

# MARKET UPDATE



# Canada Beef Market Update

September 2020

Brenna Grant

Canfax Research Services





# Outline

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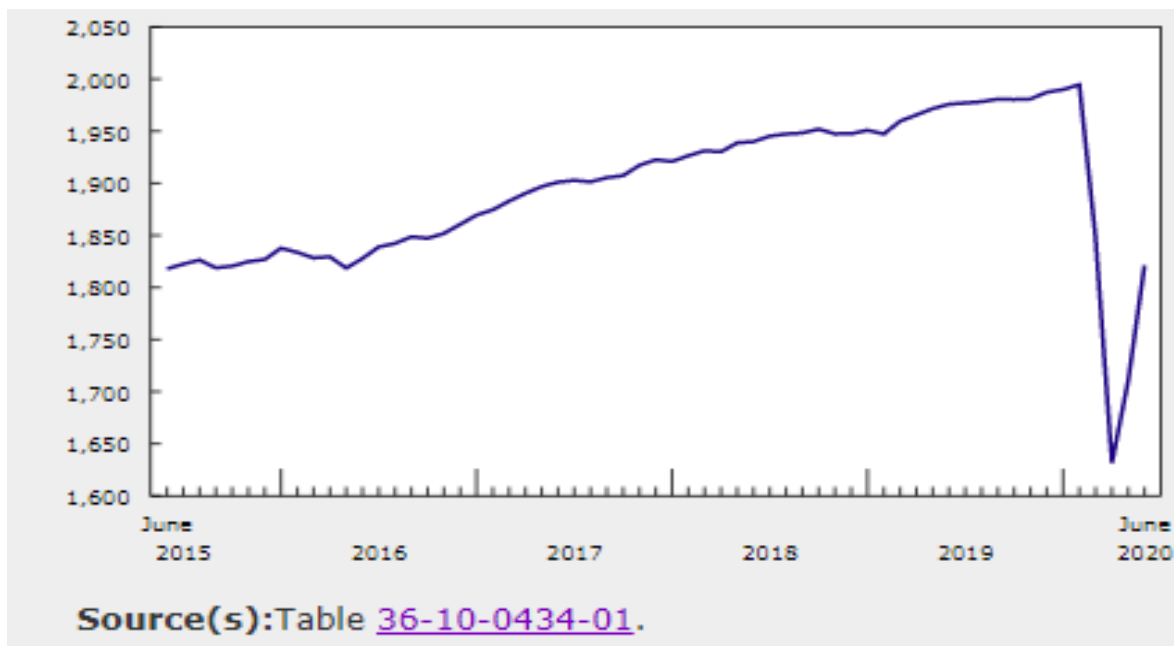
- Economic Outlook
- Domestic Market
  - Consumption and Demand
  - Retail Prices
  - Foodservice
  - Wholesale
- Export Markets
  - Primal % of value from exports
  - Country updates
- Production Outlook



## Economic Outlook: potential v-shaped recovery

Indicator	Latest data	2020 Low	% Change
Real GDP (million \$)	1,821,142 (Jun)	1,631,520 (Apr)	↑ 11.6%
Unemployment rate (%)	10.2 (Aug)	13.7 (May)	↓ 26%
Index of consumer confidence	78.4 (Aug)	47.6 (Apr)	↑ 65%

### Real GDP *(Statistics Canada)*





## Economic Outlook: YoY contraction

- Real GDP June 2020 is **↓**7.8% from June 2019
  - Annualize real GDP 2020: projected -5 to -10% contraction
- Unemployment rate Aug 2020 at 10.2% is **↑**79% from Aug 2019
- Index of consumer confidence Aug 2020 is **↓**33% from Aug 2019

Indicator	2020	2019
Real GDP (million \$)	1,821,142	1,975,851
Unemployment rate (%)	10.2	5.7
Index of consumer confidence	78.4	116.3



## Consumer spending shifts following spring lock-downs

- Impacts/recovery vary among provinces, ethnicity, age, gender, industry
  - For example:
    - Young people plan to spend more (take-out and restaurants)
    - Immigrants plan to spend less
    - Quebec residents plan to spend more
    - Arab, black and Southeast Asians have highest unemployment rates
- Restaurant spending to decrease for those 35 to 54 years old
- Groceries to increase for the 55+ category

### Canadian post-lock-down spending plans

	More	Less
Groceries	19.3%	10.2%
Eating at a restaurant	20.4%	50.9%
Ordering take out	16.3%	31.3%

Source: Data from [Statistics Canada](#)



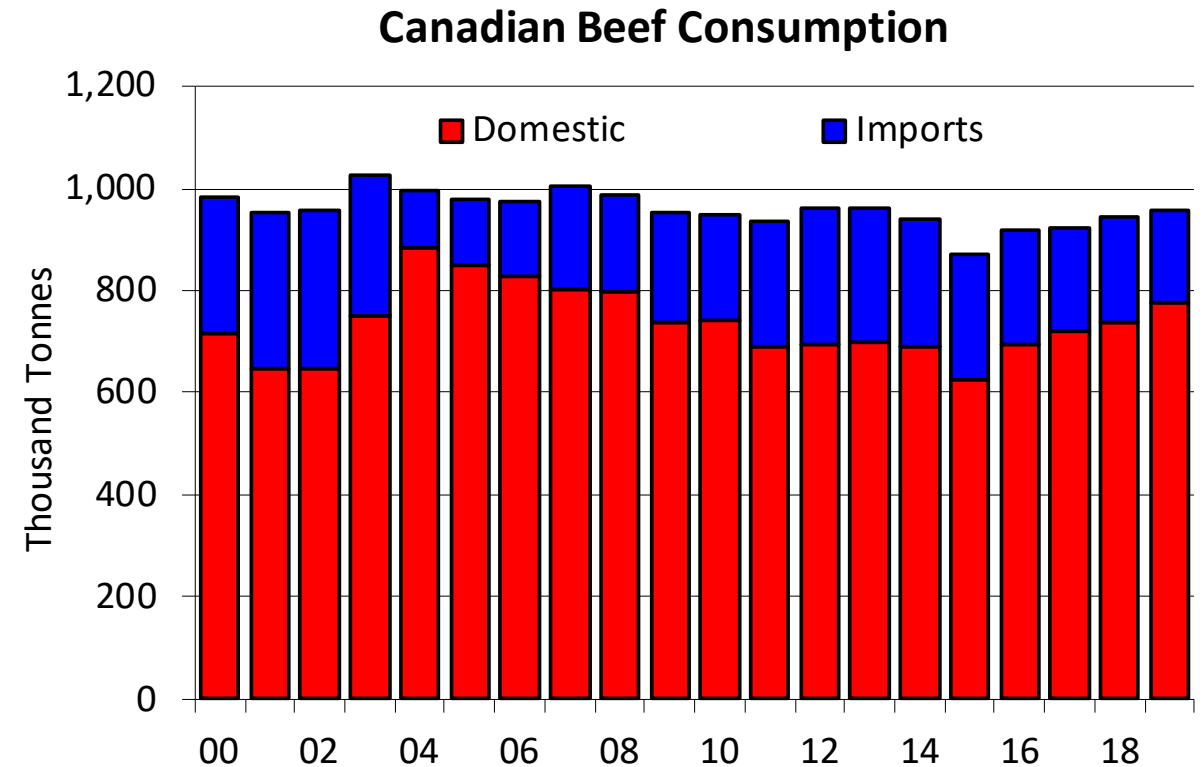
# Domestic Market





## Total beef consumption was up 1.6% at 957,949 tonnes in 2019

- Per capita consumption up 0.2% to 18.1 kgs
- Representing 28% of market share by volume and 41% by value
- Total beef consumption has increased 10% from 2015 to 2019.



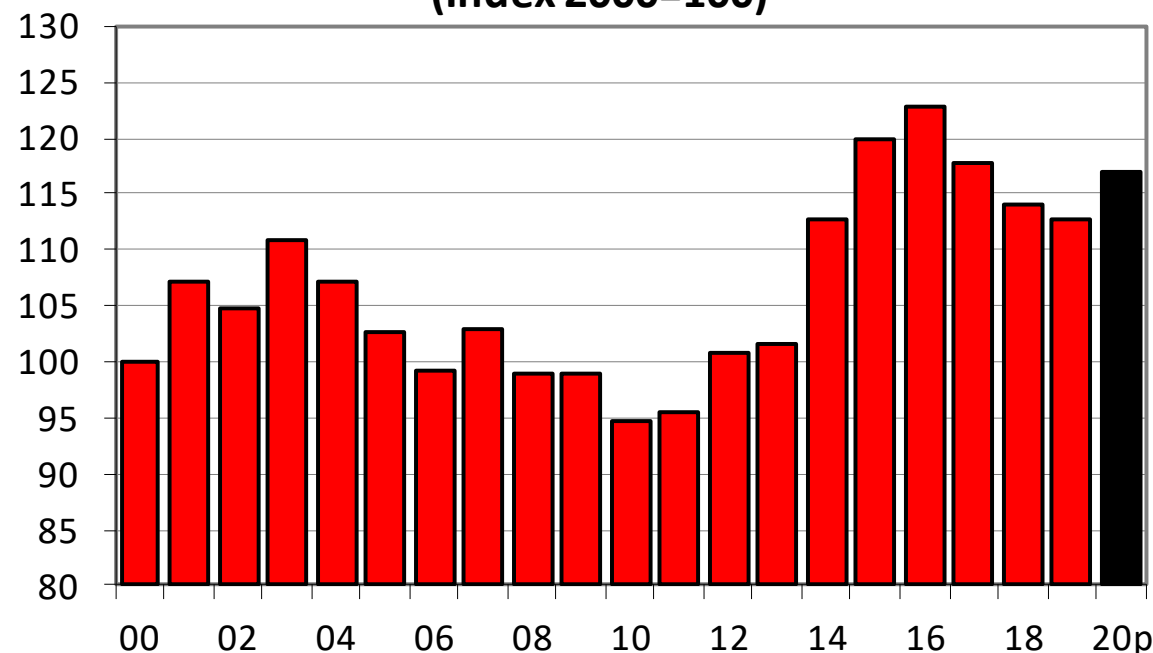
Source: Statistics Canada



## Retail beef demand is projected to be up 3.7% in 2020

- Retail beef demand has been strong since 2014
- In 2020, beef has been a top performer in volume and sales among the grocery aisles as spending shifted drastically from foodservice to retail

Canadian Retail Beef Demand Index  
(Index 2000=100)



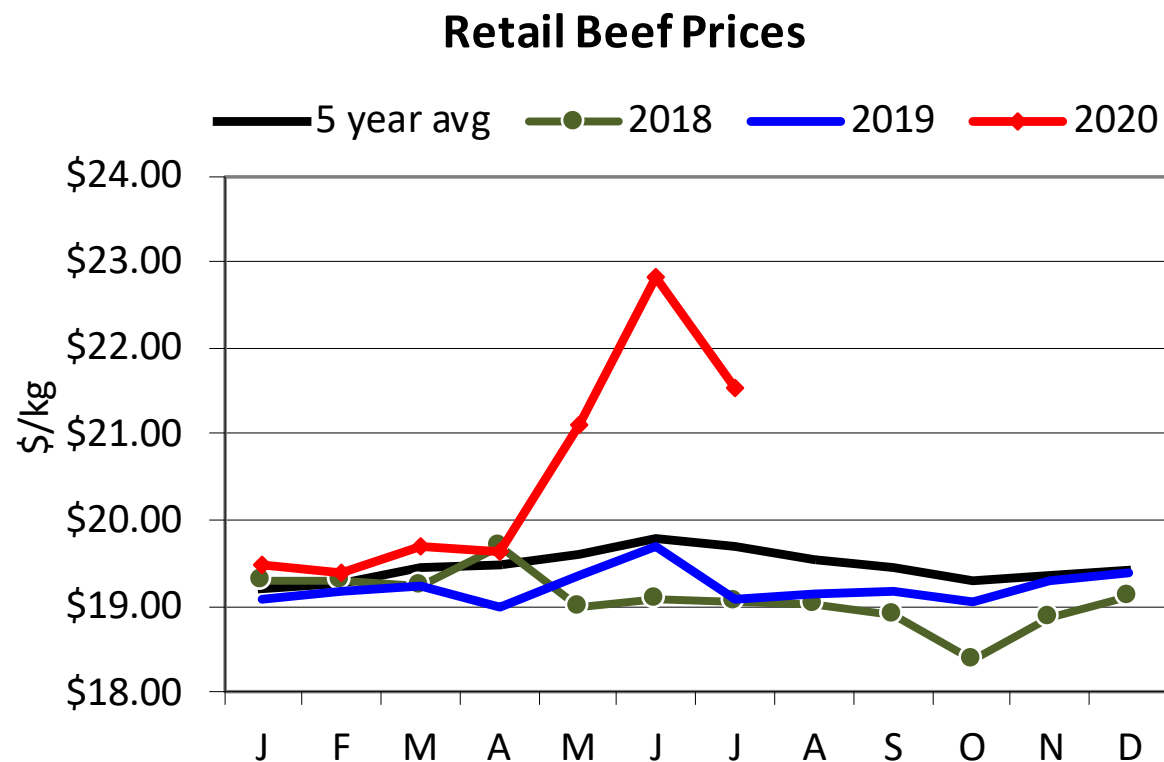
Source: CanFax Research





## 2020 retail beef prices remains elevated over 2019

- Sales at grocery up 13% Jan to May
- Retail price peaked in June 2020 at CDN\$22.82/kg
- July 2020 at CDN\$21.54/kg was down 5.6% MoM, but still up 12.9% YoY

