

North American Cattle Inventory – Jan 1, 2021

United States and Canadian Cattle Inventory Down Slightly All cattle and calves in the United States and Canada combined totaled 105 million head on January 1, 2021, down slightly from the 105 million head on January 1, 2020.

All cows and heifers that have calved inventory at 45.1 million head, down slightly from a year ago.

All cattle and calves in the United States as of January 1, 2021 totaled 93.6 million head, down slightly from the 93.8 million head on January 1, 2020.

All cows and heifers that have calved inventory at 40.6 million head, down slightly from a year ago.

All cattle and calves in Canada as of January 1, 2021 totaled 11.2 million head, down 1 percent from the 11.3 million on January 1, 2020.

All cows and heifers that have calved inventory at 4.51 million, down slightly from a year ago.

In this issue:

<i>Canadian Cattle Inventories</i>	<i>Page 2</i>
<i>North American Hog Market</i>	<i>Page 3</i>
<i>US Cattle Market: Situation & Outlook 2021</i>	<i>Page 3-4</i>
<i>Canadian Cattle Market: Situation & Outlook 2021</i>	<i>Page 5</i>
<i>China Meat Consumption 2021</i>	<i>Page 6</i>
<i>Canada & U.S. – China’s Beef Market Prices</i>	<i>Page 6</i>
<i>Notable Beef Charts</i>	<i>Page 7</i>

U.S. Cattle Inventory – Jan 1, 2021

As of January 1, 2021 the United States total cattle inventories were listed at 93.6 million head, which is slightly over 5 million head above the cycle low of 2014. On the beef cow side, the numbers are down by approximately 500,000 head below the peak of 2019, but 2.2 million head more beef cows compared to the low of 2014.

Beef heifer replacements were up only slightly for the previous year, but again down by 500,000 head from the peak expansion year of 2017.

If we consider both the beef heifers and beef cows still are 525,000 below the peak of 2018. Additionally, the U.S. Calf crop peaked at 36.31 million head in 2018. It is interesting to note that the 2020 calf crop was 1.2 million head below the peak of 2018.

Considering the adjustments in inventory we would argue that this would result in lower feeder cattle and feed cattle supplies in 2021. Subsequently, we would expect more cows heading to slaughter within 2021.

January 1, US Cattle Inventory Estimates			% of
(thousand head)	2021	2020	yr ago
Total Cattle	93,594.5	93,793.3	100%
All Cows	40,598.0	40,681.3	100%
Beef Cows	31,157.6	31,338.7	99%
Dairy Cows	9,440.4	9,342.6	101%
Heifers >500 lbs	20,000.1	20,024.4	100%
Beef replacement heifers	5,812.1	5,808.9	100%
Dairy replacement heifers	4,604.5	4,684.0	98%
Other heifers	9,583.5	9,531.5	101%
Steers >500 lbs	16,597.8	16,541.2	100%
Bulls >500 lbs	2,210.5	2,237.4	99%
Calves <500 lbs	14,188.1	14,309.0	99%
Cattle on Feed (all sizes)	14,707.4	14,657.7	100%
	2020	2019	
Calf crop	35,135.5	35,591.6	99%

Source: USDA

continued on page 2

Canadian Cattle Inventories – January 1, 2021

The dairy cow industry actually increased the number of cows by 100,000 head to 9.44 million head, which is the largest since 1995.

Considering the breeding herd continues to decrease we can expect the total calf crop will be smaller, but the feeder cattle, fed cattle and cow slaughter will be sufficient based on demand in the short run. We note the dryness in the central of U.S. which could move more cattle off pasture and into the feedlot later in the year.

Canadian Cattle Inventories – January 1, 2021

Canadian farmers held 11.2 million cattle on their farms on January 1, 2021, down 1.0% from the previous year, as the Canadian cattle herd continued to contract. Inventories were one-quarter (-25.3%) below the January 1 peak reached in 2005.

