

OPINION: New Strategy, Collaboration Needed for Canada's Beef Sector

By David McInnes

Canada's beef sector is at a tipping point. Although the sector generates \$6 billion in farm gate sales and represents 15 percent of the country's total agricultural production, we are at risk of becoming a net importer of beef with the United States.

Our beef and cattle trade with the U.S. is vital but our trade balance is worsening. In 2002, Canada's balance of trade with the U.S. was \$1.4 billion in value. By 2011, it was just \$42 million.

Eighty-five percent of Canada's beef and cattle exports go to the U.S. After processing south of the border, higher-value beef is then exported back to Canada. In 2011, our exports of beef to the U.S. averaged \$3.74/kg whereas average beef imports from U.S. were \$6.55/kg.

Moreover, the Americans are using Canadian supply, known as "backfilling," to expand their own beef exports. Canada is aggressively opening up new export markets but the U.S. is recording triple-digit beef export growth in part because of Canada's supply.

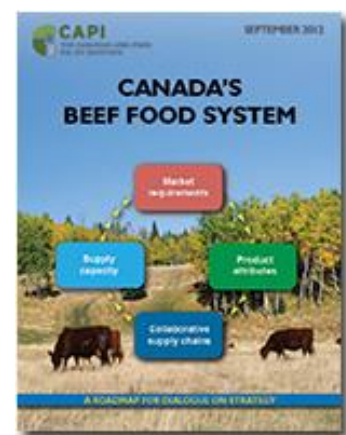
Why does this matter? It is about how we will create economic opportunities in the future.

There is a growing recognition here that we can't optimize the domestic, American, and other foreign markets at the rate we are shipping cattle and beef to the U.S. This is made more challenging given that Canada's national herd size has declined some 20 percent since 2005.

While the data can fluctuate, beef is also facing declining consumption in Canada—10 percent over the past decade. The trend affects many countries, although (importantly) Asia is consuming more beef.

Consumers are choosing other proteins. Responding to changing consumer preferences is pressing. Consumers want to know more about the food they eat. Price is important. But consumers are making protein choices on the basis of perceived healthfulness, environmental considerations, and animal handling practices.

Canada's beef sector has a choice: remain primarily a commodity beef player or strive to be more of a value-added supplier driven by consumer demand.



A new strategy, centred around collaboration, is needed. From producers to retailers, each beef supply chain needs to better utilize and share information on beef performance, grade and yield, market characteristics, and consumer preferences. Other players are integral to support this pursuit, such as in the feed sector, information-technologies, veterinarians, and nutritionists.

This also involves demonstrating "trust." Consumer expectations are rising. People want to know more about the origin of the beef they eat, what the cattle were fed and whether antibiotics were used, among other concerns. Canada's reputation for safety, care, and quality is saleable and we need to fully exploit these aspects.

There is a lot of activity here and abroad to embrace these ideas. The question is whether we are being systematic enough about it so we can beat out our competitors and achieve premium prices for the effort.

Agri-food players in other countries are showing the way. The Australians have reorganized their meat and livestock sector to better respond to consumer and market opportunities across their supply chains. The U.S. dairy industry has launched a major effort to lower carbon emissions and improve productivity by working better together on sustainability objectives. One of the largest integrated beef operations in the UK (Blade Farming) maximizes carcass values, reduces production costs, and delivers consistent beef products to its major retail customers, McDonald's and Tesco.

The Canadian beef sector has also been taking steps to better position itself in this changing marketplace. For instance, the Canadian Angus Program and the Ontario Corn-Fed Beef Program are expanding their reach by relying on cattle identification practices and protocols to promote quality attributes with packers and retailers who, in turn, can assure consumers of the source and quality of their respective beef products.

These examples show that targeting opportunities requires collaboration and a clear focus on strategy. Beef supply chain leaders and their partners need to come together to assess what they can achieve together. A robust dialogue on the objectives is needed. The sector's future prosperity depends on it.

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