



Make Informed Decisions

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## 2023 Pork Demand was Excellent.

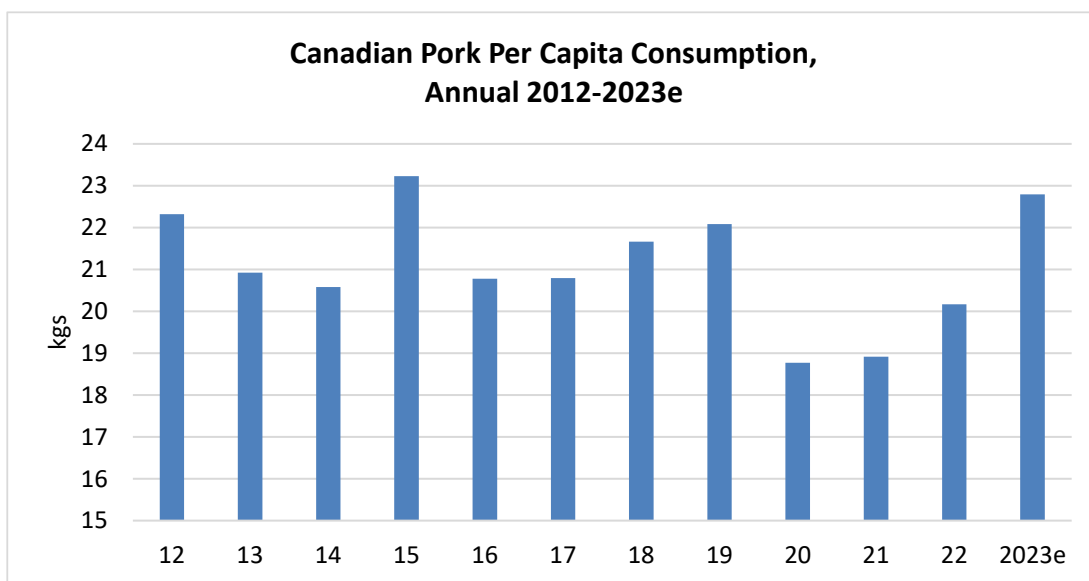
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Statistics Canada recently released the November trade data. With the trade data for 2023 nearly complete, it provides a chance to assess pork export and import performance. It also gives an opportunity to examine the state of domestic demand in Canada for 2023.

As a starting point, note that 2023 total slaughter increased by about half a percent and production increased about one percent. Based on the November data, it looks like exports will be down in 2023 by about 8%. Imports will likely finish 2023 up by 14%.

### Big Consumption Gain

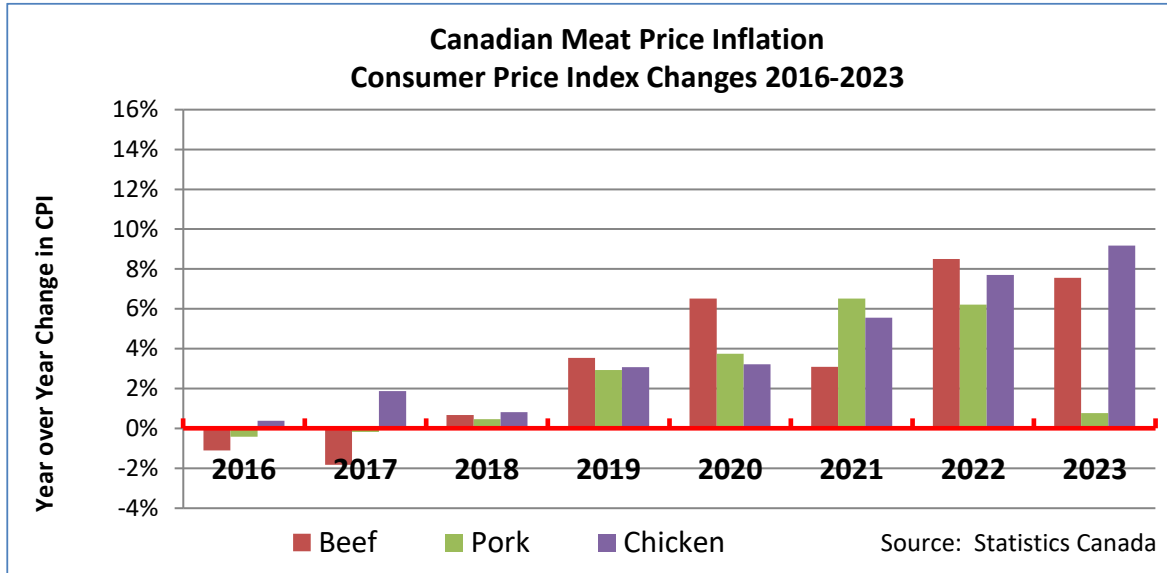
When production, imports and exports are combined, it provides an indication of Canadian pork consumption. Using that measure, total Canadian pork consumption increased by a preliminary 16% last year. On a per capita consumption (PCC) basis, pork consumption increased 13%. Total consumption was the largest in history. Per capita consumption, estimated at roughly 23 kilograms per person (carcass basis) was not the largest in history by a long shot. PCC in 1980, for example, was over 32 kgs. In recent history, however, the 2023 PCC was the second largest since 2009 with only 2015 being larger.



