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# Situation and Outlook of the Canadian Livestock Industry

2008 USDA Agricultural Outlook Forum

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**February 22, 2008**

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# Canadian Livestock Industry - Outline

- Hog and Pork Sector
  - **Current Situation**
    - Impact of the Canadian Dollar
    - Production, Prices, Trade
  - **Outlook**
- Cattle and Beef Sector
  - **Current Situation**
    - Production
    - Trade
  - **Outlook**
- Challenges to the Livestock Industry



# Canadian Headlines

**Pork industry 'suffering through worst period' ever**

**N.B. hog industry struggles to save its bacon**

**1,500 Pork Farms Potentially At Risk Of Leaving Business During Industry Downswing**

**Half as many hogs heading to market**

# The State of Canada's Pork Sector

- **Production - shrinking**

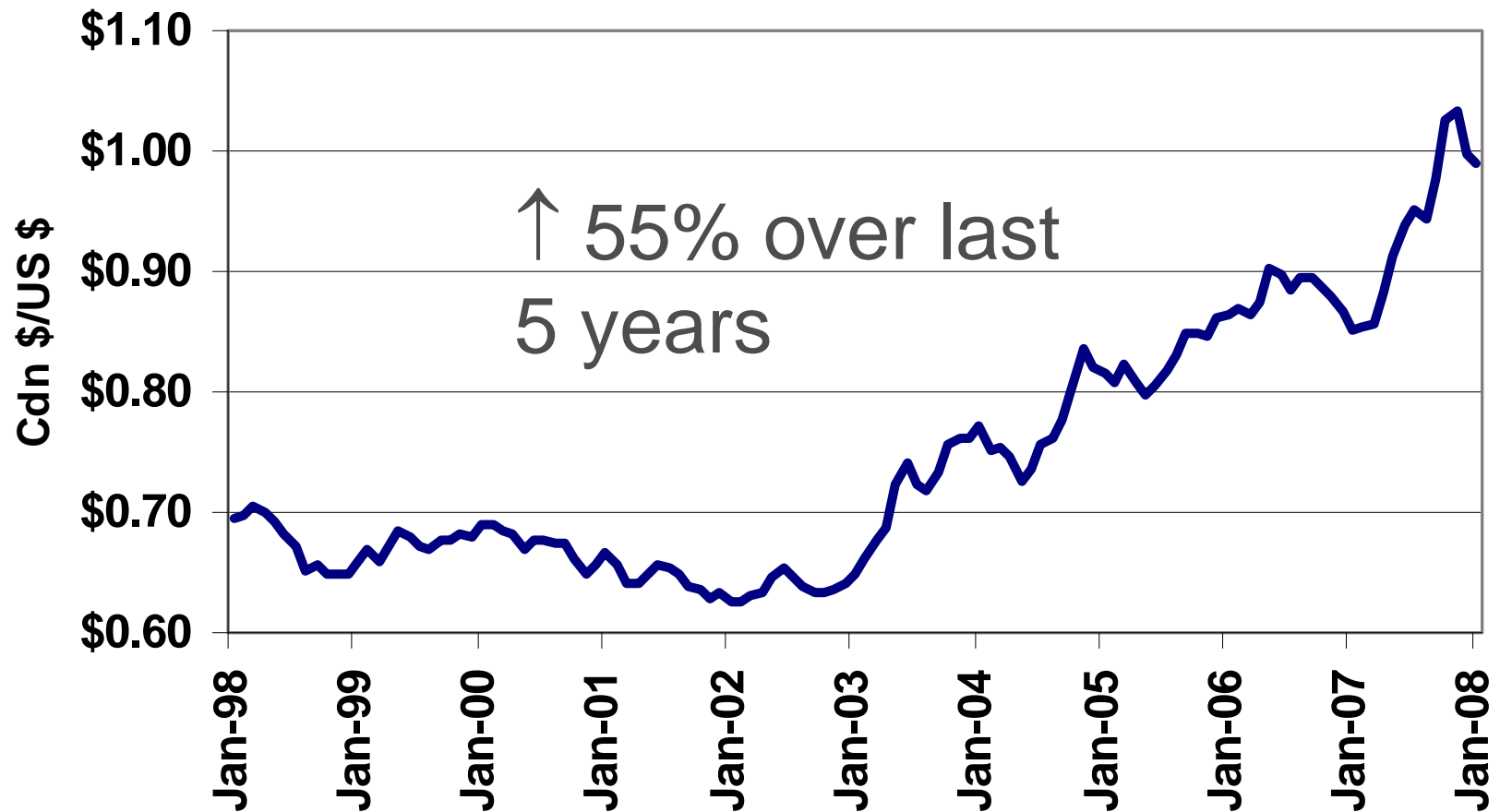
- Liquidation of breeding herd started in Sept 07
- Exodus from feeder operations
- Increased feeder pig exports to the US



