



ANNUAL
REPORT 2008



Canadian Cattlemen's Association



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Board of Directors 08-09



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President
Saskatchewan



Hugh Lynch-Staunton
Past President
Alberta



Tony Saretsky
Vice President
Alberta



Kevin Boon
Alberta



Rick Burton
Alberta



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Rob Somerville
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Travis Toews
Alberta



Art Devick
British Columbia



Lary Fossum
British Columbia



Brian Sterling
Manitoba



Martin Unrau
Manitoba



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Ontario



Gord Hardy
Ontario



Curtis Royal
Ontario



Jamie Whalen
Prince Edward Island



Lynn Grant
Saskatchewan



Jack Hextall
Saskatchewan

Missing

Michel Dessureault, (ex officio) Quebec
Pat Hayes, Saskatchewan
Bob Ivey, Saskatchewan

Board of Directors, 07-08

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Michel Dessureault (ex officio), Québec
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Bob Ivey, Saskatchewan
Mary Jane Saville, Saskatchewan

Jamie Whalen, Prince Edward Island
Briand Weedon, Saskatchewan

*CBBC - Canadian Beef Breeds Council

Committees 08-09

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.

Dave Solverson, Chair
John Schooten
Brian Sterling
Martin Unrau
Don Winnicky
Ryder Lee (Staff)

Animal Health and Meat Inspection

Committee – Responsible for ensuring 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. Its 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.

Gord Hardy, Co-Chair
Martin Unrau, Co-Chair
Art Devick
Curtis Royal
Tony Saretsky
Jamie Whalen
Dr. Louis Desautels (Resource)
Mark Klassen (Staff)
Rob McNabb (Staff)

Audit Committee – Assists the Board of Directors in fulfilling its oversight of corporate governance and fiscal responsibility related to the Association's financial reporting, accounting systems, internal controls, audit processes and investment policies.

Rick Burton, Chair
John Gillespie
Jack Hextall

Beef Cattle Research Council – Funded by the National Check-off (NCO), it determines research and development priorities for the beef cattle industry, administering NCO funding to meaningful research. To ensure appropriate allocation of project funding, BCRC utilizes a comprehensive screening process. It sponsors research and technology development, plus adoption in support of the Canadian industry.

Harold Starr, Chair
Wilfred Campbell
Charlie Christie
Randy Clark
Brian Edge
Bob Gordanier
Harvey Hagman
Charlie MacKenzie
Jim Martin
Mac McRae
Rob Somerville
Dr. Jock Buchanan-Smith (Advisor)
Andrea Brocklebank (Staff)
Rob McNabb (Staff)

The Beef Information Center (BIC) – Funded by NCO dollars, BIC markets Canadian beef, develops new products, improves and promotes the safety of Canadian beef in Canada and the United States, through targeted consumer, foodservice and institutional education/awareness programs.

John Gillespie, Chair
Judy Nelson, Vice Chair
Roy Eckert
Brent Griffin
Chuck Groeneveld
Art Jonasson
Jennifer MacDonald
Donna Noullett
Mary Jane Saville
Cathy Sharp
Kim Sytsma
Lynn Willis
Glenn Brand (BIC Staff)

CanFax – This market information service provides up-to-the-minute information to its members - primarily feedlot, cow-calf and backgrounding operators, plus brokerage firms and other agricultural groups. Its division, CanFax Research Service is widely used and respected by provincial cattlemen's associations and government.

Dave Solverson, Chair
Erick Butters
Curtis Royal
Rob Leslie (CanFax staff)

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 CCA staff in the planning and on-site co-ordination required to execute this important industry event.

Don Winnicky, Chair
Marcel Gousseau
Greg Johnson
Mac McRae
Sheila Mowat (MCPA Staff)
Natalie Arneri (Staff)
Paula Crookes (Staff)

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.

Bob Ivey, Co-chair
Curtis Royal, Co-chair
Kevin Boon
Jim Bremner
Erik Butters

Dan Darling or John Gillespie
Lary Fossum
Lynn Grant
Mary Jane Saville
Dave Solverson
Brian Sterling
Travis Toews
Ryder Lee (Staff)

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.

Lynn Grant, Chair
Brian Sterling, Vice Chair
Jim Bremner
Rick Burton
Erik Butters
Lary Fossum
Jack Hextall
Mary Jane Saville
Dave Solverson
Peggy Strankman (Staff)

Executive Committee – Provides general oversight of the management of the association's affairs, including finances and submission of the annual budget to the Board. Charged with carrying out policies established by the Board of Directors, it acts on behalf of the Board in unforeseen matters, which the Board must ratify within 14 days.

Brad Wildeman, President
Hugh Lynch-Staunton, Past President
Tony Saretsky, Vice President
Kevin Antworth
Kevin Boon
Art Devick
Lynn Grant
Gord Hardy
Curtis Royal
John Schooten
Dave Solverson
Martin Unrau
Jamie Whalen
Dennis Laycraft (Staff)

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.

Travis Toews, Chair
Kevin Antworth
Kevin Boon
Art Devick
Gordy Hardy
Jack Hextall
Tony Saretsky
John Schooten
Rob Somerville
Brad Wildeman
Don Winnicky
Mark Klassen (Staff)
Dennis Laycraft (Staff)
John Masswohl (Staff)

Value Creation and Competitiveness (VCC) Committee – Replaced the Beef Quality and Grading Committee and continues to address quality and grading issues. Its expanded mandate 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 our industry can improve upon Canada's reputation as a leader in animal health and food safety. Initial committee work focused on developing terms of reference and identifying priority issues.

John Schooten, Chair
Jamie Whalen, Vice Chair
Kevin Antworth
Dan Darling
Jack Hextall
Bob Ivey
Dave Solverson
Rob Somerville
Travis Toews
Terry Grajczyk (Staff)



President's Report

Brad Wildeman



It is my privilege to report to you this year as President of the Canadian Cattlemen's Association (CCA). We continue to endure volatile times, and the events that occurred this year

certainly fit that description. Our industry faced many issues in 2008, with U.S. mandatory Country-of-Origin Labelling (mCOOL) remaining at the top of the list - something we anticipated for some time. Others, like the worldwide financial crisis, came suddenly giving us little time to prepare.

The most critical event impacting our industry was the implementation of mCOOL. Although progressing for some time, the changes in rulings, legal interpretation, and political interference have created considerable confusion for all stakeholders on both sides on the border. At the end of 2008, the industry was operating under the interim final rule, and expecting further changes to be incorporated. With this uncertainty looming over the industry, many U.S. stakeholders operate very cautiously, taking a conser-

vative approach on how they implement mCOOL and reluctant to purchase Canadian or mixed-origin products.

This hesitation demonstrated by some U.S. packers, processors and retailers awaiting the final rule showed through refusal to purchase Canadian cattle and beef, or requesting discounted prices. In immediate response to these changes, the CCA asked the Government of Canada to proceed with a trade challenge against the U.S., which they initiated in December. We believe that mCOOL clearly violates both the spirit and agreement of trade rules under the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO). In the meantime, we continue to work with our Canadian industry, federal government and U.S. industry counterparts to eliminate this trade-disrupting action.

Of course, in addition to this challenging trade issue with the U.S., the CCA works on many priorities for our industry which I want to provide an update on. When I assumed the role of President, in March 2008, I stated that I believe the CCA needs to concentrate on five main priorities this year. The following, is the progress to date.

Fix Business Risk Management (BRM) programs to work for the cattle industry

Obviously, this challenging initiative frustrated and disappointed the CCA's Domestic Agriculture Policy Committee, many others and me this year. Although we spent considerable time and effort to convince bureaucrats and elected officials that the current suite of programs inadequately meets the needs of our industry and requires major revisions, they adopted no substantial improvements.

To bring forward our recommended changes, we met on several occasions with senior federal and provincial policy officials, including assistant deputy ministers (ADMs), deputy ministers (DMs), plus agriculture ministers. At the federal and provincial agriculture minister's meeting in Quebec, the 'Growing Forward Framework' was accepted by all provinces. In their joint communiqué, the ministers agreed to conduct a strategic review of BRM programs, including the inadequacies of the AgriStability section

of the framework agreement - taking place in 2009. Hopefully out of this review, we can make some meaningful changes to benefit our industry in the future.

Provincial and federal ministers outside of Alberta expressed straightforward reluctance to provide any short-term or ad-hoc relief for beef producers in the form of cash payments. However they continue to send messages to the CCA indicating their willingness to explore other avenues of support to industry. As an organization, we need to capitalize on that offer to build a more stable, productive and sustainable future for our industry.

Increase our market access in international markets

No major breakthroughs resulting in meaningful increases in trade values or volumes have occurred. Progress has been very slow. The genetic industry completed live cattle shipments to Russia, although they expect more opportunities to develop. However, beef shipments to Russia have been halted due to security issues around export documentation.

South Korea continues to greatly disappoint Canada, as we expected to export beef into this market by now. Unfortunately, Canadian exporters experienced most of the damage from a consumer/trade backlash against the importation of U.S. beef. Mass demonstrations created domestic upheaval, which delayed U.S. shipments into South Korea until mid-July. Since then, Korean consumer acceptance has shifted. Reports now indicate that U.S. beef products sell very well. But in Canada, we're still waiting for the necessary agreements to be signed for resumption of shipments to South Korea; despite receiving assurances that trade would resume simultaneously with the U.S., or shortly thereafter.

Japan continues to hold onto their import requirement for under-21-month beef only, although we now hear some willingness is developing that may open this window further. Through our representation at Beef Cattle Trade Advisory Group (BCTAG), Beef Cattle Producers' Advisory Committee (BCPAC) and Beef Cattle Market Access Group (BCMAG), we continue to ask our federal government to work diligently on these files on our industry's behalf.

We remain encouraged that improved foreign market access and expansion of beef trade will occur in 2009, with several trade missions now in the planning and implementation stages.

Establish export market access strategy

Cattle producers have always supported the market ideals of receiving our returns from the marketplace. Our reliance on the international marketplace for these returns is predicated on having appropriate trade agreements in place between Canada and importing countries. However, our track record leaves much to be desired, which prompted the CCA to develop a new, aggressive strategy to improve our capabilities in this important area. After a thorough review and consultation with key industry experts from, government and industry, the CCA developed a significant discussion document - complete with recommendations to improve Canada's market negotiation capabilities and focus. We shared our findings and recommendations with senior government officials, plus a broader consultation with industry groups, and received overwhelming support. Many groups are prepared and willing to help us achieve our goal of redefining Canada as a world leader in international trade negotiations. To garner the support and resources necessary to begin implementation of the recommendations, we have shared this document with both national and provincial elected officials. Everyone involved realizes that such a comprehensive strategy takes time to move forward; so to see results, we need to exercise patience and perseverance in the coming months.

Reduce regulatory burden

To remain sustainable in the future, it's critical that we stay competitive with other beef-producing countries in this global economy. Several factors play key roles in achieving and staying competitive: maintaining a level playing field for regulatory costs and compliance, plus access to the latest and most efficient technologies and products.

To identify areas to eliminate or reduce regulatory costs and requirements, a Beef Value Chain Round Table working group was established. In their first report, the group issued some key recommendations, which includes providing producers access to the latest and innovative veterinary products. Through the CCA Animal Health and Meat Inspection Committee, we will continue to work with federal government officials to speed up the process for new product approvals and stand firm on the provision allowing for the importation of competitively-priced

products from the U.S. Progress appears to be happening in both areas, but more work is needed.

Harmonization or the equivalency of regulations is the answer to minimize regulatory impediments within NAFTA countries and facilitate fair competition, which is our ultimate goal. We will continue to visit our U.S. counterparts in Washington D.C. to discuss strategies to encourage our governments to adopt common policies.

Produce a long-term plan for the future

Although some issues remain outside of our direct control, we are undertaking some initiatives that will improve our future circumstances.

Developing a new, world-renowned brand identity, the Canadian Beef Advantage (CBA) is one key initiative well underway to ensure our industry's sustainability long-term. The Canadian Cattleman Market Development Council (CCMDC) defined the fundamental principles and objectives of the CBA, supported by the Beef Information Centre, the Canada Beef Export Federation (CBEF), (BIC), and the Canadian Beef Breeds Council. The marketing strategy, designed by this team, set the objective of promoting the value proposition for Canadian beef and cattle in their respective marketing mandates. The value proposition is based on several key differentiation points - most notably in the areas of beef quality and food safety, animal health and the environment.

The industry's marketing organizations, including the Canadian Beef Breeds Council (CBBC), CBEF, and BIC, provided valuable information to us and continue to conduct market research into initiatives that will provide the greatest impact and return for our cattle producers. We believe creation of a world-leading, information-sharing capability throughout the value chain, to facilitate a basis for continual improvement for the industry will play a major role in achieving CBA's success. We envisioned the development of the 'Beef Information Exchange System' (BIXS) to achieve this.

During the year, I visited several industry meetings across Canada and took the opportunity to explain the CBA concept and the supporting BIXS information exchange. It received a great response. At this point, BIXS still needs work to bring it to fruition, but I feel confident that we are on the right track. Early in 2009, a pilot project testing the capabilities of the information pathways for BIXS gets underway - creating a system compatible with the

Canadian Cattle Identification Agency. Once fully implemented, the possibilities will be limited only to the imagination of the participants utilizing the exchange.

Conclusion

Despite all we faced in 2008, I believe that the strength of our industry, lays in the passion and commitment of the many people working across the sector and their desire to seek out new ways and opportunities to build a sustainable future for our industry. That's what keeps CCA working hard for this industry, enabling us to face the challenges head-on. As CCA president, I am honoured to be part of it and this association. Although we continue to face a steep climb in 2009, reflecting on the incremental progress made in 2008, I'm confident we're on the right path and ready to face the challenges ahead. Our successes may seem small at times, but these incremental developments all add up. We're on our way together.

In closing, thank you to all the CCA Board of Directors for their significant contributions this year, and special thanks for the years of services from those stepping down from our Board at our March 2009 AGM. I look forward to welcoming new directors aboard at that time, who will carry on the important work of their predecessors.

Executive Vice President's Report

Dennis Laycraft



This past year will probably be talked about 50 years from now. We saw unprecedented shifts in currency, commodity prices, and investor confidence. Wall Street was brought to its knees.

Some countries were pushed to the verge of bankruptcy. Trillions of dollars of wealth vanished, at least for the short term, and experts are oscillating between whether this is a global recession or a depression.

With all this uncertainty, we are trying to assess what this means to our industry. I doubt last June that anyone expected grain prices to fall to the point that cash sales may be at a loss. Remarkably, fed cattle prices and beef demand held up in the face of these challenges, supported by the decline of the Canadian dollar from its 2007 record levels. Now we face new problems with the U.S. Country-of-Origin Labelling (mCOOL), plus questions about how a Democrat-controlled administration and congress will impact the trade relationship between Canada and the United States.

As the world's third largest exporter of beef and live cattle, and the largest exporter of grain-fed, high-quality beef products, we are highly dependent on trade and negatively impacted by trade impediments and market access restrictions.

Breaking down trade barriers suffered a number of setbacks in 2008

The U.S. Congress, under Democrat control, passed new legislation making mCOOL come into effect on September 30, 2008. Impacts from this trade-disruptive action were experienced the strongest in Manitoba, but is injuring producers across Canada. Many U.S. plants no longer take Canadian cattle, or have reduced the days they accept them. The impact on prices ranges from \$40 to \$90 per head.

CCA developed a comprehensive legal analysis of the mCOOL legislation that concluded the new rules are discriminatory, violating both the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO). Working closely with the pork industry, we successfully lobbied our federal government to initiate a trade action against the new labelling requirements, which commenced in December.

The South Korea-U.S. beef agreement turned into a debacle last May, over the new, science-based World Animal Health Organization (OIE) guidelines. It became a triumph of emotion and anti-trade sentiment, damaging Korean consumer confidence in beef once and for all. Until recently, we shelved all hopes of access to this import market, but suddenly it appears that a new agreement may be imminent. However it restricts imports to 'under-30-month' access - if and when approved.

