

## **2006 International Livestock Congress- Calgary**

### **“Beef 2006: Strategic thinking for a changing industry”**

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The 2006 International Livestock Congress-Calgary can only be described as an amazing learning experience. The time and effort put forth by the ILC committee resulted in a one of a kind business and learning opportunity. The Beef 2006 program stated that today's beef industry is a “fast changing global beef industry” and that their goal was to expose participants to “all of the issues shaping your beef industry”. They did that and more. The issues were presented in a forum that provided the tools necessary to formulate a vision for a successful future, another of ILC's goals.

To have been chosen as one of the 22 students invited to attend ILC-Calgary was such a great privilege. The thought and effort that went into making the conference such a success for the students participating was remarkable. When the students arrived in Calgary we were brought together as a group and given a chance to get to know each other. There were students from Canada, U.S.A, Brazil, and New Zealand. It was great to learn about all of the different research efforts the rest of the students were involved in and the unique knowledge each had to bring to the table.

The student group was privileged to be invited for a day of tours (Andrea Brocklebank of the Canadian Cattleman's Association was a great tour guide for the group). We started out at the Cargill Foods beef processing facility in High River. The

plant has the capacity to slaughter between 4,000 and 4,500 head of cattle per day which is a tremendous production level.

While at the Cargill plant we met with Megan Gauley of the Canadian Cattle Identification Agency (CCIA) who gave us an update on the situation of traceability and age verification in Canada. This led to a great round table discussion regarding all of the procedures that the CCIA has implemented in order to create a mandatory livestock identification system in Canada. With recent BSE cases discovered in Canada the CCIA has played an integral role in maintaining confidence in the safety of Canadian beef. Megan emphasized the enormous amount of cooperation the CCIA has received from Canadian beef producers as well as the commitment of the CCIA to continue to make their program practical and cost effective for producers. This is a key component in the success of a nationwide national identification program. Currently the Cargill plant in High River is offering a premium for cattle which are tagged with RFID tags which also provides incentive for producer participation. The Government of Alberta has announced a mandatory age verification program effective April 2007. This is going to be very challenging due to the fact that other provinces are at this time not requiring age verification. Given the large percentage of cattle from other provinces which are finished in Alberta there will be some obstacles to overcome regarding cattle entering Alberta which must be age verified by the herd of origin. I had many questions regarding the details of the program and how the enforcement of it will affect different production scenarios. Clearly there are not answers for all of the “what if” questions and only time will tell. If the CCIA continues to have the producer’s best interests in mind and the

patience and flexibility to work through all of the details, Canada will maintain its position as a leader in national animal identification.

An overview from the CCA displayed Canada's current trade situation. Since 2003, Canada's packing capacity has increased significantly. Borders continue to reopen and "Rule 2" which includes trade of cattle over thirty months of age is increasingly close to becoming a reality. Currently in Canada the level of imports is much lower than prior to 2003 due to the increased slaughter production of cull cows (previously the product used in processed meats was imported). Canada does depend on its export markets. The country is 9<sup>th</sup> on the list of the top ten beef producing nations but 5<sup>th</sup> on the list of top ten beef exporting countries, exporting 40% of total production. North American beef producers have much higher costs of production relative to other beef producing nations such as Australia and South America. For this reason it is critical that we mainly export high quality products. The importance of these export markets only strengthens the importance of the CCIA and their ability to reassure global markets that Canada's beef is traceable. Although Canada has regained much of its lost market access, it is still only exporting 3% of previous levels. Currently Canada is exporting approximately 20 million fewer kg to Japan than pre-BSE.

The size of the Canadian cow herd is on the rise as well as the slaughter sector, estimated to grow another 6% this coming year. In addition to this, demand of beef continues to rise domestically. Domestically Canada produces 3.5 billion pounds of beef and consumes between 2 and 2.5 billion pounds.

The congress was packed with educational and insightful speakers.

Alanna Koch, Vice-President of Canadian Agri-Food Trade Alliance gave us a glimpse of the impacts of international trade negotiations. It is well stated that we are living in a global marketplace and beef exports are a critical portion of our market. Alanna portrayed the importance of WTO trade agreements and negotiations. Our product, the food we are producing for the world, particularly meat, is one of the most heavily protected commodities available for trade. The average tariff for meat is 80% while the average tariff for most agricultural products is 63%. There are over 250 tariff quotas on meat. This makes trade with some countries very complicated and intricate. Some other countries heavily subsidize their beef production, for example in Norway beef producers are subsidized at 78% of the value of their product. The United States and the European Union can legally double their subsidization levels. All of these factors make it very difficult for Canadian beef producers to compete in a global market and reinforce the importance of trade agreements.

