

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



CANADA'S

National Beef

STRATEGY

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.

Why a National Beef Strategy?

The Canadian beef industry is at a pivotal point in time. We are facing new challenges and opportunities with strong influences on the supply and demand of Canadian beef.

- ◆ Demand for high quality protein is expected to continue to grow in most developing nations. The majority of markets closed due to BSE have been reopened, and a number of new trade agreements are coming into effect providing new opportunities for Canada's beef industry.
- ◆ Cattle numbers are down across much of the world. Canada experienced one of the largest liquidation phases in history with beef cow inventories dropping by 30% between 2005 and 2015.
- ◆ Normally the current record high cattle prices would compel a strong and rapid expansion, however there is greater competition for acreage and expansion is expected to be slower than we have seen in previous cattle cycles.
- ◆ Industry funding is challenged due to reduced cattle marketings and check-off collections, inflation and expiration of government development funds.
- ◆ Consumers are increasingly concerned about production practices and impacts, such as environmental stewardship, animal welfare and sustainability.
- ◆ Canada has an abundance of natural resources, and the finest beef cattle and beef cattle producers in the world. Combine that with the focus and ambition of a national strategy, and the industry can be positioned to take advantage of great opportunity.

What is the National Beef Strategy?

The strategy presents priorities, goals and funding needs to ensure the Canadian beef industry thrives well into the future, while building on the strengths of existing industry organizations.

The strategy is structured around four pillars and goals that are aligned with the industry's vision of being dynamic and profitable, and its mission to be the most trusted and competitive high quality beef cattle producer in the world, recognized for superior quality, safety, value, innovation and sustainable production methods.

The pillars and goals of the National Beef Strategy are:

Beef Demand Increase carcass cutout value by **15%** by 2020

Competitiveness Reduce cost disadvantages compared to main competitors by **7%** by 2020

Productivity Increase production efficiency by **15%** by 2020

Connectivity Enhance synergies within industry and connect positively with consumers, the public, government, and partner industries

The National Beef Strategy was developed in 2014 by industry leaders representing Canada's national and provincial beef sector organizations – Beef Cattle Research Council, Canadian Beef Breeds Council, Canada Beef, Canadian Cattlemen's Association and its provincial member associations, and National Cattle Feeders' Association.



I. BEEF DEMAND

Increase carcass cutout value by 15% by 2020

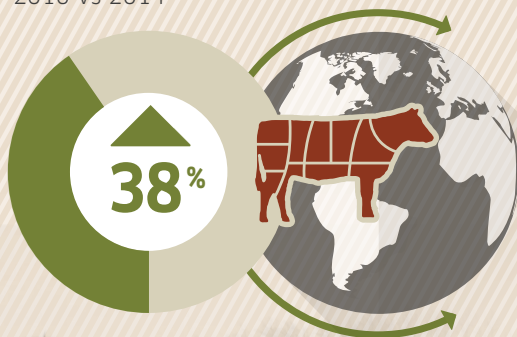
Highlights of the outcomes under the Beef Demand pillar:

- A. The industry will remain competitive by getting the right product to the right customer every time, often achieved through product development and the use of under-valued cuts.
- B. The core attributes of the Canadian Beef Advantage (CBA) and how they influence sales volumes and values require continuous validation and improvement – all of which drive consumer confidence. The strategy works to establish the CBA as the most recognized and loyalty-based beef brand in the world.
- C. Over 40% of Canadian beef production is exported. Canada will continue to undertake the most ambitious trade agenda in the world as trade agreements are essential to ensure Canada has commercially viable access as compared to other major beef exporters.

Each animal we raise will be processed into more than 300 products; exporting products that are in greater demand outside Canada can add over \$400 in value per animal.

Increase in international demand for Canadian beef

2010 vs 2014



Jack Hextall | Saskatchewan beef producer and Chair, Canada Beef

"We have to work together across the beef supply chain to create and sustain loyalty to our product by focusing strategically on our domestic and international customers and consumers. To make that happen we must tell our story in meaningful ways, to the right audience, and create brand ambassadors for Canadian beef."

- D. Consumers have more choice than ever on how to spend their food dollars. When people feel good and are confident about a product they will buy it more often. Consumer confidence, impacted by food safety, food quality and production practices, is essential to maintain current customers and attract new ones.

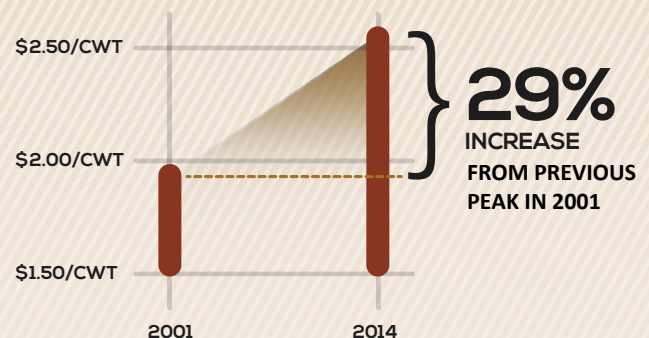


"Regular audits at the processor and consumer levels provide the information necessary to validate and enhance the quality and safety of Canadian beef while increasing the profitability of the Canadian beef and cattle industry."

