



December 2008

Dear Producer:

It is important for Ontario pork producers to have access to the latest marketing trends and production information. As a result, Ontario Pork has engaged the University of Guelph, Ridgetown Campus to create the 'Ontario Hog Market Information Newsletter'.

The purpose of the newsletter is to enhance the marketing and financial information available to Ontario producers for making business decisions and to analyze the competitive position of Ontario pig production relative to other jurisdictions.

Inside the newsletter you will find commentary and analysis of market-related issues in Ontario, Canada, and North America. Topics include hog prices, domestic hog sales, export data, and feed prices.

The newsletter will be sent electronically and in print to those who request it. It will also be posted to the Ontario Pork corporate website. The newsletter will be issued quarterly for a year and could continue beyond the initial year, pending producer feedback and demand for the information provided. Consultations will take place later this winter to determine whether the newsletter is meeting the needs of producers.

I hope you will find the enclosed information useful for your business.

Kind regards,

Bridgette Dyce  
Business Intelligence Officer  
Ontario Pork  
655 Southgate Drive  
Guelph, Ontario N1G 5G6  
Telephone: (519) 767-4600 ext. 290  
Cell: (519) 831-8475  
E-mail: [bridgette.dyce@ontariopork.on.ca](mailto:bridgette.dyce@ontariopork.on.ca)



**Ontario Hog Market Information Newsletter – December 2008**  
By University of Guelph, Ridgetown Campus

**Ontario Market Hog Prices**

Hog prices are under pressure from the seasonal volume increases usually seen in the fourth quarter. Ontario average prices for the week ended November 15, 2008 were down when compared to the previous week but up compared to one year ago (Table 1). The Canadian dollar has declined substantially relative to the U.S. dollar from one year ago. The pool price is up \$7.32 compared to last week and up \$36.83 vs. last year. For the same time periods, the pool plus price is down \$4.85 and up \$33.43 respectively. The average standard contract price was \$116.44, a decrease of \$7.60 vs. the previous week and up \$29.90 compared to a year ago.

**Table 1 Ontario Market Hog Prices**

Price (\$/100 kg dressed)	Week Ending		
	Nov 15- 2008	Nov 8- 2008	Nov 17- 2007
Standard Contract	116.44	124.04	86.54
Pool Plus	114.81	119.66	81.38
Pool	111.48	104.16	74.65
Weighted Average	115.77	122.99	85.03

Source: Ontario Pork.

**Ontario Hog Marketings**

Ontario hog marketings were 108,710 head for the week ended November 15, 2008 (Table 2). This is an increase of 4,639 head compared to the previous week and a decrease of 10,245 head vs. a year ago. Trends for 2008 year-to-date show total marketings are up approximately 1%. However, since early August, weekly marketings have mostly been lower than a year ago which reflects the breeding herd reduction that has been occurring in Ontario.

**Table 2 Ontario Hog Marketings**

Volume (head)	Week Ending		
	Nov 15- 2008	Nov 8- 2008	Nov 17- 2007
Contract	93,055	89,542	96,737
Pool Plus and Pool	15,655	14,529	22,218
Total	108,710	104,071	118,955

Source: Ontario Pork.

**Live Pig Exports to the U.S.**

Total live pig exports to the U.S. through Michigan and New York border crossings were 31,882 head for the week ending November 15, 2008 (Table 3). This is 1,777 head less compared to the previous week and 20,465 less than a year ago. Trends for 2008 year-to-date show that feeder pig exports are down 24% while slaughter hog exports are down 6%. Year-to-date cull sow/boar exports are up 131,000 head (or 186%) compared to a year ago which explains the decreased weekly hog marketings since August when compared to last year at this time.

**Table 3 Live Pig Exports through Michigan and New York Border Crossings**

Volume (head)	Week Ending		
	Nov 15- 2008	Nov 8- 2008	Nov 17- 2007
Feeder Pigs	17,645	18,854	20,339
Slaughter Hogs	9,134	9,788	29,706
Sows/Boars	5,103	5,017	2,302
Total	31,882	33,659	52,347

Source: AAFC, USDA.

## Ontario Pig Production Distribution

Ontario hog slaughter figures for 2008 year-to-date are running about 6% higher than 2007. Federally inspected slaughter is about 7% higher while provincially inspected is slightly lower than a year ago. Total Ontario produced hogs slaughtered in Canada for 2008 year-to-date are 2% higher than a year ago. Exports of live pigs currently show 9,134 hogs for slaughter and 17,645 feeder pigs being exported through Michigan and New York border crossing points (Table 4).

What this all means is that total estimated production for Ontario is currently about 142,120 head/week and for 2008 year-to-date is 3% lower than 2007. This is a result of the reduction in the Ontario sow herd which has been occurring over the past couple of years.

