INTERNATIONAL MEAT CONSULTATIVE GROUP

Statement made by the Representative of Canada
on 2 October 1975

Summary

To date in 1975, compared with 1974, the livestock production in Canada was characterized by a sharp increase in beef output and lower cattle prices, sharply lower pork output and higher hog prices, and a marked reduction in poultry meat output. While these trends will likely continue through the remainder of the year, 1976 will be greatly influenced by Canada's livestock-feed price relationships in the immediate future, and the international outlook.

Based on Statistics Canada 15 August 1975 estimates, Canada's feed grain supplies are expected to be moderately above the 1974 level. However, bad weather conditions in Western Canada in early September may temper the above forecast.

Trade in livestock and meat has been adversely affected by the general international situation and limited access to our major customers. While imports of cattle and beef have been maintained at last year's levels, pork imports are nearly doubled, exports of cattle and beef are down 42 and 37 per cent, hogs down 96 per cent and pork up 4 per cent.

Domestic consumption of red meat and poultry will probably decline 4 per cent from last year with the increases in beef and veal not quite offsetting the drop in pork and poultry supplies. Demand appears strong and should assist in maintaining prices and a modest increase in consumption for 1976.

Beef

Canada's cattle population has been building rapidly since 1970 as producers delayed selling cows and held back heifers for herd expansion. Total cattle and calf inventories on farm and ranches rose by 17 per cent from 1970 to 1974, or 4.3 per cent yearly. However, the increase during the year ending 1 July 1975 slowed to only 2 per cent to a total of 15.3 million head.
For 1974, inspected cattle and calf slaughters were up 4 and 35% respectively from 1973. The upward trend in slaughterings continued into 1975 and to mid-September cattle and calf slaughterings showed dramatic increases of 12 and 85% respectively from 1974. On the other hand, lower average carcass weights caused by a drop in cattle feeding generally, a drop in steer numbers of 4% and a sharp rise in heifer and cow numbers of 42% and 35%, served to keep the increase in beef production to 9%. Veal production increased 76%.

The general outlook for the remainder of the year is for an increase in cattle slaughter of 6 to 8% over last year. Carcass weights will probably remain below 1974 averages but will drop less sharply than the decline experienced in the first eight months as the downturn started in late 1974. There may also be a reduction in the percentage of cows in the kill from that which existed earlier in the year as these animals have been culled throughout the year rather than waiting until fall as has been the practise.

Looking to the future, the cycle of Canada's cattle and calf inventory on farms is now at or near the "peak" reflecting the relatively heavy rate of slaughterings since mid-1974. Cattle and veal calf slaughterings for 1976 are expected to be close to a year earlier. However, beef output in pounds will be influenced by what happens to fed cattle-feed price relationships this fall and during 1976, but should be modestly above 1975.

In Canada, the market price of all classes of slaughter and feeder cattle during January-August 1975 averaged below the same period in 1974. In early September fed cattle prices (A1 A2 steers) at Toronto averaged $50/cwt., about $2 below 1974; D4 cows (Canners) at Toronto averaged $14, over $4/cwt. below 1974; and feeder steers 576-750 pounds at Edmonton $30/cwt., about $5 below the same period in 1974.

During the balance of 1975 and during 1976 it is expected that fed cattle prices will maintain their usual relationship to those in the USA and rise and fall as they do. There is some indication that cow prices are strengthening in both markets as demand for boneless meat continues strong and some signs that the traditional "fall run" may not materialize. Feeder prices will be strongly influenced by the price and supply of feed when the harvest is completed.
During 1975, beef has been moving into consumption at record levels. Per capita consumption of beef in 1974 averaged 94.7 pounds and a further sizeable gain can be expected for 1975. Per capita consumption of veal while not large increased in 1974 to 3.5 pounds and a further increase can be expected in 1975.

Canada's foreign trade of dressed beef and veal to September 1975, compared to the same period in 1974, shows exports down sharply and imports virtually the same. Exports at 18.7 million pounds are down 37% and imports at 100.8 million pounds are equal. Canada's 1975 export trade in live cattle and calves for beef and veal purposes is down sharply whereas live imports at about 63 thousand head are only 5% below the 1974 level. The reduction in total dressed and live exports is due to sharply lower exports to the United States reflecting the effect of restrictions placed on this movement in late 1974.

Assuming resumption of normal trade patterns in North America, it is expected that 1976 trade will be more closely aligned with that which existed prior to 1973 and should show moderate growth both in exports and imports.

Pork

To mid-September 1975, Canada's hog slaughter showed a 14.4% decrease compared to the same period in 1974. At that same time in 1974, hog slaughter was up 4.4% from 1973. The reduction in Canada's slaughter has been considerably more pronounced in the grain producing area of Western Canada (27%) where cash grain markets became a more profitable alternative for many hog/feed grain producers.

The picture for the near future is difficult to predict. It is likely that hog slaughter will continue at a markedly reduced level the balance of 1975 and early 1976. Some projections have been made that the decline will be in the order of 8 to 12% and 4 to 6% respectively.

Hog slaughter for the last half of 1976 will be determined by this year's breedings during late summer and fall. Recent breeding and farrowing intention reports submitted by hog producers do not support earlier forecasts for substantial improvement in marketings in late 1976, but a more modest increase over 1975.
While the hog producer's profit picture has improved substantially since mid-summer, uncertainty over prospective grain market conditions has probably tempered hog breeding intentions with there being no indication of a marked return to hog production which frequently accompanies increasing prices. Dressed hogs grading index 100 at Toronto in April 1975 averaged $52.76, while in September the Toronto average has been in excess of $84.75/cwt., peaking at $90.80.

Market prices can be expected to remain at high levels for the balance of this year and early 1976.

Unofficial pork trade figures for 1975 to mid-September are 71.3 million pounds exported and 63.3 million pounds imported. These show an increase of 5% and 90% respectively over the same period of 1974. It is significant that pork exports to the USA for 1975 are only 65% of those for 1974. Imports from the USA comprise 96% of all pork imports this year to date.

Pork exports in the immediate future will be largely governed by the presence or absence of non-tariff barriers. Imports are expected to continue at a high level.

Poultry Meats

In Canada, poultry meat output was estimated at 1,035 million pounds in 1974, less than one percent below 1973 production. The production of chicken accounted for 67 percent of total output in 1974 and turkey 23 percent. To the end of August 1975, poultry meat output was about 12 percent below the same months of 1974. For the remainder of the year slaughterings can be expected to continue below 1974 levels, but the decreases are expected to narrow. The poultry meat industry in Canada is highly integrated and presently under a program of "supply management" through Provincial marketing boards. Producer prices for live number one broilers (under 5 pounds) at Toronto in late August this year averaged about 35.5 cents per pound, virtually the same as the year earlier level.

The per capita consumption of all poultry meat has remained relatively stationary during the 1970's following a period of rapid growth in the 1960's. In 1974, per capita consumption totalled 45.4 pounds. In relation to a sharp reduction in poultry meat output in 1975, together with a sharp reduction in storage stock, apparent domestic disappearance for the year will average moderately below 1974. Foreign trade in poultry meat has been traditionally small in relation to domestic production.