Make Informed Decisions

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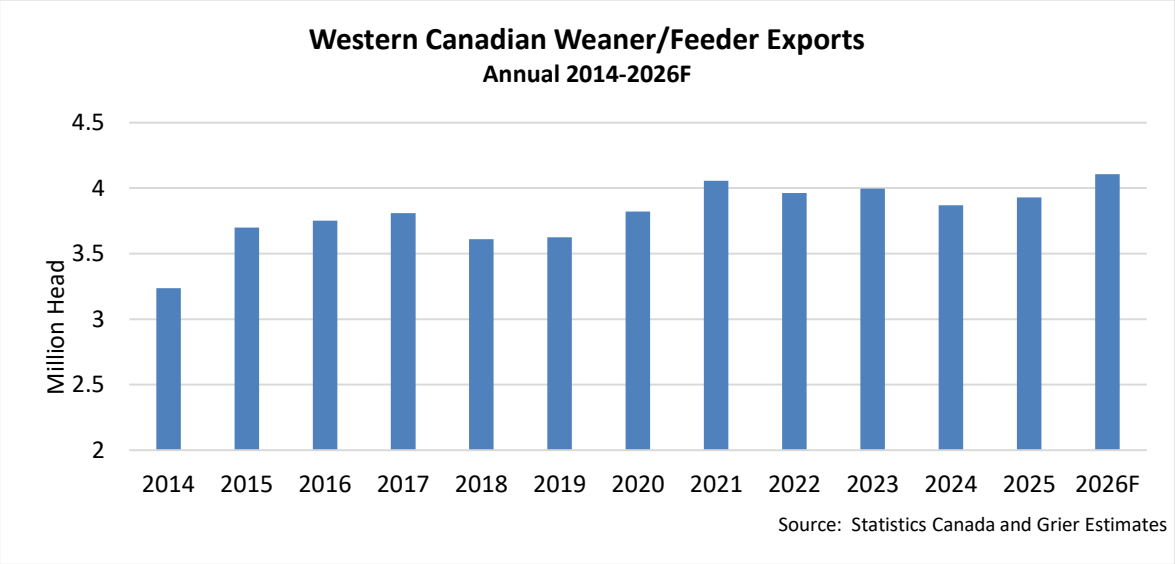
Explaining Eastern Live Hog Exports

Surge in Eastern Weaner Exports

The volume of Canadian weaners and feeder pigs traded to the United States is projected to reach about 5.6 million head in 2026, up 6% from about 5.3 million head in 2025. Western exports are expected to increase by 4 to 5%, while eastern Canadian shipments are likely to increase by 13% compared to 2025.

Western Predictability

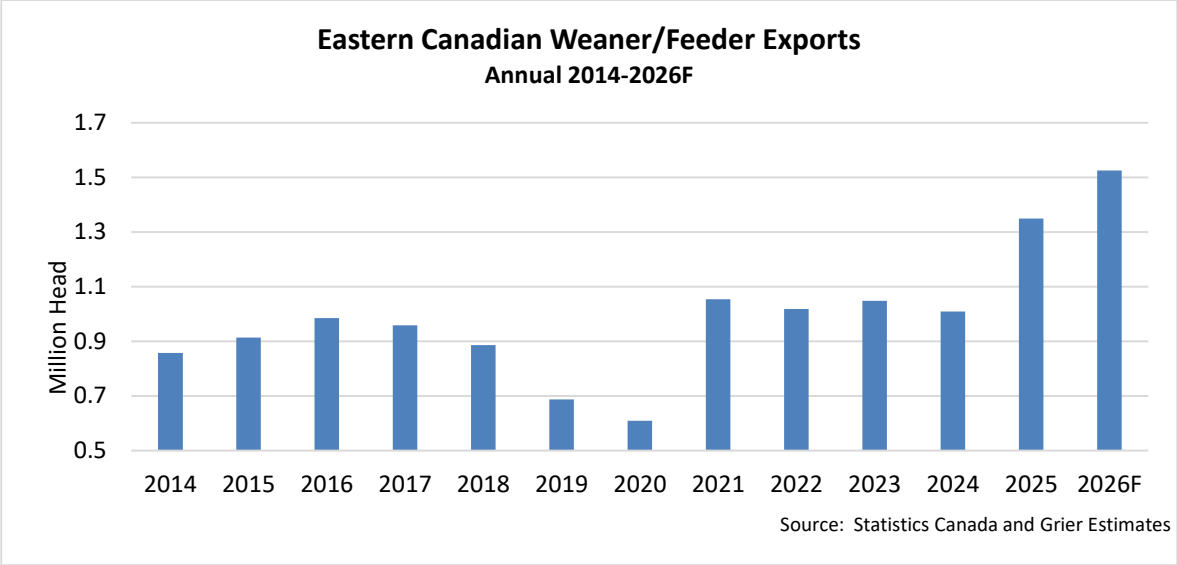
The western total will likely reach a record 4.1 million head this year. Despite that record volume, western exports remain generally predictable and steady flow. Volumes have generally trended within a range of 3.5 to 4.0 million head per year.



