BVCRT Research Workshop Industry Update

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CCA
CANADIAN CATTLEMEN'S ASSOCIATION

National Voice Of Cattle Producers

Industry Priorities

1. Industry Profitability
   - Competitiveness
     - Production competitiveness
     - Regulatory competiveness
   - Market access
   - Value creation
   - Innovation
2. Advocacy - Positive Public Attitudes
   - Positively positioning the importance of cattle producers and the beef cattle industry
   - Public Confidence
3. Crisis Management Preparedness

NATIONAL STRATEGY
Strategy Pillars & Goals

beefstrategy.com

- Connectivity
- Productivity
- Competitiveness
- Beef Demand

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

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

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

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

Strategy Vision & Mission

VISION

- A dynamic profitable Canadian cattle and beef industry

MISSION

- To be the most trusted and competitive high quality beef cattle producer in the world recognized for our superior quality, safety, value, innovation and sustainable production methods.

Beef Demand:
Increase carcass cutout value by 15%

Focus areas:

1. Domestic and Global Marketing
2. Market Access
3. Validate and Enhance the CBA
4. Consumer Confidence
5. Social License

Competitiveness: Reduce cost disadvantages compared to main competitors by 7%

Focus areas:

1. Supportive Regulatory Environment
2. Access to Competitively Priced Inputs
3. Maintain and Enhance Research Capacity
4. Sustainability

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

Productivity:

Increase production efficiency by 15%

Focus areas:

1. Genetic Selection
2. Research and Development
3. Technology Development and Adoption
4. Enhance Information Flow

Connectivity Outcomes

1. Effective delivery of Crisis and Issues communications/ coordination within industry
2. Development of a **Reputation Management** and Issues Management strategy
3. Increase number of future leaders and advocates for the beef industry
4. Increase stakeholder engagement, coordination and relationships (inc consumers, government, industry partners)

