



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

## **Canadian Cattlemen's Association**

*Dennis Laycraft*

I have reviewed the paper and concur with their overall conclusions. My remarks will concentrate on the “changing marketplace” and its impact on free trade. My purpose is to show that the marketplace is not only changing but, in some cases, is adapting to overcome some of the remaining (or new) impediments affecting the integrated North American market. Canada and the United States are the world's primary producers and exporters of high quality (grain fed) beef products. The two markets have effectively become integrated into one market with 88 percent of production occurring in the United States and 12 percent in Canada. Since CUSTA, both Canada and the United States have increased high quality beef exports substantially with the greatest growth markets being Asia and Mexico. The United States is now the second largest beef exporter in the world, and Canada is ranked fourth.

Food safety and animal disease are the most important issues affecting trade and consumer confidence. The BSE, Hog Cholera, and Foot and Mouth disease (FMD) problems in Europe and Asia have heightened beef safety and disease control issues around the world, and are resulting in greater measures of assurance and disease prevention to maintain both consumer confidence and access to markets. The national associations of beef cattle producers from North America have recently signed an agreement to work together to ensure that we remain BSE free, and they recently cooperated on FMD simulations with our animal health departments to test our respective systems.

Other recent developments that are noteworthy include a substantial increase in feeder cattle movement north from Mexico to the southern United States and from northern United States into western Canada, decreasing some of the tension in the north-western United States. Beef exports to Mexico continue to increase along with strong growth in offshore exports particularly to Asia.

The market is evolving and overcoming impediments as it transforms from a commodity business to a more customer-oriented industry. Communication is increasing across sectors leading to new forms of business relationships. Market driven specifications, usually as part of a “brand” based program, are raising the quality bar well above the regulated grading systems that were integral to pricing in a commodity environment. Although some regulators are trying to impede trade by restricting access to grading services, the market is moving beyond that standard.

As part of this evolution, new marketing approaches are being more broadly embraced, in some cases with considerable controversy. Grids, formula sales, forward or basis contracting, co-ops, and partnerships are affecting how price discovery and market signals are determined and transmitted. Few of these methods are new. What is new is the degree to which they are being embraced. A group in Texas, Consolidated Beef Producers, wanted to set up a bidding system where packers would bid “on the grid”, and set out to attract 750,000 head to create the critical mass required for this system to work. Over 2.1 million head of cattle were enrolled. The program will market on carcass merit through a competitive grid bidding system.

Another group named Future Beef Operations is following the poultry lead using a network of herds and preferred suppliers and is now selling all of their production to Safeway. Their goal is to be sole supplier of beef to Safeway in 5 years. There is an array of ‘Beef Dot Com’ companies jumping into the business, in many cases involving huge investment capital. Some examples include: eMerge, Interactive & Cyber Stockyards, eHarvest.com, CattleSale.com, Agribuys.com, TradingProduce.com, MeatBroker.com, AgriPlace.com & CattlePlace.com, Food.com, FoodUSA.com, SellMEAT.com, and GlobalFoodExchange.com. And we are seeing quality based branded beef programs proliferating at a rate never witnessed before. These programs are packer, producer and retail driven. They:

- are based on specifications that go beyond grades; Specifications that can and have been programmed into CVS (a computerized grading system developed in Canada and installed in 10 plants).
- include premiums for cattle that qualify;

- include varying marketing options, some gate-to-plate, and some based on grading assessment.

## **CONCLUSION**

New marketing innovations are occurring at a record pace. Free trade creates a more secure investment climate in which this occurs. Canada and the United States have grown to be two of the largest beef exporters in the world and dominate the high quality grain fed beef market. Beef quality and safety are key to ongoing success. While some regulators are working to impose policies that are considered protectionist or have impeded harmonization efforts, the market place is driving changes that go beyond these standards and attempts to impede natural competition.