



Weekly Regional HOG PRICE Report



February 1, 2022

Things to Consider....

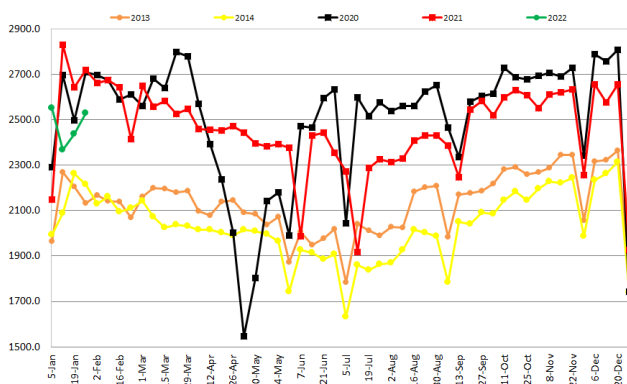
Nine years of lean hog futures are illustrated in the adjacent 3 graphs depicting the differences seen in trading months as far back as 2014. At first glance it is obvious that 2014 and 2021 produced the highest future values in most contracts seen in over a decade.

It has been several years since comparison's have been made to the once considered "outlier" of the data set, but a look back at 2014 may provide some insight as to the current market valuation and potential direction in the weeks and months ahead.

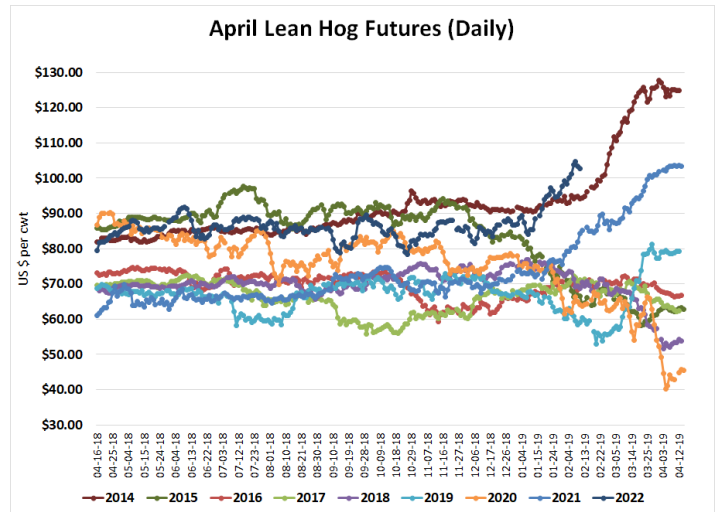
As many will recall, 2014 will be remembered as the year of anticipated sharp declines in pork production due to the spread of the debilitating PED epidemic that spread across much of North America including large production regions of Canada and the US. At the height of the outbreak, production losses exceeding 10% were forecast providing major underlying support which lasted much of the spring and summer months of that year peaking in July. However, as shown in the slaughter graph below, 2014 slaughter returned to levels seen in 2013 by the end of the year and with heavier weights reported in all of 2014, when all the smoke settled, total pork production was only 4% below 2013.

So far, 2022 slaughter has recorded levels well below 2021 and 2020, however weekly kills remain over 400,000 head above the average seen in 2014. Supply is only one side of the equation and of course demand plays an important role in price direction. With hog futures approaching some of the top values recorded back in 2014, there is more to come on this topic in next weeks publication.