Glen Hodgson, Vice-President and Chief Economist for the Conference Board of Canada discussed the shift in the global economy with regards to emerging markets such as China, India, Russia, and Brazil. China in particular is experiencing annual economic growth rates of 8-9%. The potential future markets with which Canada may trade beef are highly significant (if WTO agreements can be reached). The potential markets that are there for the taking reinforce the importance of having an adequate supply of high quality beef, a production system to process them, and an ID system which these markets can trust. With all of these components in place Canada is likely to be in a good position to trade with these emerging markets.

One factor which will have major impacts in the position Canada holds in the emerging world marketplace is the rising value of the Canadian dollar. Dennis B. McGivern, Vice President of Informa Economics, Inc., discussed the implications of the rising dollar on the Canadian beef industry. When the borders are open between the U.S. and Canada, the prices of Canadian feeder cattle are determined by U.S. prices. When currencies are converted, the prices of fed cattle in Alberta and the U.S. are very close to each other. The exchange rate and the value of the Canadian dollar play a large role in the pricing of cattle and beef. There is an inverse relationship between the exchange rate and cattle prices which is unique to the beef industry. With increasing value of the dollar, Canadian packers incurred much higher costs per head removing any advantage they had over their U.S. counterparts. The majority of most other agricultural inputs have little relationship to the value of the Canadian dollar however in all industries an appreciating dollar will have a negative impact on margins. With rising value of the dollar there will be some financial burden associated with it, most of which will be carried by the cow-calf producers. Feedlots can adjust the amount they bid on cattle and thus carry less of the financial burden. It is an interesting situation when the demand for slaughter capacity rises at the same time that the value of the Canadian dollar does. The appreciation of the dollar will force Canadian packers to become more competitive in their production practices in order to stay in business.

Brent Randles, President of Louis Dreyfus Canada Ltd. explained the volatility that the grain markets will experience in the next five years. As previously mentioned, China is experiencing an economic boom and will likely see an increased demand for a higher quality diet. This may be a potential market for Canadian beef exports however

they are likely to produce a large portion of it themselves in which case they will need feed grain. The main drawback to China developing their own feed resources is a shortage of water and labour. Thus, China will likely be a large importer of grain. In addition to this, the energy sector will be competing with the livestock industry for corn demand (it is estimated that by 2010 13-14 billion gallons of ethanol will be produced). The energy sector is estimated to demand 35% of U.S. corn production by 2010. This may create a supply problem which creates rising grain prices. Since ethanol production is heavily subsidized it is likely that feedlots are going to have to pay far more for grain than they have in the past. Canadian ethanol subsidies are very low compared to U.S. production. However, there is always the option of feeding the by-product of ethanol production which is very advantageous if the feedlot is situated near an ethanol plant.

David Baxter, Executive Director of Urban Futures Institute captivated the audience with his accounts of the employment situation in Canada. It is a very challenging situation with the increased competitiveness for workers. It is difficult for agricultural sectors to compete when construction and oil and gas industries can offer much higher wages. He estimates that by the end of the decade the labour force will have shrunk dramatically. There is rising need to increase the number of workers and their level of productivity. This was evident to the student group as they toured the Cargill Foods plant and witnessed all of the company incentive programs to recruit employees. We were told that the main reason that the plant was not operating at full capacity at this time is a shortage of employees. There is a large amount of recruiting occurring with companies sending "head hunters" to other countries in an effort to entice people to

immigrate to Canada and work for them. Several sectors of the beef industry, particularly the packing sector, are reliant upon the success of these programs.

Dr. Bernie Bindon, CRC for Cattle and Beef Quality discussed efforts the Australian beef industry has made to improve the consistency and quality of Australian beef. The CRC has focused on genetic improvement of growth, carcass and beef quality and feed efficiency. They have also focused on nutrition and feeding with regards to identifying a “Net Feed Intake” trait which would make it possible to select for cattle which are more efficient at converting feed into pounds. The move towards a more uniform and consistent beef product in Australia is indicative of the desire of consumers worldwide to have an enjoyable eating experience every time they eat beef. In order to continue increasing consumer demand of beef, Canada and the U.S. also need to remain focused on this issue.

