

Daily Livestock Report

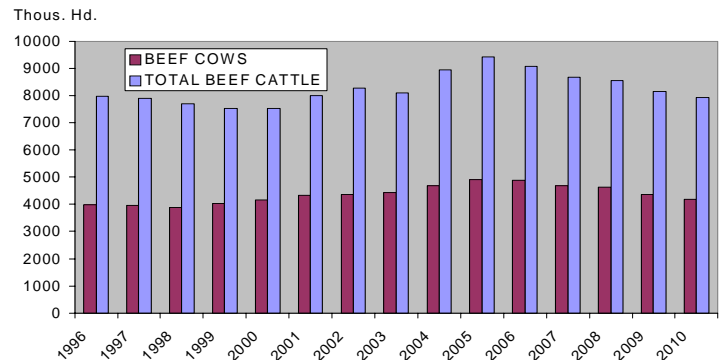
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Statistics Canada released on Tuesday its semiannual Cattle Statistics and quarterly Hog Statistics reports which provide government estimates of cattle and hog inventories. The theme for the Canadian beef and pork sectors is the same as that of their U.S. neighbors: Downsizing. But in Canada, the reductions are much more dramatic due to the negative impact of a strong Canadian dollar on Canadian producers' revenues. That same stronger Canadian dollar means lower costs as well but the exchange rate does not impact costs and revenues equally. For example, most Canadian observers estimate that about 50% of Canadian pork producers' costs are indexed to the value of the dollar while virtually all of their revenues are tied directly to the dollar. When a rising Canadian dollar (a downward move of the line in the bottom graph) reduces all revenue and only half of costs, it takes no math wizard to see the negative impact on profits. And thus declining cattle and hog inventories beginning in 2006 — well before the surge in feed costs that began in 2007.

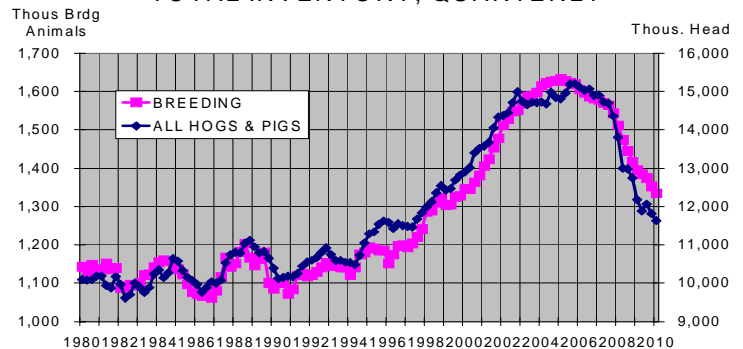
Some highlights from Tuesday's reports are:

- Total cattle inventory on January 1 of 13.015 million head was the lowest in 15 years. That total was 1.3% lower than one year ago.
- The 4.170 million beef cows on Canadian farms on January 1 were the fewest since 2000. The herd is also 4.3% smaller than on January 1, 2009
- The January 1 stock of all beef cattle was 7.924 million head, 2.8% lower than one year ago.
- Canadian cattle and calf slaughter in 2009 was 3.7% lower than in 2008 and Canadian cattle exports were down 32% from 2008 — a fact at least partially attributable to the U.S.'s mandatory country-of-origin labeling program which went into effect last year.
- Canada's hog inventory on January 1 was 11.6 million head, 4.5% lower than one year before. Of the major Canadian hog production provinces, the 2009 decline was the largest in Ontario at 236,000 head and 7.6%. Hog numbers dropped by 5.3% in Alberta as well. The smallest decline among the major hog provinces was in Manitoba (-1.9%), the home of Canada's newest and most competitive packing plant in Brandon.
- The January hog inventory was the smallest in 12 years.
- Canada's sow herd fell to 1.335 million head, 4.3% lower than one year earlier. That year-on-year decline compares to 4.5% in October and puts the Canadian herd nearly 300,000 head (18.3%) smaller than at its peak on January 1, 2005.
- Canada's pork producers farrowed 724,600 litters in the Oct-Dec quarter. That number is 7.9% lower than one year earlier and the report estimates the same year-on-year decline for the fall pig crop. These numbers do not square well with a dow herd that is only 4.3% smaller than one year ago.

CANADIAN BEEF COWS AND TOTAL BEEF CATTLE, JAN 1



CANADIAN HOG BREEDING HERD AND TOTAL INVENTORY, QUARTERLY



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