Inventories increased 0.9% to 2.9 million head in Eastern Canada, but decreased by 1.7% in Western Canada to 8.2 million head. Alberta had the largest cattle inventories among the provinces on January 1, contributing 39.5% to the Canadian total, followed by Saskatchewan (20.4%) and Ontario (14.2%).

As of January 1, 2021, 71,330 farms reported inventories of cattle and calves, down 1.8% from January 1, 2020. The number of cattle farms in Canada has been decreasing since 2004, largely attributable to business consolidations.

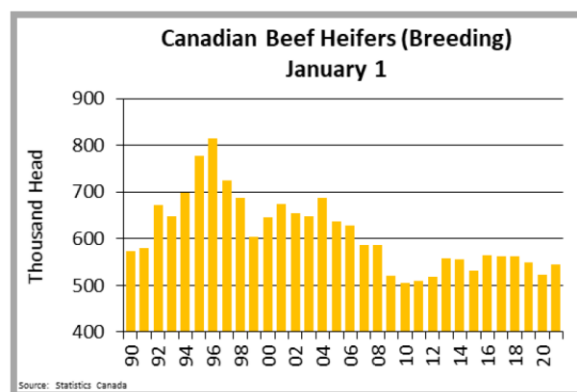
Cattle producers retained more breeding stock in the latter half of 2020 relative to the same period in 2019, as the number of beef heifers for breeding increased 4.1% to 545,400 head, while the number of bulls (+4.9% to 210,000 head) also rose from the previous year. This more than offset year-over-year decreases in the number of beef cows (-0.4% to 3.5 million head), dairy cows (-0.3% to 977,800 head) and dairy heifers for breeding (-2.4% to 427,700 head) on Canadian farms.

The inventory of calves on January 1, 2021, edged down 1.1% to 3.7 million head, in part because of a 3.5% year-over-year drop in births over the July-to-December period.

Canadian farmers held 1.4 million dairy cows and heifers on their farms. This total has remained fairly stable since January 1, 2018. Producers held fewer feeder heifers (-4.5%) and steers (-4.2%) compared with January 1, 2020. Total slaughter of cattle and calves in the July-to-December period was up 0.6% year over year, as Canada's largest slaughter facilities restored their processing capacity to pre-pandemic levels, particularly throughout the summer months, which typically experience seasonal slowdowns.

International exports of cattle and calves for the July-to-December period decreased 2.0% year over year to 303,300 head. Export demand for Canadian cattle continued to be affected by COVID-19, as processing plants in the United States also faced backlogs of cattle for slaughter.

The July-to-December average price of Canadian feeder and slaughter cattle recovered slightly after sharp declines in the spring. However, prices generally remained lower in the second half of 2020 compared with the same period in 2019, as processors worked to clear backlogs resulting from temporary closures and slowdowns caused by COVID-19.



Canadian Cattle Inventories			
<i>January 1st (1,000 head)</i>			
	2021	2020	21 vs 20
Bulls	210.0	200.2	+4.9%
Beef Cows	3,531.1	3,544.3	-0.4%
Dairy Cows	977.8	980.7	-0.3%
Dairy Hfrs	427.7	438.0	-2.4%
Beef Hfrs (breeding)	545.4	523.7	+4.1%
Beef Hfrs (sltr)	695.7	728.8	-4.5%
Steers	1,053.9	1,099.9	-4.2%
Calves	3,708.4	3,749.4	-1.1%
Total	11,150.0	11,265.0	-1.0%

Source: Statistics Canada

Competitive Forces – North American Hog Market & U.S. Cattle Market: Situation & Outlook

Competitive Forces – North American Hog Market

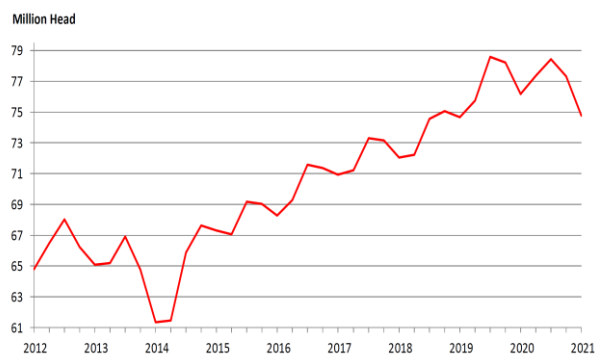
United States Hog Inventory Down 2 Percent United States inventory of all hogs and pigs on March 1, 2021 was 74.8 million head. This was down 2 percent from March 1, 2020, and down 3 percent from December 1, 2020. Breeding inventory, at 6.21 million head, was down 3 percent from last year, and down 1 percent from the previous quarter.