Current total Canadian federal and provincial slaughter is 443,753 head/week and for 2008 year-to-date is slightly higher than 2007. U.S. federally inspected slaughter is currently 2.31 million head/week and is running about 7% year-to-date higher than 2007.

## Feed Grain Prices

Prices for corn, soybean meal and dried distillers grain (DDGS) for the week ending November 15, 2008 showed Ontario having similar corn and DDGS prices as Iowa but higher soybean meal prices (Table 5). Corn and DDGS prices have both decreased compared to a week ago and are up 11-13% compared to a year ago. Soybean meal prices are up compared to both a week ago and a year ago.

Estimated feed grain costs for a farrow-to-finish operation show Iowa currently having a slight advantage by approximately \$1-2/head which is slightly lower than last week. Iowa had a \$6/head advantage a year ago. The regional difference has decreased due in part to the decline in the value of the \$C which has increased the relative competitiveness of Ontario's feed costs. It should be noted that these estimated feed grain costs are dependent upon several assumptions including market hog weight, ration, productivity, and which locations for corn and soybean meal prices are used. This comparison is meant to show the approximate relative differences in the raw corn and soybean meal costs only to raise a pig from birth to 115 kg live market weight and individual producer costs may vary significantly from these figures.

**Table 4 Ontario Pig Production Distribution**

Volume (head)	Week Ending		
	Nov 15-2008	Nov 8-2008	Nov 17-2007
Ontario F.I. Slaughter	102,174	93,899	95,453
Ontario P.I. Slaughter	10,501	10,524	9,219
Hogs Slaughtered in Ontario	112,675	104,423	104,672
Exports to other Provinces*	2,666	4,318	7,879
Total Ontario Hogs Slaughtered in Canada	115,341	108,741	112,551
Exports to U.S. -Slaughter Hogs	9,134	9,788	29,706
Exports to U.S. -Feeder Pigs	17,645	18,854	20,339
Total Estimated Production*	142,120	137,383	162,596
Canada F.I. & P.I. Slaughter	443,753	444,201	419,271
U.S. F.I. Slaughter	2,310,000	2,304,541	2,372,466

Source: AAFC, USDA.

Notes: F.I. = Federally Inspected; P.I. = Provincially Inspected; \*Estimated

**Table 5 Ontario and Iowa Feed Grain Prices**

Value (\$C/tonne)	Week Ending		
	Nov 15-2008	Nov 8-2008	Nov 17-2007
<b><u>Ontario</u></b>			
Corn (No. 2)	165.54	168.40	146.88
Soybean Meal (48%)	378.59	369.83	337.95
DDGS	166.00	170.00	150.00
F-F Feed Grain Cost (\$C/head)*	67.79	67.97	60.28
<b><u>Iowa</u></b>			
Corn (No. 2)	166.89	166.68	131.84
Soybean Meal (48%)	350.28	344.66	300.45
DDGS	164.04	158.97	142.35
F-F Feed Grain Cost (\$C/head)*	66.30	65.88	53.92
Exchange Rate (\$C/\$US)	0.8233	0.8530	1.0380

Source: Farm Market News, University of Guelph, Ridgetown Campus, OMAFRA, USDA, Iowa State University.

Note: Feed grain costs only include raw corn and soybean meal costs. There has been no cost added for grind, mix and transportation charges;

\*Estimated; F-F = Farrow-to-Finish

### **Estimated Gross Margin Profitability Indicators**

Table 6 shows estimated gross margin calculations for Ontario pork processors and producers based on a market hog weighing 115 kg live.

For processors, the gross margin is the wholesale cutout value less the hog value. Cutout values are up compared to a year ago but hog values are as well resulting in a gross margin that is lower than a year ago. Cutout values are up due to increased values for both primal and byproducts. The gross margin is down about \$6/head compared to a week ago and down \$19/head vs. a year ago.

For producers, the gross margin is estimated as current hog value less current feed grain costs (from Table 5). The gross margin is down about \$7/head compared to a week ago but up \$22/head vs. a year ago.

It should be noted that these estimated gross margins do not include all costs for processors or producers and therefore do not indicate if a processor or producer is profitable. These gross margins can be treated as a relative profitability indicator which shows how much margin is left to cover all other costs besides the major costs of hog procurement for the processor and feed grain costs for the producer.

### **Pig Inventory Figures**

The USDA hogs and pigs survey on September 1 showed market pig figures were up 3% from a year ago and 2% from last quarter. The U.S. breeding herd was down 3% from last year and down 1% from last quarter. Liquidation is happening in the U.S. as this is the third consecutive report showing a decrease compared to the previous quarter.

