The Changing Landscape
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Facing Competitiveness Challenges:

High Canadian dollar

High input costs (feed, labor, energy)

Impaired market access

Higher regulatory burden
Weekly AB Fed Steer Price
vs Canadian Dollar

Source: Canfax, Bank of Canada
Break Even vs Market Price
YEARLING STEER

Source: CanFax Trends West
Canadian Regulations and Other Government Involvement

- Enhanced Feed Ban
  - Between $5 and $34 per head disadvantage versus the USA.
- Approval of new pharmaceuticals
  - Zilmax - $18 to $24 per head
- Feed Grain and Forage Research and Approvals
  - KVD / PNT
- Ethanol mandates and tariffs
Market Access

- Restricted market access continues to affect the “cut out” value of our cattle by over $100 per head.

- Korea, Japan, Mexico, Russia, China, others

- Newer issues with US
  - Border testing
  - COOL
  - fees
How will COOL affect Canadian producers?

• Increased costs and force greater product differentiation
• Will widen basis on live cattle prices vs U.S.

- In 2002, USDA acknowledged that COOL was forecast to add $ billions of cost to the North American market with negligible benefits
- CCA estimated COOL could cost Canadian cattle producers up to $92 per head, or $300 million annually (due to reduced access)
COOL

- Does not apply to food service
- Does not apply to exports
- Flexibility on trim will be crucial
- BIC building supplier relationships since 2001
Short Term

- Higher costs for feed grain
- Lower relative prices due to currency
- Conversion of cultivated pasture to “fuel grains or crops”
- Reducing numbers
- Urgent need to address regulatory inequities and market access restrictions
- Pursue value creation aggressively
Longer Term:

Outlook and Opportunities
Canada is still the third largest beef and cattle exporter in the world, and the largest exporter of grain fed beef.
Global beef consumption will continue to grow.
Barley and Corn have both reached record highs in 2008 at $220/tonne and $236/tonne; however, the differential has decreased so that COG is comparable.
Canadian boxed beef values higher than U.S. values

US Choice/Canadian AAA spread

Cdn $/cwt

Source: CMC
Industry Positioning:
Establishing the “Canadian Beef Advantage”

- Animal health & beef safety
- Genetics/breeds
- Animal ID
- Age verification capability
- Production programs (QSH)
- Product quality (consistency, palatability)
- Yield and profitability
- Service and Technical support
Canadian Beef Advantage

1. Maximize the value of every cut and product from every animal we sell.
2. Canada’s strength will clearly remain in the production of high quality (grain fed) beef. (Likely shorter times on feed)
3. Global marketing efforts to differentiate our beef on the basis of quality and safety.
4. We need to regain as full a range of market access as we can in terms of both the scope of products and countries
5. Location to U.S. – only just in time fresh beef import supplier
Advanced Information Alignment

- Each sector in the value chain providing information to the rest of the chain will demonstrate cooperation in achieving the value proposition with everyone contributing and benefiting.

- All participating Canadian cattle are age verified through the CCIA database (register as being on VBP)

- All participating feedlots report the arrival of animals to the database and submit specified performance data (non-proprietary) on close out.

- All participating packers and abattoirs submit specified carcass information linked to the animal ID to the CCIA database
QUESTIONS?