The Canadian Beef Industry Outlook

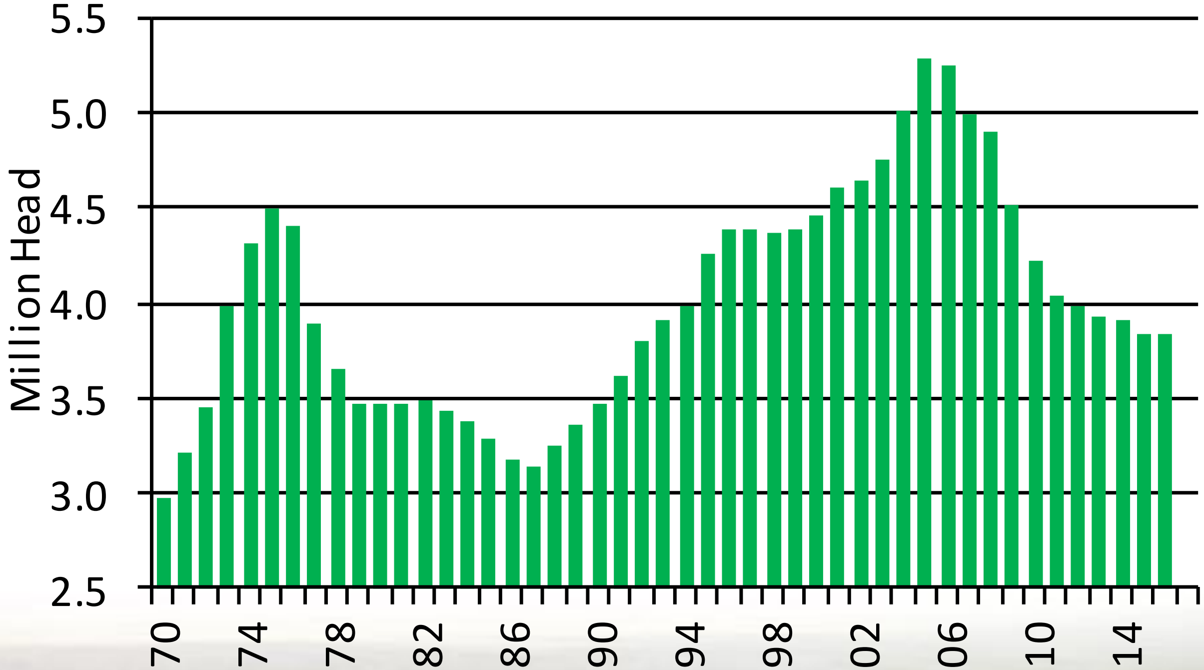
Canadian cattle herd steady

January ‘16 beef cow inventories steady at 3.83 million

Total inventories +0.3% to 12 million

Canadian Beef Cow Numbers

January 1

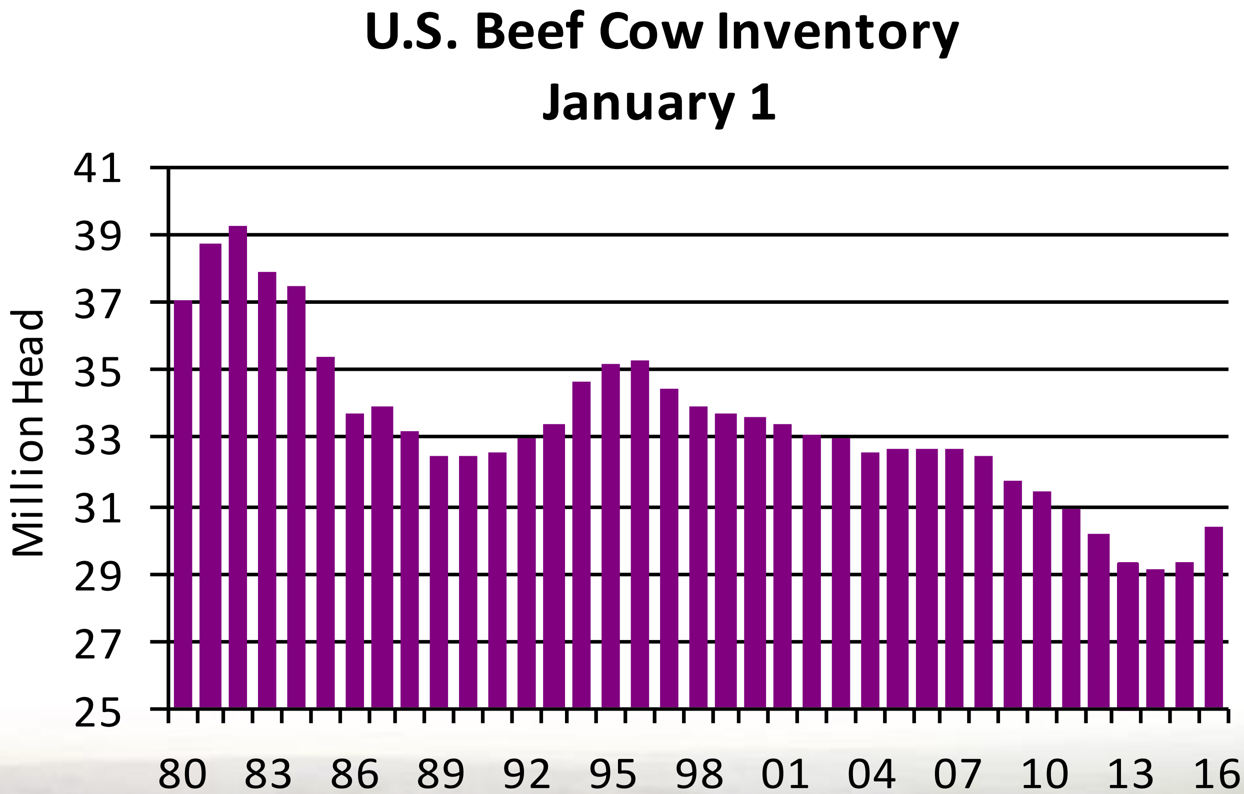


Source: Statistics Canada

U.S. cattle herd expanding

January '16 beef cow inventories +3.5% at 30.3 million

Total inventories +3.2% to 92 million



Source: USDA, Cattlefax

Calf prices lower

Grow the Herd

- Cattle cycle indicators signal slight shift toward Canadian herd expansion
- To sustain expansion, producers need to be confident that price signal will not disappear over the next 2-3 years
- Canadian expansion lagging behind U.S.
- Profitability driven by production efficiency, beef demand and market expansion will be key factors to growth

Production Competitiveness

- Animal Heath and Welfare
- Feed Grains and Feed Efficiency
- Forage and Grassland Productivity
- Animal performance
- Genetic Leadership
- Access to technology and public acceptance
- Verification tools that will efficiently meet growing customer requirements

