

MARKET UPDATE



Canada Beef Quarterly Market Update

December 16, 2021

Presented by: Canfax Research Services

www.canfax.ca



MARKET UPDATE

Publications

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

cdnbeefperforms.ca/market-reports



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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 1.1% 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 shortages in March and April were due to impact retail beef prices. The retail price of beef rose sharply to C\$26.22/kg in June to be 8% higher than May 2020, and 10% higher than June 2019. The price decreased 8% from June to C\$24.21/kg in July.

In July 2020, the retail beef price was up 12.3% over July 2019. All grades saw a year-over-year increase. Boneless blade roast was up 20.5% at C\$26.18/kg, steaming head was up 16.1% at C\$26.13/kg, ground beef was up 15.1% at C\$26.12/kg and prime rib roast was up 12.2% at C\$26.07/kg. T-bone steak was up 10.1% at C\$24.45/kg and round steak was up 4.3% at C\$26.13/kg.

The struggling chicken price sharply contrasted the surging beef price, preventing rise of switching at retail. Chicken price

Canada AAA + Prime as % of All A Grades



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 foot 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



Canadian Domestic Exports of Beef and Veal Products									
Country	2019		2020		2019		2020		Change
	Volume (MT)	Value (\$M)	Volume (MT)	Value (\$M)	Volume (MT)	Value (\$M)	Volume (MT)	Value (\$M)	
USA	4.9%	1,522,789	1,587,082	7.4%	211,811	202,089	7.9%	\$7.20	\$7.31
Mexico	-8.9%	233,716	211,712	-9.4%	32,450	29,454	-9.4%	\$7.14	\$7.17
Hong Kong	-24.4%	93,529	88,869	-4.9%	9,033	8,587	-4.9%	\$10.24	\$8.15
Malaysia	-29.1%	80,373	58,150	-27.7%	10,539	7,722	-27.7%	\$7.91	\$7.88
China	-41.1%	98,412	57,918	-40.8%	11,475	5,892	-49.5%	\$8.58	\$5.19
Thailand	-8.1%	76,488	70,467	-7.9%	3,019	3,054	1.1%	\$7.15	\$6.84
Philippines	266.0%	4,286	15,088	352.0%	422	2,717	542.0%	\$6.80	\$5.77
Taiwan	-18.6%	16,344	13,827	-15.4%	1,978	1,669	-15.4%	\$8.26	\$7.87
United Kingdom	14.6%	9,250	10,616	14.7%	712	805	12.7%	\$12.05	\$12.26
South Africa	64.9%	4,330	7,139	64.7%	379	542	44.3%	\$17.37	\$12.70
Peru	68.9%	3,001	5,081	69.3%	134	276	105.2%	\$22.39	\$18.34
India	108.1%	291	3,462	1171.0%	807	19	144.0%	\$11.05	\$16.30
Poland	64.2%	5,162	2,963	-42.6%	1,560	342	-78.2%	\$18.76	\$3.91
United Arab Emirates	-51.3%	3,970	1,902	-51.9%	351	149	-57.3%	\$11.31	\$11.45
Japan	-0.1%	1,800	1,814	0.8%	1,806	1,787	-1.1%	\$10.87	\$10.87
Other	-22.7%	14,910	11,576	-22.3%	8,533	6,201	-26.9%	\$11.75	\$7.87
Grand Total	-1.2%	2,112,337	2,091,480	-0.9%	204,903	270,152	33.3%	\$7.23	\$7.24

Source: Statistics Canada and AARC

Update

Beef well contained the fresh 3.19 and has had no more than four events, sales and inspections on products remains strict. Sales found in samples.

In June, China beef value (\$5.2M), 10% drop, 1.77% on 25 beef sales benefiting sales with Canadian beef. The evolution of risk and control measures joined Canadian beef also limit supply on Australian beef and 1% as well as China's beef being opportunity.

is to contain the 3rd at and the daily new rights. The government COVID-19 on Sept. 1, two weeks in the hope also patients in the economy to move and

residents to resume their normal lives at an earlier date. Hong Kong imported 1.14 tonnes of Canadian Beef value US\$ 6,3380 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 export 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 producer markets, supermarkets, food companies, cold storage facilities and cold chain logistics firms. This includes employees and local residents. Retail buyers are

What Status Outlook?

Item	Food Service Sector		Imports/Distributions	
	Price	Volume	Price	Volume
Beef	High	High	High	High
Pork	High	High	High	High
Chicken	High	High	High	High
Seafood	High	High	High	High
Vegetables	High	High	High	High
Fruits	High	High	High	High
Dairy	High	High	High	High
Eggs	High	High	High	High
Grains	High	High	High	High
Meat	High	High	High	High
Other	High	High	High	High

Confidential Not for Distribution



CANADIAN BEEF EXPORTS



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Canfax Research Services





Supply Outlook

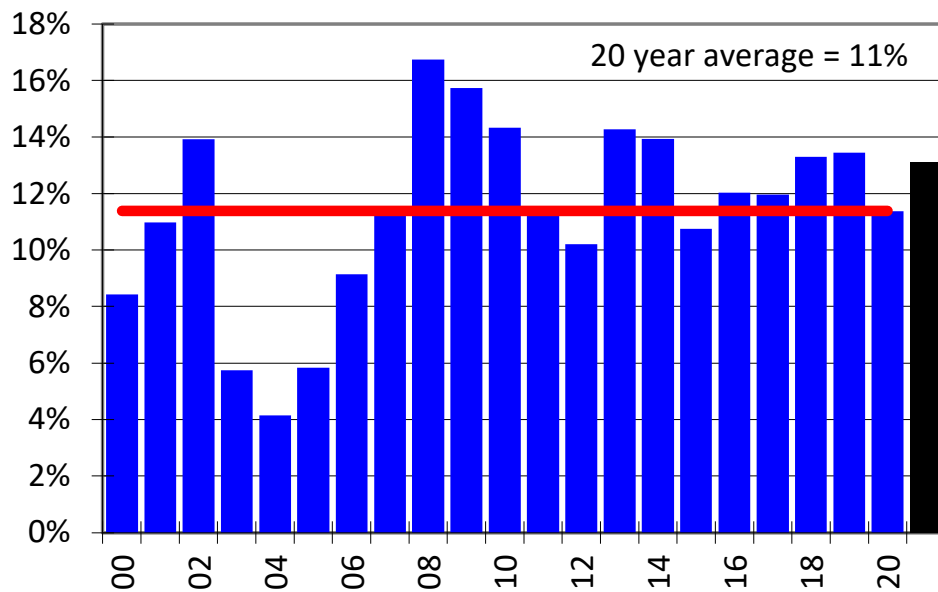


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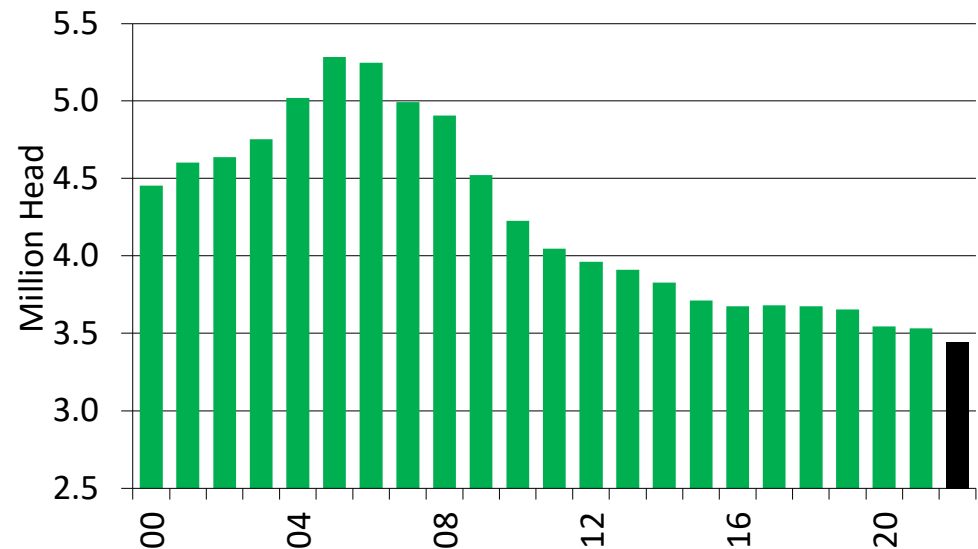
Jan 1, 2022 Beef Cow Inventories could be down 2-3% similar to 2013-15

Canadian Beef Cow Culling Rate



Source: Canfax Research

**Canadian Beef Cow Numbers
January 1**



Source: Statistics Canada

North American Drought Monitor

November 30, 2021

<http://www.ncdc.noaa.gov/temp-and-precip/drought/nadm>

Released: Thursday, December 16, 2021

Analysts:

Canada - Trevor Hadwen

Alyssa Klein*

U.S.A. - Richard Heim

Mexico - Minerva Lopez

Yenifeer Loranca

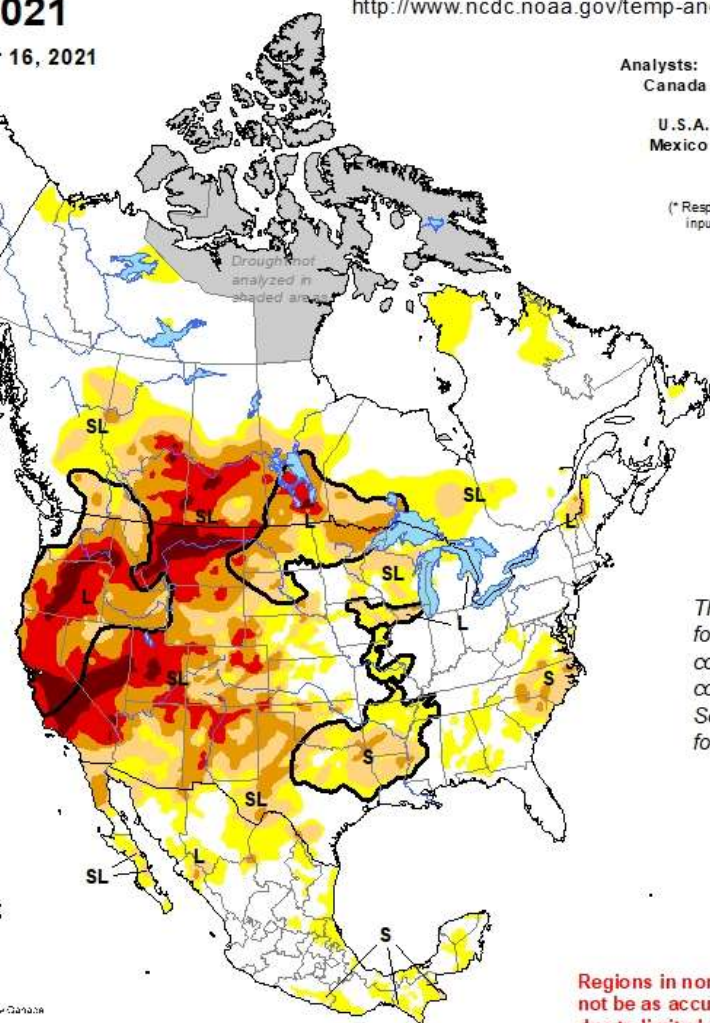
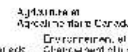
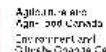
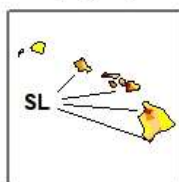
(* Responsible for collecting analysts' input & assembling the NA-DM map)

Intensity:

- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

Drought Impact Types:

- ~ Delineates dominant impacts
- S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically >6 months (e.g. hydrology, ecology)



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text for a general summary.



Regions in northern Canada may not be as accurate as other regions due to limited information.

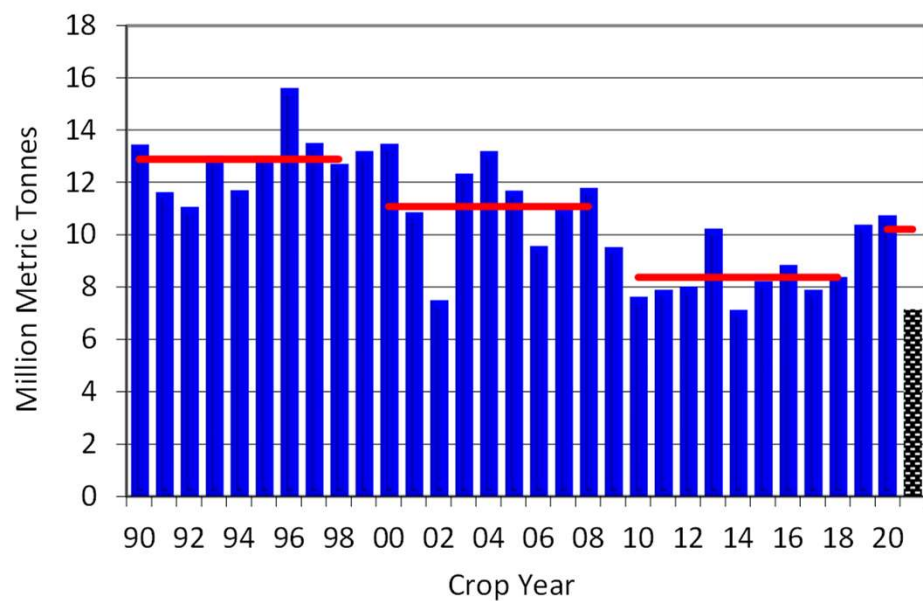


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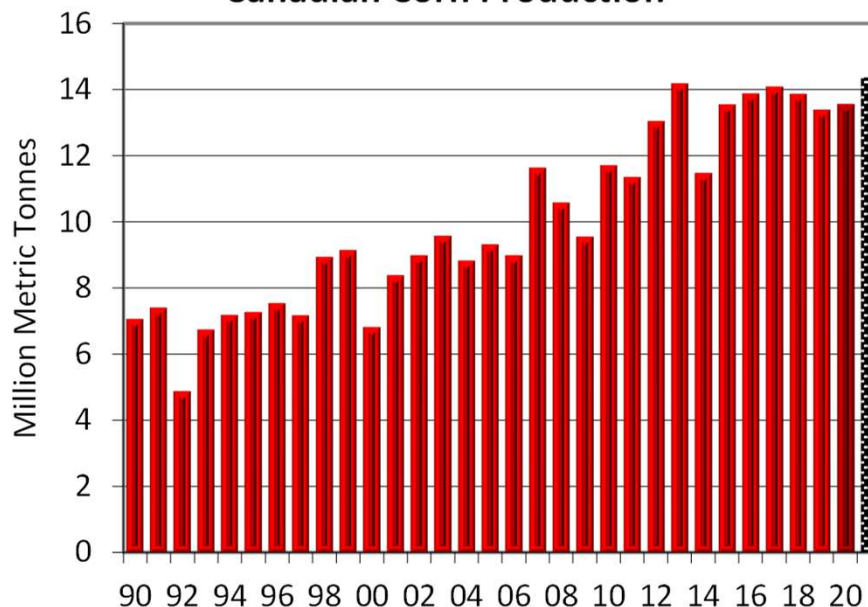
2021/22 CDN Barley production -34%, ending stocks projected to be down 40% with a stocks to use ratio of 6%, down from 7% in 2020/21.