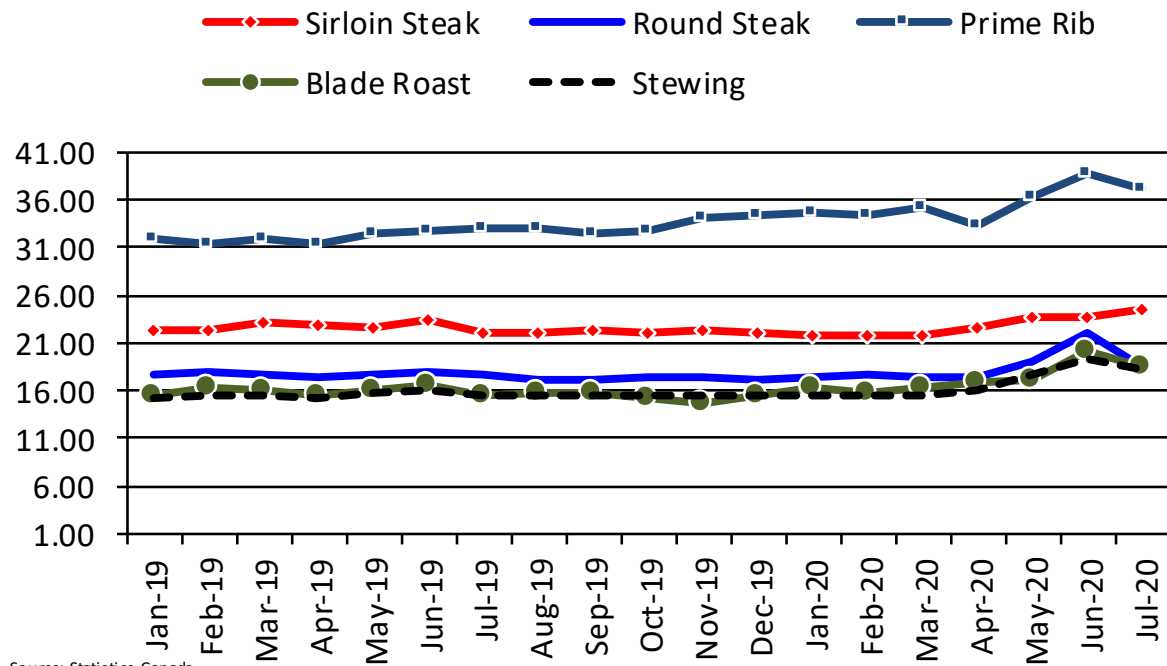


Source: Statistics Canada



## In July, YoY price increases remain the largest for Blade Roast, Stew Beef and Ground Beef

Retail Beef Prices



Retail Beef Prices	20-Jul	19-Jul	% Change
Round Steak	18.39	17.59	4.5%
Sirloin Steak	24.45	22.17	10.3%
Prime Rib Roast	37.09	32.97	12.5%
Blade Roast, Boneless	18.49	15.34	20.5%
Stewing Beef	18.31	15.50	18.1%
Ground Beef, Regular	12.50	10.86	15.1%

Source: Statistics Canada

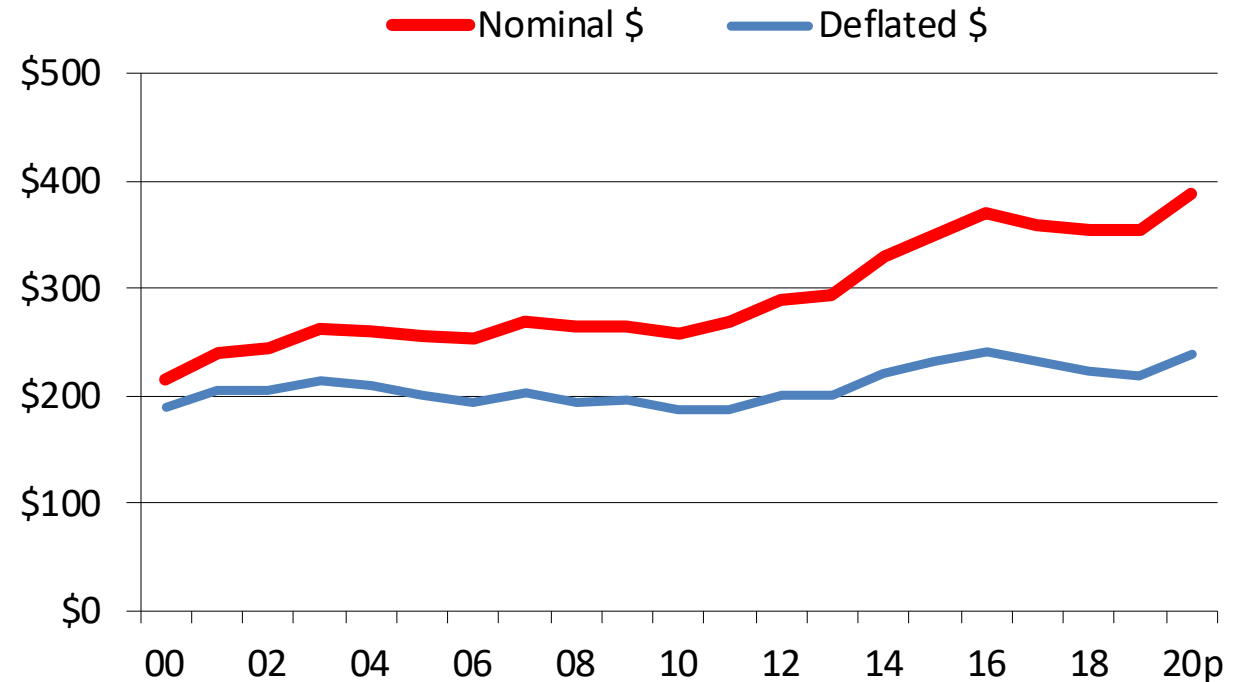
Source: Statistics Canada



## per capita expenditures on beef

- per capita expenditures on beef are projected to be up 9.4% (nominally) and 8.9% (deflated)
- Deflated retail beef prices are up 6% from 2019 but still 3% below the 2015 highs

**Canadian Per Capita Beef Expenditures**  
*Per Capita Disappearance X Retail Price*

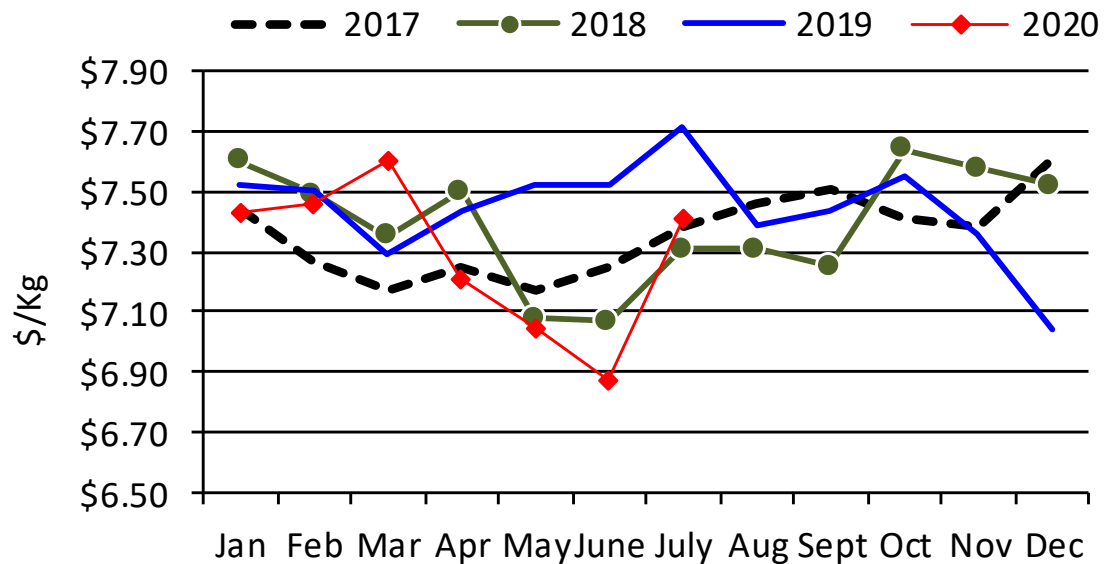


Source: Statistics Canada, CanFax



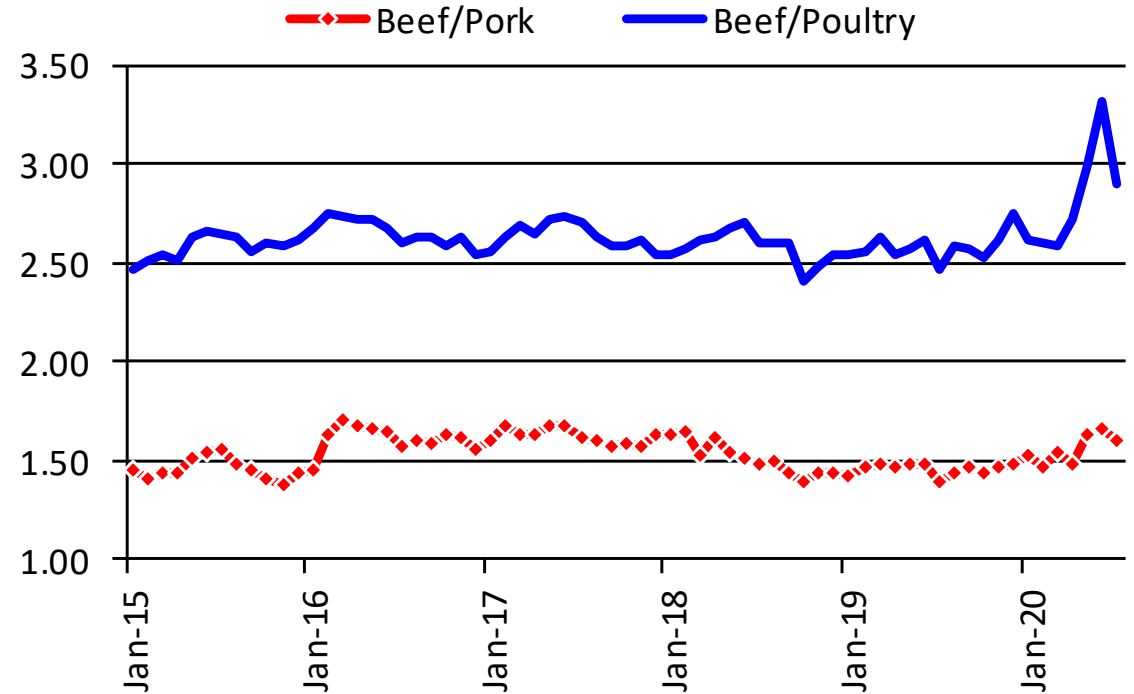
## Retail Chicken price fell to \$6.84/kg and the beef/poultry price ratio hit a record 3.32

### Retail Chicken Prices



Source: Statistics Canada

### Retail Meat Ratios

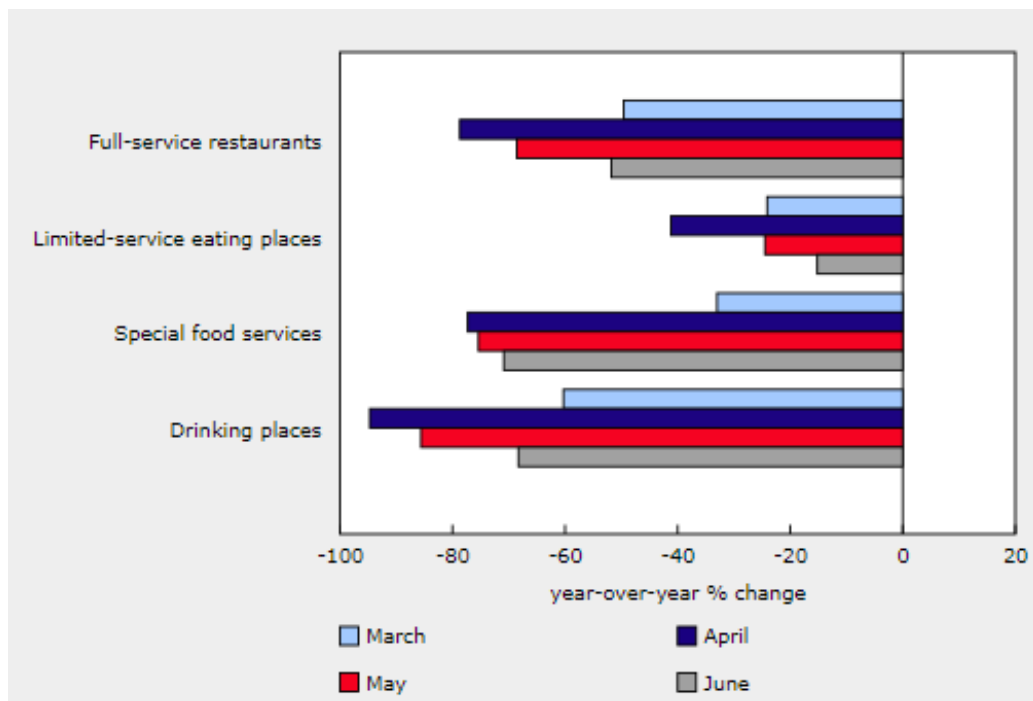


Source: Statistics Canada

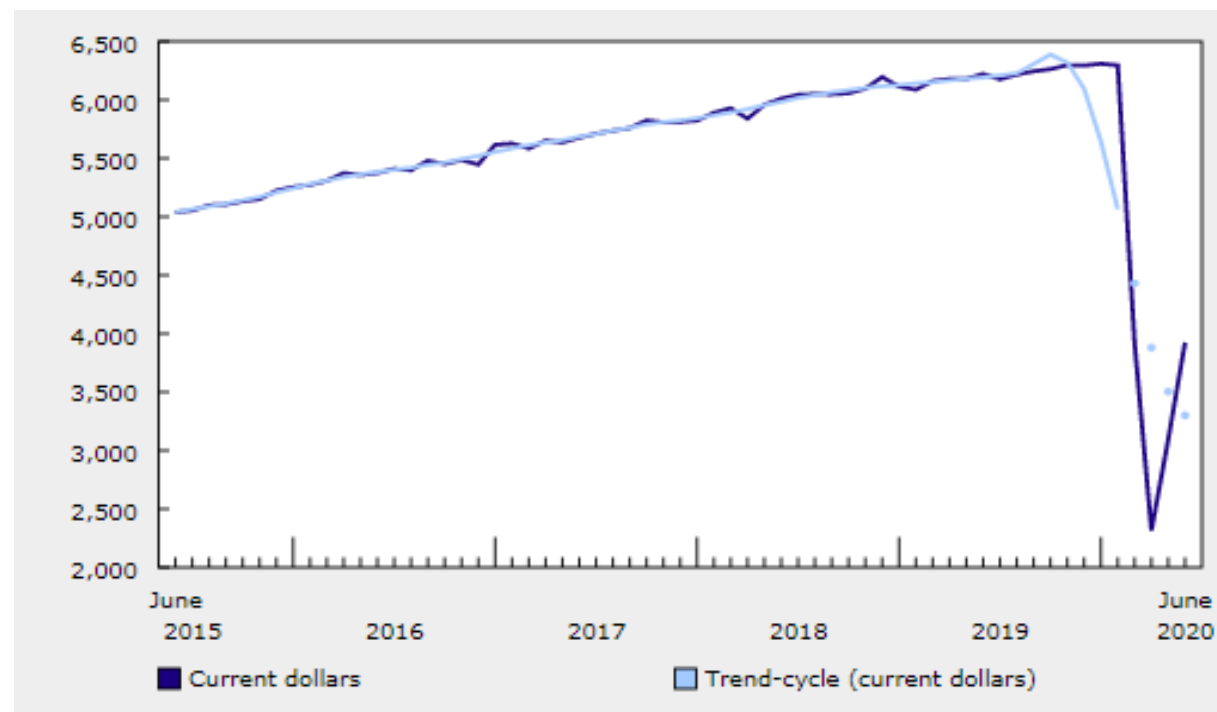


## Foodservice: YoY contraction with considerable increases MoM

- YoY sales in July 2020 still 30% (est.) lower than July 2019
- Special food services struggling the most



