

Canadian Pork Industry Issues and Challenges

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Overview of the factors affecting the current competitiveness of the Canadian hog industry

A nice overview of the factors affecting the current competitiveness of the Canadian hog industry, published by George Morris Center.

Executive Summary

- Canada has greater availability of fertile arable land relative to human and animal requirements; better animal health; a climate that is conducive to hog production efficiency; less intrusive production; and abundant and clean water.
- Most of the industry has a mature and efficient production and marketing infrastructure and logistics system.
- The management and entrepreneurial foundation of the industry is proven and successful. The scientific and research base is renowned as a world leader.
- Most importantly, the pork and most of the hog marketing business climate is based on supply-demand pricing, as well as open competitive markets and good access to the US and world markets.

Issues and Challenges

Hog Production

Labour

International Trade

The following are some of the key reasons why international trade is crucial to the success of the Canadian pork industry:

- Pork exports have been the driver of the exceptional growth of pork production in Canada
- Canada is a world leader in pork exports (Figure 12).
- Canada has diversified its export markets to over 100 countries and is increasingly less dependent upon the US market.
- Pork export demand has been rapidly growing while domestic demand has been stable.
- Pork exports of \$2.8 billion in 2005 are responsible for economic activity amounting to \$7.7 billion and 42,000 jobs.
- Pork exports support the incomes of about 6,000 farmers and about \$2 billion in farm cash receipts.

- Premiums derived from the export market due to value differences in those markets could result in enhanced producer income of up to \$9/hog.

Pork Packer Issues and Challenges

The Canadian pork packing industry is now the focal point of industry competitiveness. The sector is in the midst of large scale restructuring and rationalization. In order to understand why this is occurring and where the industry is likely heading, it is necessary to understand some of the key drivers in the industry. The following points are key pork packing plant characteristics that determine success or failure of plant operations.

- Scale economies
- Plant location/utilization
- Labour costs
- Hog Weights
- Credits

The Canadian pork packing industry appears to be at a competitive disadvantage across a range of critical success ?drivers.? Each Canadian plant can vary in terms of advantages and disadvantages so it is not prudent to add each of the items together to derive an average Canadian shortcoming. Within that context, however, there is little doubt that there are real, measurable weaknesses facing Canadian packers for each of the competitive drivers. For the industry as a whole, a conservative estimate of the disadvantage would be at least \$8/hog, but more likely over \$10/hog.

Appreciation of the Canadian Dollar

Implications for Producers of Packer Profitability

Future Direction



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