

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 2/28/2018

GAIN Report Number: CA18017

Canada

Livestock and Products Semi-annual

2017

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Report Highlights:

The Canadian cattle herd is forecast to contract further in 2018 as slaughter outpaces heifer retention and calf crop production. The Canadian swine herd is forecast to continue to grow marginally through 2018 as global demand for pork remains strong and sow stocks are projected to be up from 2017 numbers. Though the United States will continue to dominate Canadian trade in cattle, beef, swine, and pork, Asian markets should offer increased Canadian export growth in 2018.

Key Words: CA18017, Canada, Livestock, Beef, Pork

Cattle:

Production, Supply, and Distribution Estimates

CANADA Animal Numbers CATTLE ('000 head)	2016		2017		2018	
	USDA Official Data	NEW FAS/Ottawa Data	USDA Official Data	NEW FAS/Ottawa Estimates	USDA Official Data	NEW FAS/Ottawa Forecast
Total Cattle Beg. Stocks	11,900	11,900	11,850	11,850	11,715	11,810
Dairy Cows Beg. Stocks	945	945	945	945	945	945
Beef Cows Beg. Stocks	3,773	3,773	3,748	3,748	3,850	3,850
Production (Calf Crop)	4,297	4,297	4,300	4,300	4,400	4,400
Total Imports	33	32	50	141	30	50
Total Supply	16,230	16,229	16,200	16,291	16,145	16,260
Total Exports	766	789	665	663	730	660
Cow Slaughter	423	423	475	480	430	440
Calf Slaughter	235	235	225	230	210	210
Other Slaughter	2,434	2,434	2,600	2,590	2,500	2,675
Total Slaughter	3,092	3,092	3,300	3,300	3,140	3,325
Loss	522	498	520	518	520	510
Ending Inventories	11,850	11,850	11,715	11,810	11,755	11,765
Total Distribution	16,230	16,229	16,200	16,291	16,145	16,260

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

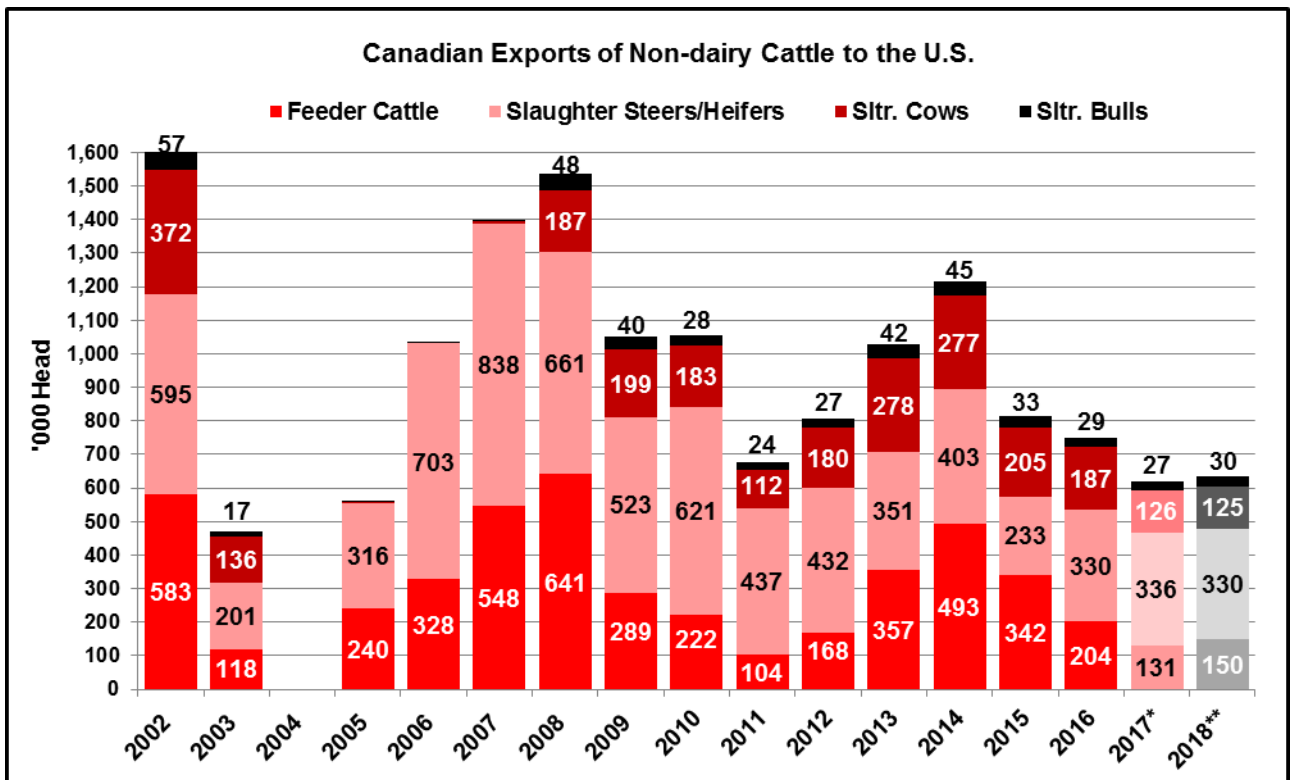
**Ending inventory data for 2017 is estimated based on industry activity. Statistics Canada data on ending inventories will be released later in 2018.*

