

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Canada

### Livestock and Products Annual

**2015**

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**Report Highlights:**

In 2016, the cattle sector is expected to show the first signs of a long awaited expansion phase, as Post anticipates increased inventories by the end of the year. Cattle exports and slaughter will continue to decline. Beef production is likely to reach its lowest level in 20 years. Hog inventories remain stable. Pig exports will be supported by the reduced slaughter capacity in Ontario, while increased domestic consumption will compensate for a moderate decline in pork exports.

## **Executive Summary:**

### **Cattle & Beef**

The cattle herd is anticipated to expand in 2016 by nearly 2 percent, after two years of liquidation which followed another three years of consolidation. The delay with which the Canadian cattle sector reacted to the record high live animal prices observed over the past year is primarily due to poor weather conditions in Western Canada. During the first half of 2015, a severe drought affected Alberta and Saskatchewan, which account for almost two thirds of cattle inventories, leading to poor pasture conditions that prompted producers to postpone expansion decisions. Despite this negative impact, heifer retention remained stable in 2015 compared to the previous year, while both beef cow exports and slaughter have significantly declined.

As a result of expansion decisions, beef cow exports are estimated to further decline in 2016 by a considerable amount, while exports of feeder and slaughter cattle will show only a modest reduction resulting primarily from lower demand in the United States as the cattle sector there is entering its second year of sustained expansion. Cattle slaughter is anticipated to further decline in 2016, due both to the overall tight supply of animals and to the fact that producers will kill fewer cows and start retaining more heifers for replacement. Carcass weights are not expected to be much different in 2016 from their 2015 levels, resulting in a reduced beef production, probably the lowest level since 1995. Despite limited supplies of beef, exports will continue to be supported by a weaker Canadian dollar, while importers will struggle to source the beef needed to satisfy the domestic market. Domestic consumption of beef is anticipated to reach its lowest level in 20 years, due to short supplies and high prices prompting consumers to look into alternative sources of protein.

### **Hogs & Pork**

The hog sector remains stable moving into 2016. Given the recent improved profitability in the sector driven by high hog prices, few producers in Saskatchewan, Manitoba and Quebec have timidly engaged into expanding the sow and finishing barns capacity, although with negligible impact on the 2016 herd numbers. The closure of two Ontario packers back in 2014 will continue to fuel increased exports of slaughter hogs to the United States, while exports of feeders will remain on a trend of moderate growth, supported by the weaker Canadian dollar and attractive prices south of the border.

Pig slaughter and carcass weights are expected to stay at similar levels as in 2015, generating a similar level of pork production. Consumer reports continue to indicate that domestic demand for pork has stayed elevated. Despite the recent increases in retail meat prices, pork has remained a relatively cheaper choice, prompting many consumers to rediscover this source of protein. In fact, domestic consumption in 2016 is likely to be maintained at levels not seen in a decade, and to make up for an anticipated year of reduced pork exports. Although foreign markets continue to attract the bulk of Canadian pork production, exports are likely to see a further decline, though much more modest compared to the estimated decline for 2015, as the closure of the Russian market in 2014 keeps challenging the industry to find alternative destinations for its product.

**CATTLE:**

**NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data**

| <b>CANADA</b><br>Animal Numbers<br><b>CATTLE ('000 head)</b> | <b>2014</b>                   |                          | <b>2015</b>                   |                               | <b>2016</b>                   |                              |
|--------------------------------------------------------------|-------------------------------|--------------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------|
|                                                              | <b>USDA<br/>Official Data</b> | <b>NEW Post<br/>Data</b> | <b>USDA<br/>Official Data</b> | <b>NEW Post<br/>Estimates</b> | <b>USDA<br/>Official Data</b> | <b>NEW Post<br/>Forecast</b> |
| Total Cattle Beg. Stks                                       | 12,220                        | 12,220                   | 11,915                        | 11,920                        | 0                             | 11,930                       |
| Dairy Cows Beg. Stocks                                       | 959                           | 959                      | 957                           | 953                           | 0                             | 950                          |
| Beef Cows Beg. Stocks                                        | 3,903                         | 3,903                    | 3,824                         | 3,831                         | 0                             | 3,800                        |
| Production (Calf Crop)                                       | 4,599                         | 4,606                    | 4,440                         | 4,400                         | 0                             | 4,375                        |
| Total Imports                                                | 45                            | 45                       | 45                            | 35                            | 0                             | 40                           |
| <b>Total Supply</b>                                          | <b>16,864</b>                 | <b>16,871</b>            | <b>16,400</b>                 | <b>16,355</b>                 | <b>0</b>                      | <b>16,345</b>                |
| Total Exports                                                | 1,245                         | 1,245                    | 1,100                         | 1,000                         | 0                             | 900                          |
| Cow Slaughter                                                | 450                           | 448                      | 425                           | 385                           | 0                             | 350                          |
| Calf Slaughter                                               | 245                           | 248                      | 240                           | 215                           | 0                             | 200                          |
| Other Slaughter                                              | 2,472                         | 2,471                    | 2,285                         | 2,300                         | 0                             | 2,200                        |
| Total Slaughter                                              | 3,167                         | 3,167                    | 2,950                         | 2,900                         | 0                             | 2,750                        |
| Loss                                                         | 537                           | 539                      | 525                           | 525                           | 0                             | 535                          |
| Ending Inventories                                           | 11,915                        | 11,920                   | 11,825                        | 11,930                        | 0                             | 12,160                       |
| <b>Total Distribution</b>                                    | <b>16,864</b>                 | <b>16,871</b>            | <b>16,400</b>                 | <b>16,355</b>                 | <b>0</b>                      | <b>16,345</b>                |

