



Beef Facts



Farm Credit Canada
Advancing the business of agriculture

Canada



Beef Facts

Overview

Cattle inventories fell 3.4 per cent from 2009 with the cattle herd reported as just under 12.5 million head for 2010. Cash receipts for cattle and calves rose 9.5 per cent in 2010 mostly due to rising average prices. In 2010, Canada exported 50 per cent of the total beef and cattle produced in Canada. Canadian beef exports were valued at \$1.42 billion in 2010 compared to \$1.26 billion in 2009. This is still significantly under the 2002 high of \$4 billion. With declining inventories and improvements in the world economy, cattle prices are expected to rise over time.

Additional information is available at www.statcan.gc.ca, www.inspection.gc.ca, www.canfax.ca, www.agr.gc.ca.

Canada is home to five major breeds of cattle including Angus, Hereford, Charolais, Simmental and Limousin. There are also smaller populations of other breeds. Each breed has unique characteristics related to size, growth rate, feed conversion, carcass structure and adaptability. We are recognized worldwide for the high quality of our breeding stocks. For more information, visit the Canadian Beef Breeds Council at www.canadianbeefbreeds.com.

Key issues and initiatives

Country of origin labelling (COOL)

The 2002 U.S. Farm Bill includes a controversial provision mandating country of origin labelling for a range of agricultural products, including beef. The controversy centres around concerns expressed by the livestock and red meat industries that COOL will be a costly regulation with little or no benefit for their sector. The mandate took effect September 30, 2008. Under COOL, retailers must clearly display the country of origin at the final point of sale. COOL is exempt in food service establishments such as restaurants, cafeterias, food stands and similar facilities.

Five product label categories for beef sold in retail in the U.S. are:

- beef from cattle born and raised in the U.S. may be labelled as U.S. beef (Label A)
- beef from cattle born in Canada and raised in the U.S. may be labelled as U.S./Canada (Label B)
- beef from cattle imported from Canada to the U.S. for immediate processing must be labelled as Canada/U.S. (Label C)

Canadian beef operations¹

	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.B.	N.S.	P.E.I.	N.L.
Total beef farms	4,167	20,513	12,234	7,544	11,042	4,683	547	717	381	54
Cattle inventory (000s)	584	5,641	3,254	1,336	1,315	857	158			

¹Source: Cattle inventory numbers courtesy CanFax statistical briefer July 2009, total beef farm numbers from Statistics Canada 2006 Census

- beef imported to the U.S. from Canada must be labelled as Canada (Label D)
- ground beef must be labelled with a list of all reasonably possible countries (Label E)

Typically, Canada exports 1.2 to 1.5 million head of live cattle and 310,000 tonnes of beef to the U.S.; however, disruption to trade occurred immediately with the implementation of the new regulations. Previously, U.S. plants would buy Canadian cattle due to geographical closeness when U.S. supplies were short. Reaction from U.S. packing plants include: 1) taking only U.S. (Label A) cattle, 2) designating certain days for slaughter of Canadian Label B or C cattle to separate labelling, and 3) purchasing discounted Canadian cattle for grinding or foodservice where COOL is not required. Today, most meat packing companies refuse to accept Canadian cattle because of increased tracking and processing costs. Current COOL regulations add huge costs and red tape to Canadian beef and pork exports heading south, creating undue trade restrictions to the detriment of Canadian exporters. The resulting lower prices and increased shipping costs result in a loss of \$90 per animal. The estimated cost of U.S. mandatory COOL to Canada's cattle industry is an annual loss of \$400 million.

Canadian beef and pork trade organizations have been lobbying government to be vocal about the need for COOL to be compliant with NAFTA and WTO. Mexico also initiated trade action against the U.S. regarding COOL. The Canadian government, supported by producer organizations, is still involved in ongoing hearings with the World Trade Organization with a final panel report scheduled for July 2011. As of May 2011, a preliminary report cites that the WTO panel agreed that the COOL requirements violate provisions of WTO's Agreement on Technical Barriers to Trade. The panel agreed that imported cattle and pork from Canada and Mexico are being treated less favourably than cattle and pork of U.S. origin as a result of COOL requirements.² To benefit the long-term sustainability of the industry, Canada wants the U.S. to adopt greater flexibility in how COOL is administered, and to treat Canadian hogs and cattle as favourably as U.S. animals.

