



# **Foundations and Barriers to Canadian Meat Industry Growth**

Kevin Grier

May 6, 2011



GEORGE MORRIS CENTRE

# Purpose and Outline

**Purpose:** *Argue that the future for the meat industry is limited only by our own policies and strategies.*

## **Outline**

- Foundations
- Barriers
  - Debt
  - Ethanol
  - Technology Aversion



# George Morris Centre

- Economic Research into the Canadian Agriculture and Food Industry
- Independent
  - Financially
  - Structurally
  - Research Perspective



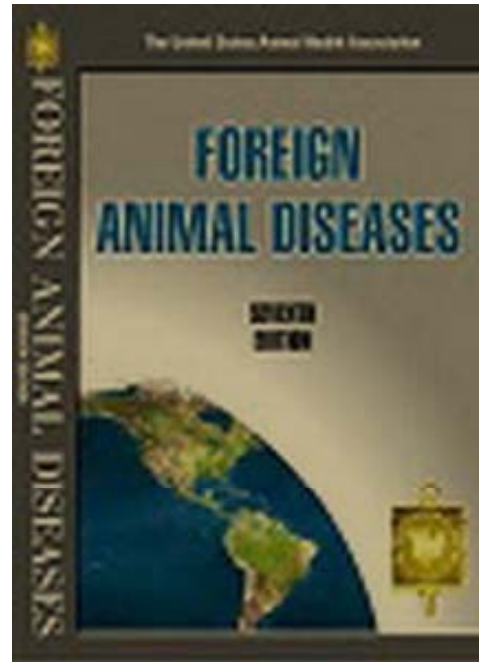
# **GMC Areas of Activity**

- **Contract Research**
- **Market Analysis**
- **Education**

# Foundations

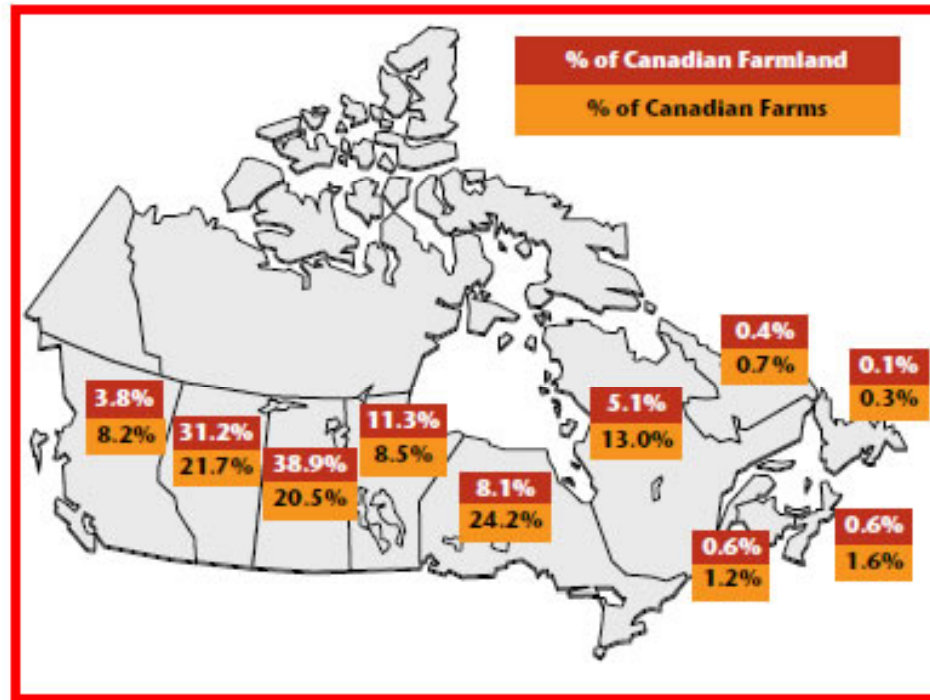
# Canadian Strengths

- Animal Health (absence of disease)
  - Performance



# Canadian Strengths

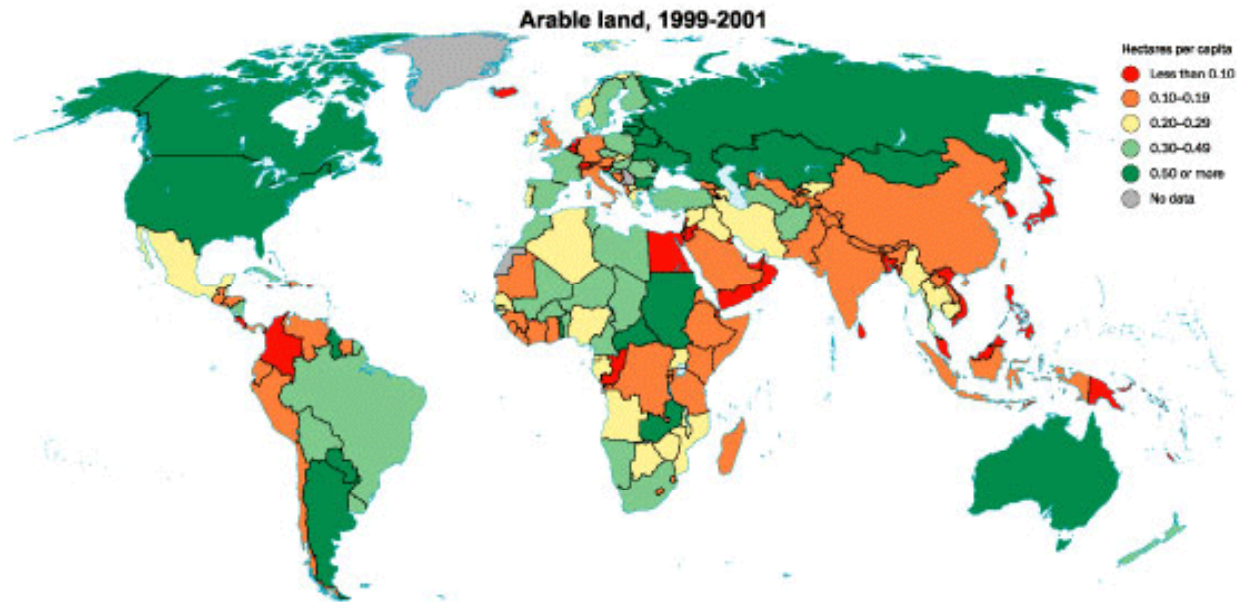
- Climate
  - Performance
  - Diversity/Opportunities



