

Producer prices at a glance: The rise of pork prices, 2012 to 2014

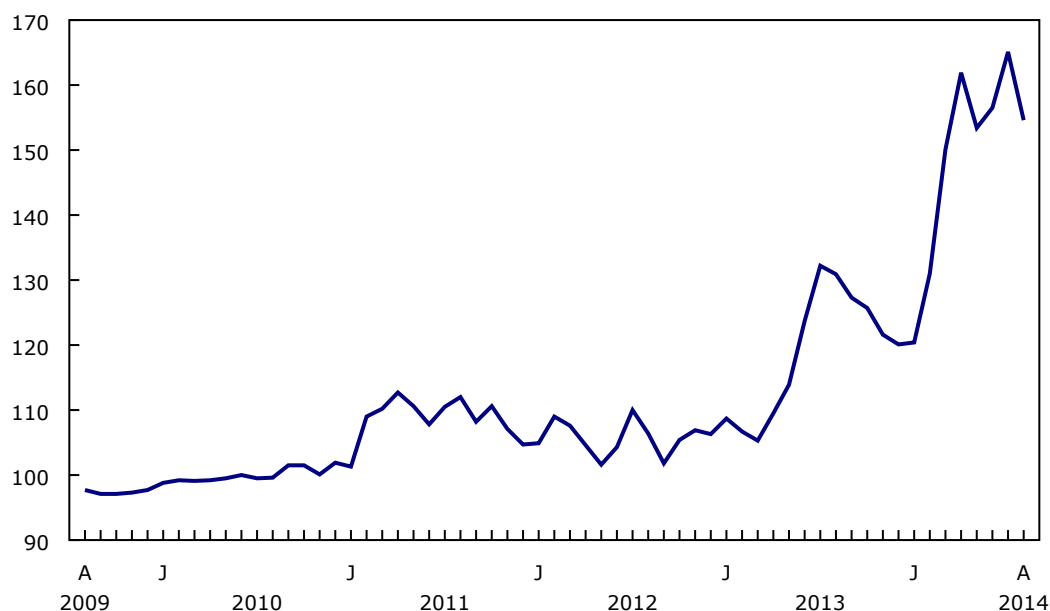
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The manufacturer's price (manufacturing gate price) for fresh and frozen pork was relatively stable between 2010 and 2013. As a seasonal product, however, some upward movement in the spring is common with higher demand due in part to the start of the summer barbeque season. Between May and July 2012, the price of fresh and frozen pork increased by 8.3%.

In the spring of 2013, the price of fresh and frozen pork again began to rise, but the increase was much sharper compared with recent years, climbing 16.1% from May to July. Prices rose again in early 2014, with fresh and frozen pork prices rising 34.5% from January to April.

Chart 1
Fresh and frozen pork

index (2010=100)



The main reason for the higher prices can be traced to supply concerns. In May 2013, the United States reported its first case of the Porcine Epidemic Diarrhea Virus (commonly known as PEDV). PEDV has a substantial economic impact because it is highly contagious and survives well in cold weather, resulting in significant mortality rates in piglets. To date, the virus has killed millions of hogs, mainly in the United States. In January 2014, PEDV was first reported on Canadian farms.

As of 2013, the United States was the second largest pork exporter in the world after Germany, exporting over \$4.4 billion. Canada's pork exports were roughly half that, with just over a quarter destined for the United States. Given the size of the US pork market relative to the Canadian market and the proximity of the two nations for trade, Canadian hog prices are strongly influenced by prices in the United States. As such, the supply of hogs in the United States has had a large impact on the price in Canada. Between May and July 2013, the price of Canadian hogs rose by 16.5%, while between January and April 2014, prices rose 55.5%, ultimately driving up the price for fresh and frozen pork.



