

MANITOBA PIG AND PORK INDUSTRY 2009



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Data Sources:

Agriculture and Agri-Food Canada

Bank of Canada

Canadian Food Inspection Agency

Canadian Pork Council

Manitoba Agriculture, Food and Rural Initiatives

Manitoba Pork Council

Statistics Canada

United States Department of Agriculture

April 2010

Manitoba Pig and Pork Industry

Statistical History

Pre-World War II:

Manitoba farmers have been raising pigs since the province was first settled. Early statistics collected by the *Dominion Bureau of Statistics* show that Manitoba farmers had 17,000 pigs on farms in 1881, but increased their inventories to between 200,000 and 400,000 pigs in the 1920s and 1930s. The need for more pork and beef during World War II led to a tripling of pork production in the province between 1938 and 1943, when the pig herd rose to 668,000 head.

Post-World War II:

After the war, the number of pigs declined to the pre-war level and did not surpass the war time inventory until 1970, when excess Prairie grain supplies lowered feed costs, encouraging Manitoba farmers to increase pig production once again.

1970 to 1990:

More recent growth in the swine industry initially began in the late 1970s after Manitoba lost its cattle feeding and slaughter industry to Alberta. The province expanded its hog industry, utilizing feed grains produced in the province as well as providing new jobs in pig production, pork processing and other value-added activities, such as construction and transportation.

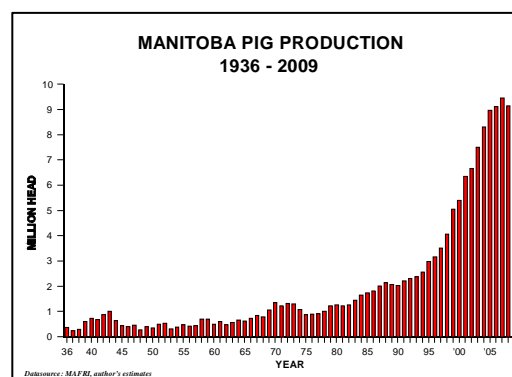
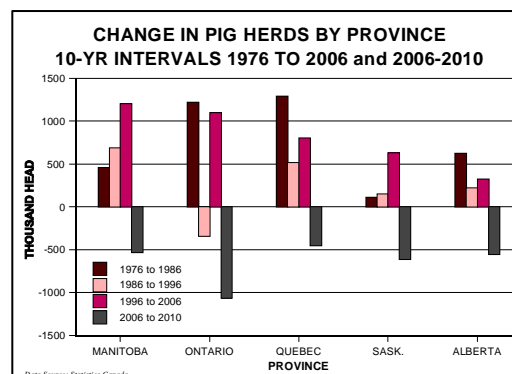
1990s to early 2000s:

A portion of the last pig industry expansion from 1990 to 2007 can be attributed to both the anticipation of and the elimination of the Crow's Nest Pass grain transportation subsidy in 1995 and depressed grain prices from 1985 to 2006.

In addition, part of the industry expansion which has taken place since the mid 1990s was in response to an open market and new slaughter facilities in the province and part to increased demand for feeder pigs and weanlings in the U.S. Corn Belt, where some states imposed a moratorium on new sow barn construction. Improved pig-production efficiency in Manitoba as well as an expanding market for weanling pigs in the U.S. virtually eliminated the four-year production cycle in the province. Historically, the cycle was due to farmers expanding pig inventories when prices rose only to contract production when hog prices fell.

The swine industry grew significantly from the mid 1990s to the early 2000s, but growth started to slow after 2003.

The average annual rate of growth in production from 1995 to 2004 was 12.6% compared to an average increase of 4.6% for the previous decade. Annual production growth fell from 12.8% in 2003 to 1.4% in 2006. Annual pig production reached a record 9.45 million head in 2007, more than ten times the level thirty years earlier in 1977. Unprecedented adverse market conditions from January 1, 2007 to January 1, 2010 led to herd reduction of 46,400 sows and 430,000 pigs in total. Annual pig production fell to about 8.75 million head in 2009, a drop of 7.4% from 2007.



Future:

A relatively strong Canadian dollar and limited U.S. market access are expected to continue to have a negative impact on Canadian pig exports and prices, resulting in further pig herd liquidation in Manitoba in 2010.

Number of Pig Farms, Type and Location

Number of farms:

According to *Statistics Canada*, the number of farms with pigs in Manitoba decreased from 14,200 in 1971 to 1,710 in July 2001 and 1,180 in July 2006. By July 2009, the **number of pig producers**/production companies registered in Manitoba had dropped to 830, producing pigs on approximately 1,600 sites (one to four barns each). The number of farms fell to 780 on April 1, 2010.

Pig farm type in 2006 (latest data available):

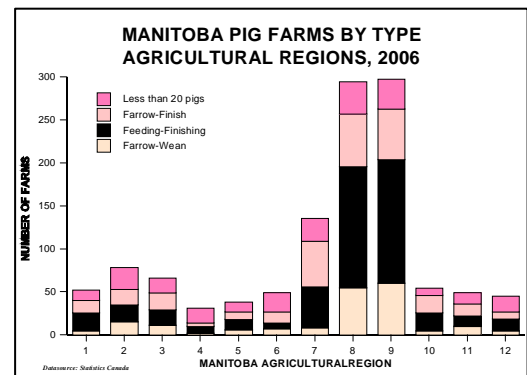
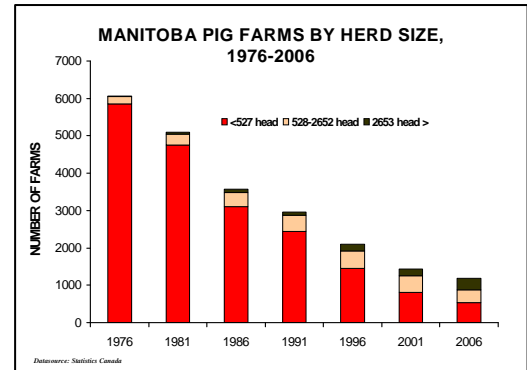
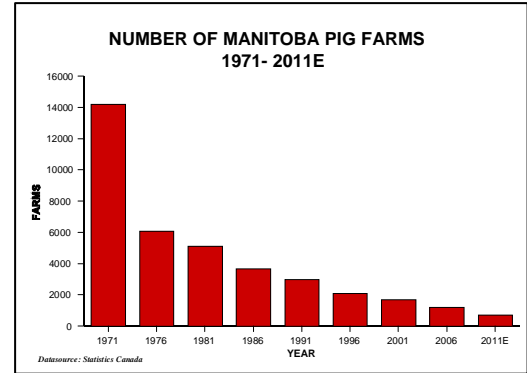
The Manitoba swine industry has a much higher percentage of farms which produce only weanling pigs (those under 23kg) than do other provinces.

Statistics Canada's 2006 Census of Agriculture shows that of the 1,188 Manitoba farms with pigs in May 2006, 240 or 20.2% had fewer than 20 pigs on the farm, 189 or 15.9% produced weanlings only, 293 or 24.7% were farrow to finish and 466 or 39.2% were feeder operations. Further analysis using *Statistics Canada's* Census data showed that more than half of the pig farms in Manitoba in 2006 had no sows. These 629 units had an average of 1,505 pigs per farm and 32.3% of the total number of pigs in Manitoba.

There were 559 Manitoba pig farms, or 47.1% of the total number of operations, with sows and, of these, 227 or 40.6% had fewer than 100 sows. These smallest farrowing units had only 1.6% of the total number of sows in Manitoba. On the other end of the scale, there were 111 pig production units (compared to 75 in 2001) with more than 1,000 sows per unit. These large units averaged about 2,396 sows per unit and, in total, comprised 72.4% of all sows and 40.0% of total pigs in the province. Another 70 units had 600-999 sows, averaging 744 sows per unit, with a total of 14.2% of all sows and 14.9% of total pigs in the province.

