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Report Highlights:

The Canadian cattle herd will continue to contract in 2021. Cattle exports are forecast to decline while beef exports are expected to grow slightly. Despite processing delays related to COVID-19, and the resulting hog backlogs, the 2021 pig crop is expected to grow and Canadian pork exports are forecast to increase. The United States will remain the top market for both imports and exports of beef and pork.

Cattle:

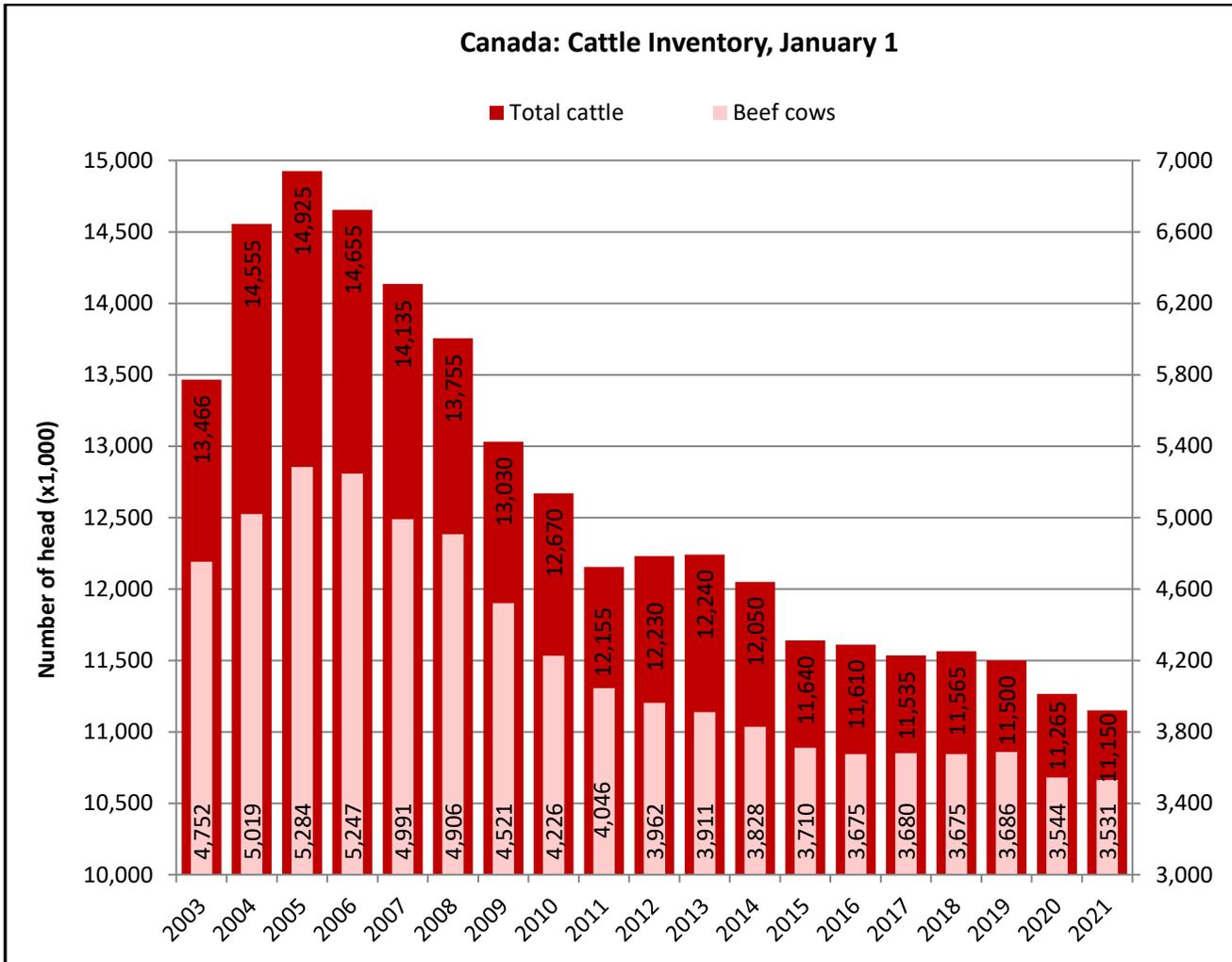
Production, Supply and Distribution Estimates

CANADA Animal Numbers CATTLE ('000 head)	2019		2020		2021	
	USDA Official Data	NEW FAS/Ottawa Data	USDA Official Data	NEW FAS/Ottawa Estimates	USDA Official Data	NEW FAS/Ottawa Estimates
Total Cattle Beg. Stks	11,480	11,500	11,240	11,265	11,165	11,150
Dairy Cows Beg. Stocks	978	978	981	981	980	978
Beef Cows Beg. Stocks	3,686	3,686	3,544	3,544	3,600	3,531
Production (Calf Crop)	4,336	4,336	4,260	4,299	4,300	4,310
Total Imports	275	275	300	277	275	280
Total Supply	16,091	16,111	15,800	15,841	15,740	15,740
Total Exports	725	725	655	675	690	620
Cow Slaughter	539	539	440	440	400	400
Calf Slaughter	219	219	200	200	210	200
Total Slaughter	3,601	3,601	3,460	3,494	3,500	3,600
Loss	525	520	520	522	500	500
Ending Inventories	11,240	11,265	11,165	11,150	11,050	11,020
Total Distribution	16,091	16,111	15,800	15,841	15,740	15,740

