



## REPORT FROM CANADA BEEF

### Economic Outlook

Canadian GDP is forecast to increase 4.7% in 2021, based on OECD projections. With a 5.4% decline from 2019 to 2020 the increase in 2021 would still be 0.7% shy of 2019 levels. Major factors affecting the domestic beef markets will include labour market recovery, disposable income, and retail growth.

Mining, manufacturing, air travel and arts and entertainment were among the industries feeling the most significant contraction in GDP contributions in 2020. The decreases point to less special service demand, which was down \$3 billion last year (15% of the food service total for 2020). The return of in-person conferences, international tourism, and concerts would bolster demand for special service. Until that happens, more sales will be rooted in retail. Dine-in restaurant sales have halved from usual, based on the latest available data from December, with full-service restaurants under heavy regulations through public health orders.

Canadians are feeling more confident and the labour market looks up. Consumer confidence grew to 91.1 points in February, the highest level since the pandemic started, up 0.4% from January to February and up for the third straight month. Unemployment swung to 8.2% in February 2021 from 9.4% in January.

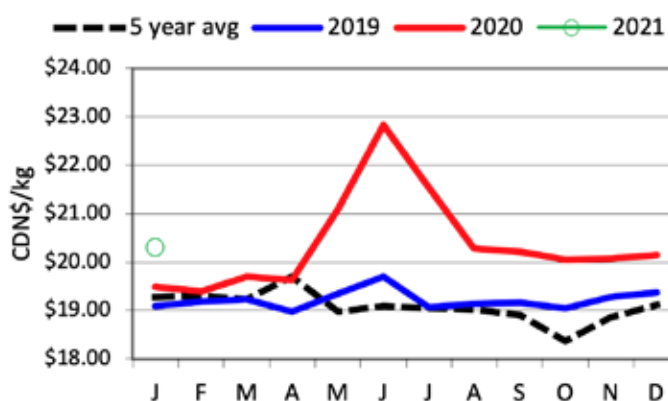
### Retail Sector

Canadian beef markets may chart a new line following some upending in 2020. While some familiar patterns re-emerge; there are permanent changes since June 2020 coming into focus. This raises the question: will the new trends become normal, or are they just here for now?

The retail beef demand index is projected to be up 6.8% in 2020 at 120.5 (2000=100). This is the highest level since 2016 (122.88) and the second highest level in nearly twenty years. The heightened demand bolstered gross revenues in processing and retail segments of the supply chain, with the combined gains penned at \$563 million.

<sup>1</sup>Final consumption numbers will be published at the end of May 2021.

Retail Beef Prices (Not Deflated)



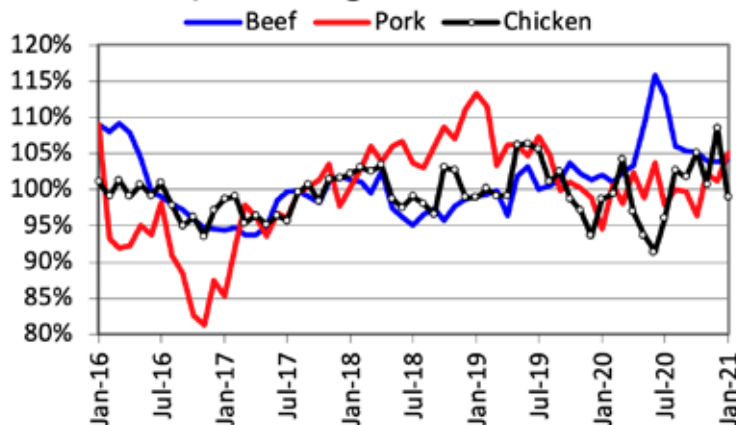
Source: Statistics Canada

Retail beef prices were up 6% from 2019 to \$20.37/kg in 2020, up 4.6% from the five-year average, based on seven cut national data. Retail beef prices were steady from June 2020 through January 2021. Consumers however, experienced varied price increases by province. A provincial four cut average shows that in the east (ON, QC, MT), beef prices were up 8.4%; and in the west (AB, BC, SK and MB), prices were up 9.9%. Price increases were the highest in British Columbia (+10.7%) and the lowest in Quebec (+6.7%).

Retail pork (\$13.14/kg) and chicken (\$7.43/kg) prices remained steady in 2020. The beef to pork price ratio was 1.52 in January 2021, down from 1.53 in January 2020 and the five-year average for January, to the slight favour of beef. The beef to chicken ratio was 2.76 in January 2021, up from 2.62 in January 2020, favouring chicken, and up from the five-year average for January at 2.59.

In January 2021, retail beef prices were up 4.2% from January 2020. The price of high-end cuts such as prime rib (+9%) and

Yr/Yr % Change in Retail Prices



Source: Statistics Canada



sirloin steak (+4%) increased substantially. Everyday products like ground beef and blade roasts were up just 0.2% and holding relatively steady between October 2020 and January 2021. While some stability occurs as balance is restored to the market, seen in the everyday cuts and the average retail beef price, the cut prices have been turbulent month to month when compared to 2019. The volatility for cuts comes from uncertainty triggering exaggerated price fluctuations at retail and wholesale.

