



## Canadian Pork Cutout?

*Summary: Canada does not have a Canadian pork cutout report, like the United States. This note points out that while such a Canadian report would be interesting and useful, the industry is making good use of the USDA report. Not only that, but given the open market in hogs and pork between the two countries, Canadian prices are very similar to those in the U.S. Maybe a Canadian report would be a little redundant.*



### No Equivalent Canadian Report

There is no official government or industry organization reporting of wholesale prices at the packer level of the industry in Canada. The USDA has packer-sourced pork cutout reports on a daily and weekly basis. There is no Canadian equivalent to the USDA pork cutout reports. There are private industry pork price sheets that are published by meat trading

companies for the use of their clients. Those prices and trades are of limited scope and are not widely available. Statistics Canada publishes an Industrial Product Price Index. That IPPI tracks price changes at the pork industry wholesale level. The IPPI is an index and is not a report of actual pork packer wholesale prices.

Canfax, a market analysis unit of the Canadian Cattle Association, used to produce a Canadian beef cutout report. That was stopped in early 2020. The termination was likely due to confidentiality concerns, given that only two packers comprise 85% of Canadian beef production.

There is often a discussion about creating a Canadian pork cutout report. That would be a report on the pork cut prices that Canadian packers receive from domestic, U.S. and perhaps Mexican sales. A pork cutout report such as the USDA report consolidates the prices of all the pork cut sales into a per head value based on the yields of those cuts.

Such a report, whether daily or weekly would be a useful marketing, procurement and pricing tool for Canadian packers, processors and retailers. Producers might also want to use a Canadian pork cutout for formula hog pricing.



Further to that last point about producers, one reason for calling for a Canadian pork cutout report is the periodic argument that Canadian hog producers need a “Made in



Canada price.” A Canadian pork cutout presumably would play a role in generating a Canadian-based hog price.

While there are good reasons for a Canadian pork cutout, it has not been seen as necessary or a priority. The Canadian industry has been operating effectively for ever without such a sheet. One of the reasons it has not been necessary is that the USDA report is applicable and widely used in Canada. The following are some of the reasons why that is a sound and sensible practice for the Canadian industry.

## **Arbitrage Eliminates Differences**

Canada and the U.S. are one market for hogs and pork. Domestic market structure and pork product flows are very similar in Canada and the United States. As such, a single North American market will have price levels that are similar across regions of that one market. Given free trade in hogs and pork cuts and given the ability to move hogs and pork rapidly and nearly seamlessly, arbitrage will take place. Recall that arbitrage is the purchase and sale of products in different markets to profit from a difference in its price. Open trade and arbitrage will reduce or eliminate price differences between Canada and the U.S and within regions of the two countries.

Closely related to that point is the reality that the U.S. is a much larger market and much larger pork producer. The fact that pork is, and always will be a commodity, means that Canadian pork prices will reflect those in the U.S.

Another reason for the similarity of pricing between the two countries is that Canada produces far more pork than is consumed domestically. Therefore, a larger share of pork must be exported compared to the United States. A large share of those exports goes to the U.S. A region such as Canada which has production greater than consumption must price pork on a globally competitive basis. It cannot differ much from the U.S., a large market and global competitor.



There is no basis to assert that the Canadian pork market generates a unique pricing environment compared to the United States.

## **Statistical Correlation**

Statistical analysis has been done between the Canadian pork IPPI and the U.S. equivalent to that index. That analysis showed a strong statistical relationship between the two countries for the processing type cuts such as hams and bellies. There was a weak relationship between the cuts typically sold by packers to retailers for fresh sale such as loins and ribs.

Statistical analysis has also been done between private Canadian pork wholesale price reports and the USDA cutout. That analysis also showed strong statistical relationships between the processing cuts but less so with the loins. There was a strong statistical relationship between the entire USDA cutout and a proxy Canadian cutout.

The summary point is that there is clear statistical relationship and connection between pork prices in Canada and the United States. The price movements are very close on a weekly and monthly basis. This is particularly so for the processing-type cuts such as hams, bellies and picnics. The statistical results contribute to the obvious assertion that Canadian prices are determined by U.S. prices. The available pricing data, even with its notable limitations, confirms that Canada and the United States are one pork market.

The common sense, sound argument that Canadian and U.S. prices are closely linked due to open trade, is confirmed by the available pricing data. As an aside, statistical analysis showed a very high statistical correlation between the Canfax cutout and the USDA beef cutout.

## **USDA Report is Widely Used in Canada**

It is also of interest to note that the USDA pork cutout report is used nearly every pork buyer and seller in the United States and Canada (and around the world). Uses include the following:

- Formula pricing factor between companies.
- Contract pricing factor.
- Transfer pricing factor within companies.
- Price negotiation.
- Performance appraisal.
- Hog pricing.

This widespread use of the USDA report in Canada is further evidence of the fact that U.S. prices are applicable in Canada.

## Company to Company Variation

This is not to say that any one or more companies do not do better or worse on their pricing than the USDA report. Companies in Canada and the US always strive to do better than the prices on the USDA report. Some Canadian packers will offer a superior product based on trimming specifications or other factors. They may consistently generate higher values than the USDA report. Other companies on both sides of the border may consistently generate weaker prices than the report. Their focus may be on efficiency versus value-added. A company difference from the USDA report does not mean that there is a unique Canadian market. It just means that there are maybe distinctive Canadian companies with differing competitive strategies.

For their part, Canadian and US pork buyers also strive to buy cheaper than the USDA report. They take pride on buying under the report.



The bottom line is that the USDA report is a good measure of the Canadian pork market. It is widely used by Canadian packers, retailers, distributors and processors as a pork pricing benchmark. If Canada were to generate a Canadian pork cutout, the price on the report would probably look a lot like the USDA report, adjusted for the exchange rate.

A handwritten signature in black ink, appearing to read 'K. Grier'.

Kevin Grier. December 2025