

The News Feed

An Ontario Cattle Feeders' Publication



Summer 2024 Edition



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HIGH STAKES RISK MANAGEMENT



In this issue: Highlights from the Feedlot Market Security Forum that focused on mitigating risks in these times of record cattle prices and market volatility.

Also, the OCFB is proposing a financial benchmarking pilot project to benefit the feedlot sector, OCFB is now on the menu at Lone Star Grills and a new partnership has been formed in Vietnam.

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From The Desk Of Jim Clark



Jim Clark, Executive Director

Over the past year, we have all grappled with the challenges of inflation and high-interest rates, both in our sector and in our personal lives. Balancing our various priorities, such as business operations, family relationships, and our health, has not been easy. The issue of food inflation by retailers, often labelled as 'enemy number one,' has dominated industry discussions. However, I believe it's time we shift our focus beyond mere profit and consider the broader implications. I feel that we need to step back and look at our priorities.

This idea hit home one day when I was cutting grass. I had my headphones on and listened to one of these discussions about food inflation and the sheer costs of what we see at the grocery store. Then, the next topic was the trend of people paying hundreds of dollars for designer jeans that are stained to look like people urinated themselves. Is it just me, or is there something wrong going on here? As humans, where do our priorities lie?

Considering consumer goods in general, our food has been very bountiful to the point that it may have been too cheap. When you talk about people coming into Canada on trade missions, you hear they are paying more of their income on food. In some cases, the difference is quite significant compared to North America. This discrepancy makes me wonder if our priorities are mixed up.

When applying this idea to the cattle sector, success doesn't happen by accident. The people who are growing their operations seem to have the strongest sense of priority. In recent years, many

people have taken big risks in the feedlot sector. Some of these operations have grown, while others have been very cautious and have virtually stayed the same.

While the Ontario beef sector is relatively stable, you never know what's around the corner. The recent news about avian flu in the U.S. dairy herd is a prime example. It's one of many issues that can pose a challenge to our stability. We have some programs in place to deal with market turbulence, but there's no safety net underneath the high rope that the cattle sector is walking on. What's more, it's constantly overlooked in the discussion around sustainability. The main obstacle to achieving long-term sustainability in the beef sector is profitability. It's concerning that everyone is so busy talking about sustainability on the farm. Still, I rarely hear anybody talking about the financial stability needed to do all these things the world and consumers supposedly require. Again, it all comes down to priorities.

Regarding the financial side, it was great to see the Ontario Cattle Feeders' Association and the Beef Farmers of Ontario come together to present the Feedlot Market Security Forum in London in March. It developed from the work that Brent Cavell has been doing with the News Feed Live webinars. This event was spearheaded by former BFO President and OCFB Vice President Jack Chaffe, who wanted to organize a marketing forum and feature speakers that would spark discussion and thoughts about the different risk mitigation strategies that are available. We applaud the efforts of Brent and the BFO's Jaclyn Horenberg, who worked behind the scenes to make the event possible. As the cattle business moves forward in these times of high prices and market volatility, it's crucial to look at the various ways to offset some risks.

In closing, I would like to take a moment to remember a champion for the beef industry. We were saddened to hear that Jack McCoubrey passed away on April 25 at the age of 80. His obituary noted that he was a true farmer and loved his rural roots and all things farming. He was always eager to share his passion for agriculture. I have known Jack my whole life and often experienced his eagerness firsthand as he referred to himself as "The Beef Guy." He will be greatly missed by many.



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STAFF

Publisher: Jim Clark, Exec. Dir.
Ontario Cattle Feeders' Association
Managing Editor: Blair Andrews
Design/Layout: Eric Broadbent
Advertising: Blair Andrews

OFFICE

The Ontario Cattle Feeders' Association
25 Enterprise Drive
London, ON N6N 1A3

PH: (519) 686-6226
FAX: (519) 686-6227
Web: www.ontariocornfedbeef.com
Email: info@ontariocornfedbeef.com

Subscriptions: (519) 686-6226
info@ontariocornfedbeef.com
Advertising: (519) 437-9219
Email: thenewsfeed@cogeco.ca

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Birria Beef (1280 Cals) 25.99

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Black Beans & Corn (1100 Cals) 18.99
Ancho BBO Chicken (1140 Cals) 18.99
Birria Beef (1070 Cals) 24.99

