

MARKET UPDATE



Canada Beef Quarterly Market Update

June 2021

Publications

- Canada Beef Performs E-Newsletter
- Global Market Intelligence Report
- Domestic Market Intelligence Report
- Canadian Beef Trade

cdnbeefperforms.ca/market-reports



CANADA BEEF PERFORMS

DOMESTIC MARKET REPORT | SEPT 2020

REPORT FROM CANADA BEEF

Retail Sector in Canada

It has been an impressive year for grocery sales in Canada, up 13% from January to May. With more opportunity to work and attend classes from home, grocery sales are likely to remain 3 to 5% above 2019 levels for the rest of the year.

Explosive retail demand and temporary supply squeezes in March and April were slow to impact retail beef prices. The retail price of beef rose sharply to CDN\$22.82/kg into June to be 8% higher than May 2020, and 16% higher than June 2019. The price decreased 4% from June to CANS\$21.54/kg in July.

In July 2020, the retail beef price was up 12.9% over July 2019. All index cuts showed year over year increases: boneless blade roast was up 20.5% at CANS\$18.49/kg, stewing beef was up 18.1% at CANS\$18.31/kg, ground beef was up 15.1% at CANS\$12.50/kg and prime rib roast was up 12.5% at CANS\$37.09/kg. Salmon steak was up 10.3% at CANS\$34.45/kg and round steak was up 4.5% at CANS\$18.39/kg.

The struggling chicken price sharply contrasted the surging beef price, presenting risk of switching at retail. Chicken prices

Canada AAA + Prime as % of all A Grades

75%
60%
45%
30%
15%
0%
-15%
-30%
-45%
-60%
-75%

— 3 yr avg — 2019 — 2020

CANADA BEEF | Global Market Intelligence Report

September 2020: US, Japan, China, Hong Kong, Mexico, Taiwan, and Korea

Presidential Office Building in Taipei, Taiwan

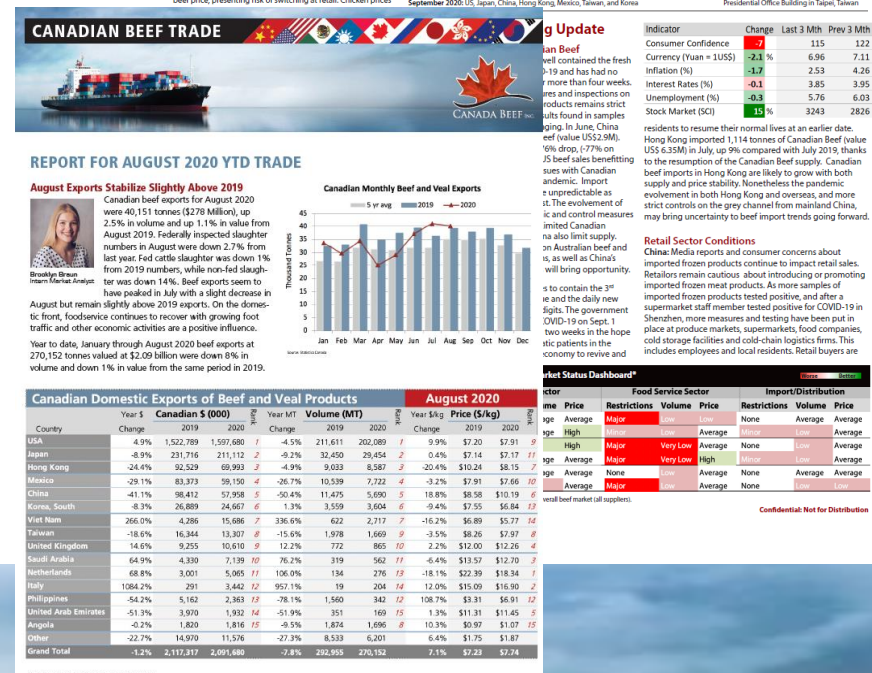
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Market Development Activities in Canada and highlights from the Canadian Beef Centre for Excellence.



CANADIAN BEEF TRADE

REPORT FOR AUGUST 2020 YTD TRADE

August Exports Stabilize Slightly Above 2019

Canadian beef exports for August 2020 were 40,151 tonnes (\$278 Million), up 2.5% in volume and up 1.1% in value from August 2019. Federally inspected slaughter numbers in August were down 2.7% from last year. Fed cattle slaughter was down 1% from 2019 numbers, while non-fed slaughter was down 14%. Beef exports seem to have peaked in July with a slight decrease in August but remain slightly above 2019 exports. On the domestic front, foodservice continues to recover with growing food traffic and other economic activities are a positive influence.

Year to date, January through August 2020 beef exports at 270,152 tonnes valued at \$2.09 billion were down 8% in volume and down 1% in value from the same period in 2019.

Canadian Monthly Beef and Veal Exports

45
35
25
15
5
0

Thousands of tonnes

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

— 5 yr avg — 2019 — 2020

Update

Canadian Beef well contained the fresh COVID-19 and has had no more than four weeks of closures and inspections on products remains strict with no faults found in samples.

In June, China beef value US\$2.9M, 6% drop, (-77%) on 15 beef sales benefitting sales with Canadian beef and control measures limited Canadian supply on Australian beef and is, as well as China's will bring opportunity to contain the 3rd wave and the daily new slits. The government (COVID-19) on Sept. 1 two weeks in the hope of patients in the economy to revive and

Indicator

Indicator	Change	Last 3 Mth	Prev 3 Mth
Consumer Confidence	-2.1	115	122
Currency (Yuan = US\$)	-2.1	6.96	7.11
Inflation (%)	-1.7	2.53	4.26
Interest Rates (%)	-0.1	3.85	3.95
Unemployment (%)	-0.3	5.76	6.03
Stock Market (SCI)	-15	3243	2826

Hong Kong imported 1,114 tonnes of Canadian Beef (value US\$ 6.35M) in July, up 9% compared with July 2019, thanks to the resumption of the Canadian Beef supply. Canadian beef imports in Hong Kong are likely to grow with both supply and price stability. Nonetheless the pandemic evolution in both Hong Kong and overseas, and more strict controls on the grey channel from mainland China may bring uncertainty to beef import trends going forward.

Retail Sector Conditions

China: Media reports and consumer concerns about imported frozen products continue to impact retail sales. Retailers remain cautious about introducing or promoting imported frozen meat products. As more samples of imported frozen products tested positive, and after a supermarket staff member tested positive for COVID-19 in Shenzhen, more measures and testing have been put in place at produce markets, supermarkets, food companies, cold storage facilities and cold-chain logistics firms. This includes employees and local residents. Retail buyers are

What Status Dashboard*

Country	Food Service Sector			Import/Distribution		
	Price	Restrictions	Volume	Price	Restrictions	Volume
USA	High	Major	Low	Average	None	Average
Japan	High	Major	Low	Average	None	Average
Hong Kong	High	Major	Low	Average	None	Average
Mexico	High	Major	Low	Average	None	Average
China	High	Major	Low	Average	None	Average
Korea, South	High	Major	Low	Average	None	Average
Viet Nam	High	Major	Low	Average	None	Average
Taiwan	High	Major	Low	Average	None	Average
United Kingdom	High	Major	Low	Average	None	Average
Saudi Arabia	High	Major	Low	Average	None	Average
Netherlands	High	Major	Low	Average	None	Average
Italy	High	Major	Low	Average	None	Average
Philippines	High	Major	Low	Average	None	Average
United Arab Emirates	High	Major	Low	Average	None	Average
Angola	High	Major	Low	Average	None	Average
Other	High	Major	Low	Average	None	Average
Grand Total	High	Major	Low	Average	None	Average

Canadian Domestic Exports of Beef and Veal Products

Country	Year \$ Canadian \$ (000)		Year MT	Volume (MT)		Year \$/kg		Price (\$/kg)	
	2019	2020		2019	2020	2019	2020	2019	2020
USA	4.9%	1,522,789	1,597,680	-4.5%	211,611	202,089	-9.9%	\$7.20	\$7.91
Japan	-8.9%	231,716	211,112	-9.2%	32,450	29,454	-0.4%	\$7.14	\$7.17
Hong Kong	-24.4%	92,529	69,993	-4.9%	9,033	8,587	-20.4%	\$10.24	\$8.15
Mexico	-29.1%	83,373	59,150	-26.7%	10,539	7,722	-3.2%	\$7.91	\$7.66
China	-41.1%	98,412	57,958	-50.4%	11,475	5,890	-11.8%	\$8.56	\$10.19
Korea, South	-8.3%	26,889	24,607	-1.3%	3,559	3,604	-9.4%	\$7.55	\$6.84
Viet Nam	266.0%	4,286	15,686	7336.6%	622	2,717	-16.2%	\$6.89	\$5.72
Taiwan	-18.6%	16,344	13,307	-15.6%	1,978	1,669	-3.5%	\$8.26	\$7.97
United Kingdom	14.6%	9,255	10,610	12.2%	772	865	2.2%	\$12.00	\$12.26
Saudi Arabia	64.9%	4,339	7,139	163.2%	319	562	-6.4%	\$13.57	\$12.70
Netherlands	68.9%	3,001	5,065	168.8%	134	276	-18.1%	\$22.30	\$18.34
Italy	1084.2%	291	3,442	1212.7%	19	204	12.0%	\$15.09	\$16.90
Philippines	-54.2%	5,162	2,363	-54.1%	1,560	342	108.7%	\$3.31	\$6.91
United Arab Emirates	-51.3%	3,970	1,932	-51.9%	351	169	1.3%	\$11.31	\$11.45
Angola	-0.2%	1,820	1,816	-0.2%	1,874	1,896	10.3%	\$0.97	\$1.07
Other	-22.7%	14,970	11,576	-23.3%	6,533	6,201	6.4%	\$1.75	\$1.87
Grand Total	-1.2%	2,117,317	2,091,698	-7.8%	292,955	270,152	7.1%	\$7.23	\$7.74

Source: Statistics Canada and AAFC

CANADIAN BEEF EXPORTS



Brenna Grant

Manager, Canfax Research Services
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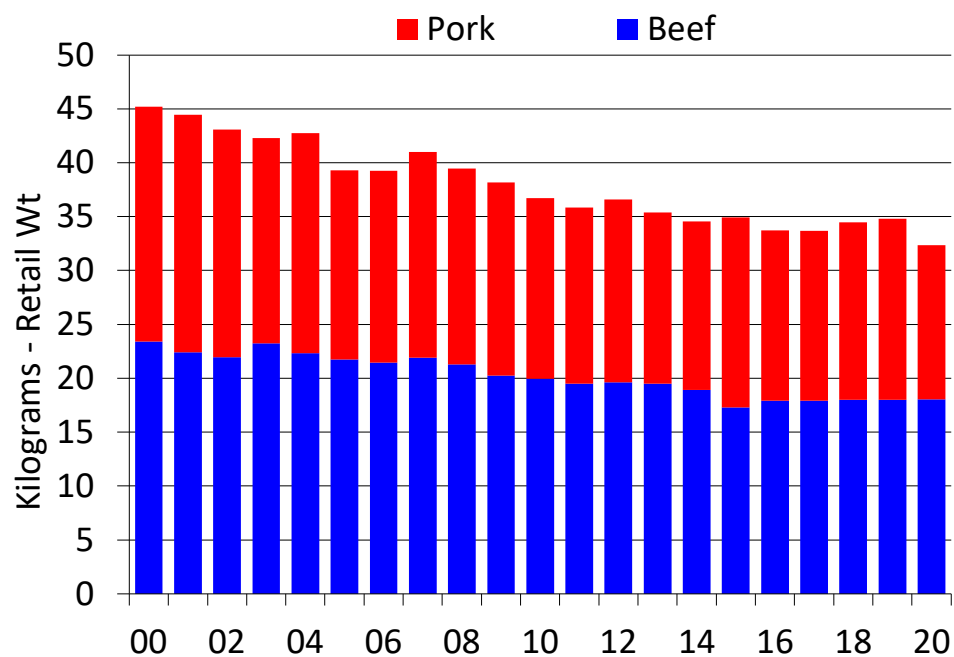


Demand



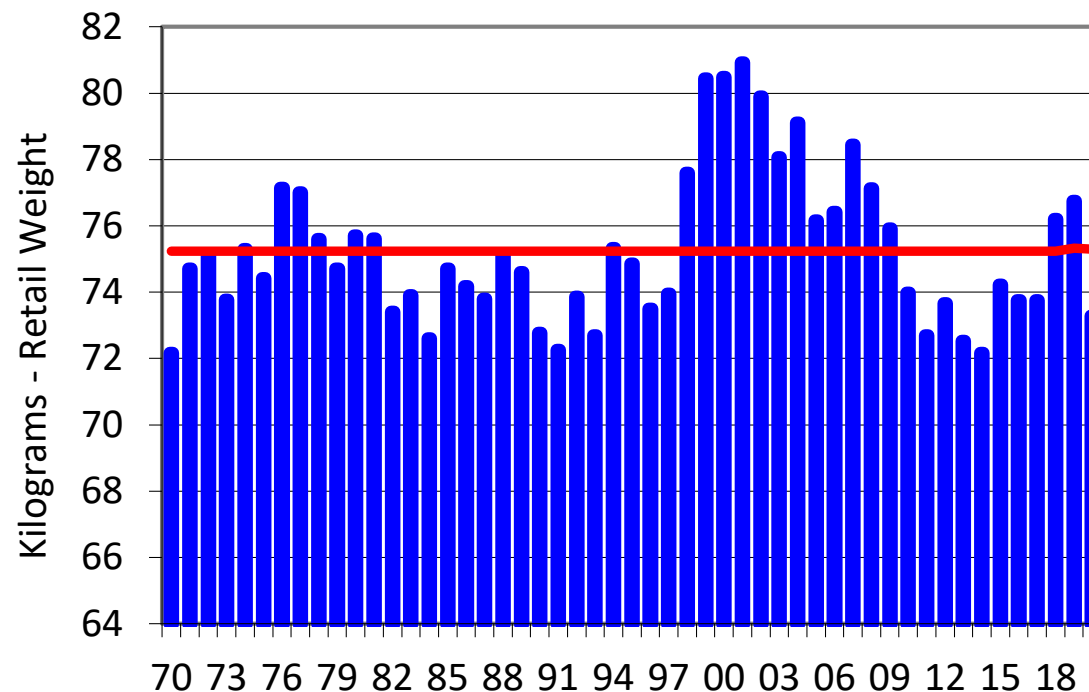
Total per capita meat consumption was down 4.5% in 2020 with a 7% decline in red meat

