Despite Country-of-Origin Labelling (COOL), the United States is still Canada’s largest customer for cattle and beef and the U.S. cattle market directly affects cattle markets in Canada and Manitoba.

Although the cow herd has declined from 2006 to 2012, Manitoba still has the third-largest beef cow herd in Canada. Mainly a “cow-calf” province, only about one quarter to one third of the calves produced annually are fed to slaughter-weight in Manitoba, though a large number of calves are “backgrounded” and sold as yearlings or short-keeps each year.
Mandatory Country of Origin Labelling (COOL) was introduced in the U.S. on September 30, 2008, taking full effect on March 16, 2009. A few months later, Canada filed a complaint with the World Trade Organisation (WTO), as did Mexico soon afterwards.

It was argued that mandatory COOL was an illegal, non-tariff trade barrier which gave U.S. products unfair advantage over products from Canada and Mexico.

In late May 2011, a WTO panel issued a preliminary ruling, charging that mandatory COOL violates WTO trade standards. The WTO panel also ruled that COOL does not meet the U.S. stated objective that the labelling law informs and helps U.S. consumers make purchasing decisions regarding the origin of meat, produce and other products covered by COOL.
WTO and COOL

• The export of cattle and calves to the U.S. is unlikely to increase significantly in 2012 despite the WTO ruling that the COOL is an “impediment to Canadian livestock exports” should be removed.
• There has been no move by the Americans yet to change their (not so) COOL rules!
• Unfortunately, significant damage has been done to Manitoba’s cattle trade.
• It is unlikely that the U.S. will comply with the WTO ruling and remove mandatory COOL with any haste!!
• Reduced beef production and smaller net exports raised finished cattle prices to new record levels in the United States in March - well above year-earlier levels. Prices fell briefly in July.
• Worst drought in over 50 years and worst crop conditions since 1988 affected about two-thirds of U.S. crop land. 13% smaller 2012 corn crop will reduce supplies to 9-year low.
• Jump in corn prices to record levels in August.
• Drought-induced U.S. herd liquidations, but continued good market for finished cattle
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://droughtmonitor.unl.edu/

Released Thursday, September 6, 2012
Author: Brian Fuchs, National Drought Mitigation Center
• Total cattle on July 1, 2012 down 2%, smallest number since survey started in 1973
• Breeding beef cows on July 1 down 3%, 6th year of reduction
• Calf crop in 2012 lowest level in 50 years?
• Replacement heifers July 1, 2012 unchanged
Choice steer price Nebraska (US$/cwt)
Feeder steer (750-800 lb) price
Steer calf (500-550 lb)

Datasource: USDA ERS, author’s projections
NO. 2 YELLOW CORN: MONTHLY AVERAGE CASH PRICE
CHICAGO, 2005-2012

U.S. corn prices 20-year high in June 2008
New high April 2011
August 10, 2012 record of $8.49/bu
Price down in early September 2012

Data source: USDA ERS
GREAT PLAINS FEEDLOT ESTIMATED RETURNS
BY MONTH, 1997-2012

Data source: USDA
The cattle cycle used to be 10-14 years

1965 peak at 1.18 million
1975 peak at 1.46 million
2005 peak at 1.735 million (BSE)

July 2011 level 1.305 million, down by 3.3% from 2010 and by 24.8% from 2005 record

Data source: Statistics Canada
Manitoba Cows, 2012

• Flooded hay and pasture fields in some cow-calf areas during 2009-2012, drought in other areas in 2012 and financial difficulties meant herd reduction continued in 2010-12 despite assistance programs.

• There were about 100 (1%) fewer cattle farms in July 2012 than in July 2011.

• At about 495,000 head, the July 1, 2012 beef cow herd was the smallest since 1994 and down by almost 1% from the previous July’s inventory of 499,000 cows.
BEEF COWS ON FARMS BY PROVINCE
1991-2012

Data source: Statistics Canada
There is very limited cattle slaughter capacity in Manitoba with fewer than 12,000 head killed in provincial plants in 2011 so almost all of the finished and cull cattle have to be shipped out of the province for slaughter.

The supply of and demand for cattle and beef in the U.S. and Alberta, the distance to packing plants and packer requirements affects the profitability and marketing of Manitoba finished cattle.
• The movement of cattle in the Prairies changed in the late 1980s following the rise of the cattle feeding and packing industry in Alberta and the subsequent end of the Manitoba beef packing industry.

• It was more profitable for Manitoba slaughter cattle to be shipped to U.S. plants than to Alberta or Ontario, until American demand for cattle was affected by BSE in 2003-2005 and by COOL in 2008-2012.