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BIG RIG BURRITO
Taco beef, southwest rice, pinto beans, tomato salsa & queso. Topped with jack & cheddar cheese, ranchero sauce, pico de gallo, cilantro and lime crema.
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Grilled Chicken (790 Cals) 21.99
Crispy Chicken (890 Cals) 22.99
Grilled Steak (800 Cals) 22.99

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Ancho BBO Chicken (1020 Cals) 20.99
Taco Beef (1020 Cals) 21.99
Birria Beef (1070 Cals) 23.99

AVOCADO SALAD
Avocado, romaine, black beans, cucumbers, radishes, cherry tomatoes, red onions, corn chips, avocado lime dressing.
Grilled Chicken (840 Cals) 22.99
Crispy Chicken (1020 Cals) 23.99
Grilled Steak (870 Cals) 27.99

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Tex Mex Ranch, corn, cotija cheese, radish, jalapeños, onions & cilantro.
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Crispy Chicken (1240 Cals) 22.99
Grilled Steak (1150 Cals) 28.99

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Add Fries (270 Cals) +3.99

850 WING WEDNESDAYS*
10 wings (1140 - 1280 Cals) 8.50
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Add a side of fries +3.99

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Lone Star Texas Grill is partnering with Ontario beef farmers to bring high-quality, locally produced Ontario Corn Fed Beef to its 23 locations across the province. Lone Star is Ontario's original full service Tex-Mex restaurant, serving award-winning fajitas and margaritas for over 35 years!

The Oakville, Ontario based company has been in business since 1986. Lone Star started when two football players from Texas found themselves in the nation's capital. They loved Ottawa (yes, even the winters), but one thing was missing: The Tex-Mex food they loved from back home. So, they took matters into their own hands, and opened the very first Lone Star.

Lone Star Texas Grill continues to stay true to its roots, and focuses on freshly made Tex-Mex dishes, with a heavy focus on beef.

"The partnership with Ontario Beef is an important one" says Lyndon O'Hearn, Director Purchasing-Culinary & Beverage Development

for Lone Star. "As an Ontario company we wanted to connect with Ontario beef farmers to bring high-quality, locally produced Ontario Beef to our menu. The consistent great taste of Ontario Corn Fed Beef aligns well with our commitment to quality."

"We are proud to partner with Lone Star Texas Grill," says Jim Clark, Executive Director of the Ontario Corn Fed Beef Program and CEO of the Ontario Beef Market Development program. "We wanted to partner with an Ontario-based restaurant chain who value the commitment our members make in producing consistently great tasting beef. Ontario beef farming families take pride in caring for our animals and protecting the natural environment for future generations."

The partnership also provides benefits beyond the main partners. It contributes to driving Ontario's economy, supports jobs in many business sectors and supports local communities across the province.

By creating greater demand for certified Ontario Corn Fed Beef, the program contributes to increasing the viability of the cattle and beef sectors in Ontario.



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OCFB Vietnam Kick Off Event



John Baker, Director of Business Development for Ontario Corn Fed Beef.

Ontario Corn Fed Beef partnered with Qualifoods to launch Ontario Corn Fed Beef in Vietnam on May 2.

Over 80 guests attended the event in Hanoi and were shown an overview of the unique production aspects of Ontario Corn Fed Beef.

Among the attendees were high profile local chefs representing some of the major hotels



in the region including Sheraton, Hilton and Lotte.

Many of the other guests were key representatives including buyers and managers in the hotel and restaurant sector.

After the presentation, samples of various cuts including striploin, ribeye and short ribs were prepared for the guests.

Feedback on the quality of the product was very positive and many of the guests said this was the best tasting beef available in the market. Qualifoods is a highly respected distributor in the market with distribution across Vietnam.

Vietnam is one of the fastest growing markets in Southeast Asia.

“To have a partner like Qualifoods is very important for our growth in the Vietnam market,” says, John Baker, Director of Business Development for Ontario Corn Fed Beef. “Qualifoods are the market leaders in the imported beef market and for them to have access to the Ontario Corn Fed Beef brand is a strategic advantage for them.”

The Qualifoods leadership team is very committed to growing the brand. They will be visiting Ontario this summer to experience firsthand the unique on-farm production aspects as well as tour the processing facilities.



