

Situation and Outlook of the Canadian Livestock Industry

2008 USDA Agricultural Outlook Forum

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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



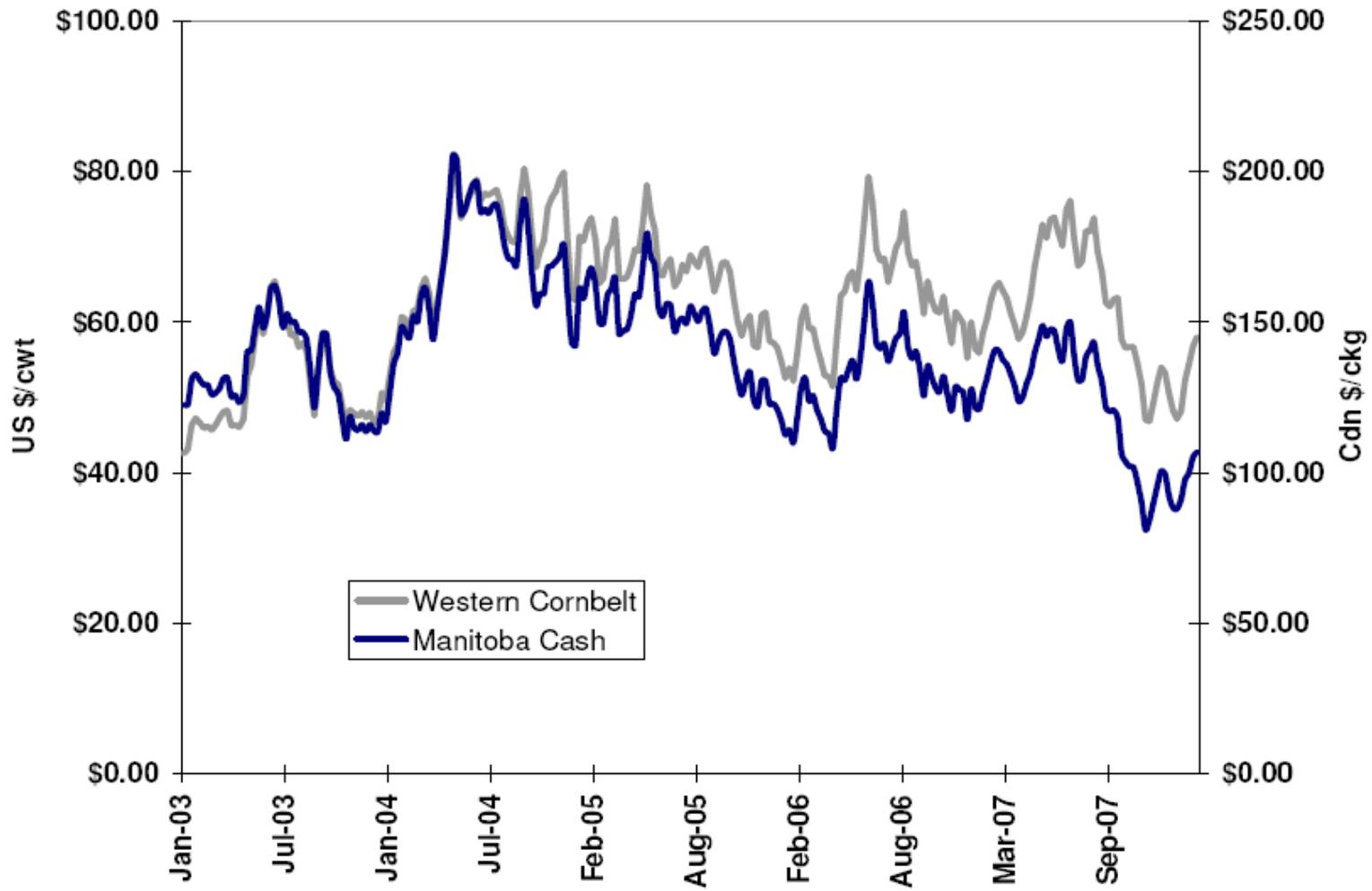
- **Processors - consolidating**

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

