

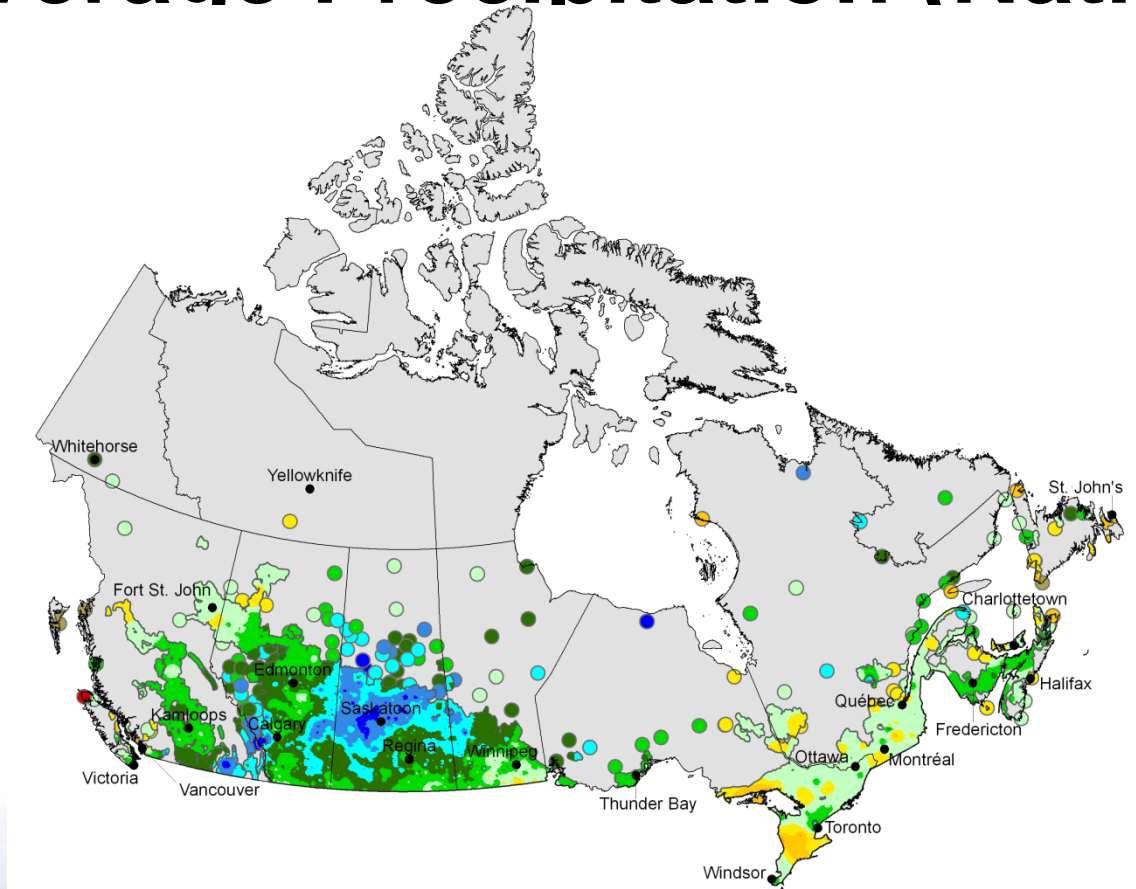
Canada Report & Outlook

Canada

- **Generally stable economy**
- **Strong financial system**
- **Stable Political Environment with a majority Conservative Government**
- **Committed to regulatory modernization, trade, and innovation**
- **10% of world's fresh water supply**
- **Net Agricultural Exporter**

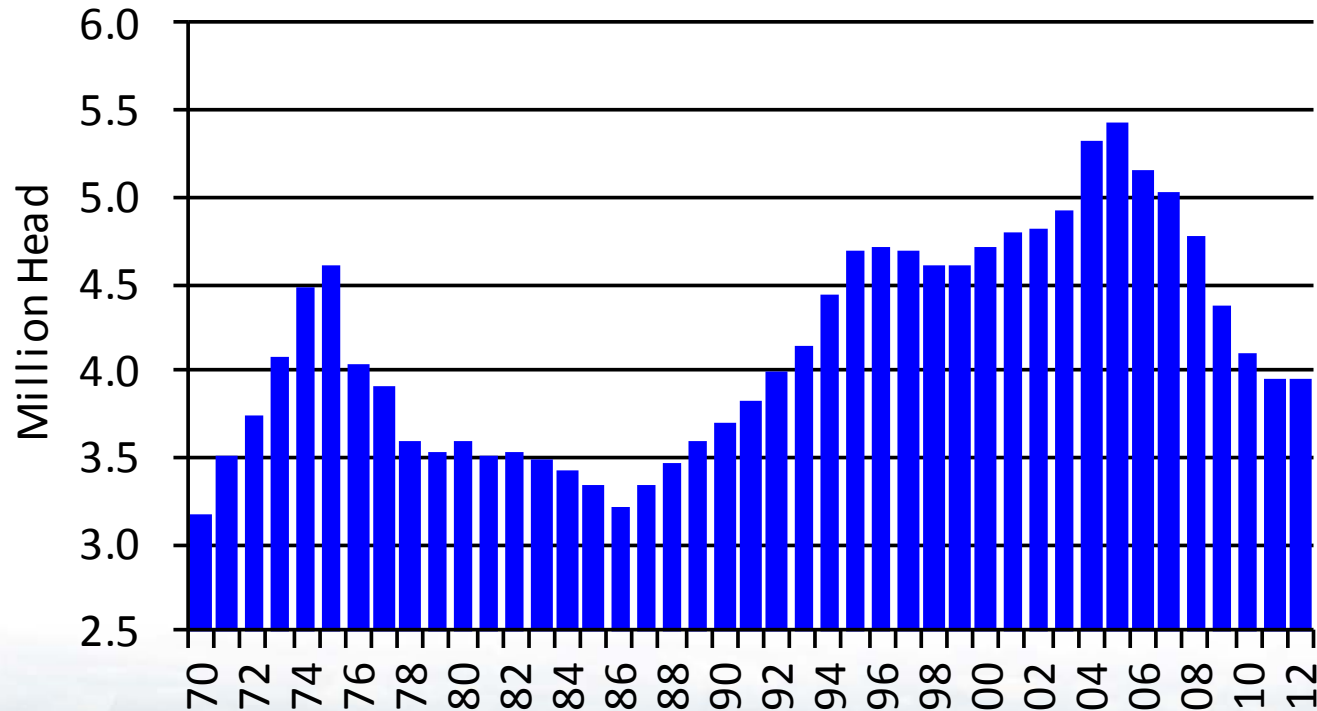


6 Month (180 Days) Departure from Average Precipitation (National)



Canadian cattle inventories stable at 13.5 million Beef Cows steady at 3.95 million.