**Cattle Herd on Path for a Long Awaited Expansion**

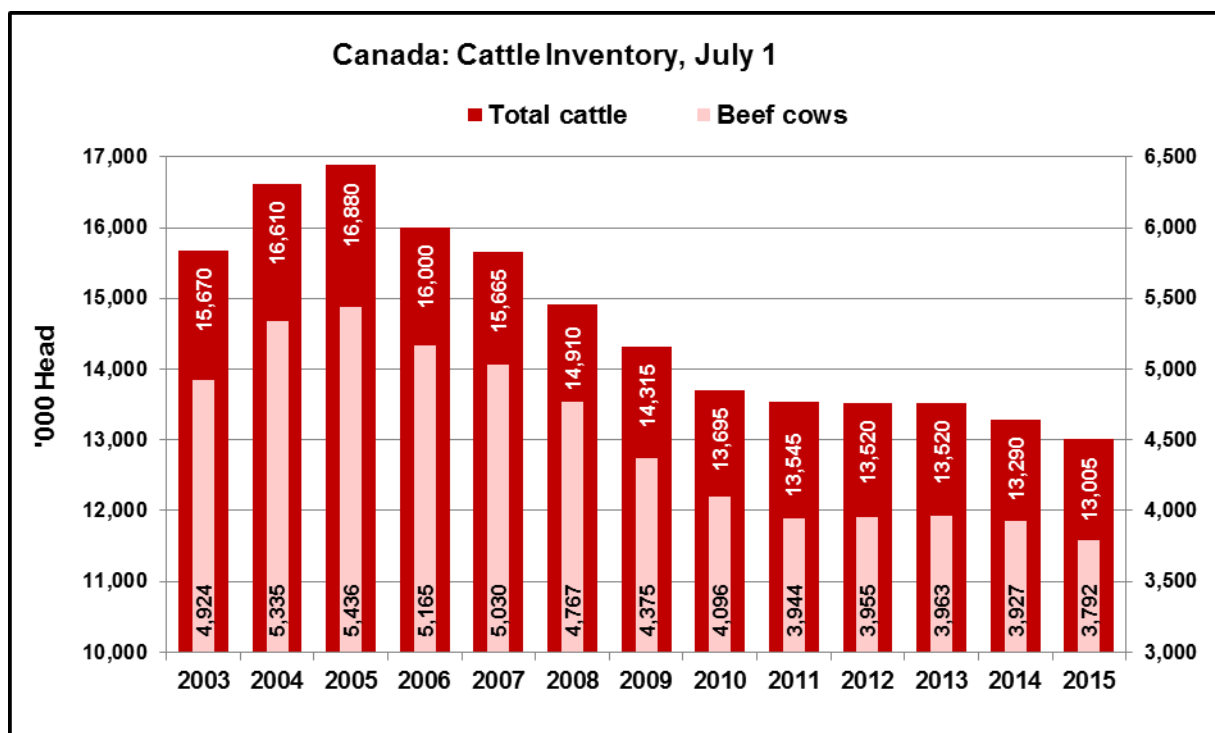
Although cattle inventories on January 1, 2016 are expected to be roughly at the same level as they were one year earlier, Post forecasts a nearly 2 percent increase in the total herd by the end of the year, thus making 2016 the beginning year of a cattle expansion phase in Canada.

This long awaited expansion would arrive after two years of liquidation in a five-year long period of consolidation, one of the longest the sector has ever faced. The decline of the cattle herd started back in 2005 and lasted for six consecutive years. Overall, between January 1, 2005 and January 1, 2015 the cattle herd declined by 20 percent, losing just over 3 million head.

The delay with which the Canadian cattle sector reacted to the record high live animal prices observed over the past year is primarily due to poor weather conditions in Western Canada. During the first half of 2015, a severe drought affected Alberta and Saskatchewan, which account for almost two thirds of cattle inventories, leading to poor pasture conditions that prompted producers to postpone expansion decisions. Despite this negative impact, the signs of an upcoming expansion are in place: heifer retention remained stable in 2015 compared to the previous year, while both cow exports and slaughter have significantly declined.

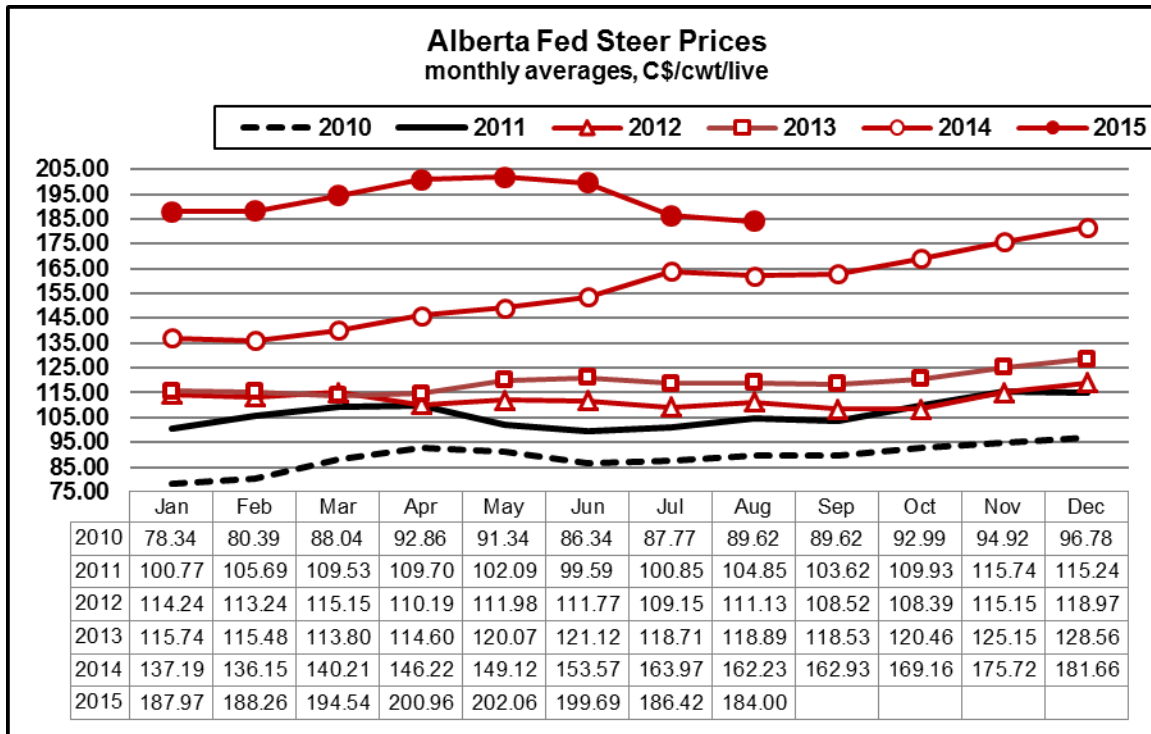
Statistical data for July 1, 2015 placed the total cattle herd at 2 percent below the previous year's level, and the beef cow herd at 3.4 percent below last year. However, looking at cow inventories in 2014, adding cow marketings (both slaughter and exports) and adding a typical percentage of the breeding heifers reported on January 1, the cattle industry is questioning Statistics Canada's estimate of the cow

herd. The domestic industry expected the beef cow herd on July 1 to be at least at the same level as one year earlier, if not higher.

