

REPORT FROM CANADA BEEF

Executive Summary

The Canadian economy appeared largely resilient in the face of trade uncertainty in 2025. Unemployment is at its lowest point in over a year, and inflation continues to be within its targeted range. Additional interest rate cuts, at this point, appear unlikely through 2027. Retail beef demand is at its highest point since the late 1980's, as industry has responded to consumers' preferences for a consistently high-quality eating experience. Retail beef prices have stabilized, allowing consumers to get acclimated with current price points. Consumers budgets are expected to remain stretched in 2026 with average household grocery costs estimated to increase \$1,000. Quality grading is on track to surpass its previous high, providing a larger proportion of youthful beef to the marketplace as either AAA or Prime graded beef. However, the reduction in youthful slaughter will reduce total volumes of AAA and Prime beef. Large imports of unclear quality grade have the potential to impact consumer demand; if the eating experience does not match what they are accustomed to.

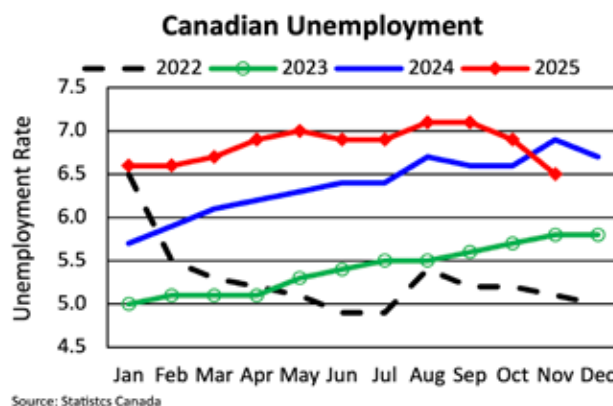
Economic Outlook

The Canadian economy, for the most part, has weathered the storms of the past year remarkably well. The inflation rate has settled over the past three months, just above the target midpoint of 2%. In November, headline inflation was 2.2%, steady with October. Core inflation, the Bank of Canada's preferred gauge of inflation, has proven to be a little stickier, climbing to 2.8% in November.

The Canadian unemployment rate in November was 6.5% and dropped to its lowest point since July 2024. Despite tariffs on the steel, aluminum, and lumber sectors, among others, unemployment has proven to be moved in the right direction; declining for two consecutive months since peaking at 7.1% in August and September.

Positive macroeconomic data moving within a largely resilient economy allowed the Bank of Canada to move into a holding pattern. For 2025, Canada's prime interest rate is set to end the year at 4.45%, down 100 basis points (one percent-

age point) from December 2024. As of mid-December, some of Canada's big six banks are forecasting the Bank of Canada to hold its overnight rate (the rate at which banks lend to one another and from which the prime rate is set) to be flat in 2026.^{1,2} There are some diverging opinions looking into 2027, with rates forecast to be steady to slightly higher. Additional interest rate cuts appear unlikely at this point.



Real GDP grew 0.6% in the third quarter after declining 0.5% in the second quarter.³ Statistics Canada noted that an 8.6% decline in imports and a slight 0.7% increase in exports shifted our trade balance. Annualized GDP grew 2.6% in the third quarter of 2025, blowing expectations out of the water.⁴

In its Canadian Survey of Consumer Expectations, the Bank of Canada found that tensions with the U.S. continue to impact their spending plans.⁵ Survey respondents perceived financial health has improved, but remains below levels observed prior to the beginning of the trade conflict with the U.S., and below the historical average. Respondents noted that they feel less likely to miss a scheduled payment (mortgage, credit card, etc.). Interestingly, only 6% of survey respondents indicated that the most serious impacts to the Canadian economy were avoided, 27% indicated that the most serious impacts have already occurred and 67% think the worst is yet to come.

Also noted in this report, Canadian consumers continued to prioritize Canadian-made goods and holidays/vacations in Canada. Similar to the second quarter report, the majority of Canadians have a threshold – this is, they're willing to pay up

to 10% more for Canadian goods after which price outranks patriotism.

The Canadian-U.S.-Mexico (CUSMA) agreement is up for review in 2026. Several organizations in both Canada and the U.S. have publicly indicated support for CUSMA in its current form.

Retail Sector

Retail beef demand for 2025 is estimated at 133 (2000=100), up from a low of 91 in 1997 and is anticipated to be the strongest since the late 1980's. Industry has responded to consumer preferences for a consistently high-quality eating experience. Year-to-date, AAA and Prime grading made up 78.5% of all youthful carcasses. Quality grading has climbed around two percentage points per year since 2019.

Retail beef prices averaged \$25.15/kg in October, up 16% from last year and 35% above the five-year average. Retail prices typically soften 10% from September to October, however, this year it was a modest 3%. October was the fourth consecutive month above \$25/kg, with prices moving generally sideways since March 2025. Retail prices have been largely stable for the past four months as consumers adjust to current price points.

