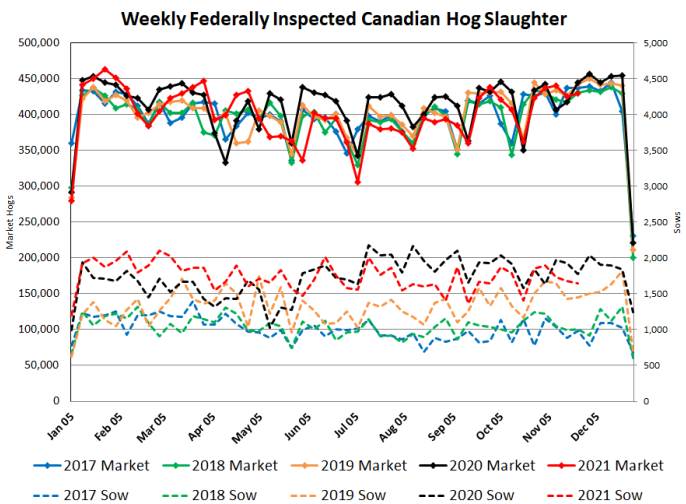
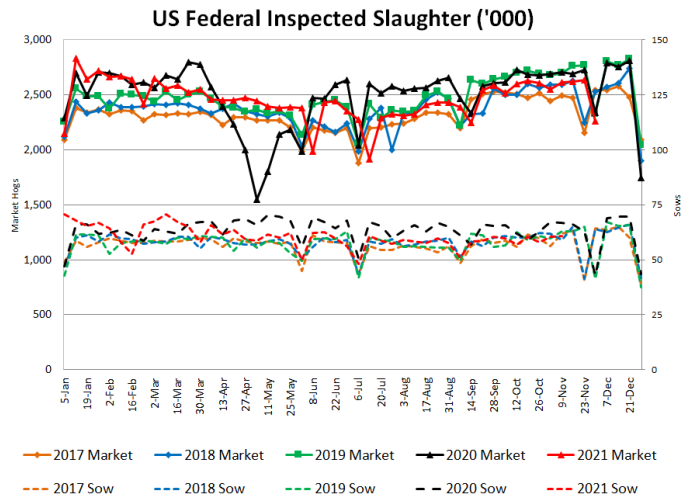
Canadian federally inspected market hog slaughter for the week ending Nov 20th at 429 thousand head climbed 3.4 thousand or +0.8% from the week previous and is -3.0% compared to last year and -6.0% compared to last year-to-date.

Canadian sow slaughter was reported at 1,643 head for the same week, down -2.2% from the week previous and -7.5% under than the same week last year. Year-to-date, Canadian sow slaughter is -5.9% under last year-to-date however it's worth noting that 2020 reflected a historically strong rate of slaughter.

US pork production fell 78.8 million or -13.9% to 487.9 million pounds during the US holiday week, bringing overall production -4.6% under last year and -1.5% under last year-to-date.

Canadian pork production numbers are estimates derived from current slaughter figures and an annual average Canadian slaughter hog weight. Based on the latest slaughter rates in Canadian weekly pork production climbed +1.7% for the week ending Nov 20th, down -0.1% from year ago levels and -4.0% under last year-to-date.

With market hog slaughter and production hovering around 2018 levels and sow slaughter showing signs of tapering off to more historical levels, the liquidation phase, which has been recorded over the last 18-20 months since packers were forced to shut down in early 2020, is now considered over. For now, sow expansion does not appear to be on the table, however North America sow numbers are likely to level off at current volumes which will also stabilize market hog volumes going forward.



Weekly Hog Price Recap

Cash hog pricing continues to fall, with national cash down daily while regional cash managed to record a moderate improvement Tuesday. CME cash moved similarly to regional cash, however recorded heavier late-week declines in comparison. Wholesale pork values were mixed with bellies, picnics and loins lower on the week, however most primals also faced early-week declines. US pork cutout was down \$4.55/cwt from the previous week's average.