The Statistics Canada October 1 survey showed Canadian market pig figures were down 11% from a year ago and 1% from July 1. The Canadian breeding herd was down 8% from last year and 2% from last quarter. The figures for Ontario showed that the breeding herd was down 12% from last year and 3% from July 1. Ontario market pig figures were down 18% from last year and 2% from last quarter. This is the 12th consecutive quarter that the Ontario breeding herd figures have decreased from the previous quarter and 15th consecutive quarter that the Canadian breeding herd figures have decreased.

**Table 6 Estimated Processor and Producer Gross Margins**

Price (\$/head)	Week Ending		
	Nov 15 -2008	Nov 8- 2008	Nov 17- 2007
<b><u>Processor</u></b>			
Cutout Value*	135	148	124
Hog Value	117	124	87
Gross Margin	18	24	37
Hog Value / Cutout Value (%)	87	84	70
<b><u>Producer</u></b>			
Hog Value	117	124	87
Farrow-to-Finish Feed Grain Costs*	68	68	60
Gross Margin	49	56	27
Feed Grain Costs / Hog Value (%)	58	55	69

Source: Ronald A. Chisholm Ltd., Ontario Pork, Farm Market News, University of Guelph, Ridgetown Campus, OMAFRA, industry sources.  
Note: Feed Grain Costs only include corn and soybean meal. \*Estimated

**Table 7 U.S. and Ontario Pig Inventory Figures**

	Head (million head)			
	US (Sep 1)	Canada (Oct 1)	Ontario* (Oct 1)	Ontario** (Sep 1)
Breeding Herd	6.049	1.416	0.361	0.381
Market Pigs	62.607	11.379	2.816	3.245
All Pigs	68.657	12.795	3.176	3.626

Source: USDA, Statistics Canada, University of Guelph., Ridgetown Campus  
Note: \*Statistics Canada estimate; \*\*University of Guelph, Ridgetown Campus estimate

The September 1 survey done by University of Guelph, Ridgetown Campus estimated the Ontario breeding herd at 381,200 head. This is down 11,500 head from June 1 estimates. Market pig figures were estimated at 3.245 million head which is up slightly from June. Both the breeding herd and market pig figures are down from a year ago. For more information refer to page 5 of this newsletter.

## Outlook

Recent figures for the federal Cull Breeding Swine Program (CBSP) show that in Ontario, approximately 47,000 head (200 producers) have registered for the Federal program. Ontario has been the province with the largest uptake of the program. National figures show approximately 120,000 head and over 500 producers have registered. These figures represent approximately 12% of the Ontario breeding herd and 8% of the Canadian breeding herd respectively. This reduction in the Ontario and Canadian herds will result in fewer pigs produced here and combined with recent reductions in the U.S. breeding swine herd this should contribute to lower hog production in North America in 2009 than 2008.

The outlook for Ontario hog prices for the next 10 months shows low prices during the fall and winter but prices will increase during the second and third quarters of 2009. Table 8 shows Ontario Pork Forward Contract Prices, the 10 year average basis and the estimated net price for November 2008 to September 2009. The Forward Contract Prices incorporate both the Chicago Mercantile Exchange's lean hog and the Canadian dollar futures prices.

Table 9 shows US price forecasts for the next few quarters by Glen Grimes, Ron Plain and John Lawrence. Prices have been converted to an Ontario equivalent price but don't incorporate the estimated basis for Ontario.

Farrow-to-finish profitability calculations done by John Lawrence at Iowa State University for January to October show Iowa producers have lost money 8 out of the first 10 months of 2008. The average loss for the 10 months has been approximately \$US 17/head (source: Iowa State University). Similar calculations done by OMAFRA show estimated farrow-to-finish losses averaging approximately \$C 39/head for the January to October period (source: OMAFRA).

Based on current costs, estimated cost of production in Ontario for November for farrow-to-finish is approximately \$170-180/head.

Hog prices are forecast to remain below cost of production from now until the spring of 2009. If feed costs were locked in right now for the next several months and hog prices are similar to those projected in Table 8, Ontario producers may start to see some profits in the second and third quarters of 2009.

**Table 8 Ontario Pork Forward Contract Prices, November 14, 2008**

(\$/100 kg dressed, index 100)	Forward Contract Price	10 Year Average Basis	Estimated Net Price
Period			
November 16—December 14, 2008	124.81	-10.66	114.15
December 15—January 15, 2009	140.87	-20.45	120.42
January 16—February 14, 2009	140.87	-8.53	132.34
February 15—March 15, 2009	158.06	-10.43	147.63
March 16—April 14, 2009	158.22	-6.49	151.73
April 15—May 15, 2009	174.64	-16.23	158.41
May 16—June 14, 2009	181.21	-2.43	178.78
June 15—July 15, 2009	178.37	-0.72	177.65
July 16—August 14, 2009	173.37	-0.63	172.74
August 15-September 15, 2009	159.76	+11.81	171.57
Average	159.02	-6.48	152.54

Source: Ontario Pork.

