

Seeing Things: A Canadian Cattle and Beef Vision of the Future

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A vision statement can be one of the most powerful tools available to a company. It sets the big picture goal for a business and provides a framework for communication. A well-crafted vision can provide the fuel to empower those in the business to assess their own performance and apply their creativity towards a common goal. On a personal note, coming up with the right vision statement for our ranching operation has probably been the biggest transformational change we have made in the last 20 years and maybe the last 112.

I think this can also be true of visioning for an entire industry. We need to step back and figure out where we want to be in 20 years or we can get buried tilting with the windmills of today. The most important aspect of a vision is that it is aspirational. Once the vision is clear, solving the problems and charting the path forward become the challenge. I am far from capable of visioning the entire beef industry, but I have put together a few thoughts that I would like to leave open for discussion. Rather obviously, each topic could be a long discussion in its' own right, so consider this a brief summary as food for thought...

Cow Numbers

Over the last 15 or so years, our cow numbers have dropped. Current Canfax numbers (July 1, 2018 Cattle Inventory) show the Canadian beef cow herd at about 3,726,000 cows and 670,000 breeding heifers. Part of the vision would be to grow the Canadian beef cow herd to at least 7,000,000 mother cows. This can be done, and this critical mass of cows would enable the Canadian industry to access new markets, increase processing capacity, explore niche markets and drive economies of scale to encourage new technology investment. For example, drug companies require a certain population of animals in order to recoup costs of development of new products. I hope some of my logic and how to is outlined in the next few steps.

Forages

I learned last week that the forage industry is the third largest crop in Canada behind wheat and canola. This could be somewhat disheartening when you consider that we are probably only humming along at 50%. On the other hand, it also means that we could double production easily by employing some basic management such as managed grazing, better mixes or pasture renovations. As well, if we open our minds a bit, we can see forage everywhere (wheat straw anyone?) and cows have the potential to start those nutrients cycling through the system. If you look at the advances our canola and grain farming neighbours have made in the last decade, there is absolutely no reason we should not be demanding that kind of performance from ourselves as forage managers. Better yet, I believe we are the largely undiscovered link in modern crop production to really kickstart the soil health complex.

Genetics and Production

Part of this relies on the R&D/Marketing vision discussed a little later on, but the goal would be to be a world leader in science based genetic selection and management targeted to specific management systems/environments and markets. Canada already punches well above its weight in the field of genomics, but we lag behind in critical areas like assessing carcass trait genetics and planned mating

programs. A lot of the infrastructure is present, but the vision would be to have industry and seedstock data pooled into a structure that allows for selection targeted to match environmental conditions and end market specifications.

Processing

Thanks to some help from Kevin Grier (he has a good newsletter/market report if you don't already subscribe), a rough estimate of federally inspected capacity in Canada is 12,500 per day. If we kill every day of the year (we don't) that gives a total federal capacity of 4.56 million head. Add the provincial slaughter capacity of 2500 per week and we might add another 130,000 per year. This is nowhere near enough capacity to kill 7,000,000 head of beef cattle, so there will need to be a significant investment in processing capacity. This would be a good thing as investment in new technology can improve efficiency, food safety, traceability and ability to market into specific niches. Additionally, interprovincial trade in beef, and harmonization of regulations could allow for expansion of local niche processors as well.

Just based on a straight mathematical calculation we would need to add an additional 50% to our processing capacity, or the equivalent of another Cargill and a half. Ideally these might be suited to smaller scale and more numerous plants, however there are definite economies of scale in the packing business. I think there would have to be a combination of small/moderate scale plants as well as upgrades and expansions to existing plants. The key is to foster an environment that promotes smart investment in facilities.

Livestock Marketing

A good vision would be that 95%+ of all beef operations are marketing and participating on a standards and source verification based system. An example that many of us would be familiar with would be Verified Beef Production and the VBP+ brand. Further 85%+ of the beef marketed should be process verified. In my vision of the industry there are several types/categories in the beef space. This includes conventional grain finished, but also grass finished, organic and other market specific niches that may not even have been considered yet. I would like all primary producers to receive feedback on their cattle specific to their end market. This would allow for increased efficiency in meeting these niche or product specific markets. In this vision of the industry, live calves would be worth a specific amount and premiums would be allocated back on the cattle from end use profits. There are different ways to structure and/or achieve this type of goal, but it is one that I believe should be on our list.

A simple way to state the goal here would be that every producer would be able to state what market their cattle are targeted towards and how they meet that target.