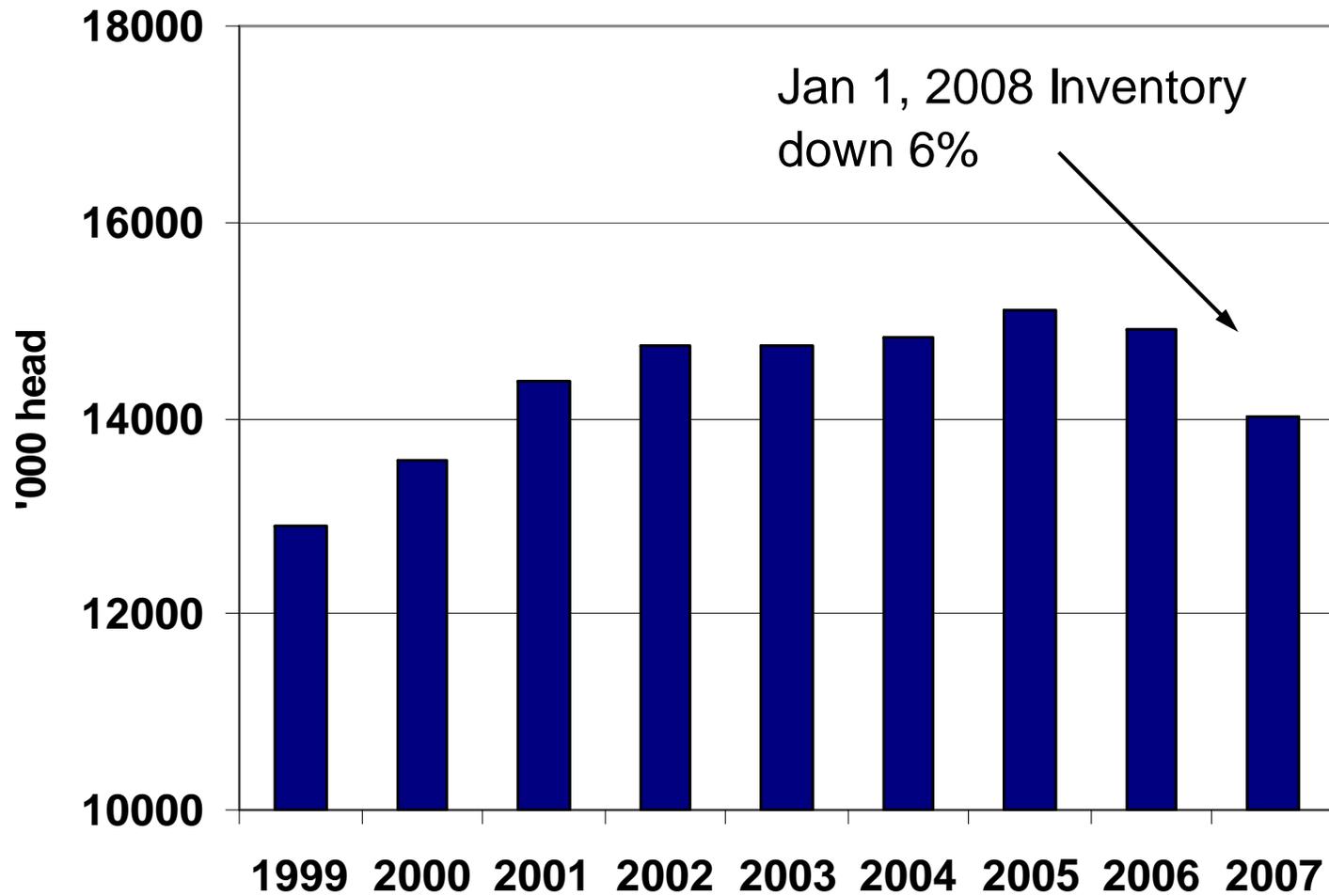
Canadian Dollar – 10 years



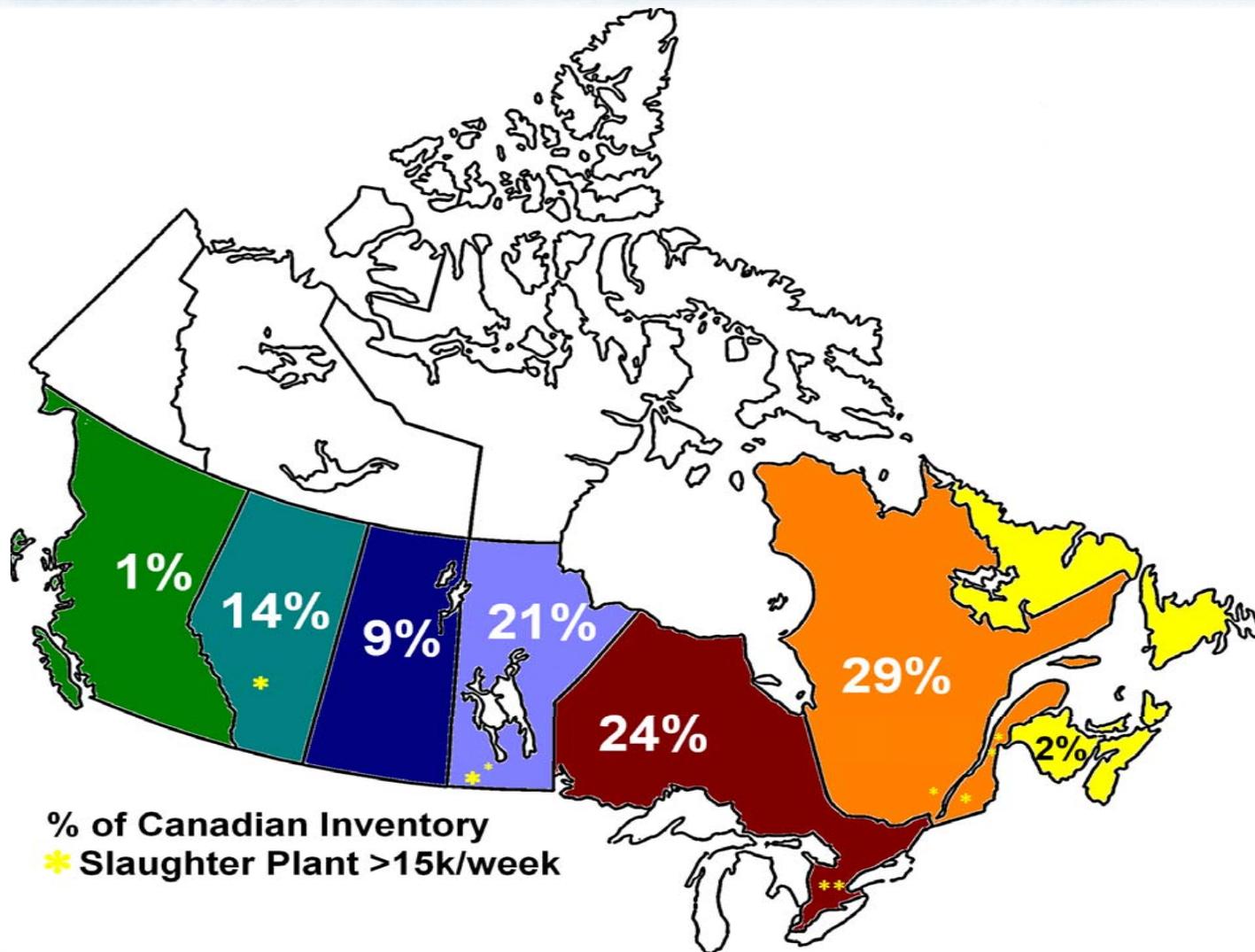
Market Hog Cash Prices



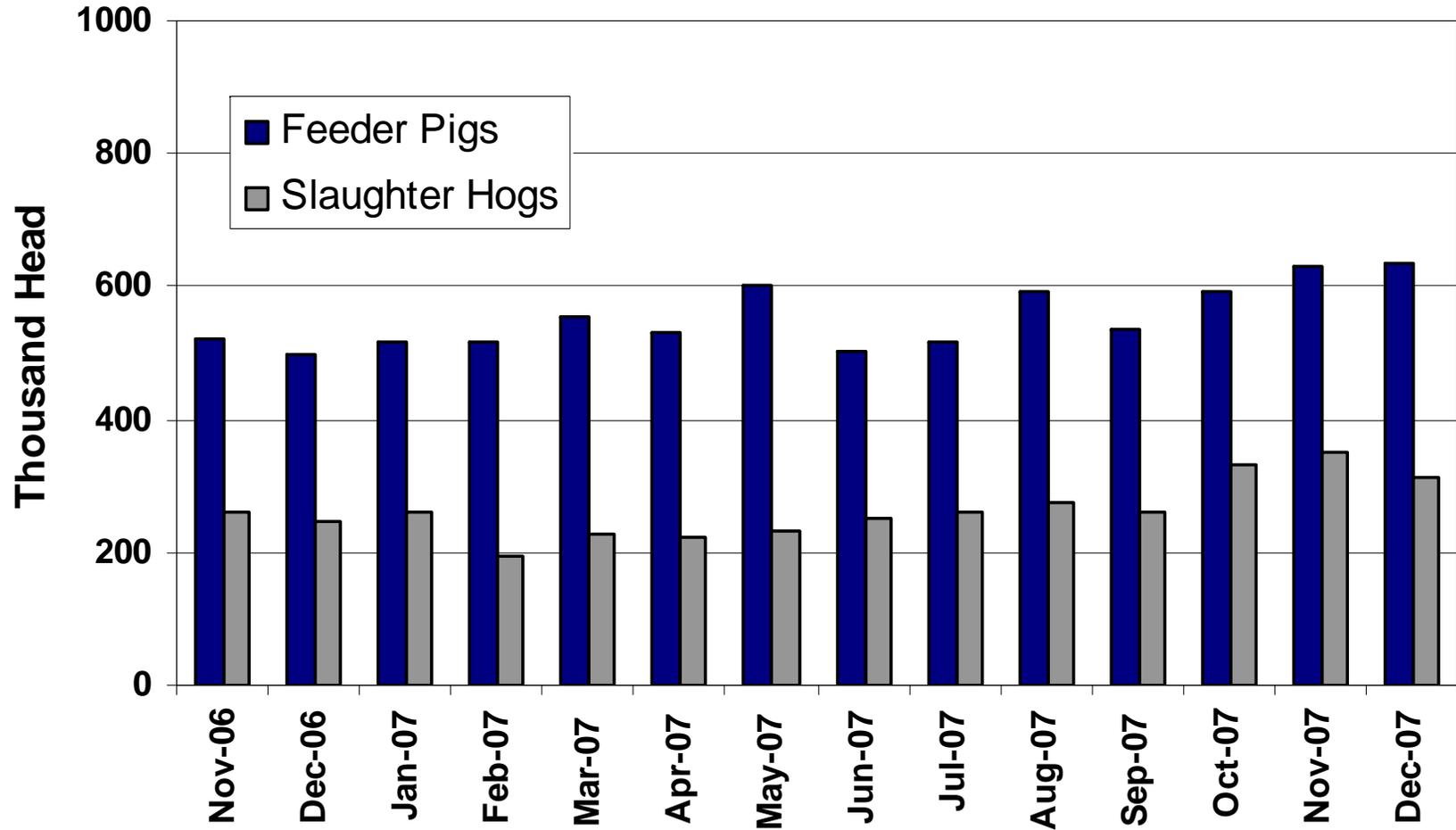
