

# **MANITOBA CATTLE AND BEEF INDUSTRY 2014 - 2015**



*Janet Honey*  
*Prepared for*  
*Department of Agribusiness and Agricultural Economics*  
*University of Manitoba*

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***Data Sources:***

*Agriculture and Agri-Food Canada*

*Bank of Canada*

*Canadian Food Inspection Agency*

*Canfax*

*Manitoba Agriculture, Food and Rural Development*

*Manitoba Auction Markets*

*Statistics Canada*

*United States Department of Agriculture*

September 2015

# MANITOBA'S CATTLE AND BEEF INDUSTRY

## History:

### Pre-World War II:

Beef cattle have always been an important farm commodity in Manitoba. Early cattle were dual purpose for meat and milk. The first count of cattle in the province was in 1881 when there were 60,000 cattle and calves. The inventory increased to 812,000 head in 1938, which included 420,000 cows, 93% of which were used for milk production.

### Post-World War II:

By the 1950s, there were more breeds of cattle being produced for beef only, but these were early maturing, stocky and fat. This changed in the late 1960s and 1970s in response to consumer demand for less fat in beef, when larger exotic-cross cattle were developed to provide leaner meat and a higher dressing percentage. In the late 1970s and 1980s, Manitoba lost much of its cattle finishing and slaughter industry to Alberta, where new and renovated plants made cattle slaughter and beef production more efficient.

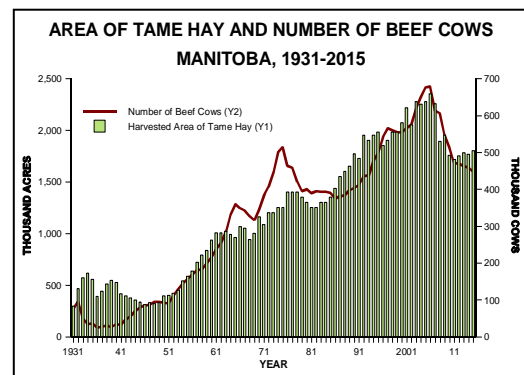
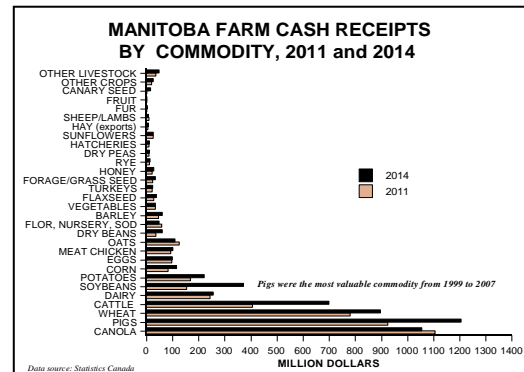
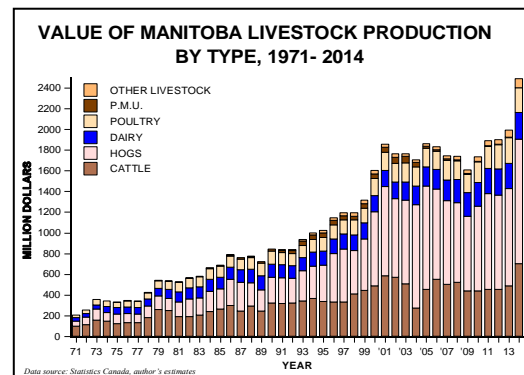
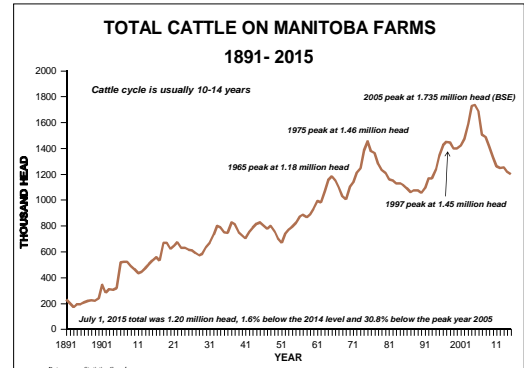
Cattle production in North America tends to follow 10-14 year cycles. According to *Statistics Canada* data, at the peak of the cycle in the 1940s, there were 0.83 million beef and dairy cattle and calves on Manitoba farms in 1945, while at the peaks in 1965 and 1975 there were 1.18 million and 1.46 million respectively. It took until 2002 for the 1975 level to be overtaken.

According to *Statistics Canada* data, Manitoba's beef cow herd increased fairly steadily at an average annual rate of about 2% from 1987 until 1992. Cow numbers then rose by an annual average of 6% to 1997, but decreased by 1% in both 1998 and 1999. The beef cow herd rose by 20% from mid 2000 to a record high on July 1, 2006, but had fallen again by 34% by 2015.

## Farm Type:

With large areas of natural grasslands, Manitoba has the land base to support cow-calf production. Most commercial beef cattle operations are cow-calf with many producers retaining and/or buying calves for further feeding to be sold as "stockers", "short-keeps" or for slaughter. About 2% of commercial operations are feedlots, the largest of which expanded to a one-time capacity of 12,500 head in fall 2006.

According to *Statistics Canada*, of the 1,122,100 beef cattle on Manitoba farms in mid-2015, 857,300 million head or 76.4% were on cow-calf operations, 197,500 head or 17.6%



were on feeder/stocker operations and 67,300 head or 6.0% were on feeding operations. The number of cattle on feed was slightly higher than in 2014 due mainly to lower feed costs.

