



Additional Q&A

Justin Sherrard, Rabobank
Craig Klemmer, Farm Credit Canada
Brian Perillat, Canfax

Q: Would anyone be willing to comment on the 10-yr. cattle cycle considering the recent calf price peak was in 2015. Is the current size of the Canadian breeding herd supportive of another upward trend to 2025?

[Brian Perillat] The cattle cycle has been somewhat less predictable the last couple of decades due to outside market forces such as COVID, BSE, drought, export demand, etc. Beef production certainly did see a production low in 2015, and has been increasing since. Given recent market changes, we could be looking at tighter beef supplies in two to five years. It is also important to note that the United States is the driver of North American beef production, and therefore, since US beef production is expected to decline in the next few years, Canadian producers could stand to benefit from lower North American beef production.

Q: Do you have any insight into the buying decisions taking place in our high valued markets like Japan and Korea? Curious if their Covid situations are creating an opportunity for Canada??

[Craig Klemmer] Many of the high value Asian markets have been much more aggressive on testing for COVID and at least appear to have gotten in front of the disease. This is helping to minimize disruptions to their economies and consumers. That said, they have still experienced significant disruptions. Specific to Canadian exports, I do not feel that COVID will present a significant opportunity for additional exports as meat processors around the world have recovered from plant closures relatively quickly and will look to protect market share in these higher valued markets. Conversely, the economic impacts domestically and abroad are going to reduce the demand for animal by-products, negatively impacting cattle markets at least in the short-term.

Q: If we see a second wave of the Covid-19 virus this fall, how much do you expect it to affect the calf market, and what will be the impact?

[Brian Perillat] This is hard to determine with much certainty. Depending how it plays out, the timing when (if) it happens and how it impacts slaughter plant employees and operations, it could further compound the backlog of fed cattle and hit the cattle markets and feedlot profitability quite significantly. This would greatly reduce the demand for calves this fall and would result in lower calf prices.

Q: Is the North American beef processing industry more resilient now than in March, and could a "second wave" result in different outcomes, or would we expect a similar backlog in fat animals?

[Brian Perillat] The North American processing sector has invested heavily to increase the safety of their staff. Better personal equipment and shields, increased space for employees in all parts of the facilities, and increased sanitization should reduce the impact of a second wave. Testing of employees should also help plants react faster. This should reduce the backlog that gets built, but it all depends on how a second wave would unfold and for how long.

Q: How does current AgriRecovery and cattle set-aside funding factor into the outlook right now?

[Craig Klemmer] Currently, it is very difficult to factor in AgriRecovery and the cattle set-aside program into market outlooks given the large backlog and the uncertainty in the timeframe for the processing industry to work through the cattle backlog. When we are looking at the current outlook for the Canadian cattle industry, we are primarily focusing on current market conditions for cattle, calves, and feed as well as opportunities to market animals.

[Brian Perillat] The set-aside program is built to help stabilize the cattle market, and its availability will help protect from a significant decline in cattle prices. A more stable fed market should support calf and feeder prices as well. That said, market prices could still decline depending on demand factors, and how fast packing plants can work through the backlog of cattle. Other possible AgriRecovery support that is paid to the cattle sector should support cattle prices as feeders would have more capital to spend on refilling their feedlots.

Q You spoke a little about the difference between cattle markets in Eastern versus Western Canada. Do you have any context on what that translates into as far as Manitoba's cattle movement goes? What about numbers in terms of how many cattle are on feed in Manitoba and how much of a jump are you seeing there?

[Brian Perillat] The Manitoba calf and feeder market is heavily influenced by the Ontario feedlot sector. Given with the current strength out east, it is likely for Manitoba calf and feeder to be drawn east and for Manitoba prices to be higher than Alberta. Unfortunately, we do not track Manitoba feeder numbers, but a strong eastern Canadian market will likely result in more calves being backgrounded in Manitoba before being shipped east.

Q: Do European countries have similar formats to the Canadian Roundtable for Sustainable Beef, and what are they doing to gain the consumer trust?

The European Roundtable for beef Sustainability (ERBS), similar to Canada's CRSB, was formed at the Global Conference in Sustainable Beef held in Ireland in October 2018.

The ERBS operates throughout the European region and across the entire value chain, from farm to fork. It brings stakeholders together in a pre-competitive environment to establish a common agenda, encourage mutually beneficial activities and accelerate the delivery of sustainability. For more information, visit their website: <https://saipatform.org/working-groups-committees/the-european-roundtable-for-beef-sustainability/>

Q: Can you make a projection about where you expect the Canadian dollar to be in 2021?

[Craig Klemmer] Given the current market uncertainty in both Canada and the U.S., making forecast about the dollar into 2021 is obviously difficult. Currently, I am expecting the Canadian dollar to soften slightly relative to the U.S. dollar in 2021 as demand for oil is expected to remain soft and GDP growth in the U.S. is expected to be slightly strong than that of Canada. This would likely put the Canadian dollar in the US\$0.70 to \$0.73 range in 2021.