



Beef Industry Alliance

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A New Model – A New Plan for the Canadian Beef Industry

**Conducted for the
Beef Industry Alliance Roundtable**

July 2009

BIA Roundtable

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Executive Summary

The Situation

The Alberta and Canadian beef industry is currently entrenched as a low cost commodity supplier to both the domestic and international markets. This strategy proved successful, when the Canadian dollar was in the decline and western Canadian feed prices were some of the lowest in North America. However, the low cost strategy alone is no longer sufficient to sustain a profitable future for the beef industry. Furthermore and perhaps more importantly, it does not maximize the opportunities to market the quality beef already being produced in western Canada.

The Beef Industry Alliance (BIA) Roundtable is an industry initiative in response to these concerns. Simply stated, the BIA Roundtable is driven by the conviction that the western Canadian beef industry faces market and value based opportunities that are not being realized. Thus it is BIA's overriding vision and mission to foster the development of a beef industry that is better able to realize its potential as a reliable supplier of quality beef and therefore become more competitive and more profitable.

The Vision

The BIA Roundtable is driven by the pursuit of a singular focused vision:

<p style="text-align: center;"><i>Premium Beef</i> <i>Differentiated markets seeking quality</i> <i>A profitable industry linking producers, processors and markets</i></p>
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Mission

The abiding mission of the BIA Roundtable is to establish a value based western Canadian beef industry that can be sustained, be profitable and remain competitive. To this end, BIA Roundtable will:

- **Lead** - by driving a new vision for the western Canadian beef industry.
- **Advocate** - by developing support for the vision with industry stakeholders, member organizations and with federal, provincial and related government agencies.
- **Facilitate** – by identifying key industry priorities and ensuring that the necessary policies and resources are in place to actualize the BIA Roundtable vision.

Objectives

The BIA Roundtable's general objectives are to:

1. Lead and advocate the new vision and the new plan for the beef industry.
2. Identify and address the major priorities and/or issues that act as barriers to the achievement of the vision.
3. Advocate for necessary policy changes, new policies, resources, programs and regulations that will enable the achievement of the vision.

It should also be clearly stated that the BIA Roundtable fully recognizes the importance and the predominance of the commodity strategy currently at play within the western Canadian beef industry. The BIA Roundtable is not attempting to displace or replace this strategy. Rather it seeks only to establish an alternative differentiated product based strategy that operates in parallel to the commodity strategy.

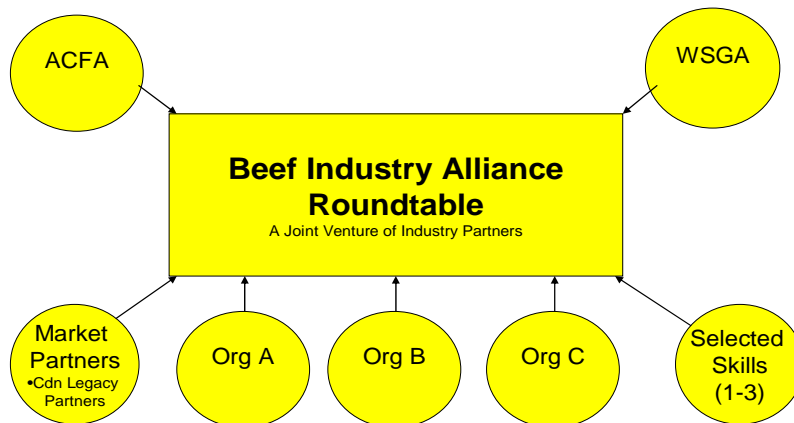
It is clear that the commodity strategy will continue to be the major modus operandi of the industry for the foreseeable future. However, a differentiated product strategy that is profitable and thereby sustainable will create a more competitive market for the entire beef industry.

Organization and Structure

The BIA Roundtable is not being set up as a new organization – rather it is a joint venture agreement among existing industry organizations and market partners to achieve the new vision for the western Canadian beef industry. To this end, the BIA Roundtable represents like minded interests that agree on major industry priorities to be addressed in order to achieve its vision.

The organization's key role is to lead and facilitate a new path for the western Canadian beef industry – a path that is based on the premise that quality based markets are searching for and seeking out quality based suppliers. The founding structure appears as follows:

Figure 2: Organizational Strategy



Functionally the BIA Roundtable will operate as a Working Group comprised of representatives from member organizations with the addition of selected professional or technical skills defined as necessary to address the key priorities. The founding organizations include:

- The Alberta Cattle Feeders Association (ACFA).
- Western Stock Growers Association (WSGA).
- Canadian Legacy Partners which includes Border Beef.

Interim leadership positions for the BIA Roundtable are as follows:

Interim Chair: Mr. Russ Picket (WSGA – Past Chair)

Interim Vice Chair: Mr. Jack de Boer (Chair of ACFA)

Joining the BIA Roundtable

The BIA Roundtable is an alliance of like minded organizations and market partners (corporations) who are part of the supply chain from production to the market place.

