

# Pork Industry Update

Neil Ketilson



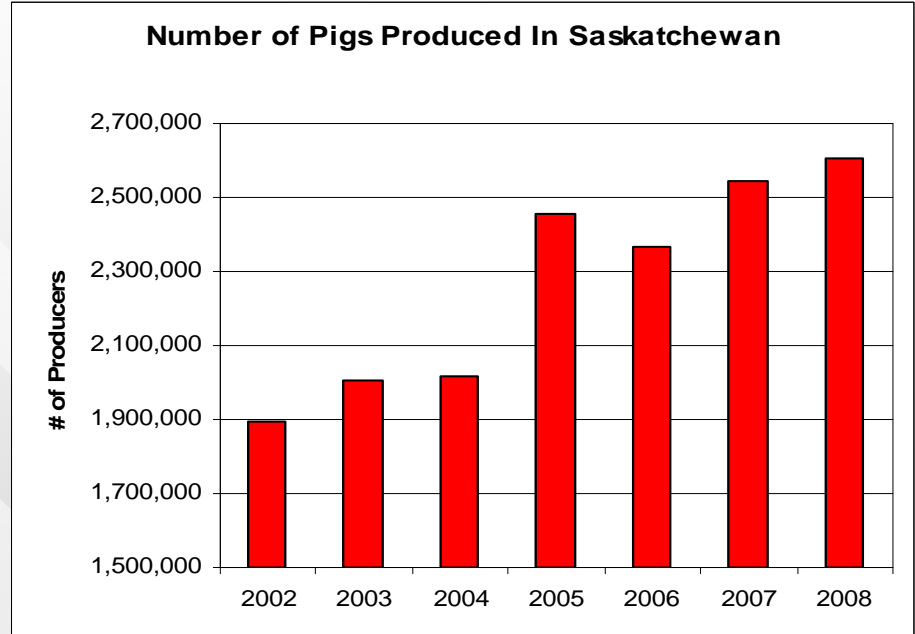
# Overview of Sask Pork

- Sask Pork is a producer-driven organization that delivers programs, provides leadership and a collective voice for Saskatchewan's pork producers.
- Current strategic focus areas include:
  - **Market Development and Access:** New Plant, Promotions/Marketing, Industry Standards, traceability, CQA, TQA, ACA.
  - **Industry Sustainability:** Risk Management, Research
  - **Strategic Alliances:** CPC, CPI, Provinces, Commodity Groups
  - **Communications:** Farmscape, Weekly Email, newsletters, public releases, Symposium

# Canadian Pork Council (CPC)

- CPC members are the provincial hog organizations across Canada which, in turn, represent over 12,000 hog producers. The majority of issues are increasingly national or international in scope.
- International pork promotion through membership in Canada Pork International (CPI).
- Provides national services - CQA, ACA, Environmental programming, traceability, farm support program delivery.

# Producer Demographics



- In 2008 Saskatchewan had 175 registered producers marketing 1.5 million finished hogs and 1.1 million feeder pigs.

# Canadian Production

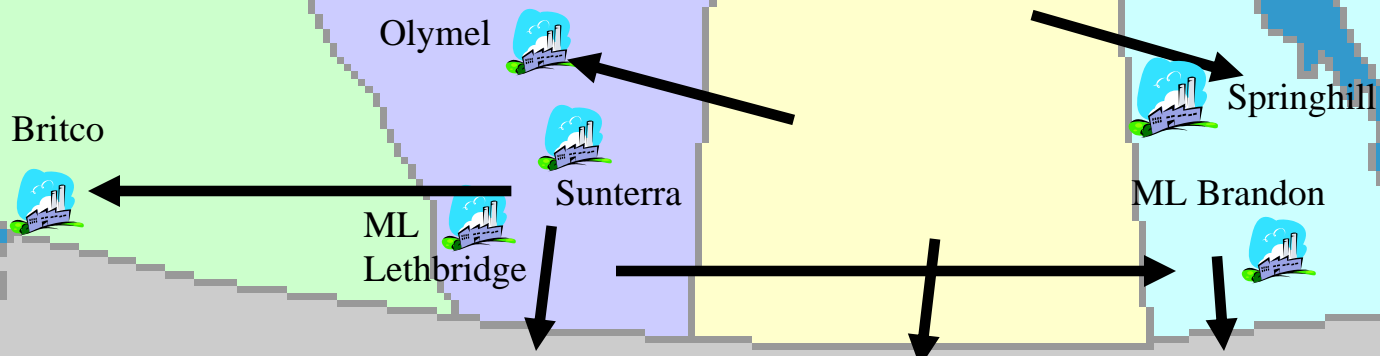
## Sows and Bred Gilts In Canada (1,000 Head, July 1st)

