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Report Highlights:

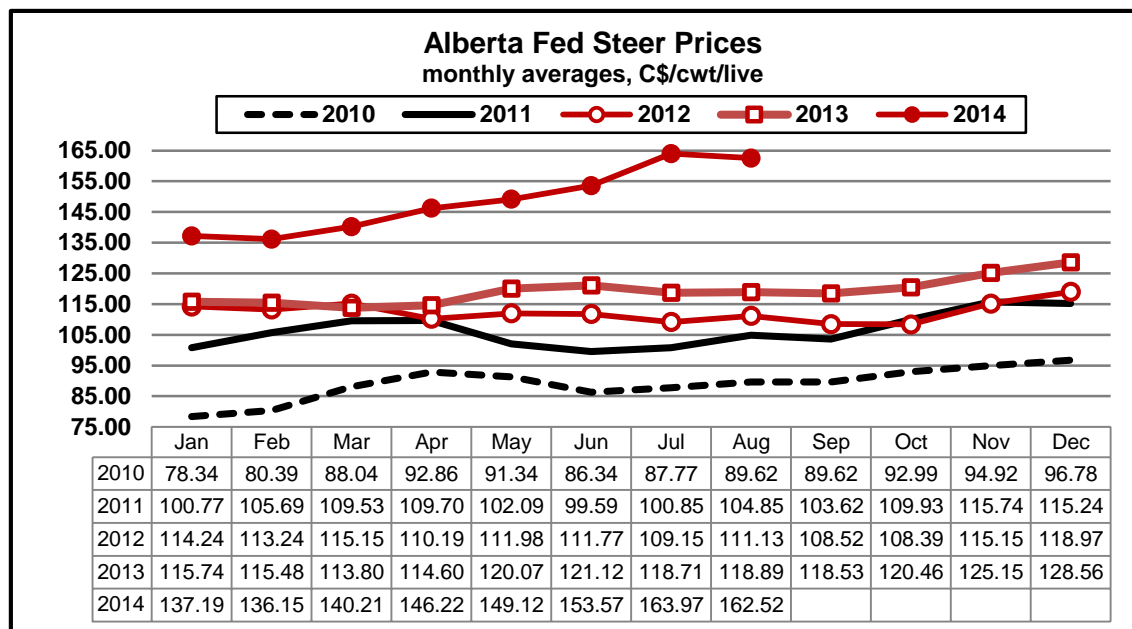
The outlook for the livestock sector remains unchanged: the cattle herd will continue to shrink in 2015, due to liquidation and poor heifer retention, while the hog sector remains stable, on a trend of moderate growth. While slaughter of both cattle and hogs will decline, heavier carcasses will partly offset the decline in beef and pork production. Neither the recent BSE case in Alberta, nor the Russian food ban are going to have major impacts on exports of beef and pork.

CATTLE

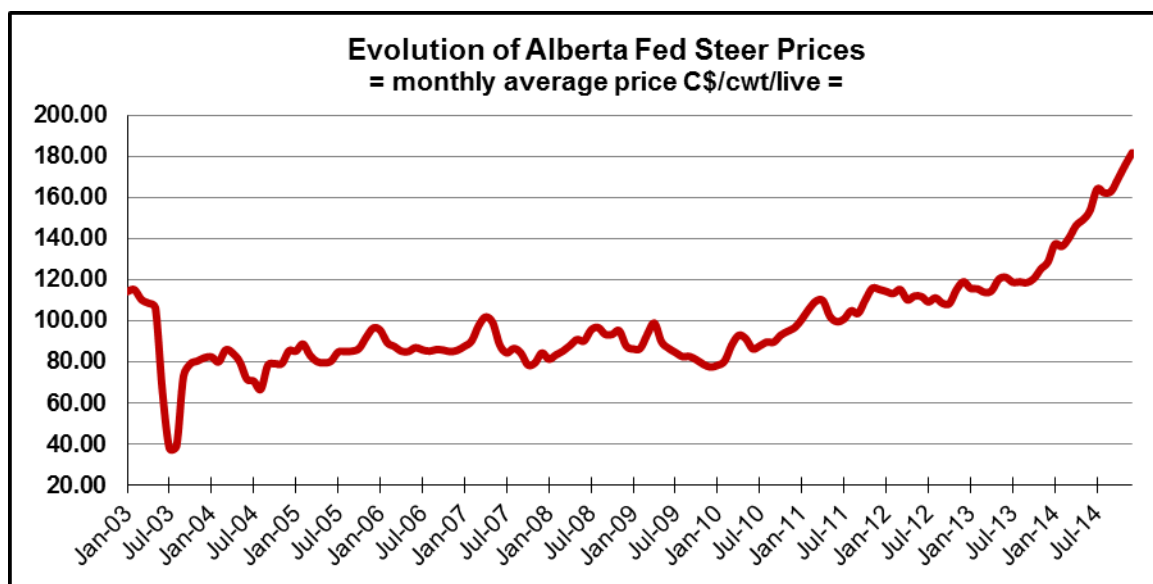
NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