Canadian Beef Cow Inventory July 1

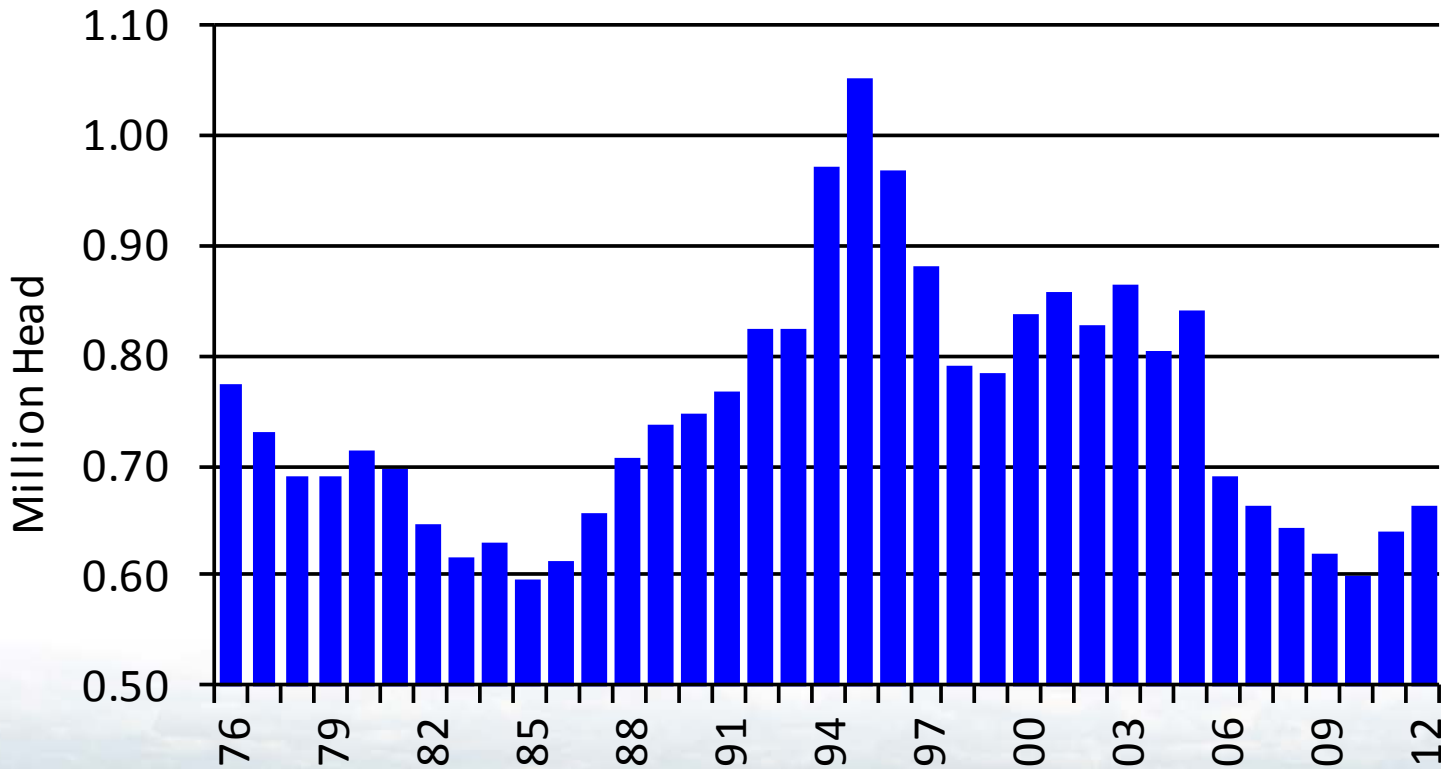


Source: Statistics Canada



No growth yet: breeding heifers \uparrow 3.5%
 \uparrow 3.8% west, 1% east

Canadian Beef Heifers (Breeding)
July 1



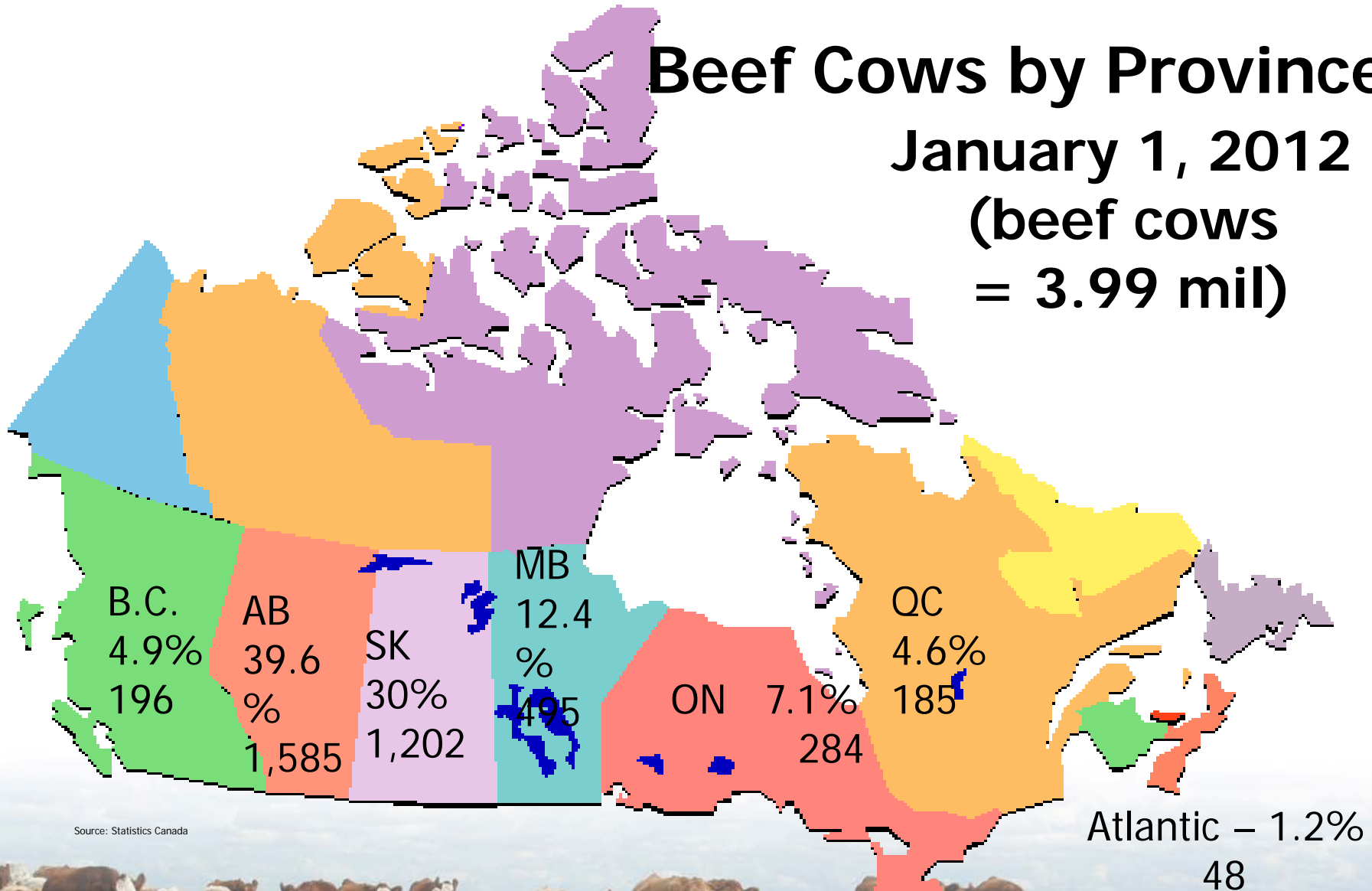
Source: Statistics Canada



Beef Cows by Province

January 1, 2012

(beef cows
= 3.99 mil)

