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Report Highlights:
This report details developments in the production and trade of Canadian cattle and beef and of Canadian hogs and pork and provides post forecasts for 2006.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Table of Contents

Executive Summary

* On July 18, 2005 after the implementation of the USDA minimal risk rule, the U.S. border re-opened to certain live cattle imports from Canada for the first time in more than two years, but imports from Canada have not resumed the average levels of the pre-BSE period. Part of the Canadian cattle industry's repositioning strategy is to become less reliant on the U.S. processing industry by expanding domestic slaughter capacity.

* Another Canadian cattle industry restructuring goal is to recapture the ability to domestically process non-fed cattle that previously were exported live to plants in the United States. Most of these animals are over 30 months and are ineligible for export to the United States under the USDA minimal risk rule.

* By the end of 2005, domestic cattle slaughter in Canada is expected to be nearly 20% above pre-BSE levels and further slaughter capacity expansion is planned. By 2006, annual Canadian beef and veal production is forecast to be almost 25% greater than during the pre-BSE period.

* The impact of country bans on imports of Canadian beef following the BSE case of May 2003 in Alberta was mitigated by the U.S. action to allow the entry of boneless beef from Canadian cattle under 30 months in early August 2003, less than 3 months after the Alberta BSE incident. Despite major world markets remaining closed to Canadian beef, Canada's total beef exports have surpassed their pre-BSE level on the strength of access to the U.S. market.

* Increases in the Canadian hog inventory have moderated in the past two years and the July 1, 2005 survey by Statistics Canada showed only fractional growth (0.9%) compared to total hog numbers on farms on that date a year ago.

* Following a flat performance in 2004, Canadian pork exports rebounded during the first six months of 2005 with strong sales increases to South Korea, Japan, Romania and Australia. Canadian pork exports to the United States, the largest export market for Canadian pork continued to decline in the first half of 2005. On balance, Canadian pork exports during 2005 are forecast to exceed 1.0 million metric tons for the first time.

* During 2004, Canadian pork imports from the United States surpassed the 100,000 metric ton level for the first time since the late 1970s. For 2005, pork imports from the United States are on pace to register a year over year increase of approximately 30%.

Section I. Cattle and Beef

Canada's cattle industry continues to be impacted by the discovery of a case of Bovine Spongiform Encephalopathy (BSE) in Alberta in May 2003. Major markets for Canadian beef remain closed, most notably Japan. Although access to the U.S. market has improved for Canadian cattle and beef, bovines older than 30 months of age, beef from older animals, and breeding stock are still banned from entering the United States. Prior to its BSE case of May 2003, the Canadian cattle industry was heavily dependent on cattle exports to the United States and Canada's experience with BSE-related trade restrictions has prompted a repositioning strategy that has implications for future U.S./Canada beef and cattle trade. The Canadian industry is determined to become less reliant on U.S. live cattle markets and industry and government leaders equally support a more aggressive approach to increasing offshore markets for Canadian beef.

Growth in Cattle Slaughter Capacity

In the three years prior to Canada's May 2003 BSE incident, Canadian exports of live cattle to the United States increased annually and averaged about 1.3 million head (2000-2002). By 2002, live cattle exports to the United States, comprised of predominantly of finished cattle and older cull animals, accounted for almost 30% of total Canadian slaughter type cattle. The U.S. border was suddenly closed to Canadian live cattle on May 20, 2003 when the United States implemented import control measures in response to the announcement by Canada of the discovery of BSE in a Canadian cow. The development strained Canadian cattle markets and Canadian processing capacity. When the implementation of the USDA's Minimal Risk Rule (which would have restored the majority of live cattle trade) suffered a lengthy delay from a Montana judge's injunction, the Canadian industry, vulnerable to its dependency of U.S. cattle processors, responded by increasing domestic slaughter capacity. The Canadian government introduced financial assistance programs for ranchers and private investment (American and Canadian) in cattle processing capacity rose sharply. During 2004 alone, total Canadian cattle slaughter increased 26% over 2003 (i.e., the BSE incident year) and 13% over the pre-BSE slaughter of 2002. Further slaughter capacity expansion is planned and by the end of 2005, domestic cattle slaughter is expected to be 20% above pre-BSE levels. For the U.S. meat packing industry, the negative side of this development is that the value-added associated with the processing of these cattle has shifted north of the border.