Red Meat Consumption



Source: Statistics Canada

Canadian Per Capita
Total Meat Consumption

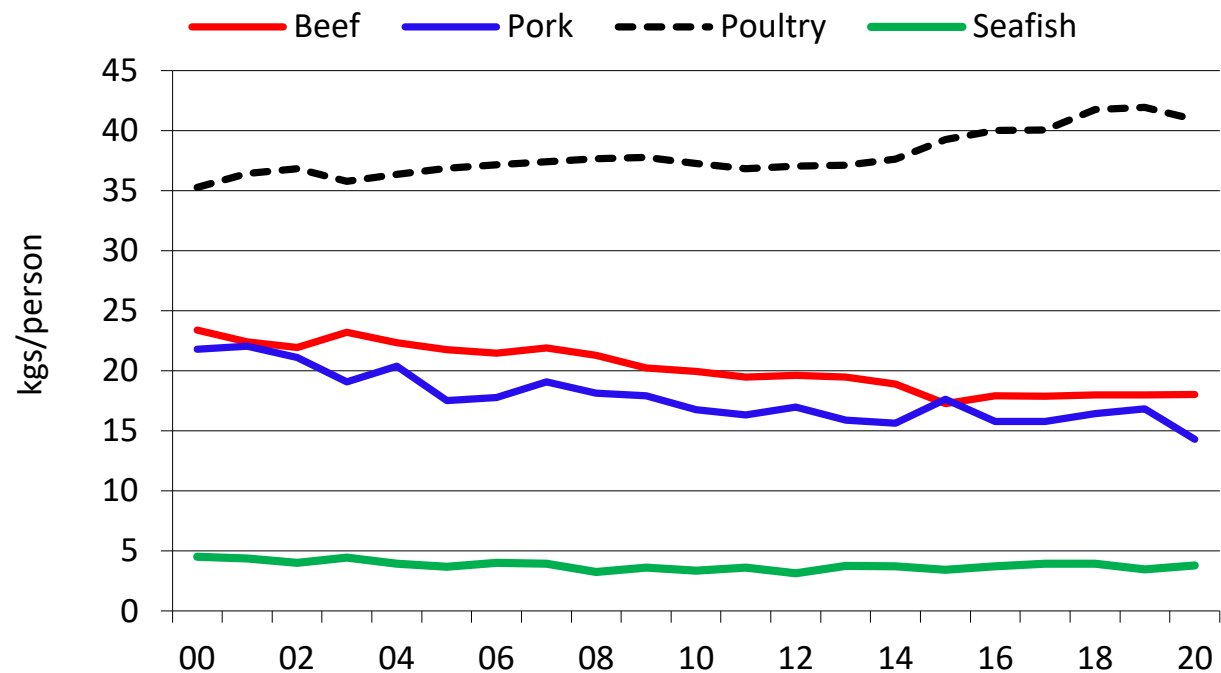


Source: Statistics Canada



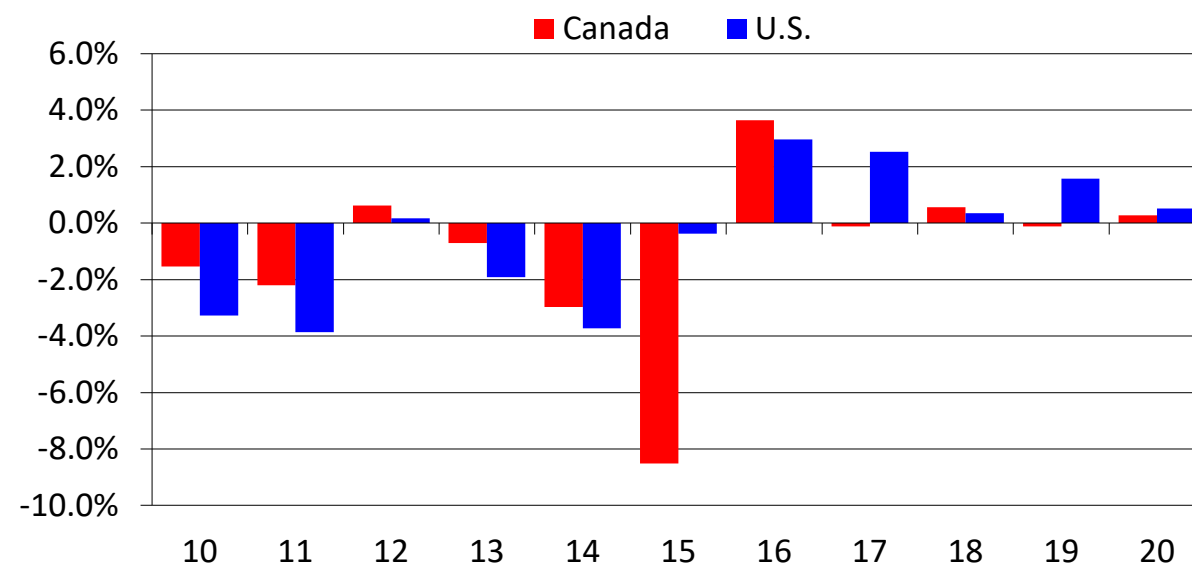
Beef +0.3%, Pork -15%, Poultry -2.4%

Canadian per Capita Meat Consumption



Source: Statistics Canada

Percent Change in Canadian & U.S. Per Capita Beef Consumption



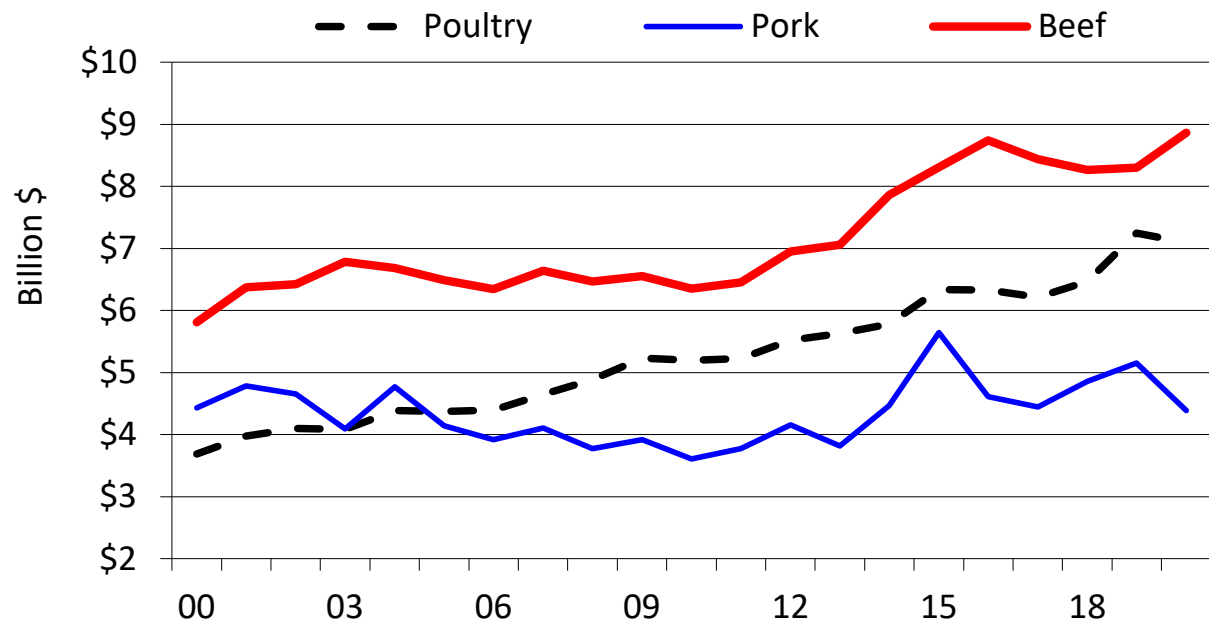
Source: Statistics Canada, USDA

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Beef expenditures up 6.8% to \$8.87 billion gaining market share from 40.1% to 43.6%