• Manitoba and Saskatchewan exotic-cross cattle could be fed to heavier, more profitable weights for U.S. plants. Canadian plants prefer lighter weight, smaller carcasses.
Cattle Movement cont’d

- Manitoba slaughtered 581,000 cattle in 1976, but only 11,800 head in 2011 due to the closure of all federally-inspected plants in the province.

- The traditional markets for Prairie feeder cattle and calves in Ontario (due in part to Feed Freight Assistance?) until the late 1980s changed into sales of animals to Alberta feedlots until 2005. After BSE and before COOL, the U.S. market opened up. Some calves continued to be sold to Ontario.
MANITOBA CATTLE DESTINATION AND PERCENT OF CATTLE MARKETINGS, 2002, 2011

2002

- UNITED STATES 51.4%
- MANITOBA (Slaug.) 3.3%
- ONTARIO 4.1%
- ALBERTA & SASKATCHEWAN 41.2%

2011

- UNITED STATES 20.0%
- MANITOBA (Slaug.) 2.9%
- ONTARIO 12.2%
- ALBERTA & SASKATCHEWAN 64.8%

Data source: AAFC, Statistics Canada, author’s estimates
Manitoba's cattle slaughter:
down 37%
down 27%
down 45%

YEAR
91 92 93 94 95 96 97 98 99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09 10 11

UNITED STATES
WEST
EAST

DATASOURCE: AAFC, Statistics Canada, author’s estimates
MANITOBA CATTLE EXPORTS TO U.S. 
1995- 2012P

YEAR
1995 96 97 98 99 2000 '01 '02 '03 '04 '05 '06 '07 '08 '09 10 11 12P

BREEDING COWS AND BULLS
FEEDER HEIFERS 700+ LB
FEEDER STEERS 700+ LB
SLAUGHTER COWS & BULLS
SLAUGHTER HEIFERS
SLAUGHTER STEERS
CALVES < 700 LB

Data Source: USDOC, Statistics Canada, AAFC
CATTLE SLAUGHTER IN WESTERN CANADA
1982 - 2012P

DATA SOURCE: AAFC, AUTHOR’S PROJECTIONS

YEAR
82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09 10 11 12P

B.C./Sask./Manitoba
Alberta

THOUSAND HEAD

0 500 1000 1500 2000 2500 3000

YEAR
82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09 10 11 12P

Data source: AAFC, author’s projections
CATTLE PRODUCTION AND SLAUGHTER, MANITOBA
1976 - 2012P

Data source: Statistics Canada, AAFC, author’s estimates

- Inspected Slaughter in Manitoba
- Cattle Production (slaughter + net exports + inventory change)
EXPORTS OF MANITOBA CATTLE TO UNITED STATES
BY STATE, 2002, 2008-2011

Datasource: Statistics Canada, AAFC
MANITOBA CATTLE & BEEF EXPORTS TO OTHER COUNTRIES, 1992 - 2012

YEAR

MILLION DOLLARS

Live Cattle
Beef and Beef Products

Data source: Statistics Canada, AAFC
U.S. Cattle Slaughter, 2012

• More cattle and calves in feedlots on August 1, 2012 (+1%)
• More imported cattle from Canada (+6%)
• Total U.S. cattle slaughter down by 4% in 2012?
• Heavier carcass weights for first 7 months (+1.6%), but could be down for rest of year?
• Total beef production for 2012 could be 2-3% lower than 2011. Could fall by 4% in 2013?
Lean Finely Textured Beef: Market Implications

• FDA-approved, 50%-lean, low-value, fatty trimmings from finished cattle used in some ground meat products.
• Consumer concern due to negative connotation of term “pink slime” led major supermarkets to stop buying ground beef with LFTB. The price of ground beef went up!
• In March 2012, BPI closed three of four LFTB plants, reducing U.S. production of LFTB by more than half.
• 50%-lean trimmings account for about 10% of finished cattle carcass weight. Much of the trimmings now have to be sold to renderers at a lower price than for LFTB.
• The price of fresh 50%-lean trimmings fell from US$1.01/lb in February 2012 to US$0.59/lb in April 2012.
Finished Cattle Prices, 2012

- U.S. cattle prices at record levels.
- Reduced beef production and smaller net exports of beef could raise the average U.S. fed cattle price by 4-7% in 2012?
- Average Manitoba Grade A prices for the year close to record levels, up by 7%?
- Manitoba finished cattle prices continue to be discounted at U.S. ($17-20/cwt) and Alberta ($11-13/cwt) plants, partly due to COOL, distance to plant and relatively heavy carcass weights.
# Manitoba Grade A Steer Prices, 2009-2013E

