

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Canada

### Livestock and Products Annual

**2013**

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**Report Highlights:**

Consolidation in the cattle sector continues into 2014. The herd remains stable, as increases in heifer retention are offset by sustained cow slaughter. Cattle exports will mildly decline, beef production keeps steady, while beef trade stays modest. Yet again, market conditions will not propel any expansion in the hog sector. The sow herd remains stable into 2014, hog exports will show a soft increase, and foreign markets will continue to drive pork production and exports.

## **Executive Summary:**

### **Cattle & Beef**

Consolidation in the cattle sector continues into 2014 for a third consecutive year, as producers do not yet see the incentives to expand their cow herds. In recent months, improved market prices kept fueling cow slaughter, offsetting the observed increased heifer retention. An adequate grains and oilseeds crop year in Canada and the United States is expected to maintain feed prices within reasonable levels, and to contribute to sustained exports of feeder cattle. Cows and bulls will continue to be shipped south of the border in higher than normal numbers, as the cow plant in Quebec remains closed and the Brooks plant in Alberta has yet to resume slaughter of culled bulls.

Cattle slaughter in 2014 is expected to remain at similar levels as in 2013, provided that no disruptive events, like outbreaks or flooding, occur. Carcass weights are not expected to change significantly over the next year, unlike the substantial increases experienced in 2012. However, beef production in 2014 is estimated marginally higher than in 2013. In addition, Canada will continue to import larger than typical volumes of beef to meet domestic demand, while overall limited beef supplies will translate, for one additional year, into meager exports, about half the levels reached one decade ago.

### **Hogs & Pork**

Despite improved hog prices, producers do not feel comfortable launching themselves into another herd expansion. In fact, many farmers are still struggling financially, feeling the impact of the past recession, and repaying the debts accumulated during the last expansion. In 2014, the sector will remain once again stable, with marginal gains in pig production resulting in minor increases in hog exports and slaughter.

Carcass weights are reportedly showing steady gains year over year. In part, this is explained by some Canadian packers who are trying to align themselves with their competitors south of the border where weights have been typically higher. In addition, higher carcass weights are being produced to provide additional volumes of pork necessary to satisfy an increased domestic demand. Various consumer reports indicate that domestic demand for pork has been on the rise during the recent months. With heavier animals and similar slaughter, pork production is estimated to increase modestly in 2014, but the bulk of consumption will continue to take place abroad, as pork exports remain at historically high levels.

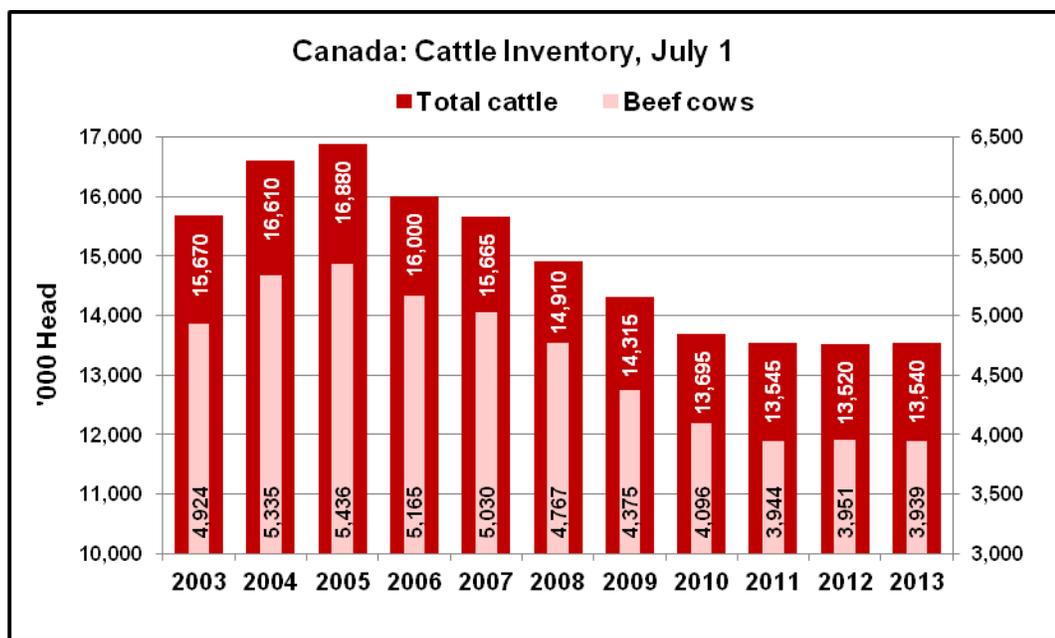
**CATTLE:**

*NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data*

CANADA Animal Numbers CATTLE ('000 head)	2012		2013		2014	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Total Cattle Beg. Stks	12,215	12,215	12,275	12,320	0	12,380
Dairy Cows Beg. Stocks	960	958	961	963	0	960
Beef Cows Beg. Stocks	3,997	3,960	3,956	3,925	0	3,900
Production (Calf Crop)	4,489	4,520	4,425	4,460	0	4,435
Total Imports	56	56	55	55	0	50
<b>Total Supply</b>	<b>16,760</b>	<b>16,791</b>	<b>16,755</b>	<b>16,835</b>	<b>0</b>	<b>16,865</b>
Total Exports	825	821	875	935	0	915
Cow Slaughter	450	449	400	430	0	425
Calf Slaughter	275	304	275	290	0	275
Other Slaughter	2,420	2,379	2,225	2,280	0	2,300
Total Slaughter	3,145	3,132	2,900	3,000	0	3,000
Loss	515	518	525	520	0	520
Ending Inventories	12,275	12,320	12,455	12,380	0	12,430
<b>Total Distribution</b>	<b>16,760</b>	<b>16,791</b>	<b>16,755</b>	<b>16,835</b>	<b>0</b>	<b>16,865</b>