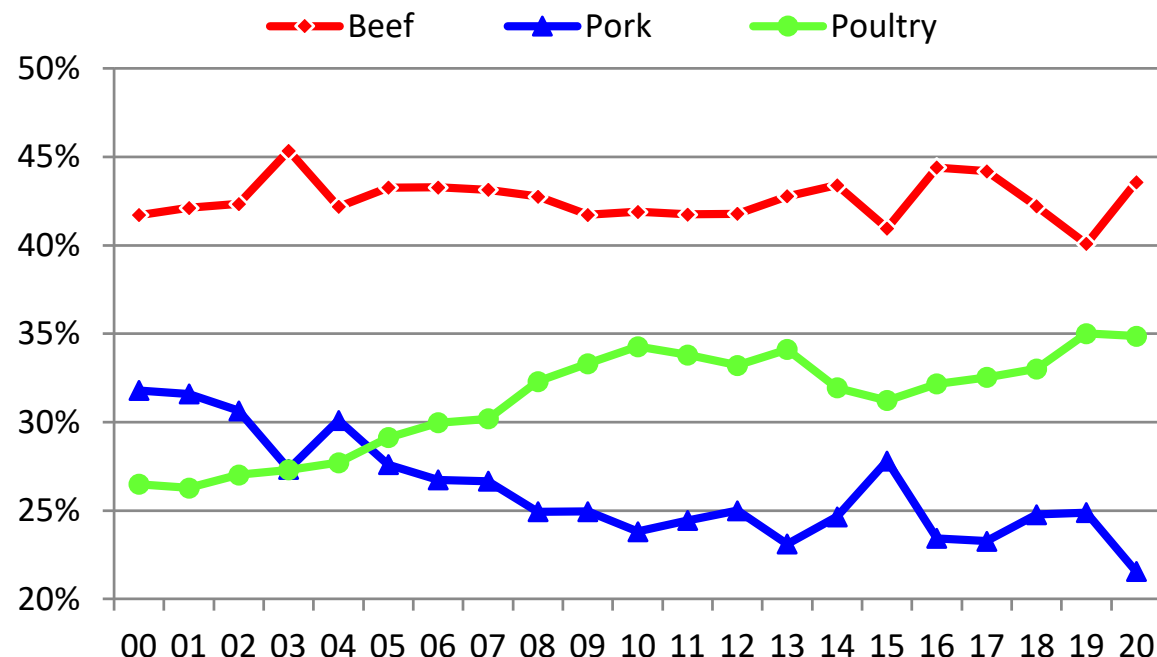
Canadian Real Meat Expenditures

Deflated Retail Price x Dom. Disappearance



Source: Statistics Canada, CanFax

Meat Market Share by Value



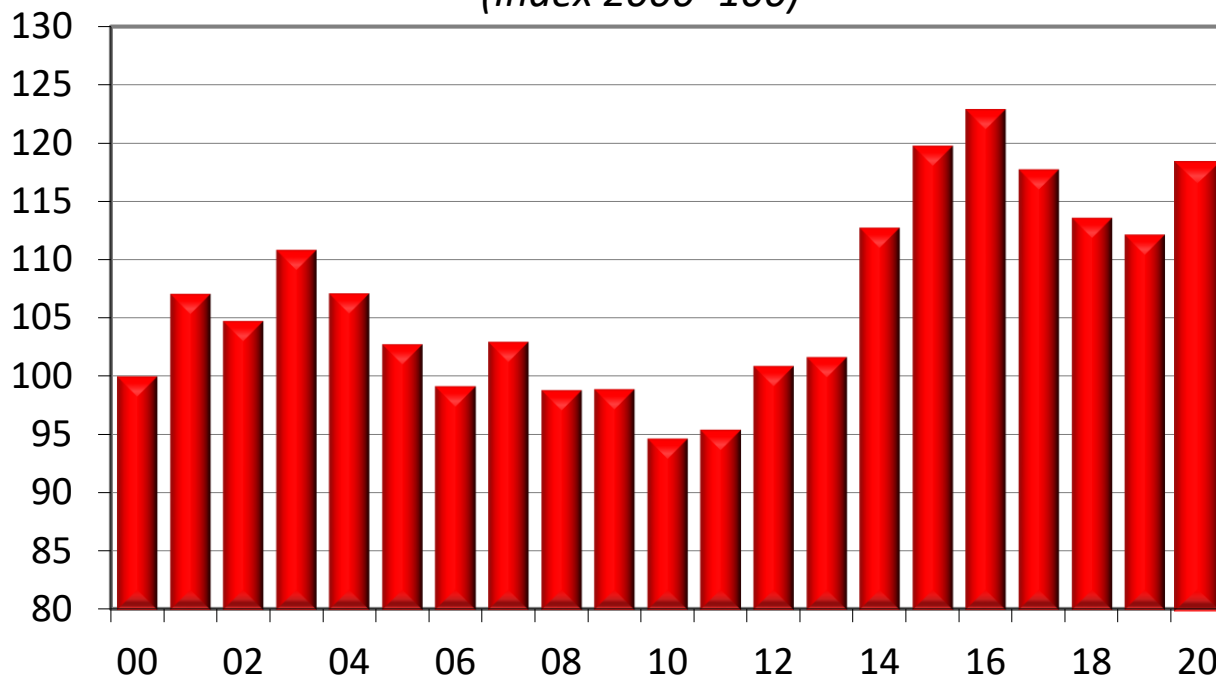
Source: Statistics Canada, CanFax



CDN Retail beef demand +5.5%

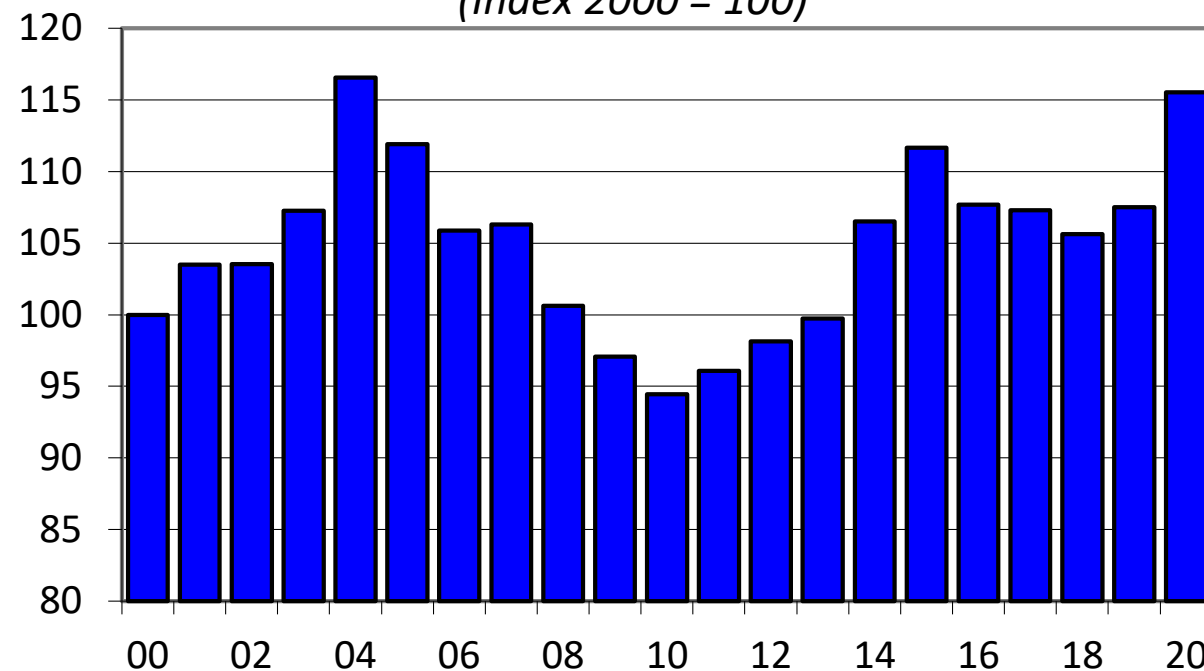
US retail beef demand +7.5%

Canadian Retail Beef Demand Index
(Index 2000=100)



Source: CanFax Research

U.S. Retail Beef Demand Index
(Index 2000 = 100)

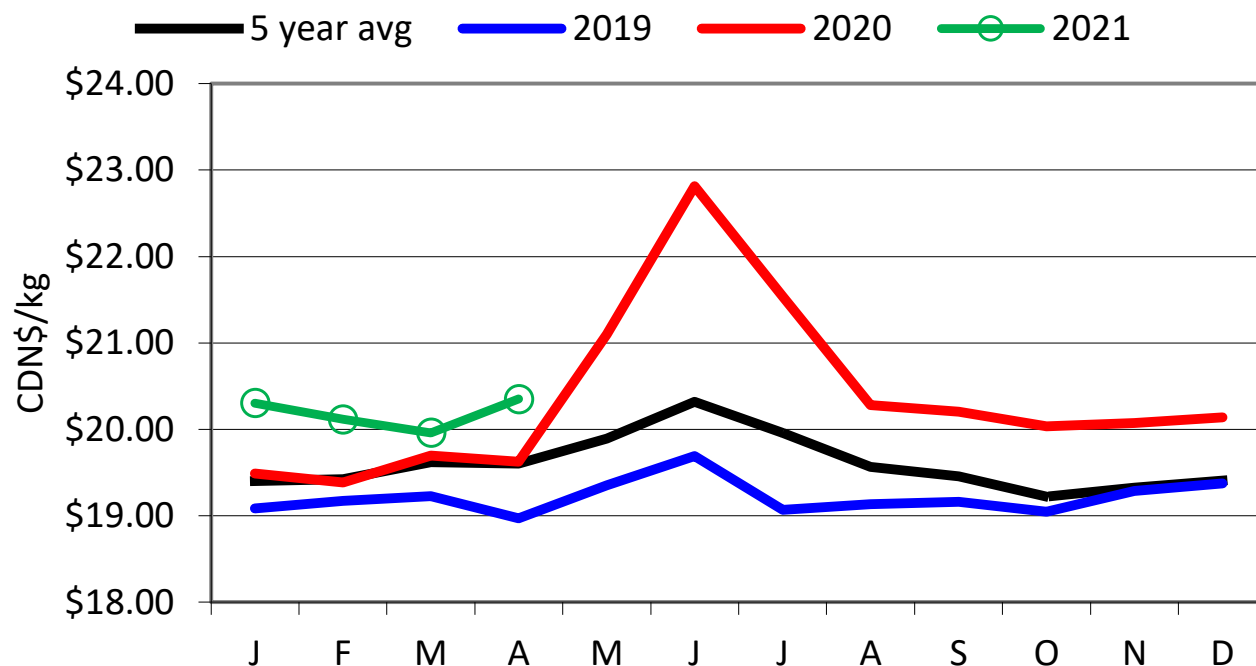


Source: KSU, 1999 U.S. Beef Demand Study

MARKET UPDATE

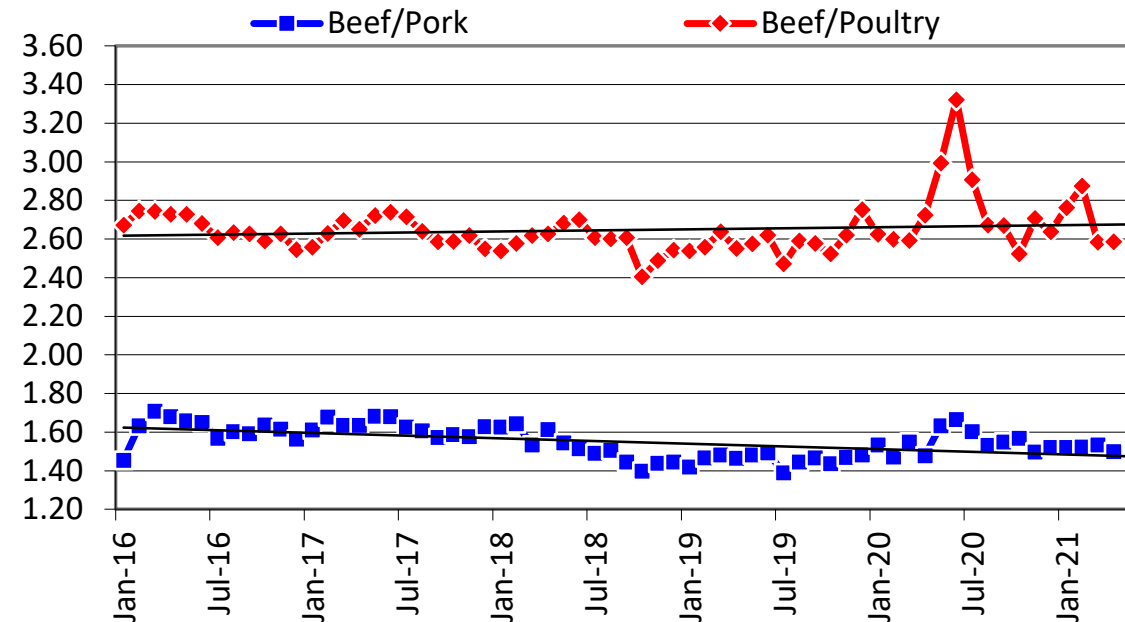
Retail beef price in April up 3.7% from LY and up 3.8% from the 5-yr avg

Retail Beef Prices (Not Deflated)



Source: Statistics Canada

Relative Price Ratios of Meat at Retail



Source: Statistics Canada



2021 Demand??

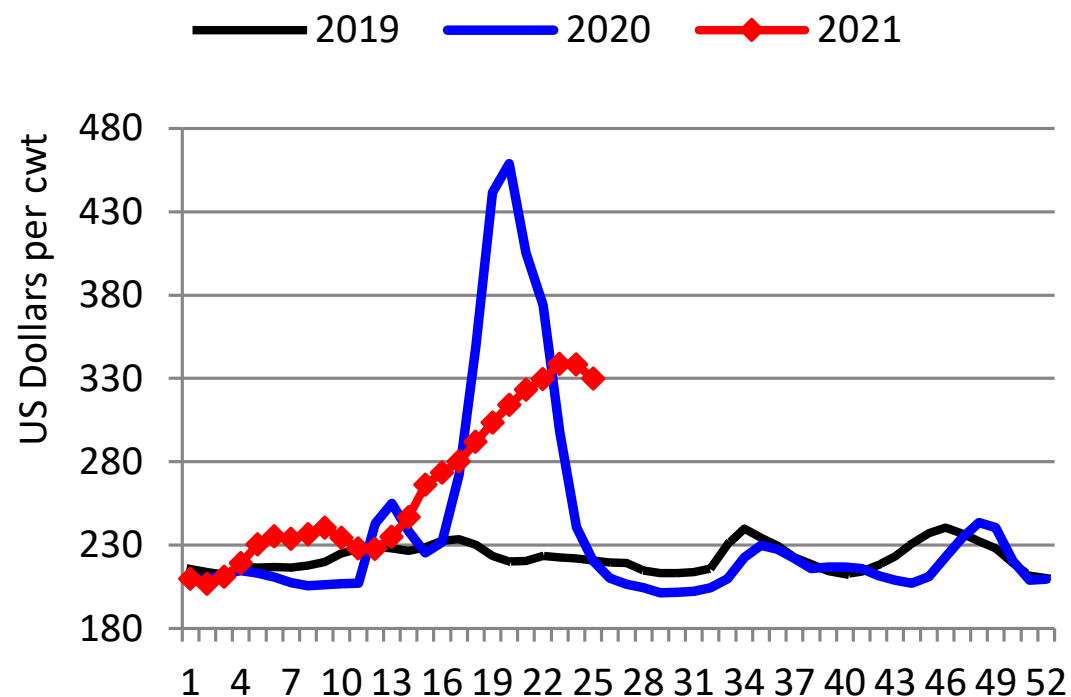
- Retail demand remains strong
- Foodservice +11% in 2021
 - Containment measures
 - Labour shift back to office?
Potential increase in breakfast and lunch fast food demand (grind and chuck)
 - Real disposable income?



Choice and Select second highest on record

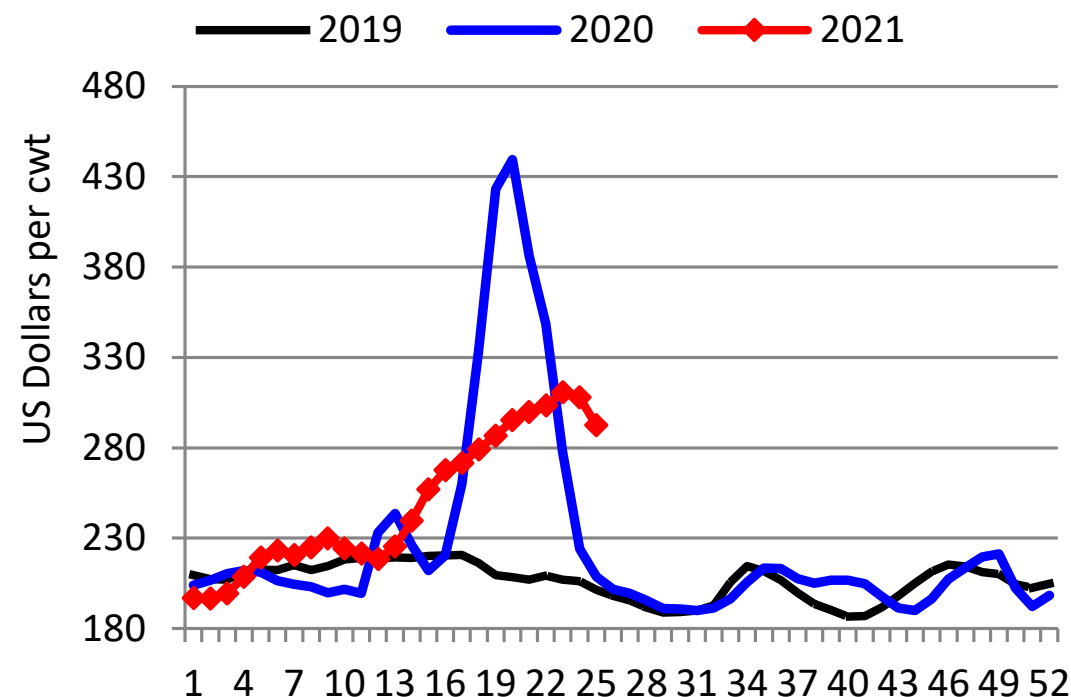
Surged higher in Q2 – grilling demand, foodservice?

