Correction

THERE was an error printed in a story titled “Pigs float down the Dawson” on Page 11 of yesterday’s Bully.

The story, by reporter Daniel Burdon, said “more than 30,000 pigs were floating down the Dawson River”.

What Baralaba piggery owner Sid Everingham actually said was “30 sows and pigs”, not “30,000 pigs”.

The Morning Bulletin would like to apologise for this error, which was also reprinted in today’s Rural Weekly CQ before the mistake was known.
Canadian Livestock Industry - Outline

- Hog and Pork Sector
  - State of the Industry
    - Production, Prices, Trade
    - Cost Competitiveness
  - Outlook
    - Hog Feeding Margins
- Cattle and Beef Sector
  - State of the Industry
    - Production trends
    - Trade
  - Outlook
- Issues Affecting the Livestock Industry
The State of Canada’s Pork Sector

• Hog Supply - Stable
  – Hog Farm Transition Program – Complete
    – ↓ 127,000 sows
    – ↓ 264,000 feeder pigs
    – ↓ 447,000 market hogs
  – Industry shrunk to more closely match domestic slaughter capacity
  – Decreased feeder pig exports to the US

• Pork Demand – Firm
  – 2010 Economic growth estimated at +2.9%
    – Unemployment – 8%
  – Export sales – growth matched US
Canadian Dollar – 10 years

Cdn $/US $
Weekly Cash Prices (Canada vs US)
## Canadian Hog and Pig Inventory

<table>
<thead>
<tr>
<th></th>
<th>Jan 1, 2011 (‘000 Head)</th>
<th>% of 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Hogs and Pigs</td>
<td>11,910</td>
<td>100.6%</td>
</tr>
<tr>
<td>Kept for Breeding</td>
<td>1,314</td>
<td>98.6%</td>
</tr>
<tr>
<td>Market</td>
<td>10,596</td>
<td>100.9%</td>
</tr>
<tr>
<td>Pig Crop</td>
<td>7,114</td>
<td>98.9%</td>
</tr>
</tbody>
</table>

### Kept for Breeding

![Graph showing the number of million pigs kept for breeding from 2000 to 2010.](chart.png)

- **2000**: 1.12 million pigs
- **2001**: 1.20 million pigs
- **2002**: 1.40 million pigs
- **2003**: 1.60 million pigs
- **2004**: 1.80 million pigs
- **2005**: 2.00 million pigs
- **2006**: 2.00 million pigs
- **2007**: 2.00 million pigs
- **2008**: 1.90 million pigs
- **2009**: 1.70 million pigs
- **2010**: 1.60 million pigs
Canadian Hog Production and Processing

% of Canadian Inventory
* Slaughter Plant >15k/week
<table>
<thead>
<tr>
<th>Company</th>
<th>Daily Capacity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maple Leaf</td>
<td>28,000</td>
<td>32%</td>
</tr>
<tr>
<td>Olymel</td>
<td>25,400</td>
<td>29%</td>
</tr>
<tr>
<td>Quality Meats</td>
<td>7,300</td>
<td>8%</td>
</tr>
<tr>
<td>Dubreton</td>
<td>4,960</td>
<td>6%</td>
</tr>
<tr>
<td>Astra</td>
<td>3,800</td>
<td>4%</td>
</tr>
<tr>
<td>HyLife</td>
<td>3,650</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Daily Capacity:** 88,330
Hog and Pig exports stabilized in 2010
- 2010 Total – 5.7 million head
- ↓ 43% from the peak in 2007
• Pork exports increased 2.1% over 2009
  • 2010 Total – 1.1 million metric tonnes
  • Canada’s growth in exports comparable to US
Canada’s Current Feed Cost Advantage

Corn vs Barley

$/Bushel

Barley
Corn

1-Jul
15-Jul
29-Jul
12-Aug
26-Aug
9-Sep
23-Sep
7-Oct
21-Oct
4-Nov
18-Nov
2-Dec
16-Dec
30-Dec
13-Jan
27-Jan
10-Feb
Factors that Lead to Canada’s Feed Cost Advantage

• ↑ Supply of feed grains in Western Canada
  • Relentless rains downgraded the wheat and barley crops to feed quality
• Canada has a small bio-fuel industry with limited growth
  • 28 plants (16 Ethanol)
    • Production 2.25 billion liters annually
• High Canadian Dollar has slowed exports
• Structure of the Canadian feed grain market
2010 Hog Feeding Margins

$/pig

$-30
$-20
$-10
$0
$10
$20
$30

Jan-10
Mar-10
May-10
Jul-10
Sep-10
Nov-10
Jan-11
Mar-11
May-11

2010
Projected
2011 Canadian Pork Outlook

• Feed cost advantage resulting in good profitability will allow producers to recover equity losses incurred over the last several years

• Tight credit markets and high volatility will eliminate growth potential for the breeding herd in 2011

• Productivity gains will account for any increase in Canada’s production → ~1%
• Cattle Feeders
  – Improved cost competitiveness with US feeders
  – Cattle on Feed – Alberta/Saskatchewan
    • January placements down 28% from 2010
    • Total Cattle-on-feed ~920k, down 3% from 2010

• Cow/Calf Operations
  – Beef cow inventory down 19% or 1 million head from the peak in 2005
  – The return to profitable calf prices did not limit herd liquidation amid strong cow prices

• Processors
  – Total Cattle Slaughter Capacity is ~75,000 head/week
    • Utilization under 75%
2010 Canadian Cattle Inventory

Jan 1, 2011
Inventory down 3.4%
Canadian Cattle Production and Processing

% of Canadian Inventory
* Slaughter Plant > 8k/week
US and Canadian Cattle Prices

Monthly Steer Prices (Alberta vs Nebraska)

$/cwt

Canada
US

Jan-08 Apr-08 Jul-08 Oct-08 Jan-09 Apr-09 Jul-09 Oct-09 Jan-10 Apr-10 Jul-10 Oct-10 Jan-11
Live Cattle Exports to the US

![Bar chart showing live cattle exports to the US from 2007 to 2010. The chart compares feeder cattle and slaughter cattle exports. In 2007, feeder cattle exports were approximately 550,000, and slaughter cattle exports were approximately 800,000. In 2008, feeder cattle exports were approximately 600,000, and slaughter cattle exports were approximately 700,000. In 2009, feeder cattle exports were approximately 250,000, and slaughter cattle exports were approximately 500,000. In 2010, feeder cattle exports were approximately 200,000, and slaughter cattle exports were approximately 600,000.]}
2010 Cattle Feeding Margins

$ per head

January, February, March, April, May, June, July, August, September, October, November, December

Iowa*
Alberta**

*John Lawrence, Iowa State University
**Canfax
2011 Canadian Beef Outlook

- Beef export volumes reliant on a steady Canadian Dollar and an improving US economy
- Intensive management & innovation in cow/calf sector → improved productivity and lower costs
- Good profitability will start to offset demographic pressures on supply
- Feeder cattle exports remain weak reflecting Canada’s current feed cost advantage and effects of COOL
Issues Affecting Livestock Industry in 2011

• High Canadian Dollar impact on export sales of pork and beef

• Supply of feed grain in 2011/12
  – Barley prices not competitive with other crops
    • Gross revenue per acre is half that of Canola

• Trade related issues
  – COOL – WTO Ruling due in mid-2011
  – Further progress on BSE related trade restrictions
Questions?

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