Canadian Barley Production



Source: AAFC, Statistics Canada

Canadian Corn Production

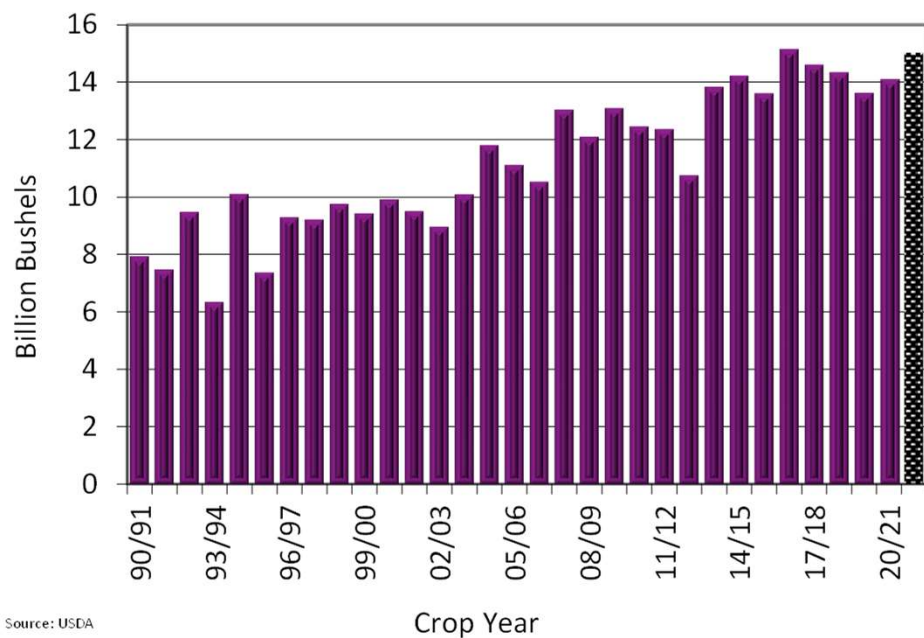


Source: AAFC

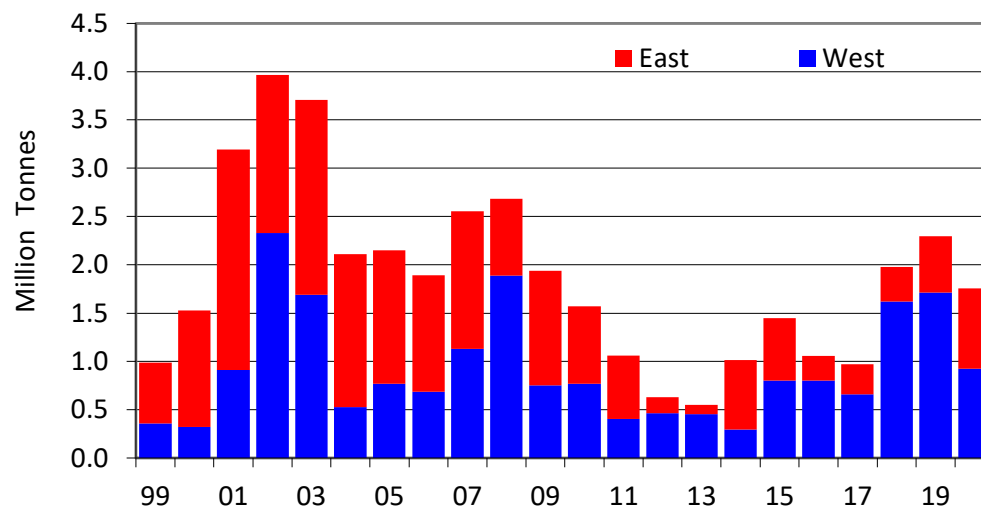
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2021/22 US corn production up 6%, ending stock up 21% with a stocks to use ratio of 12%, up from 10% in 2020/21

US Corn Production



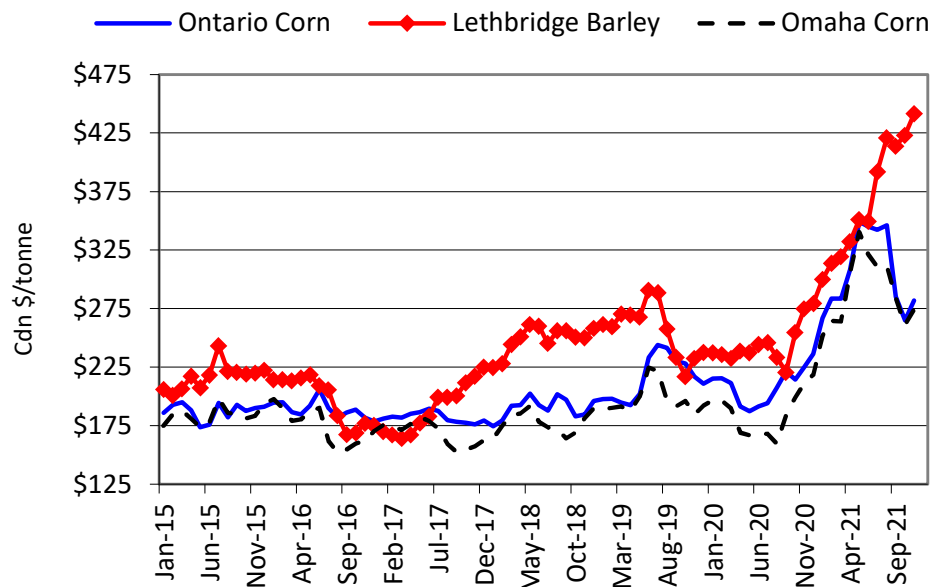
Canadian Corn Imports - West vs. East



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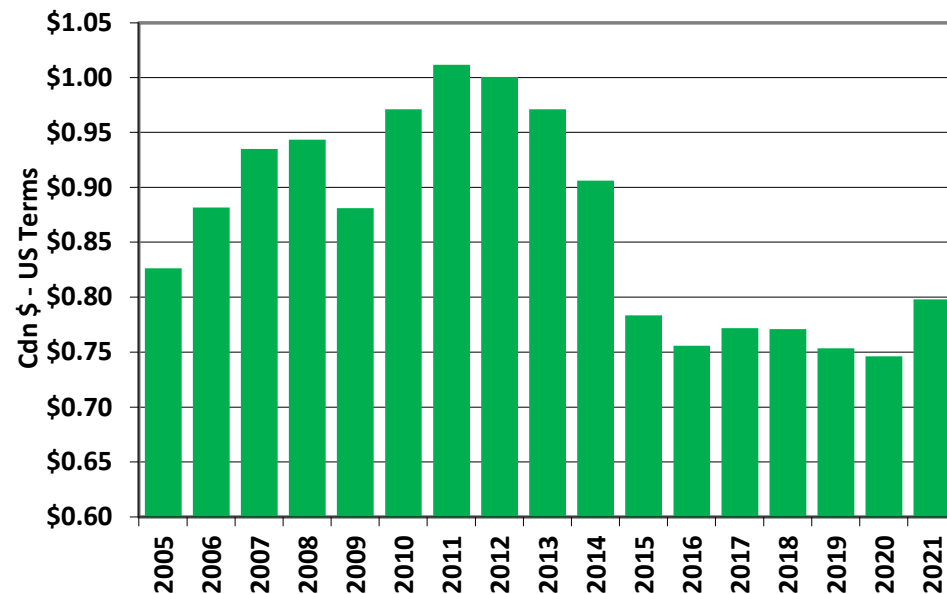
In Nov 2021, Barley \$441/tonne, Ontario corn \$281/tonne and Omaha corn CDN\$294/tonne

Feed Grain Prices



Source: Cattle-Fax, BFO

Annual Canadian Dollar



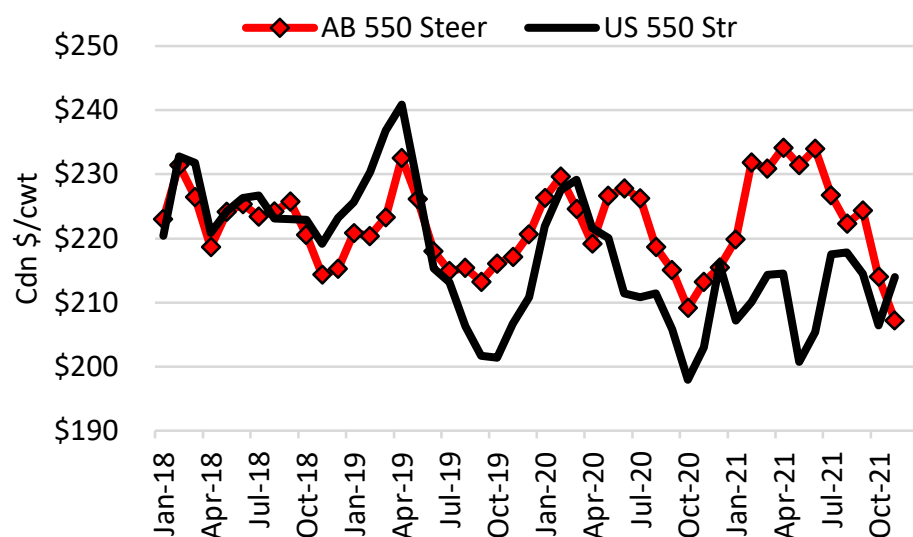
Source: Bank of Canada

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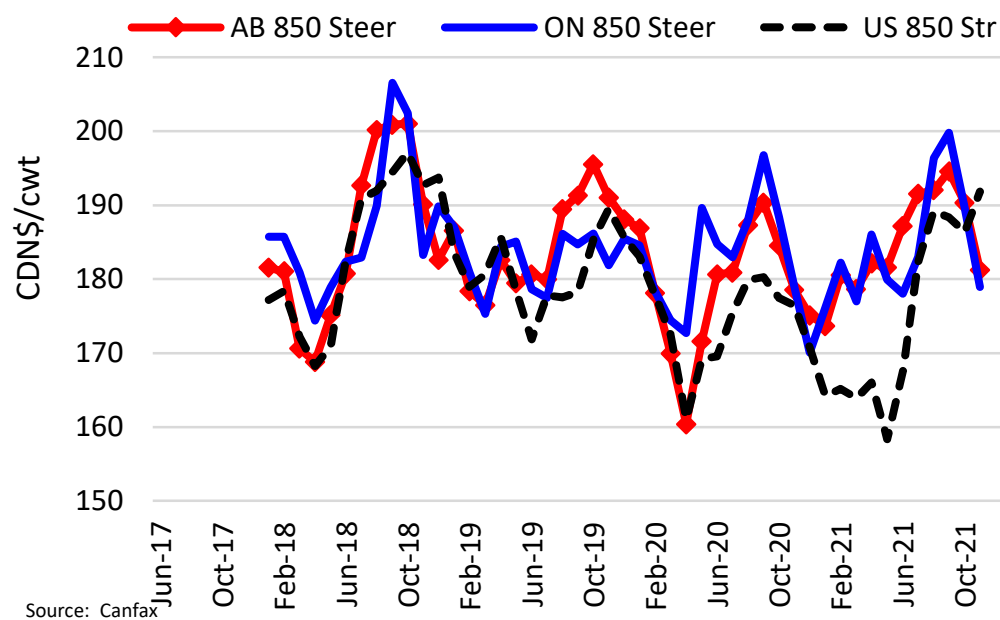
Alberta feeder prices still at a premium in October; discounted in November

Alberta & US 550 lb Feeder Steer



Source: Canfax

8-900 lb feeder prices



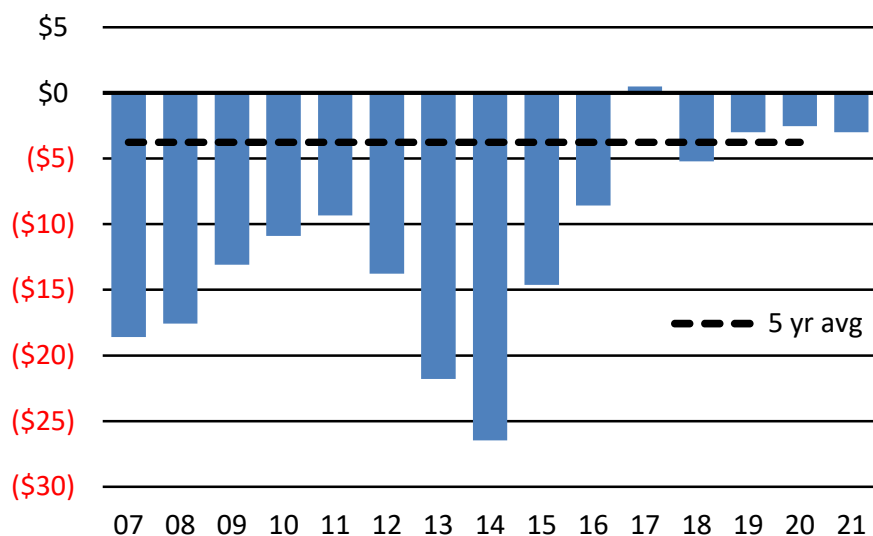
Source: Canfax

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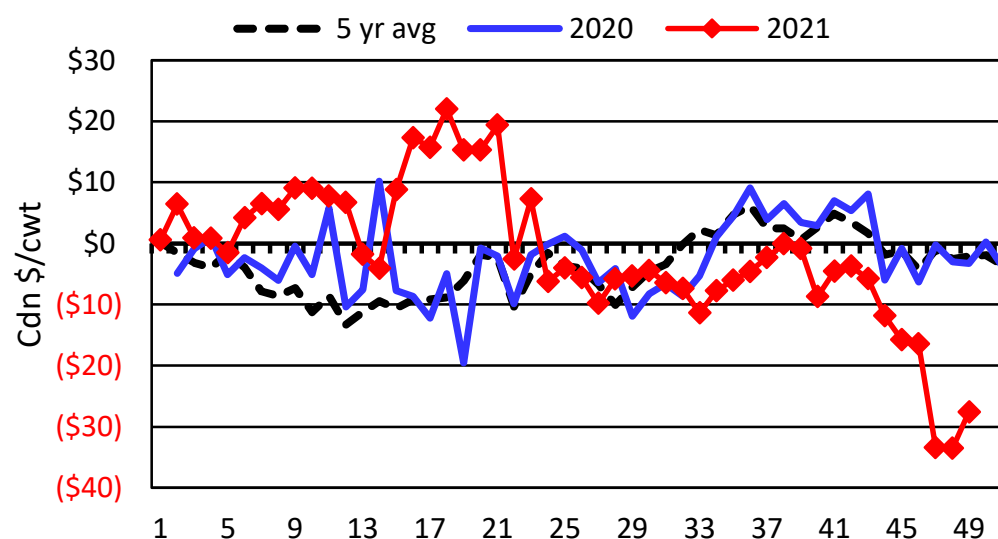
Feeder basis weaker going into 2022