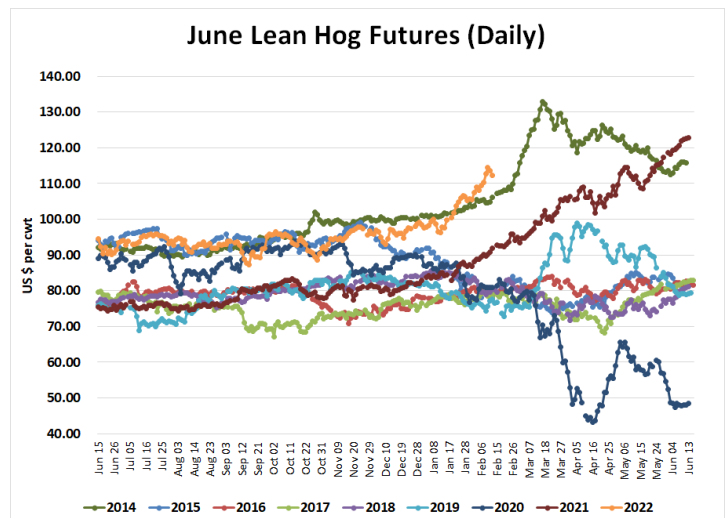
US Federal Inspected Slaughter ('000)



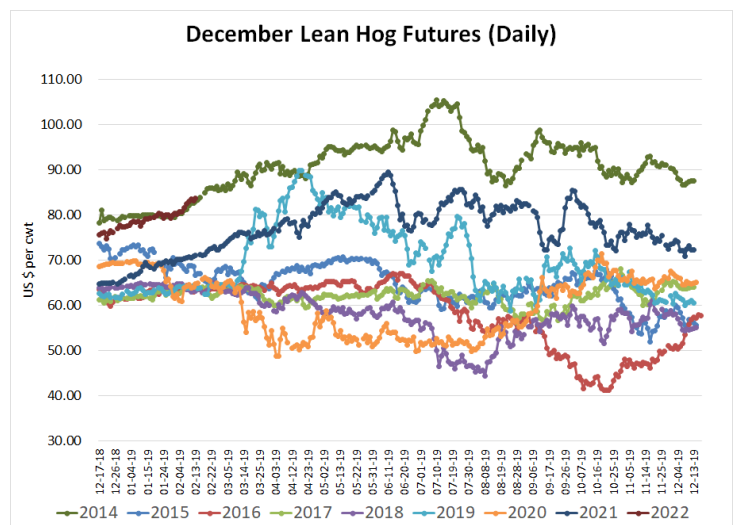
April Lean Hog Futures (Daily)



June Lean Hog Futures (Daily)



December Lean Hog Futures (Daily)



Weekly Hog Price Recap

Cash hogs recorded strong gains throughout much of the week, with rises Tuesday and Thursday each up \$8-\$9 in regional and \$5-\$6 in national cash. CME cash recorded daily improvements, however more moderately than those recorded in cash hogs. Wholesale pork values were mixed to stronger overall, only ribs and hams were lower on the week, with US pork cutout \$3.43/cwt over the previous week's average.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	28-Jan-22	Head	21-Jan-22		
ISM pm		\$78.03		\$69.83	\$8.20	11.7%
WCB pm		\$77.82		\$68.99	\$8.83	12.8%
Nat pm		\$71.01		\$65.57	\$5.44	8.3%
CME Index*		\$79.27		\$76.76	\$2.51	3.3%
Sows, 300-449lbs	12,717	\$38.64	13,633	\$38.23	\$0.41	1.1%
Sows, 500+ lbs	10,929	\$46.82	10,944	\$46.80	\$0.02	0.0%
BoC Exch		1.2675		1.2512	0.0163	1.3%

* Represents Friday-Thursday average

Canadian market hog values improved significantly on the week. Hog values out of Hylife and Ontario were each up near \$9/hog, followed the ML Sig 4 which rose more than \$7.75/hog. The OlyW 21 was up more than \$6.50/hog while the OlyW 20 was up nearly \$5.25/hog, hog values out of Quebec rose \$4.75/hog and BP/TC climbed \$2.25/hog. US hog values also rose over the week previous, with Tyson up \$2.25/hog while JM surged more than \$18.25/hog from week ago levels.

