

MANITOBA CATTLE AND BEEF INDUSTRY 2008



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Data Sources:

Agriculture and Agri-Food Canada

Bank of Canada

Canadian Food Inspection Agency

Canfax

Manitoba Agriculture, Food and Rural Initiatives

Manitoba Auction Markets

Statistics Canada

United States Department of Agriculture

March 2009

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.

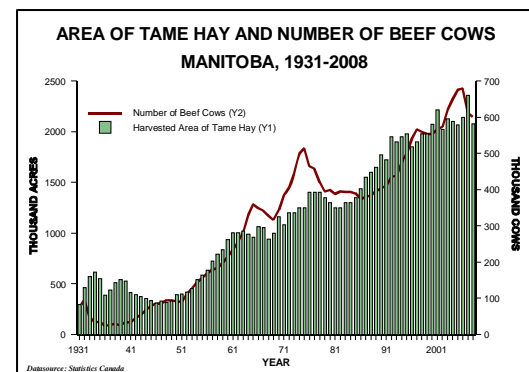
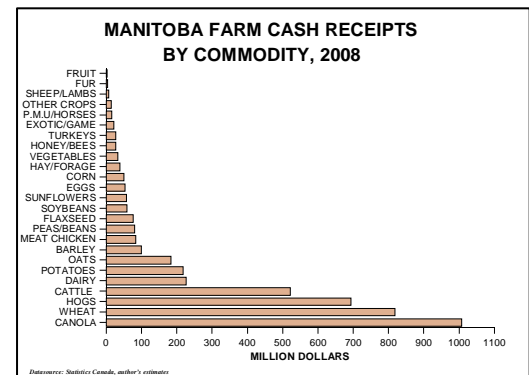
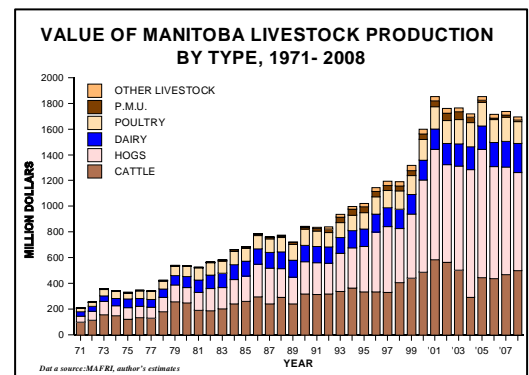
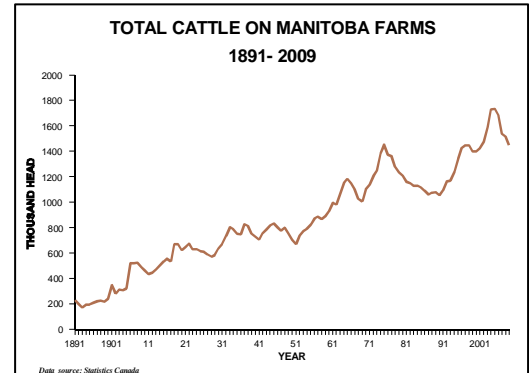
Cattle production in North America tends to follow 10-14 year cycles. According to *Statistics Canada* data, at the peak of the cycle in the 1940s, there were 0.83 million beef and dairy cattle and calves on Manitoba farms in 1945, while at the peaks in 1965 and 1975 there were 1.18 million and 1.46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

Statistics Canada data show that in the past twenty years, 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 rate of almost 6% to 1997. The beef cow herd decreased by 1% in both 1998 and 1999, remained steady in 2000, increased by 20% from 2001 to a record high of 0.68 million head in 2006, but declined by 10% in 2007 and 2% in 2008.

Farm Type:

Manitoba has the land base with large areas of natural grasslands to support cow-calf production. Over 98% of 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. The remaining 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 1,428,300 beef cattle on Manitoba farms in mid 2008, 1,082,200 million head or 76% were on cow-calf operations,



290,100 head or 20% were on feeder/stocker operations and only 56,000 head or 4% were in feedlots, a drop of 30% from 2007.

Inventory:

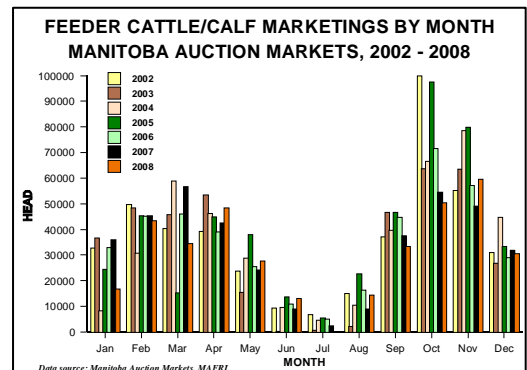
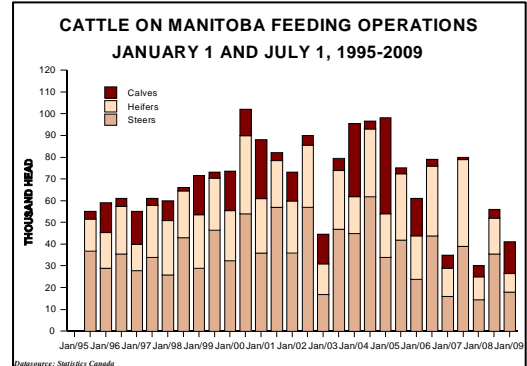
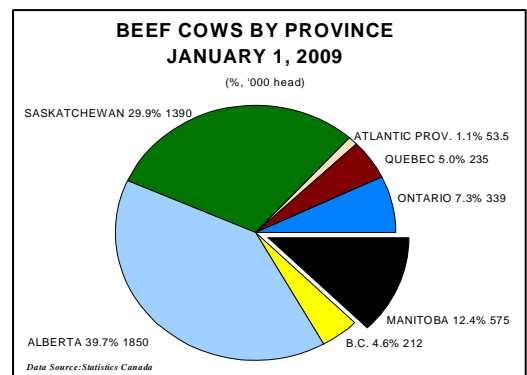
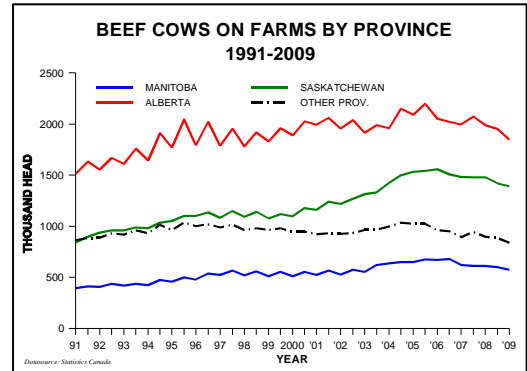
There were 574,000 cows on Manitoba farms in mid 2002, but this number increased to 680,000 head by mid 2006 because of the American border closure to Canadian cattle in May 2003 due to BSE found in a Canadian cow. Manitoba's reliance on the United States market for almost all of its slaughter cattle 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 farms.

The border opened to cattle under 30 months in July 2005. The option to export younger slaughter cattle to the U.S. meant fewer finished cattle were available for Canadian slaughter plants, particularly those in Alberta. The drop in domestic steer and heifer slaughter was partly offset by the slaughter of more cull cows and bulls.

In 2008, not only did flooding in the Interlake and Westlake cow-calf areas prevent or hamper hay cutting, but drought in other areas affected hay growth. The expected winter feed shortage and higher feed cost forced some producers to sell some or all of their cows in 2008. Manitoba's beef cow herd declined to 601,000 head in mid 2008 and to 575,000 head by January 1, 2009. About 92,000 cows or 16% were over 9 years old.

The Manitoba beef cow herd is the third largest in Canada, after Alberta and Saskatchewan, with 12.4% of the nation's beef cows and 1.6% of total North American beef cows in 2008. Manitoba beef cows have a calving rate of about 92-93%.

On January 1, 2009, Manitoba cattle farms had 83,000 feeder cattle, one year and over, of which about 38,000 were heifers and 45,000 were steers. The number of heifers was down by 14,000 head from a year earlier, while steers declined by 4,000 head. Many of these feeders are expected to be sold early in 2009 as "yearlings" or at the end of summer as "short-keeps" as the relatively high cost of grain has been discouraging cattle finishing in the province. Only 26,500 of the feeder cattle over one year were in feedlots on January 1, 2009 compared to 31,000 head on January 1, 2003 (pre-BSE) and 54,000 head on January 1, 2005 (prior to U.S. border opening).



Feed Use:

The beef cattle industry used about \$200 million of feed in 2008. If all the calves in Manitoba were fed to slaughter weight instead of being exported as stockers/ feeders or calves, then the value of feed consumed annually would exceed \$400 million.

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 aligns Canada's standards with those of the European Union, which has banned all SRMs from the animal food chain and tests all high-risk cattle for BSE.

Cattle Sales and Farm Cash Receipts:

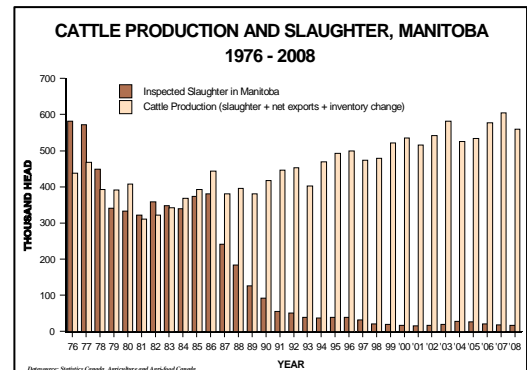
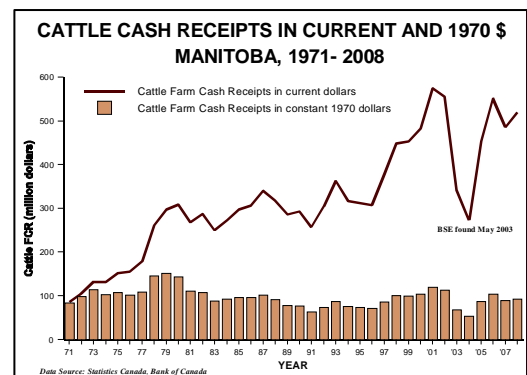
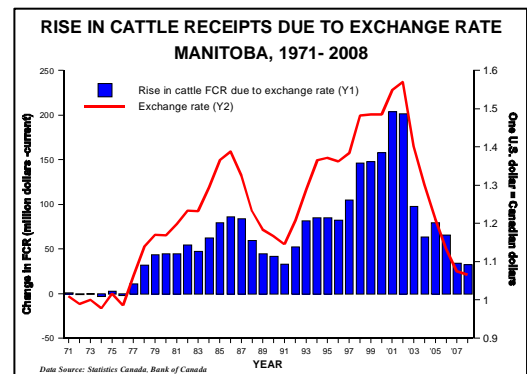
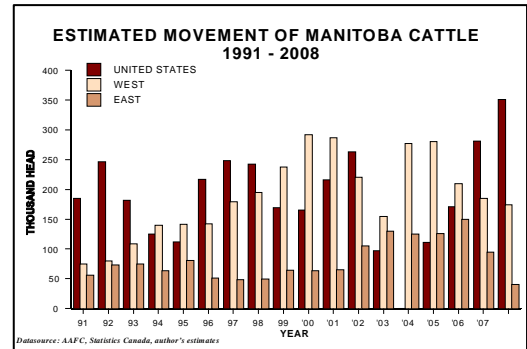
As Manitoba's cattle slaughter industry declined significantly from 1976 to 2001, most of the beef cattle produced in Manitoba are sold out of the province. In 2002 (prior to the U.S. border closure in May 2003), 103,400 finished cattle, 103,900 cull cows and bulls, 54,000 feeder cattle and 700 others 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, in 2004 and during the first half of 2005, more cattle were slaughtered in Manitoba and many had to be shipped to other provinces, often at greatly reduced prices.

About one quarter to one third of the calves produced in the province annually are fed to slaughter-weight. When the U.S. border re-opened to cattle under 30 months in mid July 2005, Manitoba cattle and calf prices rose significantly. Sales of calves increased more than usual in fall 2005 as producers sold animals to improve cash flow, which had been negatively affected by the "BSE" years.

The Manitoba cattle industry was hit again first by the strong Canadian dollar in 2007 and 2008 and then by the introduction of mandatory Country of Origin Labelling (COOL) in the U.S. on September 30, 2008, which meant that some U.S. feedlots and slaughter plants stopped accepting Canadian feeder and finished cattle during the second half of the year.

In 2008, Manitoba's beef cattle industry produced about 560,000 head for slaughter, for feeding out of the province or for herd replacement. Roughly 83,000 calves or feeders eventually sold or exported from Manitoba were from Saskatchewan.

The annual farm cash receipts from Manitoba-origin cattle/calf sales fell from \$554.6 million in 2002 to \$273 million in 2004 due to limited markets for slaughter



cattle and lower cattle and calf prices. Cash receipts rose to \$453 million in 2005 and \$553 million in 2006, but fell to \$486 million in 2007. Increased sales and herd liquidations more than offset lower cattle prices in 2008 to raise cash receipts to \$520 million, which was only 11.1% of the total farm cash receipts in the province that year.

The lower average cattle and calf prices in 2008, higher feed and transportation costs as well as financial problems remaining from the BSE crisis put many Manitoba cattle producers in a worse financial situation in 2008 than in 2007, when average net operating income for beef cattle operations (51+% of income from beef cattle) was \$6,200 with 43.5% of farms having zero or negative net operating income (versus \$10,670 and 35.4% in 2005).

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 since 1979 reduced local slaughter capacity to 15,950 head in 2001.

One small federally-inspected plant and 23 provincially-inspected plants in Manitoba slaughtered about 26,000 cattle in 2005 and 21,000 cattle in 2006. The number of cattle slaughtered declined in 2007 to about 17,800 head and 16,500 head in 2008. Beef production decreased to an estimated 11.4 million lb (carcass weight) in 2008, partly due to the average warm carcass weight of slaughter cattle declining from 704 lb in 2007 to about 685 lb in 2008.