There were 61 units in the 300-599 sow category which had 7.5% of all sows and averaged 451 sows per unit. The 90 pig farms with 100-299 sows had 4.3% of all sows and 4.0% of all pigs. According to *Statistics Canada* data, only 31.2% of all Manitoba farms with more than 300 animal units (AU) were pig farms in 2006, while 881 Manitoba pig farms had 300 (AU) or less comprising 4.9% of all Manitoba farms in this category. Of all farms with sows, 208 or 37.2% had more than 300 AU in 2006.

Farm Location:
The *2006 Census* showed that about 29.6% of Manitoba's pig farms were located in the Eastern Region (9 and 10 in chart), about 36.1% in the Central Region (7 and 8 in chart),



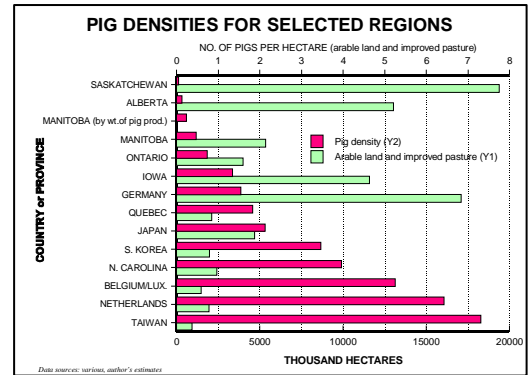
about 16.5% in the Southwest Region (1,2 and 3 in chart), about 9.9% in the Northwest Region (4,5 and 6 in chart) and 7.9% in the Interlake Region (11 and 12 in chart).

Pig Densities:

The number of pigs per hectare of arable land and improved pasture (land which can be fertilized by pig manure) in Manitoba varies from one Rural Municipality to the next. Areas of greatest concentration are in the south-east part of the province.

Overall, at 0.46 pigs/ha in 2010, Manitoba has one of the lowest pig densities of all major pig-producing provinces, U.S. states or countries.

In 2009, about 45% of all pigs produced in Manitoba were exported at much less than half the slaughter weight. Thus, significantly less manure is produced by these pigs in Manitoba so the size of pigs on farms should be taken into account when calculating pig density. The large proportion of pigs (34%) sold out-of-province weighing less than 7 kg means that Manitoba's pig density would be reduced by about 40% if pig weight is used to calculate the density rather than just the total number of pigs on farms. Other provinces, U.S. states and other countries feed/finish almost all pigs for sale at slaughter weight.

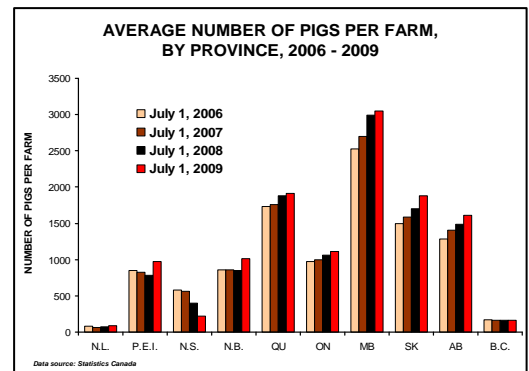
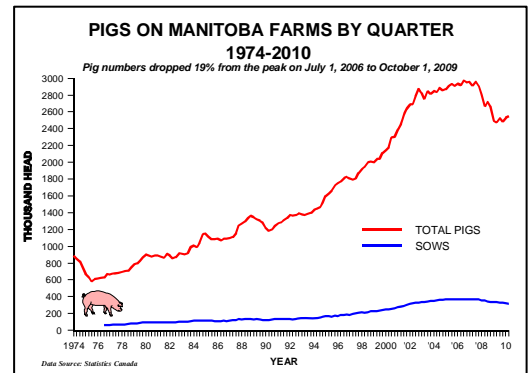
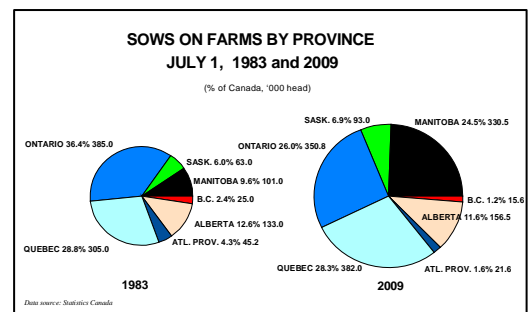


Pig Inventory

Note: It is sometimes incorrectly assumed that Manitoba's total annual pig production (8.75 million pigs in 2009) is on Manitoba farms all at one time. This is obviously not the case as the number of pigs at any point in time consists of the breeding herd of sows and boars, which are on farm all year, and about one-quarter of the pigs destined for market each year, ranging from newborn to near slaughter weight of about 116 kg. Sows produce about 2.4 litters of pigs annually and a large percentage of the baby pigs are exported at less than two weeks of age so are on the farm for a very short period.

There were a record 370,500 sows on Manitoba farms on July 1, 2007. Herd reduction led to sow numbers declining to 330,500 head on July 1, 2009 and to 317,600 head on April 1, 2010.

The total number of pigs on farms in mid 2009 was 2,530,000 head, 15.1% below the July 1, 2006 record of 2,980,000 head. This total fell to 2,477,000 head on April 1, 2009, but rose to 2,550,000 head a year later. On January 1, 2009, of the 2,161,400 pigs on Manitoba farms destined for market, 859,400 head or 40% were either newborn or weanling pigs weighing less than 20 kg. More than 40% of these were exported, most weighing less than 7 kg, so consumed very little feedstuffs and produce very little manure during their time in Manitoba. About 661,200 or almost 31% of the



market pigs on farms weighed between 20 kg and 60 kg, of which over 10% were to be exported at less than 50 kg, again less feed consumed, less manure produced than a slaughter hog. Finally, there were 640,800 head in the over 60 kg category, all of which were being fed to slaughter weight of about 116 kg.

Facilities:

During more than two years of adverse market conditions and financial difficulty, many Manitoba pig producers went out of production and some pig barns were closed in 2008 and 2009. The provincial-government-imposed moratorium on new and expanded pig barn construction in the major pig-producing areas meant that if a producer wanted new barn space to feed weanling pigs, which could no longer be sold to U.S. feeding operations, the barn location would have to be on the western side of the province or in another province, such as Saskatchewan.

The pig industry has roughly \$1.4 billion invested in barns, land, equipment and livestock.

Pig Production

Although production and exports are at their lowest levels since 2004 and 2003 respectively, **Manitoba is still the largest pig-producing and pig-exporting province in Canada with over 32% of national pig production in 2009.**

Manitoba sow numbers and pig production increased annually from 1990 to 2007, but declined in 2008 and again in 2009 due to diminished (often negative) returns from producing pigs. Production dropped to about 8.75 million pigs in 2009 (net sales minus annual decrease in inventory of 48,000 head) and of these, 2.3 million head were exported to the United States under two weeks old, weighing less than 7 kg. In addition, 0.3 million pigs were exported at weights of 7-23 kg (less than one-fifth of a slaughter hog’s weight), over 0.8 million head were 23-50 kg and 0.48 million were 50 kg and over, most at slaughter weight averaging 116 kg.

