

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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2012

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Report Highlights:

Excellent pastures and abundant forage will support stabilization in the cattle sector. Inventories will modestly increase in 2013, while exports of cattle will fall. Heavier carcasses will compensate reduced slaughter resulting in a stable beef production, with trade staying flat. High feed costs will trigger further concentration in the hog sector. Pig production and exports will decline, while reduced slaughter will result in a lower supply of pork. Imports and exports of pork will fall.

Executive Summary:

Cattle & Beef

With the years of decline left behind, the Canadian cattle sector has now stabilized and is looking for opportunities to grow. Excellent pasture conditions and an abundance of forage are currently the basis for such potential and will help the sector weather the following period of expected high feed prices. Barley and wheat, both substitutes for corn in Canada, will be plentifully available, though at elevated costs. For 2013, Post forecasts a very modest increase in inventories and calf production. More cattle are expected to stay in feedlots and be finished locally, rather than be shipped to the United States. Exports in 2013 will thus see a decline, in stark contrast with the first half of 2012.

Given a limited supply of slaughter cattle and a stable demand for beef, packers have become interested in heavier animals. The trend observed in 2012 will continue into 2013, with heavier carcasses exiting slaughterhouses. Beef production is expected to remain flat into 2013, for a third consecutive year, although slaughter will see a mild drop of 0.5 percent in 2013 after a more significant 4 percent decline in 2012.

With beef supplies tight, the market will rely on imports to fill the gap, which are forecast to increase by a meager 1 percent in 2013. A limited production and the continued strength of the Canadian dollar will remain the reasons why beef exports will continue to stay flat, below recent average levels. In 2012, Canada is expected to import the same amount of beef as in 2011, while exports are estimated to decline by almost 4 percent.

Hogs & Pork

The prospect of high feed costs and a reduced demand for feeder hogs in the United States have the potential to jeopardize the recovery in the hog sector, which began during the first part of 2012 with increased pig production and exports. Facing higher costs and struggling financially, some smaller producers started to liquidate their inventories in the second half of the year, a trend expected to continue into 2013. Post forecasts a 2.5 percent decline in the sow herd and a 3 percent decline in pig production. After a modest increase up until mid-2012, exports of live hogs are declining, and will continue to do so in 2013.

Hog slaughter remains relatively flat, forecasted only slightly down for 2013, after another small decline in 2012. Based on relatively similar weights, pork production will show a modest drop in 2013 as well. Both exports and imports of pork are estimated to come down in 2013, after higher than expected volumes in 2012. Shipments of pork to Russia are the driving force behind an estimated 4.5 percent increase in exports in 2012. Limited supplies on the domestic market triggered a surge in pork imports, estimated now to exceed by 18 percent the previous year's level.

In 2011 Canada conducted an Agricultural Census. Data from this census is now incorporated into official livestock statistics, and the new Post estimates presented in the Production, Supply and Distribution tables included in the present report are based on the census data. Therefore, the set of data entitled “New Post Estimates” is statistically different from the set of data titled “USDA Official Data.” Readers are urged to use caution when comparing the two sets of data. Similarly, data in this report entitled “New Post Estimates” is statistically different from the same type of data in previous reports and therefore not directly comparable.

In 2011, Canada also conducted a general Population Census. Results from this census will only be incorporated into official population statistics in 2013. In estimating per capita consumption of red meat, Post continues to use population data from official statistics and not census data. Readers should be aware that over the next year, as census data is reflected in official statistics, per capita consumption will change and will no longer be comparable with older data.

CATTLE:

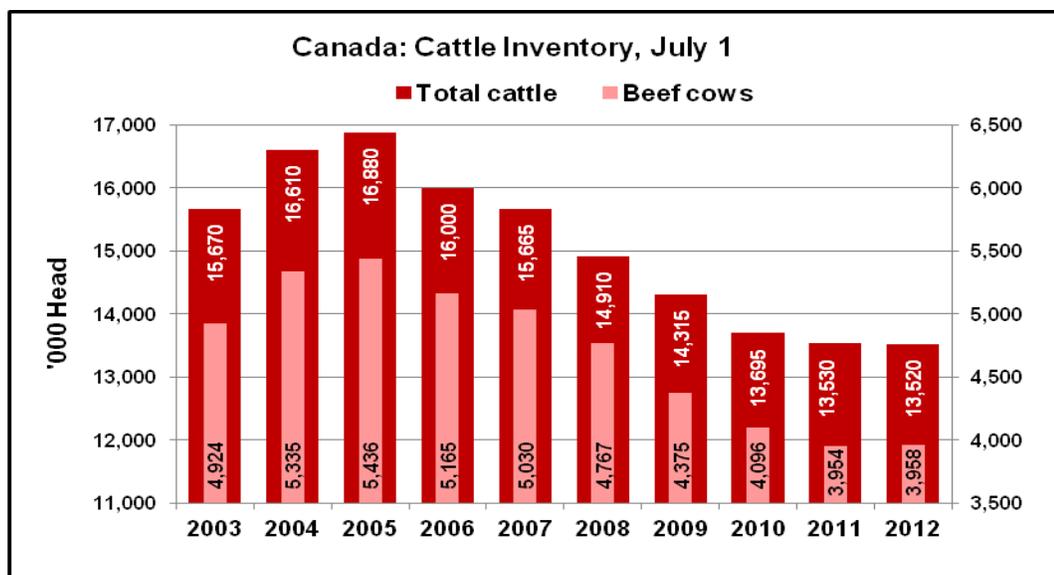
NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

