

**MARKET UPDATE**



# Canada Beef Quarterly Market Update

June 2022

Presented by: Canfax Research Services

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## Publications

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

[cdnbeefperforms.ca/market-reports](http://cdnbeefperforms.ca/market-reports)

**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 CDN\$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 CDN\$18.49/kg, stewing beef was up 18.1% at CDN\$18.31/kg, ground beef was up 15.1% at CDN\$12.50/kg and prime rib roast was up 12.5% at CDN\$37.09/kg. Sirloin steak was up 10.3% at CDN\$34.45/kg and round steak was up 4.5% at CDN\$18.39/kg.

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

**Canada AAA + Prime as % of All A Grades**

**CANADA BEEF | Global Market Intelligence Report**

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

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**CANADIAN BEEF TRADE**

**Market Update**

Canadian Beef well contained the fresh price drop in 2019 and has had no more than four weeks of price volatility. Inspections on products remains strict and control measures implemented. Import is unpredictable as it is the evolution of the market 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 (OVID-19 on Sept. 1 two weeks in the hope patients in the economy to revive and

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)	-1.5	3243	2826

residents to resume their normal lives at an earlier date. 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

**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**

**Market Status Dashboard\***

Country	Canadian \$ (000)		Volume (MT)		Year % Chg		Price (\$/kg)	
	2019	2020	2019	2020	2019	2020	2019	2020
USA	1,522,789	1,597,680	21,611	202,089	-9.9%	7.20	\$7.91	9
Japan	231,716	211,112	32,450	29,454	-0.4%	7.14	\$7.17	11
Hong Kong	92,529	69,993	9,033	8,387	-20.4%	10.24	\$8.15	7
Mexico	83,373	99,150	10,539	7,722	-3.2%	7.91	\$7.66	10
China	98,412	52,958	11,476	5,090	-18.8%	8.58	\$10.19	6
Korea, South	26,889	24,607	3,559	3,604	-0.4%	7.55	\$6.84	13
Viet Nam	4,286	15,686	622	2,717	-16.2%	16.89	\$5.72	7
Taiwan	16,344	13,307	1,978	1,669	-3.5%	8.26	\$7.97	8
United Kingdom	9,255	10,610	772	865	2.2%	12.00	\$12.26	4
Saudi Arabia	4,399	7,139	319	562	-6.4%	13.57	\$12.70	3
Netherlands	3,001	5,085	136	276	-18.1%	52.30	\$18.34	1
Italy	291	3,442	952	19	12.0%	15.09	\$16.90	2
Philippines	5,162	2,363	1,560	342	108.7%	3.31	\$6.91	12
United Arab Emirates	3,970	1,932	351	169	1.3%	11.31	\$11.45	5
Angola	1,820	1,816	1,874	1,696	10.3%	9.97	\$1.07	15
Other	14,970	11,576	6,533	6,201	6.4%	11.75	\$11.87	8
<b>Grand Total</b>	<b>2,117,317</b>	<b>2,091,680</b>	<b>222,855</b>	<b>270,152</b>	<b>-7.1%</b>	<b>9.73</b>	<b>\$7.74</b>	

Source: Statistics Canada and AAFC





# CANADIAN BEEF EXPORTS



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# Outline

1. 2021 Consumption
2. 2022 Canadian production update
3. Exporters/Importers
4. 2021/22 Beef Trade
5. Boxed Beef Prices

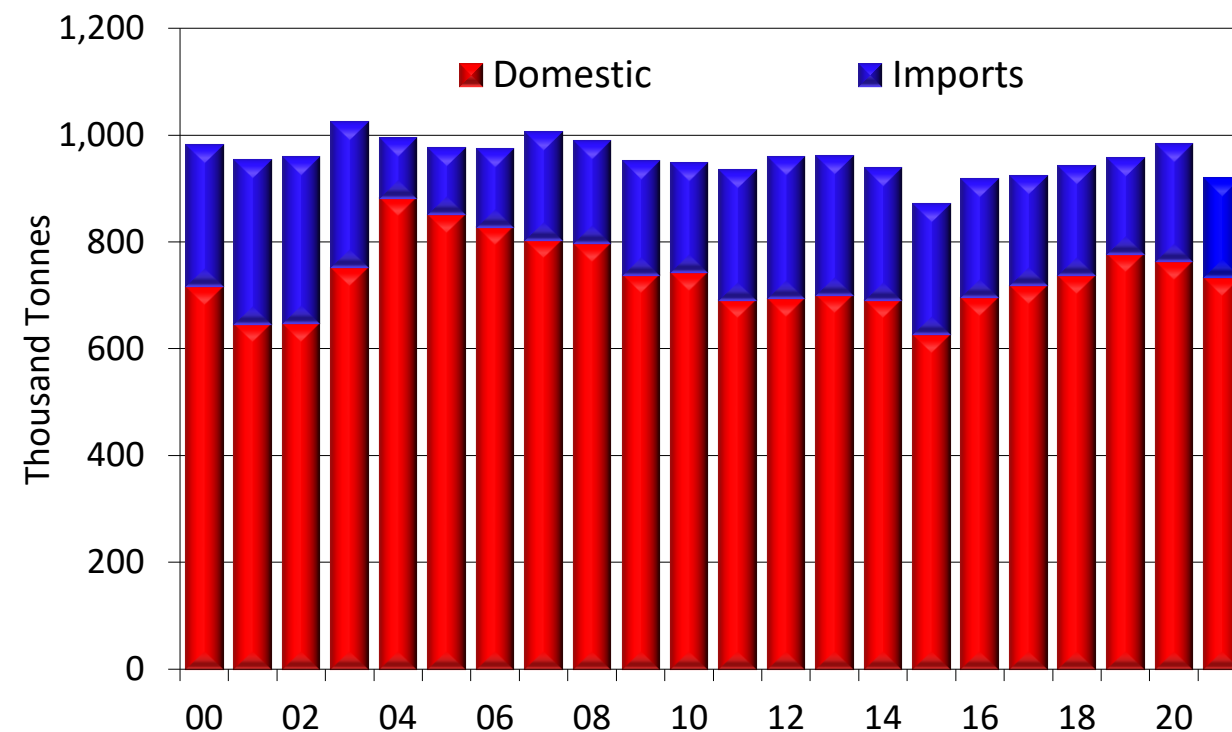




## Total beef consumption -6.6% to 919,720 tonnes (carcass weight) in 2021, lowest since 2015

- 2021 Domestic Production up 4.2%, exports up 16.5% and imports down 16%
- The Domestic market is the single largest market for Canadian beef taking 54% of domestic production, dn from 68% in 2013
  - first time being < 60% since the data series started in 1986
- 80% of disappearance was sourced from Canadian beef in 2021, up from 77.5% in 2020 & 5 yr avg of 75.5%

Canadian Beef Consumption



Source: Statistics Canada

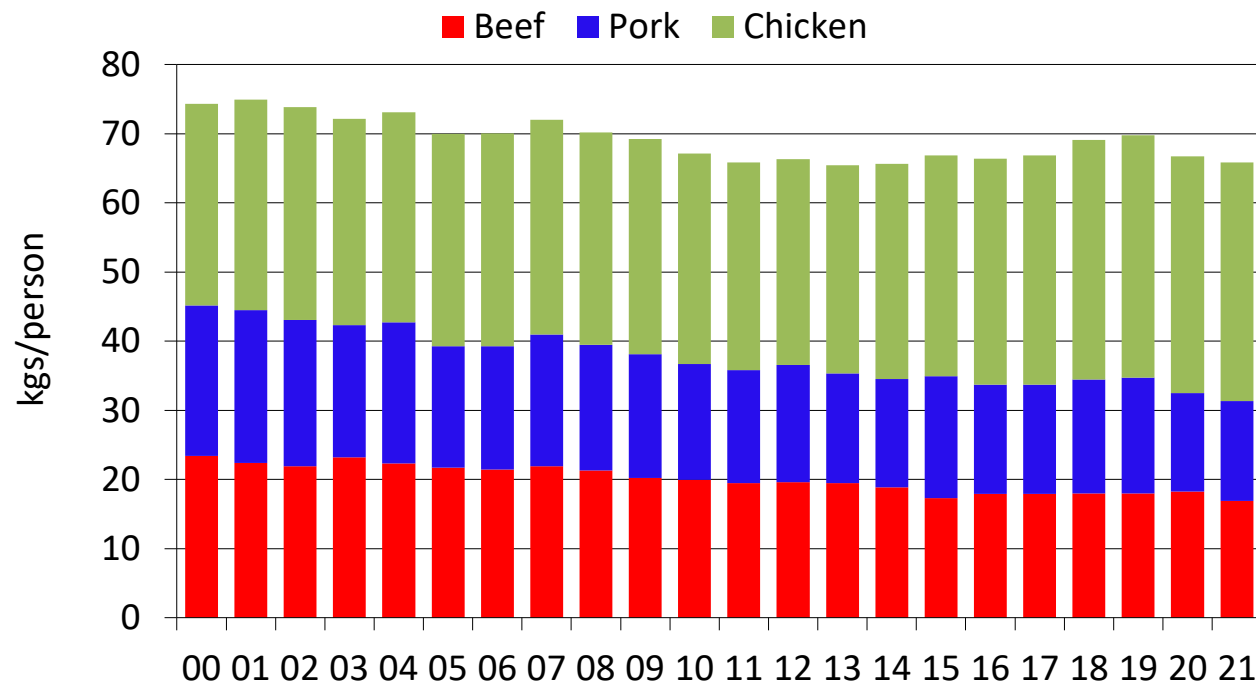


## Per Capita Protein Consumption in 2021:

*BF -7.2% 16.9 kg, PK +1.1% 14.4 kg, PY -0.3% 40.6 kg*

- Total per capita consumption at 77 kg is below the LT avg of 78 kg, down 4.8% from the 2018 high of 81 kg
- Beef consumption lowest on record with strong international demand
- Pork supply was -1.6%, exports -4.6% with ASF recovery reducing international demand
- Poultry consumption was driven by stew hen (-8%), turkey (-3%) while chicken was +0.6%

### Canadian per Capita Meat Consumption



Source: Statistics Canada

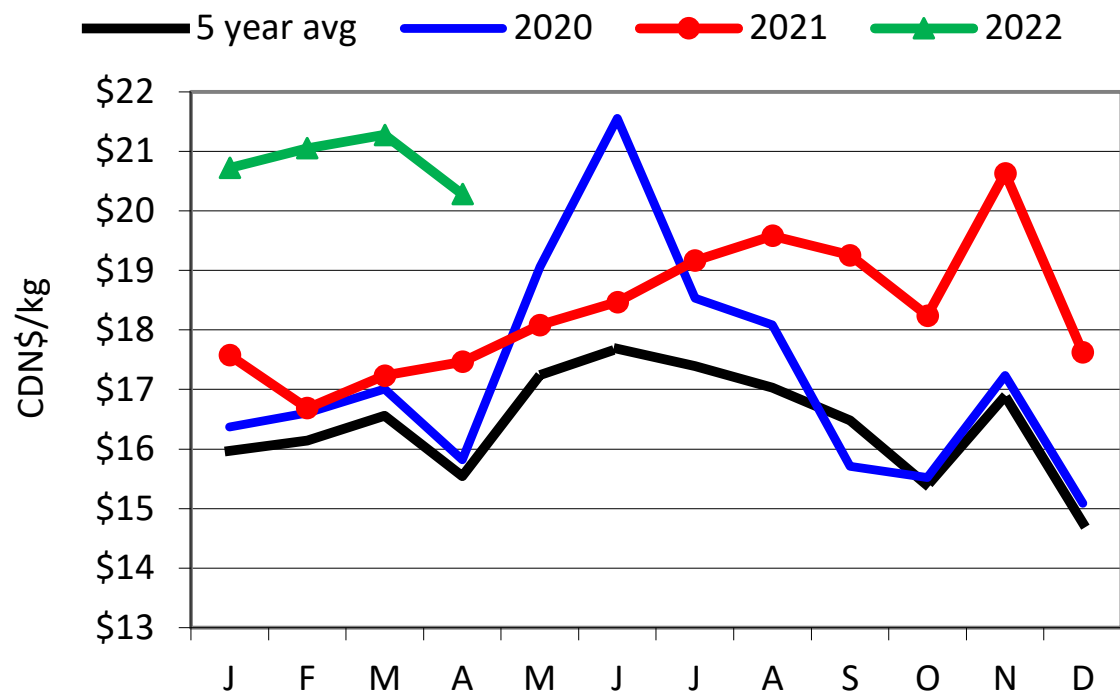
# MARKET UPDATE



**Retail prices up 6.5% in 2021; April 2022 +16% from LY, +30.5% from 5 year avg**

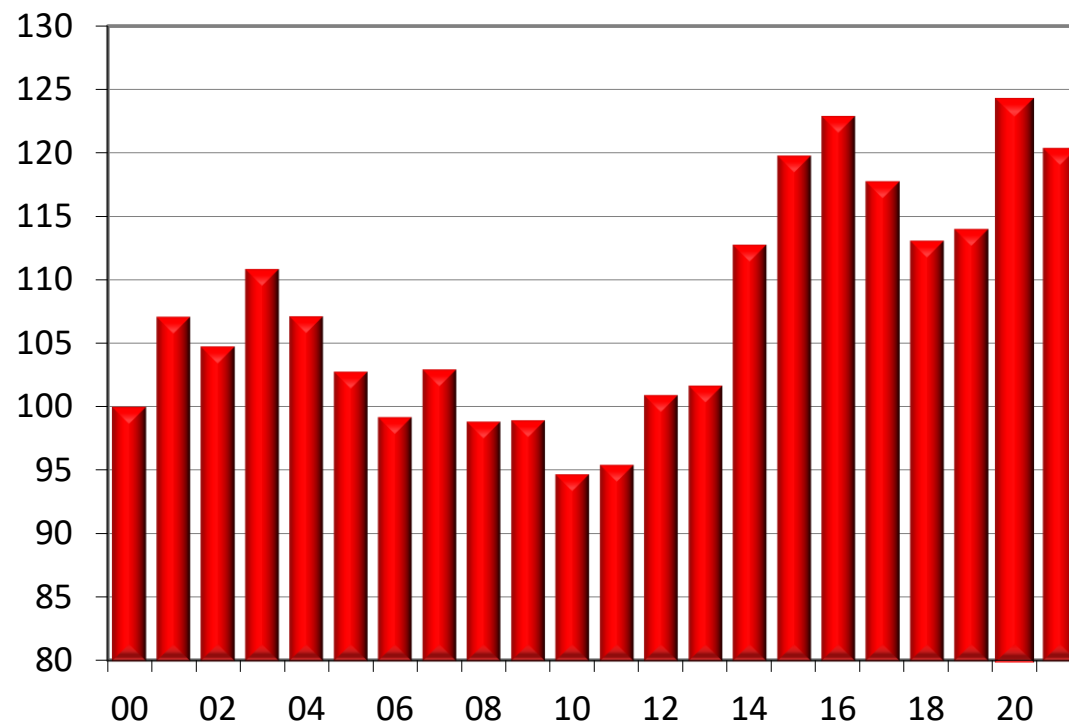
**CDN retail beef demand -3%; US demand -1.8% in 2018 *Deflated retail beef price CDN -4%***

**Retail Beef Prices (Not Deflated)**



Source: Statistics Canada

**Canadian Retail Beef Demand Index**  
(Index 2000=100)



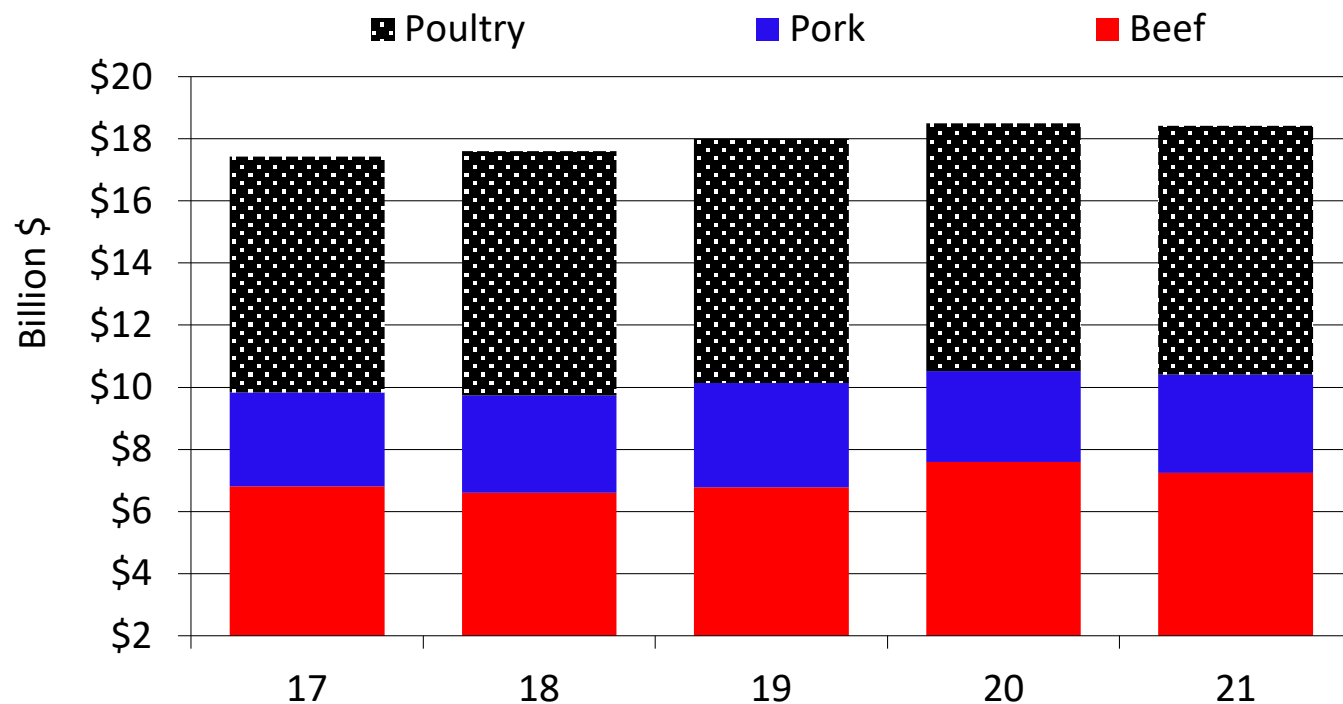
Source: CanFax Research



## Total deflated meat expenditures down 0.4% in 2021

- Beef expenditures were down 4.6% in 2021 with 39% market share
- Poultry expenditures was up 0.3% at 43.5% market share
  - On a value basis, poultry accounts for the largest share of the Canadian's protein expenditures.
- Pork expenditures was up 8.3% at 17% market share

**Canadian Real Meat Expenditures**  
*Deflated Retail Price x Dom. Disappearance*



Source: Statistics Canada, CanFax

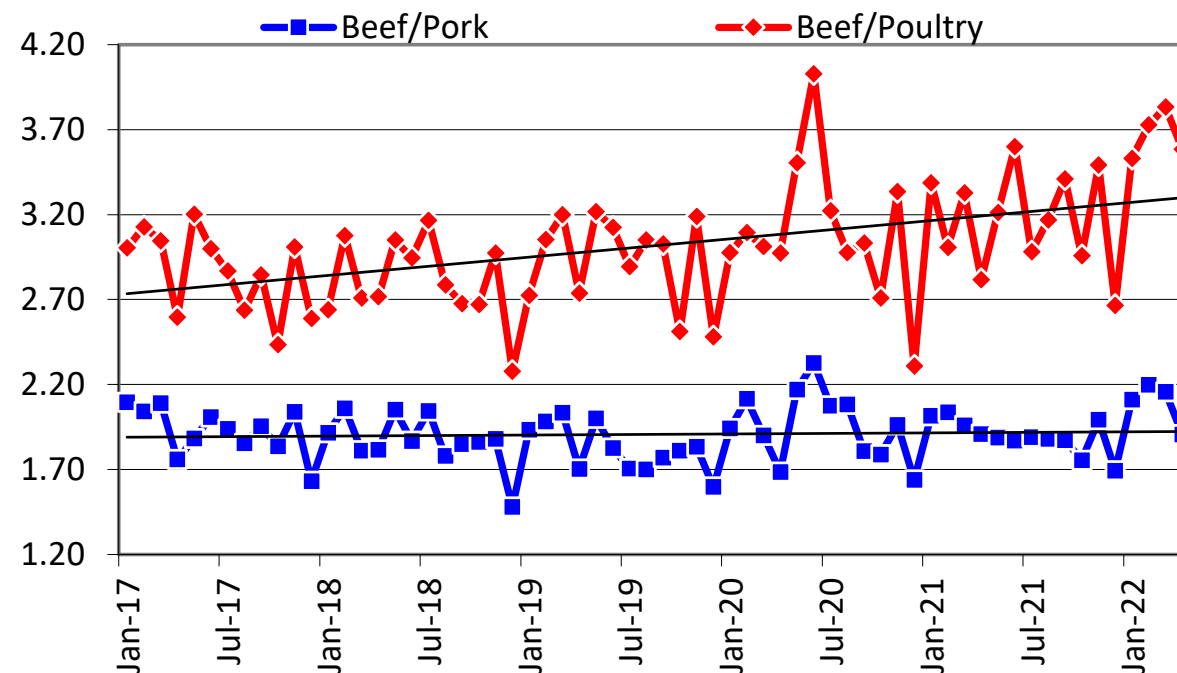




## Price Spreads for Beef still high in April 2022

- Retail meat prices higher in April 2022
  - Beef up **16%** from LY
  - Chicken dn **9%**
  - Pork up **16%**
- Price Spreads still high for Beef
  - The beef/chicken ratio at 3.58 was **up** from 2.82 last year,
  - The beef/pork ratio at 1.91 was **steady** with last year

Relative Price Ratios of Meat at Retail



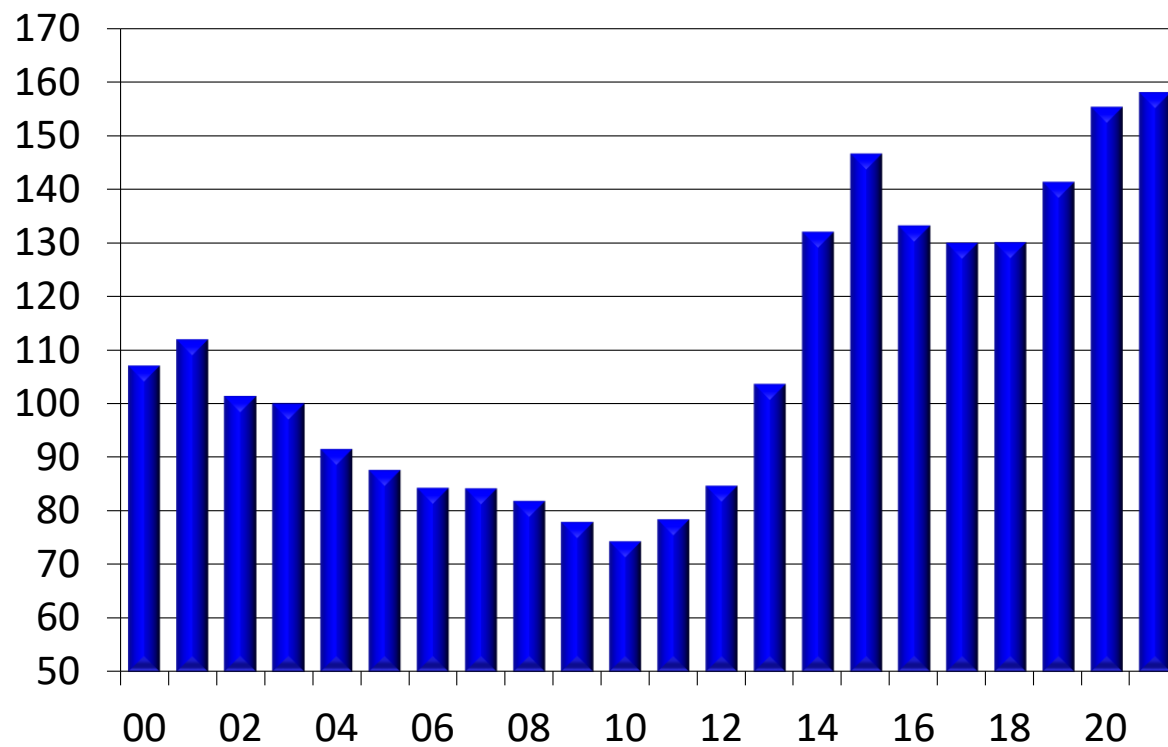
Source: Statistics Canada



## Wholesale & international demand record high in 2021

### Canadian Wholesale Beef Demand Index

(2003=100)