### Inventory:

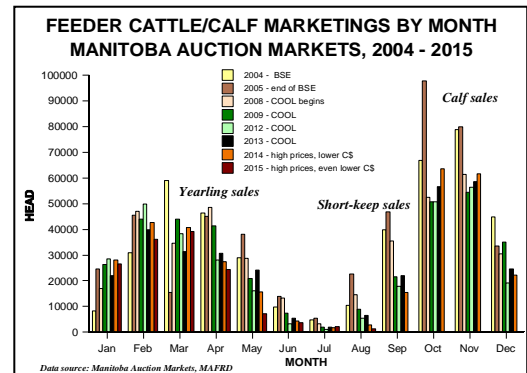
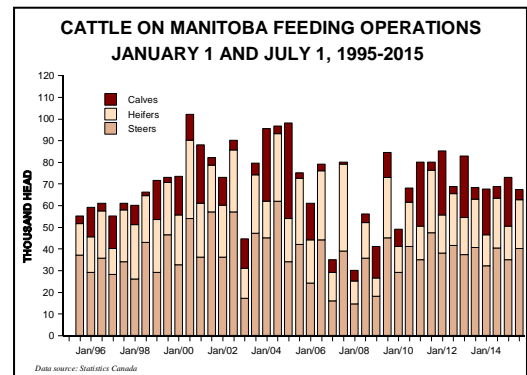
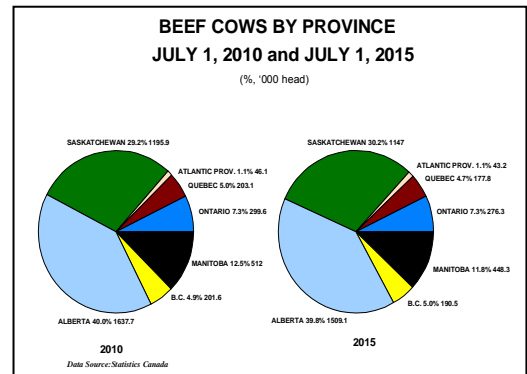
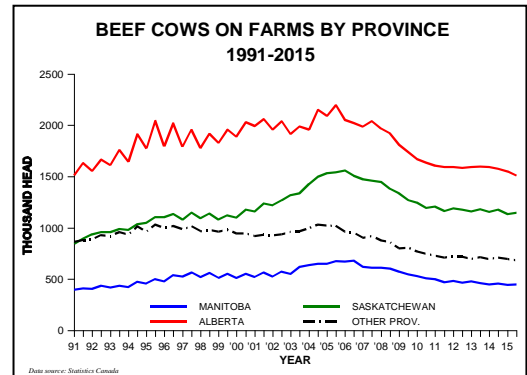
There were 574,000 beef cows on Manitoba farms in mid-2002, but this number increased to 680,000 head by mid-2006 because of the American border closure to Canadian cattle in May 2003 due to Bovine Spongiform Encephalopathy (BSE) found in a Canadian cow. Manitoba's reliance on the United States market for almost all of its slaughter cattle sales made it difficult for producers to find alternative markets in Canada while the border was closed, particularly for cull cows and bulls, so more of these animals than usual remained on Manitoba farms.

The border opened to cattle under 30 months in July 2005. The option to export younger slaughter cattle to the U.S. meant Manitoba producers no longer had to rely on Canadian slaughter plants, particularly those in Alberta, for the sale of their finished cattle.

Manitoba's beef cow herd fell to 448,300 head on July 1, 2015, 2.2% below the mid-2014 level and the smallest since 1993. The Manitoba beef cow herd is still the third largest in Canada, after Alberta and Saskatchewan, with 11.8% of the nation's beef cows and 1.3% of total North American beef cows in 2015.

The diminishing Manitoba cow herd can be partly attributed to adverse weather conditions. For six years, flooding in various parts of the Interlake and Westlake cow-calf areas prevented or hampered hay cutting and damaged pasture land. Drought and excess moisture in other areas reduced hay yields. Producers were forced to sell some or all of their cows. Record-high cattle prices in 2014 also encouraged some producers to sell their herds as they could capitalize on the strong market.

On July 1, 2015, Manitoba cattle farms had 141,800 feeder cattle, aged one year and over, of which 60,200 were heifers and 81,600 were steers. The number of heifers was up by 2,400 head from a year earlier, while steers rose by 5,300 head. It is likely that high cattle prices in 2014 encouraged some producers to keep more calves for further feeding. Calves (under one year old) in feedlots increased from 21,300 head in January 2014 to 22,400 head in January 2015. Over half the feeders are expected to have been sold at the end of summer as "short-keeps", the remainder will be finished to slaughter weight. About 62,600 of the feeder cattle over one year old were in feedlots on July 1, 2015 compared to 63,200 head on July 1, 2014.



## Feed Use:

The beef cattle industry used roughly \$205 million of feed in 2014. Only about one-fifth to one quarter of the calves produced in the province annually are finished to slaughter-weight. If all the calves in Manitoba were finished instead of being shipped out as stockers/feeders or calves, then the value of feed consumed in 2014 would have been about 70% higher.

On July 12, 2007, the Canadian Food Inspection Agency implemented the enhanced feed ban that completely bars the use of specified risk materials (SRMs) for BSE in animal feed, pet food and fertilizer. The rule aligned Canada's standards with those of the European Union.