Methodological note: "NEW Post" data take into account the 2011 Agriculture Census and therefore are not directly comparable with the "USDA Official" data

CANADA Animal Numbers CATTLE ('000 head)	2011		2012		2013	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Estimates
Total Cattle Beg. Stks	12,457	12,155	12,515	12,215	0	12,280
Dairy Cows Beg. Stocks	983	966	985	959	0	955
Beef Cows Beg. Stocks	4,273	4,046	4,228	3,998	0	4,020
Production (Calf Crop)	4,662	4,599	4,710	4,509	0	4,530
Total Imports	73	73	60	65	0	65
Total Supply	17,192	16,827	17,285	16,789	0	16,875
Total Exports	696	696	700	740	0	700
Cow Slaughter	535	535	500	500	0	475
Calf Slaughter	290	293	300	290	0	290
Other Slaughter	2,640	2,563	2,705	2,475	0	2,485
Total Slaughter	3,465	3,391	3,505	3,265	0	3,250
Loss	516	525	525	504	0	505
Ending Inventories	12,515	12,215	12,555	12,280	0	12,420
Total Distribution	17,192	16,827	17,285	16,789	0	16,875

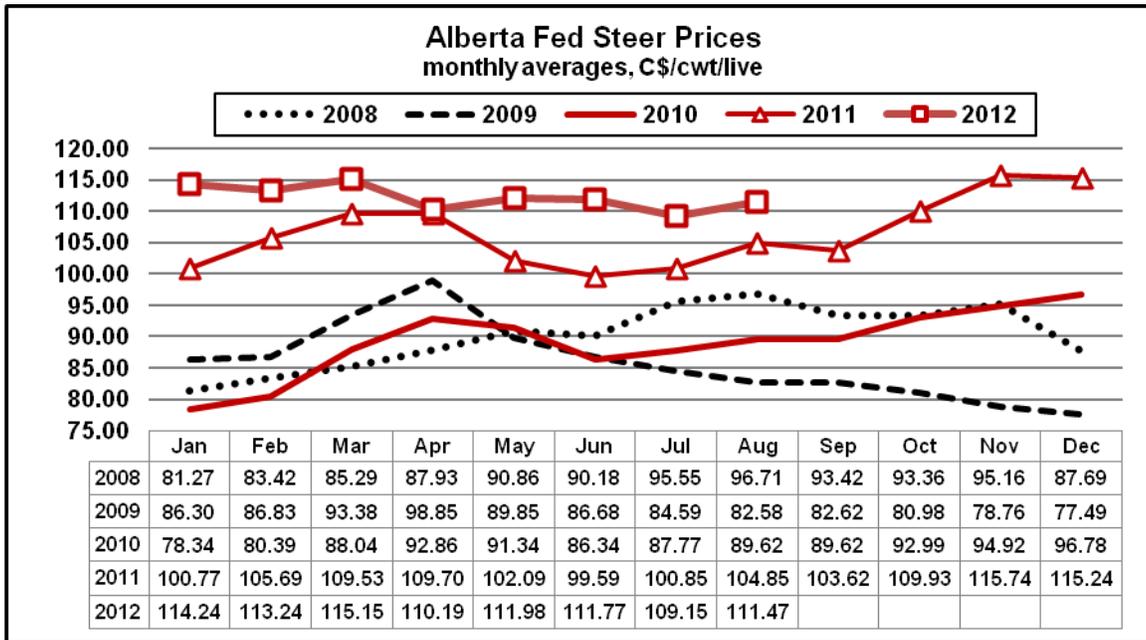
Stabilization in the Cattle Sector Continues

Excellent pasture conditions and an abundance of forage are currently the premises for continued consolidation in the cattle sector and will help weather the following period of expected high feed prices. Barley and wheat, both substitutes for corn in Canada, will be plentifully available, though at elevated costs. For 2013, Post forecasts a modest increase in total cattle inventories and calf production.