Industry Restructure and Investment

Canadian cattle slaughter for 2005 is forecast at about 4.6 – 4.7 million head, up about 1.4 million head from the pre-BSE level. The increase approximately equals the average number of live cattle formerly exported live for slaughter in U.S. processing plants. Other planned processing expansion projects are projected to raise total Canadian slaughter to 5.0 million head by the end of 2006 (just under 100,000 per week).

Restructure Initiatives

The loss of access to the U.S. market from May 20, 2003 to July 18, 2005 for live Canadian cattle due to BSE-related import policies resulted in profound disruption to Canadian live cattle markets. While the re-opening of the U.S. border to Canadian boneless beef from young cattle in August 2003 provided relief to the industry, the prolonged closure of the border to live cattle prompted the Canadian government and the cattle industry to explore policies to encourage the restructure of the slaughter industry (i.e., patterns, cattle type, further processing etc.) and to sharply increase slaughter capacity. By 2004, the Canadian industry had embarked on a number of initiatives to increase domestic cattle slaughter. The government introduced measures to sustain the cattle industry until capacity comes online and access to export markets expands for livestock and beef products. To date, Manitoba, Alberta, Saskatchewan, British Columbia and Ontario have announced their participation in the various programs. Some elements of the strategy are:

- The establishment of a Loan Loss Reserve to increase lenders' willingness to support projects to increase ruminant slaughter capacity, including expansion and construction of small and medium-sized facilities.
- The Canadian Food Inspection Agency has streamlined the processes for establishment reviews and the approval of new plants under the Meat Inspection Act.
- The CFIA will be provided with incremental ongoing resources for increased inspection activities related to the planned long-term increase in slaughter rates.
- Set-aside programs for fed and feeder cattle were implemented to help maintain cattle prices at a viable level until additional slaughter capacity comes on line.

The Increase in Value-Added Beef in Canada

Some recent examples of private investment directed at increasing Canadian cattle slaughter capacity are:

New Alberta Cattle Plant: The Rancher's Beef Partnership, made up of 50 partners consisting of ranchers, farmers, and feedlot owners from across Alberta as well as from British Columbia announced that it would proceed with construction of a Calgary area slaughter plant that will have capacity to process about 800 head per day by the fall of 2005. Current slaughter rates in Alberta range about 8,000-9,000 per day. The major equity owners include Sunterra Farms and Cor Van Raay Farms. Cattle for the plant will be provided by the producer-owners, and from feedlots currently owned by Sunterra Farms Ltd. The Sunterra feedlots are located in Czar, Alberta and Acme, Alberta and have a current capacity of over 40,000 head. Several key business conditions were required for the project to proceed including C$32 million of committed owners' equity capital, development approvals from the municipality and commitments from the Province of Alberta and the municipality for commercial water and sewer services.

Cattle Producer Co-Op Moves Modular U.S. Plant To Manitoba: Rancher's Choice Beef Co-op has purchased a packing plant from the United States which curtailed operations shortly after the U.S. border was closed to Canadian live cattle following the May 20, 2003 finding of BSE in an Alberta beef cow. The modular plant was built in 1998 was processing cows and bulls from Canada.

Tyson Invests $17 Million In Alberta Plant To Boost Slaughter Capacity: Tyson Foods Inc., recently announced it will invest $17 million to increase slaughter capacity at its Brooks, Alberta (i.e., Lakeside) cattle processing plant increasing the daily kill-rate by 900 head to a reported 4,700 head during the last half of 2005. A company spokesperson said that the investment was in response to the backlog of cattle in Canada caused by the continued closure of the U.S. border. The company also said that production in its U.S. plants is reduced due to the lack of access to Canadian cattle that normally supplied about 3-5% of its production.

Cargill Increases Investment In Canadian Cattle Processing: Recently, Winnipeg's Cargill Ltd., a subsidiary of Cargill Inc., that already operates a state-of-the-art processing plant in High River, Alberta announced that it would purchase the beef processing operations and related assets of Better Beef Ltd. of Guelph, Ontario. Better Beef Ltd. is one of the leading beef processors in Canada with global distribution capability. The increased availability of slaughter cattle that were formerly exported from eastern Canada to the United States is reportedly part of the reason for Cargill's increased investment.