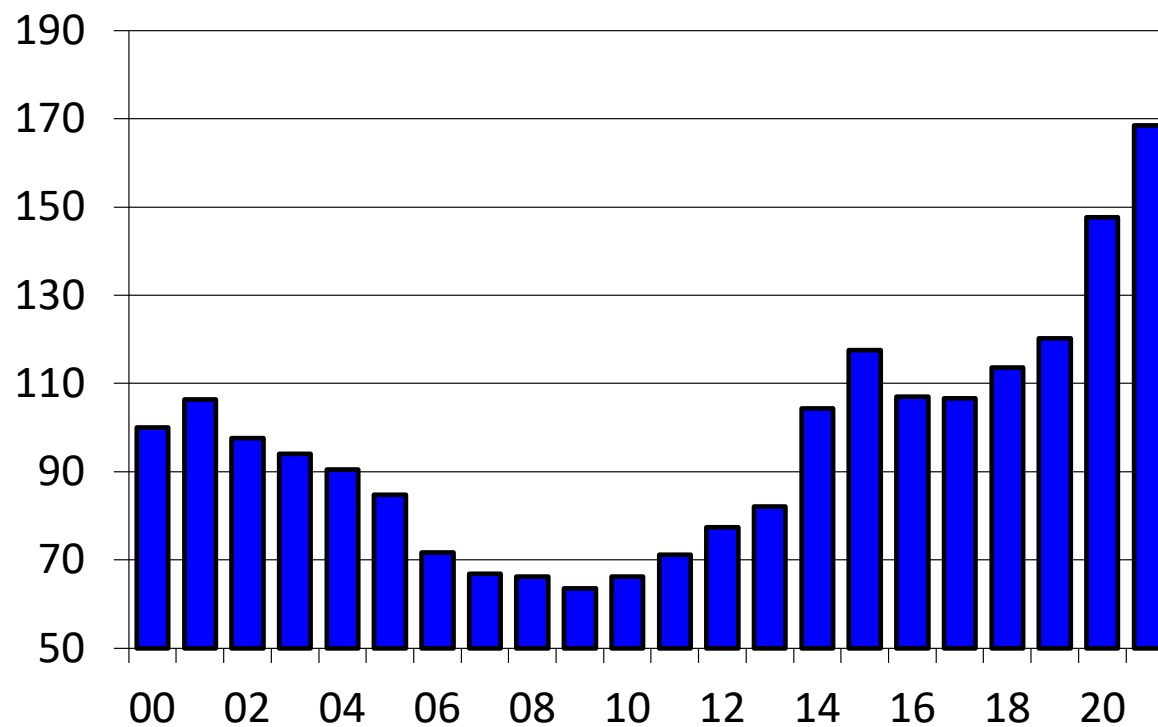


Source: CRS

2019 and 2020 use USDA Choice/Select Composite

### International Beef Demand Index

(2000=100)



Source: Cranfield 2012, CRS



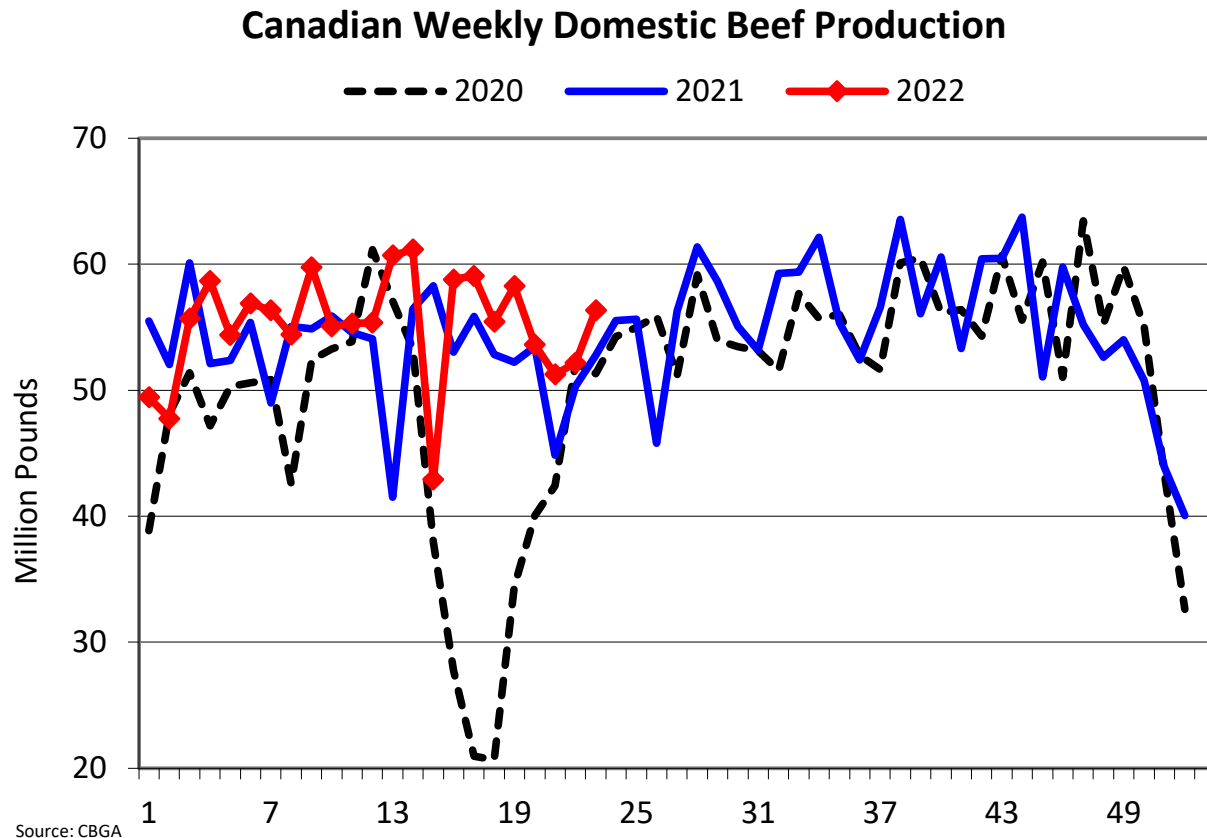
# Supply Outlook







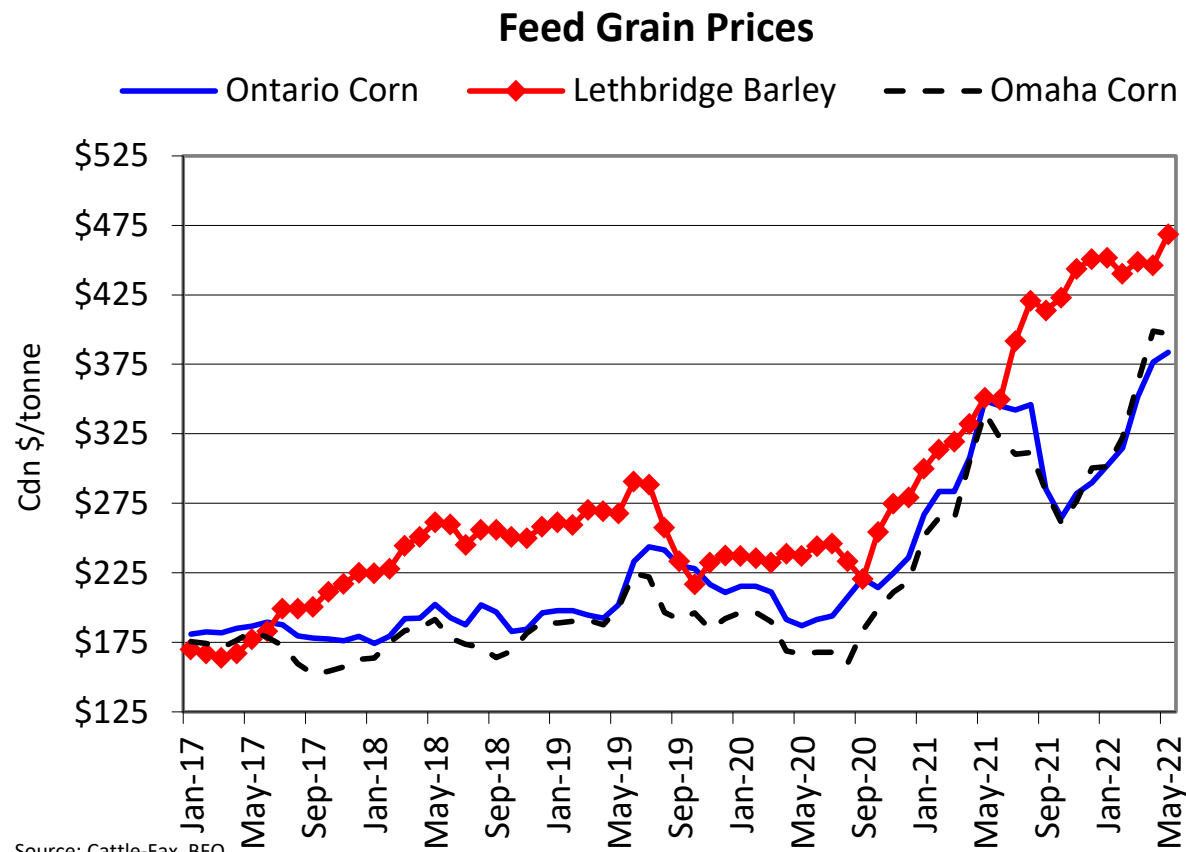
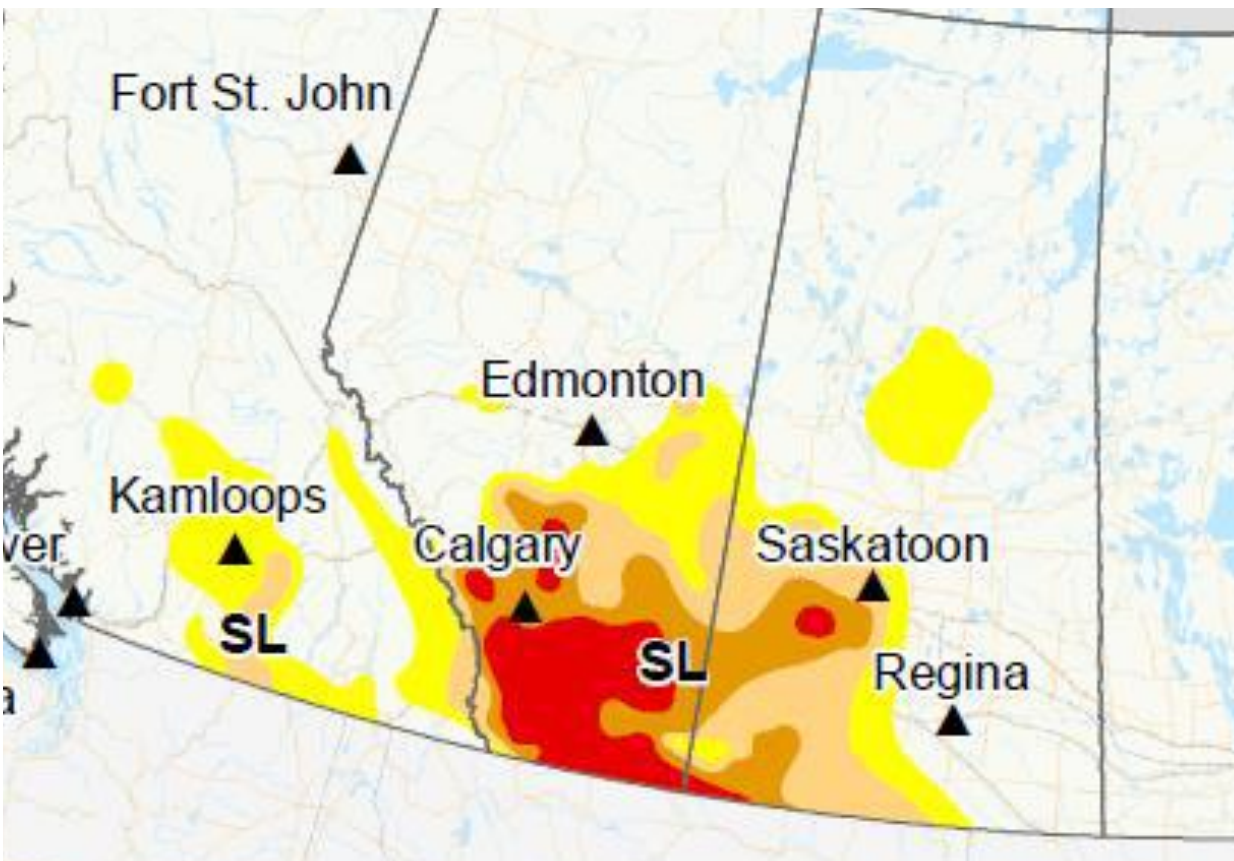
## Domestic beef production +4% to be the largest since 2005 Fed +4% and non-fed +3%



- Slaughter is up 4% and carcass weights are up 1 lb on average
- Larger domestic production is supporting packer utilization levels at 93.6% YTD just under the 2021 avg
- Larger domestic production is also supporting export volumes



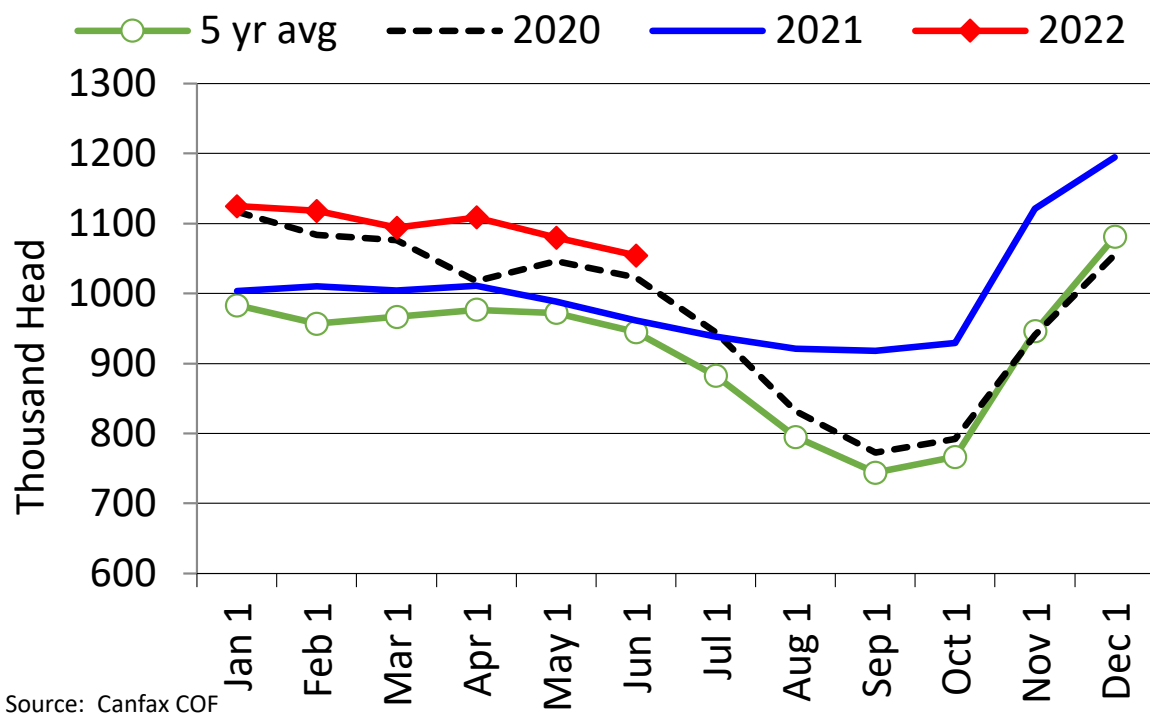
## Western Canada has received some much needed rain Grain prices remain record high





## 2H Supplies? *June 1 COF up 10% or 93,000 head; the largest since 2001*

Alberta and Saskatchewan  
Cattle on Feed



Source: Canfax COF

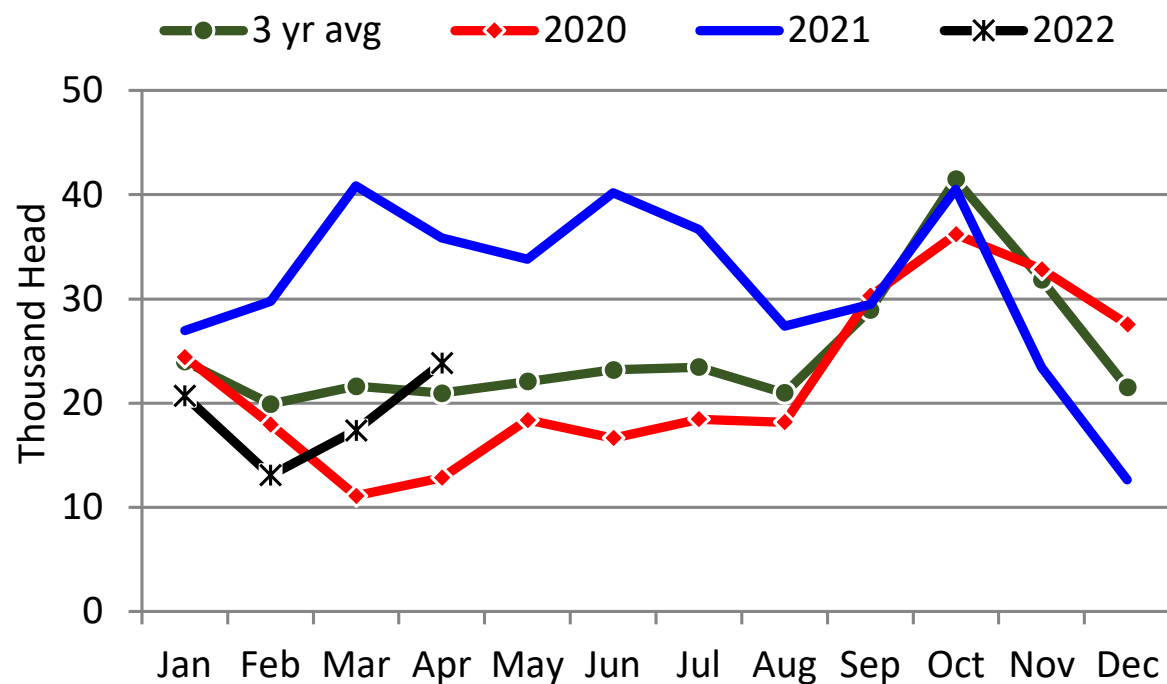
- Up 12% from the 5 yr avg
- Large numbers of cattle on-feed for more than 120 days (+54K from LY) will support production throughout Q3
- Placements in March-May were up with drought concerns. Potential for cattle to go to grass since rain





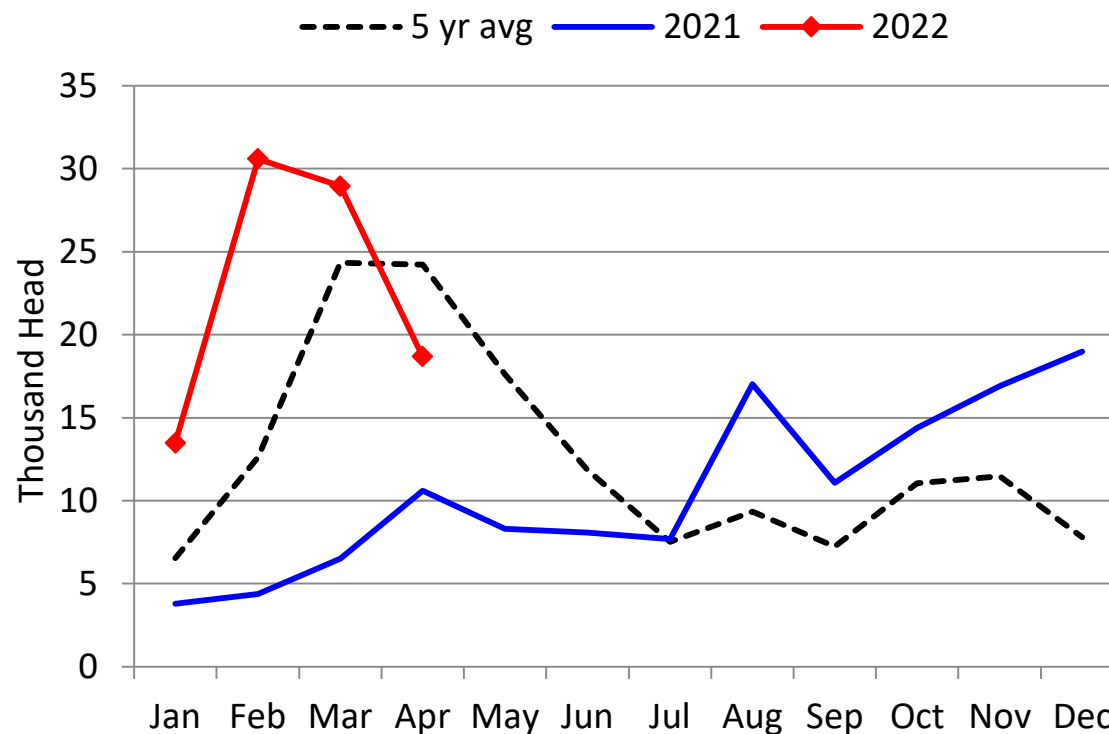
## A Net Exports of Feeders again: Imports -44% (Jan-Apr 75K), Exports +262% (92K)

### Live Beef Cattle Imports (excluding pure-bred breeding) from the United States



Source: Statistics Canada

### Canadian Feeder Cattle Exports

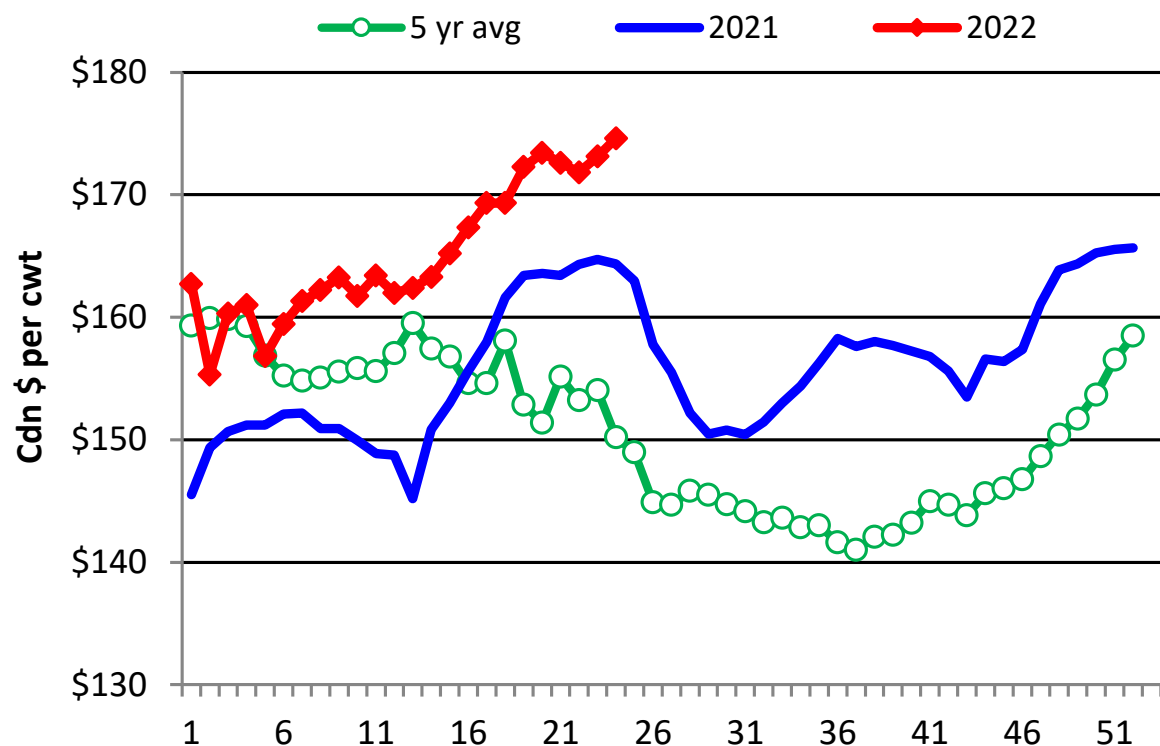


Source: Statistics Canada



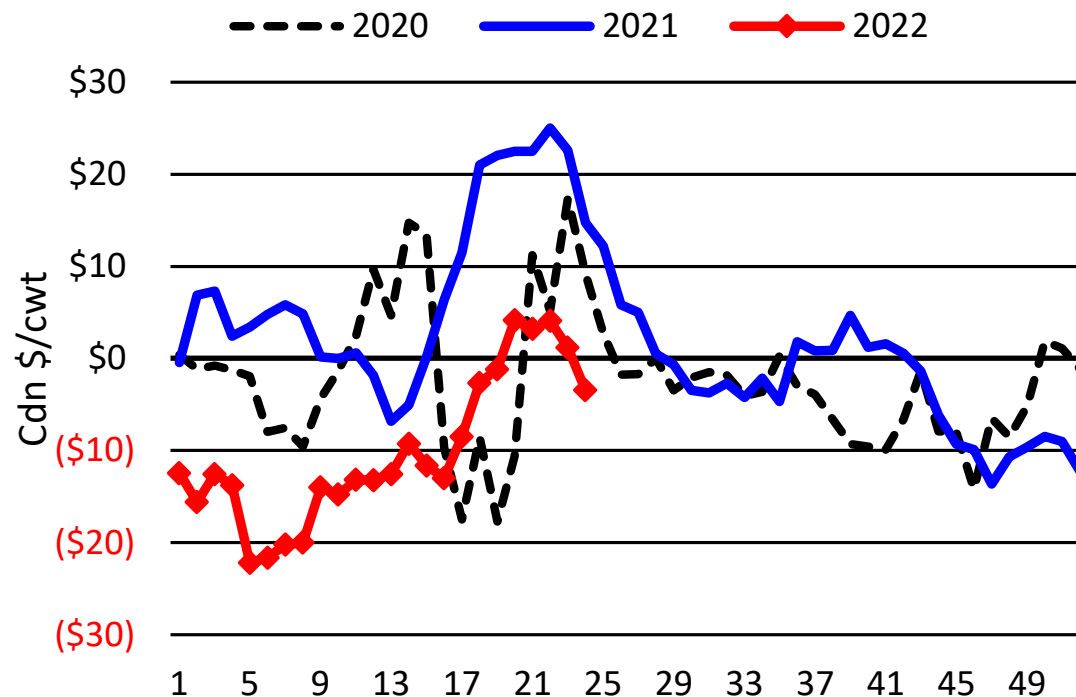
## Alberta Fed Steer prices highest since 2017 Basis weaker in 2022