As mentioned in GAIN Report [CA18008](#), a record increase in live cattle imports from the United States helped push 2017 annual slaughter estimates up seven percent over 2016 slaughter and eight percent higher than the five-year average (2012-2016). FAS/Ottawa adjusted 2018 beginning cattle inventories higher due to the surge in live cattle imports in 2017. Statistics Canada July 1 cattle statistics indicate the Canadian cattle herd was at 12,950,000 head at the mid-year point up less than one percent from mid-year numbers in July 2016. While FAS/Ottawa has increased the original forecast for beginning inventories in 2018, due to the increase in cattle imports, the expectation is that many of these imports contributing to the July 1 inventory number will have been slaughtered by the end of December 2017 contributing to the continued but slightly abated ongoing contraction of the Canadian cattle herd.

Live cattle imports appeared to have cooled in December 2017, and FAS/Ottawa anticipates imports will return to levels in line with typical cattle movement trends as 2018 progresses. Despite increased live cattle imports and decreased live cattle exports, FAS/Ottawa projects the Canadian cattle herd will contract further in 2018 owing to increased slaughter activity and essentially flat growth in the 2017 calf crop. Older producers continued to exit the industry in 2017 and remaining cow-calf operations appear to have been profiting on increased Canadian and export beef demand as heifer feeder prices rose two percent (all weights) in 2017.

Annual non-breeding, live cattle imports increased by approximately 340 percent over 2016 numbers, with import activity in the second half of 2017 up by 500 percent over 2016 levels. Industry sources and trade data indicate the majority of cattle imported in 2017 were feeder cattle, which could be fed out for four to eight months depending on weight, packer demand, and fed cattle prices. FAS/Ottawa anticipates higher than average slaughter activity over the first half of 2018 driving 2018 slaughter up one percent above 2017 levels. As the majority of Canadian cattle are traditionally marketed between June and October, FAS/Ottawa expects steer slaughter activity to remain strong into the second half of 2018. However, FAS/Ottawa anticipates higher heifer retention, and thus lower heifer slaughter, in 2018 as the industry moves to halt further cattle herd declines in 2019.

However, an ongoing [vitamin shortage](#) could limit herd development plans in 2018 if cow-calf producers and cattle feeders experience increased feed supplement costs and associated adverse health event costs. Depending on the price of vitamins, feeders may end up with reduced profits due to increased expenditures on supplements as well as more animal losses and/or decreased weight gain.