Learn more about COOL at:

- www.ams.usda.gov/AMSV1.0/countryoforiginlabeling
- www.cattle.ca/taking-action-against-mcool
- www.meatcool.info/summaries.htm

Beef value chain

A beef value chain is an alliance of enterprises collaborating vertically to achieve a more rewarding market position. Value chains allow businesses to respond to the marketplace by linking production, processing and marketing activities to market demands. Expanding the Canadian cattle sector depends on forming value chains.

Some in the industry – and the Alberta government – require beef value chain alliances in new projects. Examples include Spring Creek Premium Beef, Canada Gold Beef, Canadian Beef Advantage, and Alberta Livestock Meat Agency (www.alma.alberta.ca).

The Verified Beef Production program helps guide the standards of practice for cattle producers that trace from gate to plate.

These initiatives show traceability through all points of the value chain, provide competitiveness in the industry and create future self-reliance. Ultimately, all players in the value chain will reap the benefits from the added value they provide while marketing and meeting consumer demands.

To enhance information-sharing throughout the value chain, the Canadian Cattlemen's Association developed the Beef InfoExchange System (BIXS). For several years, producers across Canada have identified the potential in capturing, exchanging and tracking specific animal data with the individual electronic ID tags required in all beef cattle leaving the herd of origin. BIXS improves communication and individual animal information-sharing across the entire beef chain. The BIXS system was rolled out to cow-calf and feedlot producers across the country in early fall 2010. The system is still in development.

²Source: Canadian Cattle Buyer May 2011.

Read more at:

- www.bixs.cattle.ca
- www.agfoodcouncil.com/initiatives/value-chains.aspx
- www.canadagoldbeef.ca
- www.verifiedbeef.org

Biosecurity/bovine spongiform encephalopathy (BSE)

Biosecurity refers to protecting the health of livestock by preventing the transmission of disease. Any disease that could jeopardize the health of animals represents a threat to the economic viability of the farm and the welfare of the herd. See www.inspection.gc.ca/english/anima/disemala/disemalae.shtml.

In May 2003, the Canadian Food Inspection Agency (CFIA) concluded the investigation of BSE, commonly known as mad cow disease, found in a cow from an Alberta farm. The case was detected through Canada's BSE surveillance program.

BSE is a progressive, fatal disease that attacks the nervous system of cattle. No treatment or vaccine is currently available. Positive confirmation of this disease cannot be made while an animal is alive. Development continues on research for live testing. In summer 2007, the CFIA implemented enhanced rules around specified risk materials (SRMs) relating to BSE. With the new rules, CFIA tracks and maintains continuous control over SRM and ensures that it does not enter livestock feed, pet food or fertilizer.

Information is available at:

- Canadian Food Inspection Agency
<http://inspection.gc.ca/english/anima/animae.shtml>
- Canadian Cattlemen's Association
www.cattle.ca/what-is-bse

BSE had a significant economic impact on Canadian cattle producers and related industries when trade restrictions were implemented by importing countries. The U.S. Department of Agriculture (USDA) published the final minimal risk rule on November 19, 2007, which allows live Canadian

cattle born on or after March 1, 1999, into the U.S. for breeding or for slaughter and beef products, providing the age of the animal can be accurately verified.

Age verification

The Canadian Cattle Identification Agency administers a voluntary age verification program in which producers can register birth information about their cattle. For more information, go to http://canadaid.com/age_verification/age_ver.html.

Many of Canada's trading partners already request age verification as a prerequisite for export. This demand will increase as traceability becomes more important. In 2008, the Alberta government implemented an initiative on mandatory age verification, in addition to rolling out a long-term strategy for the Alberta beef industry. Learn more at www.alma.alberta.ca.

The biofuel industry

The emergence of the biofuel industry has impacted the red meat sector. Biofuel production creates competing demand for corn and wheat, traditional cattle feed. Feed costs represent over 80 per cent of the cost of gain in the cattle feeding industry. Another concern is the potential conversion of pasture and grassland into grain production. On the other hand, ethanol production creates a byproduct called distillers grain, which is a high-protein, low-energy feed best suited for ruminants. Although it's not nutritionally complete, ethanol makers and others are working to develop new feed blends to provide beef producers with new options.

Exchange rates

There is a close relationship between Canadian beef prices and the Canada-U.S. exchange rate. If the exchange rate increases, the Canadian price decreases and vice versa. Historically, for every one per cent change in the exchange rate, cattle prices move by a little over one per cent in the opposite direction. A strong Canadian dollar has a significant impact on cattle prices in Canada and on cattle exports.