### Alberta Weekly Fed Steer Price



Source: Canfax

### Alberta Fed Steer Cash to Futures Basis

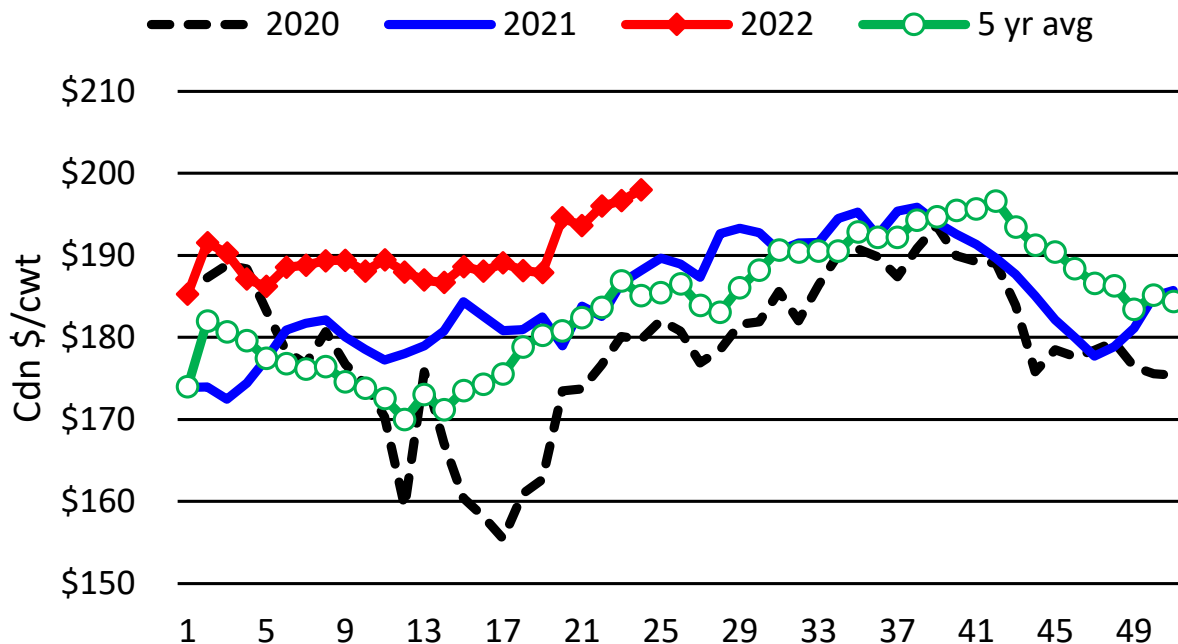


Source: Canfax



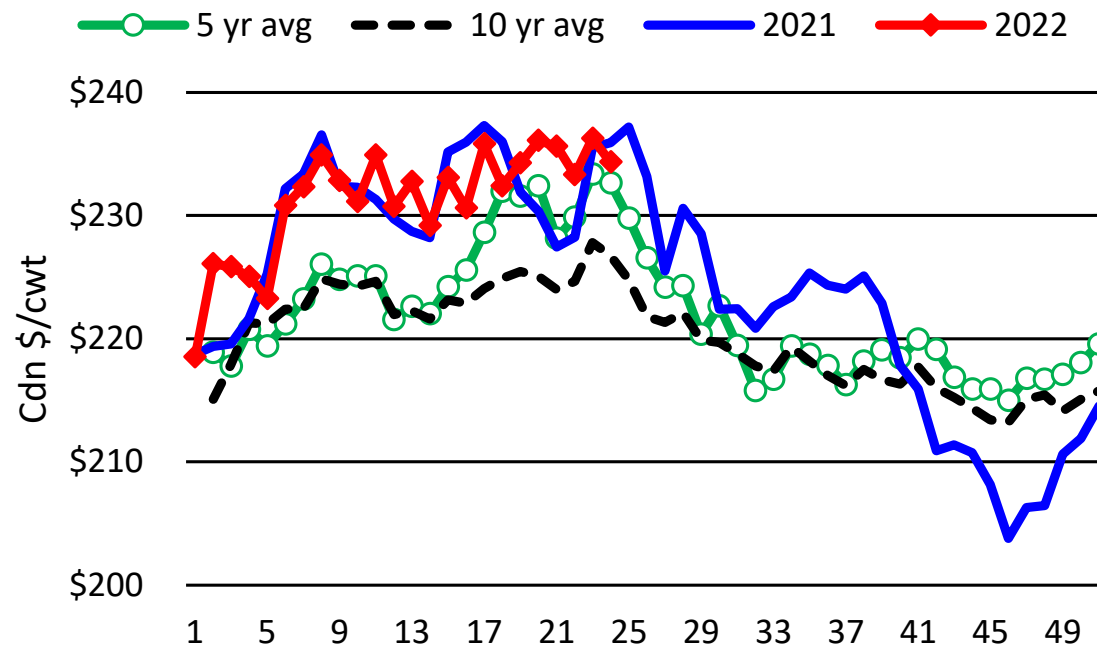
## Feeder prices strong; supported by futures market

### Alberta Weekly 8-900 lb Steer Price



Source: Canfax

### Alberta Weekly 5-600 lb Steer Price



Source: Canfax





PORTS



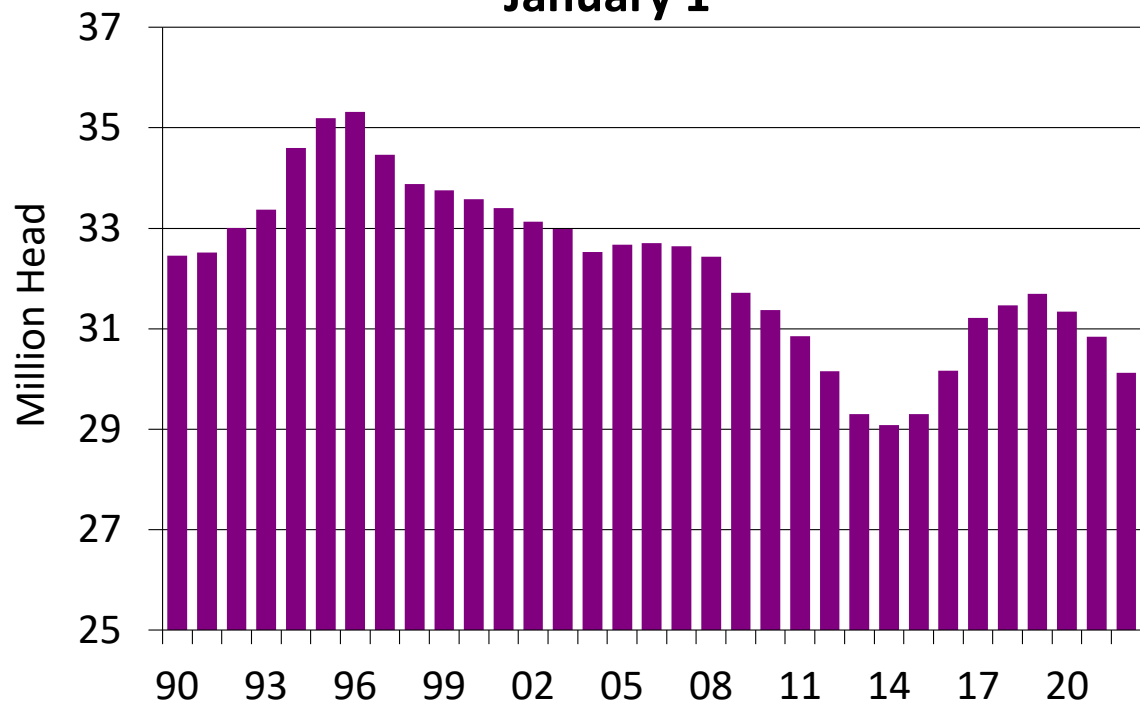
# Exporters & Beef Trade



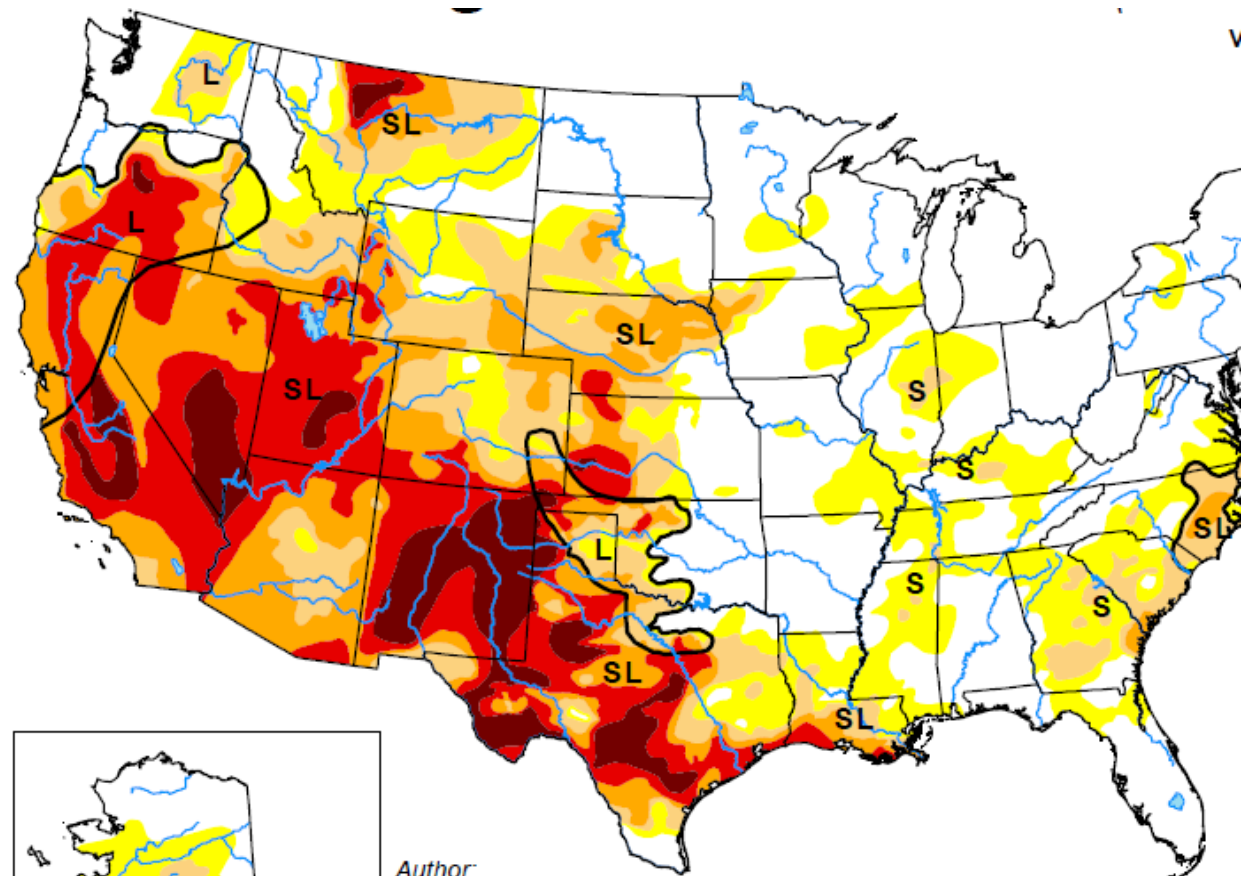


## Drought liquidation of cow herd, corn belt mostly untouched Beef Cow slaughter up 15% YTD, 2023 production -4-7%

U.S. Beef Cow Inventory  
January 1



Source: USDA, Cattlefax

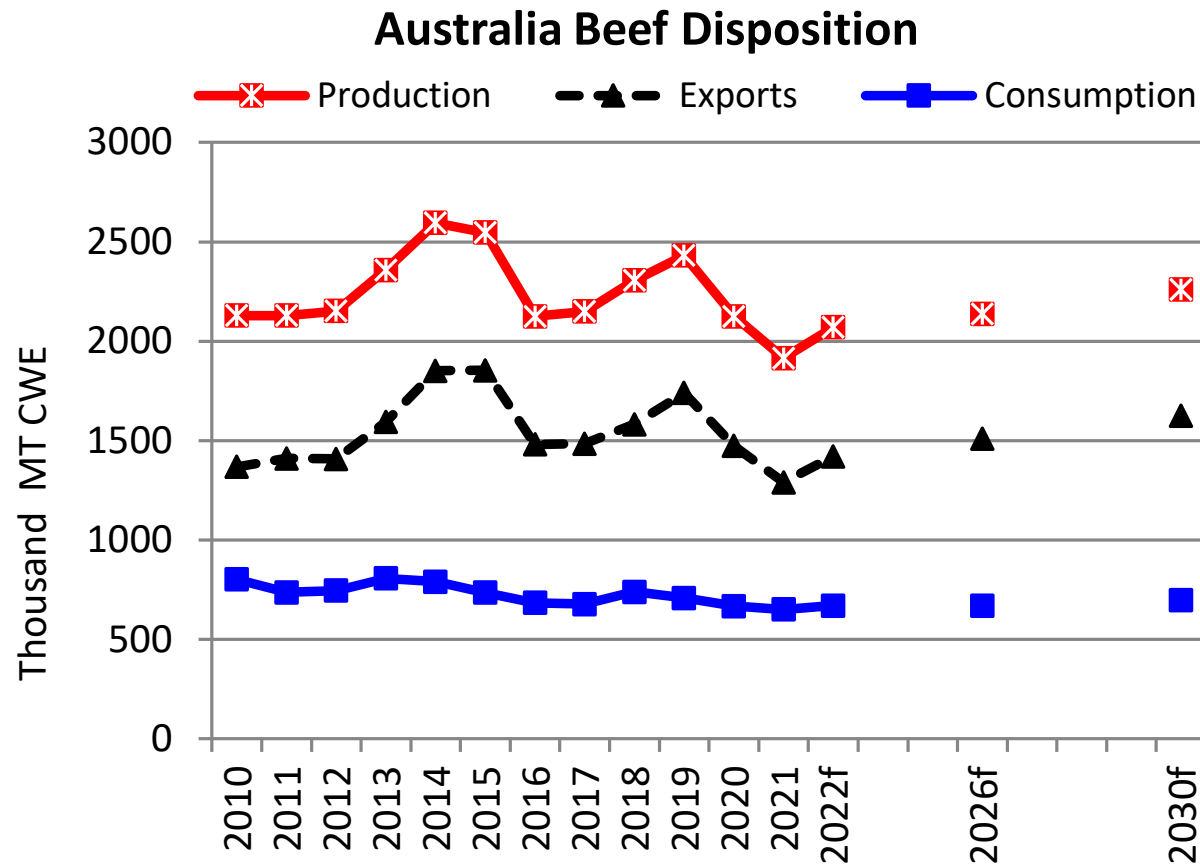


Author



## Australian restocking continues, production +4.5% in 2022

- National herd on June 30<sup>th</sup> up 5.6% to 27.6m head in 2022
- Slaughter +2.7% in 2022p, driven by processor capacity and supply chain issues
  - Record carcass weights are forecast to offset lower slaughter volumes
- **Production up 4.5%** to 1.97m tonnes in 2022p, still below 2016-20 levels
- **Beef exports +5.7%** 2022p



Source: USDA, FAS PSD, FAO

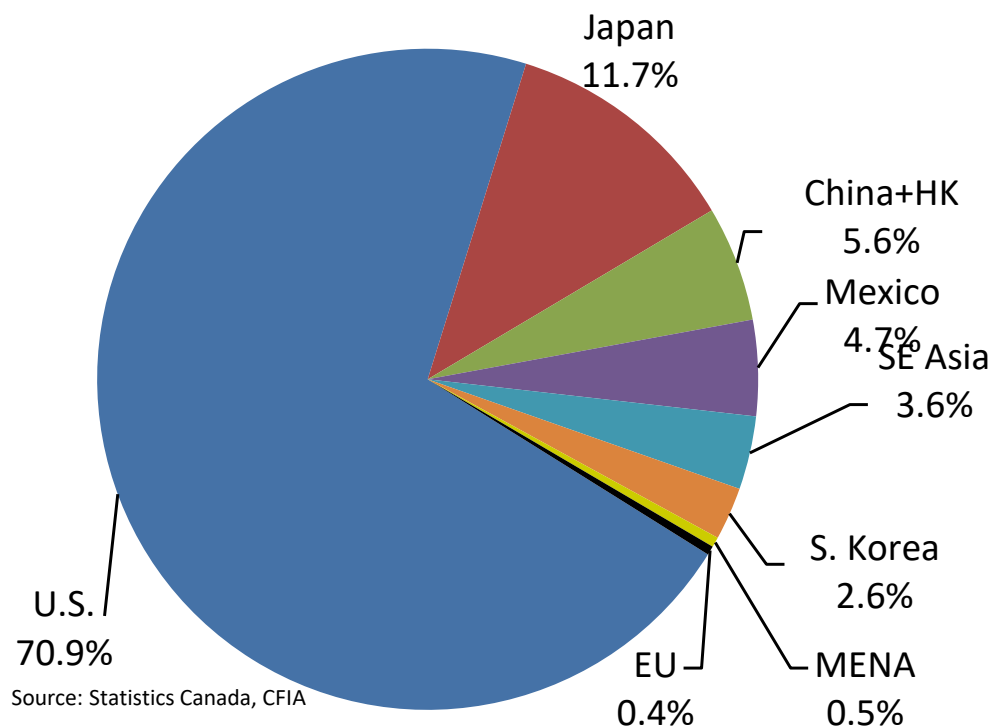




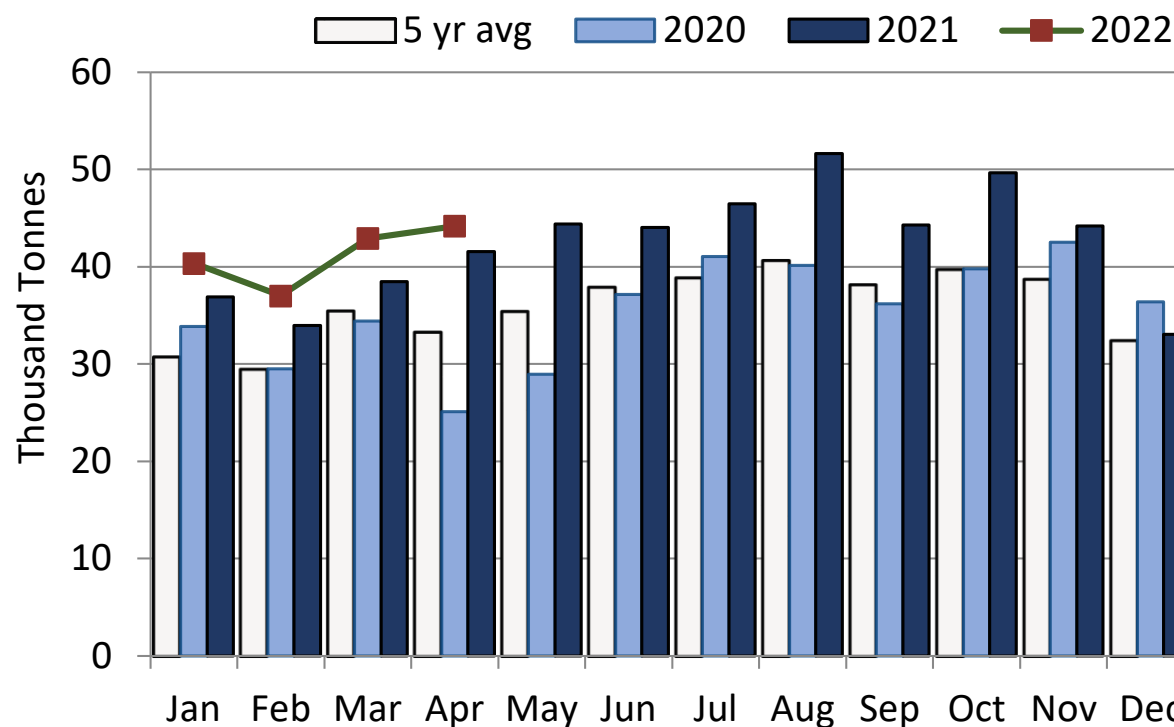
## Canadian beef exports 506,578 tonnes at \$4.4 billion in 2021

*Jan-Apr 2022 +9% in volume and +34% in value*

### Canadian Beef Exports, 2021



### Canadian Monthly Beef and Veal Exports



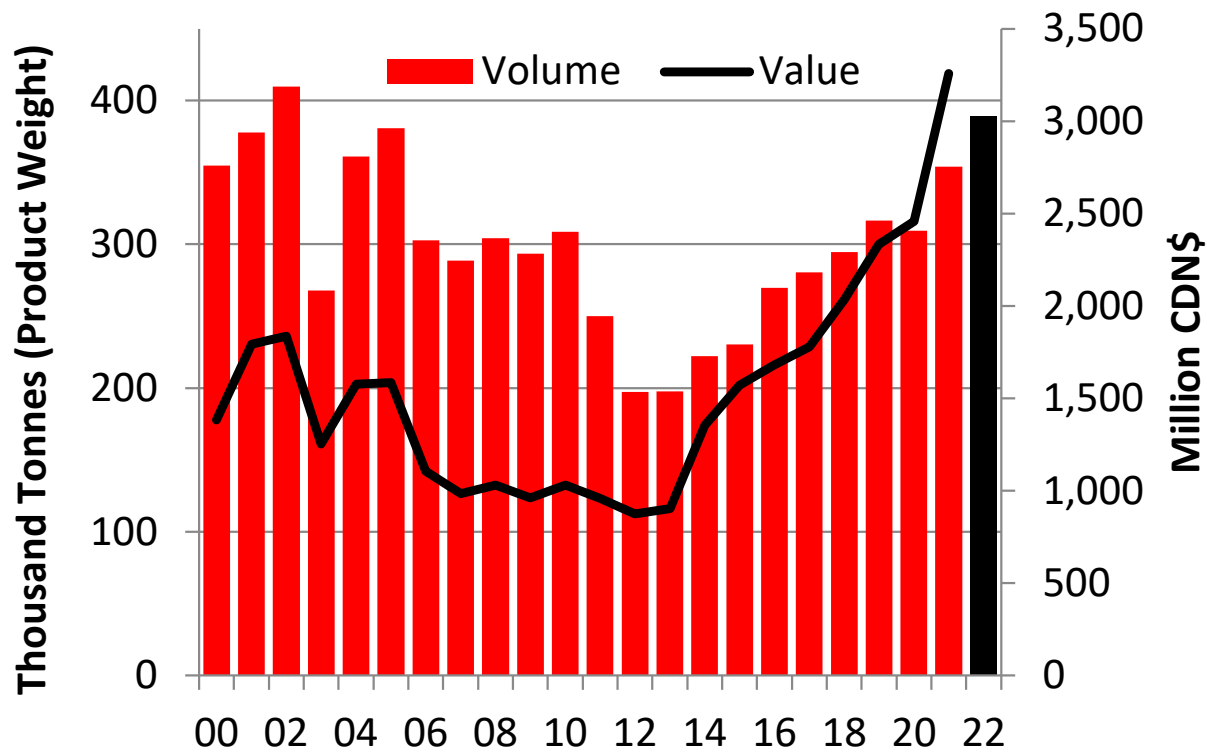
*Jan-April 2022 monthly volumes up 6-12% from LY*