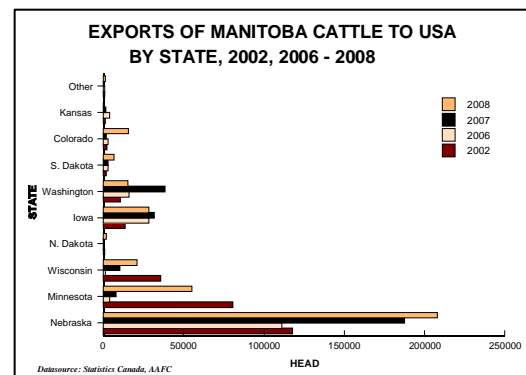
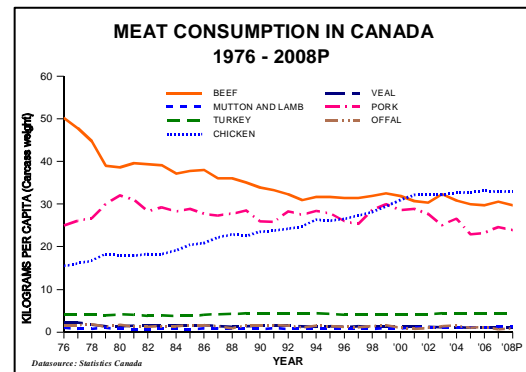
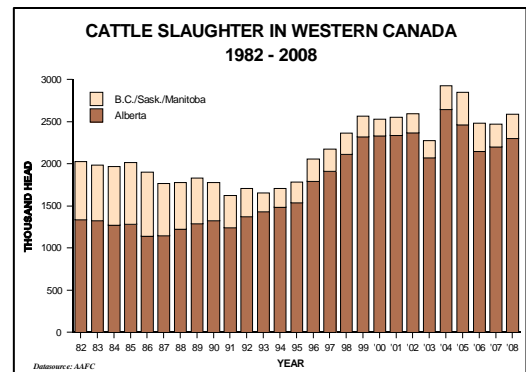
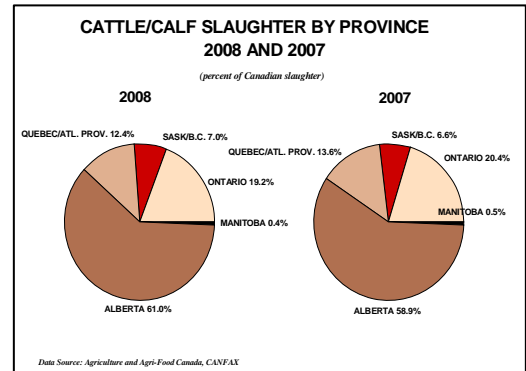
The conversion of the 663 Marion St., Winnipeg hog slaughter plant to a federally-inspected cattle plant by Keystone Processors, Ltd. will increase cattle slaughter in Manitoba. The plant is expected to kill 250 hormone/antibiotic-free (Natural Prairie Beef, Inc. branded-program) cattle per day by the end of 2010 and can be upgraded to 500 head per day if required.

Beef Consumption:

Canadians consumed 69.8 lb of beef (carcass weight) in 2007, 1.9 lb or 2.8% more than in 2006. Consumption may have decreased to about 68 lb in 2008, close to the 2006 level. Per capita beef consumption declined from a peak of 116 lb per person in 1976 to a fairly stable 70-75 lb per person in the 1990s and early 2000s. However, leaner beef with less waste is being sold now than in earlier years.

Trade:

Cattle: Manitoba was the largest cattle-exporting province in Canada prior to 2003. About 262,000 head



valued at almost \$270 million were shipped from Manitoba ports of exit in 2002. From no cattle exports in 2004, the number rose to 110,600 head worth close to \$119 million for the last five months of 2005 and 169,400 head worth almost \$182 million in 2006. With cull cows and bulls over 30 months banned from American plants until late 2007, exports to states such as Minnesota and Wisconsin fell significantly between 2002 and 2008.

Due to mandatory COOL, U.S. plants bought significantly fewer finished Manitoba cattle in 2008, but U.S. feedlots continued to buy large numbers of feeder cattle and calves, many at discounted prices. Manitoba exported 212,900 calves/feeder cattle valued at \$164 million to thirteen states during the year, up by 50% from 2007. Only 73,500 finished cattle valued at almost \$82 million went to eleven states in 2008, a drop of 46% from 2007. Of these exports, (41.1%) went to Nebraska with the rest going to Washington (20.4%), Wisconsin (18.9%), Colorado (15.6%), Minnesota (1.7%), South and North Dakota, Kansas, Utah, Iowa and Idaho. Cull cattle can be used for processed beef products, which are not subject to COOL. Manitoba shipped 63,300 cull cows and bulls worth \$54 million to U.S. plants in 2008, mostly to plants in Wisconsin, Minnesota and Nebraska, despite high transportation costs and relatively low prices. Almost 1,700 breeding stock made up the remaining exports.