Source: [Statistics Canada](https://www150.statcan.gc.ca/n1/pub/69-626-x/2020071/article/00001-eng.htm)

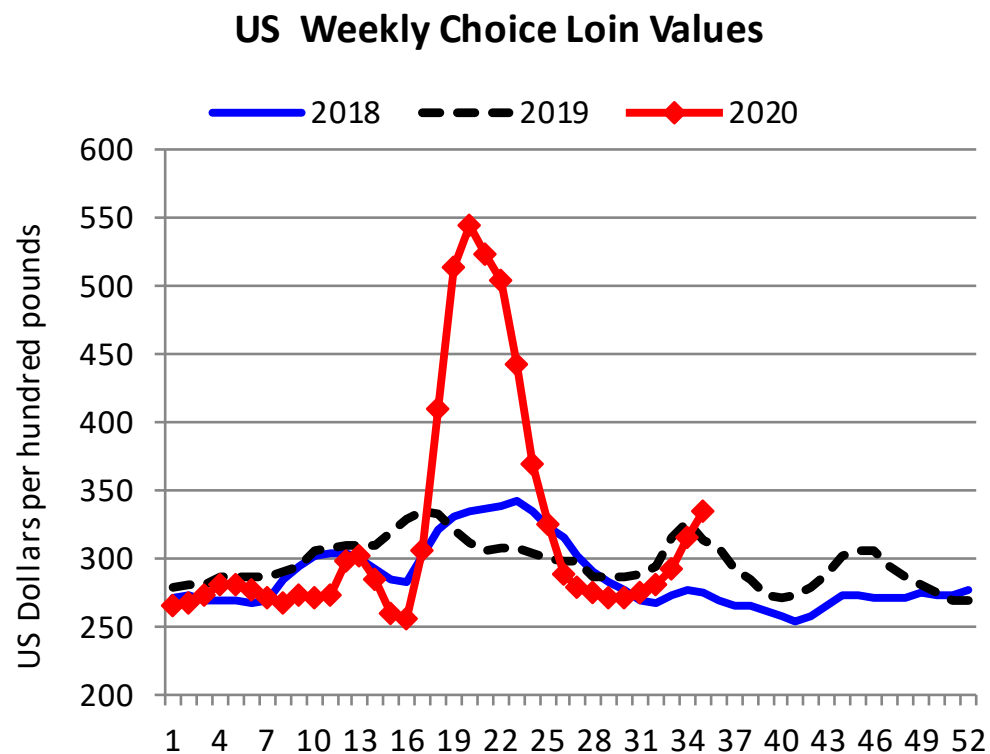


Source: [Statistics Canada](https://www150.statcan.gc.ca/n1/pub/69-626-x/2020071/article/00001-eng.htm)