Cuts	Retail Price October 2025 (CDN)	Change from September 2025	Change from October 2024	Change from the Five-year Average for October
Beef rib	\$28.39/kg	-15.7%	+6.9%	+28.3%
Beef striploin	\$31.66/kg	+4.9%	+25.4%	+27.5%
Beef top sirloin	\$28.57/kg	+3.7%	+17.0%	+60.2%
Beef stewing cuts	\$21.32/kg	-8.4%	+14.3%	+24.0%
Ground beef	\$15.83/kg	+6.6%	+17.6%	+44.4%
Total Retail Beef	\$25.15/kg	-2.9%	+16.1%	+35.3%

Source: Statistics Canada

Retail prices were up across the board, with the largest year-over-year increase noted on striploin cuts (+25%). Ground beef and stewing beef, traditionally assumed to be at the bottom end of the quality scale were up 18% and 14% respectively.

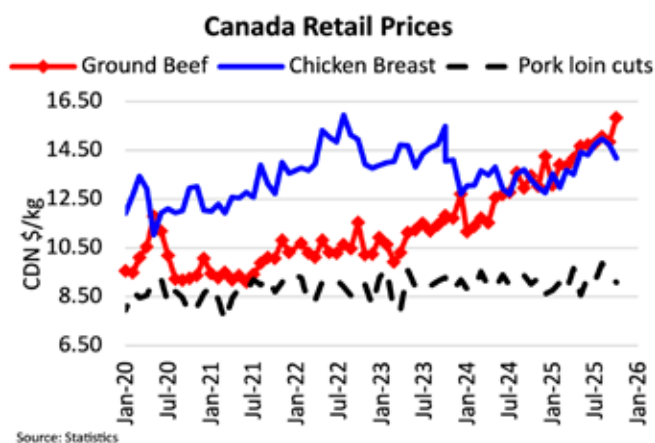
Retail pork prices averaged \$10.61/kg in October, up 13% from last year and 11% above the five-year average for October. Retail prices were driven higher by a 21% increase in shoulder cuts while loin cuts were up a modest 1% from last year.

Retail chicken prices averaged \$10.34/kg in October, up 8% from last year and up 11% from the five-year average. Whole chickens increased 25% year-over-year in October with a moderate 2% increase in thighs.

Retail price spreads widened year-over-year in October, stretched by a larger increase in beef prices compared to pork and chicken. In October, the beef-to-pork price ratio was

2.37:1 with the beef-to-chicken ratio at 2.43:1.

Ground beef and chicken breast prices moved largely in tandem between mid-July 2024 and September 2025 but diverged in October. Chicken breast (the top end of the chicken quality scale) was at a 10% or \$1.66/kg discount to ground beef, it's largest discount on record for any month going back to January 2017.



On average, in October 3.24 pounds of ground beef could be purchased for every hour worked, a modest improvement over the previous three months (July-September) when 3.09 pounds of beef could be purchased per hour worker. However, consumers saw a deterioration compared to October 2024, when 3.63 pounds could be purchased per hour worked. Wage inflation, near 4% year-over-year failed to keep up with higher beef prices.

The 2026 edition of Canada's Food Price Report estimates that a stereotypical family of four will see grocery costs in 2026 increase by approximately \$1,000 from 2025.⁶ Meat costs are projected to lead the way with a 5-7% increase while the fruit category is projected to be up 1-3%. The authors of the article noted that higher living costs are preventing households from maximizing their spending at the grocery store. Around 25% of consumers indicated that they would eat healthier if they had a larger food budget. The authors noted that healthy eating is subject to both behavioural and economic barriers.

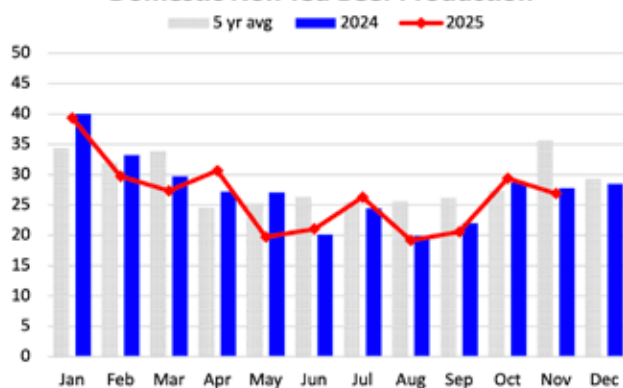
Consumer shopping behaviour is continually evolving and grocers look to adapt. Discount grocery banners (Food Basics, No Frills) are expanding across the country, offering consumers a pared down approach to grocery shopping, with less selection but more affordable prices.⁷

Wholesale Sector

Total slaughter volumes since mid-September are 8% below last year and down 13% from the five-year average. Weekly slaughter volumes have been below a year ago for 11 of the last 12 weeks. Total domestic production over the same period is down 6% from last year and down 9% from the five-year average.

Youthful slaughter for steaks and roasts is down 8% from last year and down 12% from the five-year average. Steer carcass weights, on average, are 27 pounds heavier than the same 12 weeks last year while heifer carcass weights are 19 pounds heavier. Both steer and heifer carcass weights have been record heavy since the first week of November. However, heavier youthful carcasses have been unable to fully offset reduced slaughter volumes. Over the past 12 weeks, youthful beef production is down 6% from last year and down 9% from the five-year average.