# Canadian Strengths

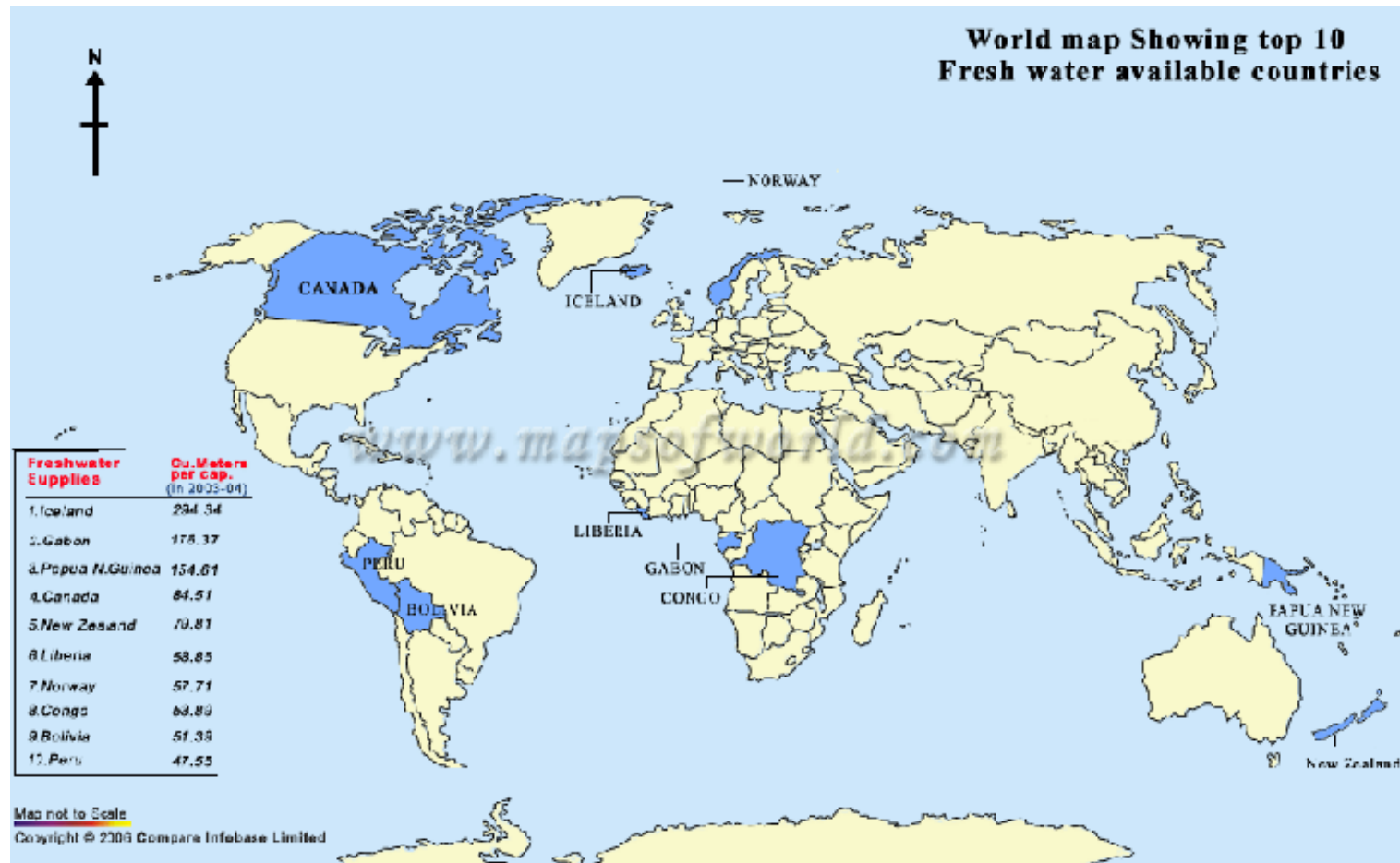
- Arable land

## Arable Land



# Canadian Strengths

- Fresh Water



# Canadian Strengths

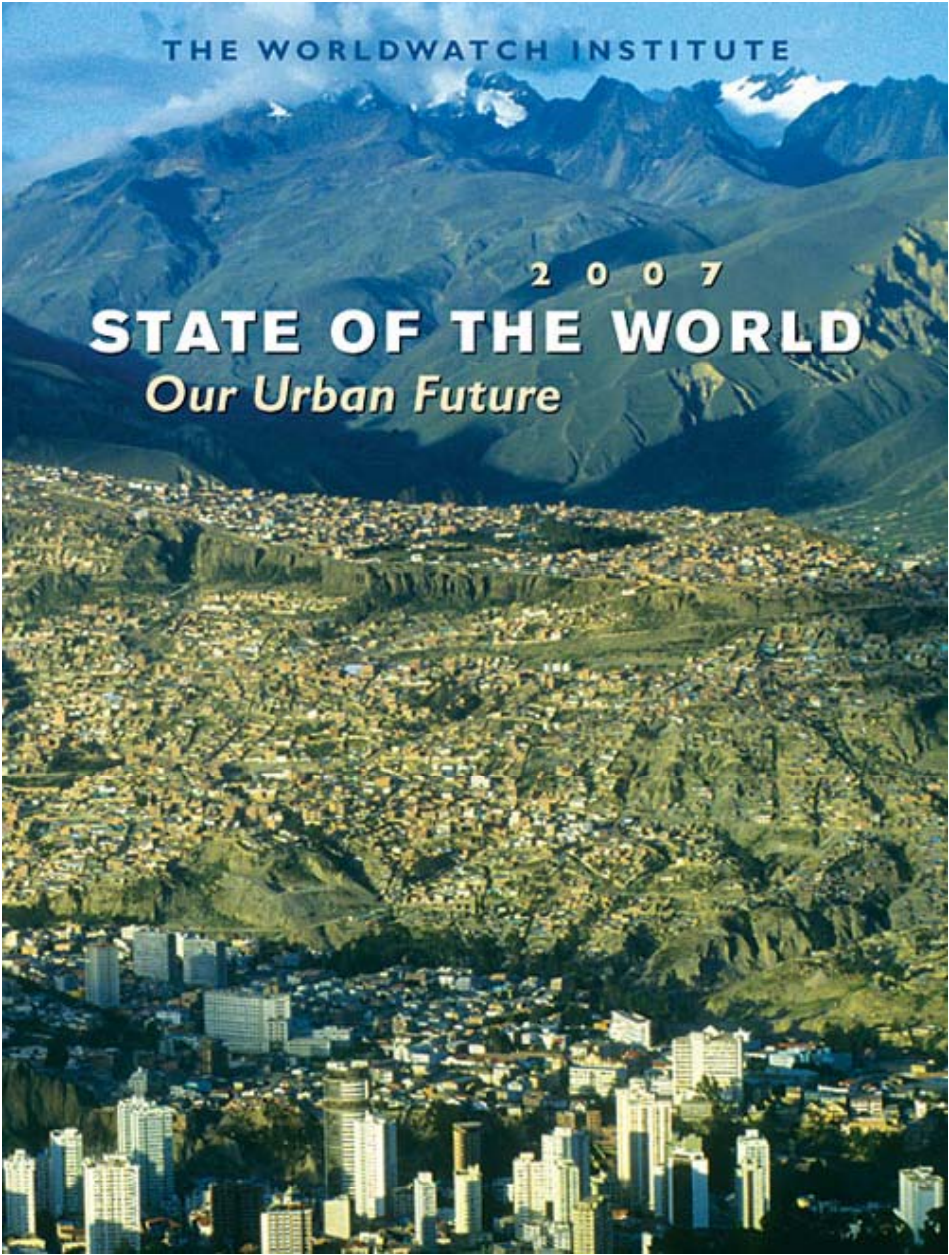
- Competitively priced feedgrains
- Animal density
  - Lack of Human conflict
- Access to markets
- Access to labor
- Access to and adoption of technology
- Relatively free markets