**Wholesale Sector**

Wholesale beef demand in Canada was up an estimated 10% in 2020 at 102.1 (2003=100). This would be the largest year over year increase since 2015 and the highest level of demand in the last 20 years surpassing the previous high made in 2015 at 96.1. Demand was driven by both the domestic and international consumer. The USDA Choice-Select composite beef cutout was CDN\$317/cwt in 2020, up 9% from 2019.

The Choice-Select spread started the year 266% higher than 2020 at CDN\$13.70/cwt (US\$10.79/cwt), indicating strong interest for quality beef. In February 2021, the Choice cutout was CDN\$300/cwt, up 14% from February 2020 and up 3% from the five-year average. The Select cutout price was CDN\$285/cwt, up 10% from February 2020 and 9% from the five-year average.

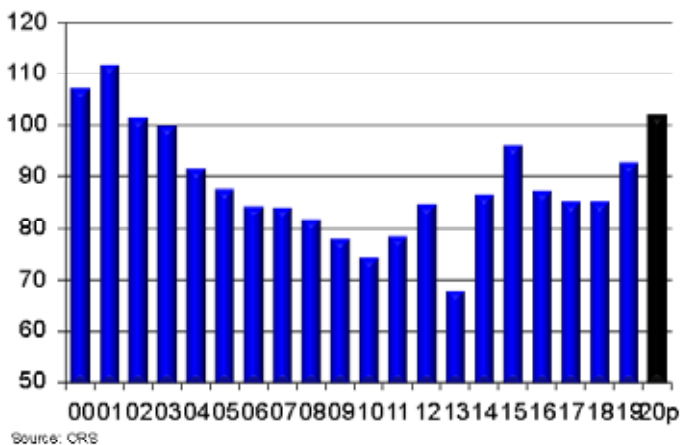
Counter seasonal price rallies among all the primals occurred from January to February 2021; notably, Choice ribs (+19%), Choice chuck (+20%), and Choice loin (+18%) moved to well above 2020 levels. Prices softened into March, but spring buying is just around the corner, a time that typically lends

support to the wholesale market. With laissez-faire firmly in the rear-view, food service buying could have sporadic impacts on wholesale prices this spring.

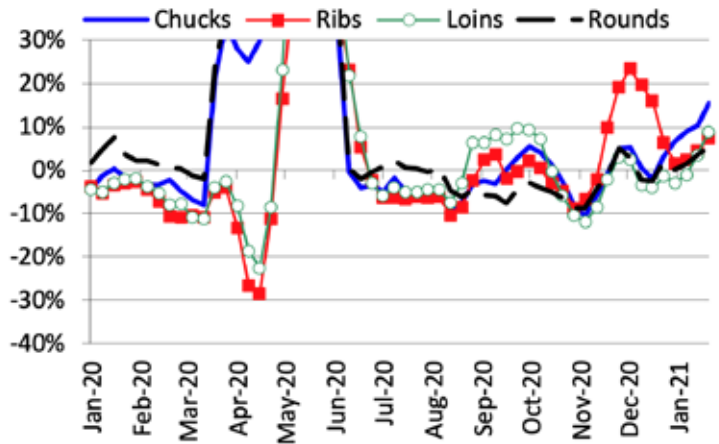
Recent data show that consumers chose high-grade cuts for backyard grilling during the warm weather, which is consistent with seasonal trends. Ribs have been a top choice for small special occasions. Choice round prices were strong, up 7% in February 2021 from February 2020, but Choice brisket was down 4%. Chuck and round pricing may indicate that families are finding these everyday products valuable and convenient, perhaps for lunches and dinners while they spend more time working and schooling from home.

The 85% trim market moved above 2020 levels in late February, following a seasonal start and prices steady with the three-year average in January. In February 2021, the price of 85%trim was CDN\$252/cwt (US\$198.87/cwt), 4.6% higher than the three-year average for February. In contrast, the 50% trim market is struggling from lower food service demand. At CDN\$61.38/cwt (US\$48/cwt) in February 2021, 50% trim was priced 30% lower than the three-year average. The 50% trim market has been performing below average since June 2020.