## Exports to US +10% YTD, On track to be the largest since 2005 & '02

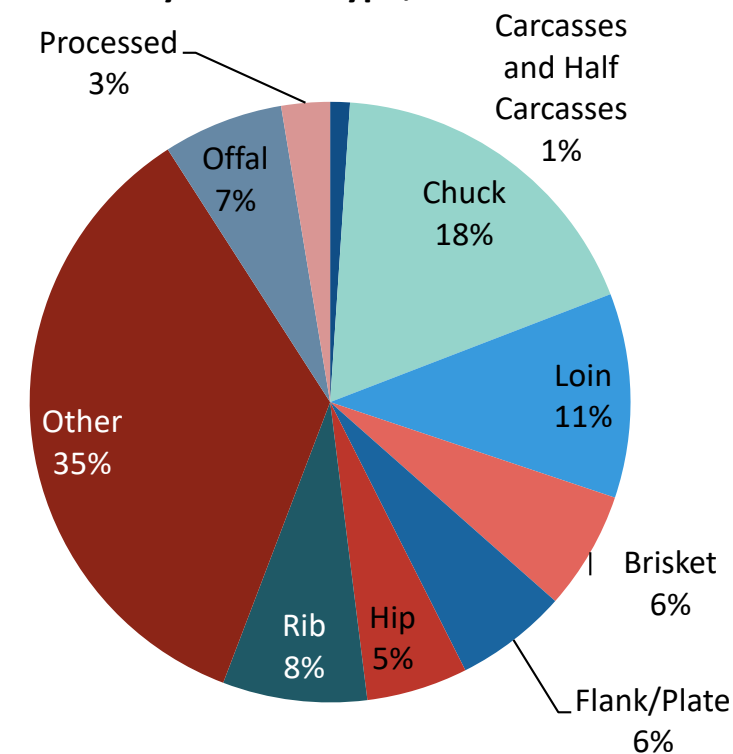
Main Primals: OTHER, Chuck, Loin, & Rib

### Beef Exports to United States



Source: Statistics Canada, CFIA

### Canadian Beef Export Volumes to the U.S. by Product Type, YTD 2022



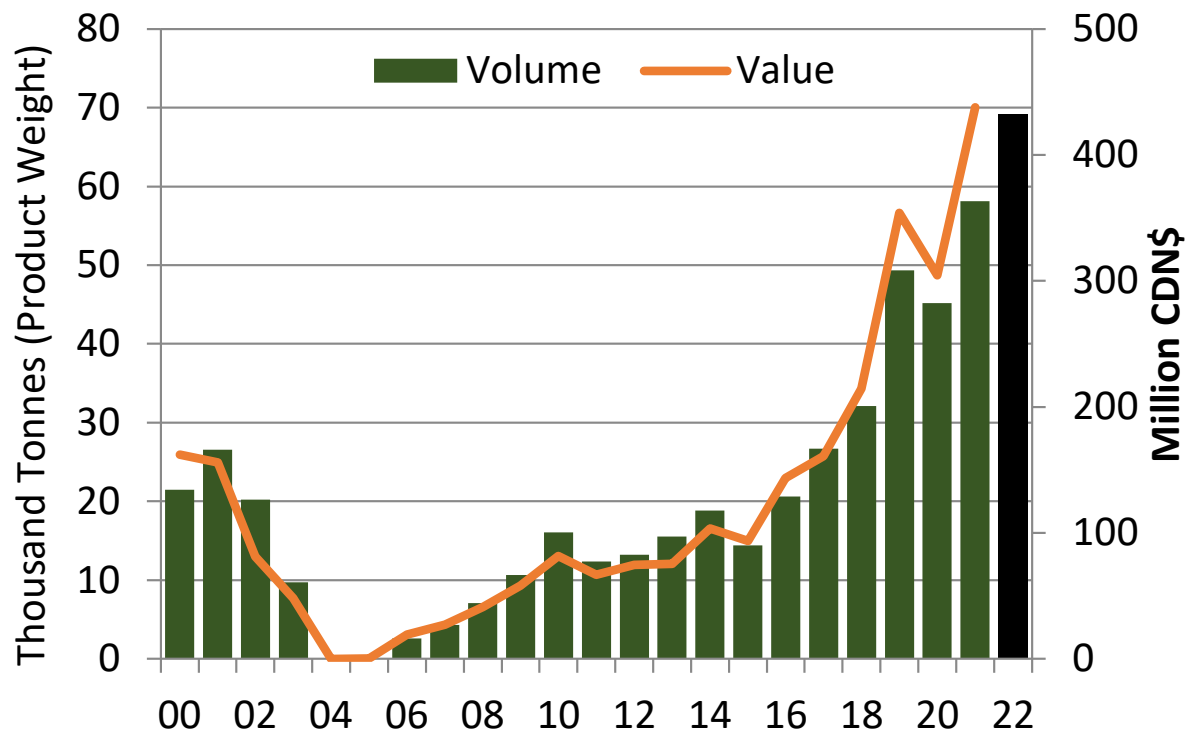
Source: Statistics Canada



## Japan continues to see growth +19% YTD

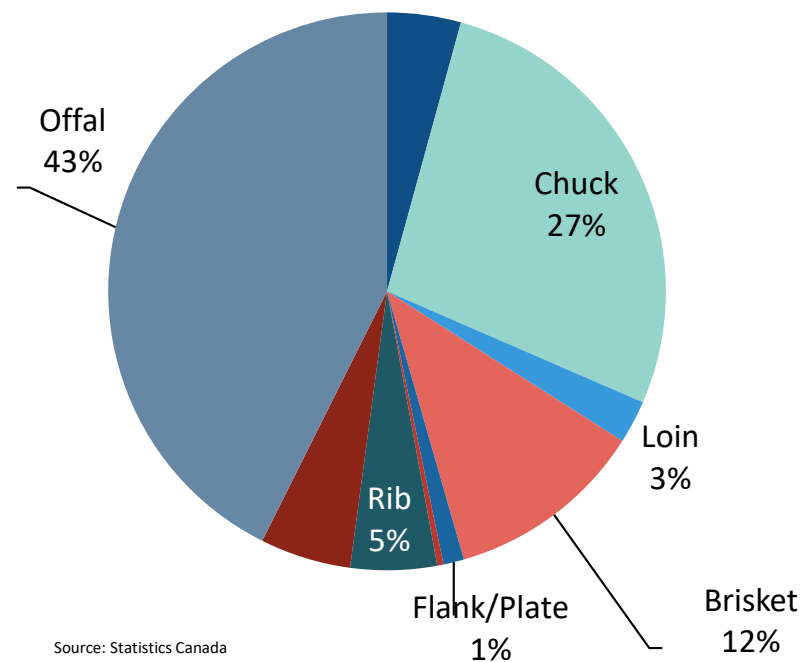
*Main primals: Offal, Chuck and Brisket (shifted from Chuck, Offal and Flank/Plate in 2021)*

### Beef Exports to Japan



Source: Statistics Canada. CFIA

### Canadian Beef Exports to Japan by Product Type, YTD 2022



Source: Statistics Canada

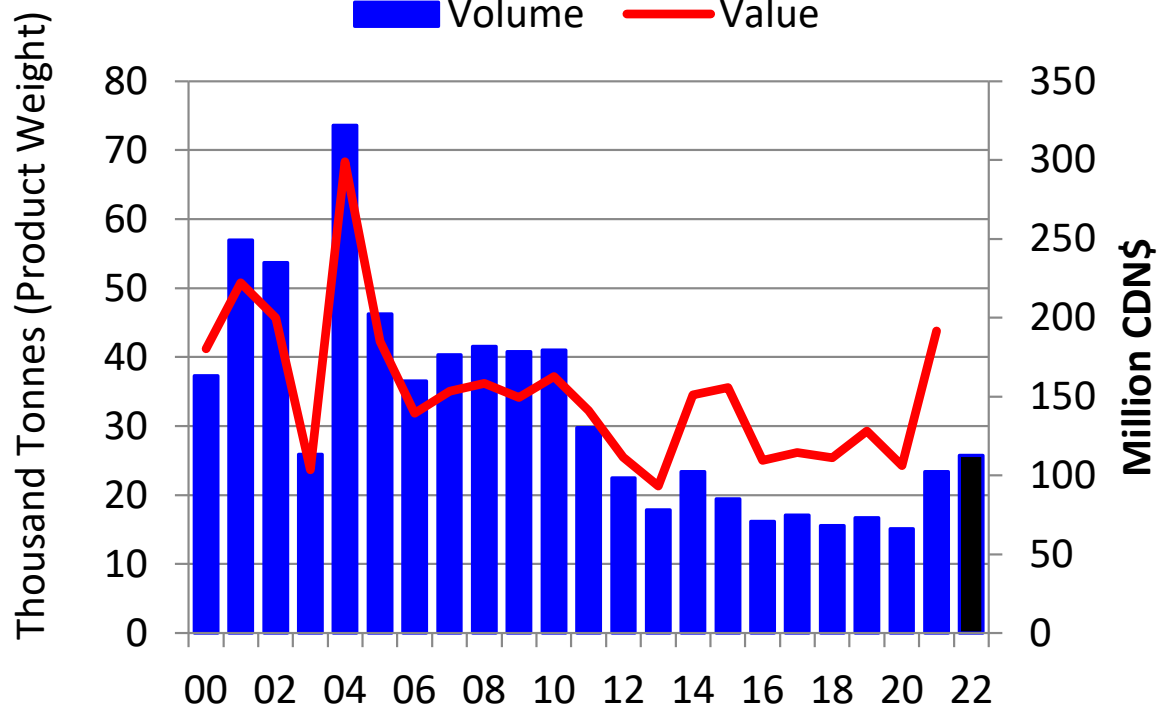




## Mexico up 10% building on LY growth

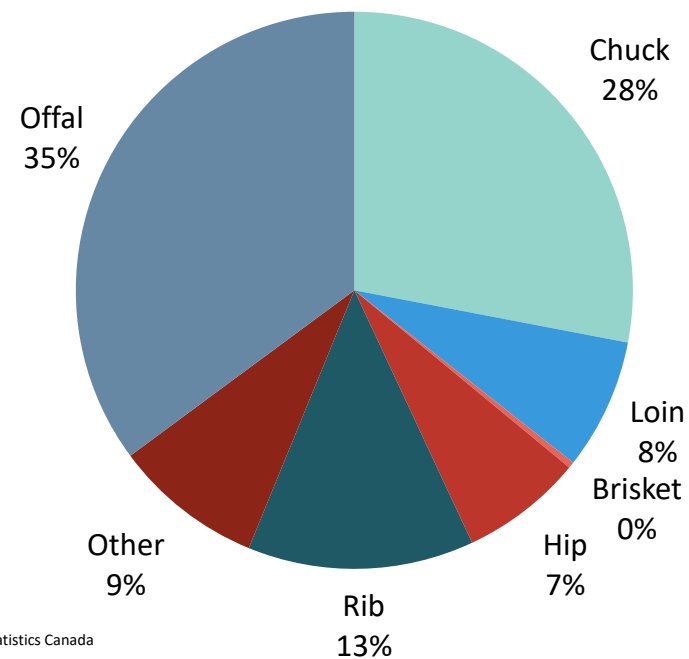
*Main primals: Offal & Chuck dominate, with rib gaining on the Other category*

### Beef Exports to Mexico



Source: Statistics Canada, CFIA

### Canadian Beef Exports to Mexico by Product Type, YTD 2022



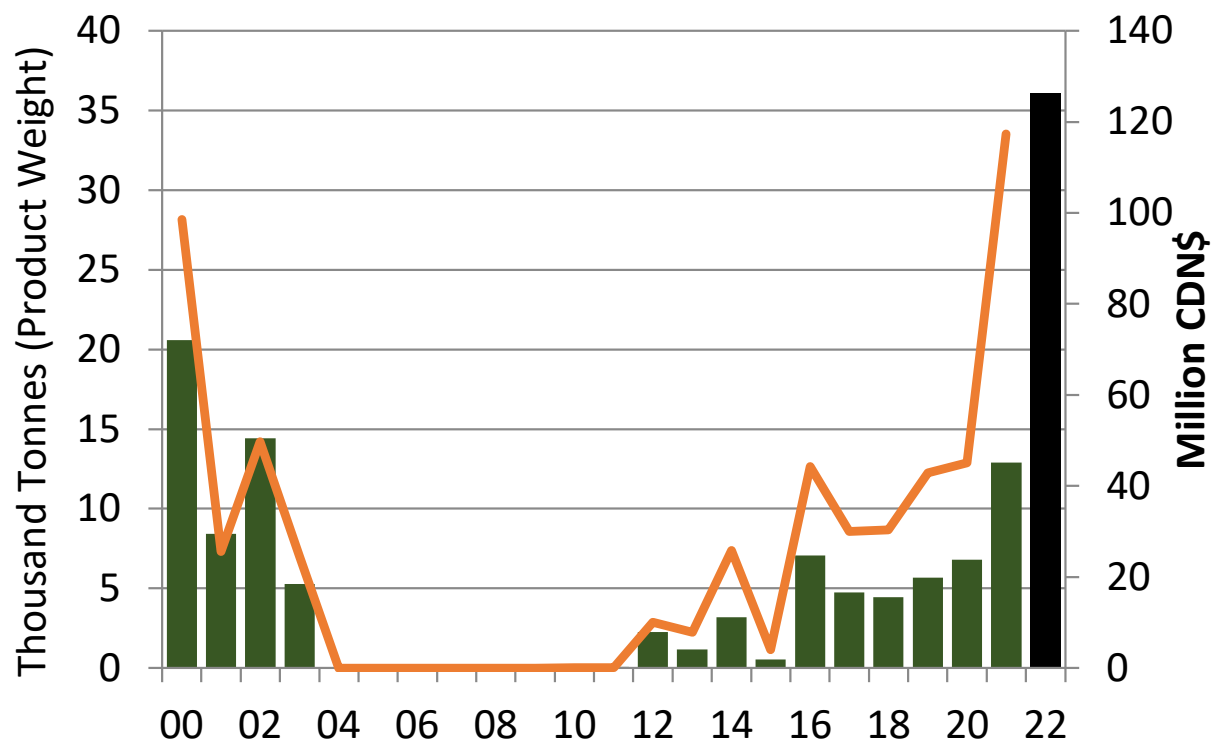
Source: Statistics Canada



## South Korea, big jump YTD almost triple LY

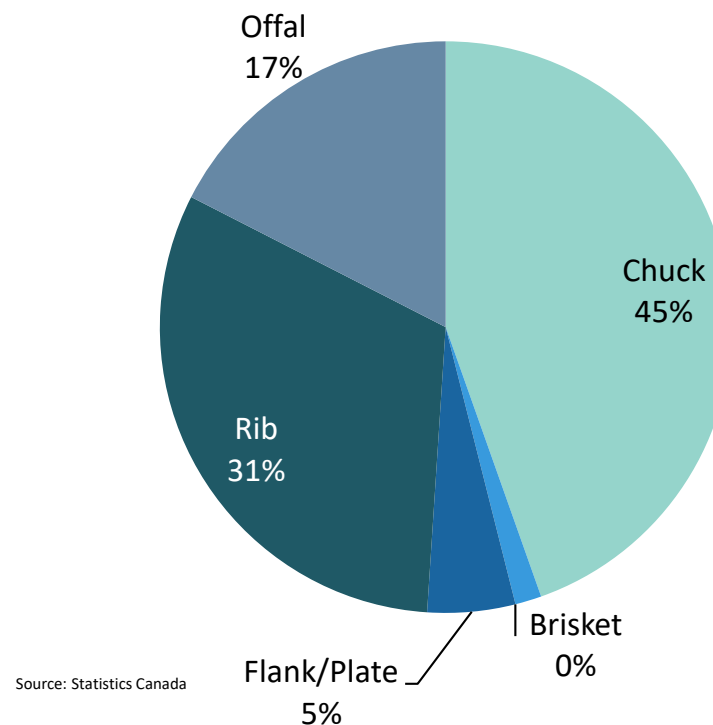
*Main primals: Chuck, Rib and Offal; with offal gaining this year*

### Beef Exports to South Korea



Source: Statistics Canada, CFIA

### Canadian Beef Exports to South Korea by Product Type, YTD 2022



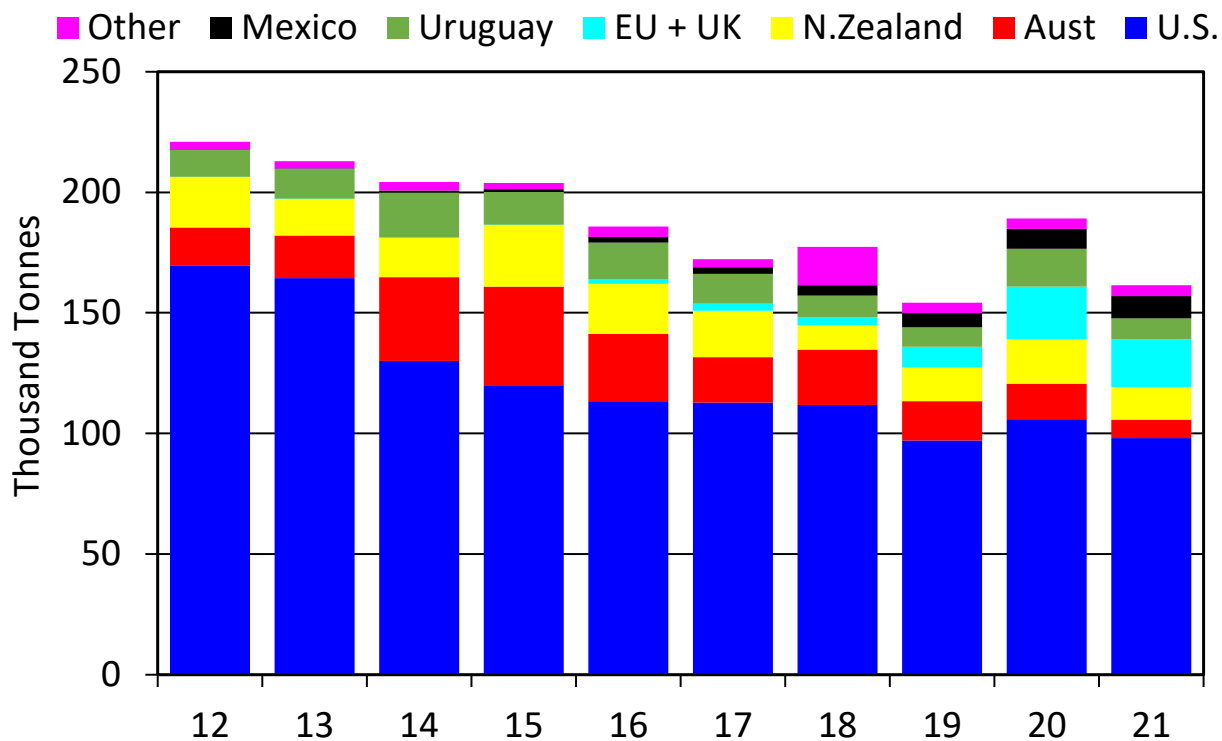
Source: Statistics Canada

# MARKET UPDATE



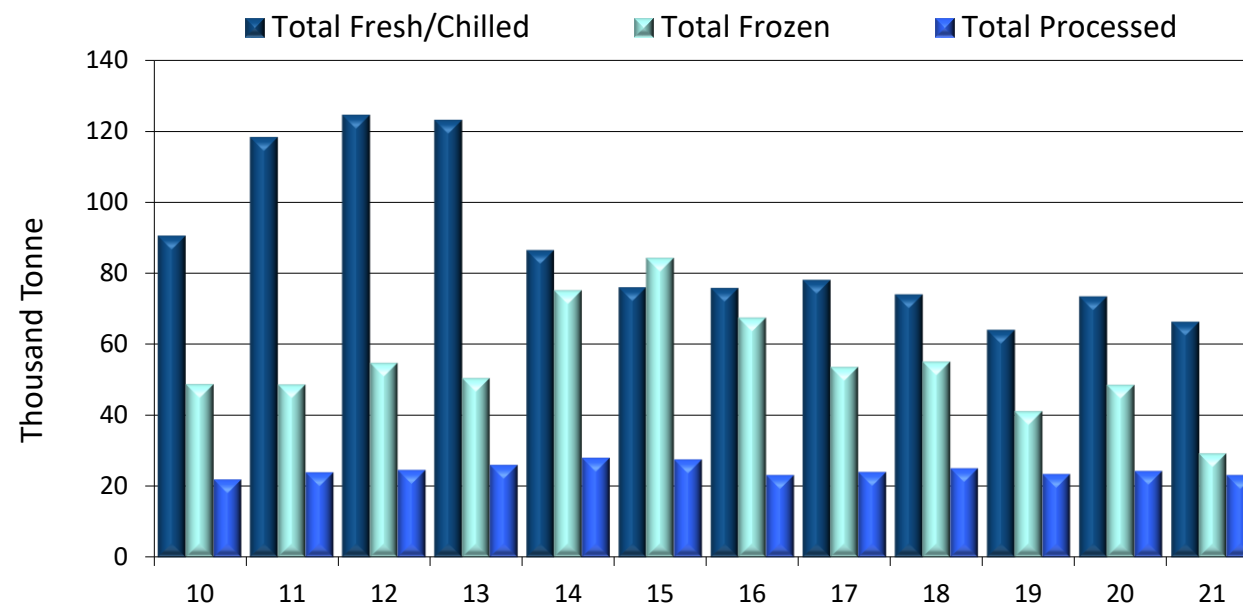
**Jan-April 2022 Beef Imports -7% in volume and +17% in value**  
**US -4%, EU27 +31%, NZ -41%, Uruguay -38%, Aus +8%**

## Canadian Beef Imports



Source: Statistics Canada

## Total Beef and Veal Imports from Major Countries by Volume



Source: Statistics Canada, AAFC

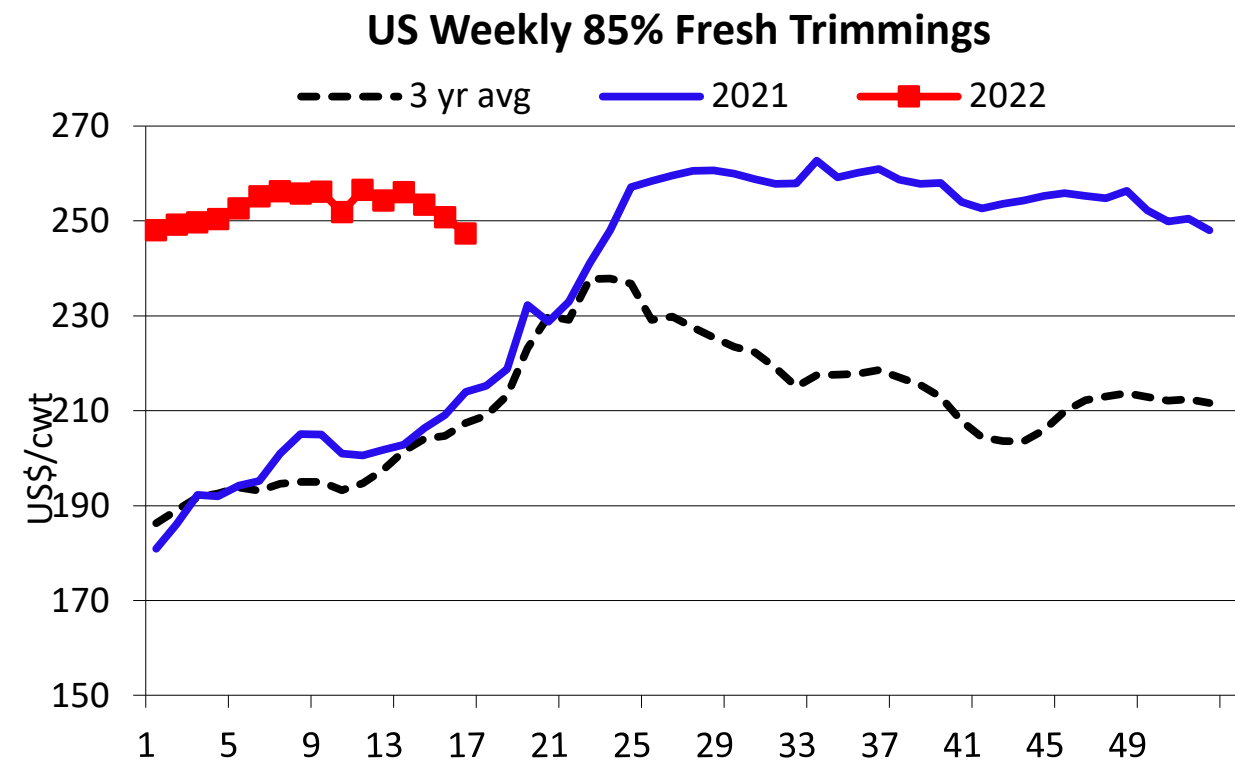
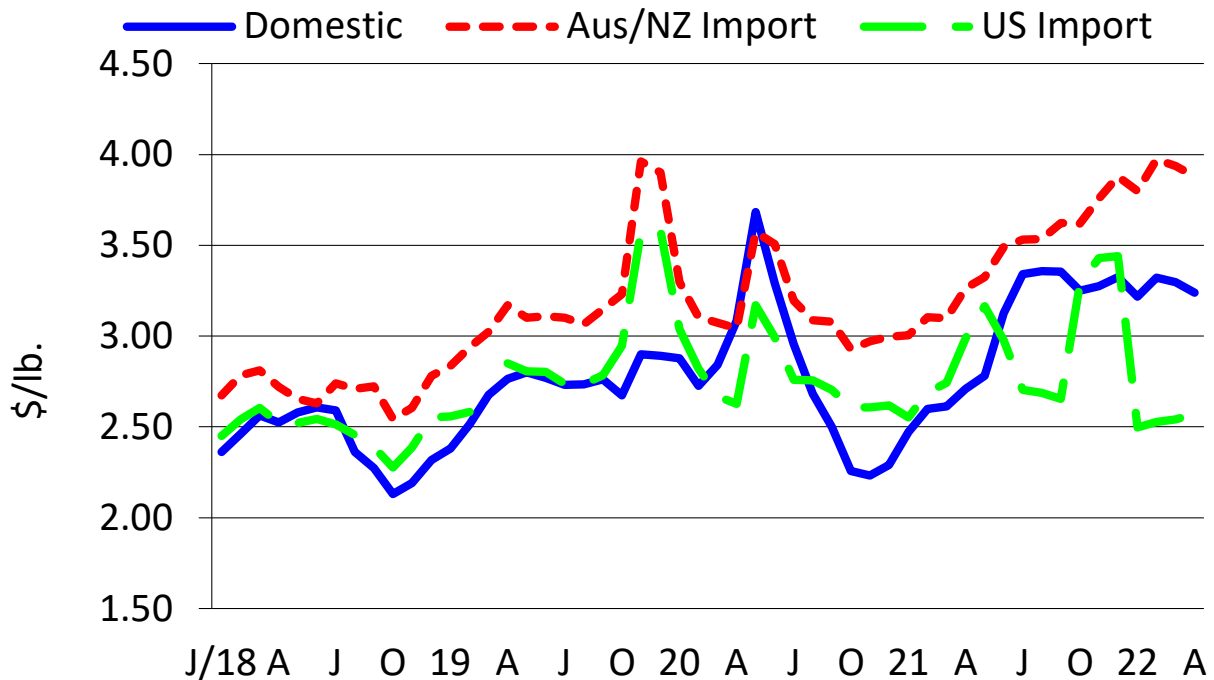
**Fresh/Chilled 56%, Frozen 25%, Processed 19%**





