



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 3/4/2009

GAIN Report Number: CA9010

Canada

Livestock and Products

Semi-Annual

2009

Approved by:

Robin Tilsworth
U.S. Embassy

Prepared by:

George Myles

Report Highlights:

Canada's cattle and hog industries remain in a steep contraction phase. However, producers are generally optimistic that lower input costs and higher market prices will result in a return to profitability this year. Canadian exports of all classes of livestock to the United States are forecast to decline in 2009 reflecting inventory reductions and modest increases in Canadian slaughter levels. Canada's livestock industry is upset with recent developments surrounding U.S. mandatory Country of Origin Labeling (COOL) legislation which they view as a serious trade protectionist measure.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Ottawa [CA1]
[CA]

Table of Contents

Executive Summary	3
Section I. Cattle and Beef	4
Further Contraction of the Cattle Herd	4
Beef Production	4
Trade	6
Bilateral Cattle and Beef Trade	6
Beef Exports.....	6
Beef and Veal Imports.....	7
Live Cattle Exports.....	8
Beef and Veal Consumption	10
Cattle Prices.....	10
Policy	10
Market Access Secretariat Formed to Help Boost Beef Exports.....	10
\$50 Million Stimulus for Slaughter Capacity Included In Federal Budget	11
BSE Timeline Update.....	11
COOL	11
Section II. Hogs and Pork	12
Three-Year Downward Trend in Hog Inventory	12
Pork Production.....	13
Consumption	15
Live Hog Exports.....	16
Canadian Live Hog Exports to the United States, By Type.....	17
Pork Trade.....	18
Pork Exports.....	18
Pork Imports.....	20
U.S. Pork Sales to Canada Surge	20
Policy	21
Sow Cull Program.....	21

NOTE: THIS POST REPORT DOES NOT CONTAIN OFFICIAL USDA DATA

Executive Summary

Canada's cattle and hog industries remain in a steep contraction phase. On January 1, 2009 the Canadian cattle herd fell for the fourth consecutive year to 13.2 million head, down 5.1% from 13.9 million head a year earlier. Meanwhile, Canadian hog producers reported a modern record decline in hog numbers over a one year period when Statistics Canada reported total Canadian hog numbers on January 1, 2009 at 12.4 million head, 10.2% below the 13.8 million hogs recorded on that day one year earlier. In recent years, cattle and hog producers have left the industry in record numbers.

Despite reduced livestock inventories, current prospects point to modest increases in both Canadian beef and pork output during 2009 reflecting increased domestic marketings and declines in live slaughter and feeder animal exports to the United States.

A lower Canadian dollar is raising optimism in Canada's livestock industries that red meat exports will increase in 2009 although the optimism is somewhat tempered by uncertainty surrounding world demand in a global economic downturn.

Canadian livestock producers remain generally upbeat that lower animal inventories and reduced feedgrain costs will improve profitability in the 2009.

U.S./Canada two-way trade in live cattle and beef is estimated to have slightly exceeded \$3.1 billion last year, approaching a level close to 10% of total bilateral agricultural trade.

Despite the perception that protectionist forces and U.S. regulatory rules are hurting Canada's cattle industry exports, Canada sold an estimated \$1.5 billion in live cattle and \$900 million in fresh and frozen beef to the United States last year. After subtracting the \$689 million of U.S. cattle and beef that Canada imported from the United States last year, Canada came away with a trade balance of more than \$1.7 billion in bilateral cattle and beef trade.

Total U.S. exports of fresh, frozen, prepared and preserved red meats to Canada during 2008 reached a record \$1.3 billion. Canada was the third most important export market for U.S. fresh or frozen red meats buying \$1.0 billion worth. Also, Canada was the number one market for U.S. exports of prepared and preserved meats during 2008 at \$329 million, accounting for almost half the total.

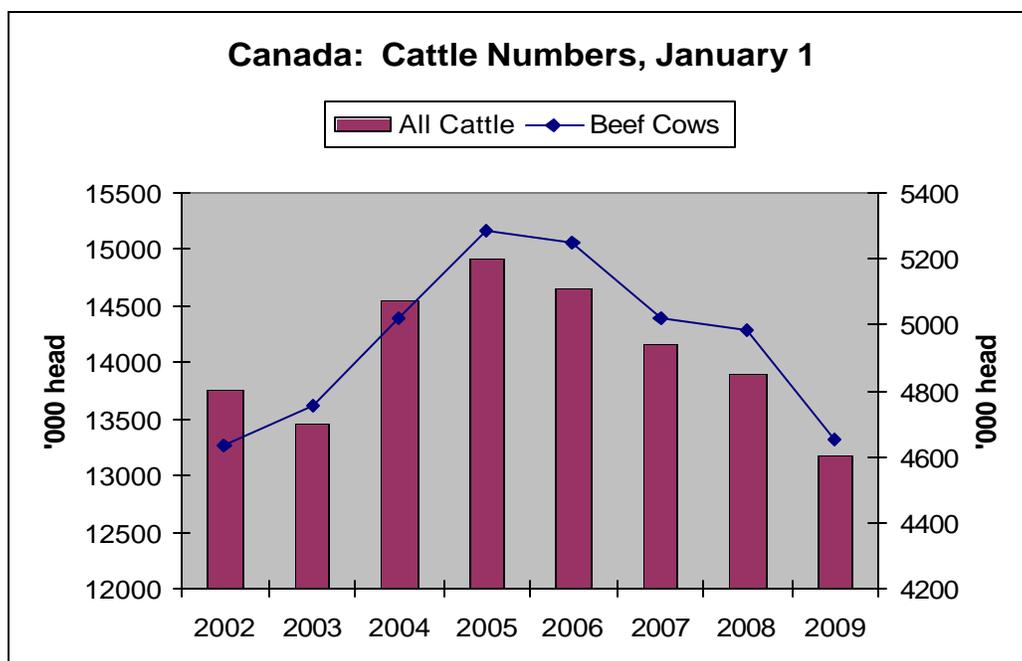
On December 1, 2008 Canada requested a WTO consultation with the United States regarding mandatory COOL. Among other things, Canada challenged COOL's consistency with the WTO Rules of Origin Agreement. After USDA's Final Rule was released in early 2009, to be implemented on March 16, Canada felt that flexibility provisions in the labeling of muscle meats would allow it to suspend a WTO dispute for an eight month period while it monitored COOL impact. However, recent developments surrounding COOL have displeased Canada's livestock industry that views COOL as protectionist and a serious threat to Canadian meat and livestock exports. At a minimum, the Canadian government is closely monitoring the trade with an eye toward whether or not to restart a WTO trade dispute.