Alberta Feeder Basis, 850 lb



Source: Canfax

Alberta 850 lb Feeder Steer Basis
Cash to Futures

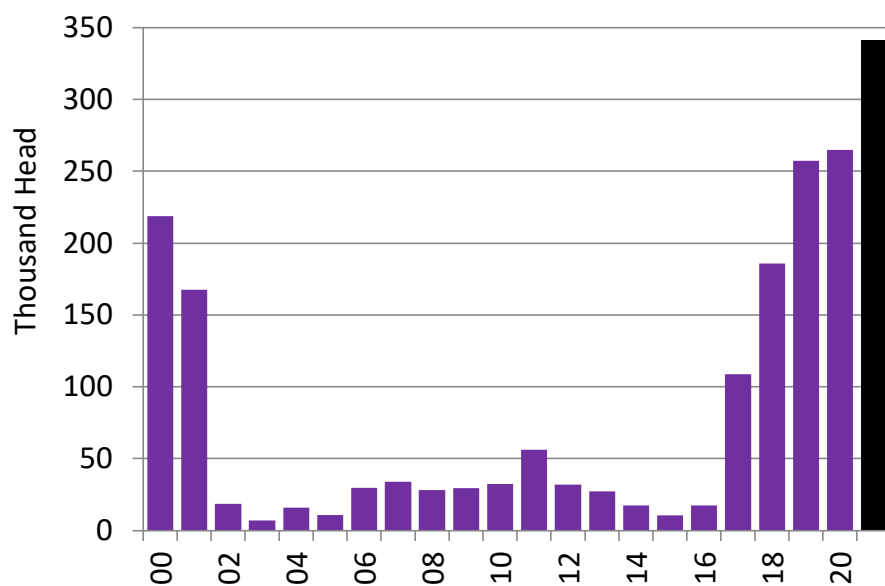


Source: Canfax

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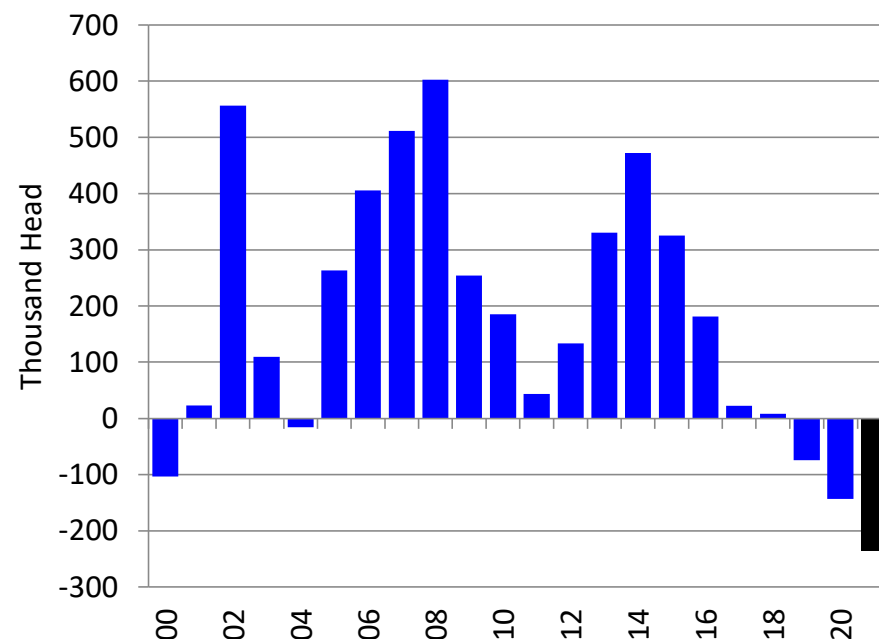
**Feeder exports were up double last year from July-October.
Feeder Imports to be record high; Net Imports to increase by 93K**

Feeder Cattle Imports from the United States



Source: Statistics Canada

Net Exports of Canadian Feeder Cattle



Source: Statistics Canada

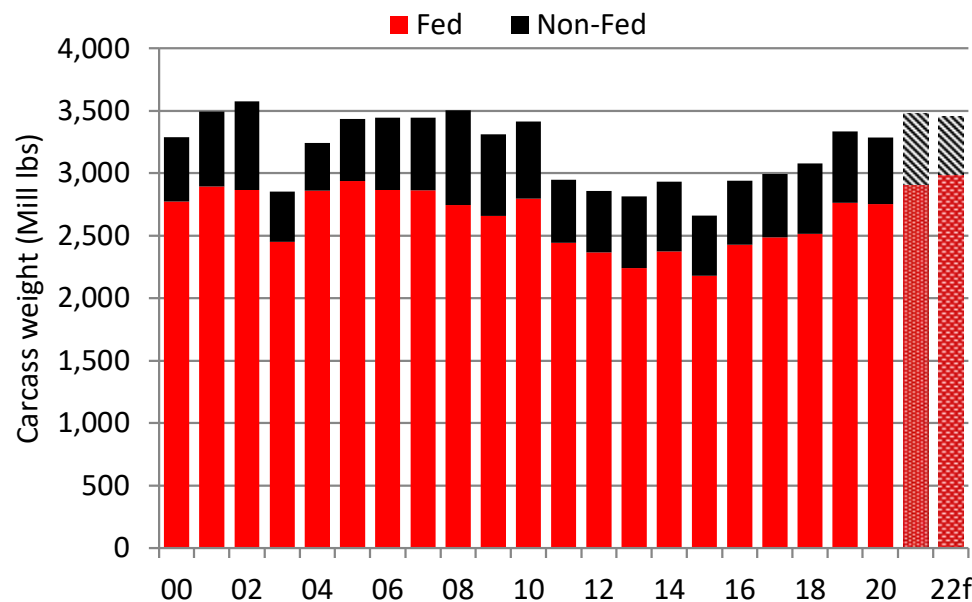
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Total Beef production is projected to be -0.6% in 2022

Fed production +2.8% & Non-fed Production -18%

- US drought expected to move into Southern Plains
 - Potential for jet streams to bring moisture into Pacific NW – supporting snow pack in Q1 2022
 - Relative feed will determine feeder trade in [1H 2022](#)
- Cattle supply: July 1, 2021 Calf crop +56K, feeder >1yr old +10.5K = +66.5K
- Net feeder trade 93K (Jan-Oct 2021)
 - *Potential of steady to +3% or 160K fed marketings*
 - *Tempered to be up 1% or 93K*

Canadian Beef Production



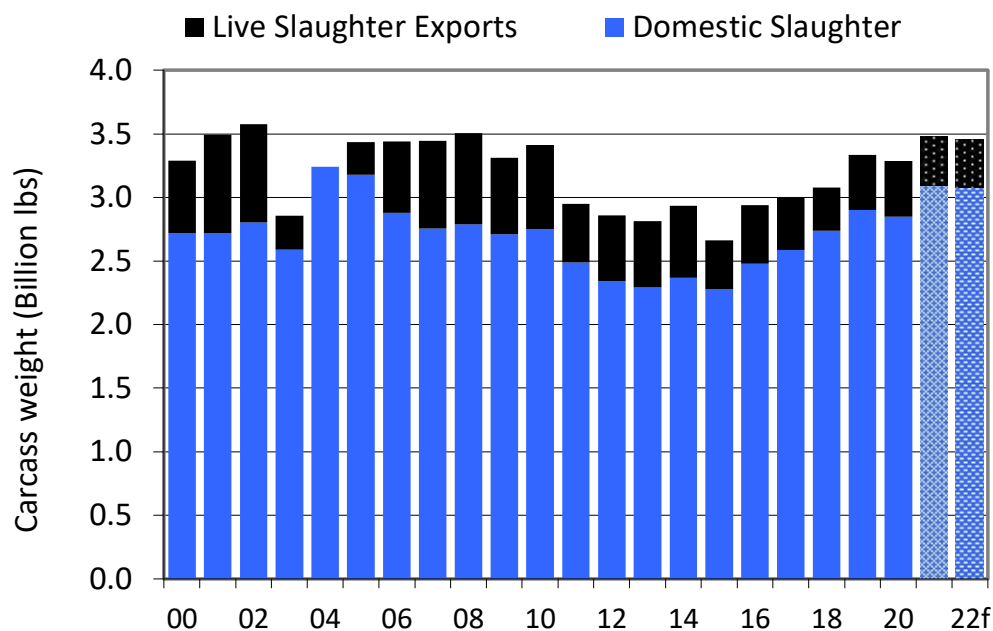
Source: Canfax Research

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Labour & utilization in US/CDN packing plants??

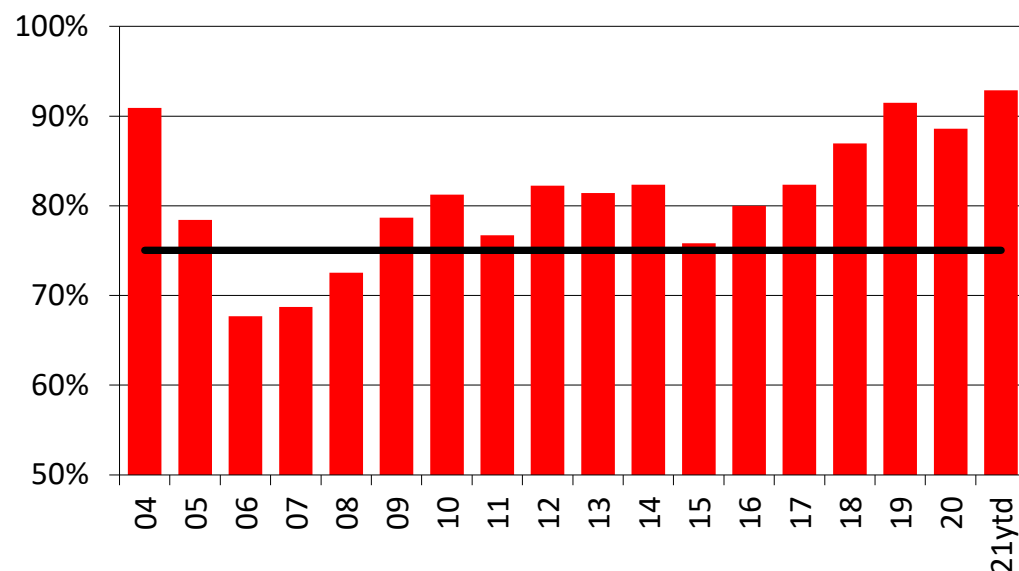
Domestic Production -0.4% & Live Exports -2.5%

Canadian Beef Production



Source: Canfax Research

Canadian Federally Inspected Slaughter
Estimated Utilization Rate



Source: Canfax Research, CBGA



PORTS



International Demand

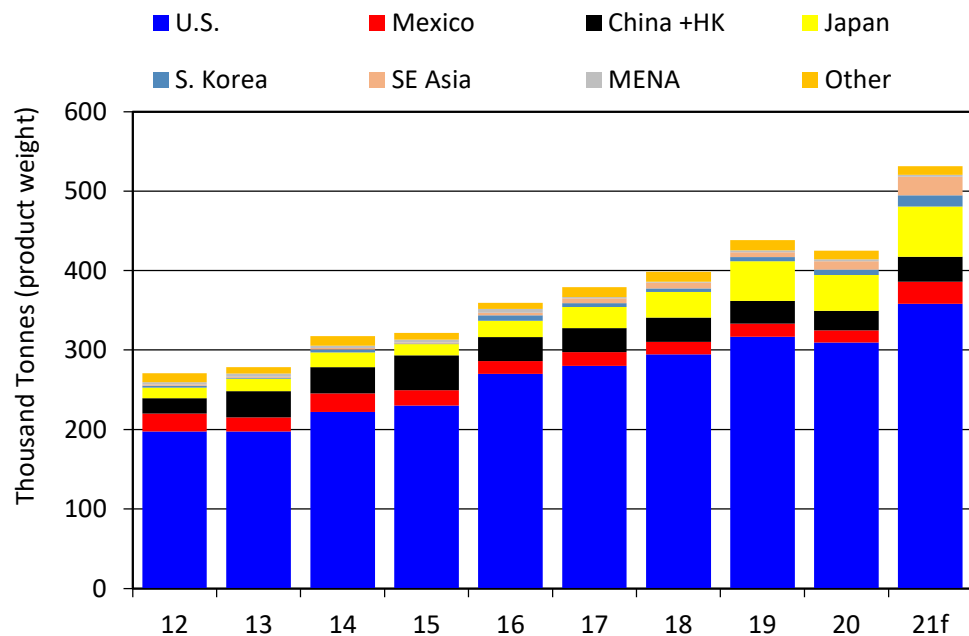
Beef Trade



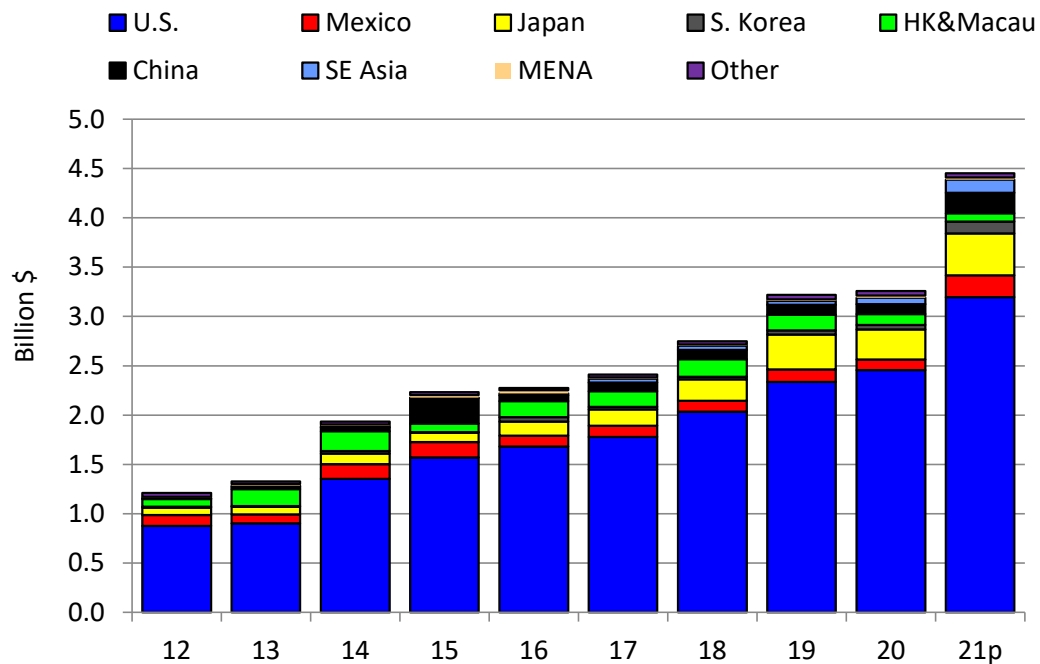
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Beef Exports up 25% in volume and 40% in value from Jan-Oct 2021