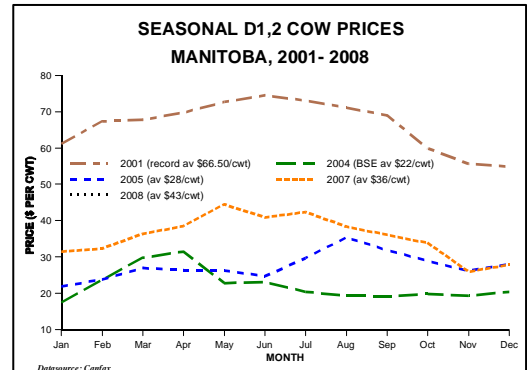
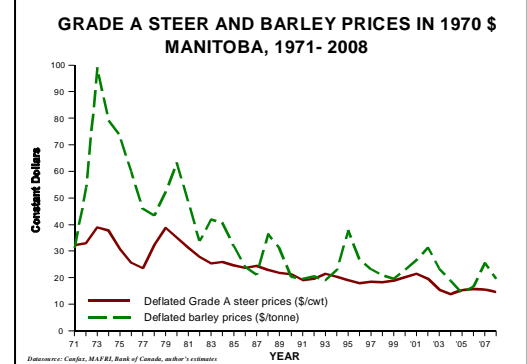
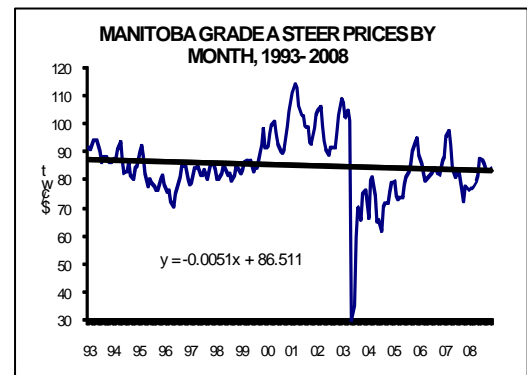
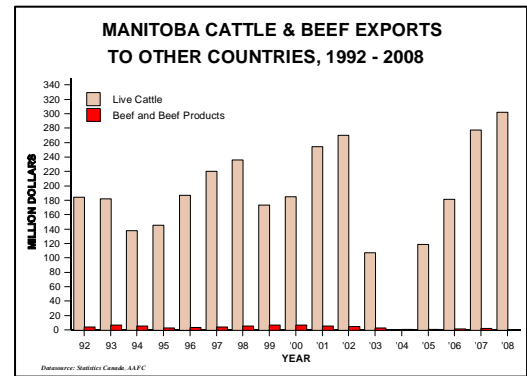
Cattle worth \$1 million were imported directly to Manitoba from the United States in 2008.

Beef and Hides: Beef and beef products valued at less than \$0.1 million and hides and semen valued at \$0.5 million were exported from Manitoba in 2008 with almost all of these exports going to the United States.

Much of the beef consumed in Manitoba comes from Alberta or the United States. In 2008, beef valued at \$11.6 million and raw hides and beef embryos valued at \$0.05 million were imported from other countries directly to Manitoba, almost all 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 Canada's largest market. Various factors came together in 2007 and 2008 to affect Manitoba's slaughter cattle prices. More meat produced in the United States as well as a stronger Canadian dollar from spring 2007 to fall 2008 had a negative impact on Canadian finished cattle prices, but this was partly offset by increased net exports of beef in 2008. The weaker Canadian dollar in fall 2008 offset discounted finished cattle prices caused by the



introduction of mandatory COOL in the United States.

Average Manitoba Grade A steer prices fell by 3.7% in 2008 and were down by 20.9% from the record average price in 2001, when the Canadian dollar relative to the American dollar was 45% lower. Although prices for Manitoba cull cows and bulls were still depressed compared to pre-BSE years, the average D1,2 cow price in 2008 rose more than 20% above price in 2007.

Mandatory COOL and continuing high feed and fuel costs meant feedlots paid even lower prices for replacement cattle in 2008, which together with a higher-valued Canadian dollar for the first nine months of the year, decreased average prices for Manitoba feeder cattle and calves in 2008 to the lowest level since 2004. The average price for feeder steers (700-800 lb) in 2008 was down by 7.7% from the previous year, while the average price for steer calves (500-600 lb) fell by 9.5%. Prices for heavier feeders (800-900 lb) declined by an average of 7.1% in 2008.

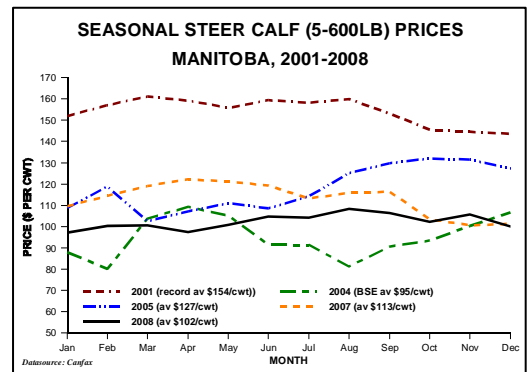
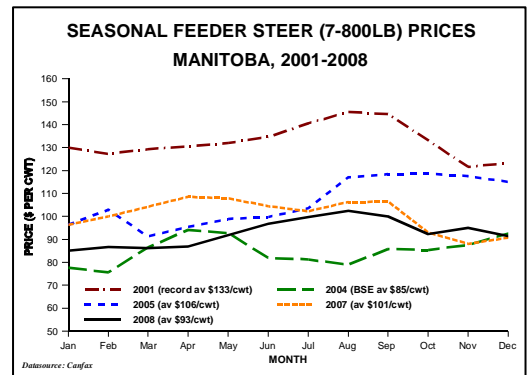
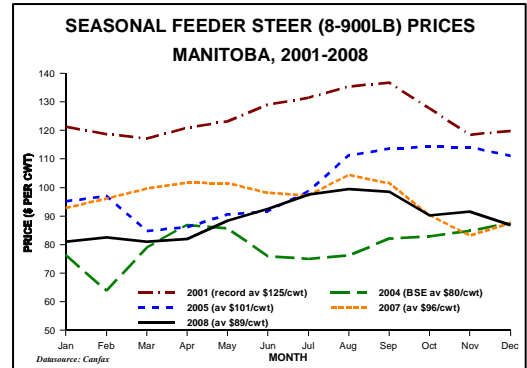
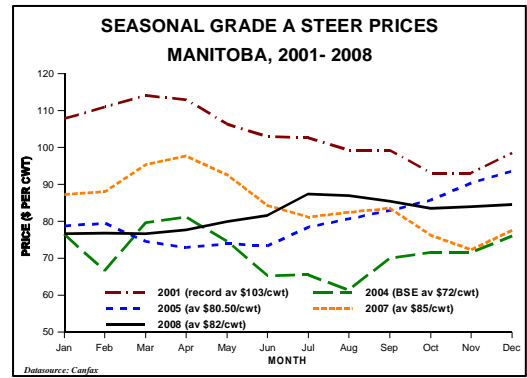
Future:

It appears that 2009 could be another year of herd reduction and liquidation in the province as the poor financial situation of some cattle producers is unlikely to show much improvement, if any.

It is expected that American consumer demand for beef and net beef exports will decline in 2009 as the poor economy forces consumers to switch to cheaper alternatives. Manitoba cattle prices may continue to fall in 2009 due to lower U.S. cattle prices as well as price discounting resulting from mandatory Country-of-Origin-Labeling (COOL). The lower-valued Canadian dollar is likely to offset some of this price decrease. In the longer term, declining supplies of U.S. cattle could lead to improved demand for Manitoba cattle and calves.

Reduced winter forage in major cow-calf regions in the province, higher cost of winter feed and poor margins increased Manitoba's cow cull in fall 2008. It is expected there will be fewer calves born in 2009. Poor margins again in 2009 and tightening credit could mean further breeding herd liquidation later in the year.

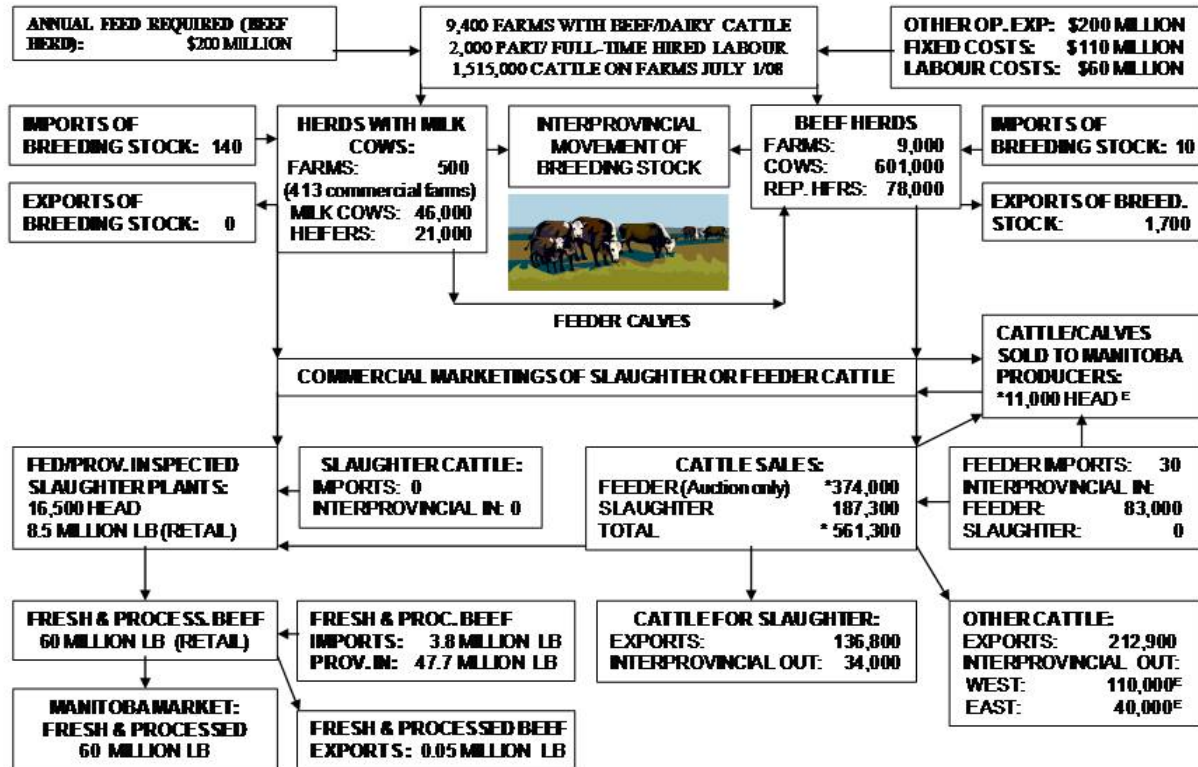
The recent drop in feed grain costs and lower fuel prices may encourage more cattle finishing in Manitoba in 2009 if margins improve sufficiently. The production of new high-yielding feed grain varieties would help reduce feed costs in the future. Eventually, when economically feasible, Manitoba does have the potential to significantly increase the number of cattle finished in the province as only one quarter to one third of the calves produced are fed to slaughter weight each year.



