



PROPOSED SET ASIDE PROGRAM FOR COVID-19 RESPONSE NOT A WHOLE INDUSTRY SOLUTION

NEWS RELEASE – April 20, 2020

“We have heard from an unprecedented number of our members over the past week on the proposal of a set aside program. Cow-calf producers are very concerned. They know from experience that if we have another set aside program that the benefit will not flow down to them,” says Western Stock Growers’ Association President Callum Sears. “They took a huge hit during BSE, but back then we really hadn’t been through a big crisis so there was no knowledge to draw upon. Now, we have that experience from BSE and to not learn anything from it; fool me once....”

“And in a world that is entering an era where food sovereignty is going to be a luxury, Canada is considering a set aside policy that will have the unintended consequence of reducing the size of its cowherd yet again. Since first decimating the cowherd post BSE, we have become dependent upon imported feeder cattle to fill Alberta's feedlots. If we don’t get it right in this current crisis, we could be even more dependent when it’s over. Without a solid cow-calf sector, the Canadian beef brand value promises don’t hold merit,” says Sears.

Sears insists that “Cow-calf producers want the response from industry and government to be simple, flexible, and address the problem, not just kick it down the road. It cannot be overly complex and ripe for exploitation.”

Upon doing a quick number crunching exercise on the impacts, WSGA estimates the set aside program would create of a rolling backlog of 388,866 head of slaughter cattle. If packers are able to ramp up to 110% of pre-COVID capacity at the end of the set aside program, they will slaughter an additional 5,833 head per week meaning it would take 66.7 weeks running at 110% capacity to process the backlog and become fully current again. For our full analysis including an interpretation on competitiveness impact, check out our website at www.wsga.ca.

When looking at the timing, the peak of the backlog would fall right on top of the fall feeder cattle and calf run. Pen space has been a limiting factor in placing cattle the last few years and a backlog of 389,000 head of cattle set aside in feedlot pens will severely compound this problem. The back up of feeder cattle moving to feedlots will last for approximately fifteen months, ending about the end of December 2021. Two fall runs will be impacted by the set aside. From a total industry perspective perhaps the biggest concern with the set aside program is the lack of an exit strategy which effectively deals with the backlog of fed cattle created by the program, and the resultant backlog of feeder cattle.

WSGA firmly believes that right now the area of greatest focus should be to maximize cattle slaughter and keep the supply chain running. Both government and industry’s highest priorities should be to develop systems to minimize COVID-19 transmission to employees in food processing facilities, testing to ensure that it does not enter those facilities, and incenting workers to continue their essential service to assure food safety and food sovereignty, as well as the safety of their fellow workers.

There should be other mechanisms to ration the supply of cattle into the packing plants and thus avoid price collapse from over supply at the packer's front door. Feedlots over 1000 head have mandatory move in reporting of CCIA tags in Alberta and packers are required to retire CCIA tags. That database could be used to determine individual feedlot historic supply to each packer, and if chain speed is reduced by 33% then feedlots are eligible to ship 67% of historic supplies on a weekly or monthly basis. Market intervention might be required at the packer level to ensure live cattle price correlates to boxed beef price after adjusting for lower efficiency kills when running below full capacity. Given the rather dramatic market interventions associated with COVID-19 for other industries, this may be a relatively minor intervention. This can all be supported by a modified AgriStability program that all of our beef industry can participate in to the fullest extent of their operations.

"One thing we learned from BSE is the need for a coordinated industry approach. It is important to recognize and have full participation from the entire beef industry. As tired as some are of hearing of this, the fact remains that the BSE fallout is still being felt by cow-calf producers. This is due to it taking decades for cow-calf producers to re-margin. To ask the Canadian government to bail out the retail, packer and feedlot sector (yes, it is all of the three) with a set aside program ultimately paid for by the cow-calf sector will only serve to hasten the demise of those responsible for the industry in the first place," says Sears. "This may be one of those rare instances where CCA and governments doing the very least may help our industry produce our greatest strength."

WSGA recognizes that Canada is impacted by the actions of our neighbor to the south. The recent beef industry support programs announced there may further challenge the competitiveness of our feeding sector in terms of retaining feeder cattle for Canadian finishing. We suggest an immediate summit of all beef industry stakeholders / sectors to design support initiatives that offset the U.S impact and have long lasting positive consequences for the entire industry. In our opinion, that starts with ending the national beef cowherd decline.

Established in 1896, Western Stock Growers' Association is a beef producer organization driven by province-wide voluntary membership. WSGA's main priority is protection of the livestock producer and the rangelands they operate on through advocacy. WSGA encourages interaction within industry leaders that promotes education and helps define philosophical issues in agriculture.

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