Adherence to the BIA Roundtable Vision and the principle of like mindedness is critical. Therefore, new organizations or corporations that wish to join the BIA Roundtable will be required to make application and be subject to the following review process:

1. Review by a New Members Committee – a small committee of founding BIA representatives would review the interest and intent of any new interested member organizations and make recommendations for membership to the BIA Roundtable Working Group.
2. Signing the BIA Roundtable Charter Agreement – subject to approval of the BIA Roundtable Working Group all new member organizations would be required to sign the BIA Roundtable Charter document that outlines the vision, general purpose, objectives, principles and modus operandi of the BIA Roundtable.
3. Make a Minimum Financial Commitment – each new member organization would be required to make an initial financial commitment. The amount recommended to become a participating member of the BIA Roundtable is \$5,000.00

The BIA Roundtable will not have individual producer members. Rather producers will participate as members of an industry organization who will have representation as the participating member of the BIA Roundtable. It will be the duty of the BIA Roundtable representatives to inform and update their respective organization on progress on priority issues as well as provide feed back to the BIA Roundtable on producer concerns and satisfaction.

Relationship of the BIA Roundtable to Provincial and National Organizations

The BIA Roundtable is driven by a focused vision to establish a differentiated product (value based) strategy. This focus will guide the setting of priorities and the application of resources.

The BIA Roundtable has no intention to duplicate efforts that are being undertaken by other provincial or national organizations. Once BIA's priorities are clearly established, it

will evaluate any parallel activities by organizations or programs and work with those organizations or programs that are consistent with BIA's strategic interests. This will be determined on a case by case basis.

Management and Operations

The BIA Roundtable will be managed by a Secretariat comprised of a part time coordinator and support staff as required to manage and implement the strategic priorities as these are defined.

Currently the Secretariat is comprised as follows:

Coordinator: Mr. Bryan Walton, CEO with ACFA

Support Staff: As required from ACFA.

An estimate of requirements and associated costs is currently being developed for review by the BIA Roundtable and the Board of ACFA.

Funding Requirements

The BIA Roundtable will operate in response to priorities. To this end it will minimize overhead commitments and instead apply the majority of its resources to the addressing of strategic priorities or pre-eminent issues.

To this end, the BIA Roundtable will continually review priorities and related objectives on an ongoing basis. Priorities will be transformed into defined projects or initiatives that are agreed to. Each priority will be accompanied by a budget, time frame and a funding plan that determines how participating member organizations will be expected to contribute.

In the event that there are no industry priorities, the BIA Roundtable will effectively enter an 'idling' mode and will be re-started in response to an identified and agreed priority.

Strategic Priorities

Currently the BIA Roundtable has identified one major strategic priority:

- **The need to find processor solutions dedicated to the development of a differentiated product strategy.**

This is the most vital and critical issue facing the western Canadian beef industry. The establishment of a sustainable product differentiation strategy requires the willing participation of dedicated processing partners or available processing capacity. Without

dedicated processing capability or committed processors, a product differentiation strategy cannot succeed. Nor will western Canada be able to successfully break out of its current commodity supplier position.

The BIA Roundtable is currently undertaking a detailed assessment of the constraints and the identification of solutions that can address this challenge.

Concluding Remarks

The strength of the BIA Roundtable can be summarized in three points:

1. **Simplicity** – a strategy that clearly articulates BIA Roundtable’s mandate to develop and sustain a differentiated product based beef industry.
2. **Focus** – a plan identifies the major overwhelming challenge facing the industry – namely the processing challenge.
3. **Relevance** – given the current state and direction of the western Canadian beef industry, if there ever was a time to bring new hope and new opportunity, that time is now!

It should also be recognized that the BIA Roundtable is focused on achieving results. In doing so and operating as an alliance, the BIA Roundtable is committed to minimizing the application of energies and costs associated with organizational issues. Rather these energies and costs will be applied to the addressing of strategic priorities and issues that can lead to the establishment of a more competitive beef industry.

Finally this plan put forward sets forth the vision, direction and priorities of the BIA Roundtable. As such it is a strategic document that requires further discussion and input. Once these directions and priorities are agreed to, more detailed operating plans complete with actions plans, timelines and budgets will be developed.

1.0 Introduction

Economically, the Alberta beef industry is the province's largest agricultural and food sector. More than 28,000 beef producers are located throughout rural Alberta. Alberta boasts some of the largest and most efficient feedlots to be found in North America. Two world scale processors each with thousands of employees, operate in Brooks and High River, respectively. In summary, the Alberta beef industry is large, well known and comprises almost 40 percent of Alberta's total agricultural production and food processing activity.

Alberta citizens and politicians alike, speak with great pride about the quality and prowess of the province's beef industry. Indeed the following declaration: "*If it ain't Alberta, it ain't beef!*" is often heard when the subject of beef is raised. No matter where one travels across Canada, the term 'beef' and the association with Alberta is well established and accepted.

What is not well known however is this: the Alberta beef industry is in serious trouble and is in fact in a state of contraction and indeed decline. Even more troubling are these observations: in reality there is truly no 'Alberta beef industry'; no Alberta beef industry strategy; and no bona fide 'Alberta beef' products that are branded and marketed at retail as recognizable and valued consumer brands. Rather it can be argued that the Alberta beef industry is in large part a low cost raw material supplier to a U.S based beef industry which is deeply rooted in a commodity mentality with its own agenda, strategies and tactical plans that are not in the long term interests of the Alberta industry.