Gencor Foods Will Source Cull Cattle In Manitoba: Gencor Foods of Kitchener, Ontario, a producer owned cattle slaughter food processor, has reportedly set up collection depots in Manitoba to source cull beef and dairy cattle from south-eastern Manitoba that normally made their way to U.S. processors. Gencor purchased the former MGI facility in Kitchener in 2003 to provide an Ontario solution to the cull cow crisis resulting from the loss of access to the U.S. live cattle market and to establish integrated links in the meat industry to market the value-added products of those cattle that were formerly exported to U.S. processors. The success of the endeavor now has the company looking further than Ontario to source cull cattle.

Quebec Farmers Union Buys Cull Cow Slaughter Plant: Prior to BSE, significant numbers of Quebec cull cows were shipped to U.S. plants each week. With the loss of access to U.S. live cattle markets, the domestic price of culls cows declined as cows numbers exceed capacity. To rectify the situation, the province's farmers union, the Union des Producteurs Agricoles (UPA), recently bought controlling interest in the province's major cull animal facility (Abattoir Colbex/Levinoff Meats) slaughterhouse for an estimated C$50-million to ensure that the formerly exported cows could now be slaughtered in Canada.

Slaughter Capacity: Through expansion to existing facilities, plant conversion, and new investment, the industry is targeting to have capacity increase to 98,000 head per week by the end of 2006, about 30% above pre-BSE levels. Canada's restructuring strategy goal is to recapture the ability to domestically process fed and non-fed cattle that previously were exported live to plants in the United States and to keep the jobs and value-added associated with those animals in Canada. Another part of the strategy is to process for consumption a much greater share of Canadian domestic needs for manufacturing type beef that in recent years has been dominated by imported product. To help support this goal, the GOC is strictly enforcing Canada's tariff rate quota on beef from non-NAFTA sources.

Cattle Inventory

The disruption to cattle markets and normal North American animal trade patterns by the BSE issues of the past two years resulted in Canadian cattle numbers reaching a record high on July 1, 2005. The Statistics Canada's cattle survey showed the national cattle herd at 17.3 million head, up 3.2% from that date one year ago and almost 10% above the level on July 1, two years ago. Canadian cattle herd numbers surged after the United States closed the border to Canadian cattle and certain beef products following a case of BSE in Alberta in May 2003. The U.S. border recently opened (July 18, 2005) to young Canadian slaughter cattle and certain feeder cattle. Most of the cattle inventory increase since 2003 occurred in Western Canada. According to StatsCan, cattle numbers in Alberta, Saskatchewan and Manitoba climbed by 1.4 million head during the two-year period prior to July 1, 2005. The herd expanded 10.4% in Manitoba during the two years while Saskatchewan's numbers soared 13.7% and Alberta's herd rose 13.1%. Over the same comparative period, Ontario cattle numbers advanced 3.1% and Quebec's 3.5%. Producers reported that many of the additional cattle on Canadian farms were cull cows that under normal trade circumstances would have been slaughtered or exported to the United States for slaughter. Cull cow market prices in Canada took a severe slide after the May 2003 BSE finding. Many of these cows intended for market were kept by producers and bred to calve, further adding to the growth in total cattle numbers.

Country	Canada					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [	Estimate[NA	Official [	Estimate[NA	Official [	Estimate[N
Market Year Begin		01/2004		01/2005		01/2006
Total Cattle Beg. Stks	14660	14653	15090	15083	14600	15250
Dairy Cows Beg. Stks	1057	1055	1065	1066	0	1065
Beef Cows Beg. Stocks	5021	5019	5320	5317	0	5250
Production (Calf Crop)	5571	5562	6000	5800	0	5900
Intra EC Imports	0	0	0	0	0	0
Total Imports	11	15	40	25	0	30
TOTAL Imports	11	15	40	25	0	30
TOTAL SUPPLY	20242	20230	21130	20908	14600	21180
Intra EC Exports	0	0	0	0	0	0
Total Exports	0	0	1200	350	0	600
TOTAL Exports	0	0	1200	350	0	600
Cow Slaughter	420	425	460	520	0	570
Calf Slaughter	390	379	420	385	0	400
Other Slaughter	3630	3636	3820	3695	0	3830
Total Slaughter	4440	4440	4700	4600	0	4800
Loss	712	707	630	708	0	680
Ending Inventories	15090	15083	14600	15250	0	15100
TOTAL DISTRIBUTION	20242	20230	21130	20908	0	21180