## Cattle Sales and Farm Cash Receipts:

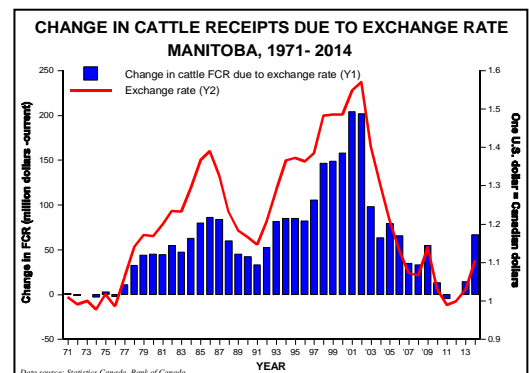
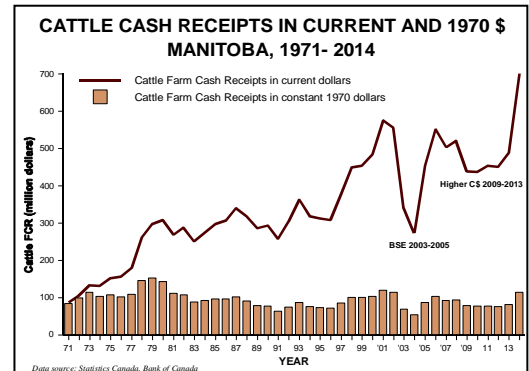
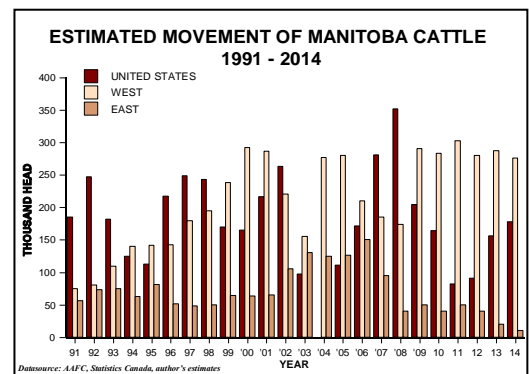
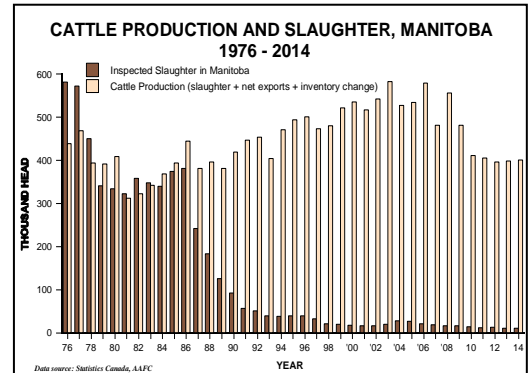
Since Manitoba's cattle slaughter capacity declined by over 97% from 1976 to 2001, most of the beef cattle produced in Manitoba have to be sold out of the province. In 2002 (prior to the U.S. border closure in May 2003), 103,400 finished cattle, 103,900 cull cows and bulls, 54,000 feeder cattle and 700 breeding stock were exported from Manitoba ports of exit to the United States. About 27,500 slaughter cattle and 310,000 feeder cattle and calves were sold mainly to Alberta and Ontario. After cattle exports to the U.S. were banned in 2003, during 2004 and the first half of 2005, more cattle were slaughtered in Manitoba and many more had to be sent to other provinces, often at greatly reduced prices.

Manitoba cattle and calf prices increased significantly when the U.S. border re-opened to cattle under 30 months in mid July 2005.

The Manitoba cattle industry was hit again, not only by a strong Canadian dollar from 2007 to autumn 2008 and again during 2009 to 2013, but also by the introduction of mandatory Country of Origin Labelling (mCOOL) in the United States on September 30, 2008. The continuation of mCOOL, despite various World Trade Organization rulings over the years that it be abandoned, meant that many American feedlots and slaughter plants stopped accepting Canadian feeder and finished cattle or lowered prices for animals they bought.

In 2014, Manitoba's beef cattle industry sold about 410,000 head either for slaughter (including cull cows and bulls) or for feeding out of the province. Roughly 60,000 Saskatchewan calves or feeders were sold in Manitoba or exported via the province.

Annual farm cash receipts from Manitoba-origin cattle/calf sales fell from almost \$555 million in 2002 to \$273 million in 2004 due to BSE-limited markets for cattle and lower cattle and calf prices. Cash receipts rebounded to \$552 million in 2006, but dropped to \$438



million in 2009 and 2010 as a result of lower prices caused by mCOOL. Despite decreased sales, higher average cattle prices in 2011 raised cash receipts to \$453 million. Fewer calves born and cattle sold meant lower farm cash receipts of \$450 million in 2012 even though prices had gone up. Higher cattle prices and increased cattle sales in 2013 raised cash receipts to over \$487 million. The falling Canadian dollar and record high North American cattle prices in 2014 elevated cash receipts to almost \$700 million, a new record level, which was 21.7% above the previous record of \$575.2 million in 2001.

In 2013 (latest available), average net farm operating income for beef cattle operations (51+% of income from beef cattle) rose to \$11,740/farm (over half from program payments) from \$11,430/farm in 2012, but was below \$18,770 in 2011 (over 80% from program payments). In 2013, 40.9% of Manitoba beef farms had either zero or negative net operating income compared to 39.4% in 2012 and 41.4% in Alberta.

Higher average finished cattle prices in 2014 combined with lower feed and fuel costs meant margins for many cattle feeding operations rose in 2014.