Canadian Beef Export Volume



Canadian Beef Export Value



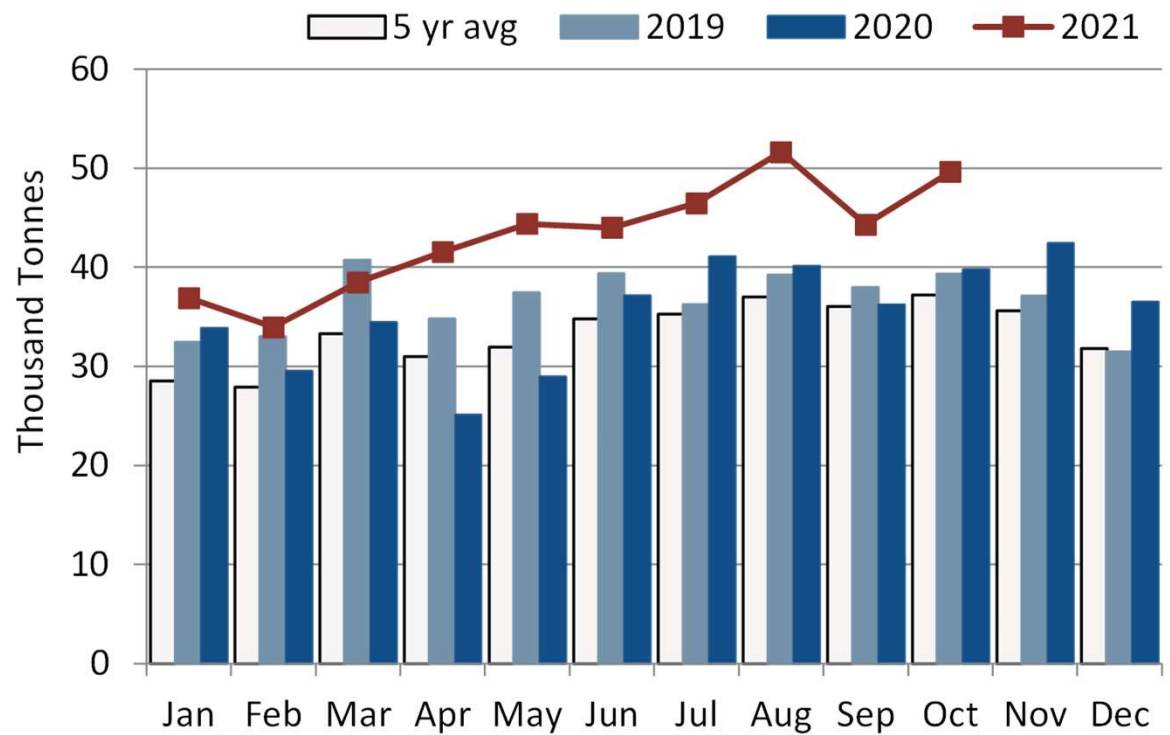
Source: Statistics Canada, CFIA

Source: Statistics Canada, CFIA

MARKET UPDATE

Monthly volumes up in Aug (+29%), Sept (+22%), and Oct (+25%) from last year

Canadian Monthly Beef and Veal Exports



Source: Statistics Canada

MARKET UPDATE

Gains to North America and Asia

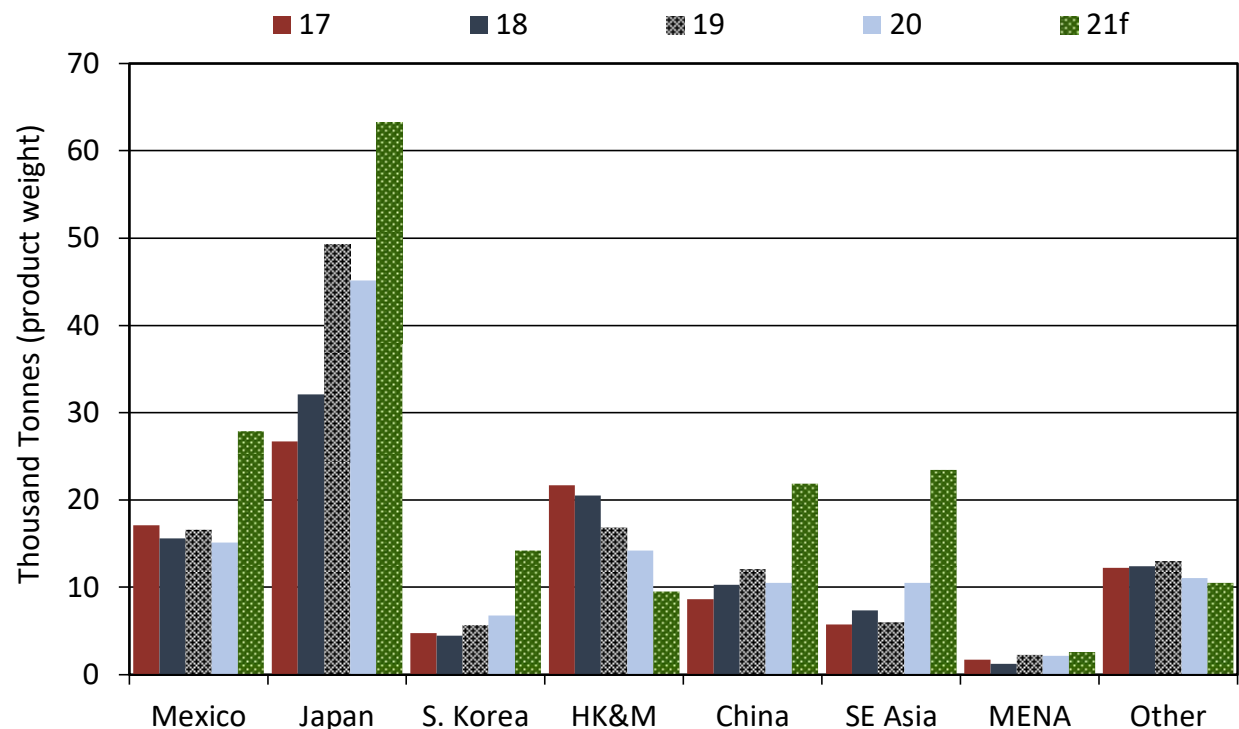
Year-to-date export volumes increased to:

- U.S. (16%)
- Japan (41%)
- Mexico (84%)
- mainland China (109%)
- SE Asia including Taiwan (123%)
- South Korea (109%)
- EU (44%), and MENA (20%)

Declined to:

- Hong Kong and Macau (-34%)
- Taiwan (-44%), and the UK (-42%)

Canadian Beef Export Volume

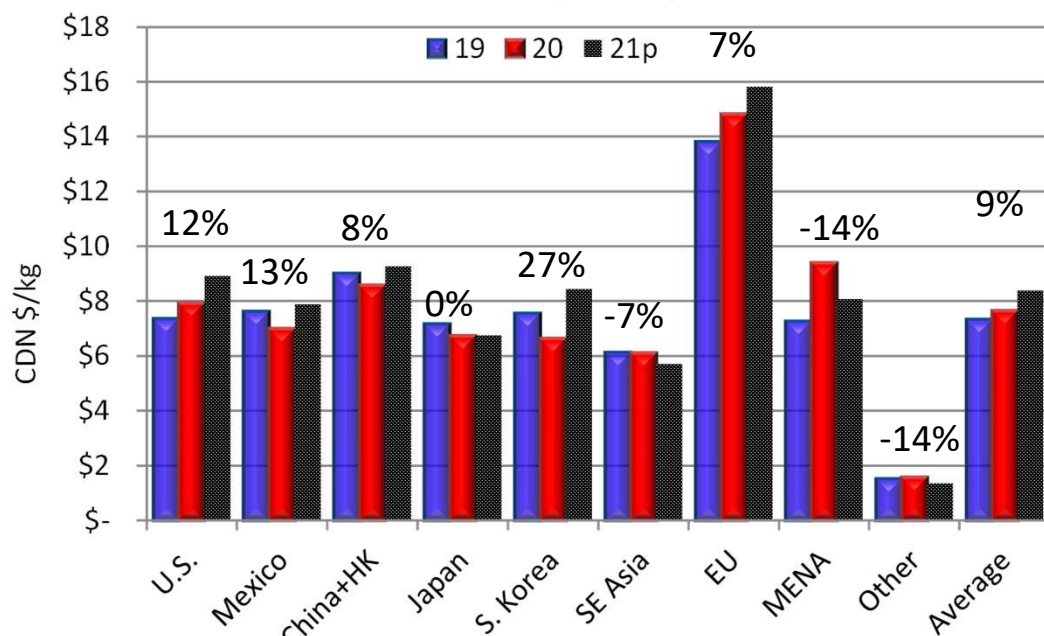


Source: Statistics Canada, CFIA

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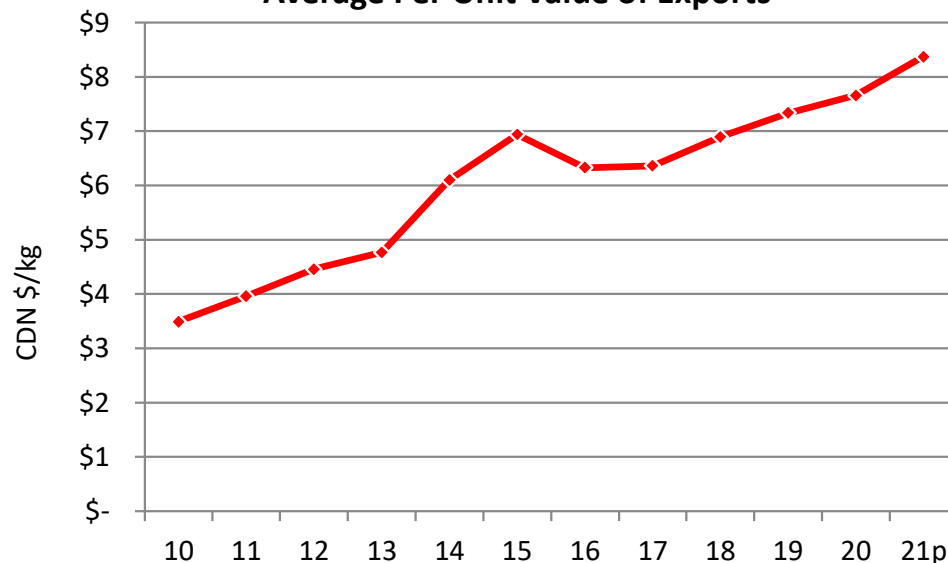
Per Unit Export prices have increased 8% per year over the last decade

Per Unit Value of Exports by Destination



Source: Statistics Canada, CFIA

Average Per Unit Value of Exports

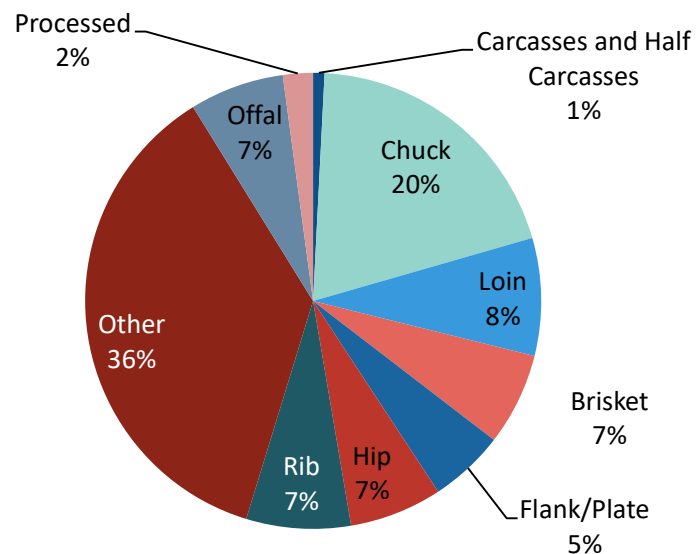


Source: Statistics Canada, CFIA

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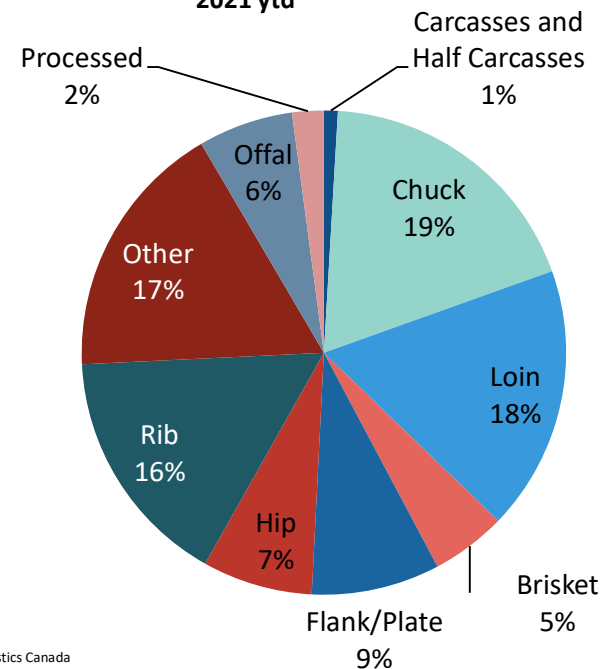
US – more loin & ribs, less other

