

2009

ANNUAL REPORT



Canadian Cattlemen's Association



The Environmental Stewardship Award National Winner



**The Madley Family
- Canyon Ranch**

Read complete story on page 15

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President's Report

Brad Wildeman



It is a pleasure and a privilege to report to you on this second and final year as President of the CCA. The year has again been one of significant challenges and disappointments

on our journey towards normalizing our business post-BSE. Who would have thought that we would still be focused primarily on re-establishing trade nearly seven years after May 2003?

The collapse of the financial markets and the turmoil of the largest recession to hit the world economy since the Great Depression added to the challenges in 2009. As the cattle industry reacted to market signals and reduced the herd size, demand vanished as the tough financial situation impacted consumers throughout the world.

Demand has now become the obstacle we must overcome in order to improve prices and profitability in our sector. In spite of that we must continue our work as resolution to these issues is the key to our future sustainability. And while the progress is

always slower than we wish, we have made progress on several issues and significant investments to move our industry forward.

The following are just some of the major issues we have been dealing with during the past year:

Country of Origin Labelling (COOL)

The CCA has focused a great deal of attention on articulating the unfairness of this legislation as well as the cost impact and damage it has caused the Canadian beef industry. We lobbied our federal government to pull out all the stops in their relationship with their U.S. counterparts to overturn or at least modify the most damaging parts of the legislation.

In spite of these efforts, we were unsuccessful in achieving a mutually satisfactory agreement. Therefore, we asked the federal government to request a World Trade Organization (WTO) Dispute Panel to hear our complaint that COOL is in contravention of existing trade agreements.

We very much appreciate the federal government's decision to initiate the WTO complaint and we are committed to providing the evidence to support the claims we are making in this trade challenge. The CCA has provided legal and technical advice to the Government of Canada and will continue to do so until this important trade issue is resolved. We look forward in the coming year to the decision by the WTO panel.

WTO case with South Korea

The CCA has also asked our federal government to commence a WTO Dispute Panel proceeding against South Korea. The request was made because of South Korea's total disregard of their trade obligations and the differentiated access they have granted to other countries with past BSE incidents while continuing to block beef shipments from Canada in spite of the comprehensive food and disease mitigation processes instituted in Canada prior to and since BSE in 2003.

We believe this to be a landmark case internationally that will set the precedent for how countries must grant access to their markets based on World Organisation for Animal Health (OIE) science-based standards. We have been encouraged by several other countries that also look forward to this decision to guide their market access negotiations. Again, we believe that we have a very strong case and are confident about the outcome, although nothing is guaranteed. In the meantime, we continue to offer South Korea the opportunity to present to us a trade agreement that will result in meaningful access for Canadian beef products, while fulfilling their desire for a process that will be acceptable to their political needs.

SRM Segregation cost and regulations

Over the past several years, we have seen intensified consolidation in the packing industry, particularly in the plants that specialize in slaughtering and processing animals over thirty months (OTM). In fact, not a single plant that was constructed post-BSE continues to operate, and the few federally inspected dedicated OTM plants that remain are facing severe financial difficulty.

The most cited reason for these financial difficulties is the costs imposed on the industry for the segregation and disposal of Specified Risk Materials (SRM) as regulated by the Canadian Food Inspection Agency (CFIA).

While the CCA supported the introduction of an SRM regulation, our stated desire was to have a regulation that was harmonized with the U.S. to avoid the competitiveness issue we now face.

Unfortunately, that advice was not followed, and based on a recent study conducted by the Canadian Meat Council of its packer members, there is nearly a \$32/head differential in slaughter cost between the two countries. This has resulted in lower slaughter levels in Canada, greater exports of these animals to the U.S., the closure of many slaughter facilities and increased imports.

The industry has seen unprecedented challenges during the past decade. It has been a difficult time as producers question whether there is a future for our business and way of life. I strongly believe that there is a future, and a bright one that is nearer than we think.

In order to sustain the remaining facilities, the CCA is advocating a two-pronged action plan. The first piece involves conducting a thorough review of the existing regulations to ensure they are scientifically relevant, and to look for areas where regulations can be modified to improve our cost competitiveness. The second piece is to provide financial assistance to processors to offset the increased costs until regulations can be modified and approved by the federal government. Maintaining a viable packing industry is critical to any recovery plan for our industry going forward, and the timing is critical.

AgriRecovery and Price Insurance

Cattle producers have known for many years that the present suite of Business Risk Management (BRM) programs is not adequate to provide protection to cattle producers when necessary.

Unfortunately, in spite of our lobbying efforts the CCA has been unsuccessful in achieving the changes we require. During the past year, we have focused our attention on two components of these programs that would significantly improve coverage for producers.

Firstly, we have lobbied the Federal-Provincial-Territorial (FPT) process to include a price insurance program where cattle producers could purchase, at an affordable cost, price insurance for their livestock. The province of Alberta has initiated such a program for their producers, and there is widespread interest from producers across Canada to have access to an equivalent program. There appears to be increasing interest by governments towards this approach, and therefore we are hopeful there may be some development in the coming months.

Secondly, we have advocated that the AgriRecovery program be modified to provide meaningful and predictable coverage to producers when natural and like-natural disasters occur. We believe a three-part action plan, initiated simultaneously, could provide that assistance. The three actions are: tax deferral to those that want to reduce temporarily their herd size and replace them after the disaster has subsided; producer payments to purchase feed supplies or to move cattle to where adequate feed supplies exist; and recovering funds to assist the redevelopment of damaged pastures, etc. Allowing the flexibility for each producer to make the best decision for his operation will result in the optimum outcome for all, including government and industry.

We must continue to press our elected officials to ensure we can get these improvements enacted in the coming year.

Canadian Beef Advantage and BIXS

Under the guidance of the Canadian Cattle Market Development Council, we have initiated the Canadian Beef Advantage program. This program positions our product domestically and internationally based on Canada's health and safety protocols and our marketing efforts to maximize the value of each beef cut. The program will also provide critical performance information to cattle producers through our Beef InfoXchange System (BIXS). BIXS will enable the industry to receive critical performance data that will facilitate continual improvement in areas like genetics, herd health, feed, and food safety protocols. This will result in a unique management program to cattle producers, unmatched by any other country in the world.

Future Issues

Looking ahead, there are equally important longer term threats and opportunities for our industry. There is the environmental debate on production agriculture. While there are suggestions that new environmental regulations could provide a benefit to the cattle industry due to our ability to capture carbon, there is an even greater threat that we will be penalized for our methane emissions. It is critical that we focus our efforts to gather and articulate reasonable scientific assessments that will support the cattlemen's position in this debate.

The public lands debate continues to pose a threat to our ability to lease and control activity on public lands that have been grazed for decades and form a good portion of the grass base for many producers in Canada. Environmental groups, conservation organizations and others want to enter this debate, and while many may be well intentioned, they lack the understanding of the impact of an unbalanced ecosystem. Cattlemen have proven their ability to be good stewards of this land but, again, we must be willing to advocate our position in this debate or risk losing these important lands to other uses.

The animal welfare, humane transportation, food safety, and production practices employed in our industry are also under scrutiny, often by groups and individuals with a predisposed bias to eliminating animal agriculture. They use supposition and innuendo in place of sound science to justify regulatory reform that will make it very difficult for our industry to be sustainable.

Our position must be clearly articulated and backed by sound scientific assessments that will prove both our concern and actions to protect the welfare of animals while providing a viable business model that will be competitive in the global marketplace.

Most importantly, I believe the cattle industry is in a publicity fight for the hearts and minds of consumers. Cattle organizations have traditionally believed that simply having sound scientific findings to defend our production practises and marketing strategies would be good enough for consumers and policy makers. The playing field has changed, however. Our urban consumers are being bombarded with misinformation designed by organizations whose clandestine purpose is to run us out of business. Such organizations are funded by well intentioned but misinformed contributors who, believing they are supporting animal welfare – which everyone can support – send money to groups that use the money to support vegan agendas.

As an industry we must counteract this agenda by investing in the promotion of all the great benefits our industry provides to the economy and its citizens. Promoting our actions toward environmental sustainability and our protection of natural and wildlife habitat, as well as our concern for providing a safe and wholesome product to consumers in a way that protects rural families and communities, can change public perceptions about our industry.

Having that story told by young, vibrant farm and ranch families that embody this vision of agriculture can be a real game-changer. But it will not happen without a conscious and committed effort and financial investment by cattle producers to get this story out to consumers everywhere.

For this reason, we are working with our counterparts within the Five Nations Beef Alliance to coordinate our messages on these important issues. We work with them on the areas of animal welfare, humane transportation, food safety, trade rules, and industry advocacy. These issues are important to every beef producing nation and should not be used indiscriminately for short term advantage.

The alliance, comprised of the CCA and cattle organizations from the United States, Mexico, New Zealand, and Australia, and most recently Uruguay, has produced a great deal of information exchange, common advocacy, and research sharing to strengthen our lobbying position both at home and internationally.

The industry has seen unprecedented challenges during the past decade. It has been a difficult time as producers question whether there is a future for our business and way of life. I strongly believe that there is a future, and a bright one that is nearer than we think. But it will require us to continue to invest our time, effort and finances to ensure we can reap the maximum benefit from our industry.

While some have chosen to criticize the organizations that represent them, or start new ones, it is much more productive to work within those we have today. Strong organizations have the ability to influence policy while segmented organizations produce inaction by governments and regulators. I would encourage every cattle producer to invest the time and effort into understanding the issues, researching the facts, involving themselves in providing solutions, and advocating the benefits of their industry. It is all part of the responsibility of being a cattle producer; to provide a future for the next generation that is as bright as or brighter than the one left to us by earlier generations.

It is has been a tremendous honour to represent this industry over the past several years, but particularly the past two years as your President. I am very confident about our future leadership within the CCA by those that will assume these positions at our annual meeting in March. This industry is filled with great individuals who care deeply about the future of our industry. I ask you to support them, and our industry, in the coming years.

Respectfully submitted,

Brad Wildeman



Executive Vice President's Report

Dennis Laycraft



As we move into a new decade, we are glad to leave the previous one behind us. In 2009, the Canadian beef cattle industry was smarting from the worst recession in almost 80 years.

The economic crisis that started in mid-2008 was preceded by an untenable environment of record high grain and oil prices and currency rates, along with inclement weather and droughts and floods.

This all arrived as the industry was still rebuilding from May 2003, when the first case of Canadian BSE was announced. Our world changed in a day and we quickly learned that the will to close markets is many times greater than the will to reopen them. Fortunately our NAFTA partners were more willing to reopen markets than the rest.

In hindsight, it was in 2002 that we saw the first of what would become a series of extraordinary events that would turn our world around. That year, the greatest drought in 50 years resulted in hay moving west from as far as Ontario. Feed costs shot up and

in a single year we went from importing hundreds of thousands of feeder cattle to exporting 500,000 head.

And to think that the new millennium had started with such great promise and held real opportunity for Canada's beef industry. Demand was strong, export sales were growing, and all sectors were expanding in response to positive market signals. Provinces such as Alberta were putting out lofty goals to greatly expand the industry.

There's no question the events of the past decade have taken a great toll on the industry, its members, its partners, and its organizations. As we head into the new decade, it is natural to wonder if things will improve and what the CCA, its member organizations, and producers are doing to help put the industry back onto a sustainable path.

Like many others, I believe we are poised for recovery and the CCA is working in every area possible to create a sustainable market based recovery.

Are things going to improve in 2010? It appears the probability is moving to likely from maybe. The economies of the world are showing signs of modest recovery. Cattle and pork inventories are declining worldwide and consequently supplies. Even U.S. poultry production declined this past year. The general view is that when demand recovers, beef trade will strengthen. This will happen at a time when the U.S. herd is at its lowest point in 50 years. The European Union (EU) will be a large net importer and Argentina will struggle to export. Supply and demand will work to increase beef prices and, more importantly, cattle prices. Most feel that significant improvement can occur in mid-to-late 2010. Debt and unemployment are the two greatest causes for concern worldwide but most economists feel the recovery will gain strength and 2011 looks fundamentally very strong.

In Canada, the strength of our currency remains a real concern. Many are forecasting par with the U.S. while others expect the

loonie to climb to the 90 cent range. This will further test our competitiveness and will require us to question every unnecessary regulatory cost.

Looking back, 2009 was a difficult year but it was also the start of change. The market suffered severely under the weight of the global recession and global surpluses of pork. Korea failed to re-open its market to us and Japan and Taiwan did not expand their market access as expected. The final rule of mandatory Country of Origin Labelling (COOL) in the U.S. came into effect.

At our request, the Government of Canada launched World Trade Organization (WTO) cases against Korea over unfair BSE restrictions and the U.S. for its COOL requirements that discriminate against live cattle imports. Neither of these processes will lead to a fast result but both are very important for their potential impact on fair practices in global trade.

We were also successful in the creation of the Agricultural Market Access Secretariat (AMAS) to enhance and effectively coordinate government and industry efforts to open markets. The AMAS is now reaching full operational capacity and we will be challenging it to deliver results. I want to recognize the extraordinary work that the CCA's Mark Klassen undertook on our behalf to develop the template recommendations for the AMAS. We did get full access into Hong Kong that required a series of stages to reach a complete reopening. Now we are looking to Japan and Taiwan.

Federal Agriculture Minister Gerry Ritz deserved special mention for his extraordinary work in pursuing improved market access for our industry. Few people realize that when the minister does get a break from his busy schedule he regularly fills it with a trade mission to pursue market reopening or new market access for our industry and Canadian agriculture as a whole. We know from our industry alone that over \$200 per head of cattle can be gained from expanded market access and an ambitious WTO deal. That could be the difference for many producers.

We were also successful in the creation of the Agricultural Market Access Secretariat (AMAS) to enhance and effectively coordinate government and industry efforts to open markets. The AMAS is now reaching full operational capacity and we will be challenging it to deliver results.

A new agreement is being negotiated with the EU that could provide Canada preferential access to one of the biggest and most affluent markets in the world – where they like to eat beef.

A new program to coordinate and fund research programs for the beef cattle industry was agreed to late in 2009 which created the Beef Cattle Industry Science Cluster.

COOL in the U.S. started to fundamentally change how Canadian beef is marketed by our packers. It is no longer a matter of a packer brand in North America. Canadian beef will be sold as Canadian beef and our new Canadian Beef Advantage marketing efforts will take on even greater priority. New product registrations are finally free of a backlog and perhaps we now have an approval process that is as efficient as other developed nations.

The new Beef InfoXchange System (BIXS) was developed and is now being launched to create the most advanced individual cattle information system in the world. There is more information on BIXS elsewhere in this report but, in my view, this system may be one the most important developments in the past 50 years.

We also reached an agreement with the Alberta government and the Alberta Livestock and Meat Agency (ALMA) on traceability based on the CCA's commercial principles.

These are the beginning of important developments that we believe will change how government and industry can work together and will help us regain losses from restricted market access.

Unfortunately our ability to fund these marketing, research, and promotion activities could be seriously impacted by Alberta's decision to make the National Check-off (NCO) refundable in that province. It was noted at the recent Beef Value Chain Roundtable meeting that these check-off dollars are essential to access Federal and Alberta Legacy funds and federal research funds in order to meet the matching requirements which allow us to lever-

age our funds between 75 per cent and 85 per cent. For every NCO dollar we lose, our industry forfeits between \$3 and \$5.70 of government funding already budgeted to assist in these crucial activities. The new Beef Cattle Industry Science Cluster would suffer the greatest loss with its higher 85 per cent match.

The Priorities of the CCA are

1 Restoring Industry Profitability

- Competitiveness
- Market Access
- Value Creation
- Innovation

2 Advocacy - Positive Policy & Public Attitudes

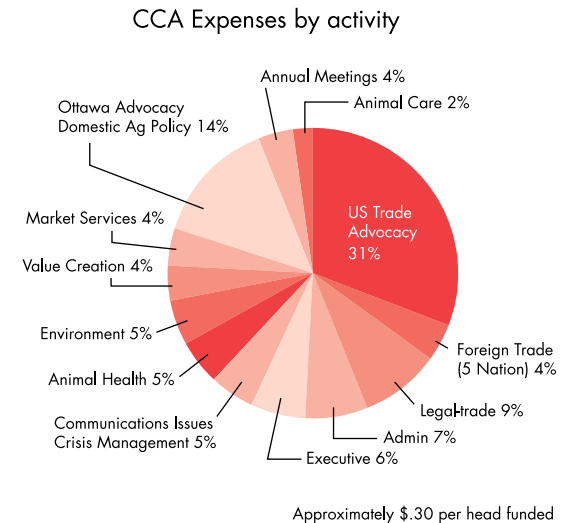
- Positively positioning the importance of cattle producers and the beef cattle industry; and protecting against numerous threats and disparagement

3 Crisis Management Preparedness

The CCA uses the approximately 30 cents per head it receives from our Provincial members to defend and advance the interests of Canada's beef cattle producers. The following chart demonstrates the many areas where the CCA is spending producers' hard-earned dollars.

Today we spend about 12 cents per head on U.S. trade advocacy and legal work to keep the border unobstructed. The U.S. is the largest beef importer in the world and more than half of our production is sold to them.

This also serves a vital role in facilitating competitive bidding for live cattle. Recent rationalization now means two companies control approximately 90 per cent of Canadian slaughter capacity.



About half of our budget, or 15 cents per head, is spent to influence government policy. The balance of about 8 cents per head is spent on crisis preparedness, communications, Canfax, the Canadian Animal Health Strategy, value creation, and administration.

In conclusion, there are no easy solutions or quick fixes to the complex problems facing Canada's beef cattle industry. The CCA does not believe that more government regulation is the answer either. There are also many well-financed special interest groups that mean harm to the beef cattle industry. We must work with like-minded cattle organizations throughout the world to protect our industry from the ill-founded threats posed by such groups. We can and will do things to make the Canadian beef cattle industry a strong and sustainable industry where we produce the best and safest beef in the world.

Only a strong a well-funded national effort directed by cattle producers can fully accomplish this.

Dennis Laycraft



Division Reports



The Beef Information Centre (BIC) works with key partners and stakeholders to develop effective strategies and programs that benefit and contribute to a strong, viable Canadian beef industry. In cooperation with industry and government funders, the BIC focuses resources on building awareness for the Canadian beef brand; achieving growth in the domestic and U.S. markets; and maximizing value through optimization of carcass value.