**Table 9 Forecast Hog Prices**

Quarter	Forecast Hog Prices		
	Lawrence (\$US/cwt live)	Grimes/Plain (\$US/cwt live)	Ontario Equivalent (\$C/100 kg, index 100)
Period			
October-December 08	46-49	46-50	133-145
January-March 09	48-51	49-53	139-153
April-June 09	62-65	58-62	168-188
July-September 09	62-65	60-64	174-188
Average	54-58	53-57	153-168

Source: September Quarterly Hogs & Pigs Report Summary, Glenn Grimes and Ron Plain; September Hog and Pig Report Summary, John Lawrence

Note: Ontario Equivalent based on Ontario Base Price Formula calculation using a \$C 0.85 = \$US 1 exchange rate. Does not include the estimated basis.

## Summary

Hog numbers will continue to be large during the fall and early winter but should start to fall below year ago levels as we move into the 2009 year. Prices will continue to be below estimated cost of production until the second and third quarters of 2009. A couple of positive factors right now though are the current decline in the Canadian dollar which is helping to boost Ontario hog prices and the latest bank interest rate cuts will both help with producer margins.

## **Ontario Quarterly Pig Inventory – September 1, 2008**

### **Introduction**

The specific purpose of this study is to develop greater market intelligence in the hog industry by collecting production data on a quarterly basis. The report is modeled off the USDA's Hogs and Pigs Report with respect to inventory categories and production intentions. The producer sample used was stratified by production size with surveys sent by mail, fax or e-mail to approximately 22% of the producer base. The results of this survey are estimated to be within +/- 10% for 95% of the time. Participating producers receive a more detailed summary of the results.

### **Results**

The Ontario Inventory of All Pigs on September 1, 2008 was 3.626 million head. This is up slightly from June 1, 2008 estimates by Ridgetown Campus (3.611 million head) and 12% above July 1, 2008 estimates provided by Statistics Canada (3.24 million head). The Breeding Stock Inventory is calculated to be 381.2 thousand head, which is down 3% from June 1, 2008 figures provided by Ridgetown Campus (392.7 thousand head) and slightly lower than the July 1, 2008 estimates provided by Statistics Canada (382.6 thousand head). The Market Hog Inventory was determined to be 3.245 million head which is up slightly from June values estimated by Ridgetown Campus and 14% higher than July values supplied by Statistics Canada.

With respect to producer intentions, Ontario farmers intended to have 183.6 thousand sows farrow during the June 2008 – August 2008 quarter and 190.3 thousand sows farrow during the September 2008 – November 2008 quarter. The average pigs saved per litter is estimated to be 9.05.

Quarterly marketing intentions are expected to be 1,362 thousand head for the September-November time period and 1,328 thousand head for the December-February time period. The intentions for marketing under the Pool or Pool Plus system is calculated to be about 11% of Ontario's quarterly marketings.

The intended market hog sales by quarter are:

<b>Quarter</b>	<b>Marketings ('000 Head)</b>
September-November	1,362.18
December-February	1,328.40

Estimated death loss figures for the June-August quarter were:

<b>Category</b>	<b>Death Loss (%)</b>
Under 60 lbs	7.4
60-119 lbs	0.9
120-179 lbs	0.9
180 lbs and over	0.7
All Categories	3.7

In summary, compared to Ridgetown Campus's June 1, 2008 inventory numbers, it would appear the Ontario breeding stock inventory was down approximately 3% while market pigs were up slightly on September 1. The recent U.S.D.A. Hogs and Pigs Report showed the U.S. inventory of all hogs and pigs on September 1, 2008 as being up 2% from September 1, 2007 and up 1% from last quarter. The U.S. breeding inventory was down 3% from a year ago and down 1% from June 1.

The next Ontario Quarterly Pig Inventory is scheduled for December 1, 2008. For anyone interested in participating in the next survey or if you would like more information please contact Randy Duffy at 519-674-1565 or [rduffy@ridgetownc.uoguelph.ca](mailto:rduffy@ridgetownc.uoguelph.ca)

*This newsletter was made possible due to the financial support of Ontario Pork through funding from the Agricultural Management Institute.*

## Funding support for this project



This project is funded in part through contributions by the Agricultural Management Institute (AMI), which is funded by the Government of Canada and the Province of Ontario under the Agricultural Policy Framework, designed to position Canada's agri-food sector as a world leader. The Agricultural Adaptation Council administers the AMI program on behalf of the Government of Canada and the Province of Ontario.

