

## International Livestock Congress – Calgary

Concluding Paper by:

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The 2006 International Livestock Congress – Calgary (ILC) was a comprehensive three day event that exposed me to the intricacies of the Canadian beef industry as well as issues that affect the entire North American livestock sector. Tours of beef production and processing facilities as well as presentations by industry experts opened my eyes to the field I have devoted my past and future research to. Having been raised on a crossbred cow/calf operation in east central Mississippi and with research focus in the livestock sector of agricultural economics at Kansas State University it was both humbling and enlightening to learn more about my neighbors to the north.

### **ILC Overview**

The conference started with an introduction of the “students” or more appropriately future industry leaders. The following day included tours of Cargill’s beef processing plant, Western Feedlots and Tongue Creek Feeders. The day also included presentations on the Canadian cattle identification program, a brief overview of the Canadian beef industry and the economic issues facing Canadian cattlemen. The beef plant was of interest to me given that I had never experienced, first hand, a large scale packing facility. While there we learned about the new Canadian cattle ID program. Given that the U.S. is still debating this issue, it

was interesting to learn that the program adopted by the Canadian cattlemen has not only been accepted, but has done so with overwhelming success. The industry driven, mandatory program boast an approximate 99% compliance rate. Furthermore, source verification, a very pressing issue for all North American beef industry participants, is being applied with only slightly lesser success, but due to the premiums for those cattle which carry this verification it is becoming more widely used.

Following Cargill, we were then introduced to an overview of the Canadian industry which included discussion on policy measures to overcome the negative impact of Bovine Spongiform Encephalopathy (BSE) in Canada as well as the implications of current WTO negotiations. Also, we were presented with a market update by CanFax. It was here that we learned of the effects of BSE of which included an increasing cow herd, larger confined feeding operations, increased processing capacities all of which has led to more total pounds of beef being produced in Canada. It was also shown that Canadian consumers have helped to offset this increased production by increasing their demand by more than 10% in the past three years. Another highlight of the CanFax presentation was the appreciating Canadian dollar and the risk that it entails.

After these presentations we then toured Western Feedlots' High River facility, a 30,000 head feedlot. It was interesting to see the infrastructure of the feedlot given the harsh winters that the cattle face in southern Alberta. Despite this fact, it was intriguing to learn that overall efficiency of the cattle does not vary drastically between summer and winter months. Following the tour of Western, we then proceeded to another feedlot, Tongue Creek

Feeders, where the focus was more so on one of the by-products feedlot operators must manage, manure. At Tongue Creek we were shown the difficult process of converting the manure into high quality compost fertilizer and we were also instructed on the difficulties of marketing the by-product.

The following day was full of presentations by industry leaders, both from a domestic and global standpoint. Topics covered all aspects of the beef industry including: WTO negotiations, the appreciating Canadian dollar, labor supply, quality beef production practices and beef marketing. The caliber of the presenters was astonishing and well credited within their respective fields. The presentation topics were very current and intriguing.

The day started with a discussion of the current WTO talks by Alanna Koch. She stated that no trade agreement will be far worse than any other option on the table for Canadian beef producers. Given that Canada exports about 40% of their beef and imports very little, stalled WTO negotiations would do more harm than good. She further remarked that, despite their success in the U.S., any type of bi-lateral trade agreements would not be very beneficial to Canada's agricultural industry.

Glen Hodgson followed with a detailed overview of Canada's macroeconomic standing with a special interest given to the dollar appreciation and to labor issues. This was followed by a presentation on the effects of the appreciating Canadian dollar on beef by Dennis McGivern. The layout of these two presentations fit very well together and both were interesting to me given my lack of insight concerning the Canadian dollar's appreciation.

The morning session ended with a presentation by Brant Randles, president of Louis Dreyfus Canada Ltd. Mr. Randles discussed the issue of grain supply and price given the recent popularity of ethanol. He focused his effort on the feeding of cattle in Canada and how ethanol will possibly change these practices. I was quite surprised to see the projections he presented for corn.