Canadian Beef Export Volumes to the U.S.
by Product Type, 2020



Source: Statistics Canada

Canadian Beef Export Volumes to the U.S. by Product Type,
2021 ytd



Source: Statistics Canada

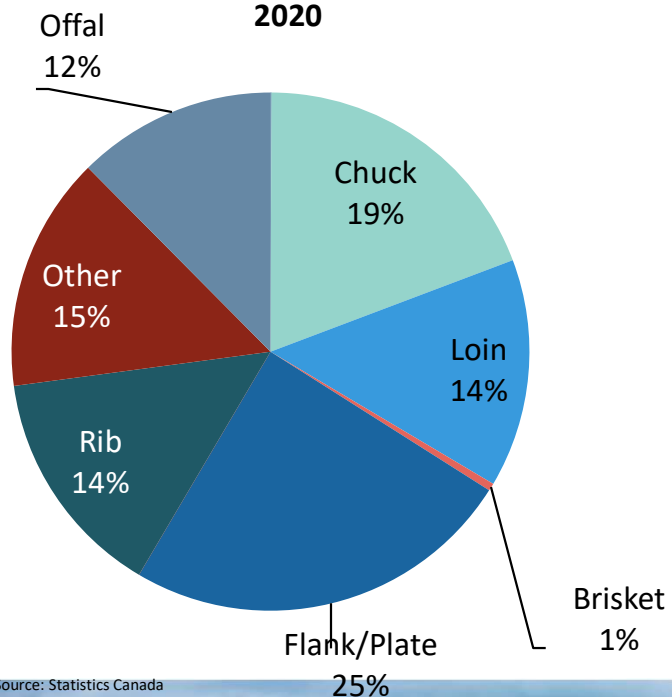
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Japan – more offal & chuck, less loin, Flank/plate, Rib

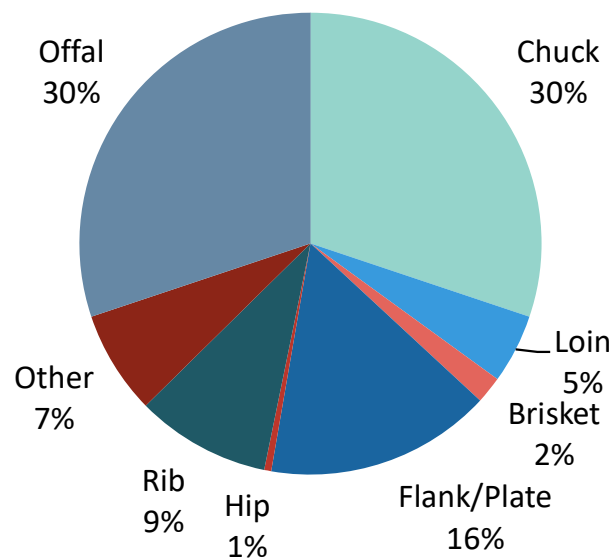
Canadian Beef Exports to Japan by Product

Type,
2020



Source: Statistics Canada

Canadian Beef Exports to Japan by Product Type,
2021 ytd



Source: Statistics Canada

MARKET UPDATE

Global protein supplies flat since 2015

➤ U.S.

- Beef Production +3.4% YTD (-2% '22f)
- Strong exports +20% YTD
 - Big gains to China, South Korea, Mexico
- Per capita beef supplies steady (down '22f)

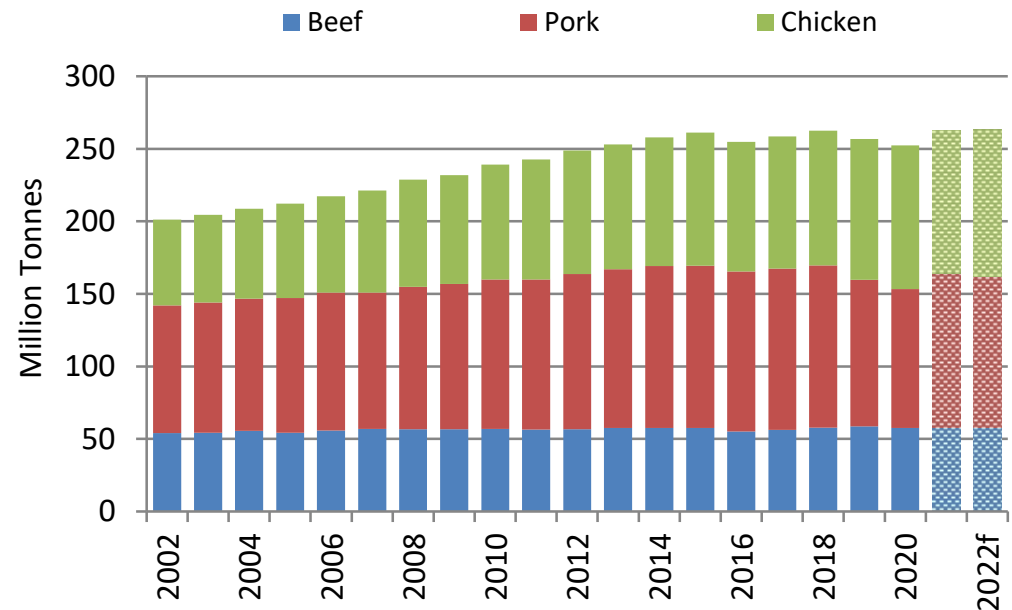
➤ Australia

- Slaughter -12% '21p (+12% in '22f)
- Exports -12% '21p (+15% in '22f)

➤ Brazil

- Production -9% '21p (+2% '22f)
- Export ban...

Global Meat Production



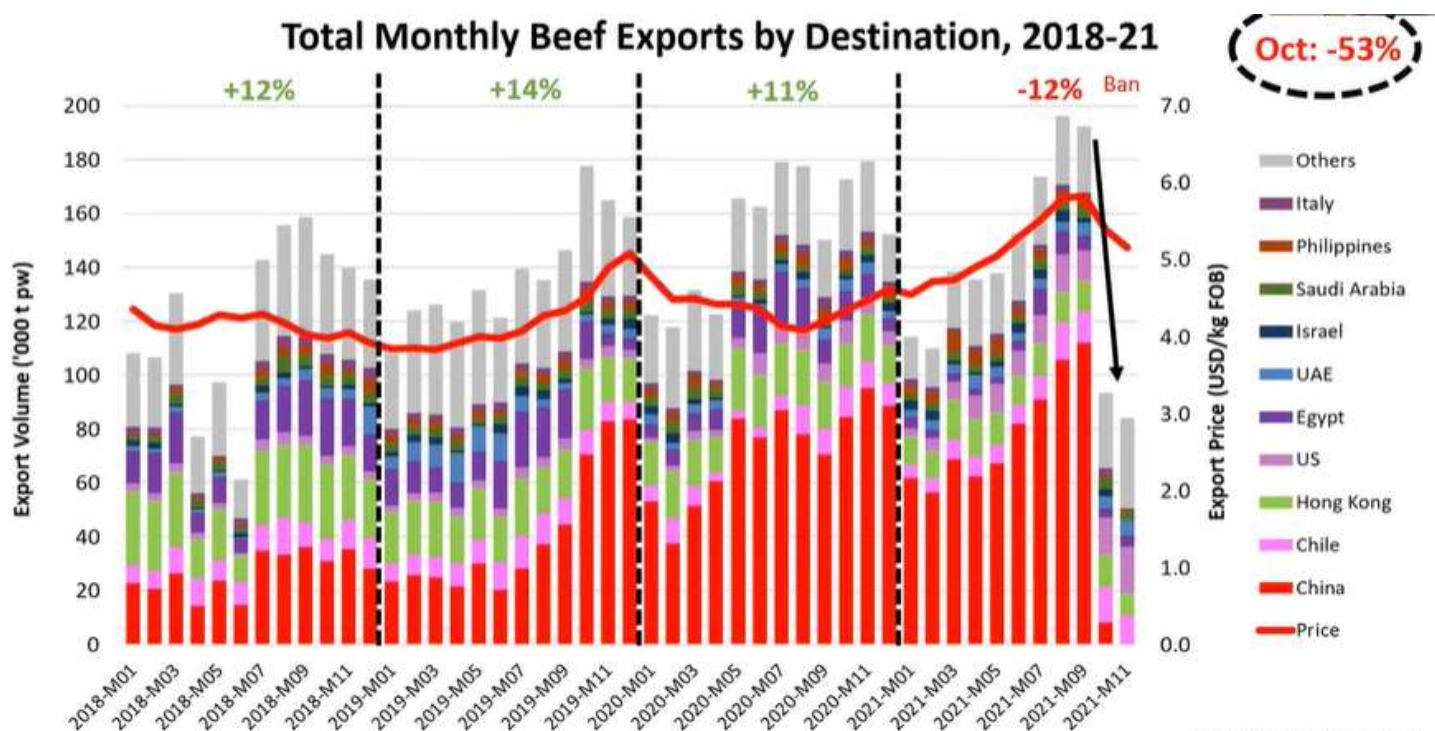
Source: USDA, FAS

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Market Access issues

Total Monthly Beef Exports by Destination, 2018-21

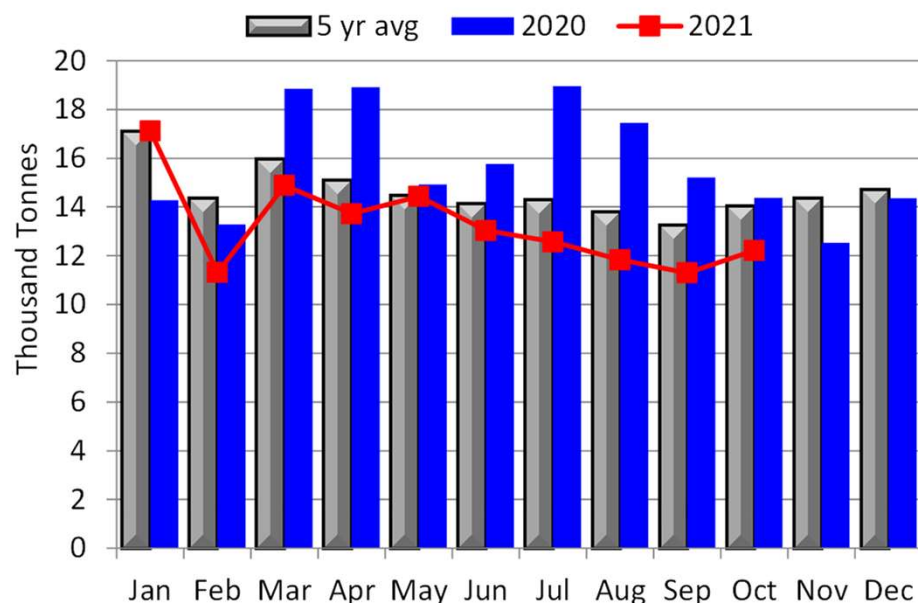


- Brazil – Sept atypical BSE Case
 - Bans by: China (48%), Egypt (3%), Philippines (2%), Saudi Arabia (2%), Russia (1%), Indonesia (1%)
 - China access for U30M boneless granted Dec 15th
- Argentina – Export ban
 - 9% Export tax
 - Cap at 50% of 2020 levels
 - Extended to 2022??
 - Quota to China and Israel, on top of the cap

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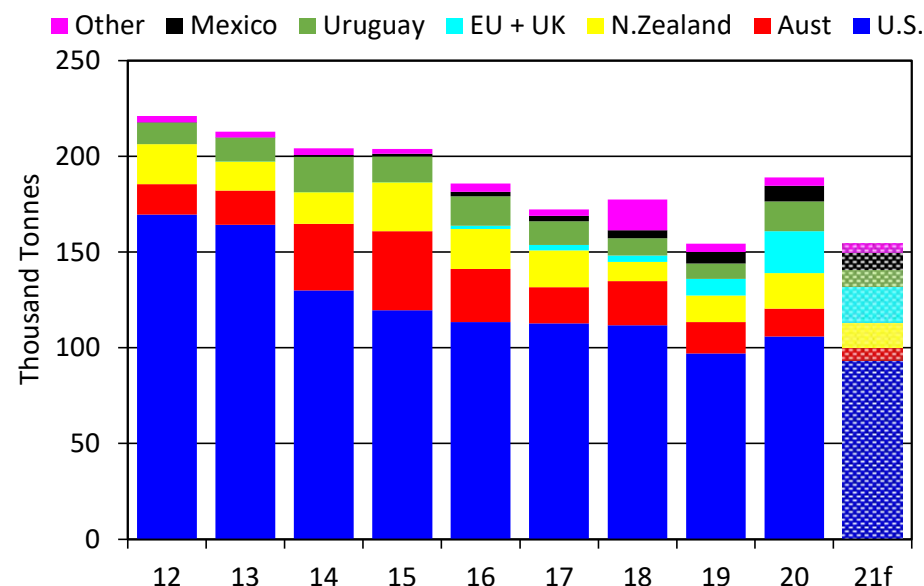
Imports down 18% from 2020 and steady with 2019 (Jan-Oct):
Volumes in 2020 were to backfill lack of cow slaughter

Canadian Monthly Beef and Veal Imports



Source: Statistics Canada

Canadian Beef Imports



Source: Statistics Canada

import volumes declined from the U.S. (-12%), the EU (-4%), the UK (-48%), **New Zealand (-31%)**, **Uruguay (-40%)**, and **Australia (-48%)**; and increased from Mexico (3%), Argentina (1588%) and Brazil (2%).