CANADA Animal Numbers CATTLE ('000 head)	2013		2014		2015	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Total Cattle Beg. Stks	12,305	12,305	12,220	12,220	11,950	11,840
Dairy Cows Beg. Stocks	961	961	959	959	959	959
Beef Cows Beg. Stocks	3,935	3,935	3,905	3,905	3,900	3,900
Production (Calf Crop)	4,516	4,516	4,480	4,480	4,440	4,440
Total Imports	48	48	45	45	45	45
Total Supply	16,869	16,869	16,745	16,745	16,435	16,325
Total Exports	1,044	1,044	1,135	1,245	1,050	1,100
Cow Slaughter	490	490	475	450	450	425
Calf Slaughter	269	269	250	245	250	240
Other Slaughter	2,307	2,307	2,425	2,455	2,300	2,285
Total Slaughter	3,066	3,066	3,150	3,150	3,000	2,950
Loss	539	539	510	510	525	525
Ending Inventories	12,220	12,220	11,950	11,840	11,860	11,750
Total Distribution	16,869	16,869	16,745	16,745	16,435	16,325

The cattle herd is expected to show a larger than anticipated contraction, as cow slaughter only dropped by about 9 percent in 2014, while heifer slaughter increased by 9 percent. Cattle prices continued to climb throughout the year, prompting many producers to either liquidate inventories or postpone retention. Canada's relative feed cost disadvantage compared to the United States has narrowed in the second half of 2014, and is expected to remain so into 2015. This translates into fewer exports of slaughter cattle, as well as into heavier animals leaving the feedlots, as they are kept longer on feed. Packers, on their side, see no need to rush slaughter though, given the overall tight animal supplies and reportedly negative margins.