NOTE: THIS POST REPORT DOES NOT CONTAIN OFFICIAL USDA DATA

Section I. Cattle and Beef

Further Contraction of the Cattle Herd

The recently released inventory report by Statistics Canada showed that on January 1, 2009 the Canadian cattle herd fell for the fourth consecutive year to 13.2 million head, down 5.1% from 13.9 million head a year earlier. Canada's cattle herd has steadily declined since 2005 when numbers peaked reflecting the forced herd retention related to the May 2003 detection of Bovine Spongiform Encephalopathy (BSE) in Alberta. Between January 1, 2008 and January 1, 2009 the dairy herd fell 2.5%, while the beef herd fell 5.6%. The beef herd shows no signs of rebuilding as the number of beef cows on January 1, 2009 slipped to 4.7 million head, more than 6% lower than 5.0 million head one year ago. The number of beef replacement heifers on January 1, 2009 fell almost 10% to 537,000 head from 595,000 head recorded on the same day last year, a clear indicator that rising input costs and market uncertainties exerted downward pressures on profitability that resulted in a contraction of the national herd and in the number of cattle operations. The steepest year-to-year decline in cattle numbers was in Ontario, Canada's third most important cattle producing province, where the total number of beef cattle declined almost 15% in the past twelve months primarily due to the exit of small producers. According to Statistics Canada, the total number of beef farms, which has declined steadily in recent years, fell another 3.8% during 2008 to 86,520 operations.



Beef Production

Canadian beef and veal production in 2008 is estimated at 1.285 thousand metric tons (TMT), up fractionally from the year earlier level of 1.279 TMT. During 2008, steer and heifer slaughter edged lower while cow slaughter was up almost 11% to about 780,000 head reflecting breeding herd contraction. Increased numbers of live cattle were exported to the United States especially in the first half of the year. Three major factors impacting beef production in 2009 are: 1) lower feed costs, which are expected to result in increased numbers of animals on feed; 2) a rise in domestic slaughter and; 3) lower exports of live cattle to the United States reflecting a decline in the inventory and lower U.S. demand for

cattle from Canada. For 2009, total beef and veal output is forecast to increase to about 1.325 TMT, 3% above the 2008 level.

CATTLE; Canada, Supply & Distribution			
Units: '000 head			
NOT OFFICAL USDA DATA			
	<u>2007</u>	<u>2008</u>	<u>2009</u>
			<u>forecast</u>
Total Cattle Beg. Stks	14,155	13,895	13,180
Dairy Cows Beg. Stocks	995	984	978
Beef Cows Beg. Stocks	5,020	4,982	4,655
Production (Calf Crop)	5,541	5,300	5,100
Other Imports	54	49	40
Total Imports	54	49	40
Total Supply	19,750	19,244	18,320
Other Exports	1,412	1,614	1,200
Total Exports	1,412	1,614	1,200
Cow Slaughter	705	780	700
Calf Slaughter	340	338	335
Other Slaughter	2,776	2,727	2,915
Total Slaughter	3,821	3,845	3,950
Loss	622	605	550
Ending Inventories	13,895	13,180	12,620
Total Distribution	19,750	19,244	18,320

BEEF & VEAL; Canada, Supply & Distribution			
Units: '000 MT			
NOT OFFICAL USDA DATA			
	<u>2007</u>	<u>2008</u>	<u>2009</u>
			<u>forecast</u>
Slaughter ('000 hd)	3,821	3,845	3,950
Beginning Stocks	50	45	35
Production	1,279	1,285	1,325
Other Imports	242	230	235
Total Imports	242	230	235
Total Supply	1,571	1,560	1,595
Other Exports	457	494	510
Total Exports	457	494	510
Dom. Consumption	1,069	1,031	1,050
Total Dom Consump	1,069	1,031	1,050
Ending Stocks	45	35	35
Total Distribution	1,571	1,560	1,595

Trade

Bilateral Cattle and Beef Trade

The dynamics of U.S./Canada cattle and beef trade has changed since BSE, but two-way trade in live cattle and beef is estimated to have slightly exceeded \$3.1 billion last year, approaching a level close to 10% of total bilateral agricultural trade. Despite the perception that protectionist forces and U.S. regulatory rules are hurting Canada's cattle industry exports, Canada sold an estimated \$1.5 billion in live cattle and \$900 million in fresh and frozen beef to the United States last year. The value of Canadian cattle and beef exports to the United States has increased each year following Canada's first detection of BSE in May 2003. After subtracting the \$689 million of U.S. cattle and beef that Canada imported from the United States last year, Canada came away with a trade balance of more than \$1.7 billion in bilateral cattle and beef trade during 2008.

Beef Exports

Canada is heavily dependent on its NAFTA partners in terms of beef trade. In 2008, the United States and Mexico accounted for more than 90% of total Canadian fresh, frozen or prepared beef exports. Although beef exports continue to rebound from other countries' trade restrictions due to BSE, recovery has been slow. Canada has recently increased efforts to re-open smaller markets but progress has been slow. In early 2009, the government launched an aggressive campaign to expand export destinations with agreements made in Hong Kong and Jordan. As illustrated in the table below, beef exports (carcass weight equivalent) to the "All Other" category during 2008 was only about one-fifth of pre-BSE sales. Sales to Japan were less than half their pre-BSE level.

Canada: Beef Exports, Fresh/Frozen/Prep'd/Preserved

Units: MT, carcass weight equivalent

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
World	657,286	413,119	602,514	596,123	476,565	457,399	493,748
United States	543,901	358,166	499,110	515,795	405,291	380,944	402,459
Mexico	69,069	33,513	90,403	57,125	45,637	47,332	48,484
Hong Kong	685	176	127	13,035	11,118	10,973	10,048
Philippines	27	327	857	208	348	367	8,364
Macau	0	302	8,908	6,543	7,937	8,208	7,372
Japan	17,077	8,565	0	7	3,062	4,609	6,888
Taiwan	4,845	2,550	0	0	0	569	1,907
Cuba	730	271	13	5	370	117	1,493
Suriname	511	193	352	388	285	867	1,151
Guatemala	25	0	0	0	0	18	985
All Others	20,417	9,057	2,745	3,016	2,518	3,395	4,598

Source: Derived from World Trade Atlas

Beef and Veal Imports

Canada operates a tariff rate quota (TRQ) on beef but it does not apply to imports from the United States, Mexico, and Chile under free trade agreement provisions. The global minimum access commitment for beef and veal is 76,409 MT within which there are two country-specific reserves: 29,600 MT reserved for imports from New Zealand and 35,000 MT reserved for imports from Australia. The balance of the TRQ, 11,809 MT (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. Beef imported in excess of the minimum access commitment incur the higher "over access commitment" rate of 26.5%. For the purpose of administering the beef and veal TRQ, the quota year is the calendar year. Following the detection of BSE in Alberta in 2003, the Government of Canada moved to restrict the issuances of supplementary beef imports from non-NAFTA suppliers because of beef surpluses in Canada. As a result, imports from these suppliers have been lower since that time.