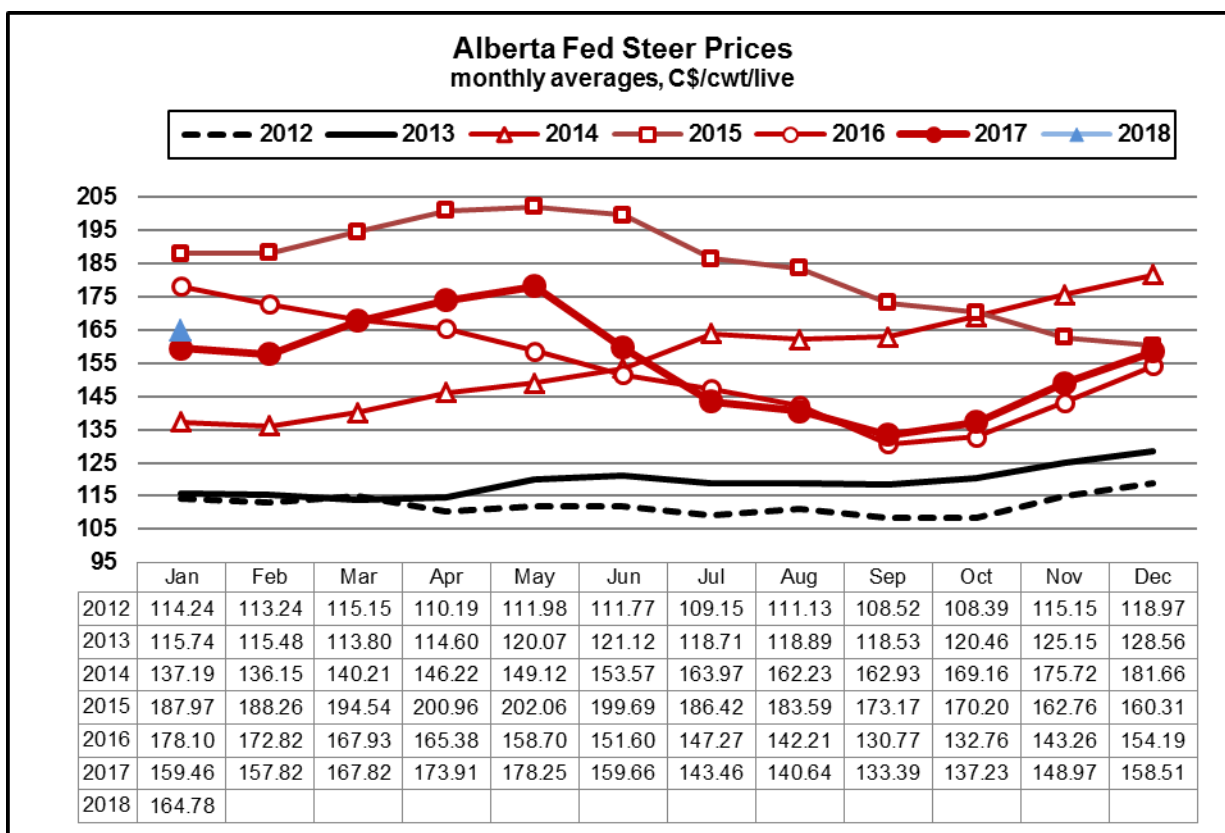
Source: Global Trade Atlas/FAS/Ottawa *estimate **forecast

FAS/Ottawa forecasts cattle imports to decrease by 65 percent over the peak numbers reached in 2017, though this would still place 2018 cattle imports at a 14 percent increase over the five-year average from 2012-2016. Industry sources have indicated that increased feed costs in Canada and a projected tightening in the spread between Canadian and U.S. feeder prices will be the main force behind a return to more recent import trends. Canadian feeder prices are expected to level-off in 2018.

However, if cattle feeders in Western Canada continue to see profit in U.S. feeder cattle and Canadian feeder prices remain high, then Canadian live cattle imports could remain strong through 2018. Alberta

cattle feeders, responsible for 69 percent of total Canadian fed cattle production according to the [Alberta Cattle Feeders' Association](#), may be well positioned to continue sourcing U.S. feeder cattle since feed transportation infrastructure facilitates access to readily available U.S. and Canadian feed grains. Additionally, FAS/Ottawa expects animal transport trucks taking slaughter cattle to the United States could continue to pick up U.S. feeder cattle on return runs, even if the Canadian dollar continues to remain relatively strong against the U.S. dollar.

Live cattle exports are forecast to decrease less than one percent in 2018 continuing the decline from 2017. Though Canadian slaughter facilities have been operating below capacity, industry sources indicate packers began ramping up activity in 2017. FAS/Ottawa anticipates more efficient utilization of slaughter capacity in 2018 as Canadian and export demand for beef remains strong. Canadian consumers continued to eat beef in spite of higher retail prices, keeping beef prices strong through 2017 and pushing the beef index to the highest level since 1971.