## Lean trim prices stronger with strong demand, expansion in Aus & despite large US cow slaughter

85% LC Boneless Beef Prices  
Manufacturing Beef



Source: USDA

Source: CanFax



# Boxed Beef Prices

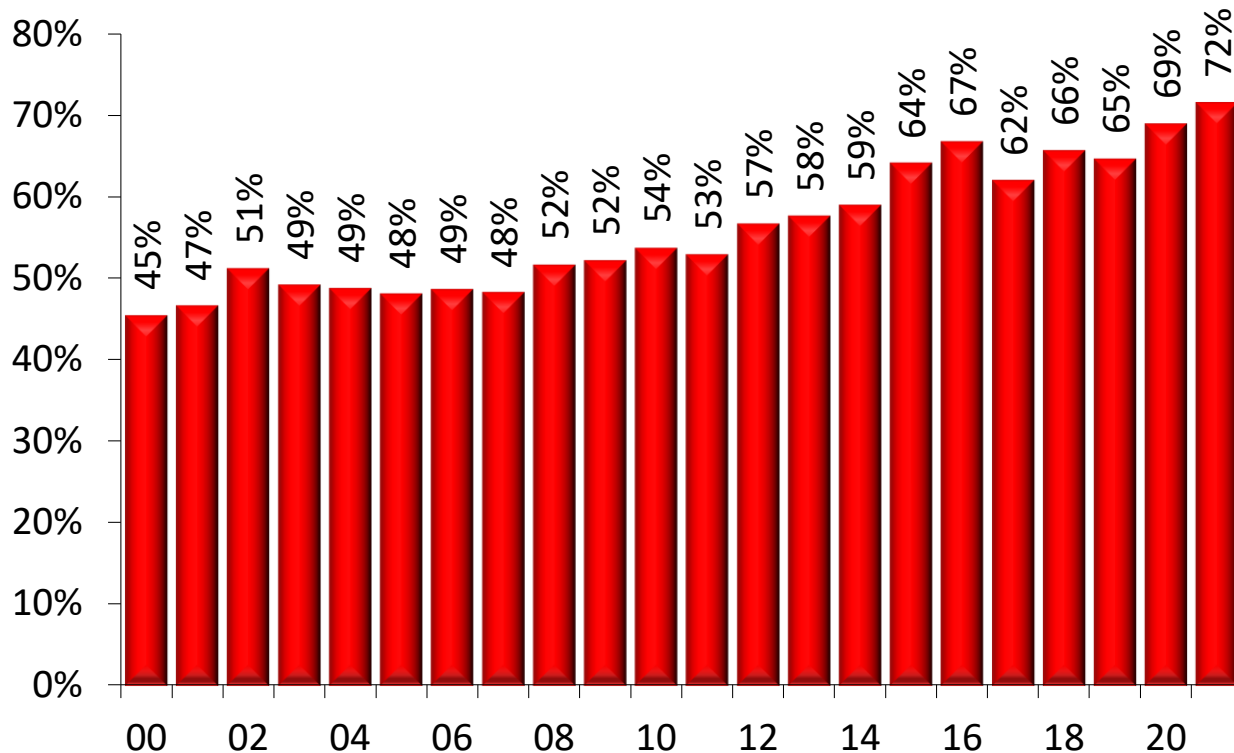




## Prime+AAA beef up 2% per year since 2011, YTD 78%

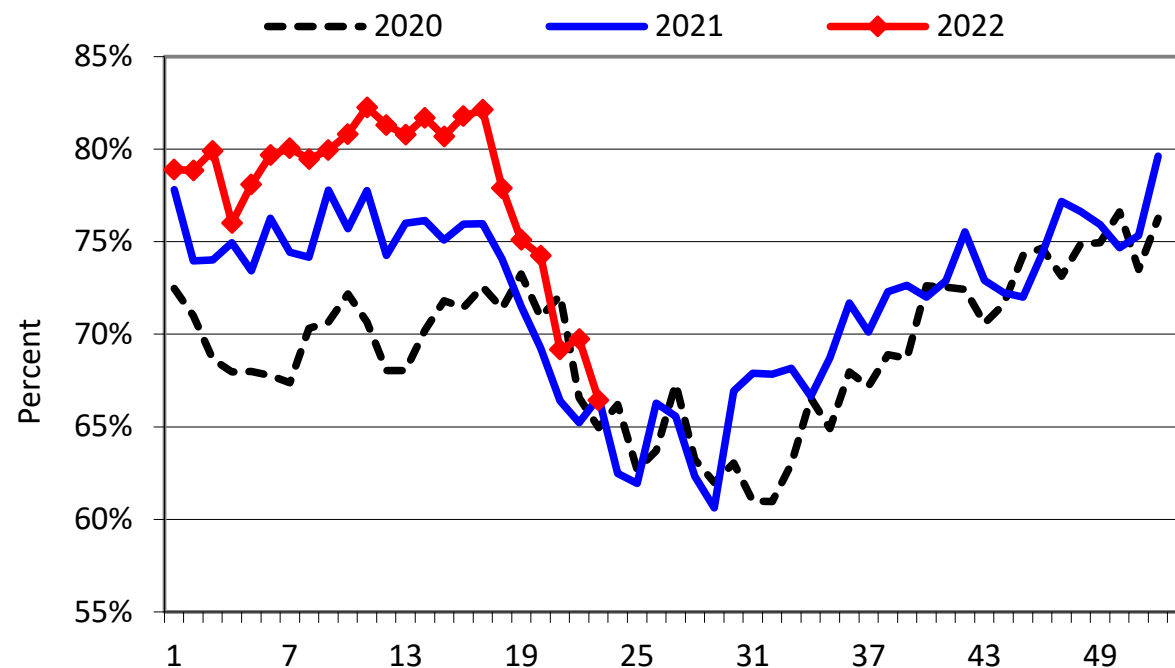
Production up 10% or 77 million pounds YTD

Canadian AAA + Prime as a % of all A Grades



Source: CBGA

Canadian AAA+Prime as % of all A Grades



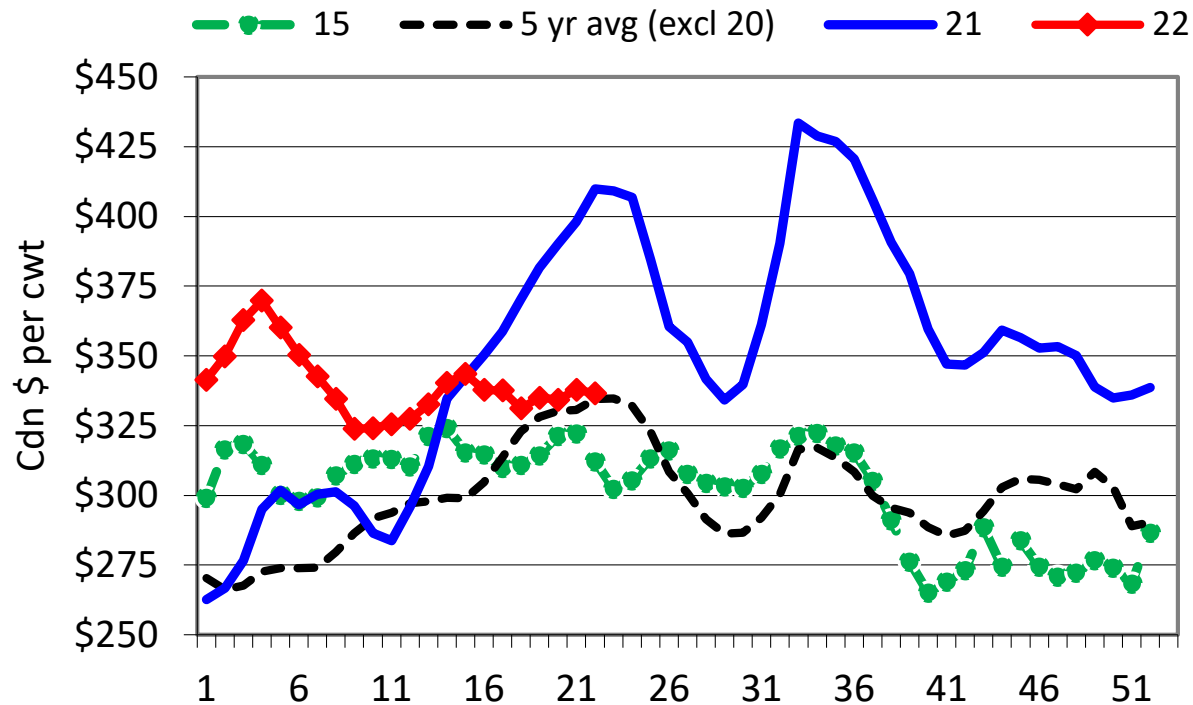
Source: CBGA





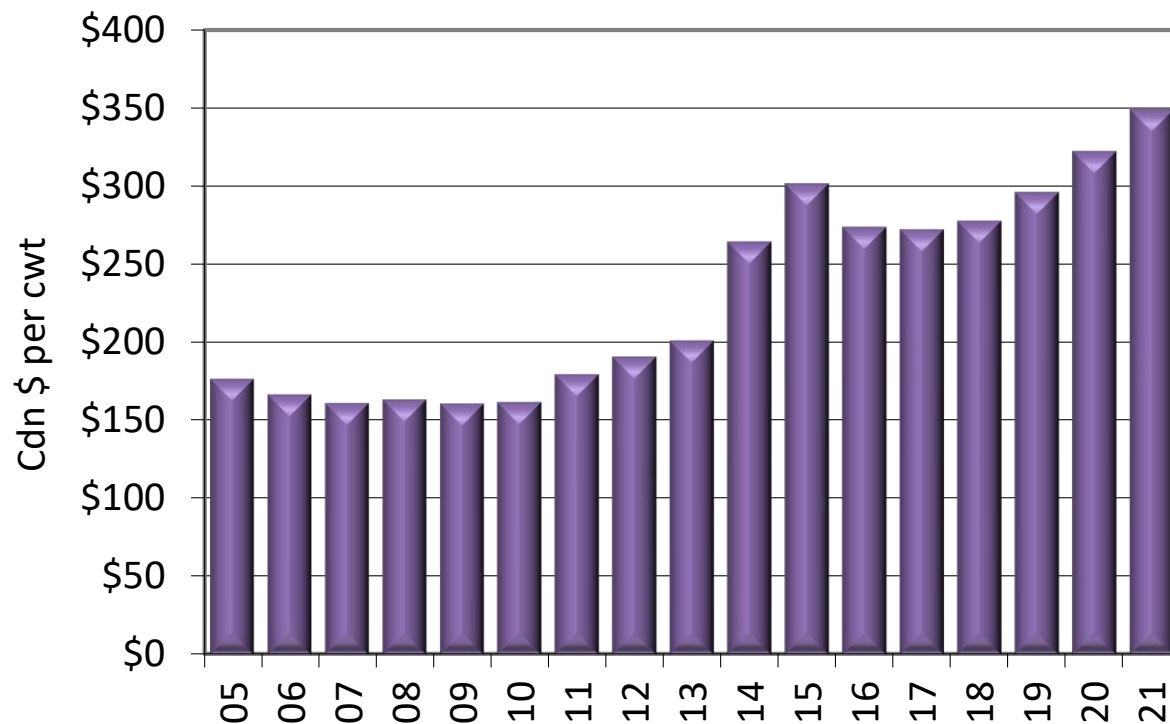
## Cutouts flat Q2, but in-line with 5 yr avg (excl 2020)

US Weekly Choice Cutout Values in CDN\$



Source: AAFC, Canfax, USDA

Annual USDA Choice Cutout Value

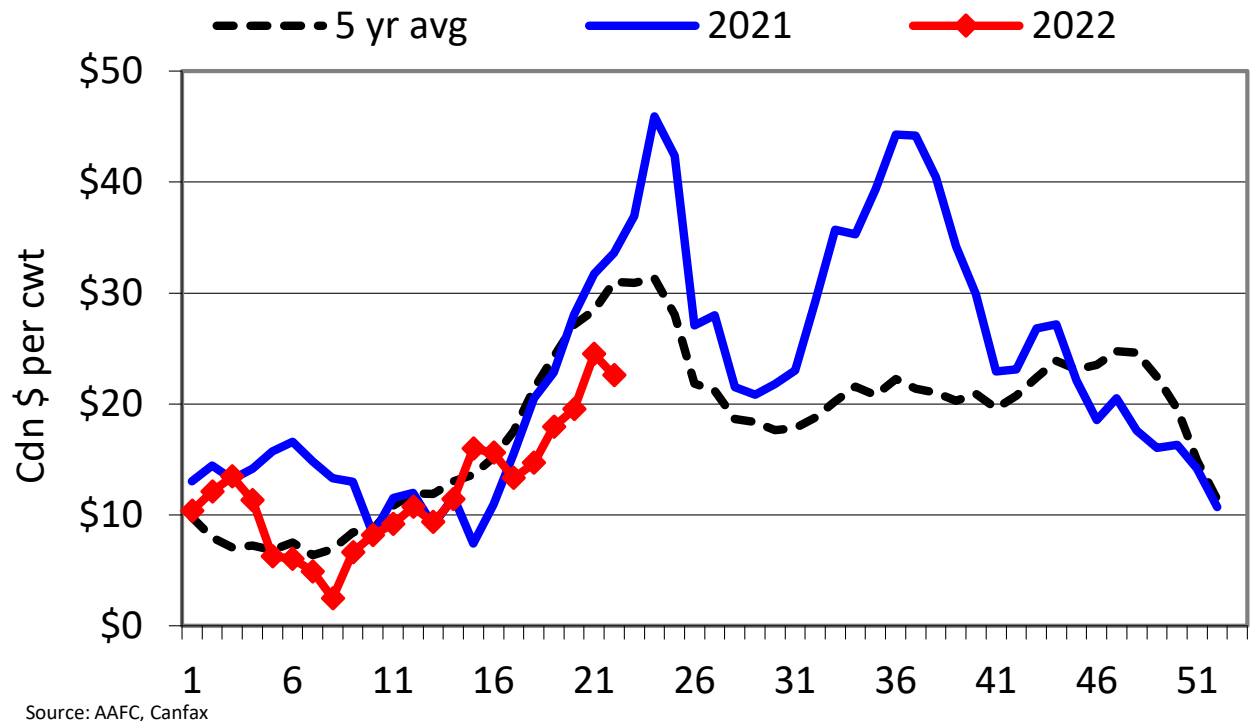


Source: USDA



## Choice/Select Spread rose seasonally; but under-performing with larger quality production, inflation and price pressures

### US Weekly Choice/Select Spread



Source: AAFC, Canfax



Thank-you







# Domestic Market

June 29, 2022







**Crossroads**

**Spotlight on food  
service**

**Retail**

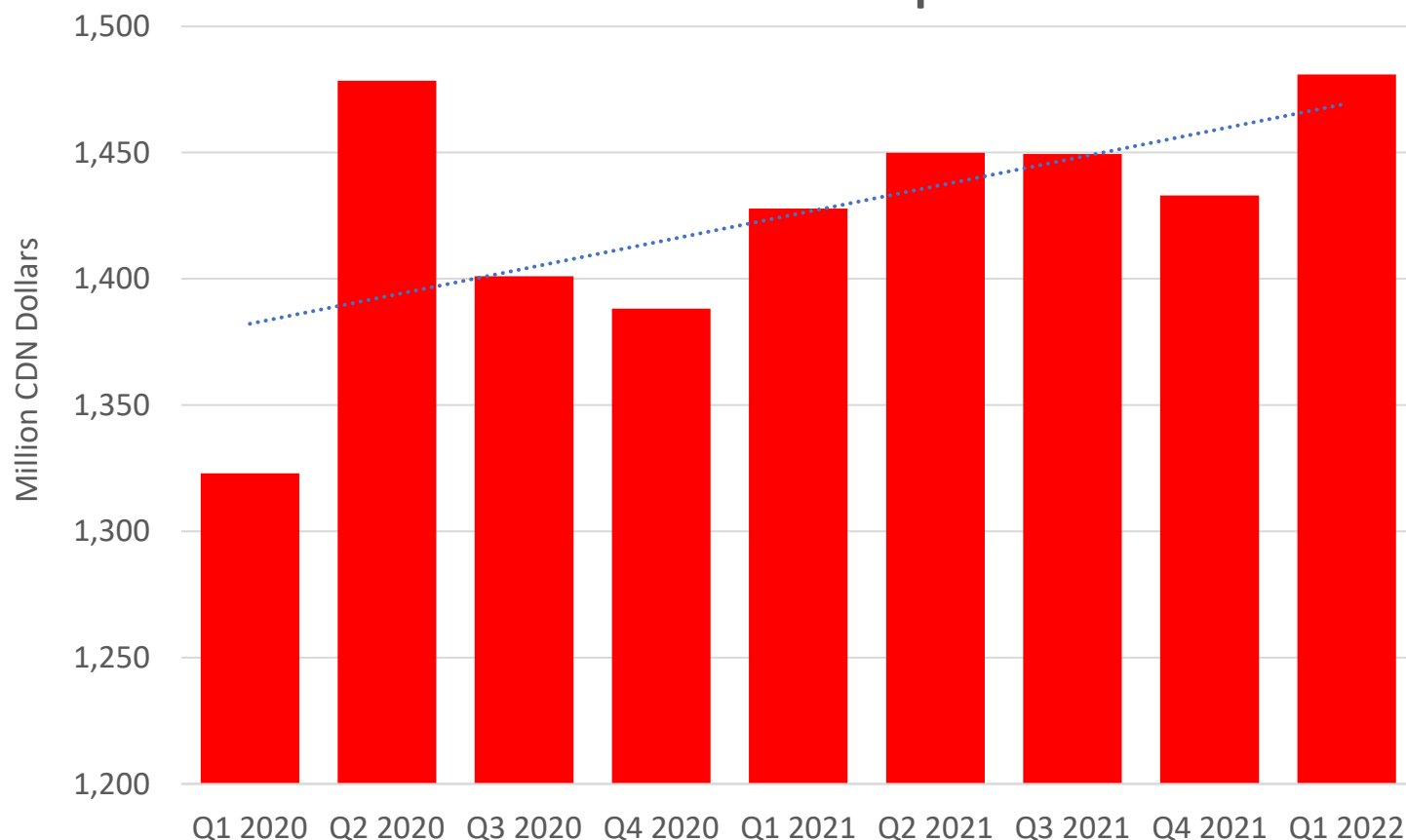
**Wholesale**



## Quarterly Disposable Income +3.3% Q4 2021 to Q1 2022

- Households well positioned in Q1 2022 with \$1.48 trillion in disposable income
  - Highest levels since Q2 2020
  - Up 3.7% from Q1 2021
- Per capita disposable income up 14% (\$4,705) between Q1 2019 and Q1 2022
- Where's the money coming from?
  - Hiring bonuses
  - Higher wages for new hires
  - Government transfers
- Household spending up 0.8% YoY in Q1 2022

Canadian Household Disposable Income



Source: Statistics Canada

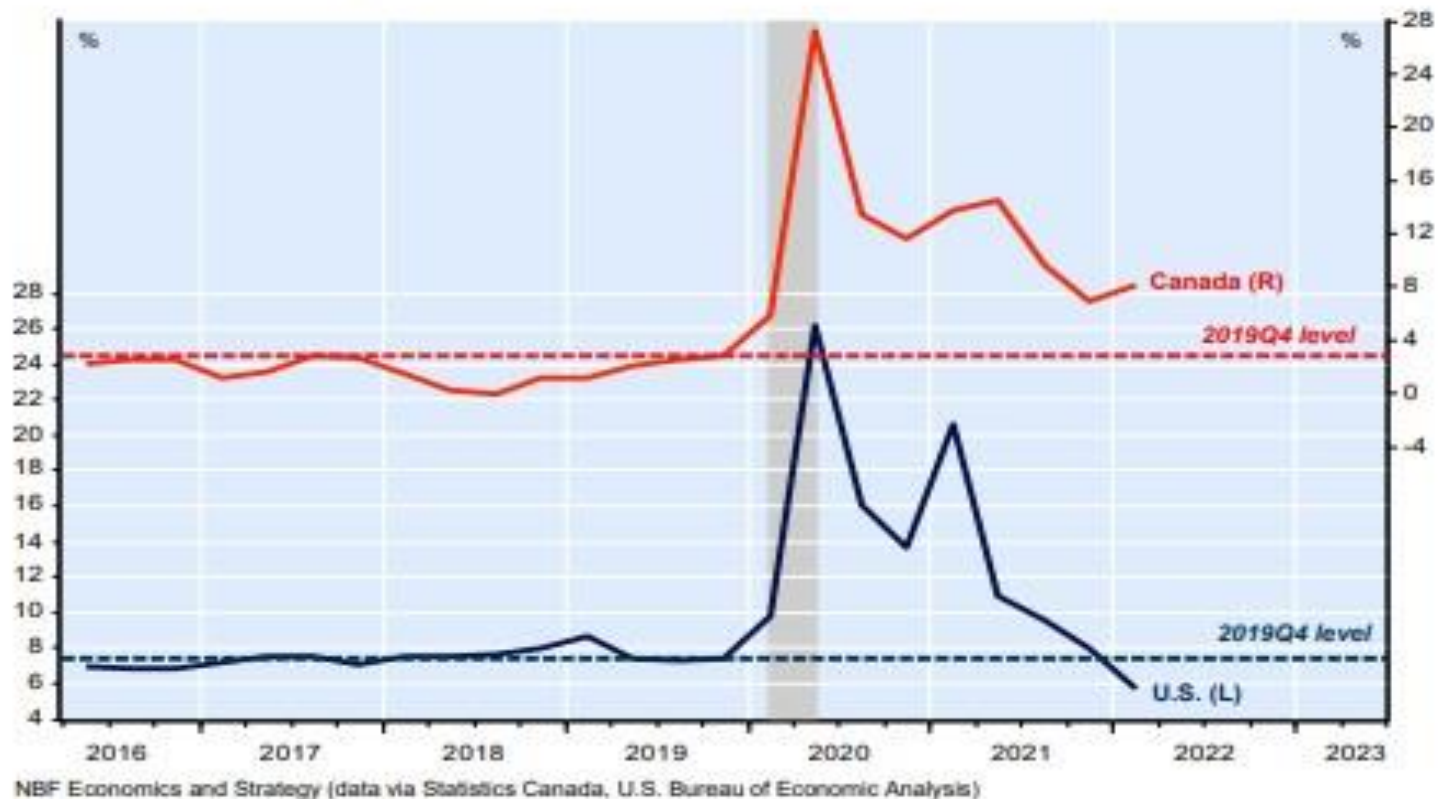




## Strong 2022 Demand and Consumption

- Unemployment at 5.1% in May 2022 – Source: Statistics Canada
- Consumption growth +3.4% in Q1 2022 – Source: National Bank of Canada
- Household savings in Q1 2022 down 41% YoY, but up 17% from last quarter – Source: Statistics Canada
- Real disposable income forecast to be up 2.8% YoY Q4 – Source: National Bank of Canada

**Canada: Households savings remain above pre-pandemic levels**  
Ratio of household savings to disposable income



Source: National Bank of Canada, <https://www.nbc.ca/content/dam/bnc/en/rates-and-analysis/economic-analysis/monthly-economic-monitor.pdf>

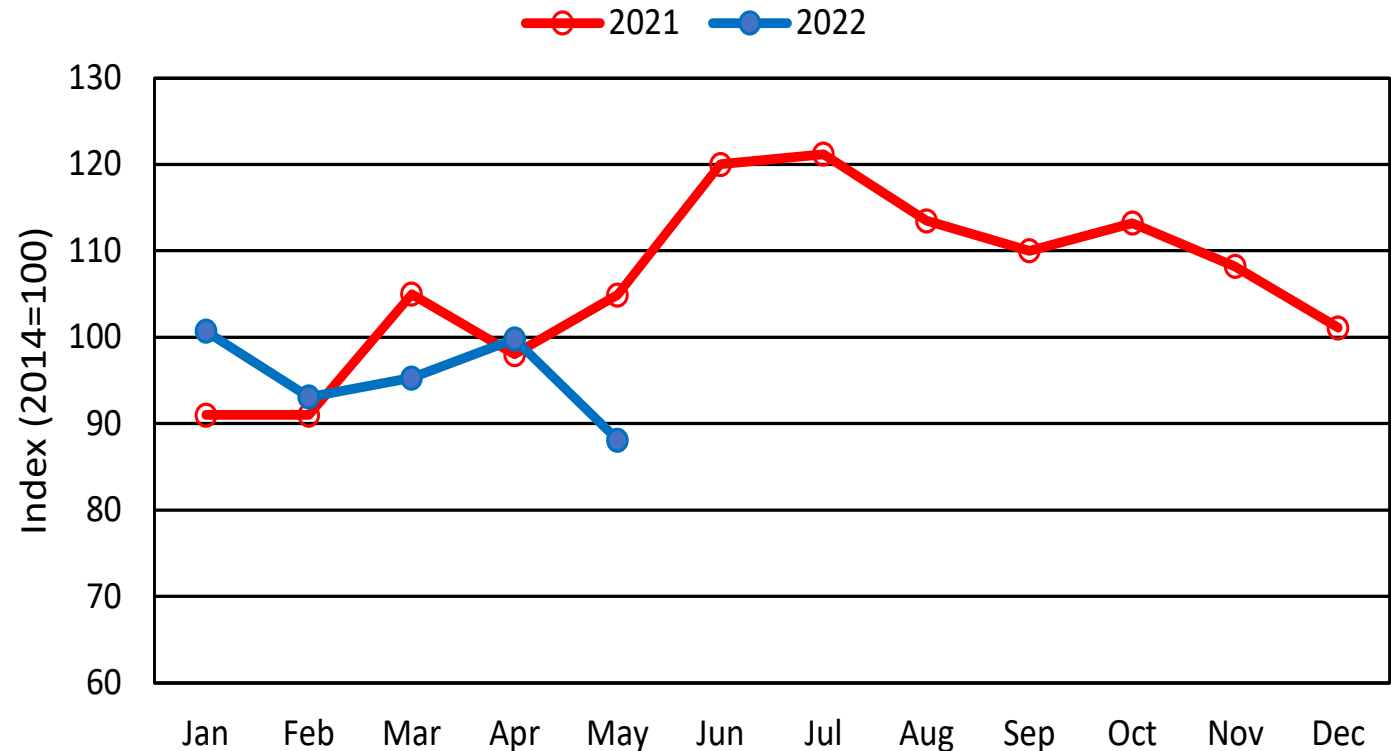


## Consumer Confidence Waning

*Down 11.7 points from April to 88.1 in May* – Source: Conference Board of Canada

- Financial concerns and pessimistic views grow.
- National Bank of Canada lowers growth forecast for 2022 from 4.0% to 3.5% in June.