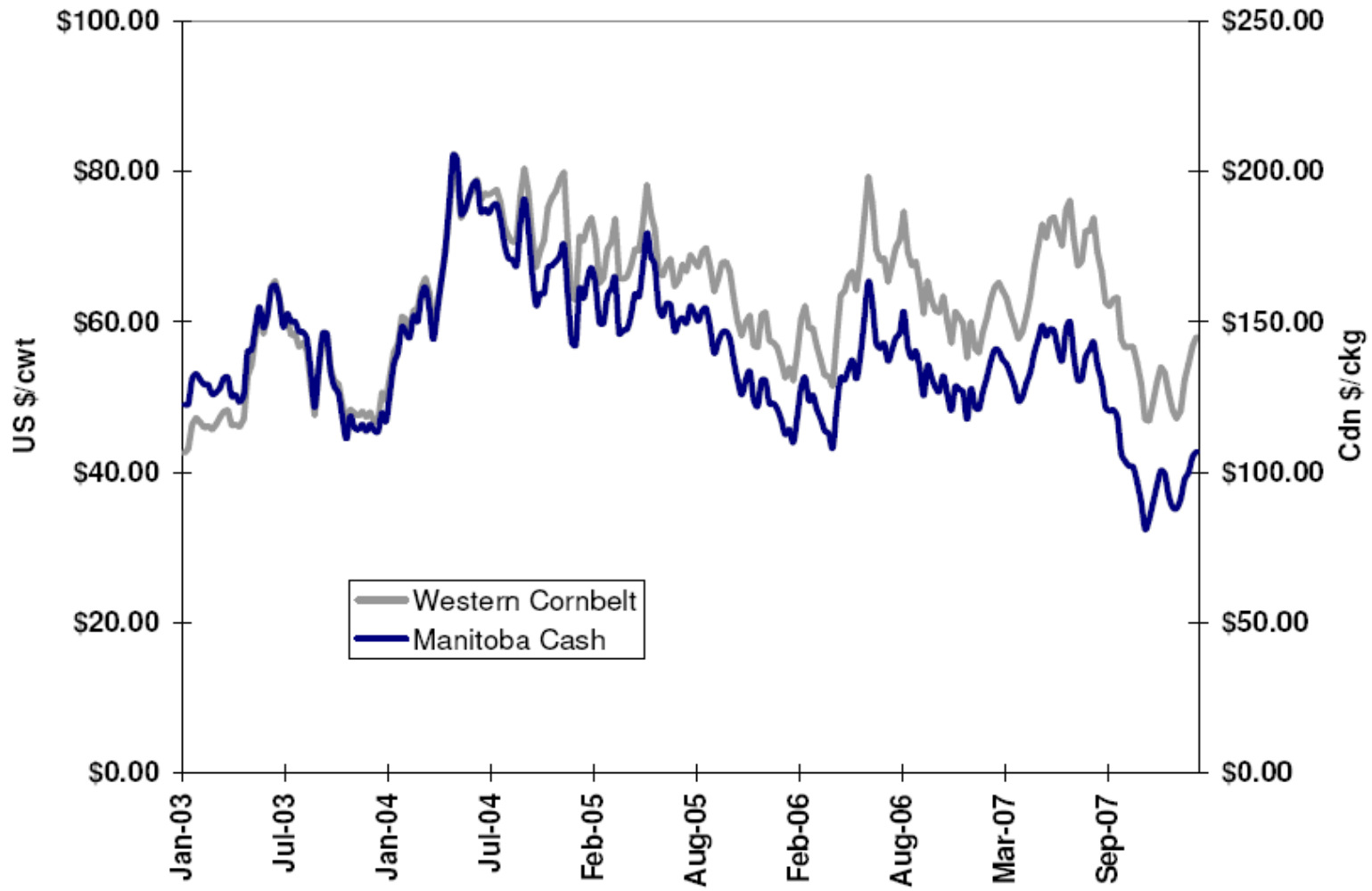
- **Processors - consolidating**

- Reacting to the “New Normal” business environment
- Concentration on cost cutting and value added