US Weekly Choice Cutout Values



Source: USDA

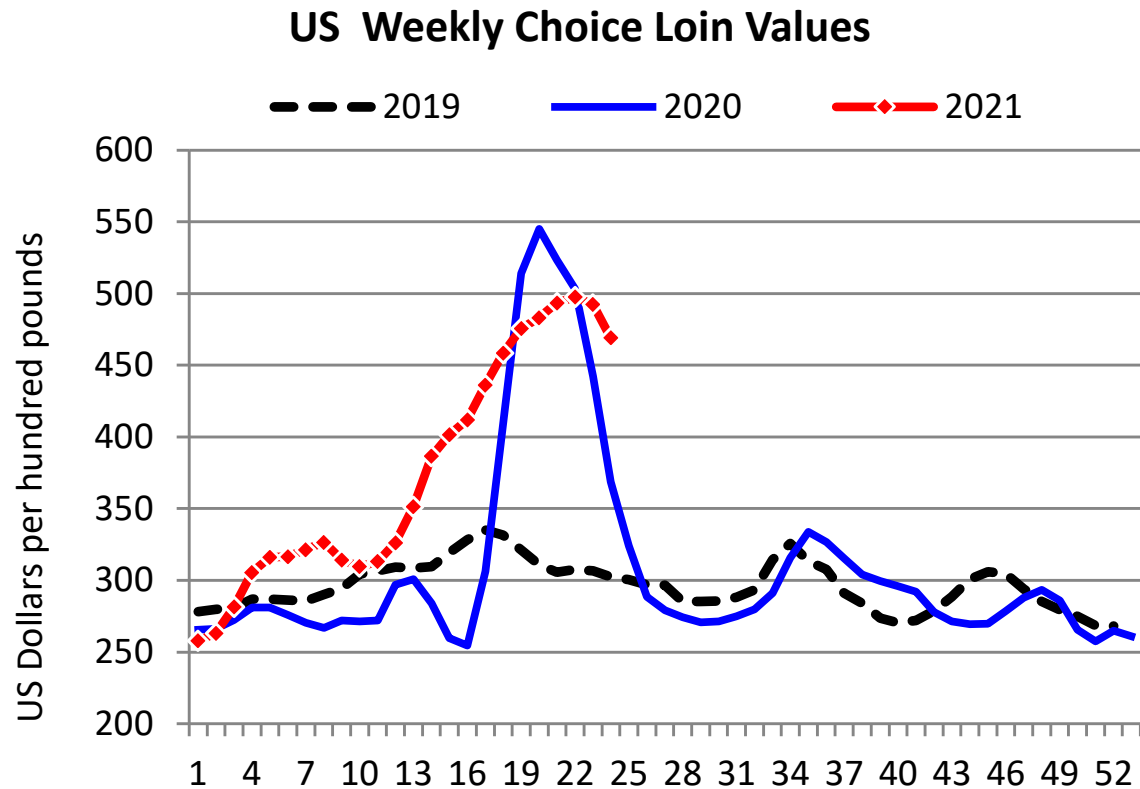
US Weekly Select Cutout Values



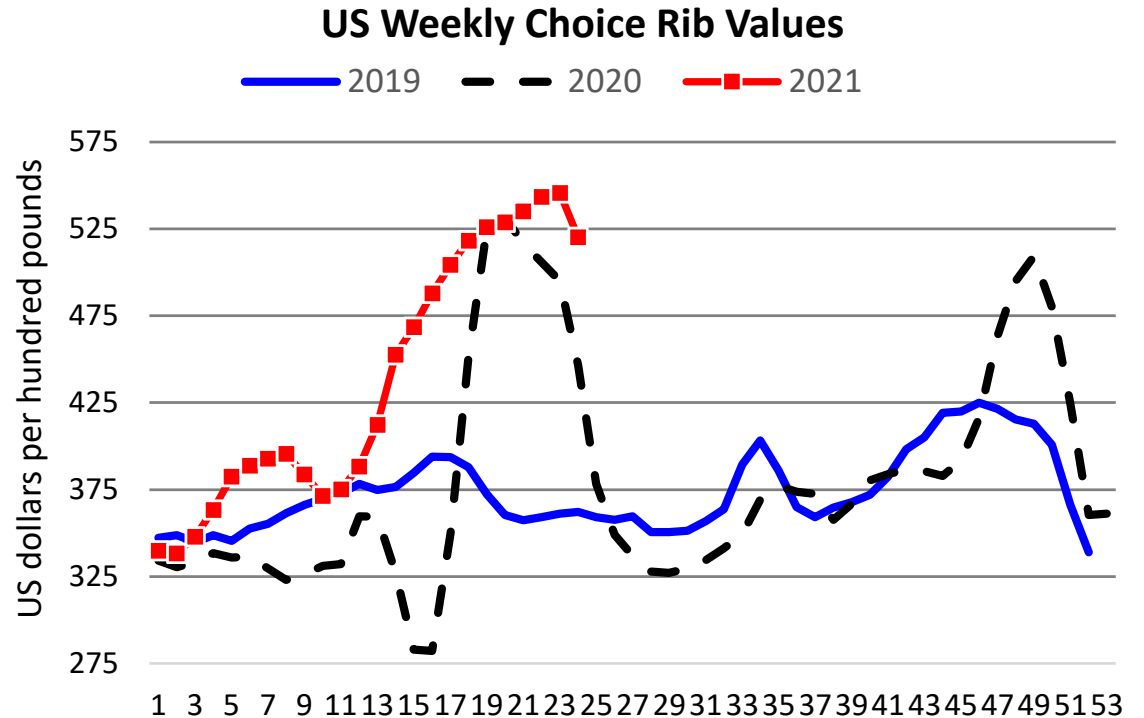
Source: USDA



Loin and Rib primals appear to have peaked



Source: USDA

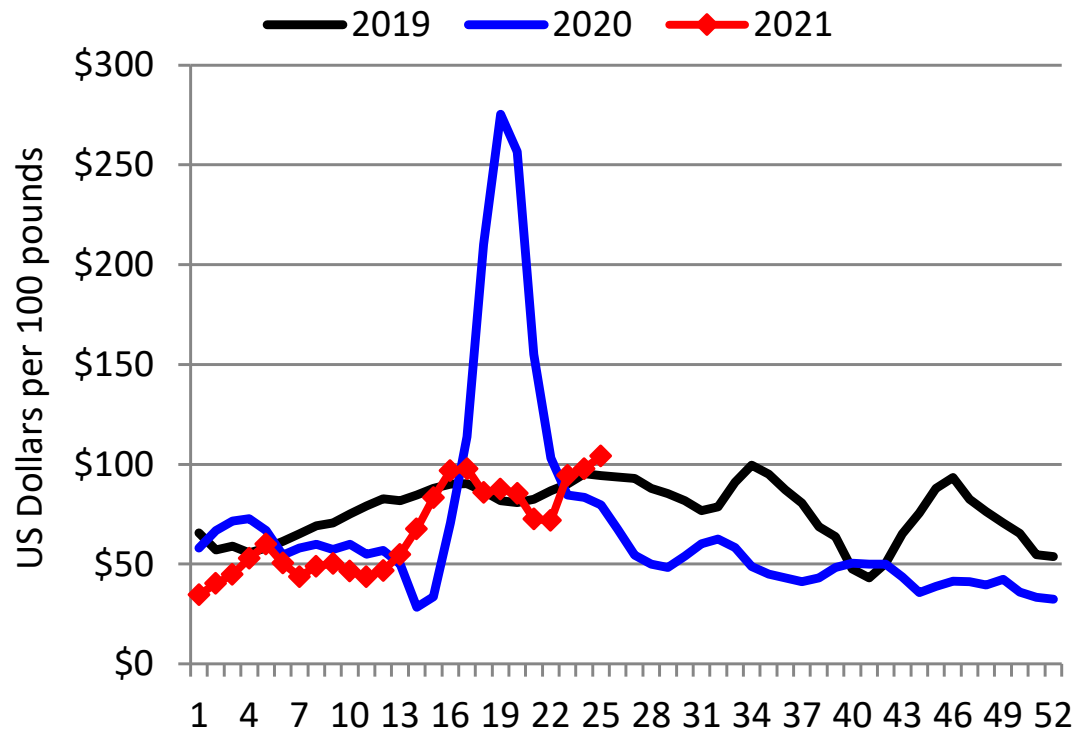


Source: USDA



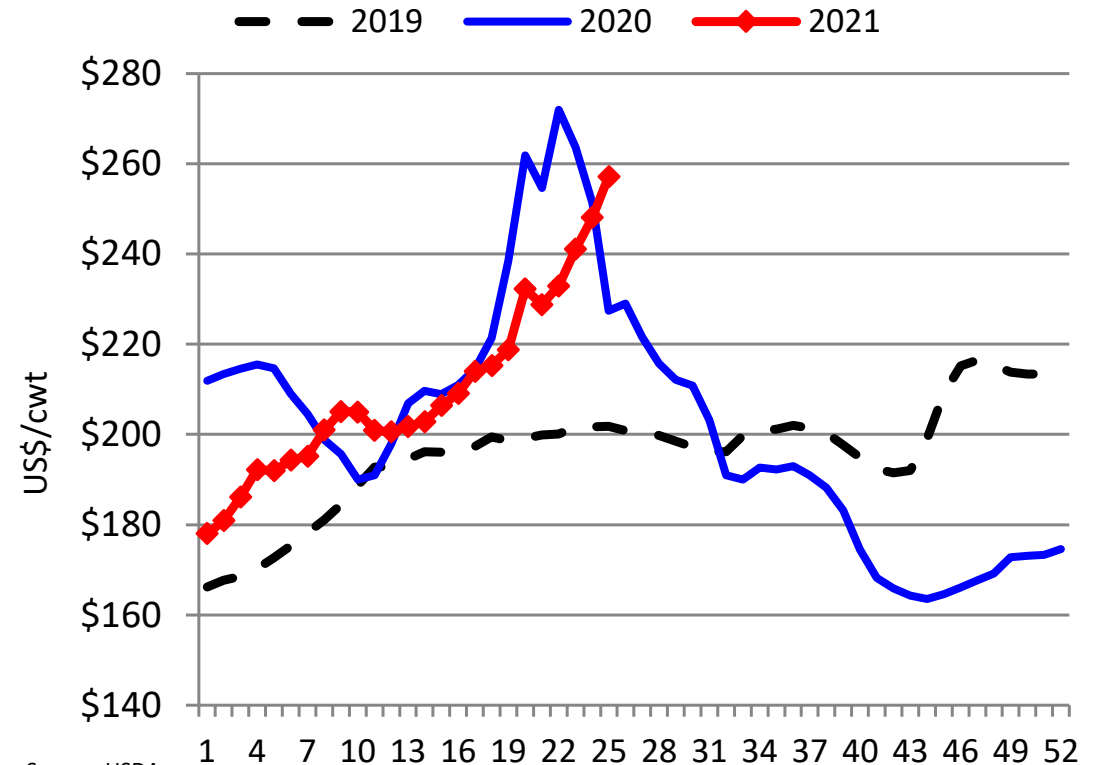
Lean trim prices are strong; 50% trim typical