Canadian Hog and Pig Inventory



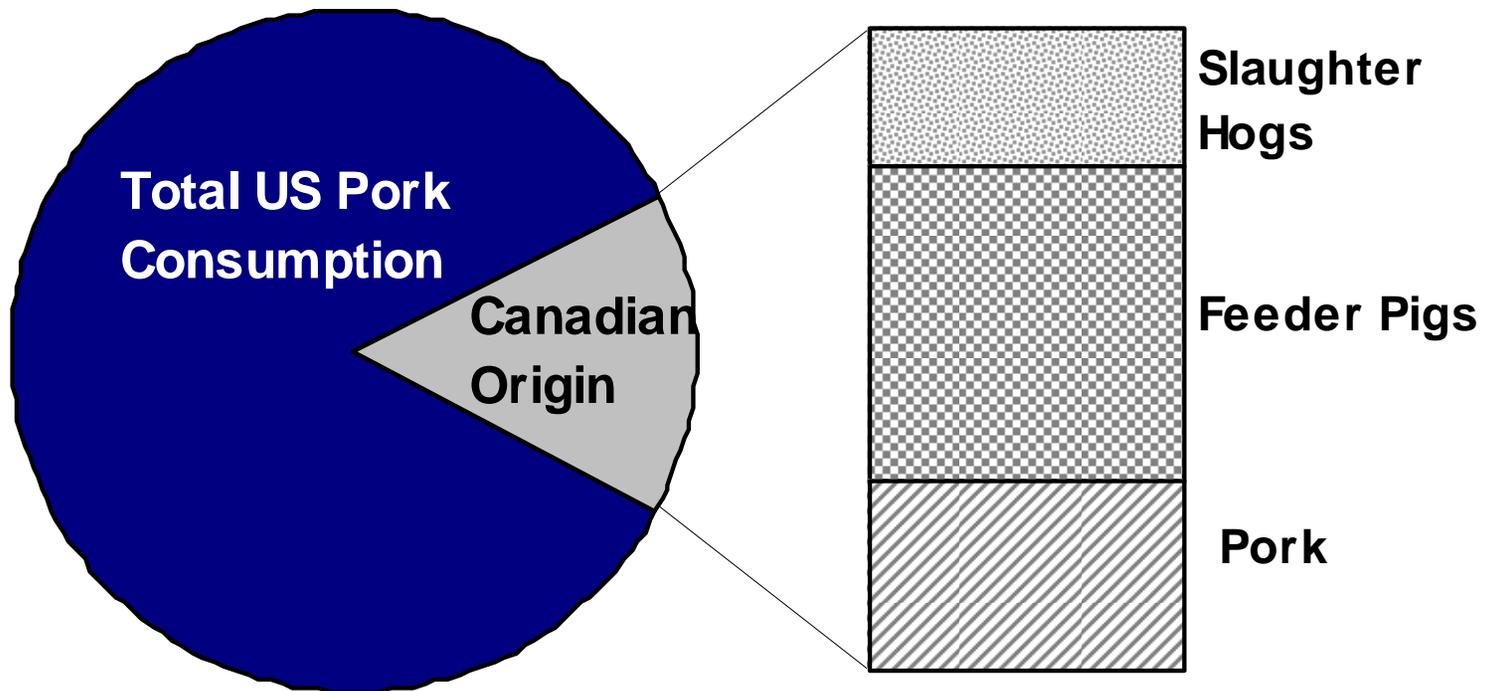
Canadian Hog Production and Processing



Canadian Hog and Pig Exports

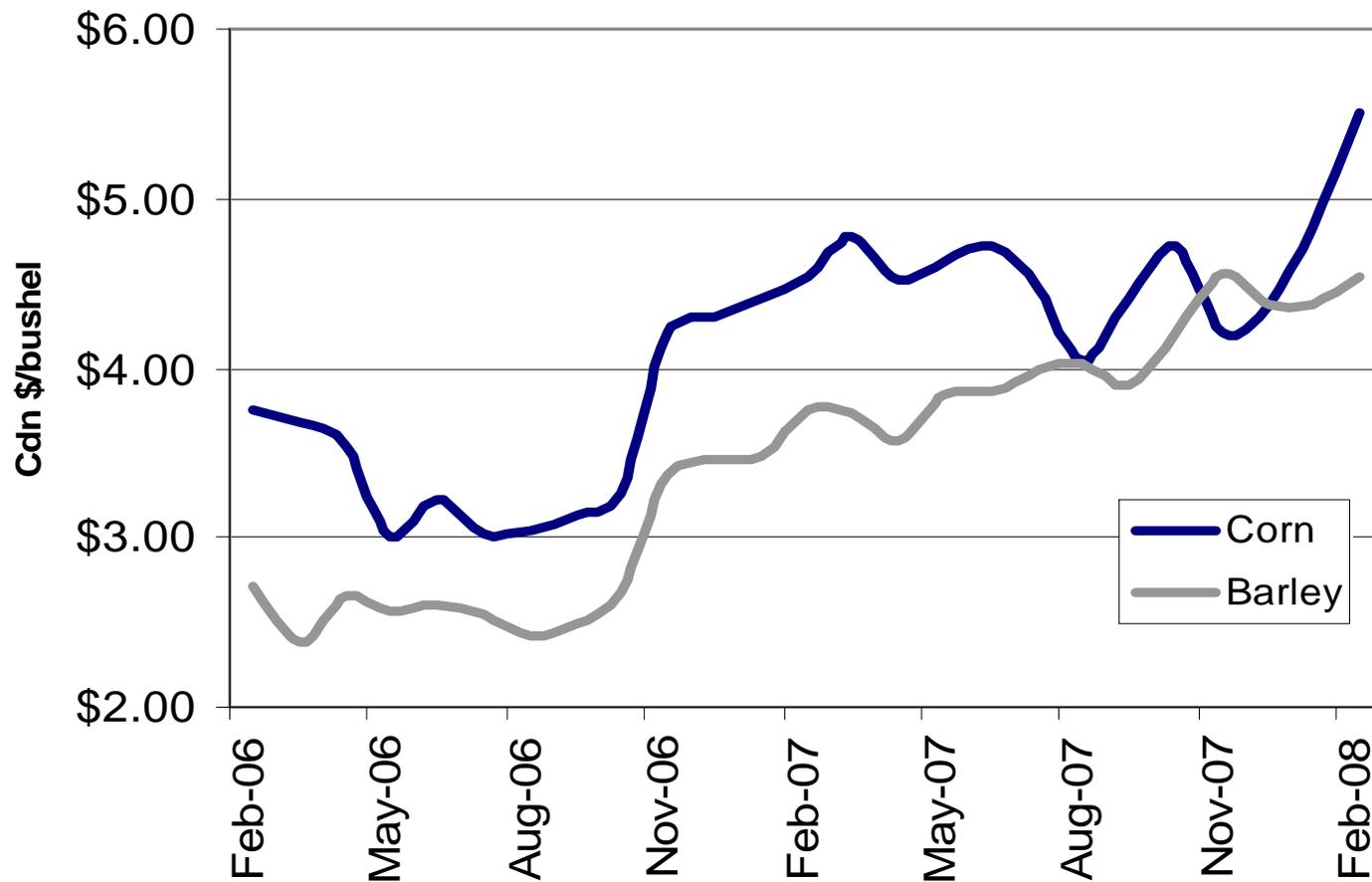