Source: Statistics Canada

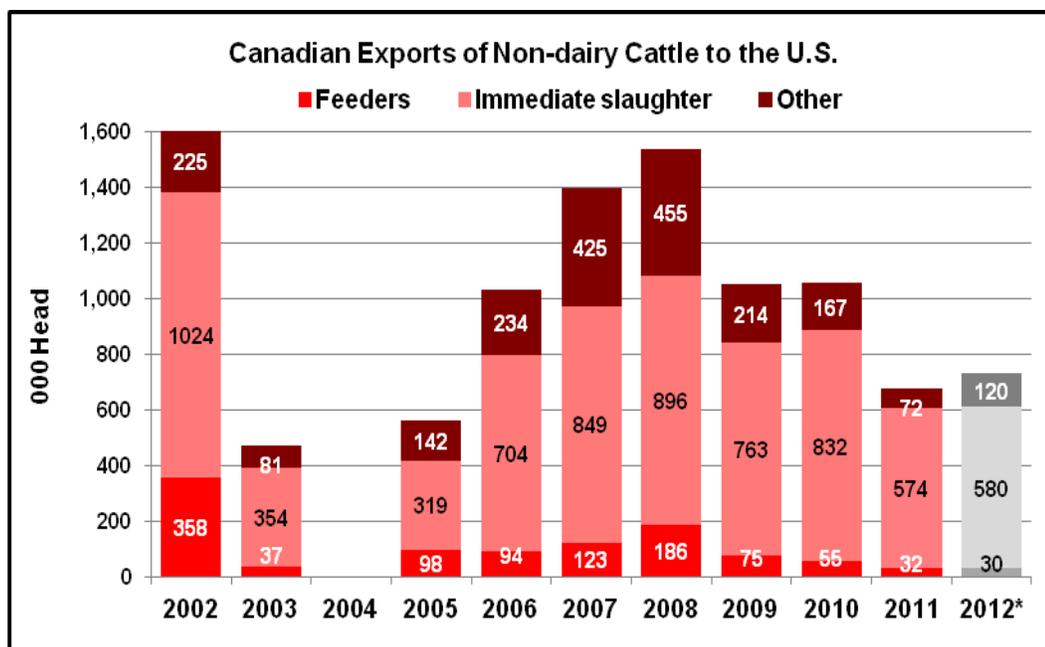
Data released by Statistics Canada on July 1st showed for the first time in seven years an increase in the number of beef cows. Albeit tiny, this expansion coupled with a continued increase of 3.5 percent in the number of heifers retained for beef cow replacement, suggests the cattle sector may soon move towards a new rebuilding stage. The total cattle inventories on July 1, 2012 are virtually unchanged from the 2011 level, confirming that after many years of decline the sector has now stabilized. Cattle prices have remained at high levels throughout 2012, well above the average levels of previous years.



Source: Canfax

Cattle Exports to Remain Steady Although Below Historical Levels

The Canadian relative cost advantage in feed, vis-à-vis the United States, supported primarily by excellent pastures and abundant forage, is likely to continue into 2013. Therefore, Post forecasts that live cattle exports will remain around the 700,000 head mark, comparable to the levels recorded in the previous two years.



Source: Global Trade Atlas / *Post estimate

The current year was one of two different stories. During the first half of 2012, exports of feeder cattle picked up significantly, up almost 46 percent compared to the similar period in 2011. This trend was curbed over the summer, when the prospect of a shortage of grains and of high feed prices settled in the United States, lowering the demand for feeder cattle, which remained in feedlots in Canada. Post estimates that the number of non-feeder cattle will increase during the second half of 2012, putting the total cattle exports estimate for the entire year at 6 percent above the total level in 2011.