On the broader global trade scene this summer, the WTO negotiations came tantalizingly close to reaching an agreement on agricultural trade - only to hang up again on sensitive products and special safeguards. Efforts continue, but most feel little can be accomplished in the near term.

Mexico is still slow to harmonize its BSE rules and allowing resumption of Canadian imports in over-30-month beef products.

These various delays in foreign trade hurt our industry and further damages confidence in our future. The industry is looking for a sign that it has a future and that profitability can be restored. We conveyed this message to the federal government, along with expressing our strong conviction that Canada can remain the premier exporter of high-quality, grain-fed beef in the world, if we break down these barriers and have equal, or preferential access, to our key markets.

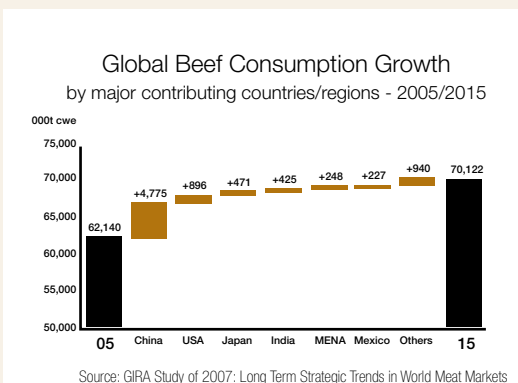
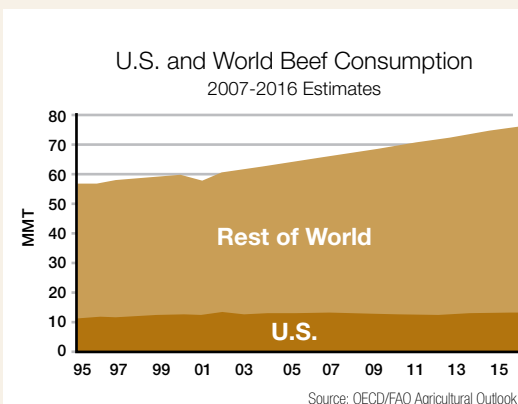
I should note that some individuals and groups have suggested that the Canadian industry should consider shrinking to become a domestic industry only. I don't believe there are 'domestic industries' in the world of global trade - only small or larger industries. With the exception of live cattle exports, the animals we raise and process are seldom grown exclusively for export. Parts or cuts from each animal obtain higher value in different markets. A few products from each animal easily find their way into as many as ten different countries, due to different ethnic and culinary preferences.

Potential benefits of improved market access to our industry

We analyzed the potential improvement in cut-out value on a 'per head' basis of a new WTO agreement and fully-restored trade to our key markets. The WTO benefit, through reduced tariffs and improved access, is estimated by the George Morris Center to be \$1 billion annually and increasing exports by 170,000 tonnes - equivalent to about an additional 650,000 head at a higher world price. This translates to an increase in live cattle prices estimated at 40 cents per pound. While this number can be disputed, the benefit cannot. Even half of this opportunity would make a huge difference to our industry.

A cost-benefit analysis concluded that full recovery of access would add a value of \$85 per head, or \$250 million to our annual sales. This same analysis indicated the total economic benefits to 2015 would range between \$8 - \$16 billion.

What is the global opportunity?



Both these highly respected sources show significant growth in beef consumption and export opportunities through to 2015. The question is whether Canada will benefit from this, and the answer is up to us. For Canada to benefit from these opportunities, we need to regain industry confidence built around better access to our key markets.

Enhancing Canada's technical trade negotiating capacity and capabilities

Over the past five years, a number of us worked steadily on regaining markets that were closed following the discovery of BSE. During this period it became obvious that a greater num-

ber of highly-skilled negotiators would be extremely beneficial, plus greater technical and political support equally important. The reality is – we need scientific acceptance, and political willingness, to make negotiations a top priority and overcome non-science-based resistance.

Early on we recognized that when a major border closing event occurs, Canada needs the capacity to have senior negotiators simultaneously available on a number of continents. This option still doesn't exist. Every day trade is delayed, millions of dollars are lost and our reputation as a quality food producer and exporter is reduced.

Last year, we felt our extensive and sustained efforts to increase these capabilities reached an impasse and we chose to undertake a careful examination of the negotiating capabilities and practices of a number of our key competitors who are regarded as world leaders in this area. To carry out this project, we assigned Mark Klassen, from our staff, to work with Meyers Norris Penny and our Beef Trade Advisory Groups, which includes representatives from the CCA, the Canada Beef Export Federation, the Canadian Meat Council, the Canada Beef Breeds Council and the Canadian Livestock Exporters Association. Learning that the pork industry shared our interests equally, together we developed this as a 'red meat' project. We studied systems and interviewed experts from Australia, New Zealand and the U.S., as well as consulting a panel of highly-respected Canadian experts.

We reached an obvious, but important conclusion - our success as a high-quality beef exporter is largely based on the quality of our animal health and food safety systems, including their international acceptance.

The most successful countries recognize the importance of exports and the symbiotic relationship between animal health and food safety systems, which leads to export success. Value-based, exporting countries generally have the most sophisticated and modern veterinary and food safety infrastructures in the world.

Market access negotiation goals aimed at being the 'Best in the World'

Endorsed by the Beef Value Chain Round Table, the groups involved in the Red Meat Project strongly believe that Canada should aspire to have the best-equipped, trained negotiating

team in the world - with sufficient capacity to successfully negotiate on four continents simultaneously. We're confident this is fully attainable giving Canada the advantage to be the 'best in world'.

It starts by enhancing Canada's market access capabilities

Five key areas were identified:

- Export focus and mandates
- Government and industry collaboration in market-access initiatives
- Agricultural technical-market access to human resources
- Information resources that support export activities
- The domestic regulatory system and agricultural-market access

These recommendations were produced from an examination and identification of best practices in New Zealand, Australia and the U.S., as well as incorporating personal perspectives provided by past and present representatives of the Canadian government involved in market-access negotiations and related fields.

It is clear when you look at both Australia and New Zealand that the importance placed on exports by their government leaders and bureaucracies, as well as various related agencies, created a culture that contributed to their overall success and strong reputations.

The full report is available on our website, or in our office. I encourage everyone to help us break down the barriers to a new and stronger approach to market access.

Financial reporting

The association's Board of Directors approves the budget presented by the Executive Committee. CCA's senior management is responsible for the day-to-day oversight of the association's finances and reports to the Executive Committee and the Board. The Board's Audit Committee oversees the audit process, including internal controls and reports to the members. The annual audited financial statements require approval of the association's members. Members appoint the CCA's Auditor.

Financial Report

Schedule of Revenue, Expenditure and Net Assets
Year ended June 30, 2008, with comparative figures for 2007

	2008	2007
Revenue		
Assessments		
British Columbia	102,301	42,998
Alberta	1,346,920	817,260
Saskatchewan	487,540	312,591
Manitoba	214,909	89,865
Ontario	396,577	210,080
Quebec	-	-
Prince Edward Island	8,761	4,612
New Brunswick	9,019	4,910
Nova Scotia	10,823	5,505
	2,576,850	1,487,821
Special Assessments	298,806	264,707
Vitamins Class Action Funds	18,718	-
Provincial Services Agreement	-	624,011
Interest	8,447	8,790
Other	53,052	65,114
	2,955,873	2,450,443
Expenditure		
CCA Division Services	224,255	203,307
Calgary Office	680,131	551,702
Ottawa Office	306,813	270,642
Export Council	582	-
Contingency	298,806	208,269
Communications	34,477	31,071
Convention	14,583	(573)
Executive Committee	102,670	139,485
Advocate Services	881,509	624,011
Annual Meeting	73,471	59,272
Semi Annual Meeting	60,532	38,613
Animal Health & Meat Inspection	51,121	76,238
Animal Care Committee	18,718	-
Value Creation & Competitiveness	3,775	993
Foreign Trade Committee	55,438	147,413
Domestic Ag Policy	13,431	16,736
5 - Country	6,695	31,391
Environment	16,956	151,612
	2,843,963	2,550,182
Excess (deficiency) of revenue over expenditure	111,910	(99,739)
Net assets, beginning of year	162,674	262,413
Net assets, end of year	274,584	162,674



Division Reports



The Beef Information Centre's (BIC) 10-year plan is for a sustainable, profitable beef industry where Canadian beef is recognized as the most outstanding by our domestic and export customers. Under the plan, BIC works to maximize demand for Canadian beef and optimize the value of Canadian beef products for the benefit of Canadian cattle producers.

More than half of BIC's funding now comes from non-check-off sources. BIC has been able to effectively maximize the impact and benefit of producer dollars by leveraging producer funding against industry development funds and private industry partners.

Building a Canadian beef brand

Along with the Canada Beef Export Federation (CBEF) and the Canadian Beef Breeds Council (CBBC), BIC has been working on a project, facilitated by the CCA, to develop and define a unique brand identity for Canadian beef. This positioning will include quality attributes and points of differentiation versus other proteins to position Canadian beef as strongly as possible within identified market segments. This single brand identity will be used for both domestic and international markets.

Domestic market

Beef disappearance

Efforts to maximize demand in Canada have supported and helped grow domestic disappearance of Canadian beef. The 2007 data released by Statistics Canada shows total disappearance was up over 37,000 tonnes to 1,009,505 tonnes. Per capita beef disappearance in 2007 was up 2.7 per cent as Canadians, on average, consumed 22.3 kg (retail weight) of beef. Beef demand rose 3.5 per cent in 2007 due to increased disappearance and higher average retail prices - \$12/kg versus \$11.58/kg in 2006.

Canada's share of the domestic beef market fell from 85 per cent in 2006, to 80 per cent in 2007. This is primarily due to tightened supplies as a result of economic factors such as a high exchange rate and higher labour and processing costs that make Canadian beef processors less competitive than their U.S. counterparts. This led to increased levels of live cattle exports to the U.S., and to decreased processing volumes and Canadian beef supply in the domestic market. Prior to the BSE crisis, Canadian beef's share of the domestic market was approximately 68 per cent.

Multimedia marketing campaign

A \$1.4 million multimedia campaign, supporting the new Canadian beef brand, is scheduled for spring 2009 as a test market launch. This campaign, lasting three months in the Greater Toronto Area (GTA), seeks to improve consumer perceptions around the healthfulness of beef. The campaign targets women between the ages of 25 to 49 who currently eat beef one to two times per week. These light beef eaters are generally the main food purchasers and meal preparers for their households. The campaign aims to increase eating occasions by one meal per week. The GTA was chosen as the test market launch site because research shows this area contains the largest single concentration of light beef eaters in the country.

Nutrition and food safety policy and issues management

BIC protects beef producer interests by working with government in areas such as food safety, nutrition recommendations and labeling. By providing credible, balanced and practical responses to proposed regulatory policy, BIC has played an important role as a voice for the beef industry.

Several initiatives to address current health issues through various communication vehicles and collaborative initiatives to maintain credibility and strengthen relationships among the health professional community were completed. Health professionals are a key influencer group for consumers and regulators.

BIC distributed three issues of HealthLink (e-bulletin), reaching 3,100 health professionals; distributed 83,738 nutrition education resources through Physicians Hotline; delivered a Nutricast (webcast) health professional seminar entitled 'Food Safety - From Farm to Fork'; reprinted various consumer resources, including Iron and Women, Iron and Infant and Iron and Teen, for distribution to health professionals and consumers via Physicians Hotline and continued development of the Nutrition Perspective newsletter and consumer fact sheet entitled 'The Satiating Power of Protein'.

These various initiatives included collaboration with external health associations, academics and health professionals. BIC's credibility is further strengthened through a reach of over 7,000 registered dietitians and 35,000 physicians with nutrition information that includes positive messages about beef's contribution to a healthy diet.

Responding effectively to World Cancer Research Fund report

BIC worked closely with industry partners including the American Meat Institute, National Cattlemen's Beef Association, Canadian Meat Council and the Canadian Pork Council on joint response strategies and resources dealing with the World Cancer Research Fund (WCRF) report. From these collaborations, BIC communicated with key stakeholders such as producer associations, retailers, food service and packers, and also worked with media. BIC conducted health professional seminars in Toronto, Montreal and via webcast dealing with red meat and cancer risk, actively addressing nutrition policy issues resulting from the WCRF report.

Increasing Canadian beef sales at retail and foodservice

BIC worked extensively with the retail and foodservice sectors across Canada to maximize demand for Canadian beef and optimize the value of Canadian beef products for the benefit of Canadian cattle producers. These efforts resulted in increased beef sales by featuring new beef menu items, introducing branded beef programs at retail and foodservice

outlets, increasing carcass use through new cuts and maintaining consumer confidence in Canadian beef products.

BIC was key in developing two projects that highlighted Canadian beef: Tim Horton's Slow Roast Beef Sandwich and the McDonald's Canada Angus Burger.

New beef products create more opportunities for Canadian beef

A key aspect of increasing the size and maintaining a higher share of the domestic market has been the development of new products and reformulation of existing products to use Canadian beef. Since the inception of the Product Development and Reformulations Partners Program just over three years ago until June 30, 2008, 77 projects involving fed and commercial beef with a total value of more than \$6.15 million have been managed by BIC. Of that total, approximately \$1.35 million was funded through BIC. These partners programs are cost shared and have been funded by various levels of government, as well as producer check-off dollars.

Commercial market

Commercial beef utilization strategy

In response to the BSE crisis, BIC implemented the Commercial Beef Utilization Strategy in the fall of 2004 to expand the size and share of the domestic market for Canadian commercial beef. The strategy has been successful in supporting the growth of the commercial beef market and increasing the domestic share of this market. To that end, in 2007, the domestic share of over-30-month (OTM) beef market was 73 per cent, or 178,844 tonnes. Total market size (both domestic and imported) was 245,425 tonnes – up over 58,000 tonnes from 2004.

U.S. market

Mandatory Country-of-Origin Labelling (mCOOL)

BIC worked with U.S. trade clients to mitigate the potential impact of U.S. mCOOL and build awareness of the Canadian Beef Advantage (CB). The CBA positions Canadian beef as a brand with identifiable quality attributes such as superior genetics, excellent animal health management, individual animal identification, world renowned food safety system, superior grading, excellent supply capability and improved profitability.

BIC's approach has been to align with Canada's packers and U.S. distributor partners to communicate Canada's key points



of differentiation, provide educational resources and market development support that leverage the Canadian Beef Advantage. BIC developed programs, with a focus on premium positioning, at retail and foodservice that leveraged the key points of differentiation for Canadian beef. BIC worked to maximize opportunities to build equity in the Canadian brand identity in targeted ethnic markets and facilitate linkages within the supply chain to maximize use of Canadian commercial beef within the U.S. processing sector.