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Market Security Forum Focuses On Mitigating Risk



Steve Duff, OMAFRA Chief Economist



Travis Hickey, Cattleonomics



Leighton Kolk, Allied Marketing Group

In these times of high cattle prices and more money being invested in feedlots, protecting this financial investment is becoming paramount in the industry. To that end, the Ontario Cattle Feeders' Association and the Beef Farmers of Ontario teamed up to host "The Ontario Feedlot Market Security Forum" in London on March 14. The day-long event featured several speakers discussing the markets and strategies to insulate against escalating risks.

Mike Miller of CattleFax, who joined the meeting virtually, kicked off the discussion with his assessment of the cattle markets. The drought's impact on the ability to rebuild the herd in the U.S. continues to be a key issue. While Miller said the situation has improved, there are growing concerns about a shift from the El Nino pattern to a La Nina. "What that means is that states like New Mexico, Texas, Louisiana and Oklahoma will have drought coming back," he noted. "We've got about 65 per cent of our cow herd that has been impacted by droughts over the last couple of years. We're in decent shape today, better than we've been for the last couple of years, but there's a very high likelihood that we'll go right back to being dry."

As a result, Miller expects producers in the U.S. will not begin to retain heifers until next year, setting the stage for strong price signals for the remainder of this year and into 2025. He added that the nation's cow herd will not grow until

the numbers expand in the central and southern states such as Texas, Oklahoma, Nebraska and Kansas. "That's probably still at least a year away."

While many are bullish about the markets for 2024, Miller cautioned that they're encouraging producers to be good risk managers in these times of high prices and high input costs. "We can have a negative impact on folks if we get caught in a bad spot," he said. "I think it's pretty prudent to be having the discussion that you're having."

Steve Duff, Ontario Ministry of Agriculture, Food and Rural Affairs Chief Economist, followed Miller with a comprehensive presentation on risk management for Ontario feedlots. Noting that risk management is a challenging topic, Duff said it's vital to understand your risks and objectives. "It's important to sit down and think about your business," he explained. "What are your most important risks? And where are you exposed? Everybody is in a different state."

He covered several management strategies, including the futures market, feeding margins, hedging and a feeding margin hedge strategy. Duff also discussed the various business risk management programs, including AgriInvest, AgriStability, Production Insurance and the province's Risk Management Program.

"There are a lot of tools out there, (and it) takes a lot of work to understand there's a significant amount of assistance available," he added.

Travis Hickey from Cattleonomics shared his view on risk mitigation with the cattle cycle. He explained that the peak of the current cycle has attributes similar to those of the previous one, such as low heifer retention. However, Hickey noted some vital differences, including the possibility of new packing plants coming on board in the United States. Also, beef imports from countries such as Brazil are higher than before, and the feeding duration in both beef and dairy operations is longer.

While hesitant to tell producers precisely what to do, he suggested that a rules-based approach to risk management is essential. "When you have a rules-based approach to your risk management, it forces you to have a conscious decision-making process every time, whether you want to follow it or not," said Hickey.

As a broker, he noted that it's challenging to help producers manage risk if they don't know how many cattle they own, what the break-evens are or how much exposure they can handle.

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A rule of thumb that Hickey uses is to ask, “Would one still be able to operate if the market suffers six limit-down days in a row?” If not, Hickey said that’s a sign of too much exposure and not enough hedge coverage. “We’ve seen it before, where the market can break that fast and that much,” he added.

Hickey noted that his firm attempts to match market data with producers’ risk profiles and specific production situations to help optimize their cattle inventories.

The next speaker’s presentation featured a way to help manage life on the farm as well as mitigate risk. Leighton Kolk highlighted the evolution of the Allied Marketing Group (AMG), a collaboration of six feedlot producers in Southern Alberta. AMG started informally in 2009 when the feedlot producers met over pizza and beer. From there, with a mission statement of “Learn, Grow, Enjoy,” they used the power of collaboration to benchmark some aspects of their production and combine their buying and marketing strengths. For example, they pooled their resources last year to buy 70,000 tonnes of grain. “We moved from a beer group to a peer group,” said Kolk.

In addition to strength in numbers, collaboration also helps remove some of the emotion from decision-making. “There’s such a benefit to that, bringing a bit of diversity, differences of opinion, and different backgrounds,” he said, adding that mutual respect is critical. “It was important for us, and we were like-minded—similar ethics, how we treat employees (and) our community around us.”