### Cattle Slaughter and Beef Processing:

The total number of cattle slaughtered in Manitoba packing plants peaked at 581,000 head in 1976. However, the closure of five major cattle slaughter facilities after 1979 reduced local slaughter by 97% over the next twenty years.

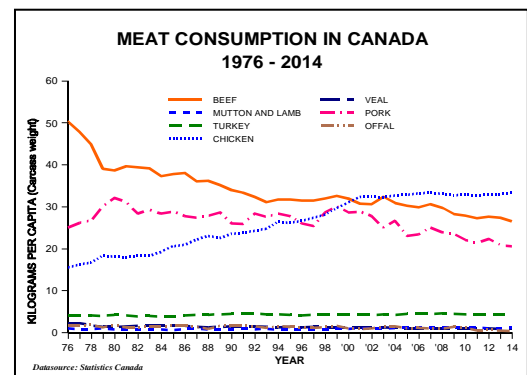
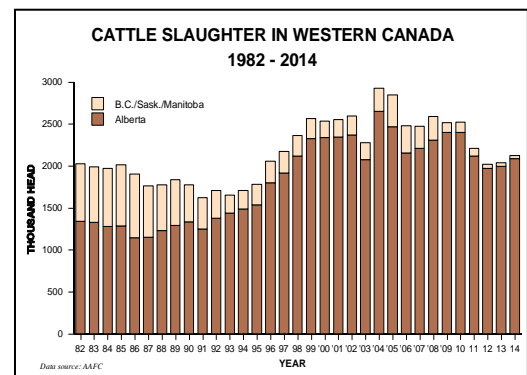
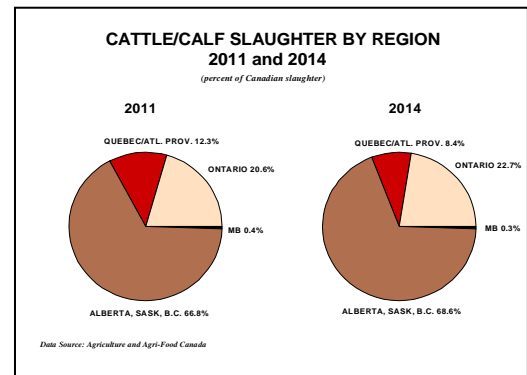
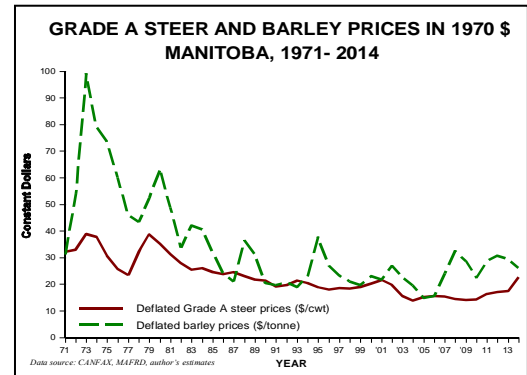
One small federally-inspected plant and 23 provincially-inspected plants in Manitoba slaughtered only 21,000 cattle by 2006. The number of cattle slaughtered declined further to about 11,800 head in 2011, 11,200 head in 2012, 10,610 head in 2013 and 10,240 in 2014. The average warm carcass weight of slaughter cattle was roughly 710 lb. Beef production fell to close to 7.3 million lb (warm carcass weight) in 2014.

The largest, licensed, multi-species slaughter plant, True North Foods, located north of Carman is expected to be killing 200 cattle per day by 2019. The plant has applied for a federal licence.

### Beef Consumption:

Per capita beef consumption fell from a peak of 116 lb per person (carcass weight) in 1976 to a fairly stable 70-75 lb per person in the 1990s and early 2000s. Leaner beef is sold with less waste than in earlier years, which explains some of the decline since the 1970s.

Canadians consumed an average of 60.5 lb of beef and veal (carcass weight) in 2014, 1.8 lb less than in 2013. Consumption in recent years is down from 69.8 lb per person in 2007, mainly due to higher beef prices.



**Trade:**

**Cattle:** Manitoba was the largest cattle-exporting province in Canada prior to 2003, but now lags Alberta and Ontario. About 262,000 head valued at \$269.9 million were shipped from Manitoba ports of exit in 2002. From no cattle exports in 2004 due to the closed American border, the number rose to a record 351,400 head worth \$302.2 million in 2008. As cull cows and bulls over 30 months were banned from American slaughter plants until late 2007, exports to states such as Minnesota and Wisconsin fell significantly between 2002 and 2007.

Due to mCOOL, American plants bought fewer Manitoba fed cattle after 2008 than in the pre-COOL year 2007. Cull cows and bulls can be used for processed beef products, which are not subject to mCOOL, so exports were not affected to the same extent. Fewer finished Manitoba cattle were exported in 2014 than in 2013, but 7% more cows and bulls.

Feedlots in the U.S. bought more feeder cattle and calves in 2014 than in the years, 2010 to 2013. Manitoba shipped 104,200 feeder cattle and calves valued at \$148.5 million to the United States in 2014, up from 76,200 head valued at \$81.4 million in 2013. Only 6,410 finished cattle worth \$12.4 million were exported in 2014 compared to 18,790 head valued at \$29.7 million in 2013 and well below 53,890 head valued at \$60.3 million in 2009. Manitoba exported over 64,110 cull cows and bulls worth \$91.0 million in 2014, mostly to plants in Minnesota. Almost 3,300 breeding stock worth close to \$6.8 million made up the remaining cattle exports.