Year/Month	Alberta	Sask.	Man.	West	Ontario	Quebec	East	Canada
<b>2003</b>	203.5	124.2	341.3	<b>688.6</b>	415.1	412.4	<b>861.3</b>	<b>1,549.9</b>
<b>2004</b>	198.0	128.8	362.0	<b>708.3</b>	431.7	416.5	<b>880.7</b>	<b>1,589.0</b>
<b>2005</b>	196.8	131.2	365.6	<b>711.8</b>	430.0	414.3	<b>876.4</b>	<b>1,588.2</b>
<b>2006</b>	188.0	130.9	368.0	<b>705.5</b>	417.1	399.0	<b>846.9</b>	<b>1,552.4</b>
<b>2007</b>	182.6	128.3	370.5	<b>699.4</b>	408.5	394.0	<b>833.0</b>	<b>1,532.4</b>
<b>2008</b>	165.0	119.6	340.0	<b>641.5</b>	365.0	385.0	<b>777.2</b>	<b>1,418.7</b>
<b>2009</b>	156.5	93.0	330.5	<b>596.9</b>	356.0	382.0	<b>759.6</b>	<b>1,356.5</b>
<b>% Change 2007-2009</b>	-14.3%	-27.5%	-10.8%	<b>-14.7%</b>	-12.9%	-3.0%	<b>-8.8%</b>	<b>-11.5%</b>

Source: Statistics Canada, Hog Statistics, July 2009

## Current Situation- Western Market Hog Production: 2008

Provincial Market Hog Production (millions)				W. Can. Total
<b>0.3</b>	<b>2.9</b>	<b>1.5</b>	<b>4.8</b>	<b>9.5</b> <b>(183/wk)</b>
Provincial Slaughter (millions)				W. Can. Total
<b>0.5</b>	<b>2.7</b>	<b>0.05</b>	<b>4.8</b>	<b>8.1</b> <b>(156/wk)</b>

