Prairie People’s Packers Pending: The New Generation Cooperative Model of Cattle Slaughter

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Prairie People's Packers Pending: The New Generation Cooperative Model of Cattle Slaughter

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Structure of Talk

• Cattle exports & staple theory
• BSE Crisis
• Ruminant slaughter capacity expansion
• New Generation Co-ops & small scale cow plants
• Prairie People’s Packers Pending?
Staples approach

• “Liberal staples theory” (Janine Brodie)
  – Backward, forward, consumer demand
  – Spread effects → industrial development

• Pessimistic staples theory
  – Dependence on the core for staple markets & capital
  – Staples trap of dependency, stagnation
  – Metropolitan-hinterland dimension of uneven development
  – West as an internal colony of central Canada
    • Subordination and underdevelopment born of the National Policy of 1879
The Staple Trap and Canada’s Cattle Trade

- Canada exported mainly grain
- Modest exports of stockers & feeders to U.S. until 1980s
- Exports of slaughter cattle from 1980s
  - Including culls for manufacturing beef
The BSE Crisis

- May 20, 2003 & border closure
- Why was the crisis not a catastrophe?
  - General resiliency of agriculture
  - Relative flexibility of cattle husbandry
  - Border opened fast to boneless beef
  - Favourable trend & cyclical conditions
  - Governments in surplus with deep pockets
  - Beef consumption increased!
It could have been worse!

Agriculture

2001 record dry year in region

Change in January 1, 2003 cattle inventories for selected provinces
Percentage change from 2002

Ontario
Quebec
Manitoba
Saskatchewan
Show of support
Thousands of cattle as of January 1:

- Beef cows
- Milk cows
- Slaughter cattle

Source: Statistics Canada, Livestock Survey
Strategy to Reposition the Canadian Livestock Industry.

- Federal government, 10 Sept 2004:
  - reopening the U.S. border
  - **facilitating increased domestic slaughter capacity**
  - sustaining the industry until capacity is increased
  - increasing the international market share of Canadian beef.
• Recommendation: “shifting the industry from being ‘live animal oriented’ to ‘meat and processed products oriented’ and increasing the meat processing capacity in Canada.” (2005, p. 3)
Hon. Stephen Harper (Leader of the Opposition, CPC): “Mr. Speaker, our farm families were told that the border would be opened. Now the border is not open. They do not want to have more wait and see. They want the Prime Minister to look and to take some action. Slaughter capacity must be increased.”

(House of Commons, Debates, March 8, 2005)
Programs to Increase Slaughter capacity

• Ruminant Slaughter Loan Loss Reserve Program
  – Loans for the expansion & establishment of small and medium-sized slaughter facilities.
  – $37.5-million reserve + a further $17.1 million in the 2005 Budget

• Ruminant Slaughter Equity Assistance program
  – Must be producer-led & expand slaughter capacity by 2007
  – Match up to one-half of a producer’s investment to a maximum government contribution of $20,000.
  – $10-million total
- **Existing large scale plant expansions:**
  - Cargill, High River
  - Tyson Foods, Brooks
  - X-L, Calgary

- **People’s Packers**
  - Mainly NGCs
  - Salmon Arm, B.C.–Borden, PEI
  - Middle-sized
“Canada doesn’t need any more cattle slaughter capacity. Furthermore, by encouraging producers to build slaughter plants now by subsidizing them, producers are likely to lose their investment.” (November 2, 2005, p. 1)
Canadian Weekly Cattle Slaughter Capacity

- Provincial non-fed cattle
- Provincial fed cattle
- Federal non-fed cattle
- Federal fed cattle

40% increase!

Source: Estimates provided by Red Meat Section, Agriculture & Agri-Food Canada
People’s Packers Characteristics

• Many are New Gen Coops
  – Or quasi New Gen Coops

• Flexible technologies
  • Hot boning
  • Slower chain speeds
  • Quality/differentiation

• Team approach to carcass fabrication
• Traceability
• Natural/organic beef – large specialty markets
• Value-added processing

• Fordist → Neo-Fordist transition
  – A new generation of community-based flexible production
What is a New Generation Co-op?

- Co-op with investment characteristics
- Members own shares which are tradable
- Shares are **delivery rights & obligations**
  - E.g. $50,000 for 200 hooks
- Membership is closed when shares sold reach plant capacity
- Motivated to integrate supply chain & boost value-added
- Shares expressed in bushels or “hooks”

\[
\frac{\text{Equity}}{\text{Capacity}} = \text{Share price}
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Prairie People’s Packers
• Turning to existing, large scale meat processing establishments owned by multilocational firms...
Conclusions

• Crisis, staples trap
  – Volatility of commodity trade
  – Regional specialization
  – Export dependency
• Impact of BSE: capacity expansion
  – entrepreneurial initiatives such as NGC
  – coping (Rice) with regional surplus of cull cattle
• Will they be realized?
• Will they succeed?
• Model optimal plant locations?