Jennifer MacDonald | New Brunswick beef producer and Chair, Maritime Beef Council

- E. The social license to operate in agriculture is becoming increasingly visible in the media and continues to generate interest with the general public. The Canadian beef industry's science-based approach and overall benefits need to be conveyed through various means.

AAA Cutout Values 2001 vs 2014



II. COMPETITIVENESS

Reduce cost disadvantages compared to main competitors by 7% by 2020



"Participating in international events such as the Five Nations Beef Alliance, with representation from cattle producer leaders in Canada, the U.S., Mexico, Australia and New Zealand, provides the forum for open discussion on shared opportunities and challenges faced by beef producers around the world."

Martin Unrau | Manitoba beef producer and Co-Chair, National Beef Strategic Planning Group



"The development of free trade agreements and reduction of market access restrictions can involve a tremendous amount of industry and government time and effort. The cumulative cost of COOL from 2009-2013 is estimated at \$830 million."

Dan Darling | Ontario beef producer and Vice President,
Canadian Cattlemen's Association



1950's feed efficiency was 10:1.
Today it's 6:1.



Each day grazing is extended,
the cow-calf sector
saves \$3.6 million.

Source: Canfax Research Services

Highlights of the outcomes under the Competitiveness pillar:

- A. To be competitive, it is necessary to have a regulatory system that supports the industry, encourages innovation and efficiency, and doesn't add unnecessary burden or costs. The strategy advocates and upholds a scientific based regulatory system in cooperation with trading partners.
- B. All industries must have access to competitively priced inputs in order to be profitable – the beef industry is no exception. It is imperative that the Canadian business environment supports the development of new innovative inputs that can reduce production costs.
- C. Research funding, infrastructure, and human capital have declined significantly in recent decades. It's important to maintain scientific expertise and infrastructure in order to respond to issues as they emerge and to facilitate the transition of research programs and corporate memory.
- D. Consumers are increasingly demanding food that is produced in a sustainable manner and Canada must be at the table when discussing the environmental, social, and economic sustainability priorities with beef leaders around the world. The strategy will provide the research and information for factual and science-based communication.

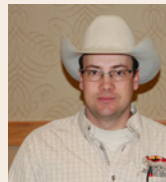
III. PRODUCTIVITY

Increase production efficiency by 15% by 2020



Highlights of the outcomes under the Productivity pillar:

- A. Productivity is the key part of the strategy where the producer is in the driver's seat. The strategy is focused on enhancing producer investment and adoption of innovation on individual operations to result in improvements in productivity.
- B. Research will lead to innovative technologies and knowledge, and the continued competitiveness and sustainability of Canada's beef industry. The strategy is focused on making targeted investments in priority research in the areas of beef quality and safety, genetic improvement, animal health and welfare, feed efficiency, and feed and forage production.
- C. Knowledge dissemination and technology transfer are critical to realize the economic, environmental and social benefits of investments in beef research. Extension initiatives such as government and university sponsored field days and seminars have declined significantly over the past 20 years. The strategy focuses on industry accepting greater responsibility for knowledge transfer, to ensure adoption of new technology and enhanced opportunities for beef producers.



"As an industry we need to increase the number of producers adopting new technology, and reduce the lag time from development to adoption."

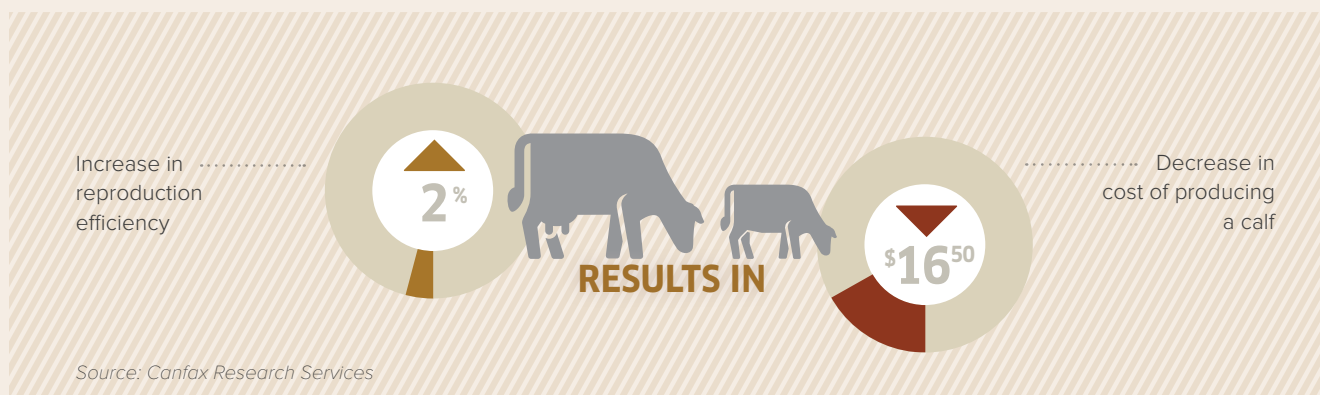
Ryan Beierbach | Saskatchewan beef producer and Beef Cattle Research Council member

- D. The strategy will work to support breeding and management decisions made by seedstock and cow-calf producers that positively impact animal performance in the feedlot, yield and quality grade at the packing plant, and the consumer eating experience.