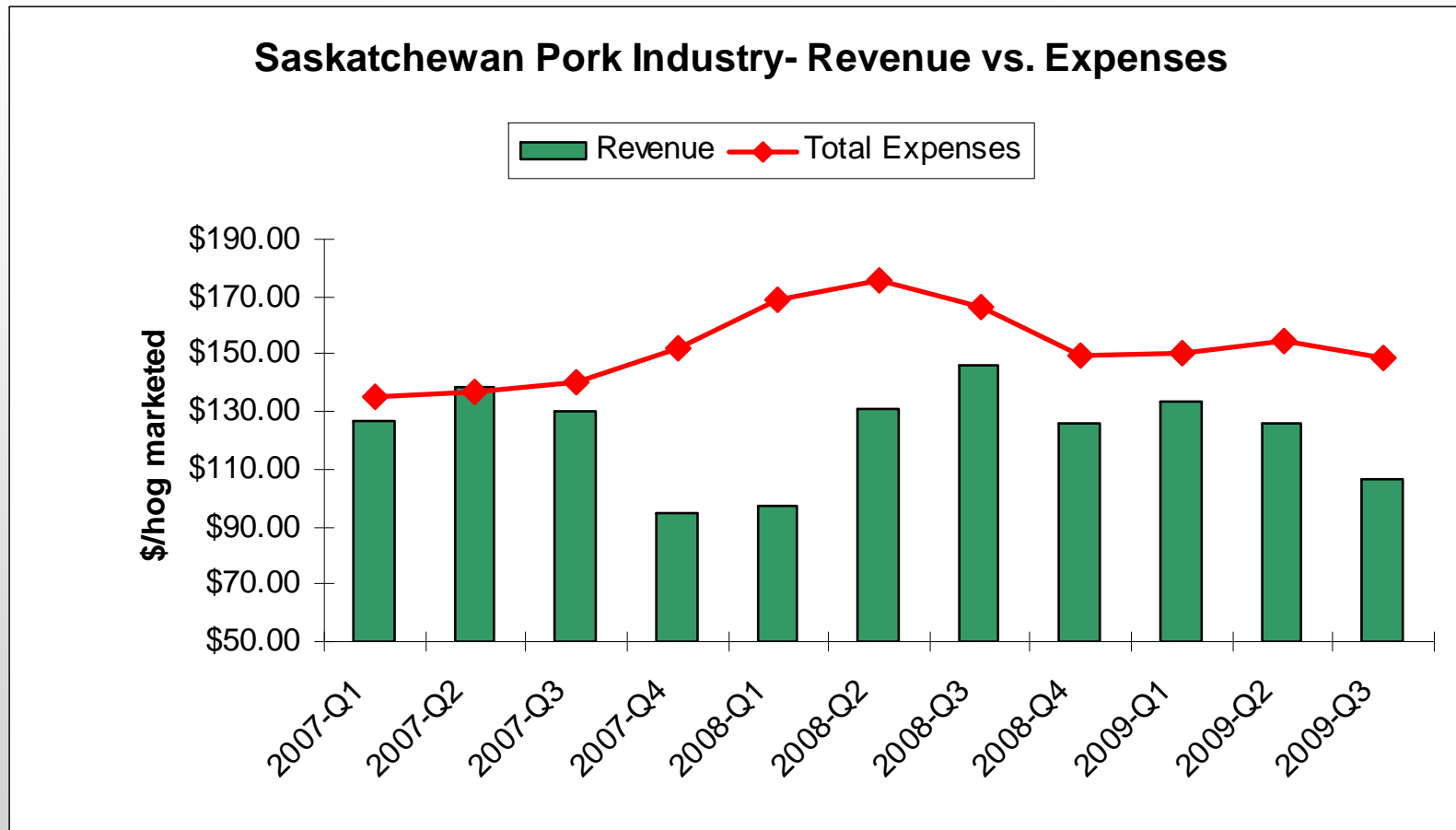


**1.4 million pigs exported (27/wk)**

# “Perfect Storm” – 07/08/09

- High Feed Prices
  - Global Markets, Ethanol Influence
- Low Hog Prices
  - Increased U.S. hog slaughter numbers
  - Increased global meat production
  - Increased value of the Canadian dollar vs. U.S. dollar
  - COOL legislation, implementation Sept 08 has restricted trade in live animals
- Uncompetitive packers; adjusting to currency and efficiency issues
- Ineffective farm support programs

# Industry Losses



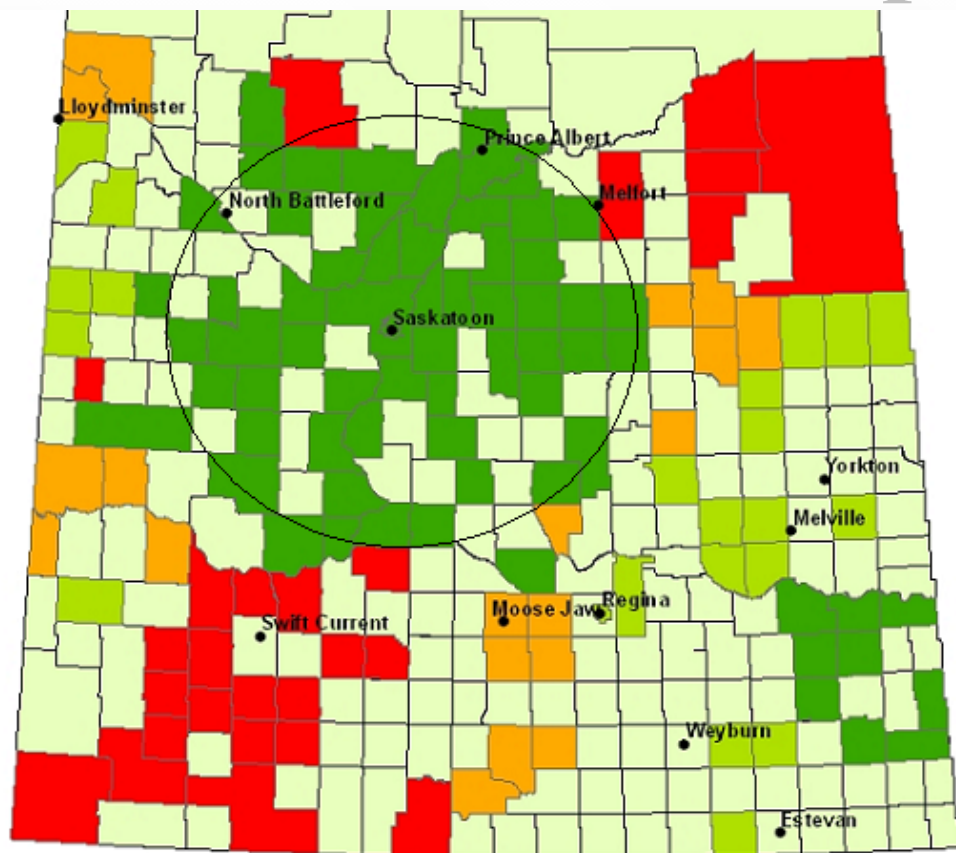
- Since January 2007, Sask Pork estimates industry losses total over \$130 million.

