

INVESTING IN A **STRONG FUTURE** FOR CANADA'S BEEF INDUSTRY

CANADA'S

NATIONAL BEEF STRATEGY

SUMMARY

STATUS UPDATE  2015-2018

THE NATIONAL BEEF STRATEGY IS ABOUT POSITIONING THE CANADIAN BEEF INDUSTRY FOR GREATER PROFITABILITY, GROWTH AND CONTINUED PRODUCTION OF A HIGH QUALITY BEEF PRODUCT OF CHOICE IN THE WORLD.

BACKGROUND

Canada’s National Beef Strategy was developed in 2014 by industry leaders representing five national beef sector organizations. The Strategy, published in January 2015, covers a five-year period 2015 to 2019.

Since 2014 when the Strategy was developed, the Canadian beef industry has witnessed both market and structural changes. The rapid cattle price increases in 2014 and 2015 saw cattle prices reach new highs. Normally the record high cattle prices would compel a strong and rapid expansion, as seen in the United States, but numerous factors including higher input costs and uncertainty prevented the expansion in Canada. Strong demand for high quality protein continues to grow in most developing nations along with new market access and trade agreements coming into effect. International competition is heating up as exporting countries increase production .

Structural changes to the Canadian beef industry since 2014 include:

- The establishment of the Canadian Roundtable for Sustainable Beef (CRSB)
- The development of the Public and Stakeholder Engagement program
- An increased focus on beef issues at the Canadian Meat Council (CMC)
- The Canadian Beef Cattle Check-Off increase to \$2.50 per head started in most provinces in 2018.

CANADIAN BEEF ADVISORS



This National Strategy Status Update is brought to you by the Canadian Beef Advisors – Beef Cattle Research Council, Canadian Beef Breeds Council, Canada Beef, Canadian Cattlemen’s Association, Canadian Meat Council, Canadian Roundtable for Sustainable Beef and National Cattle Feeders Association.

STATUS UPDATE

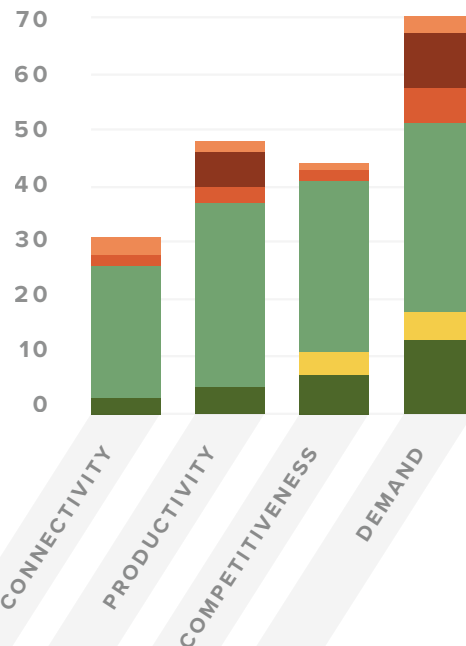
This report summarizes progress towards achieving the outcomes outlined in the Strategy since its launch in 2015.

As of June 2018, 15% of outcomes have been completed; 5% are in progress (have an end); 61% are ongoing (and expected to continue); 7% have not been started (primarily due to funding constraints); 8% need modification; and 5% have mixed status (due to multiple objectives at different stages).

The following highlights some of the Strategy accomplishments over the last four years. For a complete status report on the Strategy outcomes visit www.beefstrategy.com

NATIONAL STRATEGY OUTCOME STATUS

AS OF JUNE 2018

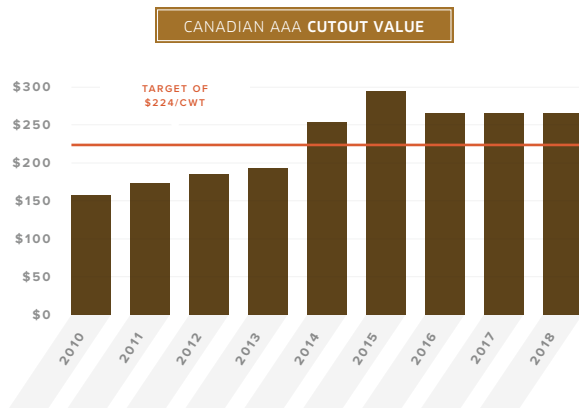


THE AAA CUTOUT REMAINS 19.6% ABOVE THE TARGET OF \$224/CWT.

