

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

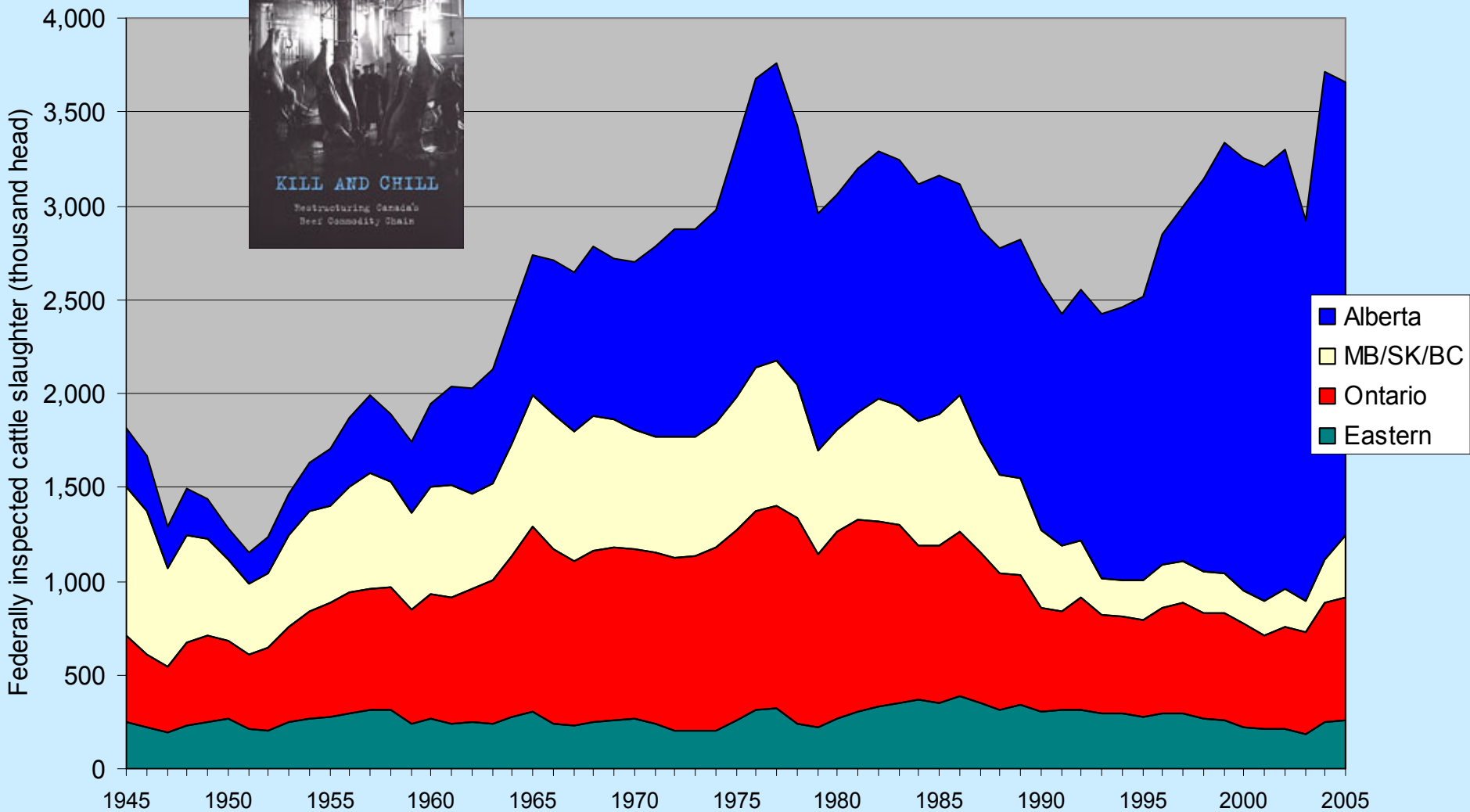
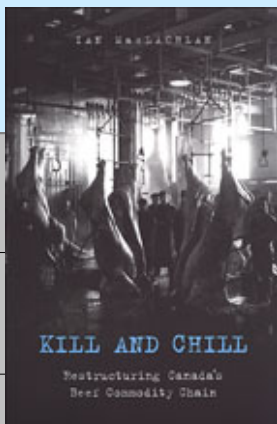
- “Liberal staples theory” (Janine Brodie)
 - Backward, forward, consumer demand
 - Spread effects → industrial development
- Pessimistic staples theory
 - Dependence on the core for staple markets & capital
 - Staples trap of dependency, stagnation
 - Metropolitan-hinterland dimension of uneven development
 - West as an internal colony of central Canada
 - Subordination and underdevelopment born of the National Policy of 1879

