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Stabilization in the Beef Sector and Modest Growth in Pork

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Report Highlights:
There are no significant changes forecasted, with the first signs of stabilization in place for the cattle sector and an expected modest growth in the hog sector. Cattle exports will remain dependant on feed price differential and sustained demand. Pork exports are estimated at a higher level, given an increased pork supply due to a larger than anticipated slaughter volume and heavier carcasses.

CATTLE

NOTE: "NEW Post" data reflects Post's assessments and are NOT official USDA data.

CANADA Animal Numbers CATTLE ('000 head)	2010		2011		2012	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Estimates
Total Cattle Beg. Stks	12,905	12,905	12,457	12,457	12,615	12,515
Dairy Cows Beg. Stocks	981	981	983	983	980	985
Beef Cows Beg. Stocks	4,391	4,391	4,273	4,273	4,280	4,228
Production (Calf Crop)	4,835	4,835	4,700	4,662	4,800	4,710
Total Imports	56	56	60	73	60	60
Total Supply	**17,796**	**17,796**	**17,217**	**17,192**	**17,475**	**17,285**
Total Exports	1,065	1,065	650	696	600	700
Cow Slaughter	605	605	510	535	500	500
Calf Slaughter	303	303	290	290	300	300
Other Slaughter	2,838	2,838	2,600	2,640	2,725	2,705
Total Slaughter	3,746	3,746	3,400	3,465	3,525	3,505
Loss	528	528	552	516	560	525
Ending Inventories	12,457	12,457	12,615	12,515	12,790	12,555
Total Distribution	**17,796**	**17,796**	**17,217**	**17,192**	**17,475**	**17,285**

Cattle inventories published by Statistics Canada reported a lower than anticipated total count, confirming, however, the earlier forecast of stabilization in the sector by showing an annual increase for the first time in seven years. Surprising were the numbers published for the inventory of beef cows, given that 2011 saw a reduced cow cull, reduced cow exports and an increase in heifer retention. Post reviewed the calf production downward by 90,000 head compared to the earlier USDA estimate.

Cattle exports will continue to be influenced by the availability of cheaper feeds, with recent months pointing towards a reduction in the cost advantage Canada has experienced over the recent period. The big un-known in this equation, in addition to the evolution of grain prices, is the transition from an export monopoly in wheat and barley to a free market system, scheduled to occur this summer with the elimination of the Canadian Wheat Board. At the same time, a mild winter in the Canadian West saw many herds out on the pasture much earlier than in normal conditions, which would point towards reduced export incentives. Nevertheless, demand in the United States remains extremely strong given the scarce supplies, which ultimately prompted Post to review upwards by 100,000 head the total number of cattle exports.

With fewer cattle available domestically, Post also revised downwards the total slaughter figure, by 20,000 head. Beef caw slaughter is anticipated to continue to slow down though, as farmers make plans for a cautious expansion.

BEEF

NOTE: "NEW Post" data reflects Post's assessments and are NOT official USDA data.

CANADA Meat BEEF and VEAL	2010		2011		2012	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Estimates
Slaughter (Reference)	3,746	3,746	3,400	3,465	3,525	3,505
Beginning Stocks	37	37	30	30	30	35
Production	1,272	1,272	1,155	1,170	1,200	1,200
Total Imports	243	243	275	282	270	280
Total Supply	**1,552**	**1,552**	**1,460**	**1,482**	**1,500**	**1,515**
Total Exports	523	523	415	426	450	460
Total Dom. Consumption	999	999	1,015	1,021	1,020	1,020
Ending Stocks	30	30	30	35	30	35
Total Distribution	**1,552**	**1,552**	**1,460**	**1,482**	**1,500**	**1,515**

All data in 1,000 metric tons, carcass weight equivalent, except slaughter in 1,000 head

Despite lower slaughter numbers, beef production is not expected to decrease due to heavier carcasses. As demand for beef remains stable in the domestic market and sustained in export markets, finishers will deal with reduced animal supplies by adding more weight to each carcass.

In a scarce market, both import and export numbers have been adjusted upwards to reflect the movement in various cuts, necessary to balance the market. The strong Canadian dollar will continue to fuel imports, while the demand on international markets will facilitate increased exports.