The table below illustrates the strong year-to-year increases in Canadian imports of U.S. beef. On a carcass weight equivalent basis, imports of U.S. fresh, frozen, prepared or preserved beef and veal increased to 171,376 MT in 2008, 16.5% above the year earlier level. In the five-year post-BSE era, imports of U.S. beef and veal have registered an annual average growth rate of 43.4 percent. By 2008, U.S. beef accounted for almost 75% of total Canadian beef and veal imports.

CANADA: Beef and Veal Imports; Fresh, Frozen, Prep'd or Preserved					
Units: MT carcass weight equivalent*					
	2004	2005	2006	2007	2008
World	123,088	151,000	179,567	241,859	230,279
United States	28,295	60,360	113,482	147,092	171,376
New Zealand	43,318	42,265	36,778	36,043	30,980
Australia	11,520	11,395	13,897	16,349	13,129
Uruguay	35,002	27,144	9,923	31,900	6,783
Brazil	3,211	7,383	3,715	8,635	5,864
All Others	1,743	2,453	1,773	1,842	2,147
U.S. Share %	23%	40%	63%	61%	74%
Source: Derived from World Trade Atlas					
*Fresh and Frozen Converted to CWE at 1.4					
Prep'd & Preserved Converted to CWE at 1.79					

Canadian imports of beef and veal from the United States, comprised roughly of 80% fresh and frozen and 20% prepared (i.e., luncheon meats, sausage, other prepared beef) have risen steadily in the post-BSE era for a number of reasons. Stronger demand for U.S. beef in Canada is related to the changes in the slaughter and beef marketing pattern in Canada that was profoundly disrupted by BSE. Also, Canada's hotel, restaurant and institutional (HRI) sector prefers high quality U.S. beef (especially the higher end restaurant and hotels in Ontario). U.S. "rounds" are highly popular in the eastern Canadian retail beef market and there is anecdotal evidence that the major foodservice companies are importing more U.S. beef. Additionally, imports of U.S. ready-to-eat and prepared beef items continue to increase strongly and have doubled in the past ten years reflecting a growing demand for prepackaged and prepared beef by U.S.-based grocery superstores that have significantly increased their retail store presence in Canada in recent years. Despite these market

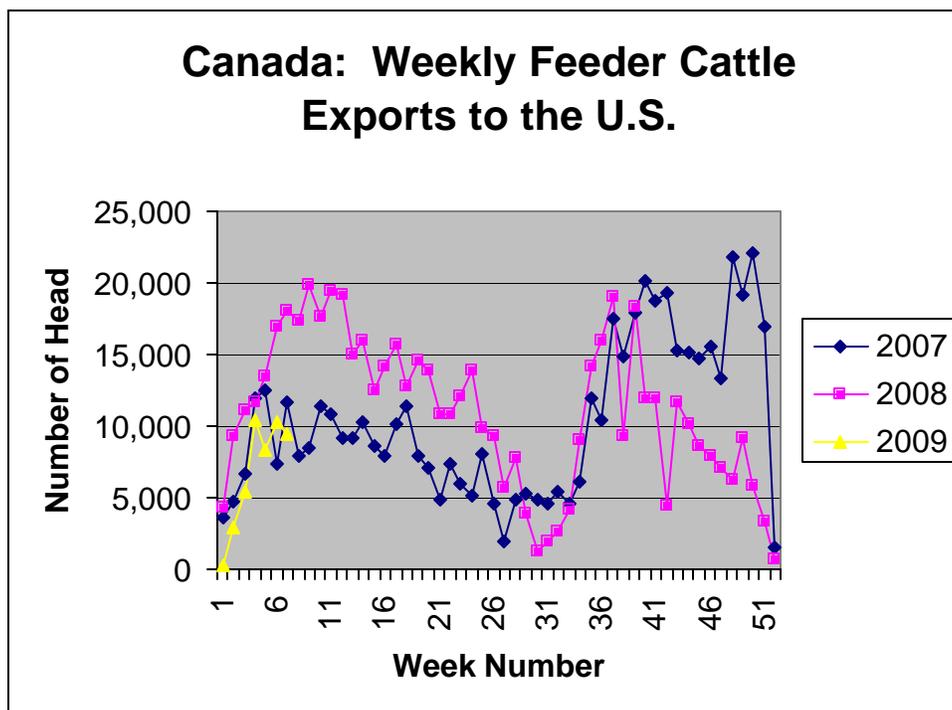
positives, the rate of increase in U.S. beef sales to Canada in 2009 will be under pressure from the general economic downturn and higher Canadian beef and veal output.

Live Cattle Exports

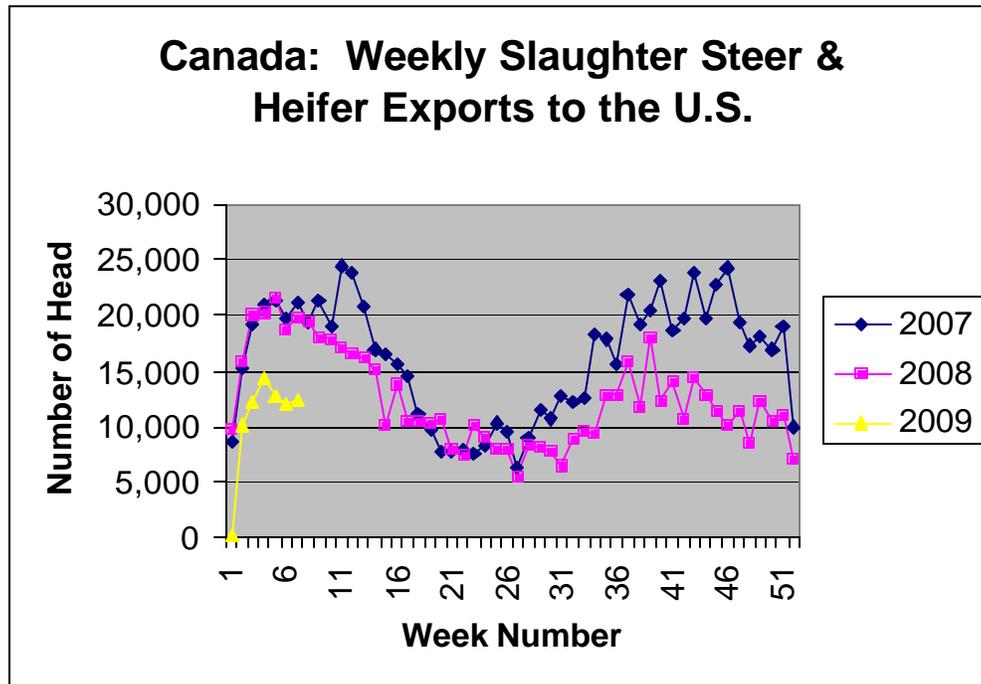
Following the BSE-related disruption of 2003, Canadian live cattle exports to the United States increased annually. Under the U.S. Minimum Risk Rule for BSE (MRR1), the U.S. permitted imports of Canadian cattle less than 30 months of age after mid-2005. By late November 2007, older Canadian animals, including slaughter cows born after March 1, 1999 were allowable imports under MRR2. Total Canadian exports of live cattle to the U.S. reached 1.6 million head during 2008, up more than 14% from 1.4 million in 2007. However, by mid-2008, the rate of Canadian exports of feeder cattle and slaughter steers and heifers to the United States began to decline (see graphs). Canada’s cattle industry claims that COOL created an uncertain marketplace for Canadian cattle in the United States. The COOL deadline to import Canadian feeder cattle to be classified as U.S. beef under COOL rules was July 2008. However, other factors also at play included the general economic downturn in the United States resulting in lower demand for Canadian cattle. In addition, Canada’s cattle inventory declined sharply reducing the overall availability of cattle for export while falling feed grain costs made it more conducive to feed increased numbers of cattle in Canada. In fact, the recent Statistics Canada inventory report shows that the number of cattle on feeding operations in Canada on January 1, 2009 was almost 6% greater than on that date a year ago.

