

MANITOBA PIG AND PORK INDUSTRY 2010



Janet Honey
Prepared for
Department of Agribusiness and Agricultural Economics
University of Manitoba

CONTENTS

	<i>Page</i>
MANITOBA PIG AND PORK INDUSTRY:	
Statistical History	2
Number of Pig Farms, Type and Location	3
Pig Inventory	4
Pig Production	5
Pig Sales and Farm Cash Receipts	6
Feed Use	7
Carcass Grading	8
Hog Slaughter and Pork Processing	8
Pork Consumption	10
Trade	10
Prices and Profit	12
Mandatory U.S. Country-of-Origin Labelling	13
PIG INDUSTRY STATISTICS	14
PIG AND PORK INDUSTRY FLOW CHART	15
PIG INVENTORY AND EXPORT MAPS	16

Data Sources:

*Agriculture and Agri-Food Canada
Bank of Canada
Canadian Food Inspection Agency
Manitoba Agriculture, Food and Rural Initiatives
Manitoba Pork Council
Statistics Canada
United States Department of Agriculture*

April 2011

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 pork production in the province to triple between 1938 and 1943, when the pig inventory 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.

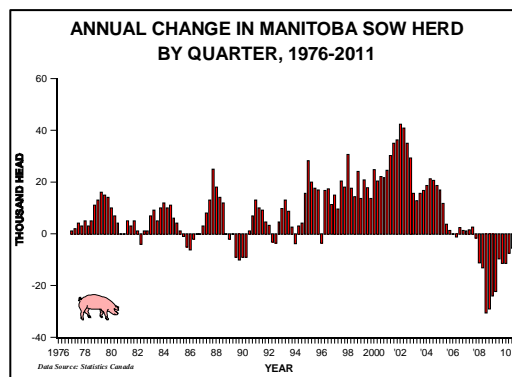
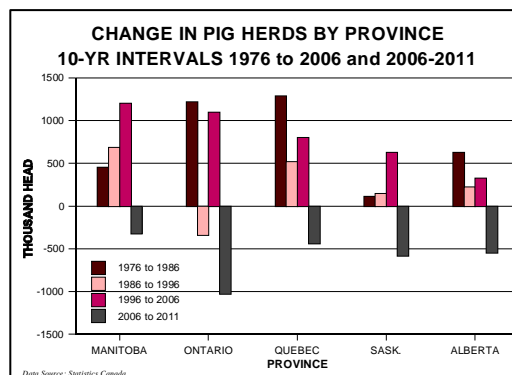
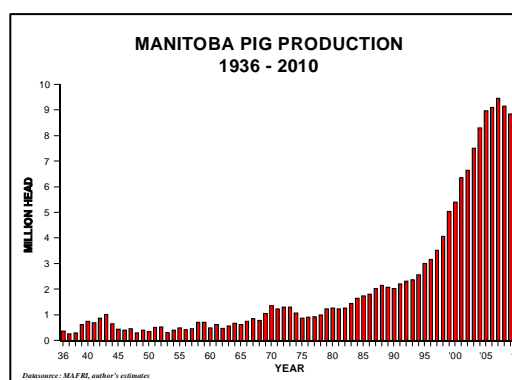
1990s to early 2000s:

A portion of the last pig industry expansion from 1990 to 2007 can be attributed to both the anticipation of the elimination and the end 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 United States virtually eliminated the four-year production cycle in Manitoba. 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 led to total herd reduction of 503,000 pigs from July 1, 2006 to April 1, 2009, but sow numbers continued to decline in 2010 to 318,600 head on January 1, 2011, a decrease of 14.0% from the peak on July 1, 2007. Annual pig production fell to about 8.0 million head in 2010, a drop of 15.3% from 2007.

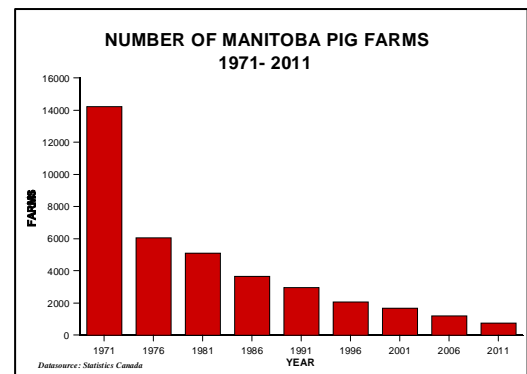
Future:

Despite the continued negative impact on pig production profits of a relatively strong Canadian dollar, high feed and fuel costs and limited American market access for Canadian pig exports, improved margins could slow or stop sow herd liquidation in Manitoba during 2011.

Number of Pig Farms, Type and Location

Number of farms:

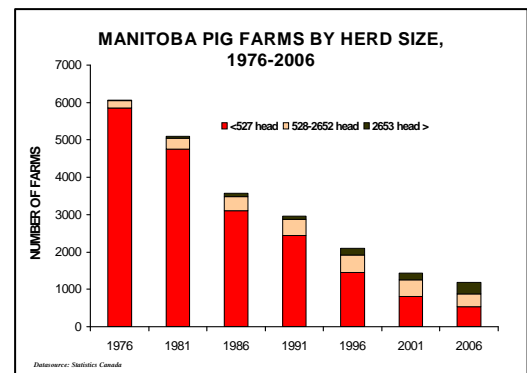
According to *Statistics Canada*, the number of farms with pigs in Manitoba decreased from 14,200 in 1971 to 1,710 in July 2001 and 1,180 in July 2006. By July 2010, the **number of pig producers/production companies** registered in Manitoba had dropped to 760, producing pigs on approximately 1,220 active sites (1 to 4 barns each). Over five years, there has been a 30% decline in Manitoba sites producing pigs. The number of pig farms had fallen to 745 by January 1, 2011.



Pig farm type in 2006:

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

The latest available data from *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.



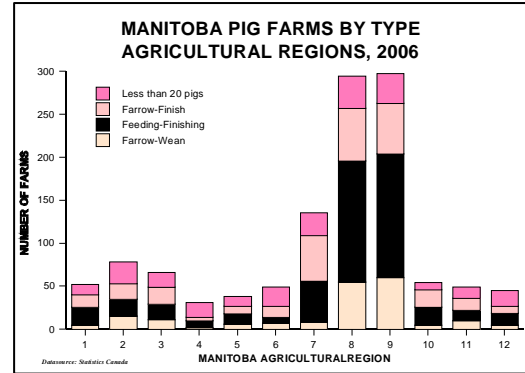
Further analysis using *Statistics Canada's* Census data showed that more than half of the pig farms in Manitoba in 2006 had no sows. These 629 units had an average of 1,505 pigs per farm and 32.3% of the total number of pigs in Manitoba. There were 559 Manitoba pig farms, or 47.1% of the total number 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 are 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).