DOMESTIC & GLOBAL MARKETING

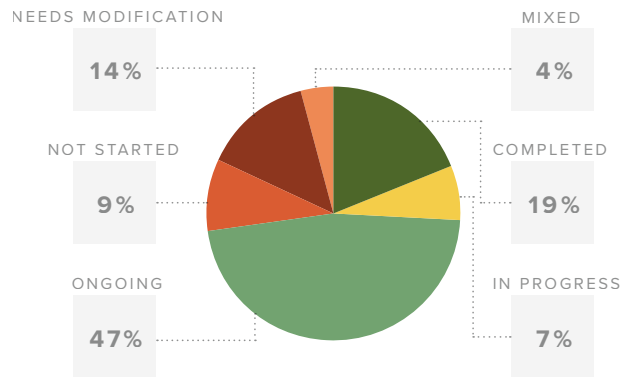
A number of industry activities supported beef demand over the last four years.

- Creation of the Canadian Beef Centre of Excellence as a state-of-the-art beef processing and training kitchen theatre. Top-notch chefs, butchers, home economists and industry professionals use the Centre to develop technical and training resources - working directly with industry partners, stakeholders and clients.
- A refined Canadian Beef Brand was launched combining the compelling technical and emotional attributes that differentiate Canadian Beef from its competitors.
- A growing number of domestic and international retail and foodservice customers committed to 100% Canadian supply.
- Establishment of the national beef import levy supporting generic beef marketing and public trust efforts in the areas of human health and nutrition, food safety and beef culinary extension.



MARKET ACCESS

Following the February 2015 BSE case born after the 2007 enhanced feed ban, market access was disrupted to six countries (South Korea, Indonesia, Peru, Belarus, Taiwan, China) before being restored. On December 18, 2015 mandatory Country of Origin Labelling was repealed effective immediately. Effective October 2016, Canada regained OTM access to Mexico. Normalized access with Mexico marked the removal of one of the few remaining BSE trade restrictions. In addition, changes were made to drop the requirement for Canadian cows to be born before March 1999 when exported live to the United States.



Canada has secured Japan/Asia Pacific market access via the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). CPTPP is pending ratification in Parliament in fall 2018. The Canada-EU Comprehensive and Economic Trade Agreement (CETA) was implemented in September 2017 and work continues to address technical barriers to trade to that market. The Chinese market opened for chilled beef and efforts to secure the full UTM access, including full systems approval for Canadian beef processing plants continues.

CONSUMER CONFIDENCE & PUBLIC TRUST

The Public and Stakeholder Engagement program (PSEP) was created to coordinate industry efforts and respond to issues that erode consumer trust and confidence in the Canadian beef industry and its products.

A technical symposium and industry workshops on food safety best practices, new technologies, regulatory updates were provided. In addition, it has been shown how Canadian industry conforms to international standards around Codex Alimentarius (the Food Code central to the Joint FAO/WHO Food Standards Programme).

Consumer concerns about the environmental impact of beef were addressed through a 2011 study that found producing the same amount of beef as 1981 required 29% less breeding stock, 27% fewer slaughter cattle, 24% less land and 17% less water, and produced 15% fewer greenhouse gas emissions. These improvements came from productivity gains (i.e. carcass weights) that also support producer competitiveness.

The Certified Sustainable Beef Framework provides assurances to consumers about the sustainable practices used in beef production (see the Competitiveness pillar for details).

A STABLE FUNDING SOURCE HAS MEANT THAT MANY OF THE POLICY EFFORTS HAVE PROGRESSED, ALTHOUGH MANY OF THE POLICY ISSUES REQUIRE ONGOING EFFORT AND DILIGENCE. IN ADDITION, THE MOVE TOWARDS GREATER TAXATION ON AGRICULTURE TO ADDRESS LOCAL MUNICIPAL BUDGETS HAS CREATED CHALLENGES REGIONALLY THAT COULD SPREAD.