Dr. David Hughes, Imperial College, London, UK discussed global food trends and their impact on the Canadian beef industry. He discussed the desire consumers have for a connection with the products they purchase. This is an overwhelming message in the beef industry today. Consumers want to know where their food comes from and how it was raised. This is evident in the increasing popularity of branded beef programs. The marketing behind the branded beef products is extremely intense as are the challenges which exist in presenting the meat and ready made products. This all ties into national animal identification and a consistent and uniform product. Many exciting possibilities exist in the many branded beef programs for producers to have more control over their end product and capture more of the profit associated with the beef they produce.

The topic of discussion at the Industry Leaders Roundtable breakfast was the emerging ethanol and bio diesel industries. I am particularly interested in how this will affect the feeding sector of our industry. While on the surface dried distiller's grain (DDG) may seem like an exciting opportunity for feeders, there may be some drawbacks. It was stated that DDG contains more fat than the original grain and would thus make a good energy source. However, the quality of the DDG is highly variable and therefore is challenging to feed. Currently, 80-90% of feeders in NE are utilizing DDG on some level. The main limitations of DDG's are the high sulfur and fat content. Wet distiller grain is possibly more nutritious than DDG but it is obviously far more expensive to ship to the feedlot where it will be fed. An uneven playing field exists with DDG due to the high subsidization of the U.S. industry. Regardless, it appears there is no slowing of the bio diesel and ethanol industries.

This ILC conference presented a wide assortment of topics and issues concerning not only the Canadian beef industry but North America's beef industry. It was extremely valuable to participate in discussions regarding all facets of the industry if for no other reason than to raise awareness of the many challenges that producers in today's marketplace are facing. ILC-Calgary was a very worthwhile event for everyone in the beef industry regardless of their level of involvement. It was a well planned conference that again covered so many important topics. Beginning at the cow-calf level and the importance of providing them incentives to participate in their industry as well as in a national identification program so they can continue to produce a high quality product. To the feeder who plays a key role in the production of Canada's high quality beef and who faces continuing challenges in the competition for grain due to emerging grain



markets as well as increased competition for grain from the bio diesel and ethanol industries. The Canadian cattle herd continues to grow and thus the amount of the beef produced and for this a strong relationship with packing plants is critical. The industry is dependant upon the laborers to get their product out the door. To the trade negotiators who work to make fair trade agreements for Canadian beef to the CCIA who play the role of maintaining a system that works for all producers at all levels in the beef industry. The viability of global export markets relies upon the CCIA's system which must be recognized world wide as a system built on integrity and accurate reporting. For representatives from each of these facets to come together and educate each other on recent events and occurring challenges that each other are facing is remarkable. It strengthens the need for all sectors to work together. This was one of the main messages I took away from this conference -the importance of working together to promote the industry. Not only should all sectors domestically work together but all players in the beef industry world wide should work together to promote and maintain a positive and safe image for consumers all across the world. It is imperative that all individuals in the beef industry understand the importance of being involved and making their opinion count and working together to create a unified beef industry.

This was an excellent trip that was very beneficial. It allowed students to gain an understanding and appreciation for all of the various components of the beef industry. It also allowed us to see what piece of the puzzle our country makes up in the scheme of the global marketplace. It was an excellent opportunity to meet and interact with some of the industries finest, to learn from them and to develop new thoughts and ideas about the industry and the road it is headed down. The chance to discuss current issues and

converse on a one on one basis with professionals in our business was incredible. The contacts that the student group was able to make are very important for our success in our futures. The steps that the ILC has taken to ensure that future industry leaders are exposed to these topics, ideas, and professionals is a critical step in ensuring that the future of the beef industry is in good hands. By educating students on the current issues and more importantly the way that industry leaders are addressing these issues you can be certain that students are gaining a much better understanding of the importance of working as a team and understanding and appreciating all sectors of the business.

I would like to take this opportunity to thank the International Stockmen's Education Foundation and the ILC-Calgary committee for their generosity and for providing this chance to so many students. Also, a huge thank you to all of the volunteers and sponsors for all of their hospitality and generosity that helped make this experience possible.