Live Exports

For 2005, Post forecasts Canadian live cattle exports to the United States to reach approximately 350,000 head. In the first four weeks of the border re-opening to certain Canadian live cattle, preliminary data show about 43,000 head exported, mostly from western Canada. It is expected that the pace will pick up as the U.S. and Canadian industry participants re-familiarize themselves with trading live Canadian cattle. However, there are new factors influencing live cattle trade since the pre-BSE era. Some of these are expressed below.

On July 14, 2005 the Ninth Circuit Court of Appeals issued an order to lift the preliminary injunction that blocked implementation of the USDA's BSE minimal risk regions rule. The ruling was effective immediately and U.S. imports of cattle under 30 months of age from Canada resumed. However, since the partial re-opening of the U.S. border, Canadian exports of live cattle to the U.S. have not immediately resumed pre-BSE levels. Some of the reasons that exports have not resumed their pre-BSE level are: 1) the livestock trucking industry in Canada suffered extreme economic hardship during the ban and there are reports of fewer trucks, company closures, and a shortage of experienced drivers; 2) High fuel prices are making cattle transport more expensive; 3) A stronger Canadian dollar may reduce the incentive to sell in U.S. markets; 4) There is increased Canadian slaughter capacity; 5) Demand for Canadian slaughter cattle in the U.S. may be weak, partially reflecting the closure of several U.S. packing plants in the northern tier that relied heavily on Canadian cattle, particularly animals over 30 months of age; 6) the continued uncertainty whether the border will remain open given that R-Calf USA asserts that it is still pursuing legal avenues to block cattle imports from Canada.

Beef

Total Canadian beef and veal output in 2005 is forecast at 1,530,000 metric tons, up about 2.3% from the 2004 level, up 28.6% from the severely BSE-disrupted 2003 level and about 18.2 % above the pre-BSE 2002 level. For 2006, another year-to-year increase of about 5% is anticipated. Under the U.S. minimal risk rule, implemented in July 2005, Canadian slaughter and processing facilities that also process cattle over thirty months of age will be able to retain their export eligibility (on the products from cattle under 30 months) as long as specific segregation procedures are in place. This may increase Canada's capacity to slaughter older animals since establishments wishing to export to the U.S. were previously not allowed to handle animals over thirty months or related products.

Country	**Canada**					
Commodity	**Meat, Beef and Veal**				(1000 MT CWE)(100(	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [	Estimate[N	DA Official [	Estimate[N	DA Official [	Estimate[N
Market Year Begin		01/2004		01/2005		01/2006
Slaughter (Reference)	4440	4440	4700	4600	0	4800
Beginning Stocks	48	49	40	42	45	45
Production	1460	1496	1570	1530	0	1610
Intra EC Imports	0	0	0	0	0	0
Total Imports	111	110	100	135	0	130
TOTAL Imports	111	110	100	135	0	130
TOTAL SUPPLY	1619	1655	1710	1707	45	1785
Intra EC Exports	0	0	0	0	0	0
Total Exports	559	559	625	615	0	650
TOTAL Exports	559	559	625	615	0	650
Human Dom. Consumptic	1020	1054	1040	1047	0	1087
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumptic	1020	1054	1040	1047	0	1087
Ending Stocks	40	42	45	45	0	48
TOTAL DISTRIBUTION	1619	1655	1710	1707	0	1785

Prices

Alberta fed steer prices

Alberta Fed Steer Prices- monthly averages

C$/cwt/live

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	105.08	107.10	109.62	98.19	94.77	90.73	90.11	92.43	94.57	97.23	101.69	105.05
2003	114.17	115.13	110.29	108.55	106.31	65.44	37.80	39.02	73.09	79.07	80.45	82.06
2004	82.36	80.03	85.81	84.25	80.03	71.73	70.64	66.69	78.39	79.12	79.18	85.32
2005	85.26	88.68	83.19	80.14	79.54	80.32	85.12					

Source: CanFax

Consumption

Following a spike during 2003 when the Canadian beef market was turbulent after the discovery of a case of BSE in May 2003, per capita beef consumption slipped back to its pre-BSE level during 2004. The table below sows Canadian per capita beef and veal consumption for the period 2000-2004.

