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## Canada

### Livestock and Products Semi-annual

Livestock Update

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**Report Highlights:**

Canada's cattle and swine herds are forecast to continue on a downward trend with the ongoing increased strength of the Canadian dollar dampening export potential. The beef cattle herd dropped to 11 million head, down 1.4 percent with current indications that a moderate expansion may begin in 2011 or 2012. The swine herd is pegged at 11.6 million head, down another 4.5 percent from the year before. A further decline to about 12.7 million head is forecast by the end of 2010 in part aided by the C\$75 million Hog Farm Transition Program. The aim of the program is to reduce the herd by the equivalent of 250,000 sows (1.3 million in inventory January 2010) via payments requiring vacating production facilities for three years. Canada's cattle exports totaled 1.067 million head in 2009, down from 1.6 million head in 2008. The cattle export forecast for 2010 is 1.15 million head. Total 2009 beef imports, up 7 percent to 247,032 mt are expected to climb further to 290,000 mt in 2010. Canadian beef exports fell 3 percent in 2009 to 480,294 mt due to drop in shipments to the United States and are expected to expand to 490,000 tons in 2010. Exports of hogs totaled almost 6.4 million head in 2009, down from 9.4 million in 2008 with the 2010 forecast pegged at 6.0 million head. After totaling 1.12 mmt in 2009, in 2010 the pork exports are forecast up slightly to 1.13 mmt.

## **Executive Summary:**

- The Canadian beef cattle herd dropped to 11 million head, down 1.4 percent and the lowest in 15 years as of January 2010. Current indications are that a moderate expansion may begin in 2011 or 2012.
- Canada's cattle exports totaled 1.067 million head in 2009, down 33 percent from the 1.6 million head exported in 2008. The forecast for 2010 is 1.15 million head, up slightly reflecting tightened supply in the United States as well as some stability, if not softening, in the value of the Canadian dollar.
- Total 2009 beef imports, up 7 percent to 247,032 mt, did reflect the recessionary demand for an increase in lower priced cuts from New Zealand, Australia and Uruguay and increased buying power of the stronger Canadian dollar. Some rebound in the economy is expected to spur increased beef imports to 290,000 mt in 2010.
- Canadian beef exports fell 3 percent in 2009 to 480,294 mt due to drop in shipments to the United States. Although world demand is still recovering and fluctuations in the value of the Canadian dollar are negative strains on exports, overall exports are expected to expand to 490,000 tons in 2010.
- As of January 2010, the swine herd is pegged at 11.6 million head, the lowest in 12 years and down 4.5 percent from the year before. A further decline to about 12.7 million head is forecast by the end of 2010.
- Exports of hogs totaled almost 6.4 million head in 2009, down 32 percent from 2008. The largest decline was in slaughter animals, totaling 1.1 million head compared to 2.3 million head in 2008. Due to the continued strong Canadian dollar the forecast for 2010 is 6.0 million head.
- After totaling 1.12 mmt in 2009, 2010 the pork export are forecast up slightly to 1.13 mmt reflecting the reopening of the Chinese market as well as overall expectations that world wide pork consumption will trend upward as recessionary pressures soften and consumers look for lower priced meats.
- Details of the C\$75 million Hog Farm Transition Program (HFTP) were announced in December 2009 with the first three (of four) tranches resulting in a total reduction of 671,250 head of which 105,358 are sows. The aim of the program is to reduce the herd by the equivalent of 250,000 sows. The highest proportional reductions are in the small producing provinces of British Columbia and the Atlantic region. The largest reduction, Ontario, represents about 3.6 percent of the provinces total 2009 production. The last tranche is in March 2010. These payments require vacating production facilities for three years.

**Commodities:**

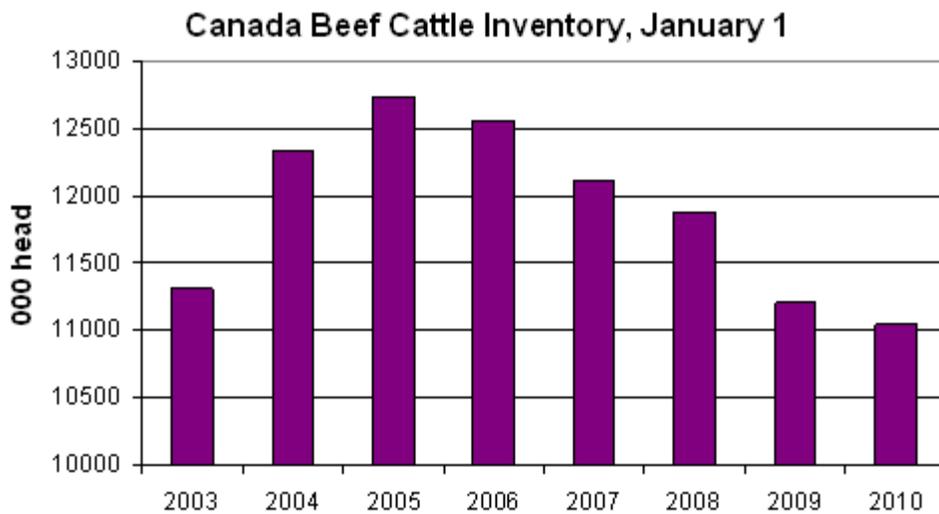
Animal Numbers, Cattle  
Meat, Beef and Veal

**Production:****Cattle and Beef**

The Statistics Canada yearend livestock report adjusted some cattle numbers in 2008 (slight drop in calf production) as well as in 2009. The cattle herd is pegged at just over 13 million head, larger by about 300,000 head than had earlier been forecast but the lowest in 15 years. Between January 1, 2009 and January 1, 2010, the beef herd dropped to 11 million head, down 1.4 percent while the dairy herd remained about flat (0.2 percent decline) at about 1.97 million head. Reductions in the herds in Alberta, Manitoba, British Columbia, Quebec and the Atlantic provinces totaled more than the increases in Saskatchewan and Ontario.

Based on the new data, the calf crop forecast for 2010 have been adjusted down to 4.98 million head compared to 5.05 million at the last forecast with ending inventories pegged at 12.7 million head compared to the earlier forecast of 12.5 million head. The retraction of the herd size has slowed, about 1.2 percent decline since January 2009, but the number of breeding heifers continued to decline, a total of almost 4 percent for the year. Some late-year 2009 strengthening of heifer prices and some reprieve from constant feed price increases are improving the outlook for producers. However, concerns about continued drought conditions and feed quality in 2010 as well as the continued strong (but at least more stable) Canadian dollar are working against herd expansion. Current indications are that a moderate expansion may begin in 2011 or 2012. A stronger world wide rebound in consumer demand and exports may pull the process along faster.