In addition to marketing and purchasing, the group has also collaborated on research projects and held community food drives. Kolk summarized the group’s approach with a simple phrase: “You can go fast alone, but you can go further together.”

Lorna McKercher and Carson Burtwistle from RBC Royal Bank gave the Forum a lender’s perspective on assessing risk. McKercher said they look at three things: company and management, market and competitiveness and the financials. The financial part is the most significant, weighted at 70 per cent. Company

and management are weighted at 20 per cent; the remaining 10 per cent goes to market and competitiveness. McKercher noted that items such as cost-of-gain and feed conversion rates are used to benchmark and differentiate feedlot operations. “We can understand that somebody is a good manager by looking at some of those benchmarking items,” added Burtwistle.

When it comes to the company and management portion, he said they’re looking at production results, how the business is structured, and how it tracks information. “If someone is able to tell us what they’re making on a group of cattle, that gives us a lot more to go from and a lot better understanding of what’s going on in that business,” said Burtwistle. “So, we are looking at how you are tracking information.”

For the financial analysis, McKercher said three main components are working capital per head, debt to adjustable tangible net worth and debt service coverage. “The more working capital you have, the more flexibility you have and the more you can make decisions if you have that working capital,” she noted.

McKercher added that communication is vital for having a good relationship with your bank. “Surprises are never good. It’s a lot better to talk through solutions, talk through the options, and get their regular touch points on where things are and where things are going,” she said. “And then being proactive if something is needed. If you’re managing the risk on your farm, you’re managing the bank’s risk. That’s when working together to manage the whole business goes a long way.”

The Ontario Cattle Feeders’ Association and the Beef Farmers of Ontario thank all those who attended the Forum. Thanks also go to the sponsors, Bio Agri Mix and Merck. Their generous support helped to put together the informative lineup of speakers and made the day possible for our Ontario feedlot producers.

FCC Sustainability Incentive Program Now Open For 2024

We are excited to let you know that the FCC Sustainability Incentive Program has opened for another program year. Like last year, FCC will provide a payment to eligible FCC customers who are CRSB Certified through CRSB Certification Bodies like Verified Beef Production Plus, the Ontario Corn Fed Beef Quality Assurance Program and Where Food Comes From Canada.

Incentive payments will be calculated as a portion of your lending with FCC to a maximum of \$2,000 per year. Participants are welcome to re-apply for the incentive payment annually for the life of the Sustainability Incentive Program.

If you participate in more than one of FCC’s eligible programs (eg. CRSB Certified, Cargill RegenConnect, Ducks Unlimited, Canada Marginal Areas program, etc.), you are eligible to apply to ALL of these to maximize your incentives.

Participation in the initial programs FCC launched in 2022-23 (CRSB, Cargill and McCain) increased by 29.6% year over year. A total of 337 producers participated in these three programs in 2023-24 and received a total of \$516,000 in incentives.

For more information and to apply for the program, visit fcc.ca/Sustainability-Programs.

If you have any questions regarding the Sustainability Incentive Program, email FCC’s Sustainability Programs team at SustainabilityPrograms@fcc-fac.ca.

Feedlot Financial Benchmarking Project: Measuring To Manage Effectively



The Ontario Cattle Feeders' Association is proposing a financial benchmarking pilot project to benefit Ontario's feedlot sector. This collaborative effort includes the Beef Farmers of Ontario and the Ontario Ministry of Agriculture, Food and Rural Affairs. We're asking producers to participate in the project because the rewards from conducting an in-depth financial analysis will pay back dividends when it comes to mitigating risk in your feedlot operation. As was noted during the Feedlot Market Security Forum in March, benchmarking plays a pivotal role in risk mitigation strategies.

Two points of interest inspire this project to help feedlot producers better understand the business and prepare for the inevitable changes in the marketplace. While cattle prices are at record highs, it's difficult to believe this is the

new plateau, especially in light of the economic downturn. Ontario's "Farmer Feeders" have been exposed to substantial increases in all cattle and crop production costs, and this has contributed to much tighter margins.