US Weekly 50% Trim Values



Source: USDA

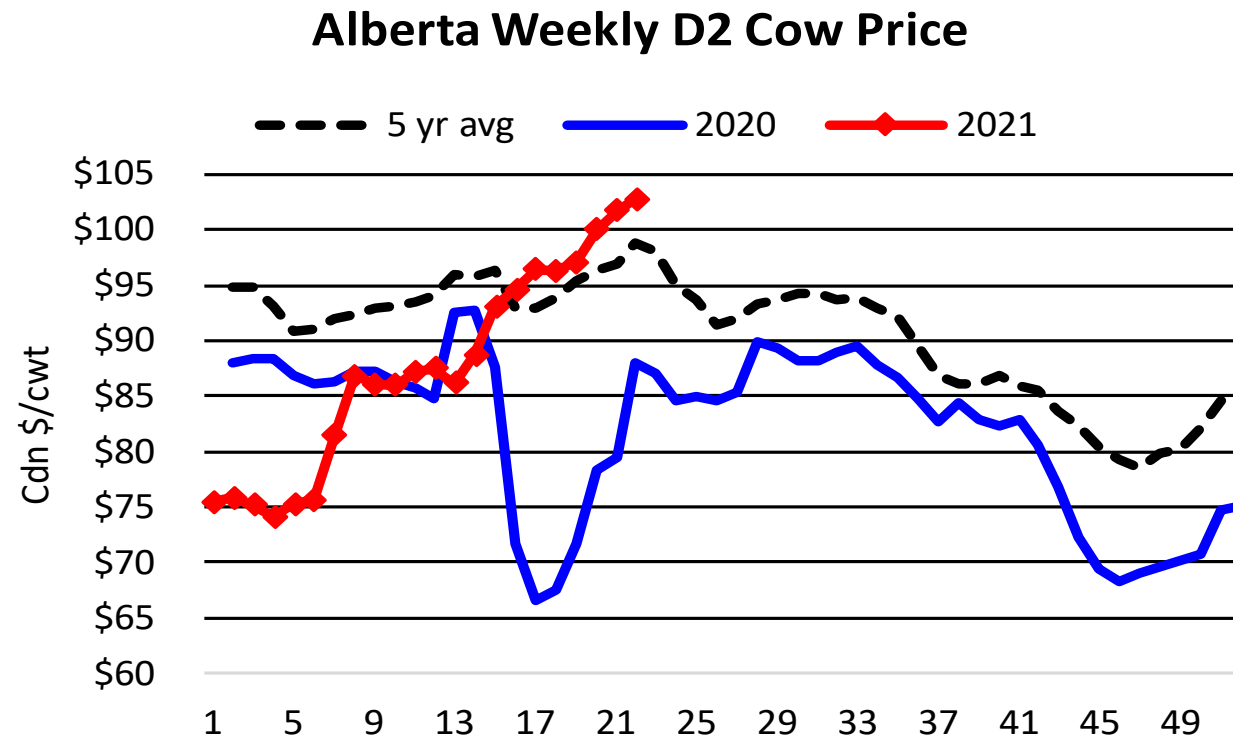
US Weekly 85% Trim Values



Source: USDA



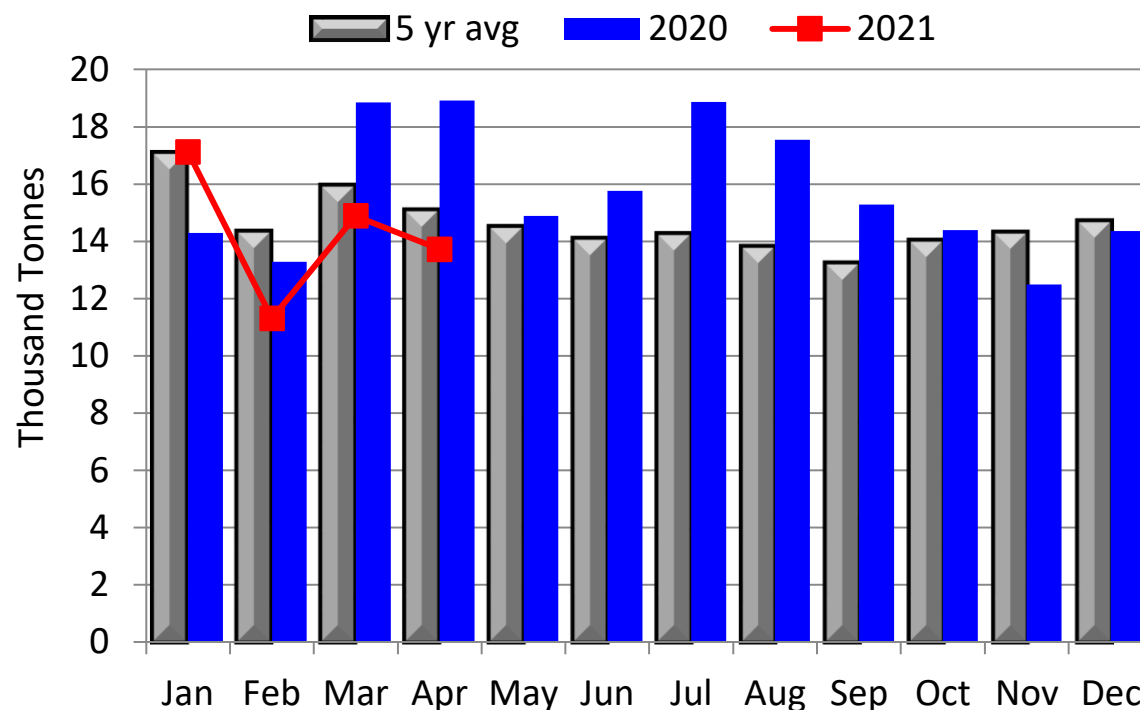
Recovery of cow market: AB +\$17/cwt & ON +\$5/cwt over US



Source: Canfax

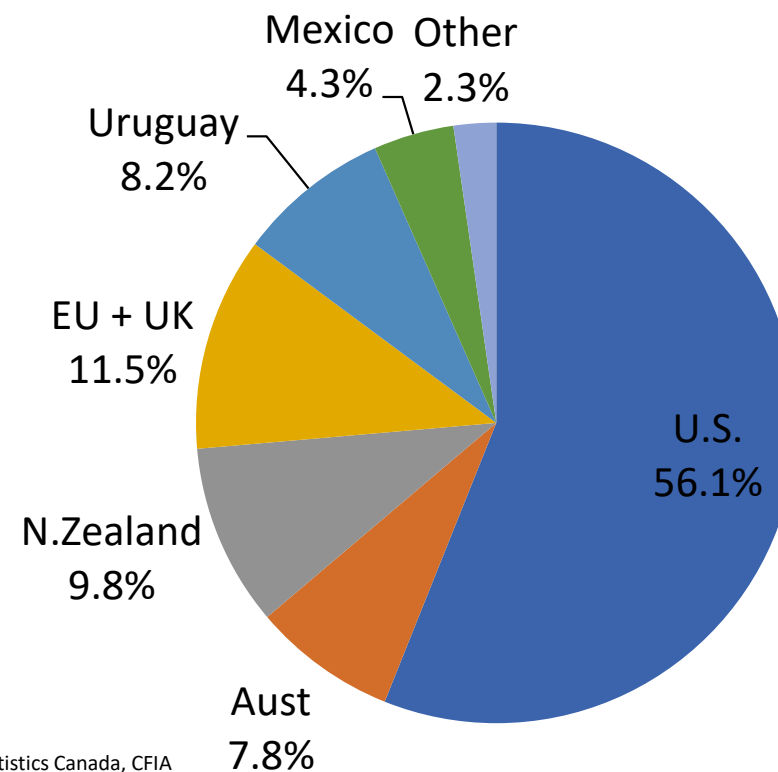
Beef Imports Jan-April -13% in volume from 2020 and -9% from 5-yr avg

Canadian Monthly Beef and Veal Imports



Source: Statistics Canada

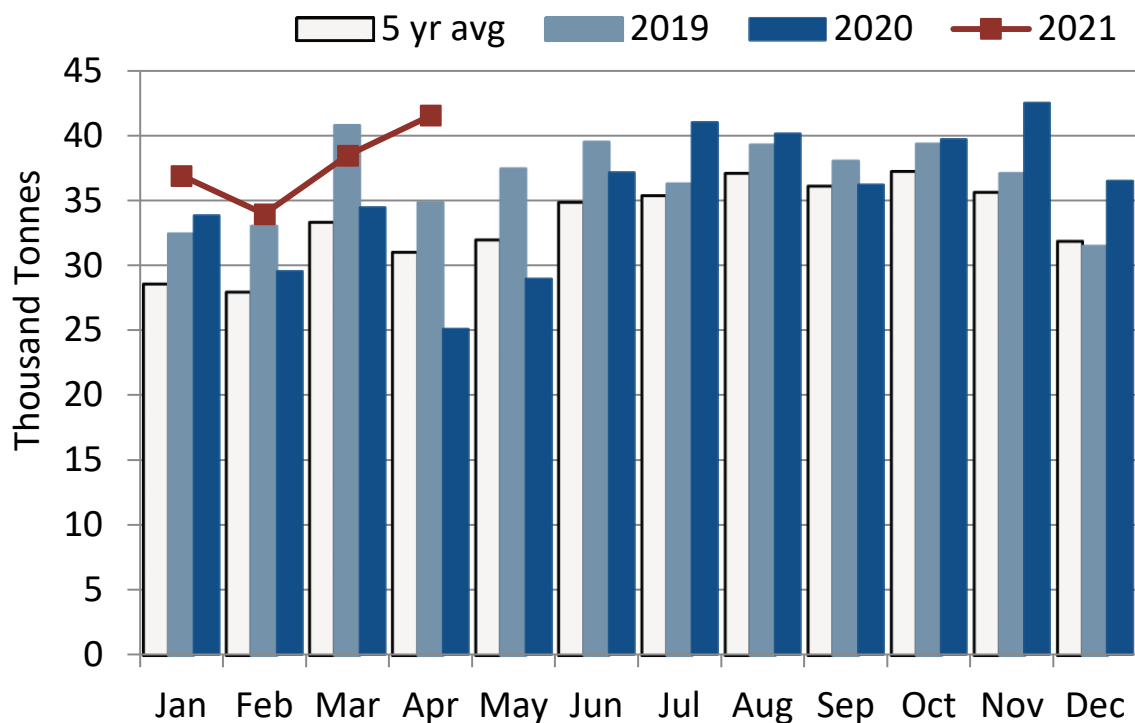
Canadian Beef Imports 2020



Source: Statistics Canada, CFIA

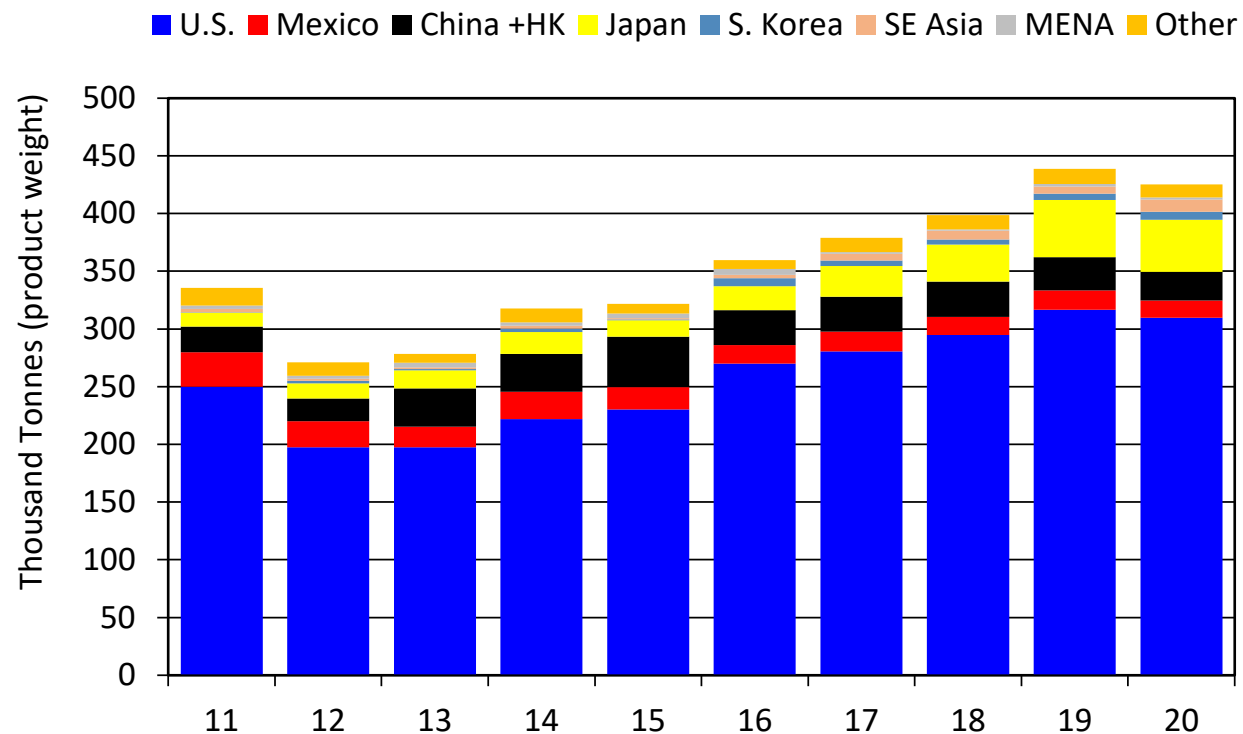
Jan-April exports +23% in volume and 27% in value