Grow the Market

- Export Market access opportunities offer growth
- Domestic market is our most secure and largest market but is changing
- MCOOL is gone – North American market normalization – opportunities for regulatory cooperation

Canadian Beef
Variety Meats Merchandising Guide

Head/Neck

Face Mask 1700
Face Mask
Face Mask Burned
Face Mask Sliced

Head Meat 1702
Head Meat
Head Meat Pieces

Cheek Meat 1703
Cheek Meat
Cheek Meat Trimmed
Cheek Meat Diced

Lips 1704
Beef Lips
Beef Lips Trimmed
Beef Lips Shredded

Salivary Glands 1707
Salivary Glands
Salivary Glands Sliced
Salivary Glands Minced

Tongue 1710
Tongue
Tongue Root
Sliced Tongue
Tongue Root Butterfly Cut
Tongue Tip
Tongue Crown Skinned
Tongue Root Strips

Weasand 1719
Weasand
Weasand Portioned

Trachea 1720
Trachea
Trachea Pieces
Trachea Portioned

Fancy Meats

Lungs 1721
Lungs
Lung Diced

Sweetbreads 1722
Sweetbreads
Sweetbreads Diced
Sweetbreads Butterfly Cut

Heart 1723
Heart
Heart Sliced
Heart Diced

Liver 1724
Liver
Liver Skinned and Deveined
Liver Sliced
Liver Diced

Aorta 17230
Aorta Raw
Aorta Open Cut
Aorta Thick Rings
Aorta Cooked
Aorta Strips
Aorta Thin Rings

Kidney 1728
Kidney
Kidney Sliced
Kidney Diced

Spleen 1730
Spleen
Spleen Sliced Thick
Spleen Sliced Thin

Tunic Tissue 1763
Tunic Tissue
Tunic Tissue Sliced
Tunic Tissue Pieces
Tunic Tissue Strips

Hanging Tender 1765
Hanging Tender
Hanging Tender Sliced
Hanging Tender Skewers
Hanging Tender Butterfly

Viscera

Pancreas Gland 1729
Pancreas Gland
Pancreas Long Cut
Pancreas Short Cut

Paunch 1737
Paunch
Paunch Pieces
Paunch Thin Strips

Honeycomb Tripe 1739
Honeycomb Tripe
Honeycomb Tripe Bleached
Honeycomb Tripe Bleached and Trimmed
Honeycomb Tripe Strips
Honeycomb Tripe Sliced
Honeycomb Tripe Square Pieces
Honeycomb Ridge

Mountain Chain 1740
Mountain Chain Tripe
Mountain Chain Tripe Skinned
Mountain Chain Tripe Pieces
Mountain Chain Tripe Skinned Pieces

Omasum Bible Tripe 1741
Omasum Outside
Omasum Inside
Omasum Sliced
Omasum Shredded

Small Intestine 1743
Small Intestine
Small Intestine Open Cut
Small Intestine Portioned

Large Intestine 1744
Large Intestine
Large Intestine Inverted
Large Intestine Strips
Large Intestine Inverted Diced
Large Intestine Open Cut

Bung Cap (Cecum) 1745
Bung Cap (Cecum)
Bung Cap Strips
Bung Cap Portioned
Bung Cap Open Cut

Abomasum 1746
Abomasum
Abomasum Sliced
Abomasum BBQ Cut

Rectum 1747
Rectum
Rectum Pieces

Variety

Testicle 1751
Testicles
Testicles Skinned
Testicles Thick Sliced
Testicles Butterfly Cut

Pizzle 1752
Pizzle
Pizzle Pieces
Pizzle Portioned

Back Strap 1761
Back Strap
Back Strap Pieces
Back Strap Strips

Skirt Membrane 1764
Skirt Membrane
Skirt Membrane Pieces
Skirt Membrane Sliced

Skirt Sinew 1766
Skirt Sinew
Skirt Sinew Thin Strips
Skirt Sinew Thick Pieces
Skirt Sinew Strips

Beef Feet 1780
Beef Feet Long Cut
Beef Feet Medium Cut
Beef Feet Short Cut
Beef Feet Portioned

Flexor Tendon 1781
Achilles Tendon 1783
Achilles Tendon
Flexor Tendon
Flexor Tendon Sliced
Achilles Tendon Thick Sliced
Achilles Tendon Sliced