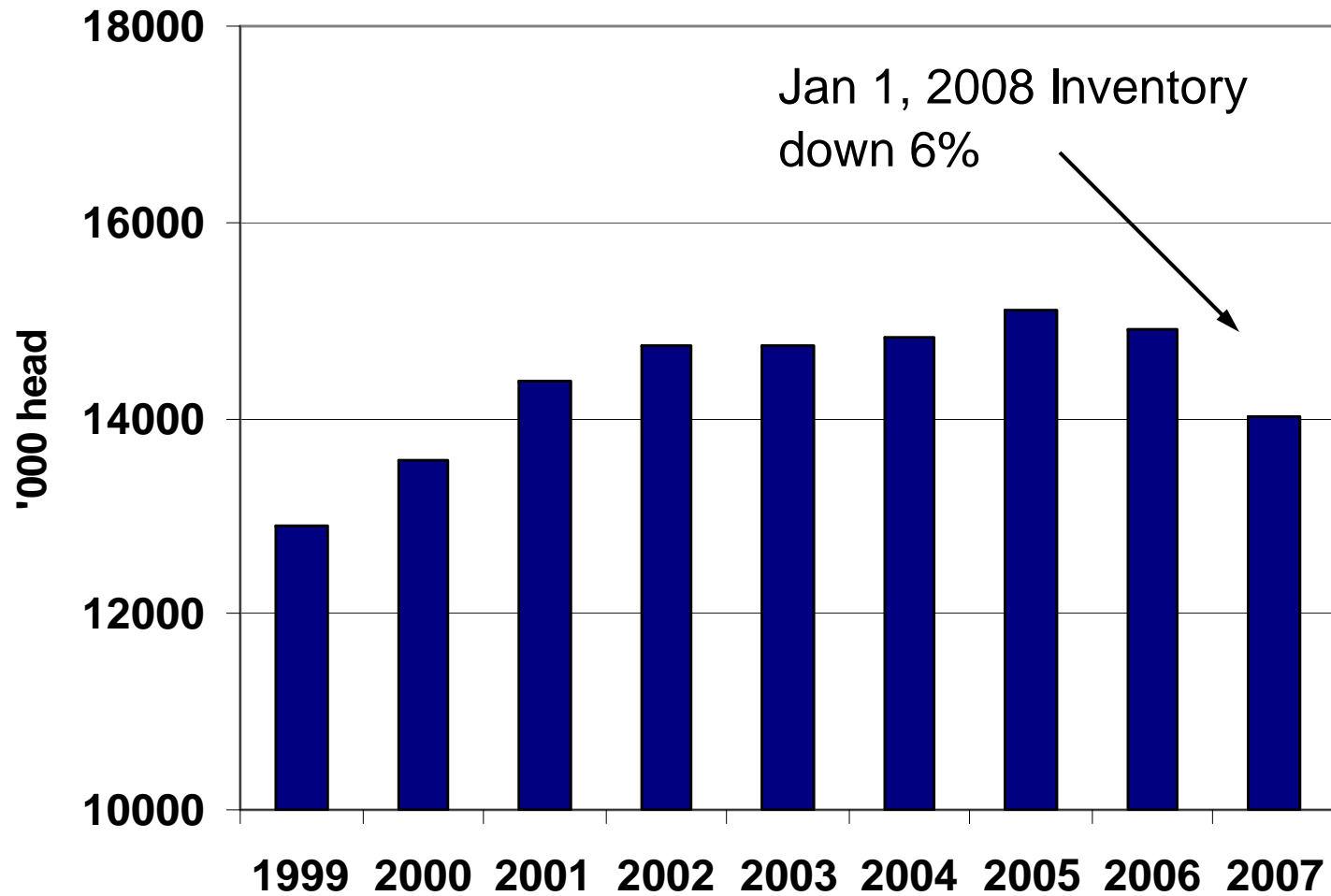
# Canadian Dollar – 10 years



# Market Hog Cash Prices

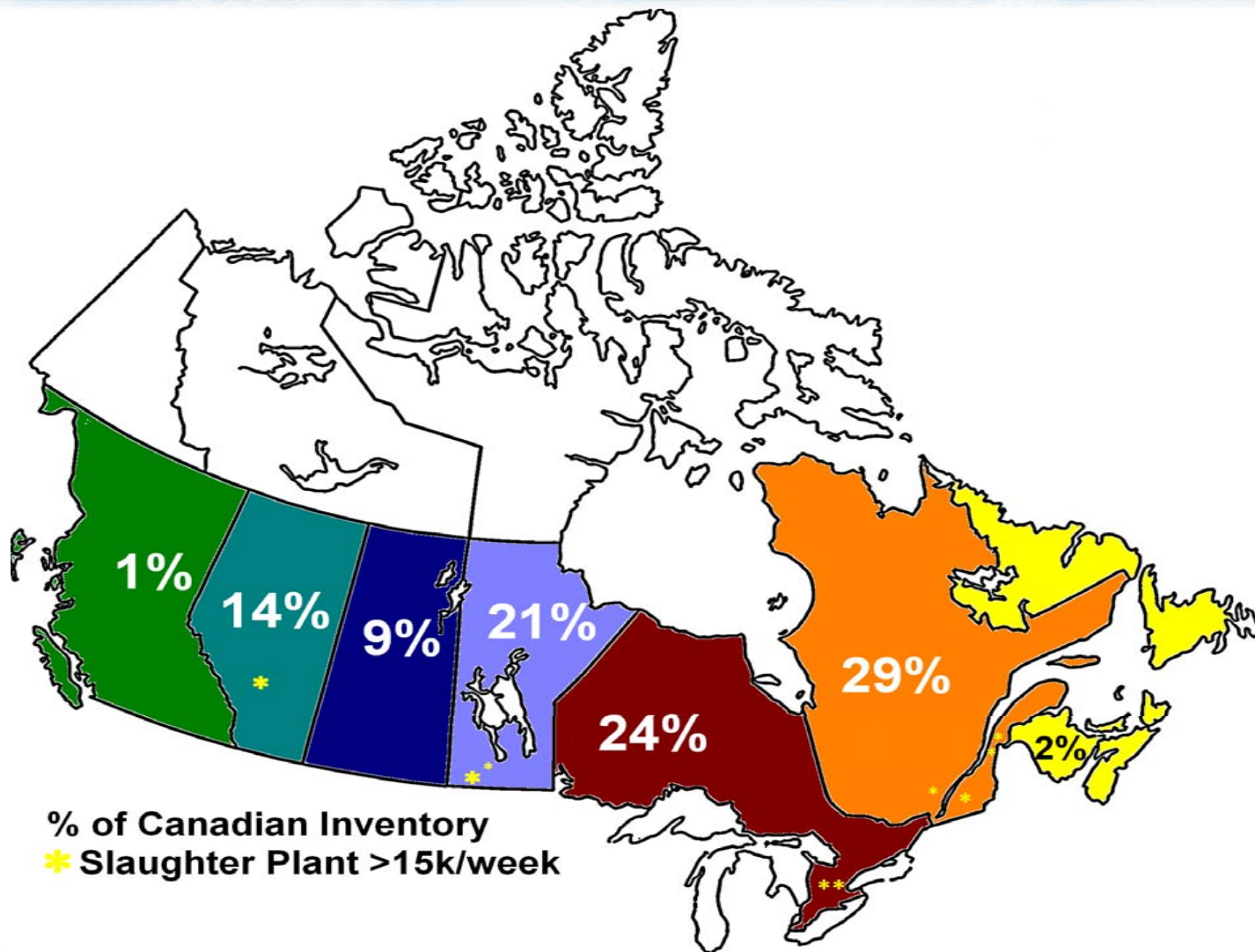