It is time to come to grips with this reality and recognize these limitations for what they are. More importantly, the time has come for Alberta beef producers to challenge existing assumptions and structures that have led the Alberta beef industry to its current unenviable position. Indeed the time has come to build a new future for the Alberta beef industry that is capable of delivering a more promising outlook than has currently been achieved to date.

This Plan is a step in that direction. It is a call for change. It is a call for a new vision, a new set of possibilities, new business structures and new relationships among existing players and segments within the Alberta beef industry. Most importantly, it is a call to build a new future – a future that is truly led by Albertans to build an Alberta beef industry capable of realizing its true potential.

The process is being led by the Beef Industry Alliance (BIA) Roundtable – a joint venture of producer and industry organizations from across Western Canada. These organizations have joined together for a common purpose – namely to build a more profitable future for the beef industry and for its participants.

2.0 The Situation

The need for change within the Alberta beef industry is not taking place in isolation. Rather change is being driven by a host of factors that together are profoundly impacting the industry and reducing Alberta's competitiveness. The following highlights some of the more significant changes that have and are occurring:

- Over the past thirty years, the Alberta beef industry has experienced a profound transformation. Two generations ago, the industry was characterized by a large number of individual ranchers or cattlemen that raised livestock from birth to slaughter. Today, the industry operates very differently. The industry is now much more specialized and segmented: while a large number of cow-calf producers still exist, most of the production from these operations now moves as fall calves or stockers to feedlots where they are finished for market.
- Structurally, the industry has experienced massive consolidation at both production and processing levels. For example, two large packers (Lakeside (formerly Tyson-IBP) and Cargill) dominate the market – each company operates world scale plants. Within the feedlot sector itself, fewer than twenty feedlots account for over 50 percent of all market weight cattle produced in Alberta.
- Since the late 1980's with the establishment of the Cargill plant in High River, the Alberta beef industry grew rapidly. Alberta became the centre of beef finishing and beef processing in Canada and accounts for nearly 70% of the nation's beef industry. Alberta beef production has grown well beyond domestic requirements and beef has become Alberta's largest food export industry.
- U.S. continues to be the major market for Alberta beef. Product moves from Alberta to the U.S. in one of three forms: (1) feeder cattle that are finished and slaughtered in the U.S.; (2) fat (market weight) cattle – finished in Alberta and slaughtered in the U.S; or (3) as a carcass or a primal meat cut known as boxed beef. In the case of the later category, the animals are slaughtered and processed in Alberta, then shipped as saleable products to either retail or food service channels in the United States as well as Canada.
- It is significant to point out, that the U.S. meat market is defined by USDA grading standards. USDA Prime or USDA Choice is very well known across the US and the world as the leader in beef grade and beef quality. Arguably it can be concluded that **'the grade is brand!'** This is an extremely valuable industry asset and competitive advantage held by the U.S. beef industry.
- Canada has its own grading system (AAA, AA, A plus various grades for cattle). While the grades are virtually identical to the USDA system, they are Canadian and are therefore not recognized by the US market. Consequently, prices paid for Canadian cattle are discounted in comparison to their U.S. counterparts.

- The Alberta beef industry as noted earlier is dominated by two major packers. Both packers are driven by strategies that are either U.S. based and/or commodity based. Either way, there is no incentive for these packers to price Canadian cattle in any other way than to discount them to U.S. cattle prices. This differential known as the ‘basis’, is the difference between the U.S. price for cattle based in Omaha, and the price paid for the same type of cattle based in either High River or Brooks¹.
- The basis (or the discount factor) is a product of several market and price factors including distance to market; local supply and demand; U.S. supply and demand; etc. Significantly, the threat of trade barriers into the U.S. or even the discussion of changes to trade barriers has a profound affect on the basis. For example, when the border closed due to BSE in 2003, the basis was huge. Currently discussions regarding COOL and the prospect that the new US administration may even tighten or ‘thicken’ the COOL legislation is increasing the basis.
- Alberta cattle feeders currently estimate that the returns they receive for an individual carcass, is approximately \$200 to \$250 dollars less than the identical carcass would receive if it were produced by a U.S. based feedlot and processed by a U.S. based processing plant. Thus the level of discounting is considerable – for no other reason than how the animal is bought and graded. This of course places the Alberta cattle industry at an enormous disadvantage: feeders bid less for replacement cattle; cow-calf producers receive less for their calves; more live cattle (calves and fat cattle) are exported to the U.S.; lower returns and valued added opportunities are being realized by all parties. Furthermore, the added costs of SRM² handling, adds to this differential.
- Within the past ten years, the international trade for beef has increased and the level of international competition has increased led by the USA; Australia; Brazil; and Argentina. Australia for example has developed a highly competitive feedlot industry to supply the Asian (Japan and Korea) market. This is a new development to the extent that the bulk of Australian exports were traditionally low grade or industrial beef (frozen hamburger for the fast food and institutional markets). Much can be said about Brazil and Argentina who both had an enormous presence at the recent SIAL Food Show (October 2008). By comparison, the Canadian presence was all but non existent. Furthermore, it is

¹ The Tyson-IPB plant located in Brooks has now been sold to the Nilsson Brothers – an Alberta based company. It remains to be seen if the new owners are interested in changing the current marketing strategy.