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012P</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$/cwt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>First Quarter</strong></td>
<td>83.88</td>
<td>75.17</td>
<td>94.05</td>
<td>105.48</td>
<td>103-111</td>
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<tr>
<td><strong>Second Quarter</strong></td>
<td>84.53</td>
<td>82.61</td>
<td>95.08</td>
<td>102.68</td>
<td>101-109</td>
</tr>
<tr>
<td><strong>Third Quarter</strong></td>
<td>77.70</td>
<td>82.89</td>
<td>93.92</td>
<td>100</td>
<td>101-109</td>
</tr>
<tr>
<td><strong>Fourth Quarter</strong></td>
<td>72.30</td>
<td>84.87</td>
<td>100.60</td>
<td>103</td>
<td>102-110</td>
</tr>
<tr>
<td><strong>Annual Average</strong></td>
<td>79.60</td>
<td>81.40</td>
<td>95.90</td>
<td>103</td>
<td>102-110</td>
</tr>
</tbody>
</table>
SEASONAL GRADE A STEER PRICES

Datasource: Canfax
Average Grade A steer price: 2008 = $81.80/cwt, 2009 = $79.60/cwt, 2010 = $81.40/cwt, 2011 = $96/cwt, 2012P = $103/cwt

Data source: Canfax
CATTLE ON MANITOBA FEEDING OPERATIONS
JANUARY 1 AND JULY 1, 1995-2012

Data source: Statistics Canada
FEEDER CATTLE/CALF MARKETINGS BY MONTH
MANITOBA AUCTION MARKETS, 2005 - 2012

Data source: Manitoba Auction Markets, MAFRI
• Rainfall in late August in Western Cornbelt and Southern Plains, Hurricane Isaac further south will help dry conditions.
• Sufficient soil moisture for fall wheat and rye pastures?
• Total feed grains available down 10-11%?
• Nitrate in drought-stressed corn is toxic to cattle? How wide-spread is this?
• Lots of corn silage and other non high-quality feeds, such as sprouted grain, low-weight grain, etc. for backgrounding.
Manitoba Feed Situation 2012/13

- Drought throughout cattle area of province – will there be enough soil moisture for pastures next spring?
- Drought most severe in southeastern Manitoba:
  - 75% of dugouts are dried up,
  - hay yields are down 50%, with 75% loss in areas affected by severe to extreme drought
  - increase in local hay prices
  - pasture conditions rated from poor to very poor
- How much non high-quality feed, such as low-weight grain, etc. for backgrounding?
GRADE A STEER AND BARLEY PRICES IN 1970 $
MANITOB A, 1971- 2011

Data source: CANFAX, MAFRI, author’s estimates
Feeder cattle prices rose to new record levels in the U. S. in the first half of 2012, but are expected to be down (still high relative to previous years) for the remainder of the year due to drought-induced higher feed costs.

- Light calf prices have been good recently because of reasonable backgrounding costs??
- Manitoba calf and yearling prices for first half 2012 were 17% above 2011 levels, but could average 6-10% higher than 2011 for the year.
## Manitoba Feeder Steer (800-900lb) Prices*, 2009-2013E

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012P</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$/cwt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>First Quarter</strong></td>
<td>93.19</td>
<td>90.44</td>
<td>116.15</td>
<td>134.49</td>
<td>122-130</td>
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<tr>
<td><strong>Second Quarter</strong></td>
<td>96.19</td>
<td>96.98</td>
<td>112.54</td>
<td>130.86</td>
<td>124-132</td>
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<tr>
<td><strong>Third Quarter</strong></td>
<td>94.65</td>
<td>103.41</td>
<td>118.96</td>
<td>126</td>
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<tr>
<td><strong>Fourth Quarter</strong></td>
<td>88.02</td>
<td>107.59</td>
<td>126.14</td>
<td>127</td>
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<tr>
<td><strong>Annual Average</strong></td>
<td>93.00</td>
<td>99.60</td>
<td>118.45</td>
<td>130</td>
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</tr>
</tbody>
</table>

* Prices are for good quality animals
SEASONAL FEEDER STEER (8-900LB) PRICES

Datasource: Canfax
## Manitoba Feeder Steer (700-800lb) Prices*, 2009-2013E

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
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<th>2013E</th>
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</thead>
<tbody>
<tr>
<td><strong>$/cwt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>First Quarter</strong></td>
<td>98.81</td>
<td>95.74</td>
<td>123.69</td>
<td>146.65</td>
<td>134-142</td>
</tr>
<tr>
<td><strong>Second Quarter</strong></td>
<td>102.81</td>
<td>103.58</td>
<td>123.68</td>
<td>142.10</td>
<td>136-144</td>
</tr>
<tr>
<td><strong>Third Quarter</strong></td>
<td>98.38</td>
<td>108.76</td>
<td>126.12</td>
<td>132</td>
<td></td>
</tr>
<tr>
<td><strong>Fourth Quarter</strong></td>
<td>91.85</td>
<td>112.03</td>
<td>136.23</td>
<td>134</td>
<td></td>
</tr>
<tr>
<td><strong>Annual Average</strong></td>
<td>98.00</td>
<td>105.00</td>
<td>127.40</td>
<td>138</td>
<td></td>
</tr>
</tbody>
</table>

