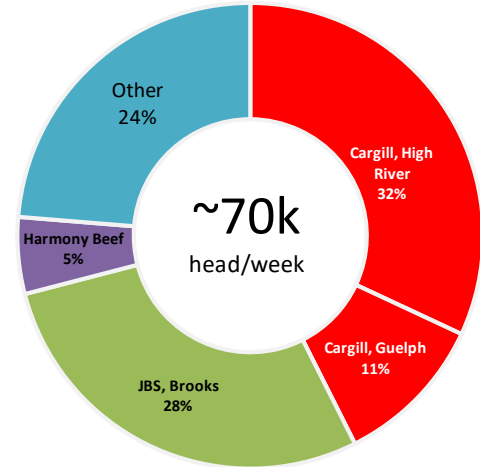


When news broke last night that **Cargill would close for two weeks its slaughter plant in High River, Alberta**, we did not have time to check with our friends at CanFax for an update on Canadian slaughter packing capacity. The chart to the right represents our effort at estimating fed/non fed slaughter capacity in Canada and the importance that this plant has not just for Canadian beef supplies but the overall North American beef supply chain. Wire reports note that the Cargill High River AB plant can process 4,500 head per day so we have pegged the weekly number at 22,500 head. This number could potentially be a bit higher if they run Saturday shifts but it's probably close enough as far as a peak weekly run. We do not know what total cattle processing capacity is in Canada. Our guess would be somewhere around 70-72k head per week. We used 70k head per week in the attached chart because that was the highest weekly slaughter in Canada last year (August 22 @70,454). Average fed and non fed weekly slaughter in Canada last year was 58,027 but that also includes holiday weeks. Slaughter in Canada has a significant seasonal pattern, with peak slaughter taking place in the summer months. If our calculations are in the ballpark, **the temporary closure of the Cargill High River plant for two weeks reduces Canadian cattle slaughter capacity by about a third**. In Western Canada the impact is even more significant as the plant represents about 40% of overall slaughter capacity. The second largest plant in Canada is the one operated by JBS in Brooks, Alberta (see map for proximity of these two plants). According to news reports, there have been a number of cases of COVID-19 in this plant as well but it remains open at this time. Harmony Beef, located close to the JBS and Cargill facilities, stopped processing cattle at the end of March due to an outbreak of COVID-19. Capacity for the Harmony Beef plant is currently estimated at 3,750 per week.

Plant closures, line slowdowns and inspectors missing for work have significantly impacted Canadian cattle slaughter. For the week ending April 11 steer and heifer slaughter was estimated at 37,533 head, 23.7% lower than a year ago. Good Friday likely contributed to some of this decline. Last year, fed cattle slaughter during the Good Friday week declined 18% from the week prior. This year, however, fed slaughter for the Good Friday week was down 30% from the week prior. With the Cargill plant closed for two weeks and other plants slowing down chain speeds, we could see fed cattle slaughter drop below 30k head vs. 52k head in late April/early May last year. This could result in a few more fed cattle sent for processing into US plants although much will depend on how long the plant stays down. US imports of slaughter cattle from Canada for the week ending April 4 (latest data) were 10,551 head, about 10% lower than the previous year. This will be an interesting statistic to keep an eye on. Obviously the main risk is if other plants in the region close due to COVID. The concentration of 60% capacity in two plants is clearly a major risk for the Canadian cattle industry. Normally US packing plants would serve as a release valve but US plants are facing similar issues. The result is a bottleneck that has the potential to get worse before it gets better. Cattle on feed inventory in Alberta and Saskatchewan as of April 1 was estimated at 1.018 million head, 1% higher than a year ago. Marketings in March were excellent as strong retail demand (panic buying/restocking) bolstered slaughter. However, we are coming into the time of year when slaughter tends to ramp up. **The supply of cattle that on April 1 had been on feed for 120 days or more was estimated at 517k head, 6% higher than a year ago.**

Cattle Slaughter Capacity in Canada

Estimates by Steiner Consulting

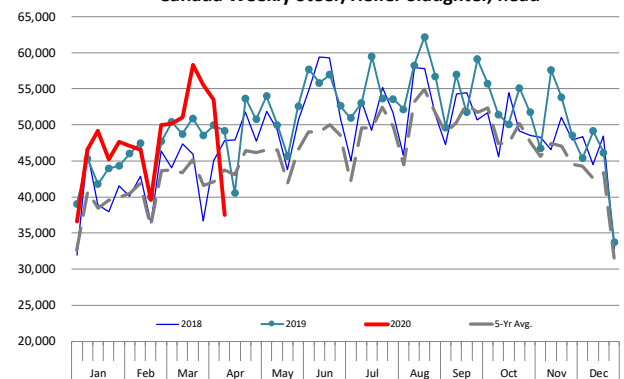


Map of Canadian Federally Inspected Beef Slaughter Plants

Source: Canadabeef.ca



Canada Weekly Steer/Heifer Slaughter, head



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