Intensive livestock operations (ILOs)

Specialization in agriculture has changed the way farms are perceived within the rural community. Larger livestock facilities and the increasingly common geographic concentration of single-industry operations such as cattle feedlots increase attention on these sectors and raise concerns about potential damage to the environment. Learn more about ILOs at www.nrcb.gov.ab.ca/cfomain/default.aspx.

Environment and food safety

Over the past decade, environmental and food safety issues have emerged as a top consumer concern. The evolution of the livestock industry toward more intensive structures has placed more responsibility on individual producers to implement sound environmental management practices. Check provincial websites for environmental and food safety issues.

The Canadian Cattlemen's Association has developed an environment and stewardship program. Visit www.cattle.ca/cattle-producers-and-the-environment to find out more.

Animal welfare

Animal welfare supports the principle that animals deserve the best care that can be given and that all attempts should be made to provide as high a quality of life as possible. For in-depth information, visit www.landfood.ubc.ca/animalwelfare.

Operating in the beef sector

Cattle basics

Phase 1: Cow-calf operations

Cow-calf operations, which are based on each cow producing one calf per year, cow-calf operations are the starting point for commercial beef production. Producers traditionally breed their animals over the summer and calving occurs nine months later. Calves are typically weaned from their mothers between September and November, when they reach a weight of about 450 to 600 pounds. Since income is based on selling calves, successful production depends heavily on animals receiving proper care and nutrition.

Phase 2: Backgrounding

Backgrounding is the process of feeding younger, weaned calves a high-forage diet, either in a feedlot or on a pasture, increasing their weight to around 700 to 950 pounds. Once these cattle reach the desired weight, they move to the feedlot finishing phase.

Phase 3: Feedlot finishing

Today, highly specialized feedlots grow most cattle to market weight. Feedlots can range in capacity from a few hundred head to tens of thousands. Feedlot owners either purchase calves or feeder cattle from cow-calf and backgrounding operations or custom-feed cattle for clients on a fee-for-service basis. Depending on how much they weigh when they enter the feedlot, cattle are usually ready for market at 12 to 24 months of age and weigh between 1,000 and 1,300 pounds. There are regional differences in feedlot finishing operations. With the majority of the beef herd, Western Canadian feedlots are much larger than those in Eastern Canada. In Ontario and Quebec, feedlots range in size from 50 to 10,000 head, and cattle are often fed in barns, rather than outdoors as in the Western provinces.

Cattle cycle

Producers are affected by the North American beef industry cattle cycle, a biological-economic phenomenon that relates to the cyclical rise and fall of cattle populations. Finished beef is a commodity, so global supply and demand largely determine the price. Canadian and American cycles are parallel and typically occur every nine to 11 years. The cycle consists of three stages: consolidation, expansion and liquidation.

- www.canfax.ca/reports/downloads/special/cycle%20book%20order%20form.pdf
- <http://beefmagazine.com/business/harlan-hughes/>

Market information

Weekly, monthly and yearly information on the cattle market helps you evaluate trends and potential impacts on your farm businesses. For more financial, marketing and production information, visit these sites:

Canfax Weekly Report

www.canfax.ca

Alberta Cattle Feeders' Association

www.cattlefeeders.ca

Chicago Mercantile Exchange

www.cmegroup.com/trading/commodities

Manitoba Commodity Prices

www.gov.mb.ca/agriculture/news/markets/index.html

Saskatchewan Cattle Market Update

www.agriculture.gov.sk.ca/cattle_market_update

Alberta Cattle Market Update

[www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/sis5430](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/sis5430)

Links to auctions across Canada

www.canfax.ca/AuctionMarkets.aspx

International cattle industry overviews

The U.S. Department of Agriculture offers excellent information about the global cattle industry.

Articles provide a summary of cattle industry data from the USDA FAS Livestock and Products Semi-Annual reports. Visit www.fas.usda.gov.

National regulation and code

Livestock care codes of practice are the national guidelines for the care and handling of different types of livestock. Check www.nfacc.ca.

A check-off fee is a national uniform levy of \$1 per head collected to fund research, promotion and market development of the Canadian cattle industry. Learn more at www.cattle.ca/ccanational-check-off.

The Canadian Cattle Identification Program is an industry-led initiative designed to promote beef consumption through assurance of efficient trace-backs and containment of serious animal health and food safety problems. Read more at www.canadaid.ca.

Processing

Canada's meat processors produce a variety of meat products including fresh, frozen, processed, smoked and canned.