R&D and Beef Marketing

I think we need at least a \$10 investment per cow. I think the case can easily be made to garner matching funding. We know the funding model is a declining contribution from government over time, but let's realistically target a 50:50 contribution. With 7,000,000 beef cows that gives us a \$70,000,000 annual pot that would be matched up to \$140,000,000. This is a lot of money, but if we are going to be serious about driving things forward, we need to think big. To be honest, I am not sure this is even a high enough number. I would argue that half of this should go for marketing and half for research. Potentially with provincial investments/universities/other industry funds the R & D budget could be boosted to \$105,000,000 and I think that should be a goal. Some help from the great folks at the Beef

Cattle Research Council shows a conservative estimate of the current R&D budget in Canada of roughly \$21.2 million per year. Again, we punch well above our weight in this area, but if we want to be serious we need to grow this budget dramatically.

I think a good target for research is that at least 12.5% of this would be for “pure research” and the remainder on applied/practical research. “Pure Research” would be those things that may not have a direct practical application, but answer many of the why/how questions about parts of the production system. For example, examining the action of a specific gene may not directly result in an applied technology at the producer level, but may lead to advancements in beef production science. These are exploratory types of questions that we need to continue to ask. I think that we need to have at least 4 world class meat scientists in Canada, a serious effort on forage production, investment in system research, ecology work and a big component of genetic work both quantitative and qualitative. Don’t worry economists, we also need a good infrastructure around systems, market and economic analysis.

I am not sure what percentage needs to be used for extension/education and technology adoption, but I think 12.5% is a good starting point, that could be leveraged into industry service/product suppliers. As an industry I believe we need to target at least a \$50 per cow per year reduction in the cost of production at the cow calf level. Recent work shows the cost of weaning a calf at nearly \$1000 per cow per year. A \$50 reduction equates to 2.5% of the cost of production. Basically, we require that dramatic of an impact just to keep pace with inflation at the cow/calf level. That requires research, extension and a willingness to receive and deploy the research at farm level. We need this type of efficiency gain on the feeding side as well with new techniques, technologies, varieties and the list goes on.

On the marketing side, I believe that part of this investment is being serious about trade. If anyone has had a chance to visit the Beef Centre of Excellence in Calgary, it is a fabulous investment. I think that this is a good model to have in the country of every major trading partner. Marketing and trade investments are often “soft” and difficult to quantify, but part of an aggressive trade strategy is being aggressive marketers. This also ties back to having enough of a cow/processing capacity to meet these markets if/when they are secured.

As well, these funds would help to secure domestic marketing and advertising to ensure that the Canadian public gets a clear message about the power of cows to protect grasslands and convert unusable forages and acreage into high quality protein.

Get Serious about Trade

There are obviously several paths available when discussing the future. The one I envision, includes trade. In terms of our population, if we do not engage in trade, then we need to dramatically downsize our cowherd. Personally, I favour smart trade. I would envision a target of less than 50% of our exports going to the US marketplace. If we look at our Canadian resources, relative to our population demographics, then I think we need to be active traders. If we were to expand the cowherd to 7,000,000 then we could meet all of our current commitments to US customers and still hit our 50% target. That said, I am not so naïve as to believe that beef won’t flow to the either the highest value or easiest market, so the trade efforts will require some serious effort. I think our trade policy needs to be astute, aggressive and non-apologetic. This rubs many the wrong way, as it is almost “non-Canadian”. I lean a little bit to the side of making commitments and then meeting them (in that order). There is no better way to learn how to swim than to dive right in. We will continue (I hope) to see live cattle trade with the

US and this is an important component of the industry. It also provides needed processing capacity, and may provide potential for Canadians to participate in already developed or developing markets that more quickly than may be accessible with a strictly Canadian approach. In other words, just because the cattle are processed or sold in the US does not mean a Canadian operation can not have a clear stake in the end product.

Regulation

This is a big one, and we are starting to see real obvious impacts from regulation that we can't ignore. The best recent example is the new antibiotic regulations for livestock and the need to a Veterinary Client relationship.

Regulatory inefficiency is currently very damaging to the Canadian industry, although I might argue that the intent in most cases is not all bad. We do need to regulate antibiotic use for example, however we also require clear, concise regulations with a consistent application. Regulatory approval for new processors has also represented a real bottleneck for the industry over the last 15 years (I know as I lost a lot of money learning this lesson). The same is true for new livestock products and feed labels. Regulations need to be outcome based, but compliance should allow for creativity and demonstrable achievement. In other words, we want to regulate the outcome but not the process to achieve it. If a specific process results in meeting the desired outcome in a safe/humane fashion and is scientifically valid it could/would receive approval.