CANADA: Total Beef Imports (*Quantity in metric tons, CWE)**

	1995	2000	2005	2008	2009	2010	2011
World	**268,309**	**290,280**	**151,000**	**230,009**	**247,032**	**243,443**	**281,924**
United States	146,221	128,553	60,360	171,226	163,796	175,237	220,434
New Zealand	60,192	29,602	42,265	30,866	42,146	31,576	34,351
Uruguay	157	34,493	27,144	6,832	16,803	15,734	8,492
Australia	56,038	55,268	11,395	13,173	16,955	11,794	13,608
Brazil	2,085	4,125	7,383	5,764	5,663	7,415	4,195
Argentina	3,439	38,168	2,315	2,061	1,603	1,625	824
All other countries	177	71	138	87	66	62	20
Import Market Shares							
United States	54.5%	44.3%	40.0%	74.4%	66.3%	72.0%	78.2%
New Zealand	22.4%	10.2%	28.0%	13.4%	17.1%	13.0%	12.2%
Uruguay	0.1%	11.9%	18.0%	3.0%	6.8%	6.5%	3.0%
Australia	20.9%	19.0%	7.5%	5.7%	6.9%	4.8%	4.8%
Brazil	0.8%	1.4%	4.9%	2.5%	2.3%	3.0%	1.5%

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: Total Beef Exports (*Quantity in metric tons, CWE)**							
	1995	**2000**	**2005**	**2008**	**2009**	**2010**	**2011**
World	**263,682**	**563,090**	**596,307**	**493,819**	**480,321**	**523,073**	**425,991**
United States	248,232	469,043	515,797	402,459	389,564	414,678	329,934
Mexico	197	43,712	57,125	48,489	48,063	49,437	34,572
Hong Kong	116	919	13,035	10,048	12,663	21,125	29,103
Japan	8,871	22,155	7	6,905	11,313	17,932	13,153
Russia	84	0	0	513	1,084	5,859	5,507
Taiwan	743	2,335	0	1,907	3,926	3,239	1,497
All other countries	5,439	24,926	10,343	23,498	13,708	10,803	12,225
Export Market Shares							
United States	94.1%	83.3%	86.5%	81.5%	81.1%	79.3%	77.5%
Mexico	0.1%	7.8%	9.6%	9.8%	10.0%	9.5%	8.1%
Hong Kong	0.0%	0.2%	2.2%	2.0%	2.6%	4.0%	6.8%
Japan	3.4%	3.9%	0.0%	1.4%	2.4%	3.4%	3.1%
Russia	0.0%	0.0%	0.0%	0.1%	0.2%	1.1%	1.3%

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

HOGS

NOTE: "NEW Post" data reflects Post's assessments and are NOT official USDA data.

CANADA Animal Numbers SWINE ('000 head)	**2010**		**2011**		**2012**	
	USDA Official Data	**NEW Post Data**	**USDA Official Data**	**NEW Post Estimates**	**USDA Official Data**	**NEW Post Estimates**
Total Beginning Stocks	11,835	11,835	11,895	11,895	11,905	12,020
Sow Beginning Stocks	1,310	1,310	1,295	1,294	1,300	1,293
Production (Pig Crop)	28,498	28,509	28,240	28,638	28,450	28,800
Total Imports	3	3	3	3	2	2
Total Supply	**40,336**	**40,347**	**40,138**	**40,536**	**40,357**	**40,822**
Total Exports	5,761	5,761	5,730	5,821	5,740	5,800
Total Slaughter	21,285	21,296	21,120	21,269	21,290	21,300
Loss	1,395	1,395	1,383	1,426	1,400	1,400
Ending Inventories	11,895	11,895	11,905	12,020	11,927	12,322
Total Distribution	**40,336**	**40,347**	**40,138**	**40,536**	**40,357**	**40,822**

Data released by Statistics Canada showed a larger than anticipated total hog inventory, reconfirming our forecast of recovery and modest growth. Sow inventories are lower than expected, especially given a reduced sow slaughter in 2011. Based on indications of increased productivity and improved farrowing intentions for the first half of 2012, Post revised upwards pig production for the year by 350,000 head. Minor increases were brought to exports and total slaughter numbers. Producers remain cautious with respect to a quick expansion given the difficulties experienced over the past several years. A very moderate growth seems to be their best strategy for the moment.

PORK

NOTE: "NEW Post" data reflects Post's assessments and are NOT official USDA data.

