



Pork Facts



Farm Credit Canada
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Canada



Pork Facts

Overview

Canada is home to five major breeds of pigs including Yorkshire, Landrace, Duroc, Hampshire and Lacombe, with smaller populations of other breeds. Most animals in Canada's commercial herd are crosses of the major breeds, each characterized by unique attributes relating to litter size, growth rate, feed conversion, carcass structure and composition. Canada is known worldwide for developing and maintaining fine breeding stock and for the high quality of its health monitoring and management system, which meets every stringent health request.

Learn more:

Canadian Centre for Swine Improvement
www.ccsi.ca

Canadian Swine Breeders Association
www.canswine.ca

In 2010, there were 7,150 farms reporting hogs across Canada. Canada's hog production was 22.2 million (Canadian Meat Council). Hog and pig exports totalled 5.7 million head in 2010 which is an increase of 2.1 per cent over 2009.

The meat industry, representing 10 per cent of the country's agri-food exports, is the largest sector of Canada's food processing industry. In 2010, the

pork industry exported \$2.77 billion worth of pork to over 130 countries around the world (Canadian Meat Council). The maturity of this sector moves in a direct line across the country with Alberta and Saskatchewan as the least developed, while Ontario and Quebec have the most experience and history. The hog production sector is becoming more concentrated with fewer but larger hog operations being reported.

Key issues and initiatives

Profitability and markets

Canadian dollar

The value of Canadian hogs is based on U.S. prices. Since changes in the exchange rate are immediately reflected in the price of hogs and pork, the impact is dramatic. Rapid appreciation of the exchange rate in 2007 and most of 2008 negatively impacted hog prices, competitiveness and ultimately gross margins. Depreciation of the Canadian dollar relative to the U.S. dollar has the opposite effect, as seen between 1976 and 2001.

Canadian Hog Operations (according to Statistics Canada's 2006 Census of Agriculture)¹

	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.B.	N.S.	P.E.I.	N.L.
Number of hog farms	128	598	211	768	2,222	1,932	50	51	71	9
Per cent of Canadian pork production	1.17	13.71	9.07	20.66	24.67	28.51	0.75	0.70	0.81	0.20

¹ Source: Statistics Canada and Canada Pork Council

Hog prices

Although there is discussion about how long a cycle is, over the past 30 years hog producers have experienced low prices every four years or so based on a normal, recurring production cycle. In recent years this pattern has been less predictable and the low end of the cycle has lasted longer than normal. However, there is cautious optimism for 2011-12 as prices are trending upwards.

Most hog prices in Canada follow the U.S. market which has seen an improvement in prices following a reduction in total numbers of the North American breeding herd inventory. In February 2008, the federal government announced the \$50 million Cull Breeding Swine Program to help the industry restructure by facilitating the reduction of Canada's swine breeding herd (sows, boars and pregnant gilts). The program played a significant role in doing just that. The Canadian breeding herd has decreased by 330,000 head or 20 percent over the last five years. Herd numbers remain stable at last year's level of 1.3 million head; however, this still is the lowest level since 1999. By comparison, the U.S. breeding herd has reduced by 7 per cent since the end of 2007.

Feed prices

Several reasons (ethanol demand, world demand, yields, input prices) account for dramatic increases in feed grain prices over the past four years. Livestock producers across North America are facing exceptional feed cost pressures. Producers who are less dependent on purchase feed tend to be more profitable.

Country of origin labelling (COOL)

The 2002 U.S. Farm Bill included a controversial provision mandating COOL for a range of agricultural products, including pork. COOL was finally implemented on September 30, 2008, as part of the Food, Conservation and Energy Act of 2008 (2008 Farm Bill).

Under COOL, retailers must clearly display the country of origin at the final point of sale. COOL is exempt in food service establishments such as

restaurants, cafeterias, food stands and similar facilities. Processed food items are also exempt.