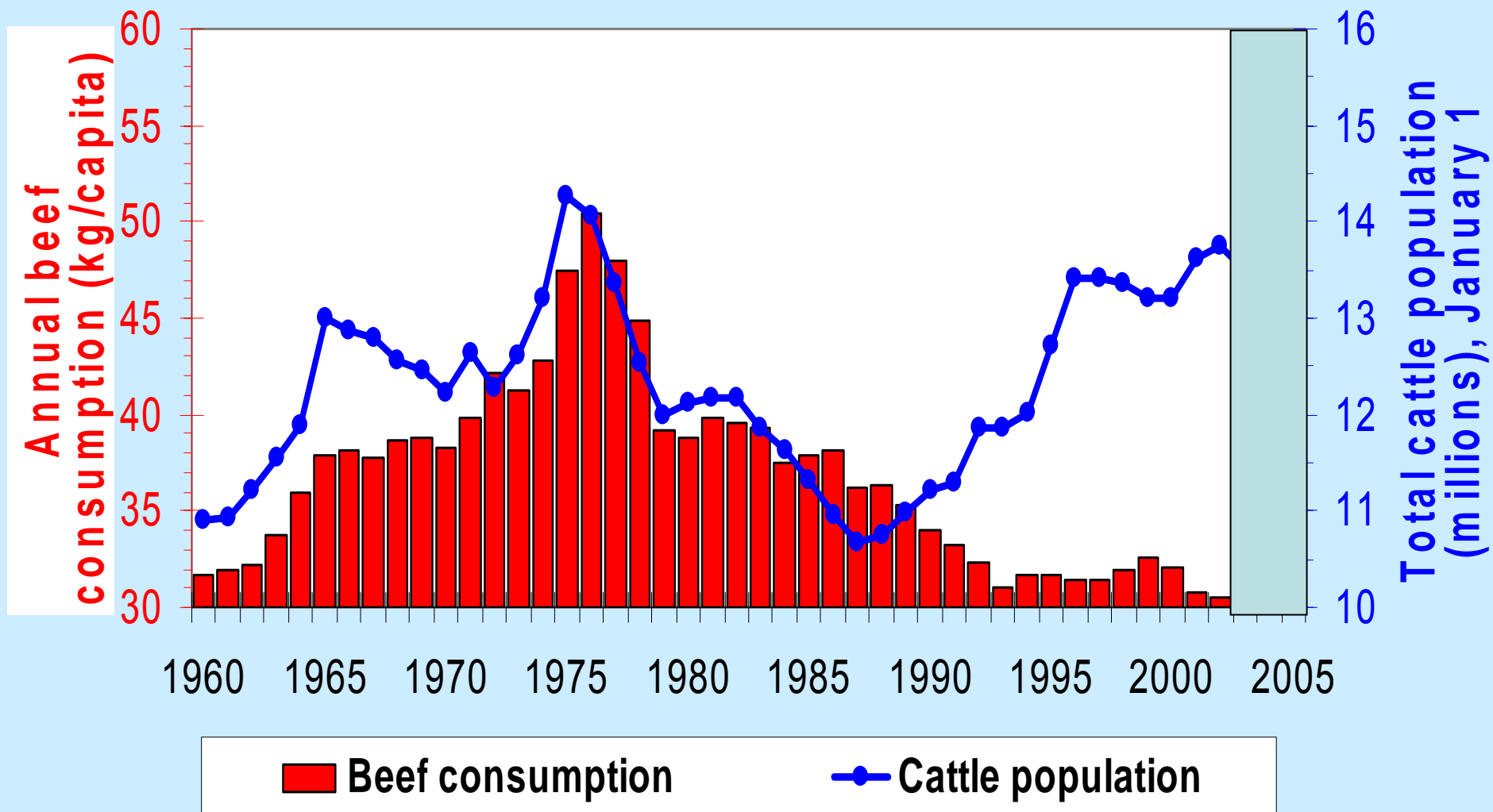
The Staple Trap and Canada's Cattle Trade