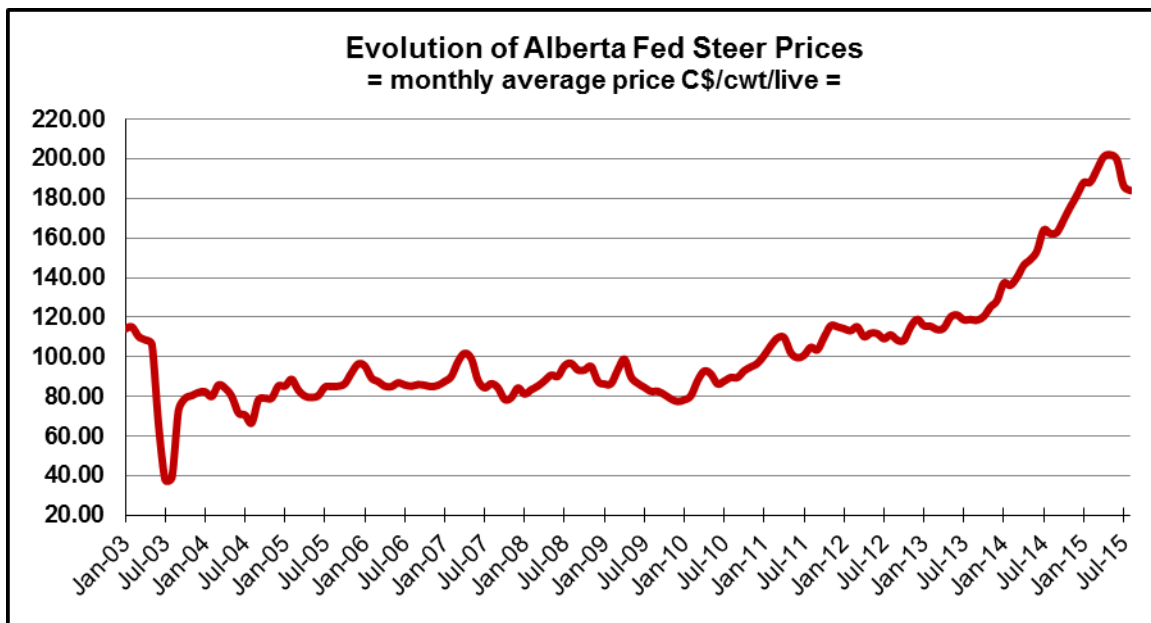


Source: Statistics Canada

Live fed cattle prices have continuously increased since the last year, peaking in the spring of 2015 when they reached the highest level ever on record. Typically, the difference between fed prices in Alberta and the corresponding U.S. prices is negative, accounting for transportation costs, as well as feed cost differentials and the exchange rate. This spring, for a period of about two months, and in an unexpected turn, fed cattle prices in Alberta exceeded their American equivalents. This development was reflective of how tight supplies have become and of how much Canadian packers needed to pull animals out of feedlots in order to keep the slaughter lines running. As the year progressed, prices have declined, and the price differential returned to a more typical, seasonal trend.



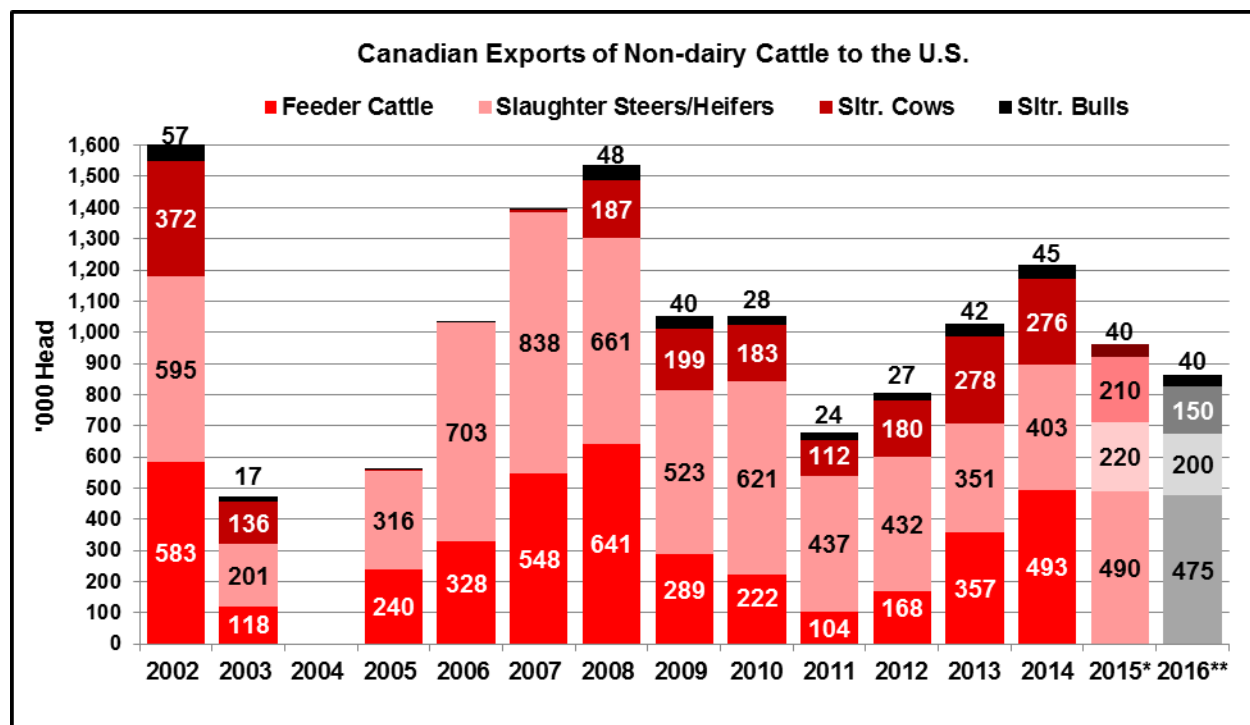
Source: Canfax



Source: Canfax

## Cattle Exports to Further Decline While Being Supported by Feeders

Post forecasts cattle exports at 900,000 head for 2016, or 10 percent below the estimated level in 2015, which now stands at 1,000,000 head. This will be a continuation into 2016 of the trend already observed during the current year, when cattle exports are expected to decline by 20 percent compared to 2014. Behind the overall reduction in exports, the various cattle categories follow their own specific trends, as explained below.



Source

: Global Trade Atlas / Post \*estimate \*\*forecast

Beef cow exports to the United States are estimated to decline in 2016 by 60,000 head from the 2015 level, down to 150,000 head, primarily reflective of expansion decisions, but also of the fact that the cow herd has already been in liquidation mode for two consecutive years and the supplies are currently very limited. In turn, exports of bulls will continue steady, since the JBS plant in Brooks, Alberta is not likely to resume their slaughter.

For 2016, Post forecasts exports of slaughter cattle to further decline by 20,000 head, down to 200,000 head, from the 2015 level. This trend is explained by both an expected lower demand in the United States as the cattle sector there is entering its second year of sustained expansion, and also by more aggressive bids anticipated from Canadian packers as their profit margins improve with continued high beef prices.

Although Post estimates a 15,000 head decline in exports of feeder cattle for 2016, at 475,000 head, this cattle category will drive the overall exports to the United States, as was the case in 2015. The prospect

of a bumper corn crop in the United States, which would translate in even lower feed costs south of the border, will further support high feeder cattle prices and pull animals from north of the border. In general, the feed cost disadvantage in Canada is expected to be maintained, or even deepened, throughout 2016. In addition, the Canadian dollar is presumed to remain weaker, which further supports export volumes.