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# Global Economic Growth and Demand





# Barriers

# **Government Debt and Financial Collapse**

# Canada's Federal Debt

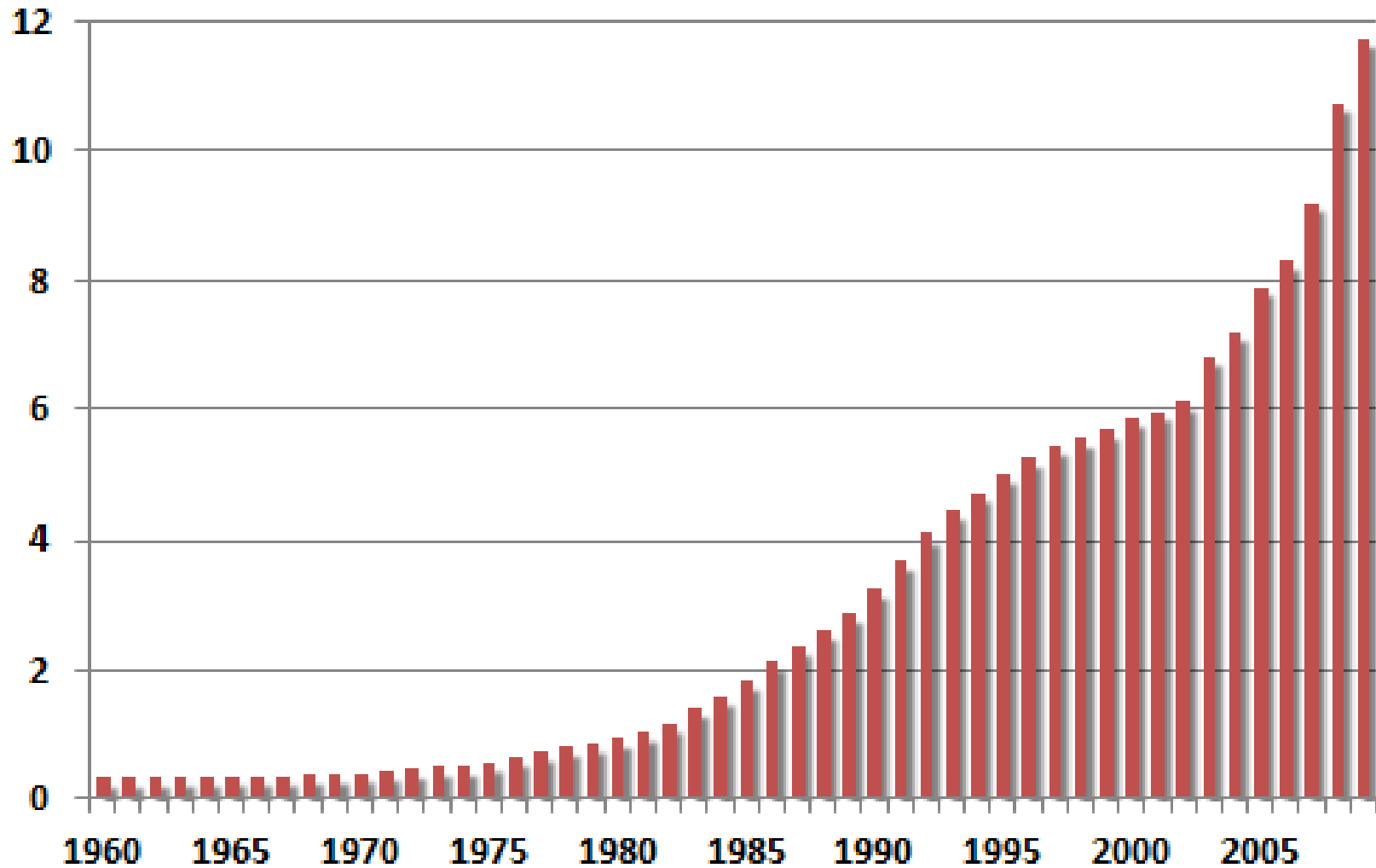
**\$** 559,919,050,220.96

**\$** 016,334.45

Your Share

# U.S. National Debt

In Trillions of Dollars, Source: Treasury Department

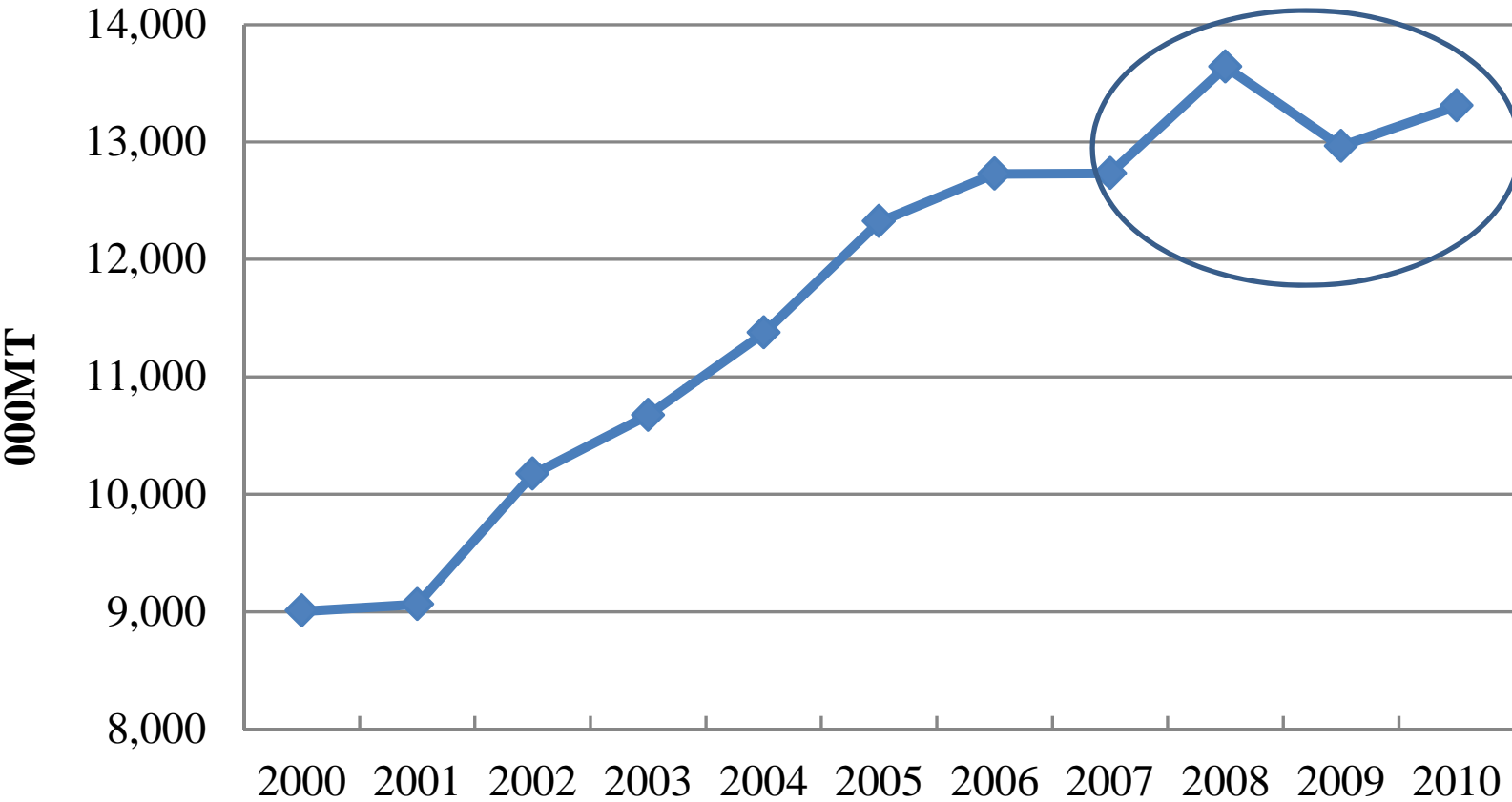




# Impact

- Debt and interest payments
- Taxes
- Credit and liquidity
- Instability
- Protectionism
- Recession or Depression

# Global Beef and Pork Exports



# **Rejection of Technology**

# Technological Achievements in last 50 Years

- Corn yields tripled
- Feed conversions tripled
- Livestock production per acre increased 6x
  - Less land per pound of beef
- Land base to support dairy declined by half