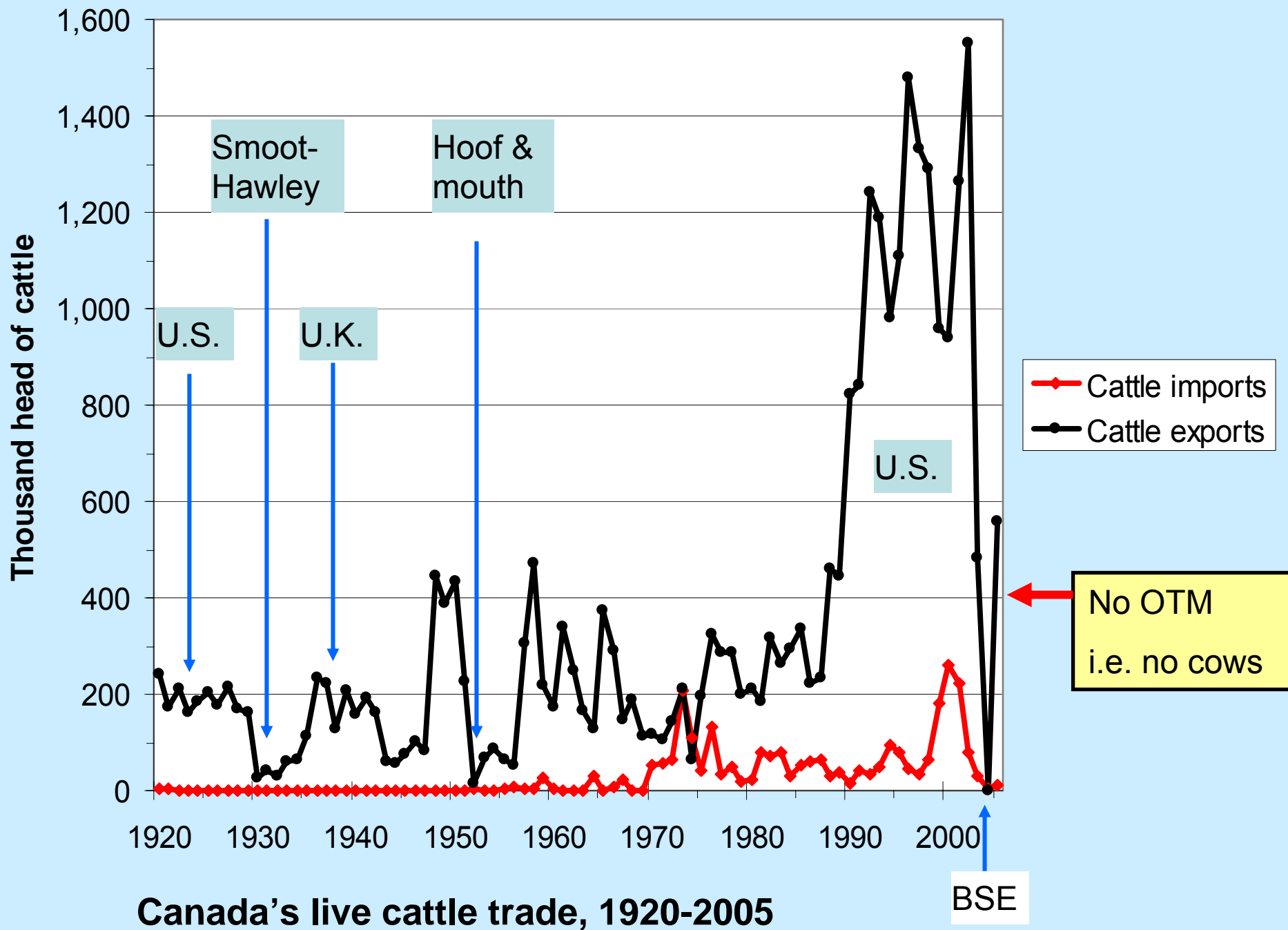
- Canada exported mainly grain
- Modest exports of stockers & feeders to U.S. until 1980s
- Exports of slaughter cattle from 1980s
 - Including culls for manufacturing beef



Winnipeg Tribune 1906







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!

THE LETHBRIDGE HERALD — Thursday, January 10, 2002

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AGRICULTURE
Ric Swihart, EDITOR 326-4411 • Information for Farm and Field

CANOLA

Closing Price

Date	Price
Nov 14	327.00
Nov 21	333.00
Nov 28	347.00
Dec 5	347.00
Dec 12	337.00
Dec 19	338.40
Jan 2	327.00
Jan 9	340.00

Source: Purnell & Heintzsch Limited

2001 record dry year in region

Last year also third warmest on record, agrometeorologist says

By RIC SWIHART
Lethbridge Herald

Hot and dry sums up southern Alberta's weather in 2001, says the agrometeorologist at the Lethbridge Research Centre. Sean McGinn said it was the driest year at Lethbridge since records started in 1902.