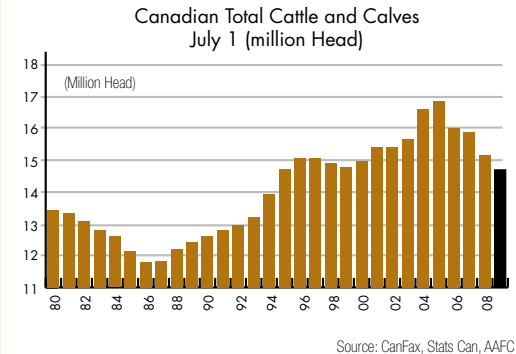
Efforts are ongoing to communicate the limitations surrounding mCOOL legislation for U.S. retail and foodservice sectors, and to outline opportunities to grow beef volumes through the establishment of mCOOL-compliant programs incorporating Canadian beef. Key U.S. market accomplishments during 2007/08 fiscal included:

- Distributed over 4,500 technical resources
- Participated in 26 different trade shows and seminars
- Hosted eight trade missions with U.S. buyers and Canadian packers
- Reached over 10,000 U.S. buyers and end users
- Foodservice distributor partnerships leveraged an additional 1.31 million pounds
- Retail partnerships leveraged an additional 2.44 million pounds
- Ethnic markets leveraged 1.8 million pounds

www.beefinfo.org

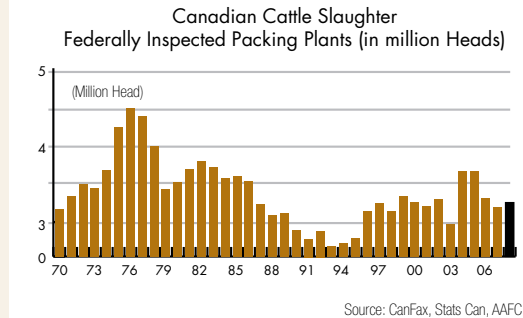


The Canadian cattle herd declined for the third consecutive year with July 1, 2008, cattle inventories at 15.19 million head, down 690,000 head or 4.3 per cent from 2007. The Canadian cattle herd is now down 10 per cent from the high seen in 2005 and 1.5 per cent below 2002 inventory levels of 15.42 million head. Reductions can be attributed to higher feed costs which encouraged large exports of fed and feeder cattle in the fall of 2007 and 2008 and continued large domestic cow slaughter. Domestic cow slaughter in 2007 was 759,500 head, while fed cattle exports totaled 839,000 head and feeder cattle exports totaled 545,672 head. The high dollar combined with high feed costs resulted in negative returns for producers and is expected to pressure cattle inventories lower in 2009. Canadian slaughter volumes are following the same trend as



cattle inventories. Federally inspected slaughter declined, for the second year, by four per cent in 2007 to 3.19 million. In 2008, year to date federally inspected slaughter is down one per cent and expected to total approximately 3.17 million head for the year. Although domestic slaughter volumes declined in 2007, total beef production was higher due to large slaughter cattle exports. Canadian beef production in 2007 was 3.53 billion pounds as compared to 3.51 billion pounds in 2006. Beef production in

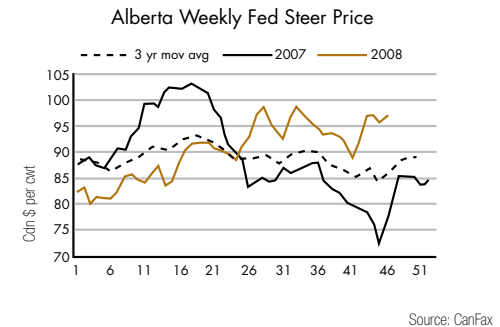
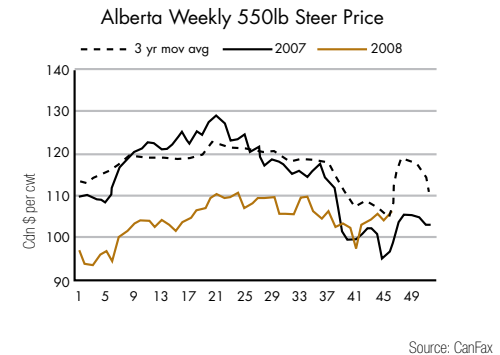
2008 is expected to be steady at 3.54 billion pounds due mainly to a 20 per cent decrease in fed cattle exports and a 22 per cent increase in non-fed marketings. Non-fed marketings have been supported by renewed market access to the U.S. for over-thirty-month beef and cattle.



Feeder cattle values were lower throughout 2007 when compared to 2006, as higher feed costs and the rapidly appreciating Canadian dollar pressured prices down. The CanFax annual average for an 850 lb. steer in Alberta was \$97.74/cwt in 2007, down \$9/cwt from the 2006 annual average of \$106.76/cwt. Similar to 2006, the monthly average price for an 850 lb. steer in Alberta declined strongly throughout the fall. In August 2007, 850 lb. steers averaged \$105.70/cwt and by December 2007, the average price had dropped \$16 to \$89.53/cwt. The long term historical trend is for feeder cattle values to be relatively steady throughout this timeframe. Feeder cattle prices have stayed low in 2008 due to uncertainty in the feed grains market and lower fed cattle prices. Higher costs of gain in Canada encouraged large feeder cattle exports in 2007, which were 25 per cent higher than the year before at 545,672 head. Lower supplies of fed cattle are expected to be available to domestic packers in 2008 due to the large feeder exports in 2007.

The fed market saw prices move from spring highs to fall lows in 2007. Prices increased through the first quarter of the year and reached a peak in April of \$101.87/cwt. They fell in June to sit between \$84 - \$86/cwt. In September prices fell again to a low of \$78.55/cwt due to the rapidly rising dollar. Prices have since adjusted and averaged \$84.33/cwt in December.

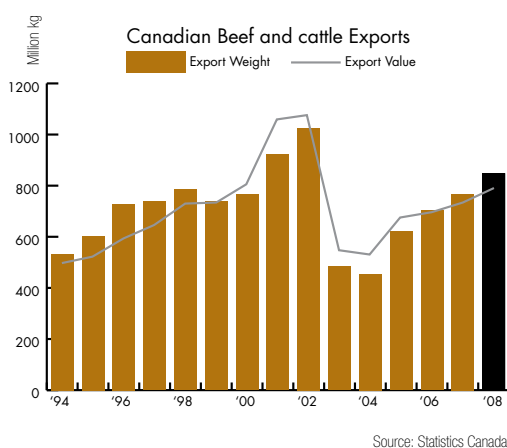
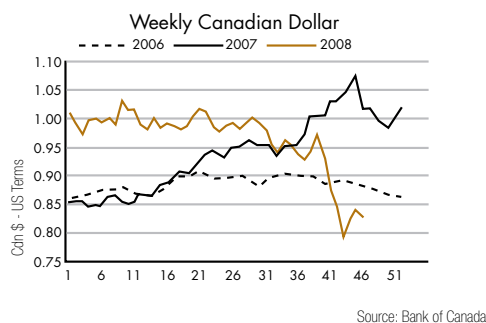
So far, 2008 fed prices have averaged \$89/cwt. A cold, wet spring and large supplies of fed cattle limited price advances in the first part of the year. Prices have increased going into the fall due to tight supplies across North America. However, price advances have not been as high as expected due to turmoil in the financial markets.



Basis levels continued to run counter-seasonal to the long term trend in 2007 with levels wider in the winter months (\$15) and narrower in the summer months (\$7). The wide basis and higher processing costs with the enhanced feed ban implemented in July 2007 encouraged fed cattle exports which were 19 per cent higher in 2007 at 839,000 head. Basis levels started to narrow in December 2007 as export requirements

were removed with the implementation of Rule 2 on November 19, 2007. The basis stayed relatively narrow in the first half of 2008, but widened going into the fall with the implementation of mandatory Country-of-Origin Labelling (mCOOL) in the U.S.

One factor that pressured the live cattle market in 2007 was the rapid appreciation in value of the Canadian dollar. The year was extremely volatile with the dollar appreciating 27 per cent to reach par with the U.S. dollar on September 20, 2007. The value of the Canadian dollar strongly influenced the value of both live cattle and beef in 2007. In the first part of 2008, the dollar traded in a narrow range between 0.98 and 1.02 providing some stability to the market.



Exports of beef and beef products were down 2.5 per cent in 2007 to 362,000 tonnes from 371,000 tonnes in 2006. The total value of beef exports also dropped in 2007. Beef exports were valued at \$1.24 billion in 2007, down seven per cent from \$1.33 billion in 2006. The U.S. continues to be Canada's largest customer of beef accounting for 77.5 per cent of all beef exports followed by Mexico (12.6 per cent) and Hong Kong and Macau (4.5 per cent). Expanded market access and strong global demand for meat is expected to increase beef exports in 2008 by five per cent in volume and down three per cent in value.

CanFax Research Services

CanFax Research Services (CRS) is a division of the Canadian Cattlemen's Association whose purpose is to provide the Canadian beef industry with accurate statistical information and economic analysis of issues. CRS offers expertise in the areas of cattle inventories and prices, feed grain statistics, beef production, consumption and demand, and beef and live cattle trade. The information and analysis generated by CRS is utilized by the CCA, provincial cattle organizations, Canadian beef marketing organizations, government, and other industry stakeholders to assist in policy development, business plan development, marketing decisions, and to provide economic analysis in areas of importance to the beef industry.

Regular reports and publications

CRS currently provides several regular reports and publications including:

- The Weekly Boxed Beef Report is available on a complimentary basis, with access being provided to industry through the CanFax website. The report includes weekly Canadian and U.S. cutout and primal values, cut prices, and load counts.
- Beef Watch is provided on a complimentary basis, on behalf of the CCA, to the Canadian Cattlemen Magazine twice a year. This four page article provides information and analysis around the beef cattle cycle and current market trends.
- The Quarterly Report features information and analysis on cattle inventories and prices, feed grains, beef production

and grading, trade and current industry issues. The Quarterly report is available on a subscription basis.

- The Monthly Price & Grading Report provides provincial cattle prices and slaughter and grading statistics on a subscription basis.
- The CanFax Statistical Briefer is a one page summary made available for free on the CanFax website. It provides an annual snapshot of the domestic and world cattle inventories, beef production, trade, meat consumption and grain production.

Activities

CRS is involved with various ongoing industry projects and requests. The most recent project initiated is an analysis of the fed cattle basis. There are several factors that have influenced the Canadian fed cattle market dynamics in recent years, with significant uncertainty around the actual extent different economic and governmental factors have had on the cash basis. More recently, mCOOL in the U.S. has shifted the basis again. As the fed cattle basis has a significant impact on the profitability of Canadian cattle producers, CRS, with the support of the Ontario Cattlemen's Association and Alberta Beef Producers, initiated a comprehensive research study to identify and measure the effect various drivers have on basis change.

CRS continues to work with the CCA in several different areas including providing statistical information and economic analysis for both domestic and export policy issues, participation within working groups and committees and assistance with several other ongoing activities and requests.

CRS has been contracted to work with the Canadian Cattlemen's Market Development Council (CCMDC) to develop a standardized evaluation process for all of the marketing organizations involved. CRS provides statistical and economic analysis for both the annual business planning and results reporting processes. CRS is also responsible for evaluating and monitoring major industry trends and trade performance measures to assist in the long term planning and evaluation process.

www.canfax.ca



The Beef Cattle Research Council (BCRC) was established by the Canadian Cattlemen's Association in 1997 to determine research and development priorities for the beef cattle industry, and to administrate the research funding allocation of the National Check-off. In 2000, the National Beef Cattle Research, Market Development and Promotion Agency (National Check-off) was implemented by the CCA. A portion of the funds collected through the National Check-off are directed towards the BCRC to sponsor research and technology development in strategically focused priority areas of national significance to the beef industry.

The BCRC 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 and to support the Canadian beef industry's marketing value proposition to be a leader in beef quality, animal health and food safety, and environmental stewardship.

Research priorities and projects

Advance and improve industry and public interactions

- Epidemiology, rapid diagnosis, surveillance, transmission, and prevention of zoonotic diseases and other diseases
- Environmental stewardship
- Ruminant (microbe) utilization, focusing on opportunities for the creation of bio products and enhanced nutritional attributes of beef

Enhance consumer confidence and demand for Canadian beef

- Food safety assurance throughout the food continuum
- Production of high quality and consistent beef products
Improve the competitiveness of the Canadian beef industry
- Managing and minimizing feed costs through investment in feed grains and forage research and examining the utilization of distillers' grains
- Examine opportunities for differentiated production systems and product attributes
- Increase production efficiency through advances in animal

health, feed efficiency, utilization of alternative feed resources, and genetic improvements and technologies

Projects funded

- Developing an improved sainfoin germplasm to allow bloat-safe alfalfa grazing
- Transmission and zoonotic potential of liver flukes in beef cattle
- Evaluation of methicillin-resistant *Staphylococcus aureus* (MRSA) colonization in feedlot cattle
- Developing a strategy for forage and grassland management through an examination of the multi-functionality of forages
- Effect of resting perennial pastures during the critical period on beef cattle performance, alfalfa persistence, pasture productivity, and water use efficiency

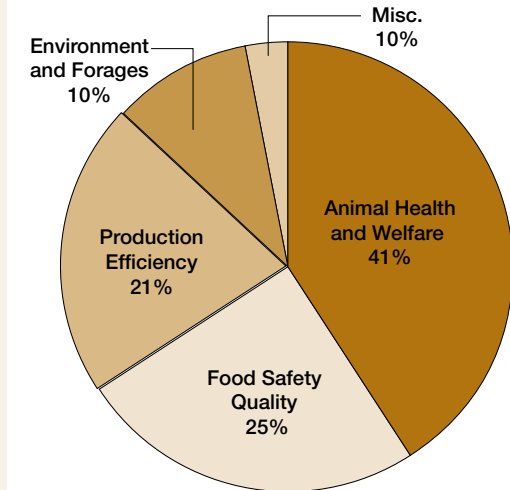
Ongoing research is being funded in the following areas:

- Epidemiology, rapid diagnosis, surveillance, and prevention of mycobacterium paratuberculosis (Johne's Disease)
- Prevalence, transmission, and management of *E.coli* O157:H7
- Antimicrobial Resistance
- The development of gene markers for trait selection
- Beef quality, tenderness, consistency, and the utilization of undervalued cuts
- Prevalence and treatment methods for bovine respiratory disease, mycoplasma bovis pneumonia, and other production limiting diseases
- Environmental stewardship – manure management, water quality and safety
- Feeding of wheat and corn distillers grains to cattle

Information on all of the projects being funded by the BCRC and fact sheets for completed research is available on the CCA website at www.cattle.ca.

Since inception, a large proportion of BCRC funding has been allocated towards research related to animal health and welfare issues (42 per cent); food safety and quality research (25 per cent); production efficiencies research (20 per cent); research on environmental issues and forage development (10 per cent) and miscellaneous (3 per cent).

BCRC Funding Allocation



Looking forward

In the coming year, the BCRC will continue to focus on funding research in areas that are of key importance to the industry, and to enhance its communication with industry. Through the creation and dissemination of research fact sheets, a new website, industry updates and an annual report, BCRC aims to increase awareness of research results and the uptake of relevant technologies and practices by industry. This will also demonstrate the value of National Check-off research funding and the benefits and returns it provides to industry. Enhanced communication is also expected to increase producer awareness and understanding of the BCRC and to create more support for future research and development initiatives.

The BCRC plays a key role in leveraging additional revenue for beef cattle research with industry contributions through National Check-off being used to secure dollars from other funding organizations. Understanding this, BCRC has been working with the National Beef Value Chain Roundtable to develop a National Beef Research Strategy. The strategy is intended to address the current dynamics of declining and fragmented funding for beef research, diminishing research infrastructure and human capital, and a fractured technology transfer process. It is recognized that

limited fragmented funding does not complement or adequately support a national value proposition positioning Canada as a leader in animal health, food safety and quality.

The National Beef Research Strategy is focused on coordinating industry and government funding in a more deliberate manner to:

- Establish a comprehensive priority setting and research planning process that is aligned across industry sectors and regions
- Direct research funding to achieving stated outcomes with clear targets and measurement of results
- Address research priorities such as technology transfer
- Provide more formal coordination of research funding to reduce duplication and increase alignment of funding with industry priorities
- Establish sustained long term investments that strengthen infrastructure and attract and develop additional human capital

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. Over 2009/10, BCRC has committed to moving forward with the National Beef Research Strategy. Focus will be placed on achieving alignment and commitment of other provincial and national industry organizations in order to present a strong and unified research strategy to government. With both federal and provincial governments looking to renew their investment in beef research, it is important that industry demonstrate leadership and coordination in order to attain government commitment to the strategy and proposed framework.

In addition to sponsoring research and technology development in support of the Canadian beef industry, the BCRC supports the Quality Starts Here® program. This program falls under the auspices of the BCRC. The Quality Starts Here® program and the Verified Beef Production program are designed to add value to the industry and all producers are encouraged to get involved.

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This year's doubling of registered (audited) cattle operations shows how interest in Canada's on-farm food safety program for beef is gaining momentum.