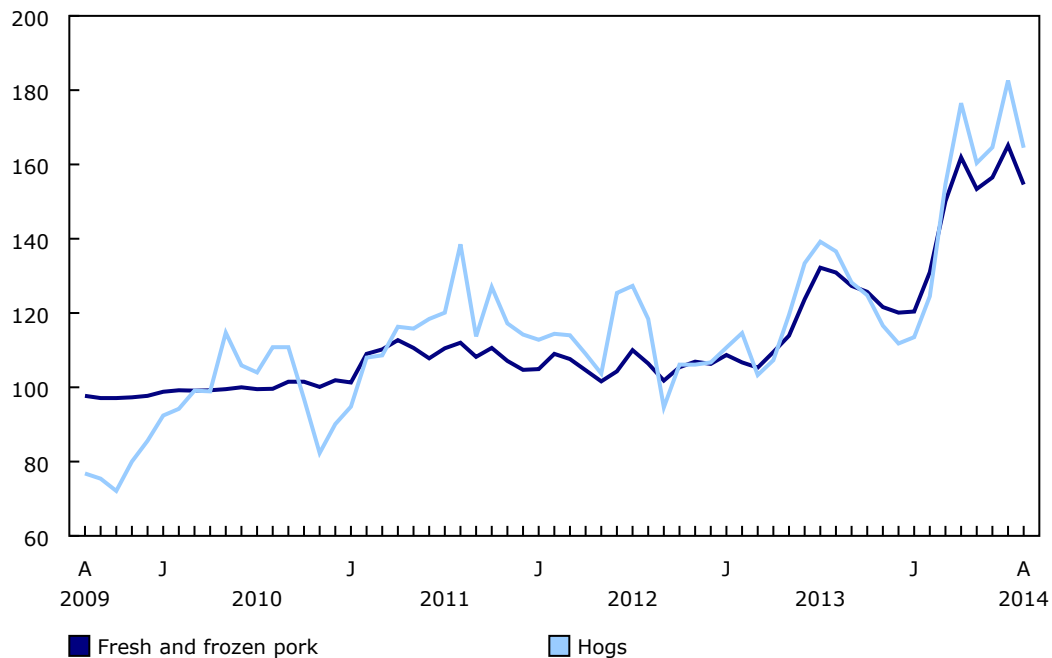
Table 1
Top exporters for meat of swine, fresh, chilled or frozen, 2013

	Value	Share of total exports
	millions of dollars	%
Total exports	30,852	100¹
Germany	5,290	17
United States	4,434	14
Denmark	3,393	11
Spain	3,171	10
Canada	2,556	8
Other countries	12,009	39

1. Figures may not add up to 100% as a result of rounding.
Source: The United Nations Commodity Trade Statistics Database.

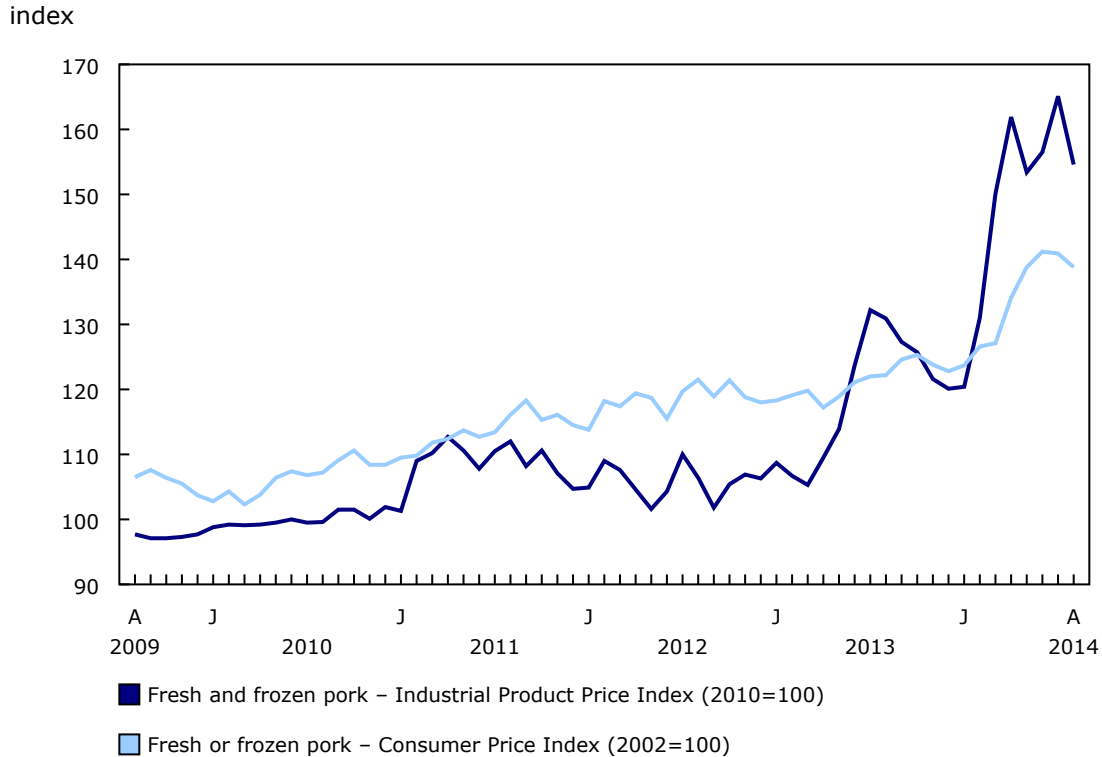
Chart 2
Price of hogs driving up the price of fresh and frozen pork

index (2010=100)



While the manufacturing price for fresh and frozen pork rose sharply in May 2013, the Consumer Price Index (CPI) did not reflect the magnitude of these increases. In 2014, prices began to rise in February and the CPI did not reflect the impact of these increases until April. There are a number of factors that may contribute to lags in price changes between the manufacturer and the consumer, such as consumer demand, market uncertainty, inventory management, as well as contracts between retailers and suppliers.