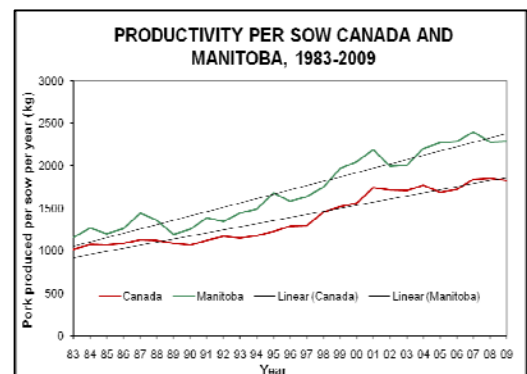
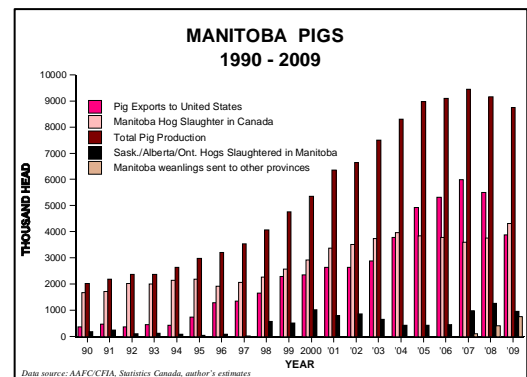
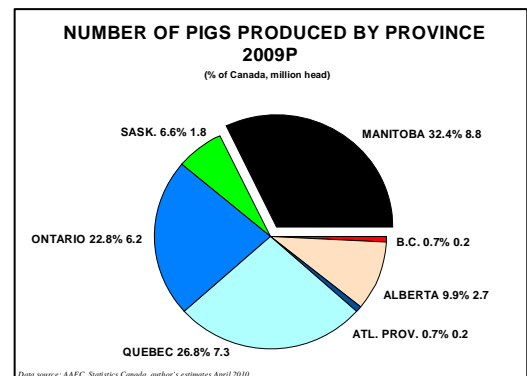
The quality of Manitoba pigs is among the best in Canada. Manitoba sows are also the most efficient producers of *pork* in Canada, producing an annual average of about 2.3 tonnes per sow in 2009 compared to the Canadian average of 1.8 tonnes of pork per sow.

Value of Pig Production:

The value of Manitoba pigs produced was about \$725 million in 2009, down from \$755 million in 2008 and almost \$1 billion in 2004 and 2005.

Future:

Pig production is expected to decline again in 2010. However, the decrease in the number of pigs sold could be offset by a possible rise in average pig prices to increase the value of pig production in Manitoba in 2010.



Pig Sales and Farm Cash Receipts

Marketing Options:

Hog producers in Manitoba organized in 1967 to form the Manitoba Hog Marketing Board, which had a monopoly on the sale of slaughter hogs in the province for almost thirty years. Since July 1, 1996, Manitoba pig producers have had the option to market hogs to be slaughtered in the province either through Manitoba Pork Marketing Co-op, brokers or directly to processing plants. In 2009, the Board of Directors of Manitoba Pork Marketing Co-op and Saskatchewan's SPI Marketing Group established a new company **h@ms** (hog administrative marketing services) that will provide hog marketing services for both provinces. Starting January 1, 2010, **h@ms** provides marketing, procurement, price settlement, in-transit insurance and risk management services for the parent companies. However, this service package will not be limited only to Manitoba and Saskatchewan producers.

Pig Sales:

Net pig sales were about 8.75 million head in 2009, of which about 4.5 million head or more than half were sold out of the province.

Mandatory Country-of-Origin Labelling (COOL) in the United States (see p12) resulted in fewer weanlings and feeder pigs being sold to U.S. finishing barns in 2008 and 2009 as some major hog slaughter plants refused to kill Canadian-born pigs. The Manitoba government ban on new barn construction or expansion in major pig-producing areas meant that some weanling pigs that would have been exported to the U.S. have had to be fed elsewhere. Thus, over 0.3 million Manitoba weanling pigs are being finished in Saskatchewan and Ontario barns and a one-time shipment of about 0.4 weanlings was sent to Quebec in 2009.

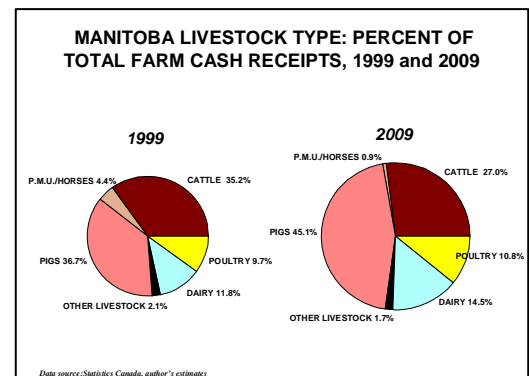
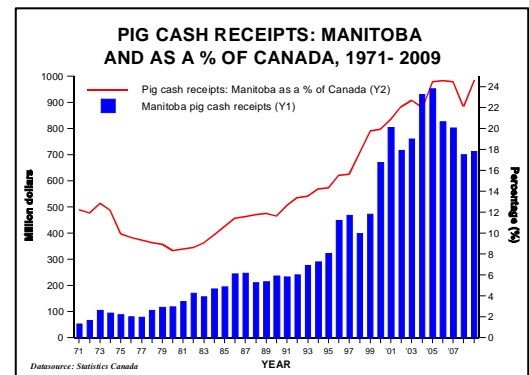
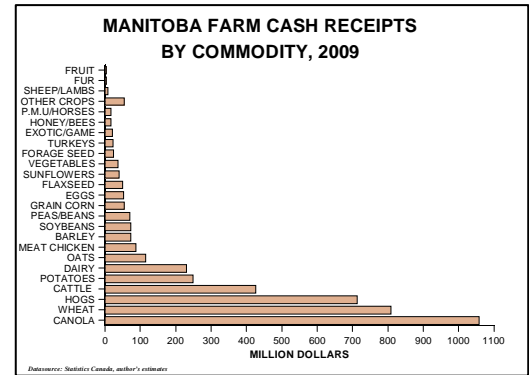
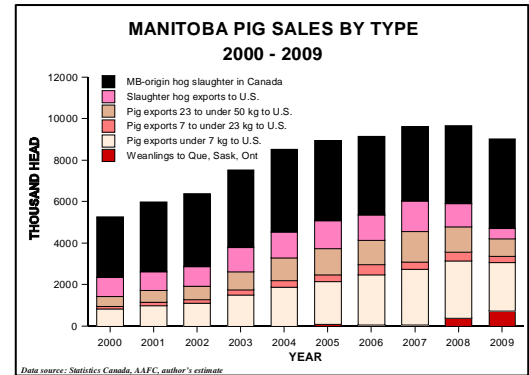
More Manitoba hogs were killed in local plants in 2009 and fewer exported than in 2008. Manitoba pig producers and brokers exported over 0.4 million slaughter hogs and almost 3.5 million weanling/feeder pigs directly to the United States in 2009. Fourteen years earlier many more pigs were shipped east and fewer to the U.S.

An estimated 0.09 million feeder pigs were brought into Manitoba from Saskatchewan.

Improved demand for local hogs by Manitoba pork processors led to 4.3 million Manitoba hogs being killed in federal and provincial plants in 2009, up by over half a million hogs or 15% from 2008.

Farm Cash Receipts from Pig Sales:

The swine industry was the largest source of farm



cash receipts of any Manitoba agricultural commodity sold from 1999 to 2007, but record high crop prices raised cash receipts from sales of both canola and wheat in 2008 and 2009 to above those from pigs. According to *Statistics Canada*, pig sales were only 16% of Manitoba's farm cash receipts from the marketplace (excluding direct program payments) in 2009. This share is down from 31% in 2005.

More pigs sold (including herd liquidations), but at lower average *net* prices, raised farm cash receipts from the sale of pigs from \$701.1 million in 2008 to \$713.1 million in 2009.

Future:

Cash receipts from pig sales may be up 2010, as reduced pig sales from fewer herds are expected to be offset by higher average pig prices.

Feed Use

The Manitoba pig industry provides an important market for Manitoba-grown barley, feed wheat, corn, canola meal, soy meal and dry peas.

The pig industry uses about two million tonnes of feed annually, of which 30% to 40% is imported from the U.S. depending on relative feed grain and soy meal prices.

It is estimated that about 0.2 million tonnes of wheat, 0.8 million tonnes of barley, over 0.1 million tonnes of canola meal, 0.6 million tonnes of corn, 0.1 million tons of dry peas, 0.3 million tonnes of soy meal and a small amount of oats are used in pig rations annually. The ingredients used in rations vary from year to year depending on the availability and price of crop components.

If all the pigs produced in Manitoba were fed to slaughter weight instead of being exported as weanlings/feeder pigs, then the feed consumed annually could double.