CATTLE AND BEEF STATISTICS

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005^R</u>	<u>2006^R</u>	<u>2007^R</u>	<u>2008^P</u>
NO. OF BEEF CATTLE FARMS:	10,800	10,755	10,585	10,905	10,530	9,850	9,200	9,000
(farms, 51+% of income from beef cattle):	7,232	6,825	6,175	6,020	7,015	6,925	5,860	5,000
BEEF CATTLE JULY 1 ('000):								
Bulls	26.2	26.3	30.4	32.4	32.4	31.5	27.8	28.3
Beef cows	566.0	574.0	622.0	650.0	676.0	680.0	612.0	601.0
<i>% of Canada</i>	11.8	11.9	12.6	12.2	12.4	13.2	12.0	12.4
Beef replacement heifers	84.0	92.0	100.0	96.0	95.0	80.0	72.0	78.0
Beef slaughter heifers	61.8	73.7	91.6	106.5	107.9	89.3	105.0	73.7
Steers	103.6	110.4	121.7	152.3	108.5	98.3	93.3	88.8
Calves under one year	502.8	512.3	541.2	599.9	624.9	616.9	543.3	558.5
Total beef cattle	1,344.4	1,388.7	1,506.9	1,637.1	1,644.7	1,596.0	1,453.4	1,428.3
<i>% of Canada</i>	10.2	10.5	11.2	11.4	11.2	11.5	10.5	10.8
AVERAGE CATTLE PRICES (\$/cwt):								
Grade A steers	103.45	96.91	78.92	71.74	80.47	84.12	84.95	81.82
D1,2 cows	66.43	58.65	39.26	22.31	27.61	33.30	35.79	43.11
Feeder steers (800-900lb)	125.07	113.07	102.89	79.79	100.78	104.62	96.26	89.41
Feeder steers (700-800lb)	132.80	118.54	114.43	85.08	106.35	111.43	100.80	93.01
Steer calves (500-600lb)	154.23	133.72	121.97	95.23	118.16	127.40	113.18	102.43
CATTLE/CALF PRODUCTION ('000)	516	542	582	526	534	578	605	560
<i>% of Canada</i>	10.4	10.6	11.5	10.1	11.6	12.8	12.3	10.5
CATTLE CASH RECEIPTS* (\$million):	575.2	554.6	341.6	273.0	453.3	553.2	486.0	520.0
<i>% of Canada</i>	7.3	7.3	6.7	5.4	7.0	8.4	7.8	7.9
(*includes some Sk/Ab cattle exported through MB)								
CATTLE SLAUGHTER (head):								
Mb-origin slaughter in Canada	48,200	43,900	39,400	60,400	73,900	63,700	52,400	50,800
<i>% of Canada</i>	1.4	1.3	1.7	1.7	1.7	1.6	1.3	1.3
Inspected slaughter in Manitoba	15,950	16,425	19,675	27,160	26,010	20,845	17,795	16,534
<i>% of Canada</i>	0.5	0.5	0.8	0.8	0.6	0.5	0.5	0.5
Average warm carcass weight (lb)	673.4	680.4	688.4	687.1	685.6	667.3	703.9	685.4
BEEF PRODUCTION (carcass million lb)	10.7	11.1	13.5	18.7	17.8	14.0	12.5	11.4
EXPORTS:								
Total cattle (excl. bison) ('000 head)	214.5	262.0	96.9	0.0	110.6	169.4	280.9	351.4
Total cattle (excl. bison) (\$ million)	254.7	269.9	106.2	0.0	118.9	181.7	277.6	302.2
Beef/beef prod. (incl. fat) (\$ million)	5.3	4.4	2.8	0.9	0.5	1.6	2.1	0.1
Cattle hides and semen (\$ million)	0.4	0.2	0.4	0.5	0.5	0.5	1.0	0.5
IMPORTS:								
Total cattle (\$ million)	2.5	0.4	1.7	0.0	0.5	0.3	0.6	1.0
Total cattle ('000 head)	2.9	0.1	0.4	0.0	0.13	0.09	0.14	0.17
Beef/beef prod. (incl. fat) (\$ million)	12.7	14.8	14.6	5.7	5.8	9.5	10.6	11.6
Cattle hides and embryos (\$ million)	9.4	8.8	3.9	0.05	0.04	0.03	0.02	0.05
CDN. PER CAPITA DISAPPEARANCE:								
Beef and veal (carcass weight (lb))	70.5	70.0	74.0	70.6	68.6	67.9	69.8	68