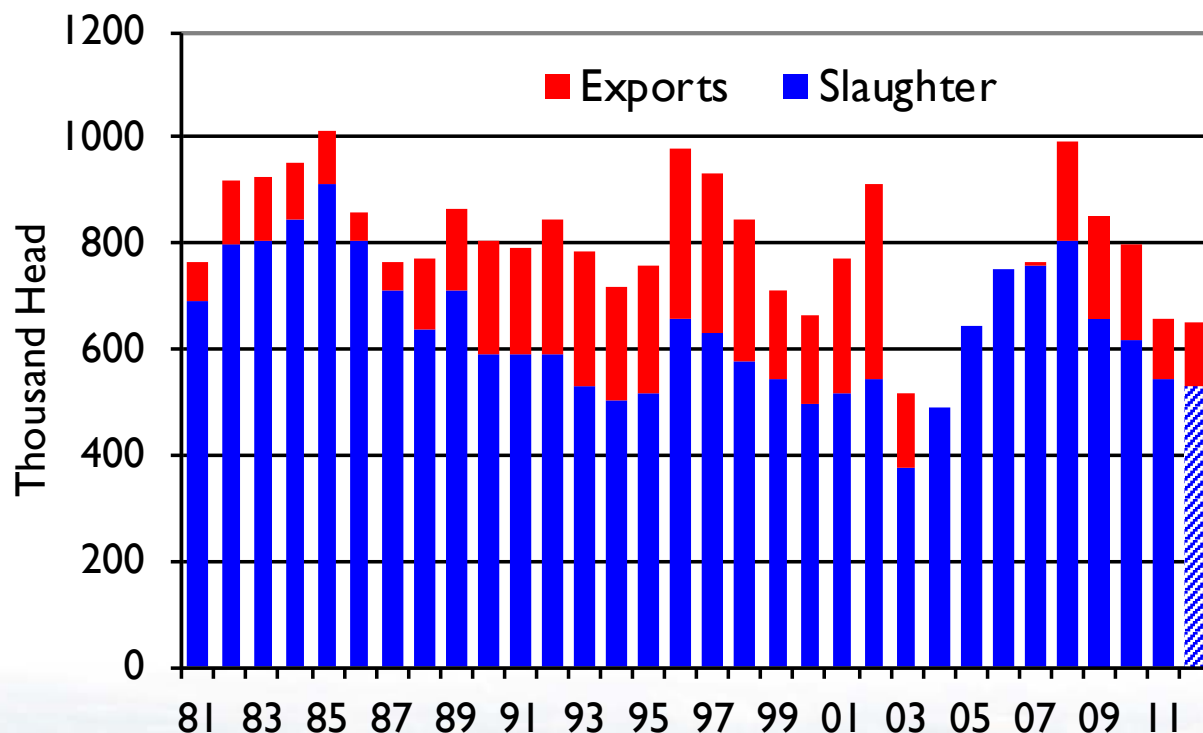


Source: Statistics Canada



'11 cow marketings ↓ 18%, 654,000 head
'12p cow marketings ↓ 1% 649,000 head

Canadian Slaughter Cow Marketings

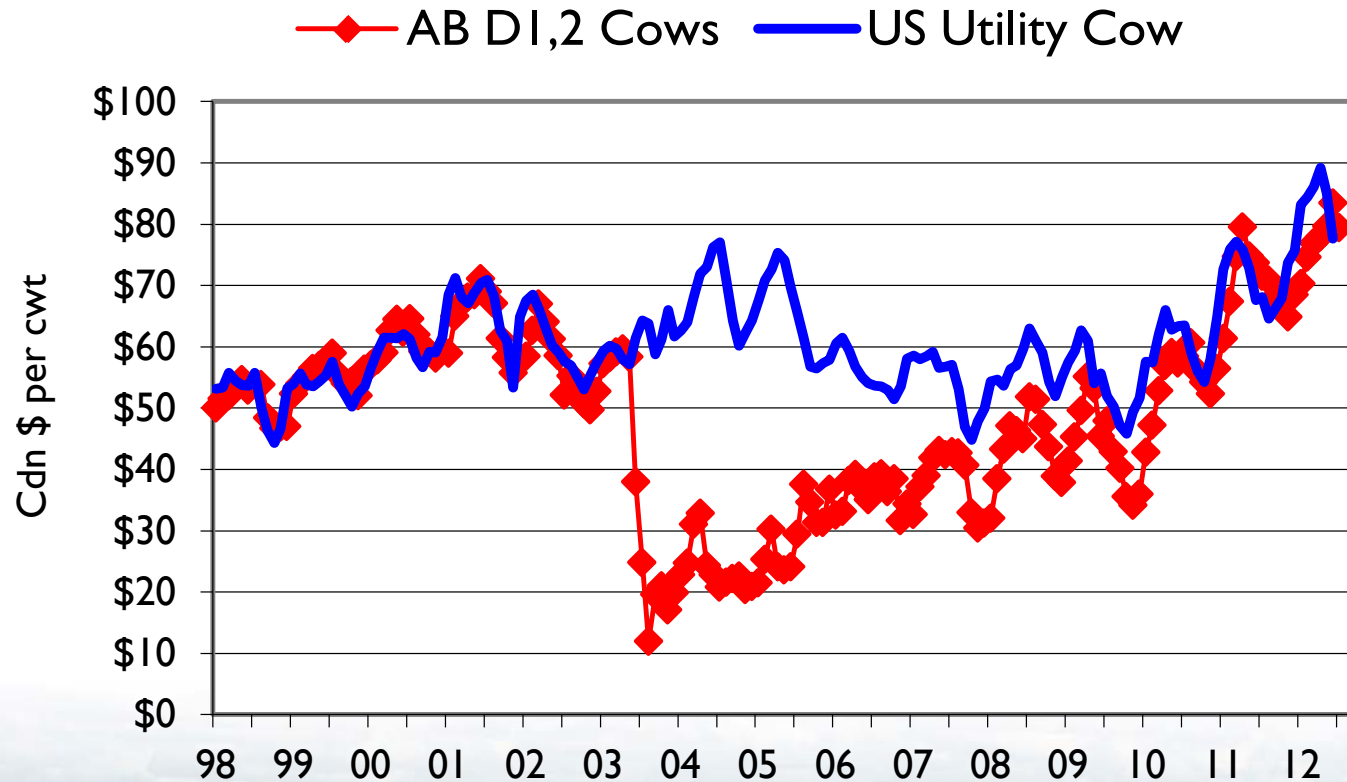


Source: CBGA, AAFC, Statistics Canada