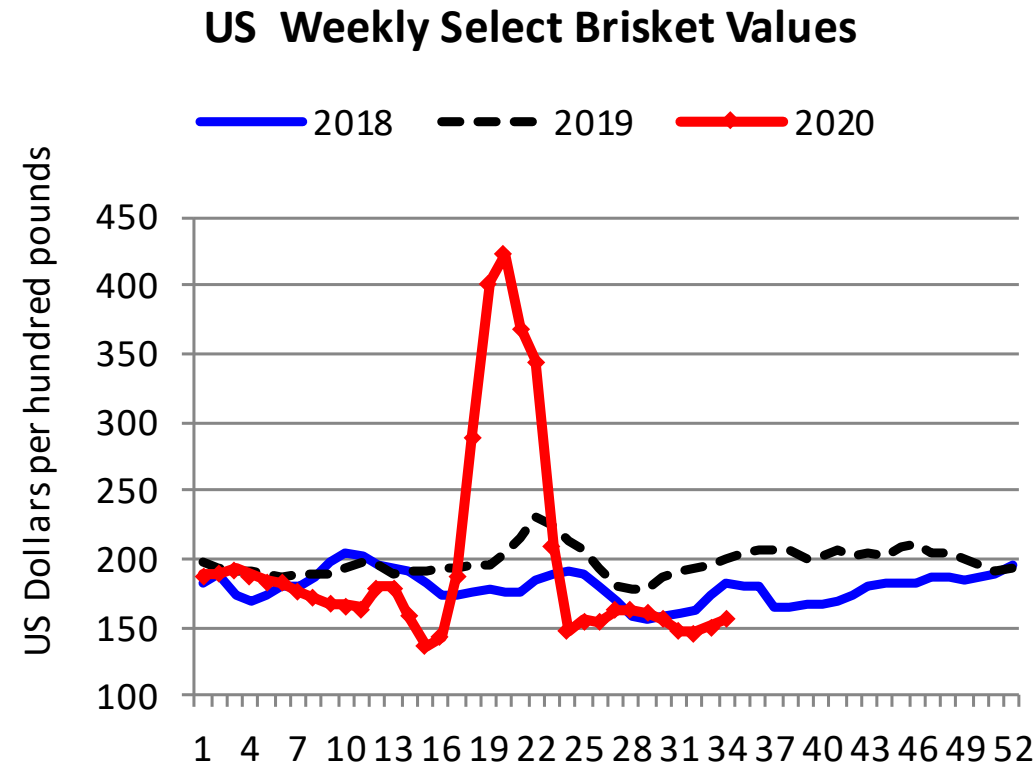


## Foodservice re-openings lead to late-summer middle meat demand while end meats remain soft

Choice loin were +6% from LY in August; while Choice brisket was -22% from LY



Source: USDA



Source: USDA

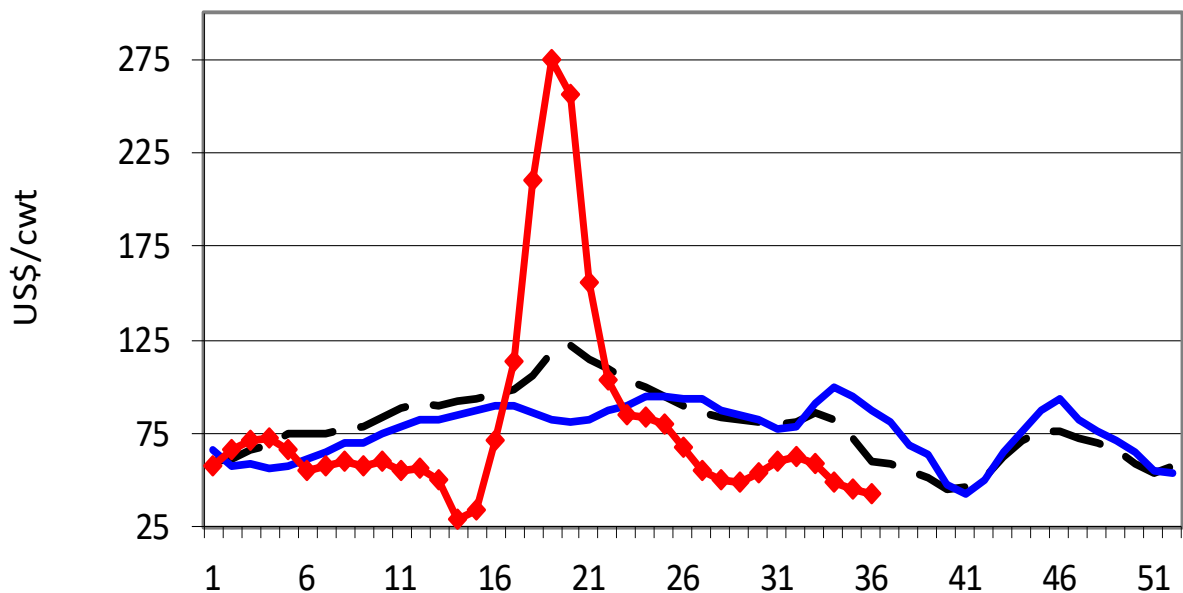
# MARKET UPDATE



## 50% Trim prices dropped below year ago in June 85% trim dropped below in August

US Weekly 50% Fresh Trimmings

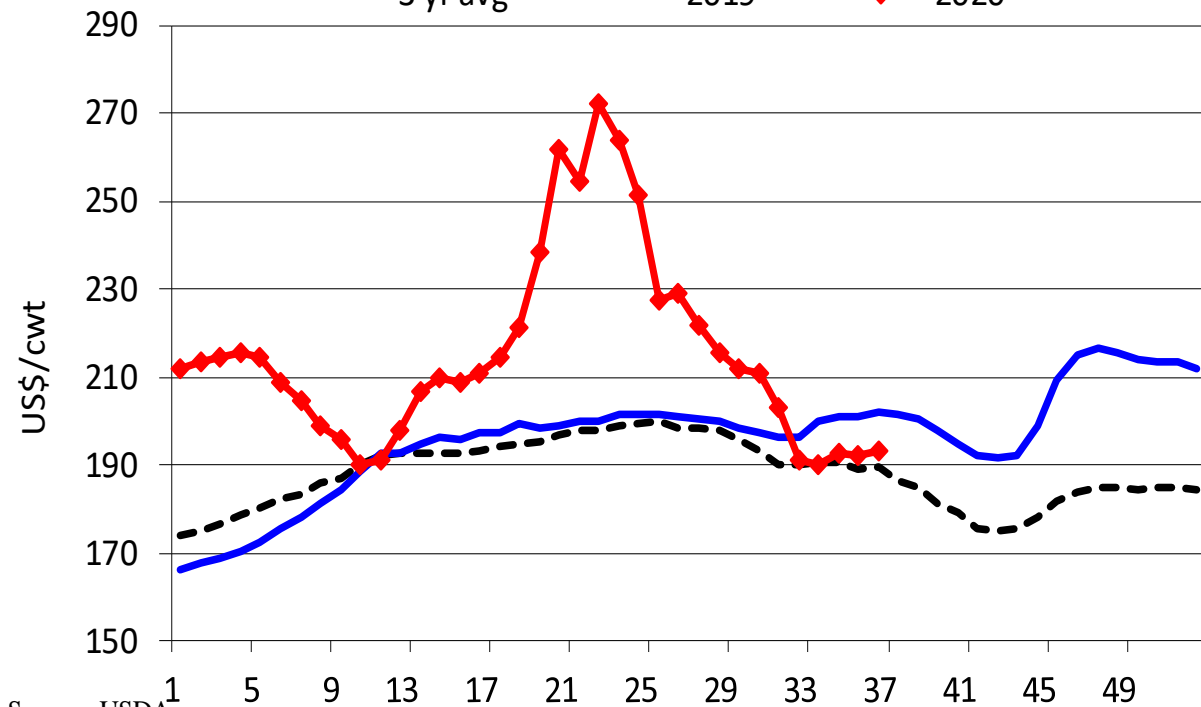
— 3 yr avg    — 2019    —◆— 2020



Source: USDA

US Weekly 85% Fresh Trimmings

--- 3 yr avg    — 2019    —◆— 2020

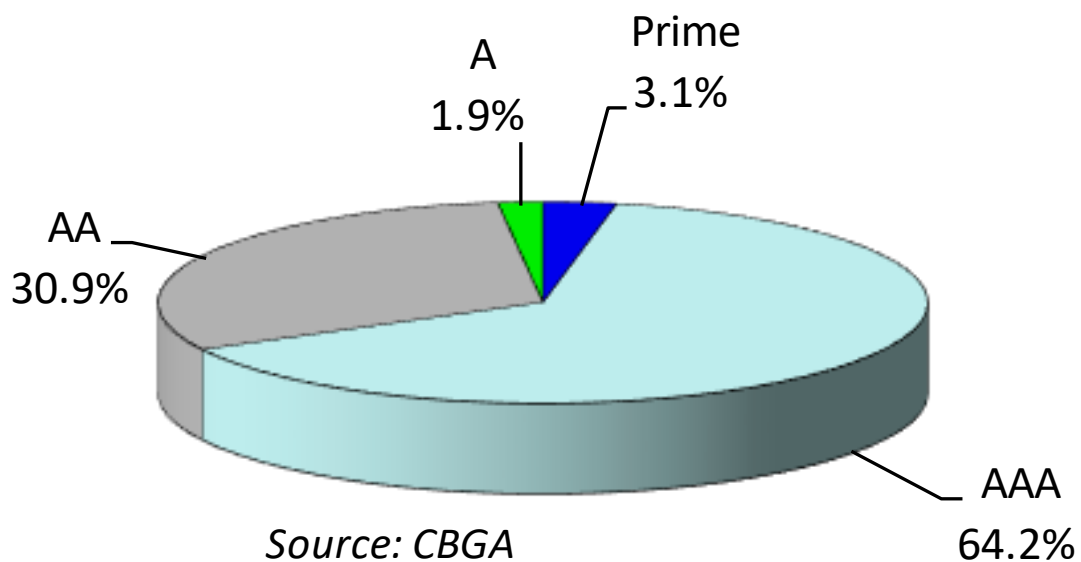


Source: USDA

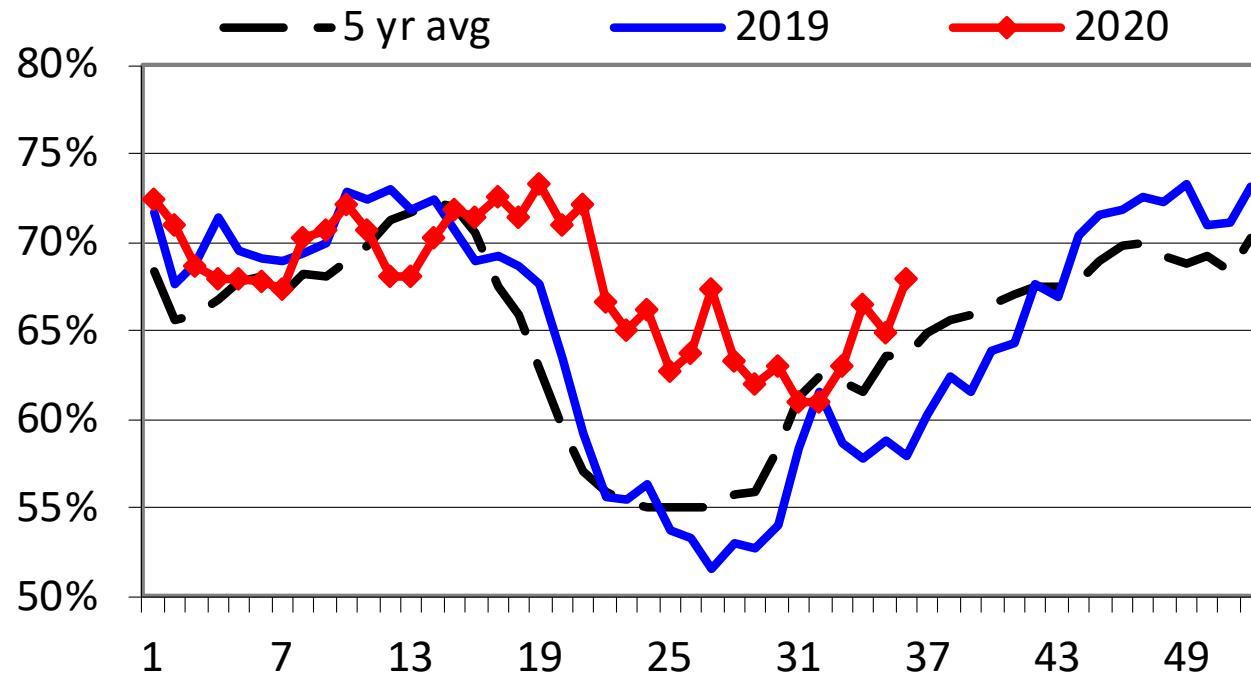


## Prime + AAA as a percentage of all grades up 3.6% YTD

**Breakdown of A, AA and AAA Grades  
% of Canadian A Grades - 2020 ytd**



**Canadian AAA+Prime as % of all A Grades**



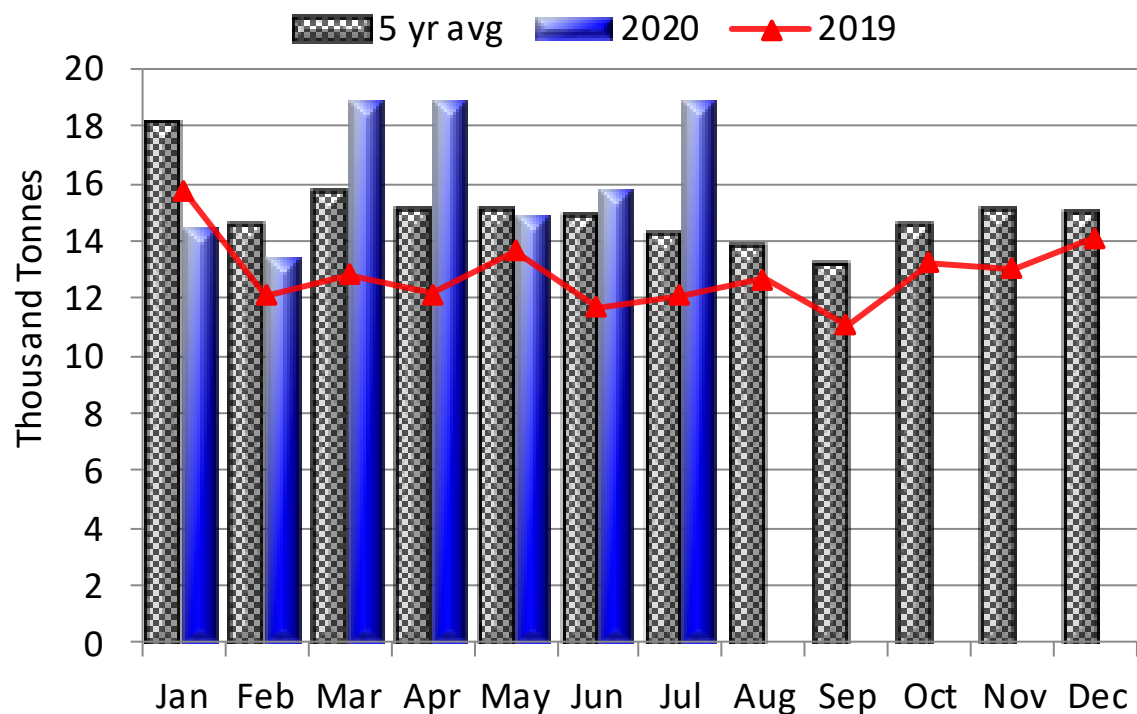
Source: CBGA





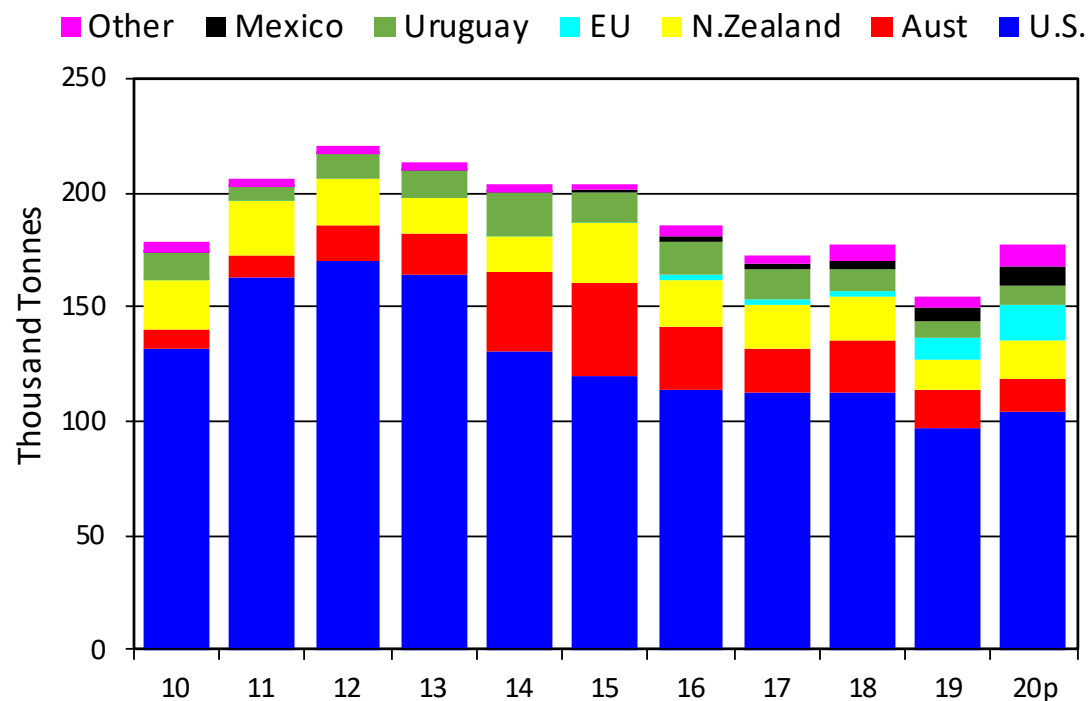
**Jan-July imports up 23% in volume and 27% in value:** *projected to end the year around 178,000 tonnes steady with the five-year average*

**Canadian Monthly Beef and Veal Imports**



Source: Statistics Canada

**Canadian Beef Imports**



Source: Statistics Canada



## Smaller Supplies from Australia

- Australian beef production down sharply in August (-24%); exports will be constrained in the second half of the year
  - Year to August exports **Japan -8%**, **US -6%**, **China -16%**, **South Korea -4%**, **Indonesia -8%**

### **Brazil, US cut Australia's grass in key beef markets**

*The Land, Shan Goodwin 10 Sep 2020*

SHRINKING beef export volumes are the result of a super tight supply of cattle from a producer base hell bent on rebuilding rather than any slip in how much key customers are asking for, or are willing to pay.

### **JBS scales back Dinmore operations to 'protect long-term future'**

*Beef Central, Jon Condon, September 9, 2020*

In a clear sign of the depth of difficulty currently being experienced in red meat processing this year, JBS Australia has announced it will put off about 600 full-time staff at the company's flagship Dinmore beef plant west of Brisbane.

t beef shipping



PORTS



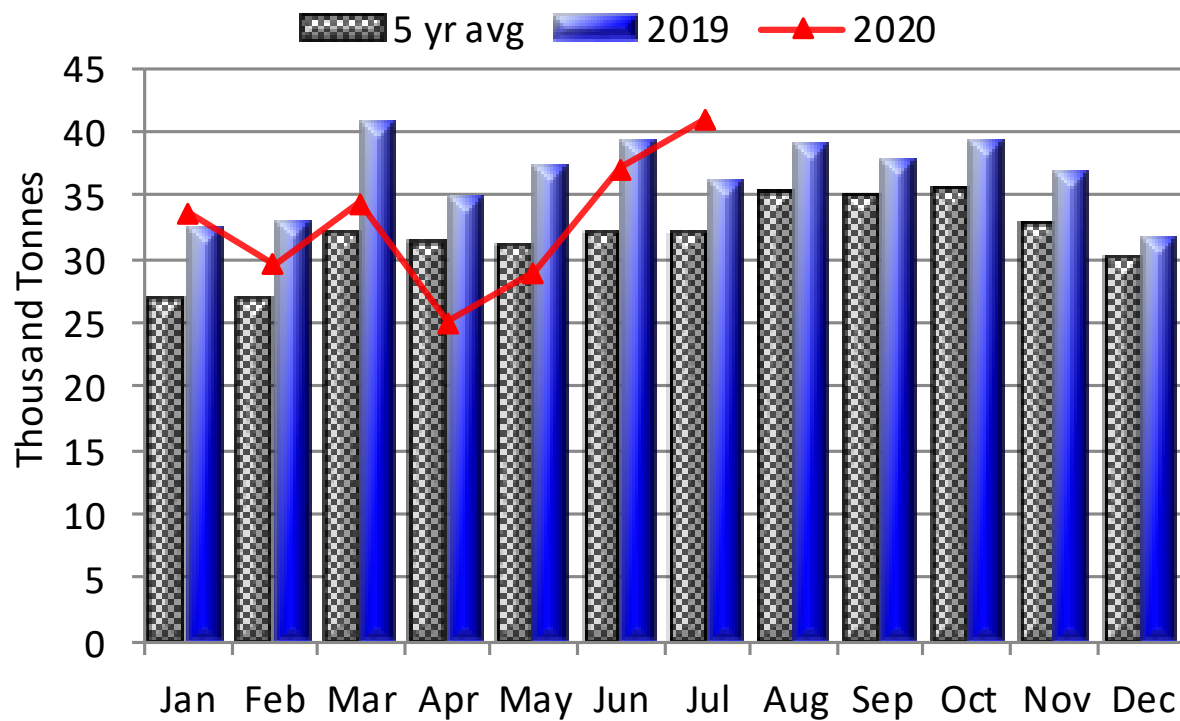
# Export Markets





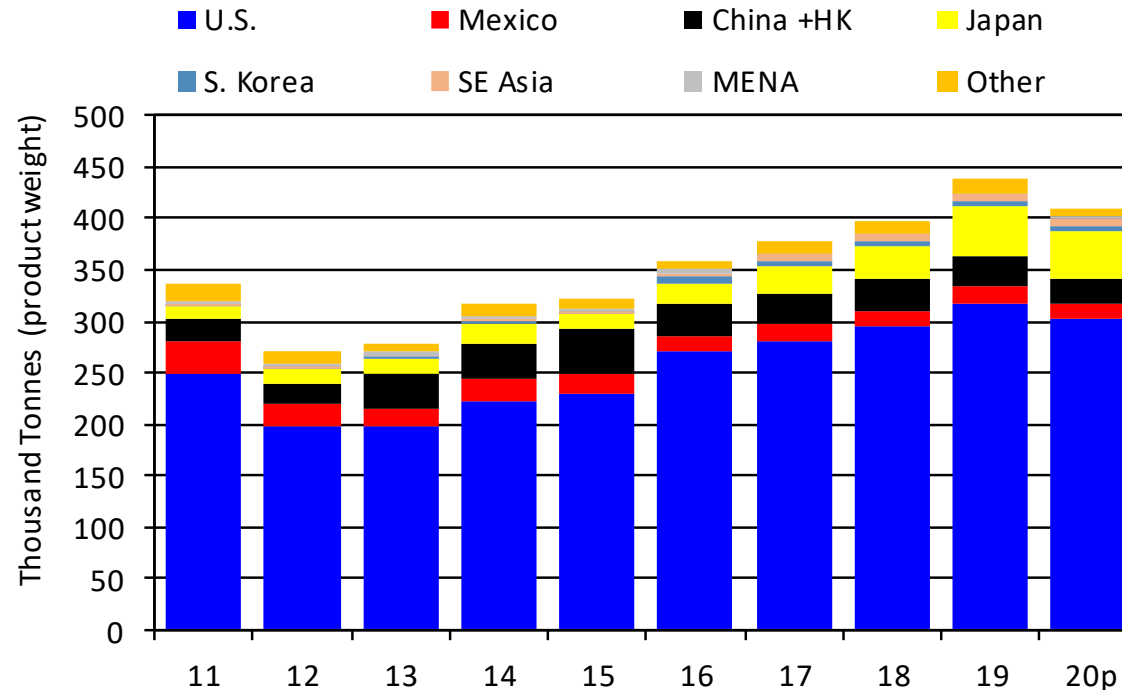
## Jan-July Canadian beef exports -9% in volume and -1.6% in value