Source: CanFax

Beef:

Production, Supply, and Distribution Estimates

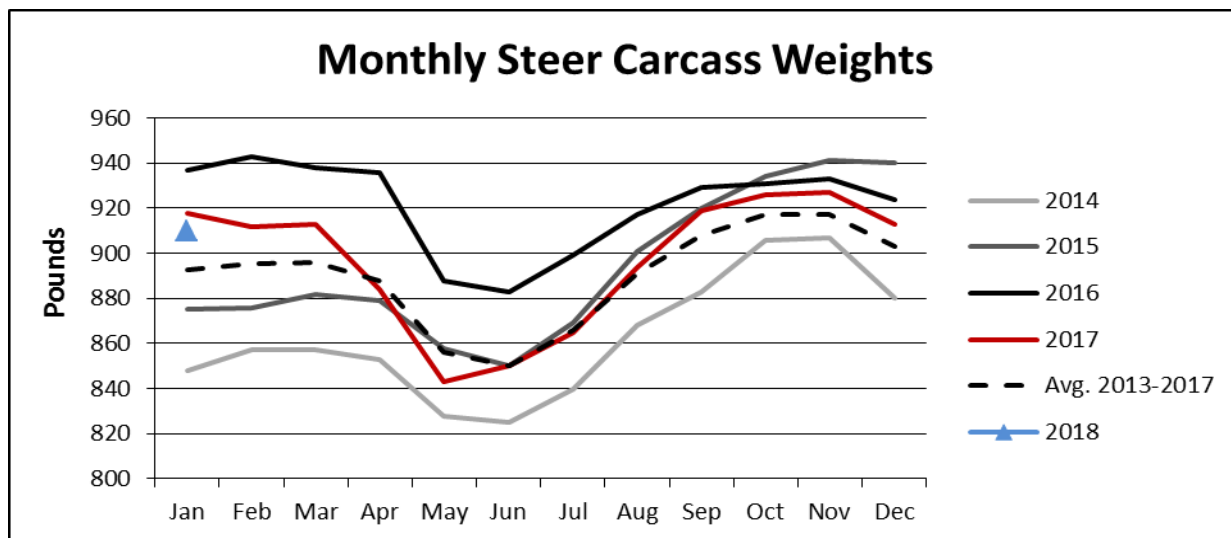
CANADA Meat BEEF and VEAL	2016		2017		2018	
	USDA Official Data	NEW FAS/Ottawa Data	USDA Official Data	NEW FAS/Ottawa Estimates	USDA Official Data	NEW FAS/Ottawa Forecast
Slaughter (Reference)	3,092	3,092	3,300	3,300	3,250	3,325
Beginning Stocks	41	41	35	35	45	35
Production	1,130	1,130	1,175	1,175	1,170	1,190
Total Imports	254	243	225	229	235	235
Total Supply	1,425	1,414	1,435	1,439	1,450	1,460
Total Exports	443	441	475	469	475	480
Total Dom. Consumption	947	938	915	935	935	935
Ending Stocks	35	35	45	35	40	45
Total Distribution	1,425	1,414	1,435	1,439	1,450	1,460

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

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

**Ending stocks data for 2017 is estimated based on industry activity. Statistics Canada data on ending stocks will be released later in 2018.*

FAS/Ottawa forecasts 2018 beef production to rise by 15,000 MT, approximately one percent above 2017, on increased slaughter activity and relatively flat carcass weights. According to industry sources, heifer slaughter will decline in 2018 on increased retention, mitigating further contraction of the Canadian herd in 2019. FAS/Ottawa lowered its previous estimate for 2017 ending stocks as Canadian beef demand in 2017 outpaced earlier forecasts. With slaughter and beef production raised from the original 2018 projection, FAS/Ottawa now forecasts an increase in 2018 ending stocks on anticipated rebuilding and a flattening of Canadian consumption.



Source: CanFax

In 2017, Canadian beef exports increased to 469,000 MT, four percent higher than FAS/Ottawa's earlier forecast of 450,000 MT. FAS/Ottawa raised the 2018 beef export forecast 15,000 MT to 480,000 MT on anticipated increases in slaughter, production, and foreign marketing.

The United States continued to remain the main export market for Canadian beef in 2017. Japan and China increased market shares in 2017; the combination of beef exports to China and Hong Kong was up slightly more than one percent in 2017 following a 32 percent decline in 2016. FAS/Ottawa expects higher Canadian beef exports to China in 2018 following [the December 2017](#) announcement of a chilled beef and pork export pilot project. Additionally, the Canadian beef industry remains optimistic that frozen, bone-in beef exports to China, which have been approved in principle, will begin in 2018. According to Agriculture and Agri-Food Canada, the beef industry has estimated that development of distribution chains for Canadian chilled and frozen beef exports to China may result in an increase in export values of \$125 million CAD over the next five years. The five-year average annual value of Canadian beef exports to China through 2017 was approximately \$73 million USD, though that figure is skewed higher due to the high volume and value of beef exports to China in 2015.

The Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union (EU) entered into force in September 2017. The EU maintained a small share of Canada's overall exports at less than one percent of total beef exported in 2017. However, Canadian exports of beef to the EU increased 44 percent in 2017 compared to 2016. Canadian exports to the EU were outpacing 2015 and 2016 throughout 2017, with annual trade data indicating that Canadian exports to the EU are trending back toward pre-2014 levels. However, industry sources suggest that a surge in Canadian beef exports to the EU is unlikely in 2018, as EU acceptance of Canadian carcass wash protocols remains uncertain and as Canadian buyers compete with the EU for limited supplies of Canadian hormone-free beef.

Canada: Annual Beef Exports (metric tons, CWE*)

	2013	2014	2015	2016	2017
World	332,491	378,407	396,878	440,823	468,999
United States	255,740	286,214	298,546	348,113	362,738
Hong Kong	26,234	27,428	11,759	30,635	28,681
Japan	14,950	20,831	13,341	19,498	28,402
Mexico	16,030	22,259	18,241	16,529	17,337
Korea South	1,448	4,224	696	8,543	5,430
China	7,869	9,228	45,721	8,415	10,914
All other countries	10,220	8,223	8,574	9,090	15,497
Export Market Shares					
United States	76.9%	75.6%	75.2%	79.0%	77.3%
Hong Kong	7.9%	7.2%	3.0%	6.9%	6.1%
Japan	4.5%	5.5%	3.4%	4.4%	6.1%
Mexico	4.8%	5.9%	4.6%	3.7%	3.7%
China	2.4%	2.4%	11.5%	1.9%	2.3%

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

The United States remained the main supplier of beef imports into Canada in 2017 even as Canadian imports were slightly lower than anticipated, with Canadian domestic supplies higher than anticipated in 2017 on increased slaughter. Even as 2017 followed a multi-year trend of declining Canadian imports, FAS/Ottawa maintains its forecast of increased imports for 2018 to rebuild stocks. FAS/Ottawa reduced the 2018 import forecast to 235,000 MT (down from the original projection of 240,000 MT) as a result of a projected increase in Canadian beef production in 2018 and projected flat Canadian domestic demand in 2018.

Canada: Annual Beef Imports (metric tons, CWE*)					
	2013	2014	2015	2016	2017
World	283,986	271,683	268,578	243,384	228,479
United States	216,700	168,695	151,991	144,064	148,089
Australia	24,280	48,230	56,563	38,774	26,291
New Zealand	21,330	22,955	35,776	28,857	26,421
Uruguay	17,421	26,002	18,935	21,464	17,446
Brazil	3,218	4,424	1,890	4,712	2,944
Mexico	185	1,075	1,656	3,321	3,789
All other countries	852	302	1,767	2,192	3,499
Import Market Shares					
United States	76.3%	62.1%	56.6%	59.2%	64.8%
Australia	8.5%	17.8%	21.1%	15.9%	11.5%
New Zealand	7.5%	8.4%	13.3%	11.9%	11.6%
Uruguay	6.1%	9.6%	7.1%	8.8%	7.6%
Mexico	0.1%	0.4%	0.6%	1.4%	1.7%

*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*

Swine:

Production, Supply, and Distribution Estimates

CANADA Animal Numbers SWINE ('000 head)	2016		2017		2018	
	USDA Official Data	NEW FAS/Ottawa Data	USDA Official Data	NEW FAS/Ottawa Estimates	USDA Official Data	NEW FAS/Ottawa Forecast
Total Beginning Stocks	13,575	13,575	13,760	13,760	14,100	14,140
Sow Beginning Stocks	1,228	1,228	1,248	1,248	1,250	1,250
Production (Pig Crop)	28,696	28,691	29,215	29,220	29,650	29,300
Total Imports	3	3	5	3	5	3
Total Supply	42,274	42,269	42,980	42,983	43,755	43,443
Total Exports	5,671	5,672	5,650	5,614	5,725	5,680
Total Slaughter	21,424	21,424	21,800	21,800	22,150	22,150
Loss	1,419	1,413	1,430	1,429	1,455	1,423
Ending Inventories	13,760	13,760	14,100	14,140	14,425	14,190
Total Distribution	42,274	42,269	42,980	42,983	43,755	43,443