² Post BSE in 2003, the government of Canada implemented a set of packing plant procedures specific to the handling of Specified Risk Materials (SRM). This is estimated to cost \$35 per head. Plants in the US do not have these costs.

significant to note that Alberta beef exports have dropped almost 50% since 2002 (\$1.6 billion in 2002 vs. \$887 million in 2007).

- The Alberta beef industry led by the Alberta Beef Producers (and formerly the Alberta Cattle Commission) has had some success in promoting the industry and the product. Alberta is known nationally for its quality beef. *Alberta Beef* has a strong and clear image of excellence – an image that has opportunity to be strengthened and advanced further. However, a closer examination of retail and food service brands illustrate that there is no such brand as ‘Alberta Beef.’ Neither major processor features ‘Alberta beef’ as a branded product. There may be reference to beef produced in Alberta or beef produced in Western Canada: however, this reference is indirect, not defined or qualified.
- Since 2003 beef producers in considerable resources and efforts have been applied to support the industry and for industry development. Beef producers and processors have been recipient of hundreds of millions of dollars in direct government support in the wake of the BSE crisis and more recently as part of the Alberta Farm Recovery Program. However, there is little if any evidence of any material change has taken or is taking place in the structure of the industry or in strategies that point to brighter future. In fact, it can be argued that the outlook for the industry may actually be worsening: (1) exports are declining; (2) the basis is widening – hence declining prices to producers relative to the U.S.; (3) cow kills are on the increase; and (4) the number of heifers as a proportion of daily fat cattle kills are on the increase. All these measures point to an industry that is downsizing and in decline.
- There have been growing concerns by various stakeholders within the industry regarding the current organizational structure of the mandated³ industry organization – namely the Alberta Beef Producers (ABP). Established in 1969 as the Alberta Cattle Commission, the commission was formed at the request of five widely diverse farm groups (the Alberta Cattle Breeders Association, Alberta Dairymen’s Association, Alberta Federation of Agriculture, Farmers Union of Alberta and the Western Stock Growers’ Association). Those organizations desired to have an organization that would democratically represent all beef producers in the province. Its vision: to have Alberta beef producers lead the way. Its mission: to strengthen the sustainability and competitiveness of the Alberta beef industry.
- Many industry stakeholders – both organizations and individuals – have expressed increasing concerns that ABP’s effectiveness as an organization and its representational structure is not able to fulfill its mandate. In 2002, four industry

³ Operating under the Marketing of Agricultural Products Act – Alberta Regulation 272/97

organizations formed the Alberta Beef Council⁴ for the purpose of advocating structural change to the Alberta Beef Producers. Their primary objective was to reform the ABP to become an industry structure that better represents all the major sectors comprising the Alberta beef industry. The Alberta Beef Council proposed a structure that brought together cow-calf producers, feedlot operators, processors and industry service providers into a new body to deal with complex industry issues and develop strategies that could facilitate the overall growth and development of the Alberta beef sector. Little structural change within the industry has occurred as a result of this process.

- Three recent developments have stimulated a new round of discussion specific to the strategies and structures to be developed for the Alberta beef industry. These are:
 - The Alberta Farm Recovery Program announced by the Minister of Agriculture in May of 2008. While the program makes available a total of \$300 million in support to livestock producers, it is also made very clear that ad-hoc payments will end.
 - The announcement and the subsequent formation of the Alberta Livestock and Meat Agency (ALMA). It is the agency's stated purpose to provide strategic advice and direction to help Alberta's livestock industries compete globally and transition to a strong prosperous and sustainable industry.
 - The formation of the B5 in response to the above developments. The B5 is comprised of: (1) the Alberta Beef Producers; (2) Alberta Cattle Feeders Association, (3) the Beef Initiative Group; (4) Feeders Association of Alberta; and (5) the Western Stock Growers Association. The purpose of the B5 is to develop strategies that can advance the development of the beef industry in such a manner to move beyond the need and expectation of ad hoc payments and government support.
- Subsequent to the formation of the B5, four organizations have formed the Beef Industry Alliance (BIA) to advance the need for structural and strategic change. These include the Alberta Cattle Feeders Association; the Beef Initiative Group; the Feeders Association of Alberta; and the Western Stock Growers Association. Since the original formation, new members have joined the BIA including the Canadian Legacy Partners and Border Beef.

⁴ The four organizations included the Alberta Cattle Feeders Association; the Alberta Auction Markets Association; the Alberta Livestock and Order Buyers Association and the Western Stock Growers Association.

3.0 A New Plan for the Beef Industry

3.1 Introduction

The Beef Industry Alliance (BIA) Roundtable is driven by conviction that the western Canadian beef industry faces market and value based opportunities that to date are not being realized. Thus it is BIA Roundtable's overriding imperative to foster the development of a truly western Canadian beef industry that is more competitive and better able to realize its potential as a reliable supplier of quality beef.