For 2009, Post forecasts that lower cattle numbers in Canada, increased Canadian cattle slaughter and weaker U.S. demand for Canadian cattle will result in a decline in live Canadian cattle exports to the United States to about the 1.2 million head range.

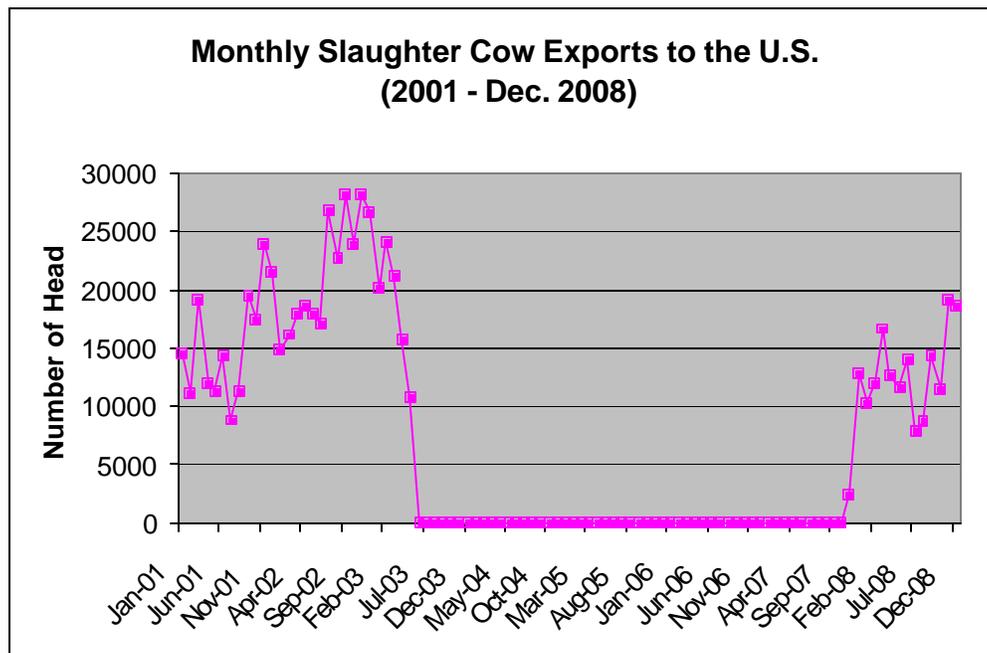
Graph: Feeder Cattle Exports, Weekly, 2007, 2008, 7 Weeks 2009
 (Source: CanFax and APHIS)



Graph: Weekly Slaughter Steer and Heifer Exports to the U.S., 2007, 2008, 7 Weeks 2009 (Source: CanFax and APHIS)



Graph: Monthly Slaughter Cow Exports to the U.S., 2001-2008 (Source: CanFax and APHIS)



Beef and Veal Consumption

Canadian average per capita beef and veal consumption for 2008 is estimated to have fallen in the range of 3.0-3.5% from the 31.68 kilograms carcass weight basis reported by Statistics Canada for 2007. A small increase in beef output during 2008 failed to offset lower total beef imports and higher exports. Anecdotal information indicates that the economic downturn had an adverse impact on total beef sales in the last half of the year.

Detections of BSE in Canada (15 cases since May 2003) have not caused concern among Canadian consumers who have shown a high degree of confidence in the country's food inspection system. Canada's cattle industry and Canadian food safety officials have been successful in reassuring beef consumers that the human health risk associated with BSE is extremely small and that Canada's feed ban policies and BSE surveillance program help mitigate the health risk to the food supply.

Canadian Per Capita Beef & Veal Consumption

Units: kg per person; carcass weight

Year	2002	2003	2004	2005	2006	2007	2008
kg	31.73	33.58	32.03	31.12	30.81	31.68	30.60 prelim.

Source: StatsCan & Post Forecast

Cattle Prices

Market prices for Alberta fed steers improved substantially during the last half of 2008 despite lower exports of live slaughter steers to U.S. markets. Prices peaked at C\$96.71 per hundredweight in August 2008 almost 12% better than in August 2007. They remained higher than year earlier levels for each of the remaining months in 2008. In January 2009, fed steer prices softened and while they were slightly higher than during January 2008, they fell below the previous three year average for January.

Policy

Market Access Secretariat Formed to Help Boost Beef Exports

Early in 2009, Gerry Ritz, Canada's Minister of Agriculture has announced the creation of a new market access secretariat with a goal to better co-ordinate government initiatives with producers and industry to aggressively and strategically develop new export markets and keep pace with international competitors. The formation of the secretariat was a recent recommendation by the Beef-Cattle and Pork Value Chain Roundtables. Agriculture and Agri-Food Canada (AAFC) established the Value Chain Roundtables for beef and pork in 2003 as a way for Government to work in partnership with producers and industry to help producers meet the competitive challenges of the global marketplace. The groups bring together players from all points in the value chain - producers, processors, retailers and others - with a goal to build and implement a shared strategic vision for their sectors. According to Ritz, the secretariat will work toward expanding market access beyond the U.S. for Canadian food and agricultural products in other markets such as Mexico, China, Japan, Korea, Hong Kong, Indonesia, Russia and Saudi Arabia. Ritz said the government would also be implementing

livestock industry recommendations to pursue commercially-significant access to international beef markets as the first step in a staged process toward full OIE access.

\$50 Million Stimulus for Slaughter Capacity Included In Federal Budget

Agriculture received modest additional funding in the federal budget of January 27, 2009 which included a C\$40 billion Economic Action Plan in response to the current economic recession. Of the C\$190 million (over two years) that is considered new money for agriculture, up to C\$50 million is targeted at strengthening slaughter capacity and slaughter plant efficiencies where federal funding will match any forthcoming private sector investment. No further details have been announced.