Demand combines consumption and price. At the consumer level, the annual average StatsCan Consumer Price Index (CPI) for retail fresh pork items increased by 2% last year. The hams and

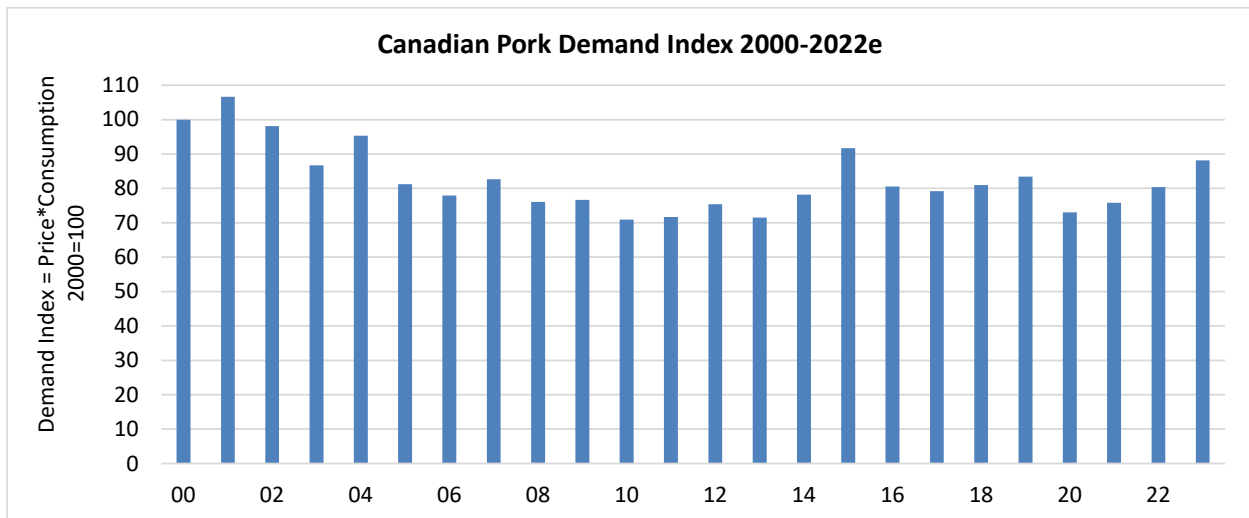
bacon CPI at retail were unchanged from 2022 to 2023. The combined fresh and processed increased about 1% in 2023 compared to 2022. The annual average increase between 2023 and 2020 was 9% for fresh pork and 19% for hams and bacon. The main point regarding prices is that pork inflation moderated last year. With that noted, overall pork remains an expensive item compared to 2020.