NOTE: "NEW FAS/Ottawa" data reflect author's assessments and are NOT official USDA data

Revisions by Statistics Canada have resulted in an upward adjustment of beginning cattle stocks for 2021. This is partly attributed to increases in 2020 beginning stocks, a larger calf crop due to increased reproductive performance, and increased imports. An additional factor in this adjustment is that cattle have remained on feed for longer due to set-aside programs created following COVID-19 processing disruptions in 2020.

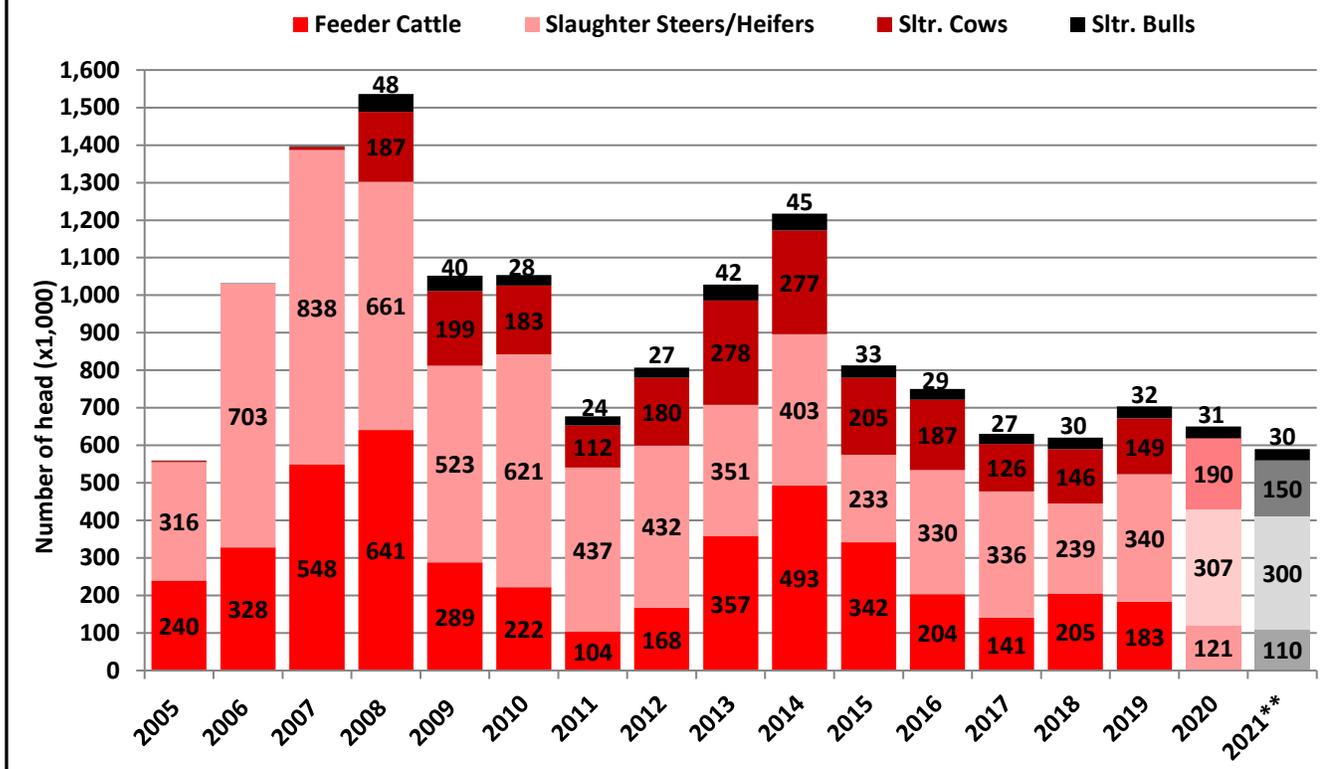
Despite these revisions, the trend for continued contraction of the Canadian cattle herd continues a steady decline. This decline has been occurring since 2005, following inflation of herd numbers in the years immediately following bovine spongiform encephalopathy (BSE) in Canada in 2003. Official 2021 beginning inventories have the Canadian herd side reduced one percent on 2020 beginning inventories. Although Canada saw reduced cow slaughter in 2020, this was mainly the result of processing disruptions. Canada increased exports of cull cows to the United States and inventories of beef cows were not rebuilt as expected. However, beef cow stocks are relatively stable on 2020 beginning stocks following a four percent decline from 2019 to 2020. Early indications suggest that heifer retention will improve in 2021 but this expectation is dependent on weather and good pasture conditions as the year progresses.