# Canadian Hog and Pig Inventory

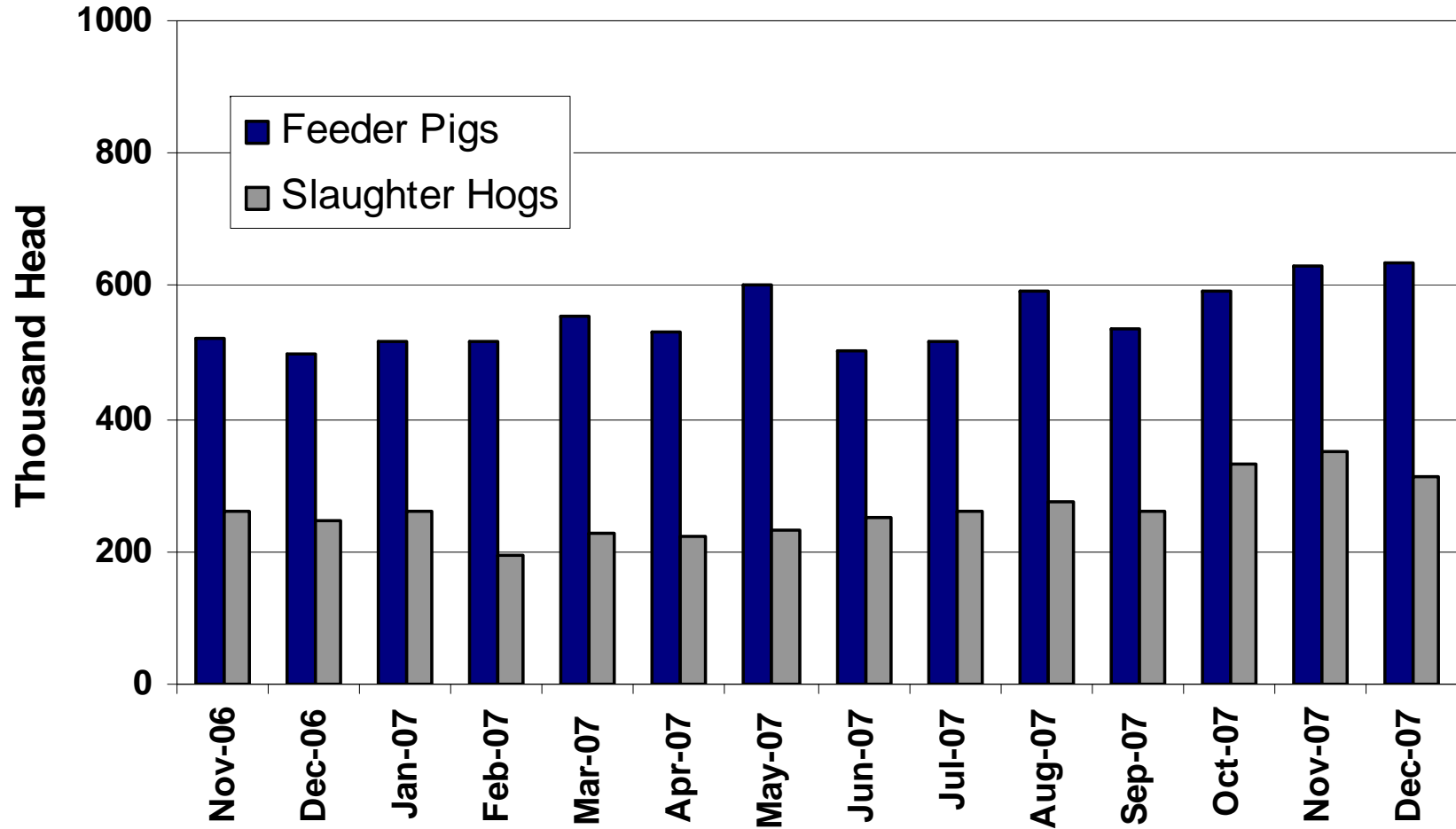




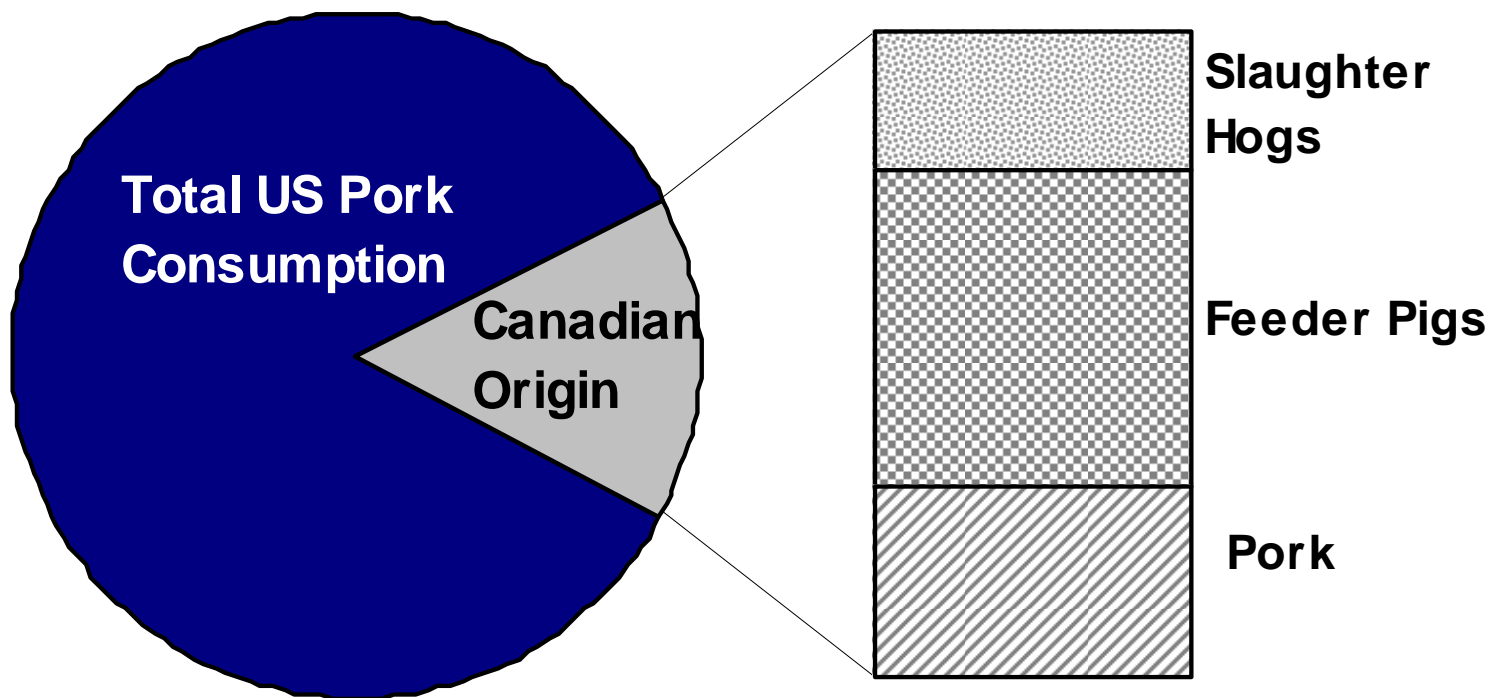
# Canadian Hog Production and Processing



