

“Another one bites the dust”

Christoph E. Weder – SVR Ranch Consulting

Well it's now official, XL Moose Jaw is now closed and in a span of 18 months Western Canada's slaughter capacity / diversity looks ever bleaker with another packer (Tyson Foods) and one more packing plant is out of the Canadian System. It really makes me wonder what has to happen before we turn a corner.

I know that we can all get caught up pointing fingers at the packer and blame them for all our miseries, but the reality is its beyond the packers loading docks. It's our consumer's attitude that food needs to be cheap and us believing that beef is a staple and necessity for life. It's the meat trading world and its dog eat dog attitude of price wrangling and undercutting. It's a painful regulatory system like CFIA that can make mountains out of molehills and it's our cowboy complacency.

Most of us all would rather stay home on the range and stay production paralyzed rather than steer our industry in the right direction. The beef industry became lazy during the days of a Canadian Peso and failed to notice costs rising, while in reality the purchasing power of our product, our piece of the pie and margins were eroding right underneath our feet. Yes the packers that remain have a goal of making money and they probably will, however I doubt very much that they have a mission statement in their office that states, “Our goal is to raise the value of beef at the farm gate level so that we can have intergenerational ranches that are both economically and ecologically viable”. That may sound funny but in reality it is exactly what needs to happen in order for this industry to turn the corner and become sustainable.

Domestically, I see 3 major issues. First the margins that retailers expect for themselves now are absurd. In the 70's the Canadian retailer's chunk of the pie was estimated at 19%. In the mid 80's that number jumped to 35%, the 90's it was 42% and now in some circumstances it's over 50%. I am all for fair and reasonable profits, but when someone owns product for as minimum a time period as a retailer and then takes ½ the pie, it's a little too much.

Next is our domestic consumer's attitude about beef... They all want it cheap and cheerful, yet in reality beef is a luxury item that is very energy and time intense in terms of its production. We have organizations like BIC and CBEF that promote its sale and consumption but somehow raising the dollar value of the product seems to be lost in translation. Just like a purebred breeders fixation with weaning weights and average daily gain it seems these organizations can get just as transfixed on tonnage rather than measuring the incremental value of a carcass created by growing its value. This said in order to create value you have to short the market and create a differentiated product, which currently is not happening and will not happen unless we take the bull by the horn.

I do not want to come across as another CFIA basher and I am all for food safety, however the costs of food inspection and testing need to be borne by the consumer and or tax payer and not taken of the backs of primary producers. Since the spring of 2009 all cuts of beef that “could” be destined for grinds must be tested for ecoli 0157. The testing costs add up, not to mention the value of the millions of lbs of beef trim that are traded at discounted prices because of presumptive positives. In addition to the regulatory costs, we now also have SRM and byproduct disposal to contend with not to mention a new way to discount beef that has a few extra teeth. We think of our packing plants as being consolidated, I suggest looking at the

rendering business, now there is a monopoly. Beef byproduct values for things like Tallow and Meat Meal have gone through the roof, yet the rendering industry has this industry and government convinced that we must pay more it's disposal. Now that's good marketing.... Maybe we should hire them to sell our beef!

Yes there is one less packer and packing plant but there are also a few less of us than a year ago as well. We continue to think of our products as calves, yearlings and/or fats... when we really need to think of our products as everything from 85% lean trimmings to inside rounds, striploins and tallow. If we disagree with rules and regs that are put in place maybe the complaining should go beyond the coffee shop and be taken up with those that fail to see the ramifications of their intentions. Somehow more effort will need to be taken to market the box of beef than sell the box of beef and the only way this will happen is when those that have the most to lose (primary producers) move further up the chain.

This fall will see new elections and positions for provincial and national cattle organizations, if you don't like what is going on maybe it's time you become part of the change rather than sitting on the sideline and griping about them. These organizations need to start envisioning a model for Canadian Beef Industry based on raising the value of beef and getting a larger chunk of the pie to move down value / screw chain rather than just selling another pound of beef. The industry needs to set a sustainability goal that covers cost of production, return on investment and reasonable profit and only then will we see a turn in the corner.

Dr. Christoph E. Weder is a purebred Angus breeder in the Peace region of Alberta and also runs SVR Ranch Consulting. He is also a founding member of Prairie Heritage Beef Producers For additional info check out www.spiritviewranch.com