

Re-Thinking the Earls Decision

By Anonymous Canadian Cattle Buyer Subscriber, May 2016

Whether one agrees with Earls in their decision to overturn its prior decision to purchase beef from a supplier with a program supporting humane handling of animals or not this issue brings to light greater issues facing the livestock business.

This issue is foodservice and retail outlets are trying to differentiate their products with attributes other than the grading system. This can be displayed with both A&W and Wholefoods. These companies are attempting to improve their bottom-line by appealing to what they believe their customer wants. We in the cattle business are in no position to claim we know how to run their businesses better than their management teams putting these strategies together. Their ambition is not to tarnish the cattle industry in anyway as I am sure they don't probably care about the perceptions their decisions create. Instead their ambition is to generate greater profit and improve market share by appealing to their customer base. Whether we in the industry think customers are disillusioned by non-hormone, natural, grass fed, humane handling or not; attacking businesses such as Earls for trying to appeal to beef consumers is not the answer. In my humble opinion a much better strategy would be to listen to these management teams that are much closer to the consumer than we are, and educate and promote the product we produce.

The Canadian Cattlemen Market Development Council and Legacy Fund has received \$250 million dollars between 2005 and 2015 according to the CCA website. I do not want to be critical of this initiative as I am sure they do a lot of good work, but this is where the industry should focus their concern. These organizations should be identifying what these retailers want and facilitate this with industry.

It appears that there is two points of frustration with industry regarding the Earls decision.

- 1) To source its beef from a Certified Humane Beef Supplier and
- 2) To source its beef from an American supplier

First I question the concern if JBS or Cargill in Canada came out with a ``Certified Humane Beef`` program and paid producers a premium for having a third party audit their practices if industry would be equally rattled. I don't think producers would be frustrated at a packer for creating a program if they had access to it. In fact in the quote on CTV News Calgary, Earls President Mo Jess states ``We want Canadian beef back on our menus so we are going to work with local ranchers to build our supply of Alberta beef that meets our Criteria``.

The idea that having a program for Certified Humane Beef is painting all other producers as inhumane is asinine. I completely understand how livestock producers are offended by even the suggestion they are not humane in the way they handle their livestock. But, the recent reaction over producers and a processor following some third party guidelines bringing light to how they go above and beyond industry standards should not be attacked. If a supplier stated that their suppliers operate with integrity and their operations follow the best practices code designed by industry, does this mean that other suppliers do not. I don't believe so.

Earls must have been attracted to the concept of third party audits as this is the only point of differentiation and the ability to state this. Maybe this is something that industry in Canada should look at, and maybe it is what Earls is looking for with a potential Canadian supply chain. That is likely what they mean when they state in their press release, which says "build our supply of Alberta beef that meets our Criteria". We will see if producers are still upset if Earls follows through with their new position which states they will seek to source beef the "meets their criteria" in Canada.

This brings up the second point of a Canadian retailer or foodservice customer sourcing its beef from a US supplier. The industry just finished spending millions of dollars and thousands of man hours fighting COOL so Canadian beef was not discriminated against in the US. We sell approximately 50% of our product outside of this country. It seems hypocritical for industry to want to have an integrated North American market then throw up its arms when a Canadian foodservice company wants to source its product in the US. In fact our biggest bargaining chip combatting COOL was how important

our market was for US pork and beef. We want to have a healthy live cattle market in Canada where packers pay an equivalent price for cattle as our American counterparts. If the market is truly integrated beef pricing should be near equal with our American counterparts. Doesn't this equate to beef flowing both ways and relationships and service is what determines where product is purchased. In fact for the last 4 years the annual golf tournament for the Alberta Cattle Feeders in Lethbridge has sourced its beef from US suppliers. We can't just want a North American market for selling and not purchasing that is not fair trade. We can compete and we can have an equivalent product and we especially are humane in everything we do.

Let's hope our Canadian packing industry can be receptive to the ever increasing and changing demands of beef consumers and can provide the livestock producers with information and programs that our consumers want. Let's hope that because of the concentration of Canadian packers (2 packers processing virtually 100% of the cattle), let's they are not communicating this is what we produce and this is what you will take, because there will be US packers willing to accommodate Canadian consumers in supplying the beef they wish to sell or buy.