An alternative approach to rebuilding Canada's Beef Industry

Canada's beef sector needs a robust, long-term strategy – and a sustained commitment to execute the strategy – if it wishes to secure its place as a competitive force in domestic and global markets. For this report, the Canadian Agri-Food Policy Institute (CAPI) undertook a comprehensive study of Canada's beef sector. The feedback indicates that Canada does not possess such a strategy for the beef sector. The research also indicates that the sector is foregoing economic opportunities and its competitive position is falling behind. There is a prevailing view among many in the beef sector that a course correction is required. Stakeholders are keen to have a new dialogue on strategy. But this discussion can only occur if leaders in the sector are to act. (Canadian Agri-Food Policy Institute) Sept 2012

We've had numerous such reports that have analyzed our beef industry and have called for a change. Calling on the industry factions to work together for the common good of the industry, forming value chains for everyone's benefit has been the mantra of the beef industry leaders for the last twenty years and it has not worked. Maybe it's time we tried a new approach.

Planning is the process of thinking about and organizing the activities required to achieve a desired goal. (Wikopedia) This process must start with an understanding of our industry and accepting some stark realities. Our current industry really began in the nineties and was built on a cheap dollar, cheap fuel and cheap feed. It made sense to consolidate the feeding and slaughter facilities in one area. The industry became segmented into a cow/calf and feedlot sector with large efficient slaughter facilities. Because of our sixty cent dollar and ready access to an affluent US market, very little emphasis was placed on marketing. Initially, we had 17 federally inspected plants competing for our fats so prices were competitive. Large feedlots were more efficient than smaller lots and as calves were fed on a margin of profitability, their largest concern was price stability rather than final price. Cowherds expanded and the industry thrived.

Then to quote an old proverb "All good things must come to an end." The value of the dollar increased and so did grain and fuel prices. The impact of these factors were hidden by BSE. They impacted the sectors of the beef industry in different ways. Packing plants were able to maintain their margins by increasing the basis by paying less for the cattle as their only competition for cattle came from northern US plants. There was no incentive to change their marketing strategy. Feedlots were able to adjust their margin to maintain profitability by paying less for calves. This resulted in less profitability in the cow/calf sector. They responded by liquidating their herds.

All of our marketing emphasis over the past decade has been on opening new markets or changing the legislation in other countries such as litigation over COOL in the US or hormone use in Europe. The reality of the situation is that we now have fewer cattle that can be marketed and no desire on the part of our packing sector to effect a change. The only sector that needs change is the cow/calf sector and they do not have a champion to lead them. There have been numerous attempts at forming value chains with most failing and a few are surviving but none are thriving.

A report requested by the Beef Industry Alliance and funded by Alberta Livestock Meat Agency was the Business Template for Value Based Beef Processing Enterprise March 2010. An analysis of failed operations revealed the following weaknesses

- Underestimating initial start-up costs and associated levels of financing
- Failure to separate ownership from operations
- Unqualified or inexperienced management
- Naïve or insufficient planning
- Failure to focus on the core business or trying to do too much too fast
- Source of funding

Cause change and lead. Accept change and survive. Resist change and die. (Ray Norda)

The first change that must occur is with our **attitude.** The cattle industry of today is predatory and most dollars are obtained by profiting from other's mistakes rather than building of efficiencies within the system and rewarding good management. This cannot be imposed on the industry but will start with small groups and incremental steps as trust and confidence grow.

The next step is to have a **secure source of funding**. This may be within FCC or AFSC but there must be an understanding of the amount of funding, length of time and degree of risk that is will be required to create this change. The scope of this funding would be in the range of $500,000,000 and at least a ten year commitment.

It is also imperative that there is a **dedicated slaughter facility** that will guarantee access and price of slaughter. The concept of this toll facility is also itemized in the March 2010 report.

There must be a **commitment to success of the value chain** by both cow/calf producers and retailers. The development of value chain partners takes time and planning but unless the three previous steps are in place, discussions are pointless. Cow/calf producers must commit with signed delivery contracts to provide animals to the project at a pre-determined price and pre-determined specifications. Retailers must commit to taking those animals that achieve those specifications at that given price. The entire carcass must be utilized. This process takes a great deal of preparation and negotiation to be certain that all parties have been consulted and are excited about their involvement.

As these value chains become successful, they can then transition to the larger plants and allow for other value chains to develop within the incubator. We cannot impose change but we can provide the environment that will allow change. Past attempts at the creation of value chains have laid the foundation for a better understanding of a better system. We need to learn from what we've tried to accomplish and build upon that.

Gary Etherington DVM

WSGA Director

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