US Consumed Pork with Origin in Canada

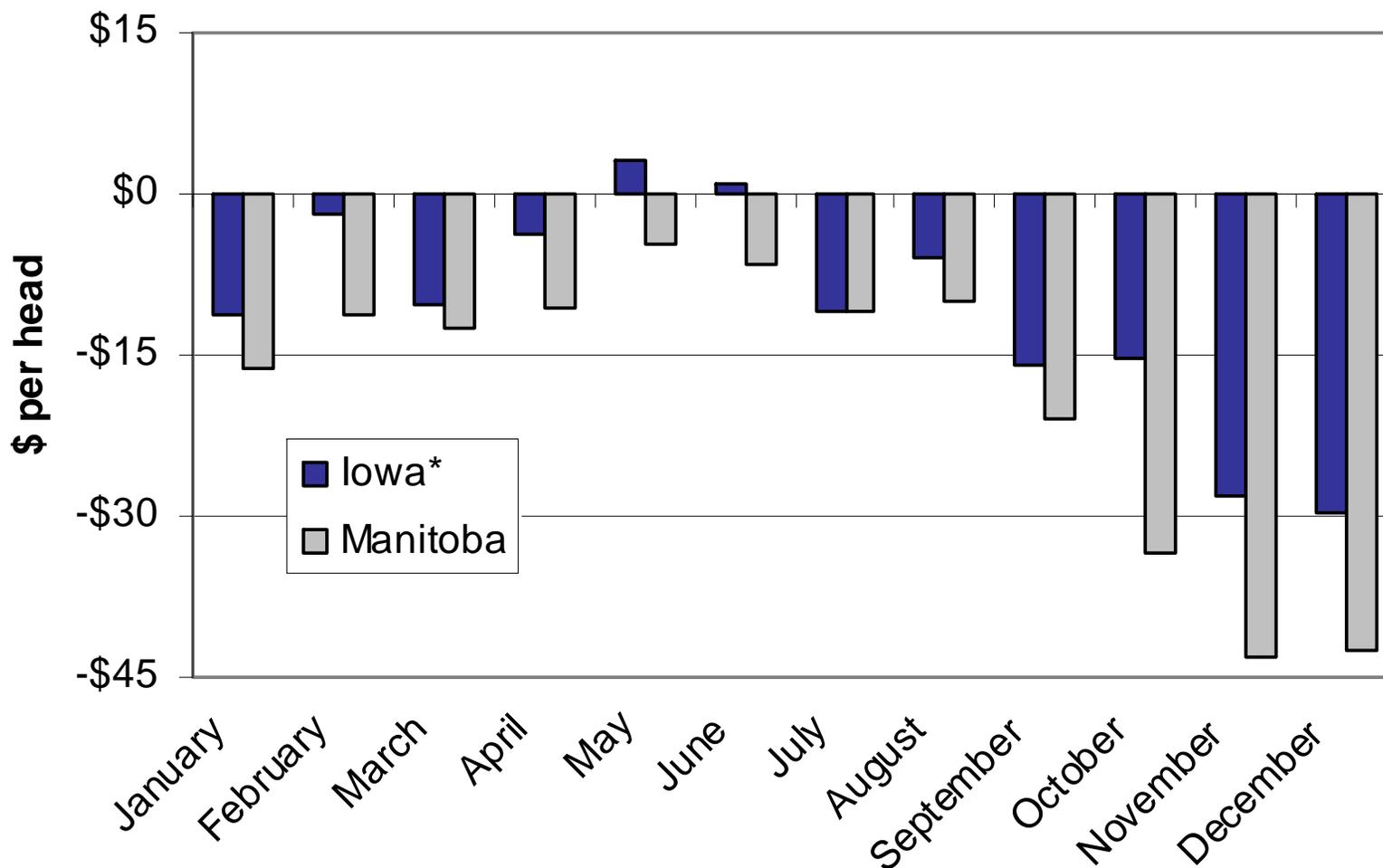


Corn vs Barley

Winnipeg Delivered Feed Grains



2007 Hog Feeding Margins