Source: Statistics Canada

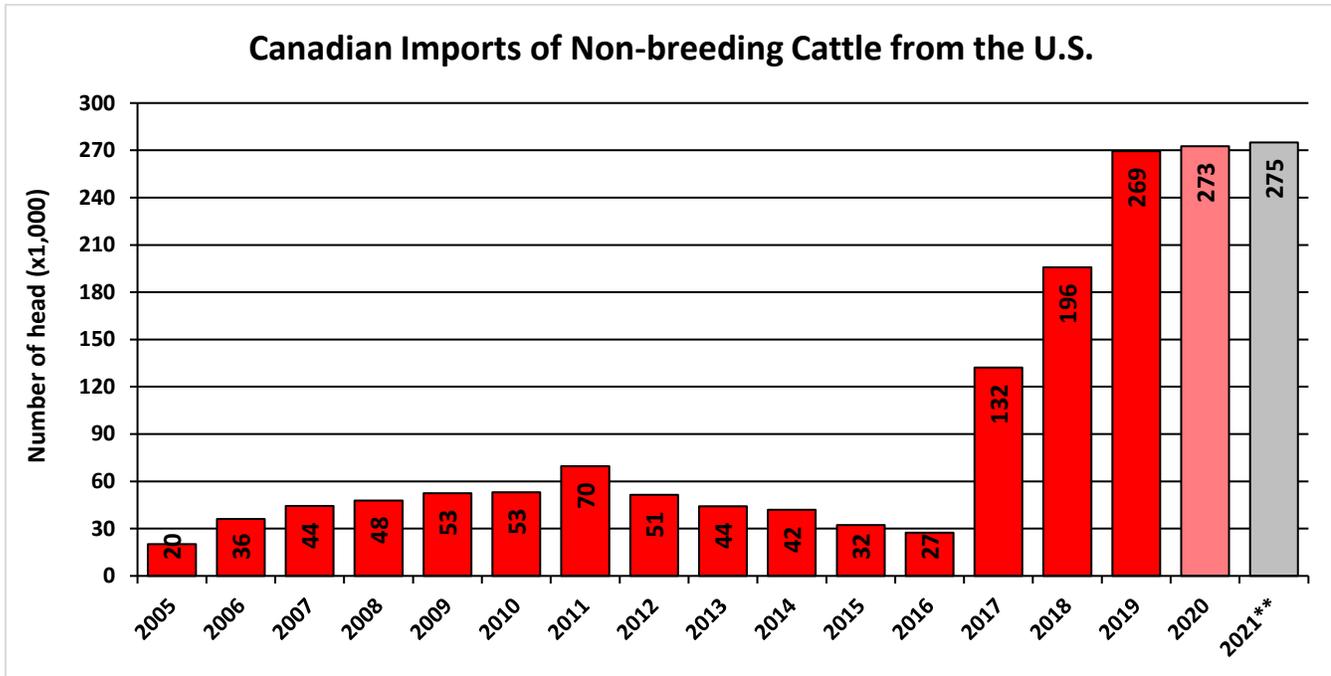
Live cattle exports have been revised downward on the expectation of fewer cull cows moving to the United States as well as fewer feeder cattle. Beef export demand remained strong in 2020 despite many challenges. With the calf crop remaining relatively stable on 2020 volumes and a strong basis for Western feeders, this will support feeder cattle remaining in Canada. However, feed availability and feed prices and the current strengthening of the Canadian dollar will be a factor. Canada will also have additional slaughter capacity in 2021 compared with 2020 as an Ontario processing plant resumes operations under new ownership. The processing plant was closed in 2019, due to violations of the Safe Food for Canadians Act and Regulations, leaving a gap in Eastern Canada slaughter. The new owners are expected to begin harvest operations at the facility in March 2021 and it is expected to add an additional 1,600 head capacity for Ontario and Eastern Canada. Earlier indications are that the plant will be primarily focused on slaughtering cattle from branded programs, such as Ontario Corn Fed, with the intent to supply domestic demand to start. There are also reports that smaller processing facilities in Northern Ontario and British Columbia will be coming online in 2021 providing small additions to slaughter capacity.

Canadian Exports of Non-dairy Cattle to the U.S.



Source: Trade Data Monitor, LLC/FAS/Ottawa **forecast

Despite processing disruptions which created a backlog of cattle in Spring 2020, Canadian cattle feeders once again imported record numbers of U.S. feeder cattle. Sources continue to indicate that these feeder cattle are predominantly dairy steers. With expectations of strong packer demand and improved fed cattle prices, FAS/Ottawa has revised the 2021 forecast to see continued growth in U.S. feeder imports. Cattle on feed numbers in Western Canada indicate that, despite some cattle remaining on set-aside from the processing backlog, there is pen space to place additional feeders. A strong basis will motivate feeders to fill that pen space. Drought conditions in the United States may also impact the volume of feeder cattle imports as feed availability is impacted.