### Canadian Monthly Beef and Veal Exports



Source: Statistics Canada

### Canadian Beef Export Volume

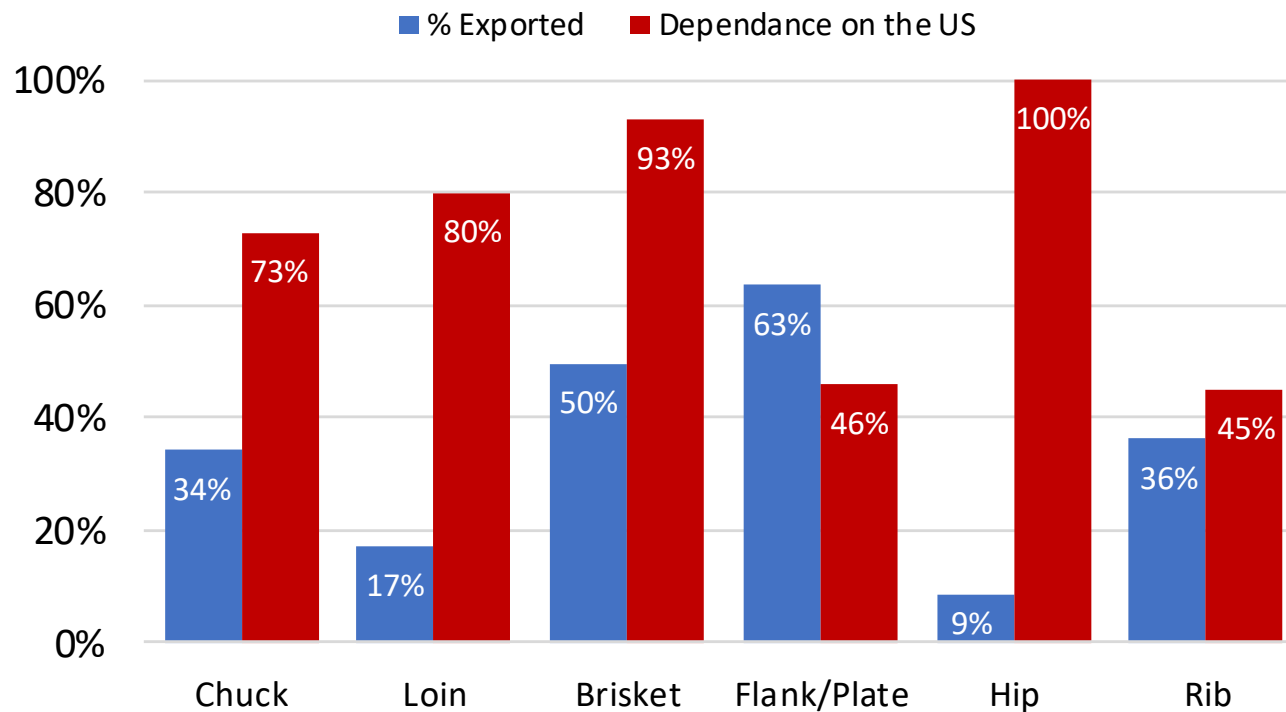


Source: Statistics Canada, CFIA



## Some primals have greater dependence on exports (e.g. flank/plate, brisket)

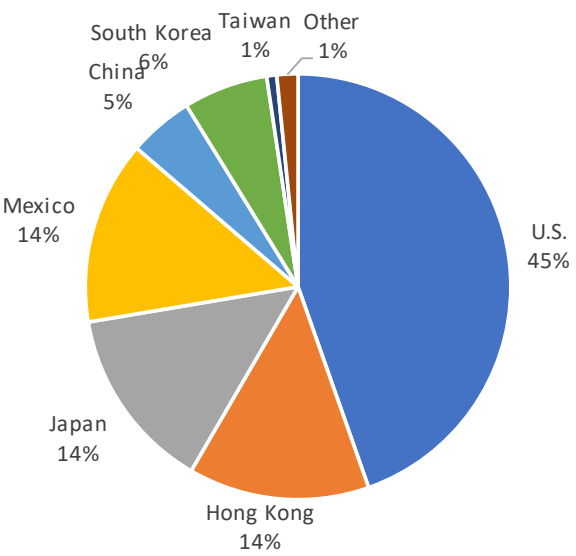
Portion of the Primal Value coming from Exports, 2019