New leadership and new strategies are required. The effective development of value based marketing opportunities requires a 'chain' approach with clear objectives, capable leadership and a focused organizational response. To this end, the BIA Roundtable is committed to providing the leadership that will enable participants within the beef industry to facilitate the following outcomes:

- New business relationships between processors and producers that are based on creating or building 'value' defined by specific market requirements.
- The marketing of premium or preferred brand positions in key markets beginning with the Canadian market. This would be followed by establishing new or expanded positions in growing markets that are not currently in direct competition with major U.S. suppliers.
- Capturing new 'value' that is distributed within the beef value chain in an equitable and fair manner.
- Establish a made in Alberta pricing system that reflects the value created by the market – not simply a discounting pricing system based on prices determined outside of Canada.

In more practical terms these would mean:

- The development of unique marketed western Canadian branded products that are targeted to an already strong but unrealized customer demand within Canada.
- Re-entry into established markets such as Japan and South Korea that have been closed to Canadian beef since the outbreak of BSE in 2003.
- The development of international marketing strategies in growing markets such as China. Further this would mean seeking out Chinese investors (or other international investors) who have an interest in establishing long term supply relationships.

- The opportunity for producers to earn similar revenues per carcass to their US beef producing counterparts. Currently animals have been discounted as much as \$200 to \$250 per animal.

The sum total of these initiatives has a much greater opportunity to establish a profitable and sustainable western Canadian beef industry.

3.2 Underlying Assumptions and Challenges

The BIA Roundtable Plan is built on the following assumptions:

1. The current western Canadian beef production and processing system is for the most part, locked into a low cost commodity strategy. In this regard, Canadian beef is a low cost source of supply for the U.S. market. This approach is entrenched, firmly established and well supported by existing businesses, industry organizations and government policies.
2. The Canadian beef system has been able to compete in a business environment when local grain prices were some of the lowest in North America and the Canadian dollar was in a state of long term decline (1977 to 2003). However these beneficial cost factors no longer prevail. Consequently, the Canadian beef industry has increasing difficulty to compete as a low cost supplier in a manner that is financially sustainable for all participants.
3. Western Canada has fundamental competitive advantages to produce beef but not simply on a least cost platform. These include such factors as large tracts of land for grazing; the ability to produce feed grains; supplies of water; high quality and internationally recognized genetic base; a favourable climate for the finishing of cattle; proven production and management capabilities; and significantly, its location as the closest major agricultural food surplus region to the Pacific Rim.
4. Markets for value based or quality beef exist both national and internationally. This has been confirmed by members of the BIA Roundtable based on detailed market research and business relationships that have been identified and to some extent serviced by individual efforts made over the past 5 years.
5. New leadership, new strategies and new business structures that link producers and processors are required to develop value based markets. Such opportunities will not be accomplished by simply extending the current commodity strategy.
6. To ensure long term success, new business structures and strategies must benefit all parties involved.

7. The ability to supply valued based markets over the long term will require the establishment of dedicated value chains and/or organizational structures involving specific producers and processors. These developments will serve two purposes:
 - Create new market opportunities.
 - Creates a more competitive environment for all beef being produced including beef destined for the commodity markets.

3.3 Guiding Principles

The BIA Roundtable Plan is guided by the following principles toward the establishment of a differentiated business strategy:

1. **Market Driven Focus** - all planning, business structures and strategies must be connected to actual market interests and requirements including:
 - Domestic strategies that focus on specific market segments, channels and customers within Canada.
 - Export strategies that are not head to head with existing mainstream commodity suppliers.
2. **Define and Establish New Business Structures and Relationships between Producers and Processors** – the successful implementation of the new business model requires that business relationships are structured to achieve objectives that are common to both parties. This is critical. It is imperative that producers and processors establish new business arrangements that focus on mutual objectives and benefits over the long term⁵.
3. **Develop a Western Canadian strategy with identifiable Brands'** – currently there is little if any visible presence of unique, Western Canadian (or Alberta) brands in the market place. This is clearly an opportunity – both domestically and internationally.

⁵ In a recent study of supply chain co-ordination in the beef industry, Andrea Brokebank concluded: "***Alliances must be linked to a specific processor and preferably to specific retailers. Processors are the main interface between the end-user and the production sectors and key to transfer of information between these two links of the chain.***" The study is entitled: *Supply Chain Coordination in the Canadian Beef Industry: Assessing the Opportunities and Constraints*. A Thesis Submitted to the College of Agriculture, Department of Agricultural Economics, University of Saskatchewan, Saskatoon. 2004.

4. **Establish sustainable value chain relationships** – long term sustainability is vital for all parties including cow-calf producers, feeders and processors. Clearly the long term success of any strategy needs to recognize that all participants must benefit in an ongoing manner.
5. **Creates and captures new value** – the ideal solution is to compete in such a way that new market opportunities, new products and new brands can be developed. This requires close working relationships with market partners and responding to ever changing conditions.

3.4 The Vision

The BIA Roundtable is driven by the pursuit of a singular focused vision:

Premium Beef
Differentiated markets seeking quality
A profitable industry linking producers, processors and markets

The BIA Roundtable is committed to facilitating the establishment of new value based opportunities for the beef industry. While the BIA Roundtable fully recognizes the importance of the commodity markets, these markets are already well established and well served. Instead, the BIA Roundtable is dedicated to the development of new value based markets.