Carcass Grading

The trend towards the production of leaner, higher quality hogs in Canada was mainly due to a carcass classification and settlement system introduced in 1968 with mandatory national standards for weight and leanness. It was implemented on location at each packing plant. The average carcass was given an index of 100 and the grade index was linked to hog price. In 1986, Canada became one of the first countries to implement a hog carcass classification system employing electronic grading probe technology which values carcasses on the basis of objective measurements of both fat and muscle content. The electronic probe resulted in improved accuracy of grading and reduced variability of hog carcass. More recently, there has been a reduction in the number of yield and weight classes in the national index grid, while focusing on leanness and core weight hogs of 75 to 90 kg. This provides incentives to producers to market hogs that fall in that core area, in line with consumer's demand for leaner pork. Canada's hog carcass index system was designed to reduce variability in pork quality and to provide to producers a consistent, quantitative signal regarding characteristics preferred in the changing marketplace. Although totally objective, it is influenced by domestic market needs and export customers' demands. As the variety of customer needs has increased, variations of the national grid within provinces and for slaughter plants have been introduced.

(source: Canadian Pork Council)

In 1996, hog carcass grading was privatized when Agriculture and Agri-Food Canada decided to relinquish its grading program. In 1997, the four large federally inspected processors in Manitoba and Manitoba Pork Council founded Manitoba Hog Grading Inc. (MHGI) as a grading service. MHGI's board of directors has equal representation from Manitoba producers and processors. Its mission is to provide a carcass grading service that is accurate, consistent,

effective and cost efficient and to deliver this service for hog producers and pork processors in Manitoba. In 2000, grading staff became plant employees. (source: Manitoba Pork Council)

Hog Slaughter and Pork Processing

Agri-food Processing:

Manitoba's food and beverage processing industry includes the slaughtering and/or processing of red meat and poultry, vegetable oils, cereal products, feed, seed, dairy products, fruit and vegetables and beverages. It is one of the most important manufacturing industries in the province, producing about \$3.9 billion of goods in 2009, more than one quarter of the total manufacturing output in the province. Approximately \$3.4 billion worth of inputs went into the industry in 2009 and generated an added value of about \$0.5 billion.

Red meat slaughter and processing, Manitoba's largest food processing sector, produced an estimated \$1.3 billion of meat and meat products in 2009. This was one-third of the value of total food and beverage processing in the province. The sector employed more than 3,000 people. Raw inputs, mostly hogs with very small numbers of cattle and sheep, accounted for most of the meat processing industry's estimated total cost of materials and supplies in 2009.

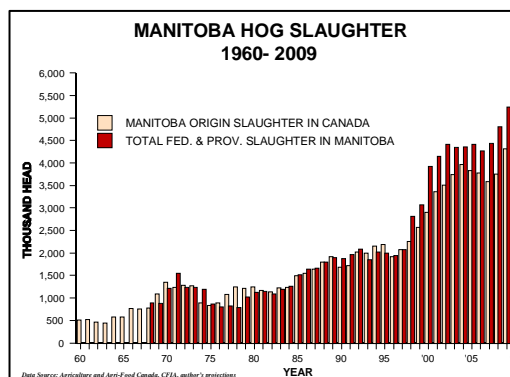
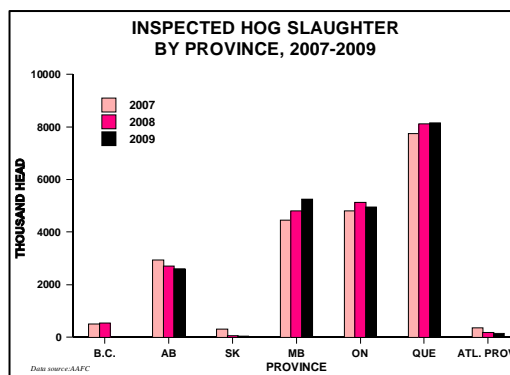
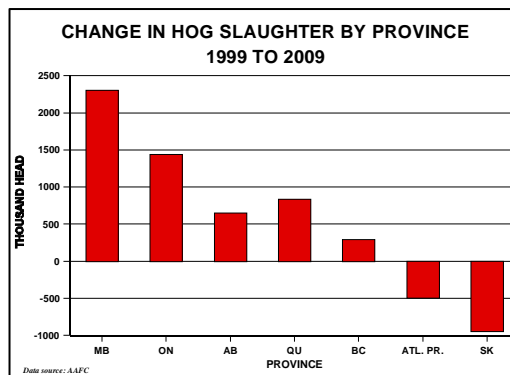
Only 82% of the hogs slaughtered in the province in 2009 originated in Manitoba. Due to the closure of *Maple Leaf Pork's* hog slaughter and pork processing plant in Saskatoon in 2007, Saskatchewan's finished hogs have to be slaughtered in Manitoba, Alberta or the United States

Almost all of the Manitoba red meat sector's output consists of pork, most of which was sold to other provinces, Japan, South Korea, Mexico, the United States and 24 other countries in 2009.

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Meat Processing Plants:

Technological changes in animal slaughter and meat processing have contributed to the rationalization of the meat packing industry over the years. A hog slaughter plant was built in Neepawa in 1986 by *Springhill Farms, Ltd. Canada Packers* closed its Winnipeg slaughter plant in early 1987, which reduced Manitoba's cattle, hog and sheep slaughter capacity significantly. Further reduction in cattle and hog slaughter capacity occurred in March 1990 when *East West Packers* was forced to close. *Burns Meats* (purchased by *Maple Leaf Meats*) closed its Brandon cattle slaughter plant in November 1990 and shut down its Winnipeg cattle kill line at the Winnipeg (Lagimodiere) plant in late 1997. The Lagimodiere plant became a ham processing operation, which was expanded in 2008 to consolidate the company's Western Canadian ham-boning operations. *J.M. Schneider Inc.* significantly increased their pork processing capacity in 1997 with a new world-class plant in Winnipeg. Rapidly rising pig production in the province led



to the construction of *Maple Leaf Pork's (MLP)* world-class hog slaughter plant in Brandon, which opened in September 1999. In March 2001, *MLP* purchased both the *J.M. Schneider* hog slaughter and pork processing plants in Winnipeg (which at the time were owned by the American company, *Smithfield Foods*). The *MLP* hog slaughter plant in Winnipeg was closed in October 2007 and the 11-year old *MLP* pork plant in Winnipeg ceased processing pork in fall 2008.

The largest plant, *MLP* Brandon, has a two-shift capacity of over 4.5 million hogs and employment of more than 2,250 people. The plant's second shift was completed in fall 2008. In early February 2008, *HYTEK Ltd.*, the largest Manitoba pig-production company with an annual output of about 1.4 million pigs from its farms located in Manitoba, Saskatchewan and the U.S., finalized its purchase of the *Springhill Farms* slaughter plant in Neepawa. *HYTEK* is expanding the plant's capacity to 1.4 million head.

In addition to the two major and one minor federally-inspected hog slaughter plants in operation in 2009, there were also a number of smaller provincially-inspected abattoirs and various further meat processing plants for products such as specialty meats, bacon, hams, etc.

