Are There Any Lessons We Can Learn From the Canadian Pork Industry?

Presented To:
Iowa Pork Producers Association
Regional Meetings
February, 2009

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Outline

• Historically significant events in the Canadian pork industry
• Structural and production factors that contributed to the growth of the Canadian pork industry
• Factors leading to the downsizing of the Canadian pork industry
• Lessons?

Life, liberty and the pursuit of happiness
- U.S. Declaration of Independence (1776)

Peace, order and good government
- Canadian British North America Act (1867)

“The Times They Are A-Changing”
- Bob Dylan, 1964

The line it is drawn
The curse it is cast
The slow one now
Will later be fast
As the present now
Will later be past
The order is Rapidly fadin’.
And the first one now
Will later be last
For the times they are a-changin’
Other’s Thoughts on Change

• It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change [Charles Darwin]
• It is not necessary to change. Survival is not mandatory [W. Edwards Deming]
• To change the name and not the letter, is a change for the worst, and not for the better [Robert Chambers]
• Profound and powerful forces are shaking and remaking our world. And the urgent question of our time is whether we can make change our friend and not our enemy [Bill Clinton]
• Change is inevitable - except from a vending machine [Robert C. Gallagher]

Significant Events in the History of the Pig Industry in Canada

➢ In 1907: federal meat inspection introduced
➢ In 1922: national hog grading regulations introduced
  ➢ Changed focus of Canada from lard-type to meat-type pig
➢ In 1930’s: sale of bacon and hams to Britain increased 13-fold (Bacon for Britain)
  ➢ Changed focus for the Canadian industry to include export sales
  ➢ Further drove move from lard production to lean

Saskatchewan: 30 Years of Change

<table>
<thead>
<tr>
<th>1975</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sow housing</td>
<td>Indoors &amp; Outdoors</td>
</tr>
<tr>
<td>No. Sold/yr</td>
<td>500 to 5,000</td>
</tr>
<tr>
<td>Breeding</td>
<td>95% boars</td>
</tr>
<tr>
<td>Genetics</td>
<td>Purebred/crossbred</td>
</tr>
<tr>
<td>Health status</td>
<td>Diseases endemic</td>
</tr>
<tr>
<td>Vet. Care</td>
<td>General practice</td>
</tr>
<tr>
<td>Dressed wt.</td>
<td>154 lbs</td>
</tr>
<tr>
<td>Days to mkt.</td>
<td>200</td>
</tr>
<tr>
<td>Sow prod.</td>
<td>13-16 pigs/sow/yr</td>
</tr>
<tr>
<td>ADG – grow/finish</td>
<td>1.1 to 1.3 lb/d</td>
</tr>
</tbody>
</table>

Annual Hog Marketings

Source: Canada Pork Council, 2008

Structural Factors Supporting Growth of the Canadian Pork Industry

• Repeal of the Western Grain Transportation Act in 1995
Structural Factors Supporting Growth of the Canadian Pork Industry

- Repeal of the Western Grain Transportation Act in 1995
- Favorable USD exchange rate

Impact of Exchange Rate on Market Hog Value

<table>
<thead>
<tr>
<th>Year</th>
<th>Exchange Rate (CAD:USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>0.80</td>
</tr>
<tr>
<td>2001</td>
<td>0.85</td>
</tr>
<tr>
<td>2002</td>
<td>0.90</td>
</tr>
<tr>
<td>2003</td>
<td>0.95</td>
</tr>
<tr>
<td>2004</td>
<td>1.00</td>
</tr>
<tr>
<td>2005</td>
<td>1.05</td>
</tr>
</tbody>
</table>

Source: Bank of Canada

Structural Factors Supporting Growth of the Canadian Pork Industry

- Repeal of the Western Grain Transportation Act in 1995
- Favorable USD exchange rate
- Export market driven

Canadian Pork Exports

<table>
<thead>
<tr>
<th>Country</th>
<th>Weight, metric tons (x 1000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>450</td>
</tr>
<tr>
<td>Japan</td>
<td>350</td>
</tr>
<tr>
<td>Russia</td>
<td>250</td>
</tr>
<tr>
<td>South Korea</td>
<td>150</td>
</tr>
<tr>
<td>Australia</td>
<td>50</td>
</tr>
<tr>
<td>Mexico</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: World Trade Atlas, Agriculture and Agri-Food Canada

Structural Factors Supporting Growth of the Canadian Pork Industry

- Repeal of the Western Grain Transportation Act in 1995
- Favorable USD exchange rate
- Export market driven
- Encouragement of provincial governments
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- Repeal of the Western Grain Transportation Act in 1995
- Favorable USD exchange rate
- Export market driven
- Encouragement of provincial governments
  - Positive nutrient balance

Production Factors Supporting Growth of the Canadian Pork Industry

- High herd health
  - High awareness of, and attention to, biosecurity
  - Diverse, high quality genetic supply

Pigs/Year/Acre of Farmland

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of pigs produced/year</th>
<th>Arable farmland (acres)</th>
<th>Pigs per year/acre of arable farmland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>26,300,000</td>
<td>5,926,575</td>
<td>4.44</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>11,356,000</td>
<td>2,760,167</td>
<td>4.11</td>
</tr>
<tr>
<td>North Carolina</td>
<td>18,359,000</td>
<td>8,474,671</td>
<td>2.17</td>
</tr>
<tr>
<td>Iowa</td>
<td>32,938,000</td>
<td>30,747,550</td>
<td>1.07</td>
</tr>
<tr>
<td>Quebec</td>
<td>7,337,200</td>
<td>8,558,000</td>
<td>0.86</td>
</tr>
<tr>
<td>Ontario</td>
<td>7,399,400</td>
<td>13,330,000</td>
<td>0.55</td>
</tr>
<tr>
<td>Manitoba</td>
<td>9,169,200</td>
<td>19,073,000</td>
<td>0.48</td>
</tr>
<tr>
<td>Alberta</td>
<td>3,805,600</td>
<td>52,150,000</td>
<td>0.07</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>2,836,000</td>
<td>64,233,000</td>
<td>0.04</td>
</tr>
</tbody>
</table>

Production Factors Supporting Growth of the Canadian Pork Industry

- High herd health
  - High awareness of biosecurity
  - Diverse, high quality genetic supply

Nucleus Herds
- Hypor
- Fast Genetics
- PIC
- Topigs
- Genetiporc
- Danbred
Production Factors Supporting Growth of the Canadian Pork Industry

- High herd health
- High awareness of biosecurity
- Diverse, high quality genetic supply
- Strong support of R&D, coupled with rapid adoption of new technology

From a production perspective, I think Prairie pork producers “got it right.”

Production success is critical to an industry’s success, but it will not guarantee an industry’s success.

Pig Inventories

Factors Leading to the Canadian Pork Industry’s Downsizing

- Difficult financing environment
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- Fractured, inefficient packing sector
- Exchange rate advantage disappeared
- Lack of increase in cereal grain yields
- Increased feed costs
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- Difficult financing environment
- Fractured, inefficient packing sector
- Exchange rate advantage disappeared
- Lack of increase in cereal grain yields
- Increased feed costs
- Discouragement by governments
- Excessive dependence on exports

Potential Lessons

- Beware of dependence on favorable exchange rates
- Beware of dependence on the export market
- Importance of supportive legislators

Thank you