Cow prices averaging \$77.50/cwt YTD; \$7/cwt under the US. The gap has switched to a \$1.78 premium in July.

AB vs US Slaughter Cow Prices (in Cdn\$)

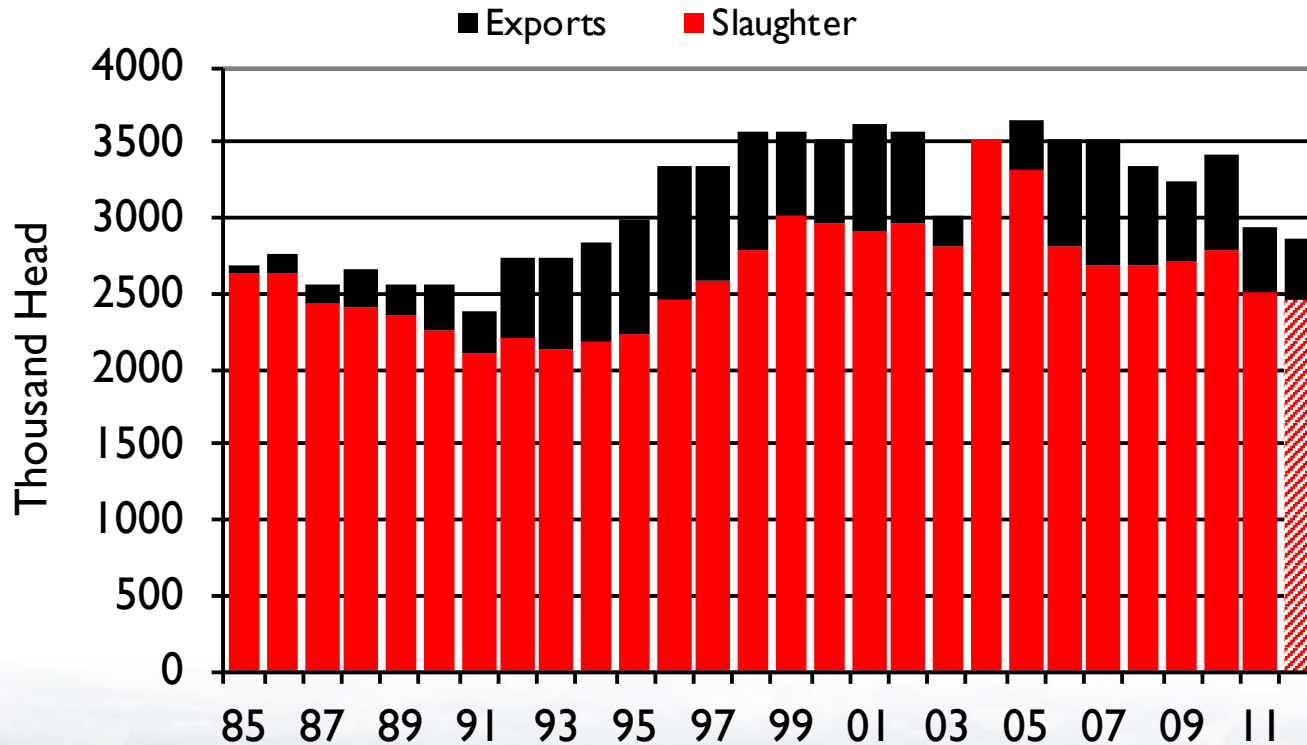


Source: CanFax, Cattle-fax



'12p marketings ↓3% Slaughter ↓4%, Exports ↓7%
 East slaughter -10%, exports -45%
 West slaughter -2%, exports -1.3%