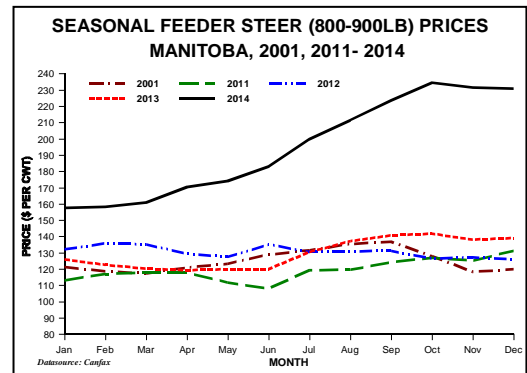
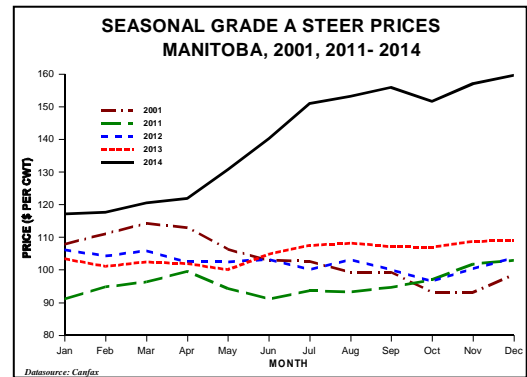
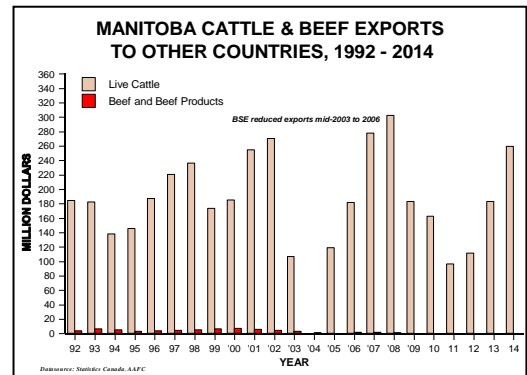
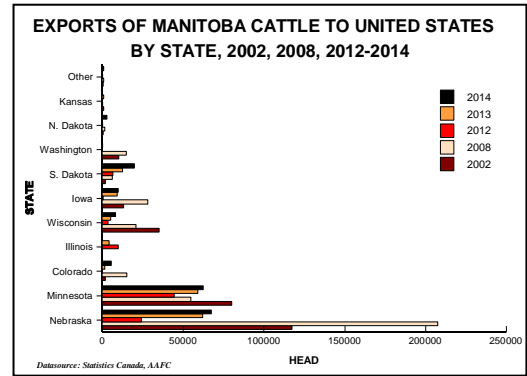
Total cattle exported in 2014 were up by 14.1% from 2013 and the value rose by 42.0%.

Of all cattle exports to the United States in 2014, 38.0% went to Nebraska with the rest going to Minnesota (35.2%), South Dakota (11.2%), Iowa (5.6%), Wisconsin (4.6%), Colorado (3.2%), North Dakota, Missouri, Utah, Wyoming, Kansas and Montana.

Cattle valued at \$1.3 million were imported directly to Manitoba from the United States in 2014.

**Beef and Hides:** Beef and by-products worth only \$0.17 million were exported from Manitoba in 2014, mostly to Japan and the United States.

Much of the beef consumed in Manitoba comes from Alberta or the United States. In 2014, beef/beef products valued at \$10.1 million and raw cattle hides, cattle semen and embryos, valued at about \$0.5 million, were imported directly into Manitoba, almost all coming from the United States.



## Prices:

The supply and demand for cattle and beef in the United States and the Canadian-U.S. dollar exchange rate are major factors in cattle price determination in Canada and Manitoba as the United States is still Canada's largest market for cattle, calves and beef.

Various factors came together in 2014 to affect Manitoba's slaughter cattle prices. Mandatory COOL in the United States meant finished cattle prices continued to be discounted by slaughter plants, but with the American herd at a 64-year low, much higher beef prices and an improving global economy, prices for cattle during the year soared to new record levels. In 2014, the Canadian dollar was valued at 10% below the American dollar compared to only 3% below par in 2013, which raised local prices relative to those in the United States.

The average Manitoba Grade A steer price in 2014 rose by 32.9% from the previous record price in 2013. Prices in 2014 for Manitoba cull cows and bulls were also record high with the average price for D1,2 cows up 46.3% from the 2013 level.