# Canadian Hog and Pig Exports

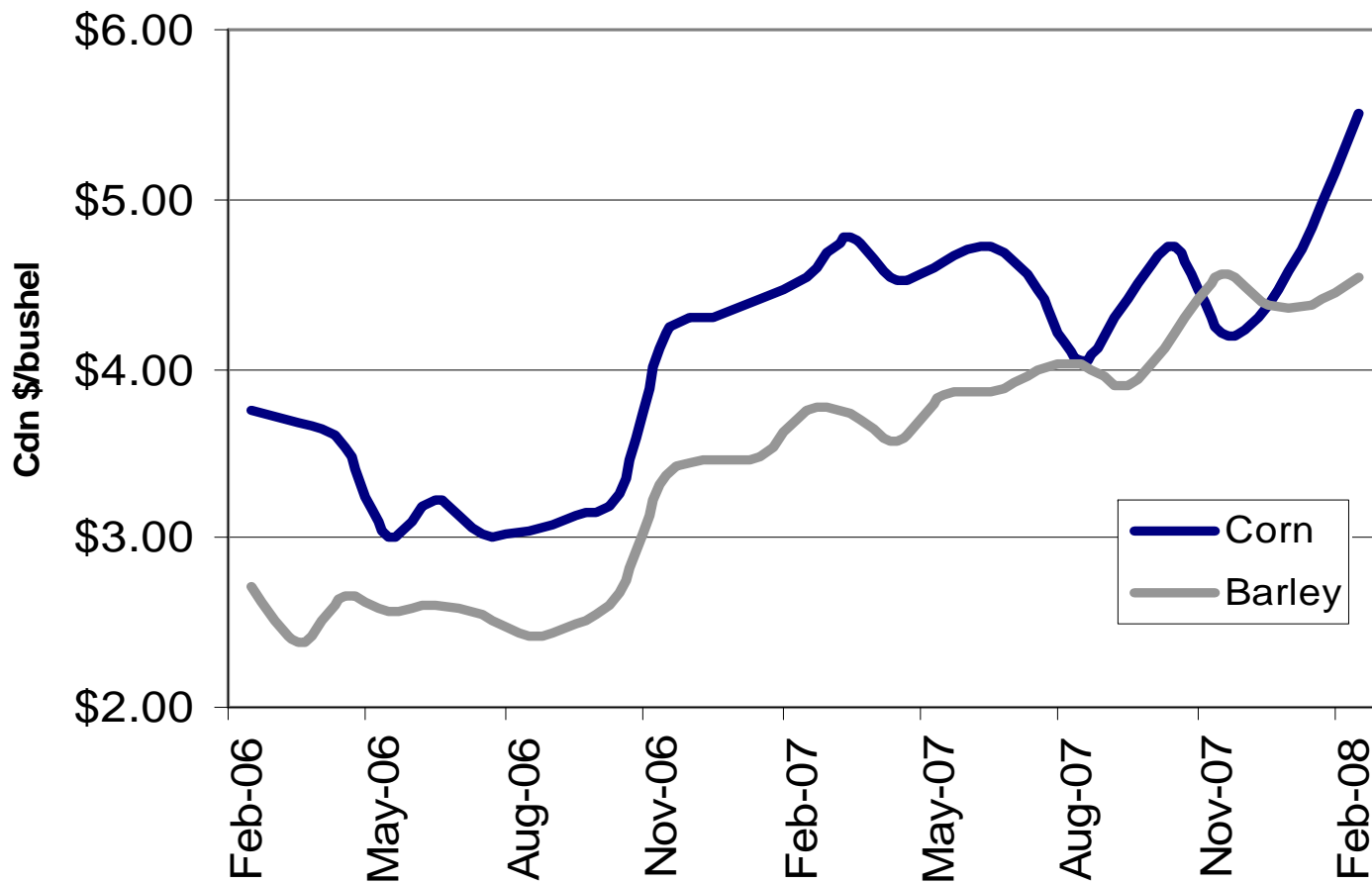


# US Consumed Pork with Origin in Canada

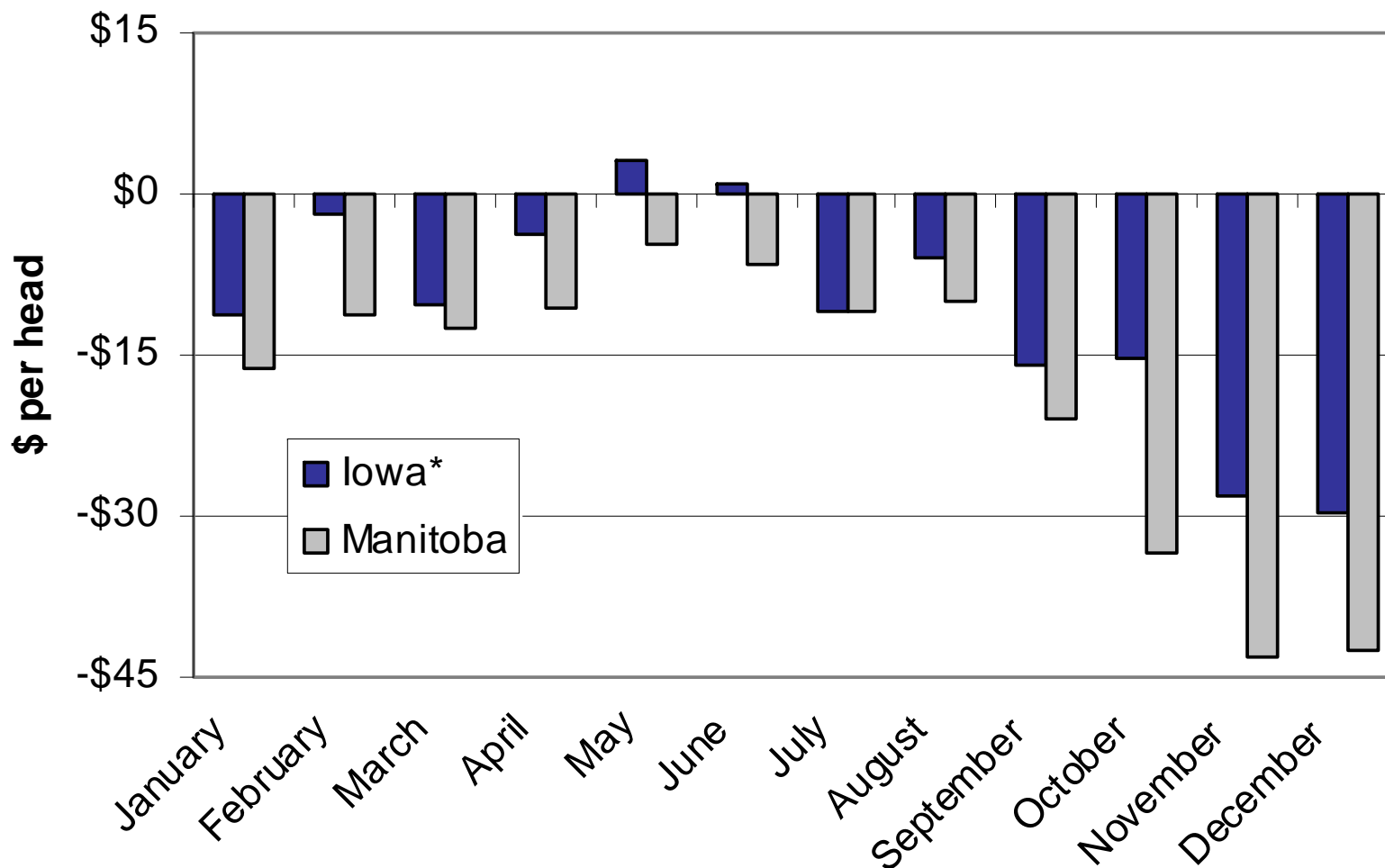


# Corn vs Barley

## Winnipeg Delivered Feed Grains



# 2007 Hog Feeding Margins



\*John Lawrence, Iowa State University

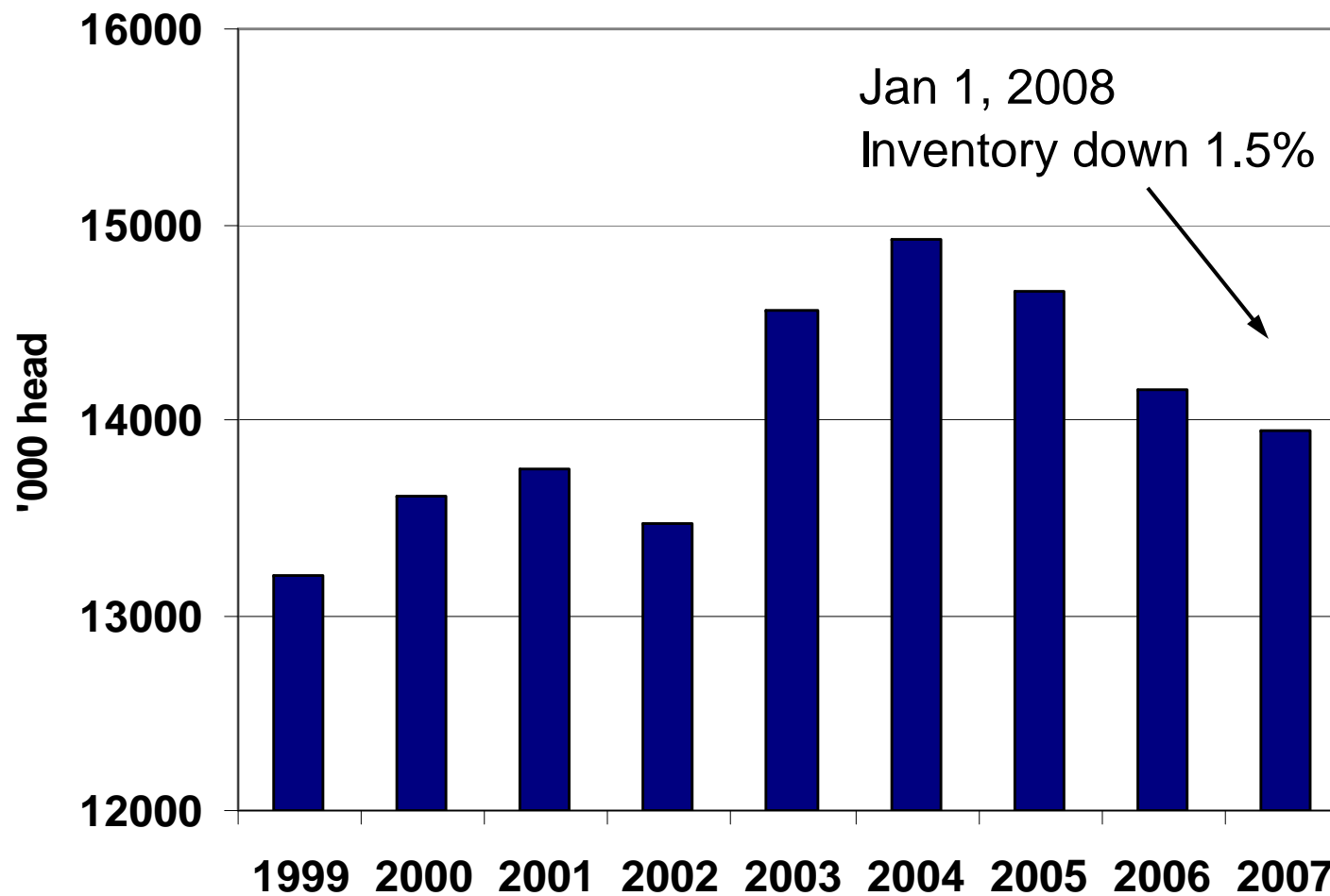
# 2008 Canadian Pork Outlook

- Liquidation of the Canadian breeding herd in 2008 due to poor profitability
  - Larger drop in market hogs
- Slowing growth in weanling/feeder pig exports to US
- An acceleration of the shift in hog production from east to west as production economics dictate
- Further consolidation of processing capacity