He recorded only 176.2 mm last year, 44 per cent of normal.

There were some decent periods of precipitation. But August wasn't one with no precipitation recorded. And the September-to-December period had only 27.1 mm, 28 per cent of normal for that period.

The driest years were previously were 1918 at 193.6 mm, 1910 with 200.7 mm, 188 with 226.2 mm, 1873 with 243.7 mm, 1909 with 262.1 mm, and 1962 with 280.7 mm. Last year was the third warmest year on record with temperatures 2.3 degrees above the long-term normal.

McGinn said there were 15 new extreme daily maximum temperatures set in 2001. One measurement in agrometeorology is the precipitation from September to August.

It includes the post-harvest and winter period when soil moisture in the soil is collected in the soil can be available for the next crop.

In the September through August period for 2000-01, precipitation at Lethbridge was 218.6 mm, the second driest period on record, second only to 1909-1910.

At the Onofre research substation near Manyberries, 2001 was driest year since records started in 1928.

McGinn recorded 165.5 mm of precipitation, half of normal. And that followed a dry 2000 when 230 mm was recorded.

The exclamation point for Onofre is that only 16.8 mm fell from September to December in 2001.

Temperatures compounded the lack of moisture at Onofre, he said. Last year, the average temperature was two degrees above normal.

There were 11 new extreme daily maximum temperatures set last year at Onofre.

At the Vauxhall substation, it was the driest year since records started in 1954. He recorded 173 mm or 33 per cent of normal. The second driest was 2000 when 211 mm of precipitation was recorded.

Vauxhall temperatures were 1.4 degrees above normal in 2001.

COMMODITIES

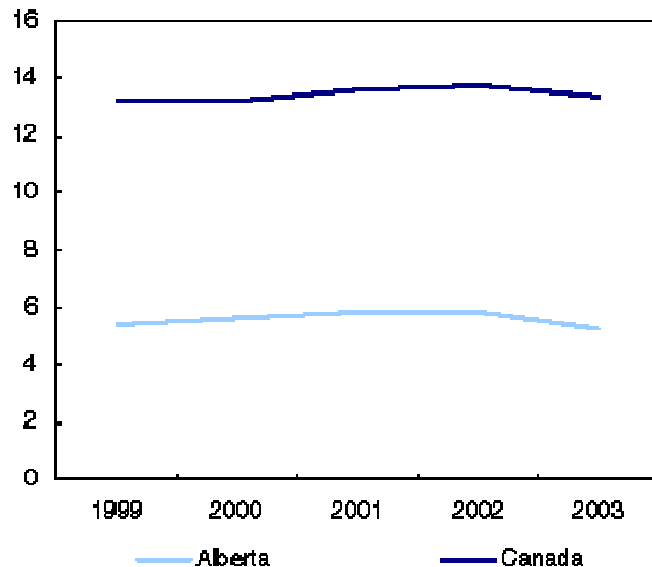
WHEAT GRAIN

Closing prices:
at Jan. '02 \$2.60
47.00; March '02
ver \$340.00; May

Wheat	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Hard Red Winter	1.10	1.15	1.20	1.25	1.30	1.35	1.40	1.45	1.50	1.55	1.60
Soft Red Winter	1.05	1.10	1.15	1.20	1.25	1.30	1.35	1.40	1.45	1.50	1.55
Hard Red Spring	1.10	1.15	1.20	1.25	1.30	1.35	1.40	1.45	1.50	1.55	1.60
Soft Red Spring	1.05	1.10	1.15	1.20	1.25	1.30	1.35	1.40	1.45	1.50	1.55

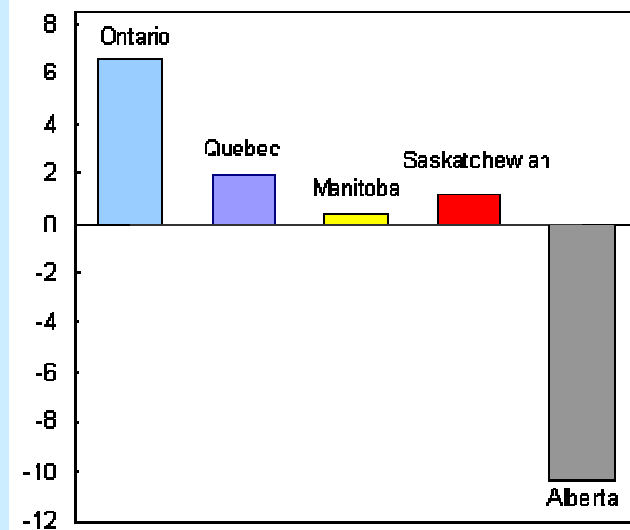
Alberta drought draws down cattle inventories at January 1, 2003