Source: Trade Data Monitor, LLC/FAS/Ottawa **forecast

Significant processing disruptions related to outbreaks of COVID-19 were observed in early 2020 in Alberta and late 2020 in Ontario. Despite these disruptions, 2020 cattle slaughter was only down three percent. When accounting for a smaller cattle herd in 2020 compared with 2019, slaughter was actually proportional to available inventory in 2020 with packers working efficiently to help clear cattle backlogs. Government programs that supported cattle on maintenance rations to help manage market ready numbers were influential in allowing the industry to cope with disruptions associated with COVID-19. FAS/Ottawa has forecast 2021 slaughter to see three percent growth compared to 2020. Additional processing capacity, a reduction in feeder exports, and increased feeder imports will support this growth. Processing disruptions due to the pandemic remain a concern, however, the vaccination of workers combined with processing plant mitigation measures should see fewer COVID-related processing disruptions in 2021.

Beef:

Production, Supply and Distribution Estimates

CANADA Meat BEEF and VEAL	2019		2020		2021	
	USDA Official Data	NEW FAS/Ottawa Data	USDA Official Data	NEW FAS/Ottawa Estimates	USDA Official Data	NEW FAS/Ottawa Estimates
Slaughter (Reference)	3,601	3,601	3,460	3,494	3,500	3,600
Beginning Stocks	42	42	33	33	40	38
Production	1,342	1,342	1,305	1,310	1,315	1,345
Total Imports	204	204	260	249	230	220
Total Supply	1,588	1,588	1,598	1,592	1,585	1,603
Total Exports	525	525	495	513	515	520
Total Dom. Consumption	1,030	1,030	1,063	1,041	1,035	1,048
Ending Stocks	33	33	40	38	35	35
Total Distribution	1,588	1,588	1,598	1,592	1,585	1,603

Data in '000 metric tons, except for "slaughter" which is in '000 head

NOTE: "NEW FAS/Ottawa" data reflect author's assessments and are NOT official USDA data

FAS/Ottawa is revising 2021 production forecast up slightly while maintaining the slaughter forecast. January carcass weight estimates indicate carcass weights continue to trend downward. However, there are cattle still on set-aside in Western Canada that may market heavier and the processing disruption at the end of 2020 in Ontario will also see weights remain elevated at least through the beginning of 2021.

Beef exports are revised upwards by 5,000 MT on increased domestic production in 2021. Canadian beef exports decreased two percent in 2020. Beef exports may be challenged should the Canadian dollar strengthen but global demand for protein will support strong export activity. The United States will remain the main destination for exports, however, Canada will look to continue to grow exports to the EU under the Comprehensive Economic and Trade Agreement (CETA) as well as regaining lost market share in Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) countries. While exports to China have been growing year-over-year since 2016, Canada's export potential to China in 2021 will be impacted by the voluntary delisting of the largest cattle slaughter plant in Canada and the third largest plant as a result of COVID-19 cases. As of writing, both of these plants remain delisted with no indication of when they may resume exports.

Increased domestic production will result in imports declining 12 percent in 2021, following 22 percent growth in 2020. 2021 Beef imports are revised upwards by 20,000 MT as domestic demand for beef remains strong. While there continue to be adjustments to the level of restrictions and lockdown activity across Canada, it is expected that the situation will improve by summer as a greater proportion of the population is vaccinated. Assuming Canada achieves mass vaccine roll-out by mid-year, this should result in fewer restrictions on food service

activity and support increased food service demand for beef. Imports will be needed to backfill domestic supply as Canada looks to continue strong export activity with the United States remaining the dominant source for beef imports.

Canada Beef and Veal Exports						
Partner	Annual Series (January - December)					
	2015	2016	2017	2018	2019	2020
World	378,915	418,133	443,518	477,302	524,886	513,104
EU 28	449	432	618	1,704	3,028	3,076
CPTPP	31,008	35,383	45,037	53,113	77,277	69,646
United States	285,683	332,552	347,214	370,931	395,877	385,231
Japan	12,918	18,854	27,601	36,138	59,061	53,746
Hong Kong	9,416	27,533	25,572	24,390	19,853	16,768
Mexico	17,677	15,942	16,760	16,560	18,211	15,762
China	44,298	8,139	10,573	13,574	13,768	14,132
All other countries	8,923	15,113	15,798	15,709	18,116	27,465
% Market Share						
EU 28	0.12	0.10	0.14	0.36	0.58	0.60
CPTPP	8.18	8.46	10.15	11.13	14.72	13.57
United States	75.40	79.53	78.29	77.71	75.42	75.08
Japan	3.41	4.51	6.22	7.57	11.25	10.47
Hong Kong	2.48	6.58	5.77	5.11	3.78	3.27
Mexico	4.67	3.81	3.78	3.47	3.47	3.07
China	11.69	1.95	2.38	2.84	2.62	2.75
All other countries	2.35	3.61	3.56	3.29	3.45	5.35

Source: Trade Data Monitor, LLC / *Conversion to carcass weight equivalent (CWE)