BEEF:

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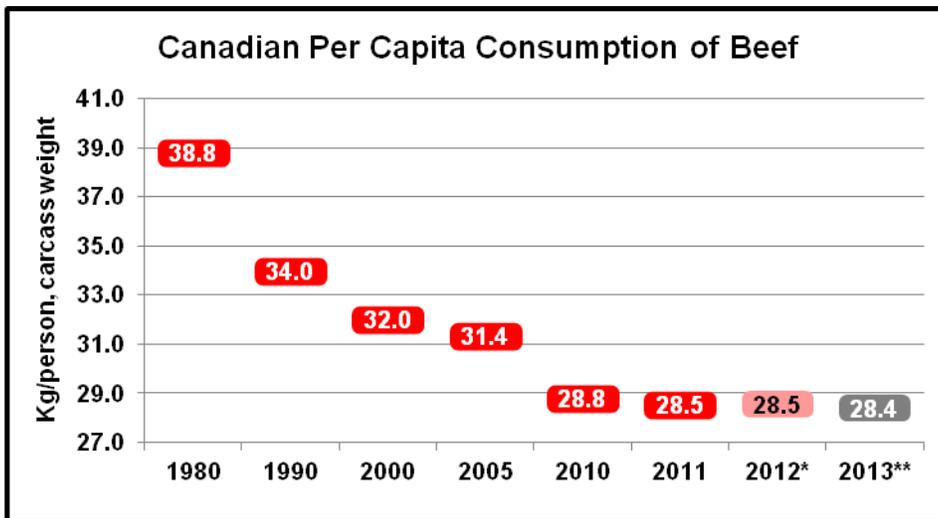
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CANADA Meat BEEF and VEAL	2011		2012		2013	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Estimates
Slaughter (Reference)	3,465	3,391	3,505	3,265	0	3,250
Beginning Stocks	30	30	35	31	0	35
Production	1,170	1,154	1,200	1,160	0	1,155
Total Imports	282	282	280	285	0	290
Total Supply	1,482	1,466	1,515	1,476	0	1,480
Total Exports	426	426	450	410	0	415
Total Dom. Consumption	1,021	1,009	1,030	1,031	0	1,035
Ending Stocks	35	31	35	35	0	30
Total Distribution	1,482	1,466	1,515	1,476	0	1,480

Beef Supplies Stable despite Diminished Slaughter

Given a limited supply of slaughter cattle and a stable demand for beef, packers have become interested in heavier animals, allowing them to put on as much as between 4 to 6 percent more weight. The trend observed in 2012 is expected to continue into 2013, with heavier carcasses exiting slaughterhouses. Beef production is forecast to remain flat into 2013, for a third consecutive year, although slaughter will see a mild drop of 0.5 percent in 2013, after a more significant 4 percent decline in 2012.

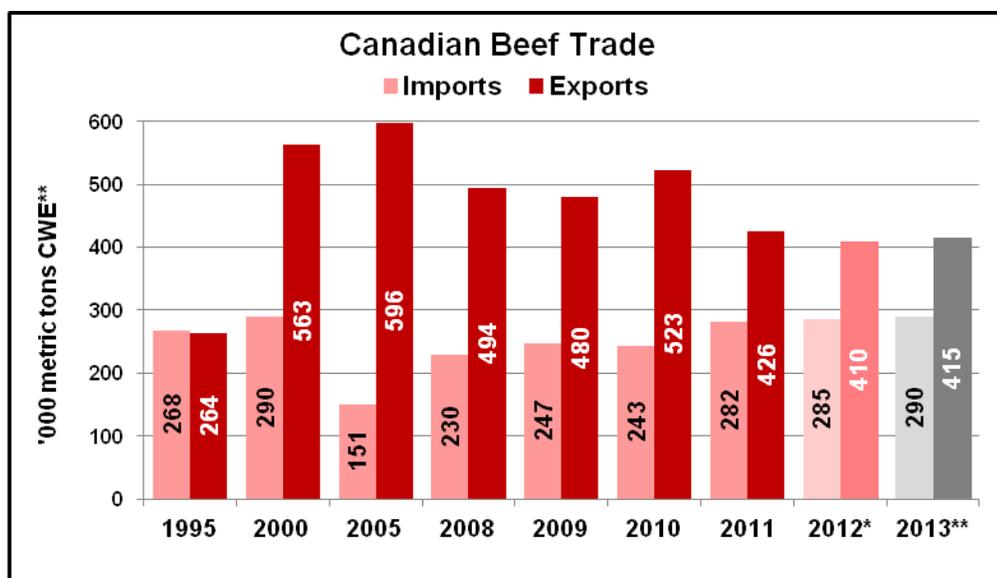
Beef production is now forecast at 1.155 million metric tons (MT) for 2013, after an estimated level of 1.16 in 2012. Per capita domestic consumption is not likely to change much from the levels experienced in recent years. Following a period of steady decline, it seems to be stabilizing around 28.5 kilograms per capita of carcass weight equivalent.