BSE Timeline Update

On November 17, 2008 the Canadian Food Inspection Agency (CFIA) confirmed Canada's 15th case of bovine spongiform encephalopathy (BSE) in a seven-year-old dairy cow from British Columbia. No part of the animal's carcass entered the human food or animal feed systems. For a chronology of Canadian BSE cases click [here](#).

COOL

Within the Canadian government and the Canadian livestock industry, Mandatory Country of Origin Labeling (COOL) is seen as a trade protectionist measure that violates international trade agreement obligations and is discriminatory against Canadian meats and livestock. On December 1, 2008 Canada requested a WTO consultation with the United States regarding COOL. Among other things, Canada challenged COOL's consistency with the WTO Rules of Origin Agreement. After USDA's Final Rule was released in early 2009, to be implemented on March 16, Canada announced that because of flexibility provisions in the labeling of muscle meats it would suspend a WTO dispute for an eight month period while it monitored COOL impact. However, Canada's livestock industries are unhappy with recent developments regarding COOL which they allege seriously threatens Canadian meat and livestock exports. At a minimum, the Canadian government is closely monitoring the trade with an eye toward whether or not to restart a WTO trade dispute.

Section II. Hogs and Pork

Three-Year Downward Trend in Hog Inventory

After peaking in late 2005, Canada's hog inventory began a long run of unabated decline that is forecast to continue throughout 2009. Between 2006 and the fall of 2008, an unprecedented rise in the Canadian dollar, linked to Canada's strong position in commodity and resource markets (i.e., energy) hampered the competitiveness of Canadian pork exports in world markets. As a result, hog market prices were under pressure as pork packers reacted to the realities of the higher Canadian dollar. By 2007, rising feed costs exacerbated declining market prices for slaughter hogs. By 2008, increasing U.S. hog inventories dampened U.S. demand for Canadian pork and market uncertainties associated with U.S. COOL legislation exerted downward pressure on hog market prices. Despite the 20 percent drop in the value of the Canadian dollar in the closing quarter of 2008, prices did not firm. Canadian hog industry leaders claimed it was the worst financial crisis the industry had witnessed.

On January 1, 2009 Canadian hog producers reported a modern record decline in hog numbers over a one year period. Statistics Canada reported total Canadian hog numbers on January 1, 2009 at 12.4 million head, 10.2% below the 13.8 million hogs recorded on that day one year earlier. Breeding stock numbers over the same comparative period fell 7.1% to 1.4 million head, a level not seen since 2001. In the three year period ending January 1, 2009 Canada's total hog herd has declined more than 18%. Due to the Canadian hog industry's high dependency on the United States for a significant proportion of its pork and live hog sales, there is high probability that further inventory contraction will occur during 2009 reflecting market uncertainties associated with the economic downturn that could further reduce U.S. demand for pork and hogs from Canada.

HOGS; Canada, Supply & Distribution			
Units: '000 head			
NOT OFFICIAL USDA DATA			
	<u>2007</u>	<u>2008</u>	<u>2009</u>
			<u>forecast</u>
Total Beginning Stocks	14,907	13,810	12,400
Sow Beginning Stocks (ref.)	1,546	1,483	1,381
Production (Pig Crop)	31,832	31,249	29,800
Other Imports	2	1	1
Total Imports	2	1	1
Total Supply	46,741	45,060	42,201
Other Exports	10,032	9,357	7,700
Total Exports	10,032	9,357	7,700
Total Slaughter	21,266	21,694	22,100
Loss	1,633	1,609	1,401
Ending Inventories	13,810	12,400	11,000
Total Distribution	46,741	45,060	42,201

Pork Production

Despite the contraction of the national hog herd, current year pork production is expected to increase modestly over the 2008 level. Based on current economic and market conditions, Post foresees a decline in year-over-year exports of live Canadian hogs to the United States, particularly for live hogs for immediate slaughter. As more of these hogs remain in Canada, slaughter rates in Canada will increase and advance pork output. The increased slaughter capacity of the Maple Leaf Foods plant in Brandon, Manitoba is already evident in higher slaughter rates in Manitoba. During the first seven weeks of 2009, combined Saskatchewan/Manitoba federal hog slaughter is 13% greater than a year earlier for the same period. In the east, Quebec slaughter rates in early 2009 are nearly 10% higher. Nationally, hog slaughter is up 5.6% year-to-year and while the rate of increase is expected to ease as the year progresses, industry productivity is on the rise with the exodus of the less efficient hog producers. Lower feed costs combined with the industry's outlook for stronger pork exports have some Canadian hog producers cautiously hopeful that renewed optimism will return to the industry during 2009 and that Canadian hog market prices will climb back to profitable ranges. Post is more cautious in predicting that Canadian pork exports will bring about a turnaround in the fortunes of Canadian hog producers. Presently, Post estimates a modest increase of about 2% in total Canadian pork output during 2009.

PORK; Canada, Supply & Distribution			
Units: '000 MT			
NOT OFFICIAL USDA DATA			
	<u>2007</u>	<u>2008</u>	<u>2009</u>
			<u>forecast</u>
Slaughter ('000 hd)	21,266	21,694	22,100
Beginning Stocks	48	57	50
Production	1,894	1,920	1,960
Other Imports	171	195	205
Total Imports	171	195	205
Total Supply	2,113	2,172	2,215
Other Exports	1,033	1,128	1,150
Total Exports	1,033	1,128	1,150
Dom. Consumption	1,023	994	1,015
Total Dom Consump	1,023	994	1,015
Ending Stocks	57	50	50
Total Distribution	2,113	2,172	2,215