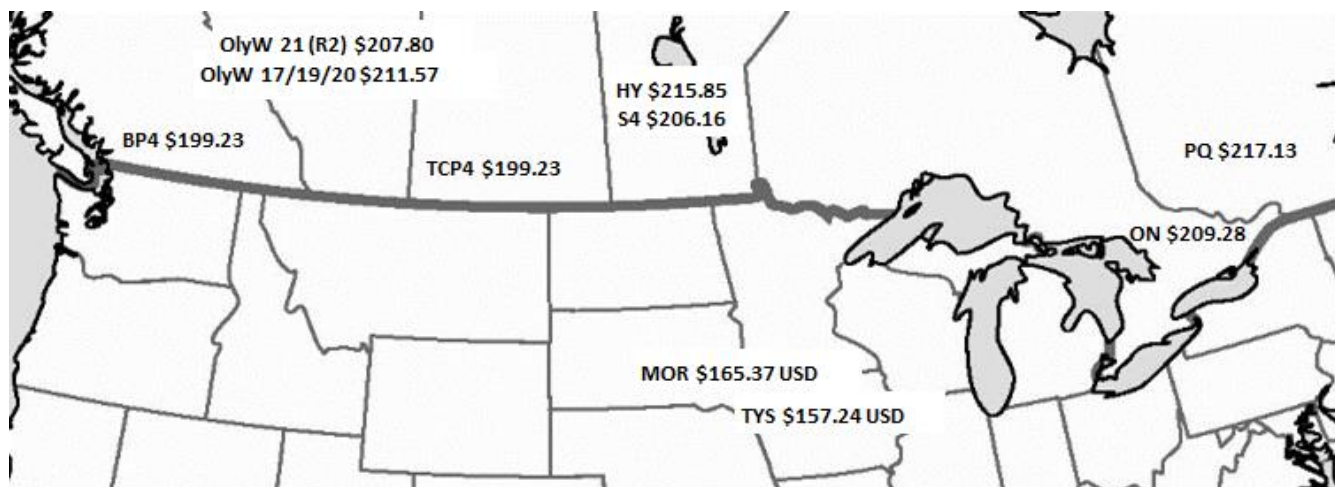
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW21	2022 YTD	Difference to OlyW21	Last 13 weeks	Difference to OlyW21	Ending 28-Jan-22	Difference to OlyW21
OlyW 2021 (R2)**	\$202.93		\$202.44		\$203.17		\$207.80	
OlyW 17/19/20*	\$199.11	-\$3.82	\$206.41	\$3.97	\$204.66	\$1.48	\$211.57	\$3.77
ML Sig 4	\$198.75	-\$4.18	\$199.02	-\$3.42	\$196.10	-\$7.07	\$206.16	-\$1.64
BP4/TCP4	\$199.19	-\$3.74	\$197.01	-\$5.43	\$197.01	-\$6.17	\$199.23	-\$8.57
Hylife	\$202.64	-\$0.29	\$204.67	\$2.23	\$202.25	-\$0.92	\$215.85	\$8.05
Ontario***	\$198.87	-\$4.06	\$199.71	-\$2.73	\$195.58	-\$7.60	\$209.28	\$1.48
Québec	\$211.17	\$8.24	\$209.14	\$6.70	\$208.54	\$5.36	\$217.13	\$9.34
Tyson (USD)	\$146.84	-\$56.09	\$153.06	-\$49.38	\$142.91	-\$60.27	\$157.24	-\$50.55
John Morrell (USD)	\$139.63	-\$63.29	\$151.18	-\$51.26	\$135.29	-\$67.89	\$165.37	-\$42.43

*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 recorded good improvements on the week, supported by another rise in market hog values despite being tempered with a rise in feed costs. Canadian farrow-to-finish feed costs were up \$2.25/hog while those in the monitored US region climbed \$0.75/hog from a week earlier.