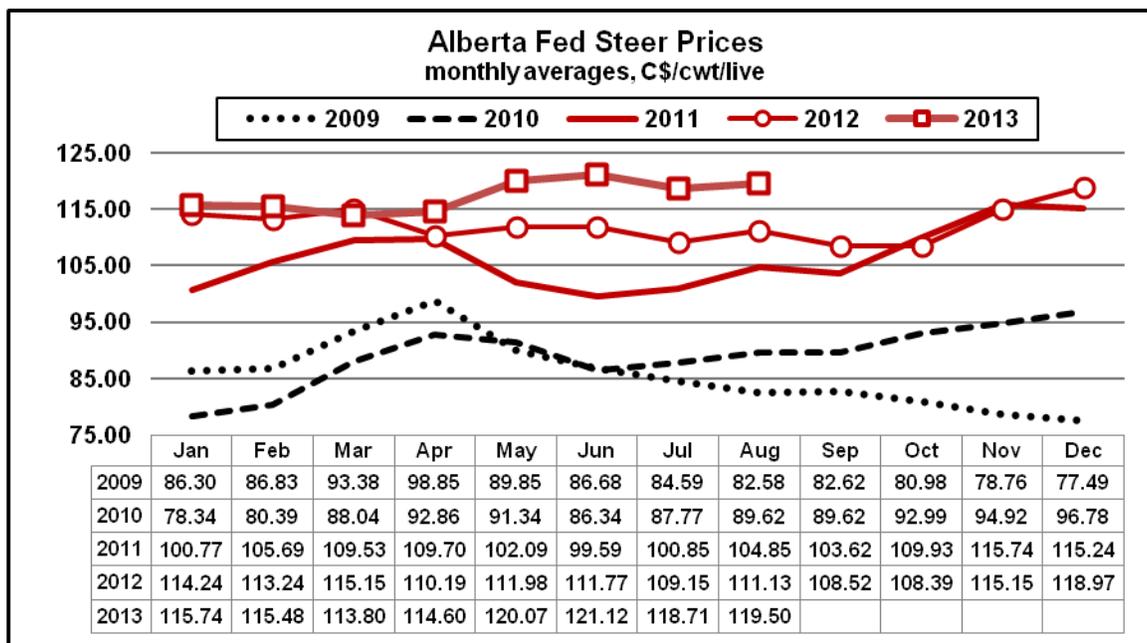
**Consolidation in the Cattle Sector Continues for a Third Year**

Despite the fact that data released by Statistics Canada on July 1<sup>st</sup> showed yet another increase in the number of beef heifers being retained for replacement, the cattle sector is not going to enter in rebuilding phase anytime soon. Improved cattle prices have prompted producers to send cows to slaughter in a sustained manner throughout 2013, a trend expected to continue into 2014, thus offsetting the higher rate of retention.