BEEF CATTLE INDUSTRY FLOW CHART, 2008

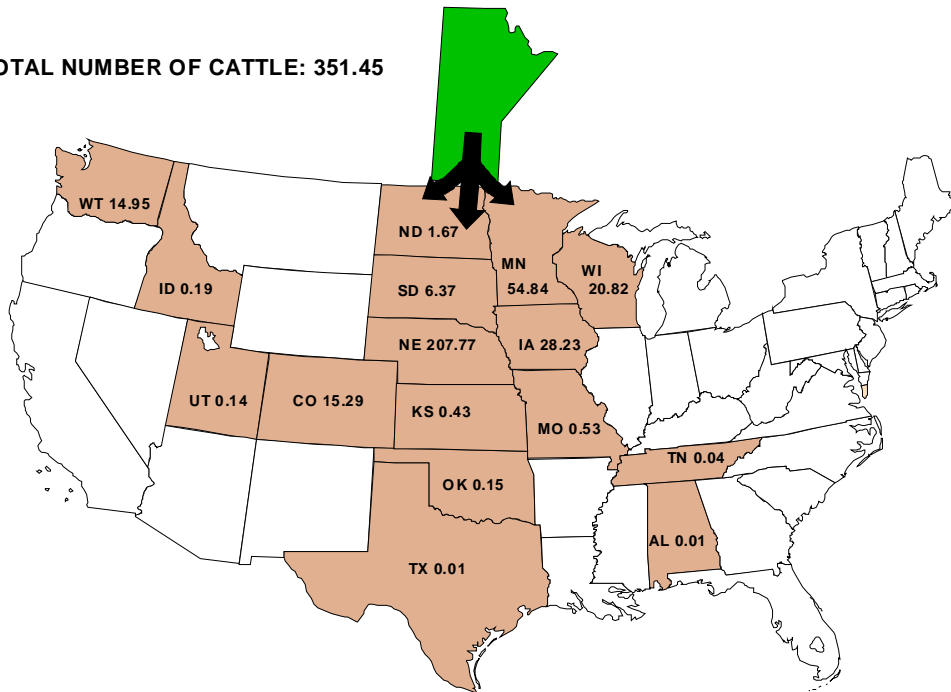


DATA SOURCE: Manitoba Agriculture, Food and Rural Initiatives, Statistics Canada, Agriculture & Agri-Food Canada, Manitoba Auction Markets. ^E Estimated * Some cattle may have been sold more than once.

MANITOBA CATTLE EXPORTS TO UNITED STATES, 2008

(Thousand head)

TOTAL NUMBER OF CATTLE: 351.45

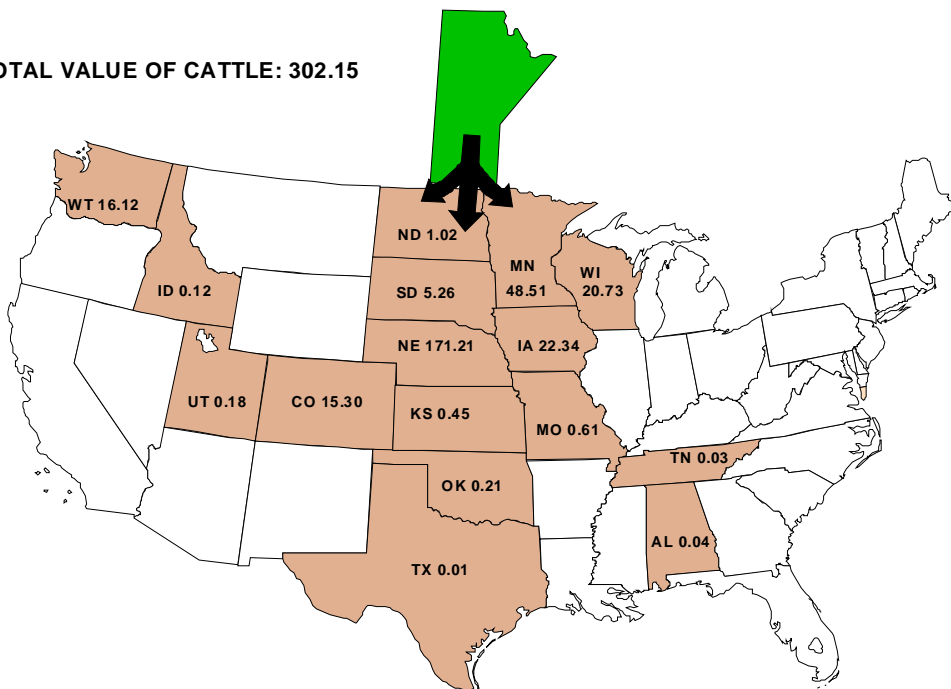


Datasource: USDoC, Statistics Canada, AAFC

MANITOBA CATTLE EXPORTS TO UNITED STATES, 2008

(C\$ million)

TOTAL VALUE OF CATTLE: 302.15



Datasource: USDoC, Statistics Canada, AAFC