Hog Slaughter in the 2000s:

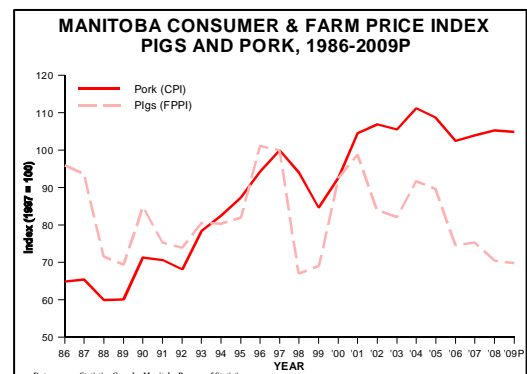
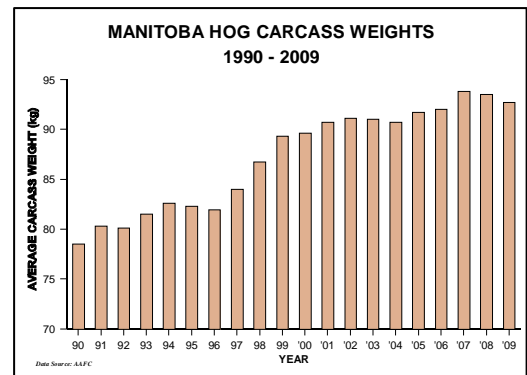
Federally-inspected and provincially-inspected plants in Manitoba killed 4.27 million hogs in 2006, including 0.85 million head from Saskatchewan and Alberta. Slaughter increased steadily to a record 5.24 million head in 2009, of which 0.11 million were killed in provincial abattoirs. Manitoba plants had 24.2% of the national kill in 2009, up from 16.7% in 1999. The number of slaughter hogs originating in Manitoba and killed in Canadian plants (99.2% in Manitoba) went up by 14.7% in 2009 to 4.31 million head, while the number of hogs brought into the Manitoba plants from Alberta and Saskatchewan decreased from 1.06 million in 2008 to 0.96 million head in 2009.

Future:

Manitoba plants will still need slaughter hogs from Saskatchewan and Alberta in 2010 (almost 30% of which are now Manitoba-produced weanlings fed in Saskatchewan) as there will not be enough hogs available from Manitoba finishing barns. With barn construction and expansion restrictions in place, even if it were economically feasible, Manitoba pig operations do not yet have the capacity to finish the 5- 6 million hogs required annually by local slaughter plants. Eventually high-quality Manitoba pork may replace most live pigs exported to the United States.

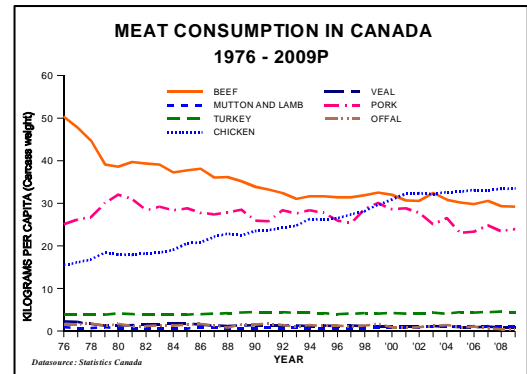
Pork Production:

The average carcass weight of hogs slaughtered in the province increased from 90.7 kg in 2004 to 93.5 kg in 2008. In 2009, the average carcass weight declined to 92.7 kg (equivalent to 116 kg or 255 lb of live hog). An estimated record 486 million kg of pork and pork products (carcass weight) were produced in the province in 2009, up by almost 24% from the level of about 393 million kg in 2006.



Pork Consumption

Canadians consumed 23 kg (carcass weight) or about 17 kg (boneless retail weight) per person per year in 2005, 2006 and 2008, but consumption rose to between 24 and 25 kg (carcass weight) or about 18 kg (boneless retail weight) in 2007 and 2009. This is less than either beef or chicken, where consumption in 2008 was 20.3 kg and 20.1 kg (boneless retail) respectively.



Trade

As Manitobans consumed only 6% of the total pork (retail weight) produced by slaughter plants in the province in 2009 and only 3% of the estimated total Manitoba-origin pork equivalent of 625 million kg (retail weight) (including exported pigs converted to finished pork retail weight) sold in 2009, most of the pigs and pork produced in Manitoba had to be sold to other provinces or countries.

Pigs:

Manitoba is the largest pig-exporting province in Canada with about 60% of national pig exports from 2005 to 2009.

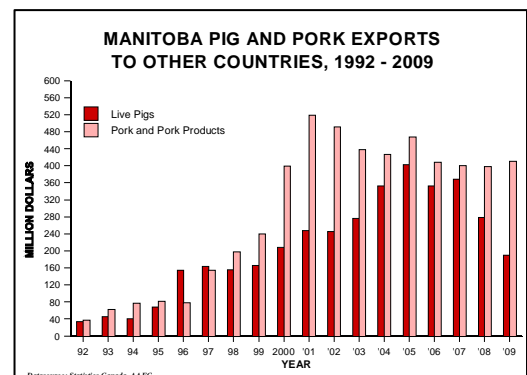
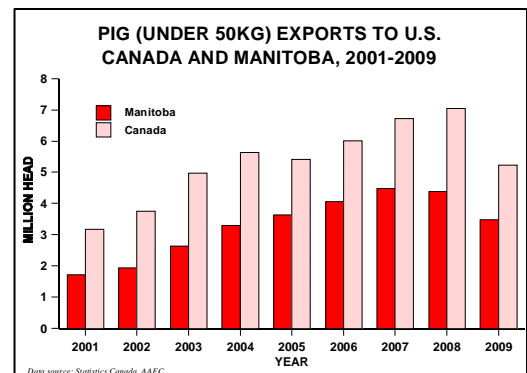
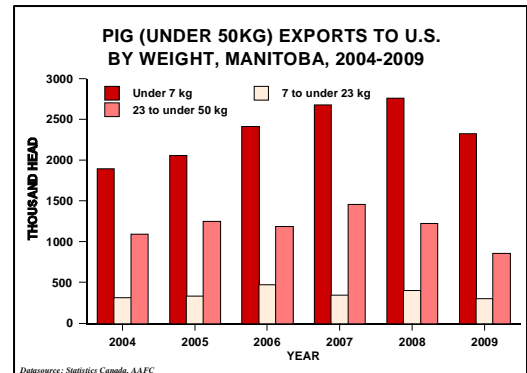
Due mainly to the impact of mandatory Country-of-Origin Labelling (COOL), introduced in the United States on September 30, 2008, Canadian pig exports to the U.S. declined by 32% from 9.35 million head in 2008 to almost 6.38 million head in 2009, 36% below the record 10.03 million head in 2007. Manitoba producers shipped 28% fewer finished hogs and weanling/ feeder pigs south in 2009 than a year earlier.

The rising value of the Canadian dollar relative to the American dollar and falling pig prices in 2006 and 2007 meant that although more Manitoba pigs were shipped to the United States in those years, their value fell to about \$353 million and \$369 million respectively, compared to \$402 million in 2005. Lower pig prices and reduced pig exports in 2008 and 2009 resulted in a further drop in export value to \$278 million and \$190 million respectively.

Weanling pig exports went up significantly over the years from 138,500 head in 1990 to 4.48 million head in 2007, but declined to 4.38 million head in 2008 and 3.48 million head in 2009.

It was no surprise that fewer Manitoba pigs were exported as weanlings in 2009. U.S. feeding operations have been discouraged from feeding Canadian weanling pigs because some major U.S. slaughter plants refused to kill Canadian-born hogs due to COOL.

Almost 67% of the weanling/feeder pig exports in 2009 weighed less than 7 kg, close to 9% weighed 7-23 kg and less than 25% were in the 23-50 kg range. Total weanlings shipped to



feeding operations in the U.S. fell by 20.6% in 2009, while slaughter hog exports declined by 57.1% to 0.48 million head (may include cull sows from Saskatchewan). In addition, close to 0.3 million weanlings were shipped to Saskatchewan for finishing, while a one-time sale of 0.4 million weanlings went to Quebec in 2009. Hogs, 50 kg or more (mostly for slaughter including cull sows and boars), were exported to 21 states with 95.4% going to plants in Wisconsin (cull sows), Iowa, North Dakota and Illinois. Shipments of pigs under 50 kg (weanlings/ feeder pigs) went to feeding operations in 10 states with more than 98.5% going to Iowa, Minnesota, South Dakota and Nebraska.