  - 58% more milk with 64% fewer cows

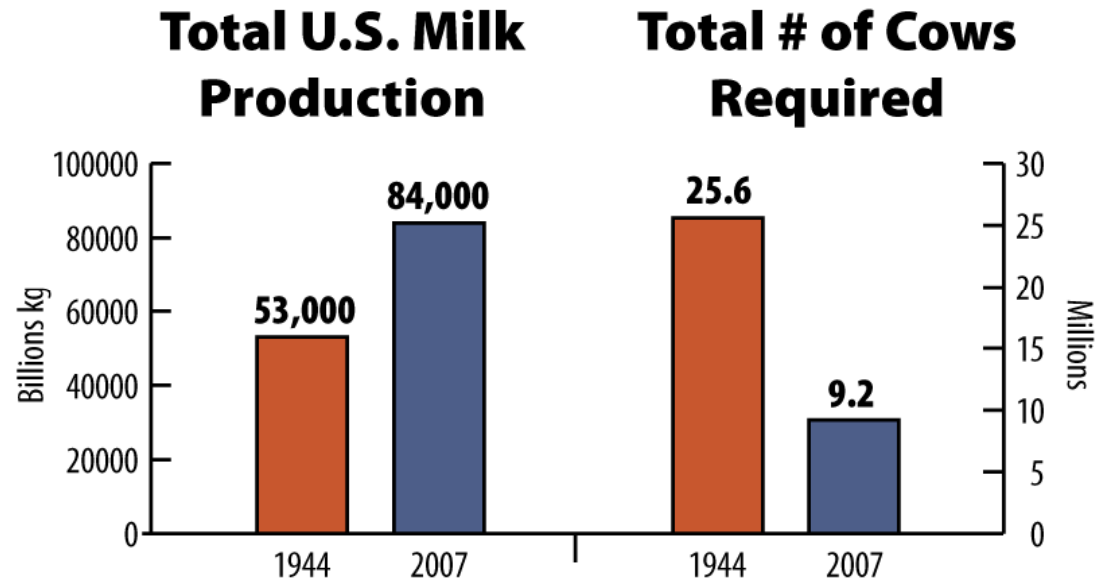
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# Food Economics and Consumer Choice

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Technology helps food producers provide more high-quality grains & protein sources using fewer resources

Figure 5



Historical, “all natural” farming techniques were actually highly inefficient. Using proven agricultural technologies and modern management methods, we can now produce 58 percent more milk from 64 percent fewer cows.<sup>1</sup>

<sup>1</sup> Capper JL, et al. July 2008. “Comparing the environmental impact of dairy production in 1944 to 2007.” Abstract. J. Anim. Sci. Vol. 86, E-Suppl. 2/J. Dairy Sci. Vol. 91, E-Suppl. 1.