Domestic and Commercial Beef Markets

The new Canadian beef brand is integral to the BIC's marketing initiatives for both consumers and the beef trade. The consumer brand positioning focuses on the nutritional benefits of beef supported by taste and convenience messages; while the trade brand positioning focuses on the Canadian Beef Advantage (CBA), those tangible food safety and quality attributes not commonly offered by competitors. CBA attributes include animal health systems, safety assurance systems, meat quality systems and the positive perceptions of Canadian beef with the consumer.

In 2008/09, the BIC's consumer marketing initiatives worked towards increasing demand for Canadian beef by developing and communicating the Canadian beef brand position. The consumer target group was Canadians who eat beef one to two times per week – primarily mothers aged 25-49. The goal was to increase their 'eating beef frequency' – a marketing term for how often people eat beef – through several integrated initiatives including a multimedia Canadian brand campaign, consumer public relations campaign, nutrition communications to health professionals, consumer education resources, in-store marketing and key influencer outreach.

Trade marketing efforts centered on communicating the CBA to the beef trade. Awareness and understanding around CBA attributes were very high in all segments of the domestic beef

trade. A 2008 benchmark survey tested the depth of knowledge and understanding of the CBA among Canadian beef trade executives and ranked the importance of the attributes that define the CBA. In the 2008/09 year, 37 trade partners from the retail, foodservice and processing sectors signed Canadian beef brand license agreements with another 41 agreements in progress.

The following were key initiatives in the domestic/commercial beef market:

Integrated Canadian Beef Brand Strategy: This initiative built awareness of beef's health benefits with consumers and the CBA with trade audiences. The BIC launched a \$1.4 million Canadian beef brand multimedia campaign from March through June 2009, focused in Ontario where beef consumption is underdeveloped compared to the rest of Canada. The campaign targeted beef consumers who eat beef one to two times per week, with a specific focus on mothers 25-49 years of age who are the food decision makers in their family. The campaign was designed to reach 93 per cent of the target audience 28 times. Consumer research suggests that those consumers aware of the campaign significantly improved their attitudes towards the healthfulness of beef, with a general increase of 6-11 per cent across specific attitudinal measurements that were evaluated (Ipsos data). Following the campaign, Canadian beef brand awareness increased by 10 per cent, and of those who saw the campaign, there was a directional increase in consumer purchase of Canadian beef. Nielsen Homescan data showed that with consumers aware of the campaign, the beef volume per buyer increased from 6.0 kg to 7.5 kg for the three month campaign period on a year over year basis. This is based on the raw number of households responding "yes" to the beef campaign awareness. The strategy was supported by a number of other initiatives such as the launch of a new consumer website in both English and French, point-of-sale partnerships with retailers and private packaged goods partners, health professional outreach programs, and public relations initiatives utilizing traditional and social media.

Maintain Consumer Confidence: The beef sector had to deal with several difficult issues in 2008/09 but consumer confidence remained strong. Significant issues management challenges included the World Cancer Research Fund policy report; engagement with government on sodium dietary recommendations; front-of-package labelling regulations; and food recalls. Efforts in this area included new co-funding partnerships that leveraged investment in nutrition research, leadership of the new multi-commodity Nutrient Rich Working Group, communications with mainstream and trade media, trade and industry contacts, and with government and non-government organizations on policy and regulatory positions to maintain our credibility with key stakeholder groups.

Focus on Priority Beef Products to Maximize Value: The BIC worked closed with key trade partners and packers to maximize value for priority cuts, primarily middle meats and source grinds. In 2008/09, the BIC partnered with 22 companies to develop and market over 50 value-added products sourced from whole muscle cuts and trim. The BIC also partnered with key foodservice distributors in the development of private label boxed beef programs utilizing mostly middle meat; and with seven foodservice companies on new menu offerings based on middle meats or trim. In 2008/09, Canadian AAA and AA beef continued to trade at a premium relative to USDA equivalent grades in the domestic market.

Overall, 2008 domestic beef disappearance of 977,266 tonnes (carcass weight) surpassed the industry target by over 7,000 tonnes, but was down from the 2007 total of 1,008,237 tonnes. Disappearance of Canadian beef in the domestic market in 2008 was 785,065 tonnes (carcass weight), surpassing the industry target by almost 39,000 tonnes, but was down compared to the 2007 total of 805,703 tonnes. Domestic beef production has been slowed by increased live cattle exports and competitiveness issues in the packing sector.

United States Market

Canadian beef exports to the U.S. totalled 365,375 tonnes (carcass weight) in 2008 at a value of just over \$1 billion. The extremely high level of awareness and understanding by U.S. trade partners around the attributes that define the CBA have provided the basis for long-term growth of the Canadian beef brand in the U.S. market. The three most important attributes to

U.S. customers relate to Canada's strict appearance requirements which are delivered through the Canadian grading system, quality assurance and animal health programs, and Canada's beef cattle ID/tracking system. Other industry benefits are realized in the value of the long-term partnerships established and maintained with BIC initiatives.

The development of the Canadian beef brand provided the BIC with an opportunity to take an innovative approach to marketing with a unique brand identity featuring attributes that are most desired by trade customers and consumers. Consumer research was utilized to determine the positive imagery of Canada and how to utilize that imagery to market Canadian beef.

The following were key initiatives in the U.S. market:

Building Awareness of the Canadian Beef Brand: The BIC communicated the CBA and how the attributes of Canadian beef offer unique points of differentiation that are meaningful and relevant to U.S. buyers. Research finds that 66 per cent of U.S. buyers say their purchase was positively influenced by information provided by the BIC; and 91 per cent of past buyers intend to buy or sell Canadian beef again in the next six months.

Achieving Growth: The BIC developed a more efficient and collaborative process with U.S. sales managers of Canadian packers/distributors to identify key target customers in each market and market segment. The BIC also presented key strategies and market intelligence to Canadian processors in Canada in order to enhance their understanding of Country of Origin Labelling (COOL) and their ability to compete in the U.S. market. BIC strategies and key messages around COOL were also communicated to trade officers with Canadian consulates throughout the U.S. in order to ensure a consistent approach to potential opportunities and challenges.

Optimize Carcass Value: Leveraging the positive imagery of Canada, along with meaningful attributes, the BIC provided retailers with a viable method for differentiating Canadian beef and an opportunity for long-term growth based on premium positioning. While 2008 Canadian beef exports to the U.S. of 365,375 tonnes (carcass weight) fell below the industry target by 17,000 tonnes, it was an increase against the previous year of over 26,000 tonnes.

In 2008/09, over half of the BIC's revenue was derived from non check-off sources. The BIC's domestic programs are funded solely from producer check-off dollars, while commercial beef and U.S. programs are leveraged 3:1 against Federal and Alberta Legacy funds. The BIC can often bring further value to producers by leveraging producer and legacy funds against private industry partner contributions for an overall benefit of 9:1 on partner programs. The BIC continues to pursue a shared vision with the CCA for a sustainable, profitable beef industry in order to maximize demand for Canadian beef, and to optimize the value of Canadian beef products for the benefit of Canadian cattle producers.

www.bic.cattle.ca
www.beefinfo.org





The Canadian beef industry has faced a number of challenges over the last seven years due to continued border closures and market access limitations, a volatile dollar and input costs, drought, and regulatory burden associated with the implementation of the enhanced feed ban in Canada and mandatory Country of Origin Labelling (COOL) in the U.S. In 2009 competitiveness and profitability was further challenged by both the global recession and trade restrictions associated with H1N1, which negatively impacted beef demand and limited upside price movement for beef and cattle despite reductions in beef supplies.

In light of reduced demand for beef, reductions in beef supplies are a necessity to provide both price support and to see any potential price improvement. Beef production and supplies have been large over the last several years (05-08), as the industry grappled with larger fat cattle inventories for a period and then large cow slaughter as producers began to downsize. The first actual reduction in beef production was not seen until 2009 when beef production decreased 7 per cent to 3.3 billion pounds. While this is positive, its impact was diminished due to softer consumer demand, large competing protein supplies - namely pork, and an appreciating dollar.

Further reductions in beef production are expected in 2010, which should support prices. To what extent will depend upon economic recovery and increased consumer spending.

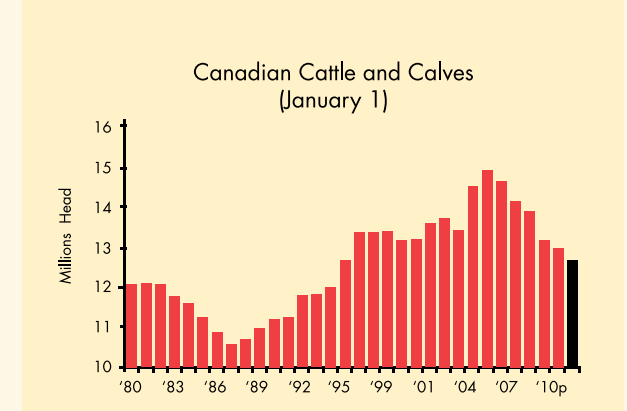
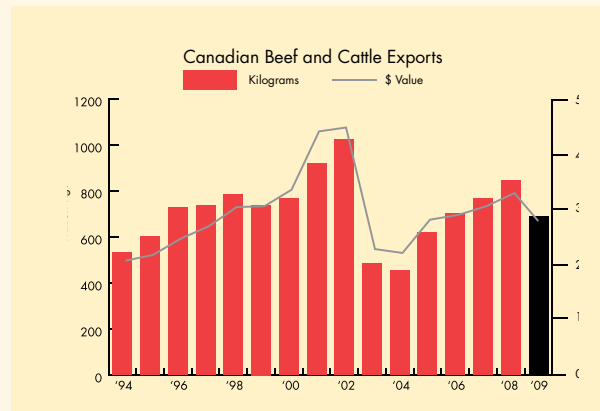
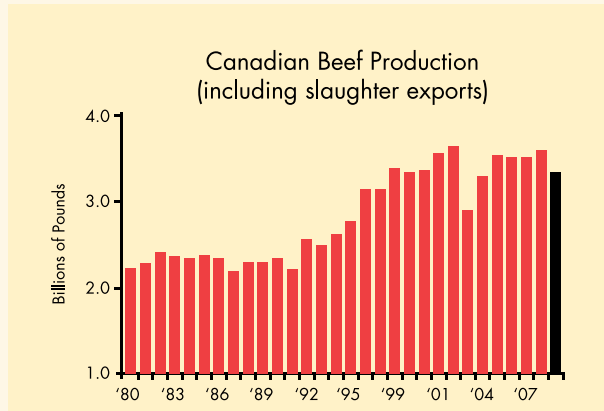
Improved prices will also be dependent upon continued reductions in North American pork supplies. The latter part of 2009 saw reductions in trade restrictions associated with H1N1, which should encourage greater pork exports moving into 2010 and alleviate some of the pressure on the North American protein market. At the same time further reductions in both Canadian and U.S. hog inventories are both expected and a necessity in order to see any substantial declines in pork supplies that will provide meaningful price support to both the hog sector and competing proteins such as beef.

While beef production is expected to continue to decline, the question remains how quickly will beef demand recover? While the latter part of 2009 saw green shoots of economic recovery, consumer losses have been substantial and the speed of economic recovery is still highly uncertain with two prevailing theories being put forward. The first theory is that we will see a long but steady climb back, with small but positive GDP growth in 2010 that results in weak but stabilized consumer demand. The second theory considers that the current small positive signs point toward the fact that this is not a true recovery and a second dip could occur sometime in 2010, which would result in continued weak consumer demand for beef over the short term and then potentially a stronger recovery over the longer term. Either way it is clear that a quick recovery of beef demand is unlikely, with the next couple of years more likely involving slow and continuous recovery of global beef demand along with continued reductions in global beef supplies.

The disposition of Canadian beef moving into 2010 will be highly dependent upon market access and where the highest values can be attained for specific cuts and primals. Despite

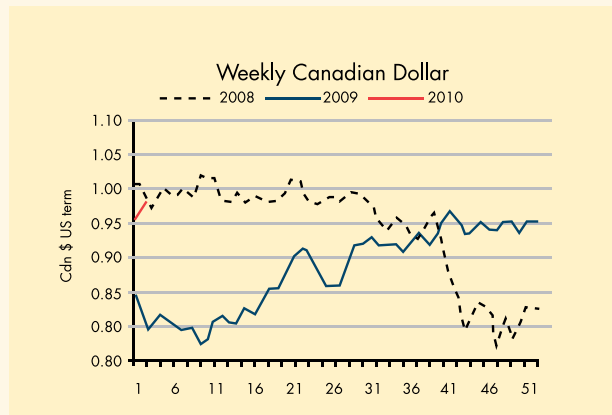
expectations of reduced beef supplies, if improvements in global beef demand are achieved at a more accelerated rate than in North America and gains in market access can be achieved that provide access to higher value markets for specific products, beef exports will continue to increase in both volume and value. The strong Canadian dollar will place some pressure on this growth, but as demand recovers and market access is achieved in important markets for specific products, potential improvements are feasible. Opportunities will come from countries with a stable consumer base that has relatively small debt loads and has not been as severely impacted by unemployment and declining incomes over the last year. Whereas slower growth will occur in major Canadian export markets like the U.S., which will continue to see softer beef demand in light of consumers being hard hit and relatively large supplies of cheap competing proteins.

Further reductions in Canadian cattle inventories are also a necessity to seeing price support for the Canadian beef industry. While total cow marketings were down 17 per cent in 2009 the industry is still in liquidation mode, with beef cow culling rates at 12 per cent; well above the long term average of 10 per cent. Heifer retention also continues to be low, with heifer marketings down only 6 per cent in 2009. Continued inventory reductions can be attributed to calf prices remaining low (averaging \$112/cwt for 550 lb steers and \$97/cwt for 850 lb steers in Alberta) and severe drought in many regions. On January 1, 2010, beef cow inventories are estimated to decline another 3 per cent or 395,000 head. Expectations are that inventories will continue to decline in 2010 and potentially moving into 2011, depending on feeder cattle prices and Canadian feed supplies and prices. Only when calf prices improve and cow/calf producers start seeing



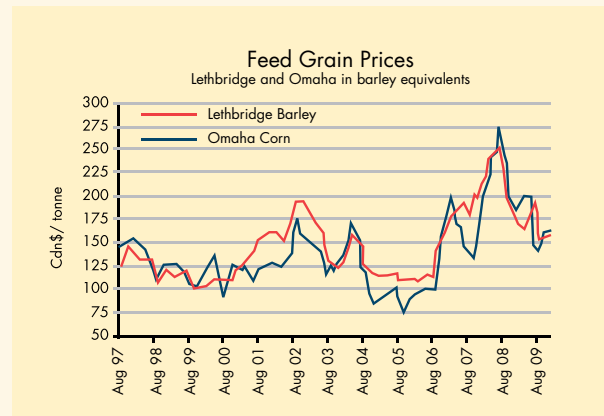
positive returns will the Canadian beef cow herd stabilize in size. As this occurs, not only will smaller fed cattle supplies become evident due to smaller calf crops, but cow and heifer slaughter will also decline, revealing sharper declines in beef production due to both reductions in fed and non-fed beef supplies.

The Canadian dollar will continue to influence prices after appreciating from below \$0.80 to \$0.95 in 2009. A strong Canadian dollar is expected to prevail throughout 2010 and moving into 2011, with support being provided by continued growth in global demand for oil and resources. In addition the weak U.S. dollar is not expected to turn around quickly. If a second recessionary dip occurs, decreased oil prices could push the Canadian dollar down temporarily (potentially to around \$0.85) as security is sought in the U.S. market. But realistically this would only bring short-term relief to the beef industry and other Canadian export industries that are subjected to depressed prices as a result of a strong dollar. It is clear that as the economy adjusts to changes in monetary



policy and new supply/demand dynamics, the dollar could see some short term volatility that affects industry prices and profitability. However, it is widely held that the global economy cannot currently support oil prices above \$80/barrel, which has placed a cursory ceiling on prices. This is important as it should provide some stability to the Canadian dollar over the medium term. While the dollar will remain high, reduced volatility should assist industries in managing margins due to reduced risk of fluctuations in both input costs and prices received.

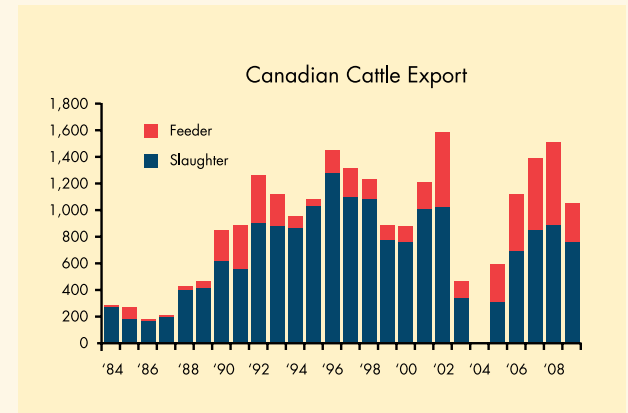
While feed grain prices have come off of their highs seen in 2008, prices were still above historical levels at \$156/tonne for barley and \$163/tonne for corn in December of 2009. Moving into 2010, if oil demand continues to increase, it is expected that there will be increased incentive for ethanol producers to expand production. This of course will increase demand for corn and likely see an elevation of global feed grain prices. The question is to what extent and how quickly this occurs. Similar to predictions with oil prices, any increases in ethanol demand and feed grain prices are expected to be more gradual and modest than what has previously been seen. While elevated feed grain prices are not positive for the beef industry, a more modest and less volatile appreciation should allow for increased opportunities to manage risk and margins within livestock sectors.



With smaller calf crops and reduced feeder cattle supplies in North America expected over the next several years, there is expected to be increased competition between Canadian and U.S. feedlots for feeder cattle supplies, increasing prices despite narrow or negative feeding margins. Expectations moving into 2010 are that feeder cattle exports will continue to be reduced due to strong domestic demand and COOL. Consequently reduced Canadian fed cattle supplies, expected as a result of smaller overall inventories, will be somewhat offset by reduced feeder exports. At the same time tighter North American fed cattle supplies will be increasingly evident moving in 2010 and 2011.