Market hog inventory, at 68.6 million head, was down 2 percent from last year, and down 3 percent from last quarter. The December 2020-February 2021 pig crop, at 33.3 million head, was down 1 percent from last year.

Sows farrowing during this period totaled 3.04 million head, down 1 percent from previous year. The sows farrowed during this quarter represented 48 percent of the breeding herd. The average pigs saved per litter was 10.94 for the December 2020-February 2021 period, compared to 11.00 last year.

United States hog producers intend to have 3.07 million sows farrow during the March-May 2021 quarter, down 3 percent from the actual farrowings during the same period one year earlier, and down 2 percent from the same period two years earlier.

Quarterly Hogs and Pigs Inventory - United States:
March 1



Intended farrowings for June-August 2021, at 3.12 million sows, are down 4 percent from the same period one year earlier, and down 5 percent from the same period two years earlier.

The total number of hogs under contract owned by operations with over 5,000 head, but raised by contractors, accounted for 50 percent of the total United States hog inventory, up 1 percent from the previous year.

Sustained robust domestic demand for hams and belly primals drove strong February wholesale pork prices, which in turn supported February hog prices at \$53.93 per hundredweight (cwt), almost 33 percent higher than a year earlier. Hog prices are expected to average \$55.75 per cwt in 2021, more than 29 percent higher than in 2020. January pork exports fell almost 9 percent below year-earlier shipments, largely on reduced China\Hong Kong demand for imported pork.

U.S. Cattle Market: Situation & Outlook

Higher Cow Slaughter and Shift in Fed Cattle Slaughter

The severe winter event in mid-February that dipped as far south as Texas disrupted packing plant operations, further-processing facilities, and delivery of cattle to plants. As a result, there was a drop in weekly cattle slaughter, as shown in the chart below. Based on the USDA, Agricultural Marketing Service (AMS) report of *Actual Slaughter Under Federal Inspection* for the weeks ending February 13 and 20, cattle slaughter dropped by over 2 percent and 12 percent, respectively, below the same weeks a year ago.

The week of February 20 was the lowest weekly total of federally-inspected cattle slaughter for a non-holiday week since the week of May 16, 2020. However, the packing industry responded with 2 weeks of the largest slaughter volumes since the first week of December 2020.

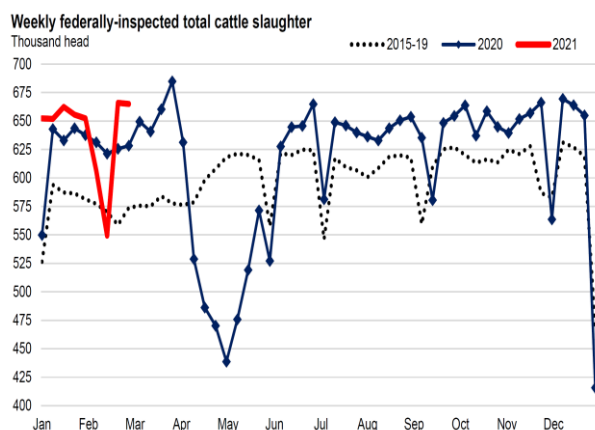
Because of the weather disruption, there is a temporal shift of expected steer and heifer marketings out of the first quarter to be marketed in the second quarter. In addition, there is greater expected cow slaughter in the first half of the year, which raised first-half beef production from last month.

