



Weekly Regional HOG PRICE Report



Things to Consider....

October 25, 2022

Although US cash hog prices and pork cut-out have come off the highs from mid-summer, both remain at or above year ago levels for the month of October. The average CME cash for the month of October 2022 finished at \$93.44 US per cwt compared to the same days last year which recorded an average of \$87.13 US per cwt.

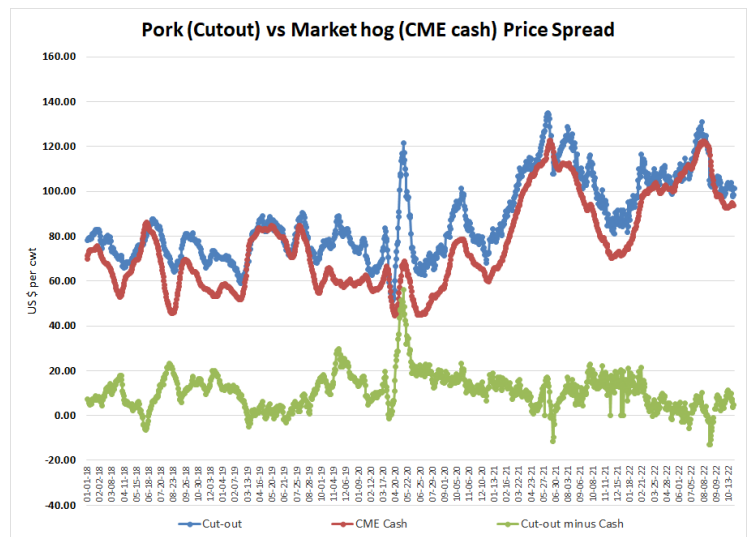
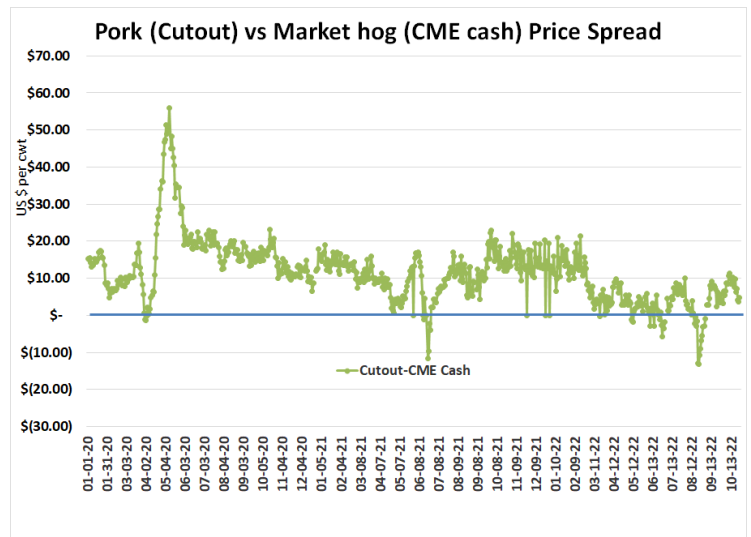
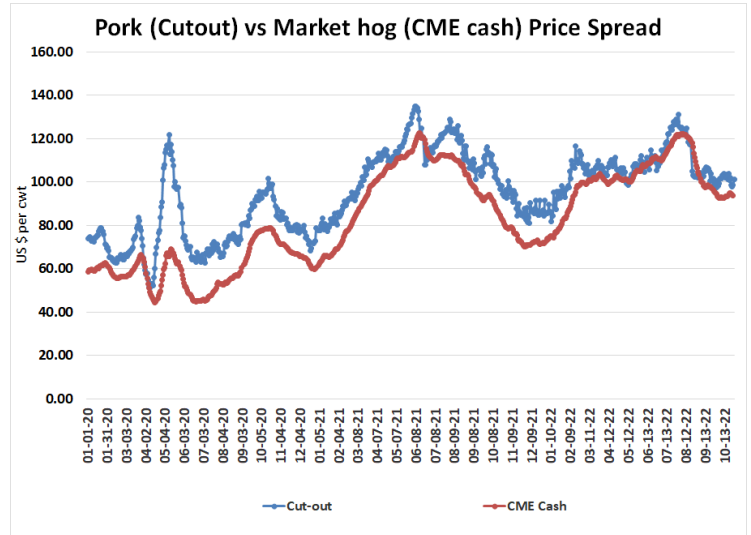
Pork cut-out on the other hand, is a fraction lower in 2022 with the monthly average of October closing out at \$101.21 compared to \$102.62 US per cwt a year earlier. What is obvious to see is the spread between cut-out and cash in 2022 is far narrower than compared to year ago levels.

Naturally it can be assumed that pork processing margins were slimmer in 2022 compared to the year earlier which appears to have been a common theme reported by the packing industry as of late.

