

With **the release of the Canadian July cattle inventory survey**, we now have a better picture of cattle supplies in North America and potential beef supply in the coming years. Without Mexican data this is far from a complete picture, however, especially as we keep hearing reports of Mexican producers liquidating their breeding stock. Still, understanding the situation in Canada is important both in terms of the supply that comes to the US, the supply of beef that we export to Canada and product availability from Canada in other markets where US producers compete with Canadian supplies.

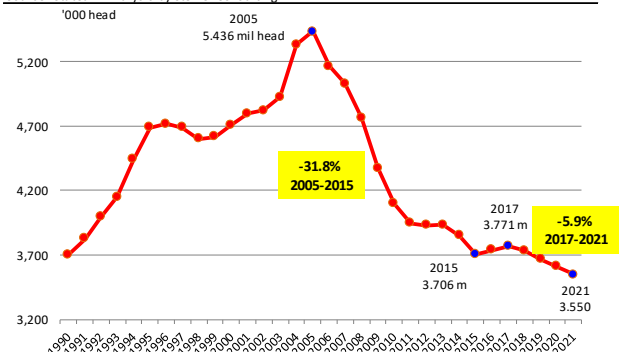
The US beef cow herd has declined by almost 1 million head or 3% between July 1, 2018 and July 1, 2021. The Canadian beef cow herd has been trending lower during this period as well. This all but assures smaller cattle supplies on both sides of the border and eventually limited to no growth in beef production. **The total inventory of beef cows in Canada as of July 1 was 3.550 million head, 60k head or 1.7% lower than the previous year and 221k head or 6% lower than in 2017.** We would have thought that ongoing drought conditions in Western Canada was the primary reason for the decline in the beef cow herd and that was clearly a factor. However, the beef cow herd in Eastern Provinces at 409k head was down 14.3k head or 3.4% from the previous year. Most of the reduction in the Eastern Canada beef cow herd was in Ontario. Most beef cows in Canada are located out West. The beef cow herd in Western Provinces was estimated at 3.141 million head, down 45.7k head or 1.4% compared to a year ago. Alberta has clearly been affected greatly by drought, with the beef cow herd in that province at 1.403 million head, down 59.8k head or 4.1% compared to a year ago.

Expectations for higher cattle prices in 2022 and 2023 as well as hope for an improvement in pasture conditions have made **Canadian cow-calf producers more optimistic**. They expect to retain more heifers for beef cow herd rebuilding, with the latest survey putting **beef replacement heifers at 655k head, 24k head more than the previous year and the first y/y increase since 2017.** But even if producers go ahead with these intentions, it will take several years for this to have a material impact in the market. There were no estimates for the calf crop in 2021 but the Canadian calf crop in 2020 was 4.345 million head, slightly higher than the calf crop in 2019. It is interesting to note that the Canadian calf crop in 2020 was almost exactly the same as in 2017, implying continued improvements in the calving rate. This is opposite of what we have seen in the US.

The total inventory of cattle and calves in Canada as of July 1 was estimated at 12.285 million head, about 20k head or 0.2% higher than the previous year. The increase may be in part due to a reduction in the number of cattle shipped to the US. Based on weekly data, US imports of Canadian cattle through early August were 79.7k head or 19% lower than the previous year. The inventory of all cattle on feed as of July 1 was 1.457 million head, 19.1k head or 1.3% higher than a year ago. Inventory of cattle on feed in Alberta and Saskatchewan was 939k head, down 0.5% from the previous year. Feedlot inventory in these two provinces accounted for 64.5% of the total on feed inventory, down from a 70.7% share in 2017.

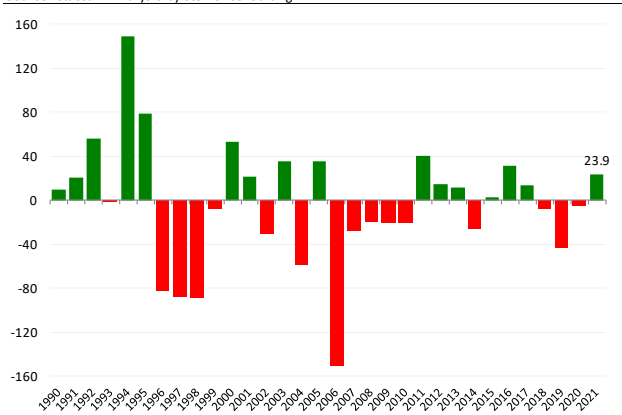
Canada July 1 Beef Cow Inventory

Source: StatCan. Analysis by Steiner Consulting



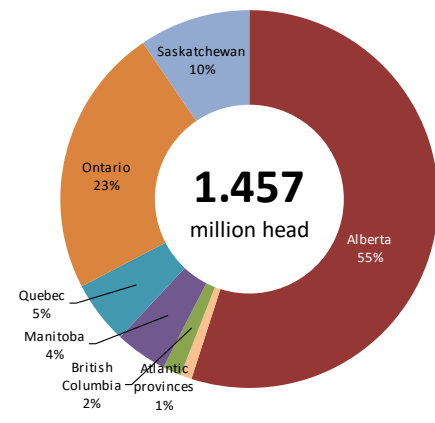
Year/Year Change in Canadian Heifers Held for Beef Cow Replacement

Source: StatCan. Analysis by Steiner Consulting



July 1 Canadian Cattle Inventories on Feeding Operations

Source: StatCan. Analysis by Steiner Consulting



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