



LIVESTOCK SUMMIT REPORT 2023



EXECUTIVE SUMMARY

The APAS livestock summit was held in Saskatoon on April 5th of 2023. The summit brought together leading academic, business, and producer experts to discuss and develop policy solutions to address issues facing the Saskatchewan livestock sector.

A key theme that emerged was that livestock producers and grain producers need to work together for the betterment of the entire industry. Participants clearly recognized the need for policy solutions to help producers maintain rangeland, prevent further herd decline, and keep livestock production a viable business option for the next generation of Saskatchewan farmers and ranchers.

Three broad topics emerged where policy changes can strengthen the livestock industry.

1

Environmental benefit of working landscapes. Animals are integral to land and soil. There are growing pressures to convert land out of livestock production, risking the release of millions of tonnes of stored carbon.

Tools need to be developed to ensure that livestock stay on the landscape through compensation of carbon sequestration and other environmental benefits.

2

Access to tools to support grazing land uses. Upfront costs for producers to access land and infrastructure can be prohibitive. Creating tools, pathways and partnerships to facilitate the transfer of land and lower the cost for fencing and water infrastructure can help.

3

Farm Support Programs. Livestock producers do not have the same parity in support programs as Saskatchewan crop producers. There are fewer risk management tools and less government support.

Closing this gap will be important to ensuring that livestock producers are able to manage their risk and invest in their future.



STATE OF THE INDUSTRY

CANFAX began the summit by providing an overview of the state of the livestock market. Brenna Grant, Executive Director of CANFAX, presented on key items that impact the livestock sector in North America, with a focus on farmgate and supply chain challenges that are impacting margins and profitability.

High-Feed Prices

One of the major challenges faced by the livestock industry is the impact of high-feed grain prices. Rising feed costs directly affect livestock margins, as feed constitutes a significant portion of production expenses. The increase in feed grain prices has led to higher operating costs for livestock producers, squeezing their profit margins. For example, beef prices are nearing their 2015 peak, but feed prices have increased 75% since that time. This is a huge cut to producers' margins and is affecting all livestock animals.

Market Trends

Market conditions and production levels are important indicators of the industry's overall health and future direction. Cow prices have reached their highest levels since 2015, with the largest spring rally in 15 years. However, herd sizes have decreased by almost 5% in Canada compared to 2018, although the trend of larger carcass weights has helped maintain overall production levels.

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CANFAX also runs the Canadian Cost of Production Network. This network has been analyzing factors that are critical to profitability for beef producers. Some of their finds are has also been a significant factor, with fewer farms able to cover their short, medium, and long-term costs in 2021. This highlights the need for improved cost management strategies and efficient production practices to maintain profitability in the face of rising input costs.

Packer Utilization

Meat packers are currently operating above their average processing rate, straining their capacity to process further livestock. This is a better picture than at the end of 2000's when utilization rates below 70% jeopardized packers' ability to stay in business. This is likely to change, however, as new facilities that are coming online are expected to limit supplies. Additionally, the size of the herd is shrinking, which poses challenges to meat packers. Scale and marketing of plants also matters. Without a large enough scale it becomes very difficult to utilize the full range of carcass products, and without a marketing team it is nearly impossible to have a profitable plant.

MARKET DYNAMICS

The Canadian Agricultural Policy Institute gave a presentation on the market dynamics for the livestock industry and noted several challenges and considerations for those in attendance to keep in mind. These include supply chain dynamics, processing locations, and workforce issues influencing industry. Despite these challenges, there are opportunities for improvement and growth, such as focusing on operational efficiency, leveraging existing infrastructure, and exploring new marketing opportunities. Brain Perillat of More Than Just Feed also gave a presentation regarding what individual producers can do to manage their marketing risk.

Workforce Impact

Workforce challenges are also impacting livestock production in Canada. Demographic changes and reductions in available labor are affecting the ability to expand production. The workforce challenge is both on the floor of a plant with getting enough workers to process the animals, and with the white-collar jobs needed to market and operate a facility.

Processing Locations

Location decisions for meat processing facilities are influenced by various factors, including workforce issues, transportation costs, and availability of feed and infrastructure. Saskatchewan, for example, has ample grass, feed, and cows, but most calves are leaving the province for processing elsewhere. Alberta, on the other hand, has a significant advantage in terms of existing feed and infrastructure.

