



the ONTARIO STEAKHOLDER

Summer/Fall 2007 Volume 3 Issue 3



CONNECTING ONTARIO'S BEEF FARMERS TO THE ELECTED MEMBERS WHO REPRESENT THEM.

The Ontario Cattlemen's Association (OCA) is a grassroots organization that provides leadership to all sectors of the industry. Now more than ever, it is important to maintain constant contact with our elected Members, both provincially and federally, to ensure that the concerns of our industry are heard, and that effective solutions can be explored and adopted. OCA hopes that you will come to recognize the *Ontario Steakholder* as your source of reliable information from the Ontario beef industry.

INDUSTRY INSIDER



Ian McKillop, OCA President

As you know, on December 14th, crucial funding for our sector was announced by Ontario Minister of Finance, The Honourable Dwight Duncan, in Ontario's 2007 Economic Outlook and Fiscal Review. I want to sincerely thank Minister Duncan for acknowledging the need in our sector.

I also want to recognize and thank The Honourable Leona Dombrowsky, Ontario's Minister of Agriculture, Food and Rural Affairs, on behalf of

Ontario beef producers, for her hard work in ensuring that we find some relief from this serious financial situation. The Minister has always shown a true dedication and commitment to our industry and we're extremely thankful for this latest funding. I would also like to thank our Premier, The Honourable Dalton McGuinty. It is very encouraging to see his government take a leadership role in recognizing the financial hurt that producers are currently experiencing. The announcement means an infusion of \$150 million into the cattle, hog and horticulture industries "to strengthen competitiveness", with \$100 million going to cattle and hog producers and \$30 million going to horticulture producers.

Although the crisis in the beef industry is far from over, these latest funds will certainly help in the short-term as we continue to look at long-term solutions. We realize that this money is an immediate life

line for our producers, but we must continue to push for a federal match, in order to help us create longer-term solutions.

While all the details have not yet been finalized, we understand that Agricorp will deliver payments and we anticipate cheques to begin arriving in February, 2008. Further calculation information on payment amounts will be available through Agricorp in the New Year.

At this time, I would also like to acknowledge the many MPs and MPPs, who, regardless of their political stripes, have shown a true commitment to bringing our messages forward. For that, I thank you. Your support and commitment is the only way we will be successful in ensuring a profitable future for the beef industry.

In closing, I would like to again thank The Honourable Leona Dombrowsky and The Right Honourable Dalton McGuinty for their continued strong support of our industry.

And finally, with the holiday season upon us, I would like to extend my best wishes to you and your family on behalf of your 2007 OCA Board of Directors. While last week's announcement will help relieve some of the immediate pressure our industry has been under, 2007 has indeed been a very challenging year. Ontario beef producers continue to struggle to meet those challenges. With the beginning of a new year comes a renewed outlook for opportunity and optimism.

Please, enjoy a safe, fun and happy holiday and best wishes for a prosperous 2008.

Sincerely,

Ian McKillop
OCA President

INDUSTRY INSIDER

Behind the **CRISIS**...What's Causing it and What is Our Industry Doing? *By Dave Stewart, OCA Executive Director*



**Dave Stewart, OCA
Executive Director**

As we enter the last month of 2007, the beef industry once again finds itself in a very serious financial situation. Through no fault of their own, our farmers have seen severe changes to their bottom lines in the last few months.

In many ways, these circumstances are worse than what the industry endured as a result of BSE. The big difference now, compared to 2003, is that every sector from the processor to the cow/calf producer is losing money. Compounding the problem is the fact that producers never fully recovered from financial losses resulting from BSE.

Since 2003, we have seen huge equity erosions, with little opportunity to build reserves due to poor prices and higher input costs. It is estimated that Ontario producers will lose well over \$100 million in the last six months of 2007.

There are a number of reasons contributing to the problems that we are facing. They include:

- Introduction of the Enhanced Feed Ban regulations not in harmony with our major trading partner
- The rising Canadian dollar
- Surging grain and oilseed prices due to government policy driven establishment of the bio-fuel industry in Ontario, Canada and the US
- Surplus of protein

These events are beyond the control of producers and, in fact, are tied directly to government policies, regulations and programs.