## BEEF:

**NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data**

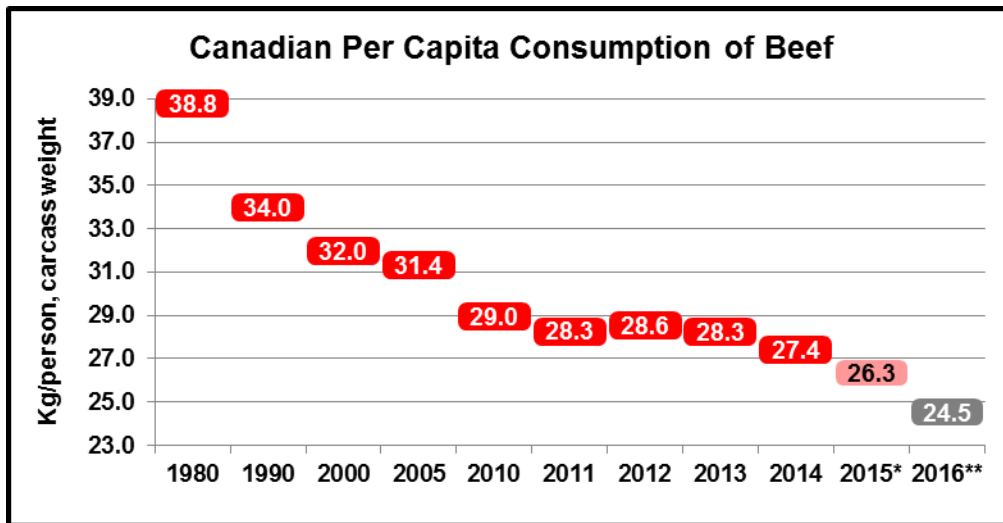
| CANADA<br>Meat<br>BEEF and VEAL | 2014                  |                  | 2015                  |                       | 2016                  |                      |
|---------------------------------|-----------------------|------------------|-----------------------|-----------------------|-----------------------|----------------------|
|                                 | USDA<br>Official Data | NEW Post<br>Data | USDA<br>Official Data | NEW Post<br>Estimates | USDA<br>Official Data | NEW Post<br>Forecast |
| Slaughter (Reference)           | 3,167                 | 3,167            | 2,950                 | 2,900                 | 0                     | 2,750                |
| Beginning Stocks                | 34                    | 27               | 30                    | 33                    | 0                     | 30                   |
| Production                      | 1,075                 | 1,099            | 1,015                 | 1,025                 | 0                     | 975                  |
| Total Imports                   | 284                   | 284              | 275                   | 290                   | 0                     | 300                  |
| <b>Total Supply</b>             | <b>1,393</b>          | <b>1,410</b>     | <b>1,320</b>          | <b>1,348</b>          | <b>0</b>              | <b>1,305</b>         |
| Total Exports                   | 378                   | 378              | 375                   | 375                   | 0                     | 370                  |
| Total Dom. Consumption          | 985                   | 1,002            | 925                   | 943                   | 0                     | 905                  |
| Ending Stocks                   | 30                    | 33               | 20                    | 30                    | 0                     | 30                   |
| <b>Total Distribution</b>       | <b>1,393</b>          | <b>1,413</b>     | <b>1,320</b>          | <b>1,348</b>          | <b>0</b>              | <b>1,305</b>         |

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

## Slaughter and Beef Production on Continued Decline

Post forecasts the 2016 domestic slaughter at 2,750,000 head or 5 percent below the estimated 2015 level, which, at 2,900,000 head is already 8.5 percent below the previous year. Slaughter of all cattle categories is expected to decline, due to the overall tight supply of animals and the fact that expansion decisions imply that producers will kill fewer cows and start retaining more heifers for replacement.

Beef production is forecast to drop another 5 percent in 2016, to reach 975,000 metric tons (MT), after an estimated nearly 7 percent drop in 2015 that brought production level to 1,025,000 MT. The decline in beef production is proportional to the decline in cattle slaughter, as Post does not anticipate major changes in carcass weights moving into 2016. For the current year, carcass weights have already increased, on average, by an estimated 1 percent over the 2014 average level. The assumption is that these heavier carcasses will carry into 2016 as packers would prefer to have a few additional pounds to sell given the high beef prices supported by the limited supplies and continued demand.

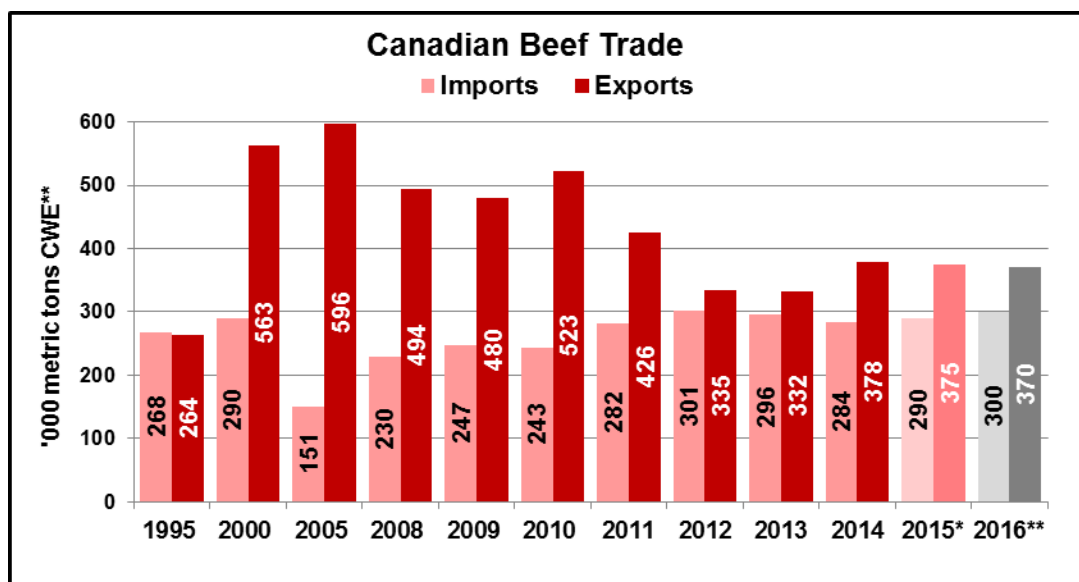


Source: Statistics Canada / Post \*estimate \*\*forecast

Beef consumption in Canada is expected to continue its downward trend, both overall and on a per capita basis. Limited supplies over an extended period of time have resulted in record high retail beef prices. Given these new price levels, the drop in consumption is not as strong as could have been expected, showing that certain consumers continue to appreciate their beef and are willing to pay for it. That being said, estimated at 24.5 kg/person, beef consumption in 2016 would be the lowest in 20 years, with a number of consumers moving away from beef into other relatively cheaper sources of animal protein, such as pork.