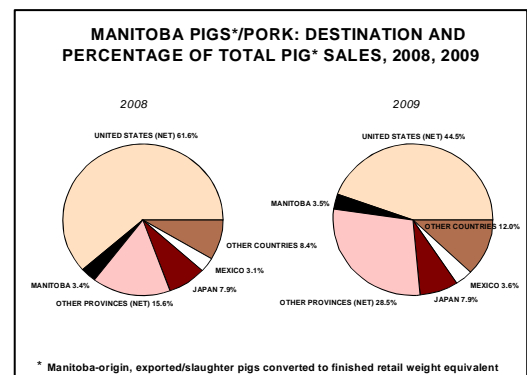
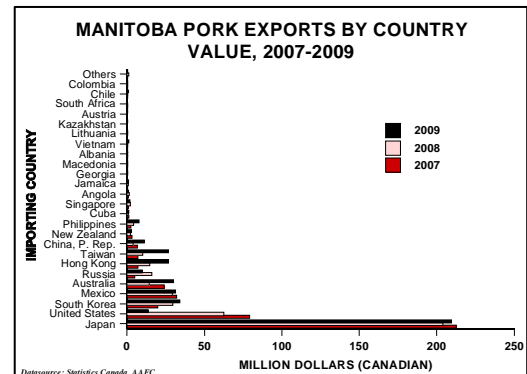
Pork:

Up until 2003, Manitoba was the second largest pork-exporting province after Quebec (not including pork shipped to plants in other provinces and subsequently exported). However, from 2003 to 2006, Manitoba dropped to fourth-largest pork exporter after Quebec, Ontario and Alberta. In 2007, 2008 and 2009, as the third-largest pork exporter after Quebec and Ontario, Manitoba was directly responsible for 16.6%, 14.1% and 15.3% of Canada’s pork exports respectively, down from 23.2% in 2002.

A record 191.9 million kg of Manitoba pork and pork products, valued at \$491.4 million, were sold directly to 36 countries in 2002, compared to 167 million kg, valued at a record \$519 million, exported to the same number of countries in 2001.

In 2009, Manitoba pork exports of 165.0 million kg, shipped to 28 countries, were up by 7.2% from the 2008 level, but due to lower average prices, the value of pork exports of \$410.1 million was only 3.1% above the 2008 value.

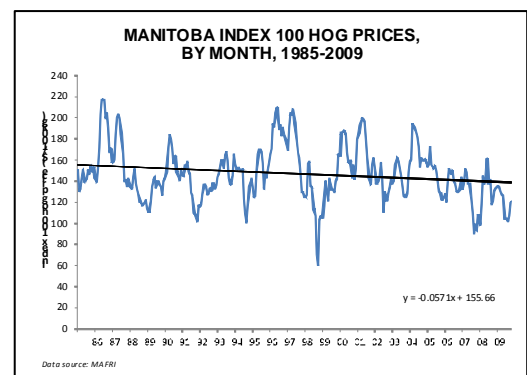
Manitoba processors have expanded pork exports to countries other than the United States, where exports were down by 75% in 2009. Japan was Manitoba’s largest pork market by far. Almost 51% of Manitoba pork exports (by value) went to Japan in 2009 with over 8% going to South Korea and less than 8% to Mexico. Only 3% of pork exports (value) went to the United States. It appears that about 62% of the total pork produced by Manitoba plants in 2009 was shipped to other provinces, such as Ontario.



Prices and Margins

The supply and demand for pigs and pork in the United States and the Canada-U.S. exchange rate are major factors in pig price determination in Manitoba as the U.S. is Manitoba’s largest export market.

A lower-valued Canadian dollar relative to the U.S. dollar raises the value of Manitoba pig and pork exports to the United States as well as making Manitoba pork more competitive with American pork, both in the U.S. and in foreign markets, but increases the costs of imported farm inputs from the U.S., such as feed.



Slaughter hogs:

Over the years, the introduction of new and different pricing grids by Canadian hog processors has meant there is no longer a defined standard or "Index 100" hog across Canada, even though some provinces continue to use this term when quoting a base price.

Despite reduced pork production in the United States, a lower-valued Canadian dollar relative to the U.S. dollar and steady U.S. hog prices for the first seven months of 2009, the Manitoba market downturn resulting from mandatory Country-of-Origin Labelling (COOL) in the U.S. and the unfounded belief by some pork-importing countries that H1N1 flu was transmitted by pork caused a drop in hog prices. The average Manitoba slaughter hog price in 2009 fell by 4.2% from 2008 and by 33.6% from the record in 1996 to the lowest level in 11 years.

Weanling pigs:

After the initial reaction to COOL by many U.S. feeding operations, which stopped buying Manitoba weanling and feeder pigs, the remainder paid higher average prices for heavier weanlings in 2009. Average export prices for weanling pigs (under 7 kg) in 2009 were down by 1.0% from the previous year, but prices for pigs (7-23 kg) rose by 6.0%. Prices for heavier pigs (23-50 kg) increased by 19.2% from 2008.

Margins:

Margins from farrow-to-finish operations fell in 2009 due to lower average slaughter hog prices and relatively high feed, energy and other costs

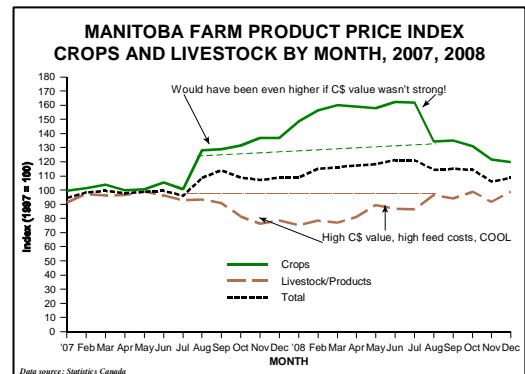
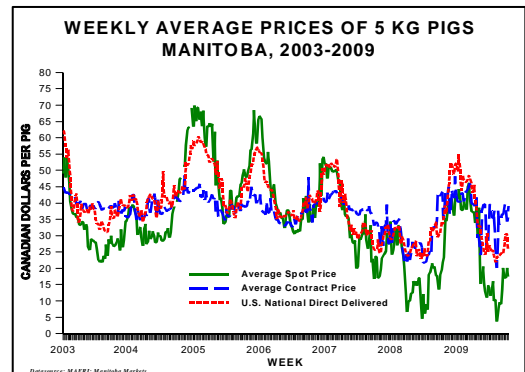
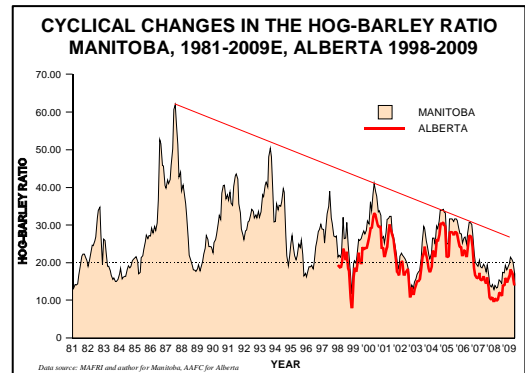
Future:

The supply and demand for pigs and pork in the U.S., the Canada-U.S. exchange rate and mandatory COOL will continue to be major factors in pig price determination in Manitoba in 2010. Increased competition resulting from more slaughter capacity in Manitoba and the reduced supply of hogs in Western Canada may have a positive impact on local slaughter hog prices. Lower average feed costs and possible higher average slaughter hog and pig prices than in 2009 are expected to improve returns from pig production in 2010.