Five product label categories have been established:

- Product of the U.S. – meat from animals born, raised and slaughtered in the U.S. (Label A)
- Product of the U.S., Country X – meat from animals born in Country X and raised and slaughtered in the U.S. (Label B)
- Product of Country X, U.S. – meat from animals imported into the U.S. for immediate slaughter (Label C)
- Product of Country X – foreign meat imported into the U.S. (Label D)
- Ground meat must be labelled with a list of all reasonably possible countries (Label E)

Current COOL regulations add huge costs and red tape to Canadian beef and pork exports heading south, creating undue trade restrictions to the detriment of Canadian exporters. Large U.S. packers and finishers have stopped sourcing Canadian hogs because of logistical constraints as well as added risks and costs imposed by COOL. Following the implementation of COOL, exports of live hogs to the U.S. declined 27.3 per cent from September to December 2008 compared to the same period in 2007. From January to mid-September 2009, live hog exports declined 33.3 per cent compared to 2008. Demand for Canadian hogs has strengthened recently due to limited supply in the U.S.

Canadian beef and pork trade organizations have been lobbying the government to ensure COOL is compliant with North American Free Trade Agreement and World Trade Organization (WTO) standards. In October 2009, the Canadian government requested a WTO panel on mandatory U.S. country of origin labelling. Canada's request for a panel follows two failed rounds of WTO consultations with the U.S. (December 2008 and June 2009). Panels are the next step in the WTO's dispute settlement process. The Canadian government, supported by producer organizations, is still involved in ongoing hearings with WTO.

A final panel report is scheduled for July 2011. As of May 2011, a preliminary report cites that the WTO panel agreed that the COOL requirements violate provisions of the WTO's Agreement on Technical Barriers to Trade. The panel agreed that imported cattle and pork from Canada and Mexico are being treated less favourably than cattle and pork of U.S. origin as a result of COOL requirements.² To benefit the long-term sustainability of the industry, Canada wants the U.S. to adopt greater flexibility in how COOL is administered, and to treat Canadian hogs and cattle as favourably as U.S. animals. Learn more about COOL at www.ams.usda.gov/cool.

Pork exports

In 2007, 10 million live hogs were exported to the U.S., in 2009 that number decreased to 6.4 million. In 2010, 5.7 million head were exported south with that declining trend expected to continue in 2011. Increasing global demand for meat products is expected to grow and Canada has been successful in tapping the global market. A new Canadian Quality Assurance program and adoption of traceability requirements will pave the way for greater access to international markets. Japan, the Russian Federation and Taiwan all remain important export markets.

Government of Canada Industry Restructuring Plan

In August 2009, the Canadian government announced a comprehensive restructuring plan for pork producers, which according to Agriculture and Agri-Food Canada, includes "investing in key marketing initiatives to get more customers buying Canadian pork, providing government-backed credit to help viable operations weather the current economic uncertainty and helping struggling operations to transition out of the industry."

Read the news releases:

- www.agr.gc.ca/cb/index_e.php?s1=n&s2=2009&page=n90815b
- www.agr.gc.ca/cb/index_e.php?s1=n&s2=2009&page=n91002

- www.agr.gc.ca/cb/index_e.php?s1=n&s2=2009&page=n91016a

Learn more:

- Hog Industry Loan Loss Reserve Program: www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1295643286745&lang=eng
- Hog Farm Transition Program: www.cpc-ccp.com/program-farm-transition-e.php
- AgriMarketing Program: www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1239048540113&lang=eng

Municipal and provincial regulations

Leaving behind strict regulations that must be adhered to, a moratorium on hog-related construction was lifted in Quebec in 2005. In November 2006, the Manitoba government put a hold on construction of any new hog barns or expansion of existing barns while the province's Clean Environment Commission conducted a review of the industry. View transcripts of the Manitoba Clean Environment Commission proceedings at www.cccmanitoba.ca/archives/hearings/index.cfm?hearingid=22#4.

In early March 2008, the Manitoba moratorium was made permanent in three regions of the province. Those areas where the moratorium was lifted in the rest of the province now face new, stricter requirements recommended by the Clean Environment Commission. Increased environmental regulations can create a requirement for increased capital to conform to standards, expand or build.