Marrow Bones 1789
Marrow Bones
Marrow
Marrow Bones Cut

Oxtail 1791
Oxtail
Oxtail Disjointed
Oxtail Butterfly Cut

Fabrication Specifications
Saw Cut
Shredded / Minced
Skewered
Butterfly Cut
Open Cut
Extra Thin Slice 2 - 3 mm
Thin Slice 4 - 7 mm
Medium Slice 8 - 15 mm
Thick Slice 16 - 20 mm
Extra Thick Slice 21 - 31 mm
Diced Cut
Pharmaceutical

Cooking Methods
Grilling Broiling
Pan Fried
Slow Cook Steam
Breaded Fried
Stir Fry
Soup
Stewing
Hot Pot

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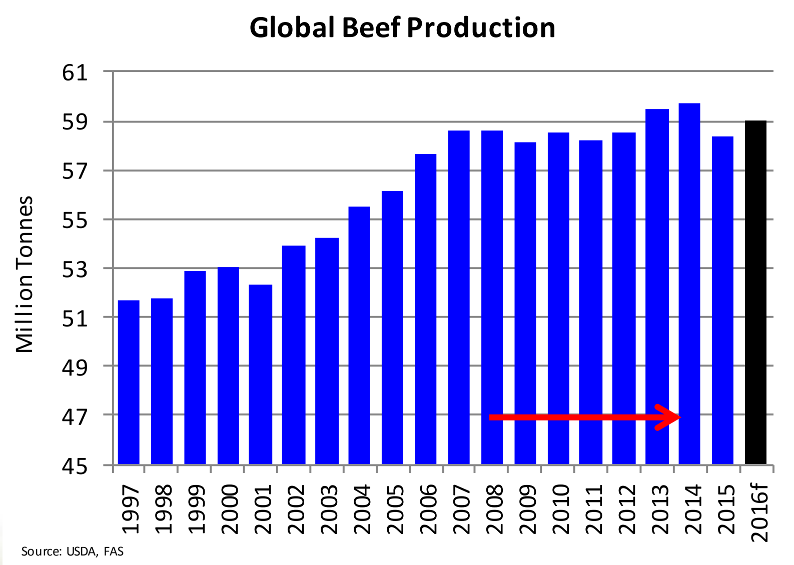
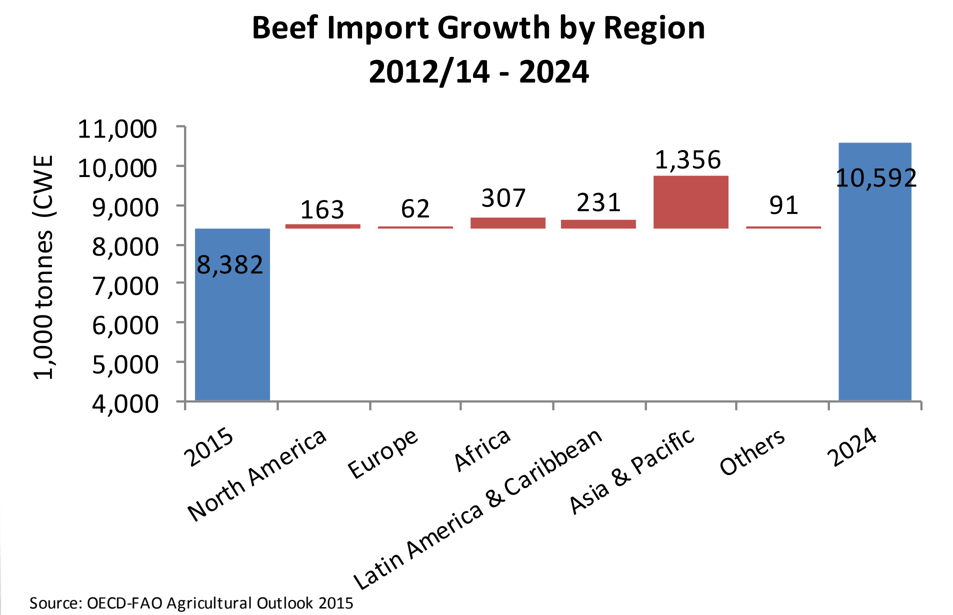
Canada Beef