Canadian Monthly Beef and Veal Exports



Source: Statistics Canada

Canadian Beef Export Volume



Source: Statistics Canada, CFIA



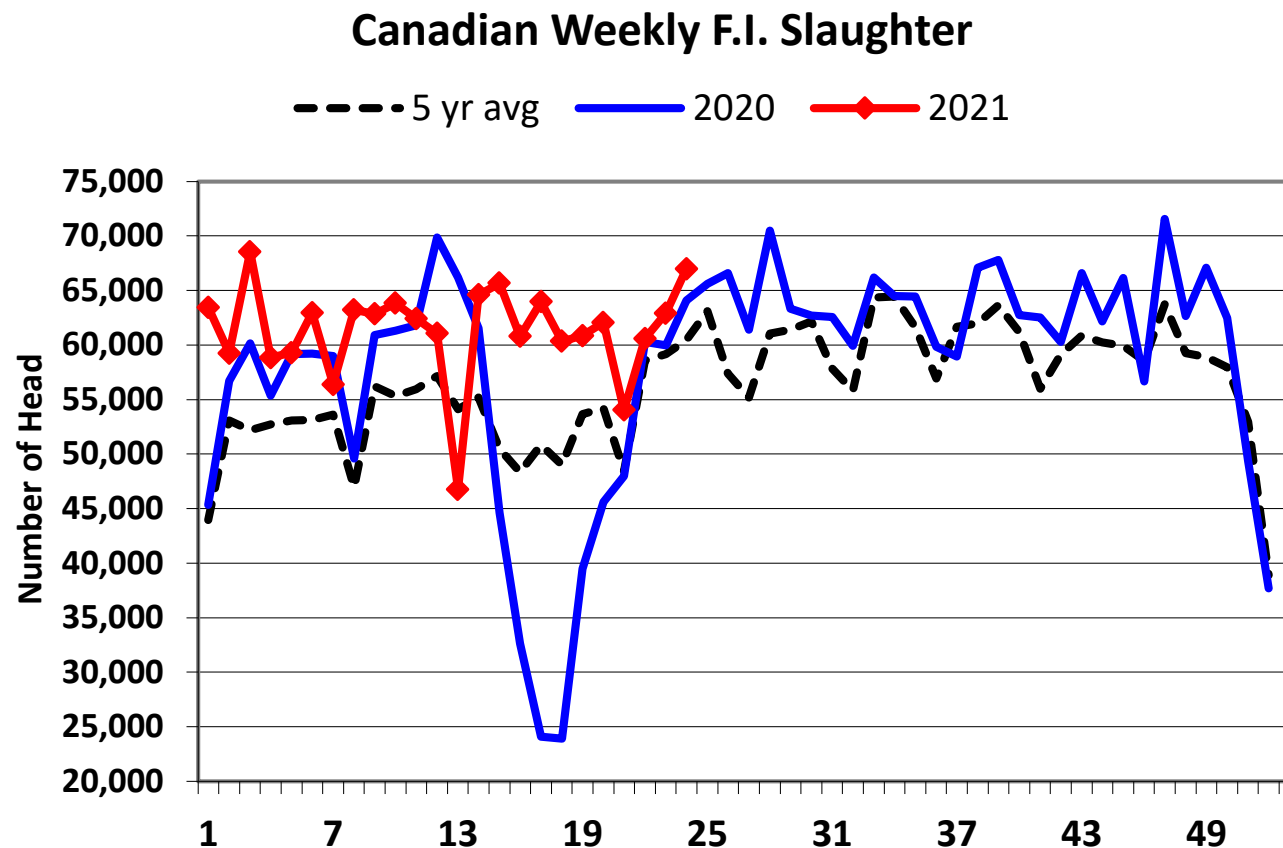
Supply Outlook



Slaughter up 16% from 2020 and 4.3% from 2019

West +17% LY, +3% from 2019

East +2% LY, -1% from 2019



Source: CBGA



YTD steer carcass weights +9 lbs from LY at 916 lbs

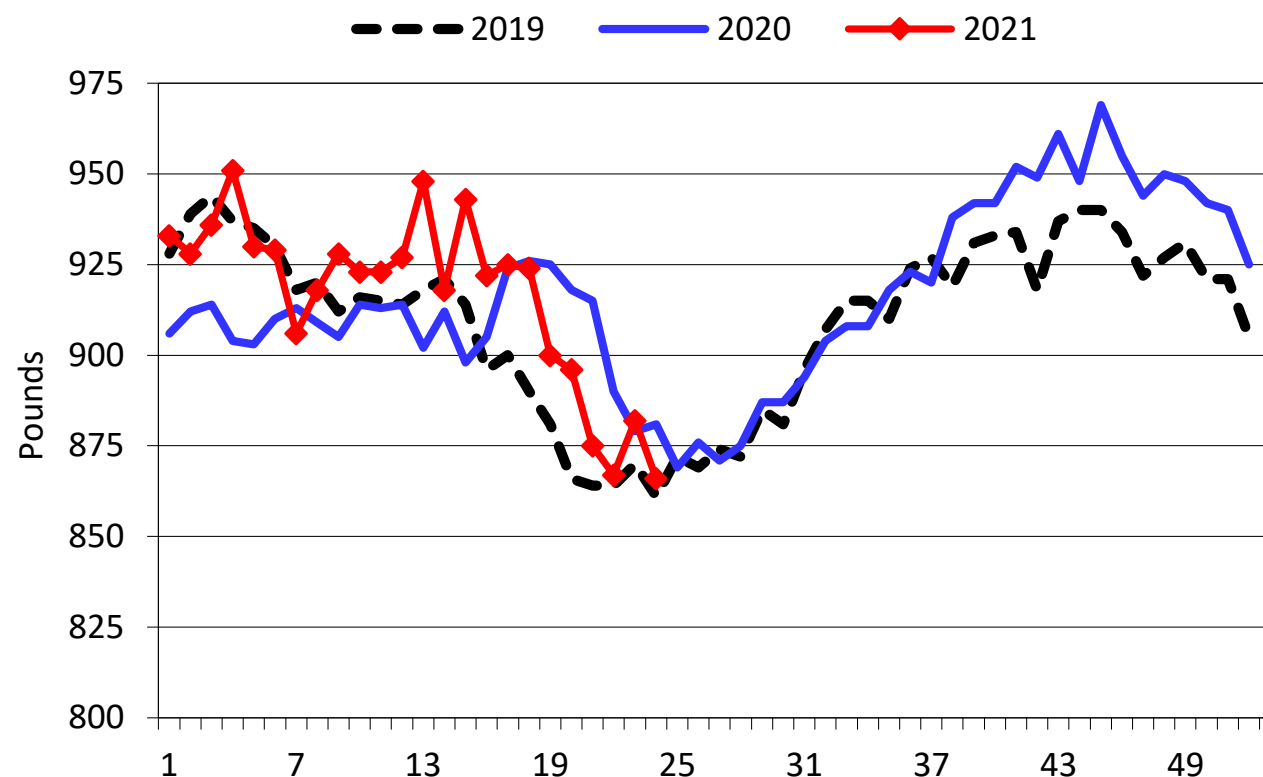
With larger slaughter and heavier carcass weights,

YTD beef production is up 18.5%

Fed production up 17%

Non-fed production up 7%

Canadian Weekly Steer Carcass Weights



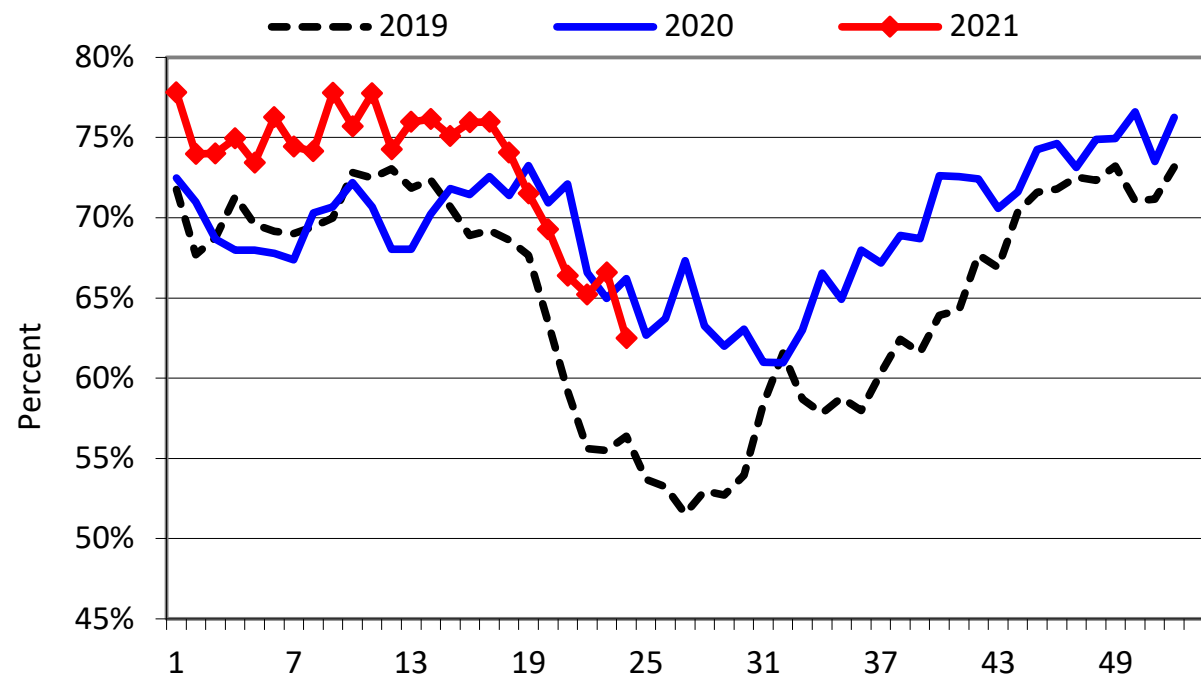
Source: CBGA

MARKET UPDATE



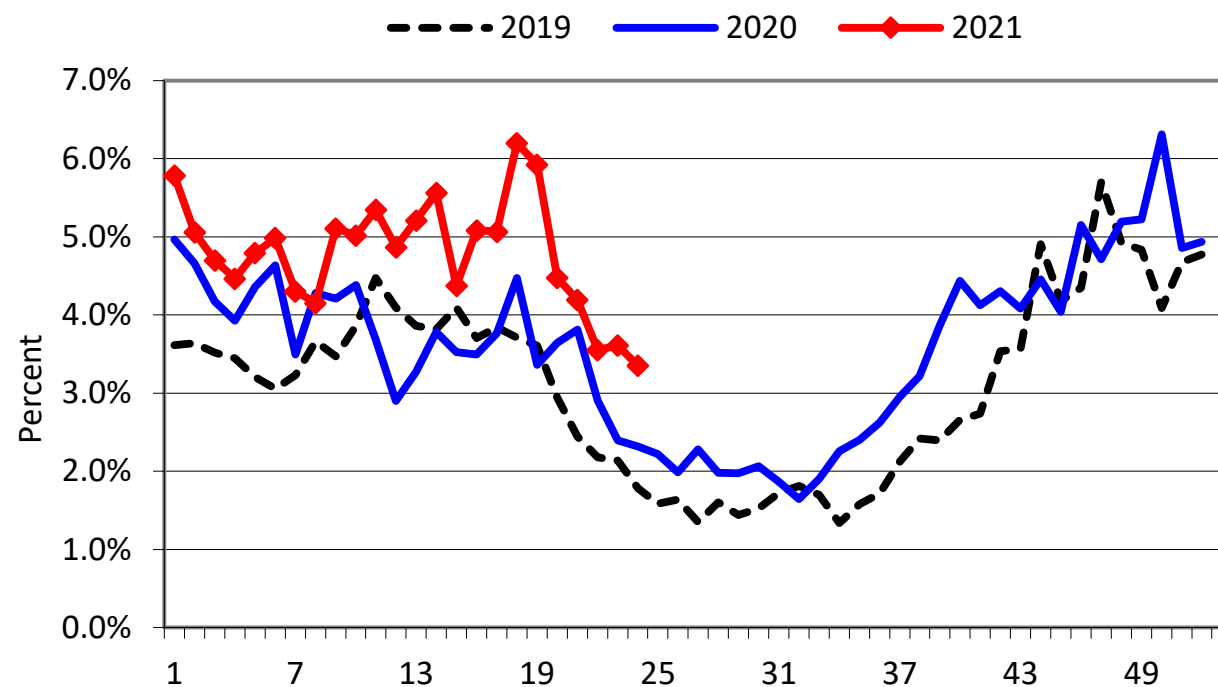
YTD AAA 68.5% and Prime 4.8% for 73.3% total up from 69.1% LY