### In Spite of a Weaker Dollar, Exports on Further Decline

Post forecasts 2016 beef exports at 370,000 metric tons (MT), or 5,000 MT below the 2015 estimated level. Despite a weaker Canadian dollar, which has so far favored exports, a limited production and tight supplies remain the primary reasons why beef exports are expected to further decline next year, to reach a level well below the typical volumes observed one decade ago, but more in line with the new realities of the past five or so years. The United States remains the primary export destination for Canadian beef, with Mexico and several Asian markets accounting for most of the balance.



Source: Global Trade Atlas / Post \*estimate \*\*forecast

Imports of beef are forecast to rise modestly in 2016, up 10,000 MT to a total of 300,000 MT. In general, a weaker Canadian dollar is not supportive of large import volumes. However, in the context of limited domestic supplies, there is a lot of pressure to bring in the meat from abroad. The United States, as a traditional supplier of beef to Canada, remains the primary import market, however with a declining share in the total volume due to shortages on their own market. In 2015, Canada continued to step up imports from Australia, New Zealand and Uruguay, which all gained market share as they supplied increased amounts to satisfy the domestic demand.

| Canada: Beef Imports, January - July (metric tons, CWE*) |                |                |                |                |        |        |                       |
|----------------------------------------------------------|----------------|----------------|----------------|----------------|--------|--------|-----------------------|
|                                                          | Quantity       |                |                | % Market Share |        |        | % Change<br>2015/2014 |
|                                                          | 2013           | 2014           | 2015           | 2013           | 2014   | 2015   |                       |
| <b>World</b>                                             | <b>182,534</b> | <b>167,869</b> | <b>169,691</b> | 100.00         | 100.00 | 100.00 | <b>1.09</b>           |
| United States                                            | 138,193        | 107,187        | 96,929         | 75.71          | 63.85  | 57.12  | - 9.57                |
| Australia                                                | 11,919         | 24,655         | 34,344         | 6.53           | 14.69  | 20.24  | 39.30                 |
| New Zealand                                              | 15,029         | 15,042         | 19,602         | 8.23           | 8.96   | 11.55  | 30.32                 |
| Uruguay                                                  | 14,276         | 16,867         | 16,094         | 7.82           | 10.05  | 9.48   | - 4.58                |
| Brazil                                                   | 2,109          | 3,158          | 1,123          | 1.16           | 1.88   | 0.66   | - 64.45               |
| All other countries                                      | 1,008          | 960            | 1,599          | 0.55           | 0.57   | 0.94   | 66.56                 |

Source: Global Trade Atlas / \*Conversion to carcass weight equivalent (CWE) at 1.4 for fresh, chilled and frozen meat, and at 1.79 for salted and processed meat

| Canada: Beef Exports, January - July (metric tons, CWE*) |                |                |                |                |        |        |                       |
|----------------------------------------------------------|----------------|----------------|----------------|----------------|--------|--------|-----------------------|
|                                                          | Quantity       |                |                | % Market Share |        |        | % Change<br>2015/2014 |
|                                                          | 2013           | 2014           | 2015           | 2013           | 2014   | 2015   |                       |
| <b>World</b>                                             | <b>192,255</b> | <b>213,682</b> | <b>211,446</b> | 100.00         | 100.00 | 100.00 | <b>- 1.05</b>         |
| United States                                            | 147,466        | 163,065        | 167,612        | 76.70          | 76.31  | 79.27  | 2.79                  |
| China                                                    | 3,554          | 5,701          | 11,161         | 1.85           | 2.67   | 5.28   | 95.75                 |
| Mexico                                                   | 7,954          | 12,078         | 10,722         | 4.14           | 5.65   | 5.07   | - 11.22               |
| Japan                                                    | 9,290          | 11,030         | 8,860          | 4.83           | 5.16   | 4.19   | - 19.67               |
| Hong Kong                                                | 16,290         | 15,813         | 8,144          | 8.47           | 7.40   | 3.85   | - 48.49               |
| Saudi Arabia                                             | 1,377          | 821            | 1,264          | 0.72           | 0.38   | 0.60   | 54.08                 |
| Korea South                                              | 838            | 1,059          | 696            | 0.44           | 0.50   | 0.33   | - 34.28               |
| All other countries                                      | 5,486          | 4,115          | 2,987          | 2.85           | 1.93   | 1.41   | -27.41                |