Global Opportunities Trade

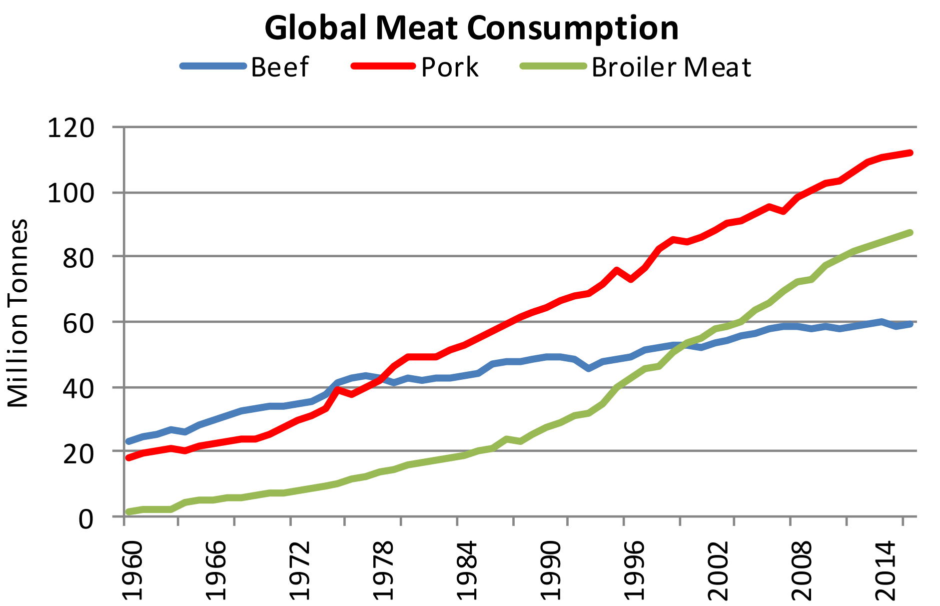
- Flat global beef supplies
- Import demand from developing countries
- Strong prices in the global market



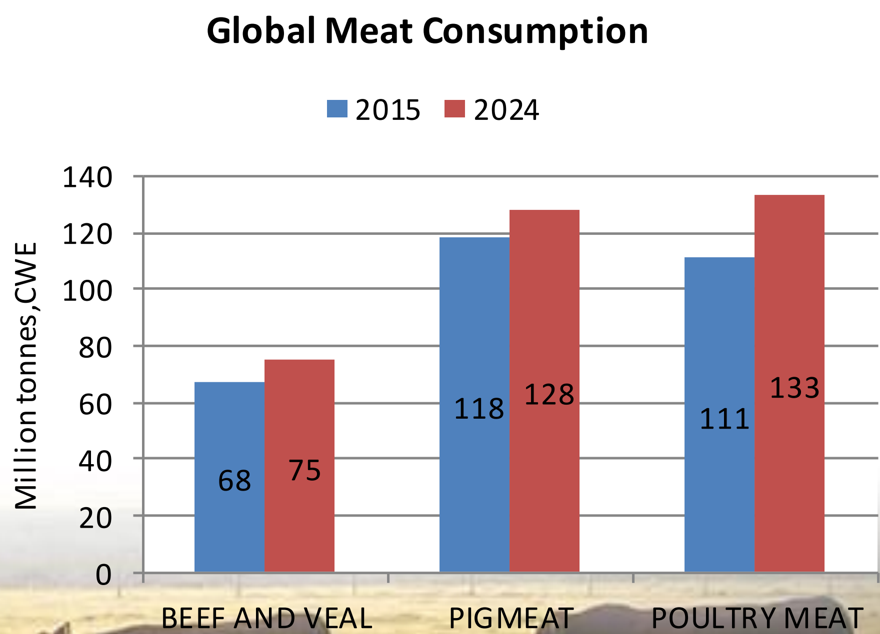


Competing Meats

- FAO is projecting increased meat consumption in the next ten years:
  - Beef +7.3 million tonnes   (+11%)
  - Pork +10 million tonnes (+8%)
  - Poultry +22 million tonnes (+20%)