# The State of Canadian Beef Sector

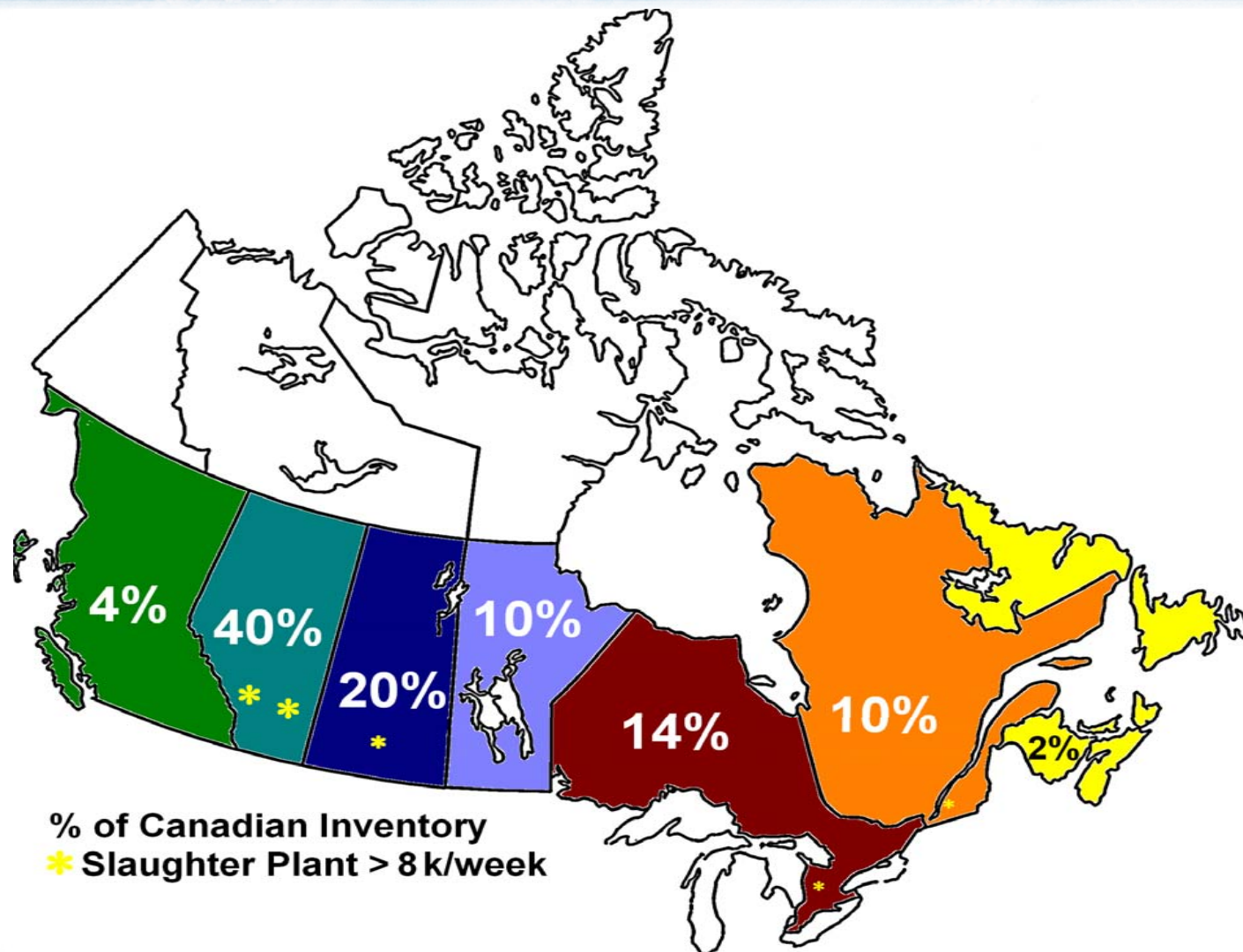
- Cattle Feeders
  - Very poor profitability similar to US feedlots
  - Cattle on Feed – Alberta/Saskatchewan
    - January placements down 48% from 2007
    - Total Cattle-on-feed ~900k, down 13% from 2007
- Cow/Calf Operations
  - Still recovering from the impact of BSE
  - Near breakeven levels
- Processors
  - Total Cattle Slaughter Capacity is ~100,000 head/week – ↑ 40% from 5 years ago