Eastern Volumes Soar Higher

While the west can be characterized as a steady and predictable supplier, the eastern volumes have recently proven to be exceptionally large. As noted, volumes are expected to increase by about 13% in 2026 compared to 2025. However, 2025 was already an unusually

large volume year with shipments 34% above 2024 levels. For additional perspective, 2026 volumes are projected to be 72% greater than the 2015-2019 average.



Huge Growth in Pig Crop

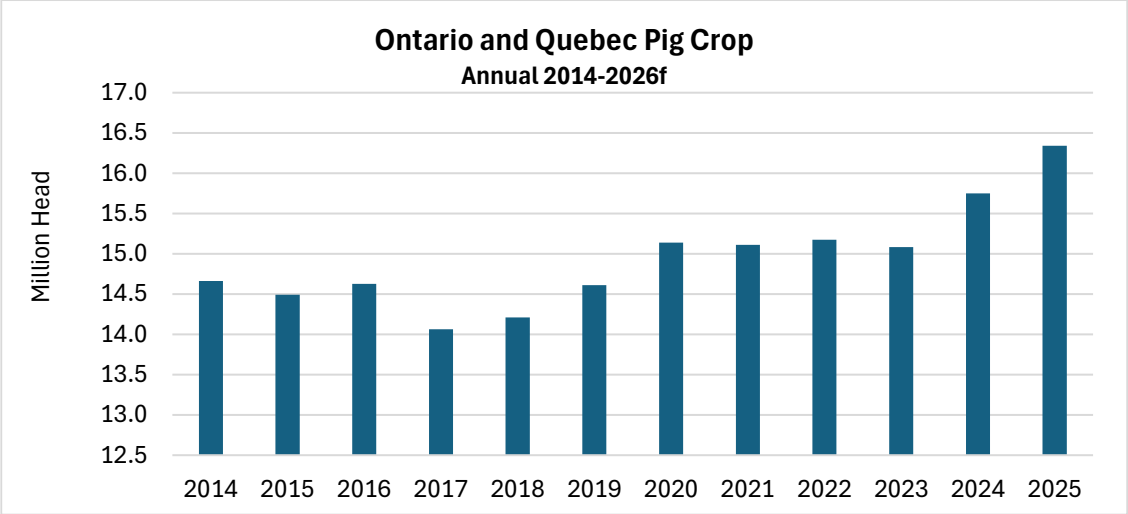
The first reason for the sharp increase in exports over the past two years is the availability of pigs. As noted previously, the Canadian sow herd has been generally stable to lower for many years. In eastern Canada the average annual growth rate of the sow herd declined by 1% per year between 2021-2026. Part of this decline was due to the Quebec producer program which encouraged downsizing. That program sought to balance marketings with the reduced slaughter capacity in the province.

Within that context, however, Ontario and Quebec pig crops continued to grow despite a generally flat or declining sow herd. The Quebec pig crop is expected to reach 7.6 million head in 2026, up 3% from 2022. Quebec pig production increased by 300,000 head in 2025 and is expected to grow by another 350,000 in 2026. The Ontario pig crop is at 8.8 million, up 13% from 2022. The Ontario pig crop is expected to increase by more than 600,000 head over 2025 and 2026 combined.

Clearly the flat sow herd was offset by a big increase in productivity and the resulting increase in pig availability. As seen on the graph below, the surge in pig crop production coincides with the surge in exports of weaners and feeder pigs. Improved productivity has been the primary driver of the increased movement of weaners and feeder pigs from eastern Canada to the United States.