Over 8,500 beef cattle operations have taken the training and nearly 400 are registered. While these numbers may seem small, there are a number of large operations participating so the estimation is 15 to 20 per cent of production is sourced from VBP-trained operations. The demand for workshops in several provinces has been strong, with producers generally viewing the simplified VBP program easy to implement. Once producers understand what the program, the phrase most often heard is "This is something we all should be doing".

Provincial capacity to deliver workshops and registrations has strengthened and several new coordinators have joined as delivery partners. Funding allocated through the Beef Cattle Research Council (specifically from the Vitamin Class Action) has added to the ability to meet the training demand, which remains the priority activity.

The VBP program has benefited from the federal Canadian Food Safety and Quality Program. This federal government fund has resulted in hundreds of producers taking advantage of the 50 per cent equipment purchase benefit, for a total over \$1 million in new equipment purchased. This equipment is not required for the VBP program, but producers have voluntarily purchased it to help meet on-farm food safety and other management protocols. The largest category of equipment purchased has been chutes with neck extenders or shoulder restraints, followed by hand-held radio frequency identification (RFID) readers.

What's new

The online training version of the VBP program is now available to those who request it. The VBP program also released fridge thermometers to those participating in workshops, as

a way to monitor appropriate temperatures for vaccines and animal health products under refrigeration. While this is not a requirement of the program, producers have appreciated them as a handy way to protect their investment in animal health products.

A number of enthusiastic producers have provided input into the development of a pilot database designed to exchange information with the next customer in the production chain. This project is being designed to fit with efforts of the Canadian Beef Advantage, and will be optional to those producers who want to use it. A database will be housed at the Canadian Cattle Identification Agency, separate from their database, for use only between willing participants. This option will provide value for efforts to become registered with VBP.

Several value chain alliances now require VBP as a base for their production protocols and their insight has been appreciated. This includes groups such as Prairie Heritage Beef Producers, Ontario Corn-Fed cow/calf suppliers and Kerr Farms in Ontario. Additional regional producer-based marketing groups are working towards using VBP as a base for their unique production protocols.

Other positive indicators

VBP participates and shares program development with other commodities through the Canadian On-Farm Food Safety working group to look at solving common challenges and analyses. A recent project comparing VBP with similar programs in the U.S. and Australia pointed to advantages; such as a standardized national program with both producer requirements and conformance assessment.

Back at the farm, producers continue to point to the immediate benefit they see – improved efficiency of animal health product use. Whether a large or small operation, reviewing their practices seems to yield a small – or not so small – analysis of what they could do better. This sometimes surprises as the early adaptors of this program are managing well-run facilities, but yet they seem to find something from VBP they can use.

Staff managing VBP are often called upon to explain program requirements, and interestingly the industry benefits as overall responsible production is demonstrated. Many overviews

have been provided to several government departments – all of whom are impressed with what is presented. The VBP program allows us to meet various expectations in a way that is credible and manageable by industry.

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Committee Reports

Animal Care Committee

The National Farm Animal Care Council's (NFACC) pilot project for Code of Practice development continues. The dairy code is being updated in this project and slated for completion at the end of March 2009. At the same time, the Animal Care Committee is working on updating the beef code. Our goal is to create a base code that receives wide support from stakeholders ready to put through the finalized NFACC process.

Next steps on the code involve some further redrafting of the updated content. Work needs to take place on the language to ensure the scope of the code reaches only as far as it should and not beyond, plus include language that is measurable and clear as to which requirements are law, versus recommended practices. Although the latest consultation phase was not as successful as required for a national consultation, excellent progress has been made to date.

Other issues before the committee this past year included transport regulation and communication, monitoring of the media surrounding the Natural Valley plant, new legislation and the World Animal Health Organization (OIE) animal welfare forum.

To help keep animal health during transport at the top-of-mind of producers, CCA distributed messaging through agricultural media outlets and provincial member publications across Canada. The checklist reminded individuals to ship only animals capable of making it to the end of their journey that would arrive in good shape.

Bill S-203 passed into law in the spring, increasing penalties for animal abuse convictions in federal court. This has not stopped other bills from being proposed. When Parliament was dissolved for the election there was a private member's bill slated for hearing at the Justice committee. The luck of the draw of private members' bills will decide whether another bill makes it past first reading in the new Parliament. If so, the CCA will continue to participate in the process.

Finally, the OIE continues to wade into Animal Care. The lack of industry involvement to date is worrisome and worth correcting. The OIE, as a body, seems content to keep participation at a level beyond producers, so effort will be needed to ensure that this is corrected. To continue CCA's efforts to ensure animal care does not become another technical barrier to trade, with OIE's complicity, we participated in the recent second Global Forum on Animal Welfare. This will take continued and ongoing focus from the CCA.

Animal Health and Meat Inspection Committee

E.coli 0157:H7 vaccine

The CCA continues to support the need for additional studies to determine the effect of the vaccine in reducing E.coli populations in product. We continue to believe that there are more effective interventions to make the product safer. In October 2008, the Canadian Food Inspection Agency (CFIA) approved the use of the vaccine as a product to reduce shedding in cattle. This is the only claim that the company marketing the vaccine can make and as such, they are targeting the environment as a beneficiary for the use of the vaccine. Three doses of the vaccine, at a cost of \$3.00 per dose, are being recommended.

Enhanced feed ban

Participating in a review group to monitor the outcome of the feed ban, CCA continues to work towards a harmonization regime with the U.S. However, there is a possibility that the practical implementation of their feed ban could bring them closer to ours despite our warnings.

Irradiation

Health Canada is still "reviewing" the comments from the 2002 publication of proposed regulations in Canada Gazette I. CCA facilitated another E.coli workshop in November 2008 to review all the current intervention measures and consider a renewed overall strategy – a timely session.

Own-Use Importation (OUI) and regulatory reform

A final draft report from the Task Group formed to examine this issue has been prepared, circulated to stakeholders for comment and is now ready for submission to Health Canada's Veterinary Drug Directorate (VDD). Dr. Louis Desautels represents the CCA in this initiative and has co-chaired the meetings with the VDD Director General.

Our ultimate objective through the VDD Advisory Committee is achieving a system of product approvals that is equivalent or better than that of our trading partners and results establishing Canada as a leader in animal health and food safety innovation and standards.

Until the equivalence or harmonization of veterinary pharmaceuticals is achieved, we support the development of a pilot project for the OUI permit-based importing of veterinary pharmaceuticals approved for use in Canada, but not specifically licensed for sale and distribution in Canada. Utilizing this OUI approach creates a bridge between the elimination of the current OUI provision and achieving the harmonization of product approvals relative, most importantly, to the U.S.

While we understand and accept that industry competitiveness is not the mandate of the VDD or Health Canada, we believe the Government of Canada is morally obligated to ensure that Canadian citizens have the opportunity to compete in the global market place. It makes little logical sense to import food from countries such as the U.S. in direct competition to Canadian production, while Canadian producers have limited access to a small percentage of the very same veterinary products used in U.S. food production at significantly higher costs.

The options found acceptable include:

- OUI access remains, but imports only from countries with Memorandum of Understanding (MOU) or Memorandum of Regulatory Agency (MRA), with Health Canada, or countries that are members of the OECD, which means

decreased access to high-risk countries but maintains high confidence in food safety

- OUI access remains until regulatory reform occurs, such as only access to countries with MOUs or MRAs, or countries that are members of the OECD, which means decreased access to high-risk countries but maintains high confidence in food safety
- Pilot permit-system terms to be negotiated with OUI access remaining until a functional permanent permit system is in place for three years

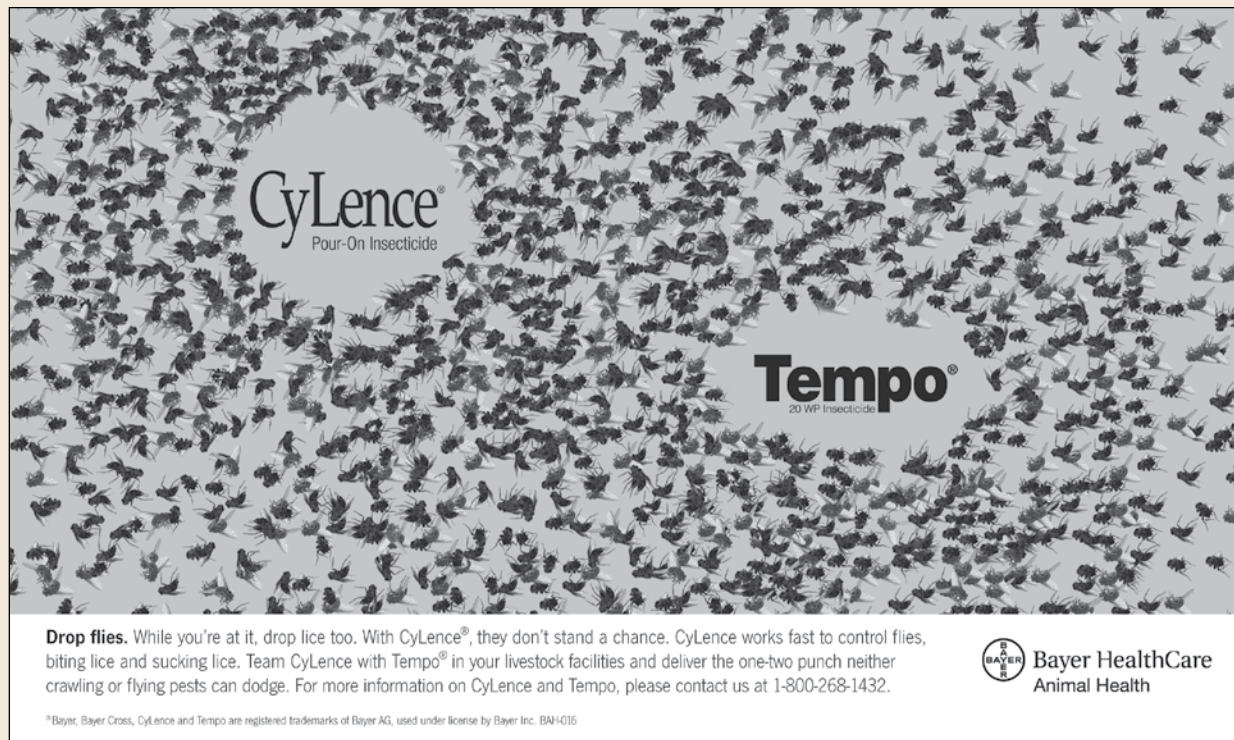
The bottom line for the beef cattle industry is that we support the ultimate objective of achieving an equivalent or harmonized approval process that does not impede the industry's competitiveness and offers new and innovative animal health products in a timely manner. Until that is achieved, we are prepared to work under a permit system for OUI, but will not accept the outright elimination of that option until that harmonization is accomplished to our satisfaction.

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

We continue to participate in the NVJDCP Program and work under the leadership of the Canadian Animal Health Coalition (CAHC). The Coalition resubmitted its 'Advancing Canadian Agriculture and Agri-Food Program (ACAAF)' application for funding of this program in December 2007. In late July 2008, the CAHC finally received approval for the project, but it must be completed by March 31, 2009. At best, this will provide funding for the development of models for the participation of provinces in the national program, the development of training materials, the contracting of a national coordinator and assist in the development of the standards required for implementation through a national co-ordinating body.

Tuberculosis (TB)

Staff continue to monitor the TB situation in Manitoba, British Columbia and Alberta. Although efforts to resolve issues such as long-term testing in the Riding Mountain Eradication Area are ongoing, satisfactory solutions have been elusive.




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Animal Health

It should be noted that B.C. producers received support for quarantine issues under a federal-provincial agreement through the AgriRecovery portfolio of the Business Risk Management program. While this program was not designed for long-term issues such as those experienced in Manitoba, it demonstrates that with some innovative thinking, federal-provincial-industry solutions can be found.

The Farm Animal Health Strategy for Canada

An industry-government working group has been formed and is being championed at senior government levels by the Regulatory Assistant Deputy Ministers. The working group is represented by the CCA, the Canadian Pork Council, Chicken Farmers of Canada (CFC), Dairy Farmers of Canada (DFC) and the Canadian Animal Health Coalition (CAHC). The government is represented by the Chief Veterinary officers for Alberta, Manitoba, Ontario and Newfoundland.

Prime Partner

The purpose of the working group is to create a national farmed animal health strategy that will guide and support industry, government and other organizations in policy development and programming.

The Farmed Animal Health Strategy Working Group recognizes the parallel effort being put forth by the National Animal Health Strategy (NAHS) and the common fundamental and strategic elements applicable to all animal groups; such as governance, surveillance, education and science. NAHS will address these elements at a conceptual level while the Farmed Animal Health Strategy will deal with them in the context of requirements unique to the farmed animal sector(s). Alignment with higher-level concepts will be maintained wherever possible.

Convention Committee

Working under the theme Breaking Beef Barriers, the 2008 National Convention was held in Winnipeg, Manitoba from August 11 - 15 at the Hilton Suites.

The three featured keynote speakers were:

1. Ron Pidskalny discussed whether Canada can meet the feed grain needs of its livestock industry.
2. Robert Sopuck looked at why cattle producers and their organizations have a pressing need to communicate to the non-ranching majority in Canada the facts about the industry.
3. Andrea Mandell-Campbell analyzed the Canadian cattle and beef industry and its global competitiveness.

Additional speakers included a welcome by CCA President Brad Wildeman; Dennis Laycraft's "State of the Industry"; Canadian Cattlemen Market Development Council Chair Dave Andrews who discussed the Canadian Beef Advantage and unveiled the program's brand mark; Glenn Brand from the Beef Information Centre; Ted Haney from the Canada Beef Export Federation and a Canfax Market Update from Rob Leslie. Brad Wildeman and Dennis Laycraft provided closing remarks for the day.

Over the convention's lunch hour, Mark and Bluesette Campbell (on behalf of the Campbell family) from the B - C Ranch in Meadow Lake, Saskatchewan received The Environmental Stewardship Award.

Attendance

There were 149 delegates in attendance for the convention. Of these delegates, five were foreign guests. Minister Ernesto Maldonado and his assistant Gustavo Ulloa came from the Mexican Embassy; Michelle Gorman came from Meat and Livestock Australia; Andy Groseta came from the National Cattlemen's Beef Association and Koro Dickinson came from the New Zealand High Commission.

Sponsorship

Sponsorship revenue (including in kind, gold, silver and bronze sponsorship and event sponsors) totalled \$33,900 - \$13,900 over the budgeted \$20,000 amount for sponsorship.

Barbecue evening and live auction

This year's barbecue evening was a great success as approximately 174 people gathered after the convention at the Hitch 'n Post. Barbecue numbers increased as many people who attended the convention brought their spouse along for the barbecue or came out just for the barbecue.

The live auction was successful with an excellent number of items to bid on. In total, \$2,360 was raised - half of which was donated to the Manitoba Beef 4-H Council and the other half to the Canadian 4-H Council.

Golf tournament

The 2008 golf tournament was held at the Larters at St. Andrew's Golf Course and 27 golfers came out. The tournament was nearly cancelled at the last minute as it was pouring rain all day Monday and Tuesday (the day of the golf tournament). Team and individual prizes were handed out to all participants who braved the weather.

Half-day tour at Lower Fort Garry

New this year was offering another option on the day of the golf tournament to those who do not golf. Bus transportation was arranged to take those interested to Lower Fort Garry, a national historic site. Ten people signed on for the tour.

Domestic Agriculture Policy and Regulations Committee

Throughout 2007/08 the committee focused largely on 'safety nets' policy and lobbying positions. The Alberta Livestock and Meat Strategy (ALMS) also comprised a big part of discussions.

Currently the committee recommended a new piece of policy to the board entitled "CCA Principles on Government Involvement in the Cattle and Beef Industry". This caps off a year of activity and debate. The next step is participating in the strategic review of 'safety-net' programs at the federal level. This recommended policy will provide a guiding hand for whoever participates in this process. It's still unknown as to how Agriculture and Agri-Food Canada (AAFC) plans to engage the industry in this process, but we are already lobbying for a greater degree of involvement, as well as a participatory role at an earlier stage than in the past.