Statistics Canada indicated that 2009 total slaughter reached almost 3.7 million head, down about 175,000 head from the previous estimate. Early data show slaughter down about 4 percent in the first six weeks of 2010. The total slaughter forecast for 2010 is adjusted from 3.7 million head to 3.62 million head although if export demand for beef picks up, the slaughter forecast may be on the low side.



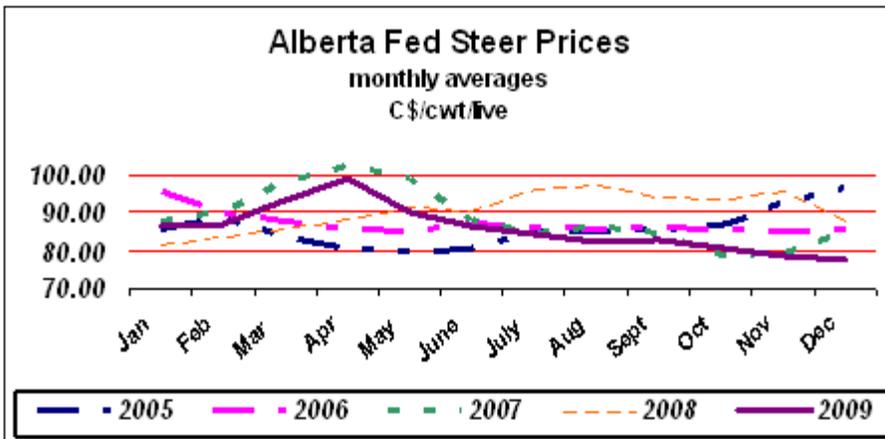
Source: Statistics Canada

### **Cattle Market Prices**

Despite tighter supplies the fed steer prices in Canada have continued on a downward trend throughout 2009 and early into 2010 but tightening supplies in the United States may result in some upward movement in 2010. Bred heifer prices rallied moderately in late 2009 but the increases have not been sustained. Cattle producers continue to voice concern about the price-dampening effect of continued packer concentration and on the cost of disposing of specified risk materials (SRM) in the continued aftermath of the 16 detections of bovine spongiform encephalopathy (BSE) which began in 2003. The producers argue that the stricter Canadian requirements cost them about \$25 more per head than the disposal requirements in the United States.

Alberta Fed Steer Prices								
monthly averages								
C\$/cwt/live								
	2003	2004	2005	2006	2007	2008	2009	2010
Jan	114.17	82.36	85.26	95.39	87.60	81.27	86.30	78.34
Feb	115.13	80.03	88.68	89.32	90.19	83.42	86.83	
Mar	110.29	85.81	83.19	87.51	97.59	85.29	93.38	
Apr	108.55	84.25	80.14	85.22	101.87	87.93	98.85	
May	106.31	80.03	79.54	85.03	99.07	90.86	89.85	
June	65.44	71.73	80.42	86.92	88.21	90.18	86.68	
July	37.80	70.64	84.77	85.84	84.39	95.55	84.59	
Aug	39.02	66.69	85.03	85.23	86.52	96.71	82.58	
Sept	73.09	78.39	85.19	86.01	84.36	93.42	82.62	
Oct	79.07	79.12	86.57	85.69	78.55	93.36	80.98	
Nov	80.45	79.18	91.98	84.97	79.46	95.16	78.76	
Dec	82.06	85.32	96.42	85.68	84.33	87.69	77.49	
Annual	84.28	78.63	85.60	86.90	88.51	90.07	85.74	

Source: Statistics Canada





Source: Statistics Canada

**Consumption:**

**Beef and Veal**

Domestic per-capita beef consumption is expected to stabilize and show signs of expansion by late 2010 prompted by the economic recovery and soft prices. The total 2010 consumption forecast is revised to 1.015 mmt to reflect new data for earlier years. Although total meat consumption has declined with the recession, beef has been the favored red-meat for consumption given some effect of H1N1 on consumer perceptions of pork although lower pork prices coupled with shoppers seeking increased value puts downward pressure on beef prices. Total CY 2009 consumption is estimated to have declined to about 30 kilograms carcass weight basis per capita.

In 2008, per capita beef consumption declined to 30.32 kilograms carcass weight basis, a 4.7 percent decrease from 31.7 kilograms in 2007 and the fifth decrease in six years. Beef consumption increased moderately in 2003 after the BSE-related market disruption resulted in additional beef supplies on the Canadian market at reduced prices.

Canadian Per Capita Beef & Veal Consumption	
kg/person, CWT	
Year	kg/person
2003	33.63
2004	31.98
2005	31.35
2006	30.92
2007	31.70

<b>2008</b>	30.32
<b>2009*</b>	30.00
<b>2010*</b>	31.00

Source: Statistics Canada, \*Post forecasts

## **Trade:**

### **Cattle Trade**

Canada's cattle exports totaled 1.067 million head in 2009, down 33 percent from the 1.6 million head exported in 2008. Factors attributed to this decline include the strengthening of the Canadian dollar, the shift in the recession market in the United States toward lowest priced cuts, and some uncertainty surrounding requirements under the Country of Origin Labeling (COOL) regulations. The forecast for 2010 remains unchanged at 1.15 million head, up slightly from 2009 reflecting tightened supply in the United States as well as some stability if not softening of the value of the Canadian dollar. Need to fill U.S. feedlots may also push the numbers up later in the year. Canadian cattle import forecast is reduced to 50,000 head in 2010, or about the same as the 2009 imports of 54,000 head.

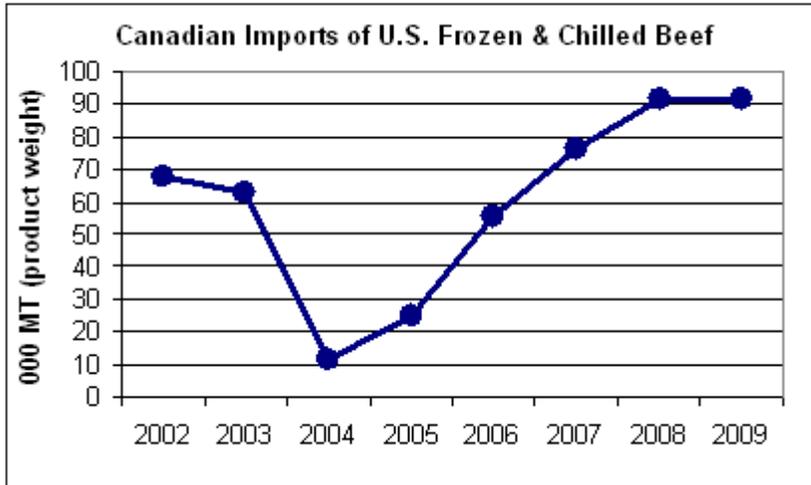
### **Beef and Veal Imports**

Recent data show imports of beef and veal increased in 2009 by about 7 percent despite some decreased demand, at least on the high end, primarily U.S. trade, due to the recession. Beginning in March 2009 the Canadian dollar strengthened which made the imported beef more affordable. Beef imports did reflect the recessionary demand for an increase in lower priced cuts from New Zealand, Australia and Uruguay. Rebounding of the economy is expected to spur increased beef imports with the 2010 forecast at 290,000 mt. This forecast is unchanged.