U.S. Cattle Market: Situation & Outlook

In addition to the impact from the winter storm, most cattle sale barns in the Plains were closed during the third week of February, lowering expectations for placements of cattle in feedlots during the month. However, the expectation that relatively high wheat prices may discourage the grazing-out of small grains pastures and move more cattle into feedlots sooner than previously expected is anticipated to shift placements from the second quarter to the first quarter. As a result, some fed cattle marketings are expected to shift from the fourth quarter to the third quarter. This resulted in no-change to total second-half 2021 beef production forecast.

Carcass weights are beginning typical lower seasonal movements as the pace of fed cattle marketings picks up, but the winter storm likely advanced the trend at a slightly faster rate. However, expected weights in first-quarter 2021 are unchanged from last month as adjustments were made at that time with the effects of the storm implied.

As a result of the increase in expected slaughter in the first half of the year, the forecast for 2021 beef production is up 40 million pounds from last month to 27.6 billion pounds.



Note: Includes actual and estimated weekly federally-inspected slaughter data.
Source: USDA, Economic Research Service calculations using USDA, National Agricultural Statistics Service data.

Cattle Prices Largely Unchanged Despite Gains in Cutout

As depicted in the chart below, live steer prices in the 5-area marketing region are nearly flat since the first week of February, hovering around \$114 per hundredweight (cwt), despite a strong rally in the comprehensive cutout to near-record levels for the month of February.

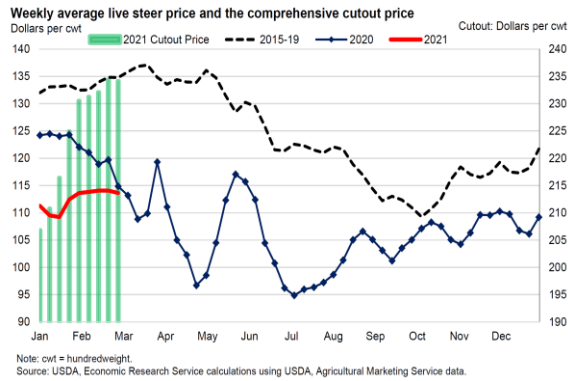
An abundant supply of fed cattle on feed over 150 days on February 1 that is greater than the same time last year, along with the inability to process a portion of those cattle due to the winter storm system in February, likely did not support higher prices in line with typical seasonal patterns. The 2021 live steer price forecast is unchanged from last month at \$115 per cwt.

Feeder steer prices for February 2021 averaged \$131.82 per cwt for steers weighing 750-800 pounds sold in the Oklahoma City National Stockyards, just over \$6 above a year ago. However, prices for the first 2 weeks of March are almost \$8 above the same month last year, and the first-quarter 2021 forecast is raised \$1 to \$133 per cwt. The feeder steer price forecasts for the rest of 2021 remain unchanged from last month.

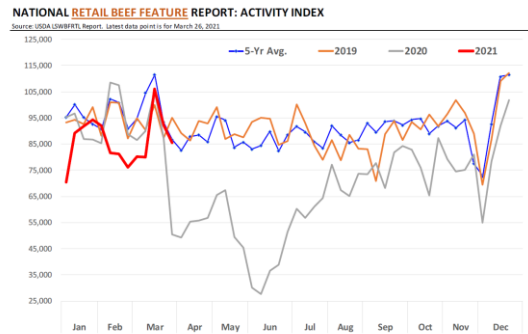
The U.S. import cattle forecast is lowered by 100,000 head to 2.0 million head in 2021, largely due to the expected impacts of bovine tuberculosis restrictions that will be placed on live cattle originating from or transiting through certain areas of Mexico effective April 17, 2021. USDA's Animal and Plant Health Inspection Service downgraded 11 regions across Mexico and reclassified them as nonaccredited for live cattle export to the United States. U.S. cattle exports are raised by 10,000 head to 335,000 head.

January beef exports were up less than 1 million pounds year over year at 246 million pounds. The rise in part reflects large shipments of U.S. beef to China, which were 19.9 million pounds more than the previous year. In January, China moved from the seventh-largest U.S. beef destination to the fifth-largest. The second-largest increase in beef volume came from South Korea, up 12.4 million pounds from a year ago. The U.S. beef exports to South Korea were the largest volume ever shipped in the month of January, making the country the top U.S. beef destination. Shipments to Canada were also up slightly in January, and Canada remains the fourth-largest U.S. beef destination.