Hog Market Prices

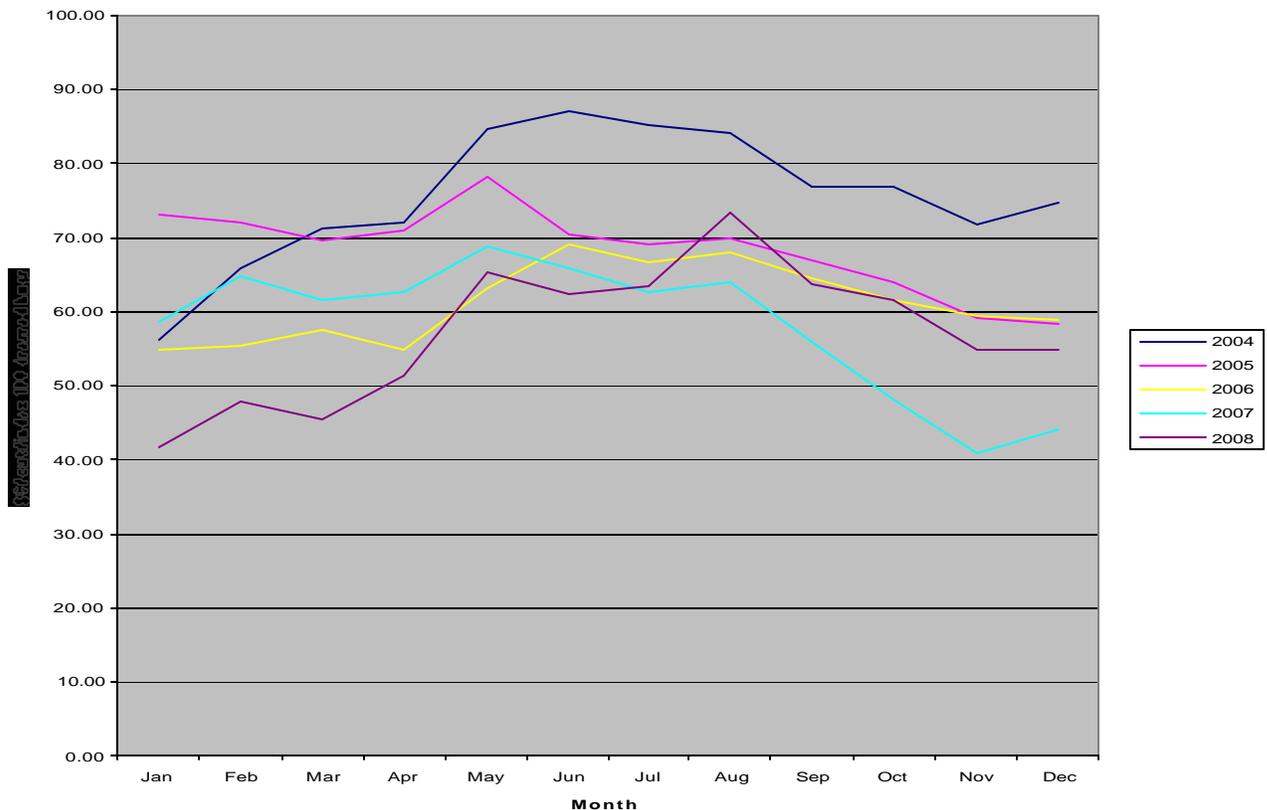
The decline in profitability became severe for Canadian hog producers when lower prices in the second half of 2007 coincided with rapidly rising input costs for feed and energy. In 2008, rising U.S. pork supplies dampened U.S. demand for Canadian hogs putting further downward pressure on prices particularly in the last quarter of the year.

Manitoba Slaughter Hog Prices

monthly averages
 \$C/cwt/index 100 dressed hogs

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2004	56.25	65.77	71.21	72.12	84.82	87.09	85.28	83.91	77.11	76.66	71.67	74.84	75.75
2005	72.89	71.96	69.84	70.94	78.23	70.45	68.99	69.98	66.88	63.98	59.21	58.29	68.47
2006	54.83	55.62	57.38	54.64	63.24	69.03	66.78	68.00	64.58	61.58	59.40	59.04	61.18
2007	58.55	64.83	61.52	62.67	68.64	65.63	62.75	63.92	56.10	48.35	41.00	44.27	58.18
2008	41.70	48.02	45.56	51.40	65.36	62.51	63.42	73.47	63.68	61.56	55.07	54.98	57.23

Manitoba Slaughter Hog Prices
 monthly averages



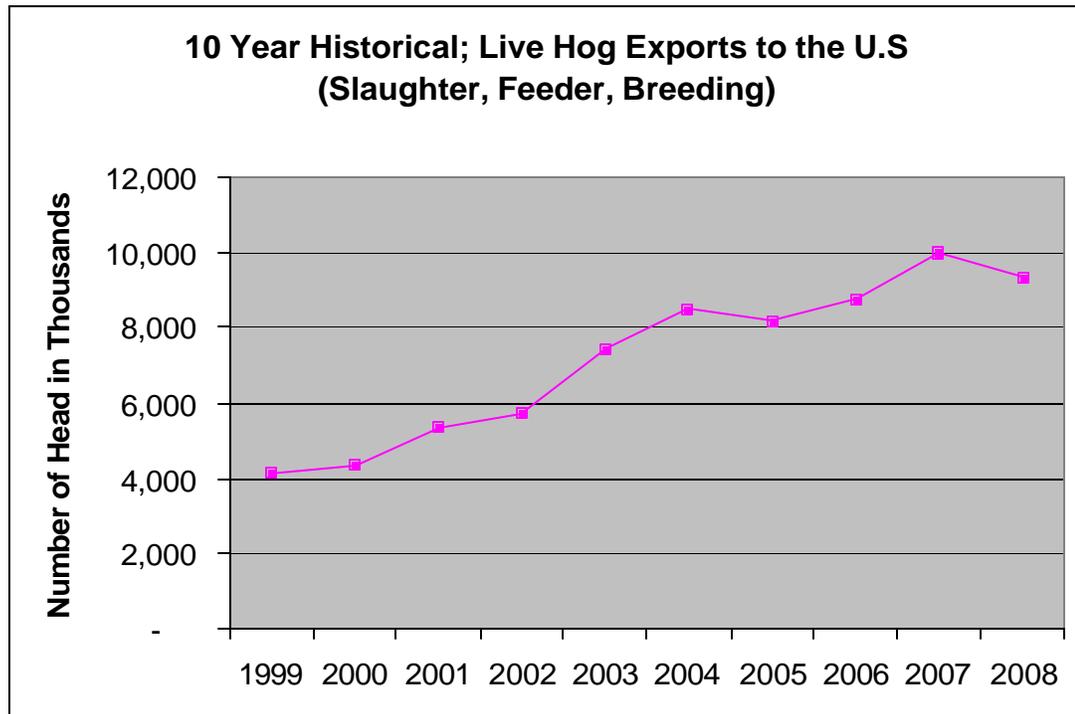
Consumption

Supplies of pork available for consumption dipped during 2008 as increased Canadian pork exports outpaced the combination of higher pork output and increased imports. In addition, a national recall associated with an [outbreak of listeria monocytogenes](#) that was linked to several deaths in August 2008 dampened demand for deli-meats and other processed pork items. For 2009, a moderate increase in domestic pork production and pork imports is expected to lead to increased pork supplies for consumption especially if export market prospects remain modest in a period of global economic downturn.