The slaughter sector underwent major structural changes in 2004 and 2005 when Canada was not able to export live cattle due to trade restrictions caused by BSE. There was a need to process the large numbers of animals coming to market. In 2010, cattle slaughter totalled 3.7 million head, up 0.9 percent from 2009 but lower than 2008 figures by 2.9 percent. Slaughter plant capacity in Saskatchewan was reduced in 2010 due to a plant closure. Combined with the negative effects of COOL and the strong Canadian dollar, exports of live cattle to the U.S. continue to dwindle, which could result in future capacity changes.

In 2010, Maple Leaf Foods announced a major reorganization to reduce costs and improve profit, resulting in 23 planned plant closures over the next five years. The company expects its planned consolidation will help it remain competitive.

Regulations for processing beef in Canada also changed post-BSE. Tissues that may contain the BSE agent and transmit the disease are removed from all cattle at slaughter as a precautionary measure. The removal of this specified risk material (SRM) prevents tissues capable of spreading BSE from entering the food chain. This policy is recognized by Health Canada as having the most direct impact in protecting human health. However, it has also added costs for Canadian beef processors.

In early 2009, Lakeside Packers in Brooks, Alta. was sold by U.S.-based Tyson Foods to Canadian-based XL Foods. Slaughtering 4,700 head per day, the Lakeside facility is one of the largest in the country and is the first mega-plant in Canada to be owned and operated by a Canadian company. Canada has slaughtered an average of 3.9 million head per year for the last five years. While the Brooks plant remains open, XL Beef and XL Meats in Calgary are closing in 2011.

Processors in the red meat market fall into two categories:

- large-scale mega-plants that compete on volume, cost and the ability to sort and market products by quality to a range of large-scale retail, institutional and food service buyers
- specialty niche or regional plants that offer a unique difference that's not easily copied

The vast majority of the red meat market is supplied by mega-plants, and the two largest beef processors in Canada are in Alberta. The Ontario and Quebec market is dominated by one large regional processor. Specialty niche plants are also found within the beef sector, where small-scale operations sell branded products.

Significantly, beef mega-plants are rapidly introducing brands that include natural and organic products and this will have an impact on the smaller players.

Grading

Grading is administered by the Canadian Beef Grading Agency and provides a reliable reference

point between seller and buyer. First, beef is inspected to make sure it meets Canadian food safety standards. Then, carcasses are grouped according to uniform groups of similar quality and value. Grading allows buyers to be assured of quality and yield for particular carcasses. It also determines payment to cattle producers. Grades are assigned on the basis of tenderness, juiciness, consumer acceptability, shelf life and yield of a carcass. Prime, AAA, AA and A are the highest quality Canadian grades and represent 94 per cent of all graded beef. Learn more at www.beefgradingagency.ca.

Provincial and federal contacts

Provincial cattle and beef producer associations provide leadership to cattle producers from all sectors of the industry.

To find out more, visit

- www.cattle.ca/members-sponsors-provincial-members
- www.canadianbeefbreeds.com/index.php?option=com_content&task=section&id=6&Itemid=28
- www.canfax.ca/Links.aspx

Canadian Cattlemen's Association (CCA)

represents every phase of the production system and is involved in a wide range of industry issues. Visit www.cattle.ca.

The Canadian Beef Export Federation (CBEF)

is an independent, non-profit organization committed to improving export results for the Canadian cattle and beef industry. Learn more at www.cbef.com.

The Canadian Meat Council (CMC) is Canada's national trade association of federally inspected meat packers and processors. Visit www.cmc-cvc.com.

Check out FCC's Red Meat Market Assessment, produced in partnership with Toma & Bouma Management Consultants and the George Morris Centre. Go to www.fcc-fac.ca/en/LearningCentre/Knowledge/doc/Red_Meat_Assessment_2008_E.PDF.

Looking for more information?

We have financial guidelines for the beef sector that can help you make decisions. If you're an FCC customer, simply visit www.fcc.ca, log into FCC Online Services and click Sector Guides in the Management Resource Centre.

If you're an FCC customer but not registered for FCC Online Services, you can register now at www.fcc.ca.

Want more management insight? Give us a call at 1-800-387-3232. Our Relationship Managers and subject matter experts can help.

Disclaimer

This study is for educational and general reference purposes only. The authors attempted to provide accurate and useful information and analysis. However, FCC cannot and does not guarantee the accuracy of the information contained in this study. FCC assumes no responsibility for any actions or decisions taken by any reader of this report based on the information provided. It is not intended to be used as a substitute for specific professional advice.

Cette publication est aussi offerte en français.



Farm Credit Canada
Advancing the business of agriculture

Canada

