

REPORT FROM CANADA BEEF

Executive Summary

The Canadian economy continues to show resilience in the face of ongoing tariffs, though cracks are beginning to emerge. Inflation and unemployment were both relatively steady between April and July. The unemployment rose to 7.1% in August with the Canadian economy losing 66,000 jobs. Core inflation in August was steady with July at 2.6%. However, Canada's GDP shrunk in the second quarter, raising the possibility of a recession before the end of the year. The most recent meeting between Prime Minister Carney and President Donald Trump on September 1st didn't result in any breakthroughs related to the ongoing trade war between the two countries.

Beef prices were mostly steady through the second quarter, allowing consumers to begin adapting to current price levels. Despite economic challenges, beef demand was robust in the first half of the year on larger per capita supplies and higher prices.

Tariff Update

On May 28th, a U.S. Federal Court blocked some of President Trump's tariffs including the 25% tariffs on non-energy imports and the 10% tariffs on energy and potash.¹ Steel, aluminum, and car parts tariffs were not affected by this court ruling. However, a day later, a federal appeals court allowed the tariffs to remain in place while the appeals process played out. By the first week of June, steel and aluminum tariffs were at 50%. On July 7th, President Trump extended the 'reciprocal tariff' pause to August 1st that was set to go into effect on July 9th. On July 9th, tariff threats against Canada on non-CUSMA compliant goods were increased to 35% with those threats coming to fruition on August 1st. On August 29th, the U.S. Court of Appeals for the Federal Circuit agreed with the lower court that the president didn't have the authority to impose tariffs under the International Emergency Economic Powers Act (IEEPA).² This ruling has been appealed to the Supreme Court. In an effort to negotiate in good faith, Prime Minister Carney eliminated tariffs on CUSMA compliant imports from the U.S. effective September 1st.³

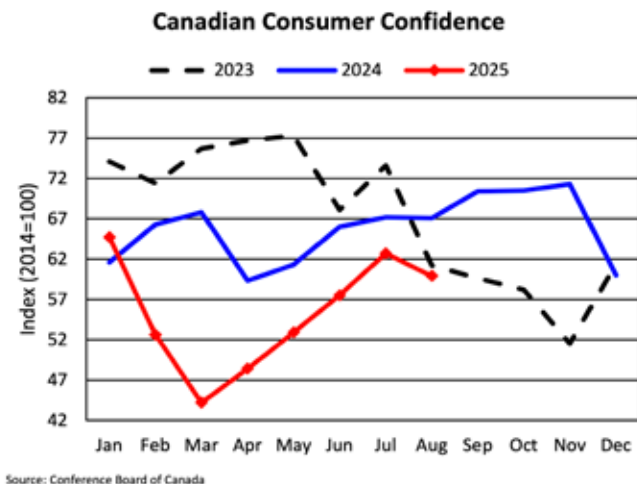
Economists, at some of Canada's largest banks, estimate Canada's effective tariff rate, that is the value of imports being subjected to tariffs as a percentage of the total value of all imports, is in the single digits.⁴ This implies that Canada remains one of the lowest tariffed countries of any of the U.S.'s trading partners, though significant pressures remain for a small number of sectors.

Economic Outlook

The Canadian economy has shown resilience in the face of changing and evolving tariffs levies. Canada's inflation rate has been relatively stable, ranging from 1.7-1.9% since April.⁵ The annual inflation rate in August, was 1.9%, accelerating slightly from July but below expectations. Looking closer, core inflation which removes volatile items such as food and energy and is the Bank of Canada's preferred measure of inflation, was steady with July at 2.6%, and was also slightly below expectations.⁶

The Canadian unemployment rate was relatively stable between April and July ranging from 6.9-7.0%. However, this remains one of the largest unemployment rates since the second half of 2016 (omitting the employment shocks of 2020 and 2021). Between January and July, full-time employment increased by a modest 5,200 jobs while part-time employment increased by 100,000 jobs. In August, unemployment climbed to 7.1%, to be slightly above market expectations of 7%. Of the 66,000 jobs lost, most were in part-time employment. CBC reported that continued uncertainty around U.S. trade policy has kept businesses on the sidelines.⁷