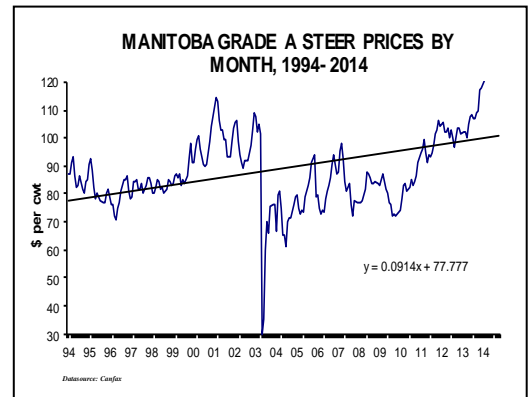
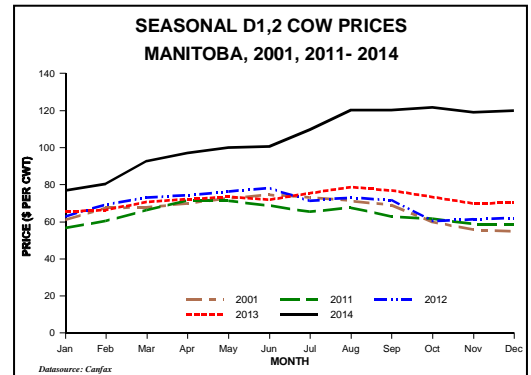
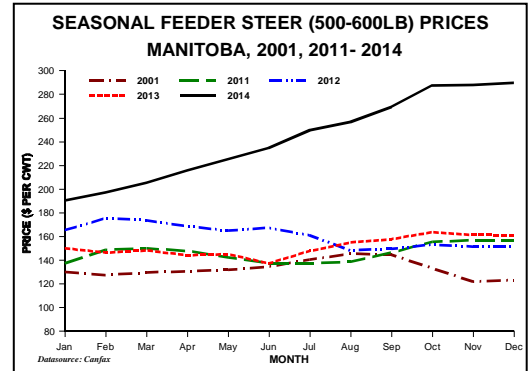
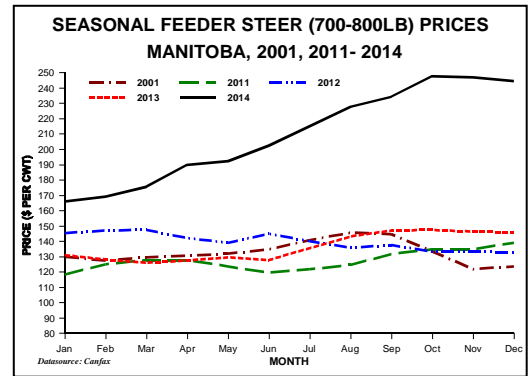
Lower feed costs and record-high finished cattle prices in the United States in 2014 meant stronger demand for feeders, which, together with the falling Canadian dollar value, raised average prices for Manitoba feeder cattle and calves to new record levels for the year. In 2014, average prices for Manitoba feeder steers (700-800 lb) and steer calves (500-600 lb) were up by an unheard of 52.8% and 59.1% respectively from 2013. Prices for heavier feeders (800-900 lb) increased by an average of 49.5% from 2013 and were more than double the price five years earlier.

## Future:

Manitoba's large annual cow cull from 2006 to 2015 continued to reduce the breeding herd, so in 2016, once again, there will be fewer calves born than in the previous year.

Manitoba cattle prices for the first half of 2015 increased significantly from record 2014 levels and will improve further if the Canadian dollar continues to decline. The limited Manitoba slaughter capacity and reduced American market access due to mCOOL are unlikely to change much in 2016.

Eventually, when economically feasible, Manitoba does have the potential to increase the number of cattle finished in the province as only about one-fifth to one quarter of the calves produced are fed to slaughter weight each year.

