

REPORT FROM CANADA BEEF

Executive Summary

Per capita beef availability in 2024 was down 1.7% from 2023, pork was down 14.1%, and poultry was down 0.8%. The Canadian retail beef demand index was up 1.8% to be the third highest since 1989, after 2020 and 2022. Beef and poultry both saw their market share increase in 2024, at the expense of pork. Beef market share climbed 4% to 26.3%, the largest since 2020. From January to April, beef imports are 22% higher than last year and 32% higher than the five-year average supporting per capita consumption and market share during the tighter supply period in the cattle cycle.

Food inflation is pressuring consumer purchasing power, with economic uncertainty cited as influencing consumer spending. In addition, retail beef prices continue to move higher on tighter North American supplies. Given tighter supplies and higher prices are expected as the cattle cycle progresses, it makes Canadian economic performance a key driver of protein demand in the next couple of years.

Economic Outlook

The Canadian economy entered murky waters recently. Canada's GDP grew at an annualized rate of 2.2% in the first quarter of 2025, surpassing Bank of Canada estimates of 1.8%. The elimination of the carbon tax in April by Prime Minister Mark Carney was cited as a major contributing factor. According to CBC¹, US companies looked to source additional stockpiles of imported products prior to President Trump's April 2nd "Liberation Day" tariff deadline, which drove GDP growth higher. The annual inflation rate was 1.7%² in April, growing at its slowest rate since September 2024. The unemployment rate climbed to 7%³ in May, above expectations of 6.9% and the highest since August 2021.

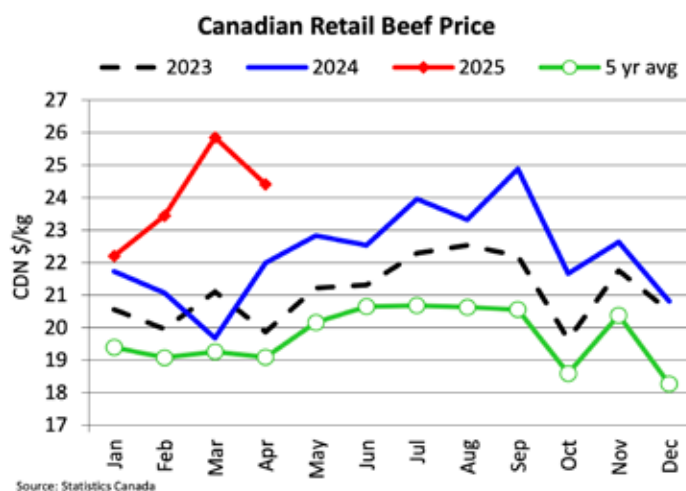
The chief economist at the Bank of Montreal noted that tariffs were beginning to take hold on Canadian employment levels. At their June 4th meeting, Bank of Canada officials opted to keep the key interest rate steady at 2.75%. Possible headwinds surrounding economic growth and higher inflation expectations, both impacted by recent US foreign policy, fac-

tored into the decision. As of early June, approximately 75% of economists polled by Reuters News agency expect at least two more interest rate cuts in 2025, with four more meetings scheduled.

Consumer confidence was estimated at 48.4 in April 2025⁴, up four points from March, but is near historically low levels. According to the Bank of Canada's First Quarter Survey of Consumer Expectations⁵, consumers have raised concerns about job security due to U.S. foreign policy. Not surprisingly, respondents to the survey mentioned that perceived job security was lower for sectors that were highly sensitive to trade (including agricultural, forestry, mining, oil and gas, and manufacturing) due to trade tensions compared to sectors that were less sensitive to trade. The same survey showed that concerns regarding the impact of tariffs on inflation, employment, and household spending were top of mind for many survey respondents.