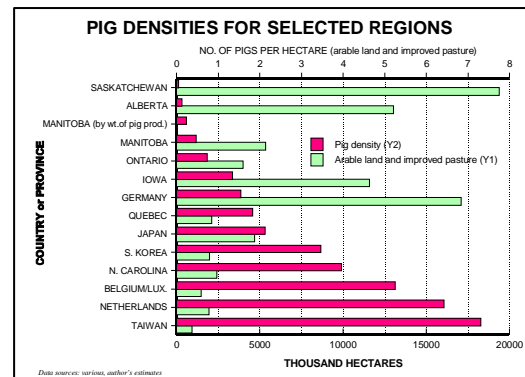


Pig Densities:

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

In 2010, about 40% 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 sold out-of-province weighing less than 7 kg means that Manitoba’s pig density would be reduced by about one-third if pig weight is used to calculate the density rather than just the total number of pigs on farms. Most other provinces and countries feed pigs for sale at slaughter weight.

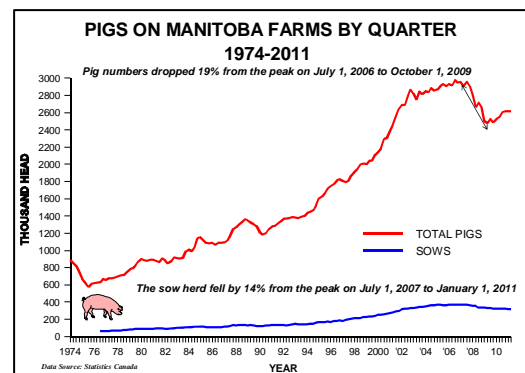
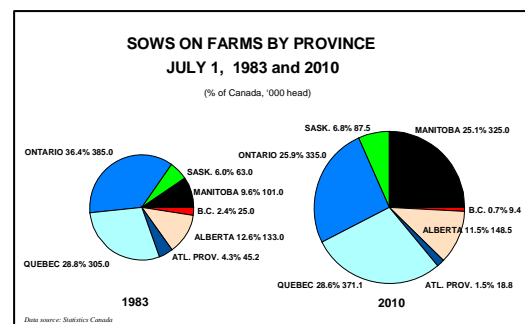


Pig Inventory

Note: It is often incorrectly assumed that Manitoba’s total annual pig production (8.0 million pigs in 2010) 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, on average, 2.4 litters of pigs annually. As a large percentage of baby pigs are exported at less than two weeks of age, they are on the farm for a short period.

The number of sows on Manitoba farms was a record 370,500 head on July 1, 2007. Herd reduction led to sow numbers declining to 325,000 head by on July 1, 2010 and 314,800 head on April 1, 2011.

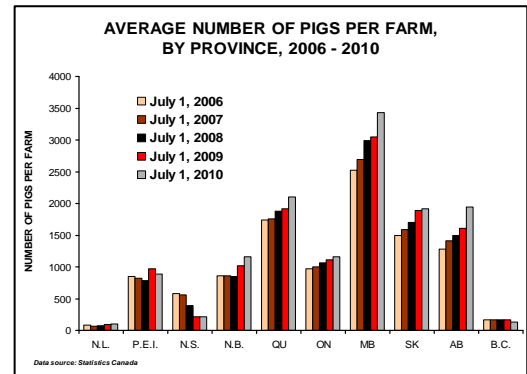
The total number of pigs on farms in mid 2010 was



2,605,000 head, an increase of 3.0% from a year earlier, but 12.6% below the July 1, 2006 record of 2,980,000 head. The total rose to 2,620,000 head by January 1, 2011 as more weanlings were kept for finishing instead of being exported.

On January 1, 2011, of the 2,298,900 pigs on Manitoba farms destined for market, 866,900 head or about 38% were either newborn or weanling pigs weighing less than 20 kg. About 40% of these pigs were exported, most weighing less than 7 kg. Also, many pigs weighing less than 7 kg are born and exported between quarterly surveys so are never counted. Very young pigs consume very little feedstuffs and produce very little manure during their time in Manitoba.

About 729,000 of the pigs on farms January 1, 2011 weighed between 20 kg and 60 kg, of which about 10% were to be exported at less than 50 kg, again less feed consumed, less manure produced than a slaughter hog. Finally, there were 703,000 head in the over 60 kg category, all of which were being fed to slaughter weight of about 116 kg.



Facilities:

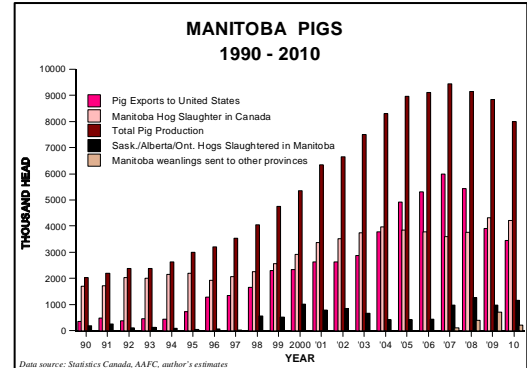
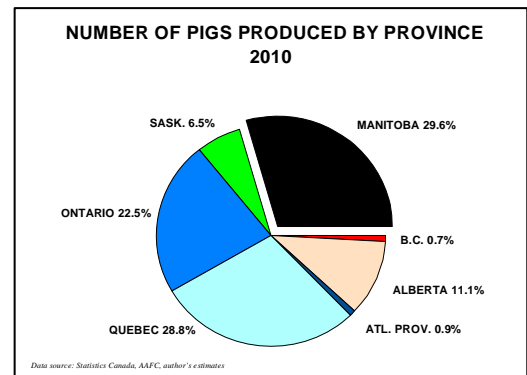
After almost three years of adverse market conditions and financial difficulty, many Manitoba pig producers went out of production and pig barns were closed in 2008, 2009 and 2010. The provincial government-imposed moratorium on new and expanded pig barn construction in the major pig-producing areas 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 Manitoba or in Saskatchewan.

The pig industry has approximately \$1 billion invested in barns, land, equipment and livestock.

Pig Production

Although pig production and exports were at their lowest levels since 2003, **Manitoba was still the largest pig-producing and pig-exporting province in Canada with about 29.6% of national pig production in 2010.**

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 almost 8.0 million pigs in 2010 (net sales plus annual increase in inventory of 90,000 head) and of these, over 2.06 million head were exported to the United States under two weeks old, weighing less than 7 kg. In addition, 0.35 million pigs were exported at weights of 7-23 kg (less than one-fifth of a slaughter hog's weight), 0.62 million head were 23-50 kg and 0.45 million (including hogs from Saskatchewan counted as from Manitoba) were 50 kg and over, most at slaughter weight averaging about 116 kg.



Production Efficiency:

Manitoba pig producers produce and sell more pigs per sow annually than any other province. The quality of Manitoba pigs is among the best in Canada.