Canadian Per Capita Beef and Veal Consumption

Units: carcass weight

	2000	2001	2002	2003	2004
kilograms per person	33.33	32.00	31.69	33.16	31.84

Source: Statistics Canada

Trade

Exports: While the discovery of a case of BSE in Canada in May 2003 was devastating to Canadian beef exports in the period immediately following the finding due to the embargo actions of its trading partners, the table below demonstrates that the impact on Canadian beef exports was mitigated by the U.S. action to allow the entry of boneless beef from Canadian cattle under 30 months in early August 2003, less than 3 months after the May 2003 BSE case. In fact, as shown in the table below, the value of Canadian beef exports to the United States during 2004 was actually greater than in 2002 (pre-BSE). For 2005, prospects are for increased exports of Canadian beef to the United States after the list of eligible products was broadened following the July 2005 ruling by the Ninth Circuit Court of Appeals to lift the preliminary injunction that blocked implementation of the USDA's BSE minimal risk regions rule. In addition, Canadian processing facilities that also process cattle over thirty months of age are export eligible provided certain segregation procedures are in place.

Many countries still have BSE-related bans on Canadian beef, most notably Japan, South Korea, and Taiwan. As of June 2005, the following countries had partially lifted BSE restrictions on Canadian beef: Antigua And Barbuda, Bermuda, Cayman Islands, Cuba, Honduras, Hong Kong, New Zealand, Trinidad and Tobago, USA, and Vietnam. The CFIA lists the following countries with no BSE-ban on Canadian beef: Lebanon, Kazakhstan, Philippines, and Switzerland.

Canadian Beef Exports: Before and After Canada's May 2003 BSE Case

Units: metric tons (product weight) and $US millions	2002	2003	2004	Jan-June 2004	Jan-June 2005	%change 05/04
Quantity Totals to United States	388,500	255,833	356,507	175,321	202,886	16%
Quantity Totals to Rest of World	80,990	39,252	73,815	37,299	30,322	-19%
Total to the World	469,490	295,085	430,322	212,620	233,208	10%
share exported to U.S.	83%	87%	83%	82%	87%	
Value Totals to United States ($US	$1,118	$854	$1,198	$581	$721	24%

Source: Derived from World Trade Atlas

Policy

Cattle Industry Financial Assistance Programs

Government financial assistance measures to assist the Canadian cattle industry beleaguered by the affects of the discovery of Bovine Spongiform Encephalopathy (BSE) began in June 2003 with interim measures to offset market declines associated with the loss of export markets and the closure of the U.S. border to live cattle. As time went on and the U.S. border remained closed, more government assistance programs were announced including an industry repositioning strategy program in an attempt to ensure long-term viability for the industry.

To date, the federal government has provided approximately C$1.9 billion ($1.5 billion) on BSE assistance. Provincial government participation accounts for an additional amount of approximately C$400 million ($320 million) either through cost sharing in the programs listed below or through independent provincial initiatives.

The elements of the financial assistance program for cattle producers impacted by BSE are: A two stage BSE recovery Program, A Cull Animal Program, a Transitional Industry Support Program, a Repositioning the Livestock Industry Program and a Farm Income Payment Program*. In addition, special interim assistance was provided for cattle producers under the Canadian Agricultural Income Stabilization (CAIS) program, a producer and government funded general income protection program designed to offset drops in income.

In August 2005, the Canadian government announced a new C$1.0 million ($825,000) Ruminant Slaughter Facility Assessment Assistance program designed to help producer groups pay for some of the costs of feasibility studies, business plans, marketing plans or other start up costs associated with establishing or expanding a federally inspected ruminant slaughter plant in Canada or converting provincial ruminant slaughter plants to meet federal inspection standards.

* The Farm Income Payment Program (FIPP) was made available to all commodity sectors. Cattle and ruminant producers were eligible to receive about $155 million ($124 million) of the total FIPP fund availability of C$1.0 billion ($800 million).