MARKET UPDATE

Summary

- Drought is going to result in a smaller CDN cow herd (down 2-3% on Jan 2022)
- Total Beef Production -0.6% 2022p
 - Domestic production -0.4% & Live Slaughter Exports -2.5%
- Strong international demand
 - Tight global beef supplies and market access issues impacting prices and trade

Other Issues:

- Volatility & Uncertainty
 - Omicron variant
 - Economic recovery
 - Foodservice recovery in each country
- Inflation





Domestic Market





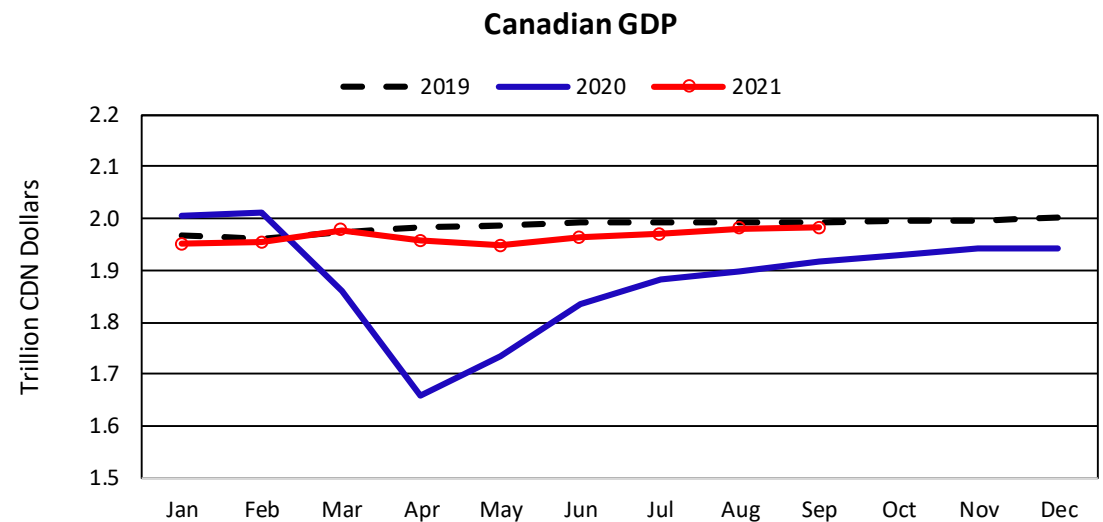
Domestic Market



MARKET UPDATE

Real Gross Domestic Product: Q3 2021 steady with Q3 2019

- Better than expected Q3 performance
- GDP is expected to be up 4.8% in 2021
- Potential to 'catch up' with 2019 by end of the year
- **2022 GDP forecast: +3.9%**



Source: Statistics Canada



2022 Risks: Labour, Inflation, Transportation (LIT)

➤ Labour

- Higher wages for lower income earners and new recruits

➤ Inflation

- Consumer goods
- Food

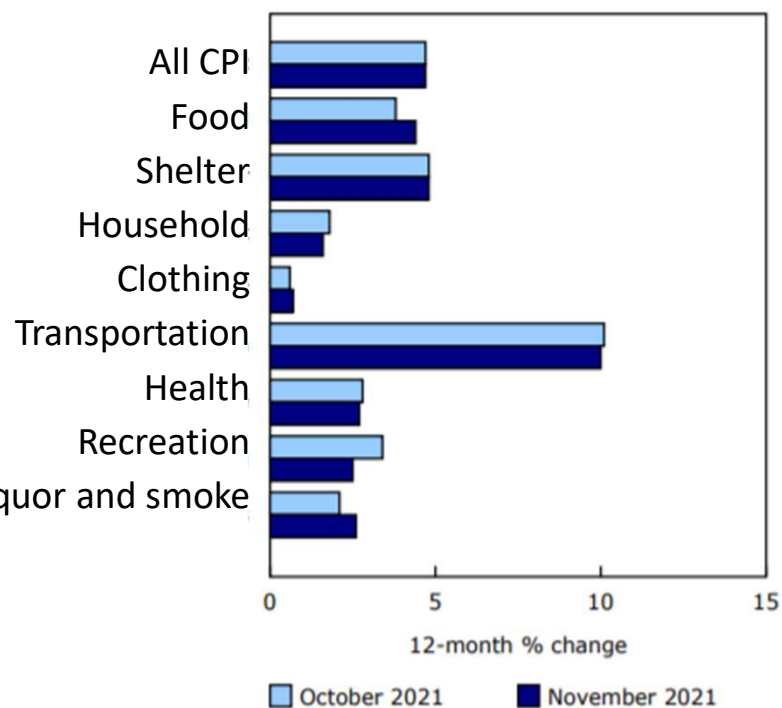
➤ Transportation

- Imbalance and supply of freight containers
- Labour availability



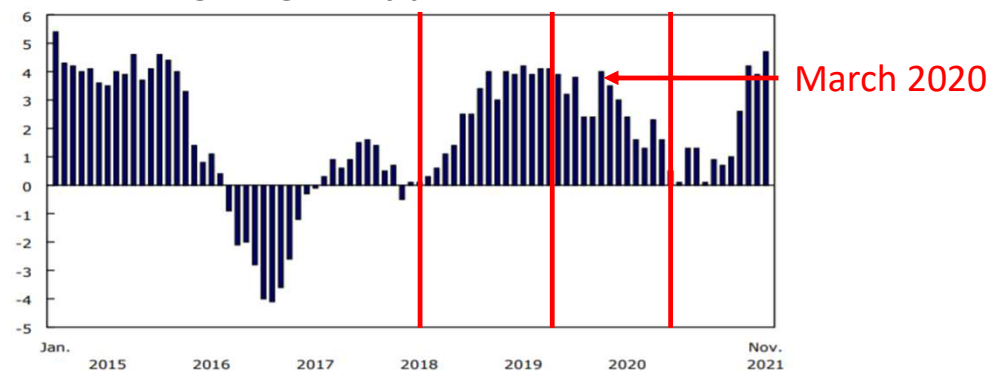
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2022 Risks: Inflation



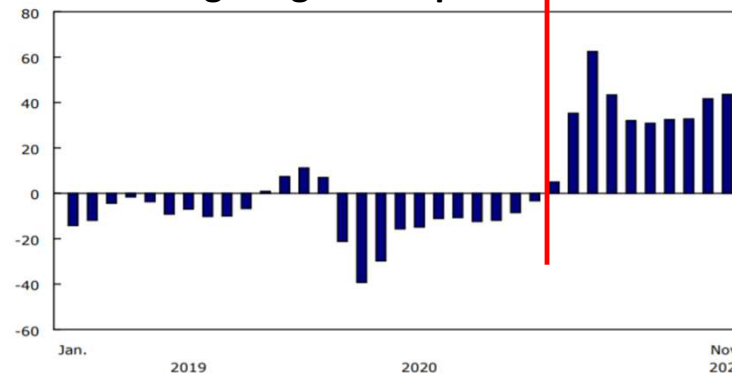
Source: Statistics Canada

12 month % change in grocery prices



Source: Statistics Canada

12 month % change in gasoline prices ← February 2021

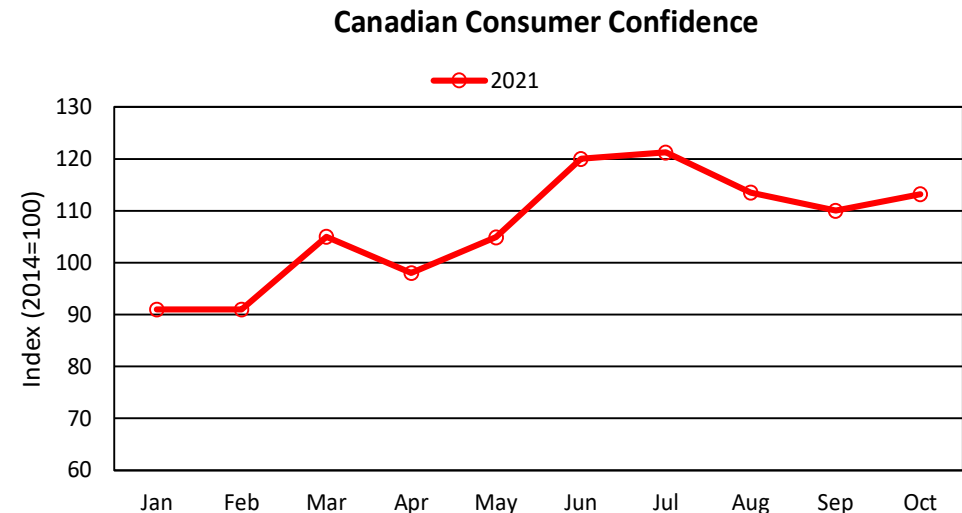


Source: Statistics Canada

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Consumer Confidence: Q3 2021 steady with Q3 2019

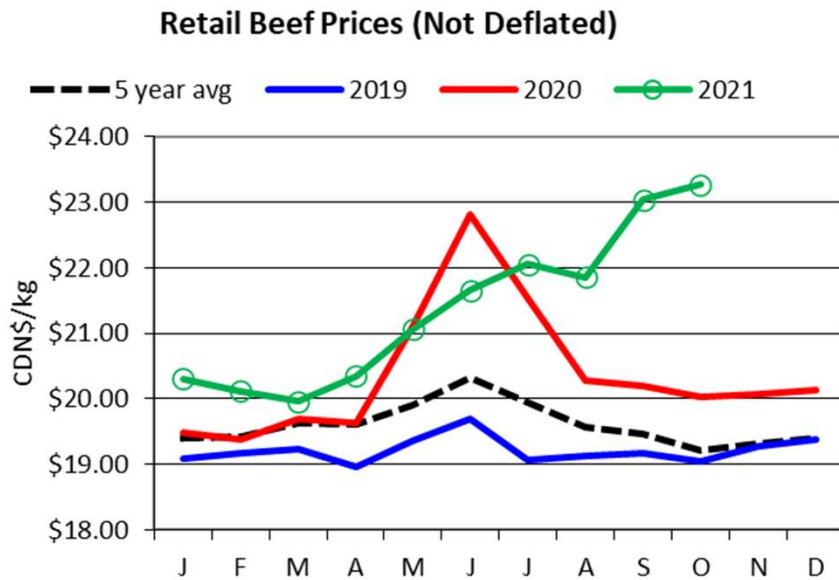
- Optimistic October
- Q4 dampening
 - Supply Chain Disruptions
 - High Prices
- Older Canadians (+45) less concerned with future finances than younger Canadians



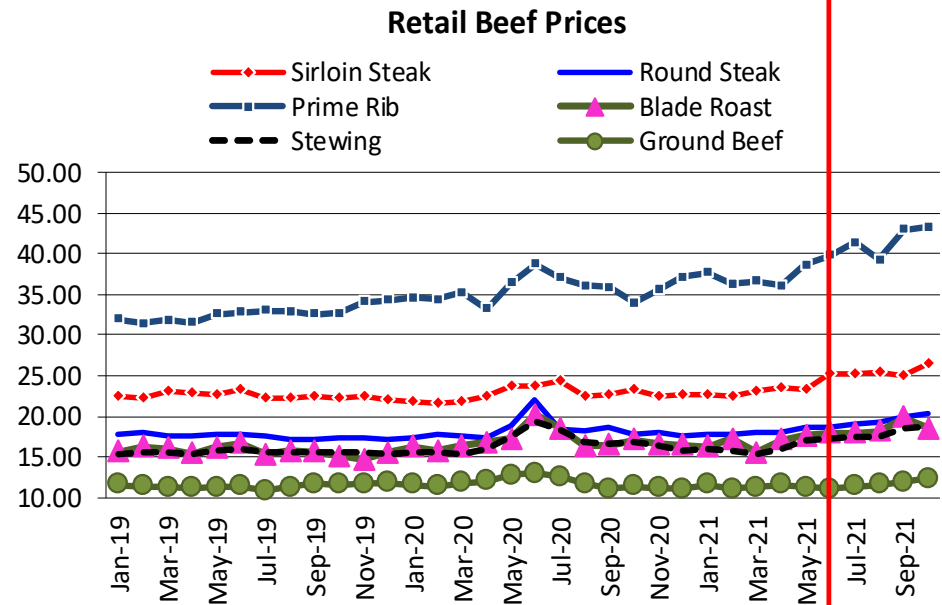
Source: Conference Board of Canada

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Retail beef price +5% YTD (Jan-Oct) from 2020 and +11% from 2019
2022f: Meat prices will be steady to up 2%



Source: Statistics Canada

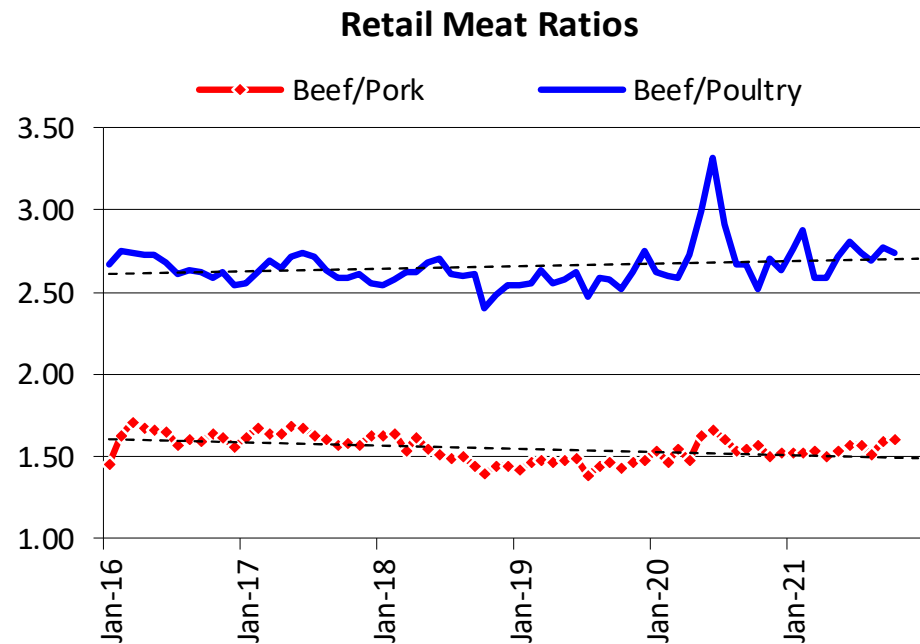


Source: Statistics Canada

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Retail Price Ratios: Moved down in August to more normal ranges

- **Beef:Chicken** = 2.73 Oct '21 vs. 2.52 Oct '20 and Oct '19
- **Beef:Pork** = 1.60 Oct '21 vs 1.57 Oct '20 and 1.44 Oct '19