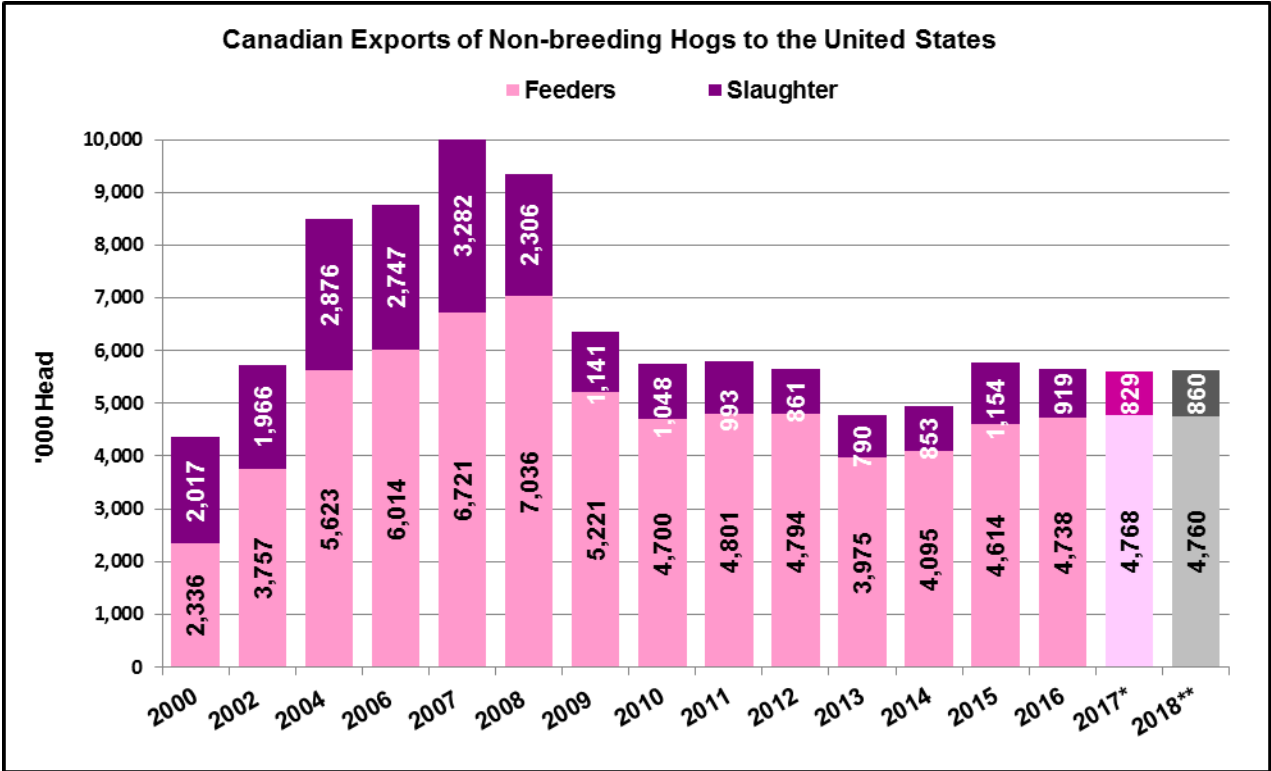
NOTE: "NEW" data reflects author's assessments and are NOT official USDA data

***Ending inventory data for 2017 is estimated based on industry activity. Statistics Canada data on ending inventories will be released later in 2018.**

FAS/Ottawa forecasts the Canadian swine industry to continue its expansion in 2018, though the projected 2018 ending inventories have been revised slightly lower from the September 2017 Livestock and Products Annual Report [CA17035](#). FAS/Ottawa forecasts a three percent increase in the swine herd as of January 1, 2018 as a result of lower than expected live exports for 2017. The reduction in live exports was due to an outbreak of Porcine Epidemic Diarrhea virus (PEDv) in Manitoba, Canada's largest swine producing province, which supplies weanlings to U.S. swine growers. FAS/Ottawa has revised the 2018 ending inventory downward on higher anticipated slaughter and a smaller than previously forecast pig crop. FAS/Ottawa revised its 2018 live swine export projection down five percent as continued U.S. swine herd expansion, the relative strength of the Canadian dollar, and the lingering effects of PEDv in the largest swine-exporting province are expected to reduce live swine exports to the United States. While the majority of live exports will continue to be weanlings and feeder hogs destined for Iowa and Minnesota, industry sources have indicated that some Ontario hogs may be marketed to a new slaughter facility in Coldwater, Michigan. Despite the expanded U.S. slaughter capacity in Michigan as well as in Sioux City, Iowa, FAS/Ottawa does not anticipate a surge in U.S. demand for Canadian market hogs, as U.S. hog supplies are expected to remain strong.