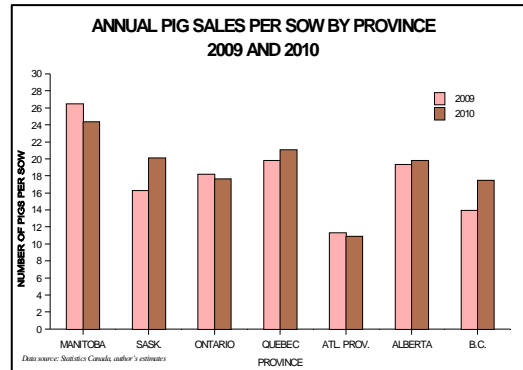
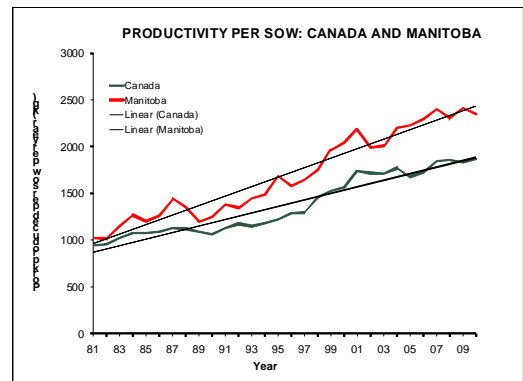
Manitoba sows are the most efficient producers of pork in Canada, producing an annual average of almost 2.4 tonnes per sow in 2010 compared to the Canadian average of 1.9 tonnes of pork per sow.

Value of Pig Production:

The value of Manitoba pigs produced was about \$830 million in 2010, down from almost \$1 billion in 2004 and 2005. The 2010 value was \$95 million more than in 2009.

Future:

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



Pig Sales and Farm Cash Receipts

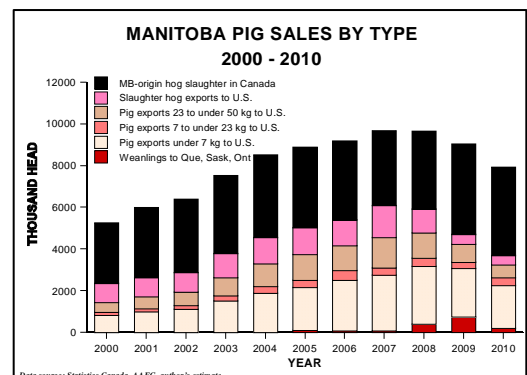
Marketing Options:

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.

Pig Sales:

Net pig sales were about 7.9 million head in 2010, of which about 3.7 million head or 47% were sold out of the province.

Mandatory Country-of-Origin Labelling (COOL) in the United States (see p13) resulted in reduced demand for Manitoba weanlings and feeder pigs by U.S. finishing operations as some major hog slaughter plants refused to kill Canadian-born pigs. Weanling exports have fallen each year since peaking at 4.48 million head in 2007. Due to the Manitoba government ban on new barn construction or expansion in major pig-producing areas, weanling pigs that would have been exported to the U.S. have had to be fed elsewhere. About 200,000 Manitoba weanling pigs were finished in Saskatchewan in 2010.



Manitoba pig producers and brokers exported over 0.4 million slaughter hogs and 3.0 million weanling/ feeder pigs directly to the United States in 2010. In the early 1990s, more pigs were shipped east than to the U.S.

Demand for local hogs by Manitoba pork processors has improved over the past few years. Almost 4.22 million Manitoba hogs were killed in Canadian federal and provincial plants in 2010, all except 0.05 million in Manitoba. This was down by 0.1 million hogs or 2.2% from 2009, but up by 17.6% from 2007.

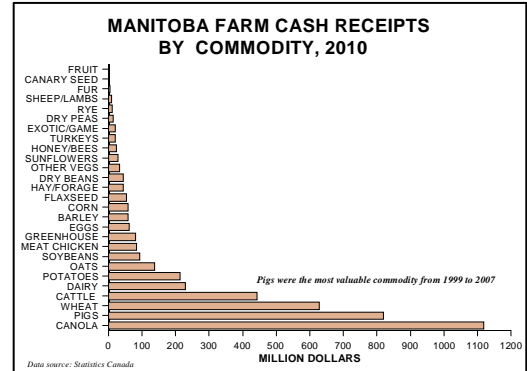
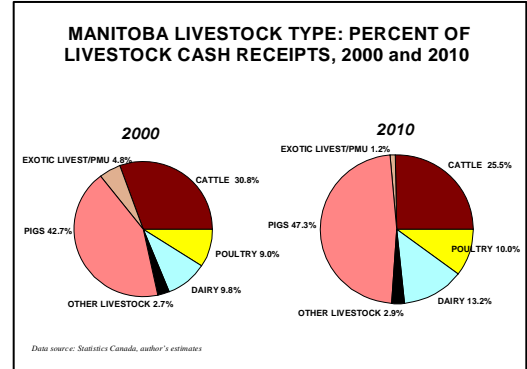
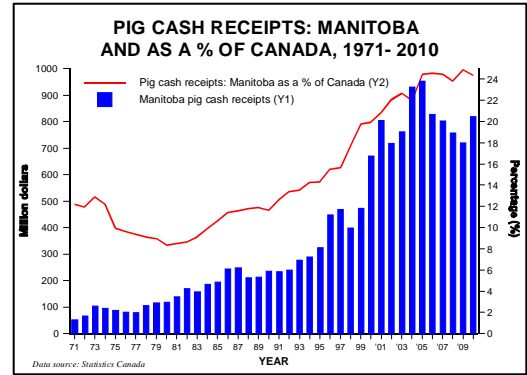
Farm Cash Receipts from Pig Sales:

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 above those from pigs. Pig receipts were second only to canola in 2010.

According to *Statistics Canada*, pig sales contributed only 18% of Manitoba’s farm cash receipts from the market (excluding direct program payments) in 2010. The share is down from 31% in 2005. Fewer pigs sold and low average net pig prices reduced farm cash receipts from the sale of pigs from \$802.9 million in 2007 to \$756 million (*author’s estimate*) in 2008 and \$719.2 million in 2009. Increased pig prices raised receipts to \$818.0 million in 2010.

Future:

Cash receipts from pig sales are expected to rise in 2011 due to higher average pig prices.



Feed Use

Although Manitoba pigs are usually fed barley-based rations, the industry provides an important market for Manitoba-grown 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, 0.5 million tonnes of corn, 0.1 million tonnes of dry peas, 0.3 million tonnes of soy products 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 would almost 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)

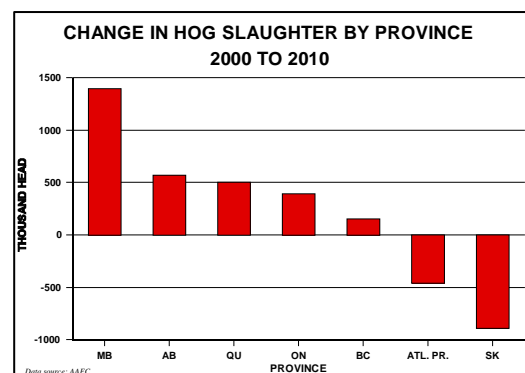
Hog Slaughter and Pork Processing

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 over \$3.9 billion of goods in 2010, more than one quarter of the total manufacturing output in the province. Approximately \$3.4 billion worth of inputs went into the industry in 2010 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 2010. This was one-third of the value of total food and beverage processing in the province. The sector employed about 4,000 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 2010.