Source: Global Trade Atlas / \*Conversion to carcass weight equivalent at 1.4

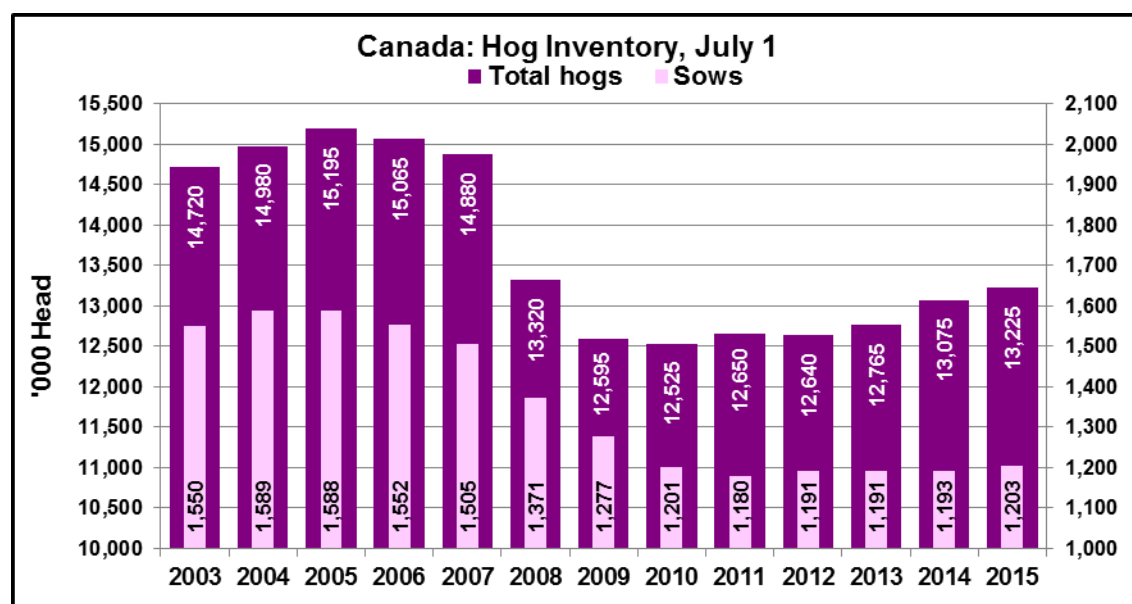
**HOGS:**

**NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data**

| <b>CANADA</b><br>Animal Numbers<br>SWINE ('000 head) | 2014                  |                  | 2015                  |                       | 2016                  |                      |
|------------------------------------------------------|-----------------------|------------------|-----------------------|-----------------------|-----------------------|----------------------|
|                                                      | USDA<br>Official Data | NEW Post<br>Data | USDA<br>Official Data | NEW Post<br>Estimates | USDA<br>Official Data | NEW Post<br>Forecast |
| Total Beginning Stocks                               | 12,940                | 12,940           | 13,165                | 13,165                | 0                     | 13,200               |
| Sow Beginning Stocks                                 | 1,191                 | 1,188            | 1,197                 | 1,195                 | 0                     | 1,205                |
| Production (Pig Crop)                                | 27,072                | 27,078           | 27,550                | 28,150                | 0                     | 28,500               |
| Total Imports                                        | 3                     | 3                | 1                     | 5                     | 0                     | 5                    |
| <b>Total Supply</b>                                  | <b>40,015</b>         | <b>40,021</b>    | <b>40,716</b>         | <b>41,320</b>         | <b>0</b>              | <b>41,705</b>        |
| Total Exports                                        | 4,960                 | 4,960            | 5,100                 | 5,650                 | 0                     | 5,875                |
| Total Slaughter                                      | 20,492                | 20,498           | 20,850                | 21,050                | 0                     | 21,100               |
| Loss                                                 | 1,398                 | 1,398            | 1,400                 | 1,420                 | 0                     | 1,430                |
| Ending Inventories                                   | 13,165                | 13,165           | 13,366                | 13,200                | 0                     | 13,300               |
| <b>Total Distribution</b>                            | <b>40,015</b>         | <b>40,021</b>    | <b>40,716</b>         | <b>41,320</b>         | <b>0</b>              | <b>41,705</b>        |

**Hog Sector Sable on Path of Modest Growth**

The hog sector remains stable moving into 2016. Total inventories on January 1, 2016 are forecast flat compared to 2015 while the sow herd is estimated to be 1 percent larger than the year ago level. Data released by Statistics Canada showed increases in both total hog inventories and the sow herd on January 1 as well as July 1, 2015.



Source: Statistics Canada

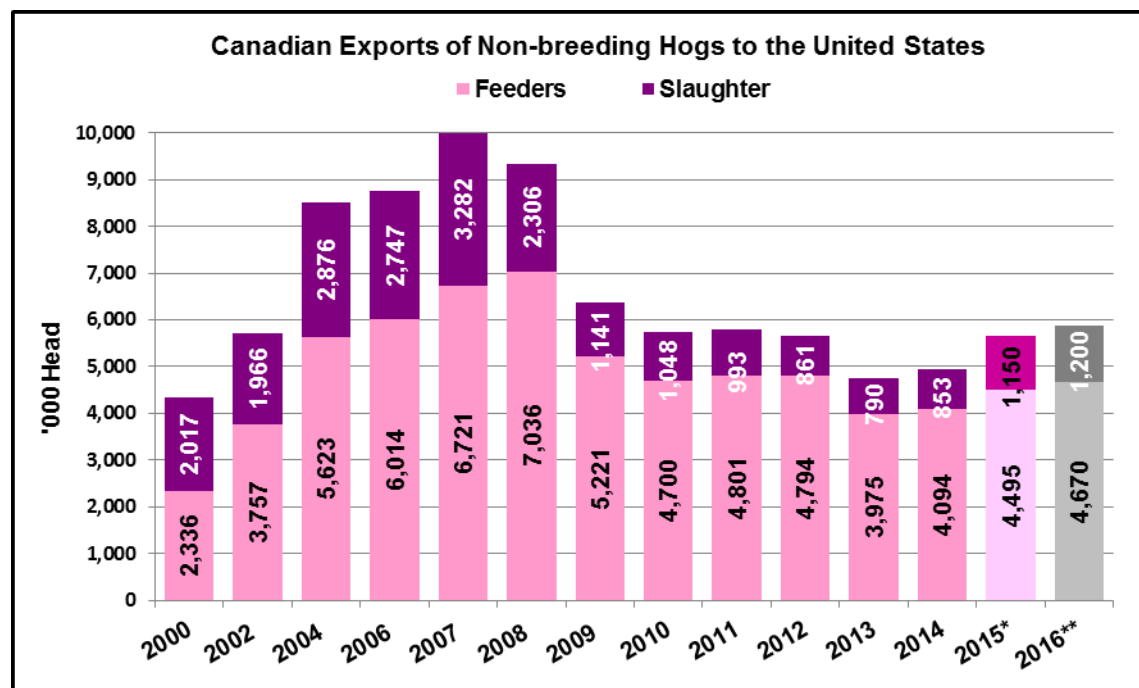
Given the recent improved profitability in the sector driven by high hog prices, few producers in Saskatchewan, Manitoba and Quebec have timidly engaged into expanding the sow and finishing barns capacity, although with negligible impact on the 2016 herd numbers.

While stringent environmental requirements in the province of Manitoba continue to make the construction of new finishing barns very costly, discouraging producers to engage in those types of investments, the provincial government allowed, on a pilot basis, the building of finishing barns at five sites in 2015 and another five sites in 2016. Each of these sites has an estimated capacity of 10,000 hogs/barn. However, these projects take longer than anticipated to implement and may not be operational until 2017.

Meanwhile, Olymel, the largest pork packer in the province of Quebec, has announced the construction of five new sow barns with an overall capacity of 12,000 sows. The project is being gradually implemented with one barn expected to be built in 2015, two in 2016 and the remaining two in 2017. Once fully operational, it is estimated that an additional 5,000 finished hogs will be shipped weekly to Olymel's slaughter facilities, thus reducing the packer's dependence on supplying slaughter hogs in the neighboring province of Ontario.

### Live Hog Exports Steady

Post forecasts hog exports to reach 5,875,000 head in 2016, representing a 4 percent increase over the estimated 2015 level, which currently stands at 5,650,000 head. The closure of two Ontario packers back in 2014 will continue to fuel increased exports of slaughter hogs to the United States, while exports of feeders will remain on a trend of moderate growth, supported by the weaker Canadian dollar and attractive prices south of the border.



Source: Global Trade Atlas / Post \*estimate \*\*forecast

In 2014, Ontario lost two of its pork plants with the closure of Quality Meat Packers in Toronto and Great Lakes Specialty Meats in Mitchell. The combined killing volume of these two plants was estimated at 35,000 head weekly, representing one third of the provincial slaughter capacity at the time. Ever since those closures, the excess finished hogs from Ontario found new destinations: most go to plants in Quebec, some are exported to the United States and, recently, few have started to find their way into Manitoba. The increased export volume of finished hogs to the United States is very likely to continue in 2016, as the provincial sector is trying to adjust to the new slaughter environment in Ontario.

