



Canadian Pork Council
Conseil canadien du porc

CANADIAN PORK PRODUCER LOSSES AS A RESULT OF COVID-19

April 23, 2020

COVID-19 is having a significant impact on Canadian pork producers. While 2020 was originally expected to be a profitable year for Canadian hog farmers, the hope of a strong year has been replaced with despair.

The impact is a result of:

- Reduction in processing capacity that has reduced processor demand for market hogs.
- Disruption in food service and retail that has eliminated demand for some cuts of pork.
- Disruption in global markets that has impacted Canada's ability to export pork to major export destinations.
- Due to the integrated nature of the North American pork industry, impacts in Canada are amplified by the impacts and market disruptions in the United States.
- The US emergency relief has put Canadian farmers at a disadvantage by eroding Canadian competitiveness in markets in North America and around the world.

Impacts on market hogs:

- According to the CPC model farm, a representation of the typical Canadian hog farm that is used to predict, profit and loss and the corresponding program payments, hog farmers are expected to lose a minimum of \$25 a hog for every market hog they sell in 2020.
- The model estimates that losses in May will be almost \$40 a hog and in June will be more than \$50.
- Based on the government's AgriStability program calculations, farmers will lose \$30/hog compared to their historic Reference Margin. This is the standard approach used by FPT governments to calculate program payments.
- Estimates based on costs and revenue for Western Canadian hogs predict that the average loss could be as high as \$50 a hog compared to the 5-year average hog production cost.
- Canada slaughters 21,000,000 hogs. At a \$30 loss per hog, Canadian farmers will lose \$630 million in 2020 compared to their Reference Margin.

Impacts on isoweans:

- Impacts on isoweans are in addition to the financial impact on market hogs.
- Isowean piglets are born in Canada and Canada typically markets approximately 4,000,000 piglets to the United States.
- As a result of the backup in the supply chain, some farmers are no longer able to find a market for their isoweans, and those that do have found their value reduced to almost nothing.
- Canadian farmers expect to lose at least \$10 per isowean in 2020, a minimum impact of \$40,000,000 million.

Consequences:

- The quick, deep decline in market prices has pushed farmers into a cash crisis where they can no longer cover the cost of their operations.
- Inventory value of market hogs, isoweans and sows has been reduced to almost nothing, limiting the ability of a farmer to secure credit. Even if a farmer could take on more debt, they will not likely be able to pay it back.
- Some farmers have already been forced to slaughter market hogs and dispose of the meat because they cannot find a market for it.
- Some farmers are aborting sows because of the financial impact of having piglets born with no market for them.