Canadian AAA+Prime as % of all A Grades



Source: CBGA

Canadian Prime as % of all A Grades

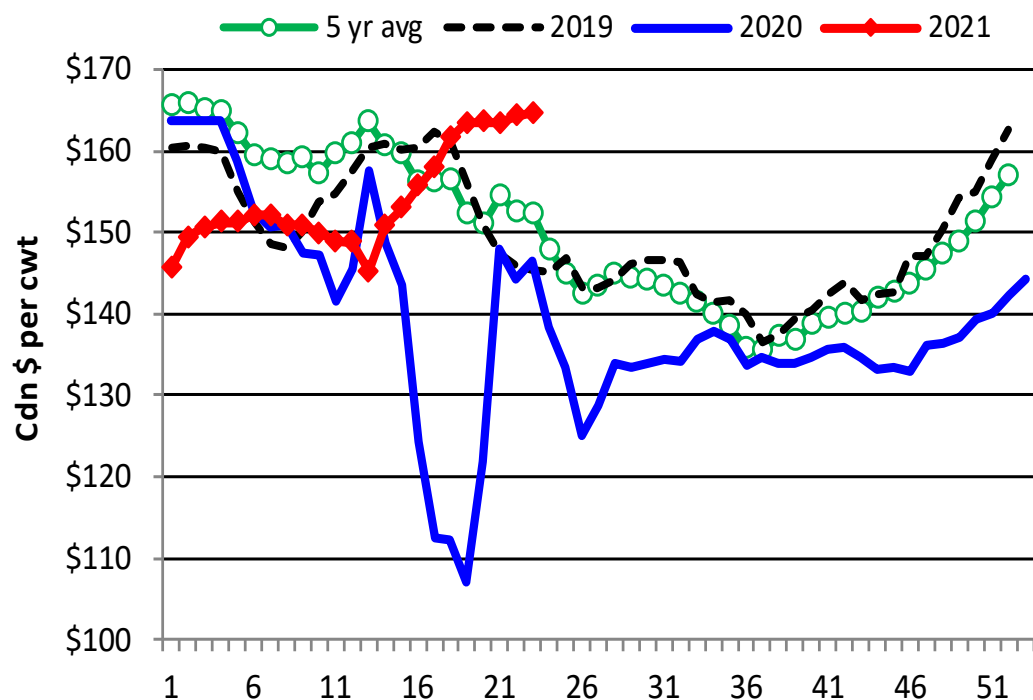


Source: CBGA



Solid spring rally in fed prices and strong basis levels

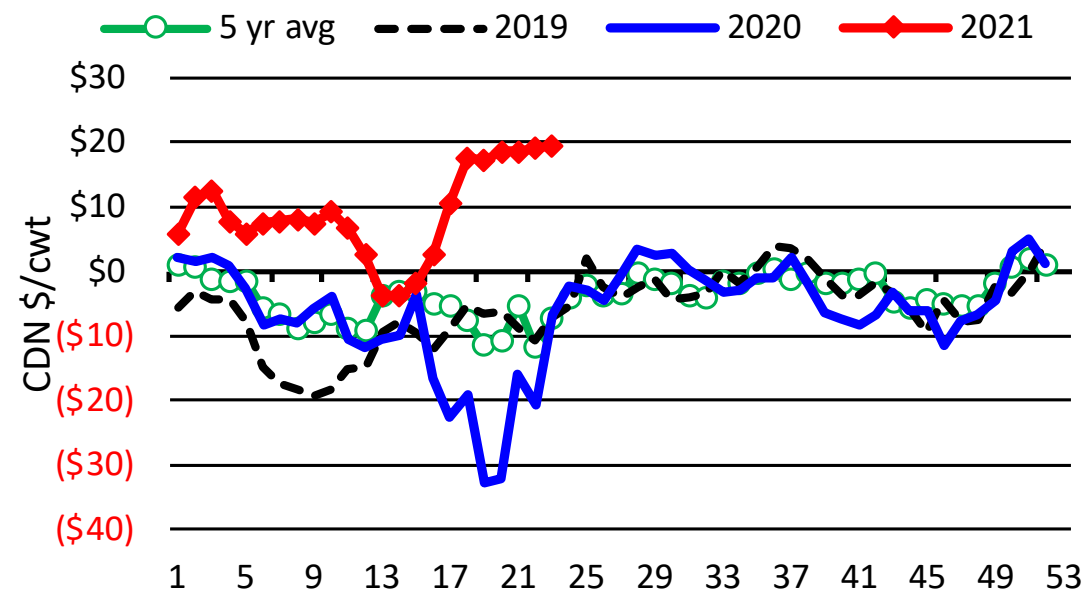
Alberta Weekly Fed Steer Price



Source: Canfax

Alberta Fed Steer Basis

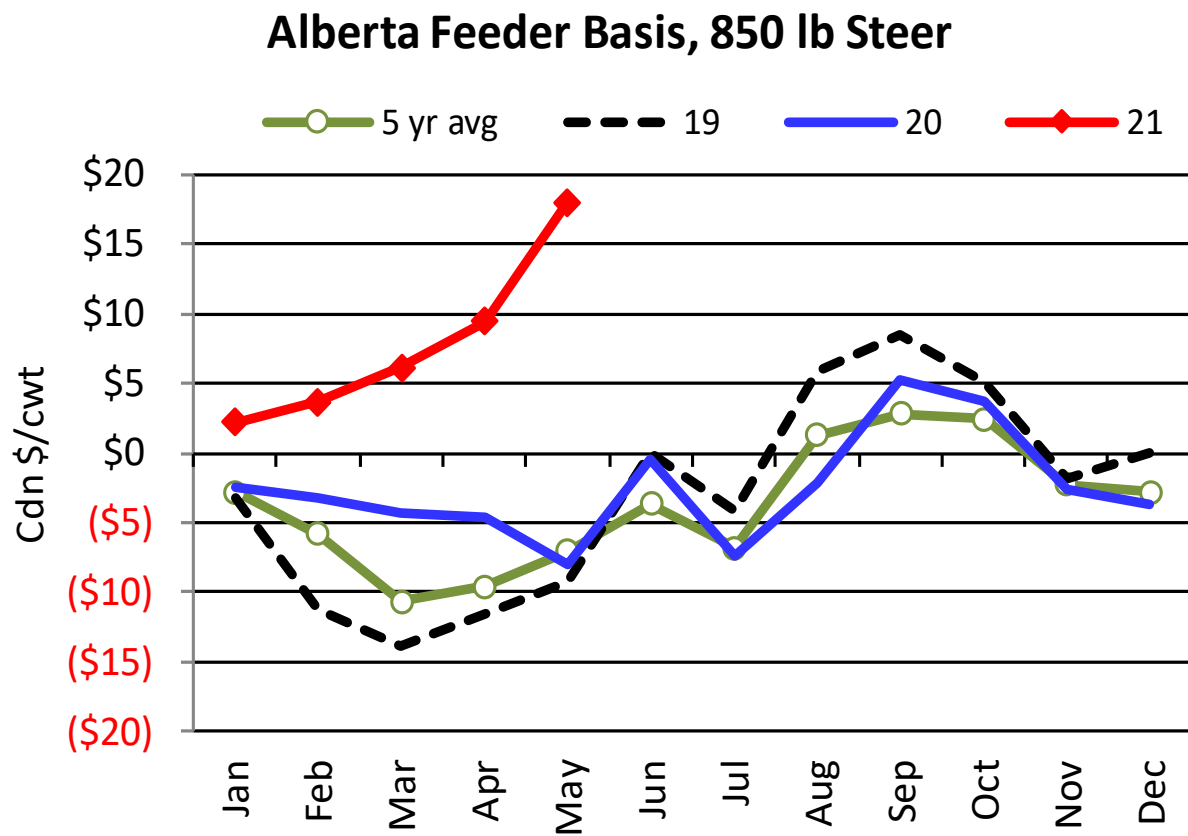
Alberta/Nebraska in Cdn \$ - Cash to Cash



Source: Canfax



Strong feeder basis attracting imports

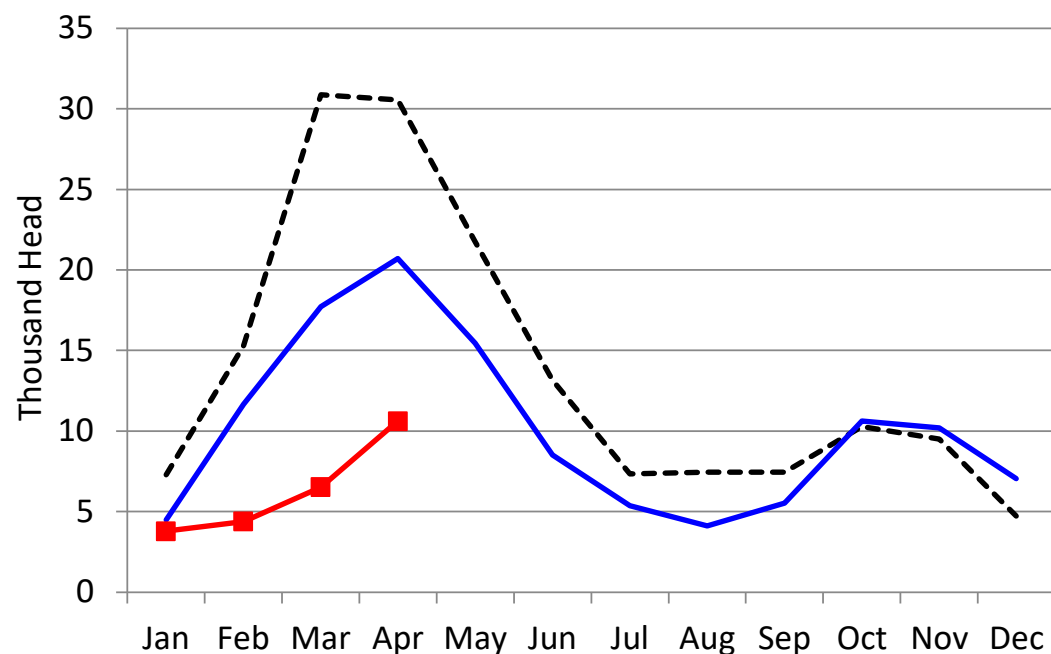


Source: Canfax

Feeder imports double Jan-April at 133,457 hd Feeder exports -54% at 25,305 hd

Canadian Feeder Cattle Exports

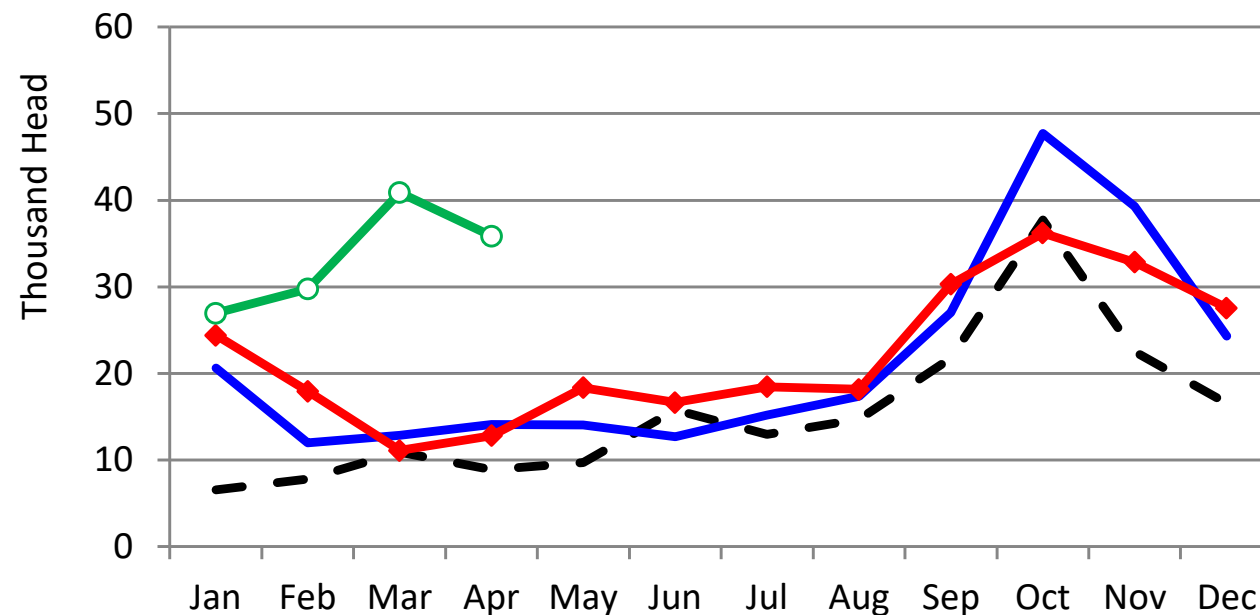
----- 5 yr avg — 2020 —■— 2021



Source: Statistics Canada

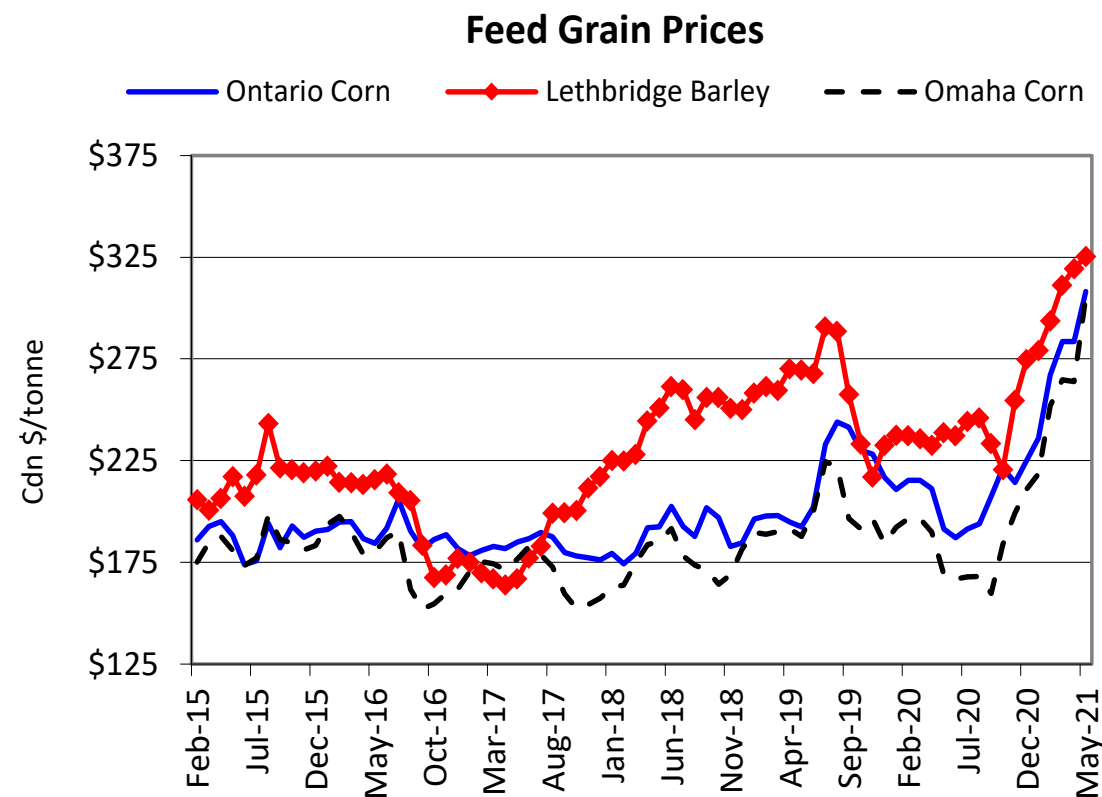
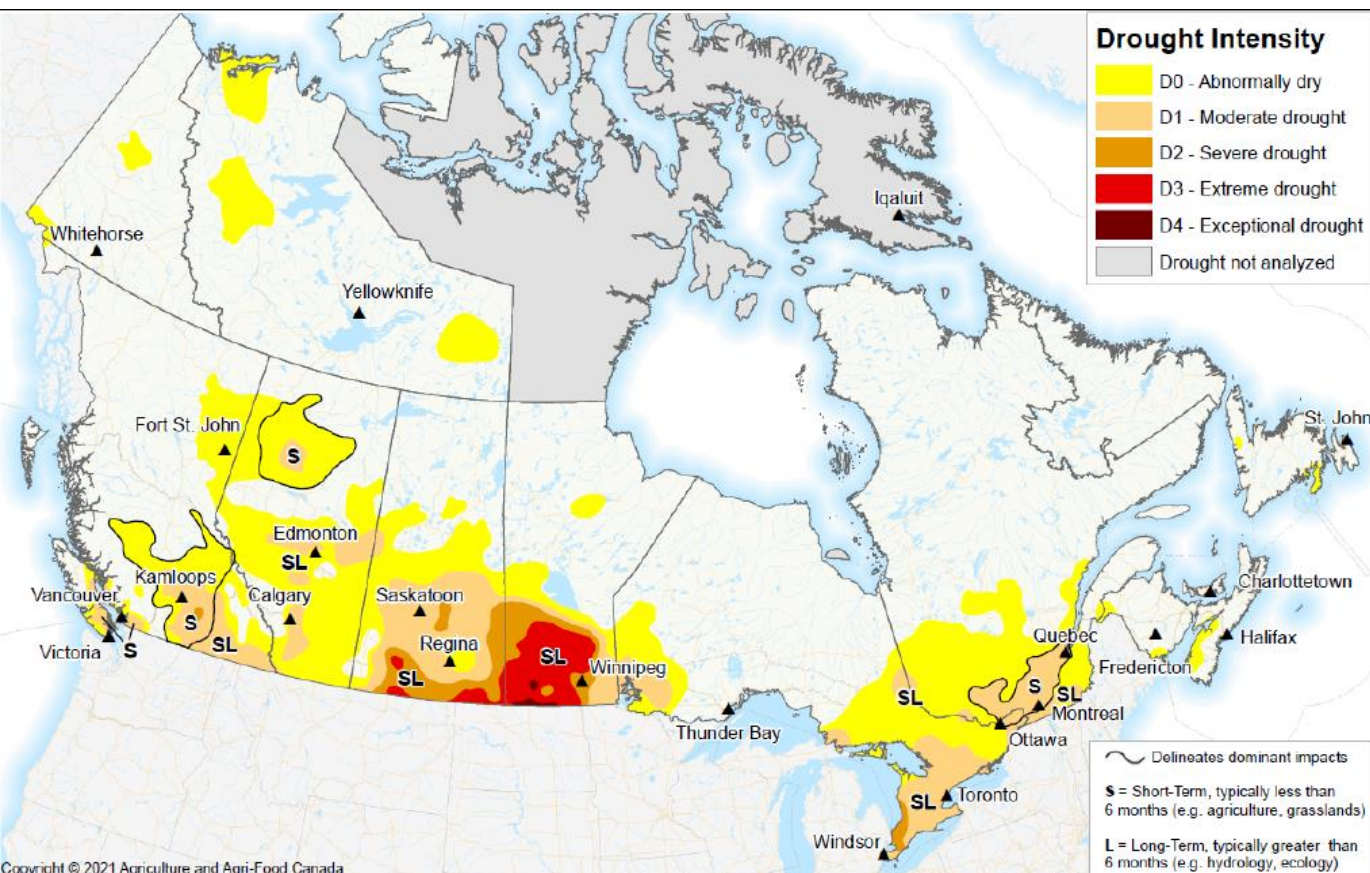
Live Beef Cattle Imports (excluding Pure-Bred Breeding) from the United States