USD Cash Price	Weekly Averages				
	Head	19-Nov-21	Head	12-Nov-21	w/w % Chg
ISM pm		\$56.37		\$58.62	-\$2.25 -3.8%
WCB pm		\$56.35		\$58.58	-\$2.23 -3.8%
Nat pm		\$56.19		\$58.41	-\$2.21 -3.8%
CME Index*		\$75.50		\$78.37	-\$2.87 -3.7%
Sows, 300-449lbs	13,420	\$68.70	13,601	\$65.73	\$2.96 4.5%
Sows, 500+ lbs	11,036	\$75.64	10,889	\$72.16	\$3.49 4.8%
BoC Exch		1.2583		1.2473	0.0110 0.9%

* Represents Friday-Thursday average

Market hog values generally declined \$3-\$6 per hog on the week with those out of Hylife and Ontario down the most, each down near \$5.75/hog. Hog values out of Quebec fell \$4.50/hog and the ML Sig 4 was down shy of \$4, while the OlyW 20 & 21 were each down near \$3.25/hog and BP/TC climbed closer to \$0.75/hog. In the US, hog values out of Tyson declined \$5.50/hog while JM was down near to \$4.75/hog from week ago levels.

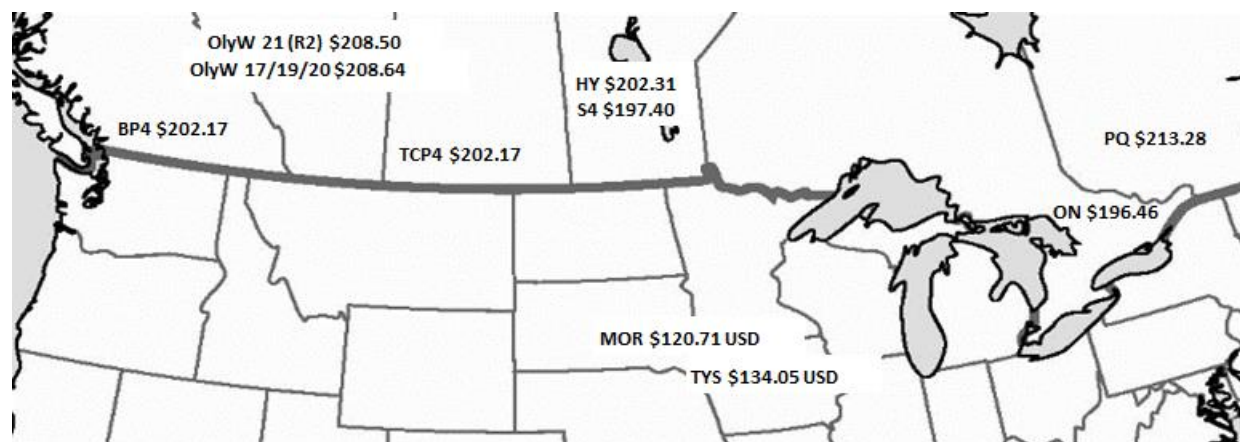
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW21	2021 YTD	Difference to OlyW21	Last 13 weeks	Difference to OlyW21	Ending 19-Nov-21	Difference to OlyW21
OlyW 2021 (R2)**	\$200.97		\$239.80		\$237.43		\$208.50	
OlyW 17/19/20*	\$195.76	-\$5.21	\$255.44	\$15.64	\$246.16	\$8.72	\$208.64	\$0.14
ML Sig 4	\$196.57	-\$4.40	\$236.95	-\$2.85	\$227.80	-\$9.64	\$197.40	-\$11.10
BP4/TCP4	\$197.46	-\$3.51	\$237.71	-\$2.09	\$234.63	-\$2.80	\$202.17	-\$6.33
Hylife	\$200.70	-\$0.27	\$239.57	-\$0.23	\$231.85	-\$5.58	\$202.31	-\$6.18
Ontario***	\$196.49	-\$4.48	\$247.39	\$7.59	\$233.64	-\$3.79	\$196.46	-\$12.04
Québec	\$207.94	\$6.97	\$251.69	\$11.89	\$244.77	\$7.33	\$213.28	\$4.78
Tyson (USD)	\$144.91	-\$56.06	\$198.57	-\$41.23	\$173.03	-\$64.40	\$134.05	-\$74.45
John Morrell (USD)	\$137.49	-\$63.48	\$192.17	-\$47.63	\$158.24	-\$79.20	\$120.71	-\$87.79

*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

Hog margins weakened significantly amid lower hog and pork values, and were further pressured by rising feed costs. Canadian farrow-to-finish feed costs jumped \$4.50/hog while those in the monitored US region were up more than \$2.25/hog from a week earlier.