Whether Canadian fed cattle become part of the domestic beef supply equation or are exported for slaughter will be largely dependent upon how domestic packers respond to smaller non-fed supplies, how determined they are to maintain current

utilization levels, and as well how willing U.S. packers are to increase procurement of Canadian cattle in light of tighter fed cattle supplies. Fed exports were down 20 per cent to 543,000 head in 2009. Moving into 2010 domestic packer demand is expected to remain relatively strong and fed cattle exports are expected to continue to trend smaller with proportionately more fed cattle kept in Canada for slaughter. This is expected to keep fed cattle slaughter steady in 2010 with 2009 levels.



The Canadian Cattlemen's Association (CCA) established the Beef Cattle Research Council (BCRC) in 1997 to sponsor research and technology development in priority areas of national significance to the beef cattle industry; administering the research funding allocation of the National Check-off. The Council is also focused on facilitating and encouraging collaboration and coordination among researchers, funding agencies and industry in order to maximize the benefits obtained from beef cattle research.

National Beef Research Strategy and the Beef Science Cluster

A review of the beef research situation in Canada initiated by the CCA and the Beef Value Chain Roundtable concluded that research and innovation must play an important role in addressing many of the competitiveness issues facing the

Canadian beef industry. As well, the review found that funding and infrastructure, human capacity, and technology transfer to support beef and cattle research have fragmented and declined significantly in Canada.

As a result of the review findings, a national beef research strategy has been developed which focuses on the opportunity to position research as a supporting driver of the industry's sustained success. The objective of the strategy is to provide a framework towards achieving national coordination of beef research priorities, funding and technology transfer efforts.

In tandem with the development of the national beef research strategy, the BCRC is implementing a Beef Cattle Industry Science Cluster in collaboration with Agriculture and Agri-Food Canada (AAFC) under their Agri-Science Cluster Initiative program.

The development of a Beef Cattle Industry Science Cluster is a significant opportunity to strengthen research and development to address current and future competitive challenges. It is also an important first step in the implementation of the broader national beef research strategy, accelerating the process to help industry more formally coordinate with all stakeholders and direct funding more effectively.

The first phase of the Beef Cattle Industry Science Cluster was approved for funding by AAFC in November 2009, with industry and government research funding commitments under the cluster totaling \$7.28 million. For every \$1 contributed by producers to the Beef Cattle Industry Science Cluster through the BCRC, government has committed \$6. In addition, the BCRC has submitted a second suite of research programs for funding under the cluster, which if successful would result in an additional \$4.6 million in industry and government dollars being injected into beef research over the next four years.

In addition to the investments made through the Beef Cattle Industry Science Cluster, since inception the BCRC has contributed \$4.08 million in funding to 59 different research projects and initiatives. The total estimated investment in these research initiatives, including BCRC's contribution, is more than \$20 million.

Program Objectives & Priorities

Through the National Beef Research Strategy and Beef Cattle Industry Science Cluster, the BCRC has defined two core research objectives:

To Reduce Costs of Production: Priority areas are to enhance feed and forage production; increase feed efficiency; decrease the impact of animal health and welfare issues and production limiting diseases; and improve the utilization of specified risk materials.

To Improve Beef Demand and Quality: Priority areas are to reduce food safety incidences; define quality and yield benchmarks supporting the Canadian Beef Advantage; and improve beef quality through primary production and processing improvements.

Expected Deliverables

Some of the research program outcomes expected to be delivered through the Beef Cattle Industry Science Cluster by the BCRC over the next four years:

Beef Quality

- Conduct a consumer satisfaction and beef carcass quality audit – utilizing audit information to support industry's efforts to market Canadian beef advantages, develop applied research plans to correct deficiencies, and develop communication and education programs to promote change, where necessary, within industry;

- Determine optimal feeding strategies to enhance healthy fatty acid production in mature and youthful animals;
- Development of new intervention strategies to increase the quality and add value to underutilized muscle cuts;
- Improved genomic testing for tenderness.

Food Safety

- Identification of alternative economical treatment strategies for carcasses, cuts, and trim to reduce E.coli O157:H7 contamination;
- Determine the effect of feeding different levels of wheat-based distillers grains on shedding levels of E.coli O157:H7;
- Facilitate the transition of important food safety scientific capacity and ensure the continued delivery of applied food safety research for industry benefit.

SRM Utilization

- Assess the fate of BSE prions during composting and identify optimal composting conditions for specified risk materials (SRM) to provide an economical and effective means of disposing of SRM.



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Forage

- Development of forages and forage mixtures to improve productivity and increase water use efficiency in western and eastern Canada;
- Identification of new sainfoin cultivars and alfalfa/sainfoin mixtures that eliminate bloat risk and demonstrate stand longevity;
- Provide new agronomic recommendations for swath grazing to improve economic efficiency by increasing carrying capacity;
- Development of alternative pasture management strategies to increase pasture productivity, water use efficiency, and performance;
- Identification of molecular markers for improved fibre quality in barley.

Feed Efficiency

- Development of alternative feeding strategies that identify the optimal use of distillers grains to maximize performance, while minimizing carcass and meat quality impacts and monitoring shifts in nutrient release in manure;
- Advance the development of a SNP panel to facilitate validation of genetic markers;
- Development of marker assisted EPDs and indexes to assist beef producers in the selection of economically relevant traits;
- Identification of biological predictors to predict/select cattle for improved feed efficiency.

Animal Health and Production Limiting Diseases

- Development and evaluation of potential diagnostic tests and control strategies for Johne's disease;
- Identification of animal health and performance concerns associated with feeding distillers grains and development of associated best management practices;
- Identification of strategies to minimize the risk of acidosis in feedlot cattle;
- Evaluation and mitigation of reproductive failure in Canadian cow-calf herds;
- Biology of animal disease vectors and genetic screening for Anaplasma;
- Evaluation of the effect of transport management strategies and trailer stocking density on calf welfare.

Looking Forward

Expectations are that beef cow inventories and consequently check-off will continue to decline into 2010. The extent to which check-off funding for research declines will be highly dependent on several factors including the length of the current liquidation phase, magnitude of expansion following herd stabilization, and the level of fed and feeder exports. Further funding uncertainty has been added by Bill 43 in Alberta, which made both the provincial and National Check-off (NCO) collected by Alberta Beef Producers refundable in Alberta.

Given current and projected revenues through the NCO, the BCRC has been challenged to implement a comprehensive research strategy which addresses multiple industry priorities, while remaining fiscally prudent. The BCRC is committed to funding leading-edge research to position the Canadian beef cattle industry as a global leader in beef quality, animal health, food safety and environmental stewardship. Research and technology transfer is a dynamic process with unique challenges and vast opportunities and industry funding is critical to both leverage significant government funds and ensure continued government commitments to research of importance to the industry.

In addition to sponsoring research and technology development, the BCRC oversees and supports the Quality Starts Here® (QSH) program. The Verified Beef Production (VBP) program is the on-farm food safety component of the QSH. The VBP program supports industry's vision to have high quality Canadian beef products recognized as the most outstanding by Canadian and world customers.

The Canadian Cattlemen's Association on-farm food safety program



Interest in the VBP program continues to gain momentum with 12,500 beef cattle operations participating in a workshop and nearly 150 completing the online training. Due to the large size of the beef sector, producer training is the primary goal. Preparing more than 80,000 producers to implement an on-farm food safety program has required the beef industry to build feasible delivery systems in all regions. It is estimated that the trained operations represent 30 per cent to 35 per cent of production.

In the last two years the number of trained operations increased by two-and-a-half times, and the number of audited operations nearly doubled to 420 operations.

Federal Canadian Food Safety and Quality Program (CFSQP) funding resulted in hundreds of producers purchasing between \$2 million - \$3 million in new equipment – a great deal more than the \$750 federal funding matching requirement. It is estimated that had the CFSQP On-Farm Implementation (OFI) funding continued, the industry would have doubled both categories again this year. The equipment is not mandatory but producers used this to assist food safety management. This was a driver to attend workshops, and also producers are heartened when they see some support for efforts at the primary level.

Reaching a target of 50 per cent to 60 per cent of production would mean that the VBP program could be used within branding efforts and the marketing of Canadian beef.

Other

VBP shares program development with other commodities through the Canadian On-Farm Food Safety working group with a view to solving common challenges. A project comparing the Canadian approach with similar programs in the U.S. and Australia highlighted some advantages – a standardized national program with both producer requirements and conformance assessment.

While the VBP program is targeting a user-pay system in the future, it is essential to meet threshold numbers in order to be self-funding. This point has not been reached yet due to the length of time needed to build buy-in and market drivers. There has been an overall benefit in raising the profile of food safety risks and what producers can do. Consumers benefit from public funding support.

The VBP program continues to work with other initiatives such as the Beef InfoXchange System (BIXS) project, natural beef producer alliances, and potential complementary audit services to decrease duplication and cost to the producer.

The Environmental Stewardship Award - TESA

As stewards of a vast portion of the Canadian landscape, Canada's beef cattle producers play a significant role in protecting and enhancing the environment. They continuously strive to improve existing stewardship conservation practices to create a sustainable future – always farming for tomorrow.

Since 1996, TESA has recognized producers who go above and beyond standard industry conservation practices and set positive examples for other cattle producers and the general public.

At the local level, a producer receives provincial recognition for their outstanding contributions. These recipients move forward as nominees for national recognition from the Canadian Cattlemen's Association (CCA). The national TESA recipient is announced during the CCA's annual Convention.

Each nominee exemplifies significant innovation and attention to a wide range of environmental stewardship aspects in their farm operation. Such innovations extend beneficially to areas far beyond their land – including water, wildlife and air.

For nomination and general information, contact your provincial cattle association.

Previous TESA Winners

Many outstanding Canadian farm families have been TESA recipients over the past 13 years. At the provincial and national level, these individuals and families lead the way in creating a sustainable future for Canada.

To learn more about their significant contributions, visit:
www.cattle.ca

2009 Provincial Winners

The Seaman Family

OH Ranch
Longview, Bassano and Dorothy, Alberta
*Alberta Beef Producers
Environmental Stewardship
Award Winner*



The Guilford Family

Guilford Hereford Ranch
Clearwater, Manitoba
*Manitoba Cattle Producers
Association Provincial Environmental
Stewardship Award Winner*



The Brielmann Family

Pine River Ranch
Pinewood, Ontario
*Ontario Cattlemen's
Association Provincial Environmental
Stewardship Award Winner*



The Simonson Family

Simonson Farms Ltd.
Dinsmore, Saskatchewan
*Saskatchewan Stock Growers
Association Provincial Environmental
Stewardship Award Winner*



National Winner

The Madley Family

Canyon Ranch
Alexis Creek, British Columbia

British Columbia Cattlemen's Association Provincial Environmental Stewardship Award Winner

Canyon Ranch is a fifth generation family ranch located in the Chilcotin River Valley; three kilometres west of Alexis Creek.

The Madley family, Bev, Al, Garrett and Brooke, raise Hereford Angus cross cattle and manage with future generations in mind. Canyon Ranch and the Madley family are recognized for their outstanding commitment to water quality, habitat restoration, riparian management and range and nutrient management.

The Ranch is situated at the confluence of Alexis Creek and the Chilcotin River; both of which are a very important for waterfowl and fish habitat. The Chilcotin River is known for producing spring and sockeye salmon, steelhead, rainbow and bull trout and is an important staging area for Canada geese.

Extensive fencing has been done to maintain and protect the sensitive riparian areas. Water troughs have been installed and exclusion fencing on Alexis Creek protects the riparian areas that are sensitive breeding habitat for the curlew and other upland bird species. Holding pens in the barnyard have been set back from the creek to establish a buffer zone. Careful thought is put into rotating the herd over the winter as a way of naturally returning nutrients to the soil in an environmentally conscious manner.

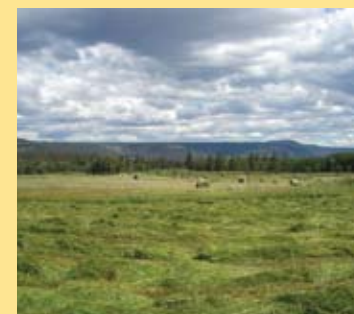
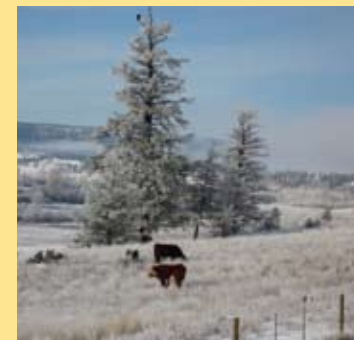
Canyon Ranch exemplifies excellent riparian management both on their home place as well as on Crown range. The riparian zones on Alexis Creek have been well managed for generations. The Madleys have incorporated more riparian fencing to protect the river banks as part of their environmental farm plan and the implementation of best management practices.



Garrett, Brooke, Bev and Al Madley

Side channels and groundwater springs of the Chilcotin River are also fenced to protect habitat for salmon fingerlings. The BC Grazing Enhancement fund was utilized to install a water crossing to protect Avon Creek on the Crown range. The lower wetland range is only utilized in late August to minimize impacts on wetlands. Ducks Unlimited has an active stewardship project on the Madley's Crown range.

Extensive range riding to rotate cattle among the Crown range management units has led to improved forage and an increase in livestock production. Careful management, cross fencing and stock watering has retained the health of sensitive bluebunch wheatgrass hillsides and enhanced biodiversity.



Committee Reports

Animal Care Committee

The Animal Care Committee works to understand and develop industry-wide acceptable practices for animal care by understanding current animal care issues and communicating to the public that Canada's beef producers are responsible custodians of the animals they own.

While cattle and other livestock producers continue caring for their animals, the debate about animal care continues. Some of this debate occurs in Canada but much of it takes place beyond our borders. This international debate has the potential to affect trade and, through trade, how producers in Canada raise their animals. The committee and staff continue working to ensure Canada's production standards are based on Canadian or at least North American science and production realities.

Canadian Activity

Three different research studies that examine transport practices in Canada have been completed in the last year. Peer reviews are still taking place ahead of publication but the general results reflect positively on current cattle transport practices in Canada. For example, one of the studies found over 99.9 per cent of cattle shipped reached their destination without injury. These studies will be important as the Canadian Food Inspection Agency (CFIA) and Agriculture and Agri-Food Canada are looking to update transport regulations. If regulators maintain a focus on outcome-based regulations, the current way beef cattle are shipped should face a slight tweaking instead of wholesale changes.

This is not to say that cattle transport in Canada is without incident. Compromised cattle do still show up at auction marts and abattoirs. The CCA and its member organizations and the provincial Farm Animal Councils continue working to bring awareness to this problem. It comes back to people being responsible for what they load onto a trailer and knowing

the animal can make it to its final destination. Although calls for changes to Canadian regulations continue, the current regulations already cover this problem: "No person shall load or cause to be loaded . . . and no one shall transport or cause to be transported an animal that by reason of infirmity, illness, injury, fatigue or any other cause cannot be transported without undue suffering during the expected journey."*

There are two private members bills on the list in Parliament that speak to animal care laws in Canada. Neither looks like they will soon be debated in Parliament. The CCA will keep an eye on these and other areas where producers may be impacted by new laws or regulations. A focus on science, particularly North American science, and on outcomes will be important to ensuring any changes are positive for animals. Many suggestions that come forward sound good but would not necessarily improve animal care.

On another front, the Beef Code of Practice is in a holding pattern. Industry stakeholders have been consulted to build a draft for the renewed Code. The next step will be going through the National Farm Animal Care Council's (NFAACC) code development process. This process was finalized in mid-2009. NFAACC is now working on accessing funding through the AgriFlexibility fund. The CCA supports this application and hopes to have the Beef Code in the NFAACC process by the summer.

Another project the CCA supports is the Certified Livestock Transporter (CLT) program. This program, which began at Alberta Farm Animal Care, has also applied for AgriFlexibility funds. The project aims to formally take the program national and to ensure it will have standing in the United States, so drivers trained in Canada would not need additional training in the U.S.

The CLT program has wide support from transport companies, meat packing companies, regulatory and enforcement bodies. Expanding training on animal handling should improve animal outcomes and safety for transporters. Several packers have moved to make some level of training mandatory for drivers

making deliveries. Expanding this program will ensure Canada has the infrastructure to deliver that training.

North America

Animal-care-based ballot initiatives continue in the U.S. Two years ago it was the Humane Society of the United States (HSUS)-backed Proposition Two in California. This saw voters support mandatory changes to sow, veal calf and chicken housing. Last year the Ohio livestock industry took the initiative with Issue Two. Issue Two supports the creation of a Livestock Care Standards Board to oversee livestock care issues in the State. HSUS did not support this undertaking and is working to build support for a ballot initiative in Ohio similar to the California resolution. More than 20 States allow for ballot initiatives that can actually change State constitutions, so this battle will continue for years. The HSUS is well-funded and will keep U.S. livestock groups busy for the foreseeable future.

To date, HSUS and its subsidiaries show up in Canada at different times on different issues but the absence of ballot initiatives has kept that front quiet. They are very active in asking for changes to transport regulation, protesting the seal hunt, puppy mills and rodeos.

A new undertaking that began to take shape a year ago is still in its formative phase. The North American Animal Wellbeing Commission for Beef has yet to have its first meeting. Ryder Lee is participating as an ad hoc member of this commission, which is slated to have its first meeting in May 2010.

International

The OIE (International Organisation for Animal Health) is drafting animal welfare standards for beef production. The CCA reviewed the draft and made submissions. These make up part of the Canadian submission to the draft process. When complete, the standard will be part of OIE's standards. These are referenced by the WTO during trade disputes. It is important that these and other international standards are closely watched, as some countries will try to use any means

of creating barriers to trade. If trade focused countries are successful this new standard will not be the basis for new barriers but countries that want to restrict trade have shown they will use whatever pretext they can to close borders.