Only 78% of the hogs slaughtered in the province in 2010 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 killed in Manitoba, Alberta or the U.S. Almost all of the Manitoba red meat sector's output consists of pork, most of which was sold to other provinces, Japan, Mexico, Hong Kong/China, Taiwan and 29 other countries in 2010.

Meat Processing Plants:

Technological changes in animal slaughter and meat production 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 employing 850 people, which was expanded between 2007 and 2009 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 ceased processing pork in fall 2008.

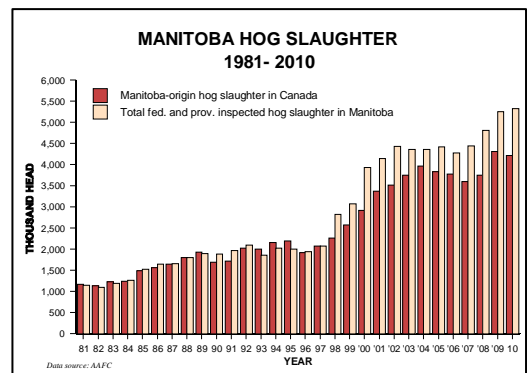
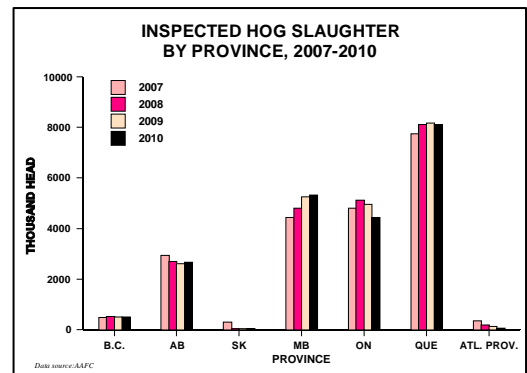
The largest plant, *MLP* Brandon, has a full two-shift capacity of over 4.5 million hogs and employment of 2,325 people. The plant's second shift was completed in fall 2008. In early February 2008, *HyLife Ltd.* (was *Hyteck*), the largest pig-production company in Canada with an annual output of about 1.4 million pigs from its farms in Canada and the United States, finalized its purchase of the *Springhill Farms* slaughter plant in Neepawa. The plant had a total work force of 550 by 2010 and with expansion to a capacity of 1.4 million head by 2012, plant jobs will increase to 800. About 60% of the pork produced by the plant is sold offshore.

In addition to the two major and one minor federally-inspected hog slaughter plants in operation in 2010, 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 5.32 million head in 2010, of which 0.11 million were killed in provincial abattoirs. Manitoba plants had 25.2% of the national kill in 2010, up from 16.7% in 1999.

The slaughter in Canadian plants of hogs originating in Manitoba fell by 2.2% in 2010 to almost 4.22 million head, while the number of hogs brought into the



Manitoba plants from Alberta and Saskatchewan went from 0.96 million head in 2009 to 1.15 million in 2010.

Future:

Manitoba plants will still need slaughter hogs from Saskatchewan in 2011 (about 20% of which are now Manitoba-produced weanlings fed in Saskatchewan) as there will not be sufficient 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.

Pork Production:

The average carcass weight of hogs slaughtered in the province increased from 90.7 kg in 2004 to 93.8 kg in 2007. In 2010, the average carcass weight was 93.1 kg (equivalent to 116 kg or 257 lb of live hog). An estimated record 496 million kg of pork and pork products (carcass weight) were produced in the province in 2010, up by 26% from about 393 million kg in 2006.

Pork Consumption

Canadians consumed slightly over 23 kg (carcass weight) of pork or close to 18 kg (boneless weight) per person per year in 2005, 2006, 2008 and 2009, but consumption was 25 kg (carcass weight) or over 19 kg (boneless weight) in 2007 and less than 22 kg (carcass weight) or almost 17 kg (boneless weight) in 2010. Pork consumption is less than either beef or chicken, where consumption in 2010 was about 20 kg (boneless weight) respectively.

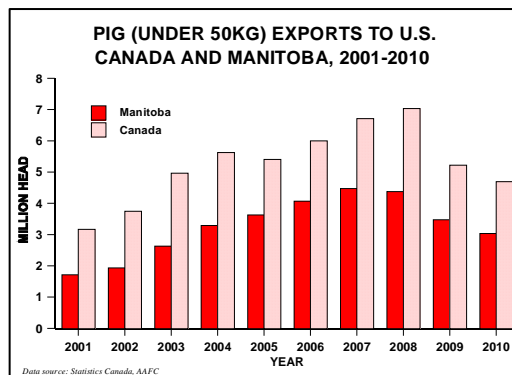
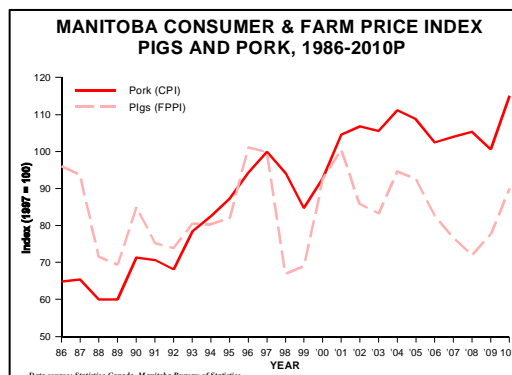
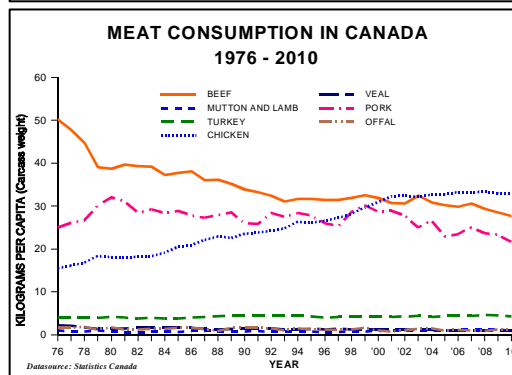
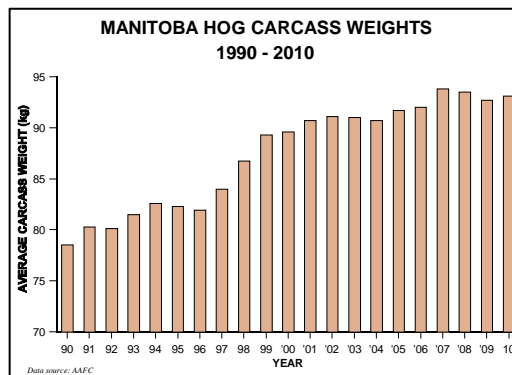
Trade

As Manitobans consumed only 5-6% of the total pork (retail weight) produced by slaughter plants in the province in 2010 and about 3-4% of the estimated total Manitoba-origin pork equivalent of 565 million kg (retail weight) (including exported pigs converted to finished pork retail weight) sold in 2010, 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 close to 60% of national pig exports in recent years.

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 from 9.36 million head in 2008 to almost 6.38 million head in 2009 and 5.76 million head in 2010, 42.6% below the record 10.03 million head in 2007. Manitoba producers shipped almost 3.5 million finished hogs and weanling/feeder pigs south in 2010, 12% fewer than in 2009.

