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An Ontario Cattle Feeders' Publication



Summer 2021 Edition



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Also in this issue:

- New design creates more producer-related info on OCFB's website
- Growing demand for Certified Sustainable Beef



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At The Crossroads, Facing A Runaway Freight Train



Jim Clark, Executive Director

It's been more than one year since our world turned upside down, and I find it hard to believe that at the time I'm writing this commentary that we are still in a lockdown with the COVID-19 pandemic dominating our lives.

In my previous commentaries, I mentioned that one aspect of the pandemic had given us time to reflect on things, whether in our personal lives, our families, our communities or our businesses. Personally, in the case of the beef industry, I can't help thinking about where we are at in this moment. It feels like we've reached the crossroads, and we're looking at an oncoming freight train speeding towards us.

This feeling stems from the crisis that has gripped our industry as we face the challenges of low fed cattle prices, high feed costs and higher prices for replacements. What a complicated tale this has all become due to the feedlot industry crisis and the COVID lockdowns. The grain markets have gone where nobody thought or imagined they would go. The feeder cattle prices are strong, which is good for the cow-calf producers, and they deserve to get a good return. But from the feedlot perspective, we face some extremely challenging times.

As we try to work through the current situation of 2020-21, we have been able to hit the majority of goals I have set for the organization. I have a great team here that I work with, and everybody works very hard on behalf of our producers' interests for the betterment of the beef industry for Ontario and Canada. I've been very confident in my decisions. I'm the type of person who likes to make things happen and get things done. I believe I've been very successful in doing that for the organization and also in the branding arena with the Ontario Corn Fed Beef program. It's been gratifying to see it continue to grow, succeed in new markets, and attract new interest. Even in these challenging times of the COVID crisis, we continue to promote and grow.

People won't always see it when they walk into a store, or they might not visibly know, but I see the growth in the numbers of cattle that are graded and move through the system. I see it from the support of our various partners. Loblaw's, for example, continues to help drive the program, purchasing a dedicated amount of Ontario Corn Fed Beef each week.

As for the "freight train" coming our way, I'm finding that I get some anxiety when talking to people about the beef industry. I have the opportunity to speak to a lot of different people while doing my job. Not only do I hear from people in the beef sector, but I get to talk to people in many other sectors such as retail, insurance and banking.

As I'm having these various conversations, I'm careful not to tip my hand. But what I have also realized is that I'm not alone in the angst that I'm feeling. I think many people are going through several challenges between the two issues of the beef crisis and the pandemic. I'm getting very tired of watching the current situation in our sector and in farming overall.

While some of these issues in our industry seem



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to be coming to the forefront, it's critical to note that they just didn't happen yesterday. They've been steeping like tea for decades. What's more, the free-market system we've worked in for all these years is beyond broken. I don't think we can continue to do what we're doing if we want to have anything left to hand over to the next generation of feedlot operators. As producers, we can no longer operate in this market, selling cattle in the manner we have become used to or how we currently do it. Change is hard, but I think we've become too reliant on the system as it is. You've heard me say in the past that we're at a crossroads.

When I look at the consumer side of it, people are being asked to pay extremely high prices for beef at the retail counter. They also have no correlation between the price they pay for beef and the inner workings involved in getting the product to the store shelves. They don't realize farmers are losing money on every animal they ship. And I'm afraid that the high price of beef hurts the perception of farmers. Some may see

us being greedy or getting rich from the situation when, in fact, we're behind the eight-ball when it comes to feeding cattle.

This lack of correlation between beef prices and production brings me to the subject of sustainability. We're hearing more about sustainable beef production and the key pillars of preserving the environment and using sound production practices. I feel that one pillar that needs to come to the forefront is the financial sustainability of the family farm. Without that, none of it really matters at the end of the day: If we don't have the financial ability to carry on and do things in a manner that we need to do, the industry will be in demise.

We need to look at some very different options. The pork industry went vertically-integrated, and they've done some other things in the free market. Then there is supply management in dairy and poultry. As I have said in the past, you can't have these different systems within the same functioning markets. I genuinely be-

lieve that we need to look at a different system of how we're going to feed and market cattle. We need to do various things to guarantee that processors have a supply of cattle because if the markets remain the way they are, the cattle numbers are going to decline. With these grain prices at the current levels, there's no way that the cattle numbers are going to sustain themselves, which then hurts the viability of the packers. Another vital issue is beef imports. A large volume of beef products come into Eastern Canada for further processing. It's had a very negative effect on the free market as well.