Bio-security and disease control

Helping to prevent the transmission of disease, bio-security is a means to protect the health of livestock. Any disease that could jeopardize the health of animals represents a threat to the economic viability of the farm and the welfare of the herd. To learn more, visit www.inspection.gc.ca/english/anima/biosec/biosece.shtml.

² Source: Canadian Cattle Buyer May 2011.

Environment and food safety

Over the past decade, environmental and food safety issues have emerged as a top consumer concern. The evolution of the livestock industry toward more intensive structures has placed more responsibility on individual producers to implement sound environmental management practices.

Animal welfare

Animal welfare supports the principle that animals deserve the best care that can be given and that all attempts should be made to provide as high a quality of life as possible.

For in-depth information, visit:

- www.inspection.gc.ca/english/anima/trans/welfproe.shtml
- www.agsci.ubc.ca/animalwelfare/.

National regulation and code

Livestock care codes of practice are national guidelines for the care and handling of different livestock. The codes cover a variety of topics ranging from recommended housing and management practices for animals on farms to transportation and processing.

Learn more:

Recommended Codes of Practice:

- www.ofac.org/issues/resources_codes.php

CQA for Canadian hog producers:

- [//www.cqa-aqc.ca/resources-materials-e.php](http://www.cqa-aqc.ca/resources-materials-e.php)

Operating in the hog sector

Hog basics

Sows are bred by mating naturally with boars or through artificial insemination. The average sow has between eight and 12 piglets in a litter and gives birth about twice a year. The gestation period lasts 115 days. Due to consumer demand, the industry is moving towards pens for gestation sows versus stalls.

Sows are put in farrowing pens just before giving birth and while they nurse their piglets. Once the piglets are weaned, they move to the nursery which may consist of group pens in another room or transfer into a separate barn. Feeder pigs are moved out of the nursery and into the next stage of production when they reach about 25 kilograms. In the grower-finisher section, feeder pigs are raised to market weight of about 115 kilograms. Market hogs are transported to meat processing plants by truck. Pigs with the best genetics and desirable characteristics are retained as breeding stock and either remain in their herd or are sold to other farmers. Pigs can be marketed live or as pork products to other provinces and countries.³

Processing

Canada's meat processing companies make a variety of meat products including fresh, frozen, processed, smoked, canned, cooked deli meats and sausage. Some 70 per cent of Canadian processed meats are made with pork. The United States accounts for about 40 per cent of the total Canadian pork and live hog trade. Japan, Australia, Russia, South Korea and Mexico are other main export markets.

Hog processing in Canada has followed the same trend as most other food and beverage processing industries, moving toward fewer but larger firms. In recent years, the industry has restructured and focused on facilities with high-speed kill capabilities and the latest technology.

³ Source: SaskPork

Every two years, meat professionals from around the world gather at the World Meat Congress to exchange ideas, connect with counterparts from other countries, discuss the state of the industry and analyze emerging trends and issues. The 18th annual World Meat Congress was held in Buenos Aires, Argentina, in September 2010. Discussions and presentations are available at www.meat-ims.org/en/world_meat_congress-ims.html.

Grading

The national grading system for pork carcasses was designed so that the producer and abattoir would reach a consistent financial settlement. While there are slight variations in provincial settlement grids, the emphasis and reward for lean pigs is the major component of each one. Grading involves the measurement of fat thickness on the carcass mid-line. The average carcass is given an index of 100, with carcasses leaner or fatter than the average given indexes above or below 100 depending on their expected cutout value. The cutout value is the daily estimate of the value of a beef or pork carcass based on current wholesale market prices for each part of the carcass. Net carcass price reflects the whole carcass weight, while cutout value represents mostly meat cuts. The grade index is linked to price with producers receiving a premium for leaner carcasses (for

example, a 107 index carcass would receive 7 per cent more than the average price)⁴. Visit www.nsif.com/conferences/1996/jones.htm, for more information.