### Canadian Consumer Confidence



Source: Conference Board of Canada



# Food Service

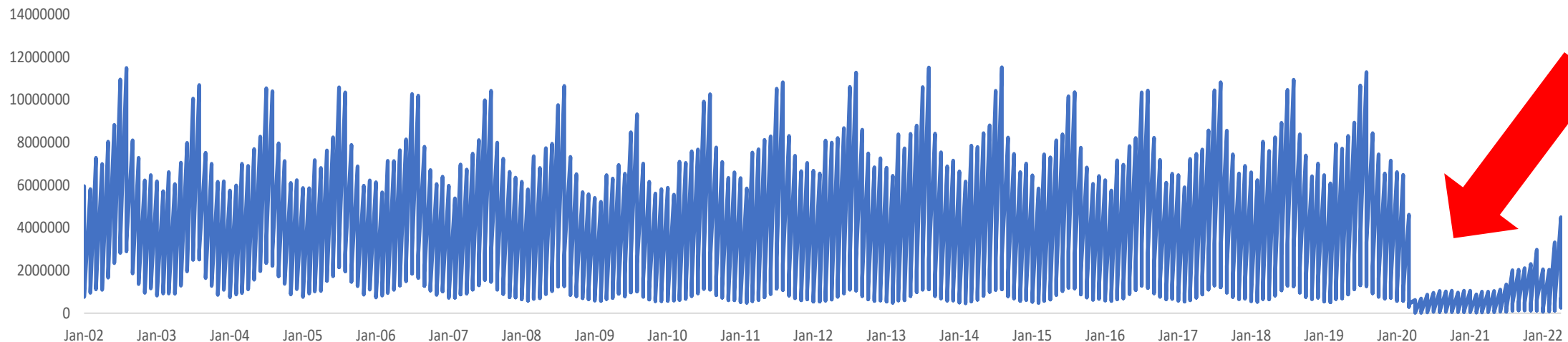




## Trips to Canada from Abroad up 667% YoY in April 2022

- Still roughly half the number of trips compared to April 2019
- Tourism spending in Canada up 8.7% to \$15.4 billion YoY in Q4 2021 (latest)
  - Tourism spending by non-residents up 125% to \$2.4 billion
  - Domestic tourism spending down 1% to \$12.9 billion

Non-resident Visitors Entering Canada





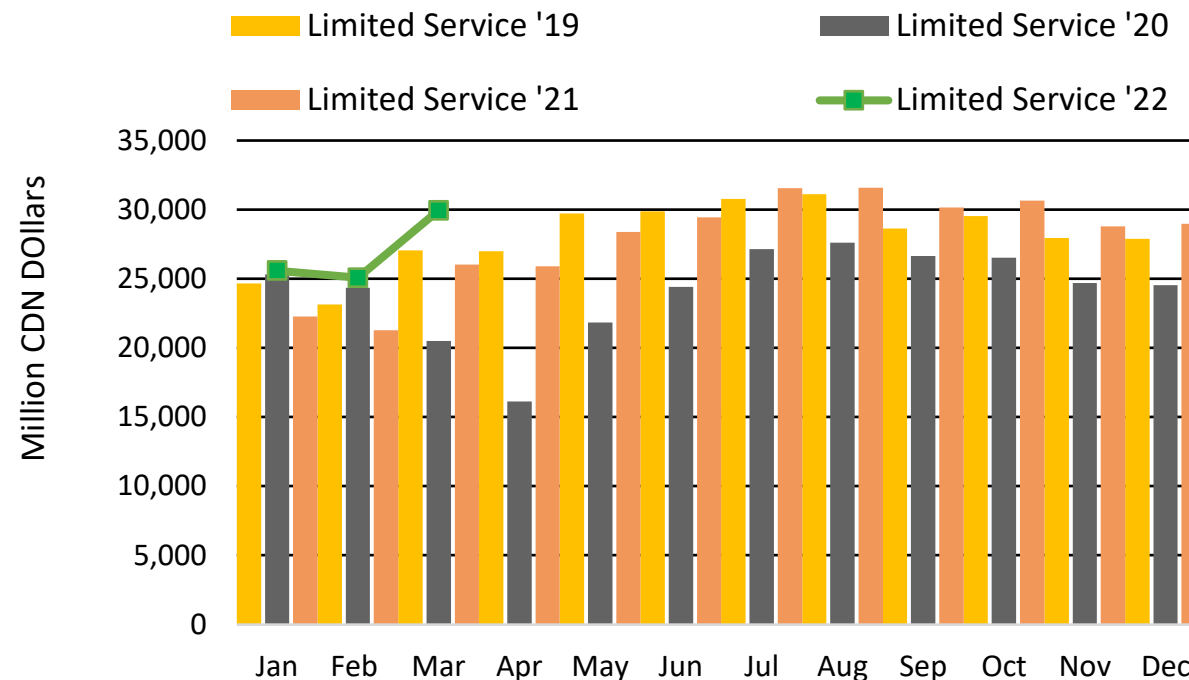
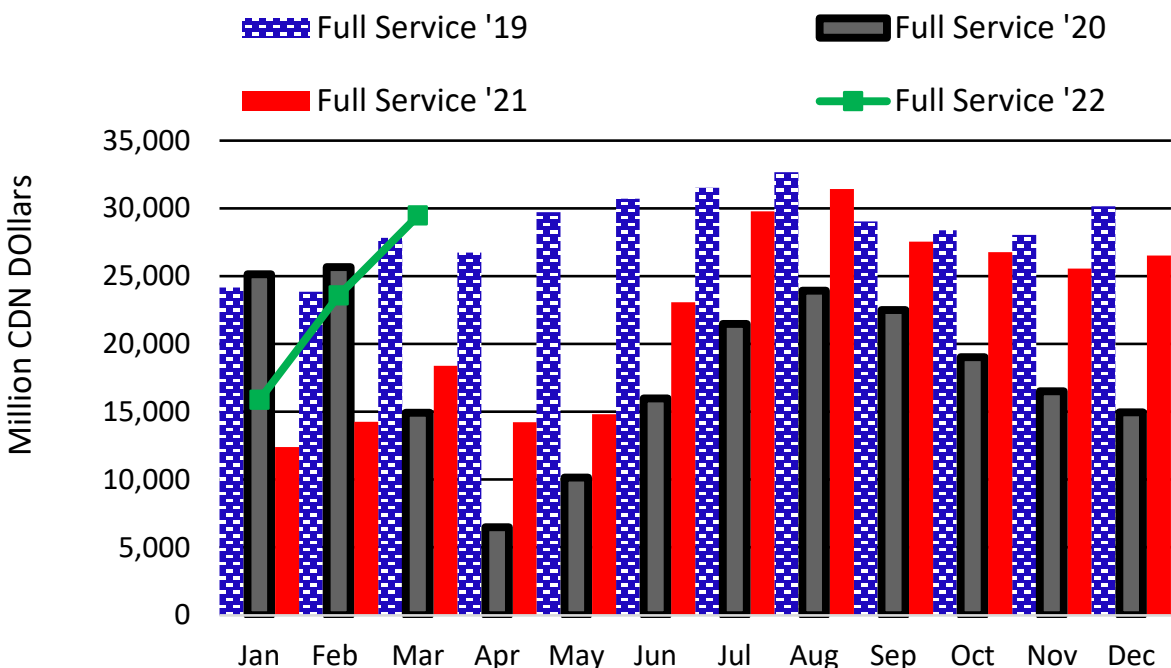
## Food Service Sector GDP Growth +17.3% Jan to Feb 2022 and +8.5% Feb to Mar

*Q1 2022 Full Service Sales +53% YoY*

*Q1 2022 Limited Service Sales +16% YoY*

**Canadian Full-service Sales**

**Canadian Limited-service Sales**



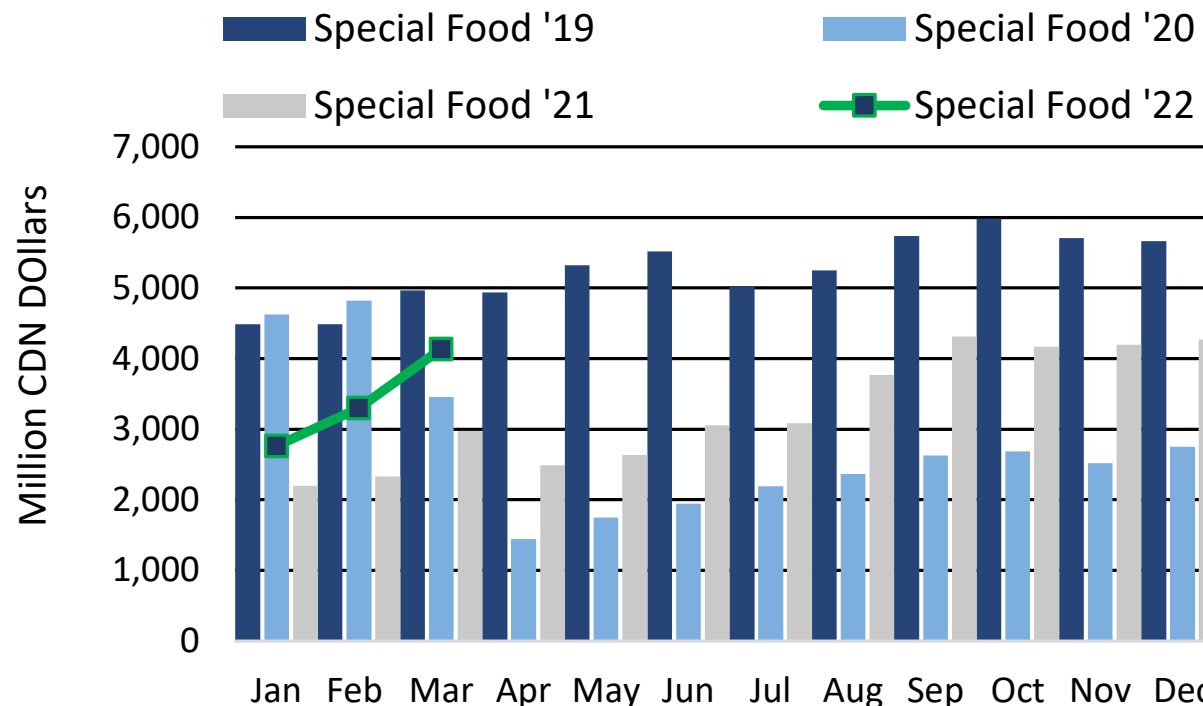


## Milestone for Special Service Sales Recovery

### Q1 2022 Sales Surpass \$1 billion

- On location catering, food trucks
- Q1 2022 Special Service Sales +36% YoY

### Canadian Special-service Sales



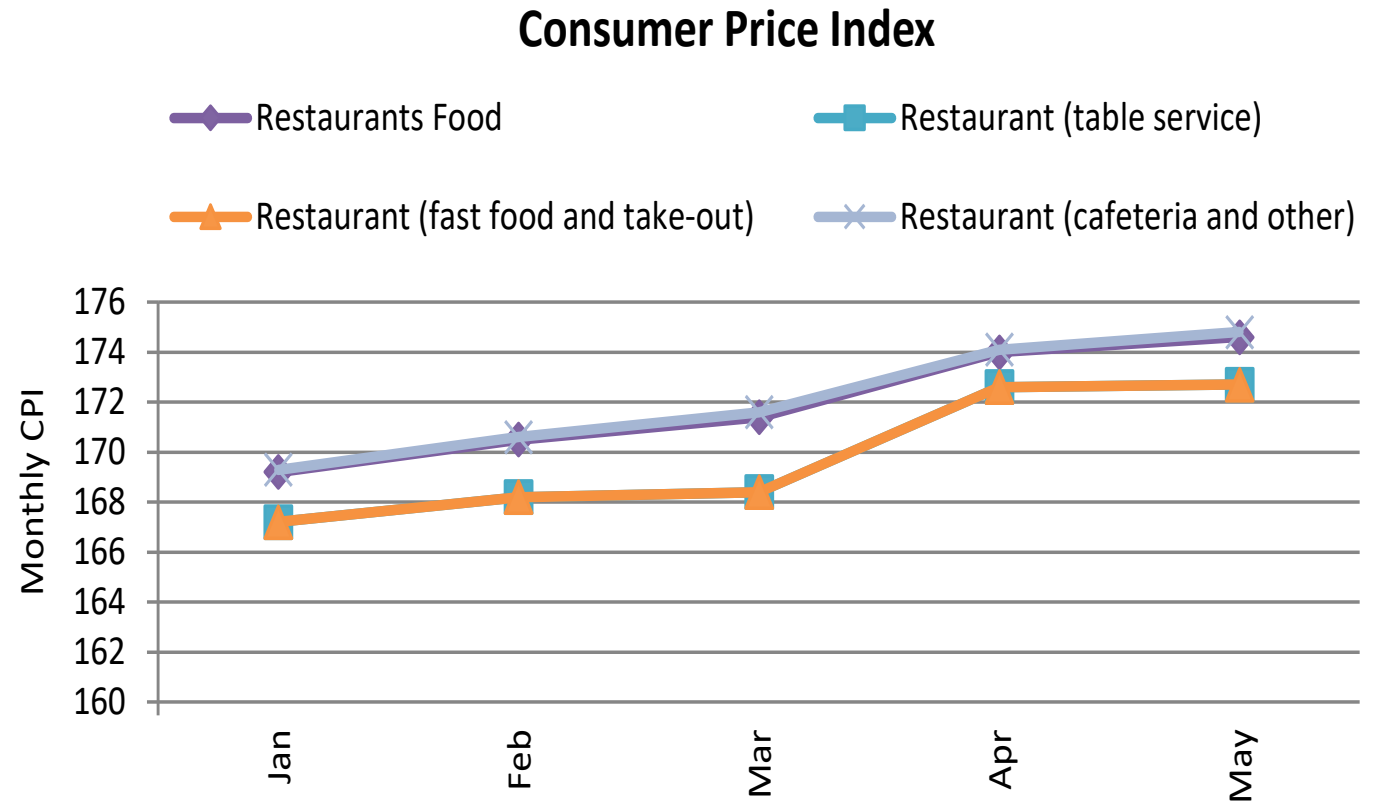
Source: Statistics Canada





## Restaurant Inflation +6.8% YoY in May 2022

- Compared to all-item inflation (+7.7% YoY in May 2022)
- Compared to retail food inflation (up 9.7% YoY in May 2022)
- Restaurant inflation up 0.3% April to May 2022



Source: Statistics Canada



## Food Service Trends –NDP groups and Ipsos Vantage 2022

- Traffic increases YoY Q1 2022
  - Full-service traffic up 47%
  - Limited-service traffic up 14%
  - **More people are sitting down when eating out compared to recent months**
- **But, when compared to pre-pandemic:**
  - Takeout has increased
  - Delivery has increased
  - Drive-thru has increased
  - Dining-in is lower

Digital orders up **126%** (delivery or pick-up) over 2 years (young and old)

**Consumers more likely to return to the platforms that are personalized and tailored**



## Food Service Trends Cont. – Ipsos Vantage 2022

- Increasing numbers of diners indicating there are no barriers to eating out
- Increasing number of diners indicating a preference for ‘to go’ or delivery
- Fewer diners concerned with crowds or infections
- Emotional needs – treats/cravings, tasty
- Optimistic diners are spending more

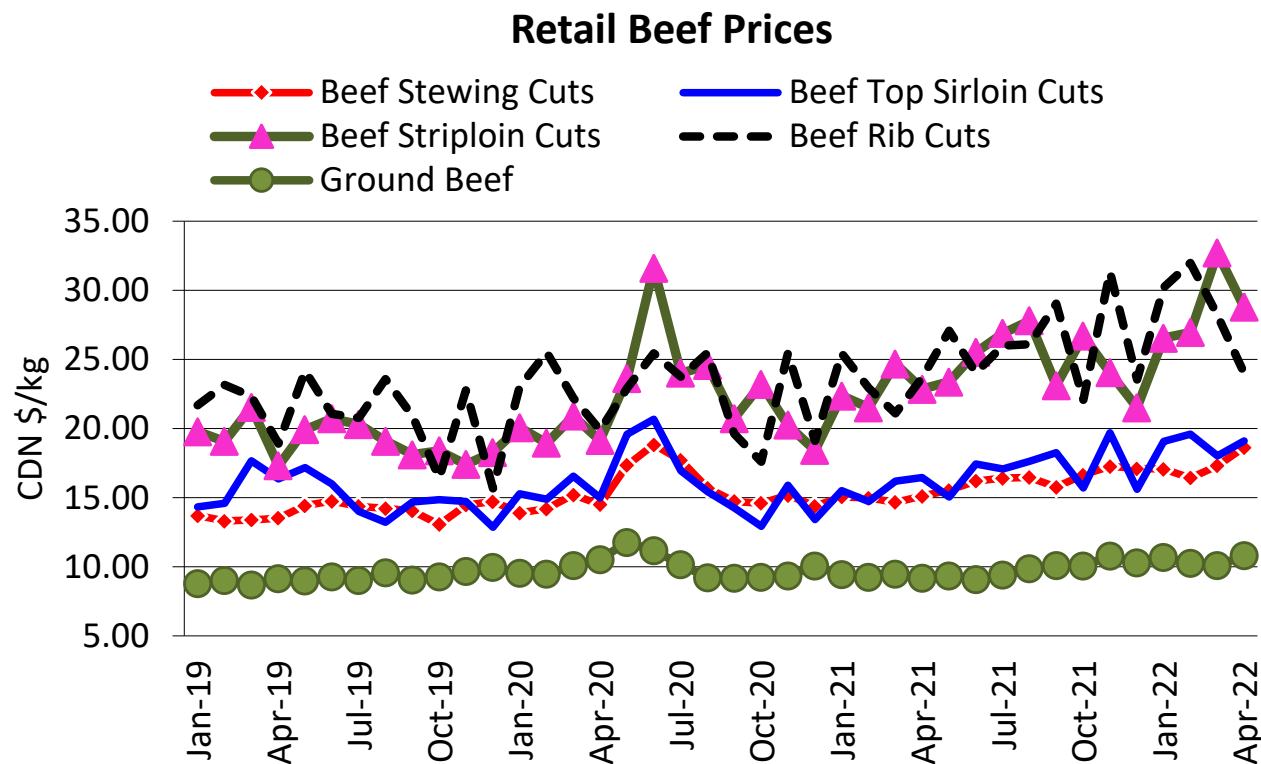
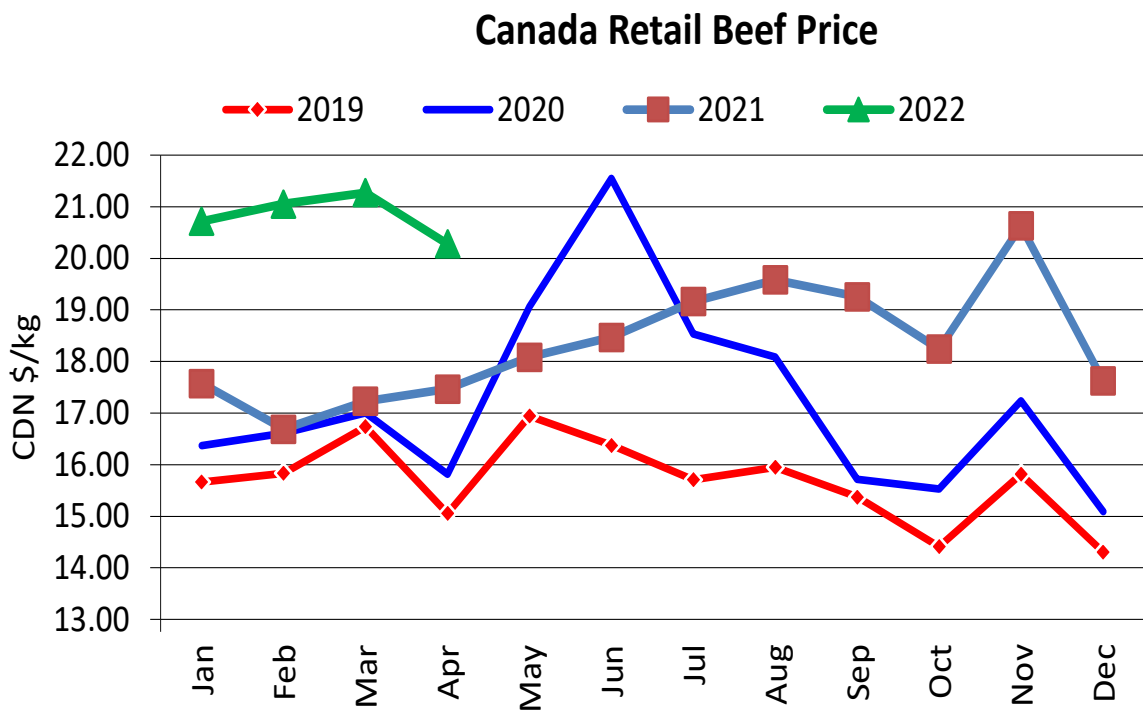




# Retail



## 2022 Retail beef price +16.1% YoY in April 2022 Down 4.7% from March to April



Source: Statistics Canada

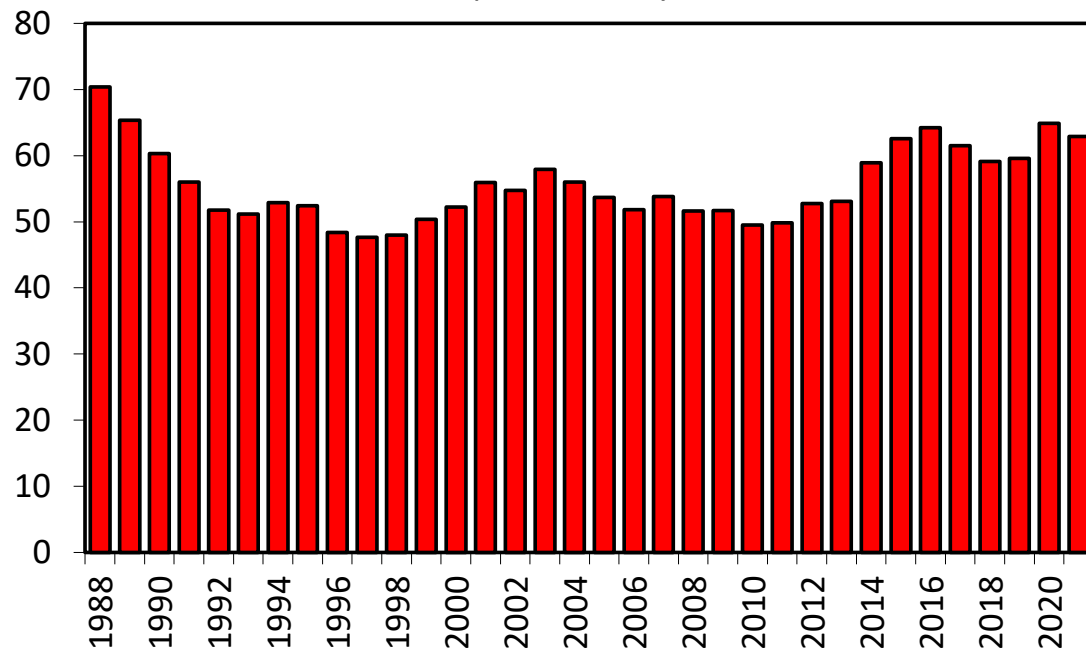
Source: Statistics Canada



## Retail beef demand -3% in 2021, still historically high

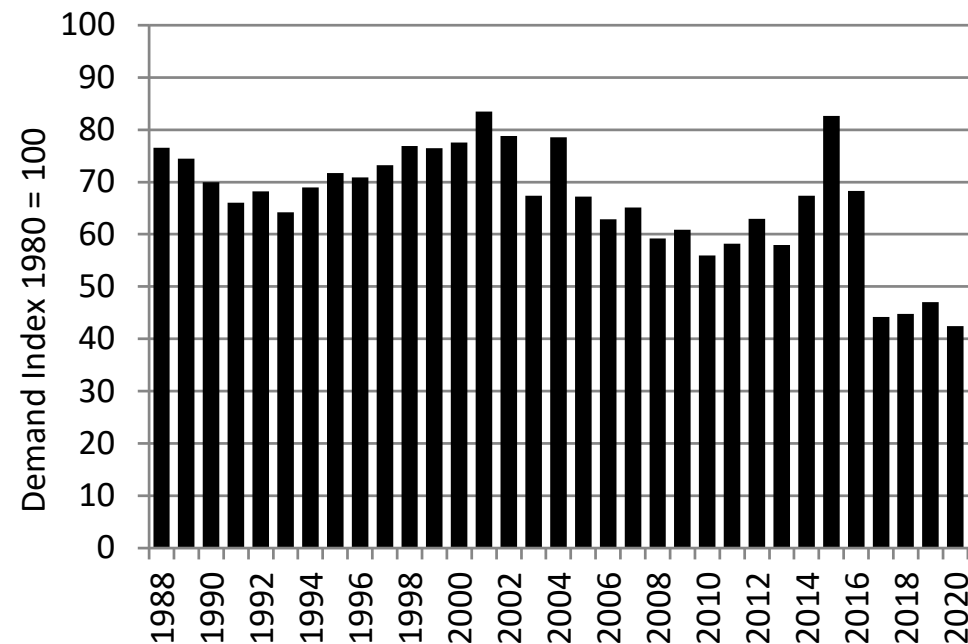
*Higher retail prices in 2022 (+5.6%) and lower consumption (-6.6%)*