Retail Sector

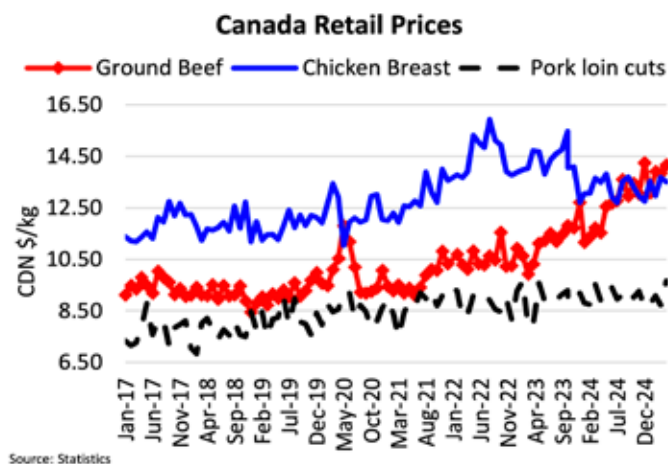
The first quarter of 2025 saw retail beef prices spike sharply higher, climbing 16% between January and March to peak at \$25.85/kg. Some relief was noted in April, as prices eased 5.5% to \$24.41/cwt, driven by declines in top sirloin and rib cuts. In April, retail beef prices were 11% higher than April 2024 and 28% above the five-year average. Ribs (-18%) were lower year-over-year but were offset by higher prices for striploin (+37%), ground beef (+23%), top sirloin (+22%), and stewing cuts (+12%).



In April, 3.26 pounds of beef could be purchased per hour worked, around 0.25 pounds less than last year as the increase in average wages (+3.4%) failed to keep pace with retail beef prices.

Retail pork prices averaged \$10.54/kg in April, up 9% from both last year and the five-year average. Retail chicken prices averaged \$9.44/kg, up a slight 1% from April 2024 and the five-year average. In April, the beef-to-pork retail price ratio was 2.32:1, with the beef-to-chicken ratio at 2.59:1.

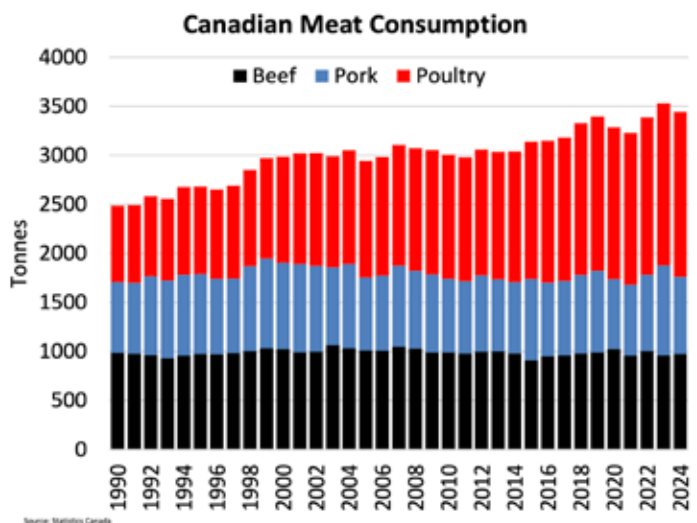
Ground beef, seen as the last stop before moving to competing meats, and chicken breast prices have been within \$1/kg of one another since July 2024, making the shift from beef to chicken increasingly easier for those consumers who view beef and chicken as direct substitutes. At the same time, pork loin remains at a noticeable discount to beef making it attractive for consumers at the meat counter.



When retail beef prices are at or near record highs, demand destruction and the fear of a price cliff, where consumers' psychology changes and they see beef as too expensive and therefore stop purchasing beef remains a concern. The fact that over 300 cuts can be sourced from one carcass gives options for consumers to pick a cut with a price point that fits their budget.

Statistics Canada moved to publishing food availability data every other year beginning with 2025, rather than publishing annually. Estimates for 2024 were developed by Canfax and were reviewed by Statistics Canada.

Total Canadian protein consumption in 2024 was down 0.4% from 2023, pulled lower by a 14% reduction in pork consumption. Beef consumption was up 1.7% with poultry consumption up 1.8%. Despite the year-over-year decline, total protein consumption in 2024 was the second largest on record behind only 2023.



Total protein availability for 2024 (beef and veal, pork, poultry, and seafood) is estimated at 76.5 kg per person, down 4.1% from 2023. The Canadian population in 2024 was estimated to be 3% larger than 2023, supporting total protein consumption but pressuring per capita consumption lower as a larger population was vying for mostly steady supplies.

Beef availability, at 15.97 kg per person (retail weight) in 2024, was down 1.7% from 2023. Total beef supplies were up 2.5%, thanks to a 12% increase in imports while domestic production was down a very slight 0.5%. Poultry availability at 40.95 kg per person was down just under 1%. Pork availability was 14.93 kg per person, down 14% from 2023. The pork balance sheet showed a 7% increase in exports and a 5% decrease in imports in 2024.

