

MCEC NEWS

Manitoba Cattle Enhancement Council

WINTER 2011

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Producer groups voice unqualified support for St. Boniface beef plant

Management and MCEC working with Ottawa on financing details

Two prominent and influential cattle producer organizations have voiced their unqualified support for the new St. Boniface beef plant. The Beef Industry Alliance, whose members represent a significant portion of beef production in Alberta, and Canadian Legacy Partners, representing more than 3,000 producers raising more than 500,000 head of cattle, have written to tell MCEC they endorse the critical need for a Manitoba based plant.

Together with the introduction of a strong new management team with international experience, this producer support is another positive sign for the plant.

"This plant is vital for the long-term survival of regional beef production in Canada," says Kate Butler, executive director of MCEC. "And the plant is following a business model that has proven successful for smaller plants in other parts of the world. Hearing from leading producer groups such as the BIA and Canadian Legacy Partners

shows there's strong demand for alternative models in this industry. We believe many others remain silent waiting for new opportunities."

Thousands of cattle producers are looking for new markets for their beef, but are currently restricted because the beef packing industry is so highly concentrated in the hands of a few companies operating in small number of jurisdictions in Canada and the United States.

In addition to producers demanding new markets, consumer demand internationally for speciality or niche beef products is strong and projected to grow exponentially in the decades to come. The St. Boniface plant will be designed to take advantage of those long-term trends as it targets premium markets such as Kosher, Halal and other niche markets.

New Management Team with Strong International Ties

"We know from our experience building and running plants in North and South America that you need to be the right size to tackle those markets successfully," said Doug Cooper, President of the Astana Group, which is now managing all plant operations. "The majors can't handle these smaller niche markets because they're too big and can't justify the cost."

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MCEC Executive Director Kate Butler and Astana Group CEO Doug Cooper say the proposed St. Boniface plant taps into producer and consumer demand.

Building a solid future for Manitoba's beef producers

Unqualified support from page 1

Cooper and his team are getting ready for what looks like a busy year of construction to make the new plant state of the art and operational for 2012.

"MCEC is fully committed to this project and private lenders have shown strong interest in backing the plant," said Butler. "We're working closely with the federal government to ensure the \$10 million funding that was announced under the Slaughter Improvement Program in 2009 starts flowing. We need to get shovels in the ground."

The project remains extremely important for our province. It addresses a regional gap in beef slaughtering and processing capacity that has become a critical handicap for both our cattle producers and our food processing industry. It also supports the philosophy and motivation behind the federal government's Growing Forward policy as it is focused on rebuilding a vibrant beef processing capacity that is profitable, sustainable and innovative. And it helps the Manitoba beef industry manage risk better. It will also ultimately provide a

more competitive marketplace for both ranchers and consumers while delivering new jobs in St. Boniface.

"The world gives us countless examples of small, nimble, well-led companies creating strong market positions out of well-executed plans, including some run by this management team," said Butler. "That is the driving philosophy behind Growing Forward programs and we have the opportunity to make this happen in St. Boniface for the benefit of our industry."

2010 Producer Forum Report

Good marketing, management and cash all keys to a successful plant

What does it take for a small to mid-sized beef plant to succeed these days? And how can producers take advantage of it? Those were the two principal questions asked and answered at the 2010 MCEC Producers Forum which took place in Brandon in December.

The second annual free event drew dozens of cattle producers and industry stakeholders to hear from the three main speakers. Jerry Bouma, a respected agri-food consultant from Edmonton, led off the afternoon by reviewing how a small or mid-sized beef plant can find success in an industry dominated by a handful of huge multinationals.

Bouma reiterated many of the points that he made in a recent study for the Beef Industry Alliance, where he said successful plants need to be built on four main pillars: strong marketing, experienced management, sound business structure, and a solid financial plan.

It would be very difficult for a small, regional plant to succeed if it had to fight toe-to-toe with the large plants in Alberta, Ontario and the U.S. for market share in commodity beef. But the world is a big place with billions of consumers with a wide variety of tastes, so Bouma says small plants (like the one MCEC is backing in St. Boniface) need to focus on serving premium, niche markets.

They also need very capable managers who have international experience in the beef business. Having a vision, isn't enough, says Bouma, there's no time to learn on the job.

Among the most important elements for success is solid financing, Bouma added. The single biggest reason for failure is that plants are undercapitalized from the start. It takes years to develop a successful plant and if you don't have the cash to last out those first few years, you'll be hard pressed to make it.

Following Bouma, John Saunders, CEO of IMI Global, took to the podium to discuss how data collection is changing the way producers raise cattle. IMI Global is one of the world leaders in verified beef programs, helping producers and plants differentiate their offerings using state of the art traceability.

For Saunders, it often comes down to communicating with consumers about the extra value producers and processors add to beef. Done right, this can add much needed margin to premium products. And it also tends to develop stronger brand loyalty at the same time.

The afternoon ended with Kate Butler, Executive Director of MCEC, bringing an update about 2010 activities for the council. She reviewed the council's work on the investment side as well as its ongoing efforts to be a strong advocate for the provincial industry.

Beef and Forage Days

The Manitoba Cattle Enhancement Council thanks everyone who attended this year's Beef and Forage Days around the province. We were again very pleased to be a part of these events organized by Manitoba Agriculture Food and Rural Initiatives.

"It's always good for us to attend events like this as a sponsor and a supporter," said MCEC Vice-Chair Gaylene Dutchyshen. "It gives us a chance to listen to producers and to answer their questions about the council."

This was the fifth year MCEC has attended Beef and Forage Days, one of many producer-focused events council members visit each year.

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