A stronger 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 \$280 million and \$193 million respectively. Higher prices raised the value to \$225 million in 2010.

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, 3.48 million head in 2009 and 3.04 million head in 2010.

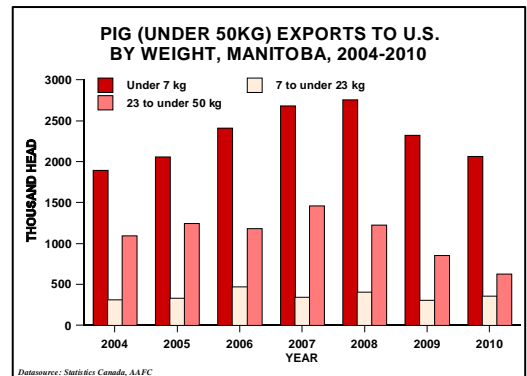
It was no surprise that fewer Manitoba pigs were exported as weanlings in 2009 and 2010. American feeding operations have been discouraged from feeding Canadian weanling pigs because many major U.S. slaughter plants refused to kill Canadian-born hogs due to COOL. There were only eight American plants which accepted Canadian-born hogs in 2010.

Almost 68% of the weanling/feeder pig exports in 2010 weighed less than 7 kg, close to 12% weighed 7-23 kg and more than 20% were in the 23-50 kg range. Total weanlings shipped to feeding operations in the U.S. fell by 12.5% in 2010, while slaughter hog exports declined by 6.2% to 0.45 million head (includes cull sows and other pigs from Saskatchewan). In addition, about 0.2 million weanlings were shipped to Saskatchewan for finishing. Hogs, 50 kg or more (mostly for slaughter including cull sows and boars), were exported to 19 states with 91% 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 8 states with over 99 % going to Iowa, Minnesota, South Dakota and Nebraska.

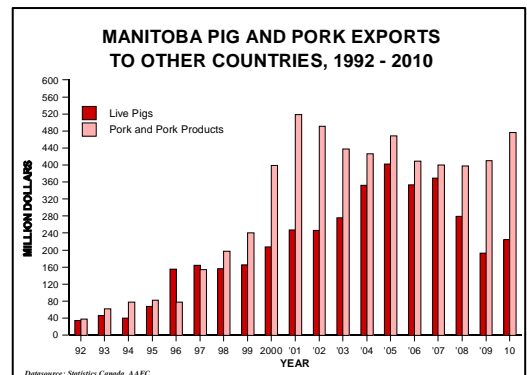
Almost 68% of the weanling/feeder pig exports in 2010 weighed less than 7 kg, close to 12% weighed 7-23 kg and more than 20% were in the 23-50 kg range. Total weanlings shipped to feeding operations in the U.S. fell by 12.5% in 2010, while slaughter hog exports declined by 6.2% to 0.45 million head (includes cull sows and other pigs from Saskatchewan). In addition, about 0.2 million weanlings were shipped to Saskatchewan for finishing. Hogs, 50 kg or more (mostly for slaughter including cull sows and boars), were exported to 19 states with 91% 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 8 states with over 99 % going to Iowa, Minnesota, South Dakota and Nebraska.

Pork:

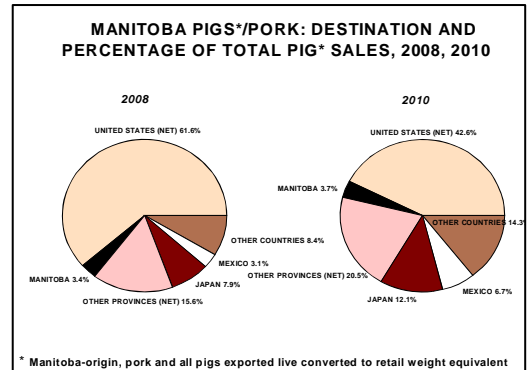
Up until 2003, Manitoba was the second largest pork-exporting province after Quebec (not including pork shipped to plants in other provinces and subsequently exported). However, from 2003 to 2006, Manitoba dropped to fourth-largest pork exporter after Quebec, Ontario and Alberta. In 2007, 2008, 2009 and 2010, as the third-largest pork exporter after Quebec and Ontario, Manitoba was directly responsible for 16.6%, 14.1%, 15.3% and 17.4% of Canada's pork exports respectively,



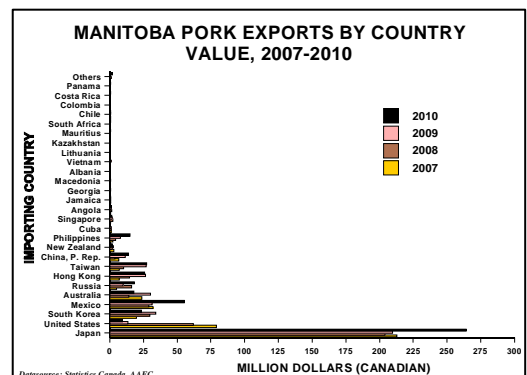
DataSource: Statistics Canada, AAFC



DataSource: Statistics Canada, AAFC



* Manitoba-origin, pork and all pigs exported live converted to retail weight equivalent



DataSource: Statistics Canada, AAFC

down from 23.2% in 2002.

In 2010, record Manitoba pork and pork product* exports of 192.9 million kg shipped to 34 countries, were up by 16.9% from the 2009 level. The value of pork exports of \$476.4 million in 2010 was 16.1% above the 2009 value. The previous record was 191.9 million kg of Manitoba pork, valued at \$491.4 million, sold directly to 36 countries in 2002, compared to 166.9 million kg, valued at a record \$518.6 million, exported to the same number of countries in 2001.

(*includes pig fat)

In recent years, Manitoba processors have been decreasing pork exports to the United States and increasing exports to other countries. Exports to the United States were down by 79% (by value) in 2009 and by 30% in 2010, when only 2% of total pork exports went to the U.S. Japan is Manitoba's largest and most lucrative pork market by far. About 56% of Manitoba pork exports (by value) and 35% (by weight) went to Japan in 2010 with over 11% going to Mexico and almost 6% to Taiwan. The average price of pork exported to Japan is much higher than for any other country.

It appears that close to half of the pork (by retail weight) produced by Manitoba plants in 2010 was shipped to other provinces, such as Ontario.

Prices and Profit

World pork demand, 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. The United States is still Manitoba's largest market for pigs and is a major competitor in foreign pork markets.