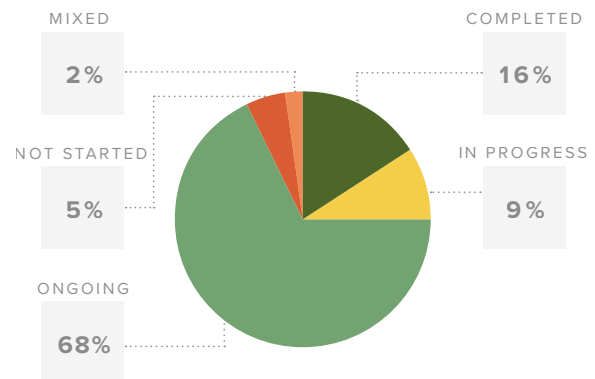
REGULATORY BURDEN & ACCESS TO COMPETITIVELY PRICED INPUTS

Associations addressed aspects of concern in Finance Canada's Tax Planning Using Private Corporations proposal. The proposal included changes to income sprinkling, passive investments inside private corporations and converting income into capital gains, which was the costliest to the agriculture sector. If the original proposal was implemented, a report showed that the changes could have cost over \$1 million to a 200-head incorporated cow-calf operation. In addition, improvements to the Reference Margin Limit under 2018 AgriStability are intended to benefit lower eligible cost producers such as the cow-calf sector.

The Traceability file has progressed with a continued emphasis on ensuring the regulations follow the Cattle Implementation Plan with proposed regulations expected to be published in Canada Gazette 1 in Spring 2019. Work continues with supply chain partners such as auction marts and packers to ensure that enhanced traceability is made to work for industry stakeholders.

Industry engaged in proposed changes to Canada's Food Guide and Front of Package Labelling regulations. Food guide comments were submitted by industry partners.

Labour shortages were addressed through partnerships with other stakeholders to pursue reforms to the Temporary Foreign Worker Program (TFWP) and resulted in getting feedlots added to the list of primary agriculture, exemption from application fee, postponement of reduced cap on TFWs for processors, and elimination of the four-in-four-out rule. Service Canada's current review of the TFWP included primary agriculture (not just seasonal workers). More changes are needed to fully address the labour shortages in the Canadian beef sector and work continues in this area. CMC is lobbying for a federal Agri-Food immigration pilot to support a pathway to permanent residency.



RESEARCH CAPACITY

Research capacity was supported by having 12 scientists complete the Beef Researcher Mentorship program as of 2018, which helps align their research and extension interests with those that are practical and beneficial to Canada's beef industry.

A veterinary and producer network was established in Western Canada to gather information on the prevalence of production limiting diseases and identified opportunities for improvement.

To support recommendations to avoid anaplasmosis, researchers identified specific habitat characteristics for ticks which carry and spread the anaplasmosis-causing bacteria in cattle.

CMC participated in the North American Meat Institute (NAMI) meat and poultry research and education advisory committee. Together they set research and education priorities based on industry needs.

Progress has been made on the revitalization of the University of Guelph Elora Beef Research Centre and construction is nearing completion on the University of Saskatchewan Livestock & Forage Centre of Excellence.

SUSTAINABILITY

The development of the Canadian Roundtable for Sustainable Beef (CRSB) has been a leading force globally on sustainable beef conversations. Key highlights include:

- The first National Beef Sustainability Assessment released in October 2016
- The *Certified Sustainable Beef Framework*, including logos and claims to support sustainability messaging for industry and consumers.
- Efforts to improve communication and collaboration around projects that support continuous improvement
- Ongoing communications with members have enabled CRSB to influence Corporate Social Responsibility statements.

“The industry set a number of specific, ambitious goals for itself to increase demand for our products globally, while overcoming significant challenges like tight cattle supplies and competition for arable land, and we’re making good progress,” said David Haywood-Farmer, current Chair of the Beef Advisors and President of the Canadian Cattlemen’s Association. **“This industry is moving forward because of collaborative effort, and we expect substantial progress over the next five years with the increased funding from the Canadian Beef Cattle Check-Off.”**



David Haywood Farmer



PRODUCTIVITY: INCREASE PRODUCTION EFFICIENCY BY 15% BY 2019

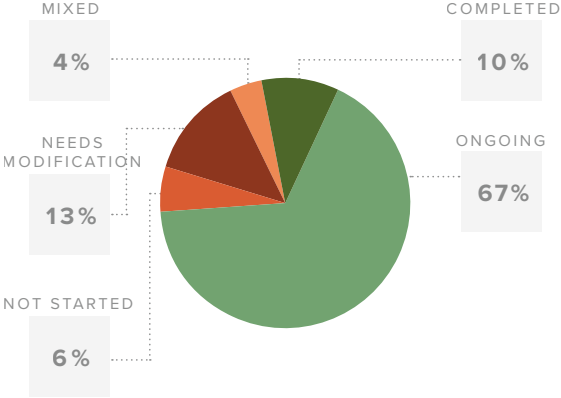
SUPPORTING GENETIC SELECTION THROUGH RESEARCH, DATA AND TOOLS IS PROGRESSING. GENOMIC TESTING WAS ENCOURAGED WITH BREED ASSOCIATIONS SO THAT DATA COULD BE INCORPORATED INTO EXPECTED PROGENY DIFFERENCES (EPDS). CBBC SIGNED A MEMORANDUM OF UNDERSTANDING WITH CHINA AGRICULTURE UNIVERSITY TO PURSUE MUTUALLY BENEFICIAL RESEARCH PROJECTS - SHARING TECHNICAL AND PRODUCTION INFORMATION SPECIFIC TO BEEF FOR A SIMILAR CLIMATE TO CANADA.