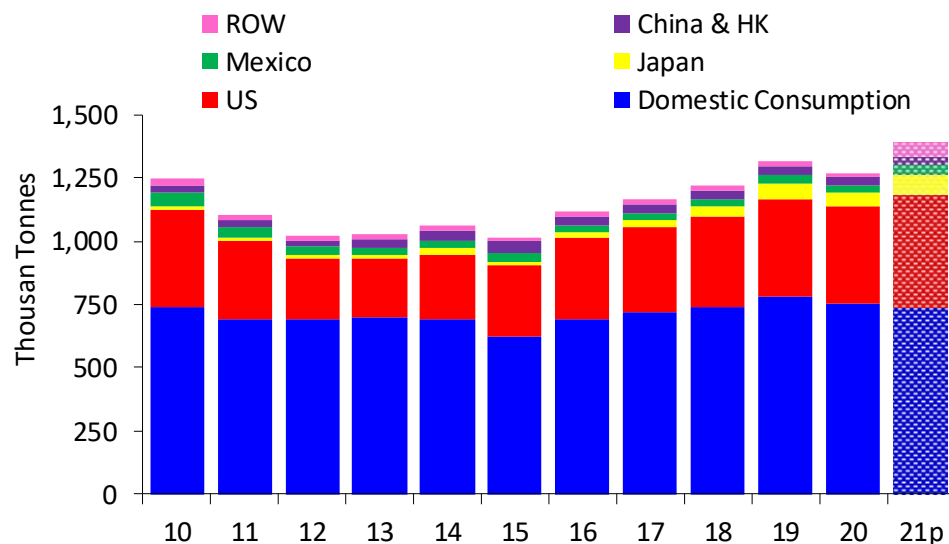
Source: Statistics Canada

MARKET UPDATE



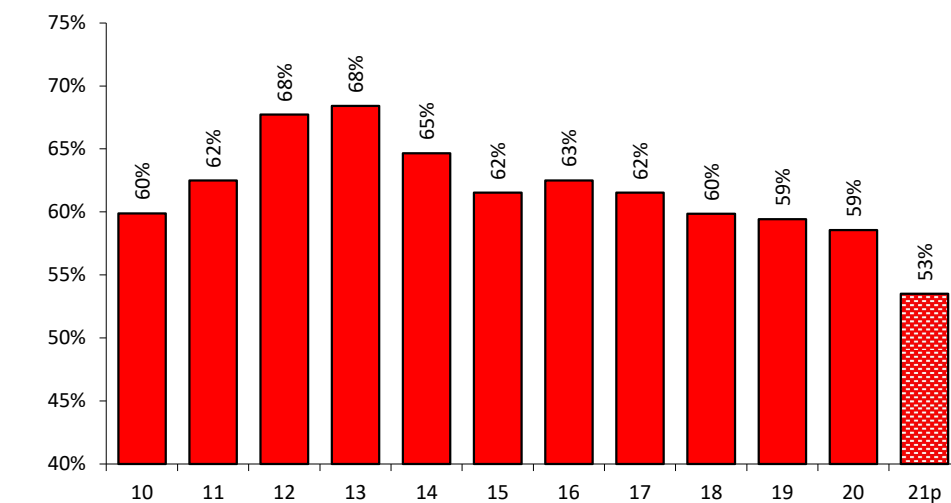
Total domestic beef consumption projected to be down in 2021 *Disposition down 6 percentage points with a higher share going abroad*

Disposition of Canadian Beef



Source: Statistics Canada, CRS

Domestic Consumption of Canadian Beef as a % of Total Beef Production

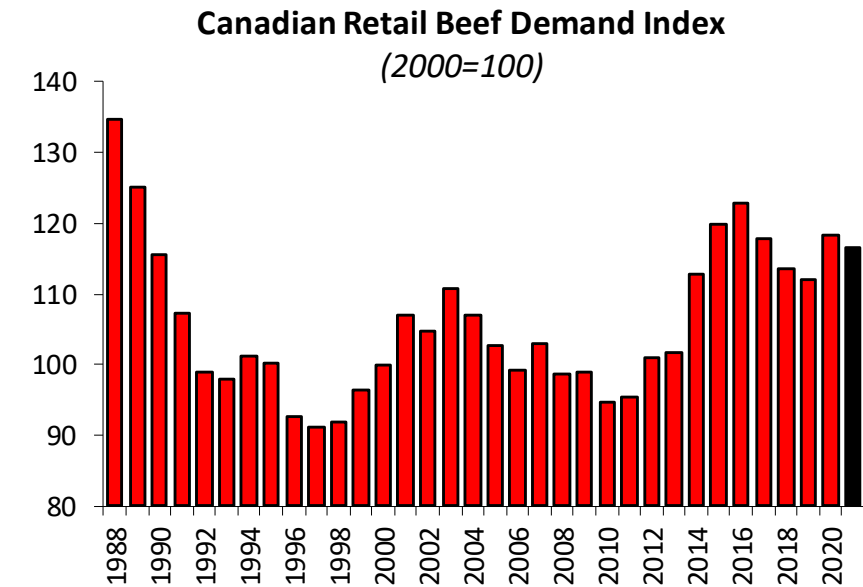
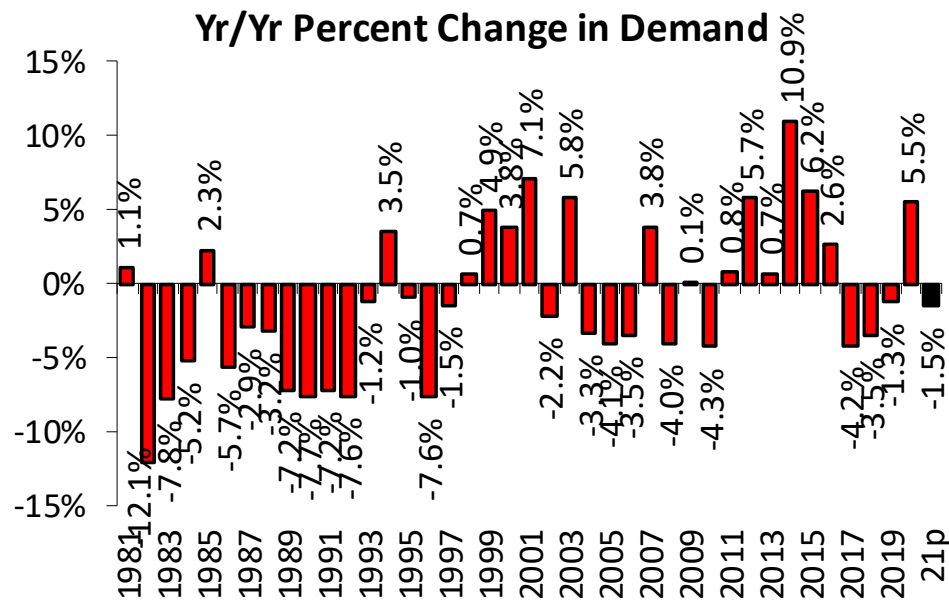


Source: Statistics Canada, CRS

MARKET UPDATE



Retail beef demand projected to be -1.5%
Higher retail prices and lower consumption



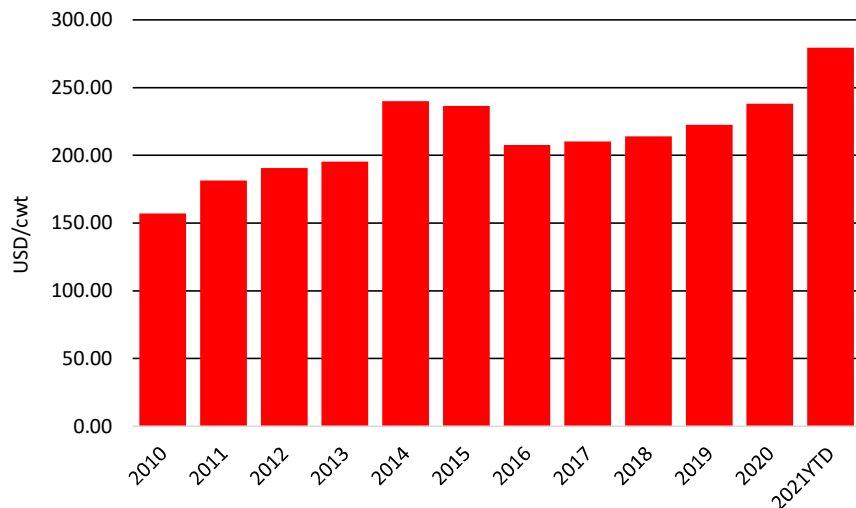
Source: CanFax Research

MARKET UPDATE



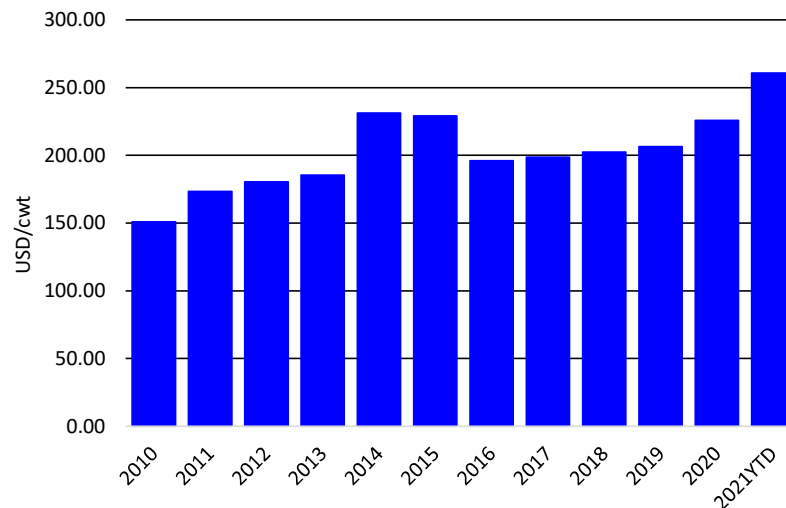
Choice cutout (YTD Dec 10) up 18% from 2020 with Select up 17%
2022f: Cutout value steady with 2021 high levels

US Choice Annual Cutout Value



Source: USDA

US Select Annual Cutout Value



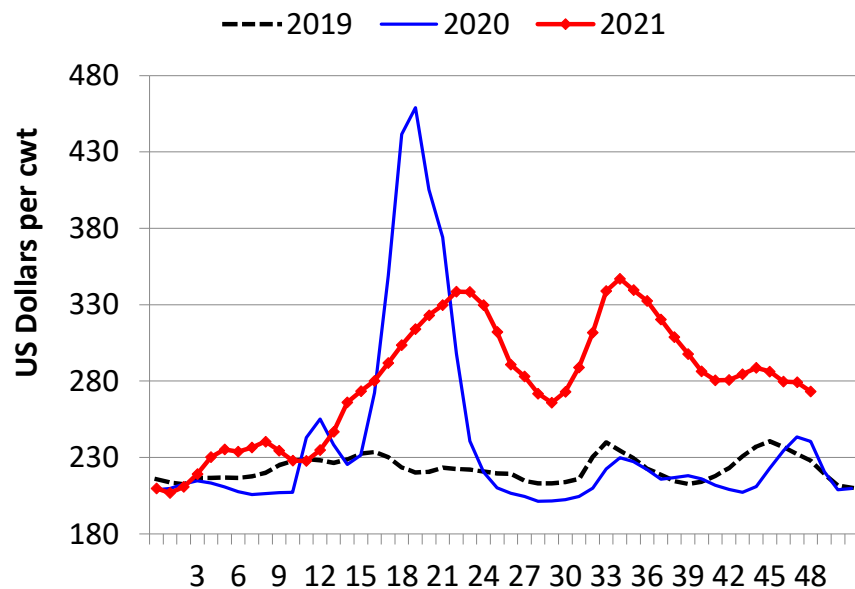
Source: USDA

MARKET UPDATE



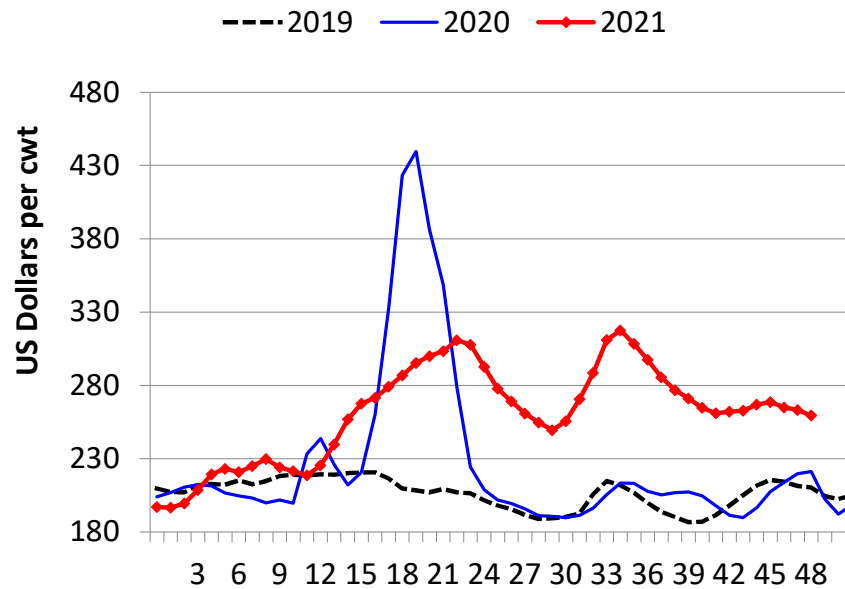
Higher Wholesale prices for every primal supporting the cutout