FAS/Ottawa projects 2018 slaughter to rise two percent above currently estimated 2017 levels to 22.15 million head. With higher estimates for 2018 beginning inventories, strong Canadian and export demand, and sufficient slack in the packing industry, FAS/Ottawa increased its 2018 slaughter forecast.

While Manitoba producers struggled with PEDv in 2017, quarantines seem to have effectively controlled the outbreak. 80 sites reported cases of PEDv in the 2017 outbreak, making it Manitoba’s largest outbreak to date. Industry sources indicated finisher barns suffered the most significant effects, though 16 sites were identified as nurseries where mortality rates would have been high and impacts in sow barns were also reportedly high. FAS/Ottawa is continuing to forecast a decrease in losses for 2018 with the expectation that loss numbers will return to a more normal level reflective of a year with normal disease incidence. Slaughter in Western Canada in the early months of 2018 may be negatively impacted by the pig loss associated with PEDv, but numbers should rebound due to an overall increase in supply for 2018.



Source: Global Trade Atlas/FAS/Ottawa *estimate **forecast

While some critical restrictions on hog barn production in Manitoba were lifted in late 2017, industry sources indicate that barriers to building remain in place due to construction costs, environmental regulations, and risk aversion from producers owing to uncertainty related to NAFTA discussions. Although large scale expansion is unlikely in 2018, some producers in Manitoba will likely begin expansion activities to support growing production levels. If pork demand remains strong and pig prices can offset recent feed price increases, producers may have incentive to increase investment in new and/or improved infrastructure. However, according to industry sources the financial foundation of Canadian industry is less robust than in the United States. With significant uncertainty in the market heading into 2018, Canadian producers may avoid extending financial commitments and limit new construction.

Pork:

Production, Supply, and Distribution Estimates

CANADA Meat SWINE	2016		2017		2018	
	USDA Official Data	NEW FAS/Ottawa Data	USDA Official Data	NEW FAS/Ottawa Estimates	USDA Official Data	NEW FAS/Ottawa Forecast
Slaughter (Reference)	21,420	21,424	21,800	21,800	22,150	22,150
Beginning Stocks	71	71	66	67	66	75
Production	1,955	1,914	1,960	1,970	2,000	2,000
Total Imports	215	215	220	222	225	225
Total Supply	2,241	2,200	2,246	2,259	2,291	2,300
Total Exports	1,319	1,320	1,330	1,324	1,350	1,350
Total Dom. Consumption	856	813	850	860	880	885
Ending Stocks	66	67	66	75	61	65
Total Distribution	2,241	2,200	2,246	2,259	2,291	2,300

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

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

**Ending stocks data for 2017 is estimated based on industry activity. Statistics Canada data on ending stocks will be released later in 2018.*

FAS/Ottawa continues to forecast pork production to increase by two percent in 2018 as a result of increased supply and slaughter while carcass weights are projected to remain static. As a result of smaller than anticipated gains in pork exports for 2017, FAS/Ottawa has reduced the forecast for Canadian pork exports in 2018. FAS/Ottawa now forecasts a two percent increase in Canadian pork exports over 2017 levels.

The United States will retain its position as Canada's top export destination in 2018, despite the ongoing U.S. herd expansion. However, Canadian pork exports to Asian markets, such as China and Japan, have been increasing and market share of Canadian exports to the United States is anticipated to decline as Canadian pork makes further gains in Asian markets. Canadian exports to the United States marked a second straight year of declines, following a seven percent decline between 2015 and 2016. Conversely, Canadian exports to Japan continued to make steady gains in 2017. Although small in volume and still below the five-year average, Canadian exports to the EU increased 15 percent in 2017 over 2016 numbers. With improved EU access resulting from CETA, Canadian export activity to the EU will likely increase again in 2018, however the EU will continue to remain a relatively small export market as EU production levels remain high. The majority of Canadian pork exports to the EU are frozen cuts.