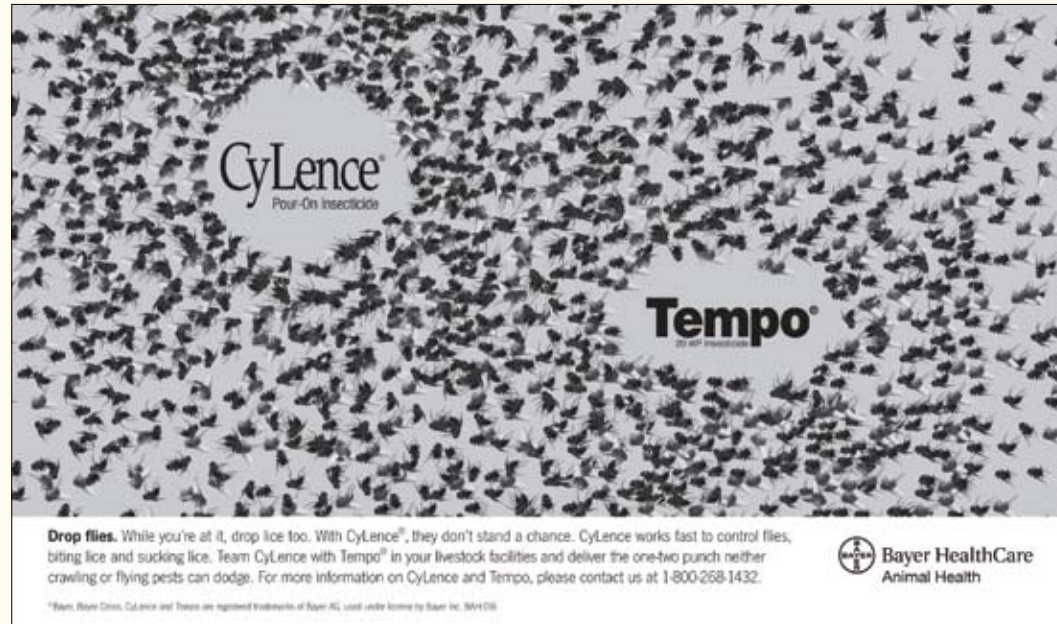
The CCA is a member of the Five Nations Beef Alliance (with Mexico, Australia, New Zealand and the U.S.). The Alliance has been working for several years to become a member of the United Nations Food and Agriculture Organization (FAO). Recently the Alliance was granted observer status. This should be of benefit to cattle producers as the FAO continues to influence the debate about world agriculture practices (ie: Livestock's Long Shadow). The CCA will be working with the other members to get from observer to full member status.

There are many areas where animal care issues are cropping up. The animal care committee continues to watch and participate where possible. This should help in maintaining producers' freedom to operate and ensure stakeholders understand the level of care Canadian producers deliver every day across the country.

Committee Members: Dave Solverson, Chair; Dan Darling; Martin Unrau; Martin Rossmann; Brent Carey; Kevin Antworth; Rob Somerville; Curtis Royal; John Schooten; Ryder Lee (staff).

Animal Health and Meat Inspection

The Animal Health and Meat Inspection Committee is responsible for ensuring the eradication of diseases of concern to the industry by making certain that regulations are based on sound, current science and do not unnecessarily impede trade. The committee's goal is to ensure customer confidence in the Canadian meat inspection system and to be recognized by trading partners as providing outstanding food safety assurance.



The National Farm Animal Health and Welfare Strategy for Canada

The strategy developed in 2008/09 continues to advance. A steering committee was struck at the request of the Federal-Provincial-Territorial (FPT) Assistant Deputy Ministers (ADMs). The objective of the steering committee is to develop options for the operation and funding of the proposed national farmed animal health and welfare council/advisory body, and options for implementation of the National Farmed Animal Health and Welfare Strategy (NFAHWS), for presentation to Regulatory ADMs, Deputy Ministers and Ministers of Agriculture.

The Steering committee has identified a preferred option for a collaborative mechanism to work toward the eight outcomes of the NFAHWS – a National Farmed Animal Health and Welfare (NFAHW) Council.

The Steering Committee acknowledges that the current authorities of government and industry are to be maintained and respected. Generally, the work of the proposed council is to:

- provide leadership to achieve the strategic outcomes of the NFAHWS;
- reports to industry and FPT Ministers of Agriculture through the Regulatory ADMs/DMS;

- monitor and report on strategic and measurable outcomes of the NFAHWS;
- ensure fully-participatory consultation with all stakeholders;
- monitor and report progress of policy and program decisions;
- base decision-making on a consensus model employing agreed upon rules and commonly-held criteria;
- provide non-partisan analysis of issues to stakeholders;
- disclose bias and special interest where appropriate, and
- operate in a bilingual environment.

The role of the proposed NFAHW Council is to look ahead to anticipate the threats to Canada's animal health status, not only from within the country, but also from outside the country. This includes major focal areas:

- Providing a forum for achieving consensus on roles and responsibilities, and provide independent policy advice for all major welfare issues and diseases of interest, especially for those that currently fall between the cracks (eg. influenza in swine, rabies).
- Evaluating our present animal health infrastructure to determine the gaps and overlaps and to provide independent advice on how to improve the system.

- Agri-intelligence and foresighting, to look ahead at possible threats and opportunities so that Canada is prepared for the future. This includes developing agri-intelligence surveillance capacity.

Own Use Importation (OUI) and Regulatory Reform

The CCA continued to work with other industry stakeholders and the Veterinary Drug Directorate on the Restricted Import Permit Program. The activities in 2009 focused on promoting a shared understanding of the own use importation challenges; discussing and addressing the issues related to a possible Import Permit Program for veterinary drugs; and outline the purpose and draft a proposed design for a pilot permit program.

The implementation of this permit program would allow the continued import of products approved for use in Canada but priced at an advantage elsewhere. However, the CCA position is that harmonization of approvals and available products is the ultimate objective. This would significantly reduce the cost of the approval process for veterinary products registered in Canada while ensuring that Canada remains competitive in dealing with animal health and food safety issues with competing jurisdictions that export beef to Canada.

National Biosecurity Standard for Beef Cattle

At the 2009 CCA AGM, a proposal was brought forward to explore the development of a national standard for on-farm biosecurity for the beef industry. Since that time, staff has met with the Canadian Food Inspection Agency's (CFIA) Office of Biosecurity which is eager to support the CCA in the development of such a standard. The CFIA has been provided with resources to undertake a statistically significant survey of current biosecurity practices on farms, ranches and feedlots. This process, led by the CCA, will result in a set of good management practices that can be readily implemented by producers in a cost and time-effective manner to reduce the risk of introducing disease to an operation. The CCA will engage and work with the provincial cattle organizations where Growing Forward funds are being made available to implement biosecurity through the provincial programs. A national standard is needed first to establish what is actually to be implemented.

This matter was discussed at the CCA Animal Health and Meat Inspection Committee during the semi-annual meeting and convention in August, which resulted in a Board resolution to proceed with the development of a national standard for beef cattle biosecurity.

National Voluntary Johne's Disease Control and Prevention (NVJDPC) Program

On behalf of the CCA and the Dairy Farmers of Canada (DFC), the Canadian Animal Health Coalition (CAHC) is facilitating the coordination of some of the core elements for a national approach to controlling and mitigating the risk of Johne's disease in the Canadian bovine herd. These core elements include awareness and education for beef and dairy producers and the good management practices that will contribute to reducing the risk of spreading Johne's disease in the herd. The intent is to create a national coordinating body under the auspices of the CAHC for maintaining the core elements of the program which provincial working groups can then adopt and adjust for delivery to producers.

Traceability

The CCA continues to be engaged with traceability on a number of fronts. The principles established in 2007 remain the primary policy position as we explore the means to implement full traceability for beef cattle.

Anaplasmosis

A government/industry steering committee was stuck in late 2009 to explore the implications of de-regulating anaplasmosis as a reportable disease. Two working groups, one for science and one for economics, have been charged with compiling the most recent and relevant information on their respective areas to inform the steering committee which will then provide a recommendation to government and industry. In the meantime, the current regulations and processes continue to be in place. Investigations continue in B.C. and Manitoba on the cases reported in 2009.

Committee members: Gord Hardy, Chair; Jamie Whalen; Don Winnicky; Pat Hayes; Brent Carey; Martin Rossmann; Louis Desautels (Resource); Rob McNabb (staff).

Convention Committee

The Convention Committee plans the National CCA Convention and Semi-Annual Meeting to provide local cattle producers an opportunity to view their national organization at work, discuss prevalent industry issues and network with industry affiliates. To facilitate access cross-country, the convention moves from province to province and takes place annually in August. Committee members include CCA Board members and local cattle producers who assist the CCA staff in the planning and on-site coordination required to execute this important industry event.

The CCA 2009 National Convention held in Regina in August was a great success. Thank you to the Saskatchewan Stock Growers Association, the CCA convention committee and local volunteers for all their help.

Event highlights:

Golf Tournament and Half-Day Tour

A total of 21 people registered for the golf tournament at the Long Creek Golf & Country Club near Avonlea, about 80 km south of Regina.

John Knubley, the new Federal Deputy Minister of Agriculture, and Dean Vey, the department's Saskatchewan representative, joined CCA golfers for the day and dinner afterwards.

All told, 16 people attended the half-day tour of the Saskatchewan countryside and had a great day exploring the scenic rural areas.

The CCA 2009 National Convention and TESA luncheon

The CCA 2009 National Convention ran smoothly. The speakers enabled great discussion and an excellent update on the CCA's activities was provided - particularly around the Canadian Beef Advantage.

Our keynote speakers brought forward several different perspectives that broadened the discussion.

Ivomec/Merial is a CCA AAA Partner

Fortunately, Federal Minister of Agriculture, Gerry Ritz, was able to join us for 45 minutes at the end of the day. A question and answer session was opened up to the audience, with Minister Ritz and CCA President Brad Wildeman responding. The event provided a unique and invaluable opportunity for direct communication with Ritz and Wildeman.

The Environmental Stewardship Award (TESA) luncheon was held from noon to 1:30 p.m. The Madley family from British Columbia was named as the 2009 TESA winners. Congratulations to the Madley family.

BBQ, entertainment evening and live auction

The BBQ was held at the Beaver Creek Ranch in Lumsden, about 30 km northwest of Regina. It was a beautiful night

and 180 people came out to enjoy a dinner, live auction and mingling. Working cow horse and reigning demonstrations were held by ranch employees.

The live auction was also a great success with \$4,875 raised. Thanks goes out to Heather Beierbach who did a fantastic job of procuring beautiful pieces of art by Saskatchewan artists. The proceeds are divided between the National 4-H Council and the Saskatchewan 4-H Council.

Committee Members: Lynn Grant, Chair; Don Winnicky; Erik Butters; Jamie Whalen; Brent Carey; Natalie Arnieri (Staff).

Domestic Agriculture Policy and Regulations Committee

The Domestic Agriculture Policy and Regulations Committee deals with non-trade related regulatory issues, such as general government policy, safety nets and transportation regulations. It also makes representation to the government and works with other committees or groups on issues of mutual interest.

The past year of activity for the committee began shortly after the March 2009 Annual General Meeting (AGM). The first meeting was in April to discuss direction regarding safety nets and government participation in the cattle and beef industry. This meeting produced the document "Principles on Government Involvement in the Cattle and Beef Industry." The document became board policy in May of 2009.

The principles adopted along with longstanding requests for changes to AgriStability are partly due to frustrations with government programs' inability to respond to the challenges the industry has faced in the last several years.

Improving AgriStability and national leadership instead of provincial 'ad hocery' are both ideas that would better serve the national industry. These undertakings continue to be thwarted but that does not mean the committee has thrown those ideas aside or stood still.

In September of 2009, Alberta finally launched its Cattle Price Insurance Program for fed cattle. This market-based program with producer paid premiums has been the basis of most of the committee's discussions since that April 2009 meeting. The committee and board have moved to supporting the development of an effective and affordable national price and basis insurance program that would serve as a front line business risk management program. Moving this program beyond Alberta's borders and to the stages of production other than fat cattle is seen to have potential to help producers better manage risk. Grain producers and U.S. cattle producers have this type of program available to them already. It is important from a competitive point of view that Canadian cattle producers have similar tools.

Much work has been going on to pursue this development. Lobbying at provincial and federal levels has the Federal Provincial Agriculture Ministers considering and working on the concept. Saskatchewan and Manitoba have been working to see if they can develop tools to keep abreast of Alberta. Alberta meanwhile is working on expanding their program to stockers and calves. As with the requests for changes to AgriStability, getting multiple agriculture ministers to agree to changes is a challenge. Further adding to this challenge is the current economic climate. A 'new' program means going to Treasury for funding. It is believed that this type of program may have limited net effects on treasuries when AgriStability effects are counted, but there is hesitancy all the same.

The other business risk management area that the CCA continues to bring forward is AgriRecovery. Drought through much of the Prairies (and flooding in some areas) has shown once again that the framework for disaster response is lacking. The CCA has been pushing to formalize a process similar to what occurred in Manitoba in response to flooding in 2008. The three responses included tax deferrals, land reclamation assistance and feed assistance. Knowledge that these are the steps government will take in response to a severe weather event, along with knowledge of what the measurements of that severity are, would help producers in responding. AgriRecovery remains purposely flexible but also hard to untangle. All the activity of the last year, indeed several years, comes back to how agriculture policy is developed in Canada. Canada's agriculture policy is a shared jurisdiction between the federal and provincial governments. This reality has been a major force in policy development and lobbying since 2003.

In 2003 the Agricultural Policy Framework (APF) was brought forth, largely driven by Agriculture and Agri-Food Canada, and accepted by provinces along with funding promises. This Ottawa-driven policy development was not favoured as Growing Forward was replacing the APF.

Growing Forward has been touted as flexible with power resting in provincial agriculture departments to deliver programs they see as important and how they deem best. The result has been disappointing from a national viewpoint as national programs have become fragmented.

When it comes to business risk management, the shift in policy direction has meant national change has been difficult to effect from the outside. Change to programs on a national scale requires agreement of at least eight provinces with over 60 per cent of agricultural production. The kind of consensus needed to bring about change with ever changing players, priorities and budgets around the Federal-Provincial-Territorial Agriculture Ministers table is elusive.

This reality continues to make the committee's work frustrating. Work will continue to coordinate communication and efforts with provincial members to maximize impact when Federal-Provincial Agriculture Ministers and their staff discuss policy. Change comes slowly but there has been a noticeable improvement in response to price and basis insurance discussions over the past year. Hopefully this trend points to a positive development for cattle producers in all provinces at all stages of production.

There is talk of a strategic review of business risk management programs in the year ahead. The last several years of frustration and learning will shape the committee's contribution to this review.

Committee members: Curtis Royal and Bob Ivey, Co-chairs; Rob Somerville; Lary Fossum; Erik Butters; Martin Unrau; Kevin Boon; Lynn Grant; Dan Darling; Dave Solverson; Jim Bremner; Brian Sterling; John Gillespie; Kevin Antworth; Bob Lowe; Ryder Lee (staff).

Environment Committee

The Environment Committee deals with environmental issues that could affect the beef industry. It encourages environmentally-sustainable production practices and communicates to the public that cattle producers care for the environment, through utilizing effective, land-management strategies.

Three major issues captured the attention of the Environment Committee in 2009: greenhouse gases (GHG); the management of incidental harm under the Migratory Birds Conservation Act; and the completion of a draft CCA Environmental Strategy. Secondary issues were varied and included developing a sponsorship package for the Environmental Stewardship Award and media materials for International Migratory Bird Conservation Day and Environment Week.

Also in the mix was the production of a case study for inclusion in Canada's Business and Biodiversity Case Studies. The latter is part of a project that will showcase Canada's business community's commitment to conservation and sustainability initiatives. Through this project, the CCA's case study will be part of Canada's presentation to the Parties to the Convention of Biological Diversity meeting in Nagoya, Japan, in 2010.

The CCA was pleased to be asked to present comments to the Standing Committee on Environment and Sustainable Development on the five year review of the Species at Risk Act. Two of the most important issues identified by the CCA to more effectively implement the Act were that the government utilize Clause 11 conservation agreements as a way of engaging the agriculture community in the recovery of species at risk and that compensation regulations be developed immediately.

The Agriculture and Agri-Food Canada (AAFC) funded Sustainable Grazing Mentorship Program was completed March 31 with the provincial delivery partners expressing strong support for the CCA to look for opportunities to continue this work. Recognizing that efficient grazing systems are the cornerstone of a competitive industry, the CCA responded by developing an AgriFlex proposal that was submitted with the support of the Beef Value Chain Roundtable.

The CCA Environment Committee has also been involved in ensuring the value of grasses and forages be recognized in the new Beef Cattle Industry Science Cluster. The following major areas are included in the proposal: increasing productivity, improving grassland management, identifying beneficial management practices (BMP) extension opportunities, future needs and developing forage varieties with increased biomass yield per acre, and improved nutritional value.

CCA Environmental Strategy

The recently completed CCA Environmental Strategy outlines a number of objectives and goals based on a systematic identification of issues. This strategy will guide committee activities to help set measurable targets. Determining those targets and activities will be a collaborative process of decision-making with the Environment Committee, key CCA staff, and the provincial cattle association affiliates.

The strategy is to be used as an evolving tool, one which can be altered and updated on a continuing basis to re-direct priorities and goals. It is based on a gap analysis that flagged seven priority environmental issues. These are, in priority order, GHG emissions, climate variability, the Species at Risk Act and the Migratory Birds Conservation Act, manure management, ammonia emissions, biodiversity conservation, and water quality.

While the CCA is currently conducting numerous activities to manage these environmental issues, this strategy provides a framework under which these efforts can be organized and prioritized to ensure the resources and efforts of the Environment Committee are aligned and focused on top environmental priorities.

Migratory Birds Conservation Act

The CCA continues to monitor efforts by Environment Canada to develop a risk assessment framework that will deal with incidental effects within the prohibitions of the Migratory Birds Conservation Act (MBCA) and the Species at Risk Act (SARA). An incidental effect would be the inadvertent harm to a migratory song bird or its residence while carrying on an accepted cattle production management practice.

The MBCA prohibits a person from disturbing, destroying or taking a nest or eggs of a migratory bird or the bird itself on

private and Crown land. Although this act has been in place since 1917 it is quite recent that Environment Canada has been challenged to show that they are in fact implementing the legislation.