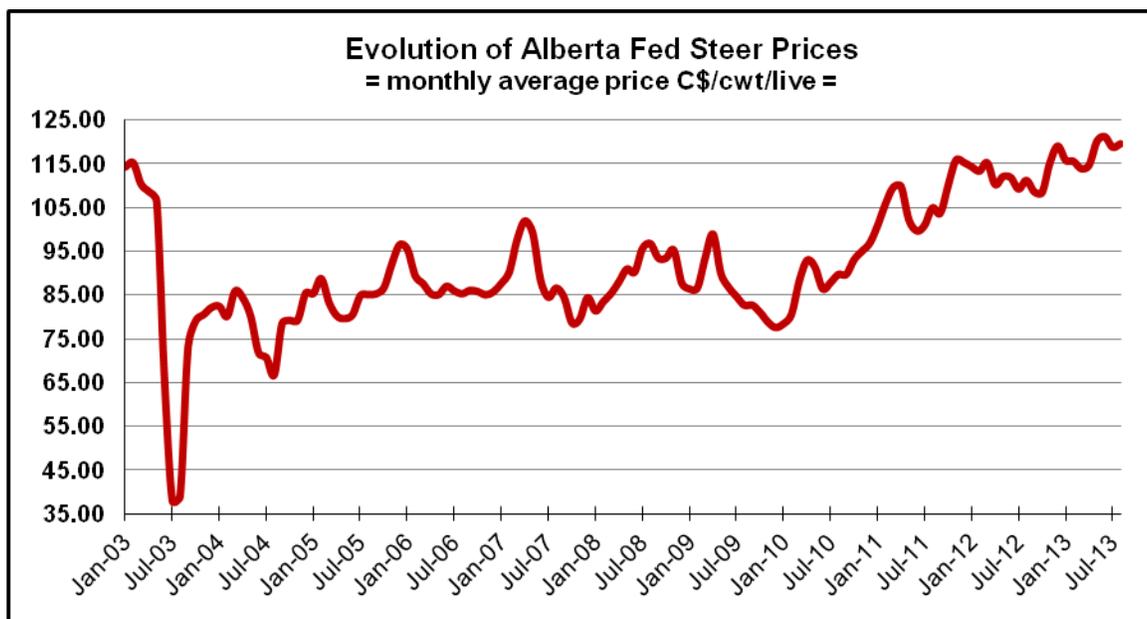


Source: Statistics Canada

As such, Post anticipates the cattle consolidation to continue in 2014, with a further reduction of 0.6 percent in the beef cow herd, and overall cattle inventories stable. With the expectations of a normal crop year, feed costs should remain within reasonable ranges, to be reflected in sustained cattle prices, as seen throughout the recent months.



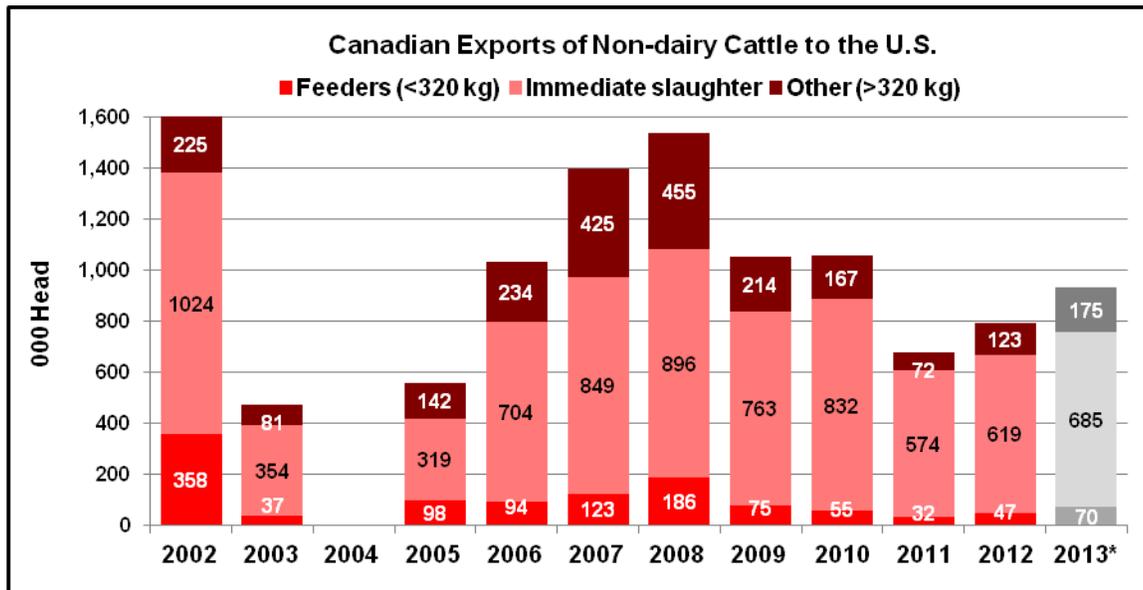
Source: Canfax



Source: Canfax

## Cattle Exports Steady at Elevated Levels

Post forecasts cattle exports in 2014 at 915,000 head, 2 percent below the estimated level for 2013, currently standing at 935,000 head. Of the 2014 total, 910,000 head are expected to be exported to the United States as follows: 220,000 cows, 50,000 bulls, 250,000 feeder cattle and 390,000 slaughter steers and heifers.



Source: Global Trade Atlas / \*Post estimate

Several factors contribute to the 2014 forecast. First, the Levinoff-Colbex beef cow slaughter plant in Quebec will stay closed (since May 2012), which translates into additional cows being exported to the United States. Second, high cow prices will continue to support a sustained export south of the border. Third, the JBS plant in Brooks, Alberta has not indicated its intention to resume bull slaughter, which basically means that most Canadian bulls will continue to be killed in the United States. Fourth, the United States has regained its feed cost advantage over Canada and, based on the current crop estimates, the cost advantage is expected to continue into the coming year, prompting a high interest for Canadian feeder cattle. Finally, exports of slaughter steers and heifers were estimated slightly lower than in 2013, given the expectation of a normal slaughter year in Canada where domestic packers will need the animals to keep the plants running at capacity.

The elevated 2013 cattle export estimate of 935,000 head is also the result of the following additional contributing factors. The main factor is that producers delayed the marketing of cows at the end of 2012 due to less favorable prices and delivered them for slaughter in 2013. Another contributing factor was the flooding of the Cargill beef plant in High River, Alberta, in June, which shut down the plant for over a week and required some animals to be delivered for slaughter in the United States.