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 percent. 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.

<b>Canadian Beef and Veal Imports: Fresh, Chilled, Frozen, Prepared and Preserved</b>						
In metric tons, carcass weight equivalent*						
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>World</b>	123,088	151,000	179,567	240,918	230,195	247,032
United States	28,295	60,360	113,482	147,042	171,411	163,807
New Zealand	43,318	42,265	36,778	35,788	30,866	42,146
Australia	11,520	11,395	13,897	16,349	13,173	16,955
Uruguay	35,002	27,144	9,923	31,935	6,832	16,803
Brazil	3,211	7,383	3,715	7,964	5,764	5,651
All Others	1,743	2,453	1,773	1,840	2,150	1,670
<b>Share</b>						
United States	23%	40%	63%	61%	74%	66%
New Zealand	35%	28%	20%	15%	13%	17%
Australia	9%	8%	8%	7%	6%	7%
Uruguay	28%	18%	6%	13%	3%	7%
Brazil	3%	5%	2%	3%	3%	2%
All Others	1%	2%	1%	1%	1%	1%
Source: Derived from World Trade Atlas						
*Fresh, Chilled and Frozen converted to CWE at 1.4						
*Prepared and Preserved converted to CWE at 1.79						



Source: Derived from Global Trade Atlas.



Source: Derived from Global Trade Atlas.

## Beef and Veal Exports

Canadian beef exports fell by 3 percent in 2009 to 480,294 mt due to drop in imports from the United States. However, aggressive efforts by the government to pry open markets closed due to lingering concerns about BSE resulted in increased exports to Hong Kong, Japan, Taiwan and Vietnam. Marketing campaigns by the Canada Beef Export Federation have also expanded in these markets. Although world demand is still recovering and fluctuations in the value of the Canadian dollar are negative strains on exports, overall exports are expected to expand to 490,000 tons in 2010. This forecast is unchanged.

**Canadian Beef and Veal Exports:  
Fresh, Chilled, Frozen, Prepared and Preserved**

*In metric tons, carcass weight equivalent\**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<i>World</i>	602,578	596,306	476,564	457,468	493,818	480,294
United States	499,110	515,798	405,292	380,946	402,459	389,521
Mexico	90,427	57,126	45,637	47,361	48,489	48,035
Hong Kong	127	13,035	11,117	10,973	10,048	12,663
Japan	0	7	3,062	4,609	6,905	11,313
Taiwan	0	0	0	570	1,907	3,926
Vietnam	0	0	106	286	770	2,383
Philippines	857	207	347	367	8,364	2,251
Macau	8,908	6,576	7,937	8,208	7,371	2,108
Indonesia	0	0	0	210	399	2,080
Russia	0	0	0	39	512	1,084
France	830	1,057	875	868	893	752
Cuba	14	6	370	116	1,492	556
Others	2,304	2,495	1,821	2,916	4,208	3,622
U.S. Share %	83%	86%	85%	83%	81%	81%

Source: Derived from World Trade Atlas

\* Converted to CWE at 1.4

## **Policy:**

### **Canada Launches Two WTO Disputes**

In late 2008 Canada and Mexico filed dispute at the World Trade Organization (WTO) on the interim rule of the Country of Origin Labeling (COOL). Consultations were held twice and a new case was filed in May 2009. On November 19, 2009, at the request of Canada and Mexico, the WTO Dispute Settlement Body established a single panel to consider the complaints regarding U.S. mandatory COOL. The process to select panelists is still underway. The substance of Canada and Mexico's claims remain the same, and include allegations of inconsistency with the General Agreement on Tariffs and Trade 1994 (national treatment and transparency provisions), the Agreement on Technical Barriers to Trade (technical regulations provisions) or in the alternative, the Agreement on the Application of Sanitary and Phytosanitary Measures, and the Agreement on Rules of Origin (Article 2).

In July 2009, Canada requested the establishment of a WTO dispute settlement panel on the issue of South Korea's continuing ban on the importation of Canadian beef.

South Korea has banned Canadian beef since May 2003 after bovine spongiform encephalopathy (BSE) was discovered in an Alberta cow. Before the ban, South Korea was Canada's fourth-largest beef export market, valued at C\$50 million in 2002. In May 2007, the World Organization for Animal Health (OIE) officially categorized Canada as a "Controlled Risk" country for BSE. The WTO panel, which was formed in November 2009, is asked to determine whether South Korea's continuing ban on Canadian beef is consistent with its international trade obligations under the WTO, specifically several articles of the Sanitary and Phytosanitary Agreement the General Agreements on Tariffs and Trade . It is Canada's view that South Korea's continuing ban is a violation of its WTO obligations in that the ban is not based on the relevant international standards or on science, and that it is discriminatory among WTO members and restricts trade more than necessary.

### **Alberta Ends Non-refundable Check-Offs**

Legislation ending non-refundable check-offs will take effect April 1, 2010 in the province of Alberta, home to about 40 percent of the Canadian cattle herd. Several other provinces already have refundable or partially refundable (national part non-refundable) check-offs (British Columbia, Manitoba, Saskatchewan). The legislation was spurred by some cattle producers who felt their \$3/head check off funds were not gleaning results since the detection of the first case of BSE. Also there was tension between the cow-calf operations and the feedlots and whether funds to one organization, the Alberta Beef Producers (ABP) could promote all interests. The change will effect four organizations: Alberta Beef Producers, Alberta Pork, Alberta Lamb Producers and the Potato Growers of Alberta. Several other provinces already have refundable or partially refundable (national part nonrefundable) check-offs (British Columbia, Manitoba, Saskatchewan).

No one is sure what the actual effect of the new refundable system will be on the \$12-13 million collected annually by the ABP. For each \$3 collected, \$1 will still be remitted to the national agency

which funds the Beef Information Centre, the Canadian Beef Export Federation (CBEF) and the Beef Cattle Research Council. ABP sends part of the remaining funds to the Canadian Cattlemen's Association. The ABP has announced that their budgets will be based on the previous year's funds but for this transition year they have reduced their budget from \$8 million to \$5 million. Observers are watching to see how the relatively few feedlot owners react to the new flexibility which could change the size and direction of the ABP.