Further to that point, Ontario and Quebec slaughtered about 12.1 million hogs in federally and provincially inspected plants last year and are expected to slaughter about 12.3 million this year. Given that the combined Ontario and Quebec pig crops averaged about 16

million head in each of those years, the supply is clearly available to support increased shipments to the United States.



Demand Pull and Adjustments to Olymel Changes

The above noted points indicate that the increase in exports has been driven primarily by the greater availability of pigs. Until the last two months, however, strong U.S demand also provided a significant pull factor. Very profitable weaner and feeder pricing enticed eastern Canadian producers to package all available pigs to the United States after meeting their contract obligations in eastern Canada. In addition, some producers also adjusted their business models to focus on supply of weaners to the U.S. market. The catalyst in those cases may have been the dramatic changes in marketing patterns in Ontario due to the Olymel rationalization.

Notwithstanding the recent increase in volume, there has always been a steady flow of weaners and feeder pigs out of Ontario. The steady flow numbers likely outweighs the opportunistic sales by a material amount. During higher-priced winter months or periods of robust margins, however, the share of opportunistic selling tends to increase relative to the normal flow. In addition, exports from Quebec have increased over the past two years. A material share of the increase is likely attributable to Olymel hogs or affiliated hogs. This, in turn, may reflect adjustments to changing marketing options in Quebec, combined with the robust pricing opportunities to the south.

The bottom line is that eastern Canada has undergone a material structural change in hog marketing patterns. This shift has been driven by changes at Olymel and increasing pig supplies due to productivity gains.

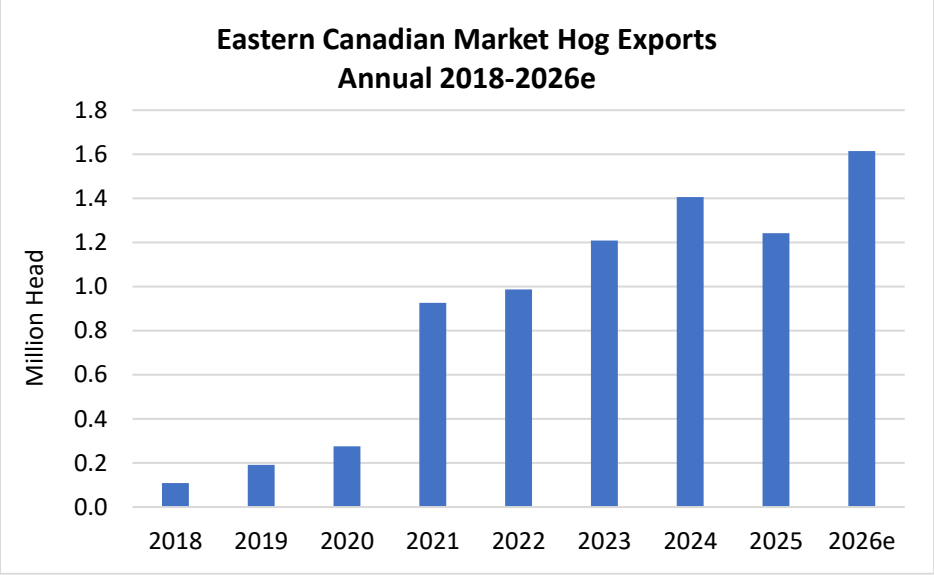
Structural Change in Market Hog Exports

The first part of this report focused on explaining the surge in eastern Canadian weaner exports this year. One of the key explanations for that development was a notable increase in the eastern-- and particularly the Ontario--pig crop. It is also of note that eastern Canada has been increasing its shipments of market hogs to the United States.

Huge Gains in 2026

Eastern market hog exports averaged about 32,000 head during the four weeks ended October 10. That is an increase of about 5,000 head per week year-over-year. By comparison, the 2019-2024 average was just 18,000 head.