TECHNOLOGY’S ROLE IN THE 21<sup>ST</sup> CENTURY

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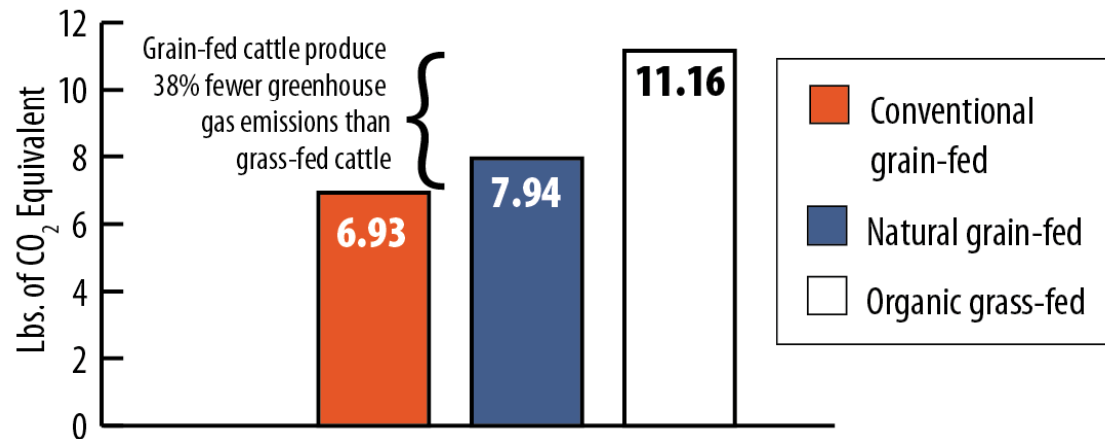
# Food Economics and Consumer Choice

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Technology helps minimize global environmental impact of increased food production

Figure 6

## Total Greenhouse Gas Emissions per Lb. of Beef (excludes NOx)



Today's conventional production methods help reduce total greenhouse gas emissions compared to organic methods.<sup>1</sup>

<sup>1</sup> Avery AA and Avery DA. 2007. "The Environmental Safety and Benefits of Growth Enhancing Pharmaceutical Technologies in Beef Production." Hudson Institute. Washington, D.C.

TECHNOLOGY'S ROLE IN THE 21<sup>ST</sup> CENTURY

# Advances Lead to...

- Wildlife habitats and forests spared
- Manure production reduced
- Reduced greenhouse gas emissions
- **MORE SAFE, AFFORDABLE FOOD TO FEED A HUNGRY WORLD...AT REDUCED ENVIRONMENTAL IMPACT**

# Consumers Trust the Food Production Process

- Overwhelming majority buy based on taste, cost and nutrition
- Small minority are lifestyle buyers of local, gourmet, organic/local
- Tiny fraction are activists

# Yet Industry Reacts to Fringe

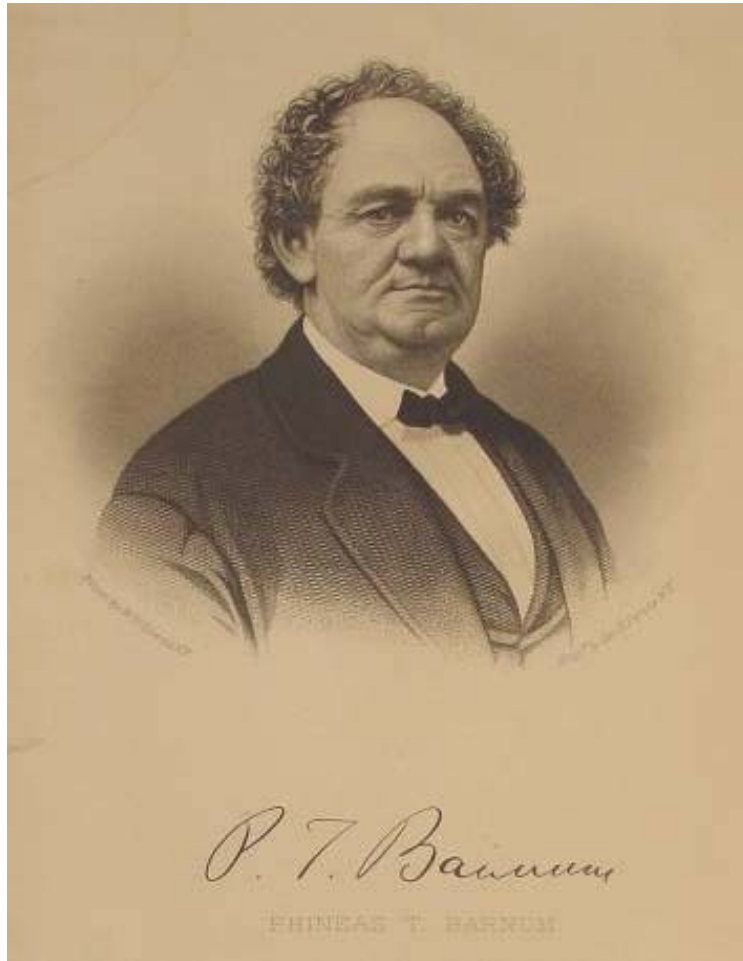
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# And Seeks to Differentiate Based on the Lifestylers

## Locally Grown: The Whole Foods Market Promise





# PT Would Be Proud of These

- Traceability
- Fair trade
- Local food
- Food miles/carbon footprint
- Farm wholesomeness
- Animal and Enviro Friendly
- Vegetable Grain Fed
- Gestation stalls
- Organics/Natural

But “the Euros are so far Ahead of Us”



# Euro Performance

- Despite tariffs, subsidies, non-tariff barriers and all the “progressive” regulations...2000-2010
  - Beef and pork 1% growth versus 5% NA
  - Chicken 12% versus 22% NA
  - Corn 10% versus 26% NA
  - Beef and pork imports 16% versus 3%

# The Need in the Future

- 50 years need to double food production
  - 70% must come from technology
- Stress on natural resources
- Stress on the environment
- Food safety concerns.
- Pest and disease control
- Next generation biofuels

# Positives of Technology are HUGE

- Much more positive message than any offered by activists
- Cannot differentiate based on “Free from”
- Consumers are satisfied...unless we make them worry
- Agriculture needs to embrace and extol the virtues of technology

# Ethanol



# Spending on Ethanol

- Tariffs
- Mandates
- K subsidies
- Operating subsidies
- Tens of Billions\$



## Biofuel policy called just another farm subsidy

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By **BARRY WILSON, Ottawa Bureau**

March 3, 2011

The Conservative government calls its biofuel policy an environmental initiative, but Green party leader Elizabeth May isn't buying it.

"As it now stands, it's a policy to provide an additional subsidized base to canola and corn and it's an agricultural policy," she said.

"The driver really isn't reducing greenhouse gases."

May said Green party analysis, along with that of many other environmentalists, is that farm crop-based biofuel production produces more greenhouse gas emissions than it removes when emissions from planting, harvesting, transportation and processing are taken into account.