*John Lawrence, Iowa State University

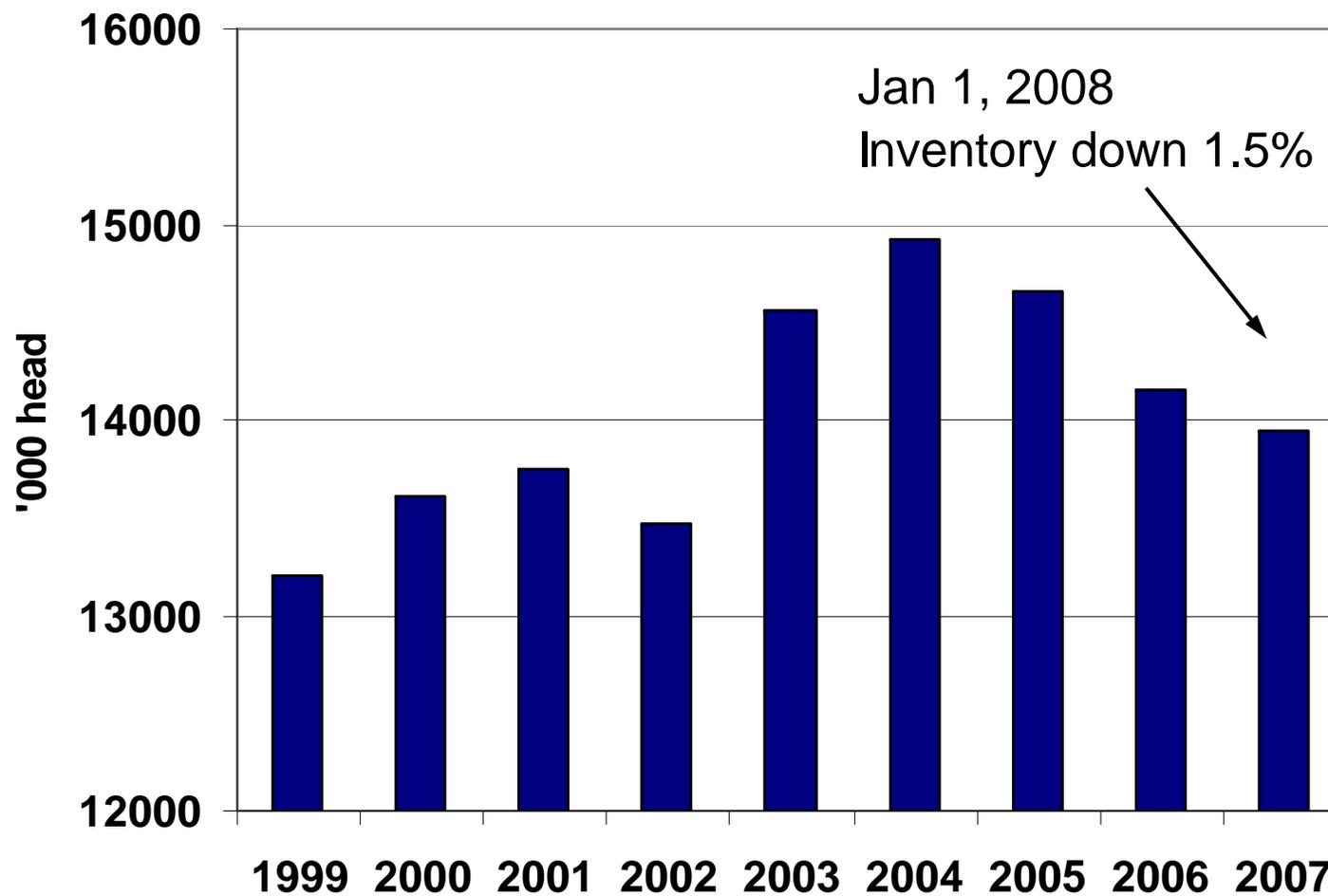
2008 Canadian Pork Outlook

- 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