Supply Chains

Efficient supply chains are critical for the success of animal agriculture in Canada. It is important to find ways to optimize supply chains to reduce costs and improve profitability. One approach is to move processing facilities closer to the feeders, rather than the other way around. This can reduce transportation costs and streamline the flow of animals from the farm to the processing plant. Another approach is to take cattle to the feed, rather than hauling feed to the cattle, as it can be more cost-effective.

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BUSINESS RISK MANAGEMENT

Business Risk Management (BRM) programming plays a critical role in Canadian farm policy, providing a financial backstop to support farm businesses during market downturns and input cost spikes. However, despite its importance, there are still areas where BRM programming falls short, particularly for livestock producers.

Equity for Livestock

There are multiple BRM programs provided in federal and provincial policy framework agreements, including AgriInsurance, AgriStability, AgriInvest, and AgriRecovery. Each of these programs cover different risks for producers. There is generally held view in the industry, however, that these programs cover less for livestock producers than other commodities.

There is particular focus on the robust coverage offered through Crop Insurance and the lack of equivalent financial backstop at the beginning of the production season available for livestock.

Livestock Price Insurance (LPI) is one of the main risk tools available. However, this program does not receive the same support as crop insurance where producers premiums are partially covered by the federal and provincial governments. LPI only receives government contributions to cover the program's administrative costs.

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Sheep producers have also noted that they lack access to price insurance tools yet participate in a market that is subject to significant price swings. It is important for policy framework agreements to remain flexible with the opportunity to develop programs and features that can respond the business emerging needs and risks for all sectors.

Mixed Operations

Changes to AgriStability in the Sustainable Canadian Agricultural Policy (SCAP) agreement, have improved this program by removing the reference margin limit and increasing the compensation rate.

Despite these improvements, AgriStability's program design creates challenges for mixed operations that are required to report expenses and revenue from both sides of the business into a single reference margin. There are also particular concerns with how the allowable expense category treats feed and pasture production when produced on farm, as opposed to on leased land, purchased or sourced through a custom operator.

Balancing BRM

Business risk management, although critical for supporting producers, needs to be balanced off with Canada's international trade obligations. Many industries have been reluctant to develop BRM supports out of fear of a retaliatory tariff action against Canadian agriculture commodities.

RANGELAND ECOLOGY

Grasslands play a crucial role in storing carbon and providing environmental goods and services (EG&S) that benefit society. Livestock production, particularly beef, is often associated with grasslands as grazing animals rely on these ecosystems for food and habitat. Despite the significant environmental benefits of grassland management, producers do not receive direct compensation for the environmental goods that they provide.

Environmental Benefits of Grassland Management

Grasslands are known to store a significant amount of carbon, estimated to be about 10-30% of the world's total carbon. Most of this carbon is stored below the surface in the form of root biomass and soil organic matter. Studies show that silvopastures, which involve integrating trees into grazing lands, can sink even more carbon than traditional cropland pastures, estimated at around \$9 billion in value in Alberta alone.

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Furthermore, grazing lands managed with sustainable practices can help reduce greenhouse gas emissions by maintaining continuous cover of vegetation, reducing soil erosion, and supporting biodiversity.

A presentation by A&W Canada also shows this is an important dimension for the consumer of beef products.

Challenges in Valuing Grassland Management

Despite the environmental benefits, grassland management often faces challenges in being recognized and valued. Producers typically do not receive direct payment for their efforts in managing grasslands, which can involve rotational grazing, maintaining proper stocking rates, and implementing soil conservation measures.