Mandatory U.S. Country-of-Origin Labelling introduced September 30, 2008:

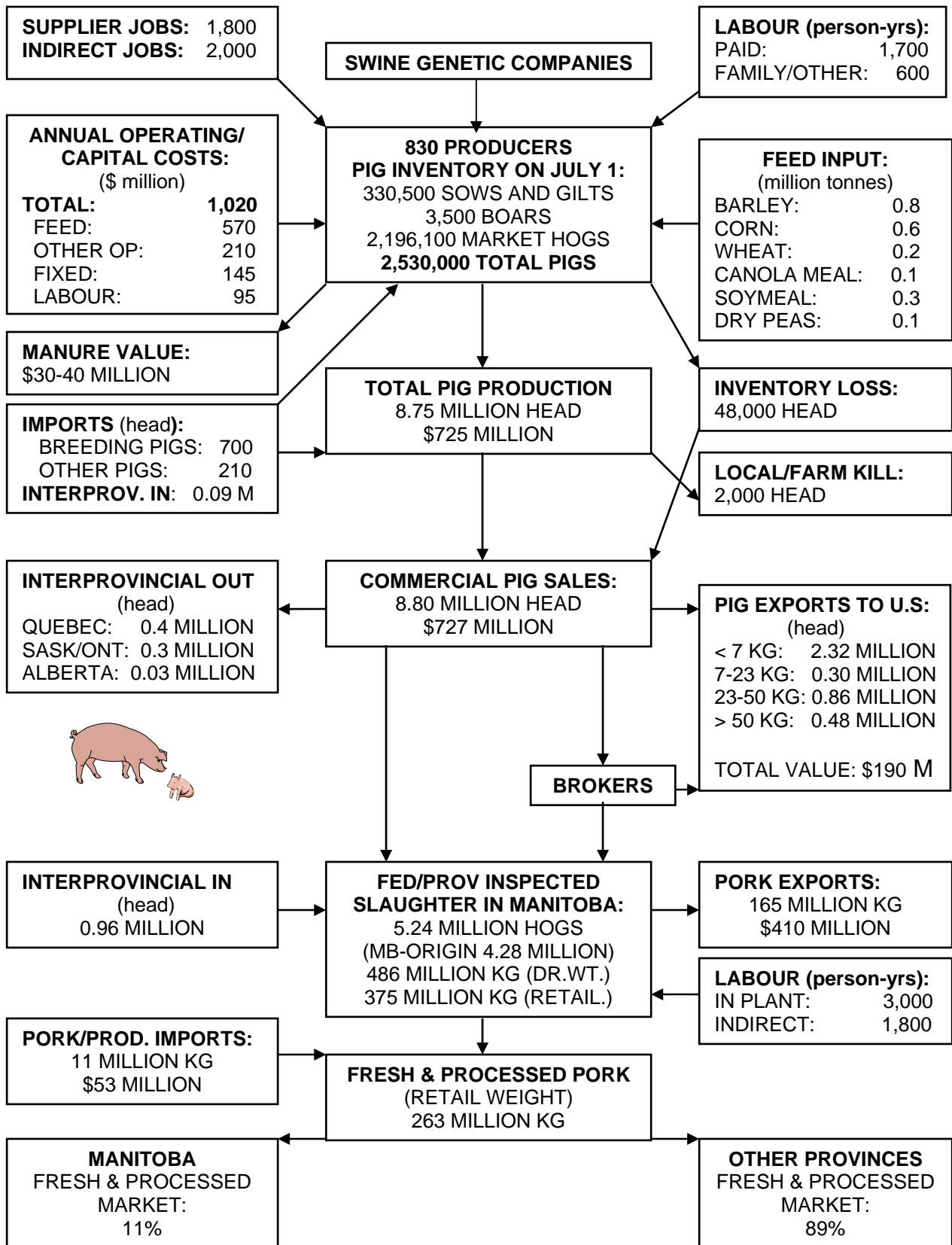
Beef (including veal), pork, lamb, chicken or goat must bear a COOL label if it is sold at retail, is a muscle cut or is a ground product. COOL allows for four separate labels, one for an all-U.S. product, a second for a product of the U.S. and other countries (can be used for Manitoba weanlings fed in the U.S.), a third for pigs from another country shipped directly to a U.S. processor (can be used for Manitoba slaughter hogs) and a fourth label for a product of other countries (such as Manitoba-produced pork). Pigs, used for pork which is "significantly" processed or sold to the food service trade or exported are exempt from COOL.

The COOL rules force U.S. processors to segregate pigs from Canada, Mexico and the United States at their facilities, which adds to costs. Because of this, some major pork processors such as Smithfield Foods have decided not to kill Canadian-born hogs. Tyson Foods, with about 18% of United States pork production, does slaughter Canadian-born hogs.



<u>PIG INDUSTRY STATISTICS</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007^R</u>	<u>2008^R</u>	<u>2009^P</u>
PIG FARMS (inc. non-commercial):	1,620	1,500	1,380	1,290	1,180	1,100	910	830
(farms, 51+% of income from hogs):	815	765	755	725	530	455	380	
Average no. of pigs per farm on July 1	1,719	1,900	2,094	2,279	2,525	2,695	2,989	3,048
PIGS ON FARMS ON JULY 1:								
Sows and bred gilts ('000)	325.7	341.3	362.0	365.6	368.0	370.5	340.0	330.5
<i>% of Canada</i>	21.6	22.0	22.8	23.0	23.7	24.2	24.0	24.5
Boars ('000)	8.0	7.0	6.3	5.4	5.0	4.7	3.9	3.5
Market pigs ('000)	2,451.3	2,501.7	2,521.7	2,569.0	2,607.0	2,589.8	2,376.1	2,196.0
Total pigs ('000)	2,785.0	2,850.0	2,890.0	2,940.0	2,980.0	2,965.0	2,720.0	2,530.0
<i>% of Canada</i>	18.9	19.4	19.3	19.3	19.8	20.2	21.0	21.0
PIG PRODUCTION ('000):								
<i>% of Canada</i>	23.6	25.1	26.4	29.7	30.0	31.3	31.0	32.4
Annual production change %:	4.7	12.8	10.7	8.1	1.4	3.8	-3.2	-4.4
VALUE OF PIG PROD. (\$ million):								
760	810	997	998	870	835	755	725	
PIG CASH RECEIPTS* (\$ million):								
717.2	760.9	929.9	952.9	827.4	802.9	701.1	713.1	
<i>% of Canada *(minus levies, sl. error)</i>	22.1	22.7	22.0	24.5	24.6	24.5	22.1	24.7
NET OP. INC. PER FARM (\$'000)								
114.5	107.1	163.7	198.2	101.6	166.1	-70.4	-60	
PIG PRICES:								
Average "All-in" hog (\$/100kg):	154	157	184	166	148	141	139	133
Average "Index 100"hog (\$/100kg):	140	143	167	151	135	129	127	121
Average pig: under 7 kg (\$/pig):			37.9	41.5	37.9	36.6	30.2	29.9
Average pig: 7 up to 23 kg (\$/pig):			52.8	65.6	52.3	46.1	34.9	37.0
Average pig: 23 up to 50 kg (\$/pig):			59.2	69.7	59.8	53.0	39.6	47.2
HOG SLAUGHTER:								
Inspected slaughter in Manitoba ('000)	4,421.3	4,352.5	4,355.3	4,419.5	4,273.3	4,442.3	4,806.8	5,242.2
<i>% of Canada</i>	20.1	19.5	19.2	19.9	19.8	21.1	22.3	24.2
Mb-origin slaughter in Canada ('000)	3,509.7	3,747.3	3,966.1	3,832.6	3,774.3	3,588.6	3,751.1	4,312.4
<i>% of Canada</i>	16.0	16.8	17.5	17.4	17.5	17.0	17.4	19.9
Average carcass weight (kg):	91.1	91.0	90.7	91.7	92.0	93.8	93.5	92.7
PORK PROD: (million kg carcass)								
403	396	395	405	393	415	450	486	
EXPORTS:								
Total Pigs <50kg - ('000)	1,934.0	2,637.2	3,294.4	3,634.0	4,065.7	4,477.8	4,383.2	3,478.5
- (\$ million)	92.1	117.3	152.8	193.9	186.9	191.0	145.9	121.0
Pigs <7kg - ('000)			1,893.0	2,057.7	2,410.8	2,677.3	2,757.4	2,320.3
- (\$ million)			71.8	85.4	91.5	98.0	83.3	69.5
Pigs 7 to <23kg - ('000)			310.9	330.7	472.1	342.9	403.7	303.0
- (\$ million)			16.4	21.7	24.7	15.8	14.1	11.2
Pigs 23 to <50kg - ('000)			1,090.5	1,245.7	1,182.8	1,457.6	1,222.1	855.2
- (\$ million)			64.5	86.8	70.8	77.2	48.4	40.3
Hogs** 50+kg - ('000)	944.1	1,143.5	1,250.6	1,284.8	1,247.3	1,513.6	1,114.8	477.8
- (\$ million)	153.9	157.6	199.6	208.5	166.1	178.0	132.1	69.2
Pork and products - (million kg)	191.9	190.2	170.0	173.6	161.1	166.0	153.9	165.0
- (\$ million)	491.4	437.5	426.6	468.0	408.9	400.4	397.8	410.1
<i>** less SK hogs exported as MB in 2005-2009</i>								
IMPORTS:								
Pigs - (\$ million)	0.43	0.56	0.29	0.33	0.16	0.27	0.50	0.64
Pork and products - (\$ million)	47.9	40.9	43.3	49.2	52.6	50.7	52.2	52.8
CANADIAN CONSUMPTION:								
Pork (carcass wt. kg/person)	27.81	25.10	26.64	23.03	23.43	24.84	23.51	24.50

