

## Pork Industry Update

Jay McGrath, Chairman



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## Overview of Sask Pork

- Sask Pork is a producer-driven organization that delivers programs and provides leadership and a collective voice for Saskatchewan's pork producers.
- Sask Pork funds research, pork promotion, and on-farm food safety programs that provide long-term benefits to the industry.
- Sask Pork is a member of the Canadian Pork Council (CPC) which represents all hog producers in Canada, and addresses issues of national and international scope.



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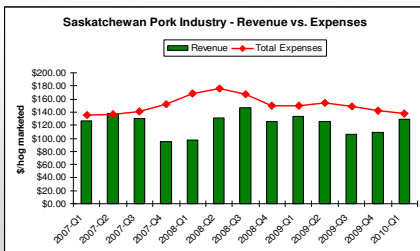
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## Industry Losses



- In 2010, most producers in a position to cover costs. Need several profitable years to recover/revitalize industry



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## Exchange Rate Increases

- 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 has meant a 42% loss in revenue, for what was already a low-margin business.



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## Trade Issues

- Canada's access to export markets impaired
  - Canada's performance in negotiating trade agreements for pork has been poor. High value markets in Europe/Asia remain difficult to access.
  - COOL continues to impair live hog exports to the US.
- Imports of U.S. Pork into Canada have increased substantially.
  - Do we need a COOL law in Canada?



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## Packing Plant/Transportation

- Shutdown of Saskatoon and Moose Jaw packing plants major blow to the industry.
- Long-distance transportation has become a reality and major competitive disadvantage for producers.
  - Must find ways to reduce per-animal transportation costs, especially during road bans – Heavier weights? Multiple trailers?
- Ultimately must attract a new slaughter plant to Saskatchewan to overcome this disadvantage.



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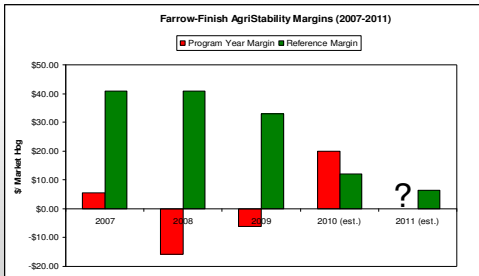
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### AgriStability Reference Margins Declining



- Declining margins, program caps, and lack of support for mixed farms have limited total support in Saskatchewan




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### What does the future hold?

- Futures prices have been steadily improving for 2010. There appears to be ample feed supplies in western Canada. There is reason for some optimism.
- Recent gains in the Canadian dollar are limiting hog price increases. Those who hedged earlier should be profitable. Difficult to compete long-term with a par dollar.
- There will continue to be a strong hog industry in Saskatchewan. Province has many natural advantages.
- However, without significantly improved long-term profitability, difficult to see significant investment in new facilities and infrastructure




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