Hog margins out of Hylife and Quebec strengthened to positive margins, with Hylife up more than \$6.75 to nearly \$4.75/hog profits while Quebec improved \$2.50 to more than \$2.25/hog profits. The OlyW 20 strengthened \$3 to \$2.25/hog losses, Ontario margins improved shy of \$6.75 to nearly \$5.25/hog losses, ML Sig 4 margins strengthened more than \$5.50 to \$5/hog losses and OlyW 21 margins strengthened more than \$4.25 to \$6/hog losses. In the US, Tyson margins improved \$1.50 to \$2/hog losses while JM strengthened more than \$17.50 to \$8/hog profits from the previous week.

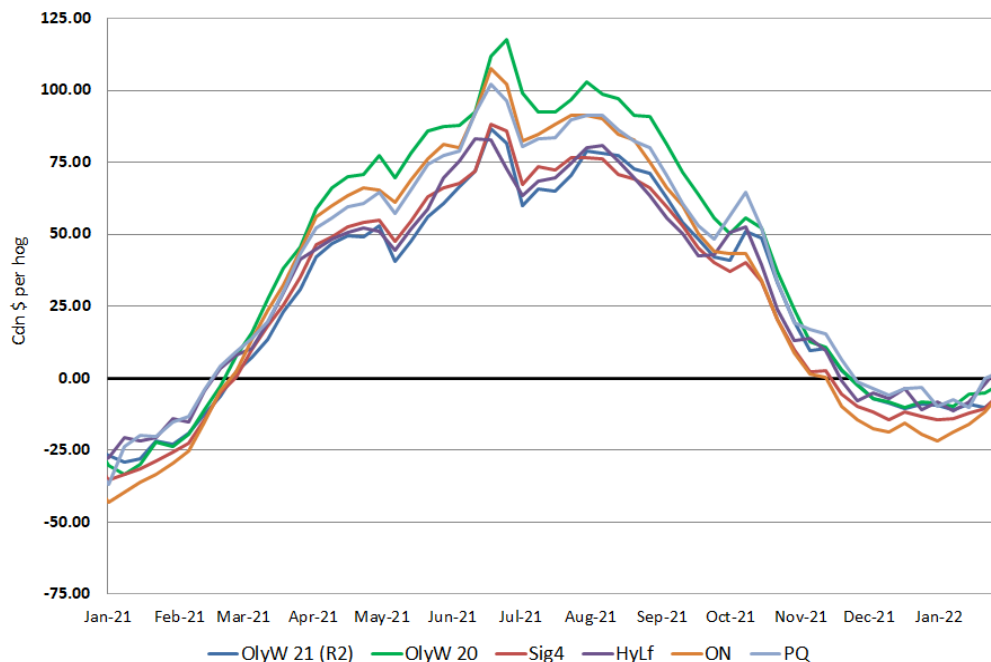
Regional MARGINS, \$/hog						
Packer/Region	28-Jan-22	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$211.57	\$154.31	\$39.45	\$20.05	\$213.81	-\$2.24
OlyW 21 (R2)/Alberta	\$207.80	\$154.31	\$39.45	\$20.05	\$213.81	-\$6.01
ML Sig 4/Manitoba	\$206.16	\$152.05	\$39.54	\$19.55	\$211.14	-\$4.98
Hylife/Manitoba	\$215.85	\$152.06	\$39.54	\$19.55	\$211.15	\$4.70
Ontario	\$209.28	\$149.99	\$40.71	\$23.76	\$214.46	-\$5.18
Québec	\$217.13	\$152.68	\$40.50	\$21.65	\$214.83	\$2.30
Tyson (USD)/Iowa	\$157.24	\$113.90	\$28.70	\$16.57	\$159.17	-\$1.93
John Morrell (USD)/ND	\$165.37	\$112.17	\$28.70	\$16.57	\$157.44	\$7.93

* Feed costs standardized for a 285 pound market hog

Tyson: $\$(1.93)$ USD x 1.2694 = $\$(2.45)$ CAD

Morrell: $\$7.93$ USD x 1.2694 = $\$10.07$ CAD

Canadian Margins 2021-2022



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