The 'margin coverage' concept underwent some development in Alberta, by AFSC (Agriculture Financial Services Corporation - Alberta's provincial Crown corporation administering the agricultural business risk management programs). Presented at our semi-annual meeting in Winnipeg, this concept will be developed over the next couple of years. The CCA requested involvement in the stakeholder committee and will continue to monitor the issue.

AFSC also presented on 'price insurance'. We received little positive feedback, so the committee plans to continue monitoring this program before taking any other steps. Although the federal government expresses their intention to extend production insurance to the livestock sector, to date this has not resulted in the proposal of any workable models. We anticipate that any developments will likely be limited in scope, or very prescriptive, either of which limits participation.

We hope that the emergency measures of the Agriculture Marketing Programs Act cash advance will be extended by the time this report is published. The ability to use this program with next spring's calves, as the basis, provides some needed flexibility to producers and especially backgrounders.

With 'Growing Forward' now agreed to, our next steps will focus on influencing execution and implementation of the different program components. The federal government plan seems to push the bulk of the program decisions and implementation to the provinces. This provincial patchwork creates a challenge for our committee as we try to consider the national policy environment.

Environment Committee

CCA's role as an industry leader on environmental matters is increasingly complex. In part, this is due to the emergence of environmental issues and opportunities spanning operational boundaries and challenging traditional perceptions of what is meant by 'environmental'. As never before, CCA directors sort through layers of issues; from the direct impacts of greenhouse gas production to the economic, social and biophysical effects of spin-off market instruments, such as carbon credits. How the CCA reacts to contemporary environmental issues has implications for the industry's footprint on the landscape and ultimately the public's green perception of Canadian cattle production and support of the industry. Meeting this challenge will have direct effects on the market success of our industry.

To help make those decisions, the CCA contracted 'Integrated Environments/Deloitte' to conduct a strategic assessment of the social and environmental risks and opportunities to the Canadian cattle industry. From that assessment, a comprehensive and adaptive environmental strategy will be developed. One of the deliverables of this work will be establishing environmental objectives which will help formulate policies that translate into action plans.

National Sustainable Grazing Mentorship Program

The CCA was pleased to again receive funding support from Agriculture and Agri-Food Canada (AAFC) Greencover Canada for the National Sustainable Grazing Mentorship Program. The program matches seasoned cattle grazers with producers interested in expanding their grazing knowledge and other resource management skills. Mentors encourage mentees to think about winter-feeding strategies, water quality and quantity issues and how to manage these with fencing, timing or cattle numbers.

Biodiversity on grazing lands

Monitoring issues associated with grazing lands is a major area for the CCA. Discussions on how to deal with incidental effects within the prohibitions of the Migratory Bird Conservation Act (MBCA) and the Species at Risk Act (SARA) are ongoing. 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 migratory bird's nest, eggs or the bird itself on private and crown land. SARA uses the authority of the MBCA, as it does the Fisheries Act, going a step further to protect other species determined to be 'at risk' on federal lands, as well as asking provinces to implement equivalent protection on non-federal lands.

The CCA has worked with other resource-based industry associations, and Environment Canada, to develop a practical approach to dealing with incidental effects under SARA and the MBCA. The Fisheries Act also gives SARA jurisdiction over aquatic species. There could also be an incidental effect to an aquatic species with cattle located in riparian areas or crossing streams.

Biolipid beef initiative

The CCA, Beef Information Centre (BIC) and other industry partners have moved into Phase II of a biolipid beef initiative. Phase I identified that an 'omega-3-enriched' ground beef product was the best option for the industry in creating a biolipid beef product. It also developed a commercialization road map — a framework of the steps required to develop a commercial 'omega-3' ground beef product. The roadmap identified a number of gaps which required additional information for complete evaluation of the concept and project.

Phase II fills a key gap identified in Phase I - confirming that consumers want an 'omega-3-enriched' ground beef product and would be willing to pay a premium for this. If the results demonstrate a willingness to pay, it will confirm that spending additional time, resources and funds implementing the commercialization initiative is warranted as producers, processors and retailers will be adequately compensated.

Both years of funding have been provided by the AAFC Science and Innovation Program, with 'in-kind' resources contributed by industry groups. One important component the planning process considers is the practical mechanics of the successful commercialization of this innovative feeding system research and how to hold the economic value of the product at the cattle producer level. Feeding strategies place omega 3 in the beef and decrease the greenhouse gas emissions. That emission decrease could be eligible as a carbon offset.



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Carbon offsets

The Canadian government announced the creation of a federal carbon offset system, 'Turning the Corner: Canada's Offset System for Greenhouse Gases'. http://www.ec.gc.ca/doc/virage-corner/2008-03/526_eng.htm

This offset system is designed to encourage cost-effective domestic greenhouse gas reductions or removals in activities that are not expected to be covered by proposed industrial air emissions regulations. Opportunities for offset projects exist across the economy and could include, for example, biodigesters, afforestation/reforestation, soil management, decreasing methane emissions from cattle and non-emitting renewable electricity generation. The government will administer the offset system under the Canadian Environmental Protection Act, 1999. To be eligible to generate offset credits, projects must achieve real, incremental, quantified,

verified and unique reductions of greenhouse gases. Serious discussions are under way to work through issues surrounding the implementation of a national domestic carbon offset system. The CCA is a member of the Industry Provincial Offsets Group (IPOG), which works with the Soil Conservation Council and energy companies to influence the set up of this national system.

Foreign Trade Committee

Canada remains the largest exporter of grain-fed beef in the world and third largest amongst all beef exporters behind Brazil and Australia. We also remain one of the most export-dependent countries among major beef-producing nations. However, only two of our top ten markets in 2002, pre-BSE, have fully lifted market restrictions, despite the fact that the World Organization for Animal Health (OIE) guidelines clearly state full trade in all beef products should resume provided that specified risk materials are removed. For this reason, CCA has placed a great deal of effort on enhancing the Government of Canada's market access capabilities.

United States (U.S.)

Attaching a great deal of importance to maintaining good relations with the U.S. cattle producer community, the CCA actively engages in constructive dialogue. Over the past four years, the CCA has sent representatives to several state cattle organization meetings and invited U.S. groups to attend Canadian meetings. It provides opportunities to update our industry counterparts, answer any questions, try to correct U.S. misperceptions of the Canadian cattle industry, and identify practices that need to change to benefit the industry on both sides of the border.

Mandatory Country-of-Origin Labelling (mCOOL)

On September 30, 2008, mCOOL was implemented after some seven years of Congressional effort. In short, it requires beef, pork and other meats sold in U.S. retail stores to be labelled with the country where the animal was born; requiring U.S. ranchers and meat packers to handle Canadian cattle separately from U.S. cattle

The CCA and the Canadian Pork Council (CPC) have advocated that the way the mCOOL legislation is designed discriminates against Canadian livestock. Upon implementation, disruption

appeared immediately in Canada/U.S. trade. Most U.S. meat packing companies decided to avoid the cost of tracking Canadian cattle and refused to accept them, while the remaining packers still willing to process Canadian cattle discounted prices and limited processing of Canadian livestock to certain days.

The combined impact of the lower prices and the increased cost of transporting livestock greater distances resulted in a loss of about \$90 per animal. Canadian packers lowered their bids in line with the discounts in the U.S. markets, so the net result hit Canadian cattle with significant price reductions, regardless of whether cattle were sold domestically or exported to the U.S. To date, the estimated cost of mCOOL to Canada's cattle industry appears to be an annual loss of approximately \$400 million.

In the meantime, to enable the industry with keeping up-to-date and managing the changes taking place with mCOOL as it goes forward, the CCA website features the latest information on the status of the legislation, Canada-U.S. trade challenges, plus packer and procurement information to aid in day-to-day business decisions.

WTO challenge to mCOOL

Under these circumstances, the Canadian government requested formal consultations under the WTO in December, 2008. The first step of the challenge process, WTO consultations are intended to encourage disputing countries to reach a negotiated resolution.

The Government of Mexico initiated its own WTO consultation process on mCOOL. Canada is permitted to participate in the Mexico WTO process on mCOOL.

The CCA and the Canadian government will continue to monitor any developments, and press the U.S. to eliminate this discriminatory barrier to trade. We will continue to document trade injury and press for next steps moving forward in Canada's WTO trade challenge of mCOOL.

Rule Two – Over-thirty-month (OTM) beef

In early July, the U.S. District Court in South Dakota ordered the USDA to re-do rulemaking, including inviting public comment on the portion of the rule respecting over-30-month (OTM) beef. At the time of this writing, that process remains incomplete;

however, OTM trade into the U.S. has continued while the rulemaking is undertaken.

Enhanced feed ban

The U.S. enhanced feed ban is slated for implementation in April 2009. To assist U.S. industry and government officials to implement their ban efficiently, plus in an effort to return to a harmonized regulatory environment, the CCA convened a meeting of U.S. industry and U.S. government officials in Washington, to share Canada's experience in implementing our feed ban. Different from Canada's feed ban, the U.S. bans brain and spinal cord from OTM cattle in all animal feed; but retains fertilizer as an outlet. Although less restrictive than Canada's ban, the U.S. has zero tolerance for infractions – a cost concern for U.S. renderers similar to Canadian costs. The CCA continues to pursue returning to a harmonized regulatory approach through the Beef Value Chain Roundtable.

Japan

Canada is seeking the raising of the age limit in Japan from 21 to 30 months as a step toward full World Animal Health Organization (OIE) access. To date, the U.S. refused taking this staged approach, so this has held up access for both our countries. In January 2009, CCA delegates plan to meet their U.S. counterparts at the National Cattlemen's Beef Association annual convention, to encourage support of partial openings as first steps toward full OIE access. With Canada and the U.S. making the same request, Japan will be in a position to move forward.

South Korea

Historically, Korea has been Canada's second largest export market in Asia behind Japan. Koreans purchased approximately \$60 million of Canadian beef in 2002 prior to BSE. We find it entirely unjustified and unacceptable that Korea restored access for U.S. beef several months ago, but remains closed to Canadian beef. Canadian and U.S. beef share the same risk profile as recognized by the World Organization for Animal Health (OIE). Therefore, we believe that Korea's continued prohibition on Canadian beef is a violation of its WTO agreement obligations.

At least twice in the past year it appeared that Korea was on the verge of restoring access for Canadian beef, but each time Korea stalled the process. Under these circumstances, we believe that the Government of Canada has no option left but to invoke dispute settlement procedures at the WTO.

TAKING THE CANADIAN BEEF ADVANTAGE TO MARKET



Developing Global Markets for Canadian Beef

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Hong Kong

A federal trade mission is scheduled for early January 2009. Brad Wildeman will accompany Canada's Minister of Agriculture and Agri-Food, Gerry Ritz, to work on creating a new trade agreement to re-open the Hong Kong market to full OIE access. Such an agreement could double Canadian beef exports to 35 – 40,000 tonnes.

WTO negotiations failed to reach a multi-lateral trade agreement

Ministerial meetings in Geneva, last July, were the culmination of a year of intense negotiations and significant convergence - so much so that a deal appeared to be within reach. However, talks broke down on a few issues. The CCA worked closely with the Government of Canada throughout the process, and will continue to monitor talks, weighing in as we see appropriate.

A multi-lateral agreement would mean a lot to North American beef producers. The CCA believes the improved tariff

access to Europe, Japan, Korea and other key markets would be worth \$1 billion per year for Canadian beef producers alone. We intend to continue to press our government to work toward completing an agreement.

Export market access strategy

The CCA and its partners developed a comprehensive roadmap to enhance Canada's export market access capabilities for agriculture. We laid out 25 key recommendations, aimed at fully restoring all of Canada's lost export markets.

We believe the impact of restoring access to all markets would easily add \$100 of value to every head of cattle produced; creating optimism and encouraging growth throughout the cattle industry and other agricultural sectors. By 2015, industry exports could increase by \$6.3 billion per year, creating over 93,000 jobs on farms, and in transportation, processing, sales and service sectors.

So far, the federal government has announced that it will implement one of the 25 recommendations and create a new Market Access Secretariat. Until all the recommendations can be achieved, we have asked for the creation of a special Cabinet-level Beef Envoy.

The roadmap focuses on a number of key areas.

- Elevate the profile and perceived importance of agriculture market access within the federal government – create a Cabinet Committee on Agriculture Market Access and establish a Vice-President for Market Access, to annually report on progress; encouraging more senior level participation in activities.
- Improve government and industry collaboration in market access initiatives – joint participation is needed to set priorities and strategies, plus create a more prominent role for industry participation in outgoing/incoming trade missions and negotiations.
- Ensure sufficient resources and communications to achieve agricultural market access objectives – this starts with employing enough people to get the jobs done and ensures assigning the right kind of people to the right tasks. It offers career advancement opportunities within a market-access track, plus establishes succession-planning strategies.

- Enable Canada to learn from best practices of other countries – Australia and New Zealand are successful exporters of their agricultural products despite their size and geographic disadvantages. Canada can learn a great deal from their experience.

Value Creation and Competitiveness Committee

To augment the mandate of the former Beef Quality and Grading Committee, the Value Creation and Competitiveness Committee was recently formed. Our mandate is to seek out technologies, goods or services that create a more profitable business climate - from birth to processing. The committee is challenged with taking a 'big picture' look at the beef cattle industry and initiate steps or effect actions to solve priority concerns.

The Committee identified two categories of priorities – 'creating value' and 'improving competitiveness'. Our efforts complement existing initiatives, completing as required in concert with beef cattle agencies or other committees. We want to avoid duplication, but at the same time take action where needed.

Creating more value

With numerous areas to address, we selected those showing the most promise of providing value back to the system and help reward with above-average production. This includes enhanced carcass information to identify higher-value carcasses and facilitate improved sorting, plus a voluntary information system to exchange data between willing participants.

The addition of electronic tags, through the Canadian Cattle Identification Agency (CCIA), has opened up the possibilities of automated information transfer at key points throughout the production chain. Utilizing an enhanced industry database to improve the transfer of information between sectors, and provide producers with better information to base decisions on, may create some significant opportunities.

Top priorities

1. Work with industry partners and the CCIA to develop a pilot project demonstrating the ability of the industry to transfer information (including carcass data, feedlot performance records, age verification, etc.)
2. Identify impediments and encourage the movement to instrument grading
3. Encourage increased industry participation in the Verified Beef Production program and enhanced traceability initiatives
4. Support and provide input into increased research of feed grains and forages (i.e. identification of desired specifications for feed grain varieties)
5. Increase research into areas that will increase value for the Canadian industry (i.e. SRM disposal, production, genetics, feed grains)

These priorities meld with the current Canadian Beef Advantage initiative and the work of the Canadian Cattlemen's Market Development Council and Beef Cattle Research Council.

Improving competitiveness

The critical need for regulatory reform and the increased costs to the industry due to the enhanced feed ban, comprise the two key issues identified for improving the industry's competitiveness. Current regulatory impediments to the approval of new feed grain varieties and veterinary pharmaceuticals, for example, add costs to the industry and need addressing. We noted that the industry needs to fully understand the implications of the increase in the value of the Canadian dollar, as it relates to the industry's competitiveness, as well as to short and long-term business decisions within an individual producers' operations.

Top priorities

1. Identify strategies to reduce costs of the enhanced feed ban regulations (including SRM disposal)
2. Pursue regulatory reform and harmonization with major competitors (i.e. implementing smart regulations, reduced regulatory impediments and improved processes for approval of new veterinary pharmaceuticals and feed grain varieties)

3. Encourage the federal government to achieve an agreement at the World Trade Organization (WTO) negotiations
4. Ensure that trade with the U.S. is normalized with the implementation of Rule 2

These messages continue to be re-enforced through ongoing discussions with both federal and provincial governments. In order to advance these options for solutions, we need to make them known. These issues continue to be outlined through the CCA's government advocacy work and Foreign Trade committee.