Canadian Fed Cattle Marketings

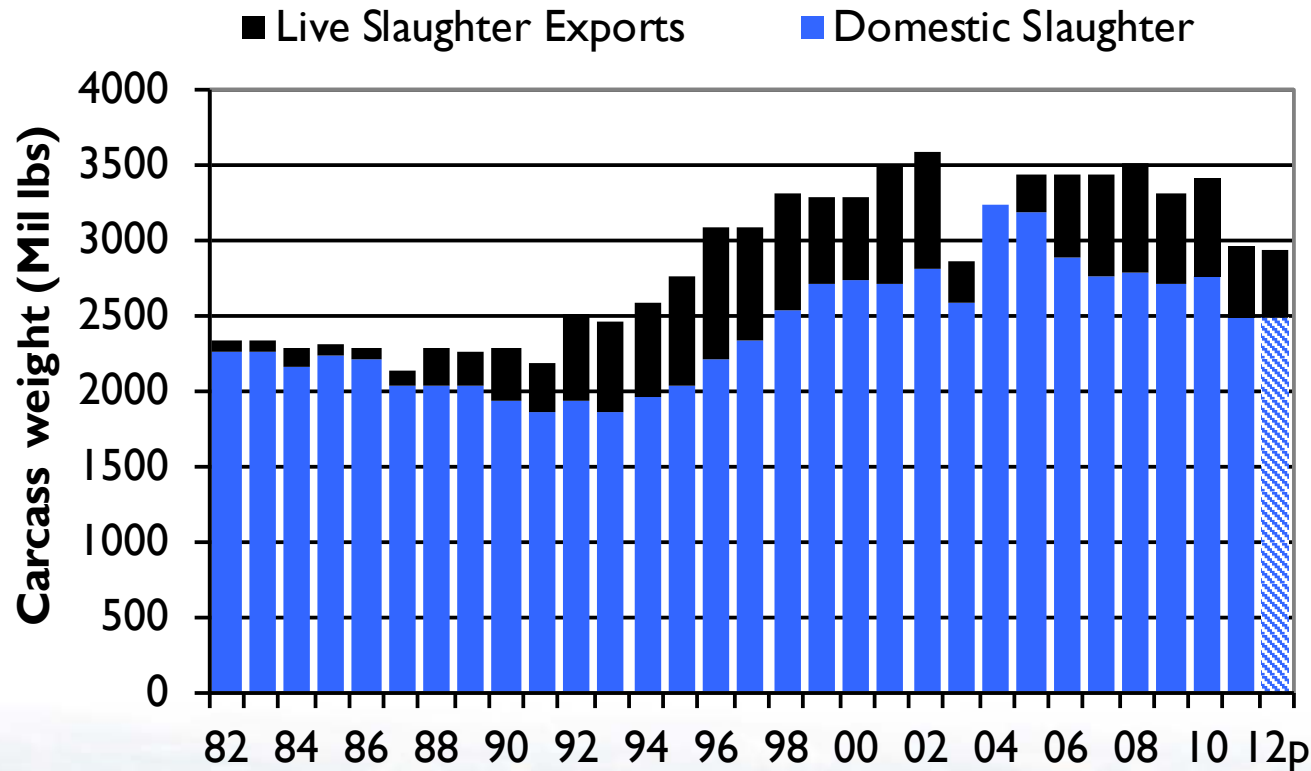


Source: CBGA, AAFC, Statistics Canada



Beef production ↓ 14% in '11. YTD ↑ 2% w/ heavier carcasses. Overall projection ↓ 0.5%

Canadian Beef Production



Source: Canfax Research



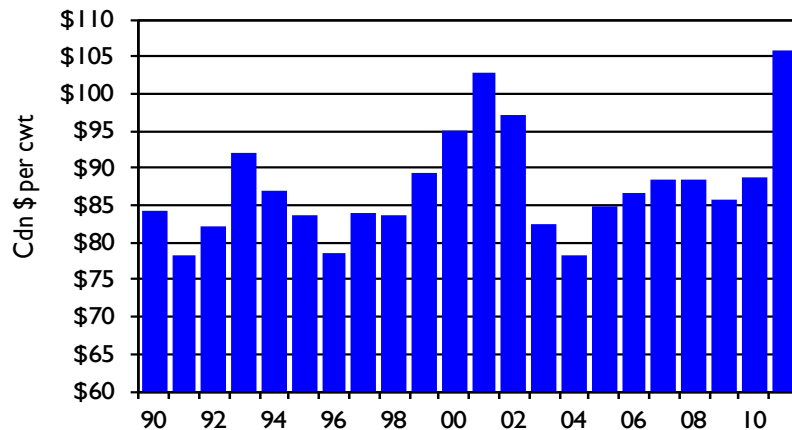
Record Highs!

Fed Cattle averaged a record high of **\$106/cwt** in 2011

850 lb Steers averaged **\$123/cwt** the second highest on record behind the 2001 price of \$127/cwt.

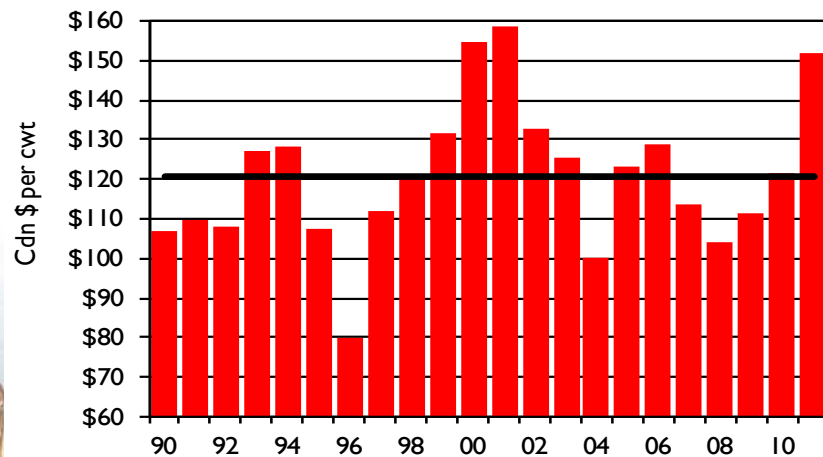
550 lb steer calves averaged **\$151.50/cwt** the third highest on record just behind 2001/02 when prices were \$154-159/cwt

Alberta Fed Steer Prices



Source: CanFax

Alberta 5-600 Feeder Steer Price



Source: CanFax



Large supplies of Crude globally had pushed prices down but prices have rebounded

Brent Crude Oil Futures
Close (Front Month)