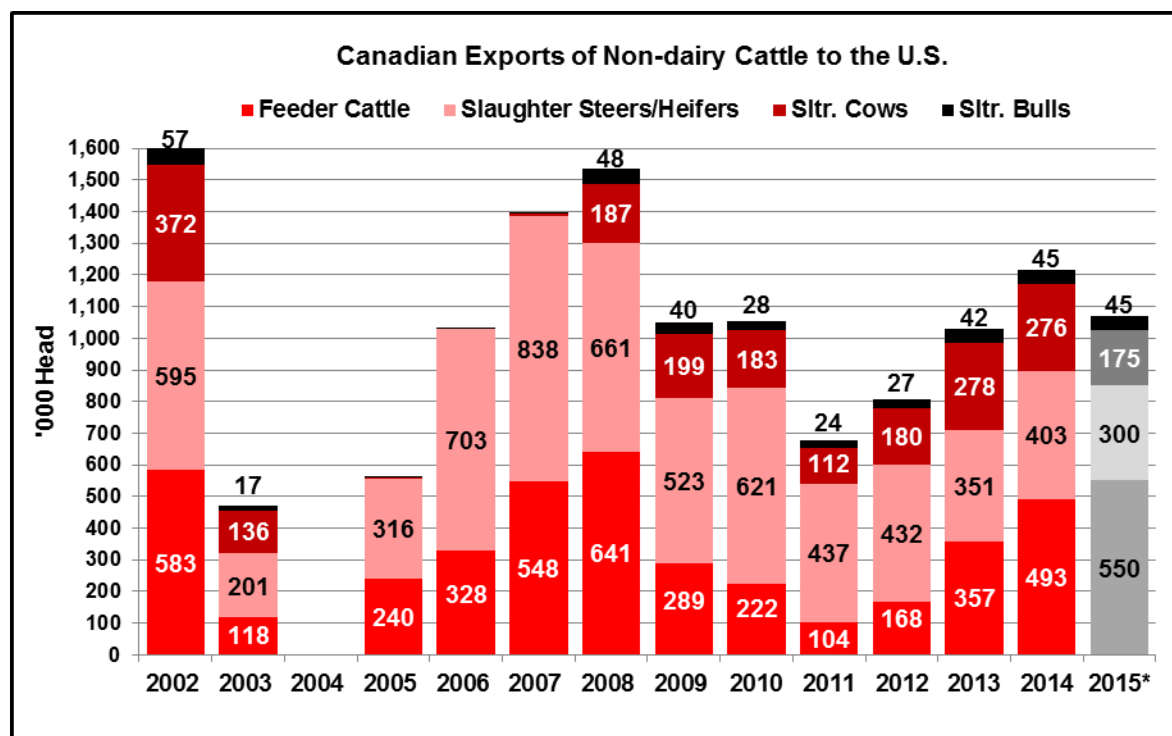


Source: Canfax



Source: Canfax

Post estimates cattle exports 50,000 head above the current forecast, as overall volumes will be driven by exports of feeder cattle, supported by prices and a very favorable exchange rate, as the Canadian dollar is expected to stay at around 80 cents per U.S. dollar for the entire year. Exports of both cows and slaughter cattle are expected to significantly decline in 2015. On one side, cow inventories have already been reduced by the previous years' liquidation and, on the other side, producers are expected to look into rebuilding their herds. As explained earlier, slaughter cattle are more likely to supply domestic packers, rather than be exported. That being said, Post estimates that overall slaughter in 2015 will be 50,000 head below the current forecast, primarily reflective of a tight animal supply.



BEEF

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CANADA Meat BEEF and VEAL	2013		2014		2015	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Slaughter (Reference)	3,066	3,066	3,150	3,150	3,000	2,950
Beginning Stocks	38	38	34	34	20	30
Production	1,049	1,049	1,050	1,075	1,010	1,015
Total Imports	296	296	280	284	285	275
Total Supply	1,383	1,383	1,364	1,393	1,315	1,320
Total Exports	333	332	365	378	355	375
Total Dom. Consumption	1,016	1,017	979	985	940	925
Ending Stocks	34	34	20	30	20	20
Total Distribution	1,383	1,383	1,364	1,393	1,315	1,320

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

Despite a small reduction in cattle slaughter, Post increased the 2015 beef production estimate by 5,000 metric tons compared to the existing USDA official forecast, given the expected evolution in carcass weights. Carcass weights showed a significant swing in mid-2014. Average steer weights rose by nearly 10 percent between June and November of 2014, as a narrowing in Canada's relative feed cost disadvantage, combined with slower marketings prompted feedlots to keep the animals on feed for a

longer period of time. These higher carcass weights are expected to be maintained throughout 2015, resulting in average annual weights higher than in 2014.

A weaker Canadian dollar is going to be very supportive of beef exports, while discouraging imports. Post estimates 2015 exports 20,000 metric tons above the current forecast, while imports are now estimated 10,000 metric tons below the present forecast. The new case of BSE discovered in early February in Alberta is not likely to have a major impact on Canadian beef exports. While some markets are temporarily closed to Canadian beef (of which the most significant is Korea), the industry is expected to have no trouble in finding alternative destinations, the most likely one being the United States. Domestic beef consumption is expected to further decline in 2015, possibly reaching the lowest per capita level on record.

CANADA: Total Beef Imports (Quantity in metric tons, CWE*)							
	1995	2000	2005	2010	2012	2013	2014
World	268,309	290,280	151,000	243,443	301,236	295,717	284,136
United States	146,221	128,553	60,360	175,237	228,526	226,926	179,616
Australia	56,038	55,268	11,395	11,794	21,422	24,301	48,238
New Zealand	60,192	29,602	42,265	31,576	29,514	21,543	23,138
Uruguay	157	34,493	27,144	15,734	15,677	17,466	26,015
Brazil	2,085	4,125	7,383	7,415	4,702	4,196	5,661
Argentina	3,439	38,168	2,315	1,625	1,309	899	220
All other countries	177	71	138	62	86	386	1,248
Import Market Shares							
United States	54.5%	44.3%	40.0%	72.0%	75.9%	76.7%	63.2%
Australia	20.9%	19.0%	7.5%	4.8%	7.1%	8.2%	17.0%
New Zealand	22.4%	10.2%	28.0%	13.0%	9.8%	7.3%	8.1%
Uruguay	0.1%	11.9%	18.0%	6.5%	5.2%	5.9%	9.2%
Brazil	0.8%	1.4%	4.9%	3.0%	1.6%	1.4%	2.0%