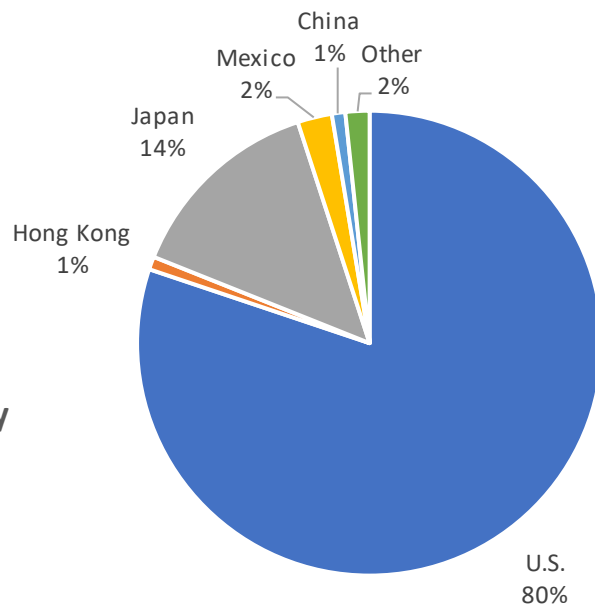


## Primals by export destination (by volume)

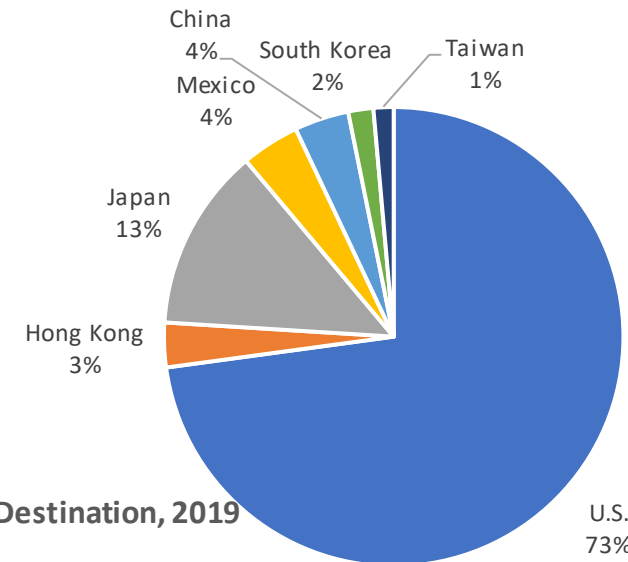
Rib Exports by Destination, 2019



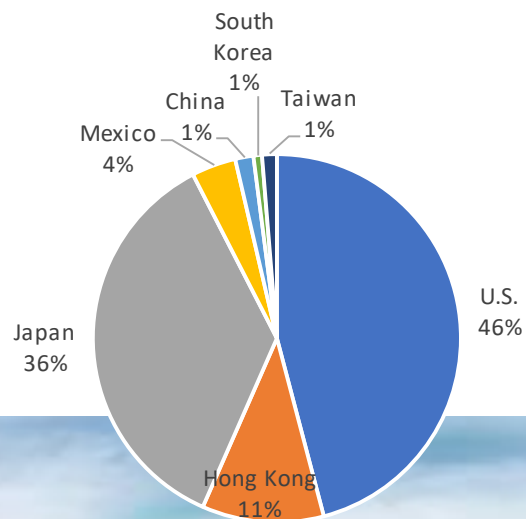
Loin Exports by Destination, 2019



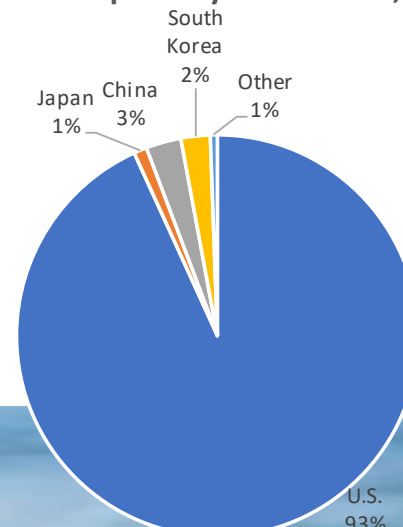
Chuck Exports by Destination, 2019



Flank/Plate Exports by Destination, 2019



Brisket Exports by Destination, 2019

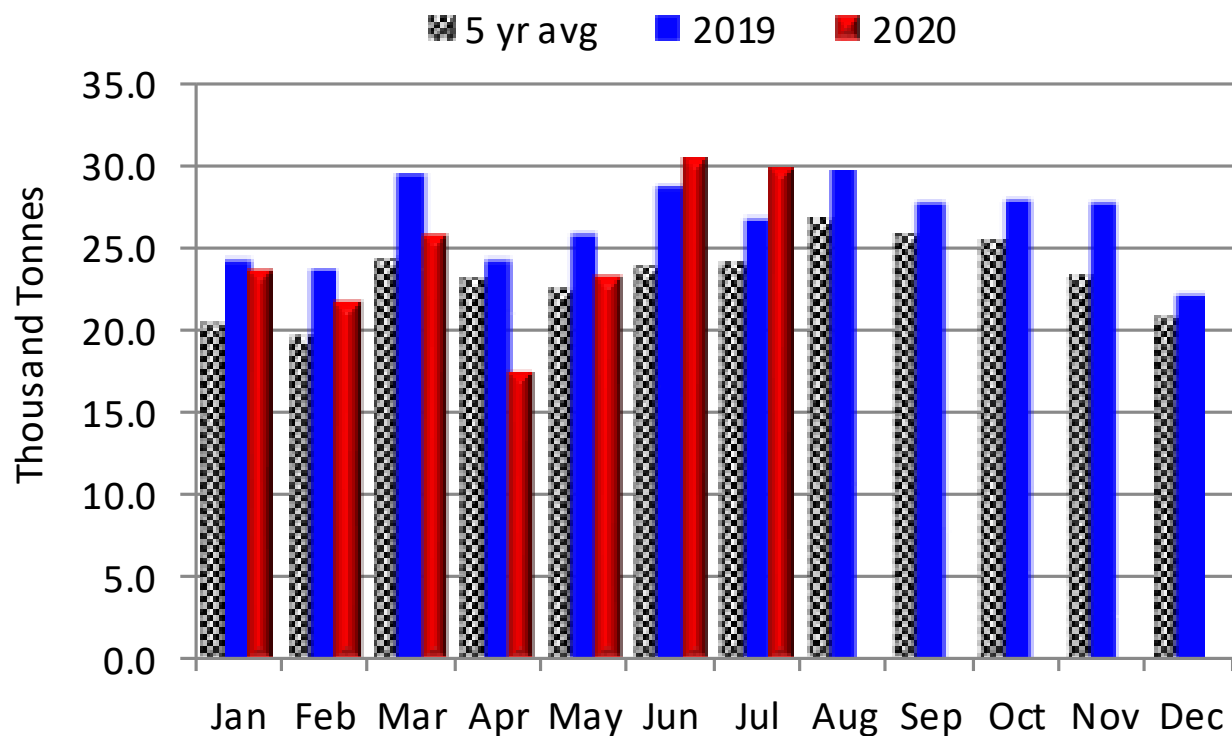




## Beef has remained a staple during the pandemic

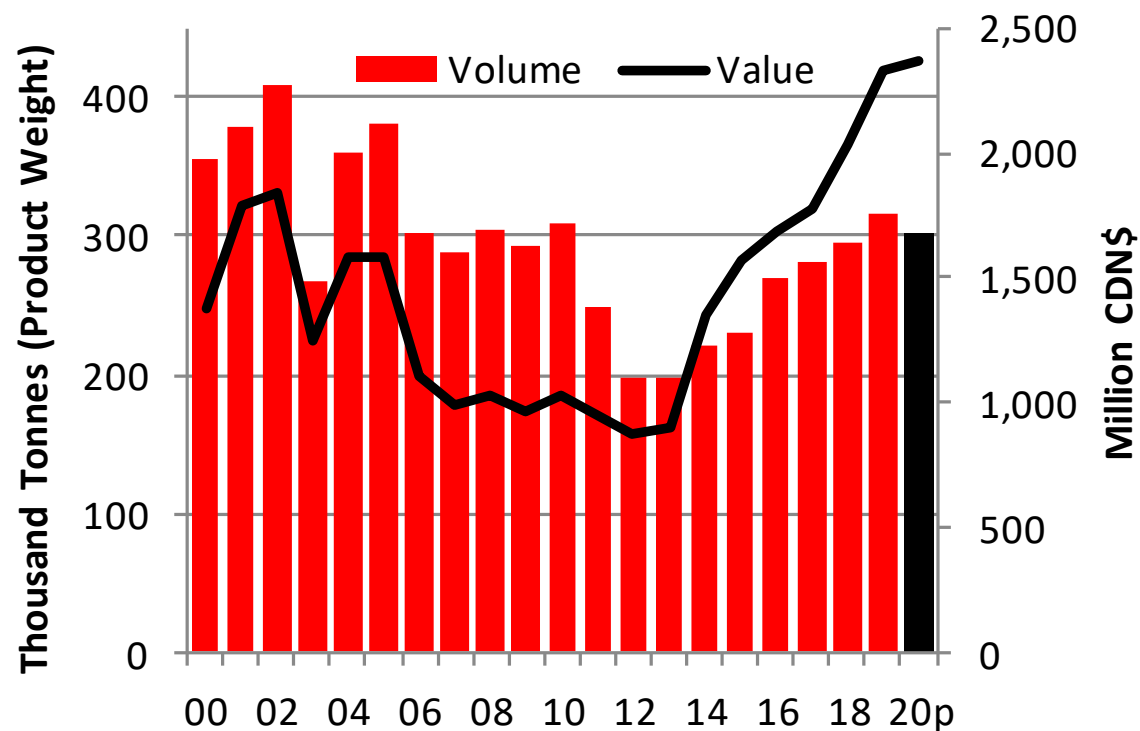
*US -5.7% in volume and +5% in value*

### Monthly Beef Exports to the United States



Source: Statistics Canada

### Beef Exports to United States



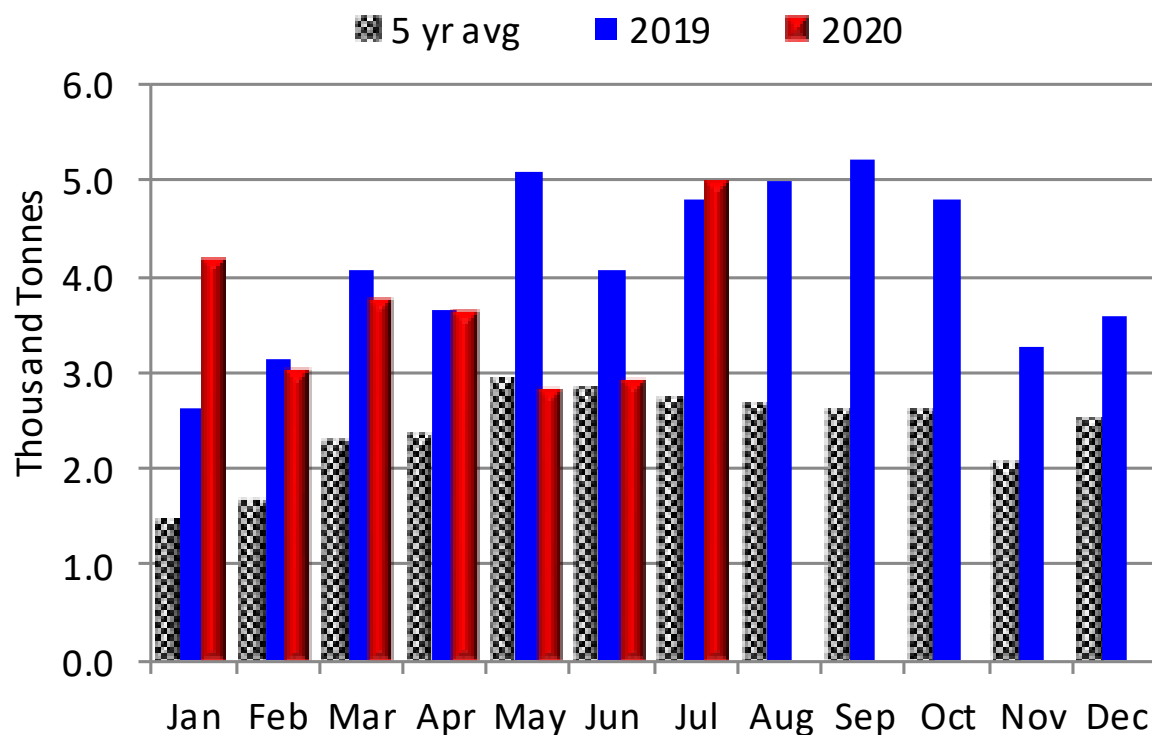
Source: Statistics Canada, CFIA



## Greater competition in 2020 with US/Japan deal

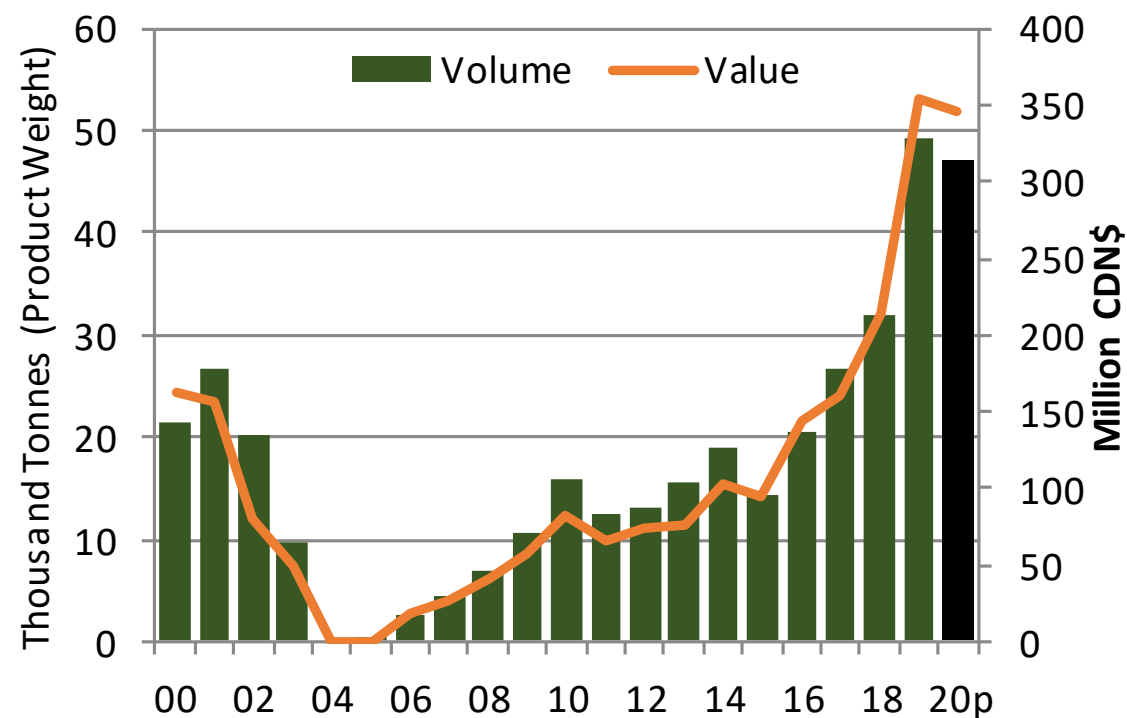
*Japan -8% in volume and -4.6% in value*

### Monthly Beef Exports to Japan



Source: Statistics Canada

### Beef Exports to Japan



Source: Statistics Canada, CFIA

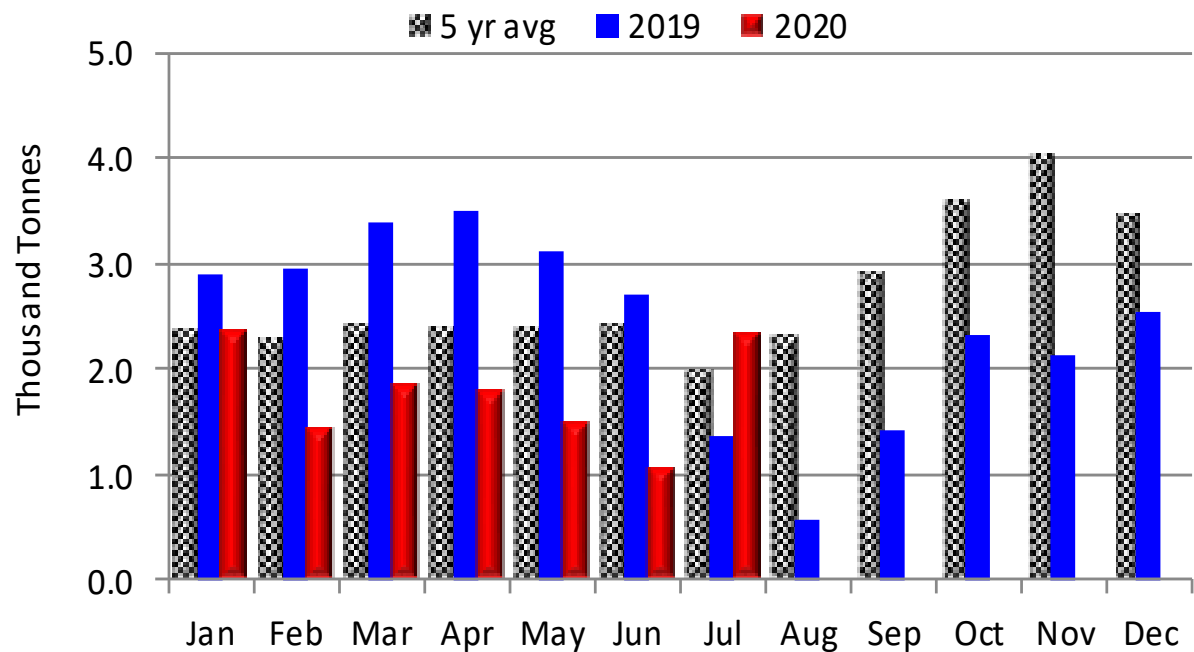




## Despite ASF and a giant protein gap

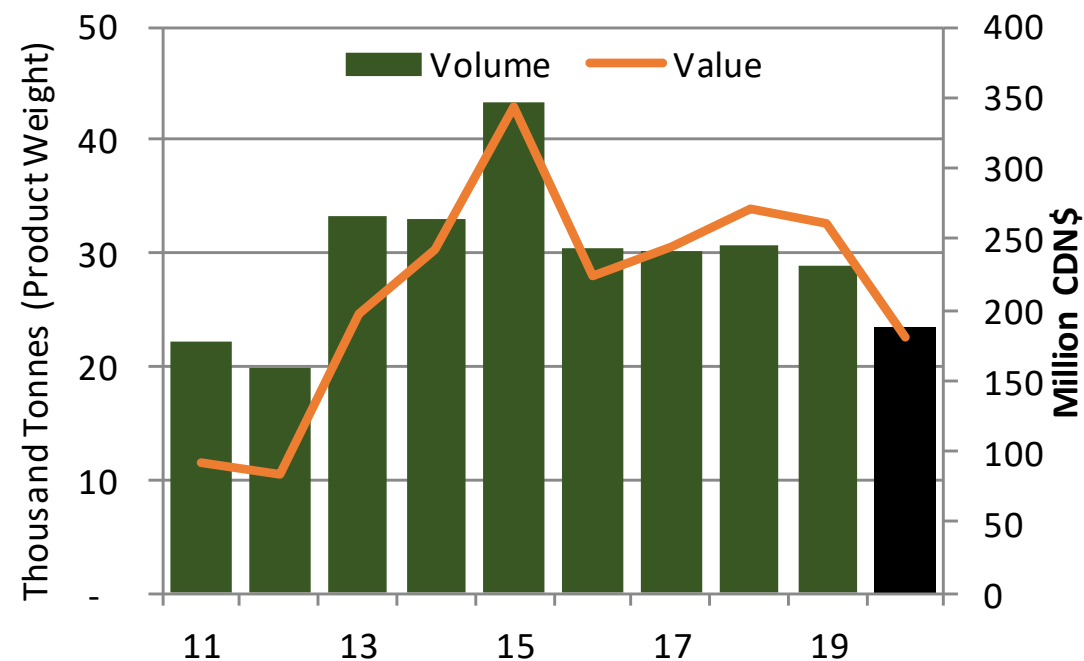
*China & Hong Kong -38% in volume and -40% in value*

Monthly Beef Exports to China  
incl. HK and Macau



Source: Statistics Canada

Beef Exports to China, Hong Kong & Macau



Source: Statistics Canada, CFIA



## China-US Phase 1 Deal

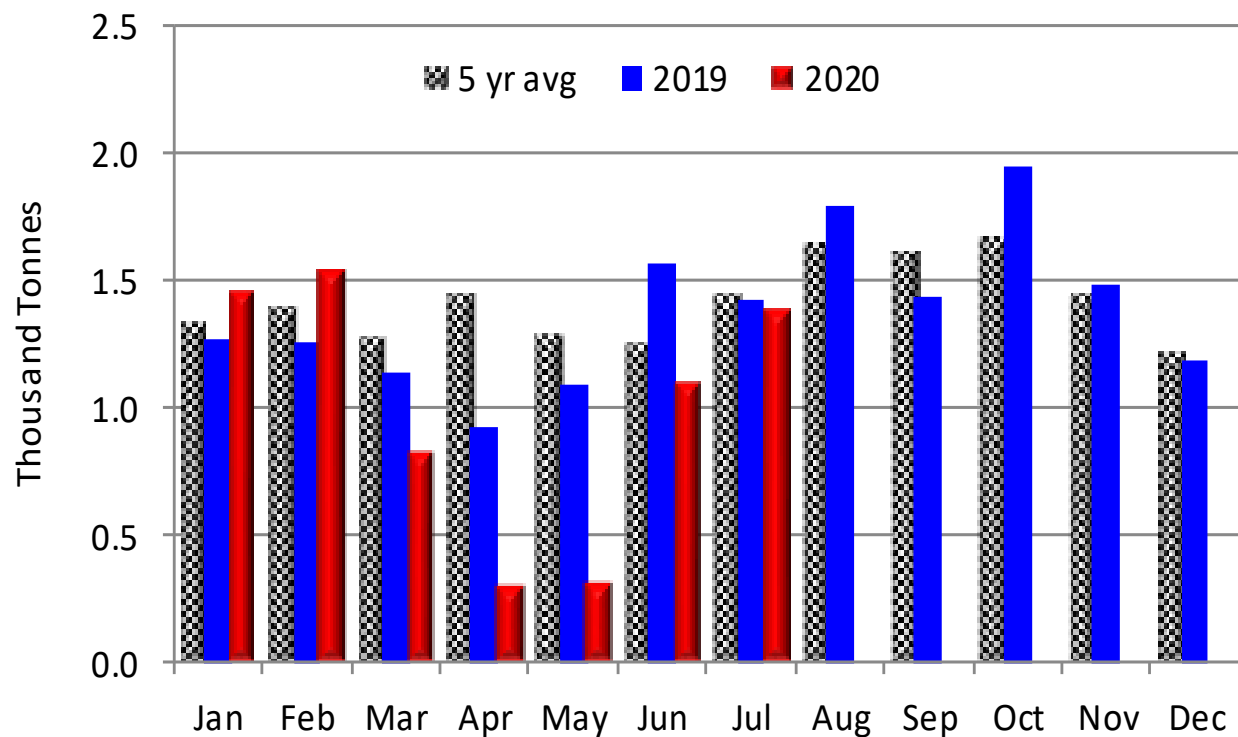
- China has roughly 20% of the world's population but only 7% of the world's arable land, while the US has less than 4% of the world's population and 15% of arable land
- China's aggressive agricultural imports expected to boost US exports
- Phase 1 went into effect in February
  - China agreed to expand purchases of certain US goods and services by a combined \$200 billion over 2020 and 2021 from 2017 levels.
  - So far in 2020, China's imports of US agricultural goods are still behind its commitment.