— 2018 — 2019 —◆— 2020 —○— 2021



Source: Statistics Canada

Record high feed costs supported by weather and strong feed grain exports

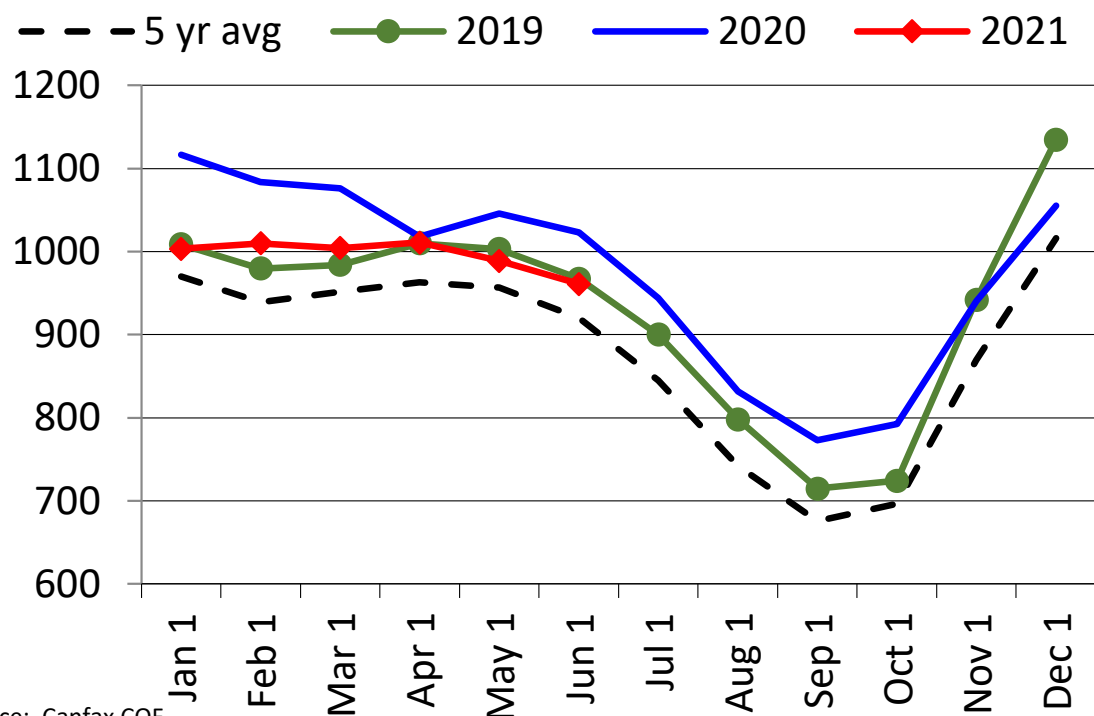


Source: Cattle-Fax, BFO

MARKET UPDATE

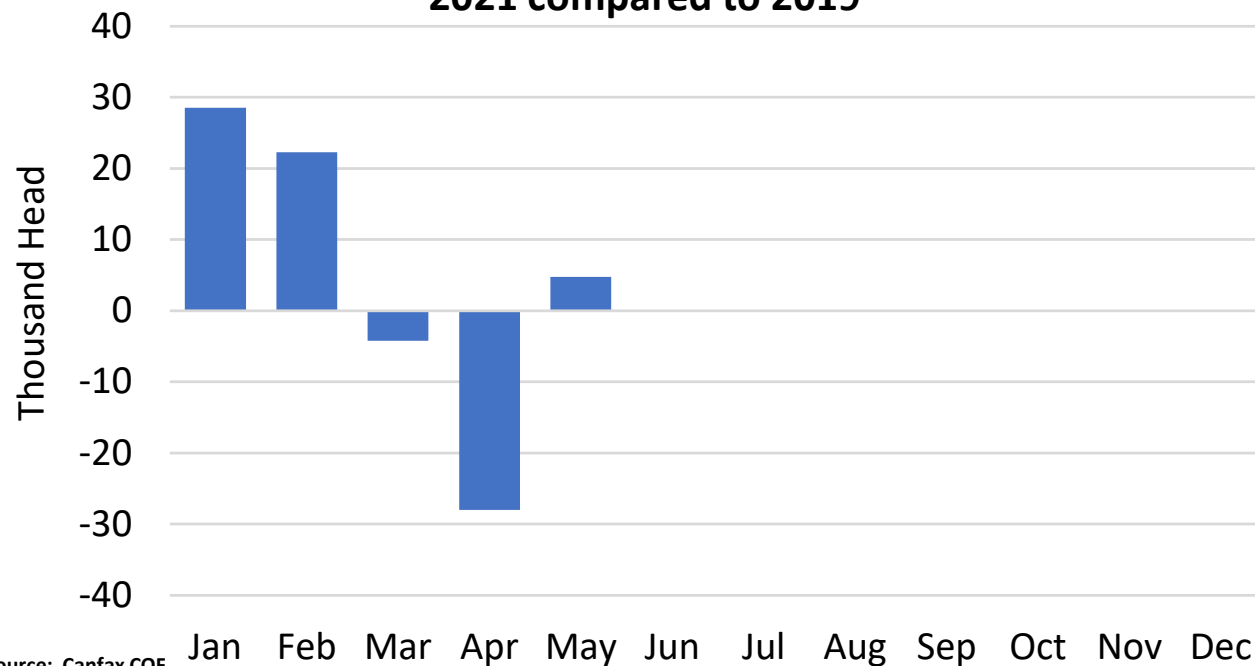
June 1 COF -6% LY (61K hd) +4.4% 5-yr avg
Cattle on Feed 120+ days dn 44,600 head from 5yr avg

Alberta and Saskatchewan
Cattle on Feed



Source: Canfax COF

Alberta and Saskatchewan Placements
2021 compared to 2019

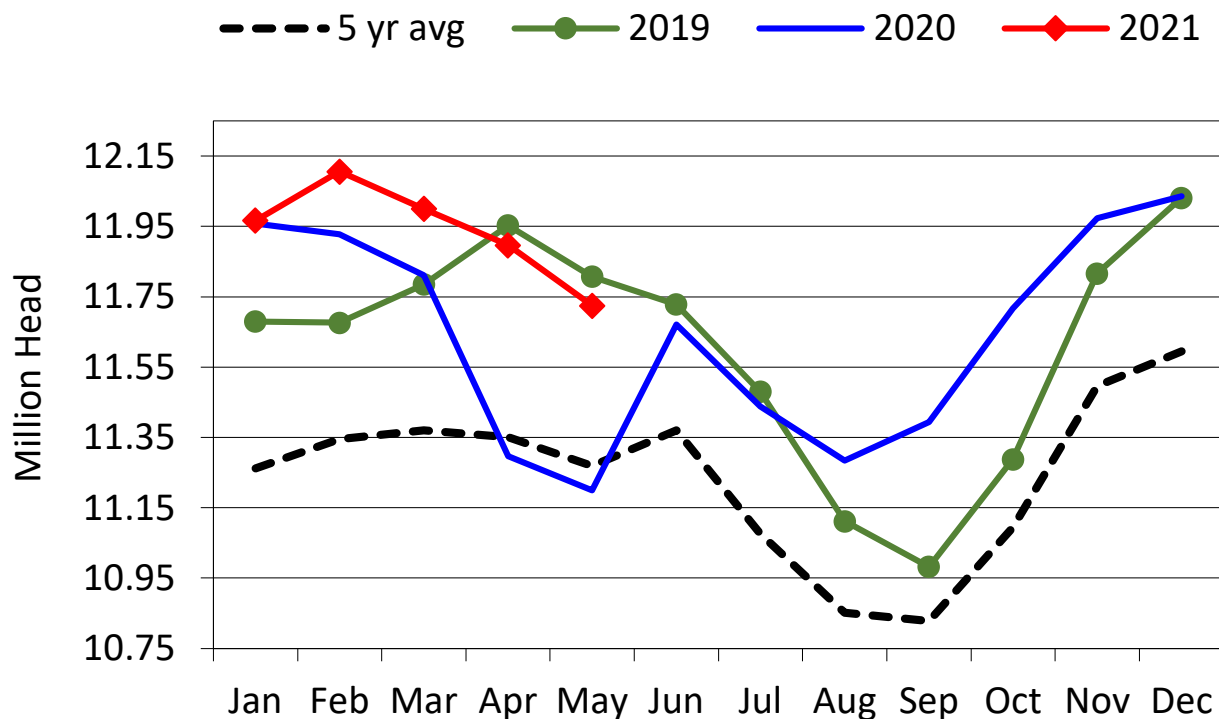


Source: Canfax COF



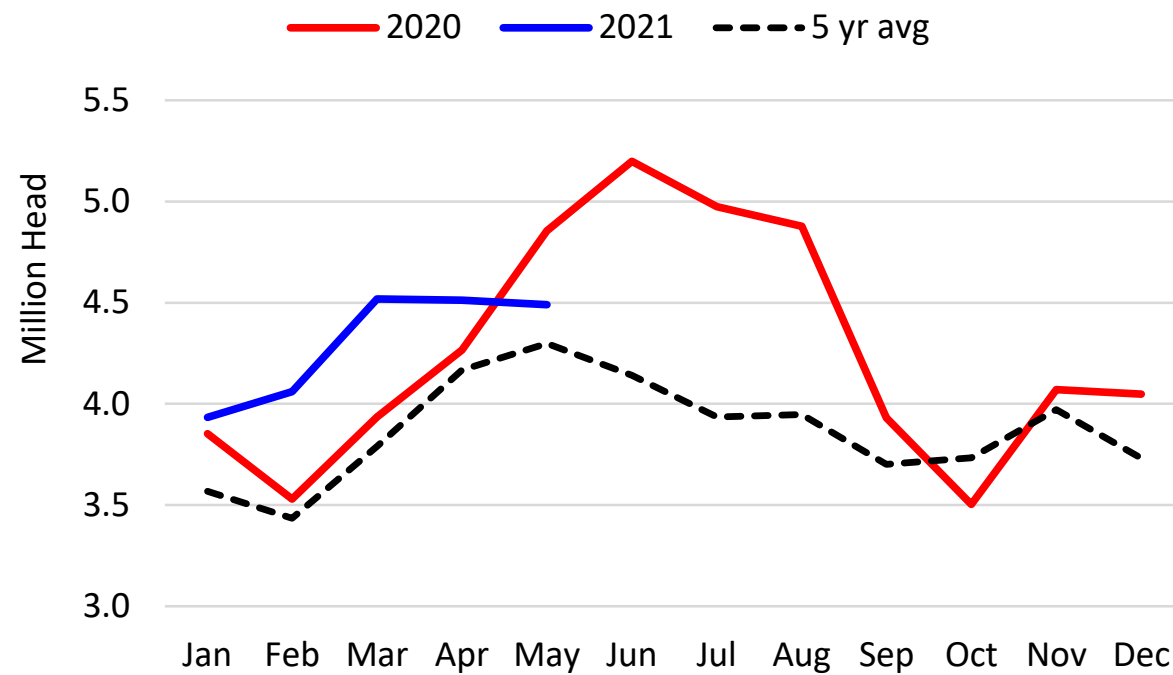
US Placements still below 2019 (Jan-April), fewer feeders outside of feedlots, front end supplies ample

US Monthly Cattle on Feed



Source: USDA

USDA Cattle on Feed 120+ Days





Summary

- Large domestic supplies in 1H 2021
 - YTD Slaughter +16%
 - Carcass weights +9lbs
 - Domestic beef production +18.5%
 - Beef exports +23% (Jan-April), +25% from 5-yr avg
 - Packing plant Utilization +8 percentage points from 5-yr avg at 94%
- Supplies in 2H 2021 to remain above 5-yr avg
 - Beef will continue to fill red meat demand domestically
 - Large production will support export volumes
 - International demand remains strong for beef
 - NA pork exports could soften with lower Chinese hog prices
 - CDN pork exports +4% Jan-April but plants delisted



Questions?