Canadian Per Capita Pork Consumption							
Units: kilograms (carcass weight basis)							
2002	2003	2004	2005	2006	2007	2008	2009
27.83	25.07	26.6	22.98	23.33	24.68	prelim. 23.95	forecast 24.20
Source: Statistics Canada							

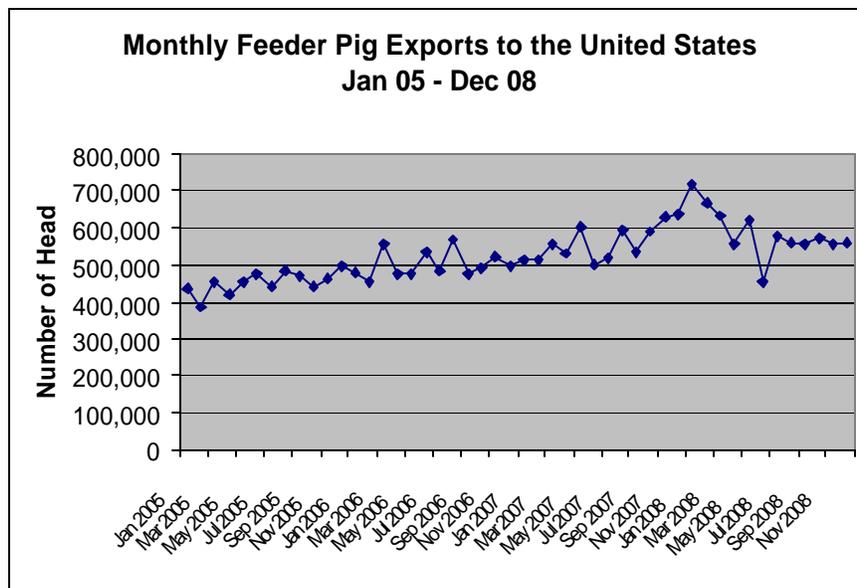
Live Hog Exports

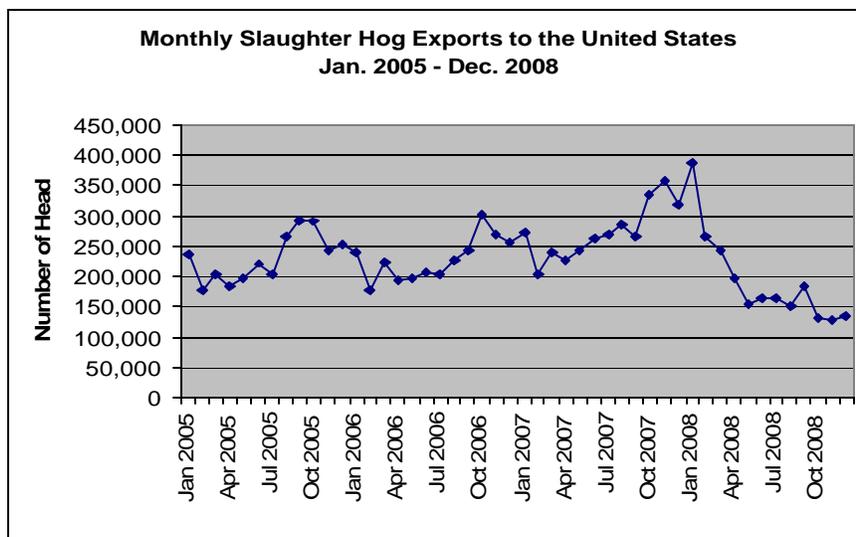
As shown on the chart below, Canadian live hog exports (for slaughter and for feeding) to the United States increased annually (with the exception of a small dip in 2005) during most of the current decade peaking at 10.0 million head in 2007. In recent years, Canadian live hog exports to the United States increased annually even as the total breeding inventory was registering significant year-to-year declines, the latter development a phenomenon of increased productivity and the industry making its way out of porcine circo virus, a swine disease that caused severe death losses. As U.S. pork exports to the world increased, Canada exported increased live hogs to the United States while its exports of pork to the United States declined, a development partially linked to the comparative feed cost advantage afforded U.S. hog finishers over their Canadian counterparts. By 2008, a number of developments including the general economic downturn, COOL implementation, and an increased rate of hog inventory decline in Canada resulted in reduced Canadian live hog exports to the United States. For 2009, the export surge in U.S. pork that prevailed through 2008 is expected to come under strong pressure from the global economic downturn, resulting in lower world pork demand, especially in key markets such as China. This in turn, is expected to further weaken U.S. demand for live feeder hogs from Canada.



Canadian Live Hog Exports to the United States, By Type

As illustrated in the graphs below, the decline in Canadian live hog exports to the United States during 2008 was more profound for hogs for immediate slaughter than for feeder pigs. Monthly exports of Canadian slaughter hogs peaked in early 2008, but by mid-June that year, after the USDA re-opened the comment period for COOL, weekly exports of Canadian hogs to the United States began to decline as prominent U.S. packers announced their intentions not to purchase Canadian hogs. Canada’s hog industry claimed that the uncertainty surrounding COOL had also impacted feeder pig exports. Anecdotal information circulated that many U.S. producers stopped buying Canadian weanlings for fear that they would not have markets for the finished hogs. Whether COOL issues and the debate over the treatment of Canadian live hogs by U.S. packers and retailers eases during 2009 remains to be seen. At the time of writing of this report, Agriculture Secretary Tom Vilsack announced that the final rule for the Country of Origin Labeling (COOL) program will go into effect as scheduled on March 16th. He also released a letter inviting stakeholders to follow additional voluntary labeling practices.