## Despite financial concerns, spending up with COVID

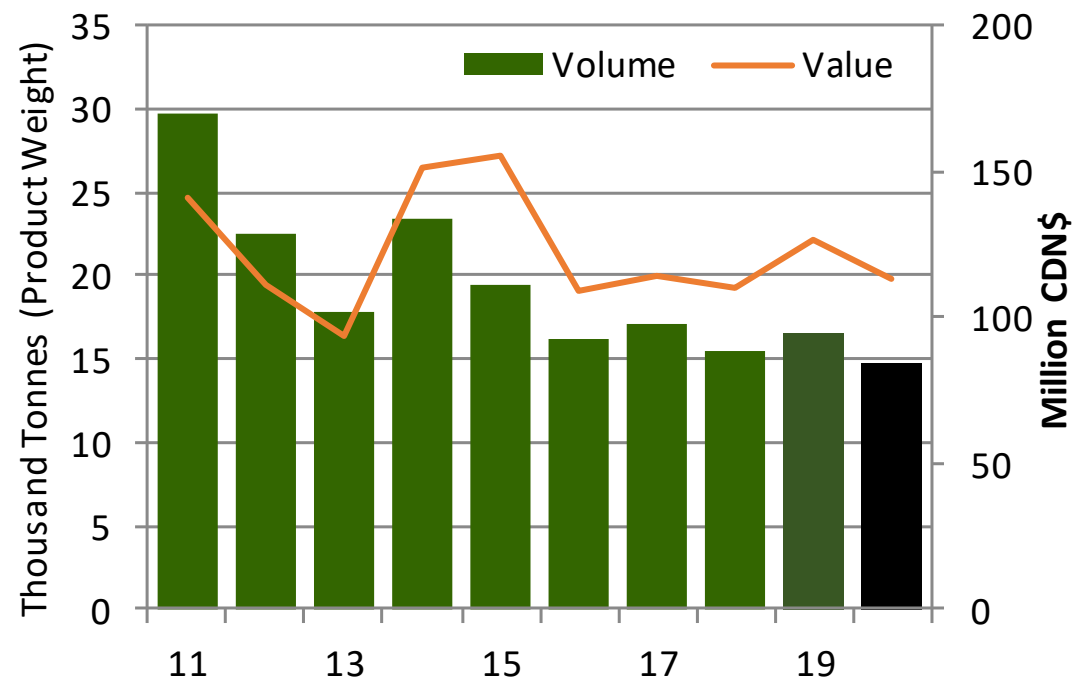
*Mexico -21% in volume and -22% in value*

Monthly Beef Exports to Mexico



Source: Statistics Canada

Beef Exports to Mexico

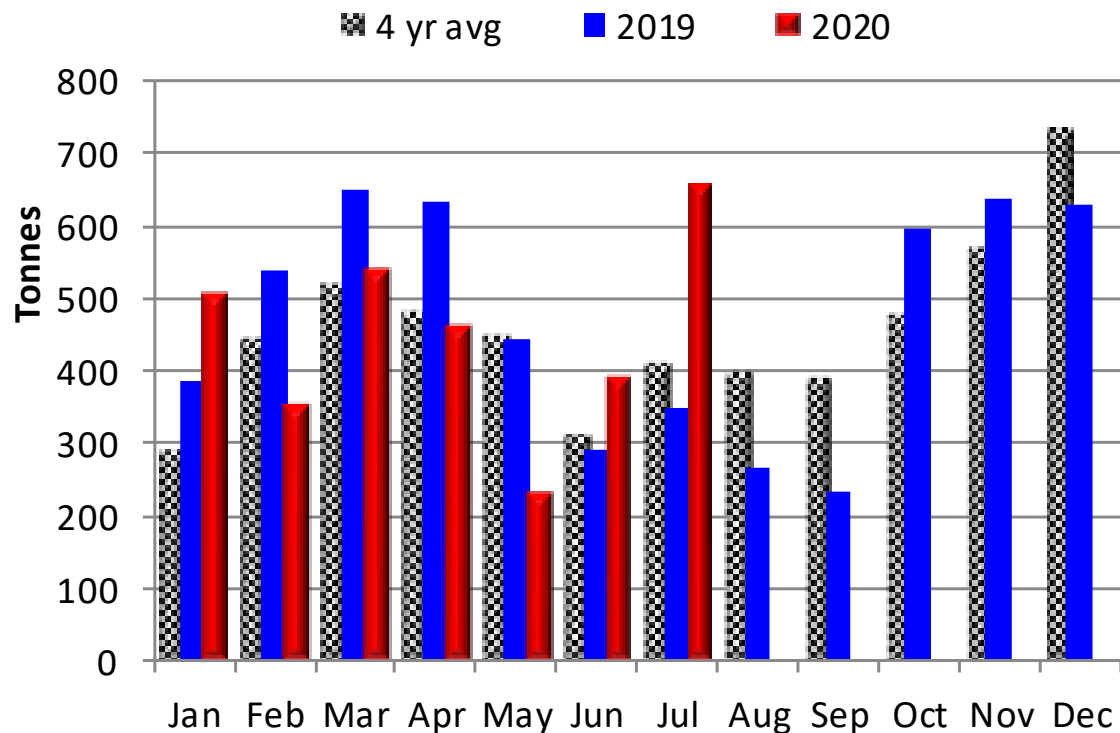


Source: Statistics Canada, CFIA



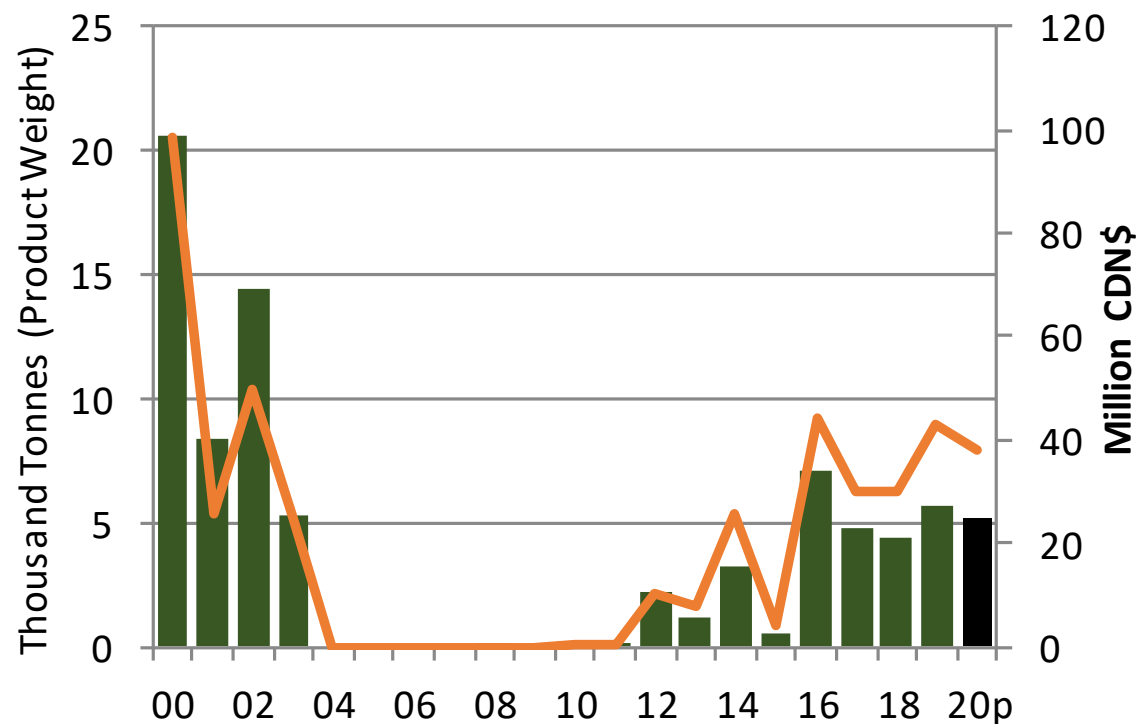
## South Korea jumped in July: YTD -4.7% in volume and -13% in value

### Monthly Beef Exports to South Korea



Source: Statistics Canada

### Beef Exports to South Korea

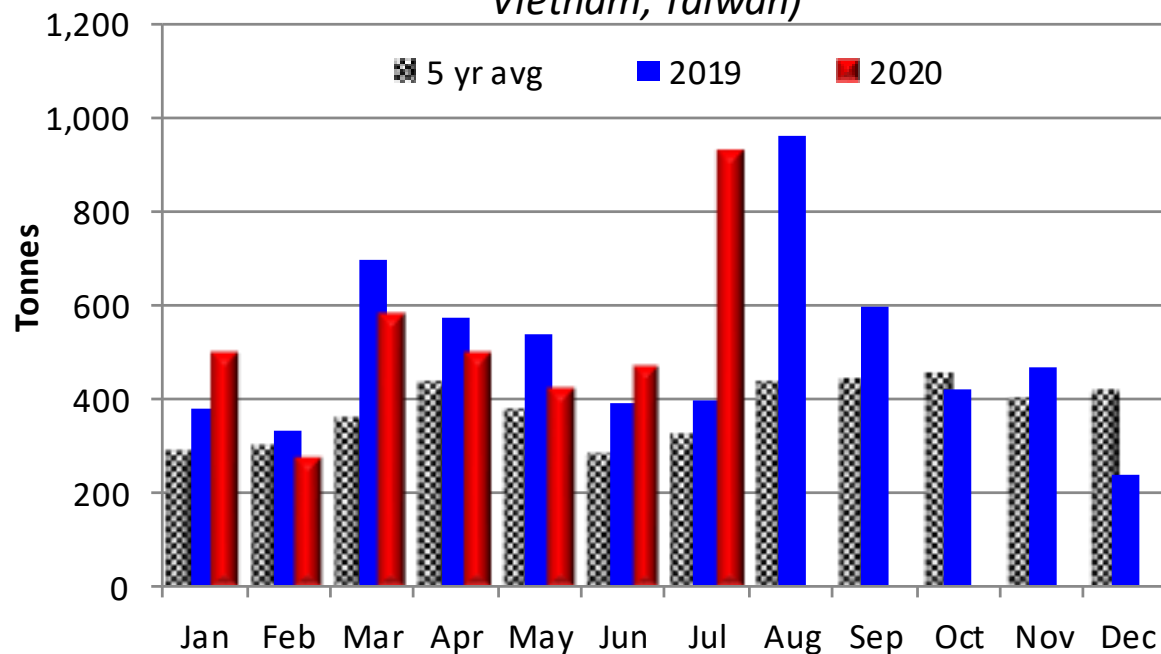


Source: Statistics Canada, CFIA



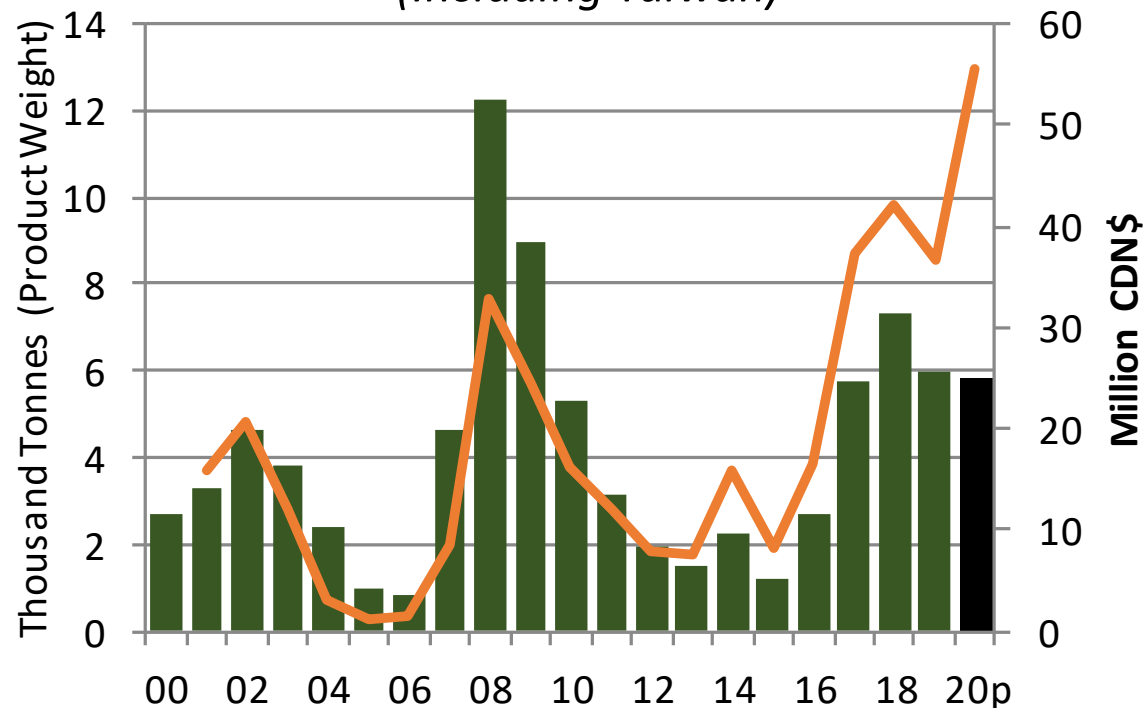
## SE Asia also jumped in July: *YTD +6% in volume and +8.5% in value*