There are many factors that go into packer/processor profitability including labour expenses, packaging and logistical costs, the price of market ready hogs and the resulting value for pork. Currency and foreign market buying power also play into the overall equation as meat values become more or less expensive to import markets based on their local currency.

The 10-year graph shown here representing the simple difference between pork cut-out and the CME lean hog index price illustrates the volatility and seasonality that occurs between meat values and pork values. It is very clear that they are both highly correlated in their overall direction, meaning when pork goes up, cash hogs typically go up and vice versa, but it also makes a clear illustration that the spread between the 2 values differs from time to time and year to year.

With hog quantities being "shorter" in general in the US, the spread will naturally be narrower given the need for packers to bid higher to attract non-burdensome supplies.



Weekly Hog Price Recap

Regional and national cash hogs finished higher on strong mid-week rises, despite falling late into the week. CME cash improved near daily with late-week moves up the most. Wholesale pork primal values were mixed with lower loins, hams and ribs offset by higher picnics, bellies and butts. US pork cutout slipped \$0.22/cwt from the previous week's average.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	21-Oct-22	Head	14-Oct-22		
ISM pm		\$97.49		\$90.11	\$7.37	8.2%
WCB pm		\$97.38		\$90.28	\$7.10	7.9%
Nat pm		\$92.25		\$87.87	\$4.37	5.0%
CME Index*		\$93.51		\$92.84	\$0.67	0.7%
Sows, 300-449lbs	12,487	\$66.59	14,125	\$68.02	-\$1.43	-2.1%
Sows, 500+ lbs	11,914	\$73.21	12,737	\$73.38	-\$0.17	-0.2%
BoC Exch		1.3741		1.3810	-0.0069	-0.5%

* Represents Friday-Thursday average

Canadian hog markets were generally up \$1/hog, excluding those derived from lagged base pricing which were up considerably more. The OlyW 21 rose shy of \$6/hog while the OlyW 20 improved near \$3.75/hog, and hog values out of Quebec surged \$16.55/hog from a week earlier. In the US, Tyson was up \$4.65/hog while JM rose \$14.75/hog from a week earlier.

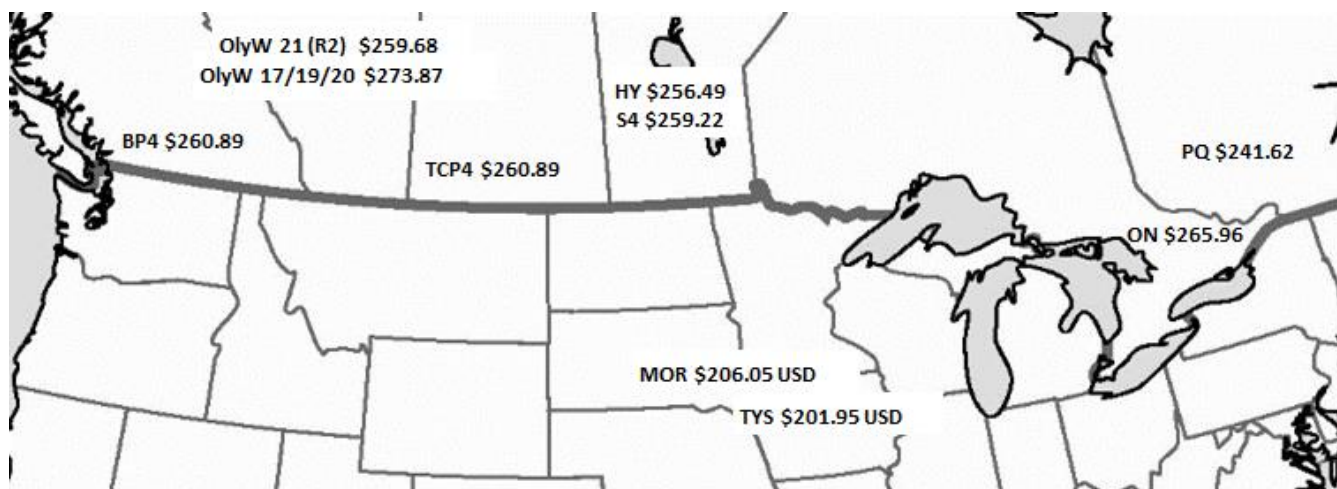
Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW21	2022 YTD	Difference to OlyW21	Last 13 weeks	Difference to OlyW21	Ending 21-Oct-22	Difference to OlyW21
OlyW 2021 (R2)**	\$219.43		\$254.24		\$272.70		\$259.68	
OlyW 17/19/20*	\$216.17	-\$3.27	\$277.13	\$22.89	\$299.38	\$26.68	\$273.87	\$14.20
ML Sig 4	\$215.17	-\$4.26	\$257.87	\$3.63	\$277.10	\$4.39	\$259.22	-\$0.45
BP4/TCP4	\$216.36	-\$3.08	\$258.99	\$4.75	\$282.57	\$9.87	\$260.89	\$1.22
Hylife	\$219.22	-\$0.22	\$256.15	\$1.91	\$270.74	-\$1.96	\$256.49	-\$3.19
Ontario***	\$218.53	-\$0.90	\$269.82	\$15.58	\$289.69	\$16.98	\$265.96	\$6.29
Québec	\$223.17	\$3.73	\$241.92	-\$12.32	\$249.52	-\$23.19	\$241.62	-\$18.06
Tyson (USD)	\$167.78	-\$51.65	\$225.98	-\$28.25	\$237.02	-\$35.68	\$201.95	-\$57.73
John Morrell (USD)	\$161.40	-\$58.03	\$223.63	-\$30.61	\$231.11	-\$41.59	\$206.05	-\$53.62