# The Exchange Rate Factor

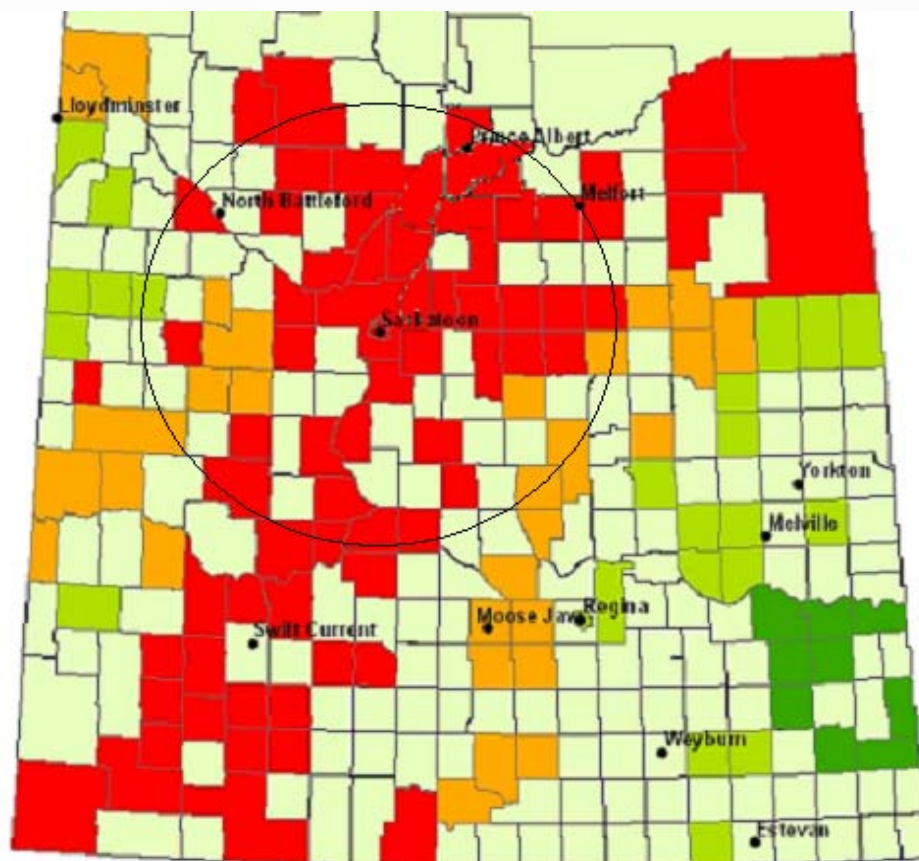
- Hog prices determined by formula
  - Canadian hog price is essentially the U.S. hog price adjusted for the exchange rate LESS a basis.
- The pork industry doubled between 1995 and present, based on a 70 cent Canadian dollar.
- Adjustment to par dollars means a 42% revenue loss.