Western Canada is the primary supplier of feeder hogs to the United States and is also the region where some packers have recently struggled to keep the slaughter lines running at normal capacity, due to lack of finished hogs. Some packers have developed a vertically integrated business model, with their own growing barns supplying a good share of the slaughter pigs, which helped them during times of limited supplies. In Manitoba, the hog sector continues to be adversely impacted by the stringent environmental requirements, which prevents producers to expand their hog growing operations. As a result, some investment in increasing hog production is occurring in southern Saskatchewan, adjacent to the Manitoba hog growing region, as recently reflected by an increase in the provincial sow herd in Saskatchewan.

The Maple Leaf plant in Brandon, Manitoba is the largest pork packer in Western Canada and continues to operate at reduced slaughter rates, although reports indicate that their situation has somewhat improved in recent months. The plant used to slaughter up to 85,000 head per week two years ago, and that volume went down to about 70,000 head weekly in mid-2014. Currently the plant is estimated to kill about 72,000 head a week, possibly supplying some of these additional hogs from Ontario. Over the next year, it is unlikely the plant will return to its previous kill volume.

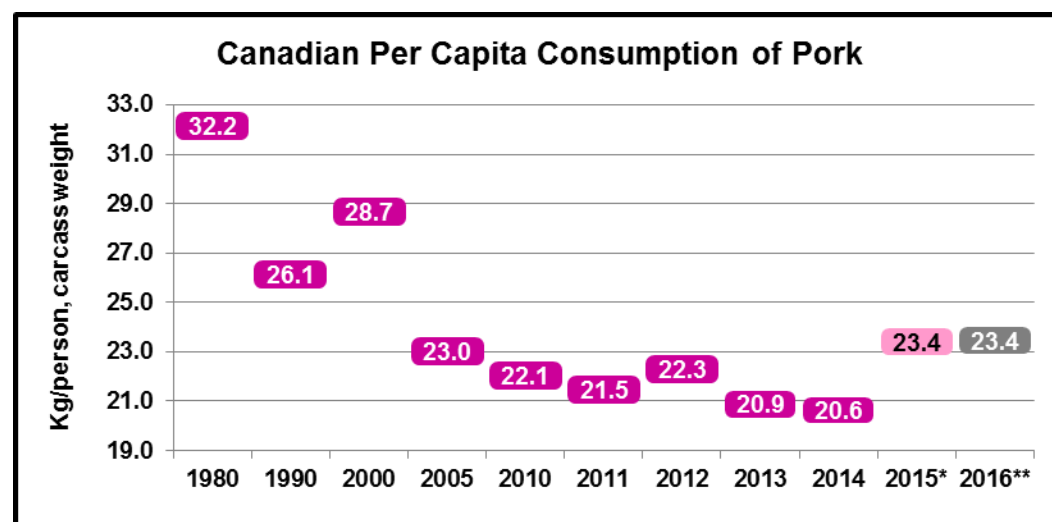
**PORK:**

**NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data**

| <b>CANADA<br/>Meat<br/>SWINE</b> | <b>2014</b>                   |                          | <b>2015</b>                   |                               | <b>2016</b>                   |                              |
|----------------------------------|-------------------------------|--------------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------|
|                                  | <b>USDA<br/>Official Data</b> | <b>NEW Post<br/>Data</b> | <b>USDA<br/>Official Data</b> | <b>NEW Post<br/>Estimates</b> | <b>USDA<br/>Official Data</b> | <b>NEW Post<br/>Forecast</b> |
| Slaughter (Reference)            | 20,492                        | 20,498                   | 20,850                        | 21,050                        | 0                             | 21,100                       |
| Beginning Stocks                 | 58                            | 65                       | 60                            | 76                            | 0                             | 80                           |
| Production                       | 1,815                         | 1,805                    | 1,840                         | 1,870                         | 0                             | 1,870                        |
| Total Imports                    | 214                           | 214                      | 200                           | 220                           | 0                             | 210                          |
| <b>Total Supply</b>              | <b>2,087</b>                  | <b>2,084</b>             | <b>2,100</b>                  | <b>2,166</b>                  | <b>0</b>                      | <b>2,160</b>                 |
| Total Exports                    | 1,219                         | 1,218                    | 1,225                         | 1,170                         | 0                             | 1,165                        |
| Total Dom. Consumption           | 808                           | 790                      | 825                           | 916                           | 0                             | 925                          |
| Ending Stocks                    | 60                            | 76                       | 50                            | 80                            | 0                             | 70                           |
| <b>Total Distribution</b>        | <b>2,087</b>                  | <b>2,084</b>             | <b>2,100</b>                  | <b>2,166</b>                  | <b>0</b>                      | <b>2,160</b>                 |

### Domestic Consumption to Remain Elevated for a Second Consecutive Year

Post forecasts the 2016 pork production at 1,870,000 metric tons (MT), unchanged from the estimated 2015 volume, reflecting the fact that both pig slaughter and carcass weights are expected to stay at similar levels in 2016 as they were the previous year.



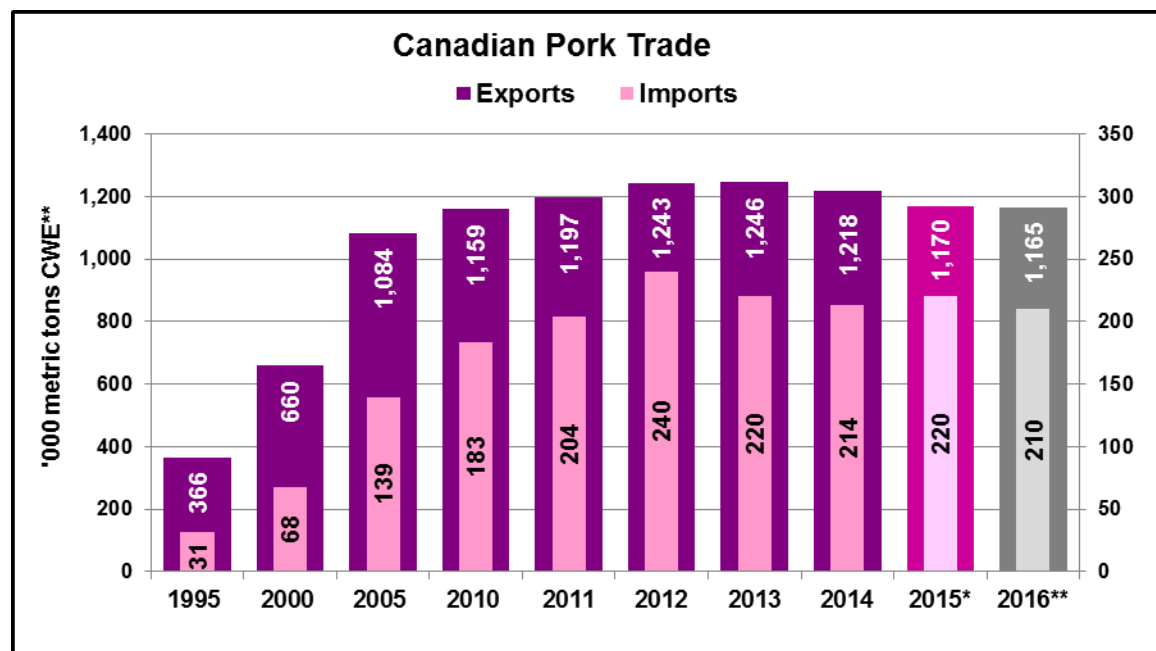
Source: Statistics Canada / Post \*estimate \*\*forecast

Consumer reports continue to indicate that domestic demand for pork has stayed elevated. Despite the recent increases in retail meat prices, pork has remained a relatively cheaper choice, prompting many consumers to rediscover this source of protein. In fact, domestic consumption in 2016 is likely to be maintained at levels not seen in a decade and to make up for an anticipated year of reduced pork exports.