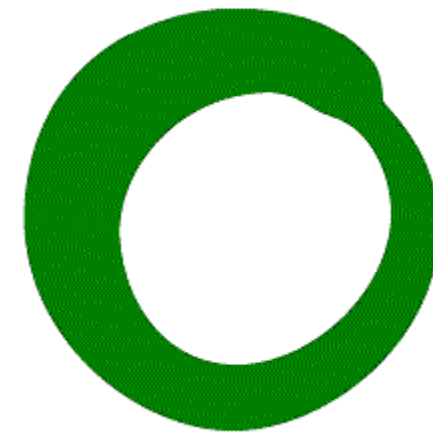


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ELIZABETH MAY GREEN PARTY

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the Earth**



# ETHANOL REDUCES AMERICA'S DEPENDENCE ON FOREIGN OIL. ▶



## How's it going so far?



# Ethanol Is THE driver of corn prices...

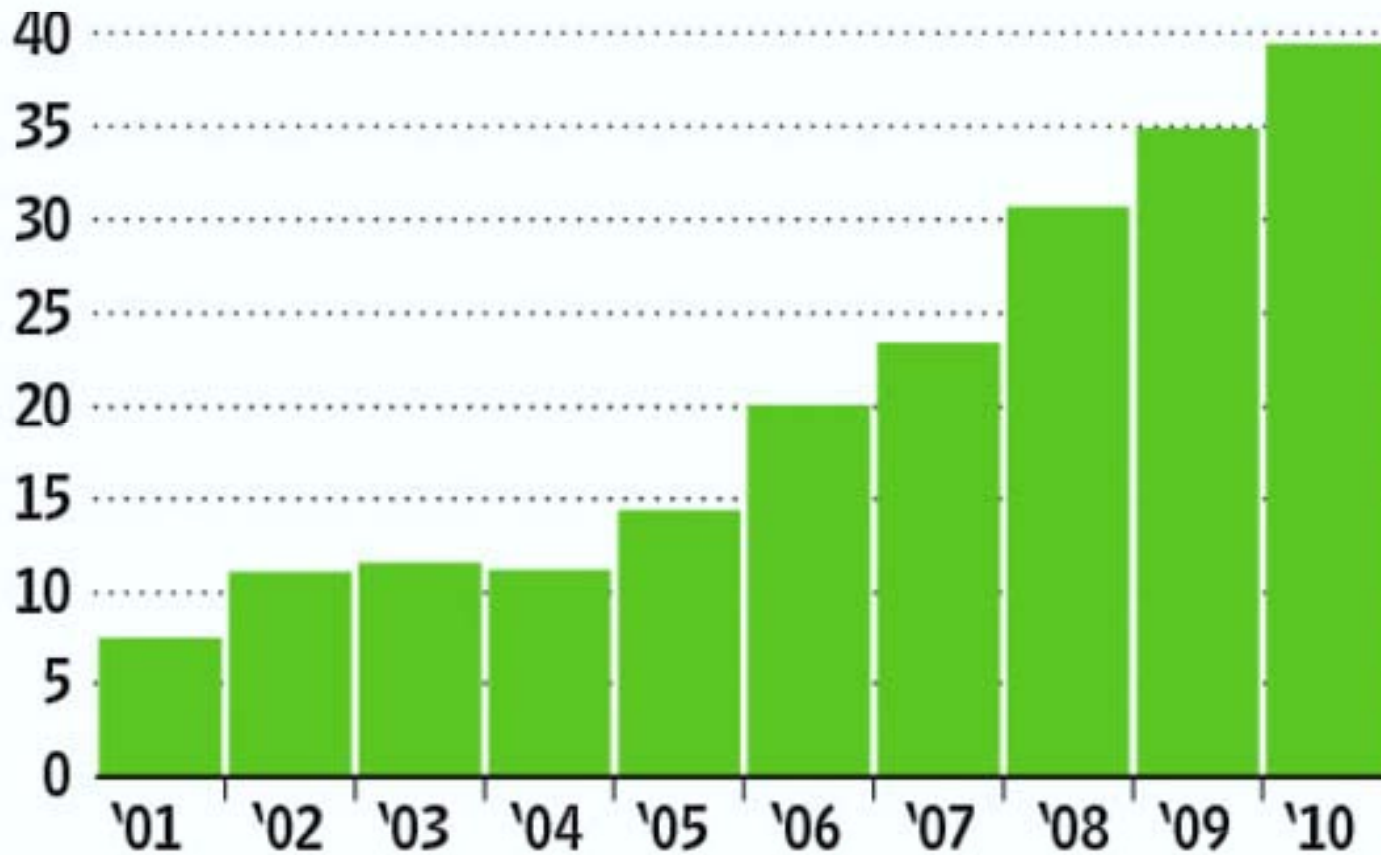


Source: WSJ.COM

...Corn drives other commodities...<sup>42</sup>

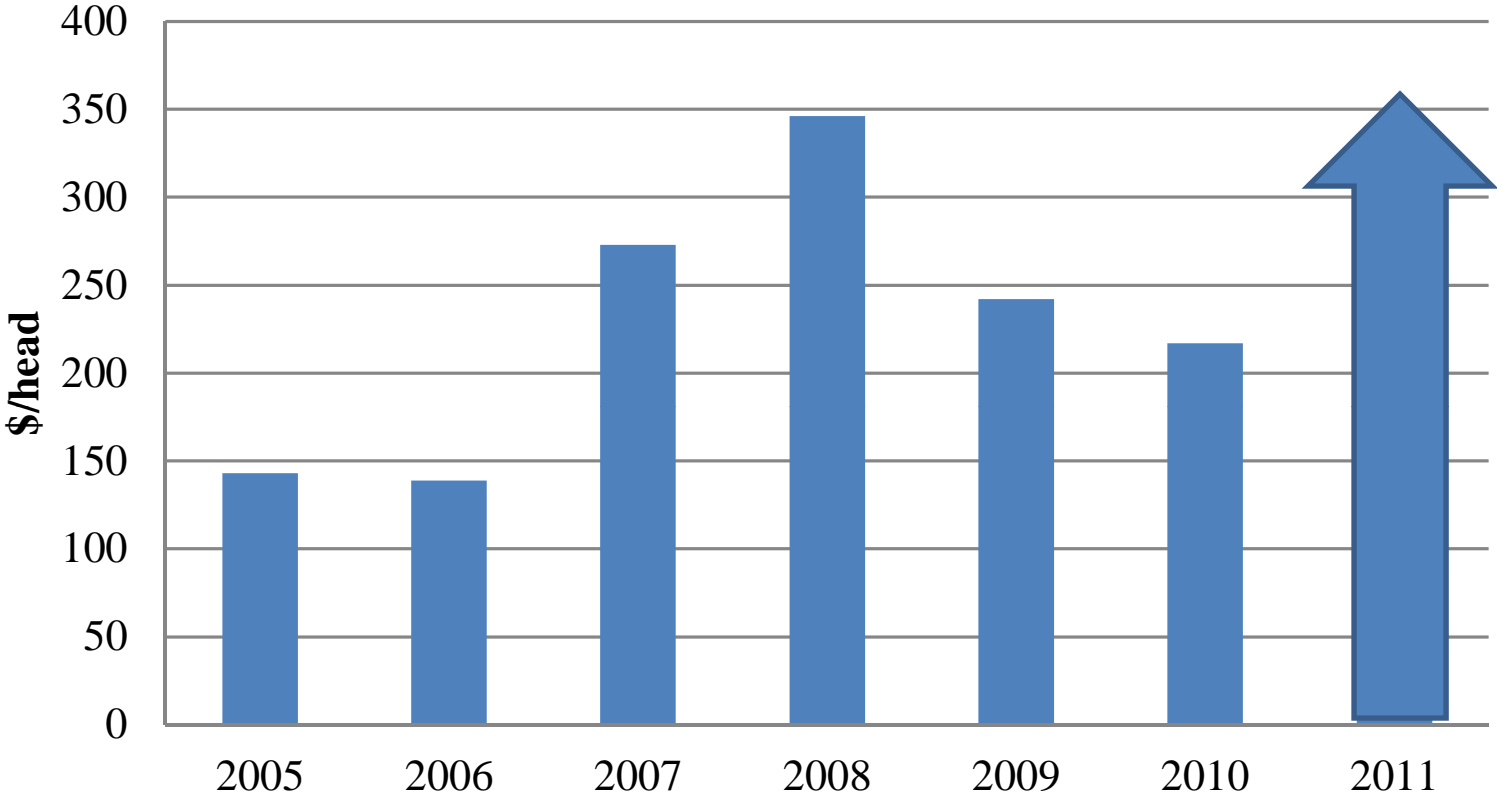