* 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 strengthened \$4/hog, supported by improved hog values coupled with a reduction in feed costs. Canadian farrow-to-finish feed costs dropped \$3.25/hog, while those in the monitored US region were down \$1.50/hog from the previous week.

Hog margins out the OlyW 20 strengthened \$7 to nearly \$30/hog profits while those out of Ontario and the ML Sig were each up more than \$4.25 to \$22.25 & 18.75 per hog profits, respectively. Hylife margins were up \$4.25 to \$16/hog profits, while OlyW 21 margins strengthened \$9.15 to \$15.65/hog profits and Quebec surged \$19.80 higher to nearly \$2.50/hog losses. In the US, Tyson margins improved more than \$6 to \$26.60/hog profits while JM strengthened \$16.25 to \$32.45/hog profits from the previous week.

Regional MARGINS, \$/hog						
Packer/Region	21-Oct-22	Farrow to Finish			Total COP	Weekly Margin
	Hog Price	Feed*	Variable	Fixed		
OlyW 20/Alberta	\$273.87	\$180.55	\$41.45	\$22.05	\$244.05	\$29.82
OlyW 21 (R2)/Alberta	\$259.68	\$180.55	\$41.45	\$22.05	\$244.05	\$15.63
ML Sig 4/Manitoba	\$259.22	\$177.35	\$41.54	\$21.55	\$240.44	\$18.78
Hylife/Manitoba	\$256.49	\$177.35	\$41.54	\$21.55	\$240.44	\$16.05
Ontario	\$265.96	\$175.28	\$42.71	\$25.76	\$243.75	\$22.21
Québec	\$241.62	\$177.85	\$42.50	\$23.65	\$244.00	-\$2.38
Tyson (USD)/Iowa	\$201.95	\$126.07	\$30.70	\$18.57	\$175.34	\$26.61
John Morrell (USD)/ND	\$206.05	\$124.34	\$30.70	\$18.57	\$173.61	\$32.44

* Feed cost variables- 285 lb hog, 1.57 F:G nursery, 2.89 F:G feeder-finish, \$20 GMD

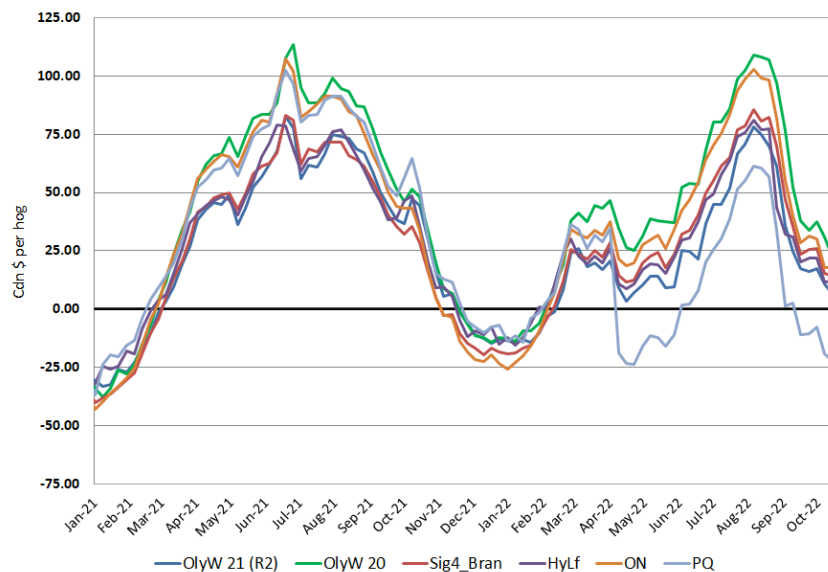
* Feed cost fixed expenses updated the week of April 8, 2022 onward

* Variable and Fixed Costs updated as of April 15, 2022

Tyson: \$26.61 USD x 1.3638 = \$36.29 CAD

Morrell: \$32.44 USD x 1.3638 = \$44.24 CAD

Canadian Margins 2021-2022



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