Canadian Cattle: Situation & Outlook

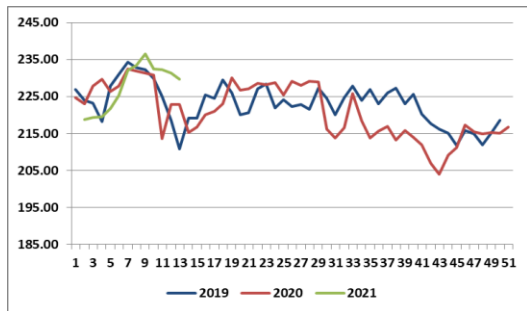


2021 was more than double the same week last year and 120% higher than the average of the last five years, culminating in strong retail beef prices and increasing packer margins. (source: Dailey Livestock Report - <https://www.dailylivestockreport.com/documents/dlr%2003-31-21.pdf>)



Canadian Cattle: Situation & Outlook

Alberta 500 – 600lb Steer Prices



2021 – \$500 – \$600/cwt steer prices started the year below the 2020 average price of \$220.97. Subsequently, strong demand in mid-February to mid-March has seen the average price in 2021 rise to \$227.69/cwt, which is the highest prices since 2016.

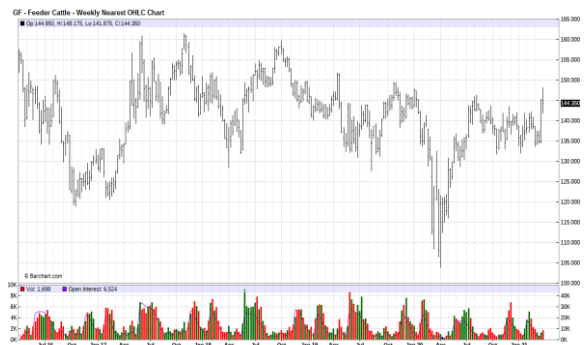
It is interesting to note that feedlots continue to buy feeder cattle despite higher feed, costs, a high Canadian dollar and projecting a loss on the cattle purchased at these prices.

Cattle being purchased for grass have also maintained strong prices.

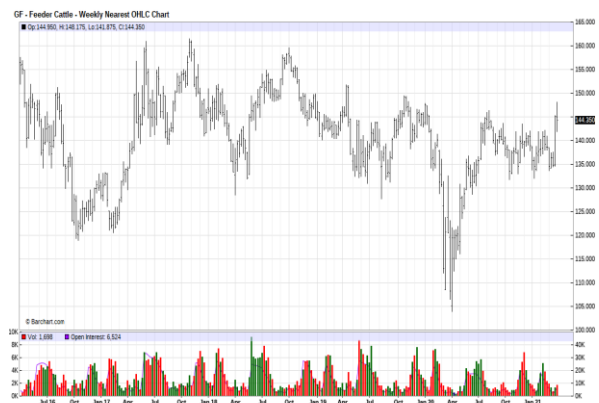
Beef Demand

Easing Covid 10 restrictions, stimulus checks, ballooning retail savings and strong stock market returns has resulted in increasing beef demand. U.S. forward sales in the 3rd week of March for beef to be delivered between Memorial Day and July 4,