**Canadian Wholesale Beef Demand Index (2003=100)**



**Yr/Yr % Change in Various Beef Primal Values Jan 2020 to Jan 2021**

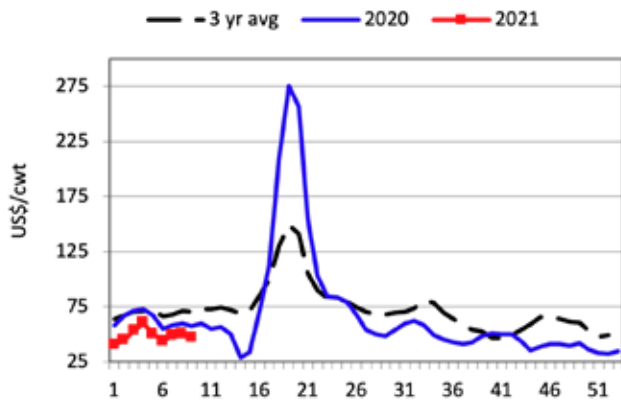


**Food Service**

Total food service sales in 2020 (excluding drinking establishments) were \$54 billion, down 27% or \$20.3 billion from 2019. Food and beverage, grocery, and supermarket sales were \$26.1 billion higher in 2020 than 2019. The food service and accommodation industry made up 0.82% of Gross Domestic Product (GDP) in 2019. In 2020, that share fell to 0.57%. The difference is just one quarter of a percent, but a \$14.5 billion shift in contribution to GDP.



**US Weekly 50% Fresh Trimmings**



Source: USDA

Both full and limited-service restaurant sales were trending up from April to September 2020, but moved down month over month from September to December 2020, falling 18.3% nationally. From September to December 2020, sales increased in Newfoundland and Labrador (+5.2%), and Nunavut (+4.6%). Sales declined to varying degrees in Quebec ( -27%), Manitoba ( -25%), Alberta (-24%), Ontario ( -17%), Saskatchewan ( -14.2%), Nova Scotia (-11.3%), British Columbia (-10.8%), the Yukon (-7.3%), Northwest Territories ( -6.5%), New Brunswick (-4.6%), and Prince Edward Island (-4.5%). From November to December, sales were starting to recoup in Manitoba (+4.9%), Saskatchewan (+0.8%) and Newfoundland and Labrador (+0.2%).

Limited-service eating places were less affected than full service restaurants. Limited-service sales were down 4.7% September to December, seeming to steady. Full-service restaurant sales were down 35.8% September to December, trending down. Neither industry has fully recovered to pre-pandemic sales levels: Limited-service sales in December 2020 were down 11.9% from December 2019 and February 2020, the start of the pandemic in North America; full-service sales were down 52.2%.

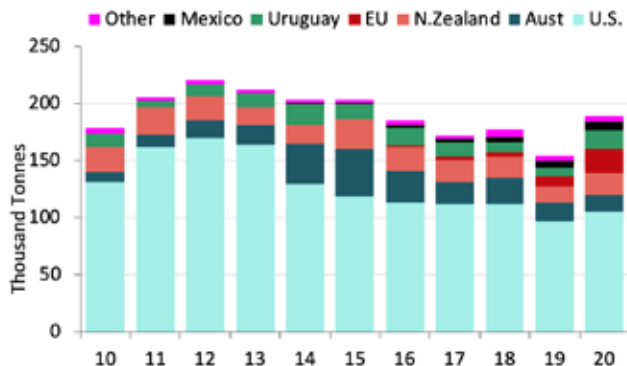
**Imports**

In 2020, Canadian beef imports were up 22% in volume at 188,932 tonnes and 24% in value at \$1.52 billion. Imports were up from all major suppliers except from Australia ( -10.4%), where exports were impacted by reduced production. Imports were up from the U.S (+9.2%), New Zealand (+33.5%), Mexico (+36.9%), Uruguay (+94.7%), and the EU (+153.3%). Imports from non-CUSMA countries were up 45.6%.

From 2019 to 2020, market share of imports declined from the U.S. (63% to 56.1%) and Australia (10.6% to 7.8%). The market share of imports increased from New Zealand (9% to 9.8%), the EU (5.6% to 11.5%), Uruguay (5.2% to 8.2%) and Mexico (3.9% to 4.3%).

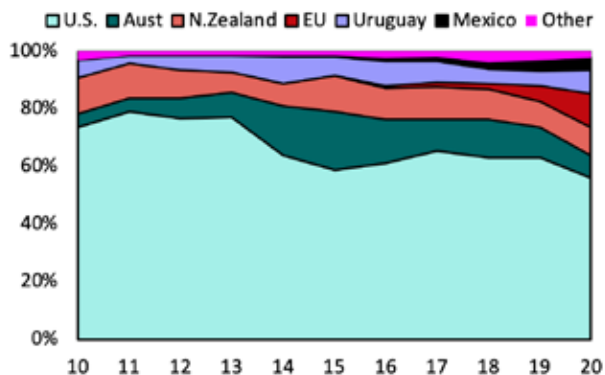
In January 2021, beef imports were up 20% in volume and up 11% in value – with volumes steady with the five-year average. Import volumes declined from the UK (-41%), Brazil (-36%), the EU (excluding UK) ( -6%), and Australia ( -6%), but increased from Uruguay (+494%), New Zealand (+110%), Mexico (+28%), Argentina (+26%), and the U.S. (+6%).

**Canadian Beef Imports**



Source: Statistics Canada, CanFax

**Market Share of Canadian Beef Imports**



Source: Statistics Canada, CanFax