Post anticipates that domestic per capita pork consumption will remain stable into 2016, at around 23.4 kg/person; however, this level of pork consumption, unchanged from 2015, would be the highest in over a decade. Despite this positive trend on the domestic market, the industry continues to depend heavily on the demand from foreign markets, given that about two thirds of the Canadian pork production is exported.

### Pork Exports Steady at a Lower Level

Post forecasts total annual pork exports to decline to 1,165,000 metric tons (MT) in 2016, or 5,000 MT below the estimated volume for 2015. A slowdown in global demand and increased competition in foreign markets are behind this trend, although the weaker Canadian dollar will remain supportive of exports.



Source: Global Trade Atlas / \*Post estimate \*\*forecast

Despite the initial optimism and hope for minimal impact, the closure of the Russian market one year ago keeps challenging the industry to find alternative destinations for its product. In 2014, pork exports to Russia were anticipated to return to the 2012 levels, year when Russia became the second export market for Canada. This trend was abruptly curbed in the second half of the year, following a food ban imposed by Russia on a number of items, including pork. This development resulted in reduced exports in 2015, now estimated 4 percent below the previous year's level.

Japan remains Canada's second export market for pork, after the United States, although with a decline in the export volume. Demand in Mexico and in several Asian markets remained solid, compensating for substantial declines in exports to China. On a year-to-date basis exports to Korea increased, after few years of steady decline, as the American pork was becoming increasingly more competitive as a result of

the implementation of the Korea-US free trade deal. However, the Canada-Korea trade agreement was finally completed in 2014, and Post anticipates that with implementation, Canadian pork starts regaining some of the market share it lost in recent years.

| Canada: Pork Exports, January - July (metric tons, CWE*) |                |                |                |                |        |        |               |
|----------------------------------------------------------|----------------|----------------|----------------|----------------|--------|--------|---------------|
|                                                          | Quantity       |                |                | % Market Share |        |        | % Change      |
|                                                          | 2013           | 2014           | 2015           | 2013           | 2014   | 2015   | 2015/2014     |
| <b>World</b>                                             | <b>713,644</b> | <b>708,917</b> | <b>671,775</b> | 100.00         | 100.00 | 100.00 | <b>- 5.24</b> |
| United States                                            | 225,882        | 228,801        | 279,214        | 31.65          | 32.27  | 41.56  | 22.03         |
| Japan                                                    | 122,699        | 131,534        | 125,899        | 17.19          | 18.55  | 18.74  | - 4.28        |
| Mexico                                                   | 36,318         | 39,348         | 53,779         | 5.09           | 5.55   | 8.01   | 36.68         |
| China                                                    | 80,523         | 60,049         | 36,974         | 11.28          | 8.47   | 5.50   | - 38.43       |
| Taiwan                                                   | 20,690         | 18,826         | 30,751         | 2.90           | 2.66   | 4.58   | 63.34         |
| Korea South                                              | 30,790         | 24,264         | 30,141         | 4.31           | 3.42   | 4.49   | 24.22         |
| Australia                                                | 22,439         | 14,545         | 21,828         | 3.14           | 2.05   | 3.25   | 50.07         |
| Philippines                                              | 27,363         | 18,395         | 16,878         | 3.83           | 2.59   | 2.51   | - 8.25        |
| Hong Kong                                                | 7,895          | 7,612          | 12,339         | 1.11           | 1.07   | 1.84   | 62.09         |
| Chile                                                    | 7,584          | 4,962          | 9,722          | 1.06           | 0.70   | 1.45   | 95.90         |
| New Zealand                                              | 6,033          | 5,124          | 8,861          | 0.85           | 0.72   | 1.32   | 72.94         |
| South Africa                                             | 7,611          | 1,245          | 7,997          | 1.07           | 0.18   | 1.19   | 542.13        |
| All other countries                                      | 117,817        | 154,212        | 37,392         | 16.51          | 21.75  | 5.57   | -75.75        |

Source: Global Trade Atlas / \*Conversion to carcass weight equivalent at 1.3

Post estimates pork imports in 2016 at 210,000 MT, or 10,000 MT below the previous year level, with the United States as major supplier, having over 90 percent market share. The Canadian dollar is not expected to gain any strength going into 2016, which is one of the major factors discouraging imports. Despite its huge production, in any given year Canada needs to import additional volumes of pork to provide specific meat cuts in shorter supply on the market. For 2015, Post estimates a 3 percent increase in imports to 220,000 MT, from 214,000 MT in 2014.

| Canada: Pork Imports, January - July (metric tons, CWE*) |                |                |                |                |        |        |             |
|----------------------------------------------------------|----------------|----------------|----------------|----------------|--------|--------|-------------|
|                                                          | Quantity       |                |                | % Market Share |        |        | % Change    |
|                                                          | 2013           | 2014           | 2015           | 2013           | 2014   | 2015   | 2015/2014   |
| <b>World</b>                                             | <b>128,578</b> | <b>118,398</b> | <b>123,281</b> | 100.00         | 100.00 | 100.00 | <b>4.12</b> |
| United States                                            | 121,027        | 109,869        | 111,594        | 94.13          | 92.80  | 90.52  | 1.57        |
| Germany                                                  | 2,069          | 2,712          | 2,837          | 1.61           | 2.29   | 2.30   | 4.57        |
| Poland                                                   | 42             | 248            | 2,120          | 0.03           | 0.21   | 1.72   | 754.85      |
| Denmark                                                  | 1,144          | 1,433          | 1,811          | 0.89           | 1.21   | 1.47   | 26.40       |
| Spain                                                    | 129            | 880            | 1,502          | 0.10           | 0.74   | 1.22   | 70.73       |
| All other countries                                      | 4,167          | 3,256          | 3,417          | 3.24           | 2.75   | 2.77   | 4.94        |

Source: Global Trade Atlas / \*Conversion to carcass weight equivalent at 1.3