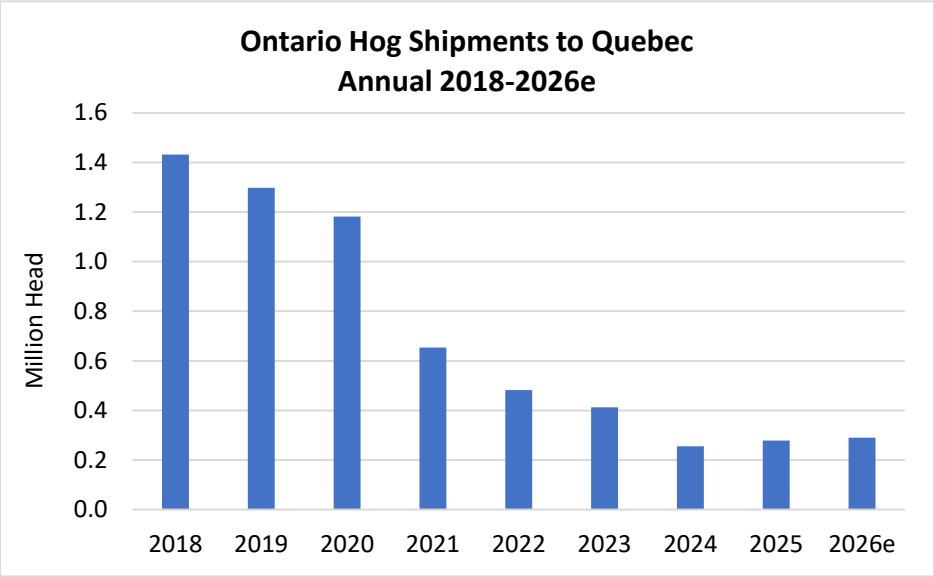
This year, eastern market hog exports will likely hit over 1.6 million head, which will be an increase of about 30% over 2025. In 2018 the volume from the east was just 100,000 head.



The growth in Eastern market hog exports has been a recurring topic in this report, reflecting a major alteration in hog marketing patterns. It also showed how demand and supply adapted to a huge change in the Quebec packing sector. Of course, Quebec hog packing sector change was the closure of the Olymel Princeville and Vallee Jonction, both in the Q4 of 2023.

Structural Change

Those closures nearly eliminated Ontario hog shipments to Quebec, apart from specialty hogs or other unique circumstances. Not surprisingly, the decline in shipments to Quebec almost perfectly mirrored the increase in shipments to the United States.



That dramatic change is not temporary; it is structural in both depth and scope. While movement to the U.S. may not have been a seller's first choice, the structural change must be viewed as an operational success. Those hogs have found a dynamic and competitive market, when the only alternative was dramatic downsizing. Analysts, including myself, initially viewed this surge in live exports as unsustainable and expected volumes to decline, rather than expand as they have.

New Partners

A primary destination and a key partner in this structural realignment is the Clemens Food Group plant in Coldwater, Michigan. Opening in September of 2017 as a single-shift operation processing about 10,000 to11,000 head per day, the plant was designed to eventually scale to a double shift reaching 20,000 head per day. That second shift has been evolving and building over the past two to three years, following the introduction of a modified second shift in late 2023. At the start of 2026, daily capacity was split between at the 10,000 head on the day shift and roughly 6,000 to7,000 in the afternoon shift. As of now, the plant is harvesting about 19,000 to 20,000 head per day across both shifts.

That successful double shifting has been critical to Ontario hog producers. The Clemens plant in Coldwater is about 4-5 hours or 430 kilometers from Stratford, Ontario. That plant is probably the market for roughly half the Ontario market hogs that are exported to the United States.

Another important U.S. packer for the eastern exports is J.H. Routh Packing in Sandusky, Ohio. Routh packing facility is likely the destination for about 40% of the Ontario exports. That plant is also about 4-5 hours or 430 kilometers from Stratford, Ontario. The plant

operates at a daily capacity of about 3,000 head, making Canadian hogs an important part of their supply base.

Rantoul Foods, based in Rantoul, Illinois, has also been an important part of the market. It has capacity for about 8,000 per day and is about eight hours from Stratford. However, exports volumes to Rantoul have likely tapered as the closer Coldwater plant expanded its second shift. Additional U.S. plants, such as JBS in Louisville, Kentucky, have also served as periodic byers for Ontario market hogs.

Given the long transit distances to Rantoul or Louisville, and the steep surge in transport costs in recent years, the capacity expansion at Coldwater was both timely and vital to preserving net returns for Ontario shippers.

From Damage to Opportunity

Ultimately, the successful pivot in hog marketing from Quebec to the United States represents and extraordinary structural adaptation. What initially threatened to be a devastating blow to Ontario's pork industry following the Olymel rationalization has instead became a potential source of growth. In addition, the Ontario suppliers have proven to be valuable contributors to their new U.S. customers.



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For a free three-month trial of that report, email, kevin@kevingrier.com