US Weekly Choice Cutout Values



Source: USDA

US Weekly Select Cutout Values



Source: USDA

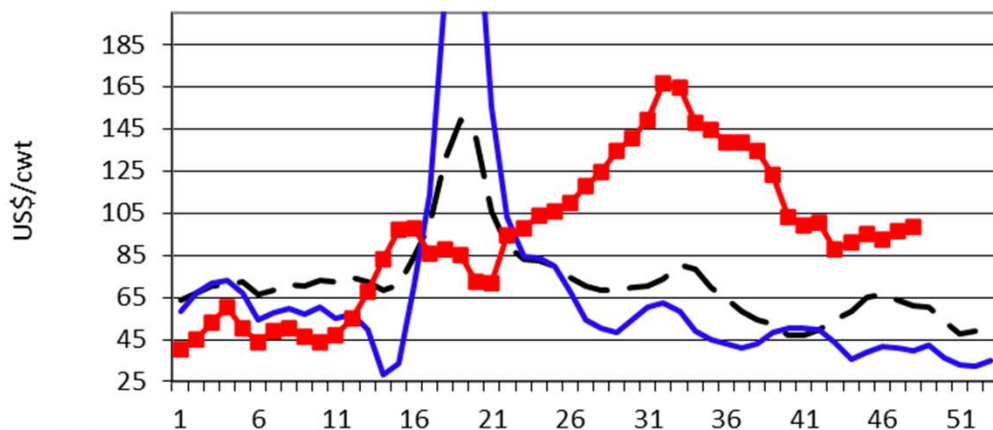
MARKET UPDATE

US Trim prices have been very strong

2022f: If drought hits the Southern Plains; liquidation will continue in 2022

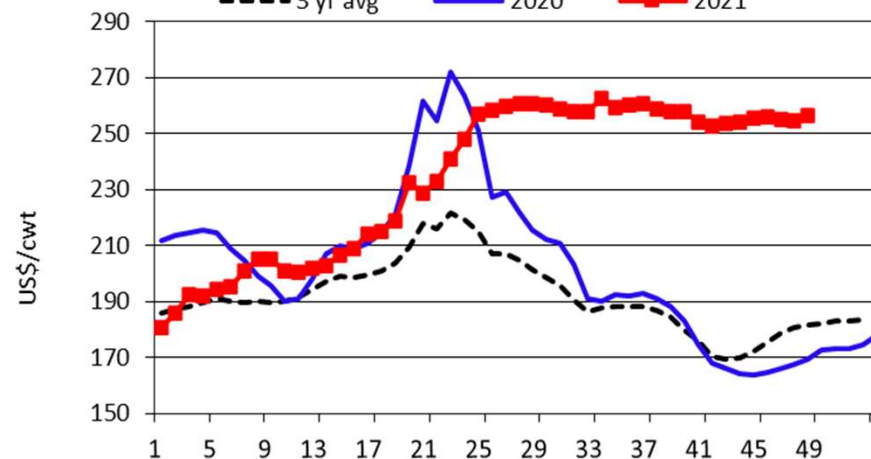
US Weekly 50% Fresh Trimmings

— 3 yr avg — 2020 —■— 2021



US Weekly 85% Fresh Trimmings

— 3 yr avg — 2020 —■— 2021

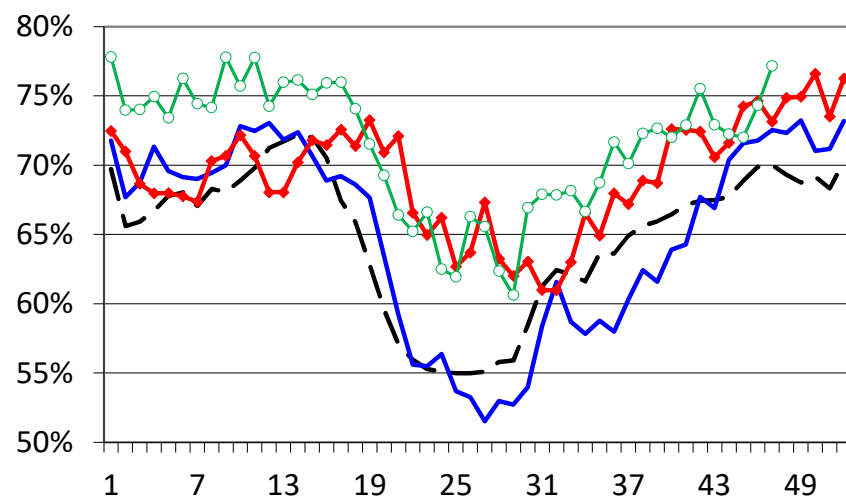


MARKET UPDATE

YTD (Jan-Nov) Prime+AAA grading at 71.5% of all 'A' grades up 4% from same period 2020

Canadian AAA+Prime as % of all A Grades

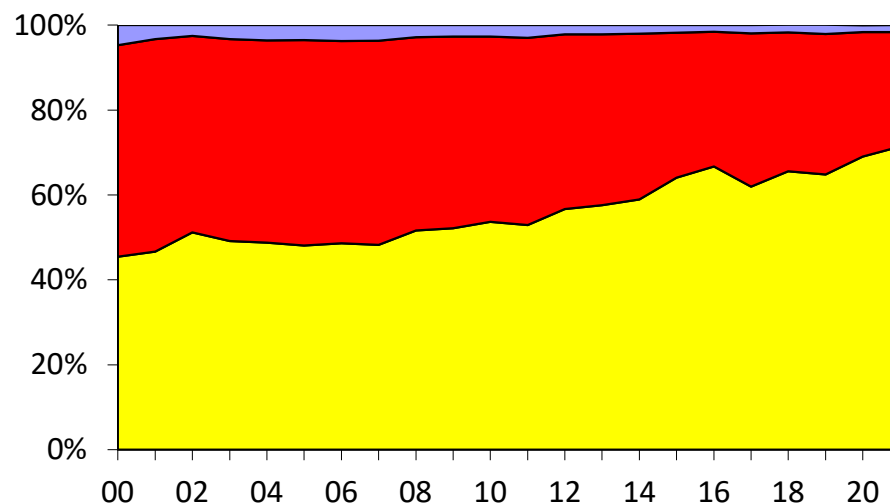
— -5 yr avg — 2019 —●— 2020 —○— 2021



Source: CBGA

**Breakdown of A, AA and AAA Grades
% of Canadian Total A Grades**

■ AAA+Prime ■ AA ■ A

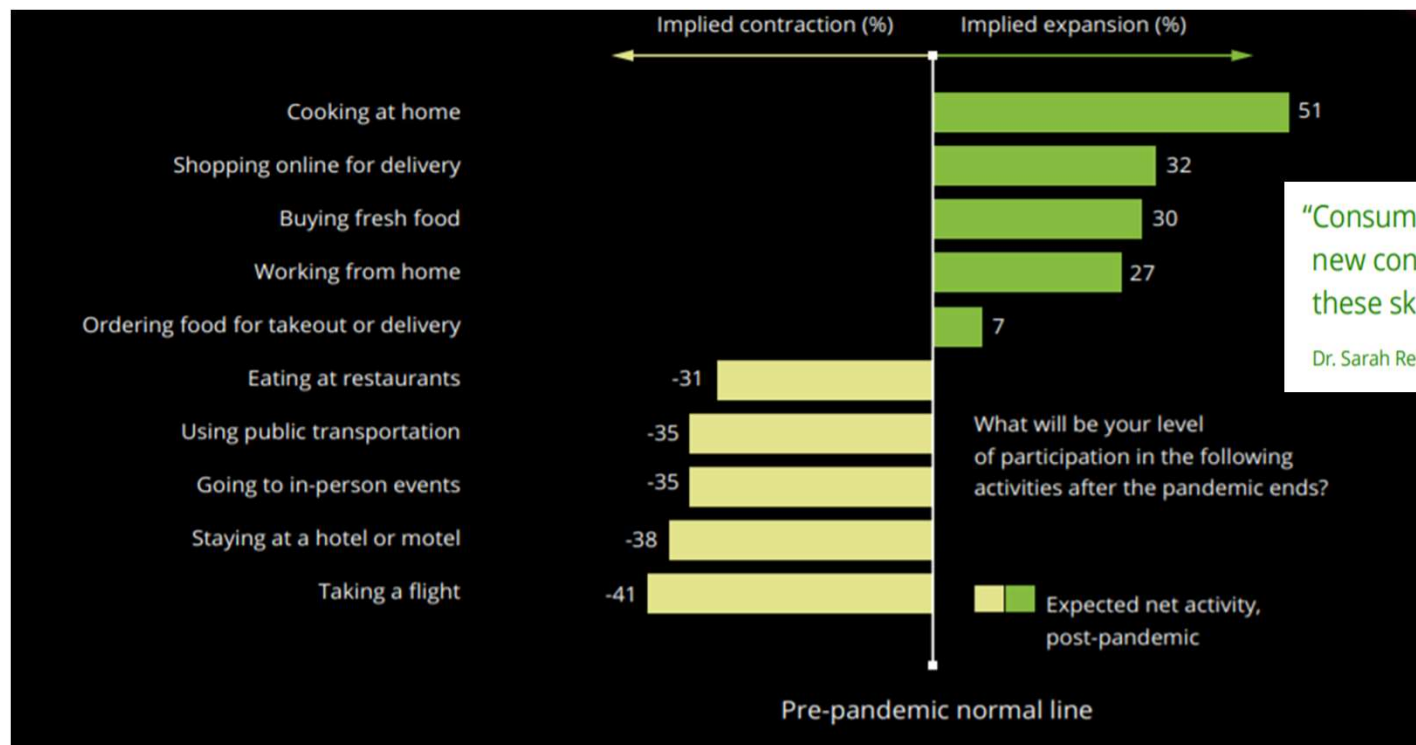


Source: CBGA

Source: Statistics Canada

MARKET UPDATE

2022: Drivers of Domestic Demand

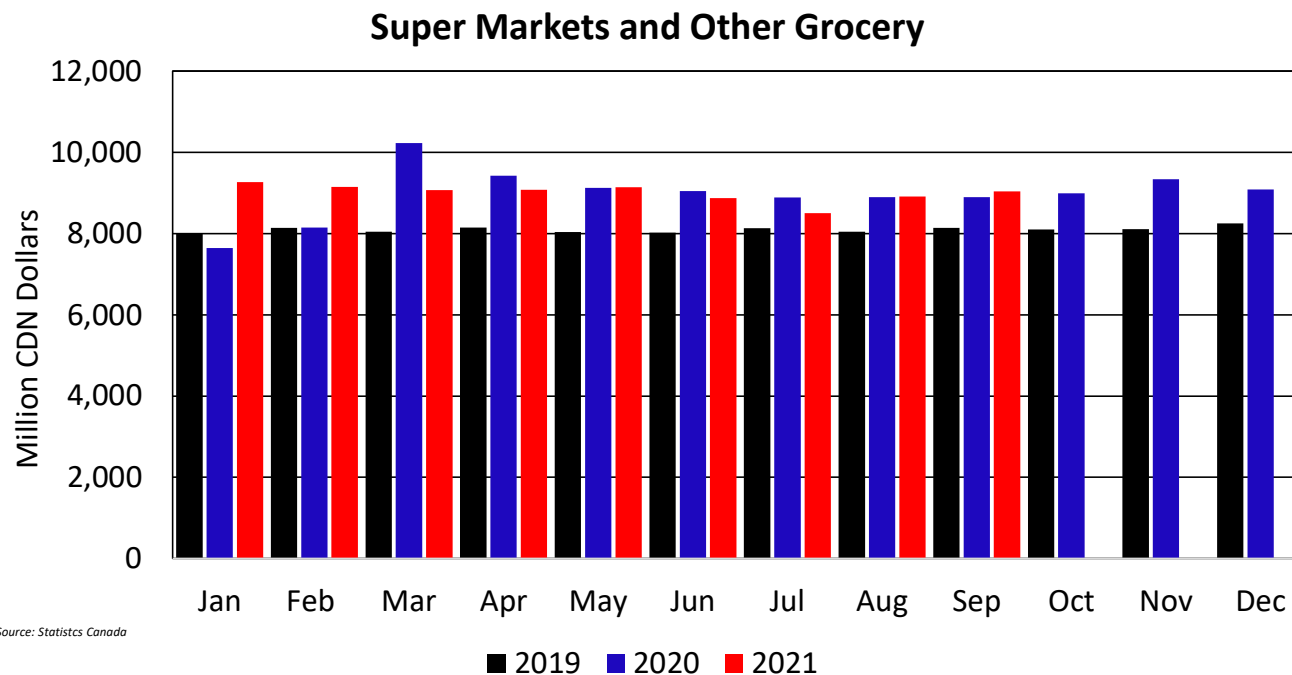


"Consumers have developed new competencies and a new confidence in doing things for themselves; they'll carry these skills with them as we move past the pandemic."

Dr. Sarah Reid | Head of Doblin Canada, a Deloitte business

MARKET UPDATE

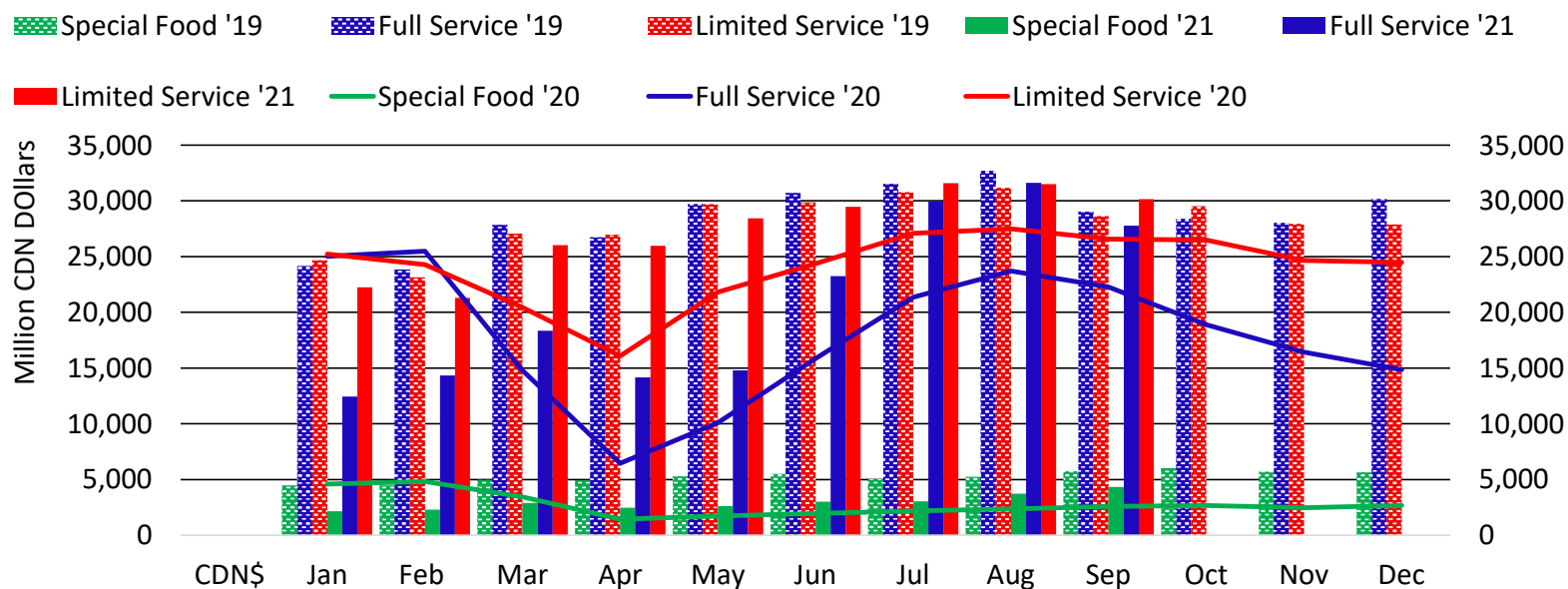
Grocery Sales: Growth eases but demand still entrenched in the retail sector



MARKET UPDATE

**Food service: YTD (Jan-Sep) Limited-service sales down 2% from 2020 and 2019;
Full service sales up 13% from 2020 but down 27% from 2019.**
*2022f: Limited service to reach parity with 2019, but full-service sales will lag until
the second half of the year.*

Canadian Food Service Sales



Source: Statistics Canada

MARKET UPDATE

Summary for 2022

Bullish

- Strengthening Canadian economy
- Lower unemployment, higher wages
- Easing restrictions (?) and the return of tourism
- Growing demand for high-quality beef
- Resurgence of health-related choices and balanced meals

Bearish

- Supply chain disruptions
- Rising inflation
- Labour availability





Thank-you

Questions??