Looking specifically at the enhanced feed ban, the Ontario rail price was \$1.62 in early July and by mid-November had fallen to \$1.17. Based on an average carcass weight, this equates to a revenue decrease of almost \$400 per head. A portion of this decreased revenue has been passed down to the backgrounder and cow/calf producer putting both of those sectors in an unprofitable situation.

The OCA Board and staff have been very busy dealing with the financial crisis. In the absence of a provincial agriculture minister during the election campaign and immediately after, OCA met with Deputy Minister, Bruce Archibald. We outlined the seriousness of the situation and the fact that government policies, regulations and programs were major factors contributing to the price decline. We also explained the need for transitional assistance and requested that work begin on developing a Risk Management Program.

In late October, several OCA Board members and staff were in Ottawa for a series of meetings. Included were meetings with staff in the Prime Minister's Office as well as policy staff in Minister Ritz's office. The purpose of these meetings was to convey to the federal politicians the serious issues that we face and to talk about various options for support. At both the federal and provincial level there seemed to be recognition of the serious nature of our situation, and a willingness to work with us to find solutions. In mid-November, we also had two meetings with re-appointed Minister of Agriculture, The Honourable Leona Dombrowsky. Again at these meetings we talked about the need for an immediate cash infusion as well as the requirement for effective long term safety net programs. We also talked about the need for the Ontario government to implement programs that allow Ontario producers to stay competitive with other jurisdictions such as Alberta and Quebec. There was recognition from the Minister that producers are facing some unique challenges and that for our industry to survive support will be required.

Also in November, OCA Vice-President, Gord Hardy, was invited to meet with Federal Agriculture Minister, The Honourable Gerry Ritz. Again this was an excellent opportunity to convey our messages at a very high level within the Federal government.

OCA is also asking government to make some significant changes to the CAIS program. One fault that OCA identified several years ago was declining reference margins. With one poor year after another, most producers have seen their reference margins decline significantly over the last several years. One way to address this would be to allow BSE payments to be included in reference margin calculations. Another area where CAIS could be improved is in the method in which base production units (BPU's) are calculated especially for cow-calf producers. As well, governments must also change the way the viability test is applied particularly as it relates to negative margins.

In closing, congratulations to The Honourable Leona Dombrowsky on being the first "modern" sitting Minister of Agriculture to retain first seat in a provincial election. We look forward to continuing our excellent working relationship with you, Minister.

As well, welcome back to the many MPPs who were re-elected in October and the few new ones who are just now finding their place at Queen's Park. With the high number of incumbents getting re-elected it is easy to recognize many of the people who we've come to know over the last four years, and we look forward to continuing those relationships and also working with the new Members. I hope those of you who are new to your positions will find the Ontario Steakholder to be your reliable quarterly source of information about Ontario's beef industry.

AN INDUSTRY IN CRISIS

The Beef Industry at a Glance

CURRENT SITUATION

The Ontario Beef industry is in distress. Never having fully recovered from the effect of the BSE crisis, our beef farmers are caught in a real margin squeeze. The three main reasons why we have seen margins erode are:

1. Introduction of the Enhanced Feed Ban regulations not in harmony with our major trading partner.
2. The rising Canadian dollar.
3. Surging grain and oilseed prices due to government policy driven establishment of the bio fuel industry in Ontario, Canada and the US.

The entire beef industry is currently facing serious financial challenges with the resulting impact being worse than the damage caused by BSE. Fat cattle pricing levels are so low, producers are losing \$350-\$400 per head as they sell market ready inventory. Anticipation of high feed costs are driving down replacement cattle prices this fall and cow-calf operators are facing prices which could mirror those of twenty years ago. We expect that Ontario beef producers will lose more than \$100 million in the last six months of this year alone. As banks see these losses, they will begin discussions with their clients. The pork industry is also in distress, and losses will be felt in other infrastructure segments such as feed dealers, and other input suppliers

These are all beyond the control of producers, and are in fact tied directly to government policies, regulations, or programs.