Chart 3
Price lag between producer and consumer



Following substantial price increases for both fresh and frozen pork and hogs earlier in 2014, prices fell sharply in May. The largest cost for hog farmers is feed, primarily meal composed of grains such as corn and barley. Since July 2013, the price of grain corn and barley has generally been declining. In May 2014, the price of grains in Canada was down 18.5% compared with May 2013. With fewer hogs and lower prices for swine feed, it was economical for farmers to increase the weight of their hogs to achieve a heavier weight at the slaughter house.

Heavier hogs at the slaughter house, coupled with an over anticipation of the impact of supply disruptions, resulted in more output than expected. Therefore, prices for fresh and frozen pork fell in May 2014.

Chart 4
Price of grain corn and barley

index (2010=100)

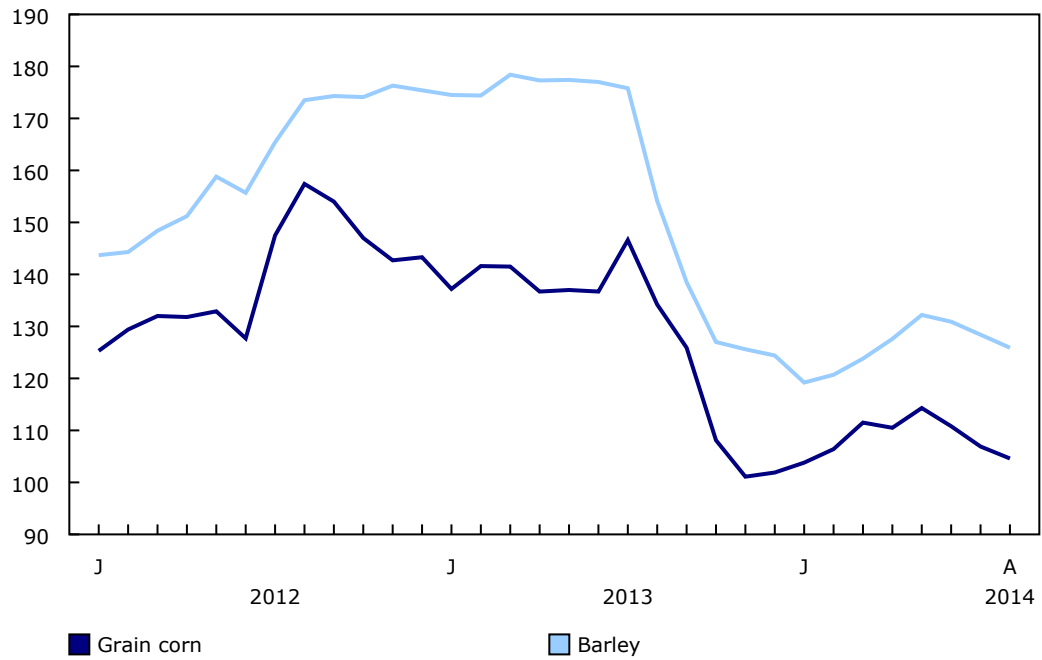
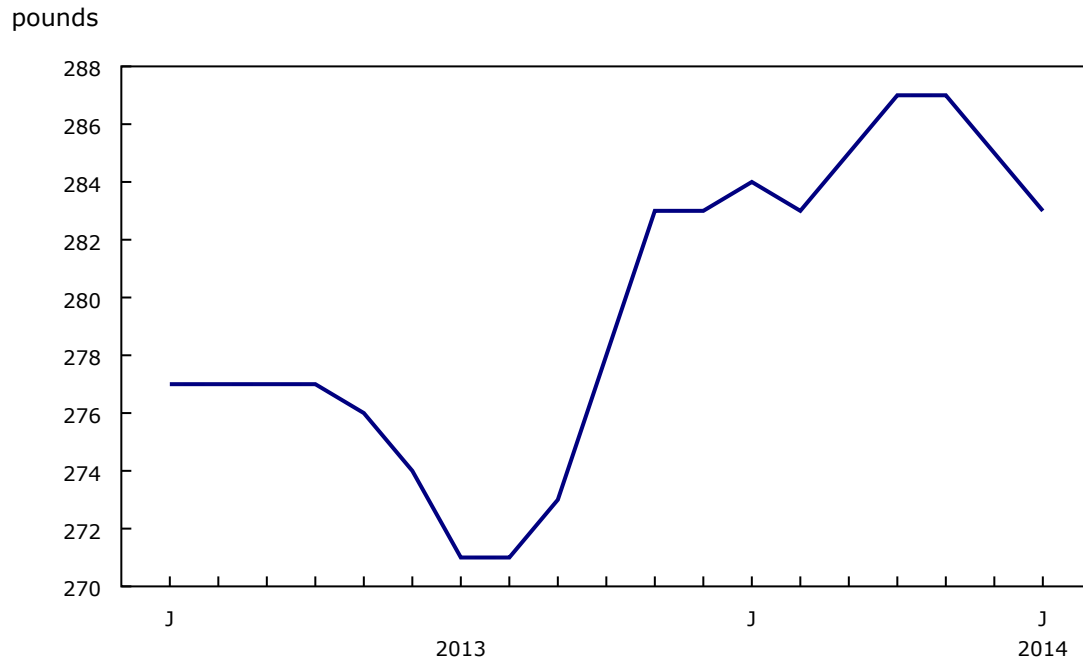
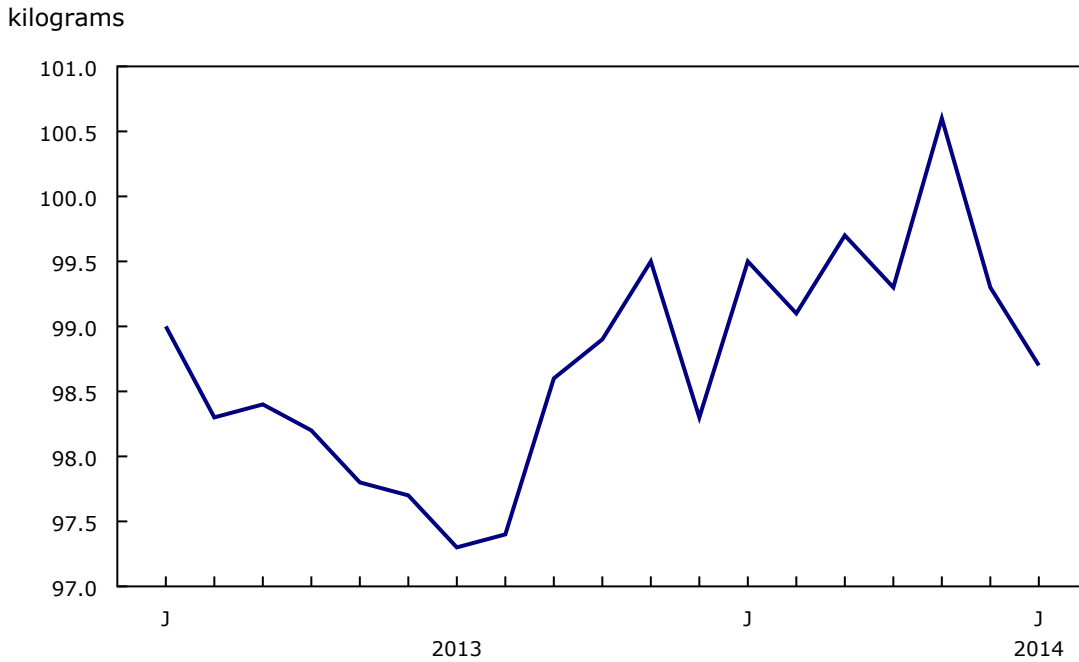


Chart 5
Monthly commercial slaughter average live weight hogs, United States



Source(s): United States Department of Agriculture.

Chart 6
Pre-slaughter hog weights, Canada



Source(s): Agriculture and Agri-Food Canada, Red Meat Market Report.

The spread of the PEDV on US farms had a substantial upward impact on Canadian hog and fresh and frozen pork prices. Lower feed prices, however, led to higher slaughter weights for hogs, which in turn increased supply and dampened subsequent price increases.

Note to readers

Data in this article are available in the following CANSIM tables:

Table 326-0020: Consumer Price Index.

Table 329-0075: Industrial Product Price Index.

Table 330-0008: Raw Materials Price Index.

Additional data were obtained from the United States Department of Agriculture and Agriculture and Agri-Food Canada (Red Meat Market Report).

Definitions, data sources and methods: survey numbers 2301 and 2318.

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