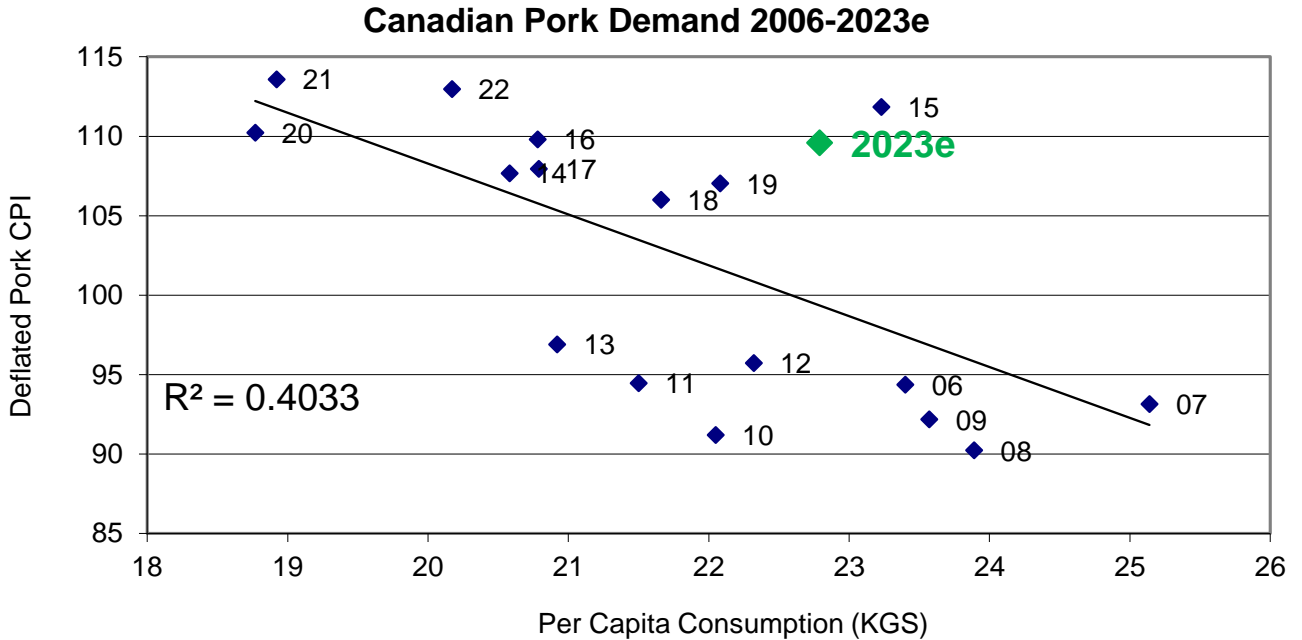
Meanwhile at retail the chicken CPI was up 24% and beef gained 20% in 2023 compared to 2020. So, both processed and fresh pork was a relative bargain in 2023 compared to the two main competing meats.



### Excellent 2023 Pork Demand

Combining the consumer price of pork with the consumption gives us a measure of pork demand. Based on that methodology, pork demand in 2023 was the second best since 2004. Pork demand was much stronger in the 1980's and 1990's but since 2004, only 2015 saw stronger pork demand. (As an aside, 2015 was also a year of very high beef prices).