**Canadian Retail Beef Demand Index**  
(1980=100)



Source: CanFax Research

**Canadian Pork Demand**



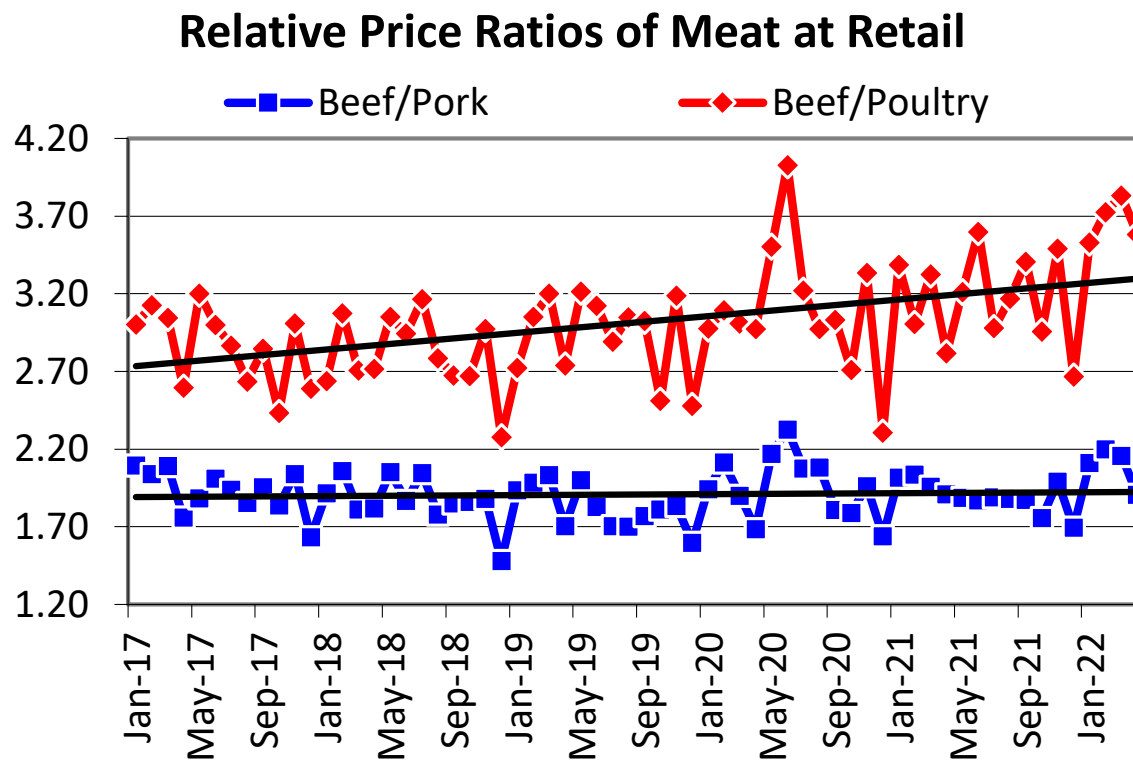
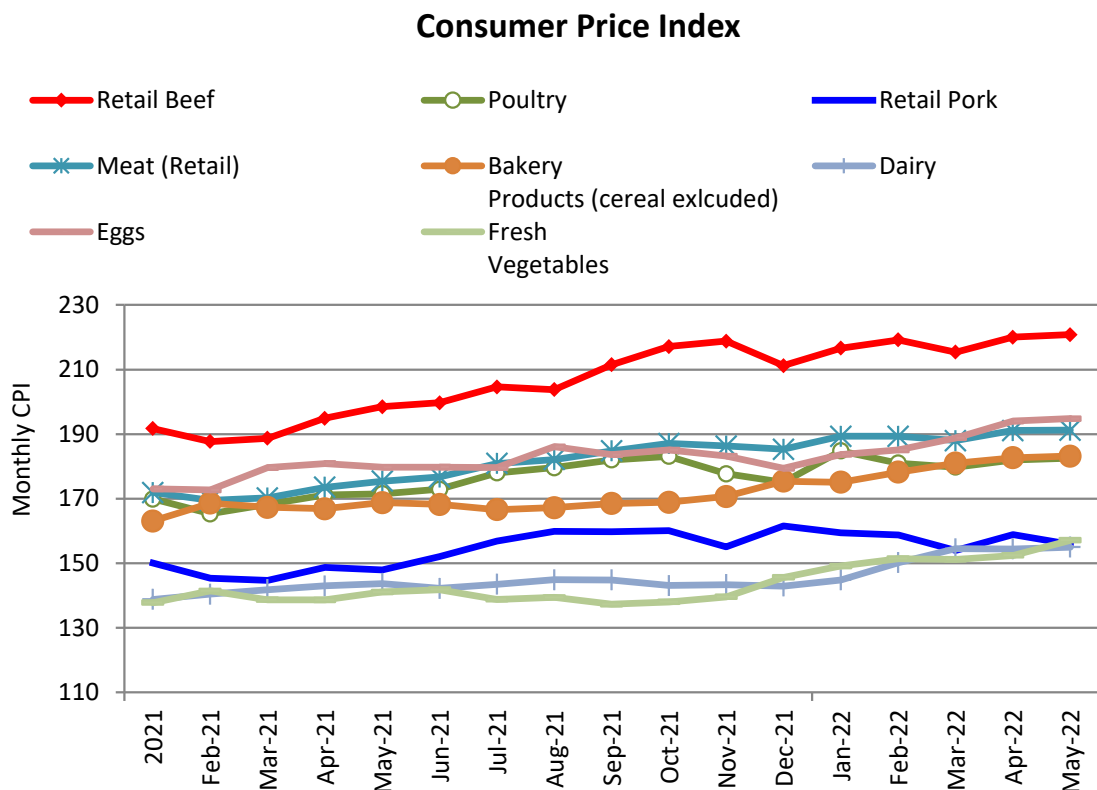
Source: Stats Can, Cranfield 2012





## Retail Beef CPI +0.4% from April to May 2022

*In April, retail price ratio of beef:pork = 1.90, beef:chicken = 3.58*

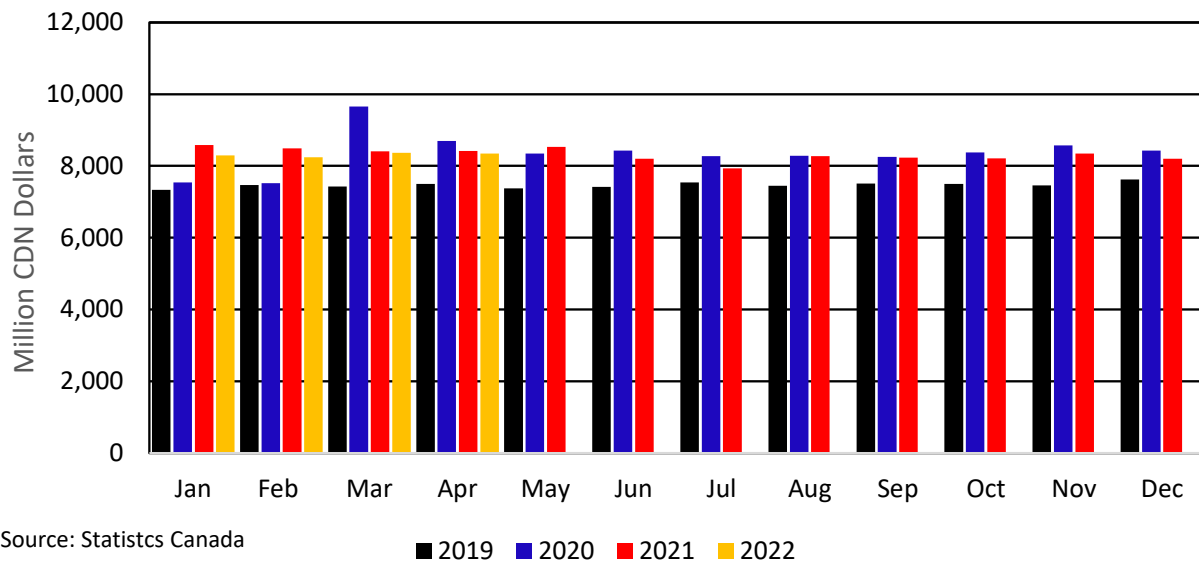




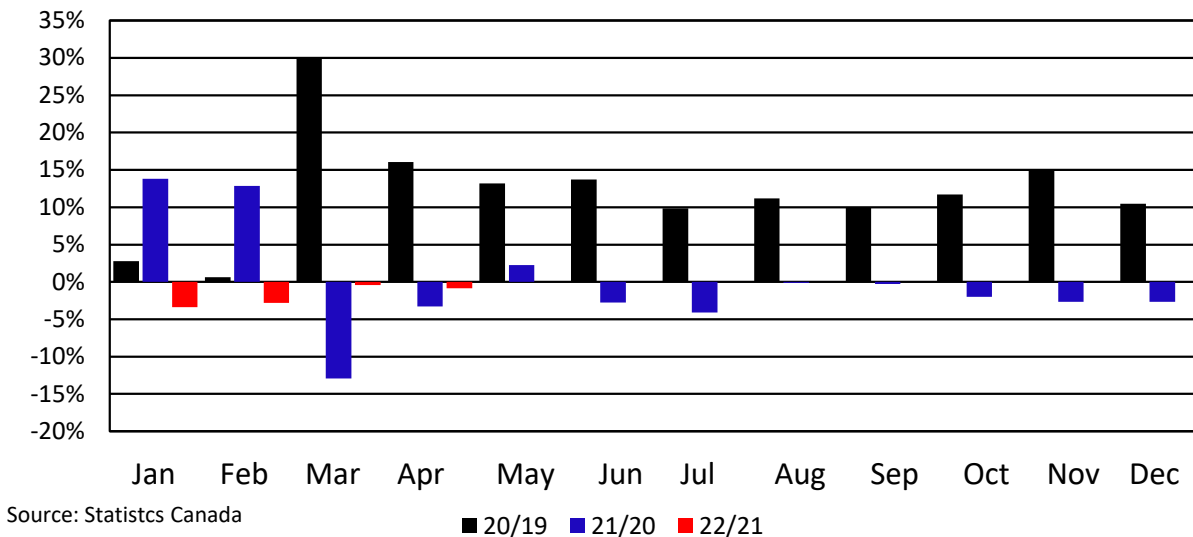
## Supermarket and grocery sales softer in 2022

*Q1 2022 YoY sales dollars -2.2%*

Monthly Canadian Supermarket and Grocery Sales



Monthly % Change in Canadian SuperMarket and Grocery Sales





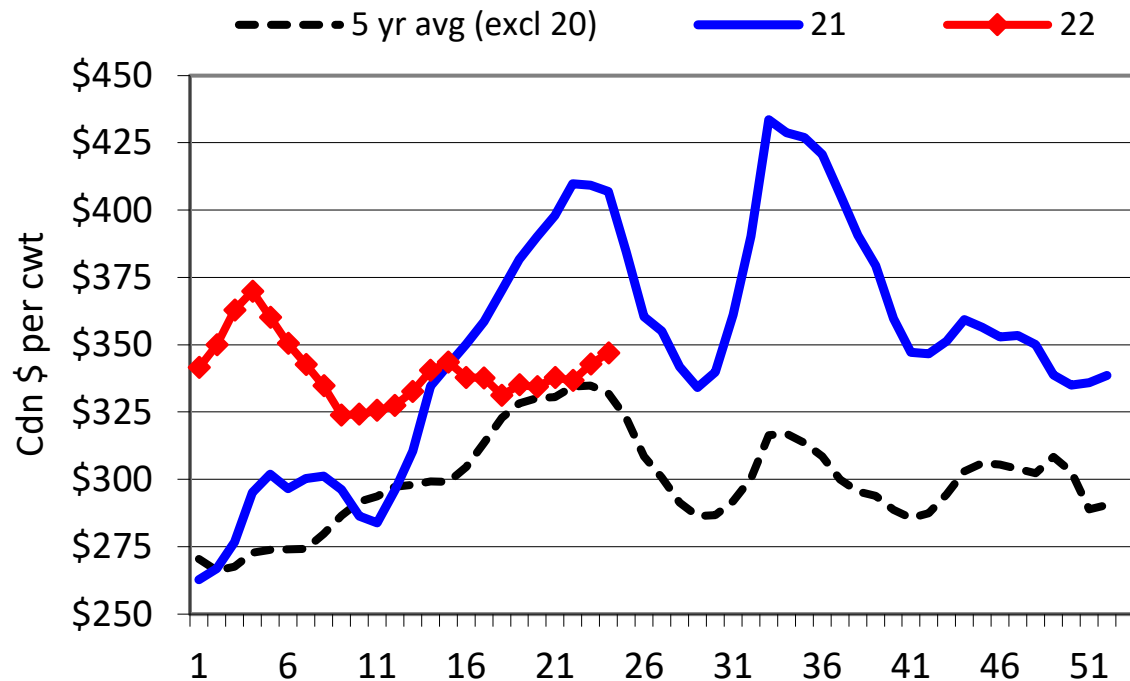
# Wholesale





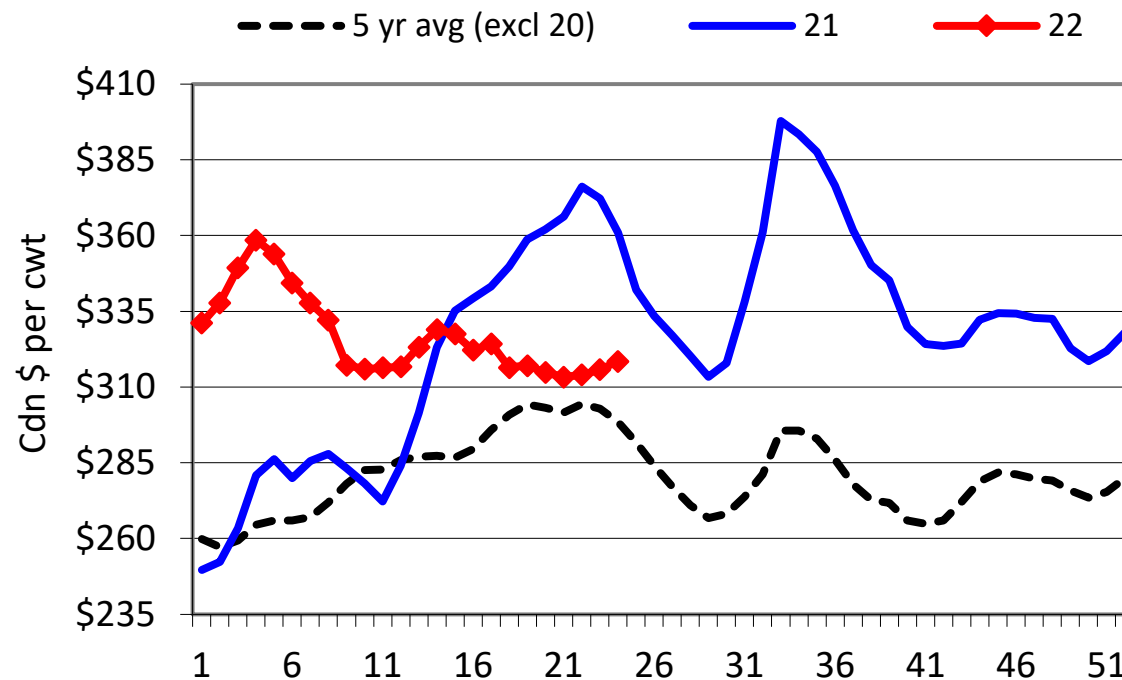
## Wholesale cutout prices, below LY but above the 5-yr avg May 2022 YoY Choice -13% and Select -11%

### US Weekly Choice Cutout Values in CDN\$



Source: AAFC, Canfax, USDA

### US Weekly Select Cutout Values



Source: AAFC, Canfax, USDA

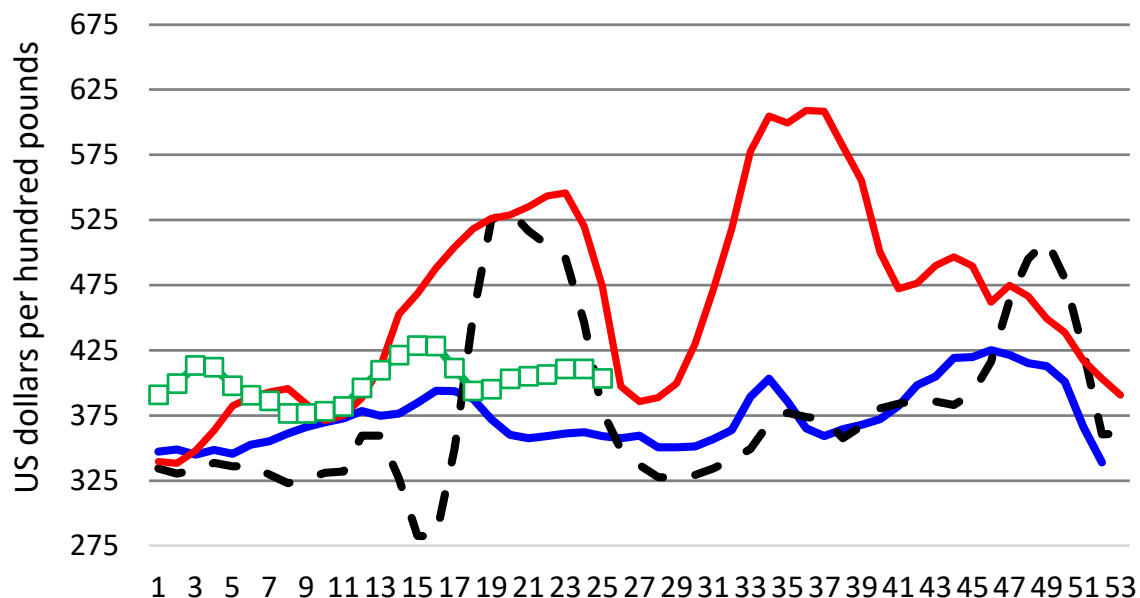


## Choice rib prices soften

*May 2022 YoY Choice -24% and Select -20%*

US Weekly Choice Rib Values

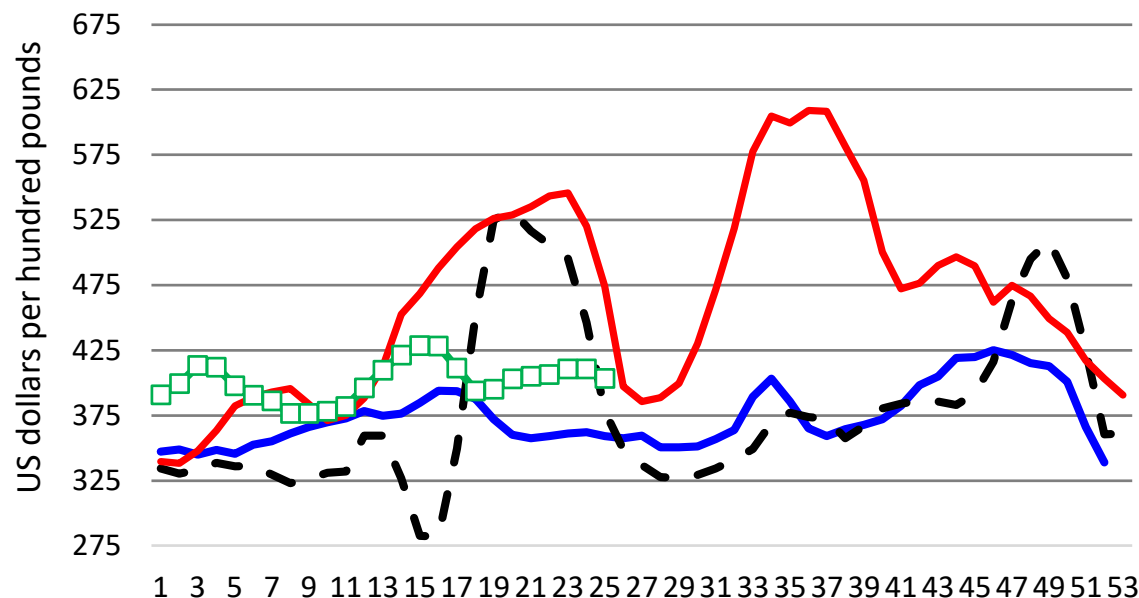
— 2019    - - 2020    — 2021    —□— 2022