Aug 1, 2011 - Aug 23, 2012

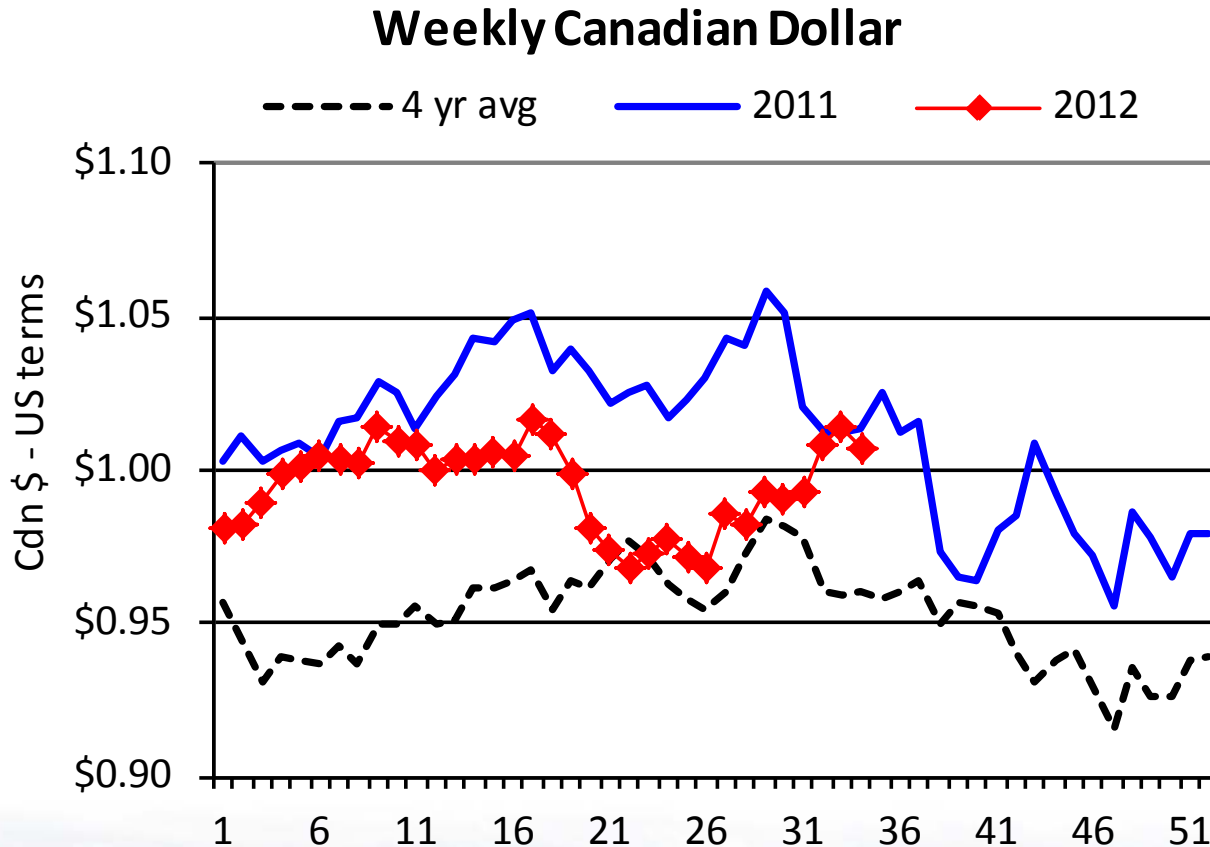
WTRG Economics ©2012

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11/23

The CDN\$ has followed crude prices and rebounded to be above par again



Source: Bank of Canada



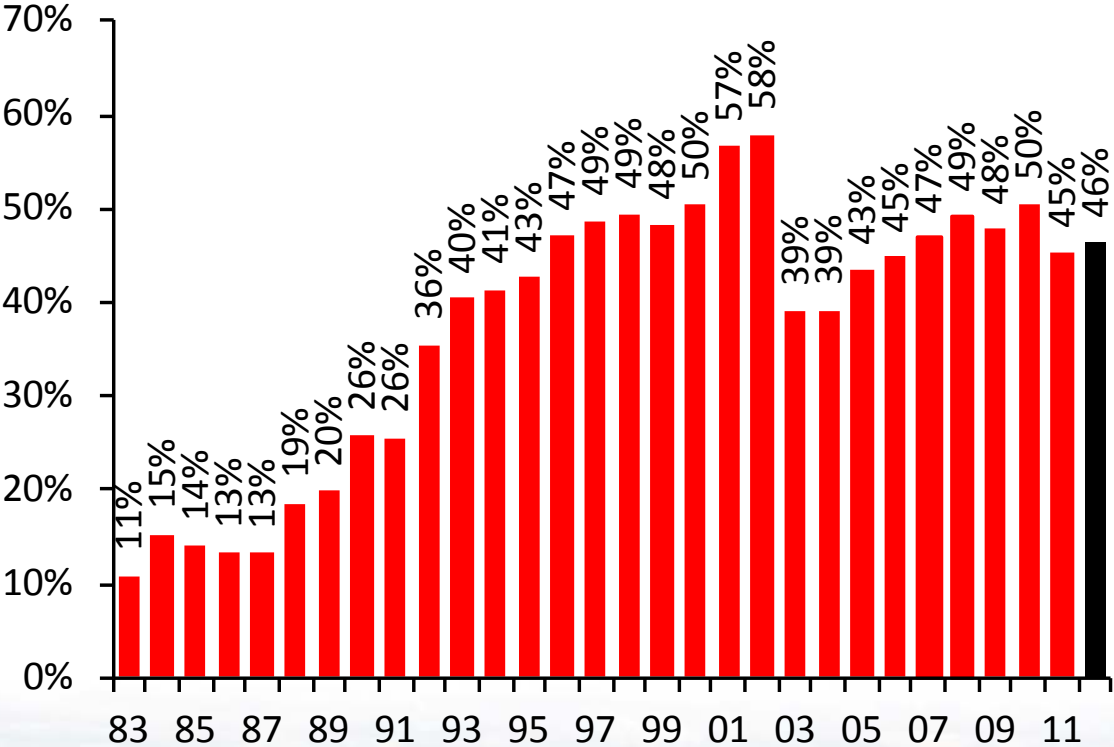


Trade



Of that 46% is projected to be exported.....