3.5 The Mission (Purpose)

The abiding mission of the BIA Roundtable is to establish a value based western Canadian beef industry that can be sustained, be profitable and remain competitive. To this end, the BIA Roundtable will:

- **Lead** - by driving a new vision for the western Canadian beef industry.
- **Advocate** - by developing support for the vision with industry stakeholders, member organizations and with federal, provincial and related government agencies.
- **Facilitate** – by identifying key industry priorities and ensuring that the necessary policies and resources are in place to actualize the BIA Roundtable vision.

The BIA Roundtable is an industry alliance⁶ established to represent member organizations and industry partners who subscribe to the vision. In essence, BIA's key role is to lead and facilitate a new path for the western Canadian beef industry – a path that is based on the premise that quality based markets are searching for and seeking out quality based suppliers.

The BIA Roundtable is committed to ensuring that the required market linkages are made as well as ensuring that the necessary business structures and strategies are implemented to realize these opportunities. Finally it must be made clear that the BIA Roundtable is not a business entity established to engage in commerce. This is and will remain the domain of industry players. BIA's primary role is to provide leadership and advocate for the conditions necessary for value based marketing strategies to be successful.

3.6 Objectives

The BIA Roundtable's general objectives are to:

1. Lead and advocate the new vision and the new plan for the beef industry.
2. Identify and address the major priorities and/or issues that act as barriers to the achievement of the vision.
3. Advocate for necessary policy changes, new policies, resources, programs and regulations that will enable the achievement of the vision.

It should also be clearly stated that the BIA Roundtable fully recognizes the importance and the predominance of the commodity strategy currently at play within the western Canadian beef industry. The BIA Roundtable is not attempting to displace or replace this strategy. Rather it seeks only to establish an alternative differentiated product based strategy that operates in parallel to the commodity strategy.

It is clear that the commodity strategy will continue to be the major modus operandi of the industry for the foreseeable future. However, a differentiated product strategy that is profitable and thereby sustainable will create a more competitive market for the entire beef industry. This is an important point. Currently, no sustainable markets as an alternative to the prevailing commodity stream exist. The BIA Roundtable is committed

⁶ A detailed study of agri-food marketing systems makes the following conclusion: "***The evidence suggests that self-organization, where efforts are supported by participants, have a greater chance of adoption and participants making positive contributions than when imposed through formal regulation.***" Insch, Andre: The Effects of Marketing Organization of the Delivery of Added Value: A Historical Comparison of Australia's Beef & Chicken Meat Marketing Systems, 2005.

to ensuring that the necessary conditions are in place to enable and support the establishment of a differentiated product strategy by commercial interests. Such a strategy, even though it may only represent a minor proportion of total beef production, will create for a more competitive market and improve returns to all producers.

To achieve this outcome, the specific objective to be addressed in the short term is this:

- **To address the processing challenge facing the industry specific to the establishment of a differentiated product strategy.**

It must be made very clear that the identified processing challenge is not an issue of a lack of capacity. It is an issue of accessing or establishing dedicated capacity capable of implementing a product differentiation strategy. Unqualified capacity in and of itself is a commodity issue. However, dedicated capacity for a specific purpose or market is a strategic issue related to a distinct business strategy.

3.7 Strategic Priorities

The BIA Roundtable exists for the purpose of addressing critical industry issues and assembling like-minded parties to apply a focused response to addressing these issues. The success of this approach has been clearly demonstrated in the most recent legislation (Bill 43) which now offers choice to beef producers specific to how and whom they choose to support with regards to industry organizations.

With respect to the vision and mission, the BIA has identified one major strategic priority:

- **The need to find processor solutions dedicated to the development of a differentiated product strategy.**

This is the most vital and critical issue facing the western Canadian beef industry. The establishment of a sustainable product differentiation strategy requires the willing participation of dedicated processing partners or available processing capacity. Without dedicated processing capability or committed processors, a product differentiation strategy cannot succeed. Nor will western Canada be able to successfully break out of its current commodity supplier position.

The processing challenge is a complex and potentially controversial issue. Indeed a range of issues need to be addressed including: market opportunities; market access; investment attraction and financing. Ultimately the solutions need to be driven by commercial interests who are committed to the vision advocated by the BIA Roundtable.

This strategic priority is being addressed as part of Phase 3 of the planning process⁷. The objectives of this phase are to:

1. Identify the market opportunities including market access issues.
2. Develop a detailed understanding of the barriers and constraints specific to market development, investment attraction and financing requirements.
3. Identify a range of potential solutions.
4. Provide recommendations specific to the organizational, resource and policy requirements to overcome the barriers and constraints.

In summary, the BIA Roundtable's top and most immediate priority will be to address the '**Processor Solutions**' issue. This is identified to be the most critical step in the achievement of the vision. To this end a strategy, budget and an action plan will be developed. Subsequently a funding strategy and the level of financial contribution by member will be established the Steering Committee.

