Daily Livestock Report

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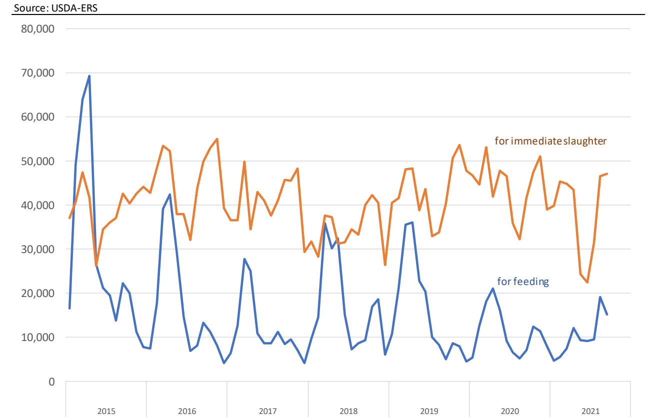
A recent Bloomberg report, as well as other media coverage, have highlighted **the labor contract impasse at one of the largest meat packing plants in Canada - the Cargill High River plant in Alberta**. Here's how the Bloomberg article summarizes the issue: "Cargill's last offer included a 19% wage hike over the course of the five-year contract, plus a one-time C$1,200 ($940) bonus. That was rejected on Nov. 24 by workers represented by the United Food and Commercial Workers Canada Union Local 401. The union has since said the plant workers will go on strike at 12:01 a.m. on Dec. 6 unless a deal can be reached. Cargill responded with the threat of locking out employees on that date, and shifting production to other facilities to avoid disruption." See full article here (subscription needed)

The plant in question struggled with COVID disruptions last year, as did many other meat processing plants both in US and Canada. **If the workers and management do not find common ground, there is the potential for significant disruptions, especially given the extremely tight capacity situation that has plagued the North American beef processing industry this year**. The plant in question is one of the largest North American cattle processing facilities and it accounts for around 35% of all Canadian cattle processing capacity. Earlier this year workers at an Olymel hog processing facility went on strike and it took several months for that dispute to be resolved. That labor strife caused waves in the Canadian pork market, but also affected US hog markets. Canadian hogs were shipped to the US , resulting in wider regional price spreads. With no capacity slack in Canada, we could see more Canadian slaughter ready cattle come to the US. However, the impact may not be as immediate as it is with hogs. Hogs have a much tighter marketing window than cattle, but eventually cattle will need to go to market. If the situation is not resolved rather quicky, the effect could be significant, especially for regional cash markets.

The US imports far more slaughter ready cattle from Canada than it does feeder cattle although the supply is small relative to overall cattle slaughter in the US. Additionally, in recent years US cattle exports to Canada have increased, resulting in a much smaller cattle trade deficit. So far this year, monthly imports of slaughter ready cattle from Canada have averaged 38,378 head/month while feeder cattle imports averaged 10,279 head/month. Imports were down 11.6% and 9.4% than a year ago, respectively. Total cattle imports from Canada so far this year have averaged about 49,431 head/month while cattle exports to Canada have averaged 34,981 head/month, implying a net cattle trade deficit of less than 15,000 head/month. This compares to average monthly cattle slaughter of around 2.8 million head per month. The disruption has the potential to shift an additional 80k head or so from Canada to the US market. While this is still quite small in the big scheme of US slaughter, it is significant when we consider that the US system already is operating near capacity.

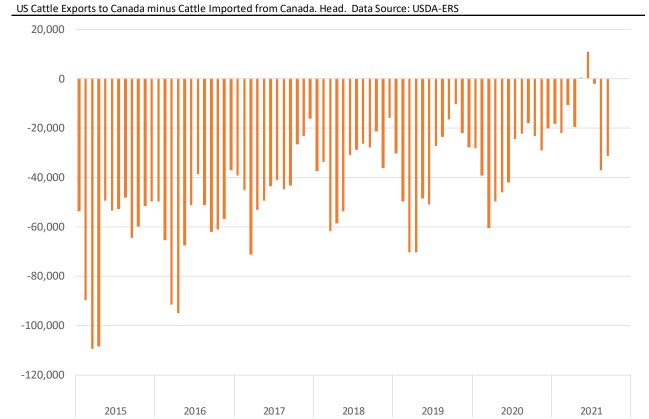
US Monthly Cattle Imports From Canada. Head

Source: USDA-ERS



Net US Cattle Trade with Canada. Monthly

US Cattle Exports to Canada minus Cattle Imported from Canada. Head. Data Source: USDA-ERS



Cattle Slaughter Capacity in Canada

Estimates by Steiner Consulting