Making progress

Feed Grains And Forages Research and Commercialization Report

Now completed, the report contains valuable insights into the current impediments facing the development of new feed grain and forage varieties. In response, a feed grains research strategy will be developed and the report's information will be used to advance our recommendations on the regulatory side.

Canadian Beef Grading Agency (CBGA) considering instrument grading

Our VCC Committee Chairman, John Schooten, liaises with the CBGA, which recently underwent strategic planning and is re-aligning itself to move forward with the use of instrument grading. The CBGA's updated vision statement states it intends to maintain accurate and consistent grading through leadership in the adoption of new technologies that will continually improve beef, bison and veal grading services to ensure worldwide respect of Canadian grades. This will be achieved through cost control, transitioning to a stand-alone instrument grading system, maintaining a manual system - as needed by the industry, and satisfying changing industry needs.

A review of instrument grading was completed and receives the full support of this committee. If Canada moves toward a 'stand-alone' instrument grading system, providing the improved data back to Canadian beef producers could present a great opportunity.

Working Together

Canada Beef Export Federation



The importance of beef exports to the Canadian industry

From record-high cattle numbers and a self-sufficiency

processing capacity in 2006, we have gone to where today we are shipping a million-plus head of live cattle annually to the U.S., our processors are operating at under capacity and our dependence on the U.S. market has increased to 80 per cent – five per cent higher than 2002.

How did this situation come about? In the last two years, a strong Canadian dollar and higher production and processing costs led to a significant decline in beef exports – and a greatly increased level of live cattle exports to the U.S. When our industry is in good health, approximately 60 per cent of our production is exported; however, in the current environment, we are exporting only about 48 per cent. Live cattle shipments to the U.S., on the other hand, topped one million head in 2006 and 1.3 million in 2007, leaving Canadian processors operating at less than 65 per cent capacity. This is not sustainable for Canada's packers, and this is not the road to recovery for Canada's producers.

While these economic realities have impacted our competitiveness, it is the lack of commercially viable access to our major markets in Asia and Mexico that stand solidly in the way of our industry's recovery.

Canada's cow herd – beef and dairy – is estimated at 5.9 million head with beef production for 2008 estimated to be 1.3 million tonnes. It takes the production from about three million cows to meet the beef consumption needs of our domestic market – which is about one million tonnes. The Canadian market is an excellent one, but it is simply not large enough to absorb the beef production from our six-million-head national cow herd. We have to remain focused on deriving full value from international markets.

Commercially viable access to our international markets has the ability to add \$85 per head for beef derived from under-30-months (UTM) cattle over what can be generated in Canada. This stands in comparison to the reality that those same products sold in the U.S. are sold at a \$15 per head discount as compared to the domestic market. That's a value difference of \$100 when we're selling in Asia and Mexico as compared to the U.S. It is this value difference that explains the significant increases in export volume and value in Asia and Mexico in the years leading up to 2002 (from 7,000 tonnes and \$24 million in 1990 to 133,000 tonnes and \$500 million in 2002). It also underscores the priority that industry and government must place on establishing commercially viable access in Asia.

The extent to which we're successful in creating commercially viable access not only to Asia and Mexico but to Europe, Russia, the Middle East and South America will determine the eventual size of our industry. What lies in the balance is the difference between an industry maintaining six million cows – and one maintaining three million cows.

Federation members remain focused on export development

The Canada Beef Export Federation (CBEF) is a cooperative partnership of all national and provincial cattle producer organizations, all major beef processors and both federal and provincial ministries of agriculture. This partnership was demonstrated yet again at CBEF's Annual General Meeting held September 18th in Calgary. The newly-elected board is made up of seven producers (including representatives from the Manitoba Cattlemen's Association, Saskatchewan Cattle Marketing Deductions Fund, Ontario Cattlemen's Association, Fédération des Producteurs de Bovins du Québec, Alberta Beef Producers and B.C. Cattlemen's Association), six beef processors and one feedlot operator.

A members' Strategy Conference, held September 19th in conjunction with the AGM, gave members the opportunity to provide direction to the Federation's export market development strategies and activities. They directed CBEF to maintain its

presence in Japan, South Korea, China, Taiwan and Mexico and to allocate more efforts at targeting the Russian, EU and Middle East markets. Clearly our membership remains export-focused.

In its last fiscal year, CBEF completed 404 individual market development projects; all designed to build recognition and demand for Canadian beef in key and potential export markets for Canadian beef. We believe these programs are seeing results.

Exports to Asia and Mexico increased 18 per cent in 2007 – an incredible achievement when total exports to all markets declined by 1.6 per cent. We are running ahead of the curve again this year, with January to August beef exports to Asia and Mexico up 17 per cent. The value of these 2008 exports has also increased – up 38 per cent over the same period last year.

There is great enthusiasm for Canadian beef in our key export markets, and we are confident that as market access is re-gained, expanded and normalized, export volumes will increase substantially. CBEF's international representatives have worked hard to maintain relationships with importers, distributors and end users. These, our customers, have experienced great success in the past with Canadian beef – and are eager for the opportunity to do so again.

www.cbef.com

The Canadian Beef Cattle Research, Market Development and Promotion Agency



The Canadian Beef Cattle Research, Market Development and Promotion Agency has been in operation since

2002. The Domestic Levy Order was registered April 14, 2005. British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, and Nova Scotia are signatories to the Domestic Levy Order in their respective provinces. As such, these provinces are in a position to collect the federal levy (also referred to as "national check-off") on beef and cattle sold in

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inter-provincial trade and pay the levy to the Agency. Quebec and PEI are in the final stages of framing their agreements which will then accommodate the national order for intra-provincial sales. Efforts continue in the Maritimes to address collection procedures to accommodate inter-provincial sales and collection of the levies.

Current and past Boards of Directors have worked diligently to design a national check-off system that integrates with current provincial collection mechanisms. Once all provinces have finalized their authority and entered into formal agreements with the Agency, the program will be truly national and the Agency will be able to finalize the Import Levy Order for imported animals and carcass equivalent beef products.

To enhance the recognition factor for the National Check-off, future communication materials promoting the value and benefits the check-off generates for producers, a new logo has been approved by the Agency Board. Recipient organizations will be encouraged to use the new logo in their materials so producers can see where their investments are being made.

Revenue outlook for 2008/09

Canadian cattle marketings, which are directly correlated to the collection of check-off, were down 10 per cent at the end of the 2006/07 fiscal year compared to the budgeted number. This is attributed to the increase in both fed cattle and feeder cattle exports in 2006/07. The collections for 2007/08 are down a further six per cent from the budgeted numbers due to exports of feeder and fed cattle and the export of slaughter cows in the last half of 2007/08. For fiscal year 2008/09, we are anticipating an additional two per cent reduction in collections as the trend of a declining beef cow herd continues to reduce the calf crop. This represents a cumulative reduction of approximately 12 per cent from projections only 18 months ago which translates to a reduction in revenue for the Agency of approximately \$1 million due to exports.

Statistics Canada reported that Canada's cattle inventories on July 1, 2008, were down 690,000 head or 4.3 per cent to 15.2 million head – representing the smallest inventory since 2000. This is 10 per cent below the peak in 2005 and 1.5 per cent below the 2002 (pre-BSE) inventory. Beef cow inventories are now 11 per cent lower than the 2005 peak and the same

as 2002 at 4.86 million head. A smaller beef cow herd due to large slaughter and resumed exports are expected to reduce future calf crops.

While we could anticipate stabilization in inventory, the profitability for most sectors of the beef cattle industry will continue to be challenged and therefore a decline in national check-off revenues from domestic sources could continue. The implementation of the import levy and consideration for an export levy are the only tools the Agency has to stabilize a predictable revenue stream.

Recipient groups

An excerpt from the Proclamation states:

8. The Agency is authorized to

- (a) promote the marketing and production of beef cattle, beef and beef products for the purposes of interprovincial, export and import trade; and*
- (b) conduct and promote research activities related to those farm products.*

The Beef Cattle Research Council 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 Beef Information Centre (BIC) is the national organization that provides market development programs for Canadian beef in Canada and the United States – for fed and non-fed beef. The domestic market continues to be the most important and stable market for Canadian beef.

The Canada Beef Export Federation (CBEF) is the national organization formed by the Canadian beef cattle industry to identify and develop key export markets to increase the sale of Canadian beef and veal products – with the cooperation of all companies, organizations and institutions that benefit from this success. CBEF is responsible for securing and increasing export markets other than the U.S.

Provincial organizations can use national check-off funds to support projects that address provincial-specific research, mar-

keting and promotion of beef and veal products. For example, in 2006/07, national check-off transferred funds for projects by the Manitoba Cattle Producers Association and the Ontario Cattlemen's Association. Additionally, we report on activities from the Fédération des producteurs de bovins du Québec (FPBQ). While not part of the check-off process this past year, the FPBQ directs provincial check-off resources towards the same type of activities as the national Agency.

National check-off is the 'industry funding' used as the basis to obtain matching funds from the industry-led Canadian Beef and Cattle Market Development Fund for the industry's long-term marketing plan. A long-term marketing plan was developed to help the industry recover from BSE and ensure a profitable and sustainable industry looking ahead to 2015.

Canadian Cattle Identification Agency



containment and eradication of animal disease. Established in 1998, the CCIA celebrates its 10th anniversary having developed the only mandatory national traceability program for the cattle industry.

This year saw many management changes within the CCIA office. Kerry St.Cyr took over the role of Executive Director, setting CCIA on a new path towards a sustainable future. Joining him on the management team are Angelo Herat, Operations Manager, and Hina Thacker, Legal Counsel. Recruitment is also underway for a Technology Manager.

Working with Chinook Solutions, the CCIA and its Board of Directors are participating in business planning sessions that will ensure the future success of a national traceability program. The recently revised bylaws have completed the comment period and are currently undergoing review before the ratification process. New staff have been hired to handle the influx of calls and the CCIA will move towards fully-bilingual services.

The Canadian Cattle Identification Agency (CCIA) is an industry-initiated and established trace-back system designed for the

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 secure infrastructure. Currently the database is being reorganized in order to optimize performance on all types of internet service, including dialup. This reorganization process will help push the national traceability system and value-added incentives to a new level of excellence. The recently redone 'www.canadaid.ca' now loads on dialup services and offers all current print publications in an electronic format.

As it moves towards the future, the CCIA will seek to advance the implementation and evolution of the national traceability system through collaborative and engaged relationships with many diverse groups. Tag retention and technology is under review and continued efforts will be made to keep the public updated on the status of new technologies and field trials. We welcome feedback from all our industry partners as we work together to find a solution to common technology issues.

The CCIA will be a national leader in the agriculture industry through its role as traceability advocate and the collaborative partnerships by which it achieves these objectives. As a member of the Industry Government Advisory Committee (IGAC) discussions on traceability, and through partnerships with On-Trace and Agri Traceability Quebec (ATQ), the CCIA is discussing and working together on a multi-species national traceability system. In Alberta, we will continue to provide support and infrastructure to the Alberta Livestock and Meat Strategy in accordance with Alberta Agriculture and Rural Development's (AARD) initiative. The CCIA will also continue to act as a service provider for pork and poultry organizations and hopes to offer services to other species as well.

As we move into 2009, the CCIA will undertake internal and technological restructuring to better serve the needs of our commodity stake holders. As we move towards full animal movement tracking, premise identification, age verification and continued producer support remains the focus of our agency. Value-added initiatives are the future of the cattle industry and will continue to be a focus of the CCIA. It is our hope that the industry will continue to support our statement that a few minutes of time today, can mean the world tomorrow.

www.canadaid.com

Canadian Cattlemen Market Development Council

Over the past three years, the industry and federal and provincial governments have been working together on a recovery plan that includes a long-term global marketing strategy to help regain market access and re-establish sales that were lost to BSE in 2003. The marketing strategy is funded by the Legacy Fund, supported by the Government of Canada and the Government of Alberta and Canadian cattle producers. The Canadian Cattlemen's Association (CCA) is accountable for administering the contribution agreements with government and appointed the Canadian Cattlemen Market Development Council (CCMDC) to be responsible for developing the annual marketing plans, legacy fund management and allocation and reporting results to the funders.

To ensure broad input throughout the entire production chain and with funding stakeholders, the CCMDC – in collaboration with the marketing organizations – consults directly with individual stakeholders, the CCA's Global Marketing Advisory Committee and the National Beef Value Chain Roundtable. Facilitated by the CCMDC, this process resulted in a consolidated global marketing plan. An evaluation framework to standardize market indicators and performance measures was developed and is the basis used to report results. To assist future planning, work is underway to develop the beef cutout as a tool to target Canadian beef products to the highest value market opportunity and establish a benchmark for performance measurement moving forward.

The Canadian Beef Advantage

An overarching performance measure of the global marketing plan is "Industry Support for the Value Proposition". To increase value, Canadian cattle genetics and beef must be clearly differentiated and offer tangible, unique benefits to customers. These benefits or attributes are the foundation for the Canadian Beef Advantage (CBA), an industry-wide global brand strategy to help expand and secure market access and differentiate Canadian cattle genetics and beef and its advantages over competitors.

The CBA is based on a value proposition, which is a set of standards and practices adopted by industry designed to achieve recognition by the domestic and international marketplaces that Canadian beef and cattle are different than the competition. As stated in the 2007/08 CCMDC Marketing Plan, the value

proposition is the combination of leadership in animal production, health and beef safety, the beneficial image of Canada and Canadian producers, and the quality attributes and points of differentiation for Canadian beef products and service that will create a compelling and distinct value to customers and a competitive advantage for the Canadian beef industry. The benefits of the CBA to the Canadian cattle industry are long term, but critical to the success of the CCMDC strategic plan. In 2007/08, considerable strides were made to develop the CBA and increase industry support for the value proposition.

Enhancements were made to Canada's national on-farm beef safety program to increase cattle producer participation. Highlights include the addition of provincial coordinators to promote on-farm food safety at a provincial level, online workshop training for producers in remote areas and the availability of funding to help producers implement food safety measures. Efforts continued to encourage more producers to age verify their cattle to help qualify product for export markets.

Creating a world-leading, information-sharing capability throughout the value chain, that facilitates a basis for continual improvement industry-wide, will play a key part in the success of the CBA. To achieve this, the CCMDC envisioned the development of the 'Beef Information Exchange System' (BIXS). We initiated a pilot project to establish BIXS among all participants in the beef value chain and determine what standards, technical requirements and information elements can be reasonably captured; focusing on what would be of value for its stakeholders. The BIXS pilot is slated to run in early 2009. The research confirmed that branding Canadian beef will be successful in differentiating Canadian cattle genetics and beef, building customer loyalty across all markets.

Supported by the consumer research findings, two logos with corresponding market-specific tag lines were developed for use in domestic and international markets.



A pilot project was initiated by the CCMDC to establish an information exchange system among all participants in the beef value chain. The intent is to determine what standards, technical requirements and information elements can be reasonably captured; focusing on what would be of value to stakeholders throughout the value chain. There is clear recognition that all sectors of the value chain need to fully cooperate to facilitate the exchange whereby calves will be age and source verified at birth through the Canadian Cattle Identification Agency (CCIA) database; feedlots will submit in and out dates and certain performance and animal health records and packers will share the yield and grade information of a carcass linked to the animal identification in the CCIA database. Packing plants will be able to promote the beef from animals on the program as age verified, fully traceable back to the herd of origin and as having health records.

This information will benefit retailers and in due course, should result in higher carcass values as beef from cattle on the CBA program is demanded domestically and internationally.

Industry communication to build awareness about the value proposition was enhanced in 2007/08 through numerous presentations at provincial and national industry meetings, and the development of a comprehensive fact sheet.

In 2007/08, there were many successes in global marketing programs for Canadian cattle genetics and beef. However, most marketing targets were not achieved as a result of tight beef supplies that occurred due to competitiveness issues in the production and processing sectors.