Source: USDA, FAS

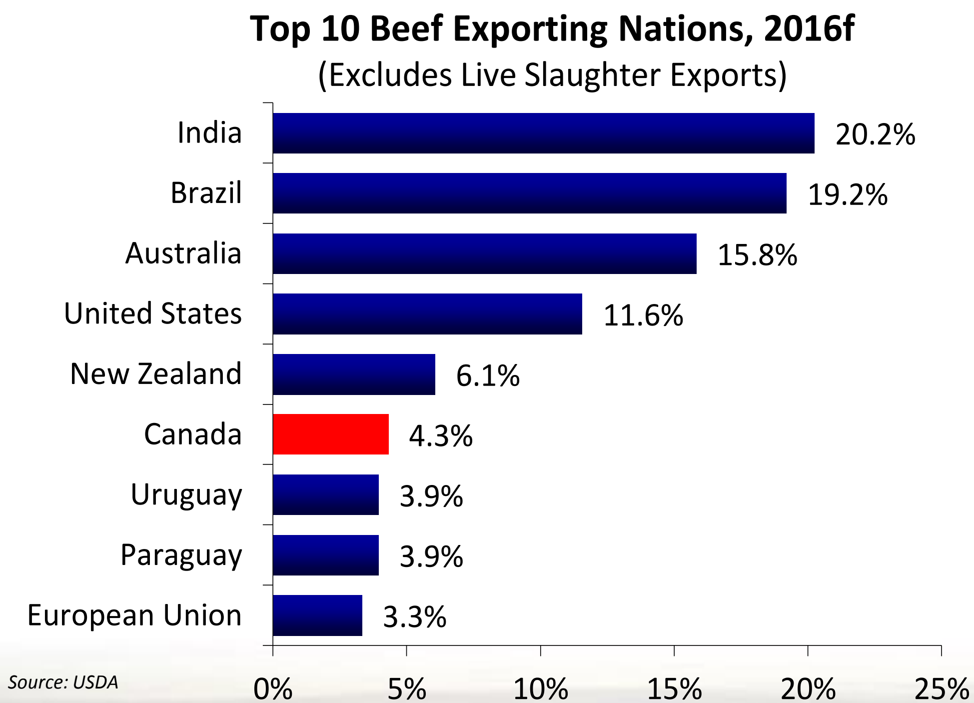


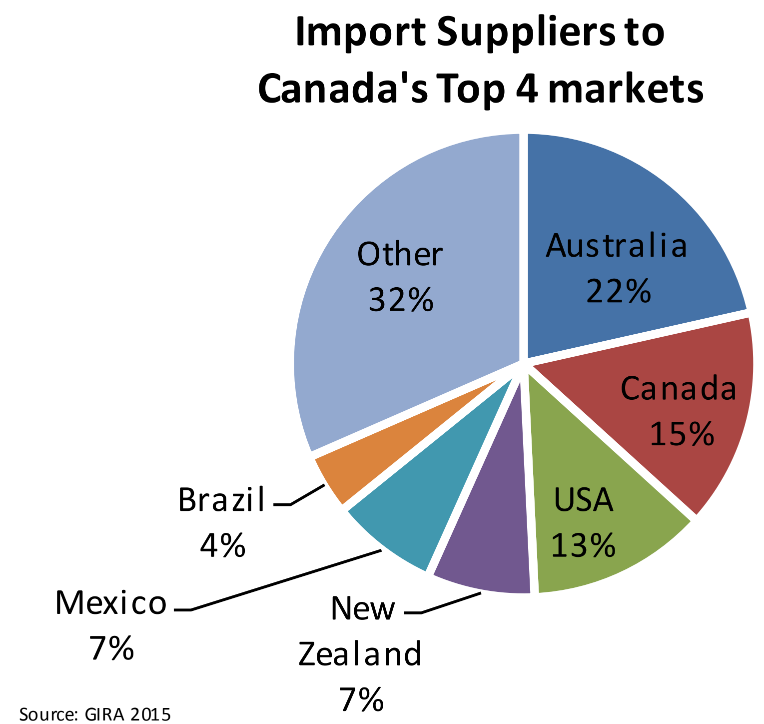
Source: OECD-FAO Agricultural Outlook 2015

The Competition – Major Beef Exporters

Major volume exporters – India, Brazil, Australia, US, & New Zealand

- Canada's major competitors – Australia, US, New Zealand, Mexico & Brazil





TRADE & MARKET ACCESS OPPORTUNITIES

Trans-Pacific Partnership (TPP)- Canada Japan bilateral (CJEPA)