*Prices are for good quality animals*
# Manitoba Steer Calf (500-600lb) Prices*, 2009-2013E

<table>
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<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012P</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter</td>
<td>111.16</td>
<td>109.62</td>
<td>145.41</td>
<td>171.32</td>
<td>150-158</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>116.18</td>
<td>117.57</td>
<td>142.51</td>
<td>166.97</td>
<td>152-160</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>106.32</td>
<td>118.35</td>
<td>141.07</td>
<td></td>
<td>145</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>105.55</td>
<td>129.47</td>
<td>157.40</td>
<td></td>
<td>143</td>
</tr>
<tr>
<td>Annual Average</td>
<td>109.80</td>
<td>118.75</td>
<td>146.60</td>
<td></td>
<td>156</td>
</tr>
</tbody>
</table>

*Prices are for good quality animals
DATA SOURCE: CANFAX

MONTH
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
20
40
60
80
100
120
140
160
180

2001 (prev. record av $154/cwt))
2004 (BSE av $95/cwt)
2009 (COOL av $110/cwt)
2010 (COOL & C$ av $119/cwt)
2011 (COOL, C$, high beef demand av $147/cwt)
2012P (COOL, drought av $156/cwt new record)

SEASONAL STEER CALF (5-600LB) PRICES

Datasource: Canfax
• Average D1,2 cull cow prices reached new record highs in June and July 2012, surpassing the previous high in 2001.

• Cow beef is used for processed beef and ground beef; the former is not affected by COOL, but retail ground beef is.

• The lost use of 50% beef trim to produce LFTB has resulted in higher prices for 90% lean beef, for cull cows and for imported processing beef.
## Manitoba D1,2 Cow Prices, 2009-2013E

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tbody>
<tr>
<td><strong>$/cwt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>First Quarter</strong></td>
<td>43.85</td>
<td>44.01</td>
<td>61.18</td>
<td>68.30</td>
<td>72?</td>
</tr>
<tr>
<td><strong>Second Quarter</strong></td>
<td>49.58</td>
<td>55.25</td>
<td>70.45</td>
<td>76.16</td>
<td>80?</td>
</tr>
<tr>
<td><strong>Third Quarter</strong></td>
<td>44.23</td>
<td>56.71</td>
<td>65.31</td>
<td>72</td>
<td></td>
</tr>
<tr>
<td><strong>Fourth Quarter</strong></td>
<td>35.12</td>
<td>49.54</td>
<td>59.45</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td><strong>Annual Average</strong></td>
<td>43.20</td>
<td>51.40</td>
<td>64.10</td>
<td>71</td>
<td></td>
</tr>
</tbody>
</table>
SEASONAL D1,2 COW PRICES

Datasource: Canfax

Pre-BSE and lower C$
2009 - 2010 prices barely affected by COOL
BSE
Strong demand for less beef

Datasource: Canfax
The dependence on the American market for Canadian cattle and beef sales has meant that the exchange rate has been an important factor in cattle price determination.

What will happen to the value of the Canadian dollar for the next 12 months?

The dollar is likely to remain close to par with the American dollar so no advantage to Manitoba cattle producers.
CHANGE IN CATTLE RECEIPTS DUE TO EXCHANGE RATE
MANITOBA, 1971-2011

Data source: Statistics Canada, Bank of Canada
Manitoba Cattle, 2013

• Fewer calves kept during winter for further feeding to yearling, short-keep or finished weights due to high feed costs?
• Inspected slaughter in Manitoba to remain at 11,000 - 12,000 head at provincially-inspected plants.
• The Marion St., Winnipeg ex-hog slaughter plant is still being converted by ProNatur to a federally-inspected cattle plant and plans to kill 250 hormone/antibiotic-free cattle per day eventually - 2013? The plant had been processing beef for provincial markets (natural, kosher and halal).
Issues for Cattle Producers in 2013

- *Same old story:* Manitoba finished cattle prices have improved, but low (av. $17-20/cwt) relative to U.S. prices!
- Lack of slaughter plants willing to pay reasonable prices for Manitoba fed cattle: heavier cross-breeds?
- Reduced price competitiveness as long as U.S. market access is limited.
- At what price does beef become too expensive for consumers?
- Feedlot margins may not increase in 2013 as continued high feed and fuel costs could cut into any improvement in finished cattle prices.
- Reduced winter forage in some cow-calf areas, may result in more cows culled in fall 2012, so even fewer calves born in 2013.
Questions??