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	2010	2012	2013	2014
World	263,682	563,090	596,307	523,073	335,243	332,491	378,286
United States	248,232	469,043	515,797	414,678	257,297	255,740	286,184
Hong Kong	116	919	13,035	21,125	24,093	26,234	27,428
Mexico	197	43,712	57,125	49,437	23,233	16,030	22,259
Japan	8,871	22,155	7	17,932	14,370	14,950	20,831
China	47	85	0	5	1,906	7,869	9,137
Korea South	3,024	22,386	25	6	3,028	1,448	4,224
All other countries	3,195	4,790	10,318	19,890	11,316	10,220	8,223
Export Market Shares							
United States	94.1%	83.3%	86.5%	79.3%	76.7%	76.9%	75.7%
Hong Kong	0.0%	0.2%	2.2%	4.0%	7.2%	7.9%	7.3%
Mexico	0.1%	7.8%	9.6%	9.5%	6.9%	4.8%	5.9%
Japan	3.4%	3.9%	0.0%	3.4%	4.3%	4.5%	5.5%

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*

CANADA Animal Numbers SWINE ('000 head)	2013		2014		2015	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Total Beginning Stocks	12,610	12,610	12,955	12,955	13,280	13,448
Sow Beginning Stocks	1,188	1,188	1,193	1,193	1,198	1,198
Production (Pig Crop)	27,359	27,359	27,400	27,400	27,700	27,700
Total Imports	1	1	1	3	1	1
Total Supply	39,970	39,970	40,356	40,358	40,981	41,149
Total Exports	4,752	4,784	4,855	4,960	4,810	5,100
Total Slaughter	20,922	20,922	20,900	20,550	21,000	20,850
Loss	1,341	1,309	1,321	1,400	1,301	1,450
Ending Inventories	12,955	12,955	13,280	13,448	13,870	13,749
Total Distribution	39,970	39,970	40,356	40,358	40,981	41,149

The hog sector remains stable into 2015, on path for a very moderate growth. Inventories are expected to show a modest increase by a couple of hundred thousand head compared to the current forecast, primarily due to a lower than anticipated slaughter volume in 2014. Post estimates that export volumes in 2015 will be larger by 290,000 head compared to the existing forecast, driven by attractive export

prices for feeder hogs and a favorable exchange rate, as the Canadian dollar is expected to remain about 20 percent weaker than the U.S. dollar for the entire year.

Hog slaughter is currently estimated at 150,000 head below the existing USDA forecast, as a reflection of the limited availability of finished hogs on the domestic market. In Manitoba, the Maple Leaf plant in Brandon reportedly continues to operate at about 70,000 head per week, down from 80-85,000 head per week two years ago. Environmental requirements in that province make the construction of new finishing barns very costly, and producers are not prepared for those types of investments. Recently, the provincial government in Manitoba allowed, on a pilot basis, the construction of finishing barns at five sites in 2015 and another five sites in 2016. With a normal capacity of 10,000 hogs/barn and about three production cycles per year, when fully operational these barns would supply some additional 300,000 slaughter hogs in the province. However, given the time it takes to implement these projects, Post does not anticipate any market impact in 2015.

Finally, although the 2015 hog slaughter is expected to decline compared to the current forecast, it will be some 300,000 head higher than in 2014. This is remarkable given that Ontario lost one of its plants in 2014, with the closure of Quality Meat Packers in Toronto, a plant that was killing about 30,000 head/week. By now, those volumes have been picked up in part by other plants in Ontario and in part by plants in Quebec, with an estimated volume of around 10-15,000 hogs moving weekly from Ontario into the neighboring province. In addition, some of the smaller plants in Western Canada have also added few thousand head to their weekly kills, all these supporting the higher slaughter volumes in 2015 compared to 2014.