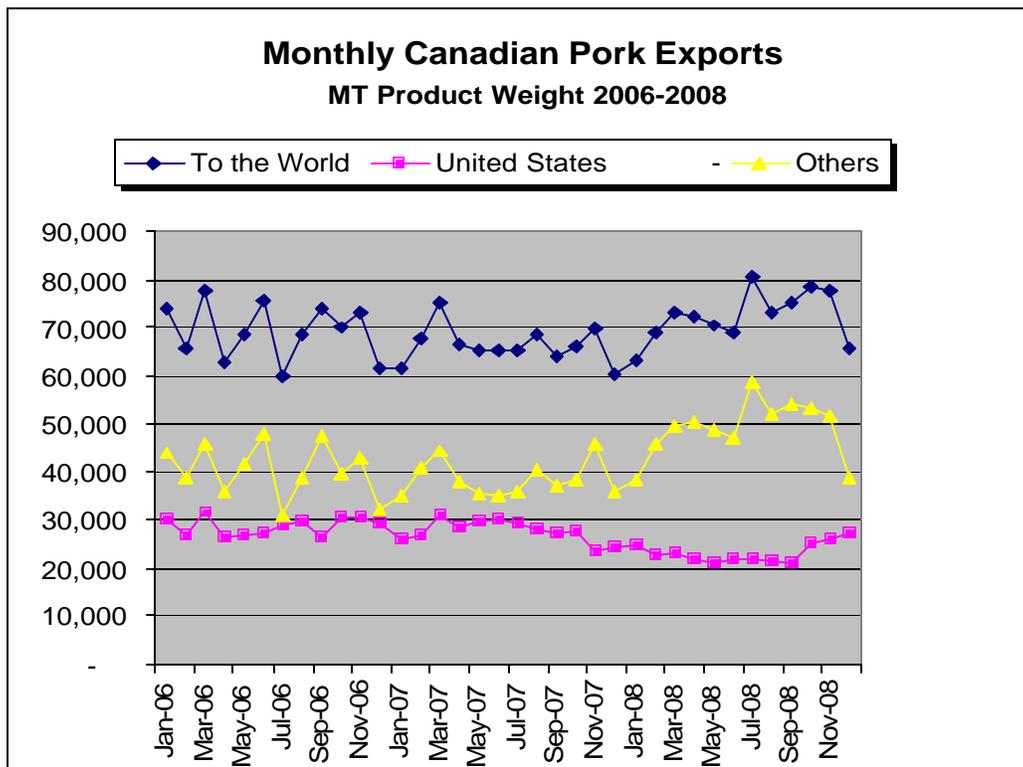
Pork Trade

Pork Exports

As shown on the table below, total Canadian pork exports on a carcass weight equivalent basis increase to 1.128 TMT during 2008, 9.3% above the 2007 level. Sales increases to Russia, Japan, and Hong Kong offset a decline in shipments to the United States. For 2009, most Canadian hog industry observers predict increased Canadian pork exports but there is a high degree of uncertainty whether the global economic downturn will dampen this optimistic forecast even though Canadian pork exports to the United States showed month-to-month increases in the last quarter of 2008. Demand in traditional Canadian pork export markets may remain stable in 2009, but the possibility of weakening Chinese and world demand for U.S. pork could backup North American pork supplies by raising frozen pork inventories and dampen prospects for increased Canadian pork exports to the United States. At this juncture, Post forecasts only a modest year-to-year increase in Canadian pork exports for 2009 in the neighborhood of 2.0%.

Canada: Pork Exports				
MT - carcass weight basis				
				% change
	2006	2007	2008	08/07
The World	1,080,644	1,032,637	1,128,389	9.3%
United States	448,523	432,825	362,853	-16.2%
Japan	244,992	250,968	262,297	4.5%
Russia	83,113	86,178	142,661	65.5%
Korea, South	74,477	66,724	64,887	-2.8%
Hong Kong	4,755	8,799	58,805	568.3%
Australia	48,365	52,434	45,959	-12.3%
Philippines	7,769	11,284	32,356	186.7%
Mexico	37,760	37,226	29,549	-20.6%
China	20,631	22,849	23,111	1.1%
Taiwan	6,578	6,307	17,138	171.8%
All Others	103,682	57,044	88,773	55.6%

Source: derived from World Trade Atlas



Pork Imports

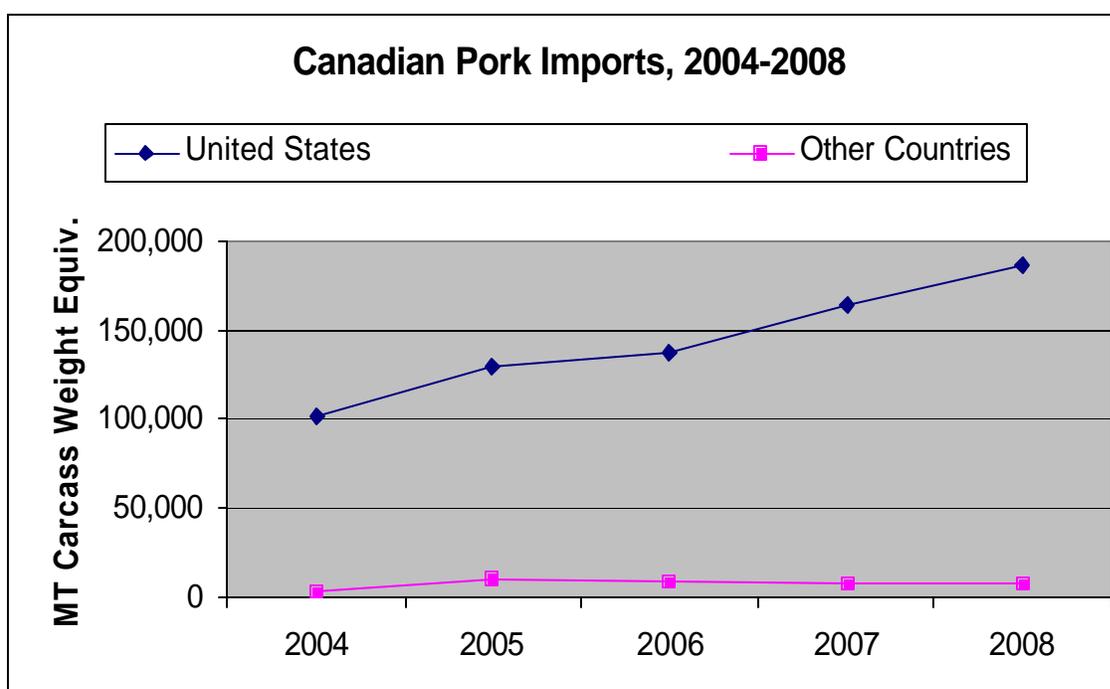
Total Canadian pork imports in 2008 reached 194,541 MT (CWE), almost 14% above the year earlier level of 170,984 MT. More than 95% of Canadian pork imports are from the United States. Minor suppliers include Chile, Italy and Denmark.

U.S. Pork Sales to Canada Surge

More than 80% of pork imported from the United States is destined for Ontario and British Columbia. In recent years, Canadian demand has increased sharply for U.S. fresh or chilled pork cuts, including back ribs and also for U.S. prepared pork including pre-packaged sausages. A major U.S. club type grocery chain has been sourcing U.S. pork for its retail stores in southern Canada. For 2009, U.S. pork sales to Canada are expected to increase only modestly reflecting prospects for higher Canadian pork production and a general downturn in the Canadian economy.

Canada: Pork Imports						
Units: MT - carcass weight basis						
	2004	2005	2006	2007	2008	% change 08/07
-- The World --	104,977	139,445	145,452	170,984	194,541	14%
United States	101,650	129,818	137,490	164,483	186,920	14%
Denmark	1,727	6,814	3,493	1,272	3,008	136%
Chile	0	1,027	2,991	2,197	2,510	14%
Italy	747	560	670	627	952	52%
All Others	852	1,227	808	2,405	1,151	-52%

Source: Derived from World Trade Atlas



Policy

Sow Cull Program

In March 2008, Agriculture and Agri-Food Canada announced a C\$50 million initiative with the Canadian Pork Council to deliver a sow cull program designed to will help restructure the industry to bring it more in line with market realities including a goal to reduce the sow herd by 10 percent (see [CA8008](#)). According to the Canadian Pork Council, approximately 7-8% of the swine breeding herd had been culled under the program by the fall of 2008. The program was slightly enhanced in September 2008 and included a [feed cost adjustment factor](#) for producers who were waiting to send sows to slaughter.

Note: Reports on other policy and economic developments relating to Canada's hog industry may be found in Post reports on the FAS website under [Attaché Reports](#).