Also, the consumer has yet to experience the full relative price at the meat counter. Loss leaders and features on beef cuts by the retailer have captured consumers' attention, and those meat savings or discounts have been made up on other in-store goods. The key questions are when and how the full price impact will take place. The packers are operating at much lower margins or even at negative returns. This scenario cannot continue. Therefore, cattle feeders must prepare for the leaner times ahead.

The great business quote, "If you don't measure it, you can't manage it," best sums up the concept of benchmarking. Producers need to be able to measure the differences when changes are made or contemplated. While people have little or no control regarding issues such as weather, macroeconomic factors and geopolitical tensions that affect markets, they have power over several small things in the feedlot operation that can make a big difference to the bottom line. However, to make informed management decisions, you need to have accurate data. It's vital for people to know their costs of production in order to run their business correctly, efficiently and profitably.

Benchmarking is functional and helpful because all production costs and revenue are divided into small entities. It goes beyond a financial statement to include more details and

comparisons. The process allows producers to look at red or green flags compared to peers or industry standards so they can easily react to individual issues rather than being overwhelmed.

Most producers will admit they cannot be the best in every aspect of their feedlot enterprise when it comes to all facets of management on their farms in today's agricultural world. With advancements in technology and the multiple obligations of operating a feedlot of any size, it is a huge task for anyone. The talented people you do business with on a daily basis can surround you with information and advice and can be a wealth of knowledge, drawing on their expertise to help you make informed decisions about your operation. This group could include cattle buyers, agronomy and crop protection professionals, accountants and bankers. These people are assets to your operation and can offer ideas and advice objectively. By having accurate data, you have the ability to discuss and make well-informed decisions and apply "what if" scenarios to various business plans being considered. Also, discussions with all of your operation's business associates will contain much more depth and gain highly regarded respect for your management capabilities when you have access to accurate financial information and data.

SWOT Analysis

Before implementing a benchmarking exercise, we encourage producers to complete a SWOT analysis of their operation.

...continued on page 8



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A SWOT analysis is a term used to describe a tool that effectively identifies your Strengths and Weaknesses and examines the Opportunities and Threats you face. While it is a basic, straightforward model, it has been a popular business practice for many years because it helps provide direction and serves as a basis for developing business plans. It accomplishes this by examining the strengths (what an operation does well) and weaknesses (what an operation does not do well) in addition to opportunities (potentially favourable conditions for an operation) and threats (potentially unfavourable conditions for an operation). Once completed, the SWOT analysis can help determine if the information indicates something that will assist the operation in achieving its objectives (a strength or opportunity) or if it indicates an obstacle that must be overcome or minimized to achieve desired results (weakness or threat).

While it's not an easy task, performing a SWOT analysis does not require any special training, software, or skills. The only requirement for performing a SWOT analysis is honesty about your operation.

Most managers and workers have expertise in areas that may not be known by other members of the group. Organizing the expertise in a SWOT analysis helps in making informed decisions and provides better results. Whereas the finished results are important, the process of building a SWOT analysis is almost as valuable. When a SWOT analysis is performed, all people involved with the operation become more aware of the performance and goals of the operation. Finally, completing a SWOT analysis allows you to immediately see where you can take action to improve your weak areas, capitalize on your strengths and opportunities, and defend against threats.

Next Steps

The OCFA proposes to form a steering committee to develop a standardized template for the feedlot sector using the popular dairy benchmarking template as a guideline. The feedlot template version appears to be more complex, but identified areas of data collection, such as cattle weights and feed inventories, will be consistent between feedlot operations.

In addition, we would build the template starting with financials and inventory from AgriStability and sales records from the Risk Management Program to simplify and shorten the timeline of the startup process.

The steering committee members will include bankers, accountants, representatives from the Ontario Ministry of Agriculture, Food and Rural Affairs, the Beef Farmers of Ontario, the Ontario Cattle Feeders' Association and producers - all with excellent feedlot production/financial experience.

We are seeking to recruit 15 to 20 producers eager to participate in this pilot project. If interested, please contact Brent Cavell at brent@ontariocornfedbeef.com or 519 604-8827.

Coming Soon: The Canadian Feedlot Benchmark Study

Separate from the financial benchmark pilot project as outlined on the previous pages, the Canadian Feedlot Benchmark Study is creating a national benchmark database of feedlot and backgrounding practices. Benchmarks allow producers to compare their production practices to other operations across Canada. Since the results of this study will guide future extensions and research activities on best management practices and will be used as a baseline for future Canadian beef industry Life Cycle Assessments, having Ontario data as part of the Canadian dataset is important, so that the Ontario feedlot industry's needs are captured.