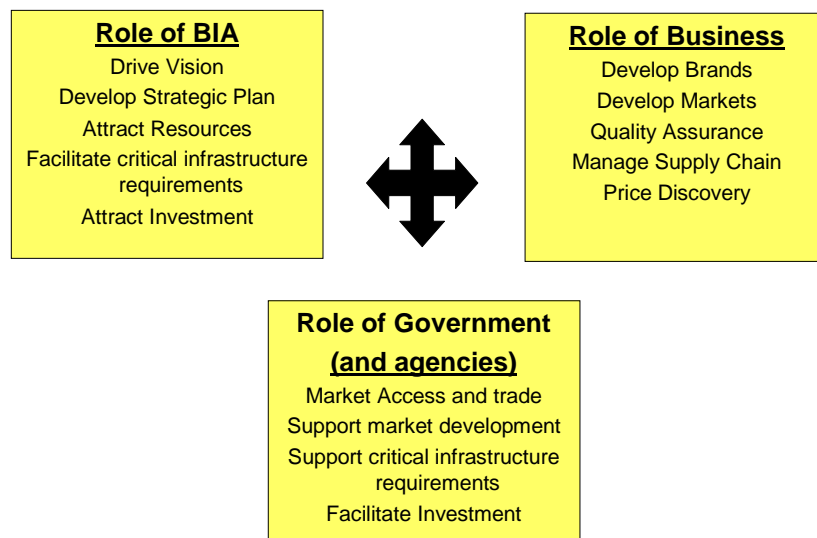
⁷ The project plan submitted to ALIDF in February of 2009 comprises 4 phases. This document is an outcome of Phase 2 entitled: Moving the Business Model Forward.

4.0 BIA Roundtable Organization and Management Plan

4.1 Introduction

The proposed BIA Roundtable organizational plan has been developed within the framework of the following context which outlines the role of business (commerce); the role of the industry organization; and the role of government and related agencies (See Figure 1):

Figure 1: The BIA Roundtable in Context



The framework outlines the following:

1. **Industry Requirements and the Role of Business** – specifically the needs of industry and specific businesses (and value chains) to successfully implement the BIA Roundtable vision and develop value added opportunities over the long term. These need to be clearly understood and addressed.
2. **Role of the Industry Organization** (and in this case the BIA Roundtable) – the function and role of the BIA Roundtable is to advocate and ‘drive’ the Vision and strategic plan for the beef industry. The BIA Roundtable will lead the process of setting priorities and ensure that the necessary resources, infrastructure and support are in place to enable the industry – namely commerce comprising individual businesses (and value chains) to achieve success.

- 3. Role of Governments and Related Agencies** – the critical lead organization to be approached by BIA Roundtable to support this plan, is the Alberta Livestock and Meat Agency (ALMA). The BIA will also establish working relationships with other provincial and federal departments as well as agencies to match programs/resources with industry needs. The primary objective will be to garner support for the vision and attract resources in the achievement thereof.

4.2 The Organization

The BIA Roundtable is not being set up as a new organization – rather it is a joint venture agreement among existing industry organizations and market partners to achieve the new vision for the western Canadian beef industry. To this end, the BIA Roundtable represents like minded interests that agree on major industry priorities to be addressed in order to achieve its vision.

The organization's key role is to lead and facilitate a new path for the western Canadian beef industry – a path that is based on the premise that quality based markets are searching for and seeking out quality based suppliers. It will function as a Steering Committee with representation from member organizations as follows:

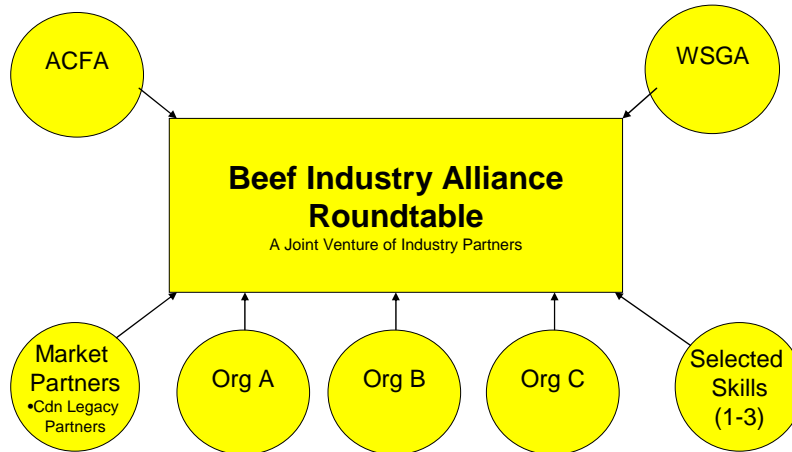
- **Beef Industry Organizations** – Alberta Cattle Feeders Association, Border Beef and the Western Stock Grower's Association.
- **Market Partners** – Canadian Legacy Partners.
- **Selected Skills and/or Experts** – an identified set of experts such as market development, brand management and/or investment attraction. Actual skills to be acquired and individuals to be attracted at the outset of the BIA Roundtable mandate will be determined once priorities are clearly established.
- **Other industry organizations** – the BIA Roundtable will encourage and recruit other industry organizations who subscribe to the vision to become members.

Note: BIA Roundtable remains in its early stage development. A full membership drive to attract other joint venture partners will take place in the near future.

The BIA Roundtable will not have individual producer members. Rather producers will participate as members of an industry organization who will have a representative as the participating member of the BIA Roundtable. It will be the duty of the BIA Roundtable representative to inform and update his or her respective organization on progress on priority issues as well as bring feed back to the BIA Roundtable on member satisfaction.