Greenhouse Gases

The future of the federal carbon offset system, 'Turning the Corner: Canada's Offset System for Greenhouse Gases,' announced in February 2009 is now uncertain. Since Canada will look to harmonize reduction targets, implementation timetables and match U.S. vehicle emissions standards, we have been monitoring U.S. efforts to pass The Clean Air Act (CAA). The U.S. intends to reduce the quantity of GHG emissions by the year 2050 at least 83 per cent compared to 2005 levels. This goal is comparable to Canada's.

The beef cattle industry worldwide is receiving a high level of media coverage and public scrutiny for being apparently a major contributor to GHG emissions and thus global warming. Major food companies are making public commitments to sustainability which in some cases include emission target reductions and requirements for suppliers to sign sustainability pledges.

As one approach to managing this issue the CCA is participating in the recently-established International Meat Secretariat Environmental Working Group. Efforts are underway to develop a meat and livestock strategy in relation to climate change and sustainability.

A number of countries including Canada and the U.S. have joined an international network, the Global Research Alliance on Agricultural Greenhouse Gases, to drive agricultural research that will deliver practical benefits for both the environment and Canadian farmers. This is an excellent opportunity for joint research initiatives to increase production efficiencies as measured by a decrease in GHG emissions and an increase in carbon sequestration.

Committee members: Lynn Grant, Chair; Brian Sterling, Vice-Chair; Bob Lowe; Jim Bremner; Erik Butters; Pat Hayes; Dave Solverson; Martin Rossmann; Jack Hextall; Peggy Strankman (staff).

Foreign Trade Committee

The Foreign Trade Committee works to ensure favourable access to international markets for the Canadian beef industry and prevent exposure to unfair competition or dumping into the Canadian market, with a top-priority focus on eliminating programs, measures and subsidies that distort world trade.

Foreign trade issues continued to be an important focus for the CCA in 2009. The year saw some wins, with positive market openings by Hong Kong, Jordan, Saudi Arabia, Colombia and Panama. New frustrations arose as well. The committee was most frustrated by Country of Origin Labelling (COOL); by Korea and China, where Canada still has no access; and Japan, Taiwan and Mexico, where our efforts to expand our existing limited access continue. In the end, some negotiations concluded favourably while others dragged on or stalled out completely.

The United States

The BSE restrictions imposed by the U.S. on Canadian cattle and beef were lifted as far as we are likely to see in late 2007; however, some loose ends remain. Access on blood products is still being sought. We can also not forget about the unfinished litigation and order from the District Court in South Dakota. In July 2008, the Court ordered the U.S. Department of Agriculture (USDA) to re-do the rulemaking on (over-thirty-month) OTM beef. That rulemaking seemed to stall through most of 2009 following the change in administration, but started to progress again toward the end of the year.

The bigger issue with the U.S. in 2009 was, of course, the impact of COOL. The year started with optimism when the final rule published in January contained some improved flexibility for commingling Canadian-born cattle. But that optimism was quickly dashed by the incoming administration, initially by a White House instruction to potentially delay all rulemaking and then by the Secretary calling for additional labelling requirements on a voluntary basis. Through 2009, the Governments of Canada and Mexico have been pursuing a World Trade Organization (WTO) case on COOL. This case will continue to progress through 2010 and most likely into 2011, but the CCA agrees that it is a necessary process.

TAKING THE CANADIAN BEEF ADVANTAGE TO MARKET

Export Success for Canadian Beef

In 2009, Canadian beef exports to key markets in Asia and Mexico marked the fourth straight year of growth. The Federation's Export Members, representing approximately 95% of Canada's beef processors and exporters, recorded total exports of 84,400 tonnes for a value of \$322 million. They attributed 41% of those exports directly to the Canada Beef Export Federation.

Around the world, the Canada Beef Export Federation is creating recognition and demand for Canadian beef. Building upon Canada's leading animal health and food safety systems, we are differentiating Canadian beef for its competitive advantages – and positioning it as the world-wide symbol of excellence and quality.

We operate offices in the key markets of Japan, Korea, Taiwan, China (Shanghai & Hong Kong) and Mexico.

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Canada Beef

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Japan

The CCA is seeking to expand our existing access to Japan by securing the ability to export beef from cattle up to 30 months of age, instead of the current 21 month limit. Of all the potential market openings/expansions we seek, this particular step with Japan would probably be the most significant for Canadian cattle prices. In early 2009, we were optimistic that Japan was poised to take that step, but that hope was dashed when the Japanese Government changed late summer. We feel it will be necessary for Prime Minister Stephen Harper to raise the priority of beef access with his Japanese counterpart and have asked him to do so.

Korea

Korea is the highest value market for pre-BSE beef exports that still remains completely closed. The situation with Korea has reached the point where even the Government of Canada finally agreed that there is no alternative but to launch a WTO trade

case. Federal Agriculture Minister Gerry Ritz travelled to Korea in March 2009 to deliver an ultimatum that the Koreans did not heed. WTO formal consultations were requested in April and concluded with no resolution, paving the way for a dispute settlement panel to be created in late August. This process is proceeding, although Canada has informed Korea several times that we are willing to reach a negotiated settlement. The Korean President indicated that the matter would be resolved following a visit by Prime Minister Harper in December, but no timeline has been established. The CCA's position is that the panel should only be suspended once Canadian beef has cleared Korean customs in commercially meaningful quantities. The current Korean law that would close the border again if another case is discovered also needs to be addressed.

Mexico

The CCA had quite a bit of contact with Mexico in 2009. We are collaborating with them on the U.S. COOL file and we are pressing for expansion of our current full under-thirty-month (UTM) exports to also include OTM beef. The Mexicans are interested in having some of their beef packing facilities approved for export to Canada. We envision that the two issues of Mexican beef coming North and Canadian OTM beef going to Mexico will likely have to be resolved in concert.

Free Trade Negotiations

Two new agreements were reached in 2009 with positive results for Canadian beef exports. A Free Trade Agreement (FTA) with Jordan will provide immediate duty free access once implemented and another with Panama will have immediate duty free quotas leading to duty free access following a phase-out period. These two new agreements join the queue with Colombia as agreements the CCA is urging Parliament to implement.

The potential FTA with Korea remains at least one final negotiating session away from being completed. However it is unlikely that such a final session will be scheduled until Korea removes its prohibition on Canadian beef. It is unfortunate that so many potential positive opportunities for both the Canadian and Korean economies are indefinitely postponed by Korea's unjustified trade restrictions on Canadian beef, but the CCA cannot support an FTA with Korea until these restrictions are lifted.

The most exciting new development in 2009 was the initiation of comprehensive trade negotiations with the European Union (EU). Half-a-billion people in the 27 nations of the EU consume over 8 million tonnes of beef per year, yet Canada has virtually no access for beef mainly due to prohibitively high tariffs and other technical barriers. The first negotiating session took place in October and a further four sessions are scheduled for 2010. A deadline of fall 2011 has been set for concluding the negotiations, with a stock-taking set for the end of 2010 to determine if a substantial deal is achievable. The CCA is seeking unlimited duty-free access in this agreement.

The other major development with the EU in 2009 is the path forward established with respect to the ongoing dispute over the EU ban on beef produced from cattle treated with growth promotants. In spring 2009 the EU created a new duty free tariff rate quota (TRQ) for 20,000 tonnes of beef produced according to strict criteria. It was envisioned that only the U.S. and Canada would meet the criteria and an additional quantity for Canada would be added to the initial 20,000 tonnes. However, Ottawa has yet to obtain approval from Brussels

regarding our qualification under the negotiated criteria. This is particularly frustrating since the Australian government has qualified its beef exports for the new TRQ while Canada remains excluded.

In summation, it remains clear that our access to foreign markets is never guaranteed. Not only do we have to work hard to compete in these markets when they are open, but we constantly have to advocate for our access with foreign governments and maintain relationships with beef producers in those countries. This is hard, expensive and time consuming work. Nevertheless, access to export markets is the lifeblood of our Canadian cattle and beef industry and we will continue to do all we can to secure our access.

Committee members: Travis Toews, Chair; Martin Unrau, Vice-President; Bob Lowe; Jack Hextall; John Schooten; Gord Hardy; Kevin Antworth; Rob Somerville; Lary Fossum; Don Winnicky; Kevin Boon; Jim Sutton; John Masswohl (staff), Mark Klassen (staff); Dennis Laycraft (staff).

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SEE THE DIFFERENCE

Intervet

The Value Creation and Competitiveness Committee

The Value Creation and Competitiveness Committee addresses quality and grading issues as part of a mandate that focuses on the ability to identify areas for improvement that could increase the value for Canadian cattle and beef. This may include determining ways to improve communication throughout the value chain and identifying how the industry can improve upon Canada's reputation as a leader in animal health and food safety.

There is never a shortage of issues when addressing value creation or competitiveness in the beef cattle industry. This year the committee reviewed issues that range from long-standing concerns to promising new developments which could strengthen our ability to work within the beef value chain.

The committee continues to be a communication point for progress updates on the following important initiatives:

- Instrument grading of carcasses – evaluation of the E Plus V camera system is underway, along with the recommendation that U.S. information be incorporated into the approval process in Canada to facilitate a shorter waiting period. The rib eye camera system, and possibly the whole camera system in the future, can facilitate a variety of additional carcass measurements to assist in sorting, actual yield evaluation, and other benefits. The CCA is seeking further measures to adapt the capture of information in smaller beef plants as well.
- Beef InfoXchange System (BIXS) and enhanced information flow in the value chain – support and pilot project involvement in this voluntary information exchange system was completed by a few members of the committee. While the second phase for the cow/calf sector is underway, we remain optimistic that this system will allow the industry to build a useful tool for those who want to use it.

- Beef Quality Audit – the consumer research is complete and the carcass evaluation component is planned. The results will be presented in industry workshops with a gate-to-plate perspective on making improvements. We look forward to the results of this benchmarking study.
- National cattle traceability plan developed by the cattle industry – while the Canadian Cattle Identification Agency (CCIA) is the lead on this initiative, this committee continues to keep informed on the developments and improvements as they are implemented.
- On-farm food safety – the Verified Beef Production™ program continues to grow, and the potential to use this program within a package of differentiation points is coming closer to fruition. Refer to the Beef Cattle Research Council report in this document [pg.11] for further information.
- Beef and forage research – the need for new varieties of feedgrains and forages was communicated to the Beef Cattle Research Council, with efforts on-going.

Initial work is planned or underway on the following projects that address competitiveness:

- Systems approach to harness the full value of age verification – through the BIXS database some research is underway to develop normal ranges for cattle ages per carcass size, accounting for seasonal variation. The plan is to develop an acceptable range so that data outside the normal range can be flagged to users before the animal reaches the packing plant.
- National young leaders development program – several provincial cattle associations and the CCA are supporting a new mentorship program which will assist in leadership development. An industry partnership and international program is part of this promising initiative.
- New product registration and outcome-based regulations – support of the CCA's pilot project to improve access to new products with Health Canada/Veterinary Drug Directorate continues. We join Canada's Beef Value Chain Roundtable in support of outcome-based regulations.

- Preparation for increased access to European Union – Canada seeks to improve the protocol for EU approved cattle and is working with the Canadian Food Inspection Agency (CFIA), the Canada Beef Export Federation (CBEF) and Department of Foreign Affairs and International Trade (DFAIT) to incorporate changes. The current definition of beef production can be met in Canada, and the reduction of costs will also be key to meeting this potential demand for hormone-free cattle.

The committee continues to seek areas where value can be increased or competitiveness issues need to be addressed, through a couple of check-point meetings throughout the year. Industry input and recommendations are forwarded to the appropriate committees in an effort to help advance a multi-faceted approach to solving challenges.

Producers and industry stakeholders are invited to provide ideas and input to committee members so that we can continue to identify impediments and opportunities.

Committee Members: John Schooten, Chair; Jamie Whalen, Vice-Chair; Jack Hextall; Brent Carey; Kevin Antworth; Rob Somerville; Bob Ivey; Don Winnicky; Allan Marshall (Canadian Beef Breeds Council); Mark Klassen (staff); Larry Thomas (staff); Terry Grajczyk (staff); Kerry St. Cyr (Canadian Cattle Identification Agency).

Working Together

Canada Beef Export Federation



Each year, the Canada Beef Export Federation (CBEF) delivers comprehensive market development programs in key export markets in Asia and Mexico

and to a lesser extent in emerging markets. Wide in scope and extensive in reach, the programs comprise hundreds of activities – such as retail and food service promotions, food shows, seminars, market intelligence, trade advocacy, technical materials and advertising and public relations. To date in this fiscal year, the Federation has completed over 400 such individual activities.

Each year the Federation conducts three surveys to find out how well we are meeting the needs of our members – and to what extent our programs are successful. Just completed, here are some of the highlights of the 2009 performance measures taken from these surveys.

2010 Export Member Survey

The CBEF Export Member Survey is completed each year in January by the Federation's Export members, who represent approximately 95 per cent of Canada's beef processing and exporting sector.

The January 2010 survey indicated that exports of Canadian beef to key markets in Asia and Mexico increased in 2009, marking the fourth straight year of growth in these markets. The Export Members recorded increased exports to Japan (88 per cent), Taiwan (64 per cent) and Russia (111 per cent), with small decreases in Hong Kong/Macau (8 per cent) and Mexico (2 per cent). Exports to these markets in 2009 totalled 84,400 tonnes for a value of \$322 million for Canadian exporters.

This export success was achieved despite a very difficult year which saw markets impacted by the worldwide financial crisis

and H1N1. Viewed in the context that American beef exports to world markets in the first 11 months of 2009 were down 10 per cent, Canada's gains represent even greater success when compared to our larger and better-funded American competitor.

The survey also found that Export members again forecast that more than 100 per cent of future industry growth will come from non-U.S. exports. Exports of Canadian beef and veal to all markets are forecast to grow by 36,000 tonnes (\$138 million) – from 414,000 tonnes (\$1.404 billion) in 2009 to 450,000 tonnes (\$1.542 billion) in 2020. Over the same period, exports to the U.S. are forecast to decline by 27,000 tonnes (\$89 million) – from 319,000 tonnes (\$1.053 billion) in 2009 to 292,000 tonnes (\$964 million) in 2020. Exports to markets outside of the U.S. are expected to increase by 64,000 tonnes (\$227 million) – from 95,000 tonnes (\$351 million) in 2009 to 158,000 tonnes (\$578 million) in 2020.

Export members attributed a larger percentage of their exports outside the U.S. to the Federation's programs and service in 2009 (41 per cent) as compared to 2008 (23 per cent). This indicates that the CBEF was directly responsible for \$143 million in Canadian beef and veal exports in 2009. In terms of return on investment, every dollar invested in the CBEF resulted in over \$19 in beef exports last year.

CBEF Export members also reported their investment in support of exports outside of the U.S. and jobs created outside the U.S. In 2009, they invested \$3.9 million in capital expenditures and created 236 jobs. In 2010, they expect to invest \$7.1 million and create 273 new jobs.

Asked about their satisfaction with Federation programs including the delivery of information, services, promotions and market access support, Export members reported a satisfaction level of more than 80 per cent in all categories.

IPSOS Reid: CBEF 2009 Performance Review – Client Survey

Ipsos Reid conducted a total of 583 telephone interviews with CBEF international clients in the markets where the Federation has local representation: Japan, Taiwan, Hong Kong/Macau, South Korea and Mexico. The clients surveyed had used at least one CBEF resource or service in the past 12 months.

The 2009 Client Survey found that:

- CBEF promotions are generally seen as being effective at increasing knowledge and awareness of Canadian beef.
- CBEF's programs and resources continue to be of tremendous benefit to stakeholders.
- The CBEF is very successful at educating stakeholders on various issues related to Canadian beef.

The survey asked our clients about the perceptions of the quality of Canadian beef in their market:

- Japan – Canadian beef substantially outperforms Australian and New Zealand beef; outperforms U.S. beef; and falls short of domestic beef.
- Taiwan – Canadian beef substantially outperforms domestic, Australian and New Zealand beef; and is comparable to U.S. beef.
- Hong Kong/Macau – Canadian beef substantially outperforms domestic, Australian and New Zealand beef; and is comparable to U.S. beef.
- South Korea – Canadian beef substantially outperforms Australian and New Zealand beef; is comparable to U.S. beef; and falls short of domestic beef.
- Mexico – Canadian beef substantially outperforms all competitors – U.S., Australian, New Zealand and domestic.

The survey asked our clients about the perceptions of the safety of Canadian beef in their market:

- Japan – Canadian beef substantially outperforms U.S. beef; and is equal to Australian, New Zealand and domestic beef.
- Taiwan – Canadian beef substantially outperforms domestic beef; outperforms U.S. beef; and is equal to Australian and New Zealand beef.



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- Hong Kong/Macau – Canadian beef substantially outperforms domestic beef; and is comparable to U.S., Australian and New Zealand beef.
- South Korea – Canadian beef outperforms U.S. beef; is equal to New Zealand and domestic beef; and falls short of Australian beef.
- Mexico – Canadian beef substantially outperforms all competitors – U.S., Australian, New Zealand and domestic.

- 93 per cent said they helped inform international customers of the advantages of using Canadian beef.
- 93 per cent said they increased the amount of Canadian beef their organization exports to international markets.
- 87 per cent said they increased the member's ability to identify and make contact with importers of Canadian beef.

The survey asked our members how satisfied they are with CBEF programs and promotions in specific markets:

- Japan – 86 per cent are somewhat to very satisfied.
- Taiwan – 86 per cent are somewhat to very satisfied.
- Hong Kong – 92 per cent are somewhat to very satisfied.
- Korea – 82 per cent are somewhat to very satisfied.
- Mexico – 91 per cent are somewhat to very satisfied.

Asked to evaluate the extent to which they believe the CBEF is effective at promoting key products in key international markets, nine-in-ten (90 per cent) feel the Federation is either 'very' or 'somewhat' effective. Asked for their overall evaluation of the CBEF, 95 per cent of members rated the organization as 'good'

to 'excellent', with two-thirds ranking the Federation as 'very good' to 'excellent'.