Given these various issues and challenges, I believe the time has come for a very open discussion about the industry's future. Every player in the beef sector needs to be at the table, and it needs to happen before this train gets too far down the tracks and reaches the point of no return.

Canada's BSE Status Moves To Negligible Risk

The end of May marked an important step forward for the Canadian beef industry as the World Organisation for Animal Health (OIE) recognized Canada as negligible risk for Bovine Spongiform encephalopathy.

"The recommendation by the OIE's Scientific Commission to grant Canada negligible risk status for BSE is a historic closing of the BSE era for Canada, which brought unprecedented hardship to our industry in the early 2000s," said Bob Lowe, Canadian Cattlemen's Association (CCA) President.

CCA worked closely with the Government of Canada to see the application for negligible risk come to fruition. This change in risk status will help facilitate expanded access to foreign markets for various beef products currently limited by BSE era restrictions.

The attainment of negligible risk puts Canada at the lowest level of risk for the transmission of BSE alongside the U.S., which attained its status in 2013. The control of BSE across the globe is a remarkable achievement for the membership of the OIE. To achieve negligible risk, a country

must demonstrate the last case of classical BSE was born more than 11 years ago, and effective control measures and surveillance systems are in place. Canada's last case was born in 2009.

"We thank everyone involved in helping us attain this status, including the Government of Canada, veterinarians across Canada and Canadian farmers and ranchers. We also thank Canadian consumers who supported Canada's beef industry during the hardest times of BSE when Canadian beef couldn't be exported," said Lowe.

CCA will now focus on the removal of the remaining BSE era market access restrictions as well as the alignment of packing house requirements with international recommendations. The additional requirements placed on Canada's processing sector because of BSE created a significant economic disadvantage in comparison with others in the global marketplace.

Canada's first case of BSE was discovered in May 2003 and led to international borders closing to Canadian beef, a significant impact as 50 per cent of Canadian beef is exported. Although

difficult to fully quantify the direct economic impacts of BSE, between just 2003 and 2006, losses were estimated to be between \$4.9 to \$5.5 billion. Further indirect costs have continued to be accrued due to the opportunity costs of continued limited market access and additional processing costs for Canada's packing industry.

Following the economic hardship from BSE, 26,000 beef producers exited the industry between 2006 and 2011. Along with their exit from the industry, more than 2.22 million acres of pasture lands, and since that time, further losses were converted to other uses marking BSE as both a detrimental economic and environmental event for Canada with rippling impacts still being felt today.

New Look And Functions For The OCFB Website



Get Involved: Show Your Support On Social Media

The new official Ontario Corn Fed Beef website features a live link to all of our social media platforms that we use to communicate our Ontario Corn Fed Beef messages to industry, media and directly to consumers.

The beef industry has an opportunity to positively engage with broad audiences on many of the key issues that impact our industry. Topics such as **How** cattle are raised, **Who** are the people who raise cattle, **What** are your beliefs and values, and **Why** does that matter to our consumers. These are all topics that require participation from cattle farmers across the country, and Ontario Corn Fed Beef producers have a **great story to tell!!**

Social media provides us with a platform to get our messages out on how Ontario Corn Fed Beef addresses these concerns. **We need YOU**, our industry stakeholders, to get engaged and tell our story!

How Can You Help? When you see a message or post that you agree with,

- Like it,
- Share it,
- Add a positive comment about it,
- Add some personal insights to it,
- Save it,
- Forward it to your contacts and friends over all social media platforms like Facebook, Instagram, Twitter and YouTube.

We encourage you to visit our social media platforms and get engaged and **Tell Our Story!**

For questions on OCFB social media programs and how you can get more involved, contact Chelsea Martin. Her email address is: chelsea@ontariocornfedbeef.com

The official website of the Ontario Corn Fed Beef program has been revised to include more producer-related information, with a focus on the OCFB Quality Assurance program. The site features short videos on all modules of the Quality Assurance program.

The videos are intended to provide insights into how Ontario Corn Fed Beef is produced, as well as demonstrate the methods in which we communicate to consumers on cattle and beef production.