The afternoon session of presentations began with the Honorable Doug Horner giving a short talk on policy issues. This was followed by an in depth presentation by David Baxter on Canada's population statistics and how these numbers would continue to effect labor supply for many years to come. Mr. Baxter was very clear that Canada would not be able to overcome this challenge without the aid of restructuring the current immigration regulations.

Dr. Bernard Bindon followed with a discussion of the Australian beef quality program being established. He let it be known that beef quality goes well beyond marbling and quality grades. His gave an overview of the current policy in Australia concerning the method in which cattle are graded to ensure a consistent high quality product every time the consumer makes a purchase. This topic is quite pressing in today's beef industry especially given the decreasing demand which has been noted in the U.S. and Canada (granted a recent upturn has been noticeable), as well as the recent outbreaks of BSE in North America.

The final speaker of the day was Dr. David Hughes. Dr. Hughes presented on the issue of beef marketing and the challenges that we face as an industry. He made special note

of the consumer psyche pin pointing consumer purchasing decisions on a daily and weekly level rather than aggregating it to the typical numbers reported which are based on yearly consumption. He also went into detail of what might be expected from emerging markets such as India and China. His presentation was very thought provoking from the standpoint of the detail in which he delved into the minds of consumers and their purchasing habits.

The day concluded with a trip to the Calgary Stampede. This was a fun filled evening where I saw, for the first time, true chuck wagon racing and one of the most spectacular performances and fireworks shows I've ever witnessed.

ILC closed the congress with a roundtable discussion the following morning with the topic of ethanol taking center stage. Numerous industry participants in both beef and ethanol gave insight into their perceptions of the future of the two industries and how each will affect the other. A resounding agreement of the roundtable discussants was the need for research into the effects of public policy mandates and protection of ethanol production.

### **Topics of Interest**

The congress was very interesting as a whole, but a few topics stood out to me as an economist. These include the fact that Canada's cow herd has been growing, especially since May 2003 when the first case of BSE was found, the appreciating Canadian dollar and the labor supply issue. Canadian beef producers are producing more beef. This presents a challenge given that the labor supply is shrinking and also by the recent boom in the oil

production which is driving up labor cost for managers at every step in the beef supply chain. Compounding these issues is that the Canadian dollar is appreciating which generally hurts an exporting country (and Canada exports approximately 40% of their total beef production) because their beef is more expensive to the rest of the world.

An example of the effect of the growing cow herd and increasing wage rates can be seen at the Cargill processing plant we visited. The production capabilities for the plant we visited was 4,500 head per day. Unfortunately, they are only operating at roughly 80-85% capacity due to the increasing cost of labor and the lack of laborers. Therefore, many cattle are either being retained or are crossing into the U.S. for feeding or processing. For the first case, the retention of calves only compounds the problem of the growing cattle population in Canada. For the second case, the appreciating dollar only lowers the overall value of the cattle that cross the border.

Above all, I see the risk that Canadian producers are facing as a growing problem in upcoming months and years. We were informed that the Canadian beef industry is slowly becoming less dependant on the U.S. market which makes matters worse because now U.S. risk management tools that were once a reliable source of protection now are becoming risky themselves. I think that Canadian producers should pursue tools, such as futures markets, to combat these growing issues that they now face.

## **ILC Perceptions**

After experiencing ILC, I feel like the knowledge I gained from the tours and presentations will be very beneficial to my future research and career. I now have a more solid grasp of the Canadian cattle industry and the similarities and differences of production practices in the U.S. I know that this knowledge will be utilized in future research projects as I continue the pursuit of my Ph.D. as well as my research interest in my following career whether it be in academia or industry.

Not only was the knowledge gained at the congress very beneficial, but also I feel that the wonderful people I met while in attendance at ILC were fantastic as well. I know that I will not lose contact with many of those I met and could easily see myself collaborating on futures projects with them. Thank you for the opportunity to experience ILC – Calgary.