**BEEF:**

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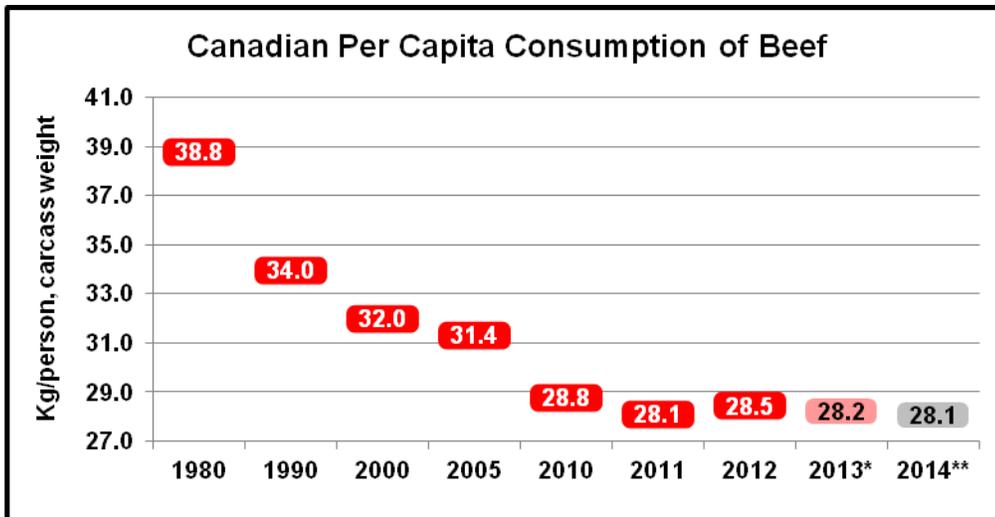
CANADA Meat BEEF and VEAL	2012		2013		2014	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Slaughter (Reference)	3,145	3,132	2,900	3,000	0	3,000
Beginning Stocks	31	31	60	38	0	35
Production	1,075	1,064	1,000	1,015	0	1,020
Total Imports	301	301	315	320	0	315
<b>Total Supply</b>	<b>1,407</b>	<b>1,396</b>	<b>1,375</b>	<b>1,373</b>	<b>0</b>	<b>1,370</b>
Total Exports	335	335	330	320	0	320
Total Dom. Consumption	1,012	1,023	1,010	1,018	0	1,020
Ending Stocks	60	38	35	35	0	30
<b>Total Distribution</b>	<b>1,407</b>	<b>1,396</b>	<b>1,375</b>	<b>1,373</b>	<b>0</b>	<b>1,370</b>

*Data in '000 metric tons, except for "slaughter" which is in '000 head*

**Slaughter and Beef Production Stable**

Post forecasts the 2014 domestic slaughter at 3 million head, basically unchanged from the total cattle slaughter level estimated for the previous year. In 2013, domestic slaughter levels were negatively impacted by a gradual return to normal slaughter rates at the Brooks, Alberta plant following the 2012 E.coli outbreak and the change in management from XL Foods to JBS, and by the June flooding at the Cargill plant in High River, Alberta when production was shut down for over a week.

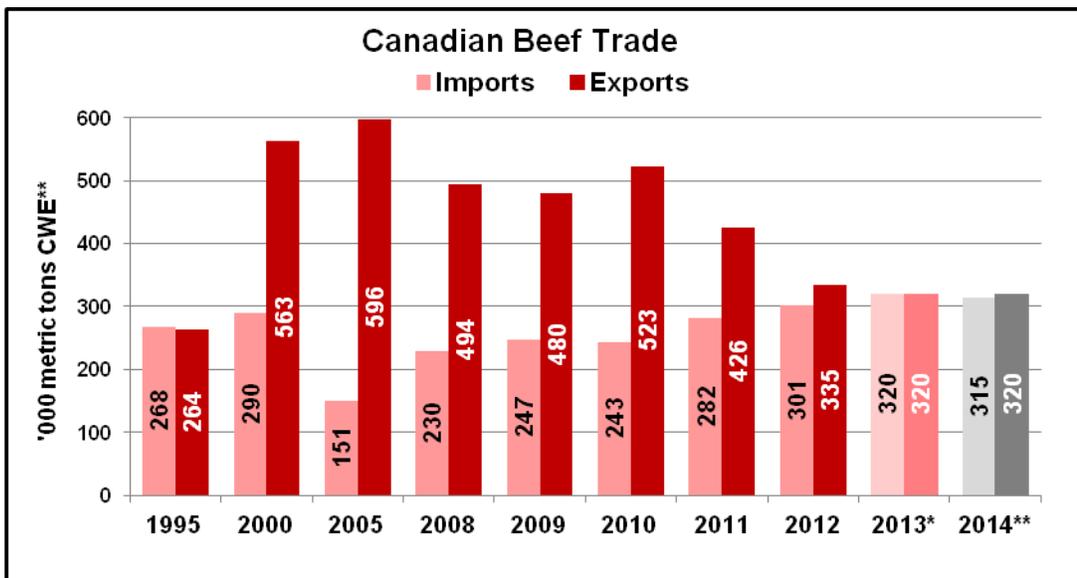
Carcass weights in 2014 are not anticipated to change significantly from their 2013 level, especially when compared to the more substantial gains observed in 2012. Post forecasts beef production at 1,020,000 metric tons (MT) in 2014, only 5,000 MT higher than in 2013. Given the expected increase in population and a stable overall consumption level, per capita beef consumption is anticipated to remain slightly above 28 kg carcass weight equivalent, as observed over the recent years.