Today's consumers are more concerned about who raises their food and the processes they use on their farms. The Ontario Corn Fed Beef Quality Assurance (OCFB QA) program is a great platform to tell that story in a transparent and visual process for consumers.

Another interactive feature is the link to OCFB social media platforms, including Facebook and Twitter. We encourage all producers to link to and share all relevant content posted on these platforms. The more producers that share the content, the further we can expand our reach with our messages and brand-related content.

Also featured is the new version of the OCFB

QA Program Manual, including a download function that can be saved on your computer, tablet or smartphone.

There is a new section on Certified Sustainable Beef. The marketplace has seen significant growth in Certified Sustainable Beef in Canada. As a certifying body for the Certified Sustainable Beef Framework, OCFB QA can provide a one-step solution for producers wishing to certify your operation and ensure your cattle are eligible to receive financial credits offered through the program.

Check out the section on "Impact on Cattle Market" to see key results from independent studies and see how the OCFB program has and continues to financially benefit the Ontario cattle sector.

The new site will continue to develop, and more valuable content for feedlots certified under the OCFB QA program will be added.

We invite you to visit the official website of the Ontario Corn Fed Beef program at www.ontariocornfedbeef.com.

Growing Demand For Certified Sustainable Beef

Webinar highlights Cargill's certified sustainable beef sourcing efforts



With consumers becoming more curious about where their food comes from, retailers and foodservice companies are showing more interest in buying beef from sustainable sources. As a result, momentum is building for the program established by the Canadian Roundtable for Sustainable Beef (CRSB) Framework.

The framework was developed as a tool to demonstrate sustainable practices through third-party certification. It also supports sustainable commitments for the retail and foodservice industry and builds consumer trust through credible, science-based claims about sustainable beef production in Canada.

Since the launch, several major restaurant chains and foodservice companies have started sourcing a portion of their beef from CRSB-certified farms and ranches. These include McDonald's, Harvey's, Chop Steakhouse and Gordon Food Service. In December, Loblaw Companies Limited became the first retailer in Canada to buy beef from the program when it announced the purchase of one million pounds of beef from CRSB Certified farms and ranches.

According to the CRSB website, the framework is a robust, comprehensive certification program that includes all points of the beef value chain in Canada, from the producer to the retailer. The system's robustness lies in the supply chain's ability to verify and reassure consumers about the sustainability practices used to raise the beef through an audited system at all stages. Canadian consumers trust, and in many cases, indicate they are willing to pay more for assured third-party systems, which is a key com-

ponent of CRSB Certified. At the feedlot level in Ontario, the Ontario Corn Fed Beef Quality Assurance Program is a certifying body for the CRSB.

The example of Cargill sourcing CRSB certified beef was highlighted in a webinar hosted by the CRSB on April 1. Jeffrey Fitzpatrick-Stilwell, Cargill's senior sustainability manager, explained how the framework allows the company to deliver sustainability claims for its Canadian retail and foodservice partners across the country. Cargill's program tracks the CRSB-eligible cattle through the supply chain, right up to its plants in Guelph and High River, using the RFID ear tags. Producers who participate earn a financial credit for cattle processed at Cargill that qualify for the claims, according to the standards set by the CRSB. "That's a key driver for producers participating in the program," said Fitzpatrick-Stilwell. "It's doing the right thing, but it's also getting rewarded for that."

The CRSB-recognized auditing firms share info with TrustBIX, allowing Cargill to track the cattle, which is needed for the credit payments. TrustBIX provides chain-of-custody traceability through the entire supply chain, allowing it to act as a neutral, trusted third party to validate claims made about ingredient attributes and production practices.

For Cargill's customers, the CRSB program enables them to build consumer trust in Canadian beef. Fitzpatrick-Stilwell added that Canada is the first country to offer a program of this kind, delivering beef from certified sustainable sources. "That's a huge success and a huge win, not

only for ourselves but clearly for the Canadian producer that this is a message that we get to talk about, not only in Canada but around the world about the leadership of Canadian producers," he said.

As interest from foodservice and retail customers continues to grow, he urged producers to consider getting involved in the program. "We have a lot of customers that are inquiring about this," said Fitzpatrick-Stilwell. "One of the questions they ask is, do you have enough volume for us to do on the scale that we might want to do? The more volume we can get into that program, the better it is for us to answer those questions."

