



Make Informed Decisions

Kevin Grier

Market Analysis and Consulting Inc.

August 2020

First Half Pork Demand

Agriculture Canada's Red Meat, Market, and Industry Services Branch estimates that Canada's pork disappearance (domestic consumption), declined by 10% in the first half of 2020 compared to 2019. Meanwhile, pork prices at retail, both fresh and processed, have been showing increases of about 6% in the first half of the year compared to last year. The June Consumer Price Index for pork (latest) was up nearly 7%.

The combination of price and consumption provide an indication of consumer demand for pork in Canada. Putting the two together shows that pork demand in Canada has decreased 7-8% in the first half compared to last year. That is a notable decline.

It should be observed that Canadian pork demand has been strong in recent years. Demand from 2014-2019 was on a very solid plateau after many years of weakness. Nevertheless, it is noteworthy that demand in 2019 did show some weakness relative to that plateau. The performance of 2020 has continued that somewhat concerning direction.

U.S. Demand Stays Firm

For further reference, based on USDA calculations, U.S. pork consumption did not decline nearly as much as in Canada, while prices increased roughly the same. The net result is that U.S. pork demand has been stronger in the first half of 2020 compared to 2019. The U.S.-Canada comparison is certainly a point of interest, if not concern.

Canadian pork production increased by about 5% in the first half of 2020 compared to 2019. Imports, which comprised about 30% of consumption this year so far have increased by 6%. Exports jumped by 16% in the first half of this year compared to last. Hence, the reason for the consumption decrease. Pork product left Canadian shores and imports were not enough to make up the difference. That is, my assertion is that availability was lower due to exports as opposed to a move away from pork consumption.

China

Regarding exports, 2020 numbers will be record large for Canada by a wide margin. Canadian exports to China, not including offals in the first six months of 2020 are up 55%. China banned Canadian pork last year starting June 25 so the year over year increase is not reflective of that factor. Notwithstanding this, China was the number one export market for Canadian pork by

far this year. Canada shipped 271,000 tonnes (not including offals) to China versus 138,000 to the United States. Japan was third at 118,000 tonnes. Mexico was a distant fourth at 38,000.

Regarding export value, total Canadian pork exports, not including offals, were valued at \$2.3 billion in the first six months of the year. That compares to \$1.9 billion last year, an increase of 22%.

In the United States, June pork exports were down 3% from a year ago, while export value fell 9%. Exports continued to trend higher than a year ago to China/Hong Kong, but were the lowest since October. Despite the June decline, first-half pork exports were still 24% ahead of last year's record pace in volume and 29% higher in value.

Values Per Kilogram

Canadian pork export value per kilogram, not including offals, amounted to C\$3.61. Values to China were \$2.84 while the U.S. and Japan were \$4.15 and \$5.77, respectively. The total value per kilo last year was \$3.47 while China was at \$2.38 and the U.S. and Japan were \$3.91 and \$5.49. In comparison, for the first six months of 2020, total U.S. exports were valued at C\$3.66/kg, about 1.5% more than Canadian export value. That is an improvement over 2019 when U.S. exports were valued at 4.5% more than Canadian exports per kilogram. U.S. export value to Japan was about C\$5.76, compared to Canada's \$5.77, essentially the same. In 2019 Canadian and U.S. export values to Japan were also very similar.

Too Early to Talk of Demand Weakness

Export markets are strong enough to draw pork out of Canada. Chinese demand, driven by African Swine Fever, has been pulling pork offshore. As such, for now at least, it is best to say that Canadian demand is not weak, it is that export demand is very strong and driven by unusual circumstances. This year is a unique situation and does not necessarily reflect negatively on the state of domestic Canadian demand for pork.

A version of this note appeared in the August 10 edition of the Canadian Pork Market Report. For a free two month trial, email Kevin@kevingrier.com