Hog loops

A pork or hog loop refers to a fixed-term contract between the producer and processor. The producer agrees to raise the animal until it is suitable for market. Payment to producers is based on the successful fulfilment of their contract obligations, which include weight gain, feed efficiency, quality, health and management. Contractual growing arrangements typically involve packers who want to secure a predictable supply of hogs and feed companies who want to predict the volume of feed that will be needed. Producers aggressively seek new ways to level out cash flow and price fluctuations. Considering market fluctuations, a contractual arrangement can reduce risk.⁵

Futures market

A futures market establishes prices for hogs that will be delivered some time in the future. Contracts are bought and sold under formal, regulated conditions. The seller agrees to deliver and the buyer agrees to accept a specified commodity at a future time. Terms of the contract specify the commodity being traded, price, quantity,



⁴ Source: Agriculture and Agri-Food Canada, the Canadian Pork Carcass Grading System

⁵ Source: OMAFRA (www.omafra.gov.on.ca)

quality, place and time of delivery. One advantage of using the futures market is that it can create more marketing flexibility.⁶

Chicago Mercantile Exchange (CME) futures

CME futures on hogs enable numerous companies, ranging from small family farms to large agribusinesses, to better manage their price risks.

Check out www.cmegroup.com/trading/commodities/livestock/lean-hogs.html.

National regulation and code

Livestock care codes of practice are national guidelines for the care and handling of different livestock. The codes cover a variety of topics ranging from recommended housing and management practices for animals on farms to transportation and processing. See www.ofac.org/issues/resources_codes.php and the Canadian code of practice for environmentally sound hog production at www.cqa-aqc.ca/resources-materials-e.php.

Market information

Regular information about the hog market helps to evaluate trends and potential impacts for farm businesses. The data helps producers enhance financial, marketing and production decisions.

Visit these sites for more information:

Chicago Mercantile Exchange

www.cmegroup.com/trading/agricultural/

Manitoba Livestock Prices

www.gov.mb.ca/agriculture/news/markets/livestock/index.html

Saskatchewan Commodity Prices

www.agriculture.gov.sk.ca/Statistics-Prices

Alberta Livestock Review

www.agric.gov.ab.ca/economic/stats/wklvstck.html

OMAFRA

www.omafra.gov.on.ca/english/livestock/swine/news.html

Provincial and federal contacts

Provincial hog marketing agencies determine prices paid to producers through price negotiation or auction systems. In some cases, they also organize the assembly and delivery of pigs to the packers. Market pigs are sold in Canada primarily through provincial hog marketing organizations.

The Canadian Pork Council (CPC) is a federal organization that develops programs and policies and advises the Minister of Agriculture and Agri-Food Canada on all matters pertaining to hogs. For more information, phone 613-236-9239 or visit www.cpc-ccp.com.

Canadian Pork International (CPI) promotes the export of Canadian pork and works to resolve specific foreign market access issues. CPI is a joint initiative of the Canadian Meat Council and Canadian Pork Council. For more information, phone 613-236-9886 or visit www.canadapork.com.

The Canadian Meat Council (CMC) is Canada's national trade association representing federally inspected meat packers and processors. For more information, phone 613-729-3911 or visit www.cmc-cvc.com.

For more information on the Canadian pork industry, visit:

- www.agr.gc.ca/redmeat/index_eng.htm
- www.cpc-ccp.com/statistics-e.php
- www.statcan.gc.ca/pub/23-010-x/23-010-x2011002-eng.htm
- cansim2.statcan.ca/cgi-win/cnsmcgi.pgm?Lang=E&SP_Action=Sub&SP_ID=2553

⁶ Source: College of Agricultural & Environmental Sciences, University of Georgia

Looking for more information?

We have financial guidelines for the pork sector that can help you make decisions. If you're an FCC customer, simply visit www.fcc.ca, log into FCC Online Services and click Sector Guides in the Management Resource Centre.

If you're an FCC customer but not registered for FCC Online Services, you can register now at www.fcc.ca.

Want more management insight? Give us a call at 1-800-387-3232. Our Relationship Managers and subject matter experts can help.

Disclaimer

This study is for educational and general reference purposes only. The authors attempted to provide accurate and useful information and analysis. However, FCC cannot and does not guarantee the accuracy of the information contained in this study. FCC assumes no responsibility for any actions or decisions taken by any reader of this report based on the information provided. It is not intended to be used as a substitute for specific professional advice.

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