The Canadian retail beef demand index, a measurement of consumers' willingness to pay, continued to show resilience in 2024, increasing 1.8% to 124 (2000=100) from 2023 to be back near historical highs. Deflated retail beef prices, up 3% from 2023 rationed the tighter per capita supplies available.

Beef accounted for 28% of market share in 2024, up one percentage point from 2023. Poultry accounted for 49% of market share, also increasing by two percentage points. Both beef and poultry managed to pull market share from pork, which was down three percentage points to 23%.

Food Inflation

According to a recent article by CTV News⁶, the increase in food inflation is linked to several factors including a weaker Canadian dollar during the winter months as well as initial impacts from tariffs on U.S. food products. Food economist Mike von Massow noted that with the Canadian outdoor growing season getting underway, some relief should soon be seen on grocery store shelves for fruits and vegetables that

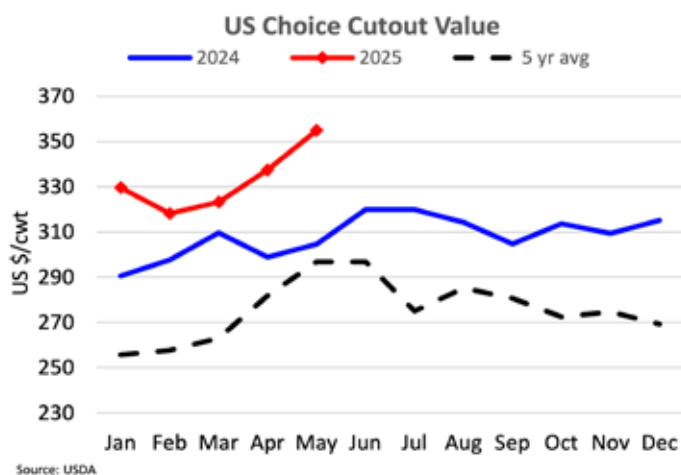


are produced in Canada. Supermarket dollar sales (seasonally adjusted) were \$27.9 billion in the first quarter of 2025⁷, up 4% from 2024 and up 9% compared to the five-year average.

The most recent data from Statistics Canada shows that food inflation increased 3.8% year-over-year in April 2025⁸. All major food categories saw higher retail prices in April 2024 compared to a year earlier with the largest increase for beef (+16.2%) with smaller increases noted on fresh fruits (+5.0%), eggs (+3.9%), fresh vegetables (+3.7%), and dairy products (+2.5%), pork (+1.8%), fish and seafood (+1.8%), poultry (+1.4%), and bakery products (+0.3%).

Wholesale Sector

Wholesale cutouts have put on an impressive rally this spring with US beef production down 2.8% year to date. Choice was just shy of USD\$355/cwt in May, with Select moving above USD\$342/cwt. Both Choice and Select established new all-times highs (omitting May 2020). In May, Choice cutouts were 17% higher than last year, while Select was 16% higher than last year.



Cutout values have found consistent support from the Loin primal, which has put in incremental week-over-week gains since the beginning of the year, climbing 36% from the first week of January to the first week of June. In May, loins were up 17% from last year.

In comparison, the rib primal has been swinging wildly, with the high point this year coming the first week of January. A significant 'U' shape occurred, with rib putting in a low the second half of February, then rebounding and peaking the first

half of April, just shy of its January high. Rib has been under pressure in May and June, easing steadily lower to be near its mid-point. In May, rib was up 24% from last year.

End meats have moved in tandem, putting in their annual high mid-January and easing slowly lower through to mid-April. There has been a healthy rebound higher between mid-April and the first week of June. In May, chuck was up 12% from last year, with round up 15%. Year-to-date, U.S. cow slaughter is 13% smaller than last year and 22% below the five-year average, and some end meats may be moving into grinding lines to supplement reduced lean trimmings. Fatty 50% trim was mostly rangebound from January to early May when it began to steadily climb toward USD\$140/cwt. In May fatty 50% trim was up 60% from a year ago. Lean 85% trim climbed steadily to a peak near USD\$345/cwt mid-March, then ran into headwinds in April, eventually softening to year ago levels. A spring rebound pushed 85% lean trim to new annual highs the first week of June. In May, 85% lean trim was up 2% from last year.