Feeder Cattle Futures May 2021 as at April 1, 2021

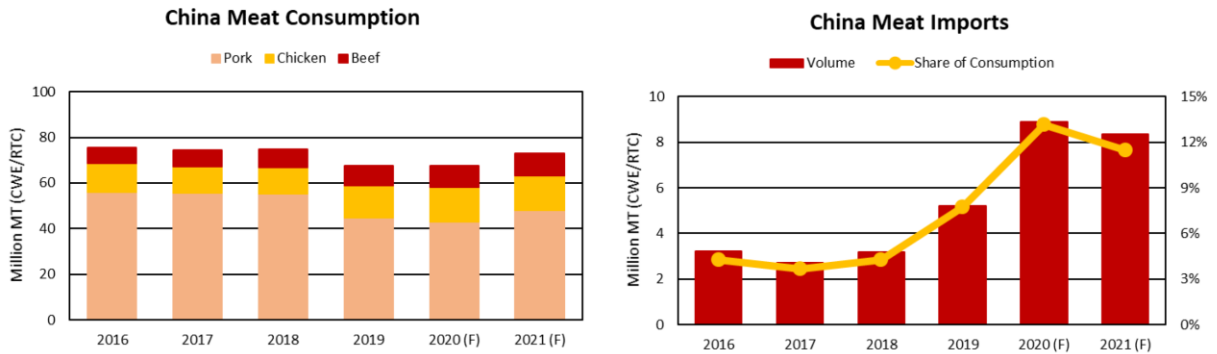


Fed Cattle Futures – June 2021 as at April 1, 2021



China Meat Consumption Expected to Rebound in 2021

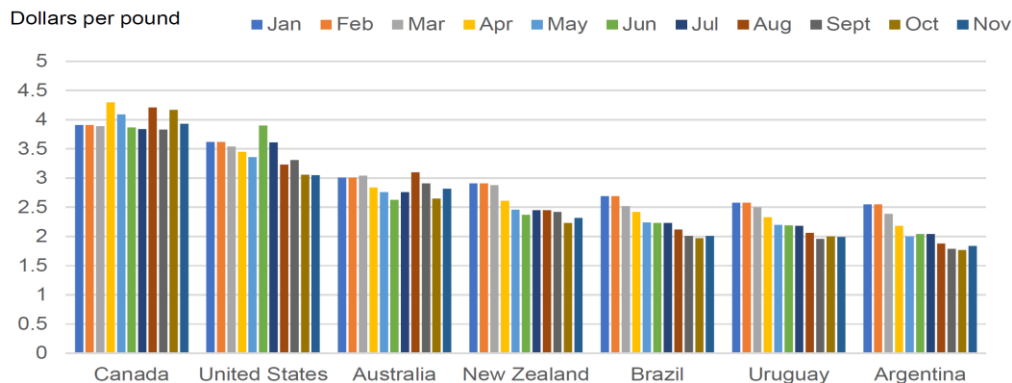
Driven by higher estimates for pork, the China total meat import forecasts for both 2020 and 2021 are revised 4 and 1 percent higher, respectively. While pork import growth slowed in the fourth quarter of 2020, it nevertheless exceeded expectations and results in a more bullish outlook for 2021. The impact of African swine fever (ASF) is expected to have reached its zenith in 2020, pressuring consumption and increasing the country's reliance on meat imports. Despite the elevated pace of trade, China meat consumption in 2020 fell to its lowest level in more than a decade. In 2021, higher estimates for both China pork production and imports lead total meat consumption up 2 percent from the prior forecast. However, total meat consumption is still expected to be below pre-ASF levels.