**Monthly Beef Exports to South East Asia**  
(incl. Indonesia, Malaysia, Philippines, Singapore, Vietnam, Taiwan)



Source: Statistics Canada

**Beef Exports to Southeast Asia**  
(Including Taiwan)



Source: Statistics Canada, CFIA

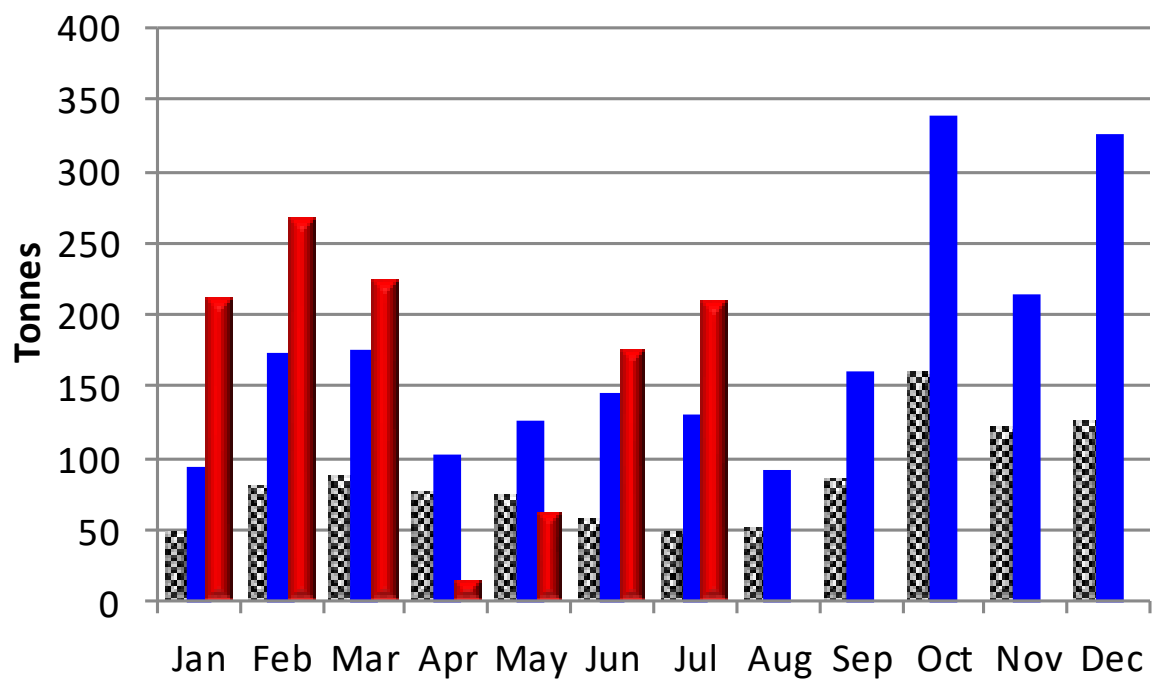


## BREXIT, COVID – reduced exports, soft demand

*EU YTD +23% in volume and +37% in value*

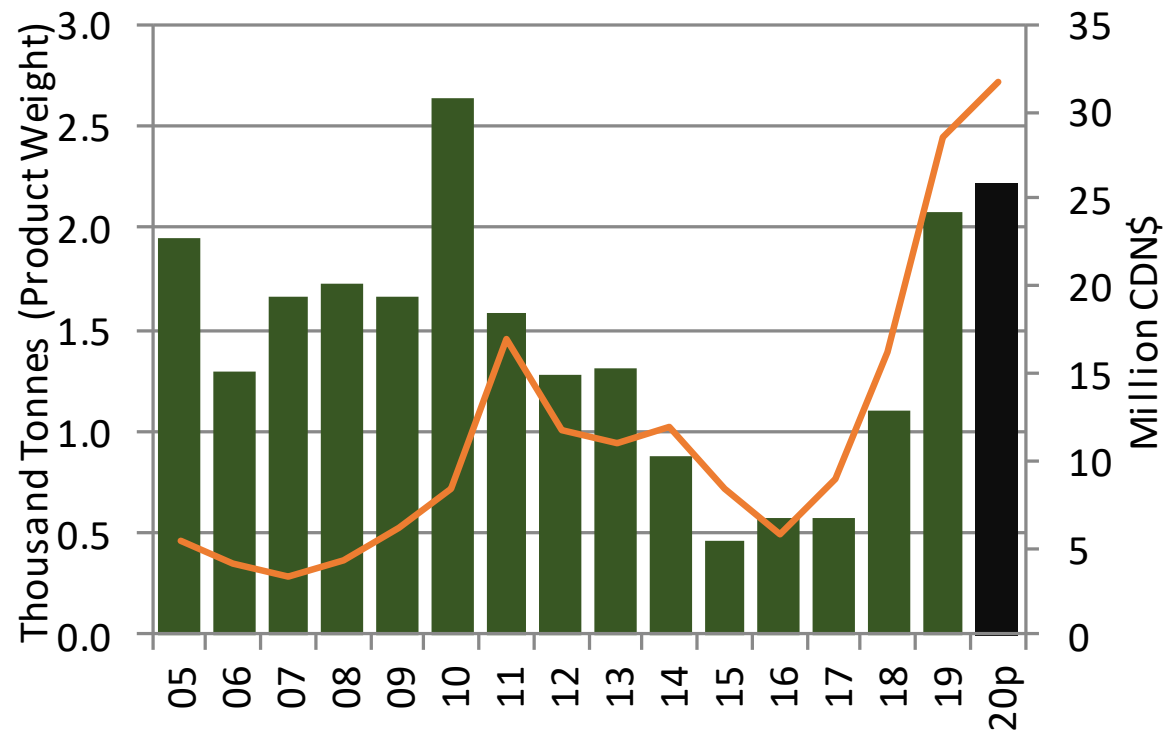
### Monthly Beef Exports to EU

■ 5 yr avg   ■ 2019   ■ 2020



Source: Statistics Canada

### Beef Exports to EU + EFTA



Source: Statistics Canada, CFIA



## African Swine Fever... continued uncertainty

- Germany has reported their first case of ASF in a wild boar
  - Germany is Europe's largest pork producer, and China is its largest customer
  - pork exports to China (14% of imports), South Korea (21%) and Japan (2%) have been banned
  - discussions are underway about regionalization of the restricted areas
- Germany is 2% of Chinese pork consumption
- EU has 8 pork plants already banned
- Could result in China turning to North America pork??
  - China takes a lot of product that does not go elsewhere (e.g. ears, tails, etc.)



CANADA BEEF INC.

# Production Outlook

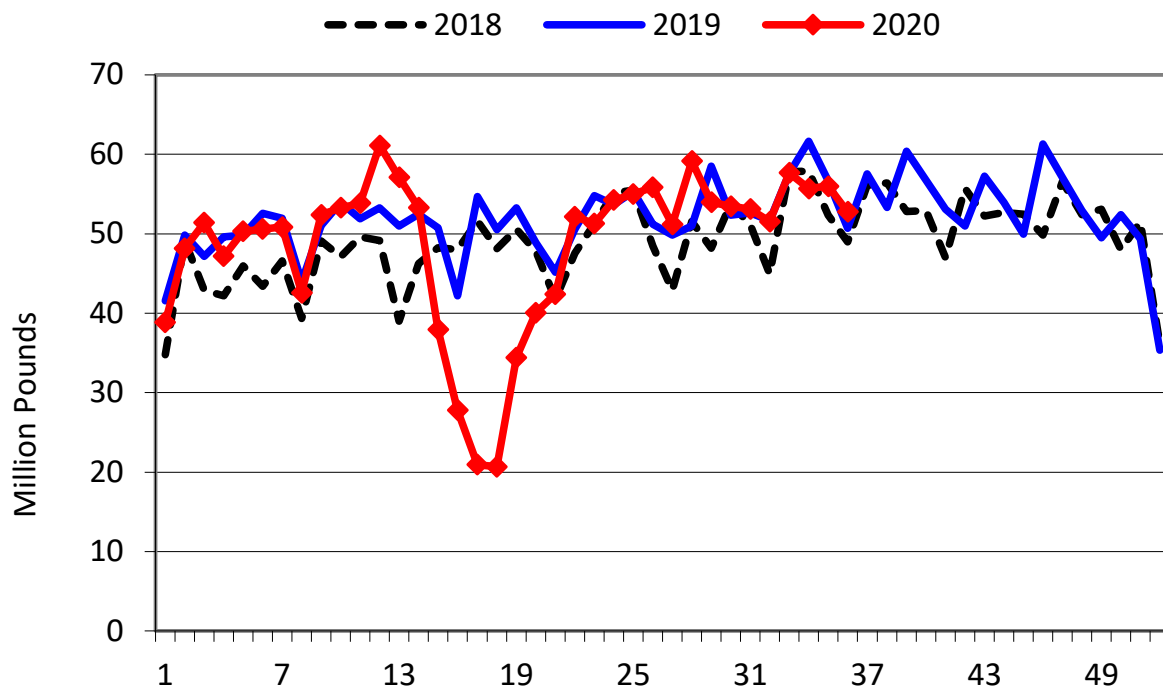






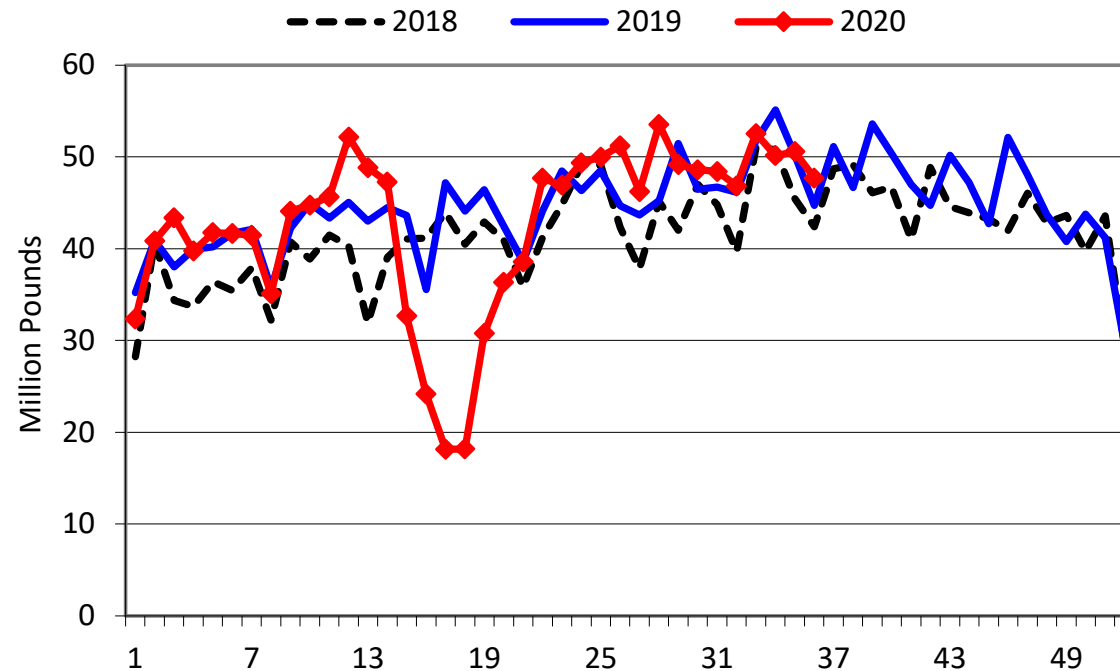
## Domestic Production -5.7% YTD: *fed cattle -3.2% non-fed -20%*

### Canadian Weekly Domestic Beef Production



Source: CBGA

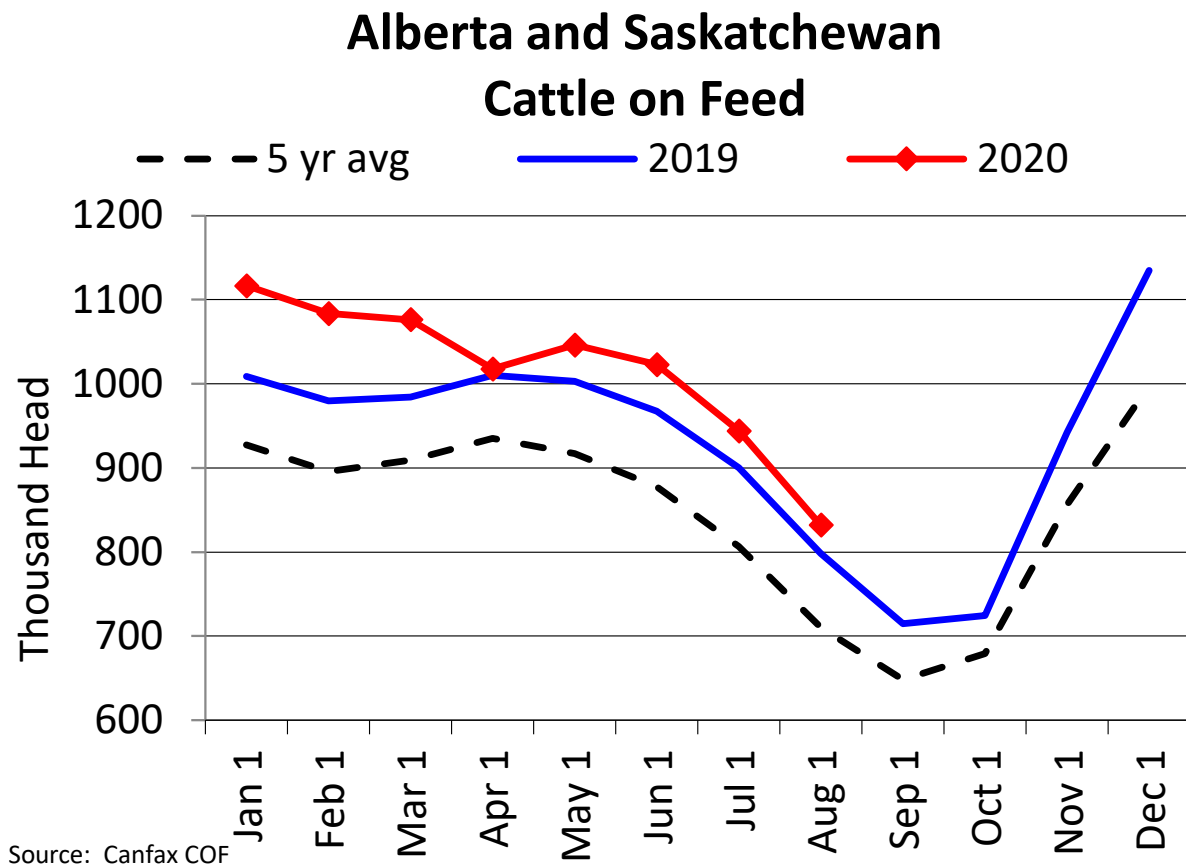
### Canadian Weekly Domestic Beef Production (Fed)



Source: CBGA



## August 1 Cattle on Feed +4.2% or 34,000 head



- Smaller placements in March through May
- Carcass weights steady with year ago since the end of June
- Supplies Sept-Dec similar to slightly higher than last year
- Fed cattle exports up 6% YTD



Thank-you