Total domestic beef production (to May 31st) is down 8% from last year and down 7% from the five-year average. Fed production (from youthful animals) was 910 million pounds, down 8% from last year and down 7% from the five-year average. Non-fed production (from mature animals) was 147 million pounds, down 7% from last year and down 4% from the five-year average.

Food Service Sector

Food service dollar sales in Canada were \$22.3 billion in the first quarter of 2025, up 5% from the same period last year. Limited-service restaurants (+7%) and special food or catering (+6%) saw the largest year-over-year increases in dollar sales. Full-service restaurants saw a smaller increase (+3%) while drinking establishments (-4%) saw a decline in dollar sales.

According to Statistics Canada, food inflation at table-service restaurants was 3% in April compared to April 2024, while fast-food and take-out restaurants saw a 5% increase. Food purchased from cafeterias and other restaurants was 3.6% higher year-over-year in April.

Restaurants Canada found that the share of Canadians who purchased dinner at least once/month dropped to 83%⁹, to be at its lowest level since May 2024. The report also notes that purchases of coffee and snacks fell across all metropolitan ar-

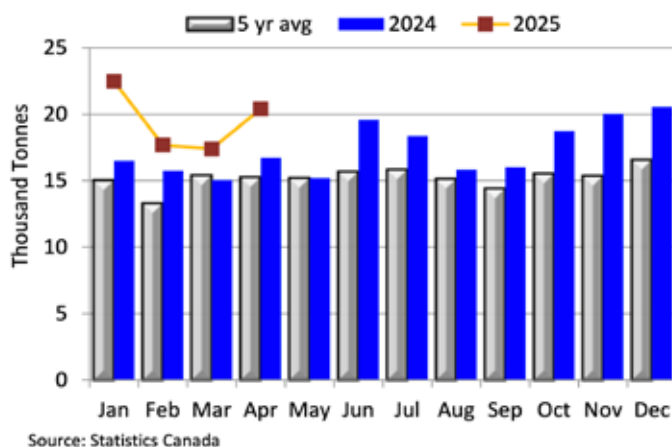


eas. Economic uncertainty in April was cited as a factor in the change in consumers' spending.

Imports and Distribution

From January to April 2025, Canadian beef imports were up 22% in volume and up 29% in value from 2024. Import volumes increased from the U.S. (+4%), the U.K. (+18%), New Zealand (+82%), Australia (+28%), Mexico (+3%), Brazil (+37%), and Argentina (+364%), and declined from the EU (-2%), and Uruguay (-51%).

Canadian Monthly Beef and Veal Imports



As the Canadian beef herd moves to the bottom of its production cycle, it's important to remember the role that beef imports play. Larger beef imports increase beef availability, helping to keep beef on the centre of the plate and support beef's market share. Preventing further erosion in per capita consumption.

¹ Canada's GDP grew by annualized rate of 2.2% in first quarter. <https://www.cbc.ca/news/business/canada-economy-gdp-q1-1.7547889>

² Trading Economics Inflation Rate.

<https://tradingeconomics.com/canada/inflation-cpi>

³ Trading Economics Canada Unemployment Rate.

<https://tradingeconomics.com/canada/unemployment-rate>

⁴ The Conference Board of Canada.

<https://www.conferenceboard.ca/focus-areas/canadian-economics/icc/>

⁵ Bank of Canada. Canadian Survey of Consumer Expectations – First Quarter of 2025. <https://www.bankofcanada.ca/2025/04/canadian-survey-of-consumer-expectations-first-quarter-of-2025/>

⁶ Food inflation continues to rise. Here's what the means for your fridge. <https://www.ctvnews.ca/business/article/promotions-tariffs-price-hikes-whats-driving-your-grocery-bill/>

⁷ Monthly retail trade sales by province and territory (x1,000).

<https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=2010005601>

⁸ Consumer Price Index by product group, monthly, percentage change, not seasonally adjusted, Canada, provinces, Whitehorse, Yellowknife and Iqaluit.

<https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000413>

⁹ Restaurants Canada. Restaurants Canada's Consumer Dining Index tumbles in April. <https://www.restaurantscanada.org/research/restaurants-canadas-consumer-dining-index-tumbles-in-april/>