The first phase of the study will include a survey for feedlot operators to complete, focusing on feedlot operations, feed management, feed milling, feed additives and implant programs, and ration composition. Each participant will receive a personalized and confidential report of how their operation's practices compare to the Canadian benchmark.

The second phase of the study will include a sampling trial at feedlots across Canada and developing Near-Infrared Spectroscopy (NIRS) fecal calibrations according to feed management practices, cattle performance, and feed sources. This will allow for more rapid, robust and accurate testing of fecal samples to identify fecal composition. Enhancing fecal testing has the potential to improve precision feeding,

increase feedstuff flexibility, and improve cattle efficiency and productivity.

Producers who participate in the second phase of the study will receive farm specific NIRS results from the study. Results from improved NIRS prediction equations are expected to help producers improve efficiency on their feedlots, improve feed efficiency, reduce input costs, and reduce the environmental impact from their operation.

If you would like to be involved in Phase II of the study (on-farm sampling) or for more information about the survey in general, contact us:

Katie Wood – Associate Professor at the University of Guelph kwood@uoguelph.ca (519) 824-4120 ext. 53695

Megan St.Martin – Msc Candidate at the University of Guelph, Ruminant Nutrition smartim@uoguelph.ca

Megan Van Schaik – Beef Cattle Specialist with OMAFRA megan.vanschaik@ontario.ca

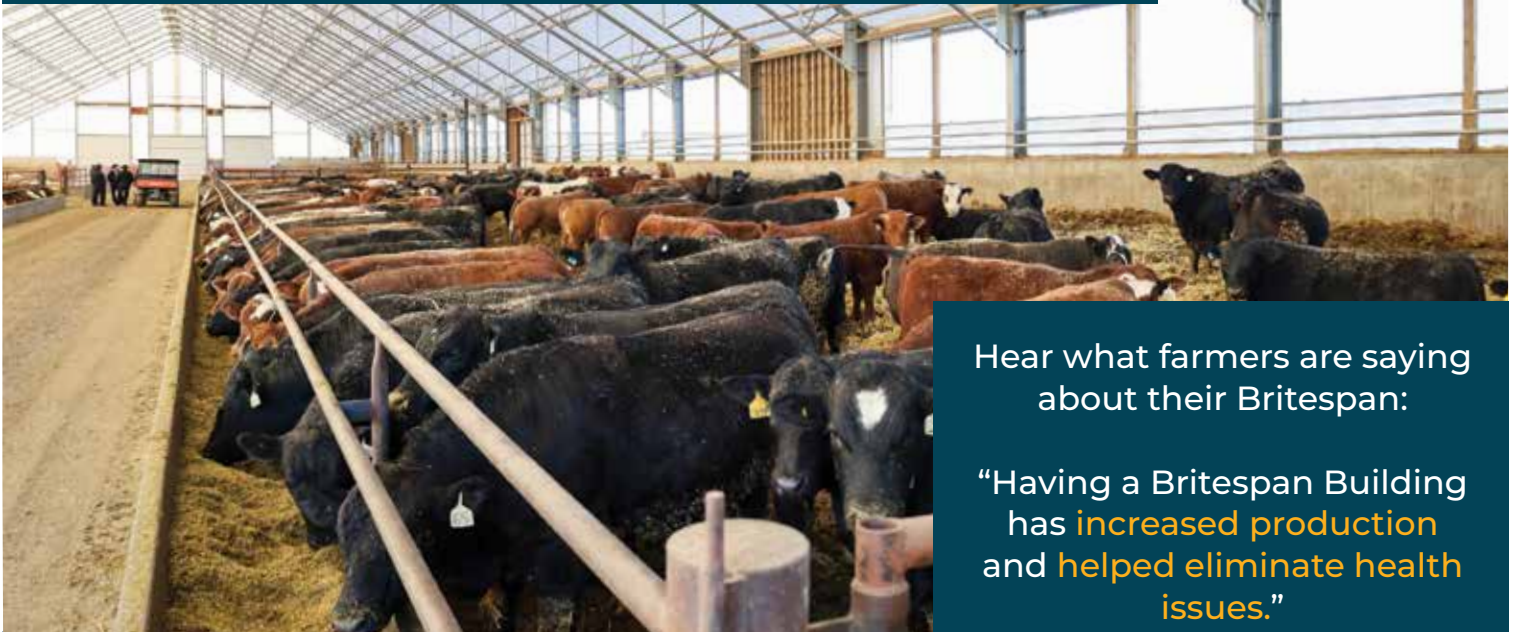
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Price Volatility Impacting Beef Demand