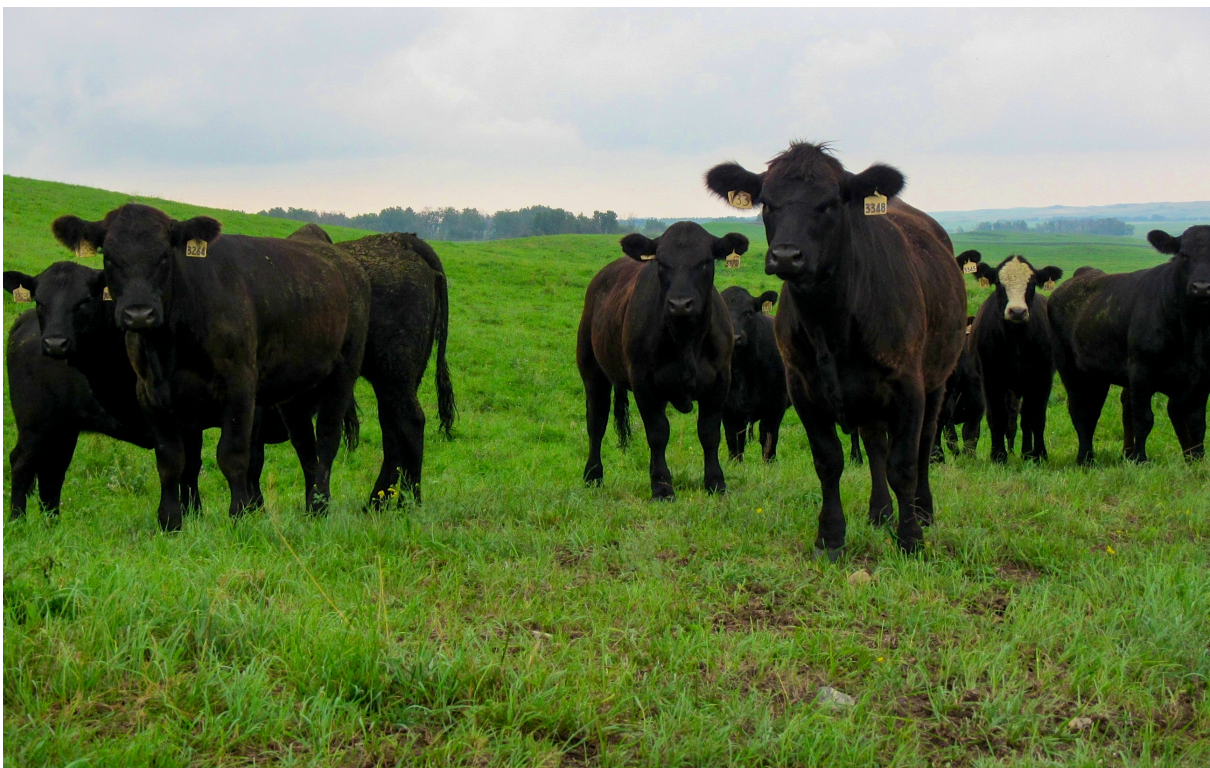
As a result, there is a disconnect between the public good that comes from grassland management and the economic incentives for producers to invest in these practices. Grasslands are at risk of conversion to cropland or other land uses, leading to loss of carbon sequestration potential and degradation of the other environmental services these lands provide.

FARM LEADERS PANEL

The Summit concluded with a farm leaders panel, with members from the Saskatchewan Cattlemen's Association, Saskatchewan Bison, Saskatchewan Sheep Development Board, and APAS board members discussing their key insights into the conversation from the day. APAS also had a survey opportunity to allow ideas and conversations from participants from the day. Some key ideas from this section included the importance of solidarity between the grains and livestock sector.

Other ideas and concepts brought up in this conversation include:

- The grain industry needs the livestock sector to help manage their risk and buy their product.
- Provide clear and timely information about when AgriRecovery payments will be disbursed to assist farmers in managing their finances.
- Expand the Rainfall and Forage Insurance Program to include more weather stations for more accurate data and insurance coverage.
- Continue to fund and support ranch water infrastructure programs to ensure reliable access to water for livestock and irrigation.
- Develop plans to help producers manage and rebuild from droughts



NEXT STEPS

The Livestock Summit offered many opportunities for conversations and ideas to develop solutions that could help the livestock industry. The APAS livestock committee convened after the summit and developed the following recommendations that offer a starting point for discussions with livestock groups to help move forward:

- APAS builds relationships and supports policy development and advocacy efforts of livestock groups aimed at strengthening the livestock sector.
- Payment for the carbon sequestered, and environmental benefits of working landscapes.
- Financial support and flexibility for livestock producers, to start, expand, and enhance their operations.
- Making Farm Support Programs work for the livestock industry, to provide risk management for producers to expand their operations and protect them in downturns and disasters.

THANK YOU!

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