Source: Statistics Canada / Post *estimate **forecast

Trade Remains Flat

With beef supplies tight, the market will rely on imports to fill the gap, which are forecast to increase by a meager 1 percent in 2013. A limited production and the continued strength of the Canadian dollar will remain the reasons why beef exports will continue to stay flat, below recent average levels. In 2012, Canada is expected to import the same amount of beef as in 2011, while exports are estimated to decline by almost 4 percent.



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

The United States continues to be the main export market in 2012 for Canadian beef, although at a lower level than in 2011. Exports to Mexico continued their declining trend started in 2010, as a result of their resumption of beef imports from the United States following the resolution of the trucking dispute. Imports, by contrast, are likely to see a tiny increase in 2012 as demand remains steady, with the United States as major supplier.

Canada: Beef Exports, January - June (metric tons, CWE*)							
	Quantity			% Market Share			% Change 2012/2011
	2010	2011	2012	2010	2011	2012	
World	273,626	207,752	197,193	100.00	100.00	100.00	- 5.08
United States	220,104	161,233	157,613	80.44	77.61	79.93	- 2.25
Mexico	29,533	17,609	14,885	10.79	8.48	7.55	- 15.47
Hong Kong	10,766	13,797	13,232	3.93	6.64	6.71	- 4.09
Japan	5,154	4,661	3,805	1.88	2.24	1.93	- 18.37
Egypt	121	2,055	1,448	0.04	0.99	0.73	- 29.57
Russia	611	2,813	1,160	0.22	1.35	0.59	- 58.76
Korea South	1	6	1,130	0.00	0.00	0.57	∞
All other countries	7,336	5,578	3,920	2.68	2.68	1.99	-29.72

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

Canada: Beef Imports, January - June (metric tons, CWE*)							
	Quantity			% Market Share			% Change
	2010	2011	2012	2010	2011	2012	2012/2011
World	120,487	134,835	137,986	100.00	100.00	100.00	2.34
United States	75,292	99,545	100,146	62.49	73.83	72.58	0.60
New Zealand	18,966	21,355	17,988	15.74	15.84	13.04	- 15.76
Australia	6,308	5,152	8,868	5.24	3.82	6.43	72.13
Uruguay	15,549	5,578	8,536	12.90	4.14	6.19	53.02
Brazil	3,631	3,018	2,027	3.01	2.24	1.47	- 32.83
All other countries	741	187	421	0.62	0.14	0.31	125.13

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

HOGS:

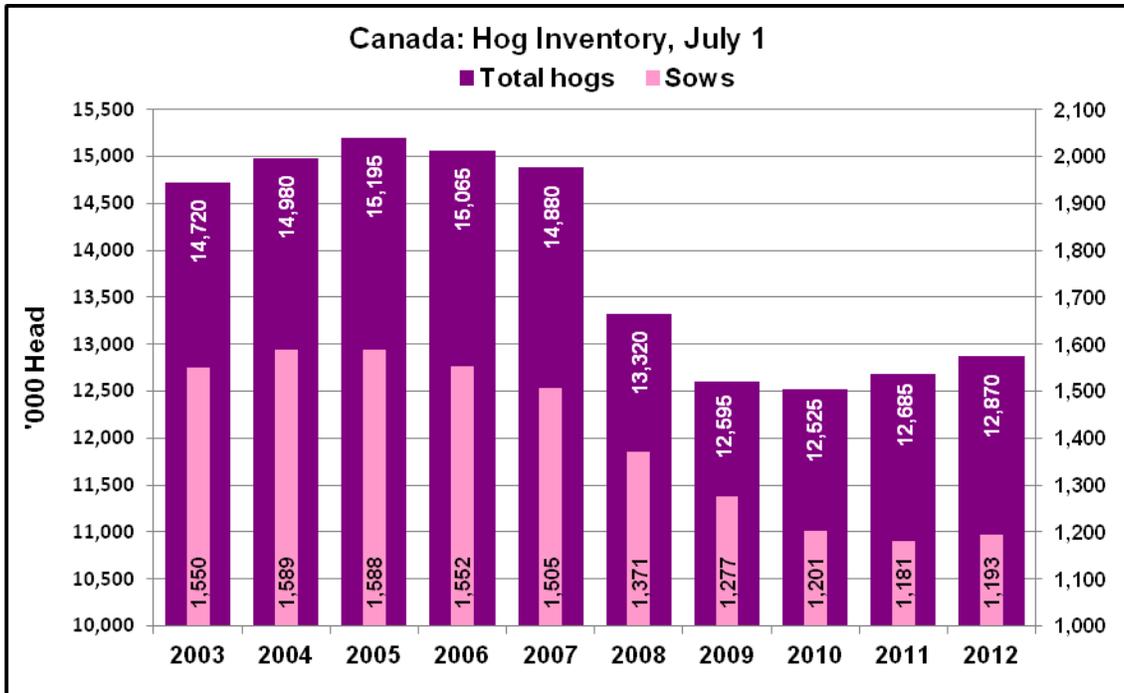
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CANADA Animal Numbers SWINE ('000 head)	2011		2012		2013	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Estimates
Total Beginning Stocks	11,895	12,690	12,020	12,785	0	12,988
Sow Beginning Stocks	1,294	1,193	1,293	1,195	0	1,165
Production (Pig Crop)	28,638	28,593	28,800	28,400	0	27,500
Total Imports	3	3	3	3	0	3
Total Supply	40,536	41,286	40,823	41,188	0	40,491
Total Exports	5,821	5,821	5,820	5,500	0	5,100
Total Slaughter	21,269	21,269	21,300	21,200	0	21,100
Loss	1,426	1,411	1,400	1,500	0	1,500
Ending Inventories	12,020	12,785	12,303	12,988	0	12,791
Total Distribution	40,536	41,286	40,823	41,188	0	40,491