When talking to its customers about the CRSB program, Cargill gives them several reasons to join. First, the initiative uses an industry-developed and recognized program for beef sustainability. What's more, the program's multi-stakeholder approach gives it credibility and producer-buy in. Second, it supports Canada's beef sector and establishes Canadian beef as synonymous with sustainability in the global market. "And it's not just because we say it; it's validated, it's audited, and we can give customers the ability to give their customers that confidence," he added. "We remind them that their involvement is going to strengthen the consumer trust in the Canadian beef products and promote the vitality and the longevity of the industry."

...continued on page 6

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With consumers becoming more interested in where their food comes from, the CRSB program offers another benefit. He said it's an opportunity to give consumers concrete assurances about the beef to help alleviate some of the concerns they might have. The program can also serve as a continuous way to build trust. "And we've seen consumer insight results with some of our customers," Fitzpatrick-Stilwell added. "So, really encouraging signs that Canadians have trust in this certification and value it. That's great for everybody in the value chain."

Building on the momentum will be critical to ensure the success of CRSB-certified beef and make it a truly national program. Fitzpatrick-Stilwell noted that the CRSB program was never intended to be just a niche beef product from a small group of Canadian producers. "It's a national program about recognizing the fantastic story of all of Canadian beef production, he noted. "So, we really need to have that supply also to reflect that it isn't just a niche with a few people participating. It's something all beef producers can do. And while there's money on the table, this is the time to pick it up."

How To Get Involved

The December 2020 edition of The News Feed highlighted Frequently Asked Questions about getting involved in the CRSB Certified program. Here is a summary of the key points.

Feedlots currently certified under the Ontario Corn Fed Beef Quality Assurance (OCFB QA) program simply need to contact the Ontario Cattle Feeders' Association (OCFA) office to schedule a CRSB training session and an on-site audit with an Ontario Corn Fed Beef Quality Assurance auditor.

Feedlots that are not currently registered under the OCFB QA program but wish to become certified for OCFB QA and/or OCFB QA CRSB certification can also contact the OCFA office to schedule a training session and an on-site audit with an OCFB QA auditor.

There are no fees for audit services for feedlots wishing to become certified under OCFB QA and/or OCFB QA CRSB certification. Both OCFB QA and CRSB audits are performed in a single audit process.

For more information, contact us at info@ontariocornfedbeef.com

How do I ensure my cattle will qualify as certified sustainable beef?

For cattle to qualify as certified sustainable in the Cargill processing facilities, they must have moved through a fully certified supply chain. This means the birth ranch, backgrounding facility and the feedlot need to be audited according to the CRSB Certified Sustainable Beef Framework. To guarantee eligibility for this sourcing program, you would need to coordinate the purchase and/or sale of your cattle from/to other certified operations.

Currently, the other CRSB-approved certification bodies are VBP+ and Where Food Comes From. Your supply chain partners would need to have been audited and certified by either of these organizations.

How do I benefit from financial credits from Cargill?

Ensure that your cattle are from CRSB Certified Operations at all points in the supply chain. Register for TrustBIX, ensuring your contact information is up to date, and authorize your

auditor and TrustBIX to include your cattle's data in anonymous aggregated reporting. When buying/selling cattle, provide the cattle movement information, including age-verification and move-in reporting; this is required to determine your qualification and enable credit payments for qualifying cattle post-harvest.

According to TrustBix, the Cargill Sustainable Beef sourcing program (CSB) has paid over \$1 million in financial credit payments to producers since its inception in 2018.

Visit www.trustbix.com for more information.

Do I have to share my data with TrustBIX?

You do not need to share your data with TrustBIX to be recognized as a CRSB Certified feedlot or to have your cattle contribute to a sustainable beef supply chain; however, at this time, in order to be eligible to receive the financial credit payments awarded for beef that qualifies for a CRSB Claim by Cargill on behalf of their participating customers, you do need to register with TrustBIX and share basic information (your contact information and RFID ear tag movements within the CCIA database). No additional information is required to be eligible.

For more information regarding CRSB, visit www.certifiedcrsb.ca.

For questions regarding cattle qualification or other aspects of Cargill's sustainable sourcing program, leverage one of the resources available at www.cargillsustainablebeef.ca.