### Production, Supply and Demand Data Statistics:

<b>CANADA</b> Animal Numbers, Cattle	2008 Market Year Begin: Jan 2008		2009 Market Year Begin: Jan 2009			2010 Market Year Begin: Jan 2010		
	USDA Official Data	New Post Data	USDA Official Data	Old Post Data	New Post Data	USDA Official Data	Old Post Data	New Post Data
Total Cattle Beg. Stks	13,895	13,895	13,180	13,180	13,180	12,820	12,820	13,015
Dairy Cows Beg. Stocks	984	984	978	978	979	975	975	981
Beef Cows Beg. Stocks	4,982	4,982	4,650	4,655	4,650	4,550	4,550	4,471
Production (Calf Crop)	5,299	5,288	5,140	5,140	5,110	5,050	5,050	4,980
Total Imports	49	49	50	50	54	50	60	50
Total Supply	19,243	19,232	18,370	18,370	18,344	17,920	17,930	18,045
Total Exports	1,598	1,598	1,120	1,120	1,067	1,200	1,150	1,150
Cow Slaughter	792	792	650	650	620	575	575	570
Calf Slaughter	320	310	330	330	285	330	330	300
Other Slaughter	2,732	2,747	2,900	2,900	2,800	2,895	2,800	2,750
Total Slaughter	3,844	3,849	3,880	3,880	3,705	3,800	3,705	3,620
Loss	621	605	550	550	557	500	550	550
Ending Inventories	13,180	13,180	12,820	12,820	13,015	12,420	12,525	12,725
Total Distribution	19,243	19,232	18,370	18,370	18,344	17,920	17,930	18,045

All data in 1,000 head

<b>CANADA</b> Meat, Beef & Veal	2008 Market Year Begin: Jan 2008		2009 Market Year Begin: Jan 2009			2010 Market Year Begin: Jan 2010		
	USDA Official Data	New Post Data	USDA Official Data	Old Post Data	New Post Data	USDA Official Data	Old Post Data	New Post Data
Slaughter (Reference)	3,844	3,849	3,880	3,950	3,705	3,800	3,705	3,620
Beginning Stocks	45	45	35	35	34	50	50	36
Production	1,288	1,288	1,300	1,325	1,245	1,275	1,275	1,215

Total Imports	230	230	270	235	247	290	290	290
Total Supply	1,563	1,563	1,605	1,595	1,526	1,615	1,615	1,541
Total Exports	494	494	475	510	480	490	490	490
Human Dom. Consumption	1,034	1,035	1,080	1,050	1,010	1,090	1,090	1,015
Other Use, Losses	0	0	0	0	0	0	0	0
Total Dom. Consumption	1,034	1,035	1,080	1,050	1,010	1,090	1,090	1,015
Ending Stocks	35	34	50	35	36	35	35	36
Total Distribution	1,563	1,563	1,605	1,595	1,526	1,615	1,615	1,541

*All data in 1,000 head (slaughter) or 1,000 metric tons carcass weight equivalent (all others)*

**Commodities:**

Animal Numbers, Swine

Meat, Swine

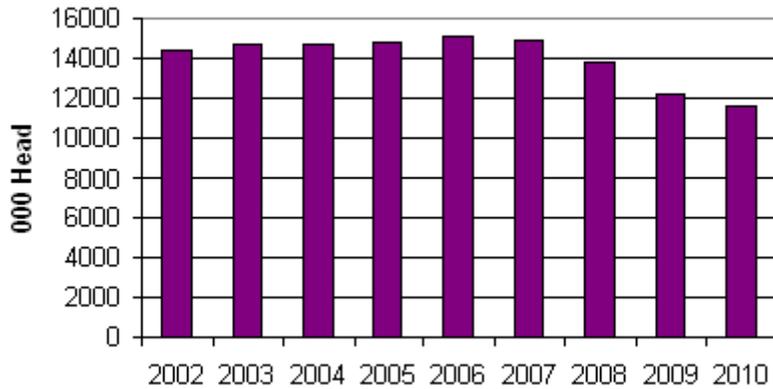
**Production:**

**Swine and Pork**

The Statistics Canada yearend livestock report adjusted the pig crop numbers ups slightly in both 2008 and 2009. As of January 2010, the swine herd is pegged at 11.6 million head, larger by about 250,000 head than had earlier been forecast but the lowest in 12 years. The breeding herd showed a further drop of 4.3 percent. The industry is showing further retraction with the size of the remaining operations increasing in size. The number of hog producers dropped to 7,360 at the end of 2009 with the number of hogs per farm increased from 1,482 to 1,580, or 6.7 percent, indicating a continued exodus of mixed farms and concentration of managed hog operations.

The production forecast for 2010 is unchanged at 28 million head reflecting continued downsizing in the industry as returns remain below the cost of production and some producers opt to accept the new government buyout program. The 2009 slaughter total was adjusted according to the Statistics Canada data to 21.8 million head. The 2010 forecast is reduced by 500,000 head to 21.2 million based on the adjusted herd size data.