Source: Statistics Canada / Post \*estimate \*\*forecast

### Trade Remains Flat for another Year

With beef supplies tight, the market will rely once again on imports to fill the gap, which are forecast 5,000 MT lower, at 315,000 MT in 2014. Limited production remains the primary reason why beef exports will continue to stay flat into the next year, well below the typical volumes observed over the past decade.



Source: Global Trade Atlas / Post \*estimate \*\*forecast

Post estimates 2014 Canadian beef exports to remain equal to 2013 levels at 320,000 MT. The United States continues to be the main export market for Canadian beef in 2013, although at a reduced level from 2012. Several Asian markets make up the difference, as they increased their share of the export volume. Imports, by contrast, are showing a more solid boost in 2013, as demand remains steady and domestic output limited, with the United States as major supplier.

**Canada: Beef Imports, January - June (metric tons, CWE\*)**

	Quantity			% Market Share			% Change
	2011	2012	2013	2011	2012	2013	2012/2011
<b>World</b>	<b>134,835</b>	<b>137,822</b>	<b>148,751</b>	100.00	100.00	100.00	<b>7.93</b>
United States	99,545	99,955	111,687	73.83	72.53	75.08	11.74
Uruguay	5,578	8,536	12,339	4.14	6.19	8.30	44.56
New Zealand	21,355	17,988	11,978	15.84	13.05	8.05	- 33.41
Australia	5,152	8,868	10,365	3.82	6.43	6.97	16.88
Brazil	3,018	2,027	1,528	2.24	1.47	1.03	- 24.64
All other countries	187	448	854	0.14	0.33	0.57	90.63

Source: Global Trade Atlas / \*Conversion to carcass weight equivalent (CWE) at 1.4 for fresh, chilled and frozen meat, and at 1.79 for salted and processed meat

**Canada: Beef Exports, January - June (metric tons, CWE\*)**

	Quantity			% Market Share			% Change
	2011	2012	2013	2011	2012	2013	2012/2011
<b>World</b>	<b>207,752</b>	<b>197,160</b>	<b>167,109</b>	100.00	100.00	100.00	<b>- 15.24</b>
United States	161,233	157,613	128,692	77.61	79.94	77.01	- 18.35
Hong Kong	13,797	13,226	14,036	6.64	6.71	8.40	6.12
Japan	4,661	3,788	7,687	2.24	1.92	4.60	102.93
Mexico	17,609	14,885	6,867	8.48	7.55	4.11	- 53.87
China	0	165	2,896	0.00	0.08	1.73	1651.84
Macau	32	1	1,349	0.02	0.00	0.81	∞
Saudi Arabia	28	0	1,088	0.01	0.00	0.65	0.00
All other countries	10,392	7,482	4,494	5.00	3.79	2.69	-39.94

Source: Global Trade Atlas / \*Conversion to carcass weight equivalent at 1.4

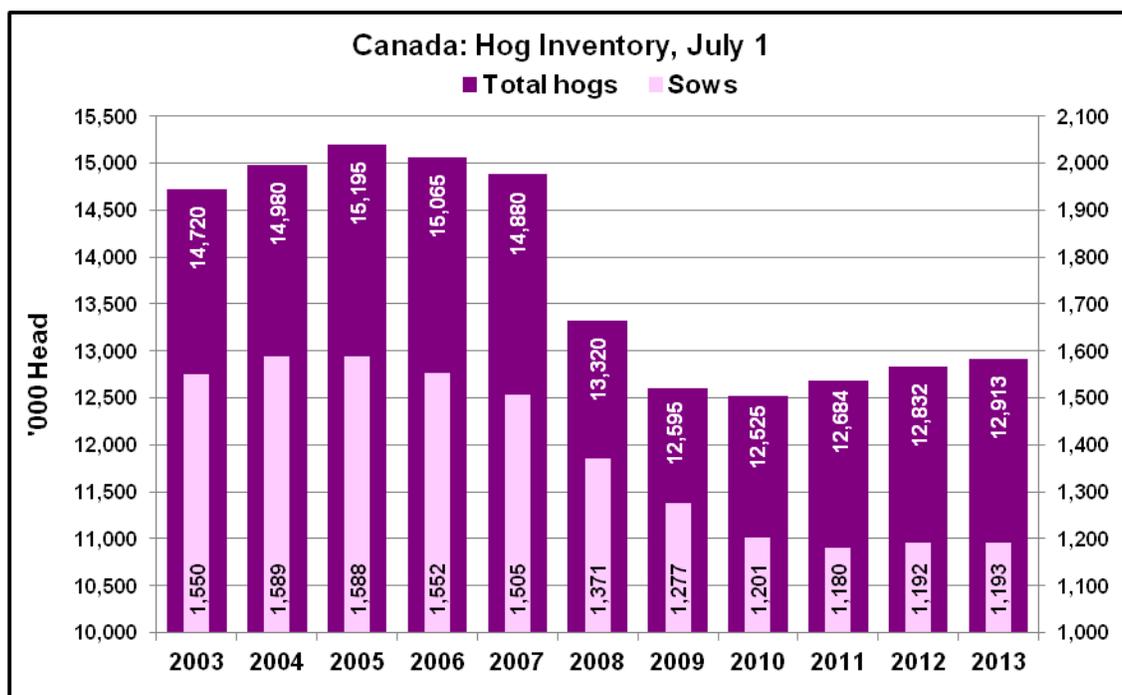
## HOGS:

NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

CANADA Animal Numbers SWINE ('000 head)	2012		2013		2014	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Total Beginning Stocks	12,785	12,781	12,720	12,668	0	13,000
Sow Beginning Stocks	1,195	1,194	1,184	1,185	0	1,190
Production (Pig Crop)	28,306	28,248	28,200	28,000	0	28,200
Total Imports	2	2	3	2	0	2
<b>Total Supply</b>	<b>41,093</b>	<b>41,031</b>	<b>40,923</b>	<b>40,670</b>	<b>0</b>	<b>41,202</b>
Total Exports	5,672	5,676	5,650	5,170	0	5,250
Total Slaughter	21,291	21,283	21,100	21,100	0	21,250
Loss	1,410	1,404	1,400	1,400	0	1,425
Ending Inventories	12,720	12,668	12,773	13,000	0	13,277
<b>Total Distribution</b>	<b>41,093</b>	<b>41,031</b>	<b>40,923</b>	<b>40,670</b>	<b>0</b>	<b>41,202</b>

### No Expansion in the Hog Sector

In 2014, the sector will remain once again stable, with marginal gains in pig production resulting in minor increases in hog exports and slaughter. Despite improved prices, hog producers do not feel yet comfortable enough to launch themselves into another herd expansion. In fact, many farmers are still struggling financially, feeling the impact of the past recession, and repaying the debts accumulated during the last expansion.

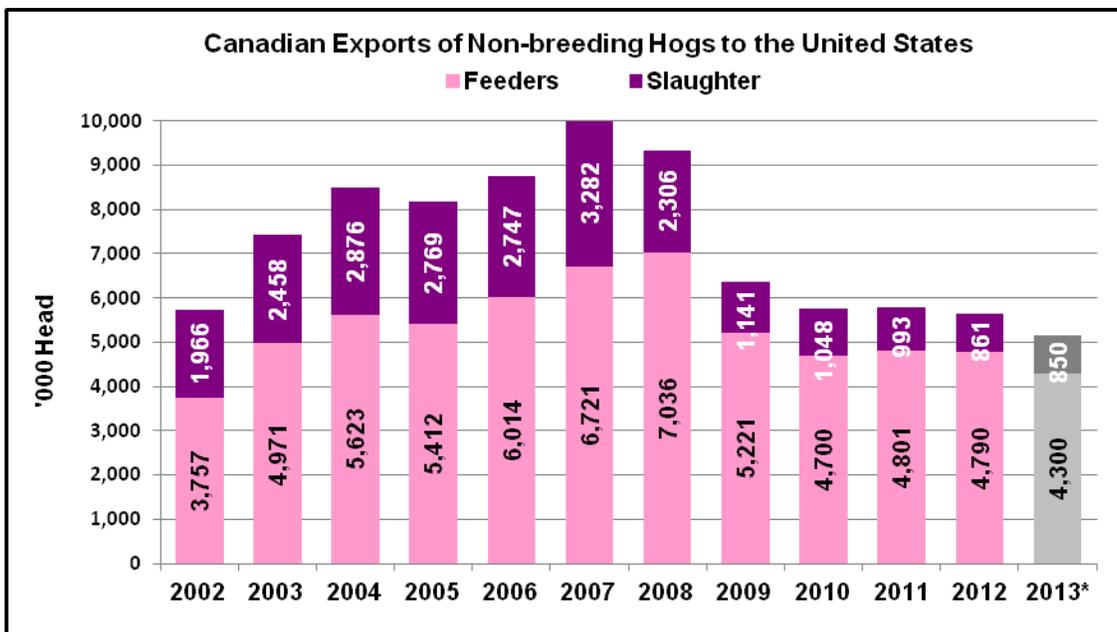


Source: Statistics Canada

After a minor decline on January 1<sup>st</sup>, data released by Statistics Canada on July 1<sup>st</sup> show a sow herd unchanged from one year earlier. This, coupled with an estimated modest decline in farrowing intentions for the second half of 2013, are reconfirming that the sector will remain stable going into 2014. Producers will have to see reduced feed costs for a much longer period of time before they initiate any expansion. In fact, the current improved hog prices are actually supporting sustained exports of feeder hogs into the United States, but are seen insufficient for supporting the expansion of the hog finishing segment in Canada.