Difficult Times Again for the Hog Sector

The prospect of high feed costs and a reduced demand for feeder hogs in the United States have the potential to jeopardize the recovery in the hog sector, which began during the first part of 2012 with increased pig production and exports. Facing higher costs and struggling financially, some smaller producers have started to liquidate their inventories in the second half of the year, a trend expected to continue into 2013. Post forecasts a 2.5 percent decline in the sow herd and a 3 percent decline in pig production for the next year.

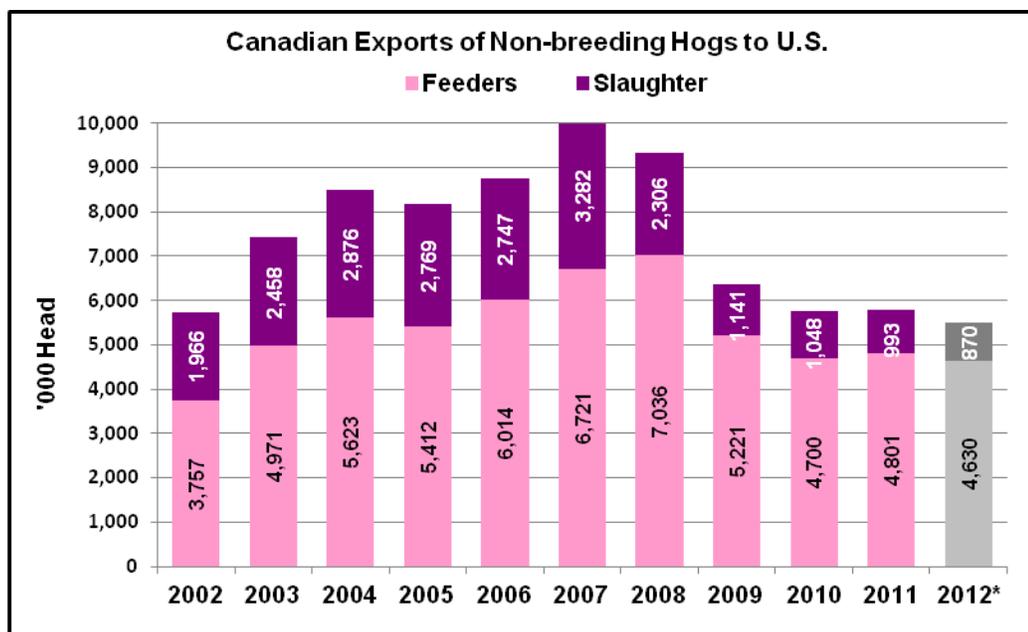


Source: Statistics Canada

Data released by Statistics Canada on July 1st show larger overall hog inventories and an increased sow herd which presented for the first time in seven years a positive growth of 1 percent. These trends are more reflective of developments taking place during the first half of 2012, when recovery seemed to be well underway in the sector. Post estimates that this trend will change in the latter part of 2012. Post expects the sow herd will see another drop to 1.165 million head into 2013, which in turn will translate into a reduced pig production. The diminished demand in the United States for Canadian feeder hogs is going to impact primarily the feeder hog export provinces of Manitoba and Ontario, whereas Quebec, which is Canada's primary pork producing province, will be minimally impacted since their exports of live hogs are virtually negligible.