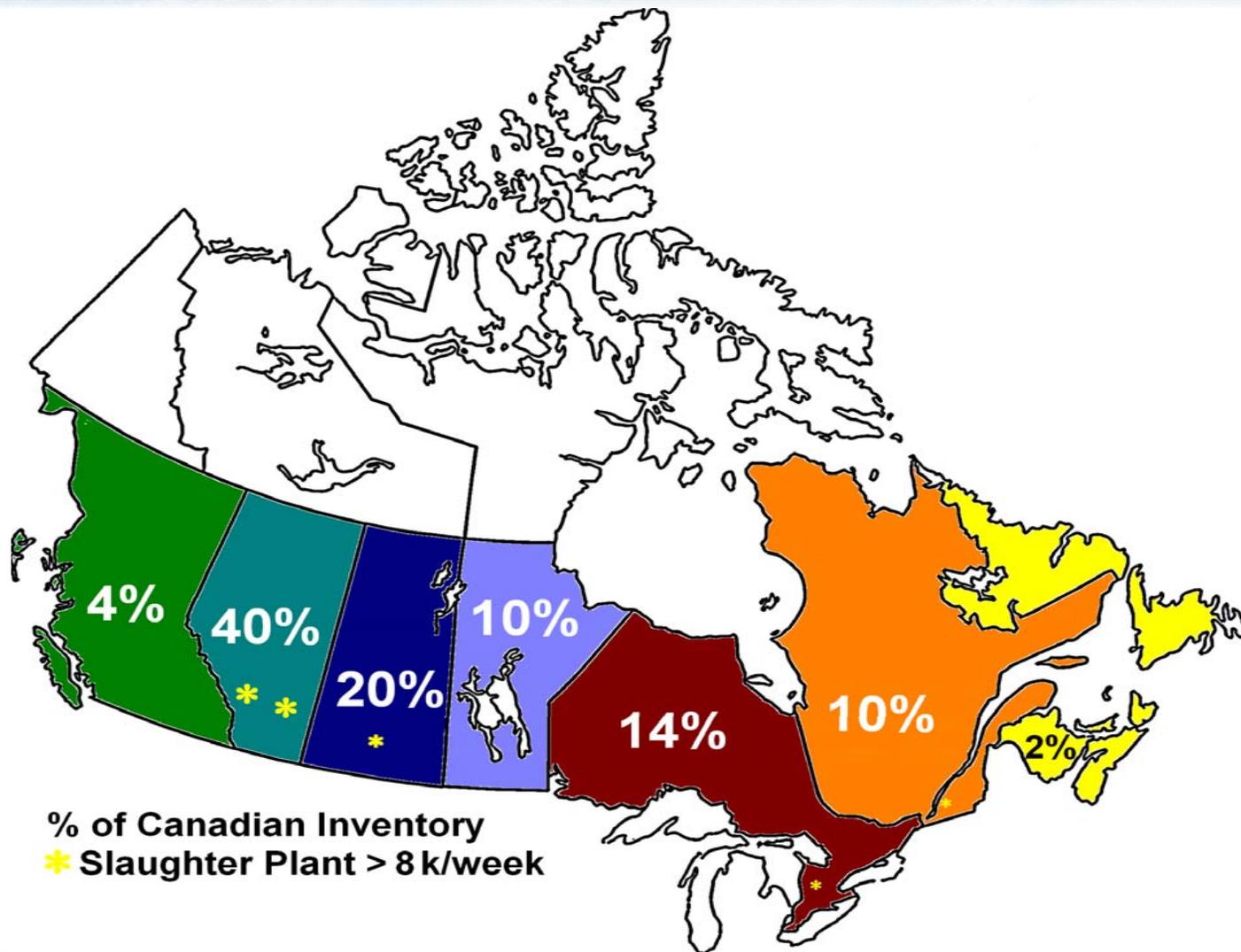
The State of Canadian Beef Sector

- 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

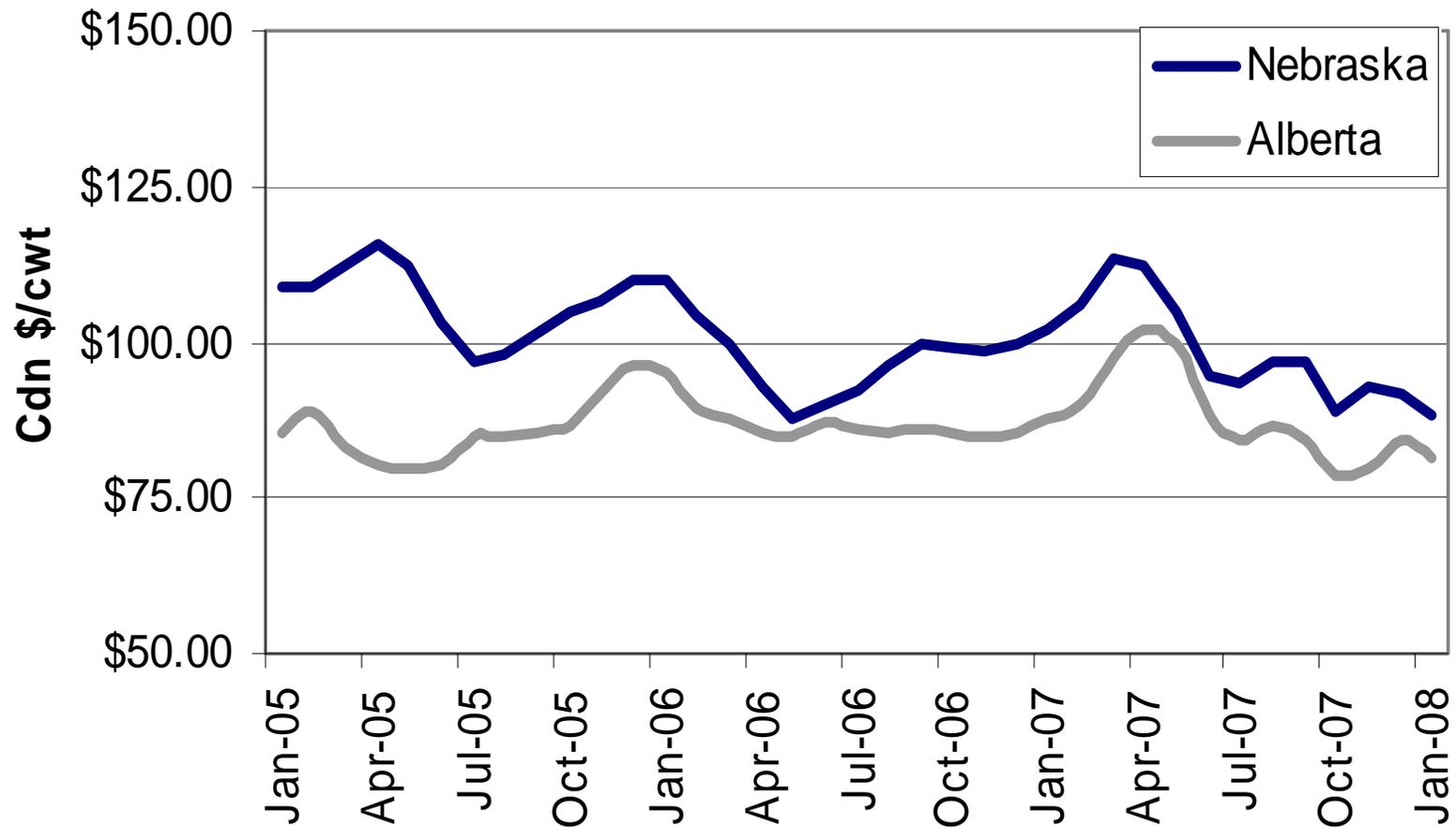