Canadian exports to China are expected to grow in 2018 following [the December 2017](#) announcement of a chilled fresh beef and pork export pilot project. According to Agriculture and Agri-Food Canada, the

pork industry has estimated that development of distribution chains for Canadian chilled and frozen pork exports to China may result in an increase in export values of \$100 million CAD over the next five years. Some industry sources have less optimistic outlooks on the economic impact of this program, as only fresh/chilled meat from approved slaughter facilities would be eligible under the pilot project. The five-year average value (2013-2017) of Canadian pork exports to China is approximately \$206 million USD per year with increased frozen pork exports driving export values markedly higher in 2016 and 2017. However, industry sources have expressed long-term concerns about export growth potential, as Chinese pork production is anticipated to continue expanding.

CANADA: Total Pork Exports (Quantity in metric tons, CWE*)					
	2013	2014	2015	2016	2017
World	1,246,000	1,220,109	1,239,223	1,319,744	1,323,541
United States	404,305	447,959	493,890	458,961	424,794
Japan	219,367	227,922	252,888	250,084	287,520
China	131,126	100,882	115,928	312,241	274,856
Mexico	66,151	80,114	101,698	107,852	107,335
Taiwan	30,984	32,331	45,463	22,586	45,415
Philippines	46,495	27,787	32,209	28,015	44,279
Korea South	49,131	46,067	48,062	42,906	38,223
Australia	36,847	30,906	32,559	23,046	20,538
Hong Kong	13,355	15,583	20,167	9,939	5,739
Russia	114,532	113,661	34	0	66
All other countries	133,707	96,897	96,325	64,114	74,776
Export Market Shares					
United States	32.4%	36.7%	39.9%	34.8%	32.1%
Japan	17.6%	18.7%	20.4%	18.9%	21.7%
China	10.5%	8.3%	9.4%	23.7%	20.8%
Mexico	5.3%	6.6%	8.2%	8.2%	8.1%
Taiwan	2.5%	2.6%	3.7%	1.7%	3.4%
Philippines	3.7%	2.3%	2.6%	2.1%	3.3%

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

On steady Canadian consumer demand for pork, FAS/Ottawa has raised the 2018 pork import forecast slightly from 200,000 MT to 225,000 MT. Though the United States will remain the primary supplier of Canadian pork imports, FAS/Ottawa expects CETA implementation to continue to bolster EU Members' share of the Canadian pork market.

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

	2013	2014	2015	2016	2017
World	220,392	213,666	215,840	214,735	221,640
United States	207,556	195,952	194,552	185,239	193,813
Poland	97	1,714	3,088	5,243	6,179
Germany	4,485	5,253	4,903	6,156	4,152
Denmark	1,696	3,181	3,001	3,447	4,038
All other countries	6,558	7,566	10,296	14,650	13,458
Import Market Shares					
United States	94%	92%	90%	86%	87%
Poland	0%	1%	1%	2%	3%
Germany	2%	2%	2%	3%	2%
Denmark	1%	1%	1%	2%	2%

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

Policy

CETA

The Comprehensive Economic and Trade Agreement ([CETA](#)) between Canada and the European Union entered into force on September 21, 2017. Canada gained annual tariff rate quotas (TRQs) over five years of almost 50,000 MT for beef, of 3,000 MT for bison, and of 80,549 MT for pork. For Canadian beef exported to the EU within the existing high-quality beef quota, the duty dropped from 20 percent to zero upon entry into force. All beef exports to the EU continue to be subject to EU requirements regarding growth promotant restrictions, antimicrobial treatment approvals, and sanitary inspection equivalence.

China

A chilled meat (beef and pork) pilot project for Canadian exports to China was approved in December 2017. As part of this pilot, slaughter facilities will have to receive [approval](#) to export chilled/fresh beef and pork from Canada to China. Australia, Argentina, New Zealand, and the United States also have agreements or trials in place with China on chilled exports.

CPTPP

Though the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ([CPTPP](#)) is scheduled to be signed by the eleven participating countries on March 8, 2018, there is no specific date for when the agreement will be in force. The CPTPP text indicates that tariffs on Canadian fresh/chilled and frozen beef exported to Japan would fall from 38.5 percent to nine percent within 15 years, while tariffs on certain beef offal items would drop from 50 percent to nine percent over the same span. Tariffs on Canadian fresh/chilled and frozen beef exports to Vietnam would fall from 31 to zero percent within two years, with tariffs on all other products (currently as high as 34 percent) phasing out within seven years. According to the [Government of Canada](#), tariffs on pork products to Japan would be eliminated within ten years, and tariffs of up to 27 percent on fresh/chilled and frozen exports to Vietnam would be eliminated within nine years.