Research identified optimal combinations of annual crops, agronomic practices and regional variation that provide the most economical extended grazing practices to meet the cow herd’s nutritional requirements through the winter-feeding period. Breeding programs for native plant materials, legumes and grasses, produced several potential lines for commercialization. Progress was achieved in characterizing yield and agronomic attributes of triticale and other annual forage crops. One new barley variety was released and commercialized in 2018; three new triticale varieties were released in 2018, two of which are commercially available.

Knowledge dissemination and technology transfer programs focused on accelerating the uptake of research outcomes by industry. Various mechanisms were developed on BeefResearch.ca and used to communicate research results with industry in useful and meaningful ways, including tools that support economical and science-based production decisions.

Modules on biosecurity, animal welfare and environment were added to the Verified Beef Production Plus Program (VBP+). As well, work was done to embed the Canadian Feedlot Animal Care Assessment Program into VBP+. VBP+ has been approved as one of the first Certification Bodies for CRSB’s Certified Sustainable Beef Framework.

Enhancing information flow has occurred through the McDonalds and Cargill pilots to verify production of sustainable beef. However, new technology that is available through blockchain requires this area to be re-examined and modifications made to track cattle through the supply chain.



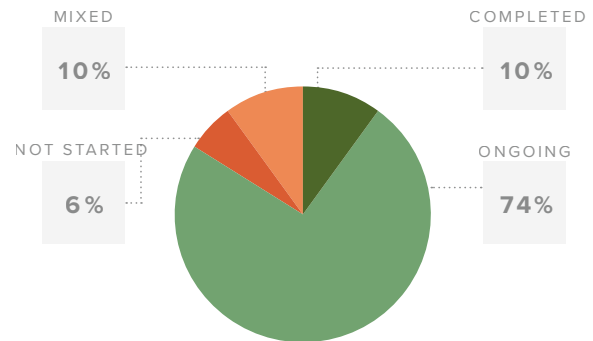
THE CREATION OF THE NATIONAL BEEF STRATEGY GAVE UNIFIED DIRECTION AND ALIGNMENT FOR THE BROADER BEEF INDUSTRY TO DRIVE FUTURE SUCCESS AND COMPETITIVENESS. OVER THE LAST FOUR YEARS, INDUSTRY CONNECTIVITY HAS BEEN SUPPORTED THROUGH THE DEVELOPMENT OF THE CANADIAN BEEF INDUSTRY CONFERENCE (CBIC), THE PUBLIC AND STAKEHOLDER ENGAGEMENT PROGRAM AND THE ESTABLISHMENT OF THE BEEF ADVISORS AS A LEADERSHIP GROUP FOR MACRO INDUSTRY ISSUES AND INITIATIVES.

Industry synergies and coordination have been supported through weekly beef forum calls with CCA, CMC, and other stakeholders to discuss emerging issues to coordinate effective responses and work with other organizations' policy staff to align messaging prior to communicating with government.

Awareness of programs targeting youth and those interested in being advocates for the industry has been enhanced with the Cattlemen's Young Leaders (CYL), Young Cattlemen's Council (YCC) and Beef Advocacy Canada.

Numerous industry events, technical forums, open houses and missions, for the purpose of connecting and engaging with producers, consumers, public, government, researchers and industry partners have taken place.

The CRSB has brought the beef industry into contact with a diverse group of conservation groups interested in the beef industry. Government relations are built through meetings in Ottawa, the picnic on the hill and reception at the CCA AGM. Greater investment by the CMC on beef related issues is welcomed in Ottawa. Global connections have been fostered through the International Beef Alliance, International Meat Secretariat, and the Global Roundtable for Sustainable Beef.



LEARN MORE AT WWW.BEEFSTRATEGY.COM