- The CCA strongly supports the Trans-Pacific Partnership (TPP) Agreement reached in October
- Japanese beef tariffs to be reduced from 38.5% to 9%.
- Under the TPP Canadian beef exports to Japan could double or triple to nearly $300 million.
- CCA intensifies lobby efforts to ratify
  – David Haywood-Farmer and Dennis Laycraft in Asia
  – Presentations to Standing Committee on International Trade
- CCA advocates a bilateral agreement with Japan

Canada EU Comprehensive Economic & Trade Agreement (CETA)

- New 50,000 tonne duty free quota
  - 35,000 tonnes fresh + 15,000 tonnes frozen
  - Hilton quota (11,500 tonnes) to drop to 0% duty from 20%
- Key – need resolution of longstanding technical barriers
  - Particularly with CDN packing plants → carcass washes
  - Applications for additional interventions
  - Pursue changes to allow equivalence and systems approvals
- CCA protocol documents for cow-calf producers and feedlot operators at www.cattle.ca/market-access

China

- Has now become the 2nd largest export market for Canadian beef, up from 5th in 2014
- Value of Canadian beef exports more than doubled in 2015
- Further potential when access is expanded to bone-in beef
- Ractopamine ban

Other International Access Priorities

- Changes to the OIE BSE code – either shorten the number of years to receive negligible risk or move to two categories – controlled or undetermined
- Continued work and collaboration to ensure Codex and JECFA achieve sound science based outcomes

SUSTAINABILITY PUBLIC CONFIDENCE & PROFITABILITY

How do we maintain public confidence

TRUST

TRANSPARENCY

CONSUMER ENGAGEMENT

DEMONSTRATION

PROGRAMS

Changing the Conversation

- Key is to normalize current and emerging practices by creating awareness and understanding
  - eg) “I know producers use antibiotics to treat sick animals and that’s okay because it’s the humane thing to do. I also know they must follow proper processes so the treatment doesn’t effect the beef I eat.”
- Recognizing gaps and striving for continuous improvement
- Proactive vs. Reactive
  - Building resources and promoting understanding of industry practices on a regular basis through a variety of communications channels
  - Ultimately prevents crises before they happen and provides a stronger platform to speak from when they do

Building Confidence

- Trust in modern practices and science
  - Antimicrobials
  - ex) “I know producers use antibiotics to treat sick animals and that’s okay because it’s the humane thing to do. I also know they must follow proper processes so the treatment doesn’t effect the beef I eat.”
- Social license
  - Public confidence

CRSB
CANADIAN ROUNTABLE FOR SUSTAINABLE BEEF
TABLE RONDE CANADIENNE SUR LE BOEUF DURABLE

- **Environmental:** making sure you don’t take more than what you put back in (maintaining or enhancing ecological integrity; stewardship)
- **Economic viability:** long-term viability
- **Social well-being: animal welfare,** human health, water quality, young beef producers, s**ocial license**, continuity, fair working conditions
- **Continual Improvement**

V.B.P
Verified Beef Production

- VBP Plus is the addition of modules in Animal Care, Biosecurity, and Environment
- Working closely with the CRSB and McDonald’s to encourage alignment with sustainability indicators and audit requirements
- VBP has the potential to link end-users and producers in an industry-led, credible, cost effective manner

Reducing Emissions

CLIMATE CHANGE IS A TOP PRIORITY FOR THE TRUDEAU GOVERNMENT

- Feed efficiency
- Herd fertility, health, and animal performance
- Carbon sequestration
  - Grasslands conservation
  - Conservation tillage

Canada's cattle industry can be a good news example - *Reduced GHC's in Canada by 15% since 1981. Continue our work.*

Environment

- Preserving grasslands
- Biodiversity – one of our greatest strengths
- Preserving marginal lands and diverse landscapes
- Water management
  - Water quality and use
  - Riparian management
- Soil conservation and fertility
- Sequestration

Beef Quality

- Carcass Efficiency
  - Eating Quality
  - Predictability
  - Yield
  - Real time systems to measure and reduce defects and trim
- Next generation of technology
  - Vision system created 25 years ago
- Utilizing larger carcasses – REDUCING FAT TRIM

Safety

- Anti-Microbial Use -

- Post-harvest interventions
  - New systems and technology to overcome EU impediments
  - Irradiation

Animal Health and Production

- Next generation treatments
- Genetic
- Epigenetic?