### Canada Hog Inventory, Annual January 1



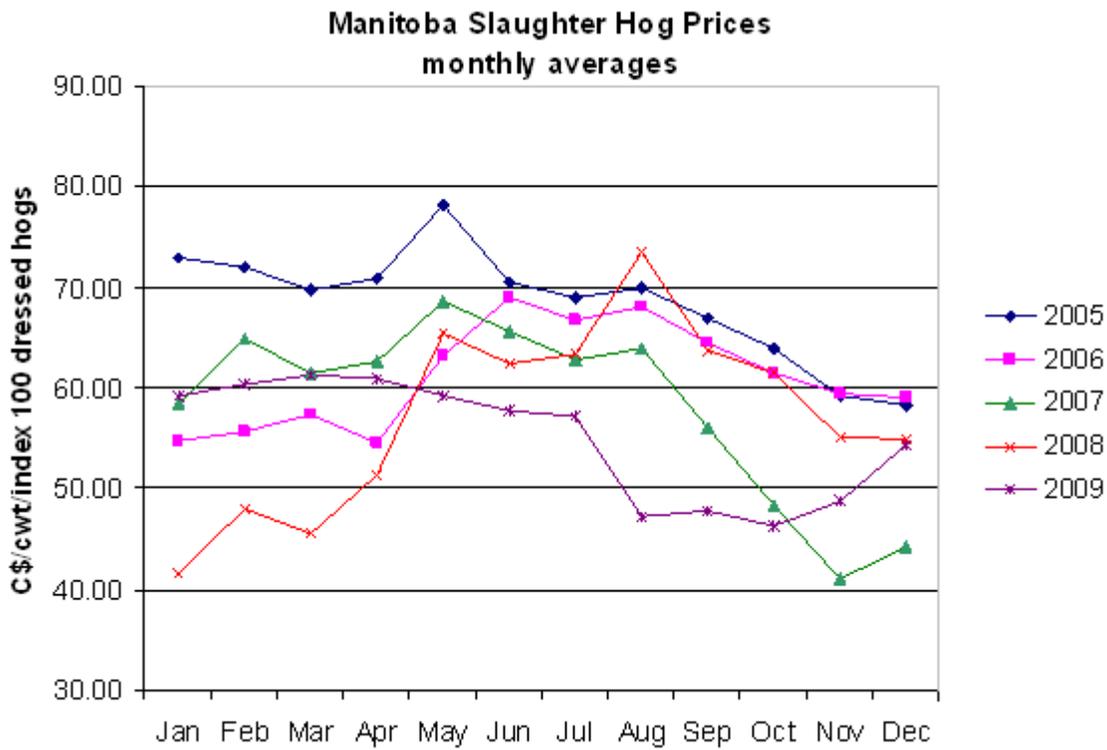
Source: Statistics Canada

### Hog Market Prices

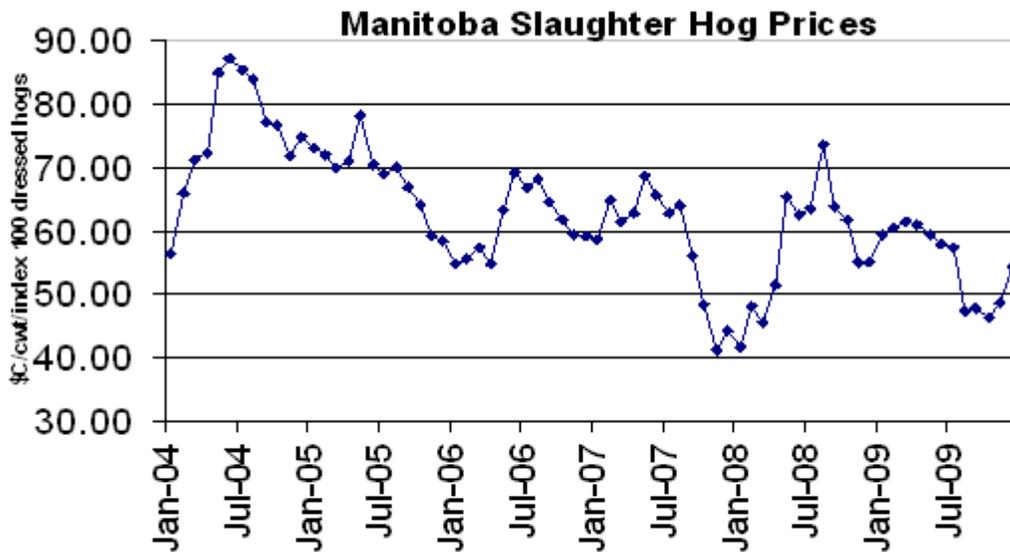
Hog prices continued well below previous years throughout most of 2009 but perked up in December suggesting a strengthening trend in 2010 due to tighter supplies and improving consumer demand for pork as a lower priced meat. Producers continue to face prices below the cost of production with one estimate from Manitoba indicating the margin remains C\$13/head below the break even point and C\$33/head below the amount needed to cover debt loads.

<b>Manitoba Slaughter Hog Prices</b>						
monthly averages						
C\$/cwt/index 100 dressed hogs						
	2004	2005	2006	2007	2008	2009
<b>Jan</b>	56.25	72.89	54.83	58.55	41.70	59.28
<b>Feb</b>	65.77	71.96	55.62	64.83	48.02	60.43
<b>Mar</b>	71.21	69.84	57.38	61.52	45.56	61.34
<b>Apr</b>	72.12	70.94	54.64	52.67	51.40	60.93
<b>May</b>	84.82	78.23	63.24	68.64	65.36	59.34
<b>Jun</b>	87.09	70.45	69.03	65.63	62.51	57.76
<b>Jul</b>	85.28	68.99	66.78	62.75	63.42	57.25
<b>Aug</b>	83.91	69.98	68.00	63.92	73.47	47.20
<b>Sep</b>	77.11	66.88	64.58	56.10	63.68	47.80
<b>Oct</b>	76.66	63.98	51.58	48.35	61.56	46.29
<b>Nov</b>	71.67	59.21	59.40	41.00	55.07	48.55
<b>Dec</b>	74.84	58.29	59.04	44.27	54.98	54.33
<b>Annual</b>	75.75	68.47	61.18	58.18	57.23	55.04

Source: Statistics Canada.



Source: Statistics Canada.



Source: Statistics Canada.

## Consumption:

Of the three major meats, beef, pork and chicken, over the last decade the share of pork in the Canadian per capita meat consumption is the only one that has decline. In 2000, pork represented 32 percent of total consumption and by 2008 it had dropped to 28 percent despite the fact that that other two are generally higher priced (chicken prices benefit from the supply management system). According to Statistic Canada, per capita pork consumption in 2008 declined 4.8 percent from 2007. The pork industry is battling against consumer perceptions that pork is not easy or fast to prepare and lack of perception that pork is a “healthy” meat. Pork has also made limited inroads in the foodservice market. The expectation is that the 2009 figure will show a further decline, estimated at 22.9 kilograms per person, primarily due to the recession and overall downturn in meat consumption. Uncertainty about the linkage with H1N1 also pushed pork consumption down. With lower prices consumption is forecast to rise slightly in 2010.

### Canadian Per Capita Pork Consumption

kg/person, CWT

Year	kg/person
2000	28.69
2001	28.94
2002	27.81
2003	25.10
2004	26.84
2005	23.03
2006	23.43
2007	24.84
2008	23.51
2009*	22.90
2010*	23.20