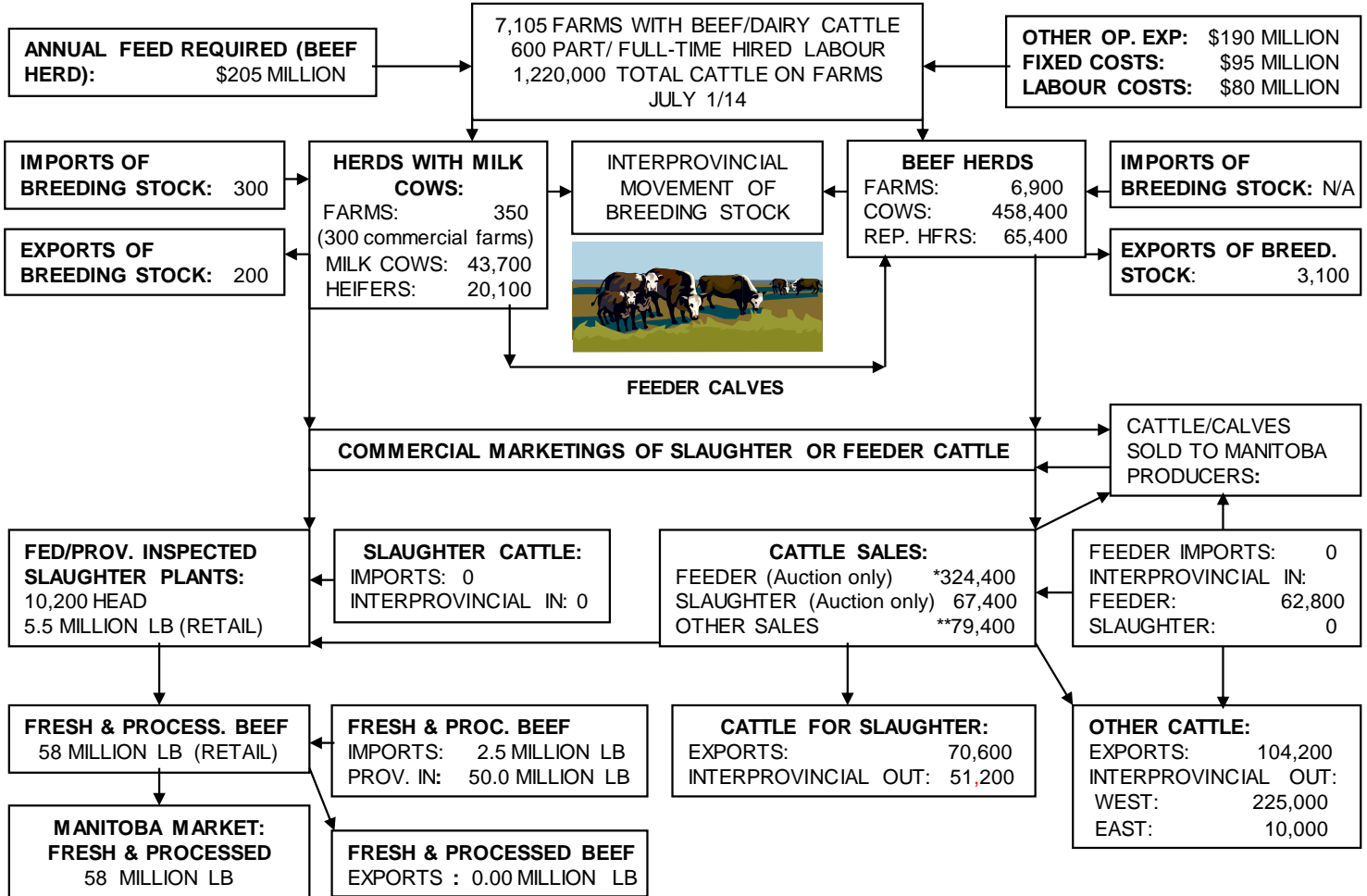




# CATTLE AND BEEF STATISTICS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013<sup>R</sup></u>	<u>2014</u>
<b>NO. OF FARMS WITH CATTLE:</b>	9,755	9,640	8,995	8,360	7,590	7,425	7,245	7,105
<b>NO. OF FARMS WITH BEEF COWS:</b>					6,668			
(farms, 51+% of income from beef cattle)	5,940	5,385	5,230	5,275	5,260	4,695	N/A	N/A
<b>BEEF CATTLE JULY 1 ('000):</b>								
Bulls	27.6	27.9	25.7	24.6	24.9	25.2	25.1	24.8
Beef cows	611.5	605.0	548.5	512.0	471.5	468.7	463.4	458.4
<i>% of Canada</i>	12.2	12.7	12.5	12.5	12.0	11.8	11.7	11.7
Beef replacement heifers	70.1	73.2	70.4	68.5	69.6	70.8	68.3	65.4
Beef slaughter heifers	89.4	72.5	84.9	74.3	71.4	62.8	64.8	57.7
Steers	97.4	90.2	102.9	95.1	89.7	90.8	87.4	75.3
Calves under one year	524.7	533.6	500.8	475.9	453.7	454.6	466.8	458.7
<b>Total beef cattle</b>	<b>1,420.7</b>	<b>1,402.4</b>	<b>1,333.2</b>	<b>1,250.4</b>	<b>1,180.8</b>	<b>1,172.9</b>	<b>1,175.8</b>	<b>1,140.3</b>
<i>% of Canada</i>	10.4	10.8	10.8	10.6	10.2	10.1	10.1	10.0
<b>AVERAGE CATTLE PRICES (\$/cwt):</b>								
Grade A steers	84.95	81.82	79.61	81.38	95.91	102.37	105.14	139.72
D1,2 cows	35.79	43.11	43.19	51.38	64.15	69.40	71.64	104.84
Feeder steers (800-900lb)	96.26	89.41	93.01	99.61	119.42	130.72	129.92	194.22
Feeder steers (700-800lb)	100.80	93.01	97.96	105.03	127.43	139.97	136.59	208.75
Steer calves (500-600lb)	113.18	102.43	109.80	118.75	147.07	160.83	151.92	241.76
<b>NET CATTLE/CALF PRODUCTION ('000)<sup>R</sup></b>								
<i>% of Canada</i>	10.1	11.7	11.0	9.7	9.8	10.0	10.0	9.9
<b>CATTLE CASH RECEIPTS* (\$ million)<sup>R</sup>:</b>								
<i>% of Canada</i>	7.9	8.0	7.5	7.1	7.2	6.9	7.2	7.2
<b>Net farm oper. income per farm (\$)</b>	6,040	7,710	4,930	9,960	18,770	11,430	11,740	N/A
<b>CATTLE SLAUGHTER (head):</b>								
Mb-origin slaughter in Canada <sup>R</sup>	52,400	52,000	38,800	49,400	84,100	62,500	62,900	61,400
<i>% of Canada</i>	1.4	1.4	1.0	1.3	2.5	2.0	2.0	1.9
Inspected slaughter in Manitoba	17,674	16,534	15,600	14,030	11,790	11,230	10,610	10,240
<i>% of Canada</i>	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.3
Average warm carcass weight (lb)	703.9	685.4	690	710	700	710	710	710
<b>BEEF PRODUCTION (carcass million lb)</b>	12.5	11.4	10.8	10.0	8.3	8.0	7.5	7.3
<b>EXPORTS (out of Canada):</b>								
Total cattle (incl. dairy) ('000 head)	280.9	351.4	204.4	164.3	82.3	90.8	156.3	178.0
Total cattle (incl. dairy) (\$ million)	277.6	302.2	182.8	162.6	96.6	111.6	182.8	259.0
Beef/beef products (\$ million)	0.4	0.1	0.14	0.24	0.14	0.06	0.03	0.17
Hides, semen, embryos (\$ million)	1.1	0.6	0.2	0.0	0.3	0.4	0.3	0.0
<b>IMPORTS (into Canada):</b>								
Total cattle (\$ million)	0.6	1.0	0.8	1.0	2.5	1.6	1.0	1.3
Total cattle ('000 head)	0.14	0.17	0.27	0.38	1.48	0.54	0.30	0.20
Beef/beef products (\$ million) <sup>R</sup>	9.4	10.0	7.2	8.1	9.4	9.8	9.6	10.1
Hides, semen, embryos (\$ million)	0.02	0.01	0.15	0.32	0.36	0.57	0.48	0.50
<b>CDN. PER CAPITA DISAPPEARANCE<sup>R</sup>:</b>								
Beef and veal (carcass weight (lb))	69.8	67.8	64.6	63.8	62.4	63.0	62.3	60.5