# Crowding Out Food

Corn used for ethanol as a percentage of U.S. corn production



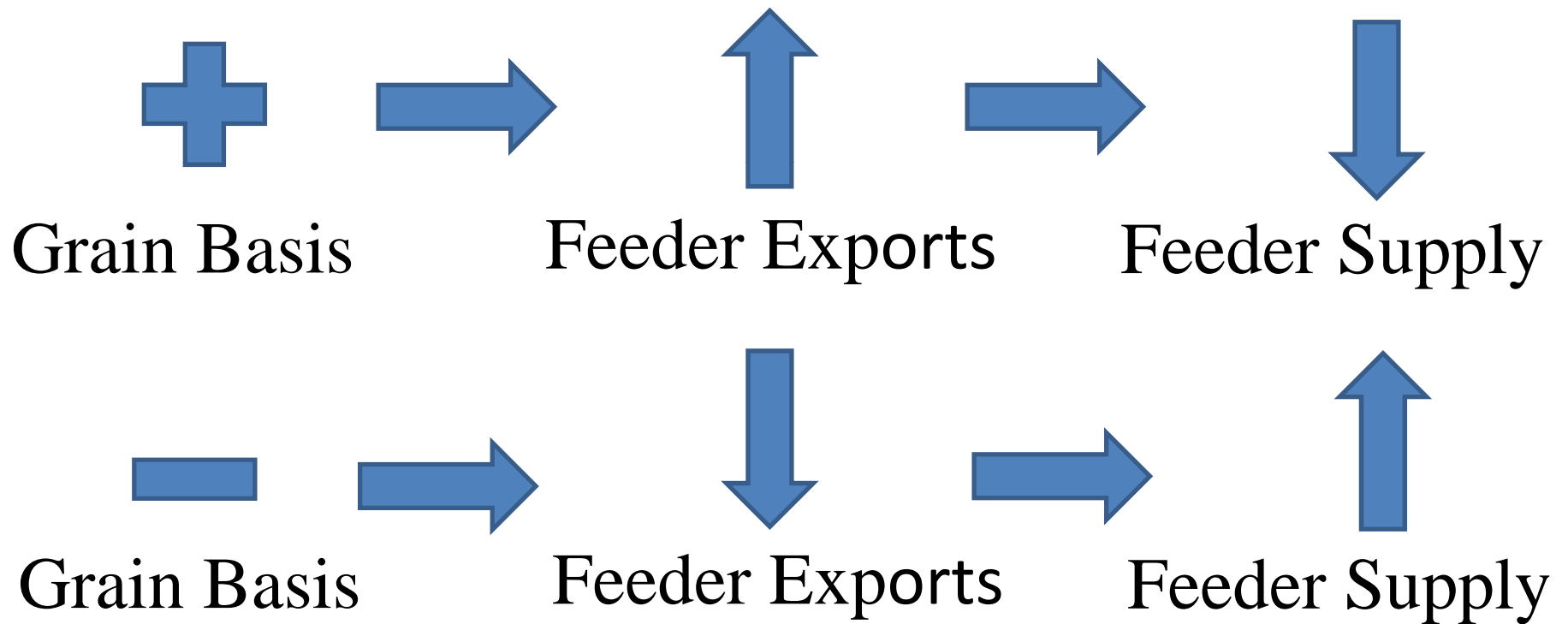
Source: USDA

# Alta Yrling Feed Costs Finish Spring

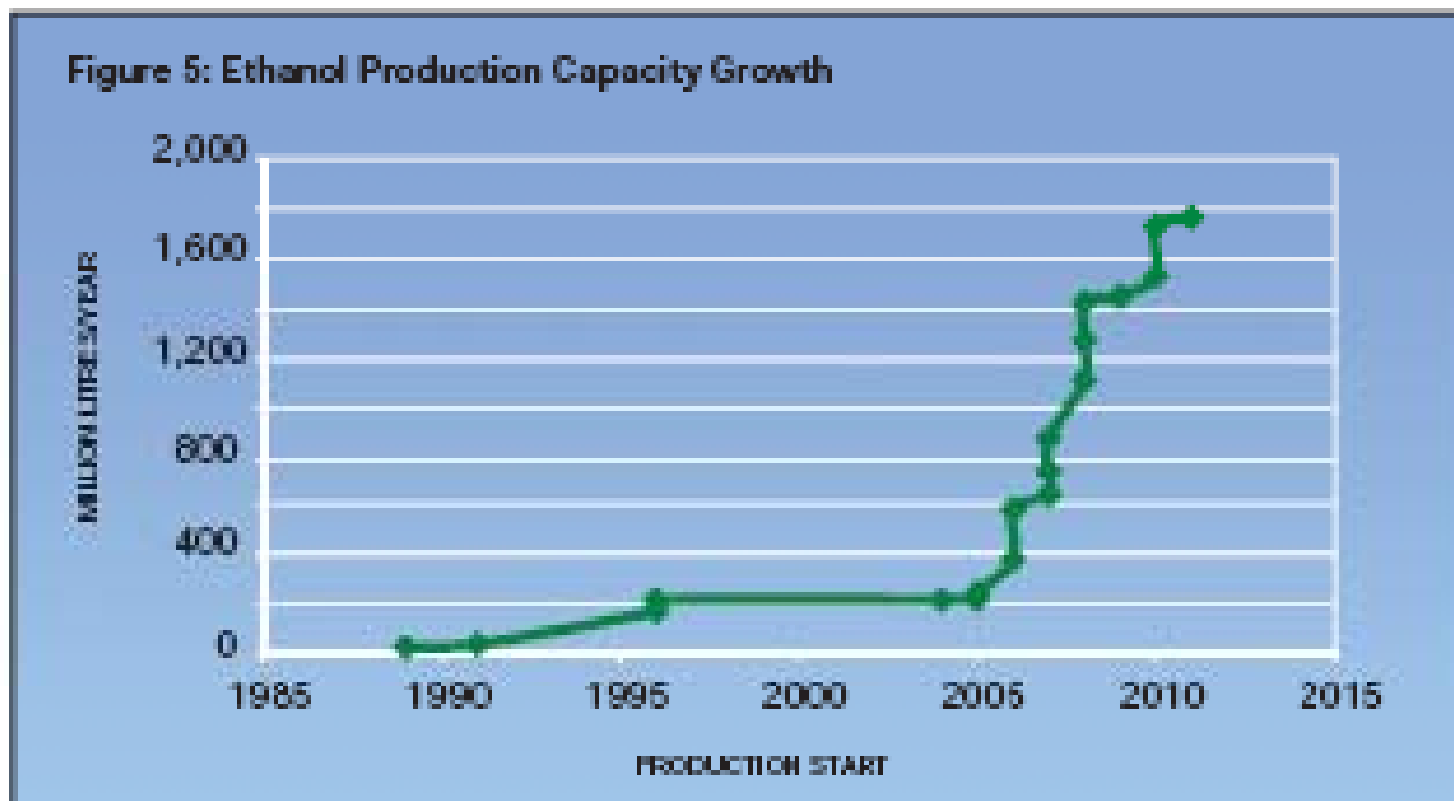


Its not just a US driven  
problem...Cdn Policy is most  
damaging to Cdn livestock

# Livestock Feeding 101

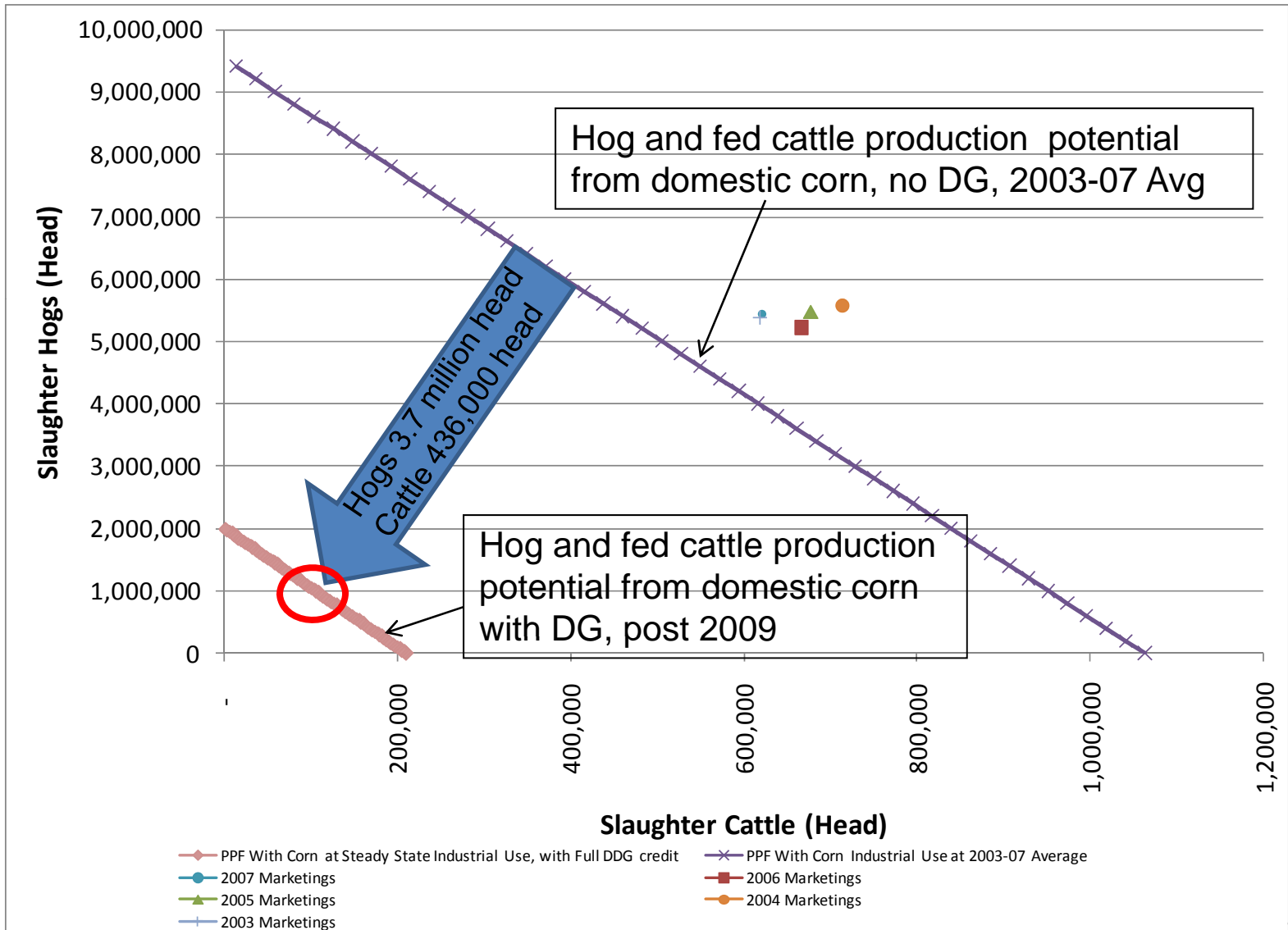


# Cdn Ethanol's Aggressive Expansion



Source: CRFA Growing Beyond Oil

# Ontario Hogs and Cattle: Prognosis



# Oh, But what about DDGs?



# Final Point

- GMC research:
  - livestock and meat production adds hundreds of millions in value added to Canada
  - *ethanol subtracts value*
- It is not a policy dilemma about deciding between equals

# Ethanol on the Run

**A left-right coalition is emerging against this energy boondoggle.**

[WSJ Article](#)

# Summary

- Foundation is strong built on market fundamentals.
- Massive upward potential.
- Barriers are of our own making.