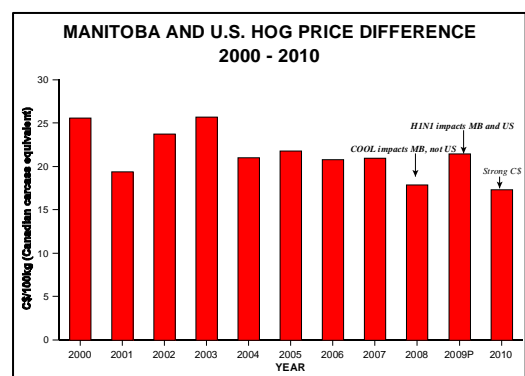
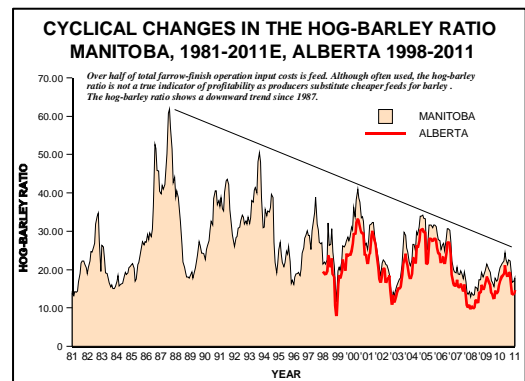
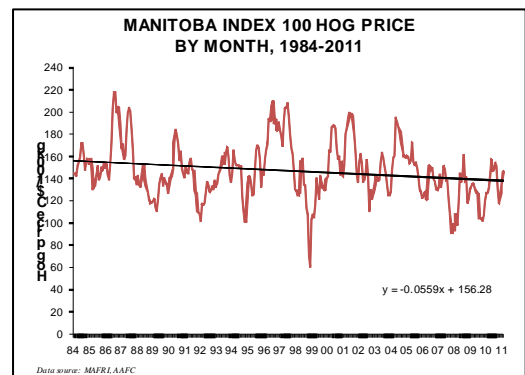
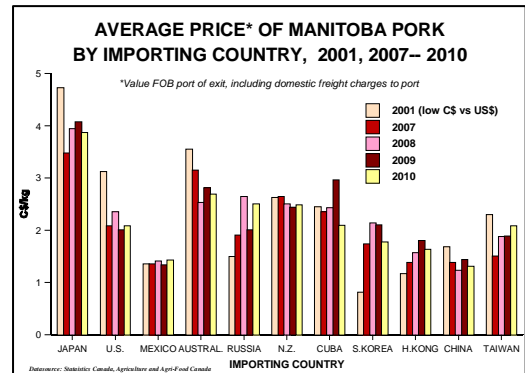
A higher-valued Canadian dollar relative to the U.S. dollar lowers the value of Manitoba pig and pork exports to the United States as well as making Manitoba pork less competitive with American pork in the United States, Canada and foreign markets, but lowers the costs of imported farm inputs from the United States, 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.

In order to compare prices with previous years, the "Index 100" hog price is used in the graphs.

A rise in pork exports and reduced pork production raised American hog prices by 33.5% in 2010, but the 10.8 % increase in the Canadian dollar value and price discounting due to U.S. Country of Origin Labelling



(COOL) meant that not all the increase was included in Manitoba hog prices in 2010, which were 14.2% higher than a year earlier.

The average Manitoba slaughter hog price in 2010 was \$152/100kg compared to over \$133/100kg in 2009. The average price in 2010 was 24.3% below the record price set in 1996.

Weanling pigs:

The initial reaction to COOL by many American feeding operations was to stop buying Manitoba weanling and feeder pigs. However, others continue to purchase high-quality Manitoba pigs. Average export prices for weanling pigs (under 7 kg) in 2010 were up by 31.8% from the previous year, prices for pigs (7-23 kg) rose by 36.2% and prices for heavier pigs (23-50 kg) increased by 32.4% from 2009.

Margins:

Despite rising feed, energy and other costs, margins from pig production increased in 2010 due to higher pig prices.

Future:

World demand for pork, the demand for pigs in the United States, the Canada-U.S. exchange rate and mandatory COOL will continue to be major factors in pig price determination in Manitoba in 2011.

Increased competition resulting from more slaughter capacity in Manitoba and Saskatchewan and the reduced supply of hogs in Western Canada is expected to have a positive impact on local slaughter hog prices.

Despite much higher average feed and fuel costs in 2011 than in 2010, higher slaughter hog and pig prices are expected to increase returns from pig production.

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

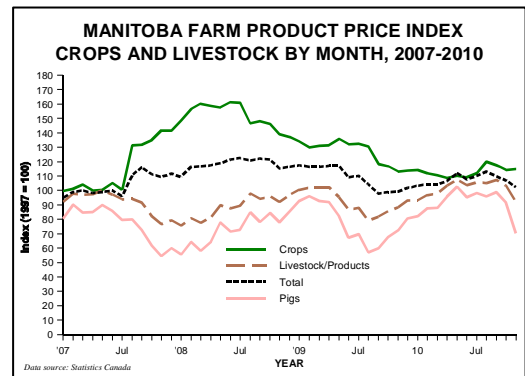
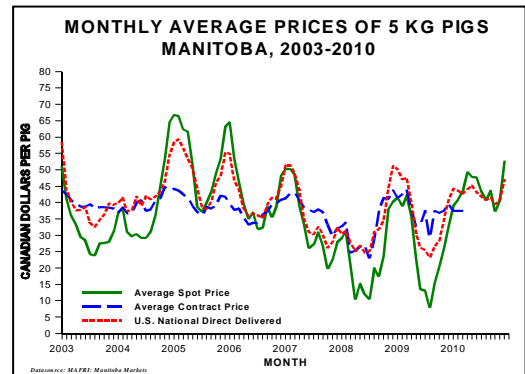
Beef (including veal), pork, lamb, chicken or goat must bear a COOL label if it is sold at retail, is a muscle cut or is a ground product.

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).