# BEEF CATTLE INDUSTRY FLOW CHART, 2014



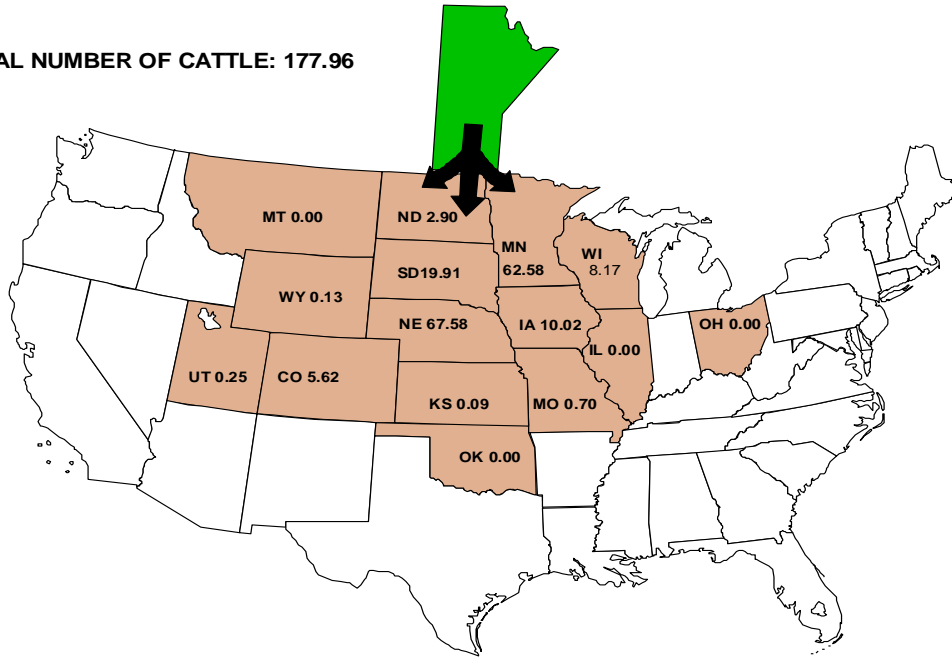
DATA SOURCE: Manitoba Agriculture, Food and Rural Development, Statistics Canada, Agriculture & Agri-Food Canada, Manitoba Auction Markets. <sup>E</sup> Estimated \* Some cattle may have been sold more than once \*\* out of province sales only.

# CATTLE TRADE MAPS

## MANITOBA CATTLE EXPORTS TO UNITED STATES, 2014

(Thousand head)

TOTAL NUMBER OF CATTLE: 177.96

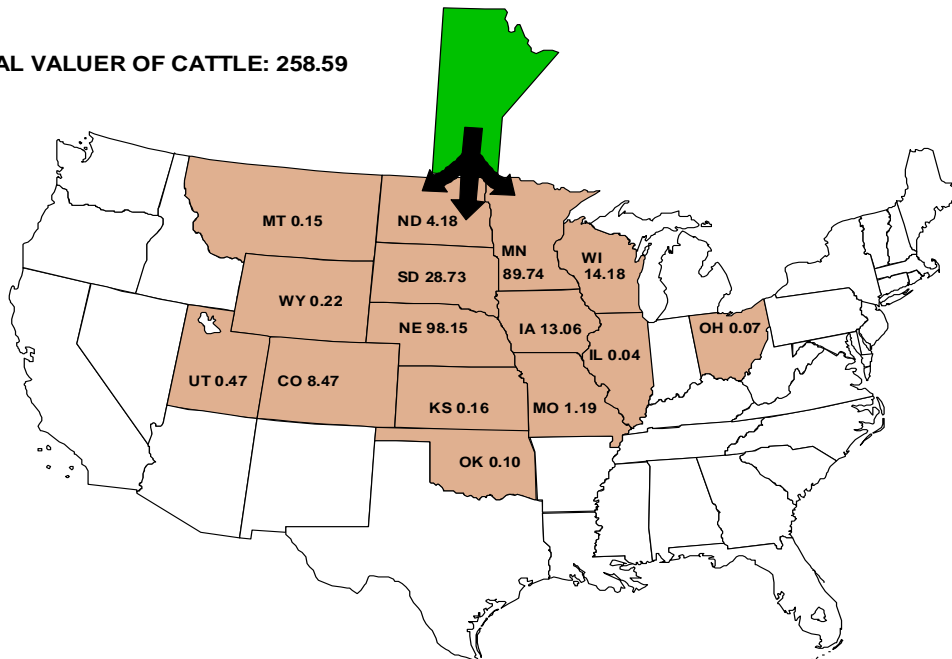


Datasource: USDoC, Statistics Canada, AAFC

## MANITOBA CATTLE EXPORTS TO UNITED STATES, 2014

(C\$ million)

TOTAL VALUER OF CATTLE: 258.59



Datasource: USDoC, Statistics Canada, AAFC