Marketing

Under NAFTA, there is no duty on U.S. beef and there are no quantitative controls on exports of U.S. beef to Canada (Note: Certain products such as beef from animals over 30 months are restricted under Canadian animal health regulations related to BSE import controls). Canada does limit imports of non-NAFTA beef under a tariff rate quota system. Imports of non-NAFTA beef are limited to Canada's global minimum access commitment of 76,409 metric tons, within which there are two country-specific reserves: an allocation of 29,600 metric tons reserved for imports from New Zealand (NZ) and an allocation of 35,000 metric tons reserved for imports from Australia. The balance of the TRQ, 11,809,000 kilograms (known as the MFN reserve), is reserved for imports from all other eligible suppliers, including those from New Zealand and Australia once their country-specific allocations are filled. Goods imported in excess of the minimum access commitment may incur the higher "over access commitment" rate of duty, which is 26.5%.

Section II. Hogs and Pork

Increases in the Canadian hog inventory have moderated in the past two years and the July 1, 2005 survey by Statistics Canada showed only fractional growth (0.9%) compared to total hogs on farms on that date a year ago.

Country	Canada					
Commodity	Animal Numbers, Swine			(1000 HEAD)		
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [	Estimate[N	USDA Official [	Estimate[N	USDA Official [	Estimate[N
Market Year Begin		01/2004		01/2005		01/2006
TOTAL Beginning Stocks	14623	14623	14675	14675	14625	14800
Sow Beginning Stocks	1578	1578	1611	1613	0	1610
Production (Pig Crop)	33125	33080	33100	32600	0	32500
Intra EC Imports	0	0	0	0	0	0
Total Imports	6	6	5	5	0	5
TOTAL Imports	6	6	5	5	0	5
TOTAL SUPPLY	47754	47709	47780	47280	14625	47305
Intra EC Exports	0	0	0	0	0	0
Total Exports	8511	8511	8000	7700	0	7500
TOTAL Exports	8511	8511	8000	7700	0	7500
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	22889	22889	23500	23150	0	23500
Total Slaughter	22889	22889	23500	23150	0	23500
Loss	1679	1634	1655	1630	0	1605
Ending Inventories	14675	14675	14625	14800	0	14700
TOTAL DISTRIBUTION	47754	47709	47780	47280	0	47305

Pork Production

For 2005, Canadian pork output is forecast to advance modestly to 1.96 million metric tons, up 1.2% above last year's level. Present prospects point to relatively stable hog inventories throughout 2006 and another modest year-to year production increase driven partially by an anticipated increase in exports.

Country	Canada					
Commodity	Meat, Swine				(1000 MT CWE)(100(	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [	Estimate[N	DA Official [:	Estimate[N	DA Official [	Estimate[N
Market Year Begin		01/2004		01/2005		01/2006
Slaughter (Reference)	22889	22889	23500	23150	0	23500
Beginning Stocks	48	48	50	50	40	58
Production	1930	1936	1940	1960	0	1990
Intra EC Imports	0	0	0	0	0	0
Total Imports	105	105	100	135	0	140
TOTAL Imports	105	105	100	135	0	140
TOTAL SUPPLY	2083	2089	2090	2145	40	2188
Intra EC Exports	0	0	0	0	0	0
Total Exports	970	972	985	1075	0	1100
TOTAL Exports	970	972	985	1075	0	1100
Human Dom. Consumptic	865	867	865	810	0	829
Other Use, Losses	198	200	200	202	0	204
TOTAL Dom. Consumptic	1063	1067	1065	1012	0	1033
Ending Stocks	50	50	40	58	0	55
TOTAL DISTRIBUTION	2083	2089	2090	2145	0	2188

Live Hog Exports

Canadian live swine exports to the United States reached a record 8.5 million head during 2004. In March of 2004, the U.S. Department of Commerce (DOC) initiated countervail and anti-dumping investigations based on a petition by the U.S. hog industry. Over the course of the case, the DOC determined that Canadian subsidies for its hog industry were too low to warrant the imposition of a countervailing duty but ruled affirmative in the dumping phase. However, in April 2005 the United States International Trade Commission (ITC) determined that the U.S. hog industry was not materially injured or threatened with material injury by imports of live swine from Canada and the case was terminated.

For 2005 the available supply of live hogs for export is expected to decline. Inventory numbers suggest that breeding herd expansion has leveled off and farrowing intentions for the final quarter of 2005 are reportedly 2.7% below the level for the October to December period of 2004.