"It is important to facilitate the transfer of information between seedstock producers and packers to allow breeders access to carcass data to inform their genetic selection and commercial customer service programs."

David Bolduc | Alberta purebred breeder and President Canadian Beef Breeds Council





Highlights of the outcomes under the Connectivity pillar:

- A. Organizations and industries that are most successful have made long standing connections with governments, organizations of influence, the public, and knowledge leaders. The strategy continues to build on these relationships.
- B. Being connected and prepared to communicate in a meaningful way when events occur can directly influence how these events impact our industry. The development of a Reputation Management Strategy would better enable producers to be prepared and respond in a timely manner when necessary.
- C. National and provincial beef organizations across the value chain share a common goal of enhancing the viability of Canada's beef industry. When all parts connect, synergy is achieved by all sectors working together to develop new strategies and building a solid plan that flows through the respective business plans.

Accountability to producers



"The Canadian beef industry has come together to create concrete goals with measurable, impactful results to increase productivity, improve competitiveness and grow beef demand for our stakeholders. By setting ambitious goals, we'll be able to ensure that our industry, from our producers through to the rest of the supply chain, can grow together and move forward."

Linda Allison | British Columbia beef producer and Vice Chair, Canada Beef



"The Canadian Beef Advisors, a diverse group of experienced industry representatives who are leading the implementation of the National Beef Strategy on behalf of producers, will play a key role in prioritizing and reaching the goals outlined in the strategy."

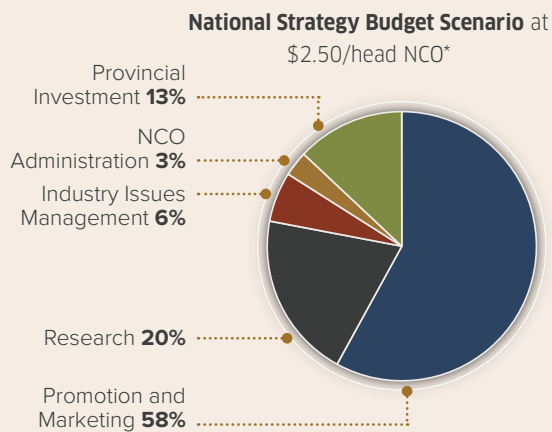
Jeff Warrack | Alberta feedlot owner and past Chair, National Cattle Feeders' Association



PRODUCER INVESTMENT

Producer check-off Beef producers across Canada pay a check-off levy on each animal marketed. The value of the check-off and collection process varies across the provinces. The total check-off levy collected by each respective provincial organization consists of a non-refundable ‘national check-off’ portion and a “provincial check-off” portion. The **National** check-off provides industry funding for national research and promoting and marketing Canadian beef domestically and internationally. Activities funded by the **provincial** portion of the check-off include trade and advocacy, policy development, provincial or regional research, marketing and promotion.

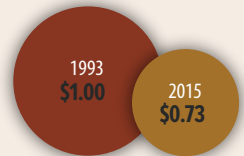
- ◆ Cattle marketings, which directly impact check-off revenues and funding available for Canadian beef marketing and research, are currently the smallest since the early 1990s.
- ◆ Achieving the goals identified in the strategy is estimated to require a National check-off (NCO) investment of \$16 to \$17 million or \$2.50 per head.



*Actual budget is dependent upon cattle marketings, beef imports and annual provincial NCO allocations

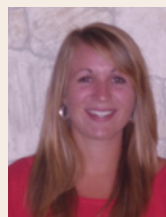
- ◆ The NCO was proposed in 1994 and collection of the \$1 per head marketed began in 1999. When annual inflation is taken into consideration the purchasing power of the NCO has been reduced from \$1.00 in 1999 to \$0.73 in 2015.

National Check-off Purchasing Power



- ◆ The beef industry isn't alone in terms of decreased industry funding. Many other commodities have also undergone reviews of their check-off levels over the recent years.
- ◆ Compared to other agricultural commodities in Canada and globally, Canada's beef check-off investments into research and marketing are relatively low.

Given a \$3.00 Provincial check-off and a \$2.50 National check-off, at 2015 calf prices producers would be investing **less than one half of one percent** into policy, research and marketing.



“Producer investments are important as they ensure priority policy, research, and marketing activities are undertaken, providing the next generation the opportunity for success.” Erika Strande | British

Columbia beef producer and delegate to Young Cattlemen's Council

FIND THE STRATEGY AND LEARN MORE AT WWW.BEEFSTRATEGY.COM