As Canadians face rising food and shelter costs, the meat industry is bracing for how inflation is going to affect beef demand in the coming year. There has been plenty of news coverage in the past two years about the rising costs of food. For more insight into the current trends, the Ontario Cattle Feeders' Association (OCFA) invited Dr. Sylvain Charlebois to share his findings with our producers.

Dr. Charlebois, known as “the Food Professor,” was a guest on the “News Feed Live” Webinar on Feb. 13 that was presented by the OCFA and the Ontario Ministry of Agriculture, Food and Rural Affairs. Charlebois is a professor and senior director of the Agri-Food Analytics Lab at Dalhousie University. He is also the project lead for Canada's Food Price Report, which is produced by Dalhousie, the University of Guelph, the University of British Columbia and the University of Saskatchewan.

Charlebois told the webinar that food prices are expected to rise by as much as 4.5 per cent. For 2023, the group's forecast was five to seven per cent, which was in the range of December's current rate of 5.9 per cent. Commenting on the lower increase for 2024, Charlebois noted that food executives are seeing more predictability in the supply chains than two years ago. “Costs are more under control,” he said. “Margins are more under control and predictable in processing and distribution. So, those are good news overall.”

The report forecasts meat prices to increase five to seven per cent this year, which Charlebois said is mainly due to pork and chicken. He noted that the higher prices of the other meats still pose a problem for beef. He explained that their data shows that there is an impact on the consumer psyche when the price rises for one or two of the main meats. “If you spook consumers with chicken or pork, it's going to affect beef demand,” said Charlebois. “So, that's something that we need to keep in mind.”

His group's research also revealed that consumers were actually spending less at the grocery store in the second and third quarters of 2023. While he noted that consumers may have been bargain-hunting or going to different stores, the most significant reason for the decrease was the

sharp increase in shelter costs. “It didn't matter if you rented or had a mortgage; a lot of people were affected, especially the Millennials,” said Charlebois. “Millennials were the most hard-hit, and that's why they changed their behaviour.”

While Millennials were known to be the main group demanding food attributes such as “hormone-free,” among others, he said they've recalibrated their food budgets. “They're looking at food purchasing very differently now,” added Charlebois. “For the meantime, they are really affected financially right now, and they're being very careful with every cent they spend.”

In addition, data from the research shows the amount of money spent on food relative to other items at retail is decreasing. In 2017, Charlebois said that 20 per cent of Canadians' money spent at retail was on food. It skyrocketed to 31 per cent at the start of the pandemic in March 2020. It's now at 18 per cent. According to Charlebois, these numbers mean that consumers are being extremely cautious and working with the money they have. As beef is viewed as a premium product, he said the way that it is marketed is going to have a significant impact on consumer behaviour.

Going beyond the impact of high prices on consumer demand, Charlebois said the bigger problem will be price volatility. To illustrate his point, he asked the question: Have the prices of vegetable proteins increased more than animal proteins? Most people would likely say it's the animal proteins. Since 2020, chicken, pork and beef prices have risen seven per cent. Meanwhile, the prices of the top four vegetable proteins – hummus, tofu, dry beans and lentils – have increased by 23 per cent. The difference, according to Charlebois, is volatility. “It's incredible how people are affected by volatility, and they think your product or category is very expensive,” he said. “So that meat category is being affected by volatility. If there's a way to stabilize prices at the retail (and the meat counter), it will help demand for beef.”

Dr. Charlebois was one of four guests participating in the webinar entitled “Risk Management in the Cattle Feeding Sector.” Dr. Derrell Peel from Oklahoma State University, producer Dale Pallister and Roger Robertson, Senior Relationship Manager at BMO, were also on hand to share their views on risk management strategies, consumer spending, market trends and increasing market capital.



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