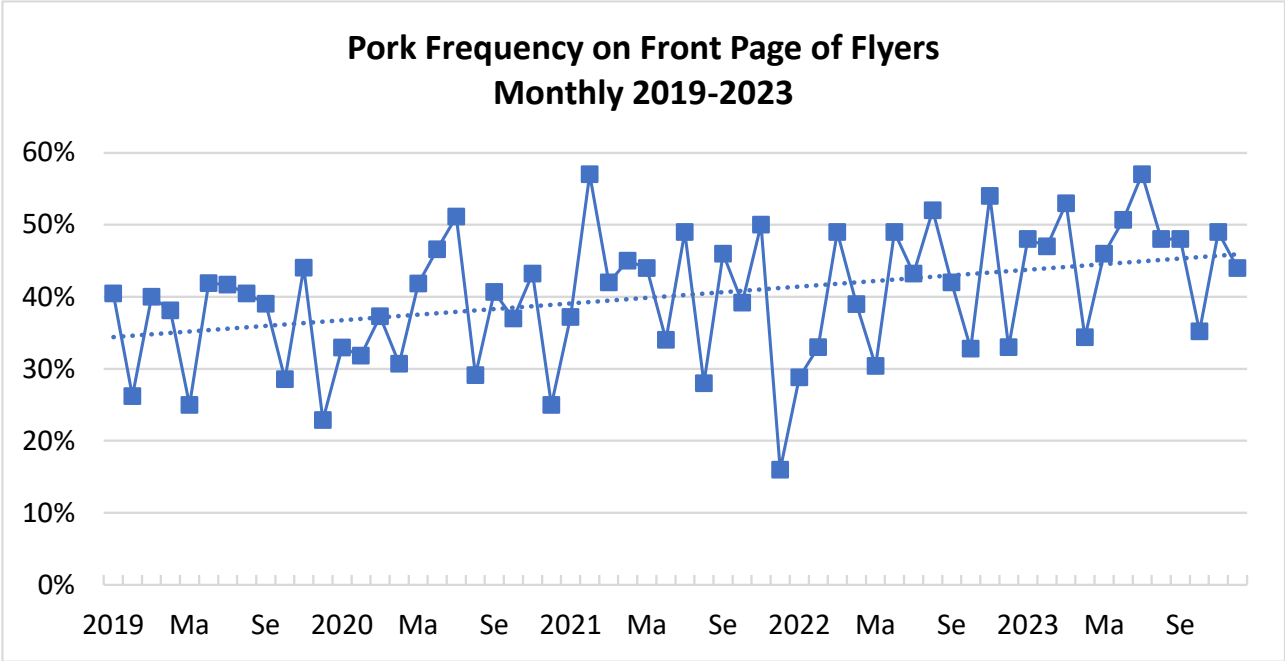


### More Merchandising Support

Logically, part of the reason for the strong demand was the high price of the competing meats. As a result of that, retailers placed strong merchandising focus on pork. Based on my tracking of 25 grocery flyers across Canada, fresh pork has been featured on the front page of flyers much more frequently. It has also gained a larger share of fresh meat features.

Frequency of appearance is a measure of the number of times the 25 sampled flyers advertised any fresh beef, pork, or chicken item on the front page during any period. Frequency of appearance is expressed as a percentage of the total 25 flyer sample for the period. This measure of frequency assesses the percentage of times that the meat appeared on a flyer over any given time.

Between 2019-2022, the fresh pork feature frequency rate on the front page of flyers was 39%. Over that time, fresh pork was on 39% of flyer front pages. During 2023, the frequency rate was 47%. In other words, during 2023, pork was much more likely to be on the front page of a flyer.



The next point of note is to compare fresh pork’s appearances to the other fresh meat ads on the flyers. That is, how many fresh pork ads were on the front page of the 25 flyers compared to the other meats, over the course of the week, month or year. That is the number of pork ads compared to the number of times that the competing meats were on the front page of the flyers. During the 2019-2022 period, pork had a 27% share of fresh meat ads on the front page of flyers. During 2023, pork had a 29% share of fresh meat ads.

In 2023, pork was on the front page of the flyer more frequently. When pork was on the flyer, it gained more share of the fresh meat ads.

**Trade Results Reflect Demand Performance**

Turning to the pork trade, as noted, it appears that Canadian imports in 2023 are going to be 14-15% more than 2022. The initial reaction to a large increase in imports is to assert that it is bad news. Imports typically comprise about 24% of total consumption. In 2023 imports will likely comprise 23% of consumption. In other words, domestic consumption took a larger share of Canadian production, despite those big gains in imports. More importantly, however, the big gains in imports were due to excellent demand. The increase in imports was due to the good news on Canadian demand.

The U.S. traditionally represents about 85% of Canada’s imports. In 2023, U.S. imports increased by over 25% while nearly all other, albeit smaller, suppliers saw declines. The U.S. is often or usually a supplier of those attractively priced front-page pork items. From a logistic, availability and costing basis, the U.S. is typically going to supply those front-page ribs, boneless loins, and tenderloins.

As noted, 2023 exports are likely to be down by about 8%. As with the increase in imports, the intuitive reaction is that a decline in exports is bad. It is true that global export conditions were

far from ideal in 2023, particularly Asia. With that acknowledged, the other side of the coin was that part of the reason less product was exported was because the domestic market was so robust. Stronger domestic demand and resulting higher prices kept product home that might have previously been exported.

### **Bottom Line**

The bottom line was that 2023 was an excellent year for Canadian pork demand. One reason why is because the competing meats were so much more expensive at retail and wholesale. As a result, grocers focused on pork merchandising to attract consumers. Perhaps the most important reason for the improved demand was that pork was available in 2023. In the three prior years, Canadian packers exported huge quantities, leaving domestic supplies relatively tight by comparison to prior years. Less availability means less purchases of Canadian product.

*A version of this report first appeared in the Canadian Pork Market Report. If you would like a free two-month trial just email [Kevin@KevinGrier.com](mailto:Kevin@KevinGrier.com)*



Kevin Grier, February 2024