Live Hogs Exports to Decline

Similar to the situation in the cattle sector, 2012 is a year of two stories for hog producers. During the first half of the year, exports of live hogs picked up marginally, confirming a stabilizing trend started in 2011. The picture changed in the second part of 2012, with the prospects of high feed prices and reduced demand for feeder hogs. Post estimates that overall hog exports in 2012 will be 5.5 percent lower than in 2011, and forecasts an additional drop of 7 percent for 2013. Only an abundance of feed wheat and barley, which are the substitutes for corn in Canada, could break this trend. If poor weather is experienced during the fall harvest and an otherwise good crop is downgraded, there may be a break in the trend.



Source: Global Trade Atlas / *Post estimate

PORK:

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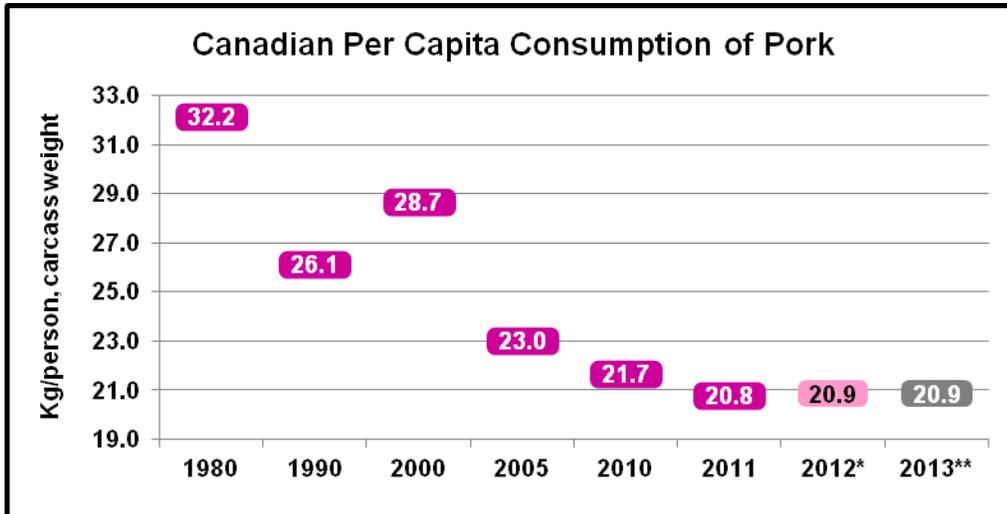
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CANADA Meat SWINE	2011		2012		2013	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Estimates
Slaughter (Reference)	21,269	21,269	21,300	21,200	0	21,100
Beginning Stocks	45	44	40	63	0	43
Production	1,770	1,797	1,775	1,790	0	1,775
Total Imports	204	204	215	240	0	225
Total Supply	2,019	2,045	2,030	2,093	0	2,043
Total Exports	1,197	1,197	1,175	1,250	0	1,195
Total Dom. Consumption	782	785	815	800	0	810
Ending Stocks	40	63	40	43	0	38
Total Distribution	2,019	2,045	2,030	2,093	0	2,043

Foreign Demand Continues to Support Pork Production

With two thirds of the Canadian pork production being exported, the industry relies on demand from foreign markets, which seems to have been exceptionally good during the current year. Given the existing slaughter capacity, pork production is only a function of the availability of slaughter hogs. A lower pig crop in both 2012 and 2013 will result in a proportionally lower pork production, as the

prospect of high feed prices will not encourage increased hog weights to compensate for the reduced slaughter.

