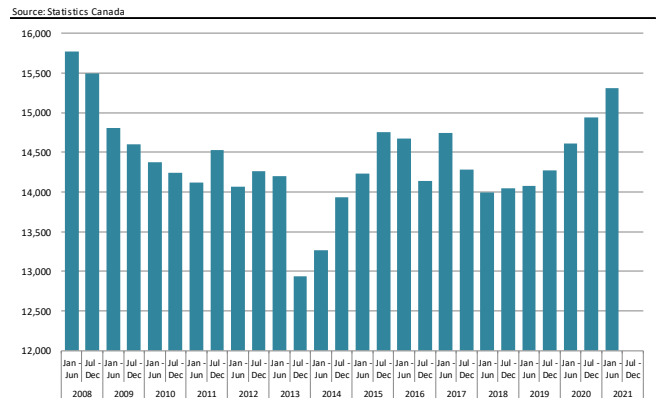


Yesterday we discussed the latest cattle inventory numbers in Canada and the implications this has for North American beef production. Today we will shift our focus to hog production in Canada during the first half of the year and current breeding stock and supply implications for the rest of 2021 and 2022.

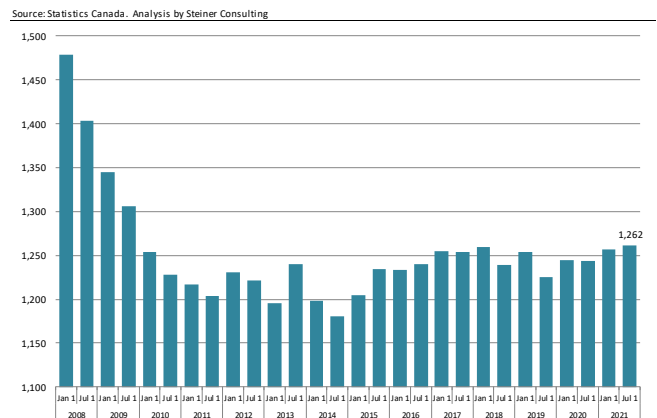
- Despite a challenging environment in 2020, **Canadian hog producers have managed to retain the breeding stock and increase overall production.** According to the latest data from Statistics Canada, the pig crop in Canada during the first six months of the year was 15.310 million, 697 head or **4.8% higher than the same period a year ago.** Barring any downward revisions in the future, this would be **the highest semi-annual pig crop in Canada since 2008.** Production is fairly evenly divided between Eastern and Western provinces in Canada. The pig crop in Eastern provinces for the Jan-Jun period was estimated at 7.778 million head, up 4.5% from the previous year. Pig production in Quebec accounted for almost half (47%) of the total pig crop in the Eastern Provinces. We note this since producers in the region have been significantly affected by the strike at a major Olymel plant, a strike that has been ongoing since May. Recently it appeared that both sides had come to an understanding to resolve the labor action but when put to a vote the union struck it down and both sides are back to the bargaining table. **The reduction in processing capacity has resulted in more Canadian hogs shipped to the US for processing.** As we have noted previously, this has contributed to the **widening spread in cash prices for hogs traded in the Eastern Corn Belt vs. hogs traded in the Western Corn Belt.** In the last five days, prices in IA/MN has been about \$8/cwt higher than prices in the ECB. Between Jan 3 and August 14, US imported 759.3k Canadian slaughter barrows and gilts, a little over **500k head or 204% more than the same period a year ago.** The increase in the number of slaughter hog imports alone added 0.6% to total US hog slaughter during this period. In addition, US imports of feeder pigs from Canada during this period were up another 432k head or 17% from a year ago, which has further added to the overall supply.

- US hog breeding stock numbers have been declining for the last couple of years. Between December 1, 2019 and June 1, 2021, **the breeding herd inventory in the US is down 241k head or 3.7%.** However we do not see that trend playing out in Canada. The breeding stock in Canada as of July 1 (they are off by a month in their survey vs. US) was 1.262 million head, 0.4% higher than six months ago and **1.4% higher than at the start of 2020.** The breeding stock in the Eastern provinces was 665k head, up 10k head from six months ago. In Quebec, the breeding stock was 318k head, down 5.5k head or 1.7%. In the Western provinces the breeding stock was estimated at 606k head, up 14.4k or 2.4% compared to six months prior. What has been especially impressive in the last two and a half years is the steady improvement in productivity. The ratio of semi-annual pig crop vs. the breeding stock has been steadily improving and it is now at the highest level in at least 15 years. **Strong productivity growth and higher breeding stock should bolster Canadian pig supplies in the second half of this year,** helping offset some of the reduction expected in US hog numbers.

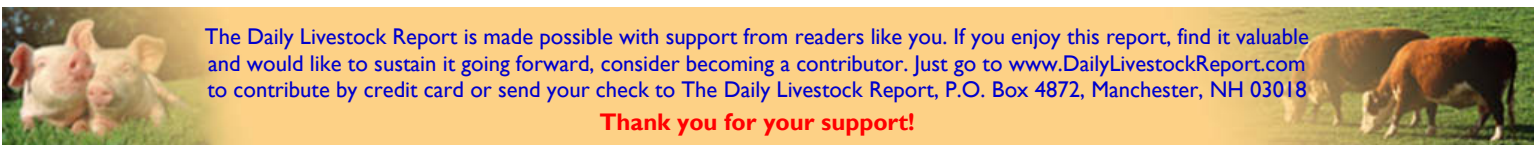
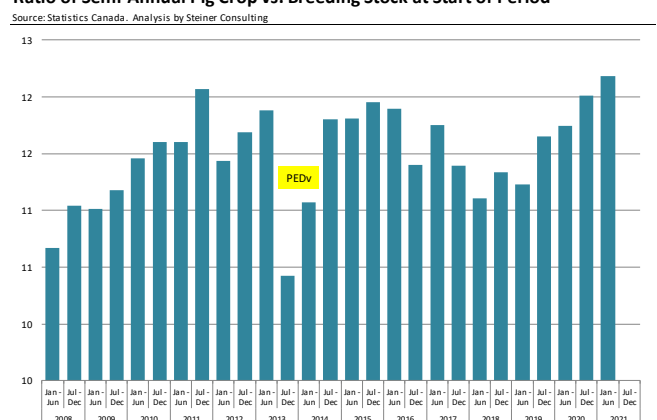
CANADA PIG CROP. SEMI-ANNUAL PRODUCTION. '000 HEAD



CANADA BREEDING STOCK. SOWS + BOARS. '000 HEAD



Ratio of Semi-Annual Pig Crop vs. Breeding Stock at Start of Period



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