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The Ontario Cattle Feeders' Association would like to remind you to renew your membership. For those who have renewed already, we thank you for your continuing support. If you haven't done so, please renew now.

For a membership with the Ontario Cattle Feeders' Association, please complete form and return to the OCFA office as shown below.



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Expanding The Feed Bunk Management Study



The successful launch of last year's Bunk Management and Cattle Behavioural Study video has created lots of interest since its release. With the video receiving over 2,300 views to date, it is evident this type of information needs to be made readily accessible to provide ideas and suggestions to help Ontario's feedlot sector become better managers of their operations. Bunk management is not a new concept as it has been a topic of continued discussion for a number of years. Based on our findings in last year's study, we are striving to develop resources and tools a producer can use to implement good bunk management practices and strategies on farm.

In order to continue to expand on the bunk management and cattle behaviour theme for the benefit of Ontario's beef producers, staff from the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and the Ontario Corn Fed Beef Program (OCFBP) are implementing three modules of study for the upcoming Summer of 2021. The project is supported by OMAFRA summer students to assist with data collection and analysis.

Modules:

1. Feed Industry Beef Feedlot Management Survey

This year, OMAFRA, OCFBP and the Ontario Agri Business Association (OABA) have teamed up to develop and launch a survey targeting feed industry advisors and nutritionists that have beef feedlot clients and conduct on-farm visits. The purpose of the survey is to gather pertinent information from the feed industry regarding the identification of various issues they observe on their clients' farms and to better understand current feeding practices on Ontario feedlots. We intend to share the results with the broader feed industry and use the results to develop resources for producers and feed industry professionals.

2. Automated Feed Pushers

One of the most important outcomes of our bunk management work in 2020 was demonstrating the importance of frequency in feeding and feed push-ups to attract cattle to the feed bunk. Borrowing technology from the dairy industry, automated feed pushers are being placed on two feedlots to explore how automated feed pushers impact feed intake in finishing cattle and assess labour savings. In last year's study, it was quite evident in the data that additional activity took place at the feed bunk when feeding or feed push-ups occurred. The strategy is to encourage more visits to the feed bunk where cattle consume less feed per visit but more meals. Further investigation is needed to confirm if this strategy, particularly influenced by the nighttime hours, for increasing Dry Matter Intake holds true for beef finishing cattle. Optimum rumen health is the goal of

this exercise.

3. Risk Assessment for Newly Received Cattle and Step-up Ration Protocols

Trail cameras will be used to monitor cattle behaviour of new arrivals to participating feedlots. Areas of interest include the cattle establishing hierarchy dominance among their pen mates due to their competitive nature, cattle adapting to a new environment, water troughs and feed bunks. Other topics will include starter ration variability and ration step-ups, including their frequency during the initial 28 days in the feedlot. The goal is to develop a risk assessment template (using high, medium and low criteria) to assess incoming cattle to the feedlot. The purpose of conducting the risk assessment is for cattle feeders to be able to use it as a tool to track trends using accurate historical data for each cattle group, for future reference in making critical management decisions.

Summary:

We hope to provide details for Good Production Practices and Standard Operating Procedures that are practical to implement on farm and will equip producers with tools and resources to strengthen management decisions in their feeding operation. Ultimately, if your team, consisting of a feed advisor/nutritionist and veterinarian, has accurate information about your feeding operation, defined protocols can be developed to support your farm's animal health and performance goals.

We look forward to our findings through the Summer of 2021 and presenting them this fall and winter.



"More fresh air, way more light, that's what the livestock need. We are really pleased with the gains."

- Hans Steen, Stoneview Acres

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Consumer Food Trends To Watch



Jo-Ann McArthur, President,
Nourish Food Marketing

A leader in Canadian food marketing and research says the impact of COVID-19 has changed our relationship with food and sees some of those changes lingering well beyond the time when the pandemic ends. Jo-Ann McArthur, President of Nourish Food Marketing, discussed the latest food trends during the virtual March Classic, hosted by the Grain Farmers of Ontario on March 23.

McArthur's company is a full-service marketing agency that works exclusively with food, beverage and agricultural clients. Before highlighting the relevant trends of 2021, she discussed what she sees as some of the lasting changes resulting from the past year of the pandemic, which caused the biggest disruption to our food system in history. "I don't think we'll all truly understand how big that disruption was until we finally come out of it," said McArthur. "We have finite resources, and during the past year, we divided them up in a different way."