According to the Bank of Canada's Second Quarter consumer survey, around two-thirds of respondents expect the Canadian economy to fall into recession within the next 12 months.⁸ Inflation expectations also weighed on consumers, which led some to indicate they planned to reduce spending. The second quarter survey also revealed that more than half of respondents plan to reduce spending on U.S. goods and vacations in the U.S. At the same time, some respondents acknowledge that ideology can only go so far as most indicated they would spend up to 10% more to purchase a Canadian-made product compared to a similar product made in the U.S.



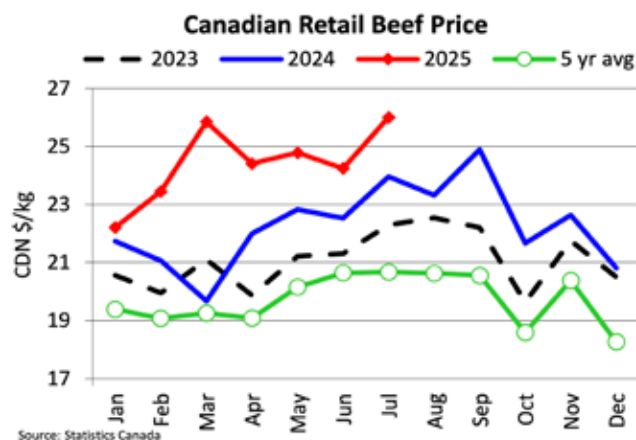
Canada's GDP shrunk 1.6% on an annualized, seasonally adjusted basis in the second quarter. As part of their second quarter data release, Statistics Canada noted that exports to the U.S. declined around 8%, driven by a 25% reduction in cars and light trucks, and a 19% reduction in industrial machinery, equipment and parts. According to the Conference Board of Canada, consumer confidence dipped in August, for the first time in five months.⁹ The decline was partially the result of the Bank of Canada holding interest rates steady at their July meeting. Other factors included economic uncertainty and a softening economy. At its September meeting, the Bank of Canada cut its key interest rate by 25-basis points to 2.50%.¹⁰ In its decision, the Bank noted a softer labour market and the removal of most retaliatory tariffs, reducing upside risk to inflation, as the main reasons.

On September 12th, Prime Minister Carney announced several major projects of 'National Interest' aimed at supporting Canada's economy, creating jobs, and reducing reliance on the U.S.¹¹ The Major Projects Office (MPO) will fast-track projects that are considered nation-building, through streamlined regulatory assessment and approvals and reduce the approval timeline to a maximum of two years.¹² A total of \$60 billion will target sectors including energy, materials and shipping, and logistics.

Retail Sector

Total supermarket and grocery sales (seasonally adjusted) were up 4.7% in the second quarter compared to a year earlier, and up 9% compared to the five-year average.

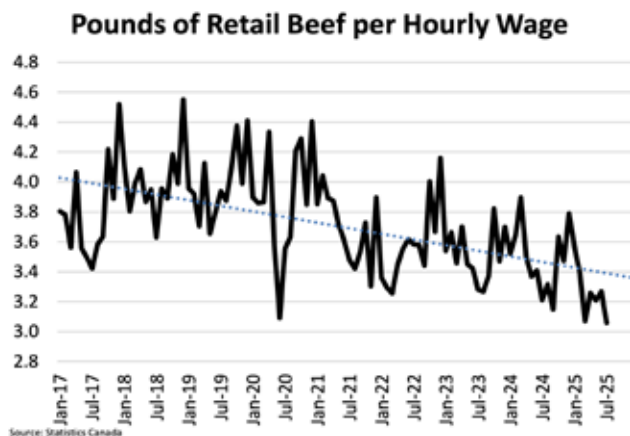
Retail beef prices were mostly stable in the second quarter, on either side of the of \$24.50/kg, up 9% from the second quarter of 2024 and 23% above the five-year average. The largest increase was noted on ground beef (+19%) with the smallest increase on rib cuts (+1%).