PORK

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CANADA Meat SWINE	2013		2014		2015	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Slaughter (Reference)	20,922	20,922	20,900	20,550	21,000	20,850
Beginning Stocks	67	67	58	58	55	60
Production	1,819	1,819	1,830	1,815	1,860	1,840
Total Imports	220	220	210	214	210	200
Total Supply	2,106	2,106	2,098	2,087	2,125	2,100
Total Exports	1,245	1,246	1,180	1,219	1,180	1,225
Total Dom. Consumption	803	802	863	808	895	825
Ending Stocks	58	58	55	60	50	50
Total Distribution	2,106	2,106	2,098	2,087	2,125	2,100

Improvements in the relative price of feed in Canada and a solid demand for pork have led to heavier carcasses in 2014, a trend likely to continue into 2015 as well. Despite the lower slaughter volume anticipated for 2015, due the increases in carcass weights, Post lowers the pork production estimate by only 20,000 metric tons from the current official forecast. Similarly, in 2014, Post expects only a small

reduction of 15,000 metric tons in pork production, although hog slaughter is estimated to decline by 350,000 head.

A weaker Canadian dollar is likely to further discourage pork imports, and Post estimates 2015 import volumes 10,000 metric tons below the existing forecast. While domestic consumption may pick up in 2015, the vast majority of Canada's pork production will continue to be consumed abroad. Supported by the exchange rate and a vigorous world demand, Post estimates pork exports at 45,000 metric tons above the current official forecast, showing a very modest growth over the previous year.

In 2014, Russia was on the way to surpass Japan as Canada's second largest export market after the United States when the food ban imposed in the middle of the year reversed that trend. Nevertheless, Russia finished the year as the third ranked destination for Canadian pork. In 2015, Post estimates that pork volumes that are no longer absorbed by the Russian market will find other destinations, such as North American markets, where Mexico has become an increasingly important import partner for Canada. Exports are also likely to pick up in countries neighboring Russia, such as Belarus, and also in some of the Asian markets.

CANADA: Total Pork Imports (Quantity in metric tons, CWE*)							
	1995	2000	2005	2010	2012	2013	2014
World	31,119	67,759	139,445	183,377	240,147	220,394	213,650
United States	26,320	61,883	129,818	177,495	227,437	207,558	195,935
Germany	134	0	0	0	2,329	4,485	5,253
Denmark	4,443	4,809	6,814	1,332	2,497	1,696	3,181
Chile	0	0	1,027	2,262	3,340	2,135	1,794
All other countries	222	1,067	1,786	2,288	4,544	4,520	7,487
Import Market Shares							
United States	85%	91%	93%	97%	95%	94%	92%
Germany	0%	0%	0%	0%	1%	2%	2%
Denmark	14%	7%	5%	1%	1%	1%	1%
Chile	0%	0%	1%	1%	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	2010	2012	2013	2014
World	366,189	659,814	1,083,686	1,159,196	1,243,147	1,246,000	1,218,892
United States	257,416	420,854	477,899	395,559	360,655	404,305	445,901
Japan	51,434	125,661	304,063	259,966	245,622	219,367	227,920
Russia	8,819	8,110	25,499	99,563	244,036	114,532	115,888
China	299	1,929	18,045	38,998	89,002	131,126	100,882
Mexico	1,894	17,049	45,565	61,858	43,165	66,151	80,064
Korea South	5,211	14,181	57,708	56,065	68,270	49,131	46,033
Taiwan	996	6,254	12,262	27,120	23,008	30,984	32,197
Australia	3,973	13,496	44,304	50,595	36,626	36,847	30,906
Philippines	311	4,714	10,105	48,634	40,131	46,495	27,787
Chile	824	1,053	873	7,752	4,063	14,326	15,873
Hong Kong	4,717	5,947	4,015	31,439	12,291	13,355	15,453
Colombia	296	545	1,540	3,222	5,942	12,907	11,091
Belarus	0	9	842	0	0	0	9,907
New Zealand	2,813	10,836	8,688	10,861	8,004	11,517	9,418
All other countries	27,186	29,176	72,278	67,564	62,332	94,957	49,572
Export Market Shares							
United States	70.3%	63.8%	44.1%	34.1%	29.0%	32.4%	36.6%
Japan	14.0%	19.0%	28.1%	22.4%	19.8%	17.6%	18.7%
Russia	2.4%	1.2%	2.4%	8.6%	19.6%	9.2%	9.5%
China	0.1%	0.3%	1.7%	3.4%	7.2%	10.5%	8.3%
Mexico	0.5%	2.6%	4.2%	5.3%	3.5%	5.3%	6.6%
Korea South	1.4%	2.1%	5.3%	4.8%	5.5%	3.9%	3.8%

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