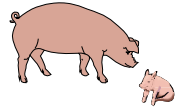
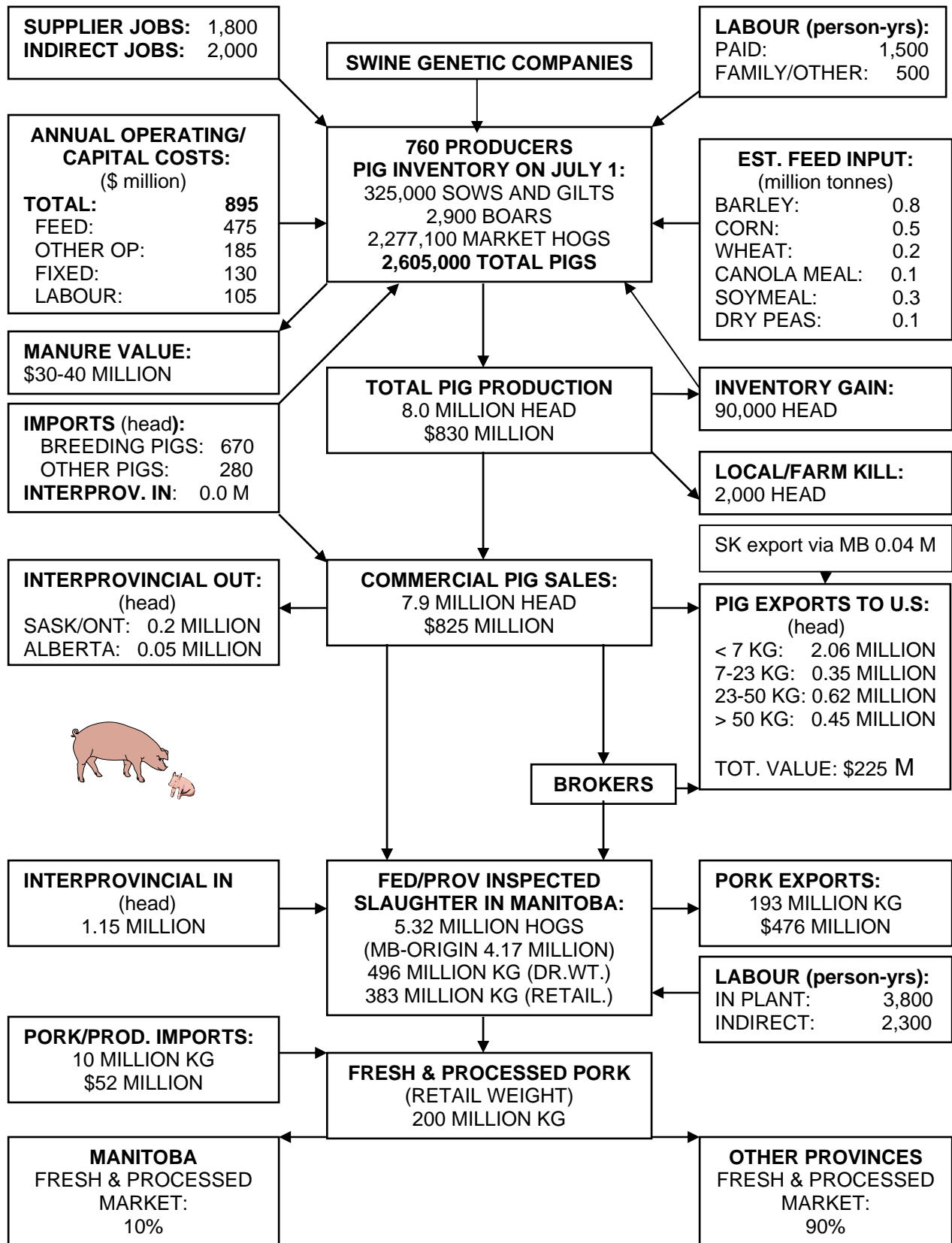
Pigs, used for pork which is “significantly” processed or sold to the food service trade or exported are exempt from COOL.

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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009^R</u>	<u>2010^P</u>
PIG FARMS (inc. non-commercial):	1,500	1,380	1,290	1,180	1,100	910	830	760
(farms, 51+% of income from hogs):	765	755	725	530	455	380	355	
Average no. of pigs per farm on July 1	1,900	2,094	2,279	2,525	2,695	2,989	3,048	3,428
PIGS ON FARMS ON JULY 1:								
Sows and bred gilts ('000)	341.3	362.0	365.6	368.0	370.5	340.0	330.5	325.0
% of Canada	22.0	22.8	23.0	23.7	24.2	24.0	24.5	25.0
Boars ('000)	7.0	6.3	5.4	5.0	4.7	3.9	3.5	2.9
Market pigs ('000)	2,501.7	2,521.7	2,569.0	2,607.0	2,589.8	2,376.1	2,196.0	2,277.1
Total pigs ('000)	2,850.0	2,890.0	2,940.0	2,980.0	2,965.0	2,720.0	2,530.0	2,605.0
% of Canada	19.4	19.3	19.3	19.8	20.2	21.0	21.0	22.1
PIG PRODUCTION ('000):	7,500	8,300	8,970	9,100	9,450	9,150	8,850	8,000
% of Canada	25.1	26.4	29.7	30.0	30.2	30.0	31.4	29.6
Annual production change %:	12.8	10.7	8.1	1.4	3.8	-3.2	-3.3	-9.6
VALUE OF PIG PROD. (\$ million):	810	997	998	870	835	755	735	830
PIG CASH RECEIPTS* (\$ million):	760.9	929.9	952.9	827.4	802.9	756.0	719.2	818.0
% of Canada *(minus levies, sl. error)	22.7	22.0	24.5	24.6	24.5	23.8	24.9	24.4
NET CASH FARM INCOME/FARM (\$'000)	55.2	185.7	117.1	50.1	73.6	-92.4	-6.4	N/A
NET WORTH (\$'000):	1,372.7	1,906.7	2,389.3	2,056.6	2,789.5	2,243.8	2,456.4	N/A
PIG PRICES:								
Average "All-in" hog (\$/100kg):	157	184	166	148	141	139	133	152
Average "Index 100"hog (\$/100kg):	143	167	151	135	129	127	121	138
Average pig: under 7 kg (\$/pig):		37.9	41.5	37.9	36.6	30.2	29.9	39.4
Average pig: 7 up to 23 kg (\$/pig):		52.8	65.6	52.3	46.1	34.9	37.0	50.4
Average pig: 23 up to 50 kg (\$/pig):		59.2	69.7	59.8	53.0	39.6	47.2	62.5
HOG SLAUGHTER:								
Inspected slaughter in Manitoba ('000)	4,352.5	4,355.3	4,419.5	4,273.3	4,442.3	4,806.8	5,242.2	5,322.3
% of Canada	19.5	19.2	19.9	19.8	21.1	22.3	24.2	25.2
Mb-origin slaughter in Canada ('000)	3,747.3	3,966.1	3,832.6	3,774.3	3,588.6	3,751.1	4,312.4	4,218.8
% of Canada	16.8	17.5	17.4	17.5	17.0	17.4	19.9	20.0
Average carcass weight (kg):	91.0	90.7	91.7	92.0	93.8	93.5	92.7	93.1
PORK PROD: (million kg carcass)	396	395	405	393	415	450	486	496
EXPORTS:								
Total Pigs <50kg - ('000)	2,637.2	3,294.4	3,634.0	4,065.7	4,477.8	4,383.2	3,478.5	3,042.4
- (\$ million)	117.3	152.8	193.9	186.9	191.0	145.9	121.0	138.2
Pigs <7kg - ('000)		1,893.0	2,057.7	2,410.8	2,677.3	2,757.4	2,320.3	2,063.3
- (\$ million)		71.8	85.4	91.5	98.0	83.3	69.5	81.3
Pigs 7 to <23kg - ('000)		310.9	330.7	472.1	342.9	403.7	303.0	354.4
- (\$ million)		16.4	21.7	24.7	15.8	14.1	11.2	17.9
Pigs 23 to <50kg - ('000)		1,090.5	1,245.7	1,182.8	1,457.6	1,222.1	855.2	624.7
- (\$ million)		64.5	86.8	70.8	77.2	48.4	40.3	39.1
Hogs* 50+kg - ('000)	1,143.5	1,250.6	1,284.8	1,247.3	1,513.6	1,117.7	481.8	451.8
- (\$ million)	157.6	199.6	208.5	166.1	178.0	133.8	72.0	86.8
Pork/products** - (million kg)	190.2	170.0	173.6	161.1	166.0	153.9	165.0	192.9
- (\$ million)	437.5	426.6	468.0	408.9	400.4	397.8	410.1	476.4
* less SK hogs exported as MB in 2005-2007, but not in 2008-2010 ** includes pig fat								
IMPORTS:								
Pigs - (\$ million)	0.56	0.29	0.33	0.16	0.27	0.50	0.64	0.61
Pork and products - (\$ million)	40.9	43.3	49.2	52.6	50.7	52.3	52.9	51.5
CANADIAN CONSUMPTION:								
Pork (carcass wt. kg/person) ^R	25.10	26.64	23.03	23.44	25.08	23.69	23.36	21.69