Source: Statistics Canada, \*Post forecast

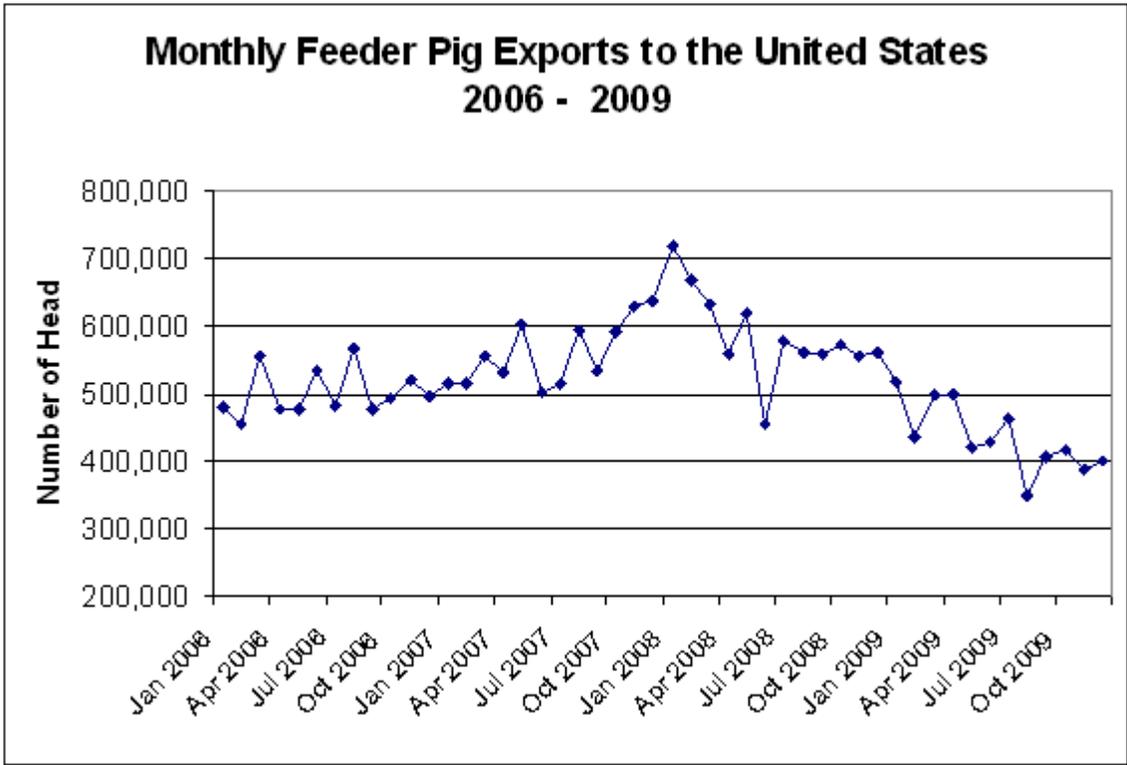
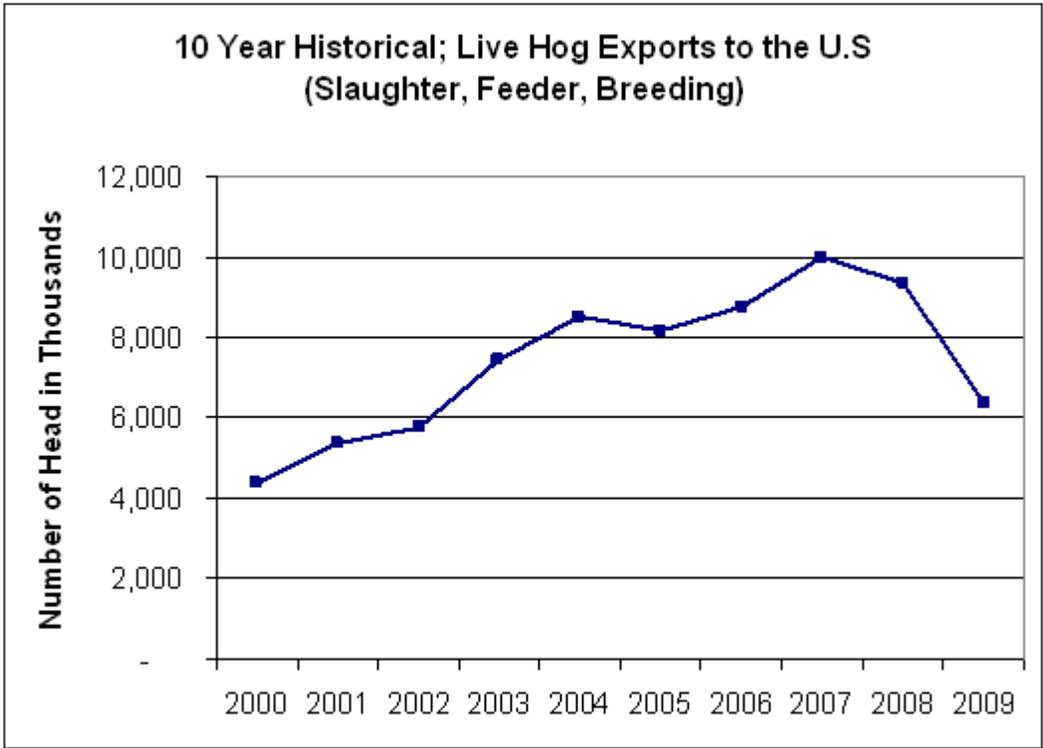
## Trade:

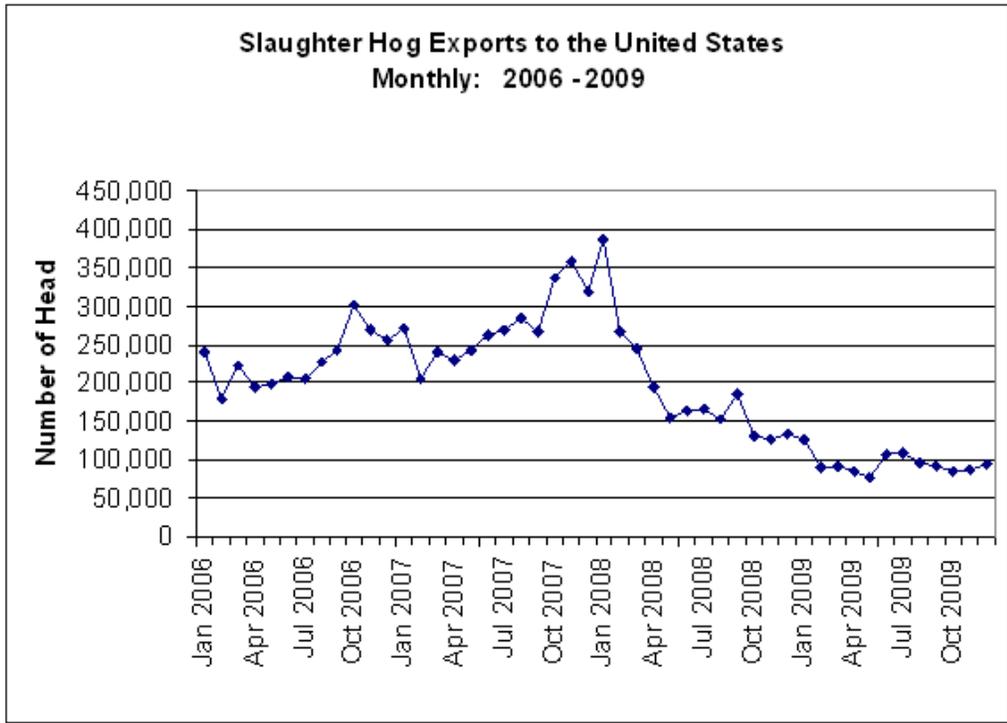
### Hog Exports

Total exports of hogs totaled almost 6.4 million head in 2009, up compared to earlier estimates by about 100,000 head, but down 32 percent from 2008. The largest decline was in slaughter animals, totaling 1.1 million head compared to 2.3 million head in 2008. Due to the continued strong Canadian dollar the forecast for 2010 is pulled down to 6.0 million head from the earlier forecast of 6.2 million head.