Canada Beef and Veal Imports

Partner	Annual Series (January - December)					
	2015	2016	2017	2018	2019	2020
World	270,134	244,830	229,468	235,514	204,165	249,175
EU 28	4	1,077	1,863	2,030	7,411	24,234
CPTPP	38,096	32,275	31,149	33,994	28,603	37,863
United States	156,268	146,963	150,283	147,427	130,259	142,017
Australia	54,948	37,628	25,499	31,073	22,109	18,914
New Zealand	34,927	28,225	26,107	26,052	19,059	25,288
Uruguay	18,399	20,853	16,858	12,462	10,860	21,145
Mexico	1,457	2,971	3,506	5,367	7,604	10,458
All other countries	4,135	8,190	7,215	13,133	14,274	31,353
% Market Share						
EU 28	0.00	0.44	0.81	0.86	3.63	9.73
CPTPP	14.10	13.18	13.57	14.43	14.01	15.20
United States	57.85	60.03	65.49	62.60	63.80	56.99
Australia	20.34	15.37	11.11	13.19	10.83	7.59
New Zealand	12.93	11.53	11.38	11.06	9.34	10.15
Uruguay	6.81	8.52	7.35	5.29	5.32	8.49
Mexico	0.54	1.21	1.53	2.28	3.72	4.20
All other countries	1.53	3.35	3.14	5.58	6.99	12.58

Source: Trade Data Monitor, LLC / *Conversion to carcass weight equivalent (CWE)

Swine:

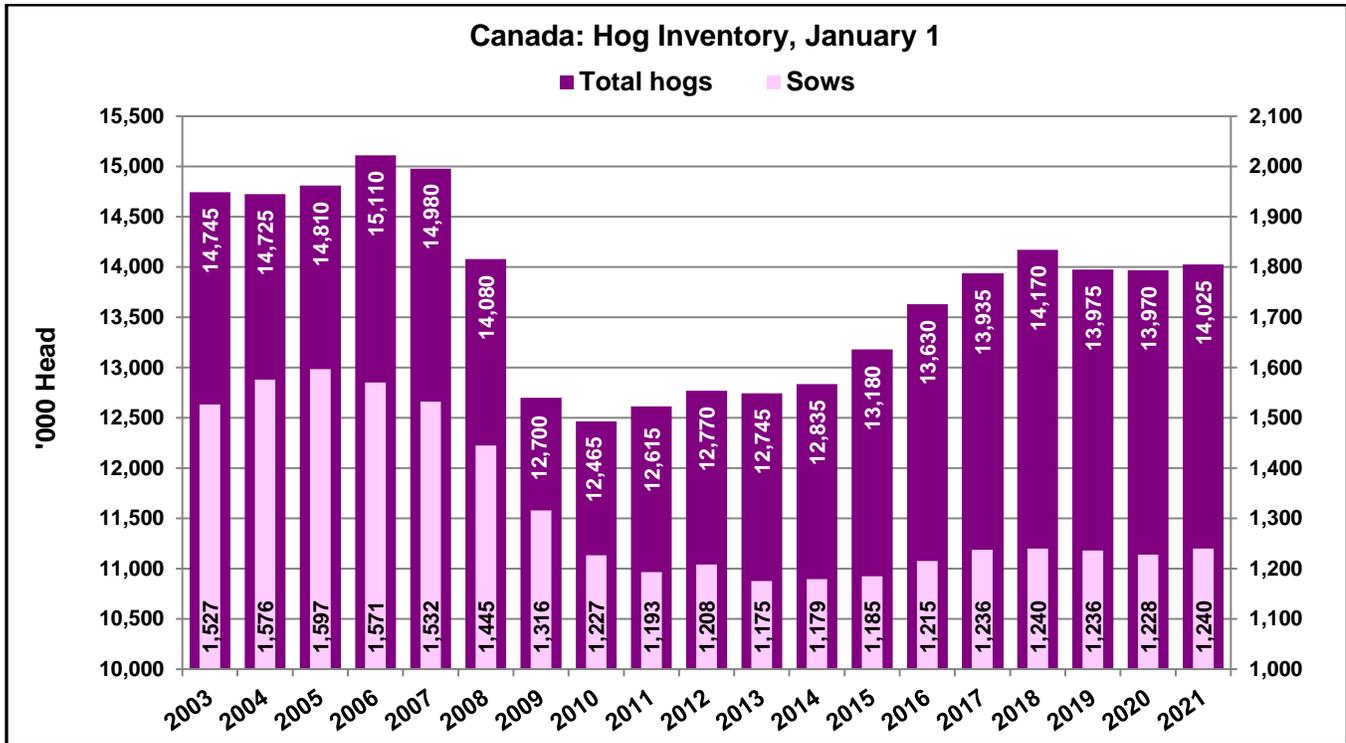
Production, Supply and Distribution Estimates