Schematically the BIA Roundtable appears as follows:

Figure 2: Organizational Strategy



To be clear, the BIA is not a separate legal entity with by-laws, officers and staff.

4.3 BIA Roundtable Leadership

Functionally the BIA Roundtable will operate as a Working Group comprised of representatives from member organizations with the addition of selected professional or technical skills defined as necessary to address the key priorities.

Interim leadership positions for the BIA Roundtable are as follows:

Interim Chair: Mr. Russ Picket (WSGA – past Chair)

Interim Vice Chair: Mr. Jack de Boer (Chair of ACFA).

Additional leadership positions will be added as required. Both the Interim Chair and Vice Chair have expressed their willingness to serve in these capacities for the short term.

4.4 Joining the BIA Roundtable

The BIA Roundtable is an alliance of like minded organizations and market partners (corporations) who are part of the supply chain from production to the market place.

Adherence to the BIA Roundtable Vision and the principle of like mindedness is critical. Therefore, new organizations or market partners that wish to join the BIA Roundtable will be required to make application and be subject to the following review process:

1. **Review by a New Members Committee** – a small committee of founding BIA Roundtable representatives would review the interest and intent of any new interested member organizations and make recommendations for membership to the BIA Roundtable Working Group.
2. **Signing of the BIA Roundtable Charter Agreement** – subject to approval of the BIA Roundtable Working Group all new member organizations would be required to signing a BIA Roundtable Charter document that outlines the vision, general purpose, objectives, principles and modus operandi of the BIA Roundtable.
3. **Make a Minimum Financial Commitment** – each new member organization would be required to make an initial financial commitment. The amount recommended is \$5,000.00 to become a participating member of the BIA Roundtable.

The BIA Roundtable is committed to openness, transparency and participation. It is not limited by geography or jurisdiction. In essence, the only requirement is a shared vision and a commitment to address priority issues toward the achievement of common goals.

Every member need not participate on every priority. Rather participation of the members will be determined on an individual priority basis. If one or more members do not regard a particular initiative to have relevance, they can step back and allow those BIA Roundtable members who regard an issue to be of high priority to proceed.

4.5 Relationship of the BIA Roundtable to Provincial and National Organizations

As stated previously, the BIA Roundtable is driven by a focused vision to establish a differentiated product strategy. This focus will guide the setting of priorities, the application of resources and how the BIA Roundtable aligns with strategic partners to accomplish its goals.

The BIA Roundtable has no intention to duplicate efforts that are being undertaken by other provincial or national organizations. Once BIA's priorities are clearly established, it will evaluate any parallel activities by national organizations or programs and work with those organizations or programs that are consistent with BIA's strategic interests. This will be determined on a case by case basis.

It should also be noted that the two founding members of the BIA Roundtable, namely ACFA and WSGA, are members of CBEF. It is the intention of the BIA Roundtable to work with CBEF on market development initiatives that are of mutual interest.

4.6 Management and Operations

The BIA Roundtable will be managed by a Secretariat comprised of a part time coordinator and support staff as required to manage and implement the strategic priorities as these are defined.

Currently the Secretariat is comprised as follows:

Coordinator:	Mr. Bryan Walton, CEO with ACFA
Support Staff:	As required from ACFA.
Current address:	#201, 2816 -11 th Street, NE Calgary, AB. T2E 7S7
Telephone:	403-250-2509

An estimate of requirements and associated costs is currently being developed for review by the BIA Roundtable and the Board of ACFA.

4.7 Funding Requirements

The BIA Roundtable will operate and be funded in response to priorities that are agreed to by the Working Group. To this end, fixed costs and overhead commitments will be minimized. Instead, the BIA Roundtable will apply the majority of its resources to the addressing of strategic priorities.

The BIA Roundtable will continually review priorities and related objectives on an ongoing basis. Agreed priorities will be transformed into defined projects or initiatives. Each priority will be accompanied by a budget, time frame and a funding plan that determines how participating member organizations will be expected to contribute.

In the event that there are no industry priorities, the BIA Roundtable will effectively enter an 'idling' mode and will be re-started in response to priorities that are identified at some future time.

5.0 Concluding Remarks

The plan presented in this document sets forth the vision, mission, organizational strategy and priorities of the BIA Roundtable. As such it is a strategic document that requires further discussion and input by the founding members.

Once these directions and priorities are agreed to, more detailed operating plans complete with actions plans, timelines and budgets will be developed.

In summary, the BIA Roundtable:

- Is committed to the development of a product differentiation strategy in what is presently an overwhelming commodity industry.
- Acknowledges that the processing challenge is the prevailing priority that must be addressed for any sustained product differentiation strategy to succeed. Currently, no operating processing facility is available to support such a strategy.
- Does not advocate the establishment of a new organization. Rather it calls for like minded existing organizations to join forces and sit as a Working Group to set priorities, objectives, budgets and funding plans.

Beef producers in western Canada have the opportunity to participate in the BIA Roundtable by being active members of these industry organizations who in turn are members of the BIA Roundtable.

Finally, the BIA Roundtable will thrive or die based on results. Its mandate is fundamentally defined by the identification of specific priorities and projects with clear objectives and outcomes. The ability of the BIA Roundtable to achieve objectives and make visible progress on priority issues will be readily apparent to all members and stakeholders in the beef industry.