Canada: Live Swine Exports to the U.S., Calendar Year, by type

HS= 0103

Units: Thousand Head					Jan-June	Jan-June	
TYPE	HS Code	2002	2003	2004	2004	2005	% change
Slaughter	103.92	1,966	2,458	2,876	1,390	1,221	-12%
Feeder	103.91	3,757	4,971	5,627	2,850	2,619	-8%
Purebred	103.1	15	9	6	2	3	50%
TOTALS		5,738	7,438	8,509	4,242	3,843	-9%

Source: World Trade Atlas

Pork Trade

Exports: Canadian pork exports fell slightly during 2004 reflecting lower exports to the United States, Taiwan, and China but total pork exports rebounded during the first six months of 2005 with strong sales increases to South Korea, Japan, Romania and Australia. Canadian pork exports to the United States, the largest export market for Canadian pork continued to decline in the first half of 2005. Canadian pork exports to Australia have been affected by the uncertainty created by a court ruling on an animal health issue related to Post Weaning Multisystemic Wasting Syndrome, a disease of young pigs (see CA5042 and CA5043). On balance, Canadian pork exports for 2005 are forecast to increase by about 10%-11% on the strength of increased exports to most major destinations other than the United States.

Imports: Pork imports during 2004 reached 104,838 metric tons carcass weight equivalent, up 15.5% over the 2003 level, led by increased imports from the United States which rose 21.3% over the year earlier level to 101,503 metric tons. It marked the first time that U.S. pork exports to Canada exceeded the 100,000 metric ton level since the late 1970s.

For 2005, Canadian pork imports are on pace to register another substantial year over year increase. In the January to June period of 2005, total Canadian pork imports were almost 37% higher than during the first half of 2004. Imports from the United States during the period rose 30% above last year's first half level. In addition, Canadian imports from Denmark in early 2005 increased sharply. On balance, total Canadian pork imports in 2005 are forecast to reach a range of about 130,000-135,000 metric tons.

Prices

Canada: Slaughter Hog Prices; Ontario & Manitoba
Units: $ Canadian/100 lbs; index 100 dressed hogs

	ONTARIO			MANITOBA		
	2003	2004	2005	2003	2004	2005
January	55.79	52.16	71.56	60.33	56.25	72.89
February	63.05	64.86	72.46	63.96	65.77	71.96
March	61.69	71.67	70.53	63.05	71.21	69.84
April	61.23	71.21	69.69	62.14	72.12	70.94
May	65.22	85.73	77.02	69.40	84.82	78.23
June	73.48	88.90	69.35	73.48	87.09	70.45
July	70.31	84.82		72.12	85.28	
August	64.86	80.29		70.31	83.91	
September	60.33	74.39		65.77	77.11	
October	56.24	70.76		62.60	76.66	
November	49.44	63.96		57.15	71.67	
December	50.80	66.68		57.15	74.84	
Average	60.78	72.57		64.86	75.75	

Source: StatCan

Consumption

Canadian Per Capita Pork Consumption

Units: carcass weight

	2000	2001	2002	2003	2004
kilograms per person	28.69	28.94	27.83	25.13	26.72

Source: Statistics Canada

Policy Update

Hog Traceability

Canada's cattle industry has enforced a traceback system for cattle since July 1, 2002 through the Canadian Cattle identification Agency. The Canadian Pork Council (CPC) and the provincial pork organizations have been proactive in the development of an identification (ID) and traceability system for the Canadian hog industry. The target date to fully implement a hog traceability system is summer 2008.

U.S. Trade Case Against Canadian Live Swine

On April 6 2005 the United States International Trade Commission (ITC) determined that the U.S. hog industry is not materially injured or threatened with material injury by imports of live swine from Canada. The ITC Commissioners ruling was unanimous. The ITC's upcoming public report entitled *Live Swine from Canada* (Investigation No. 731-TA-1076 (Final), USITC Publication 3766, April 2005) contains the views of the Commission and information developed during the investigation which commenced on March 5, 2004. The original petition for countervailing and anti-dumping actions against Canadian live hogs was filed by filed by the National Pork Producers Association, state pork organizations, and individual U.S. producers.