Looking specifically at the Enhanced Feed Ban, the Ontario Rail price was \$1.62 on June 29th, and as shown in the table of railgrade Ontario prices, below, has fallen to \$1.27 currently. In terms of revenue back to the producer, this represents a decrease of \$300.30 per head based on the average carcass weight. Producers are currently losing more than \$350.00 per head on cattle marketed today.

Ontario Railgrade Price			
Week	Price (\$ CDN)	Week	Price (\$ CDN)
May 31	180.00	Aug 16	150.00
June 7	174.00	Aug 23	149.00
June 14	169.00	Aug 30	151.00
June 21	166.50	Sept 6	152.50
June 28	162.00	Sept 13	152.00
July 5	158.00	Sept 20	144.00
July 12	159.00	Sept 27	140.25
July 19	162.00	Oct 4	140.25
July 26	158.50	Oct 11	137.00
Aug 2	155.00	Oct 18	132.50
Aug 9	151.50	Oct 25	127.00

ECONOMIC IMPORTANCE OF THE BEEF INDUSTRY TO THE PROVINCE OF ONTARIO

The beef industry is very important to the province of Ontario. Farm gate sales of beef animals is a billion dollar business in this province. Statistics Canada data show that there were 19,000 beef farmers in this province in 2006. Beef farming is especially important because it is carried on in every county and district in Ontario. The income and employment derived from this industry helps support a broad range of rural infrastructure.

The economic impacts arising from the growth in international trade of cattle and beef and from growth in production of cattle and beef in general are judged to be roughly equivalent, in terms of economic impact, to growth in other areas of manufacturing, such as in the automobile industry. Simply stated, cattle and beef production is an integral and important part of the economies of Canada and, more specifically, Ontario.

Table 1. Farm Receipts from Sales of Cattle and Calves in Ontario and Canada, 2000 to 2005 (\$ Million)

Year	Ontario			Canada		
	Cattle	Calves	Total	Cattle	Calves	Total
2000	972.8	105.1	1077.9	6048.3	826.6	6874.9
2001	972.8	106.6	1079.4	7014.5	877.4	7891.9
2002	1081.9	81.1	1163.0	6883.0	771.2	7654.1
2003	764.8	82.6	847.4	4535.5	583.7	5119.2
2004	691.2	66.9	758.0	4499.9	572.0	5071.9
2005	889.2	62.8	952.0	5629.0	720.8	6349.8

Farm Cash Receipts, Agriculture Economic Statistics, November 2006 http://www.statcan.ca/english/freepub/21-011-XIE/2006002/t026_en.htm

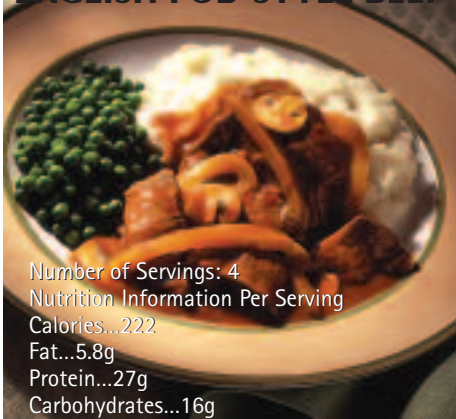
Sales of cattle and calves accounted for approximately 40% of Canadian livestock sales and about 20% of total farm sales in the early years of this century. During this period, sales of Ontario cattle and calves averaged nearly 20% of total livestock sales and about 13% of total farm receipts in the province. In more recent years, sales of Canadian cattle and calves have averaged around 30% of total livestock sales and about 15% of total farm sales. In Ontario, with a more diversified agricultural economy, sales of cattle and calves averaged about 20% of livestock sales and about 10% of total farm receipts (Table 2).