Retail pork prices averaged \$10.57/kg in the second quarter with retail chicken prices at \$9.73/kg. Both retail pork and chicken prices were up 7% from last year in the second quarter and 8% above the five-year average. In June, retail beef prices were up 8% from 2024, while pork prices were up 5% and chicken prices were up 12%. Ground beef and chicken breast prices converged beginning in December 2024 and have moved in lockstep since. From a consumer perspective, this makes the shift from beef to chicken relatively easy.

The beef-to-pork retail price ratio averaged 2.32:1 in the second quarter with the beef-to-chicken price ratio at 2.52:1. Both ratios were only slightly wider than the same period in 2024 and were down notably from their highs in March 2025 when beef was priced at 2.74 times the price of pork and 2.80 times the price of chicken.

In the second quarter of 2025, an average of 3.24 pounds of beef could be purchased for every hour worked. Ranging from 3.21-3.26 lbs purchased per hour worked, consumers saw some stability in the relationship between wages and beef prices in the second quarter. However, this remains well below the long-term average of 3.72 lbs of beef purchased per hour worked.





In July, only 3.06 pounds of beef could be purchased for every hour worker, the smallest since the data series began in 2017.

Domestic beef demand was estimated to remain hot in the first half of 2025 with larger per capita net supplies and higher retail prices. Smaller domestic beef production was offset by a similar reduction in exports and a large increase in imports. After accounting for the increase in population, net beef supplies in the first half of the year were estimated to be 5% larger than last year. Although demand destruction remains a threat at the beef section of the meat counter, consumers have shown considerable resilience to these higher prices. Larger net supplies may result in more stability in retail beef prices, allowing consumers the opportunity to adjust to current prices.

In July, retail beef prices were \$26/kg, with pork prices at \$10.12/kg and chicken prices at \$10.07/kg. Beef-to-pork and beef-to-chicken retail price ratios widened to 2.57:1 and 2.58:1 respectively. Year-over-year, retail prices increased for all cuts except rib cuts, which declined 2%.

Food Inflation and Tariff Relief

Food inflation (not seasonally adjusted) was up 1.7% in July compared to a year earlier, according to the latest data from Statistics Canada. The largest year-over-year increase was seen on beef (+9.4%) followed by fresh fruit (+3.9%), pork (+3.0%), fish and seafood (+3.0%), eggs (+2.4%), chicken (+2.0%), dairy (+0.8%), and bakery (+0.7%). Fresh vegetables were down 3.5% year-over-year in July.

A recent article from Global News attempted to break down the implications of the September 1st removal of Canadian tariffs on U.S. food imports that fall under CUSMA.¹³ During their interview with Dr. Mike von Massow, a food economist at the University of Guelph, he mentioned that consumers should see relief in the near future on perishable products such as those in the produce aisle as well as orange juice. von Massow also noted that tariffs were levied on preserved products such as pickles and sugar, and that those products may take longer to come down.

Food Service Sector

Total food service dollar sales (unadjusted) were \$26.2 billion in the second quarter of 2025, up 7% from last year. The largest increase in dollar sales were noted in limited-service (fast

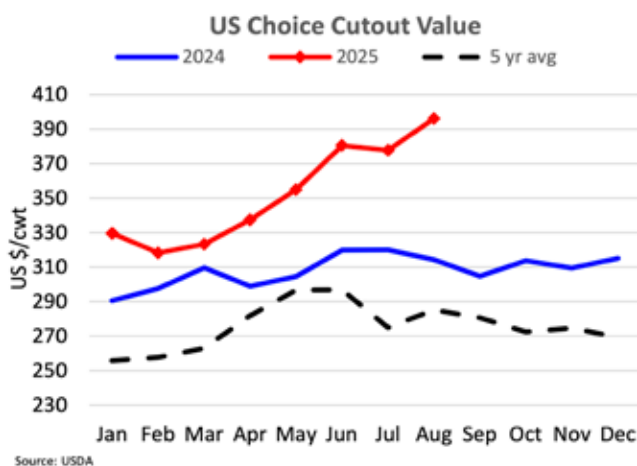
food restaurants), up 8% and full-service (dine in restaurants), up 7%. Special food (catering) saw a moderate 6% increase in dollar sales compared to the same period last year. Drinking establishments had a modest 0.3% increase in dollar sales.