# Transportation

## Saskatoon Open







## Saskatoon Closed



### Legend

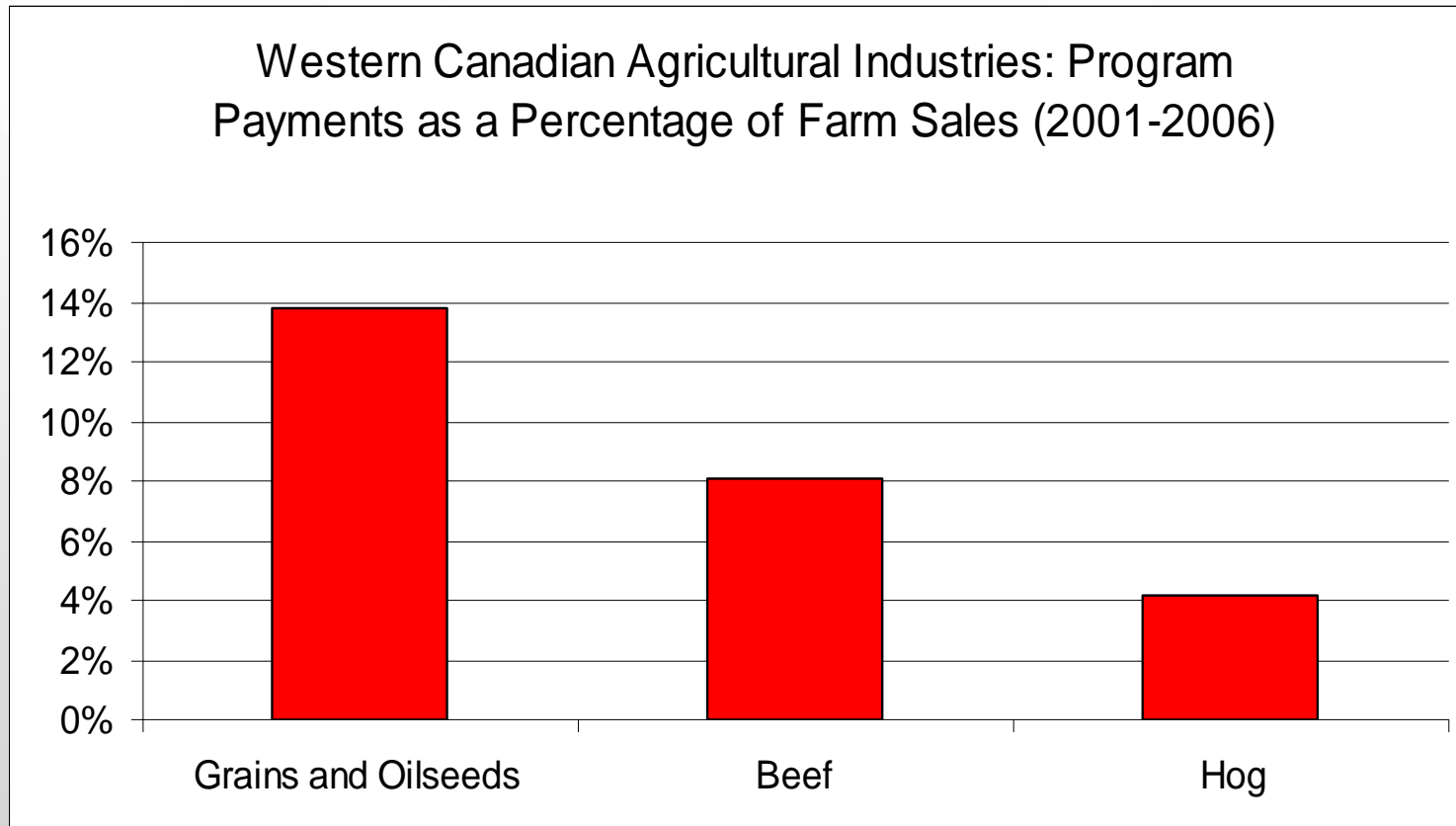
R.M.  
Transportation Cost (\$/Hog)

	\$1.00 - \$4.50
	\$4.51 - \$6.50
	\$6.51 - \$8.00
	\$8.01 - \$10.50

# Feed Prices

- North American biofuels strategy has resulted in tighter stocks of feed grain, increased prices.
- Hog markets have not supported feed price increases thus far. Blenders credits give ethanol producers an advantage over farmers in procuring grain
  - U.S. spending on ethanol subsidies is approaching 5 billion.
  - Interestingly, payments to big oil are not capped in Canada

# Safety Net programs



Source: Farm Financial Survey, Statistics Canada, 2002-2007

- Between 2001 and 2006, crop insurance alone in Saskatchewan accounted for 12.3% of grain cash receipts on an annual basis

# Major Policy Issues

- **Safety Net Programs**
  - Agricultural safety net programs are inadequate
  - Declining AgriStability margins
  - Program Caps
  - Equitable support for livestock sector
- **Trade/Competitiveness**
  - International trade barriers (COOL, meat trade barriers)
  - Canada performance in negotiating trade agreements for agriculture is less than stellar.
  - Major problem with regulatory mindset
- **Share of food dollar**
  - How do producers increase share of retail food dollar?
  - Is market control possible? Perhaps need to add value through packer ownership, distribution, retail ?

# “Where to from here”

- Futures prices have been steadily improving for 2010. There appears to be ample feed supplies in western Canada. There is reason for some optimism.
- Lets not waste a “crisis” to obtain necessary changes
  - Issues to resolve
    - Trade
    - Marketing pork both domestically and internationally
    - Regulatory competitiveness
    - Revenue; Develop Effective Safety Net Programs
- “Even bad luck runs out” there will be a livestock industry in Saskatchewan