Source: USDA

US Weekly Choice Rib Values

— 2019    - - 2020    — 2021    —□— 2022

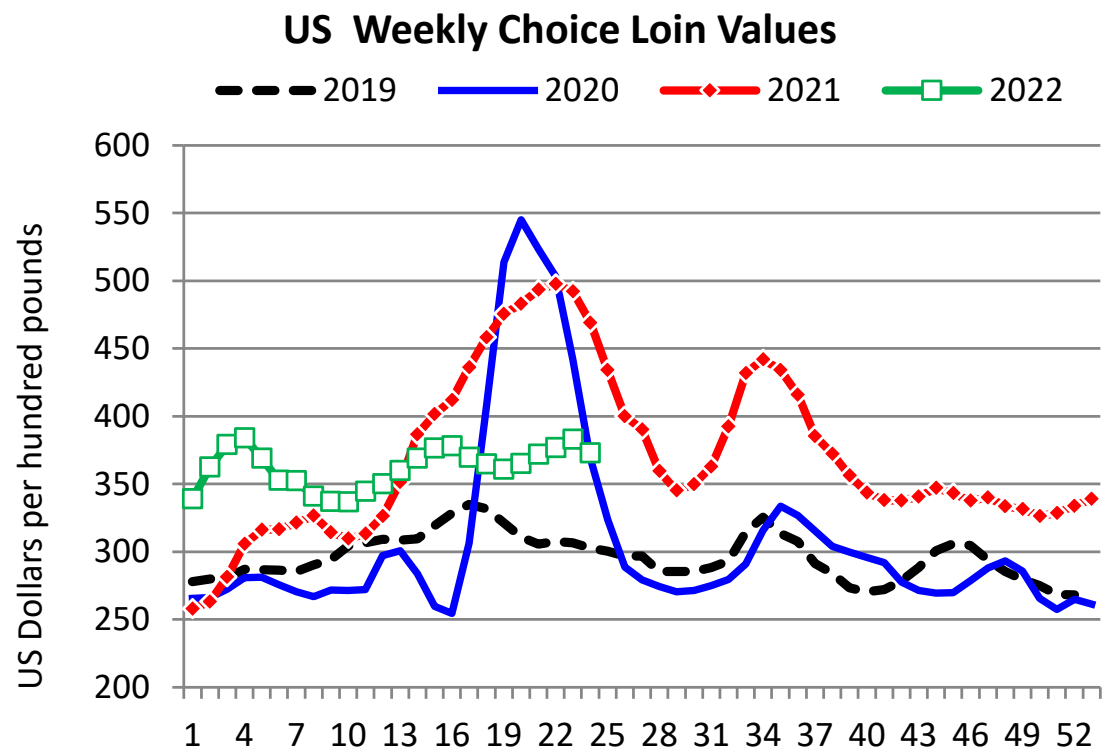


Source: USDA

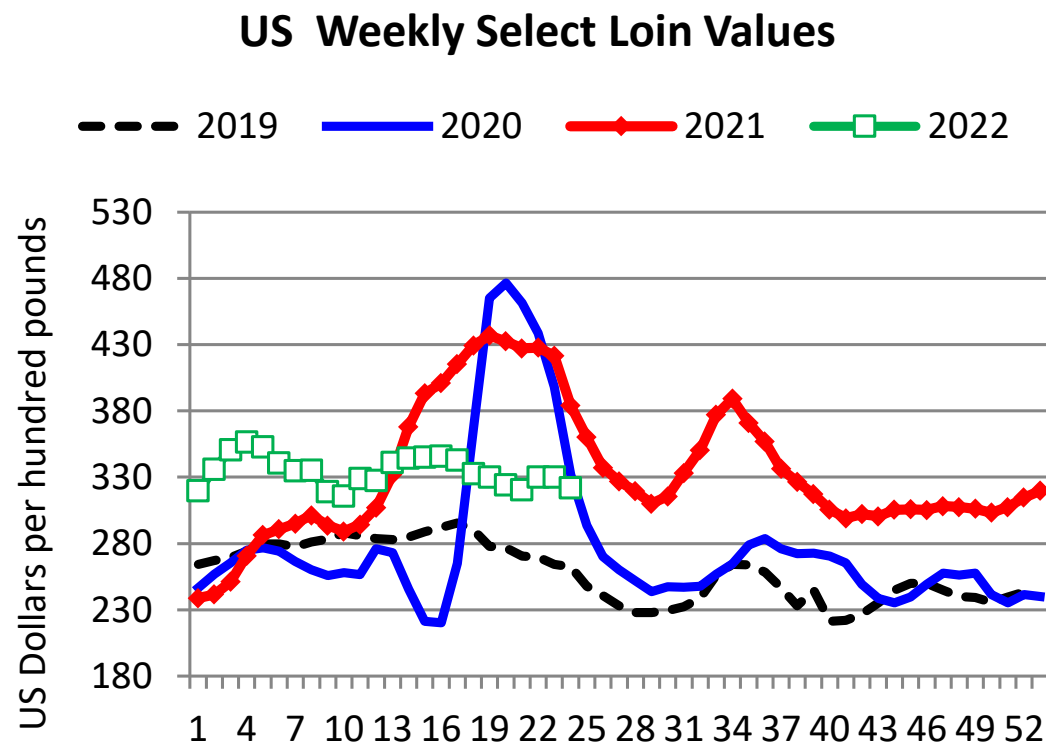


## Loin prices soften compared to year ago rally

*May 2022 YoY Choice -23% and Select -24%*



Source: USDA



Source: USDA

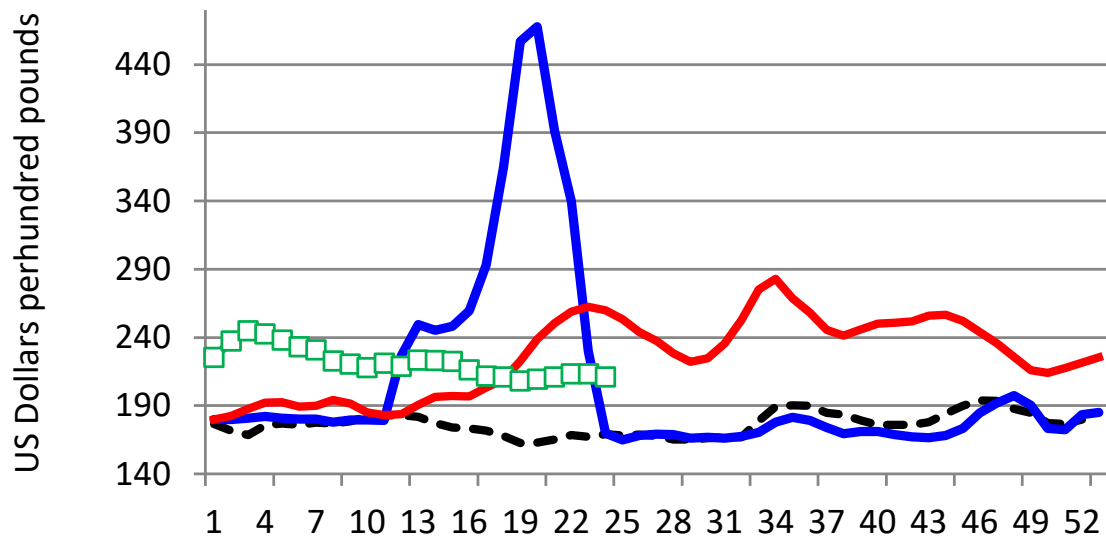




## Round price steady but softer compared to year ago *May 2022 YoY Choice -9% and Select -10%*

### US Weekly Choice Round Values

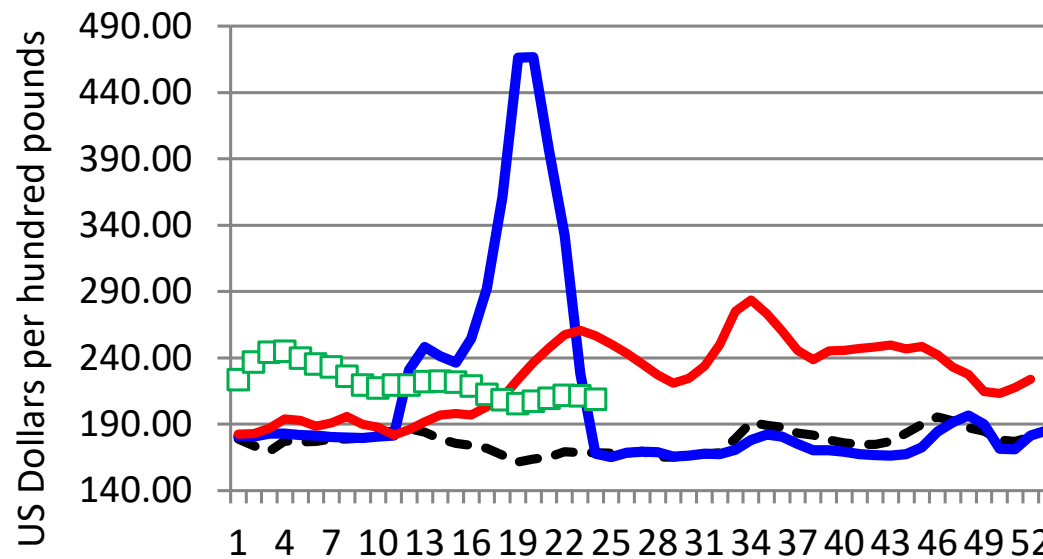
--- 2019    — 2020    — 2021    —□— 2022



Source: USDA

### US Weekly Select Round Values

--- 2019    — 2020    — 2021    —□— 2022



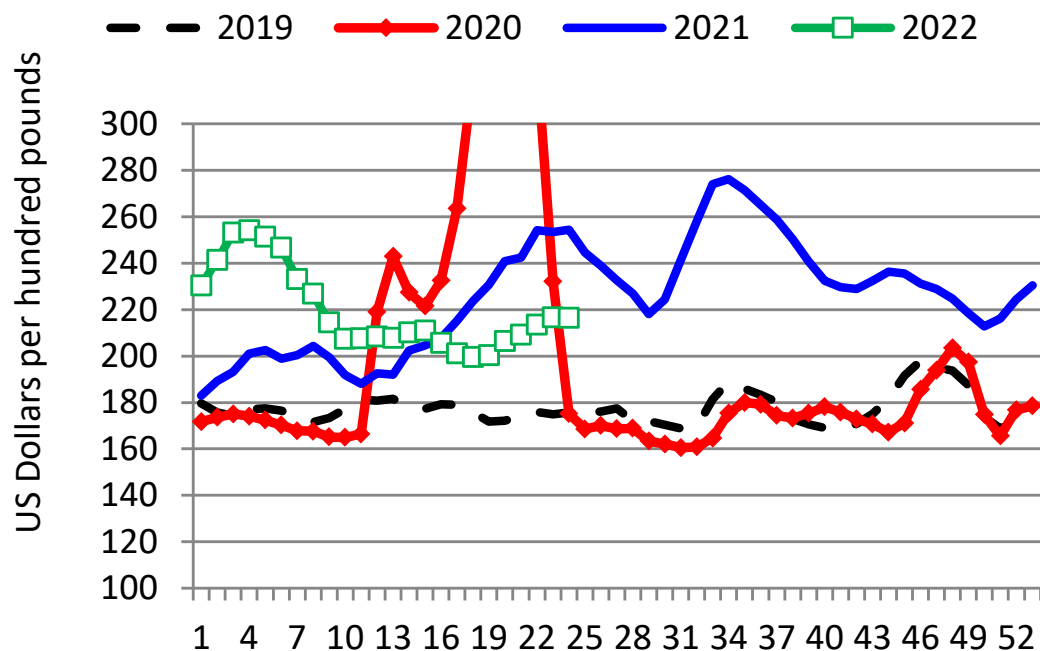
Source: USDA



## Chuck price strength

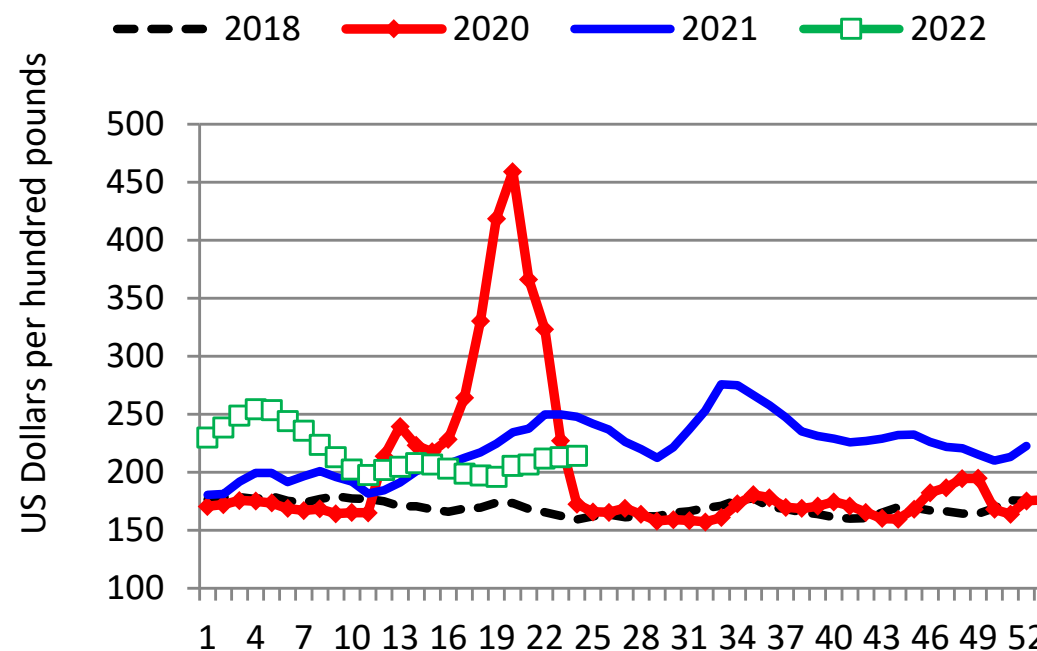
*May 2022 YoY Choice -13% and Select -12%*

US Weekly Choice Chuck Values



Source: USDA

US Weekly Select Chuck Values



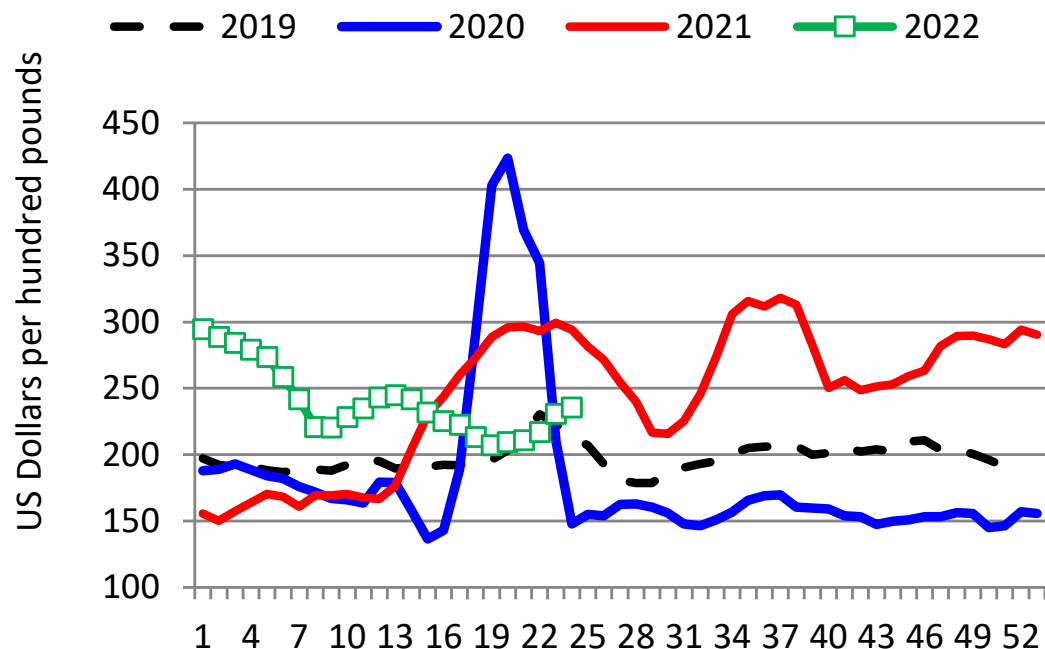
Source: USDA



## Brisket values find 2019 baseline

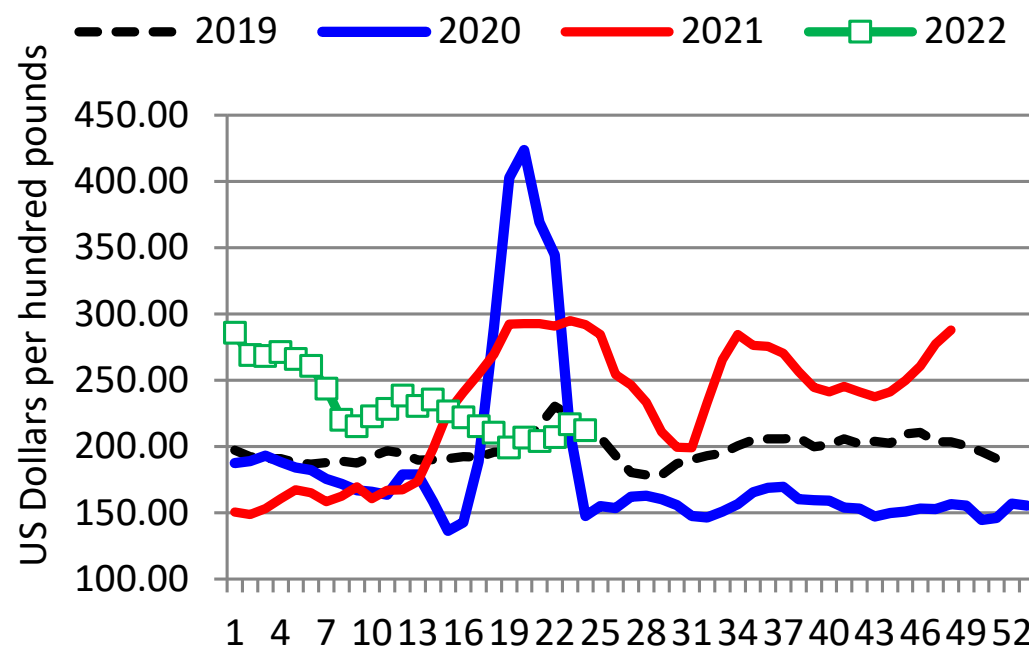
*May 2022 YoY Choice -29% and Select -30%*

### US Weekly Choice Brisket Values



Source: USDA

### US Weekly Select Brisket Values



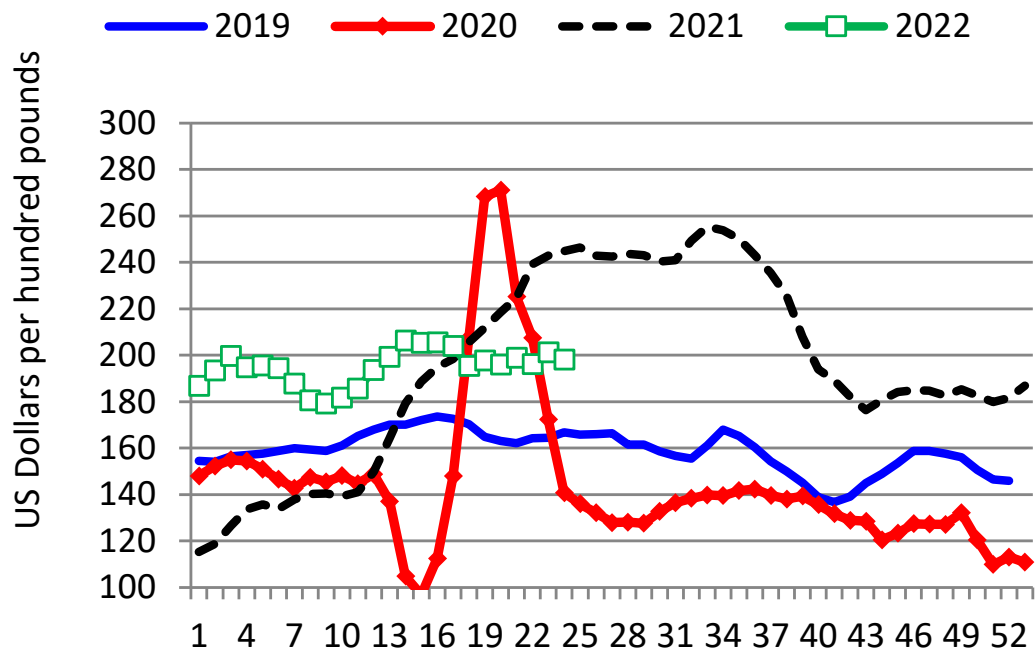
Source: USDA





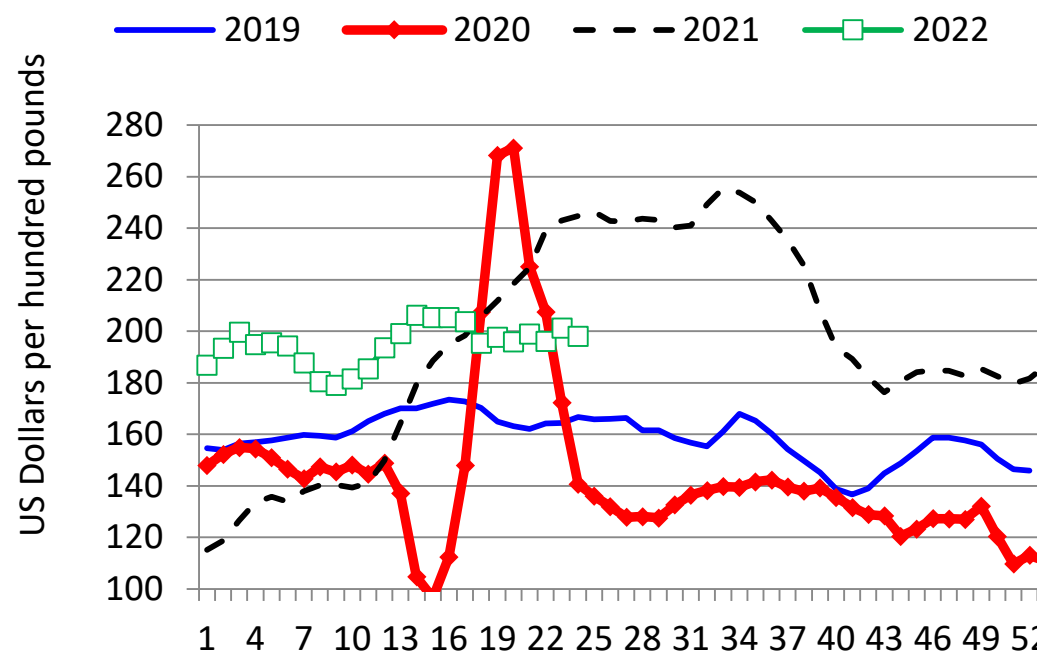
## Short plate below 2021 but higher than previous years May 2022 YoY Choice and Select both -8.4%

### US Weekly Choice Short Plate Values



Source: USDA

### US Weekly Select Short Plate Values



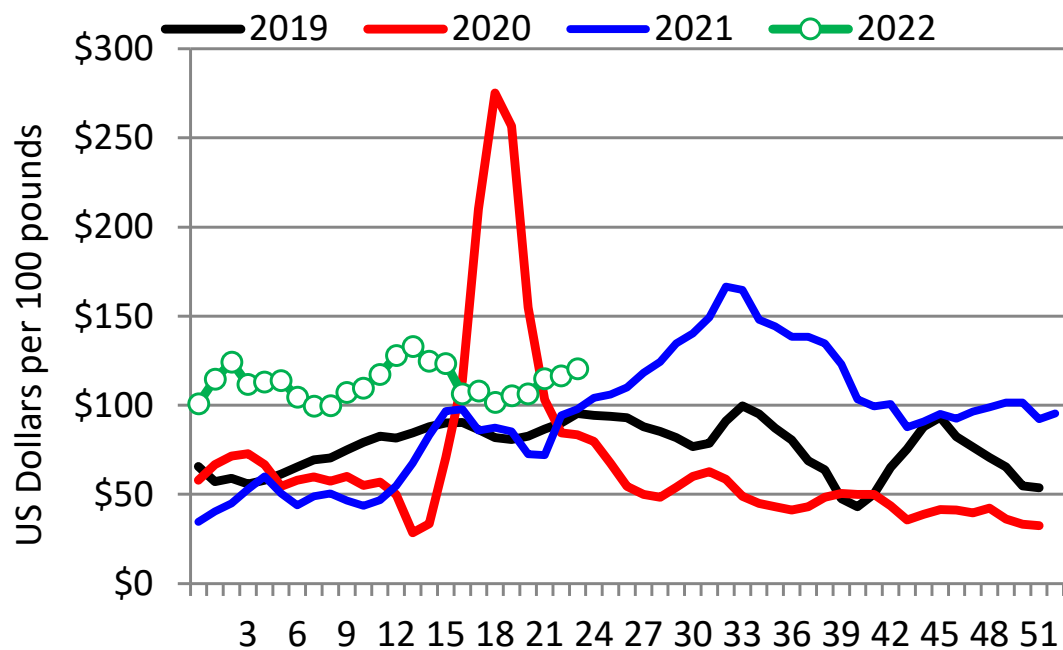
Source: USDA



## US trim prices strong

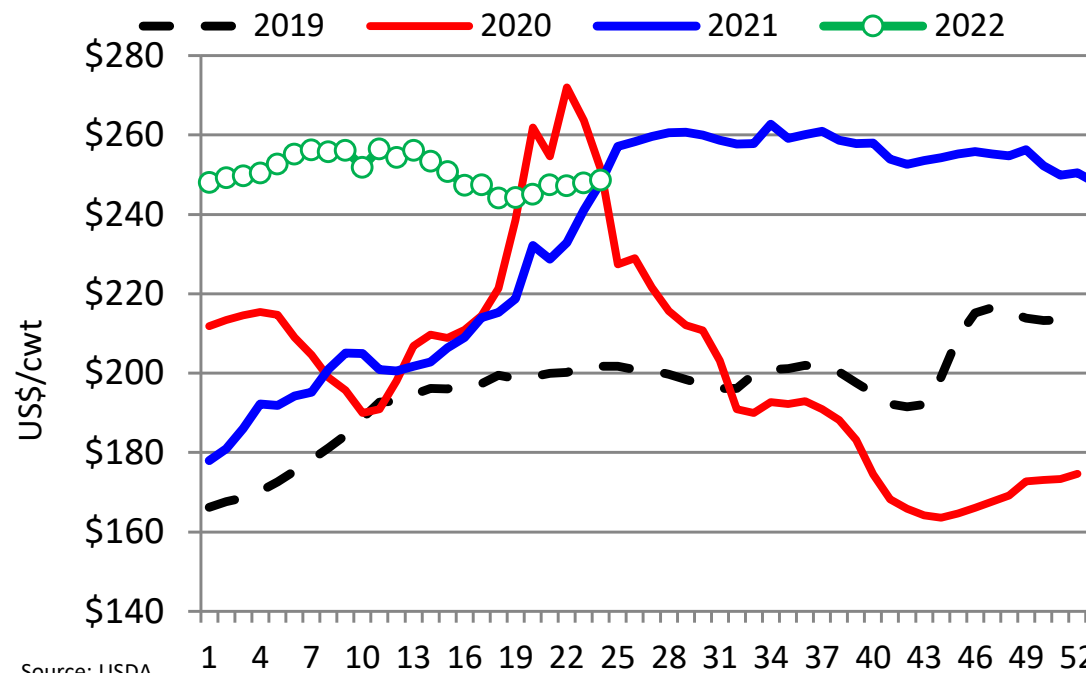
May 2022 YoY 50% trim +33% and 85% trim +7.5%

### US Weekly 50% Trim Values



Source: USDA

### US Weekly 85% Trim Values



Source: USDA



## Outlook Q2 2022

### Bearish

- Growing product inventory
- Tighter energy supply
- Tighter cattle supply around the corner
- Production capacity
- Higher interest rates
- U.S. and China staring down recession
- Lower domestic tourism spending
- Inflation and input costs

### Bullish

- Increasing international travellers
- Higher food service sales
- Higher traffic at food service
- Full employment
- Positive savings
- Positive consumption
- Business investment







Thank-you