Canadian Hog Exports to the United States								
Type	2006		2007		2008		2009	
	1,000 head	% Total	1,000 head	% Total	1,000 head	% Total	1,000 head	% Total
Feeder	6,013	69%	6,721	67%	7,036	75%	5,221	82%
Slaughter	2,747	31%	3,281	33%	2,306	25%	1,141	18%
Breeding	3	0%	2	0%	5	0%	2	0%
<b>TOTAL</b>	<b>8,763</b>		<b>10,004</b>		<b>9,347</b>		<b>6,364</b>	

Source: *Global Trade Atlas*





Source: Global Trade Atlas

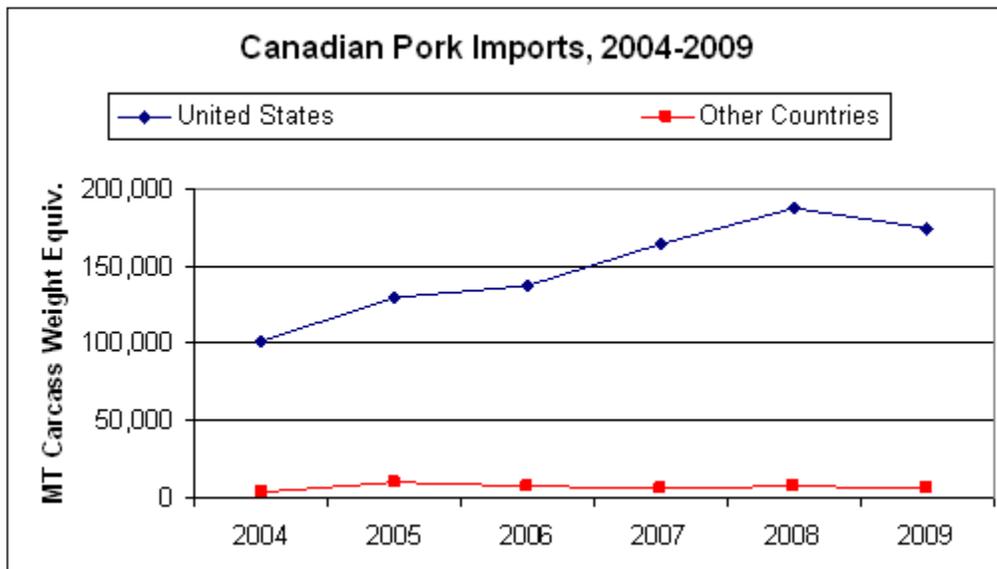
**Pork Imports**

Canadian pork imports totaled 180,260 mt in 2009, up about 10,000 mt from the earlier estimate and down slightly from the 2008 record high of 194,541 mt. Total imports are forecast at 210,000 mt, up 10,000 mt and in line with a rebound in consumption as Canadian consumers continue to seek out value prices for protein.

<b>Canada: Pork Imports</b>							% change
<i>Units: metric tons, carcass weight basis*</i>							
	2004	2005	2006	2007	2008	2009	09/08
World	104,977	139,445	145,452	170,984	194,541	180,266	-7%
United States	101,650	129,818	137,490	164,483	186,920	173,902	-7%
Chile	0	1,027	2,991	2,197	2,510	3,039	21%
Denmark	1,727	6,814	3,493	1,272	3,008	1,347	-55%
Finland	555	699	228	377	653	732	12%
Italy	747	560	670	627	927	675	-27%
All Others	297	528	580	2,028	523	571	9%

\* Converted to CWE at 1.3

Source: Derived from Global Trade Atlas



Source: Global Trade Atlas

## Pork Exports

Pork exports fell slightly in 2009 to 1.12 mmt as the drop in exports to Russia were almost completely offset by gains in sales to the United States and Taiwan. For 2010 the export forecast is raised slightly to 1.13 mmt reflecting the reopening of the Chinese market as well as overall expectations that world wide pork consumption will trend upward as recessionary pressures soften and consumers look for lower priced meats. After significant fluctuations and a marked rise in 2009, the value of the Canadian dollar has been relatively stable, at a higher level, in the last few months. This stronger Canadian dollar is a drag on export potential and any further strengthening could hurt overall export competitiveness in 2010.

<b>Canada: Pork Exports</b>						
<i>In metric tons - carcass weight basis</i>						
	2005	2006	2007	2008	2009	% change 09/08
<i>World</i>	1,083,687	1,081,214	1,032,788	1,128,621	1,122,870	-0.5%
United States	477,900	448,575	432,879	362,890	382,968	5.5%
Japan	304,064	244,994	250,968	262,298	259,273	1.1%
Korea, South	57,708	74,507	66,724	64,887	67,938	4.7%
Russia	25,500	83,144	86,211	142,789	63,281	-55.7%
Australia	44,304	48,389	52,434	45,959	61,651	34.1%
Hong Kong	4,014	4,755	8,799	58,838	46,636	20.1%
Philippines	10,105	7,769	11,315	32,358	45,312	40.0%
Taiwan	12,262	6,578	6,307	17,138	34,639	102.1%
Mexico	45,565	37,808	37,226	29,549	29,097	-1.5%

China	18,044	20,631	22,849	23,141	22,513	-2.7%
South Africa	4,096	9,460	10,732	6,375	17,046	167.4%
New Zealand	8,688	10,895	11,285	9,979	12,832	28.5%
All Others	71,437	83,709	35,059	72,420	79,684	10.0%

\*Converted to CWE at 1.3  
Source: derived from Global Trade Atlas

## Policy:

### Canadian Hog Buyout Program Launched

Despite the 2008 program to reduce the breeding herd, producers appealed to the government for additional assistance arguing that returns to the swine industry were further hampered by the strengthening of the Canadian dollar, high feed prices, reduced consumer demand due to the mislabeling of the H1N1 virus as Swine Flu, and the U.S. Country of Origin Labeling laws. In mid-August, 2009 the Minister of Agriculture's announced a new suite of three programs totaling C\$92 million. The details became available in early December. The C\$75 million Hog Farm Transition Program (HFTP) assists farmers who see no viable alternative but to cease hog production for three years. HFTP provides funding through a process of four tenders, the last of which requires bid submission no later than March 10, 2010. Just under C\$14 million remains of total funds available. The aim of the program was to reduce the herd by the equivalent of 250,000 sows. The following table summarizes the results of the first three tenders. Because of the timing of the program (retroactive to April 1, 2009), some of the liquidated animals would have already been removed by the inventory numbers for January 1, 2010. The total reported for the first three tranches represents about 2.3 percent of the 2009 total pig crop/production. The highest proportional reductions are in the small producing provinces of British Columbia and the Atlantic region. The largest reduction, Ontario, represents about 3.6 percent of the provinces total 2009 production.