According to Statistics Canada, restaurant food inflation was 3.2% in July. Year-over-year inflation was the highest at fast-food and take-out restaurants (+4.6%) with dine-in restaurants seeing a 2.5% increase. Food purchased from cafeterias was up 3.2% year-over-year in July.

According to Restaurants Canada, 45% of respondents to an Angus Reid survey conducted in June were drawn to a restaurant where high-quality food photos were posted online, 38% through the pleasing presentation of food or drinks, 35% through ambiance and décor, 26% through customer re-posts or tagged content on social media and 26% via promotions or giveaways.¹⁴ Taking a deeper dive, millennials were most responsive to high-quality food photos, while Gen X and Baby Boomers were influenced by ambiance and customer re-posts or tagged content.

Wholesale Sector

After getting off to a rocky start in the first quarter of 2025, the wholesale cutout climbed steadily higher in the second quarter to cap off the first half of the year at US\$380/cwt. From a seasonal perspective, cutouts should have eased lower in July with a small rally in August with the June peak being the high point. However, a strong summer rally saw August prices surpass their June high, ending the month within US\$4/cwt of US\$400/cwt. Select cutouts also put in an impressive rally in August, with prices modestly surpassing their June high.





Year-to-date, Choice cutouts averaged US\$352/cwt, up US\$45/cwt or 15% from last year. In August, Choice was \$81/cwt or 26% above last year.

While cutouts found support from chuck and round primals in the second quarter, it's been the trim market that has been the main driver as more end meat primals get moved into grinding lines. Year-to-date, lean 85% trim is up US\$30/cwt or 9% from last year while fatty 50% trim is US\$42/cwt or 41% stronger than last year. In August, lean 85% trim was up US\$43/cwt with fatty 50% trim up US\$19/cwt. Both 85% and 50% trim are 12% stronger than a year ago.

Beef Production

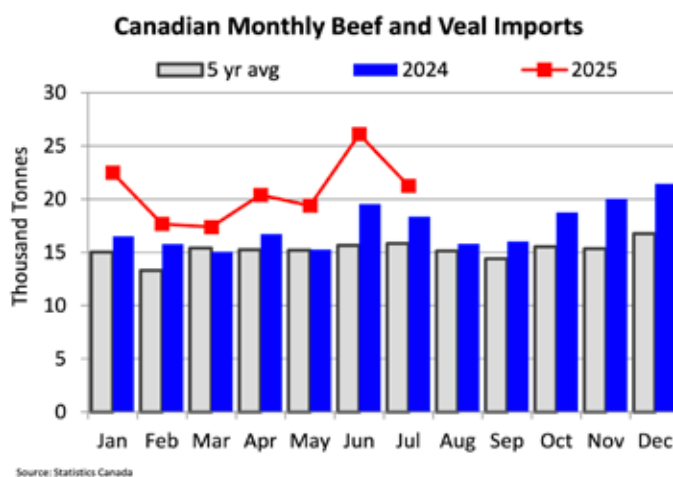
Year-to-date U.S. beef production is down 3% from last year and is 5% below the five-year average, with total slaughter down 6% from last year and down 10% from the five-year average. However, heavier steer carcass weights (+24 lbs from last year and +40 lbs from the five-year average) have offset some of the reduction in slaughter rates. The closure of the US/Mexico border to livestock trade due to New World Screw-worm, will continue to see tighter US cattle supplies.