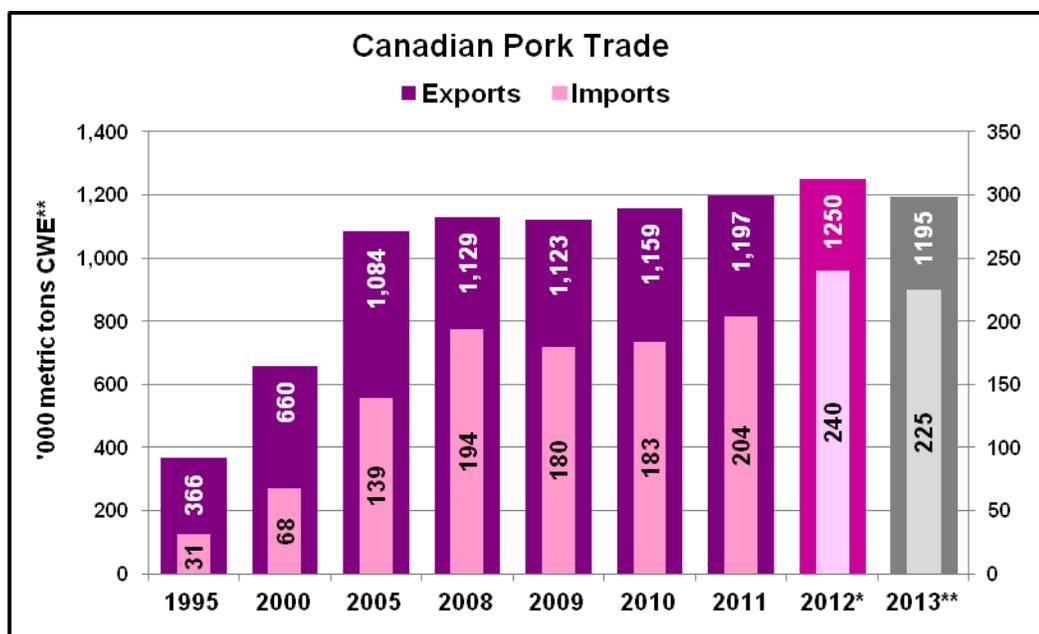


Source: Statistics Canada / Post *estimate **forecast

Per capita consumption of pork in Canada seems to have stabilized. For 2013, Post forecasts a consumption level of almost 21 kilograms carcass weight equivalent, similar with the levels in recent years. Per capita consumption is not likely to increase, as each year the population grows and pork has not managed to climb in popularity among proteins, despite sustained promotion by the industry.

Pork Exports to Come Down after Peak Year

The current year has been exceptionally good for Canadian pork exports. Despite the continued strength of the Canadian dollar, Post estimates total annual exports at 1.25 million metric tons (MT), a level never reached before and which is likely to remain hard to match in the near future. Based on lower pork production, Post forecasts a 4 percent decline in exports for 2013.



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

In 2012, Russia was the driving market behind increased exports, with a 77 percent boost in volume during the first half of the year compared to the similar period in 2011. Other Asian markets, like China and Hong Kong, also contributed to the export trend. Interesting to note is that sales to the South Korean market have dropped by one third, returning now to their pre- FDM (foot and mouth disease) levels as the country is recovering from the outbreak.

Canada: Pork Exports, January - June (metric tons, CWE*)							
	Quantity			% Market Share			% Change
	2010	2011	2012	2010	2011	2012	2012/2011
World	577,140	577,209	612,925	100.00	100.00	100.00	6.19
United States	184,830	175,492	177,797	32.03	30.40	29.01	1.31
Russia	57,214	70,695	125,116	9.91	12.25	20.41	76.98
Japan	146,857	127,461	118,893	25.45	22.08	19.40	- 6.72
China	9,251	31,232	38,269	1.60	5.41	6.24	22.53
Korea South	28,825	55,532	37,716	4.99	9.62	6.15	- 32.08
Australia	27,201	20,291	21,619	4.71	3.52	3.53	6.55
Mexico	21,431	20,084	18,834	3.71	3.48	3.07	- 6.23
Philippines	23,473	17,673	17,396	4.07	3.06	2.84	- 1.57
Taiwan	10,335	12,981	10,654	1.79	2.25	1.74	- 17.93
South Africa	4,158	5,708	7,453	0.72	0.99	1.22	30.58
Hong Kong	22,004	5,651	6,932	3.81	0.98	1.13	22.67
New Zealand	4,719	5,724	3,989	0.82	0.99	0.65	- 30.30
All other countries	36,842	28,685	28,257	6.38	4.97	4.61	-1.49

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

With additional pork supplies going into the export markets and a stable domestic demand, imports have had to make up the difference. For 2012, Post estimates pork imports at 240,000 MT, up almost 18 percent compared to the previous year, with the United States as major supplier. For 2013, Post forecasts a 6 percent decline in imports to 225,000 MT, a volume closer to historical levels.

Canada: Pork Imports, January - June (metric tons, CWE*)							
	Quantity			% Market Share			% Change
	2010	2011	2012	2010	2011	2012	2012/2011
World	89,949	95,773	114,509	100.00	100.00	100.00	19.56
United States	88,411	92,879	108,766	98.29	96.98	94.98	17.10
Chile	1,070	1,333	1,628	1.19	1.39	1.42	22.11
Netherlands	0	62	1,116	0.00	0.06	0.97	1706.73
Denmark	22	546	1,070	0.02	0.57	0.93	96.04
Germany	0	0	646	0.00	0.00	0.56	∞
All other countries	446	953	1,283	0.50	1.00	1.12	34.63

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