PIG AND PORK INDUSTRY FLOW CHART, 2009

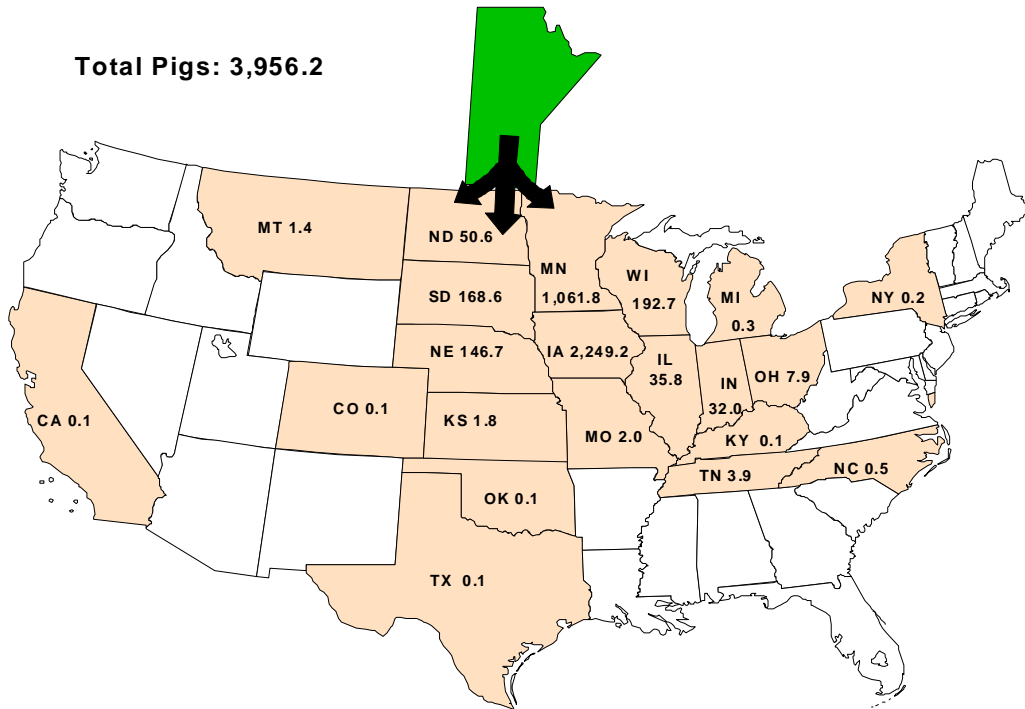


Data source: AAFC, MAFRI, Manitoba Bureau of Statistics, Manitoba Pork Council, Statistics Canada, author's estimates

MANITOBA PIG EXPORTS TO UNITED STATES, 2009

(thousand head)

Total Pigs: 3,956.2

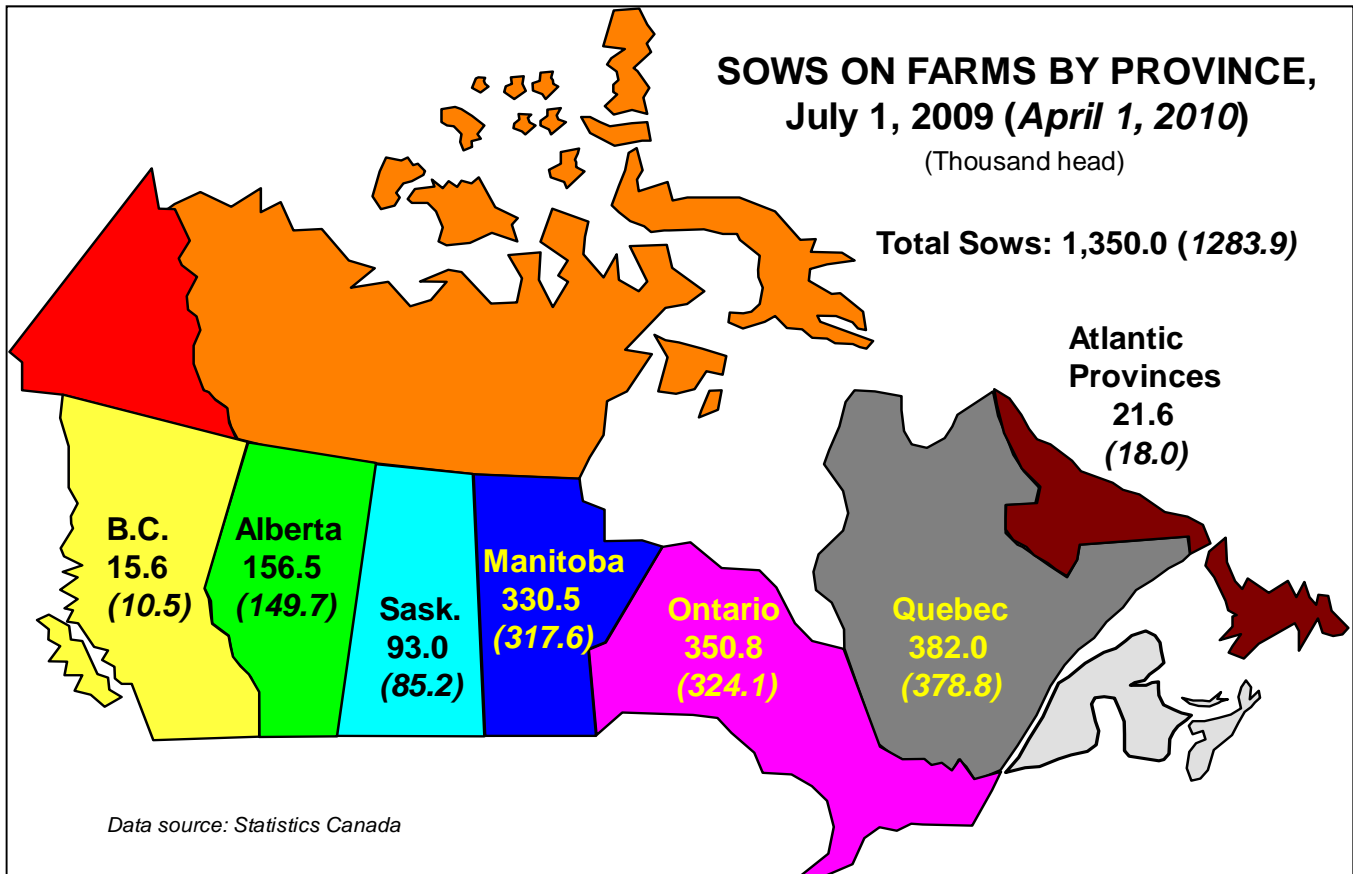


Data source: USDofC, Statistics Canada, AAFC

SOWS ON FARMS BY PROVINCE, July 1, 2009 (April 1, 2010)

(Thousand head)

Total Sows: 1,350.0 (1283.9)



Data source: Statistics Canada