Given the tight Canadian beef supply situation and competitiveness issues, the focus of the global marketing strategy is to increase the value of Canadian cattle genetics and beef, positioning products within the highest value market opportunity. While marketing programs alone cannot solve all of the industry's current challenges, new and innovative marketing solutions through the global marketing strategy are being developed and implemented to help improve the industry's competitiveness. The CBA value proposition will be central to future marketing programs and also be available for use by other Canadian beef branding programs developed by private interests.

www.cba.cattle.ca



Provincial Association Reports

The CCA is a federation of eight provincial member organizations - British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, Prince Edward Island and New Brunswick.

Twenty-eight producers from the member provinces, comprised on a proportional basis, make up the CCA Board of Directors. Input from these provincial representatives enables the beef cattle industry to speak with one strong, cohesive voice, at the national level.

We work together on issues related to the entire value chain incorporating provincial perspectives at the national level. Together we focus on creating a sustainable future for Canada's beef cattle industry.

British Columbia



The past year has been a very busy one for the BCCA. We met with government on several occasions to discuss the present 'crisis' in our industry. We were successful in obtaining government funding for a Value Creation program that provides money for the Verified Beef Production Program and Age Verification. The Age Verification Program pays \$12 for each verified calf. Our Association feels strongly that the federal government should be leading the response to the present crisis.

Treaty negotiations have become more active over the last 12 months. The two main areas of activity that affect ranchers are the Cariboo and Kootenays. The issue for ranchers is that crown range tenures may be a part of the land settlement. We are working on a methodology to evaluate the economic value of crown tenures to individual ranches to present to government.

Our Agriculture Land Reserve (ALR) committee circulated a questionnaire to our members to get their opinions on several aspects of the Reserve. We had a very large return rate and staff are now reviewing the results of close to 300 surveys. We continue to operate a Pine Beetle Mitigation program aimed at constructing fences in recently logged areas and protecting fences from dead pine trees. Our program funding ends in March 2009 and we have been in regular contact with

the federal government regarding future funding. The recent economic downturn may have a negative impact on our ability to obtain funds for future years.

Our Wild Predator Program has been very successful in controlling problem predators in an effective manner and providing compensation for animals killed. Unfortunately, we currently have no funding for the mitigation portion of this program beyond March 2009. We are working with government staff to design an ongoing program that is available to a wider group of livestock producers. The new program (assuming we can obtain funding) will likely be provided at arms length from our Association.

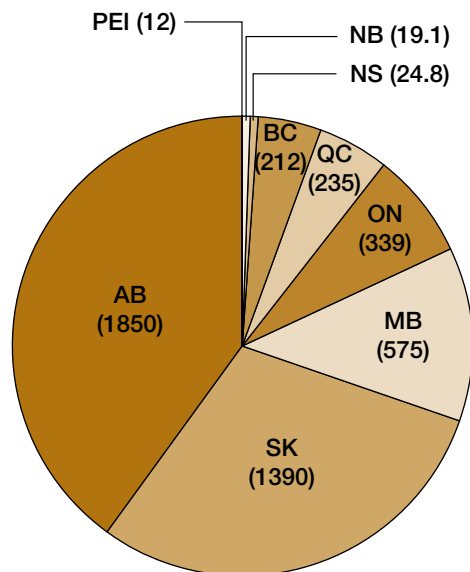
The tuberculosis case and follow up in the Vanderhoof area is close to being completed. We were able to work with the provincial Ministry of Agriculture and Lands to obtain Ag Recovery dollars to cover some of the extra costs incurred by producers involved in the case. The Canadian Food Inspection Agency (CFIA) is dealing with two other positive animals identified at slaughter in the United States. Testing of the trace back herds is being conducted.

We continue to work on implementing the recommendations from our Beef Industry Strategy completed late in 2007. We are presently taking the recommendations and developing strategic initiatives to address them.

We continue to try to determine what the Alberta government initiative (ALMA) will mean to our producers. As Alberta is our main market for our calves and yearlings, it is critical that our producers can meet the requirements of the initiative.

B.C. cow numbers have declined markedly over the last year and there has been a major flurry of herd dispersals this fall. Statistics Canada estimated the July 1 beef cow herd at 244,000; down 33,000 from the previous year. One factor that is adding to the financial stress of B.C. ranchers is that many have traditionally relied on income from the forestry sector via woodlots or sale of timber of deeded land. The present slump in the timber industry means that source of income is very limited.

**National Beef Cow Inventory
January 1, 2009 (000 heads)**



We believe that the value creation initiative of CCA is on the right track but worry if the results will be seen by producers as quickly as they are needed.

www.cattlemen.bc.ca

Alberta



At the time of writing, ABP delegates, directors and staff were searching for ways to assist producers in dealing with the financial challenges caused by the rising Canadian dollar and the rapid increase in feed grain prices. These challenges were added to economic pressure producers were already facing because of restricted access to important Asian markets, the high costs and barriers of the Canadian regulatory system, high costs for land, labour, and other inputs and the relatively low productivity of our feed grains. Our mission is to strengthen the sustainability and competitiveness of Alberta's beef and cattle industry; addressing these issues was ABP's highest priority this past year.

Now, a year later, the value of the Canadian dollar compared to the U.S. dollar has declined, our relative feed costs have gone down, and the prices for feeder and fat cattle improved for a while. We were hopeful that these trends would continue through the fall, but now our producers are facing challenges caused by the global financial crisis, along with the impact of mandatory Country of Origin Labelling (mCOOL) in the U.S. Cattle people in Alberta and across Canada are talking about the Alberta Livestock and Meat Strategy (ALMS) and the potential impact of this strategy on our industry. It has been a wild year for cattle producers and ABP with no signs that the near future will be less intense.

Our first response to the pressing financial situation and the concerns expressed by producers at the 2007 fall meetings was to convene a special meeting of the ABP Board of Directors last November. At this meeting, the Board made recommendations for improvements to the Alberta Farm Recovery Plan

(AFRP), evaluated other alternatives for short term assistance, and created task teams to address four key issues affecting our industry: regulatory costs and barriers, market access/value enhancement, competitive challenges/crisis management and ecological goods and services. The teams presented progress reports at the ABP Annual General Meeting December 2007 and these reports formed the basis for Sustainable Solutions for the Beef Industry, an ABP document containing a series of comprehensive recommendations for the future of our industry.

Of course, ABP was not the only organization trying to deal with the challenges in the livestock industry. For the Government of Alberta, months of work and weeks of speculation culminated in the unveiling of the Alberta Livestock and Meat Strategy (ALMS) by Agriculture and Rural Development Minister George Groeneveld in early June 2008. Minister Groeneveld stated that Alberta's livestock industry was facing significant challenges and needed a major and fundamental change. The Government of Alberta intends to act as a catalyst for this change. ABP participated in the round table meetings organized by the Minister last fall and submitted our recommendations to the government in the winter, but we had no direct involvement in the preparation of ALMS.

ALMS identifies eight priority initiatives and contains three key elements. The government created the Alberta Livestock and Meat Agency (ALMA) to support the industry with a focus on directing funds, resources, and programs toward strategic priorities. The government will be implementing mandatory traceability requirements through the Livestock Information System of Alberta (LISA). The government is providing \$300 million in recovery funding to producers through the Alberta Farm Recovery Plan (AFRP II).

Since the announcement, ABP directors, delegates, and staff have been actively engaged in ALMS discussions with our producers, careful consideration of ALMS and preparation of strategies for communicating with producers and responding to the ALMS. We issued a statement on the strategy immediately after the announcement and the delegates prepared a more detailed response to ALMS during an in camera session at the Semi-Annual General Meeting (AGM) in June. In the time following the Semi-AGM, over 2,000 producers have attended town hall meetings and ALMA breakfast meetings. ABP Chair Erik Butters sent an open letter providing information and ques-

tions about ALMS to all cattle producers on our mailing list. We also have written position papers on information systems and the role of ALMA that will be mailed to producers. As further development and implementation of ALMS proceeds, ABP will continue to communicate with our producers and address the priority initiatives in the strategy.

Over the past year, Adrienne Waller, our Legal Counsel, coordinated a careful and thorough review of the regulations governing the mandate, structure, and operations of ABP. This plan review is a regular requirement of ABP and the last one occurred in 2003. The current review included an unprecedented level of stakeholder and producer consultation through a stakeholder working group, regional plan review meetings, producer discussion and response forms, and a lengthy debate at the Semi-AGM. The results will be presented at the fall meetings and a final decision on changes to the regulations will be made at the AGM in December 2008.

Our producers face strong competition in the markets for our products and growing competition for the land and water resources needed for cattle production. It is important that the people of Alberta and our customers around the world have a positive view of our industry. Promotion Manager Barb Sweetland and her team of Education Coordinator Lindsey Methel and Marketing Coordinator Steven Carr are responsible for the promotion, marketing, and education initiatives that enhance the image for our producers and the Alberta cattle industry. The new Raised Right campaign and our continuing efforts to work in the school system are examples of these activities.

Lori Creech, our Communications Manager, and Katelyn Laverdure, our Communications Coordinator, are responsible for maintaining and improving our lines of communication. In the past year, they increased the frequency of publishing the Grass Routes newsletter, enhanced the content and quality of our website, and polished the presentation of our annual reports and meetings.

Animal Health and Welfare Manager Reynold Bergen manages the ABP research strategy, works on animal health and welfare issues at a provincial and national level, and has been deriving information that producers can use from past research reports. Laura Procnier, our Controller and Chief Returning Officer, carefully manages the financial and physical assets of the



organization, oversees the service charge collection and a rapidly improving producer database, and runs the elections of delegates and directors. Executive Assistant Rosanne Allen manages the Board, committee, and council meetings, provides administrative support to the General Manager and other staff, and maintains our resolution and policy documents. New Office Administrator Marietta Lumaban will assist Laura with our accounts and look after the day to day operations of the office. Shipper/Receiver Heather McCrady runs the merchandise room and looks after our kitchen, while Receptionist Denise Delorme has the first friendly face and voice that people see or hear at the entrance to the office.

Our 2008 Fall Producers Meetings were successful as over 2,000 producers attended 30 meetings held in the nine zones around the province. The meetings featured excellent presentations, lively discussions and healthy debates. There was strong support for the position ABP has taken on ALMS and support for our role as the representatives of grass roots producers. These are challenging times for cattle producers and ABP, but our delegates, directors, and staff members are strongly committed to working for our future and making our industry stronger.

www.albertabeef.org

Saskatchewan



As is expected within the Canadian cattle industry, the Saskatchewan Stock Growers Association (SSGA) continues to experience change. Even though the SSGA has faced some difficult times in the past few years, I am pleased to report that with the help of a strong and dedicated Board of Directors, the SSGA has had a very productive year.

In May of 2008 the SSGA hired Chad MacPherson as our new General Manager. Chad has a Bachelor of Science degree and grew up on a ranch in the Regina area. Chad has been a valuable asset to the SSGA as well as the livestock industry in general.

The lobbying efforts of our past and present Board of Directors have been paying off recently with the announcement of the Agricultural Crown Land Sales Program. We also look forward to the proposed, and much anticipated, reduction in the education portion of property taxes. It has been very encouraging to see these efforts move towards completion.

At our 95th Annual General Meeting in June, our membership passed a resolution endorsing a new livestock group called the Saskatchewan Cattlemen's Association (SCA). When finalized, the SCA will be an umbrella group under which the SSGA and Saskatchewan Cattle Feeders' Association (SCFA) will operate. At present, the SCFA, SSGA and SCA are all represented on a policy committee that has been actively dealing with the Alberta Livestock and Meat Strategy (ALMS). Representatives from both Alberta and Saskatchewan governments, as well as industry representatives from ALMA, have had three meetings that have proven to be productive for all parties concerned.

The SSGA organized and hosted our 2nd Annual Inter-Provincial Traceability Roundtable meeting in Regina on November 27, during Agribition. Representatives attended from B.C., Alberta, Manitoba, Ontario and Nova Scotia. Our goal was to discuss traceability and develop an industry position that all provinces would support. We also had good discussions on the state of the industry and mandatory Country-of-Origin Labelling (mCOOL). The outcome of the meetings was a commitment to developing a national traceability program and to continue interprovincial communications.

www.saskatchewanstockgrowers.com

Manitoba



It's been another busy year in the cattle industry and the MCPA has been aggressively pursuing the issues that affect Manitoba's cattle producers, from tuberculosis (TB) to mandatory Country-of-Origin Labelling (mCOOL). Along with the usual industry issues, our resiliency was again tested by the Interlake and Westlake flooding and the drought conditions in the southwest this summer. One bright light was the solidarity and compassion shown by some producers who stepped up to the plate to lend a hand to those most in need. Unfortunately, the recent financial crisis has impacted our already shaky industry and confidence is being lost in the marketplace.

The implementation of mCOOL legislation is already being felt in Manitoba. Feedlots down south don't have enough calves to fill their pens and they don't know if they can fill them with Canadian cattle or which plants will be slaughtering them. Cattle producers are the ones currently holding this industry together and it's high time that our MLAs and MPs recognize the seriousness of this issue and work to get it fixed sooner rather than later. Along with the CCA, we are pushing hard for the creation of a federal trade directorate with a cabinet level MP who will be dedicated to beef trade.

We were disappointed that after federal and provincial governments announced \$17.2 million in funding in July 2007 for new initiatives to handle and dispose of specified risk material (SRM) to meet new regulations, no new projects were announced and the funding lapsed. We are strongly advocating for the harmonization of Canadian SRM rules with the U.S.

The MCPA has been aggressively pushing for amendments to the current suite of Business Risk Management (BRM) programs. Although the government seems to be convinced the programs work for our industry, we are confident that with some time and pressure from all our cattle groups, they will recognize the shortcomings of the programs for cattle producers and make the necessary changes.

We have heard from producers and read the MASC reports that confirm that incidences of predator problems are still on the rise and we have been at the forefront of advocating for changes to the Problem Predator Removal program. We've had meetings with the conservation minister, provided detailed information on the negative aspects of the program and offered solutions that would see improvements. A few weeks ago, the provincial government approved the culling of coyotes under the authority of a big game hunting license and trappers may now destroy any coyotes deemed troublesome by producers without a trapper's license. Unfortunately, this does not address the more serious issue of wolf kills of cattle. Although this is a good first step, it does not remedy the many problems with the program and we continue to push for changes that would see to a decrease of predator incidences.

In March 2008, our \$250,000 investment for improved production research methods at the Brandon Research Centre caught the attention of both the provincial and federal governments who recognized the importance of the studies being done and jumped on board. With these partners, the total investment in the projects grew to \$4 million over five years. This is a significant achievement that ensures that critical research remains in Manitoba and more importantly, that the MCPA has a hand in directing its course.

Our association is also undertaking one of the most extensive studies into calculating the overall emissions from a cattle operation. We believe this study will show that, when looked at from the whole farm approach, the operation is a net sequesterer of greenhouse gases contrary to popular thought. The most important part will be studying how forage acres actually fight climate change by taking more carbon out of the atmosphere compared to what the farm emits. Based on this approach, we will be pushing for cattle producers to be rewarded for being the stewards of the land we have always known them to be.

I am happy to report that we advocated for and were successful in having the margins deleted from the Advance Payment Program. This was a significant step allowing more cattle producers to be able to participate in the program. We also advocated for and got the provincial government to waive the principal payments on all outstanding BSE loans in the province for a two-year period.

After years of lobbying and countless meetings with the provincial government and other stakeholder groups, I'm happy to report

that progress is being seen on the bovine TB issue in Riding Mountain Provincial Park. The Manitoba government announced a \$6/head compensation fee to producers presenting their cattle for testing and recently expanded that commitment for another three years. As a way of showing, the MCPA Board of Directors passed a motion to add an extra \$1/head payment to the program. Parks Canada seems to be on track discussing the possibility of a reduction of the elk and deer populations in the park. Consultations with the involved stakeholder groups are ongoing but hopefully a plan will be in place shortly.