Domestic Non-fed Beef Production



Mature slaughter for ground beef over the past 12 weeks is down 6% from last year and down 20% from the five-year average. Slaughter volumes are the smallest since 2015, which may suggest some cows were kept out of production lines as the Canadian beef cow herd looks toward its next rebuild phase. Cow carcass weights are 30 pounds heavier than last year and 66 pounds heavier than the five-year average. This has supported mature beef production, which is only down 4% from last year and down 7% from the five-year average.

Cutout Values

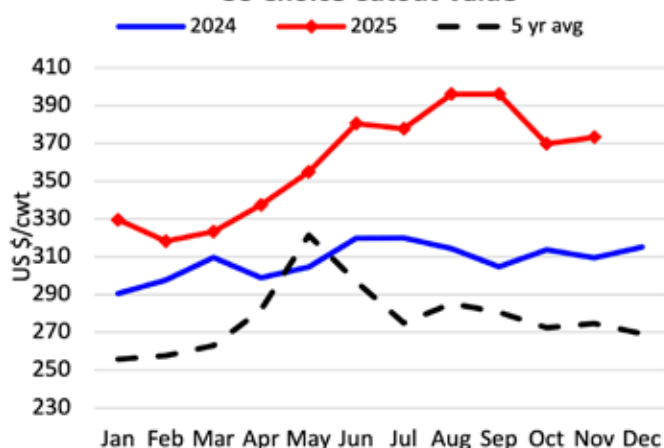
Choice cutouts shot above their traditional summer highs, peaking in August and September on the back of higher fed cattle prices and a live cattle futures that appeared to be

trading news headlines. News headlines also helped drive the cutout lower through October and November on the heels of the removal of reciprocal tariffs as well as the removal of the 40% tariff on Brazil. By November, the Choice cutout averaged \$373/cwt and was back near July levels.

In October and November, the Choice cutout was 19% stronger than a year ago, but underperformed compared to Select, which was 25% stronger.

The rib primal tends to support the Choice cutout in the fourth quarter. However, Choice rib has consistently found a ceiling price near \$650/cwt in the second half of the year. A level that was first that was first tested in December 2024. At the same time, Select rib has been pushing higher through the second half of the year, re-establishing new all-time highs several times since taking out their previous high set in May. A largely steady Choice primal and a stronger Select rib primal narrowed the Choice-to-Select spread to \$17/cwt, around \$10/cwt narrower than 2023 and 2024.

US Choice Cutout Value



Year-to-date, carcasses grading AAA or Prime make up 78.5% of all youthful carcasses. This has increased on average 2% per year since 2019. Quality grading in 2025 is on track to set new highs and is currently just shy of 80%. In the east, quality grading is around 73.5% but has been slipping over the past couple of years since putting in a high in 2023 at 76.4%. However, the reduction in youthful slaughter will reduce total volumes of AAA and Prime beef.



Food Service Sector

Total restaurant dollar sales (not seasonally adjusted) in the third quarter of 2025 were up 6.2% from last year. All restaurant sub-sectors saw solid increases in receipts, with the exception of drinking places (-1.6%). Full-service (dine-in) restaurants saw a solid 7% increase year-over-year, with limited-service (fast food) up 5.7%, and special food (catering) up 8%. According to Restaurants Canada REACT survey, Canadians continued to adjust to cost of living challenges while at the same time actively making time for shared dining experiences.⁸ Similar to our neighbours to the South, restaurateurs need to offer a value-driven experience that resonates positively in this challenging environment.

November 2025 consumer price data released by Statistics Canada estimated restaurant food inflation at 3.3%. Fast food and take-out inflation (+5%) outpaced table-service inflation (+2.6%). The 2026 Food Price Report estimates restaurant food inflation to increase 4-6% from 2025.

Imports and Distribution

Global beef supplies are expected to decline among all major exporters, supporting global beef prices in 2026 and 2027.

Beef import volumes through the first nine months of 2025 were up 23% from the same period last year with the value up 28%. Imports were higher from Australia (+71%), New Zealand (+48%), the U.K. (+20%), Brazil (+18%), Mexico (+5%), the EU (+4%), and Argentina (+221%), and were down from the U.S. (-7%) and Uruguay (-27%). Large imports of unclear quality grade have the potential to impact demand; if the eating experience doesn't match what consumers are accustomed to.

Recent changing to immigration policy resulted in a decrease in the Canadian population in the third quarter of 2025 and was the largest drop on record.⁹ The only other time that Canada's population declined was in the fourth quarter of 2020. Assuming stable supplies, a smaller population should increase per capita beef availability and may soften retail prices, providing consumers some relief.

Sources of Information:

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<https://economics.td.com/ca-forecast-tables>

³Gross domestic product, income and expenditure, third quarter 2025. Statistics Canada.

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⁴Trading Economics. Canada GDP Growth Annualized.

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⁵Canadian Survey of Consumer Expectations—Third Quarter of 2025. Bank of Canada.

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⁶Agri-Food Analytics Lab. Canada's Food Price Report 2026.

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⁸Household Budgets Continue to Shape Canadians' Dining Habits. Restaurants Canada.

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