National Check-off Agency



The Canadian Beef Cattle Research, Market Development and Promotion Agency (the

Agency) was established in 2002. The Domestic Levy Order is the provision allowing for the collection of a federal levy on cattle marketings to fund research and marketing programs for the Canadian beef cattle industry. British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, and Nova Scotia are signatories to the Domestic Levy Order and thus collect the National Check-off (NCO) on beef and cattle sold in inter-provincial trade and pay the levy to the Agency. Quebec and Prince Edward Island are in the final stages of framing their agreements which will then accommodate the national levy order for intra-provincial sales. Efforts continue in the Maritimes to address collection procedures to accommodate inter-provincial sales and collection of the levy. Once all the provinces have finalized their authority and entered into formal agreements with the Agency, the Agency will be able to finalize the Import Levy Order for imported animals and carcass equivalent beef products.

Revenue Outlook for 2009/10

The check-off directly correlates to Canadian cattle marketings which have been on a downward trend due to reduced cattle inventory and increasing live cattle exports to the U.S. as market access expanded to include all classes of cattle post-BSE. Canadian cattle inventories were down 5.1 per cent on Jan. 1, 2009 to 13.2 million head. Inventories have been steadily declining for four years and are now 12 per cent below the peak in 2005 and two per cent below 2003 (pre-BSE) levels. While live cattle exports to the U.S. increased significantly after the border reopened to all classes of cattle, cattle exports have since declined due to tight Canadian supplies, stable domestic demand, and the implementation of U.S. Country of Origin Labelling (COOL) which has resulted in a limited number of U.S. packers accepting Canadian cattle. When all factors are taken

into account, NCO revenue has experienced a cumulative reduction of approximately 12 per cent or \$1 million from estimates 24 months ago.

For 2009/10, the provinces are projecting conservatively by holding steady on 2008/09 expected sales. In the coming year, NCO revenue will be dependent on a number of factors with profitability for most sectors of the beef cattle industry continuing to be challenged. The implementation of a levy for imported animals and carcass equivalent beef products, and consideration of an export levy, will become increasingly important in the future to stabilize and enhance revenue for national research and market development programs.

Recipient Groups and 2009/10 Highlights

The Beef Cattle Research Council (BCRC) is the national research group funded through the Agency. Its purpose is to sponsor research and technology development and adoption in support of the vision of the Canadian beef industry to have high quality Canadian beef products recognized as the most outstanding by both Canadian and international customers. The BCRC is pursuing Growing Forward Agri-Science Cluster funding which will allow it to leverage significant research funds and lead in the implementation of a national beef research strategy. The national research strategy focuses on the opportunity to position research as a supporting driver of the industry's sustained success and provides a framework towards achieving coordination of beef research priorities, funding and technology transfer efforts. In 2009/10 the BCRC will continue to implement the Quality Starts Here ® Verified Beef Production program across Canada – a strategy focused on assuring the safety of Canadian beef products to domestic and world customers.

Market development programs will be implemented by the Beef Information Centre (BIC) and the Canada Beef Export Federation (CBEF) for the domestic (Canadian), U.S., Mexican, Asian and 'Other' global markets. Through the Canadian Cattlemen Market Development Council (CCMDC), the industry's global marketing strategy has been developed through a coordinated process involving extensive consultation with the Global Marketing Advisory Committee, funding recipients (BIC and CBEF), industry stakeholders across the value chain (producers, packers, processors), and other funders (federal and Alberta governments). The 2009/10 global marketing plan has

identified the following priority goals which include expected outcomes that will be used as a basis for evaluation:

- build awareness for a Canadian beef identity/brand built on benefits defined by a strong and clear value proposition;
- achieve growth in traditional, existing, new and emerging markets for Canadian beef;
- maximize the total value realized by the Canadian beef industry through optimization of carcass values or live cattle values;
- achieve resilience in light of potential future industry events through expanded and / or more secure market access, and greater market diversification;
- create a commitment to successful and effective initiatives through demonstration of impact and success.

Three provincial organizations will also utilize levy funds for provincial-specific research, and marketing and promotion of beef and veal products. The Manitoba Cattle Producers Association, Ontario Cattlemen's Association-Ontario Veal Association, and Fédération des producteurs de bovins du Québec have submitted projects for NCO funding in 2009/10.

Leveraging & Research and Market Development Key to Industry Future

The NCO is the 'industry funding' to obtain matching funds from other sources to ensure full funding for the Canadian beef cattle industry's research and market development programs. Since inception, the BCRC has contributed \$4.08 million in funding to 59 different research projects and initiatives which has been leveraged to secure a total of \$18.8 million towards these projects. Similarly, the Canadian beef industry's long-term global marketing strategy is leveraging NCO to obtain supplementary funding of \$80 million from the federal and Alberta governments. The Canadian beef cattle industry will continue to face many challenges in 2009/10. Research and marketing programs funded by the NCO which are further leveraged to obtain supplemental funding to fully cover the costs of all programs, are fundamental to overcoming these challenges and ensuring a strong, sustainable industry in the future.

Study Initiated on Check-off Economic Benefits and Portfolio Mix

In 2008/09 the Agency Committee initiated a study on the

economic benefits achieved by the check-off in terms of returns to the industry for the investment in research, market development and promotion. To assist future planning and help the Committee allocate check-off resources, the study is also examining the optimum portfolio mix for check-off investment in research and marketing. It is intended that study findings will be used in future producer communications to help convey the value of the check-off.

Canadian Cattle Identification Agency



The Canadian Cattle Identification Agency (CCIA) is an industry initiated and industry led organization that manages the Canadian

Livestock Tracking System (CLTS) - a traceback system designed and developed for the containment and eradication of animal disease.

Working with business planning consultants Chinook Solutions, the CCIA and its Board of Directors have developed and approved a new three-year, strategic business plan that will ensure the success of the transition to a national traceability program as we move forward.

The CCIA will continue to support the commercial interests and information needs of the agriculture industry and government with a cost effective, efficient, robust and scalable infrastructure. Currently, the system is being reorganized in order to optimize performance on all types of internet service, including dial up. The website at www.canadaid.ca has been improved to support dial up services, offers all current print publications in an electronic format and is now available in both French and English to better meet the needs our stakeholders across Canada.

In the future, the CCIA will seek to advance the implementation and evolution of the national traceability system through collaborative and engaged relationships with other agricultural sectors. Tag technology and retention issues are under review and continued efforts will be made to keep the public updated on the status of new technologies and field trials.

To support this work, Paul Laronde has joined the CCIA team in the role of Commodity Identification Development and Investigation Coordinator. In this role Paul will help to establish quality assurance procedures and processes around the technology of Radio Frequency Identification (RFID) tags and readers, as well as investigating other emergent technologies that may provide value to industry sectors. Working with veterinarians, producers and other industry partners, the future of traceability technology will be always improving. Feedback is welcome from all our industry partners as we work together to find a solution to common technology issues.

The CCIA will be seen as a national leader in the agricultural industry both through its role as a traceability advocate and the collaborative partnerships by which it achieves these objectives. As a member of the Industry Government Advisory Committee (IGAC), and through collaborative processes with other service providers, the CCIA is committed to discussing and working together on a multi-species national traceability system. The CCIA will also continue to act as a service provider for bison, sheep and poultry organizations and will offer services to other species.

The CCIA's management team has undergone several changes since 2008. Kerry St. Cyr has taken over the role of executive director and has set the CCIA on a new path towards a sustainable future. Joining him on the management team are Angelo Heart, operations manager; Bilal Kaban, technology manager; Hina Thaker, legal counsel; and Danielle Oberle, communications manager. New staff has been hired as well to handle the influx of calls and the CCIA will begin the move towards fully bilingual services.

Through 2009, the CCIA remained committed to internal and technological restructuring to better serve the needs of our commodity stakeholders. Recently, the CCIA improved stakeholder services with the expansion of call centre hours from 6 a.m. to 6:30 p.m. MST.

Through collaborative activities with industry and governments the CCIA is moving towards full animal movement tracking through completion of Premises Identification and identifying appropriate tools for industry, and continuing to assist with Age Verification. Producer support and industry infrastructure to facilitate value-added initiatives will also continue to be a

focus of the CCIA as demonstrated by our partnership with the Canadian Cattlemen's Association (CCA) on the Canadian Beef Advantage.

During 2009, the CCIA began Phase 1 of the Auction Market Applied Research Project to determine the costs and benefits for full scale implementation of RFID systems in auction markets. This one and a half year research project will install, operate and test multiple commercially available RFID reader technologies in multiple test sites across Canada. There are 11 auction markets in the project, three of which collect data from pre-existing systems and eight will be using newly installed systems.

Most recently, the CCIA partnered with the Governments of Canada and Saskatchewan to provide producer support for livestock traceability. The governments are providing over \$1 million to the CCIA. This funding helped the CCIA open a new satellite office in Saskatoon and employ three producer support representatives across the province. The three support representatives will travel throughout the province and meet with producers, auction markets, industry groups and government to help implement a voluntary traceability system.

The CCIA plans to be the long-term partner with industry and governments in the traceability of Canadian livestock and poultry from the producer to the consumer by taking a leadership role, so food safety, animal health and international trade expectations are consistently exceeded.

For more information on the CCIA please visit:
www.canadaid.ca

Canadian Cattlemen Market Development Council

The long-term development of Canada's beef and genetics industry is supported by the Canadian Beef and Cattle Market Development Fund (CBCMDF), also known as the Legacy Fund. This Fund was established in 2005 with \$80 million contributed from the Governments of Canada and Alberta to recover and expand markets around the world for Canadian beef and cattle genetics.

Matched by the national and provincial check-off paid by cattle producers, the combined Legacy Fund and industry contribution is expected to provide more than \$170 million from 2005 to 2015.



As part of Canada's BSE recovery plan, the Fund was entrusted to the CCA to administer. In turn, the CCA established the Canadian Cattlemen Market Development Council (CCMDC) to oversee the planning and implementation of the marketing strategy and fund allocations.

The CBCMDF supports eligible export marketing activities completed through the national marketing organizations, including the Beef Information Centre (BIC), the Canada Beef Export Federation (CBEF) and the Canada Beef Breeds Council (CBBC). A portion of the fund, the Alberta International Beef Marketing Development Fund (AIBMDF) also provides Alberta-based companies or organizations funding for international market development programs for beef and cattle genetics products.

Marketing strategies under the Fund focus on expanding markets and increasing value for Canadian beef and cattle genetics, including the further development of the brand strategy – Canadian Beef Advantage (CBA). The CBA and its brand mark represent the value proposition 'leadership in animal health and beef safety.' Included in this industry-wide branding strategy are standards and practices designed to achieve product differentiation in the markets for Canadian beef and genetics.

Integral to the CBA and also supported by the Legacy Fund is a comprehensive information exchange system, known as the Beef InfoXchange System or BIXS. BIXS serves as a platform for enhancing communication and business relationships across the entire beef chain, exchanging information on cattle production, animal health and carcass information, based on individual animal identification.

Program Highlights

Supporting the entire beef value chain, the CCMDC has expended approximately \$30 million on market development activities since 2005. As identified in the CCMDC long term strategic plan these activities fall under three priority goals:

- Build awareness of the Canadian beef brand and the Canadian Beef Advantage;
- Achieve growth in traditional, existing, new and emerging markets for Canadian beef or Canadian genetics products;
- Maximize total value realized for Canadian beef and cattle genetics industry through optimization of carcass, genetics and live cattle values.

Over the past year, the CBA brand mark and/or CBA messaging was displayed on promotional materials for use in the marketing programs.

Reaching consumers, a multimedia campaign featuring the new Canadian beef brand identity positively impacted health perceptions of ground beef resulting in a 10 per cent increase in awareness of the Canadian beef brand among Canadians reached through the targeted marketing campaign.

Profiling the integrated CBA strategy with trade stakeholders in Canada and the U.S. led to 65 partners signing a Canadian Beef Advantage license agreement, representing their commitment to purchase Canadian beef.

Canadian genetics were promoted through trade missions or technical training sessions between Mexico, Colombia, Argentina, Australia, Czech Republic, Hungary, Slovakia, U.S., Russia, Kazakhstan and China resulting in incremental sales of cattle, embryos and semen.

Domestic commercial beef market segments were established including shelf-stable ready to serve entrees as well as ready-to-eat, takeout foods. The Fund also drove the volume of beef sales by U.S. retail and foodservice partners particularly the Hispanic and Asian sectors.

To positively position Canadian beef and help U.S. retailers understand Canadian beef opportunities in relation to Country of Origin Labelling (COOL) legislation, a comprehensive communications package around COOL was developed. New partnerships were developed in the Middle East as well as in Mexico where incremental sales were supported by the Legacy Fund at retail and foodservice.

Focusing on small to mid-sized accounts to high-end retail and foodservice sectors, Canadian beef promotions in Hong Kong,



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Japan and Taiwan were also successful as a result of Legacy Fund support.

The teres major, a new cost attractive cut with tenderloin-like attributes, was featured on menus in Mexico. And promotions in Hong Kong featured finger meat and the top blade, a new cut for the Hong Kong market.

A total of 58 commercial beef products utilizing various components of the carcass were launched. Products developed included: Halal products in fresh, frozen and deli meat segments; Korean thin sliced marinated beef products; Mexican-inspired fully cooked and spiced ground beef; and ginger beef strips cut from whole muscle round cuts.

Source grinds including ground chuck and ground sirloin also presented great opportunity for growth in the Canadian marketplace through retail partnerships. The Legacy Fund also supported a very successful campaign with Burger King and the launch of a premium Canadian beef burger with Hero Burger.

Due to a lack of applications for the AIBMDF, an extensive review of the Alberta agreement was undertaken resulting in a revised

agreement June 2009. Changes to the fund include an expanded list of eligible activities in conjunction with a wider range of potential applicants, providing greater flexibility for fund recipients to develop Alberta beef and genetics export marketing programs. Several applications currently under review have been received under the new criteria.

Quantifying the results that accrue to the investment in market development and promotion programs are challenged by the multiples of exterior forces that impact on trade and profitability. As a result, the measurable outcomes in some cases have fallen short of stakeholder expectations. However the CBA value proposition and branding strategy has gained considerable support from industry over the past year. The CCMDC will continue to build on this strategy and support market development and promotion programs for the benefit of the Canadian beef industry.

www.cattle.ca

Provincial Association Reports

British Columbia



During the run-up to the 21st Winter Olympics, it was very difficult to discuss any matters with the provincial government in British Columbia without the games somehow entering the conversation and, for the most part, not in a helpful manner. The Olympics consumed government finances and time and a lot of things were placed on hold until the event concluded in late February 2010.

Among the items on hold is our expected \$1 increase in provincial check-off. The increase is expected to become effective in July and should coincide with the implementation of the new Harmonized Sales Tax in B.C. Although our year-end is in March, it was felt that it would be more efficient to enact the increase at the same time as the sales tax so that systems would only have to be changed once. The increase in the check-off should help to allow us to move forward with some of our industry initiatives.

Executive

The initiative announced by our Premier to form the Ranching Task Force last year has moved forward with government and industry coming together to establish some understanding around regulatory issues and the state of the industry in B.C. Some guidelines are now in place on the issues that we are facing and the document produced should help the working process between government and industry. This has been a big commitment for our executive and with its completion we look forward to seeing how much emphasis the government places on it. Approximately 45 recommendations for supporting the ranching industry are outlined in the full Task Force report which was presented to the Premier in early December. The full report can be seen at www.ranchingtaskforce.gov.bc.ca.

Finance and Taxation Committee

Business Risk Management, production insurance programs, and price insurance programs were all on the radar of this committee. The never-ending challenge of creating useful programs that fit the needs of the producers while being acceptable to government still presents a formidable task. We are moving forward with discussions in these areas to try to come up with solutions the government will endorse, and that will hopefully eliminate the need for ad hoc payments. Progress is slow.

Land Stewardship Committee

The Job Opportunities Program (JOP) fencing program is a joint federal-provincial initiative to address problems created by the Mountain Pine Beetle devastation (i.e., removal of natural barriers, fence line protection). The new program worked well and allowed us to facilitate the construction of some much-needed fencing.

The committee was involved in resolving some issues regarding the forestry industry's desire to utilize Brush Fencing as a means of replacing some of these natural barriers, which will create higher costs and less effective barriers for cattle producers.

Aboriginal affairs continue to create issues for ranchers in B.C. We are finalizing some research and analysis about the "real" value of Crown range tenures. The ongoing treaty negotiations process in B.C. could create a possible loss of tenures to our ranchers. This project seeks to find the real value of these tenures to the ranching operation and identify some compensation parameters.

Environmental Stewardship Committee

Water has been one of the major focuses of this committee. The provincial government is in the process of writing a new Provincial Water Plan and this is causing major concern for the ranching community in B.C. The committee is working hard to ensure that the needs of ranchers are being addressed and that we are not put in a position of losing our industry because of the perceptions and desires of other interest groups and

industries. The transition of our Wildlife Predator Program into the folds of B.C. Agriculture Council has also created some challenges but we are moving forward with the new program, working out the bumps and trying to re-establish the program to address the issues around predator losses.

Livestock Industry Protection Committee

Anaplasmosis reared its ugly head in the Nicola Valley. To date there have been more than 12,000 head tested with another 20,000 head targeted for testing by the Canadian Food Inspection Agency (CFIA). Of the animals tested there have been 18 positives, however further testing of eight of these animals have all produced negative results. This has raised the question of the validity and accuracy of the test as well as if it truly is anaplasmosis that we are dealing with. There has been no indication of clinical signs in any of the cattle and producers are working with the CFIA to come up with a solution to the problem.

At the request of the provincial agriculture ministry, our office has been assisting with processing Premise ID registrations for ranchers. Uptake in this voluntary program has been slow.

Public Affairs

Last fall we delivered a media training workshop for ranchers that participants found very useful. These newly-trained spokespeople will assist with growing our presence and coverage in the media.

Our public affairs committee is exploring an opportunity to partner with businesses in the Lower Mainland to hold a 'Meet A Rancher' style weekend blitz in several key stores. Our main goal for participating in this event is to help bring the ranch to the city as a way of helping urbanites better understand just how our beef gets to their table. It seems that city dwellers in B.C. easily accept suggestions made by special interest groups (ideas such as Meatless Monday's), so it is our hope that by developing a connection to the ranchers themselves, urban folks will not be quick to hop on that bandwagon.