CANADA Animal Numbers SWINE ('000 head)	2019		2020		2021	
	USDA Official Data	NEW FAS/Ottawa Data	USDA Official Data	NEW FAS/Ottawa Estimates	USDA Official Data	NEW FAS/Ottawa Forecast
Total Beginning Stocks	13,980	13,975	13,930	13,970	13,715	14,025
Sow Beginning Stocks	1,235	1,236	1,227	1,228	1,230	1,240
Production (Pig Crop)	28,305	28,351	28,850	29,546	29,000	29,750
Total Imports	6	6	4	6	3	4
Total Supply	42,291	42,332	42,784	43,522	42,718	43,779
Total Exports	5,112	5,113	5,230	5,311	5,300	5,500
Total Slaughter	21,840	21,842	22,435	22,717	22,500	22,850
Loss	1,409	1,407	1,404	1,469	1,383	1,410
Ending Inventories	13,930	13,970	13,715	14,025	13,535	14,019
Total Distribution	42,291	42,332	42,784	43,522	42,718	43,779

NOTE: "NEW FAS/Ottawa" data reflect author's assessments and are NOT official USDA data

FAS/Ottawa has revised 2021 pig crop production upward following Statistic Canada revising hog inventories up for the previous years. The increase of 2020 beginning stocks, combined with a large 2020 pig crop, larger import volumes, and market hogs delayed from processing due to plant disruptions, has led to an increase in 2021 beginning inventories compared to the previous forecast.

Beginning inventories of sows are one percent higher than 2020. Sow inventories are currently at the level seen at the beginning of 2018 which was the largest inventory since 2009. Reports indicate that there is ongoing expansion of finishing space occurring in Manitoba, Ontario, and Quebec which would support increased production and slaughter. The net gain from these additions is not quantified at present but will impact 2021 production. Hog prices and rising feed costs remain a constraint to expansion in many provinces.

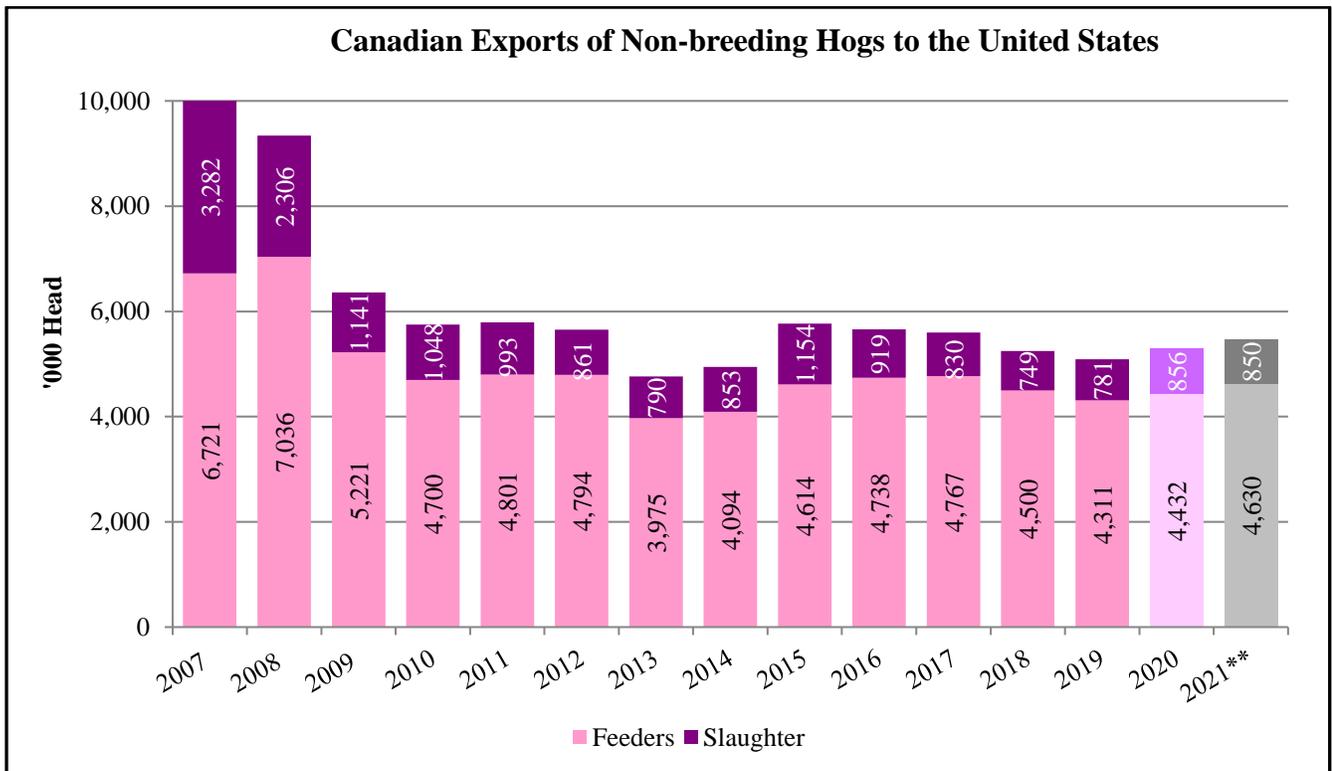


Source: Statistics Canada

Exports of live hogs are revised upward at a four percent growth over 2020. Canada continues to contend with displaced market hogs in both Eastern and Western Canada and this will support exports of weanlings and market hogs as producers look to manage numbers through the first half of 2021. Additionally, more weanlings are expected to move from Canada to the United States through Spring 2021. This increase in the movement of weanlings is driven by reduced finishing barn space, due to backlogged hogs, coupled with the four percent growth in the 2020 pig crop, and demand from U.S. barns which have seen production declines related to porcine reproductive and respiratory syndrome (PRRS). Increased production from Canadian sows compared to recent years is hypothesized to be the result of reduced porcine epidemic diarrhea virus (PEDv) in 2020.