Age verification will also play an important part in the future of our industry as a value added part of selling our cattle to foreign markets. As more consumers demand to know the source of their food, and also to mitigate the effects of an animal health outbreak, age verification will be an essential part of cattle raising. We have embraced the Canadian Cattle Identification Agency (CCIA) traceability system and are actively promoting it as the preferred nationwide system. As we know, many producers are handicapped by either slow Internet or no Internet at all and we have taken steps by training MCPA staff to enter information into the CCIA database at no cost to the producer.

Our communications committee has been busy this year launching a new awareness campaign aimed at the urban population. It was felt that there is a need to re-establish the link between rural and urban populations and emphasize the importance of our farming background as a necessary part of our future growth. Rural communities play an important part in the wellbeing of our province and re-iterating the value of these areas and the work that our rural communities undertake was the guiding principle behind the campaign. We received a lot of good feedback from this and plan on carrying out a similar campaign in the future. Our industry newspaper Cattle Country has gone through some serious renovations and is better than ever, we even have a new blog where readers can share their stories and comments online.

As we enter into a new year, I believe that despite the obstacles in our way, by working together we can overcome the pitfalls that sometimes seem out of our hands. Together we will build a brighter future for ourselves, our families, our communities and the cattle industry as a whole.

www.mcpa.net

Ontario



**Ontario
Cattlemen's
Association**
Committed to Cattlemen

Government relations and lobbying

On June 3, 2008, the OCA Board of Directors was pleased to host the annual OCA Queen's Park Barbecue on the South Lawn of the Main Legislative building in Toronto. Between 500 and 600 people, including MPs, their staff, and the Queen's Park Press Gallery came out. The day provided an opportunity for the OCA Board to meet with MPs from all parties.

The OCA's priorities over the next few months are focused on profitability and reminding Ontario consumers to eat and ask for local and Ontario product. Cattlemen will be lobbying and working with government to improve and create effective programs that will move the industry forward.

In mid-2008, the OCA initiated the Ontario Beef Value Chain Round Table. With this initiative we brought together government, beef producers, dealers, our packers, retailers and Beef Improvement Ontario, with the objective to help build and sustain a strong, viable Ontario beef industry.

Supporting local beef producers

The OCA supports producer involvement in value chains and horizontal alliances as a way to try to increase producer control over their marketing options, and potentially increase returns. At this time, Ontario Corn-Fed Beef is a producer owned brand, with a potential to be the largest value chain in the province. For many years the OCA has provided ad hoc support to initiatives such as the Ontario Corn-Fed Beef Program, and led promotional and marketing activities on a county and provincial level. As part of a larger mandate, the OCA also supports a national effort in marketing Canadian beef through the Beef Information Centre. More recently, our organization has taken a strong leadership position in developing our own comprehensive performance-based provincial marketing scheme. The membership has asked for this, encouraging the OCA to increase its involvement in marketing of Ontario beef.

Early work in determining primary producer and further food supply chain interest in regionally-based production and marketing began in 2004 with the OCA Regional Marketing Initiative. This program was later followed with the OCA Market Development Partnership Program. Evaluation of both programs has revealed that a segment of primary producers are finding value-added opportunity within the domestic market. In response, a number of OCA members are re-aligning their business and servicing the Ontario retail and foodservice segments. In 2008, the OCA funded 10 projects across Ontario totaling \$180,391.85. Funding will be used to help with marketing costs such as marketing studies, point of sale marketing material, website and logo/brand design, farm gate signs and advertising brochures/flyers; as well as capital costs including vac pack machines, freezers, service counters, weigh scales and fridges.

Ontario Research and Development Fund

The Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) provided \$2.5 million to the Agricultural Adaptation Council (AAC) to fund the Ontario Research and Development (ORD) Program. ORD was announced in January 2008 as part of the \$150 million announced by Ontario in the 2007 Economic Outlook and Fiscal Review. The goal of the two-year Program is to promote the long-term viability and competitiveness of Ontario agriculture by investing in agricultural research and development projects which will accelerate research, competitiveness and productivity for the non-supply managed commodities of the Ontario Agricultural Commodity Council (OACC). The OCA, on behalf of the Ontario beef industry, has been allocated \$317,658.83 of the ORD funding to assign to projects that will enhance research, competitiveness and productivity in the beef sector. All funding will be allocated by March 2009.

Finding a future in beef workshops

The OCA, in partnership with the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and The Centre for Rural Leadership (TCRL), held workshops in Smith Falls and Elmwood during the first week of November to offer a platform for young beef producers to network, discuss similar issues and offer input for solutions. The workshops were targeted toward beef producers and other young people involved in the industry under the age of 40. A total of nearly 60 young producers attended the workshops.

Funding for the workshops was provided by TCRL as part of the \$300,000 from the Ontario government announced in January 2008. This funding is administered by TCRL to deliver affordable business planning and market development training for the hog, beef and horticulture sectors.

\$4-million Memorandum of Agreement signed

The OCA-OMAFRA \$4-million Memorandum of Agreement (MOA) was signed in 2007 to develop and deliver programs targeted to assist the Ontario beef industry adjust to the long term impacts on the markets caused by the BSE border closure. As part of the MOA, a number of programs have been developed including the Age Verification Program and the RFID Reader Program.

The Age Verification Program was unveiled at the 2008 OCA Annual General Meeting. As part of this project we are encouraging participation in our national on farm food safety initiative, the Verified Beef Production Quality Starts Here Program, and in having a verifiable herd health management system. Producers receive a \$5/head payment for each animal age verified.

RFID Reader Program was developed in late 2007 to facilitate the reading of RFID (radio frequency identification) tags for purposes of age verification and printing transport manifests. This program provides funding to offset the cost of installing RFID readers and related hardware and software.

Ontario Feeder Cattle Co-op Program

Our Feeder Cattle Co-ops were the first in Canada to offer the interest free component of the Advance Payment Program (APP) to livestock. The OCA agreed to be the umbrella administrator for the 19 co-ops, and as of September 30, 2008, members have benefited from \$1 million in interest that has been paid by Agriculture and Agri-Food Canada.

The introduction of APP caused a flourish of activity for most co-ops and we achieved many milestones. As of November 30, 2007, the most cattle ever purchased in a month was recorded at over 20,000. As of December 30, 2007, we purchased 102,774 head which is a new record for the program and had 180 new Co-op members during the year.

Unfortunately this activity limited the ability for some co-ops to take on new members as the allotment from OMAFRA of \$80 million is divided among the 19 co-ops and we had reached commitments of \$66.8 million. OCA is lobbying OMAFRA to increase the limit on the program to \$130 million.

The turmoil of the beef industry over the last year saw a decrease in our Feeder Finance activity and we expect that we will only purchase about 90,000 head. Some co-ops have lost larger active members due to exiting the industry or sourcing interest free funds via ACC – Farmers Financial. All 19 co-ops continue to be viable and will continue to function for another year.

Ontario Beef Breeder Co-op Program

We continue to operate with nine co-ops across Ontario. However, activity in all but three has been minimal due to location and status of beef industry. Farm Credit Corporation is the only lender involved and without a provincial guarantee, they put on substantial pressure to revamp the number of co-ops and the policy with respect to assurance accounts. In April 2008, FCC had a change of heart, and co-ops will continue to operate under their current structure with FCC providing assistance to build the business. Most co-ops have been functioning for five years, so they need to have repeat business to remain viable as many of the first loans amortized over five years have been repaid. There are currently about 200 active members with about 6,500 breeding females financed.

www.cattle.guelph.on.ca

Nova Scotia



Our industry continues to face serious problems. These problems did not get here overnight, and they will take time to resolve. We continue to spend many hours in discussions which can lead to programming and changes that will produce profitability for our producers.

Prices have not come back to the level we need for producers to survive. The world economic crisis has not helped, and it affects us in many ways. Returning profitability to the industry is our major goal as an organization. While that is not easily done, there are ways to do it and we are working on a number of fronts.

On October 21, the Maritime Beef Council (MBC), led by our three chairmen, met with the four Atlantic Ministers of Agriculture. Our discussion points included challenges, resources and solutions which provide sustainability and profitability. The bottom line is that we need to keep producers in business while we strengthen the ways that will keep the industry profitable.

Specific issues discussed included:

- industry stabilization through near and long-term solutions such as debt restructuring
- help for those producers affected by the feed shortage which has affected many areas of our region due to weather related challenges
- the need for a review of programs and regulations to ensure they are effective, appropriate and working in this region
- the issue of market profitability and ways we believe that can be achieved
- the resources we have available and the resources we need
- potential opportunities through the right mixture of resources and infrastructure

We also discussed interprovincial trade with the Ministers. We suggested a pilot project for beef which perhaps can be a model within Canada. We need to make it easier for our producers to do business, and get opportunities to participate as stronger members of the value chain. Toward that end, we have developed ideas which should be pursued within our industry.

The ministers committed to get back to us very shortly and we plan to be part of a committee of senior government police and ourselves to bring positive actions forward. We also talked about our meeting with Honorable Peter McKay and the idea we have put forward to have the MBC meet with his Atlantic caucus. We asked the ministers for their commitment to join us in those meetings, and we are following up on that as well.

The industry strategic plan was also a major focus of our talks. It's important to note that we do not intend to study this industry to death. We are well aware that the industry needs actions which make sense in the near term as well. Opportunities exist which enable beef to be profitable and sustainable. But, the industry cannot get where it needs to be without a well developed plan to get us there.

We completed an important part of Nova Scotia's beef industry strategic plan. The plan provides a longer-term vision of what we see as a successful future for the industry and our producers. It also details ideas and strategic directions to get us there.

The three major initiatives for our Industry Strategy will be built around better cattle, better markets and marketing and improved resources.

Focus 1: How we select the best cattle to raise and sell - Based on market research, and a persuasive/modern response to the challenges of beef and health, beef and local markets, beef and the environment.

Focus 2: How we create an integrated, collaborative, system of production and marketing - We are looking for fairness and profit from the marketplace. This strategy finds a place for producers in an active responsive market chain, a place where producers build alliances, finding winners at all levels; changing the way business currently operates.

Focus 3: How we sustain our industry - We will focus on infrastructure required to move the industry forward, including business stakeholders such as Atlantic Stockyards, MBTS, provincially inspected abattoirs and the Atlantic Beef Products plant in Prince Edward Island.

In a recent meeting with The Honourable Peter McKay, we agreed that a joint meeting of MBC, members of his federal Atlantic caucus and provincial government representatives is an excellent idea. We are waiting for the Ministers to respond to that idea. On an organizational front, we see many advantages to formalizing our MBC so that we will be better able to work on regional issues with our provincial and federal governments. Obviously, we will still maintain a strong provincial independence, which is needed as well.

Single desk selling of tags and improvements to the levy and registration system takes a lot of work. There are many advantages to our producers in simplifying the systems and we expect to have some things settled quite soon. We have enjoyed excellent cooperation from the Canadian Cattle Identification Agency and on related issues, the CCA and also the National Check-off. Recently, NSCP Chairman Dave Oulton attended meetings on traceability. We will remain in regular communication with all parties as we move the industry forward through the current challenges.

www.nscattle.ca

Prince Edward Island



Prince Edward Island's (PEI) beef and cattle industry continued to struggle this past year and the large decline in producer numbers is good evidence of that.

However, we are optimistic that things will improve through the steady work of the PEI Cattle Producers (PEICP). We have yet to sign onto the National Check-off Agency but look forward to doing so in the near future. Through participation in the Agency, we will be able to find funding for research directed to beef production in the Maritimes. We look forward to launching the Canadian Beef Advantage in this region with our major retailers. We are also planning a meat cutters seminar in early January and we hope to complete a strategic planning session for the Island's beef industry in 2009.

We have spent a significant amount of time working with the Maritime Beef Council to establish a new levy system for the Maritimes. The system is not yet in place but good progress is being made and we hope to implement it in 2009.

The Maritime Provinces suffered significant losses due to heavy rainfall this summer. Unprecedented rainfall led to a loss of quality in forages and grains of at least 40 per cent and a quantity loss

of also 40 per cent. We have been lobbying for federal/provincial government support but have yet to receive any.

Over the past year we did several promotions. The first in conjunction with the hog board was called "Celebrate the New Year, Serve Local Beef or Pork". The second was a "Buy PEI" program; through this program we developed stickers for retailers and farm gate sellers who sell only PEI beef.

In May 2008 we held a producer meeting which filled the Farm Centre and drew the attention of the provincial government. As a result the province worked with the PEICP to establish the PEI Beef Initiative. This Initiative is a payout to producers based on inventory numbers as well as other long-term programs, such as the Carcass Incentive Program - which pays on a yield grade of 1 and 2 beef. The PEI Beef Initiative also includes the PEI Herd Health Program - which reimburses cow/calf producers for vaccinating their entire herds. This pays \$40/breeding cow. The rest of the Initiative includes incentives for purchasing or retaining premium quality heifers and 50 per cent reimbursement for the purchase of handling equipment.

We continue to represent our producers on the PEI Federation of Agriculture, Agriculture Sector Council, CCA Board of Directors and Maritime Beef Council and have participated in numerous committees and discussion groups.



The Environmental Stewardship Award

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 work to improve existing stewardship conservation practices to create a sustainable future – always farming for tomorrow.

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

Beginning at the local level, a producer receives provincial recognition for their outstanding contributions. These recipients move forward as nominees for national recognition from the CCA. The national TESA recipient is announced annually during the CCA's 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

Since 1996, many outstanding Canadian farm families have been TESA recipients. At both the provincial and national levels, these individuals and families lead the way in creating a sustainable future for Canadian.

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

2008 Provincial Winners

The Smith Family - St. Marys, Ontario

Ontario Cattlemen's Association Provincial Winner



The Hall Family, Bar None South Ranch - Stavelly, Alberta

Alberta Beef Producers' Provincial Winner



The Huwer Family - Lumby, British Columbia

British Columbia Cattlemen's Association Provincial Winner



National Winner

The Campbell Family, B - C Ranch, Inc. Meadow Lake Saskatchewan

Saskatchewan Stock Growers' Association
Provincial Winner

In 1948, Bruce and Clare Campbell purchased 4,500 acres along the Beaver River near Meadow Lake, Saskatchewan and established the B - C Ranch. In 1972, their son Don and his wife Bev moved onto the ranch and eventually purchased it in 1980. Don and Bev adopted a holistic management approach to ensure all decisions made are socially, environmentally and financially sound.

Over the years, several changes ensured the B - C Ranch remained holistically sound. First, the establishment of Ducks Unlimited Canada's Woolard Project on the Beaver River provided a system of water control gates to ensure that the wetlands always contain water which minimizes flooding. Wildlife habitat improved and the availability of permanent water sources allowed for better cattle distribution.

Second, a planned grazing system they implemented in 1985 contains 40 paddocks over their 4,500 acres. The paddocks allowed the Campbells to finely manage the timing, duration and intensity of grazing.

Third, the Campbells implemented the practice of bale grazing as an initial way to improve soil health and further increase land productivity. They quickly realized that bale grazing was also a



tool to increase profitability as it became less and less necessary to start a tractor during the winter.

An underlying principle of what the Campbells do is to leave the land better than they found it. This thinking is clearly focused on the benefit for future generations.



Partners Program

The CCA 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

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.

www.bayer.ca



Intervet Canada Ltd.

Intervet Canada Ltd. is the Canadian operating division of Intervet International. Intervet is a world leader in research and development of veterinary vaccines and pharmaceutical products. The international office is headquartered in Boxmeer, The Netherlands and is a business unit of Azko Nobel. Intervet Canada is located in Whitby, Ontario.

www.intervet.ca



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 48,000 employees, Scotiabank Group and its affiliates serve about 10 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.

www.scotiabank.com

Agricultural Banking



AAA Partners

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.

www.cbef.com



Ivomec/Merial Canada

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.

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RBC Royal Bank

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www.rbcroyalbank.com/agriculture.



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AA Partners

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, Account Managers 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.

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For what matters.





Canadian Cattlemen's Association

310, 6715 - 8 Street NE
Calgary, AB T2E 7H7

Tel: 403.275.8558

Fax: 403.274.5686

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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.