For example, she noted that people spent a lot of their discretionary income on food as a way to combat anxiety and boredom during the lockdown. The closures also accelerated some emerging trends. In their 2018 report on food trends, her group highlighted the move towards "radical transparency" in food production. Call-

ing it "made matters," the movement is about inviting the consumer into the operations to see how food is grown and raised. "I know that a lot of people in agriculture weren't really ready for that kind of radical transparency, but frankly, that veil has fallen now," she said. "For the first time, consumers went into stores, and they saw empty shelves, and they started to try to understand 'how does the food get to my table?' So, we're seeing a lot more conversations around how things are grown and how the planet and the people are treated."

Besides spending more money on food to deal with boredom and anxiety, people rediscovered the joy of family mealtime and eating together. Noting that the mealtime has become a high point of people's days, she expects it will continue once things open up again. "We've also redefined what health means during this time, and we've expanded that whole health definition to include mental health as well as physical health. There's a real understanding that food is the primary way to build resiliency, immunity and also to treat your mood as well," she added. "And certainly, we've seen a resurgence in comforting and nostalgic food."

On the uptick in online shopping, she said the experience exceeded consumers' expectations. But she also believes people are looking forward to going back to the grocery store. "We like to pick out our produce, we like to be inspired, and so while I think online grocery is here to stay, perhaps not in the same way that it has in the past because there could be a hybrid approach," said McArthur. "(We) could see some of those big bulky staples like toilet paper or paper towels start (being shipped) directly to consumers rather than going through grocery. So, you get that delivered, and then you go out for some of those other things for inspiration as well."

2021 Trends On The Radar

Drawing attention to some relevant trends for 2021, she said a theme to watch revolves around values-based eating or a "social justice" trend in the food industry. Noting that it's gaining momentum, McArthur added that the trend involves spotlighting food systems that treat migrant workers and people in food processing fairly. "Just as we've seen the rise of fair-trade symbols on products that are grown largely outside of North America, we're starting to see this 'food justice certified' symbol as well," she said.

Another trend becoming more mainstream is "ethics-based eating," which she noted is about reducing the environmental impact. "I think we're getting to the point now where it's moved from aspirational to necessary, and the whole plants-based is starting to evolve to 'planet-based,' and we're seeing more discussions around that," she added.

According to McArthur, some of these discussions are moving toward regenerative agriculture and the role soil health plays in reversing climate change. Recently, a company called Nori was launched in the United States. Nori has established a system that pays farmers to sequester carbon in the soil.

While it's too soon to say if regenerative agriculture could become the next big trend, the interest presents an opportunity for farmers to connect with consumers. "Are you taking credit for some of the practices that you're naturally doing?" asked McArthur, noting that people in agriculture may not be highlighting these because they may take them for granted. With the growing interest in how food is produced, she said now is the time to call out these sound management practices to consumers.

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High Grain Prices, Strong Loonie Impacting The Bottom Line



Brian Perillat

Significant volatility in the grain markets this spring and a stronger Canadian dollar are adding insult to injury to an already frustrating market for beef farmers. Old crop corn prices in Ontario soared past \$9.00 per bushel in early May, up by \$2 from early April. New crop prices hit the \$7.00-mark, up \$1.20. Meanwhile, the value of the Loonie reached its highest level in more than five years, trading at near 83 cents U.S.

Brian Perillat, Manager and Senior Market Analyst at Canfax, says the higher feed costs and the strengthening Canadian dollar are pressuring cattle prices. "We continue to see these feedlots losing money, and that trickles down pretty hard into the feeder market and calf market," notes Perillat. "Both the Canadian dollar and grain prices are hitting the bottom line, restricting the feeder prices, given the higher cost of production to feed the cattle and finish them."

According to Perillat's rule of thumb on price relationship, if corn rises by 50 cents per bushel, calf prices go down by approximately 10 cents per pound. The correlation is not as direct in the spring because cattle can be placed on grass. "(But) if you're a cow-calf producer going into the fall run, if we continue to see these elevated grain prices and an elevated dol-

lar, there's a pretty low probability of seeing high calf prices, which is unfortunate."