% Total Beef Production Exported (incl slaughter cattle exports)



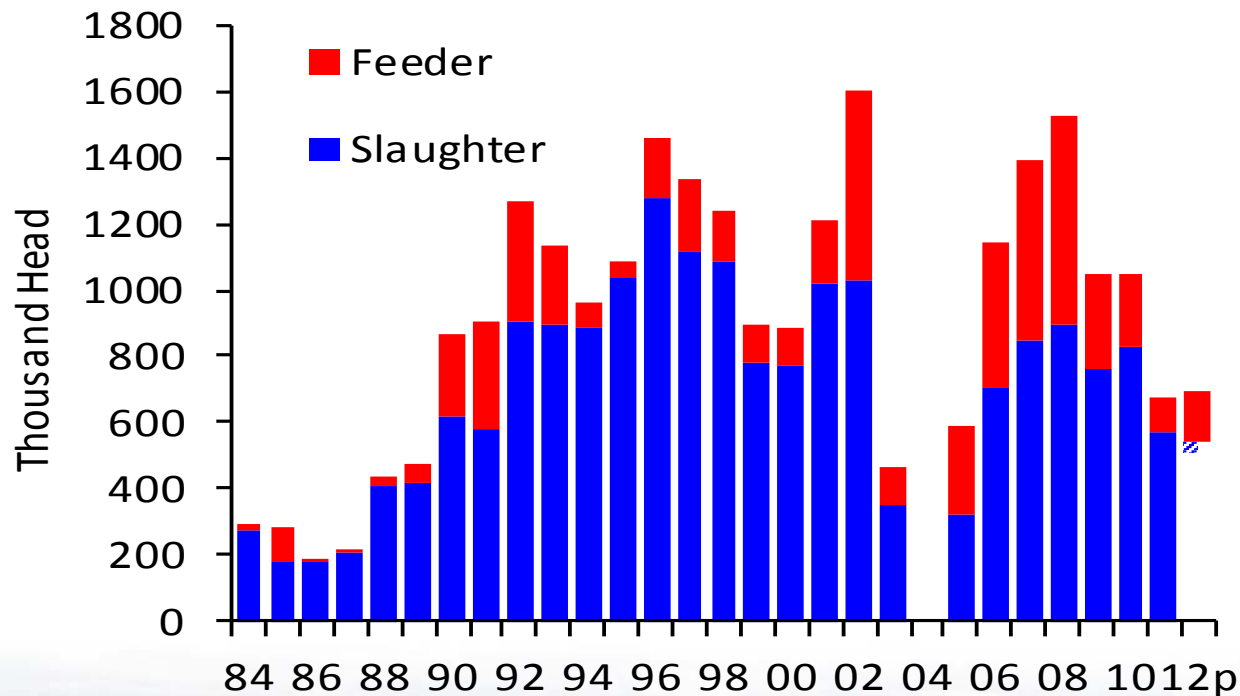
Source: CanFax, AAFC, Statistics Canada



2012p Exports

Fed ↓7%, non-fed ↑4%, feeders ↑48%

Canadian Cattle Exports

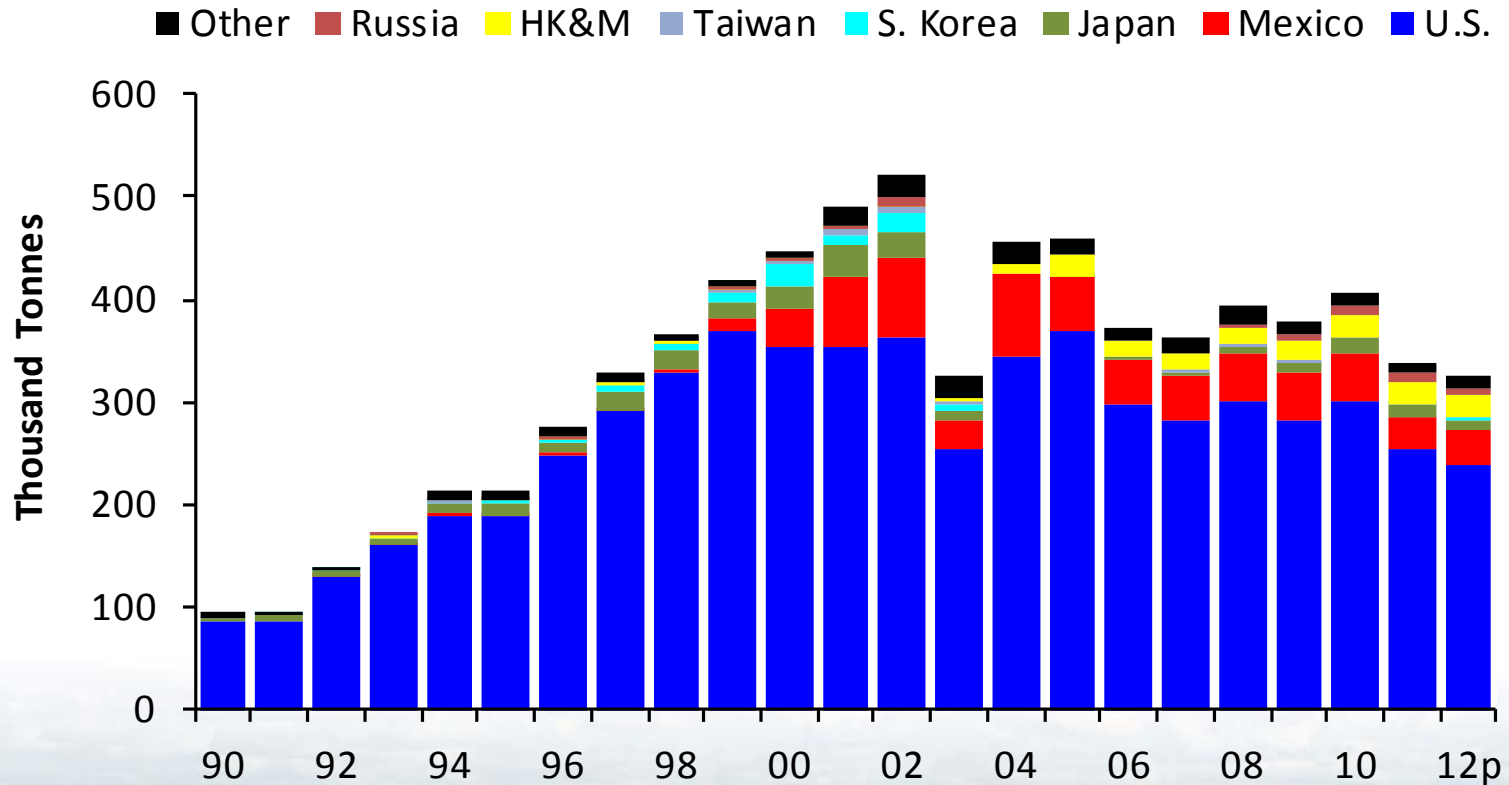


Source: Statistics Canada, AAFC, CanFaz



2011 beef exports ↓17% 336,900 tonnes \$1.33 billion
Jan-June 2012 – Exports ↓3% - U.S. ↓6%