Table 2. Receipts from Cattle and Calves as a Percent of Total Livestock Receipts and of Total Receipts

Year	% of Livestock Sales		% of Total Receipts	
	Ontario	Canada	Ontario	Canada
2000	23.8%	35.4%	13.7%	20.9%
2001	12.6%	41.6%	12.6%	21.7%
2002	27.3%	42.1%	13.7%	21.2%
2003	20.5%	31.7%	10.0%	14.9%
2004	17.4%	29.6%	8.8%	13.9%
2005	21.1%	34.5%	10.7%	17.3%

Grade **EH** Beef Recipe of the Season: Summer/Fall

ENGLISH PUB-STYLE BEEF



Number of Servings: 4
Nutrition Information Per Serving
Calories...222
Fat...5.8g
Protein...27g
Carbohydrates...16g

This warm and wonderful meal is done in minutes for a quick comfort food any night of the week

INGREDIENTS

1 lb	....	500 g	...	Top Sirloin Grilling Steak, cut into strips
1	.....	1	.....	can (10oz/284 mL) tomato soup
2	tblsp	..	30 mL	.. Worcestershire sauce
1	tsp	...	5 mL	... sugar
1	.....	1	.....	green and/ or yellow pepper, cut into strips
1/2	lb	...	250 g	... sliced mushrooms

Preparation Time: 10 minutes Cooking Time: 10 minutes

DIRECTIONS

In a large, lightly oiled skillet, stir-fry steak strips for about 2 minutes until no longer pink. Remove from pan. Combine remaining ingredients in skillet and cook over medium-high heat for 5 minutes, stirring occasionally. Stir in beef and heat through. Serve over mashed potatoes, cooked rice, noodles or warm tea biscuits.

ANNUAL MEETING February 20-21

Ontario Cattlemen's Association

"Meeting Our Challenges"

Doubletree International Plaza Hotel, 655 Dixon Road, Toronto

The Ontario Cattlemen's Association cordially invites all Ontario MPs and new and returning Ontario MPPs to our 46th Annual General Meeting.

More than 500 people from all over Ontario will meet on Wednesday, February 20* and Thursday, February 21, 2007** at the Doubletree International Plaza Hotel, 655 Dixon Road, Toronto, to help set the course for the Ontario Cattlemen's Association (OCA) in 2008.

The beef industry has faced many challenges over the last four years. Our Annual Meeting will report on the 2007 calendar year, while reflecting on the changes and growth that will be necessary to move the industry forward.

OCA always works toward addressing industry issues and is proud to be able to provide this interactive forum for Ontario beef producers, related industry, government and the media.

Please register in advance by contacting Sue McCaw at the Ontario Cattlemen's Association Ph: (519) 824-0334 or Fax: (519) 824-9101

*Dinner banquet to be held the evening of February 20.

**Evening of Tuesday, February 19 – Cattlemen's College, sponsored by Pfizer Animal Health



Standing (left to right): Dan Darling, Cow/calf Director; Paul Sharpe, Feedlot Director; Gordy Hardy, Vice-President (Southern Director); Bob Gordanier, Director-at-Large; John Gillespie, Director-at-Large; Jim Martin, Northern Director; Kim Sytsma, Cow/calf Director; Doug Kaufman, Feedlot Director; and Curtis Royal, Feedlot Director.

Seated (left to right): John Newman, Eastern Director; Ian McKillop, President (Cow/calf Director); and Dianne Booker, Background Director.

On behalf of the 2007 OCA Board of Directors, I would like to extend my best wishes to all MP's, MPP's, their staff and families this holiday season. While 2007 has been a very challenging year for the beef industry, I commend Ontario beef producers for rising to meet those challenges. With the beginning of a new year comes a renewed outlook for opportunity and optimism, and I look forward to continuing with the positive relationships we have established with all elected representatives in 2008.

Please enjoy a safe, fun and happy holiday season.

Ian McKillop, OCA President

the ONTARIO STEAKHOLDER

Since 1963, the Ontario Cattlemen's Association has been the unified voice of the province's 19,000 beef cattle producers. OCA advocates on behalf of its members in the areas of government lobbying, policy planning, industry development programs, promoting beef and developing domestic and export markets.



For more information on the Ontario beef industry, contact:
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