The large cattle numbers in the U.S. continue to keep a lid on the prices in the fed cattle market. Hindered by maintenance and labour issues, U.S. plants are still struggling to work through the heavy supply numbers at the current slaughter rates.

Meanwhile, beef demand remains strong. Perillat notes that wholesale beef prices are at a record high. Despite the strong demand and high beef prices, producers are frustrated that the cattle prices are lagging. "And that's strictly a bottleneck at the packing plants," he said, adding that drought conditions and herd liquidations in the U.S. are having an impact. "We're seeing some of the biggest cow kills for May that we have seen in some years as well. So, that's also adding to the cattle numbers now."

As for calf prices, demand continued to be good for calves through the spring. Looking ahead, Perillat said the futures market as of mid-May

indicated that prices are looking stronger later this year and into 2022. "They're all quite a bit higher than the current cash prices," says Perillat. "Calves and feeders that are getting bought today are anticipated to be selling into a stronger fed cattle market down the road, and that's basically held our prices fairly steady."

While decreasing herd numbers and continuing good demand should translate into higher prices for cattle, Perillat is cautious about the impact of the value of the Canadian dollar and the U.S. grain markets. "If they get a good corn crop, I think we should be rolling pretty good."

If not, he adds that the concerns about high prices will continue to hang over the market.


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Corn Market Madness



Steve Kell (File photo)

Spurred on by Chinese demand, low supplies and a high degree of volatility, grain prices have been on a wild roller coaster ride this spring. Using the Hensall-area as an example, old crop corn prices increased by approximately \$1.00 per bushel between April 16 and 27, rising from \$7.35 per bushel to \$8.38. The prices surged past \$9.00 in early May before dropping back down to the \$8.20 level on May 14.

Steve Kell, market analyst and grain trader with Kell Grain, attributes the volatility to a significant amount of managed money in the futures market. "What you have is basically speculation funds, and they've brought a lot of money into the commodities futures, and they make really good returns on fast moves in both directions," said Kell. "The more money they make in ag commodities, the more money they attract. The bigger that pile of cash is, the more it pinches the market around, and that's 100 per cent of what we're into right now."

He notes that most of the other areas that attract fund money haven't performed as well, making the ag markets extremely lucrative. "There's a big party going on in Chicago," adds Kell. "If you looked at the 30-day moving average, it's probably in the right place: Commodities are scarce, there have been production problems in the world. But the day-to-day swings - up 15 cents, down 15 - the super volatility is a result of the amount of money that's in there."

In recent weeks, Chinese demand for feed grains has been a key market driver. Kell explained that there are several reasons behind China increasing its grain imports. There's the assertion that the country has African swine fever under control and needs to feed more pigs. Kell notes another reason could be that China is building up its inventory after using much of it during the tariff war with the United States. "Now, they have to replenish their strategic stockpile of grain, and that's why they're buying more," he said. "There's also been talk that there were some flooding issues in China last year and crop yields were quite a bit lower in some regions, and so they have to import more in order to cover some domestic production problems of their own. China is the biggest

market in the world, and they've bought a lot more stocks, so that's really the biggest engine for demand."

In Ontario, basis levels started to soften in mid-May after remaining solid despite a stronger Canadian dollar. Kell attributes the strength to good export demand when the lakes opened to shipping activity. He adds that it will be interesting to see if Ontario will be price-competitive with the rest of the world in July and August. "The fact that basis has eased in the last few days sort of indicates that we're not totally competitive with other parts of the world," said Kell. "Maybe the export thing slows down, which is probably good news if you're an Ontario cattle feeder and you need to buy corn. I also think that as soon as we start harvesting wheat in Ontario, we're going to find out exactly how much Soft Red Wheat you can put into some rations (for chicken and hog feed), which will displace corn."

Much of the market attention now shifts to the growing season in North America. While several market watchers are paying attention to dry weather in the U.S., Kell said the drought situation is not critical. If the conditions remain dry through July, then it could be troublesome for corn buyers. "It's one of the things that we really have to keep a close eye on. The biggest portion of the Mississippi Valley in the U.S. Corn Belt is not in a soil moisture problem," said Kell. "If the area of the drought expands, it could get worse. There's always a weather market, and 2021 is no exception. By late June, it might be all that anyone is talking about."



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