Staff

B.C. has seen a few changes in 2009. Bob France retired after four years as General Manager of the BCCA. Bob had worked many years with the B.C. Ministry of Agriculture prior to coming to work for BCCA and the association benefitted from his vast experience and knowledge of the beef industry. His time and efforts are greatly appreciated by the membership.

Diane Edstrom, a 28 year employee and Production Manager of Beef in BC magazine, is retiring at the end of February. She leaves a big hole to fill as Diane has been the heart and soul of the magazine for more than a decade and took the magazine from red to black while supplying B.C. producers and BCCA with a very valuable service.

Brooke Madley, our Committee Coordinator/Industry Analyst moved on. Her position was filled by Alana Groeneveld. Alana most recently worked for OII (B.C. brand inspection) and previously for the Canadian Simmental Association and Alta Genetics.

Kevin Boon, BCCA General Manager, is appreciative of the help he's received from producers, board, and staff in making the transition to the other side of the board table. He looks forward to working together with the producers and staff in B.C. to shape the industry for the future.

For more information, please visit:

www.cattlemen.bc.ca

Alberta Beef Producers



The Alberta Beef Producers (ABP) concluded a wild and challenging year in December 2009 with a successful Annual General Meeting (AGM) in Calgary. With Bill 43 - the legislation making the ABP service charge (check-off) refundable, continued financial pressure on the industry and a devastating drought affecting much of the province, 2009 was a year that won't be missed by either cattle producers or the ABP. It would

be naïve to think that 2010 will automatically be better as it will, undoubtedly, bring us more challenges. However, the new year will provide opportunities to move beyond the unproductive battle over flawed legislation and into new relationships and activities that will create real benefits for cattle producers.

We will be operating in a difficult new world of refundable check-offs, but the ABP delegates left the AGM with strong sense of determination and energy. The ABP is a democratic and representative organization of cattle producers and the AGM demonstrates the best of these elements. The AGM is the culmination of the process of communicating with producers that begins at 26 fall meetings across the province. More than 1,200 producers attended these meetings to hear about the ABP's activities over the past year, review our plans for 2010, and provide direction to the people and policies that will guide the organization.

We welcomed 14 new zone delegates at the fall 2009 meetings, representing almost one-quarter of the delegate body, and we are pleased to see a growing number of young delegates. At the AGM, the delegates elected seven new directors to provide the Board of Directors with a strong blend of experience and fresh perspectives. With the Executive also having two new members, the ABP is demonstrating a willingness to accept change that will serve us well as we face a year of significant changes to our funding and operations.

One of the first tasks imposed on the ABP by Bill 43 will be implementation of the refund process for the refundable check-off that is effective April 1, 2010. This process was developed after extensive consultation through last year. The ABP and many cattle producers did not support making the check-off refundable and we fear that refunds could lead to a critical loss of industry funding. However, the ABP is committed to implementing a refund process that is as economical and efficient as possible.

The imposition of a refundable check-off also means that the ABP will now be devoting significant resources to demonstrating the value that producers receive from their investment of check-off funds and encouraging producers to leave these funds with the ABP. The ABP has always recognized the importance of informing producers about the work done

with check-off funds and the benefits they receive from this work. We know it is important for producers to understand the value derived from check-off funds, not just through direct investment of the funds in important projects and activities but also through the substantial degree to which industry funds can be used as leverage for funding from governments, research agencies, and businesses. In the past, however, the ABP has placed a higher priority on doing the work than on telling people about the work we do. In the new world of a refundable check-off, this balance will need to change.

Although the refundable check-off issue has received much attention from producers, the ABP has never viewed it as the most important issue facing cattle producers and our industry. Now, it certainly is not going to be the only priority or the highest priority for the ABP in 2010. We will continue to be focused on the strategies and priorities that have been developed over the past two years to make the industry more competitive and profitable. We will concentrate on implementing the solutions that could represent several hundred dollars per head for producers. We need solutions that will provide a benefit for the majority of cattle producers and the overall industry, not just a few producers who may be involved in a specific branding or processing venture.

The solutions that cattle producers and the ABP have identified include: increased export market access, reduced regulatory costs and barriers, increased value for our products through branding and differentiation of all Canadian beef, improved feed grain and forage productivity, better research and development performance, and improved business risk management programs for cattle producers.

Most of these solutions are not new and while we have made solid progress on a number of them, there is some frustration over the lack of success in implementing all solutions. Clearly, we need the support of other cattle organizations, federal and provincial governments, and groups such as the Alberta Livestock and Meat Agency (ALMA) to be successful in reaching these objectives. One of our priorities for 2010 will be building stronger relationships with the industry and government organizations that can help the industry become more sustainable and profitable.

In addition to our work on long term solutions for the cattle industry, there were a number of specific projects in which the ABP was active in 2009. The ABP prepared a detailed analysis showing the severe impacts of the drought on cattle producers in Alberta and made a formal request for AgriRecovery funding to help these producers. We started the exciting new Auction Market monitor project with the Canadian Cattlemen's Association (CCA) and are moving into another year of our Raised Right campaign. As well, we were proud to present our 18th Environmental Stewardship Award. We are strongly supporting the national policy and marketing efforts to improve export market access and raise the value of all Canadian beef. Our significant commitment of funding and technical support to feed grain research will start to show progress this year.

With a strong and spirited new Board of Directors and an enthusiastic group of delegates supported by capable and dedicated staff members, the ABP is ready for the challenges and changes in the new world this year.

For more information, please visit:
www.albertabeef.org

Saskatchewan Stock Growers Association



This past year was another challenging one for beef producers across Canada. The Canadian cow herd continued to contract at an alarming rate due to the lack of profitability in the industry related to a multitude of factors. The Saskatchewan Stock Growers Association (SSGA) continued to work tirelessly on behalf of producers to address the challenges facing our industry.

Throughout 2009, SSGA representatives had the opportunity to meet with federal and provincial officials several times to discuss issues including AgriStability, AgriRecovery, drought, traceability, specified risk materials (SRM) regulations and

trade. Progress has been made on many of these files and we eagerly await the World Trade Organization rulings on our trade challenges against the U.S. and South Korea.

A major highlight of 2009 was having the opportunity to host the Canadian Cattlemen's Association Semi Annual Meeting in August. The convention was well attended by producers from across Saskatchewan and Canada. We were very pleased to have both the Federal and Provincial Ministers of Agriculture in attendance.

During 2009 the SSGA put a concerted effort into improving communications with producers in Saskatchewan. Our goal has been to empower more producers through education and communication on the issues that are impacting all of our bottom lines.

The largest communication project undertaken was the rebranding of the Stockgrower magazine. To date we have successfully increased circulation ten-fold while maintaining profitability. We are also utilizing social networking technology to keep producers informed on the day-to-day activities of the association. Visit http://twitter.com/SK_StockGrowers to follow us on Twitter.

The following four resolutions were carried at our 2010 Semi Annual Meeting in January:

- Whereas the additional cost of custom agricultural operators being mandated to use clear diesel in their equipment makes Saskatchewan livestock producers at a competitive disadvantage; be it resolved that the Government of Saskatchewan allow custom agricultural operators to use purple diesel in their equipment.
- Whereas large tracts of range in Saskatchewan are being threatened by the noxious and invasive weed leafy spurge. Saskatchewan residents stand to lose a large natural resource, namely our native ranges. A common pathway for the transportation of seed is wildlife. Whereas grazing ranges provide an important environmental function in the whole ecosystem of Saskatchewan; be it resolved that the SSGA lobby the provincial and federal governments to jointly fund the battle against this invasive weed with producers.

- Whereas Canadian cattlemen have spent millions of dollars each year on cattle identification;
- Whereas identification is the first pillar in the National Traceability initiative and producers will also participate by populating the premise identification database at the Canadian Cattle Identification Agency (CCIA); be it resolved that the SSGA lobby the federal and provincial governments to fully fund the third pillar of traceability which is the movement of animals.
- Whereas the Saskatchewan Cattlemen's Association (SCA) has been promoted as the administrative body to oversee the provincial check-off levy and to act as a facilitator/ liaison to and from government, the policies put forward by the SSGA and the Saskatchewan Cattle Feeders Association (SCFA) and the elected district representatives (at large); be it resolved that the SSGA recognize the SCA based on the following two principles:

1. The SCA is the administrative body which oversees the provincial check-off levy in a responsible and dutiful manner.
2. The governance of the SCA must be transparent and based on sound democratic principles.

For more information, please visit:
www.skstockgrowers.com

Manitoba Cattle Producers Association



The fall of 2009 saw the Province of Manitoba go through provincial leadership and subsequent cabinet changes. Greg Selinger was named the new Premier of Manitoba, replacing the honourable Gary Doer. Stan Struthers was appointed the new Minister of Agriculture, Food and Rural Initiatives, with former agriculture minister Rosann Wowchuk replacing Selinger as Finance Minister. Bill Blakie was appointed Minister of Conservation.

The Manitoba Cattle Producers Association (MCPA) embraced these changes with optimism and we continue to work fervently on behalf of the cattle producers of Manitoba. Among the major issues currently being addressed by the MCPA are animal health, environment, Crown Lands and insurance.

Under animal health, the MCPA continues to deal with the ongoing bovine tuberculosis (TB) issue in the Riding Mountain Ecosystem. We continue to discuss the issue with Federal Agriculture Minister Gerry Ritz as well as Manitoba Conservation and Manitoba Agriculture. The MCPA insists that both the federal and provincial governments must move immediately to begin eradication of bovine TB.

The MCPA is also participating in, and providing leadership to, a steering committee to help develop a strategy with other stakeholders with a goal to eradicate this disease. Recommendations are commencing.

One recommendation in particular is to implement the Animal Disease Act, which authorizes Manitoba Agriculture to eradicate wildlife that pose a disease risk to livestock. The MCPA encourages the committee and government to develop a timely strategy and ensure an adequate budget is in place to meet rapid eradication approaches of elk and white-tailed deer.

A new and rising issue in Manitoba this year is the confirmation of Anaplasmosis in the province. Since January 2009, 9,500 cattle have been tested, with a total of 414 positive animals found. It was resolved at the 31st Annual General Meeting (AGM) that the MCPA and the Canadian Cattlemen's Association (CCA) lobby the federal government under the Animal Disease Act to keep this a reportable disease and to compensate producers for the cost incurred while animals are under quarantine for a reported disease.

On the environment front, the MCPA continues to lobby for an Environmental Goods and Services (EG&S) Program, specifically Environmental and Rural Stewardship Remuneration, for agriculture in Manitoba. This program will establish an incentive system that will send landholders a clear financial signal of how much society values the natural capital that goes along with our type of agricultural production in the cattle industry.

The MCPA also participates on the EG&S Stakeholder Knowledge Group. The group, which is comprised of various stakeholders, is in the process of combining scientific data collected through pilot projects and research from stakeholder groups, including the MCPA, to put together a proposed policy paper for the province.

The MCPA is currently lobbying the provincial government to change Crown Lands Policy, specifically towards informed access. The expanded use of leased agricultural land by the general public has created serious environmental, biosecurity and public safety hazards. By establishing a policy of informed access, the province can help ensure improved communication between the Crown Land visitor and the cattle producer.

The MCPA has also reaffirmed its resolution to lobby the provincial and federal governments with respect to leafy spurge infestation across the province as further outlined in its resolutions at the MCPA AGM.

With regard to insurance, the MCPA firmly believes the proposed changes to the Hay and Pasture Insurance program is valuable to producers and is one of those necessary tools to handle unforeseen circumstances beyond control. Due to our successful lobbying efforts, the provincial government has taken the first step towards implementing the recommended changes by launching a Pasture Days Insurance Pilot Project.

The MCPA has also recently developed a proposal for a cattle production insurance program in Manitoba. To function similarly to the crop insurance model (where government and producers share premiums), this program would be a positive tool for producers and provide stability for our industry. The MCPA believes the program should be national in scope and is making a concerted effort to lobby the provincial and federal governments to move this proposal forward for the upcoming budget year.

In addition to this work, ongoing efforts of the MCPA see the organization involved in a vast number of research projects across the province with the Brandon Research Centre, the Livestock Knowledge Centre and the University of Manitoba. Some of our top priorities include bale grazing and swath grazing and the environmental effects, dried distillers grains (DDG's), evaluation of different lands and climates for

management practices, research trials to reduce drug use on calves, and additional review of the Carbon Lifecycle Analysis, among others.

The MCPA also continues to lobby Manitoba Conservation on the presence of problem predators as research indicates that predator-related livestock losses are on the rise, proving our current system has major flaws. The MCPA is lobbying for Manitoba Conservation to provide an additional direct payment of \$300 per wolf and \$50 per coyote removed under the program. In addition, the MCPA also resolved at its AGM to lobby the federal and provincial governments to reintroduce the use of cyanide guns for predator control in Manitoba.

At the MCPA, we are working towards building a brand strategy, creating consistency in our visual communications and raising our visibility across the province. A comprehensive communications strategy will allow us to effectively communicate with producers, the urban audience and the government. Recent efforts include the launching of our new website, which features more information for producers, such as our lobbying efforts, news release updates and meetings with government and other industry stakeholders. Building a brand strategy is of the utmost importance for the MCPA as it will establish clear, consistent vehicles for creating dialogue and deepening loyalty with our varied audiences.

The MCPA office has gone through some major changes this year from an administrative standpoint. We moved our office, bid farewell to three staff members, welcomed three new staff members and created a new position – Field Representative – to address the changing needs of the industry. Tara Fulton was hired as Field Representative and she will answer questions as a representative of the MCPA and will also age verify cattle.

Since our last submission, our office staff has made one additional change and that is in the position of Communications Coordinator. Laura Dickie is no longer with the MCPA and we welcome Audrey Treichel into this position. Audrey comes to us with an extensive background in marketing/brand and communications and will provide her expertise and experience toward the endeavours recently embraced by the Communications Committee and any new initiatives undertaken.

The remainder of the MCPA staff holds the following positions: Lauren Stone, Policy Analyst; Judy Peristy, Executive Assistant; Deb Walger, Bookkeeper; Karen Emilson, Cattle Country Editor and Sheila Mowat, General Manager.

For more information, please visit:
www.mcpa.net

Ontario Cattlemen's Association



Last year was a very challenging one in Ontario. A cool, damp summer presented many problems and mid-year our markets collapsed to the point that financial survival was the foremost issue for the majority of our producers. Although the reasons were mainly beyond our control, it did not make it any easier to endure.

Partnerships

Executive from the Ontario Cattlemen's Association (OCA), and Ontario Cattle Feeders' Association (OCFA) met last summer and fall to discuss how we could better coordinate our efforts. A few short years ago, meetings such as these would not have been possible. However, both associations have been working closely together on items of mutual interest and felt that there are benefits to better defining our respective roles. The outcome of these meetings was formally announced, so that our memberships would be clear on our roles. Moving forward, the OCFA will concentrate its efforts on the marketing of Ontario Corn-Fed Beef, while the OCA will be the voice for beef farmers in Ontario with respect to policy and lobbying.

Government Relations

Again, we promoted beef at the Ontario Legislature, with our annual Ontario Corn-Fed Beef barbecue. This year our Directors attended breakfast meetings with the Liberal rural caucus and the Progressive Conservative rural caucus. We held a breakfast meeting in Ottawa for the Ontario Conservative MPs, described for them the state of our industry and promoted our requests of them to help support the beef industry in Ontario.

The OCA President, Gord Hardy, had given a similar message previously to the Standing Committee on Agriculture in Ottawa. Unfortunately, I do not believe that we have strong partnerships with our Ontario MPs and MPPs, and we have made little progress on advancing our concerns over the past year. The OCA has encouraged our producers to address this concern with their members of provincial and federal parliament.

In part to address this, we have joined a coalition with other non-supply managed commodity associations, and are working together to promote a new Business Risk Management (BRM) strategy in Ontario, patterned off of the grains and oilseeds risk management program, which the province has supported as a pilot program.

Ontario Beef Value Chain Roundtable

In response to the OCA requests, the Ontario government formed the Ontario Beef Value Chain Roundtable (OBVCR) in the summer of 2008. This group provides a forum for all participants, from the primary producer through to retail and food service, to express their ideas and issues with our industry in Ontario and to build communication and trust among the many links of the chain. There are currently two projects ongoing from this forum. The first is development of a detailed action plan for all stakeholders in the value chain, hopefully to be ready by mid-March. The second is an information exchange project detailing all of the information which various links in the chain have, and identifying the value which could come from sharing that data.

Verified Beef Production (VBP) Program

Drivers for VBP program workshops from 2006 through 2009 were the Age Verification (AV) program and the Federal Equipment cost-share program, both of which required attendance at a VBP workshop. These programs have both come to an end. The federal program ended when non-BRM programs under Growing Forward were transferred to the provincial administration. The Ontario Ministry of Agriculture, Food, and Rural Affairs developed their own delivery mechanism for Food Safety and Traceability which did not require attendance at a VBP workshop in order for producers to qualify for funding. Instead, the province developed and delivered their own version of on-farm food safety workshops and provided very generous funding to a very small number of workshop

attendees. Without a driver to encourage more producers to attend workshops, it appears that the 2,777 Ontario producers trained under the national beef on-farm food safety program will remain a static number.

OCA Age Verification Program

With \$1.1 million from Ontario government funding, the OCA delivered an Age Verification program from March 2008 until July 2009. During that time, four AV technicians age-verified 124,498 calves born in 2007, 2008, and 2009. A per-head credit was paid to producers and birth certificates were provided. The credit started out at \$3 per head and was increased to \$5 per head. Prerequisites included attendance at a VBP workshop as well as a verifiable vaccination protocol on-farm.

Radio Frequency Identification (RFID) Program

Provincial government money was also used to develop and deliver an RFID Reader program to feedlots, auction markets, large cow/calf operations, provincial abattoirs, export service providers, and livestock dealers. Funding ranged from 25 per cent to 75 per cent, depending on the sector. The program is in the final stages. To date, the total paid out to 49 applicants for readers and related hardware and software is \$336,767.

BIO Value Chain Database

In July 2008 the OCA Board of Directors approved an allocation of \$300,000 from the RFID Reader Program to Beef Improvement Opportunities (BIO) to develop the IT infrastructure, database, and software programming for value chain information capture and transfer. This work is now largely complete and available to producers or value chains that choose to use it. Only with accurate information can we make intelligent decisions to change.

