

HOG PRICE REPORTING IN CANADA

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INTRODUCTION

Hog price reporting in Canada has historically been performed by the various mandated single desk selling agencies that were established in the early 1970's in most provinces. Many of these marketing systems were originally set-up because of serious concerns about the income distribution between producers and packers. The system was intended to give producers economic power and reduce total costs of marketing. These agencies were given exclusive authority to negotiate prices with packers on the basis of grading grids in each province, pool returns to producers, and provide a number of other services. However, today many of these agencies have lost their exclusive marketing powers and are in a state of flux as they try to add value through the services they provide to their memberships.

The Canadian hog-pork sector has experienced tremendous growth by moving from a situation where production and consumption were more or less in balance in the 1970's to now where exports represent approximately 60% of total pork production. Still, despite this growth in pork production, consolidation has occurred in all segments of the supply chain as retailers, meat processors, and producers respond to changing market forces and try to maintain a competitive edge by trimming costs. In Ontario, at the production level, the number of farms in the swine class of 1 to 77 animals decreased by 50.5% between 1996 and 2006. At the other extreme, in the largest swine farm class of 4,685 animals and over, the number of farms increased by 245% during this time period.

Given this back drop of industry change, Ontario faces the complicated questions of what is the most effective and efficient hog marketing system to embrace and what services should be provided to the sector, such as price reporting.

PURPOSE AND METHOD

The purpose of this document is to describe how market hog prices are reported across Canada. Specific components to this question include: (i) frequency of price reporting?; (ii) who does the price reporting?; (iii) what does the price mean with respect to transportation, premiums, discounts, grids, volume of animals, etc? and (iv) how is the price formulated that gets reported?

The information used to compile this report was obtained either electronically or by telephone interview with individuals responsible for price reporting in their respective province (e.g. general managers of marketing organizations and provincial marketing specialists). It should be noted that this report has some possible limitations including misinterpretation of information, collection methodology, and the limited number of individuals contacted.

FINDINGS

Below are the summaries of the conversations and electronic notes provided by the various provincial contacts.

Alberta

Since removal of single desk marketing in 1996, Alberta has had no official price reporting. This function has been left up to marketing organizations such as the Western Hog Exchange (WHE) and independent dealers to report as each sees fit to their clients. The provincial government does not make any reports available to the public from data collected by them. However, the province may quote prices as supplied by others such as the WHE and other independent dealers. Individual contract prices that have been struck between producers and processors are not reported to the public.

The WHE supplies a daily price report to its members that provides information on the hog futures, Canadian dollar, U.S. hog prices (i.e. Iowa/Minnesota), U.S. daily hog slaughter, a base hog price for WHE members, and some commentary on the grain markets.

Saskatchewan

The marketing organization, called SPI, reports both a daily price, which is the Maple Leaf Foods Signature 3 base 100 contract price, and a weekly price, which is the average of the Signature 3 daily prices for the week. The Signature 3 contract price is the U.S. Western Corn belt price times a factor of 1.833 times the daily exchange rate. All prices are quoted as FOB the plant. It was stated that the SPI daily price reported does vary slightly from the Manitoba Pork Marketing price (discussed below) because SPI's prices have marketing service charges deducted.

Manitoba

In the province of Manitoba, there are 3 different price reports available to the public. The first report is published weekly by the provincial government and is referred to as an all-in-slaughter price. This price represents the total dollars paid for hogs within a week by the two main federally inspected plants that are located in Manitoba. This price is FOB the plant and includes all premiums, discounts, grid adjustments, etc. The price is calculated by using the variables of total dollars paid out, weight per animal, and number of animals slaughtered during the week.

The second price series that is publicly available in Manitoba is the one supplied by Maple Leaf Foods and it is on a weekly basis. This price series is to reflect the Signature 3 contract prices which is the majority of the animals slaughtered at the Brandon plant. This price series is a base price before any premiums, discounts, and grid adjustments.

The third price series that is published in Manitoba is supplied by Manitoba Pork Marketing and is distributed daily. This report calculates the base price for the two largest federally inspected plants in the province at 100 index. As stated above in the Saskatchewan section, the base price used by Maple Leaf is the Western Corn Belt price times a factor of 1.833 times the daily exchange rate.

Quebec

All prices reported in Quebec are supplied by the FPPQ (Federation of Quebec Pork Producers) on their website. The first price series released by the FPPQ is an average price which is reported daily and is based on 3 different price series and they are: U.S. base price which uses the LH201 report - 50% of the hog volume; English type auction – 25% of the volume; and Dutch auction – 25% of the volume. The second price series reported is a pooled price that accounts for all collective marketing expenses.

All prices reported in Quebec are FOB the plant and exclude premiums, discounts, and grid adjustments. Further, the prices are formulated at 100 index.

Prince Edward Island

The PEI Hog Commodity Marketing Board puts a calculated weekly price on an information tape so that producers can dial-up to obtain a 100 index price for pigs delivered to the Larson slaughtering plant located in Nova Scotia. This plant uses the Ontario Pool and Pool Plus price plus 4.5 cents per kg to calculate a 100 index price.

SUMMARY

Price reporting varies by province depending on the marketing system in place. In Western Canada, where single desk selling has been removed, most of the price reporting has been picked up by the marketing organizations that have been established in each province (i.e. WHE, SPI, and Manitoba Pork Marketing). Typically, each one of these organizations reports a base contract price that has been formulated off a U.S. price series and adjusted for exchange rate and index. In Quebec, where single desk selling has been maintained, all price reporting is done by the FPPQ.