### Live Hogs Exports on the Rise

Post forecasts a modest increase of 1.5 percent in the total number of hogs exported, from an estimated level of 5,170,000 head in 2013 to 5,250,000 head in 2014. As indicated, improved hog prices are supporting sustained exports of feeder hogs into the United States. Hog supplies remain limited and the anticipated modest increase in the pig crop in 2014 will have to be shared between these higher export volumes driven by feeder hogs and the domestic need for slaughter. A normal feed crop year will keep feed costs within reasonable ranges and, in the shorter term, will favor the export of feeder hogs. If cheaper feed remains available for a longer period, the interest in finishing hogs in Canada will increase and will result in more hogs being retained locally.



Source: Global Trade Atlas / \*Post estimate

**PORK:**

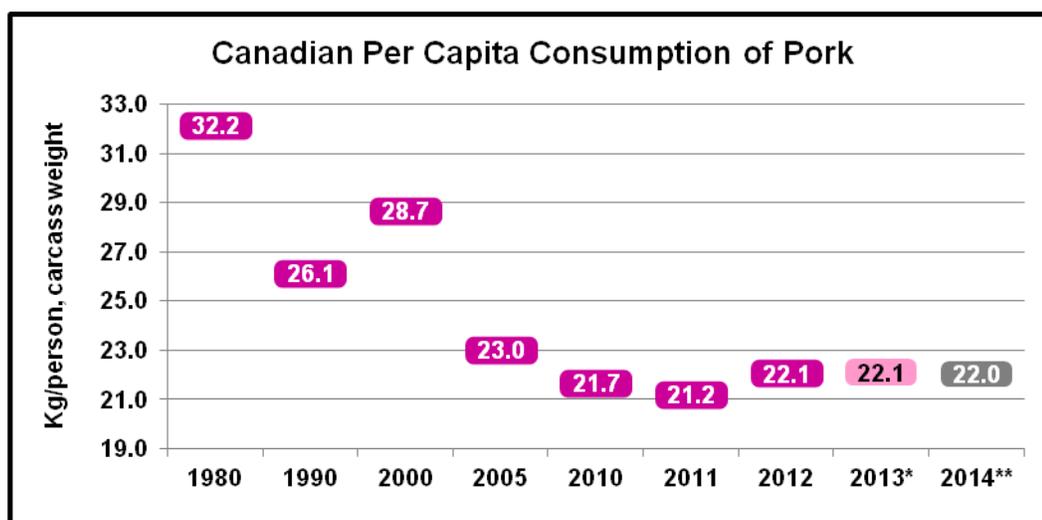
*NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data*

CANADA Meat SWINE	2012		2013		2014	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Slaughter (Reference)	21,291	21,283	21,100	21,100	0	21,250
Beginning Stocks	63	63	61	67	0	55
Production	1,820	1,840	1,795	1,835	0	1,850
Total Imports	241	241	245	235	0	230
<b>Total Supply</b>	<b>2,124</b>	<b>2,144</b>	<b>2,101</b>	<b>2,137</b>	<b>0</b>	<b>2,140</b>
Total Exports	1,243	1,243	1,230	1,240	0	1,245
Total Dom. Consumption	820	834	825	842	0	845
Ending Stocks	61	67	46	55	0	45
<b>Total Distribution</b>	<b>2,124</b>	<b>2,144</b>	<b>2,101</b>	<b>2,137</b>	<b>0</b>	<b>2,140</b>

*Data in '000 metric tons, except for "slaughter" which is in '000 head*

**Both Foreign and Domestic Demand Support Pork Production**

With heavier animals and comparable slaughter, pork production is expected to be higher in 2014, being currently forecasted at 1,850,000 metric tons (MT), almost 1 percent larger than the estimated volume for 2013. Carcass weights are reportedly showing steady gains year over year. In part, this is explained by some Canadian packers who are trying to align themselves with their competitors south of the border where weights have been typically higher. In part, this is also to provide additional volumes of pork necessary to satisfy an increased demand for this type of meat. Various consumer reports indicate that domestic demand for pork has been on the rise during the recent period. Despite the reported trends in domestic demand, the bulk of pork consumption will continue to take place abroad. With more than half of the Canadian pork production being exported, the industry relies heavily on demand from foreign markets, which has been very strong over the recent years.



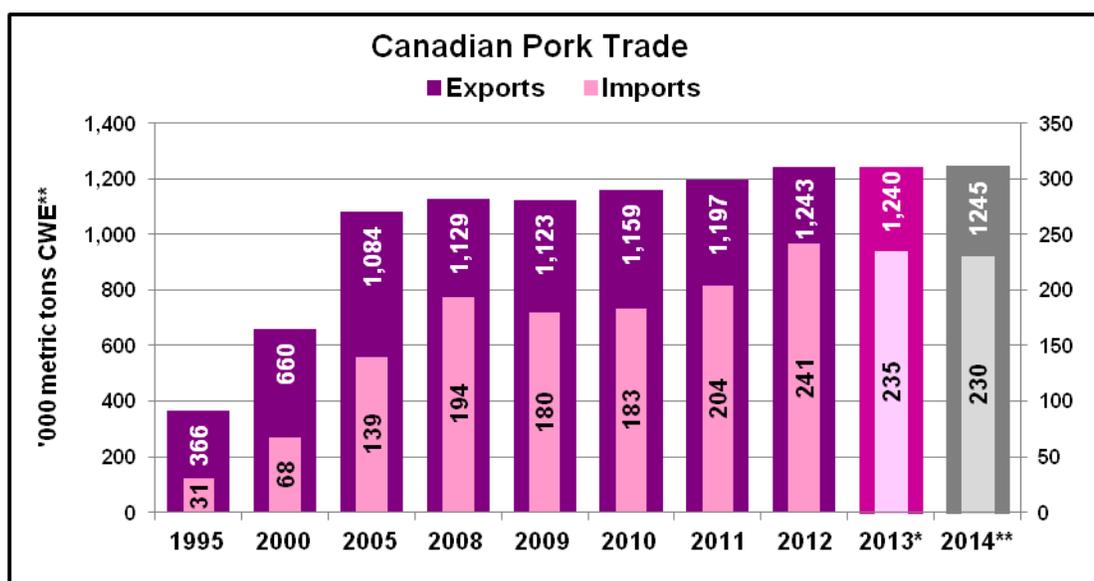
*Source: Statistics Canada / Post \*estimate \*\*forecast*