Abattoir Expansion Program

As part of the OCA-OMAFRA \$4 million Memorandum of Agreement, the OCA is administering a program to address infrastructure gaps by increasing slaughter capacity in the remote areas of Rainy River and Manitoulin. This will provide producers in those areas additional local marketing options (i.e. fresh and freezer beef retail sales). Construction on kill and chill plants is currently under way, with operations commencing in 2010.

Cost of Production Modeling

Through Ontario Research and Development (ORD) funding, the OCA initiated a project to design a tool that can be used to estimate production costs for the cow-calf, backgrounding, and feedlot sectors. A computer model has been developed, and tested, with three years of historical data loaded into it. This will allow us to perform what if scenarios for different production systems in Ontario.

For more information, please visit:

www.cattle.guelph.on.ca

New Brunswick Cattle Producers



Beef cow numbers in the province are up slightly from last year. We are losing producers (cow-calf, backgrounders and feedlots) as a result of high input costs and reduced farm gate prices. However, the lower prices have encouraged the more optimistic producers to retain and/or purchase additional replacements, which accounts for the slight increase in cow numbers.

Leaner times create a greater need for a strong producer organization. That being said, hard times create a challenge in check-off collections as producers find it difficult to fund a viable producer organization.

Due to financial constraints, we had to layoff our manager and examine other means of maintaining the day-to-day activities of the New Brunswick Cattle Producers (NBCP) organization. We are still open for business and our address, phone number and e-mail address remain the same.

Association Activities

The NBCP has suspended for the time being activities related to having the check-off collected at time of sale of the radio frequency identification (RFID) tags. NBCP partnered with the Sussex & Studholm Agricultural Society, commonly known as the Sussex Co-op, and the New Brunswick Department of

Agriculture to carry out a market access and development study for the Co-op's weekly cattle auction. This resulted in changes to their methods of operation and one 'computer broadcast' feeder sale. The same method was used on a successful breeding stock sale organized by a purebred breeder.

The NBCP worked with the other livestock commodity organizations and government agencies to improve provincial meat inspection, livestock waste disposal systems, and other environmental issues.

The NBCP has met with MPs and MLAs to lobby both levels of government on issues relating to current Business Risk Management Programs, specified risk materials (SRM) removal, Advance Payment Program and other government programs and initiatives.

Nova Scotia Cattle Producers



Our industry continued to face very serious problems in 2009. Prices did not come back to the level needed for producers to survive. The global economic crisis did not help and it affected us in many ways. Problems like these did not arrive overnight and they will take time to resolve. The Nova Scotia Cattle Producers (NSCP) worked hard throughout 2009 to minimize the stress within the industry. We continue to spend many hours in discussions that can lead to programming and changes that will produce profitability for our producers.

Returning profitability to the industry is our major goal as an organization. Although not easily achieved, there are ways to accomplish this goal and we continue to work towards it on a number of fronts.

In particular, we completed two years of strategic planning in the fall of 2009. There is a proposal circulating among producers that charts a path for recovery. Our future will depend very much on our ability to sell more beef within Nova Scotia. The 'buy local' movement seems timely and important in the NSCP desire to grow the industry in the Maritimes.

In the early spring a Maritime Beef Council request for strategic government support was rejected at a meeting with all three Maritime Deputy Ministers. This meeting concluded work commenced the previous fall. There had been a real sense of Maritime cooperation building among the three producer groups. The rejection in March 2009 definitely tested the commitment to a Maritime industry.

In late June, a New Democratic Party provincial government was elected. The NSCP Board worked with the Minister of Agriculture to bring a specific short-term funding initiative forward in 2009. The broad strokes of a plan were announced at the Provincial Federation of Agriculture Annual Meeting in late November. By year's end the \$2-million plan had not been delivered. The Minister of Agriculture worked hard to meet a commitment he had made to producers in late spring.

The NSCP has been involved with a very diverse set of interests through the Maritime red meat strategy group. Pork, beef, and grain producers have met many times in an effort to coordinate and strengthen our approach to governments. In particular, the various commodity groups developed an approach through the three Maritime governments to the Federal Department of Agriculture built around support pricing for certain grains. This proposal would have measurably enhanced profitability in the red meat sector. The next step in the united approach will be the development of a more strategic position.

The NSCP Board worked with pork and sheep producer groups within Nova Scotia to create a support structure for the commodity organizations and the work they do for producers. The central concept is that a small service company would provide services and support to the three commodity groups. In short the groups would share staff and space and resources – a far more efficient model than the one currently in place. This initiative has the full support of the provincial government going into 2010.

The NSCP is still working to develop a new approach to check-off – a system at least partially based on the purchase of a Canadian Cattle Identification Agency (CCIA) tag. The legal work is almost complete on this project. In 2010 the proposal will go to the Department of Agriculture to verify the regulatory approach. There are challenges to work out concerning the retirement of the tag but the NSCP Board believes we have to find a simpler and better approach than the current model.

This has been a year of division in many ways. Producers are divided over the approach to the pricing crisis in the industry. One producer demands short term funding. Another demands strategic funding – a modern approach for modern times. This difference has the potential to tie the industry in knots. The NSCP believes it is critical now to find common ground for and among producers. We need to be ready to move and expand when the time is right. Hopefully that time is not that far around the corner.

For more information, please visit:

www.nscattle.ca

Prince Edward Island Cattle Producers



During 2009, the Prince Edward Island Cattle Producers (PEICP) Board developed a Strategic Plan appropriately named 'Defining and Pursuing a New Future.' After public consultations with our members, a committee was formed. The committee met over the course of the summer and held a wrap up session in September. The final plan was presented to our members during district meeting held in February 2010. Highlights of the plan included marketing, developing industry standards, communications and education. The plan was fully endorsed by all those who had a part in its development and they are committed to implementing the plan.

The strategies identified in the plan include:

- Building value chains connecting producers with consumers locally and globally through branded beef products.
- Improving production practices and lowering the cost base to improve competitiveness.
- Investing in, and directing research and development to continually improve our Maritime cattle and beef products.

- Collaborating, cooperating, coordinating and communicating as a regional industry and, as a regional industry, with our government partners. This is critical to the industry's future and has been coined "The 4 C's Strategy."
- Generating pride in our industry.

A recent review of programs delivered provincially to beef producers resulted in a request for additional funding. These programs include Enhanced Herd Health, Genetic Enhancement (Heifer Retention), and Handling Facilities.

Justin Lawless has been hired to deliver the Verified Beef Production (VBP) program in the Atlantic Provinces. Recently an agreement was signed with the PEI Government which will provide additional funding under Growing Forward to this program. It is anticipated that Nova Scotia and New Brunswick will follow suit in order to enhance delivery of the VBP program in their respective provinces.

Under Growing Forward, producers may qualify for funding under the heading of On Farm Food Safety, or Traceability for selected items. Producers can receive funding toward a VBP audit or radio frequency identification (RFID) reading equipment. In either case, they could receive up to 75 per cent of the total cost to the maximum of \$2,500.

In February 2009 we hosted a Technical Meat Cutters Seminar. This was delivered by the Beef Information Centre (BIC) and was well received. In November we held a meeting for those who market their beef directly from the farm gate. There was a great turnout and enough interest was generated to warrant another meeting in the spring.

The PEICP sponsored many events throughout 2009. They include Linking Land and Sea to You and Me, a food demonstration performed at exhibitions across PEI. Other events include The National Women's Institute Convention held in PEI, the PEI Hereford Breeders Maritime AGM and Field Day, the Maritime Beef and Pork Conference, and a Pasture Tour with Sarah Fleck.

As the challenges of low prices and high input costs continue to embrace the industry we have seen our membership decline. We will continue to explore every opportunity in the hopes of

finding some solutions to help end the hardship our members are facing, and hopefully to stop the bleeding.

The PEI Cattle Producers will hold its Annual Meeting in March. Following this meeting the new Board will come into effect. They will be Peter Verleun, Ivan Johnson, Brian Morrison, Jamie Whalen, Glen Jay and David McCloskey. Ex-Officio Director, Ronnie MacWilliams, will represent Dairy Farmers of PEI.

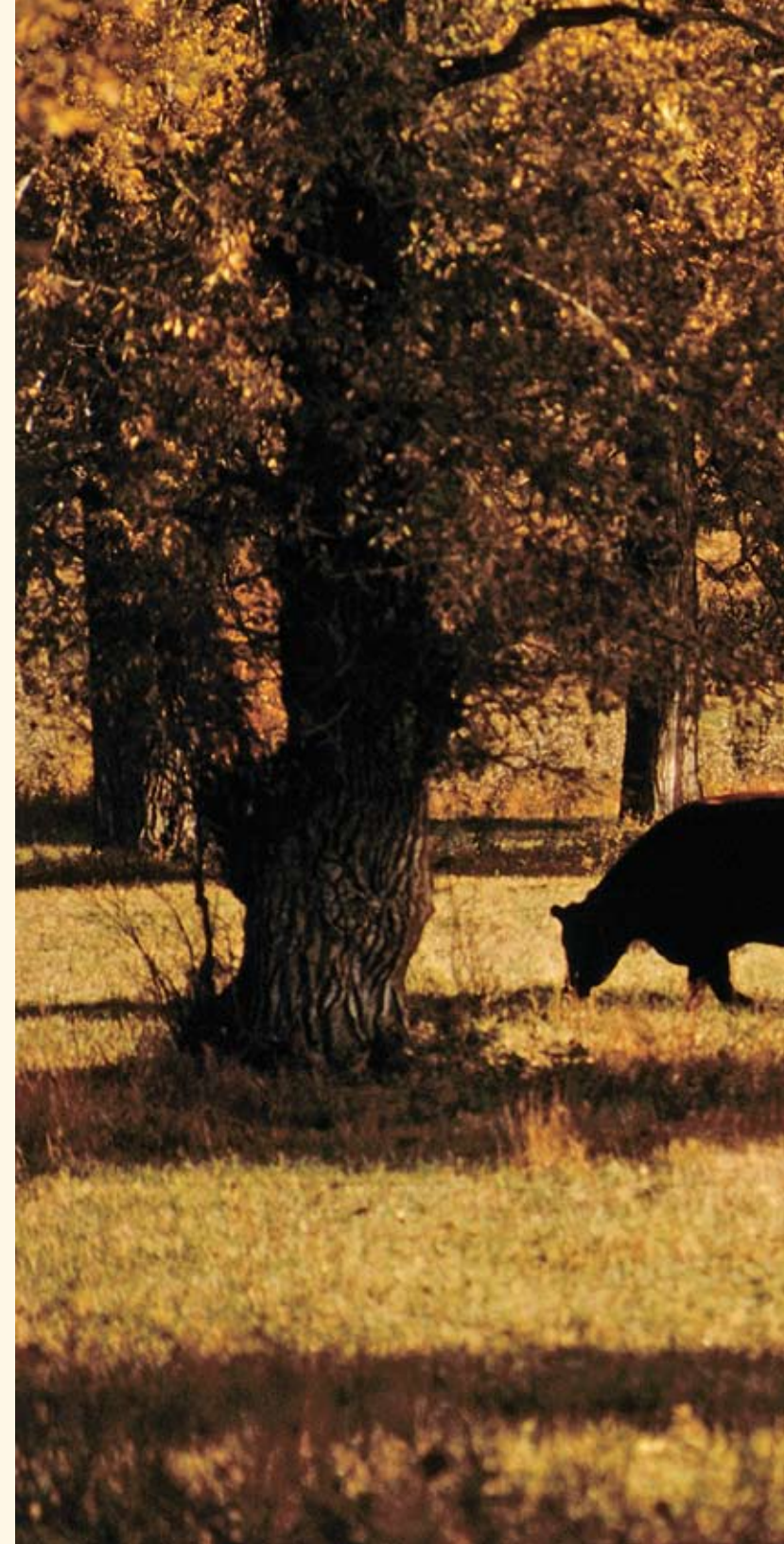
For more information, please visit:

www.peicattleproducers.com

Financial Report

Schedule of Revenue, Expenditure and Net Assets
Year ended June 30, 2009, with comparative figures for 2008

| | 2009 | 2008 |
|---|------------------|-------------|
| Revenue | | |
| Assessments | | |
| British Columbia | 91,211 | 102,301 |
| Alberta | 1,444,348 | 1,346,920 |
| Saskatchewan | 482,781 | 487,540 |
| Manitoba | 235,893 | 214,909 |
| Ontario | 394,535 | 396,577 |
| Quebec | - | - |
| Prince Edward Island | 9,107 | 8,761 |
| New Brunswick | 9,375 | 9,019 |
| Nova Scotia | 11,250 | 10,823 |
| | 2,678,500 | 2,576,850 |
| Legal Assessment | 281,768 | 298,806 |
| Vitamins Class Action Funds | - | 18,718 |
| Interest | 4,423 | 8,447 |
| Other | 56,029 | 53,052 |
| | 3,020,720 | 2,955,873 |
| Expenditure | | |
| CCA Division Services | 238,082 | 224,255 |
| Calgary Office | 710,999 | 680,131 |
| Ottawa Office | 318,561 | 306,813 |
| Export Council | - | 582 |
| Legal Reserve | 281,768 | 298,806 |
| Communications | 40,148 | 34,477 |
| Convention | 9,723 | 14,583 |
| Executive & Finance | 149,303 | 102,670 |
| Advocate Services | 990,075 | 881,509 |
| Annual Meeting | 68,585 | 73,471 |
| Semi Annual Meeting | 46,303 | 60,532 |
| Animal Health & Meat Inspection | 65,349 | 51,121 |
| Animal Care Committee | 25,295 | 18,718 |
| Value Creation & Competitiveness | 3,374 | 3,775 |
| Foreign Trade Committee | 59,905 | 55,438 |
| Domestic Ag Policy | 27,416 | 13,431 |
| 5 - Country | 7,668 | 6,695 |
| Environment | 46,291 | 16,956 |
| | 3,088,845 | 2,843,963 |
| Excess (deficiency) of revenue over expenditure | (68,125) | 111,910 |
| Net assets, beginning of year | 274,584 | 162,674 |
| Net assets, end of year | 206,459 | 274,584 |





Partners Program

The Canadian Cattlemen's Association Partners Program is a corporate membership program for organizations wishing to affiliate themselves with the CCA and the Canadian beef industry. In addition to showing your support for Canadian cattle producers, the program also provides you with an opportunity to become more active in this vital part of our economy and to participate in issues affecting the industry. As a non-voting industry member, it is a unique method to foster great relationships with those involved in the cattle industry, including industry leaders, government representatives and over 90,000 Canadian beef producers.

The program consists of three levels of partnership - Prime, AAA or AA, allowing you to choose the level of involvement that best suits your organization.

We encourage you to become involved to help ensure the future of this exciting and vital industry. Together, with your support, we will continue to work towards having Canadian beef recognized as the most outstanding by Canadian and world customers.

To become a partner, visit the CCA website at www.cattle.ca or call the CCA office at 403.275.8558.

Prime Partners



Intervet Canada Ltd.

Intervet Canada Corp. (better known in Canada as "Intervet/Schering-Plough Animal Health"), is a fully (indirectly) owned subsidiary of Merck & Co. Inc., based in Whitehouse Station, NJ, USA. Focused on the research, development, manufacturing and marketing of animal health products, the company offers customers one of the broadest, most innovative animal health portfolios, ranging from products to support performance to products that prevent, treat and control disease in all major farm and companion animal species. Intervet Canada Corp. is located in Kirkland (Montreal), Quebec.

Agricultural Banking



Scotiabank

Are you planning to grow, diversify or transition your farm operations to the next generation? Scotiabank understands your need for dependable financial services geared to the agricultural industry. Scotiabank's team of dedicated Agricultural Banking Specialists is committed to the future of your business. Scotiabank is one of North America's premier financial institutions and Canada's most international bank. With approximately 68,000 employees, Scotiabank Group and its affiliates serve over 12.5 million customers in some 50 countries around the world. Scotiabank offers a diverse range of products and services including personal, commercial, corporate and investment banking.



FoodLogiQ

FoodLogiQ is the industry leader in delivering low cost On Demand software that combines traceability, audit and lab testing services, quality management systems and mobile messaging. Together these solutions enable producers to grocers to produce, process, distribute, defend and market high quality, safe food. FoodLogiQ customers include the Canadian Cattlemen's Association (CCA), the Canadian Beef Breeds Association, the Canadian Angus Association, Pfizer, Grayson Natural Foods, Eastern Carolina Organics and Seneca Foods.

AAA Partners



Bayer

Bayer is well known on an international scale as a trusted organization offering numerous products to the agricultural marketplace. The Animal Health Division of Bayer, in Canada, offers products ranging from fly control to antimicrobial therapy. Bayer's team of highly-skilled, motivated people provide only the highest quality technical service and customer support.



Canada Beef Export Federation

Established in 1989, Canada Beef Export Federation (CBEF) is an independent, non-profit industry organization committed to improving export results for the Canadian beef and cattle industry. CBEF's export vision is to have high quality Canadian beef products recognized as the symbol of excellence by global customers. CBEF's mission is to facilitate the expansion of strategic global markets for Canadian beef products. CBEF's mandate is to identify and develop key export markets to increase the sale of Canadian beef products with the cooperation of all companies, organizations and institutions that benefit from this success.



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Merial is a world-leading, innovation-driven animal health company providing a comprehensive range of products to enhance the health, well-being and performance of a wide range of animals. Merial employs approximately 5,000 people and operates in more than 150 countries worldwide. For more information, visit www.merial.com.



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AA Partners



For what matters.

CIBC

CIBC knows you need a bank that understands the unique business of agriculture including production cycles, market changes and consumer demands. CIBC can help with financial service products customized to the specifics of your agriculture business. Whether you need a loan to buy equipment for your farm or you want financial planning and investment advice, CIBC's experienced team of Agriculture Banking Specialists, Small Business Advisors and Investment Specialists can help you find the solutions that are right for you and your business. With more than a century of agriculture experience, CIBC is in this business for the long haul. Because they know you are too.



Mixed Sources

Product group from well-managed forests and other controlled sources
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Our vision for a dynamic, profitable Canadian beef industry is to have Canada's high-quality beef products recognized as the most outstanding by customers at home and around the world.