In this vision the CFIA and Health Canada would have some synergy, reduced overlap and a clear mandate and accountability structure. This could result in clear criteria for new ventures such as veterinary drug approval or packing plant development.

Additionally, in my regulatory wish list would be clear boundaries between provincial and federal jurisdictions and parity of provincial regulations across the country. For example, I know that I have eaten beef from provincially inspected plants across much of Canada and have felt safe doing so. It should not be onerous to expect that same beef could trade across provincial lines and that food safety regulations could be harmonized. The same applies to environmental regulations, with some leeway for specific local conditions and issues such as rainfall levels. The outcomes and processes to licence a new Intensive Livestock Operation should be similar/logical across provinces with some regional common sense.

Risk Management

Let's face it, a lot of the risk management tools available to cow folks are poor in comparison to our grain producing neighbours, but they don't need to be. WLPPI has been a great start and addition to managing market risk, but there are a lot of other production risks that are not covered. The truth is that in a systems approach, cows are actually a very good risk management tool as they can thrive in many environments and add value to poor quality feeds. My vision here would be that the cow/forage programs and the grain programs would have some synergy. For example, if a grain producer were hauled out, they would be given a much more immediate option to salvage a crop for feed, rather than being forced into combining a crop with limited economic value. I would also envision forage programs with flexibility to graze and with higher payout values available for forage crops. If we are able to double forage production through management, then surely the insured value should be able to be increased.

Part of risk management is traceability and although we have a good traceability system in place, I would envision it being much more automated/streamlined and also contain a DNA component so that there could be traceback right from the end product on the plate. This traceability could also be of great value to the genetic selection and management efforts of the industry moving forward.

Contribution to the Economy

Canadian Beef Fast Facts shows the contribution of the beef industry to the Canadian economy at roughly \$16 billion per year. If we take that number and divide by the number of beef cows (3.83 million) it works out to a contribution to the economy of \$4177.55 per cow. If we further extrapolate this to encompass the vision of 7 million beef cows and added value through trade, I think that a reasonable target would be to shoot for at least \$4500 per cow. That equates to a \$31.5 billion contribution, basically double what we do today. I think that would put beef into the big leagues with government and the public. To give some context, dairy was just under \$20 billion in 2016^a and canola is at \$26.7 billion^b total contribution to GDP.

Farmer Demographics/Education

I debated this one a long time and think that it belongs at the end. The only way I see to progress towards the “people” goals is to build a vibrant, profitable and challenging industry. That said, it also takes people to accomplish the tasks to create that industry.

The average age of agricultural producers according to the last census is 55. For the purpose of visioning, I think this age needs to be roughly 45 years old. That means there is still room for older producers, but we need a real drive to increase youth in the industry. This creates energy, but also drives innovation as young businesses often operate with different debt loads, cash requirements and ideas than equity rich established entities. As well, a demographic shift means that more young families are involved with more potential future farmers in the works. Youth in agriculture also provides an important direct link to our educational system and brings farming/ranching back into the collective discussion. On the marketing side as well, moms are a much more powerful force than cowboys when it comes to connecting with the public.

If we are to become a global powerhouse in the beef space, then I think we need to make serious investments in ourselves as producers. This does not necessarily mean a University degree, although certainly I think that the number of industry participants with a degree will increase. It does mean investing in business training, production training and understanding of the industry and our specific market for our cattle.

The Vision (or Something Like That)

The actual hardest part of the vision for our ranch was distilling it down to its essence. A good rule of thumb is that a vision statement should be less than 20 words, and preferably under 10. It should also be clear and understandable and should transcend time. So roughly, what I see as a vision for the Canadian industry:

A world leading industry that provides real value to customers and Canadians.

I appreciate that there are a lot of roadblocks to this vision and it is easy to dismiss the possibility of any of this occurring. I also appreciate that there are a tremendous number of visionaries in the industry.

The rough vision I have outlined here may not fit with everyone's ideas of the future (see the first paragraph). I do however think that we need to get serious about aspirational goals and vision so that we can chart a path forward and tackle issues proactively. Hopefully this article can invoke some discussion and visioning in your own operation as well.

- a. <https://www.dairyfarmers.ca/what-we-do/our-economic-contribution>
- b. <https://www.canolacouncil.org/markets-stats/industry-overview/economic-impact-of-the-canola-industry/>

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