Canadian domestic beef production (to August 23rd) is down 5% from last year and down 7% from the five-year average. Fed production (from youthful animals) is down 5% from last year and down 7% from the five-year average. Non-fed production (from mature animals) is down 4% and down 6% respectively. Year-to-date, steer carcass weights have been largely stable with the five-year average. Heifer carcass weights have been consistently heavier than the five-year average this year. This has supported quality grading, providing more Prime and AAA beef.

The Canadian cattle herd is showing signs of consolidation, which typically lasts 1-3 years before expansion begins. This suggests beef supplies will remain tight through at least 2027. Larger imports will be required to help keep beef on the centre of the plate.

Imports and Distribution

From January to July 2025, Canadian beef imports were up 23% in volume and up 27% in value from 2024. Import volumes increased from the EU (+6%), the U.K. (+23%), New Zealand (+78%), Australia (+51%), Mexico (+8%), Brazil (+35%), and Argentina (+305%), and declined from the U.S. (-9%) and Uruguay (-29%).



Given the recent trade and tariff environment, it remains to be seen how trade flows will shift as those who are willing to pay the highest price source beef. The U.S. is closely watching to ensure no transshipments or displacement of beef occurs given differences in tariff levels on beef supplying countries.

Imports are expected to remain historically large as the domestic market retains a premium price on lean manufacturing beef over several major suppliers, attracting volumes.



¹Timeline: What to know about Trump's global tariff rollout. <https://www.cnn.com/business/tariffs-trump-timeline-dg>

²Trump to ask U.S. Supreme Court to save tariffs but faces tough legal questions. <https://www.ctvnews.ca/business/article/trump-to-ask-us-supreme-court-to-save-tariffs-but-faces-tough-legal-questions/>

³Most of Canada's counter-tariffs on the U.S. have now ended. <https://globalnews.ca/news/11369356/canada-counter-tariffs-ended/>

⁴Here's what Canada's effective U.S. tariff rate might look like after the carve-outs. <https://www.ctvnews.ca/politics/article/heres-where-canadas-effective-us-tariff-rate-might-stand-amid-carve-outs/>

⁵Canada Inflation Rate. <https://tradingeconomics.com/canada/inflation-cpi>

⁶Canada Core Inflation Rate. <https://tradingeconomics.com/canada/core-inflation-rate>

⁷Canadian economy bled 66,000 jobs in August as unemployment rate at its highest since 'pandemic days'. <https://www.cbc.ca/news/business/canadian-economy-bled-66-000-jobs-in-august-as-unemployment-rate-at-its-highest-since-pandemic-days-1.7625918>

⁸Canadian Survey of Consumer Expectations—Second Quarter of 2025. <https://www.bankofcanada.ca/2025/07/canadian-survey-of-consumer-expectations-second-quarter-of-2025/>

⁹Confidence Reverse Course. https://www.conferenceboard.ca/product/index-of-consumer-confidence_aug2025/

¹⁰Bank of Canada cuts key interest rate to 2.5%. <https://www.ctvnews.ca/business/article/bank-of-canada-cuts-key-interest-rate-to-25/>

¹¹Here are the 1st major projects Carney says are in 'national interest'. <https://globalnews.ca/news/11409107/mark-carney-major-projects-first-reveal/>

¹²Prime Minister Carney announces first projects to be reviewed by the new Major Projects Office. https://www.pm.gc.ca/en/news/news-releases/2025/09/11/prime-minister-carney-announces-first-projects-be-reviewed-new?fbclid=IwZXh0bgNhZW0CMTEAR5E0k9-EOATtxMse4hN_PZfPeXGz_-vuNQj4dt-QMM8kuqJWeNJB9R-foPUnw_aem_hR_9l8SfADgd16p9moNY0Q

¹³When could prices start dropping as Canada axes U.S. counter-tariffs? <https://globalnews.ca/news/11349062/donald-trump-tariffs-canada-removes-counter-tariffs/>

¹⁴Not All Tech Comes with a High Price Tag. <https://www.restaurantscanada.org/research/not-all-tech-comes-with-a-high-price-tag/>