CANADA Meat SWINE	2010		2011		2012	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Estimates
Slaughter (Reference)	21,285	21,296	21,120	21,269	21,290	21,300
Beginning Stocks	51	51	45	45	40	40
Production	1,772	1,772	1,753	1,770	1,765	1,775
Total Imports	183	183	195	204	190	190
Total Supply	**2,006**	**2,006**	**1,993**	**2,019**	**1,995**	**2,005**
Total Exports	1,159	1,159	1,160	1,197	1,160	1,175
Total Dom. Consumption	802	802	793	782	795	790
Ending Stocks	45	45	40	40	40	40
Total Distribution	**2,006**	**2,006**	**1,993**	**2,019**	**1,995**	**2,005**

All data in 1,000 metric tons, carcass weight equivalent, except slaughter in 1,000 head

On modestly higher slaughter numbers and increased carcass weights, Post adjusted upwards by 10,000 metric tons the pork production volume. Imports are not expected to change, however, sustained international demand, flat domestic consumption and increased meat supplies prompted Post to review upwards by 15,000 metric tons the total export volumes.

It will remain interesting to observe how the various export markets will evolve for Canada in 2012. While the overall volume is estimated to increase compared to the earlier USDA forecast, there are shifts to be expected among some of the principal markets. In the case of Korea, a free trade agreement with the United States will provide a tariff preference to American pork and may squeeze some of Canadian pork out of that market. At the same time, with changes in the import quota system, the Russian market will now see all exporters competing for one single quota volume. In addition, Brazil, which has been excluded from that market for lack of plant approval for most of 2011, will now be back among the principal exporters, as Brazilian packers are now gradually regaining their approval from Russian authorities.

CANADA: Total Pork Imports (*Quantity in metric tons, CWE)**

	1995	2000	2005	2008	2009	2010	20101
World	**31,119**	**67,759**	**139,445**	**193,976**	**179,850**	**183,331**	**203,983**
United States	26,320	61,883	129,818	186,380	173,488	177,449	195,749
Chile	0	0	1,027	2,510	3,039	2,262	2,696
Denmark	4,443	4,809	6,814	3,008	1,347	1,332	2,668
All other countries	356	1,067	1,786	2,078	1,976	2,288	2,870
Import Market Shares							
United States	85%	91%	93%	96%	96%	97%	96%
Chile	0%	0%	1%	1%	2%	1%	1%
Denmark	14%	7%	5%	2%	1%	1%	1%

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

CANADA: Total Pork Exports (*Quantity in metric tons, CWE)**							
	1995	**2000**	**2005**	**2008**	**2009**	**2010**	**2011**
World	**366,189**	**659,814**	**1,083,686**	**1,128,621**	**1,123,043**	**1,159,196**	**1,197,302**
United States	257,416	420,854	477,899	362,890	382,969	395,559	364,714
Japan	51,434	125,661	304,063	262,298	259,273	259,966	255,689
Russia	8,819	8,110	25,499	142,790	63,281	99,563	167,245
Korea South	5,211	14,181	57,708	64,887	67,937	56,065	100,751
China	299	1,929	18,045	23,142	22,687	38,998	78,829
Philippines	311	4,714	10,105	32,358	45,312	48,634	40,467
Australia	3,973	13,496	44,304	45,959	61,651	50,595	36,575
Mexico	1,894	17,049	45,565	29,549	29,097	61,858	35,420
Taiwan	996	6,254	12,262	17,138	34,639	27,120	27,828
Hong Kong	4,717	5,947	4,015	58,837	46,636	31,439	13,925
New Zealand	2,813	10,836	8,688	9,979	12,832	10,861	11,473
All other countries	28,306	30,783	75,533	78,794	96,729	78,538	64,386
Export Market Shares							
United States	70.3%	63.8%	44.1%	32.2%	34.1%	34.1%	30.5%
Japan	14.0%	19.0%	28.1%	23.2%	23.1%	22.4%	21.4%
Russia	2.4%	1.2%	2.4%	12.7%	5.6%	8.6%	14.0%
Mexico	0.5%	2.6%	4.2%	2.6%	2.6%	5.3%	3.0%
Korea South	1.4%	2.1%	5.3%	5.7%	6.0%	4.8%	8.4%
Australia	1.1%	2.0%	4.1%	4.1%	5.5%	4.4%	3.1%

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