2007 Canadian Cattle Inventory



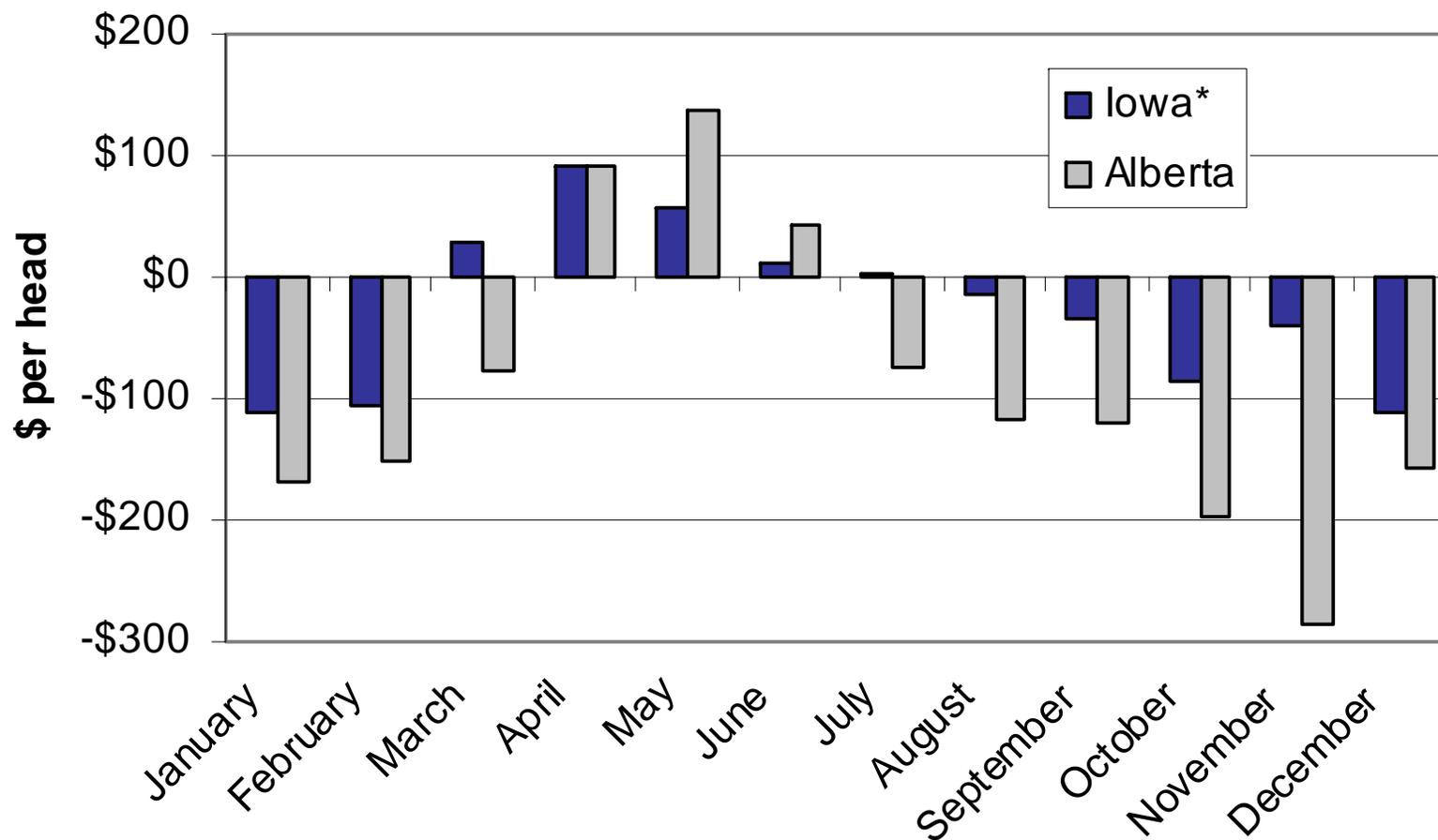
Canadian Cattle Production and Processing



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