For 2014, Post forecasts a consumption level of 22 kilograms carcass weight equivalent, similar with the levels observed in the recent years. Per capita consumption of pork in Canada seems to have stabilized.

In fact, per capita consumption may actually show signs of improvement in the coming years, despite the overall population growth, if pork continues to climb in popularity among proteins, following sustained promotion by the industry.

### Pork Exports Continue at Historically High Levels

Post estimates total annual exports to reach 1,245,000 MT in 2014, just modestly above the anticipated level for 2013. This forecast is supported by a slightly weaker Canadian dollar and increasing demand in some Asian and East European markets.



Source: Global Trade Atlas / \*Post estimate \*\*forecast

In 2013, Russia limited imports from Canada to very few plants able to prove their production is ractopamine-free. This is expected to considerably reduce pork export volumes to this foreign market for the remaining of the year and into 2014. In addition, Canadian exports to South Korea are also anticipated to decline, as the U.S. exports become increasingly more competitive with the gradual implementation of their free trade agreement with Korea. Furthermore, pork exports to Japan are also expected to remain weaker, given the recent depreciation of the yen. By contrast, several other Asian markets, particularly China, and few East European markets, like Ukraine, have emerged as popular destinations for Canadian pork. Continued demand from these markets will sustain overall pork exports at the estimated level in the coming year.

Canada: Pork Exports, January - June (metric tons, CWE*)							
	Quantity			% Market Share			% Change
	2011	2012	2013	2011	2012	2013	2013/2012
<b>World</b>	<b>577,209</b>	<b>613,282</b>	<b>610,116</b>	100.00	100.00	100.00	<b>- 0.52</b>
United States	175,492	177,830	191,490	30.40	29.00	31.39	7.68
Japan	127,461	118,716	105,533	22.08	19.36	17.30	- 11.10
China	31,232	38,813	69,155	5.41	6.33	11.33	78.18
Russia	70,695	124,921	50,115	12.25	20.37	8.21	- 59.88
Mexico	20,084	18,834	29,159	3.48	3.07	4.78	54.82
Korea South	55,532	37,716	28,031	9.62	6.15	4.59	- 25.68
Philippines	17,673	17,396	22,462	3.06	2.84	3.68	29.12
Taiwan	12,981	10,749	18,851	2.25	1.75	3.09	75.37
Australia	20,291	21,651	18,157	3.52	3.53	2.98	- 16.14
South Africa	5,708	7,453	7,442	0.99	1.22	1.22	- 0.14
Ukraine	225	477	7,186	0.04	0.08	1.18	1407.70
Colombia	2,208	2,715	6,573	0.38	0.44	1.08	142.10
All other countries	37,627	36,011	55,962	6.52	5.87	9.17	55.40

Source: Global Trade Atlas / \*Conversion to carcass weight equivalent at 1.3

Post estimates pork imports in 2014 at 230,000 MT, down 2 percent compared to the previous year, with the United States as major supplier, based on the anticipation of a record production year and sustained exports. Despite its huge production, in any given year, Canada needs to import additional volumes of pork to provide specific meat cuts in shorter supply on the market. For 2013, Post estimates a 2.5 percent reduction in imports to 235,000 MT.

Canada: Pork Imports, January - June (metric tons, CWE*)							
	Quantity			% Market Share			% Change
	2011	2012	2013	2011	2012	2013	2013/2012
<b>World</b>	<b>95,796</b>	<b>114,495</b>	<b>111,959</b>	100.00	100.00	100.00	<b>- 2.22</b>
United States	92,903	108,752	105,651	96.98	94.98	94.37	- 2.85
Germany	0	646	1,612	0.00	0.56	1.44	149.41
Chile	1,333	1,628	1,307	1.39	1.42	1.17	- 19.74
Denmark	546	1,070	918	0.57	0.93	0.82	- 14.21
Netherlands	62	1,116	746	0.06	0.97	0.67	- 33.16
All other countries	952	1,283	1,725	0.99	1.12	1.54	34.45

Source: Global Trade Atlas / \*Conversion to carcass weight equivalent at 1.3