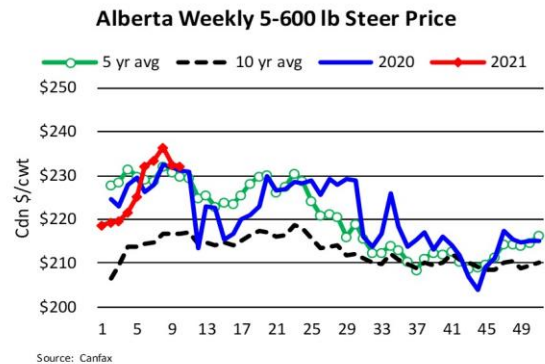
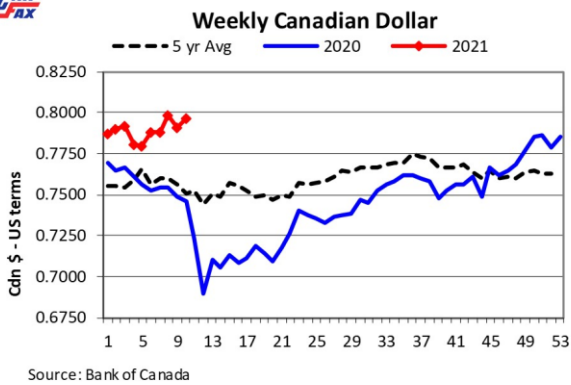
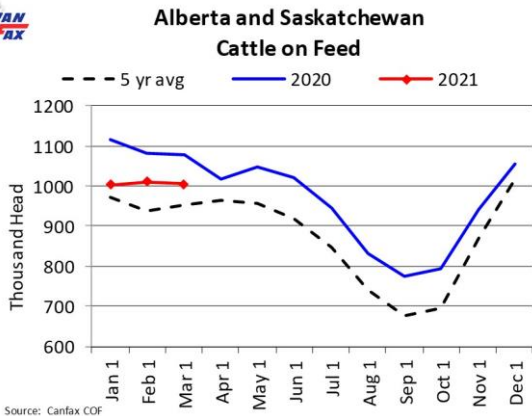
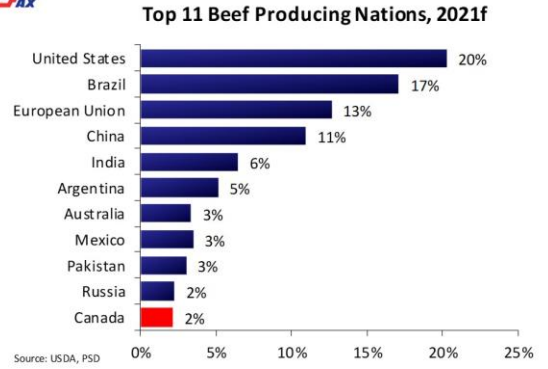
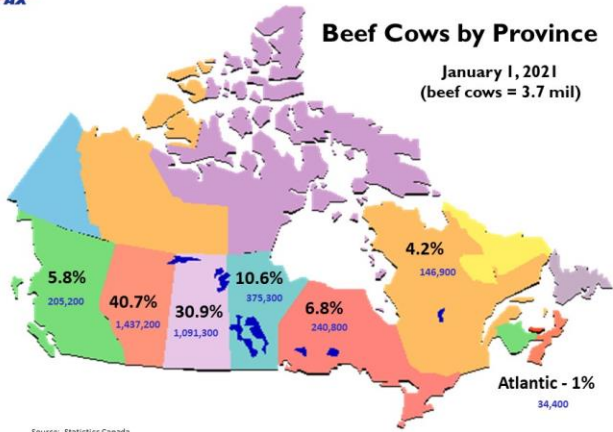
Canada & United States – China's Beef Market

Despite shipping record-breaking volumes of U.S. beef to China from July to December 2020, the United States supplied only 1.3 percent of China's total imports of beef. Beef-exporting competitors of the United States—Canada, Brazil, Argentina, Australia, Uruguay, and New Zealand—account for the vast majority (93 percent) of the total volume of China's total beef imports worth \$9.518 billion. This may be in part because the U.S. value per pound of beef shipped to China is higher than most of its competitors in the China beef market, with the exception of Canada. Both the United States and Canada primarily export a grain-fed product distinct from what China typically imports from other countries. In 2020, the U.S. unit value per pound of frozen boneless beef—the product the United States has been exporting to China in recent years—averaged \$3.42. Canada's unit value for beef imported in China exceeded that of the United States at \$4.01 per pound, while other competitors' unit values ranged from \$2.08 to \$2.85. Despite a higher unit price of U.S. beef, China's commitment to purchase an additional \$200 billion of American-made goods and services over 2020 and 2021 under the United States–China Phase One trade deal could lead to continued growth of beef exports.

Frozen boneless beef suppliers: Competing unit values for China's market share in 2020



Source: Trade Data Monitor (TDM). 2020. Trade Data Monitor, Inc.



<https://www.canfax.ca/Report/FullCharts.aspx>