Recent estimates of the hog backlog in Eastern Canada suggest that there are still likely over 100,000 market hogs displaced from processing as a result of COVID-19 cases and mechanical issues primarily in Quebec processing plants in Fall 2020. Ontario hogs, displaced from Quebec plants, were being shipped to both the United States and across Canada to Alberta. Weekly estimates placed Ontario hog shipments to Alberta between 2,000 to 6,000 and, with these additional animals, the Olymel plant in Red Deer had been running a modified double shift and around 45,000 head/week were being processed. In mid-February 2021, Olymel Red Deer was closed for a two-week period due to a worsening outbreak of COVID-19. This has resulted in an estimated backlog of 90-110,000 hogs in Western Canada. While the plant resumed reduced harvest operations on March 4, that disruption will also see additional exports of weanlings and market hogs from Canada as producers manage numbers. Some federal plants in other provinces, as well as provincial plants, will absorb smaller numbers of displaced hogs but producers will look to increase weanling exports in order to provide additional space in finishing barns to hold market ready hogs. Olymel will prioritize clearing the backlog of Alberta hogs as the plant returns to normal production. Depending on worker availability it may take five to seven weeks to process backlogged animals.

FAS/Ottawa now forecasts that 2021 feeder exports to the United States will grow five percent over 2020. Manitoba will continue as the main supplier of feeder hogs. While the current backlog of market ready hogs will support exports of slaughter-ready animals in early 2021, FAS/Ottawa forecasts a slight decline from 2020 exports as additional processing capacity becomes available in Canada. Part of the decline will be related to an expected decrease in COVID-19 issues in plants, a modest increase in capacity utilization, as well as the announced expansion at Olymel Ange-Gardien. The expansion of this facility in Quebec will see processing increase by 10,000 head/week during the first phase.



Source: Trade Data Monitor, LLC/FAS/Ottawa **forecast

With additional processing capacity and utilization as well as growth in the pig crop, FAS/Ottawa has revised 2021 slaughter upward one percent following a four percent growth in 2020. Although 2020 challenged processing capacity in Canada due to COVID-19 disruptions and mechanical issues, processors were able to slaughter a large volume of hogs. Increased demand from export markets as well as production capacity growth will continue to grow slaughter volumes. However, continued investments in production capacity may be curtailed by rising feed costs and the prices producers are receiving for hogs. Vertically integrated production capacity is expected to increase for both HyLife and Olymel.

Pork:

Production, Supply and Distribution Estimates

CANADA Meat SWINE	2019		2020		2021	
	USDA Official Data	NEW FAS/Ottawa Data	USDA Official Data	NEW FAS/Ottawa Estimates	USDA Official Data	NEW FAS/Ottawa Estimates
Slaughter (Reference)	21,840	21,842	22,435	22,717	22,500	22,850
Beginning Stocks	69	69	80	80	60	66
Production	2,000	2,000	2,085	2,130	2,090	2,120
Total Imports	242	242	280	273	270	270
Total Supply	2,311	2,311	2,445	2,483	2,420	2,456
Total Exports	1,284	1,284	1,525	1,543	1,470	1,540
Total Dom. Consumption	947	947	860	874	885	865
Ending Stocks	80	80	60	66	65	51
Total Distribution	2,311	2,311	2,445	2,483	2,420	2,456

Data in '000 metric tons, except for "slaughter" which is in '000 head

NOTE: "NEW FAS/Ottawa" data reflect author's assessments and are NOT official USDA data

FAS/Ottawa is revising 2021 pork production forecast up on increased pig production. However, pork production is still forecast to decline slightly from 2020 despite increased slaughter. This is owing to the fact that carcass weights are forecast to decrease one percent from 2020 without processing disruptions and backlogged hogs. Carcass weights will still remain above 2019 levels as Canada is currently contending with hog backlogs in Eastern Canada resulting from COVID-19 disruptions and mechanical issues in plants in late 2020. Additionally, Western processing has been negatively impacted by the two-week closure of the Olymel Red Deer plant. With estimates from both Western and Eastern Canada hog backlogs, Canada likely has over 200,000 market hogs displaced and this will result in increased carcass weights in the first half of 2021.