Canadian Beef Exports



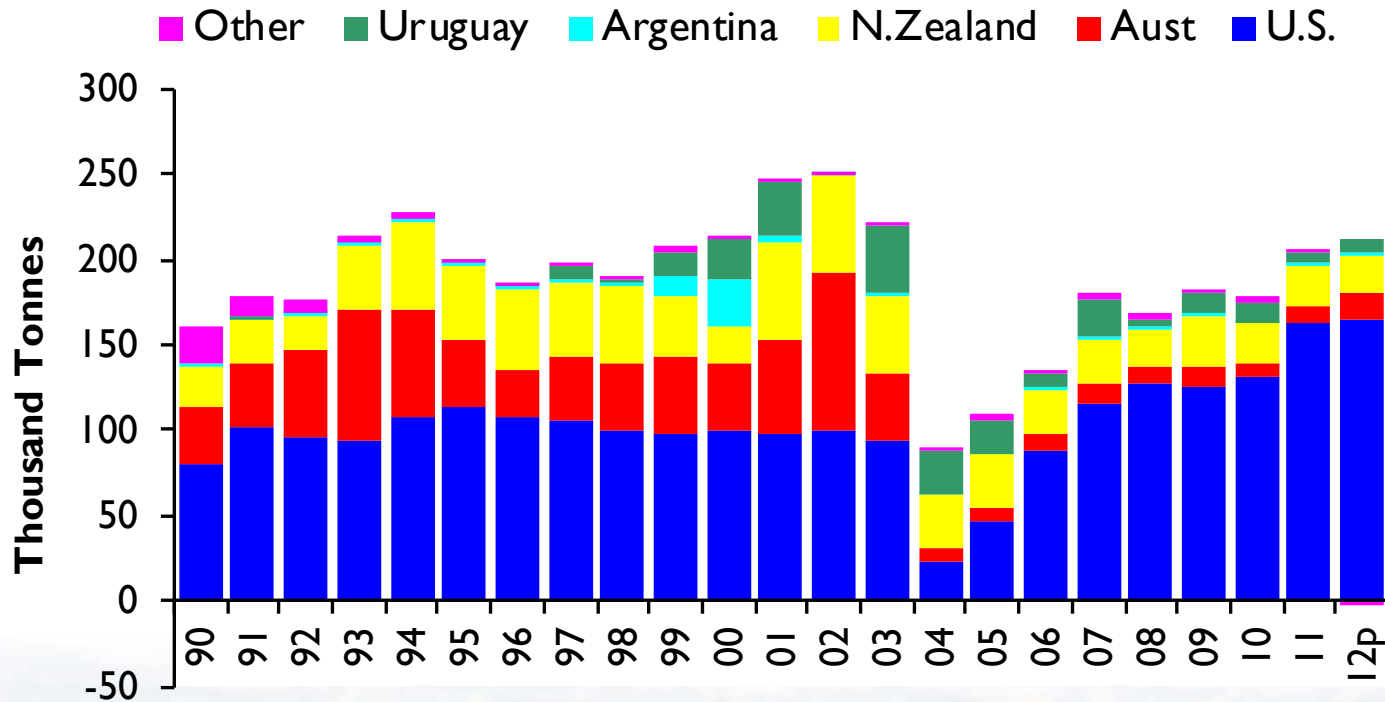
Source: Statistics Canada, AAFC, CFA - Product Weight



Beef imports are climbing with reduced supplies

YTD '12 \uparrow 3% - US \uparrow 1%, Non-NAFTA \uparrow 8.5%

Canadian Beef Imports



Source: Statistics Canada



Canadian Beef Outlook

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Reduced global inventories

CDN \$ will continue to remain strong

Cattle and beef prices projected to continue to remain strong

Volatility due to tightening commodity supplies and fragile global economy

Beef demand has remained strong despite higher prices

Packer and feedlot utilization levels increasingly challenged

Canada is in a favorable position globally to support expansion (land, water, and resources)

Competition for acreage for other purposes in Canada and globally will be a factor

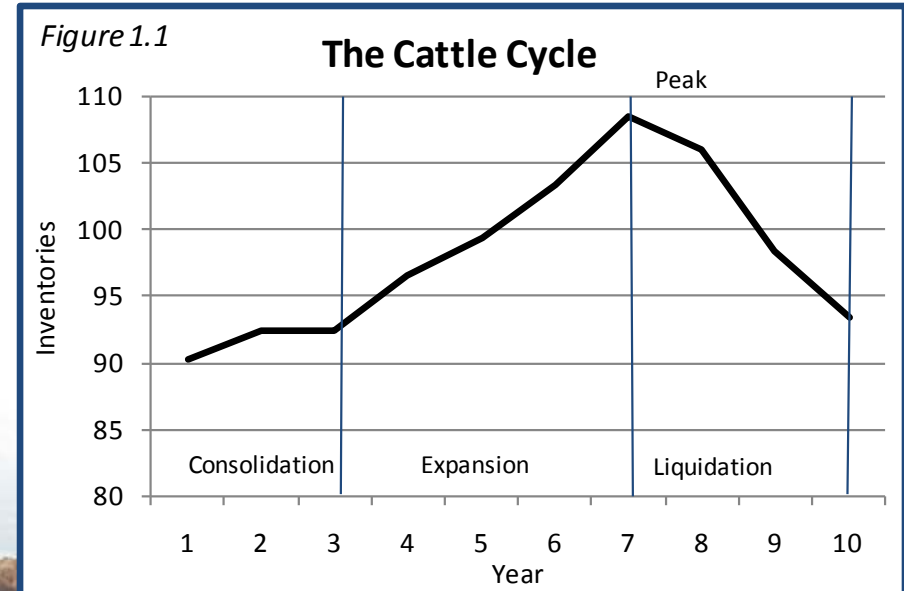
Positive margins exist but require careful risk management and are below what will encourage large scale expansion



Canadian Beef Outlook: 5-10 years

- Consolidation – 2-3 years (longer in adverse conditions)
- Expansion (4-5 years) will only occur if:
 - Beef demand (& market access) continues to grow
 - COG advantage remains & cow/calf sector is profitable
 - Contraction of global herd continues to support prices
- If 2012 is bottom – peak will be around 2019
- Wildcard – Feedlot and packing capacity

Other factors are also influencing producer decisions!!



Challenges

- High costs driven by strong resource economy
- Strong Canadian Dollar
- Labour Shortages expected to grow
- Higher beef prices pushing down per capita consumption
- Greater volatility in prices and costs