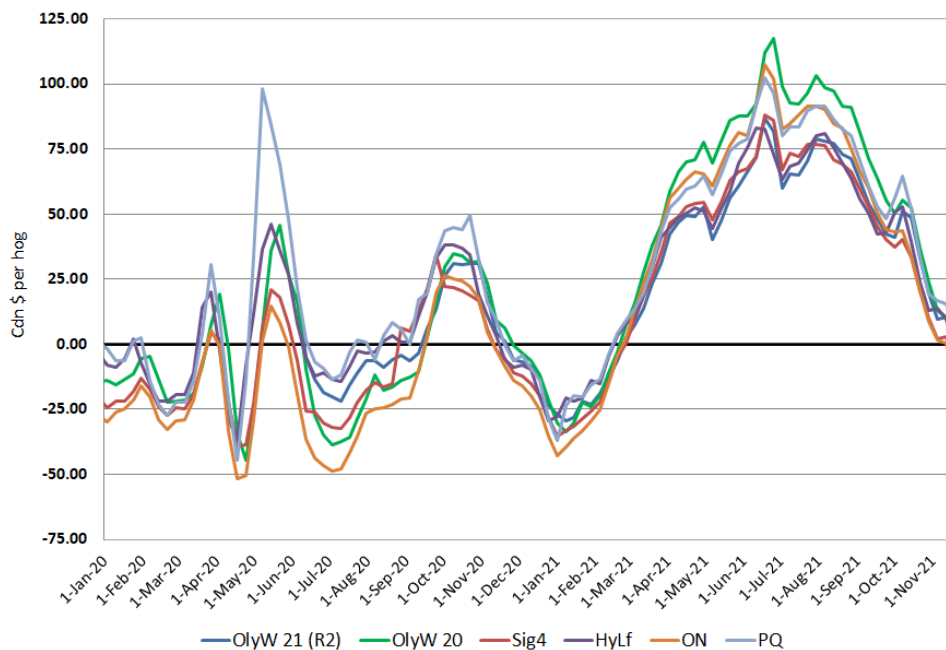
Half of the monitored Canadian margins slipped to dollar per hog losses this week. Hog margins out of the Ontario weakened \$10.25 to \$10/hog losses, while the Sig 4 fell more than \$8.25 to \$5.75/hog losses and Hylife weakened more than \$10.25 to \$0.75/hog losses. The OlyW 20 & 21 each fell \$7.75 to near \$2.75/hog profits, while hog margins out of Quebec dropped \$9 to \$6.50/hog profits on the week. Hog margins in the US were also down significantly, with Tyson nearly \$8 weaker to \$19.75/hog losses and JM was \$7 weaker to \$31.25/hog losses.

Regional MARGINS, \$/hog						
Packer/Region	19-Nov-21 Farrow to Finish				Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$208.64	\$146.28	\$39.45	\$20.05	\$205.78	\$2.86
OlyW 21 (R2)/Alberta	\$208.50	\$146.28	\$39.45	\$20.05	\$205.78	\$2.72
ML Sig 4/Manitoba	\$197.40	\$144.02	\$39.54	\$19.55	\$203.11	-\$5.71
Hylife/Manitoba	\$202.31	\$144.03	\$39.54	\$19.55	\$203.12	-\$0.81
Ontario	\$196.46	\$141.96	\$40.71	\$23.76	\$206.43	-\$9.97
Québec	\$213.28	\$144.65	\$40.50	\$21.65	\$206.80	\$6.48
Tyson (USD)/Iowa	\$134.05	\$108.44	\$28.70	\$16.57	\$153.71	-\$19.66
John Morrell (USD)/ND	\$120.71	\$106.71	\$28.70	\$16.57	\$151.98	-\$31.27

* Feed costs standardized for a 285 pound market hog

Tyson: $-(19.66) \text{ USD} \times 1.2707 = -(24.98) \text{ CAD}$
 Morrell: $-(31.27) \text{ USD} \times 1.2707 = -(39.73) \text{ CAD}$

Canadian Margins 2020-2021



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