Expanded production and global demand will continue to fuel large export volumes. Canada is export dependent for the majority of its pork production and this will continue in 2021. However, a strengthening Canadian dollar could negatively impact export activity. Exports grew 20 percent from 2019 to 2020 as Canada more than doubled exports to China. The growth in exports to China resulted in reduced export activity in many other top markets. A challenge for 2021 will be whether Canada can sustain export activity to China. This may be especially difficult as there are currently eight processing plants temporarily suspended from export to China due to COVID-19 cases. This is in addition to the plants that remain temporarily suspended from China since 2019 for non-COVID-19 reasons. It is estimated that around two-thirds of export eligible production is currently impacted by the temporary suspensions. The re-listing of the suspended plants will be important to achieving sustained export volumes to China. Industry is confident Canada will continue to see similar export volumes in 2021 by moving

back into markets that saw a decline in 2020. Canada will look to increase exports to Japan as well as CPTPP countries.

Pork imports are forecast to decline by one percent in 2021 following thirteen percent growth in 2020. Strong pork prices, caused by processing disruptions, have reduced domestic demand overall. However, import volumes rose in order to backfill supply gaps created by increased export activity and consumer preference for specific cuts will sustain imports in 2021. The United States will remain the dominant source market for imports.

Canada Pork Exports						
Partner	Annual Series (January - December)					
	2015	2016	2017	2018	2019	2020
World	1,182,492	1,265,686	1,290,375	1,277,463	1,283,785	1,542,797
CPTPP	377,102	371,801	415,365	449,747	460,683	393,685
EU 28	1,771	1,438	1,738	1,928	3,020	786
United States	462,934	430,617	399,124	348,739	320,783	313,126
Japan	250,470	246,343	284,267	298,978	298,170	292,319
China	110,766	304,643	282,243	282,549	257,847	651,274
Mexico	93,197	97,305	97,974	128,093	134,274	85,550
Taiwan	44,695	22,580	46,259	43,500	52,661	21,948
Philippines	31,595	28,563	44,217	50,628	52,077	45,927
South Korea	45,633	40,178	35,286	45,221	47,887	38,177
All other countries	143,202	95,457	101,005	79,755	120,086	94,476
% Market Share						
CPTPP	31.89	29.38	32.19	35.21	35.88	25.52
EU 28	0.15	0.11	0.13	0.15	0.24	0.05
United States	39	34	31	27	25	20
Japan	21	19	22	23	23	19

China	9	24	22	22	20	42
Mexico	8	8	8	10	10	6
Taiwan	4	2	4	3	4	1
Philippines	3	2	3	4	4	3
South Korea	4	3	3	4	4	2
All other countries	12	8	8	6	9	6

Source: Trade Data Monitor, LLC / *Conversion to carcass weight equivalent (CWE)

Canada Pork Imports

Partner	Annual Series (January - December)					
	2015	2016	2017	2018	2019	2020
World	212,275	211,195	217,713	227,875	242,071	273,426
CPTPP	17,840	25,624	23,948	30,616	27,035	29,334
EU 28	2,421	3,366	2,701	2,402	3,338	3,358
United States	191,221	182,010	190,269	194,419	211,192	240,216
Denmark	3,001	3,447	3,965	6,190	6,602	6,857
Germany	4,861	6,141	4,151	5,187	5,954	7,061
Spain	2,658	5,828	3,612	4,112	3,541	3,232
Poland	3,088	5,243	6,179	7,299	3,451	3,301
All other countries	7,446	8,526	9,537	10,668	11,331	12,759
% Market Share						
CPTPP	8.40	12.13	11.00	13.44	11.17	10.73
EU 28	1.14	1.59	1.24	1.05	1.38	1.23
United States	90.08	86.18	87.39	85.32	87.24	87.85
Denmark	1.41	1.63	1.82	2.72	2.73	2.51
Germany	2.29	2.91	1.91	2.28	2.46	2.58
Spain	1.25	2.76	1.66	1.80	1.46	1.18
Poland	1.45	2.48	2.84	3.20	1.43	1.21
All other countries	3.51	4.04	4.38	4.68	4.68	4.67

Source: Trade Data Monitor, LLC / *Conversion to carcass weight equivalent (CWE)

Policy:

China

Canadian meat processors continue to voluntarily suspend exports to China if a COVID-19 case is identified in a plant. Timelines for re-listing voluntarily suspended plants remain unknown. As of the writing of this report, FAS/Ottawa is aware of two beef processing plants and eight pork processing plants which are listed as having their exports to China temporarily suspended under this agreement.

Pork Promotion and Research Agency

The [Canadian Pork Promotion and Research Agency](#) (Pork PRA) was officially established under the Farm Products Agencies Act on December 16, 2020. Once fully implemented, the Pork PRA will see a levy collected on the marketing of hogs for interprovincial or export trade as well as an import levy on live hogs and pork products imported into Canada. The import levy is expected to be CAD 0.80 per hog, or equivalent adjustment for pork products, based on matching the lowest provincial levy amount. Additional information can be found on the Pork PRA [website](#).

Transport Regulations

In February 2019, CFIA announced [new regulations](#) surrounding maximum durations for animal transport before feed, water, and rest must be given. These regulations apply to animals being imported and animals being exported, as well as movement within Canada. As a result of industry concerns, an amnesty period remains in place on the prescriptive regulations on maximum transport durations to allow for industry to adjust. CFIA will still enforce the regulations as they pertain to overall animal health and welfare during transport.

Attachments:

No Attachments