# 2007 Canadian Cattle Inventory

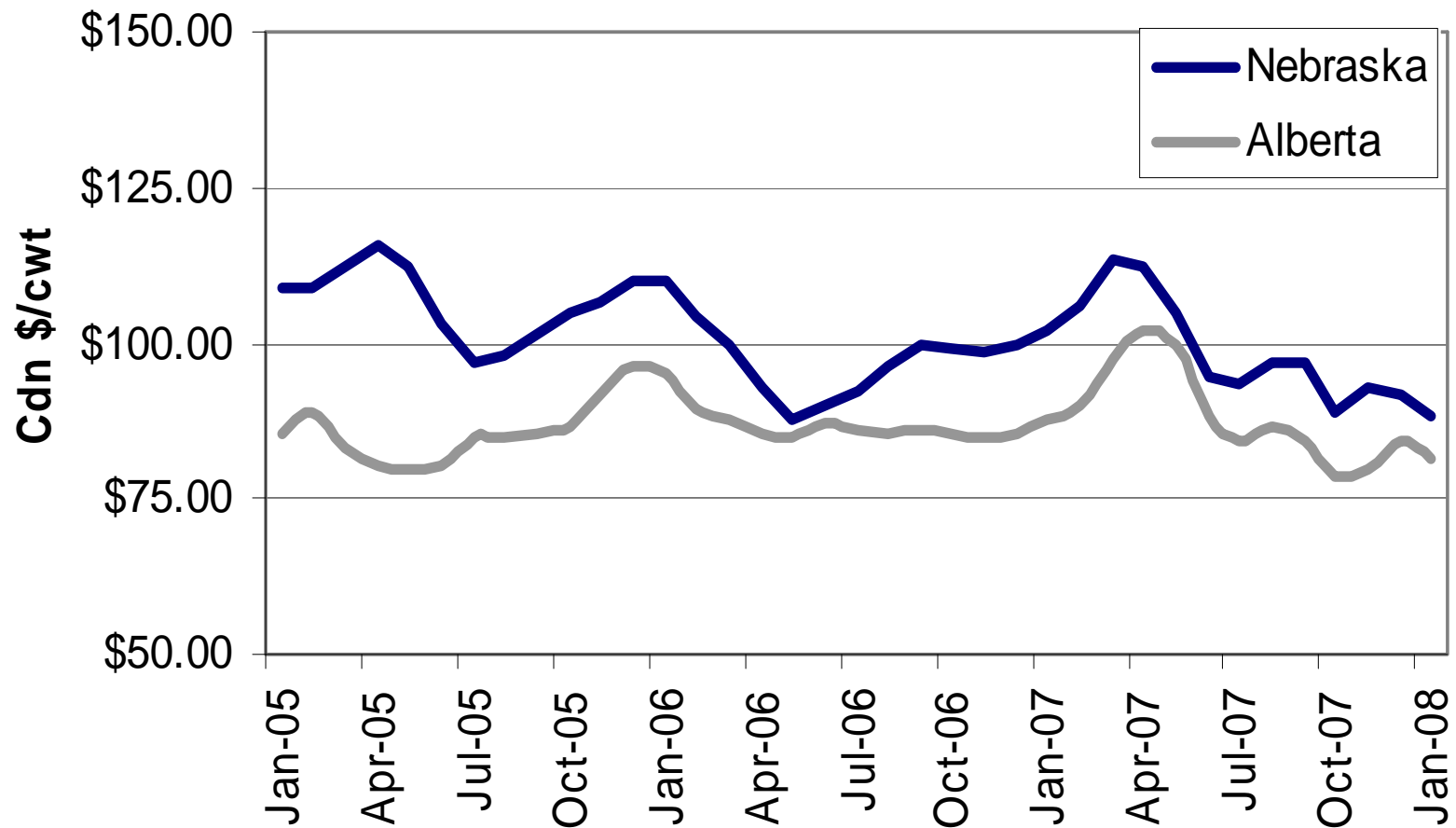




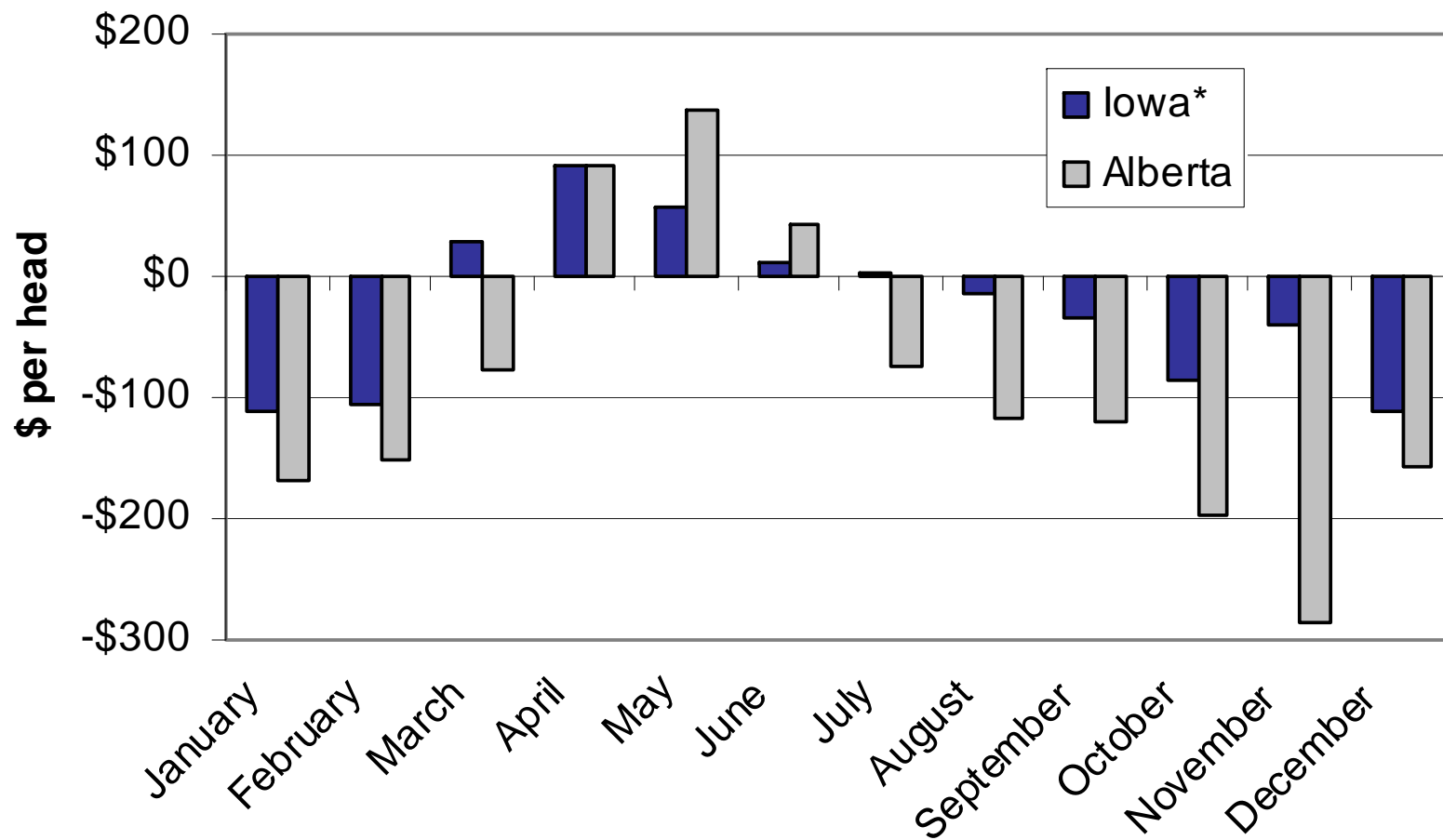
# Canadian Cattle Production and Processing



# US and Canadian Cash Cattle Prices



# 2007 Cattle Feeding Margins



\*John Lawrence, Iowa State University



# 2008 Canadian Beef Outlook

- Beef sector to experience similar trends as the pork sector, but more moderate
  - Accelerated liquidation of cow herd due to higher feed costs and improved cull cow prices
  - Reduced Cattle-on-feed reflecting the poor feeding economics
  - Feeder cattle exports remain strong as US feeders maintain edge in profitability over Canadian feeders
  - Continued trend of narrowing basis between US and Canadian fed cattle prices



# Challenges To The Livestock Industry

- Adapting to the high Canadian Dollar
- Bio-fuels influence on feed grain markets
- Environmental Regulations
  - Stricter manure management regulations
- Trade Related Issues
  - COOL – Uncertain market conditions
  - BSE related trade restrictions