Canada: Hog Farm Transition Program						
Successful Bid Summary (3 of 4 bids)						
Province	Bids	Total Bid Value C\$ mil.	Sows	Up to 30 kgs	Over 30 kgs	Total
British Columbia	10	\$3.8	7,167	20,679	22,295	50,141
Alberta	41	\$6.7	8,094	21,034	56,842	85,970
Saskatchewan	12	\$7.2	16,032	26,415	19,435	61,882
Manitoba	59	\$14.0	29,491	48,175	48,459	126,125
Ontario	161	\$21.8	32,613	87,444	132,669	252,726
Quebec	36	\$3.6	5,146	10,557	26,746	42,449

Atlantic Region	19	\$4.4	6,805	12,728	32,744	52,277
TOTAL	338	\$61.5	105,348	227,032	339,190	671,250
All swine numbers in head.						
Source: Agriculture and Agri-Food Canada, Statistic Canada						

The second tool made available is the Hog Industry Loan Loss Reserve Program (HILLRP) is a loan guarantee program that assists producers who wish to continue in hog production address their liquidity problems. Producers applying for the loan must demonstrate to lenders that their businesses are or can be viable as well as have a reasonable prospect for loan repayment. The Government of Canada will share loan loss risk with the commercial lenders. The loan terms will be negotiated between lenders and applicants and shall not exceed 15 years. Maximum loan amounts will be passed on number of animals produced in past year or tax year at rates of C\$85 per market hog, C\$30 per weaner and C\$25 per iso weaner. Producers cannot receive benefits from both the HILLRP and the HFTP programs. On February 24, 2010, citing request from producers who need more time to develop business plans, the deadline for this program was extended from March 1 to March 26, 2010.

The third part of the plan is the C\$17 million International Pork Marketing Fund (IPMF) to bolster market development in critical markets and fund activities to capture greater value from export markets. In addition, the fund allocates resources towards resolving trade restrictions. This program is being carried out by Canada Pork International, the export promotion arm of the Canadian pork industry.

The new suite of programs followed the 2008 Cull Breeding Swine Program. That program was announced in April 2008 to cover period of November 1, 2007 through November 1, 2008 and later extended to cover period to August 1, 2007. The program required producers to agree not to house breeding swine in at least one barn for a period of three years from the last cull date. The program resulted in a reduction of 110,000 breeding swine or about 7.3 percent of the total. The extension contributed at least 21,000 head to the total and the accounting for the last submissions may further add to the total. The program was aimed at a 10 percent reduction.

### **Agreement Reached to Resume Pork Exports to China**

In the spring of 2009 China shut off imports of pork and hogs from countries affected by the H1N1 virus, including Canada. For Canada, pork shipments had reached a height of 23,000 mt in 2008. The Canadian Food Inspection Agency negotiated with their Chinese counterparts and on February 25, 2010 Canada announced that agreement on the wording of a veterinary certificate had been reached. Shipments are expected to resume immediately.

## Canada Launches WTO Dispute

In late 2008 Canada and Mexico filed dispute at the World Trade Organization (WTO) on the interim rule of the Country of Origin Labeling (COOL). Consultations were held twice and a new case was filed in May 2009. On November 19, 2009, at the request of Canada and Mexico, the WTO Dispute Settlement Body established a single panel to consider the complaints regarding U.S. mandatory COOL. The process to select panelists is still underway. The substance of Canada and Mexico's claims remain the same, and include allegations of inconsistency with the General Agreement on Tariffs and Trade 1994 (national treatment and transparency provisions), the Agreement on Technical Barriers to Trade (technical regulations provisions) or in the alternative, the Agreement on the Application of Sanitary and Phytosanitary Measures, and the Agreement on Rules of Origin (Article 2).

### Production, Supply and Demand Data Statistics:

<b>CANADA</b> Animal numbers, Swine	2008 Market Year Begin: Jan 2008		2009 Market Year Begin: Jan 2009			2010 Market Year Begin: Jan 2010		
	USDA Official Data	New Post Data	USDA Official Data	Old Post Data	New Post Data	USDA Official Data	Old Post Data	New Post Data
Total Beginning Stocks	13,810	13,810	12,180	12,181	12,180	10,632	11,483	11,630
Sow Beginning Stocks	1,483	1,483	1,371	1,371	1,371	1,275	1,270	1,313
Production (Pig Crop)	31,068	31,085	28,850	29,400	29,151	26,850	28,000	28,000
Total Imports	2	2	2	2	3	2	2	2
Total Supply	44,880	44,897	41,032	41,583	41,334	37,484	39,485	39,632
Total Exports	9,357	9,357	6,475	6,200	6,376	5,600	6,200	6,000
Sow Slaughter	0	0	0	0	0	0	0	0
Other Slaughter	21,693	21,693	22,325	22,400	21,848	20,500	21,700	21,200
Total Slaughter	21,693	21,693	22,325	22,400	21,848	20,500	21,700	21,200
Loss	1,650	1,667	1,600	1,500	1,480	1,500	1,500	1,500
Ending Inventories	12,180	12,180	10,632	11,483	11,630	9,884	10,085	10,932
Total Distribution	44,880	44,897	41,032	41,583	41,334	37,484	39,485	39,632

All data in 1,000 head

<b>CANADA</b> Meat, Swine	2008 Market Year Begin: Jan 2008		2009 Market Year Begin: Jan 2009			2010 Market Year Begin: Jan 2010		
	USDA Official Data	New Post Data	USDA Official Data	Old Post Data	New Post Data	USDA Official Data	Old Post Data	New Post Data
Slaughter (Reference)	21,693	21,693	22,325	22,400	21,848	20,500	21,700	21,200
Beginning Stocks	56	56	60	55	60	55	55	67
Production	1,786	1,786	1,790	1,990	1,790	1,660	1,950	1,740

Total Imports	194	195	170	170	180	200	200	210
Total Supply	2,036	2,037	2,020	2,215	2,030	1,915	2,205	2,017
Total Exports	1,129	1,129	1,130	1,130	1,123	1,100	1,125	1,130
Human Dom. Consumption	847	848	835	830	840	765	840	845
Other Use, Losses	0	0	0	200	0	0	190	0
Total Dom. Consumption	847	848	835	1,030	840	765	1,030	845
Ending Stocks	60	60	55	55	67	50	50	42
Total Distribution	2,036	2,037	2,020	2,215	2,030	1,915	2,205	2,017

*All data in 1,000 head (slaughter) or 1,000 metric tons carcass weight equivalent (all others)*