PIG AND PORK INDUSTRY FLOW CHART, 2010

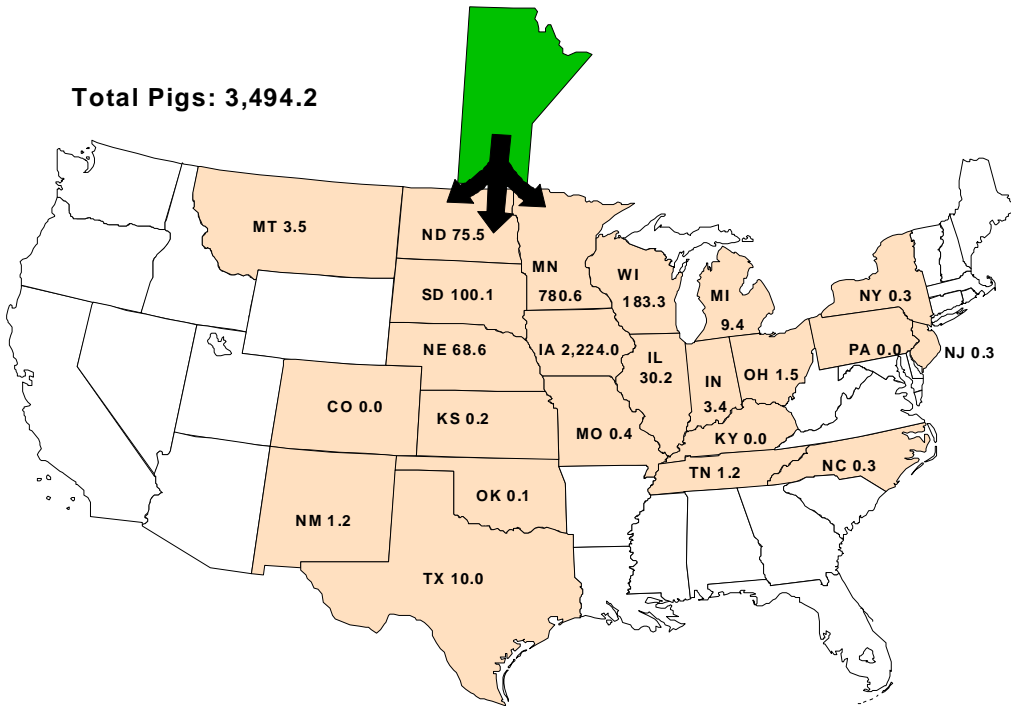


Data source: AAFC, MAFRI, Manitoba Bureau of Statistics, Manitoba Pork Council, Statistics Canada, author's estimates

MANITOBA PIG EXPORTS TO UNITED STATES, 2010

(thousand head)

Total Pigs: 3,494.2

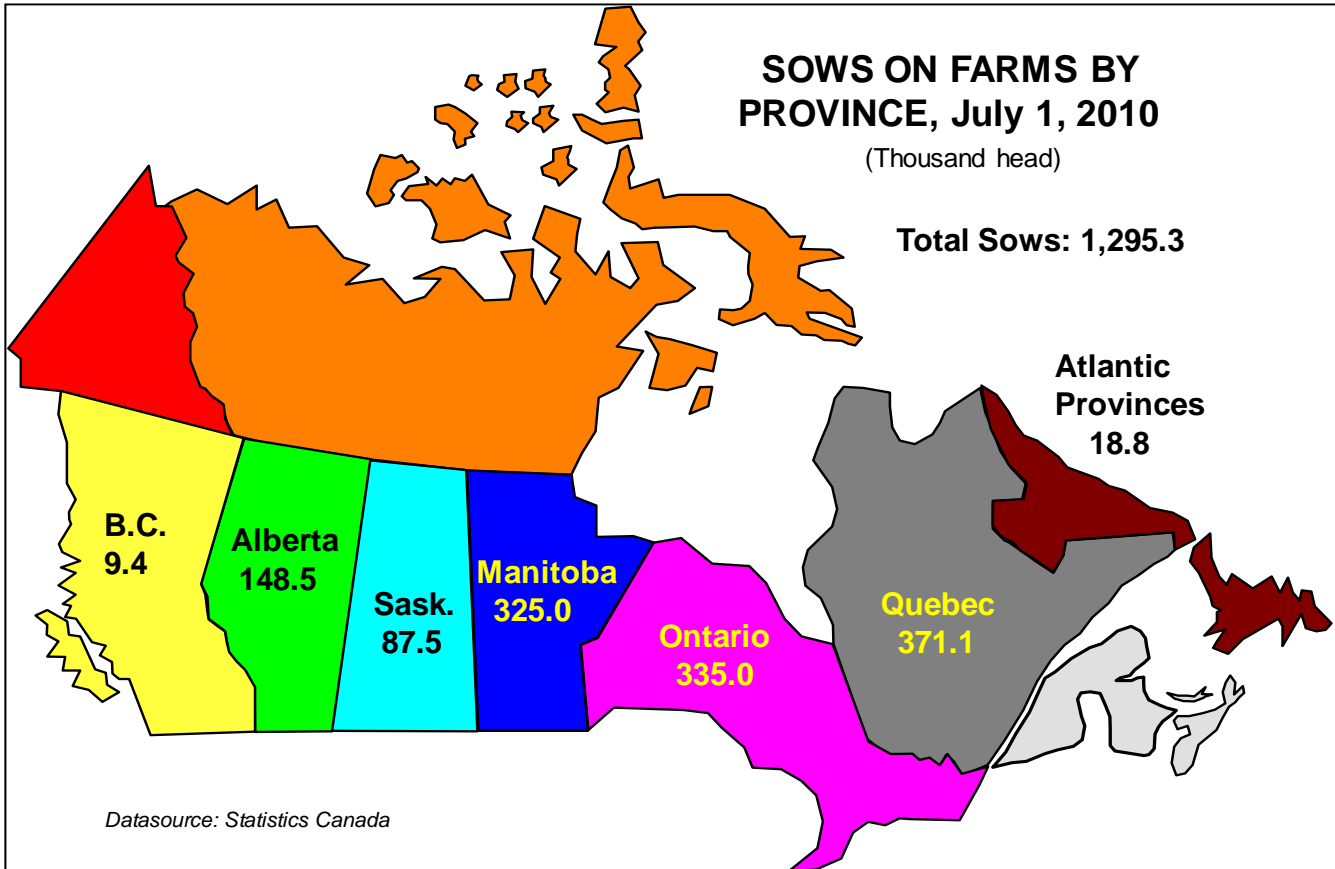


Datasource: USDofC, Statistics Canada, AAFC

SOWS ON FARMS BY PROVINCE, July 1, 2010

(Thousand head)

Total Sows: 1,295.3



Datasource: Statistics Canada