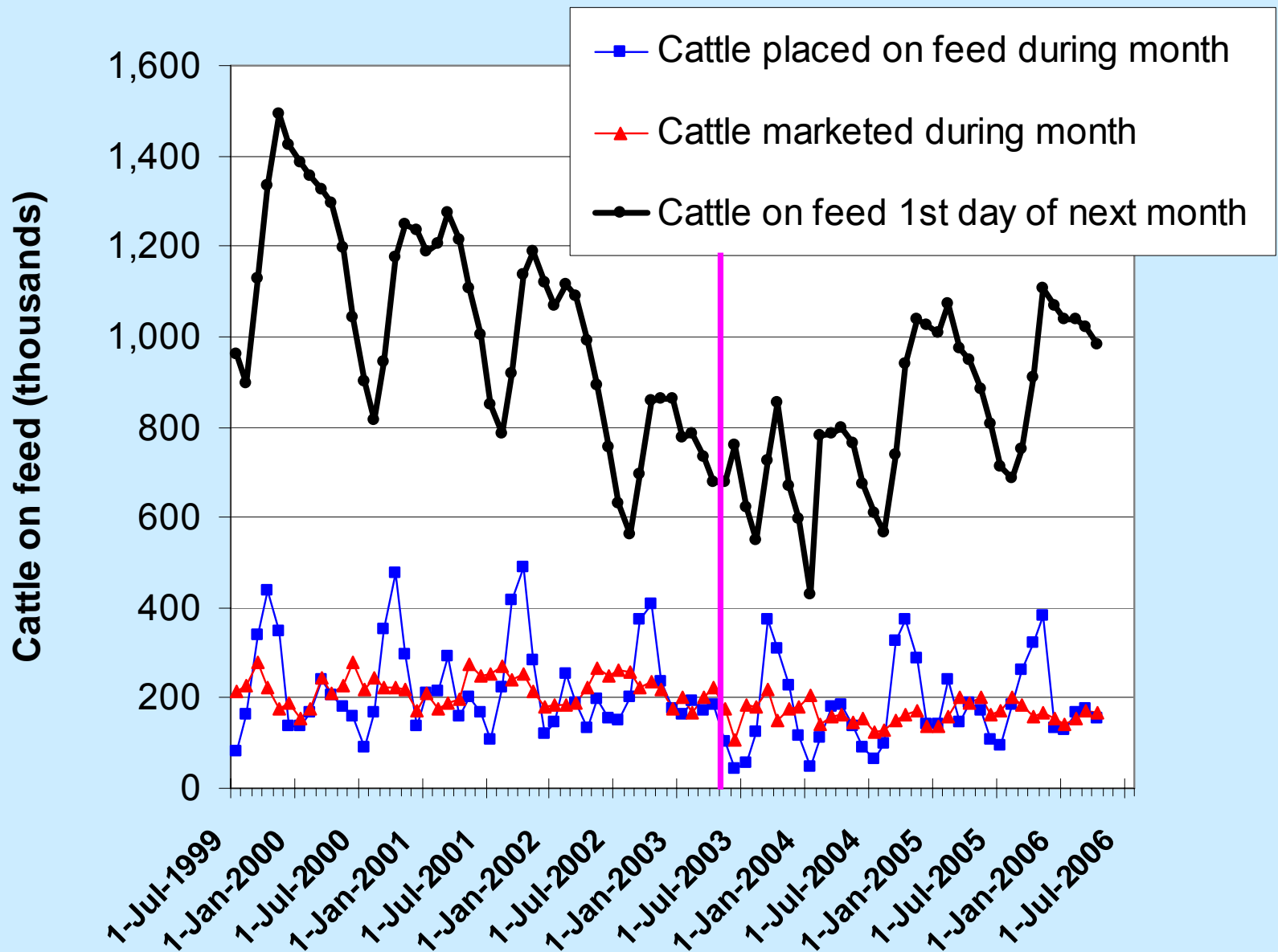
Million head



Change in January 1, 2003 cattle inventories for selected provinces

Percentage change from 2002





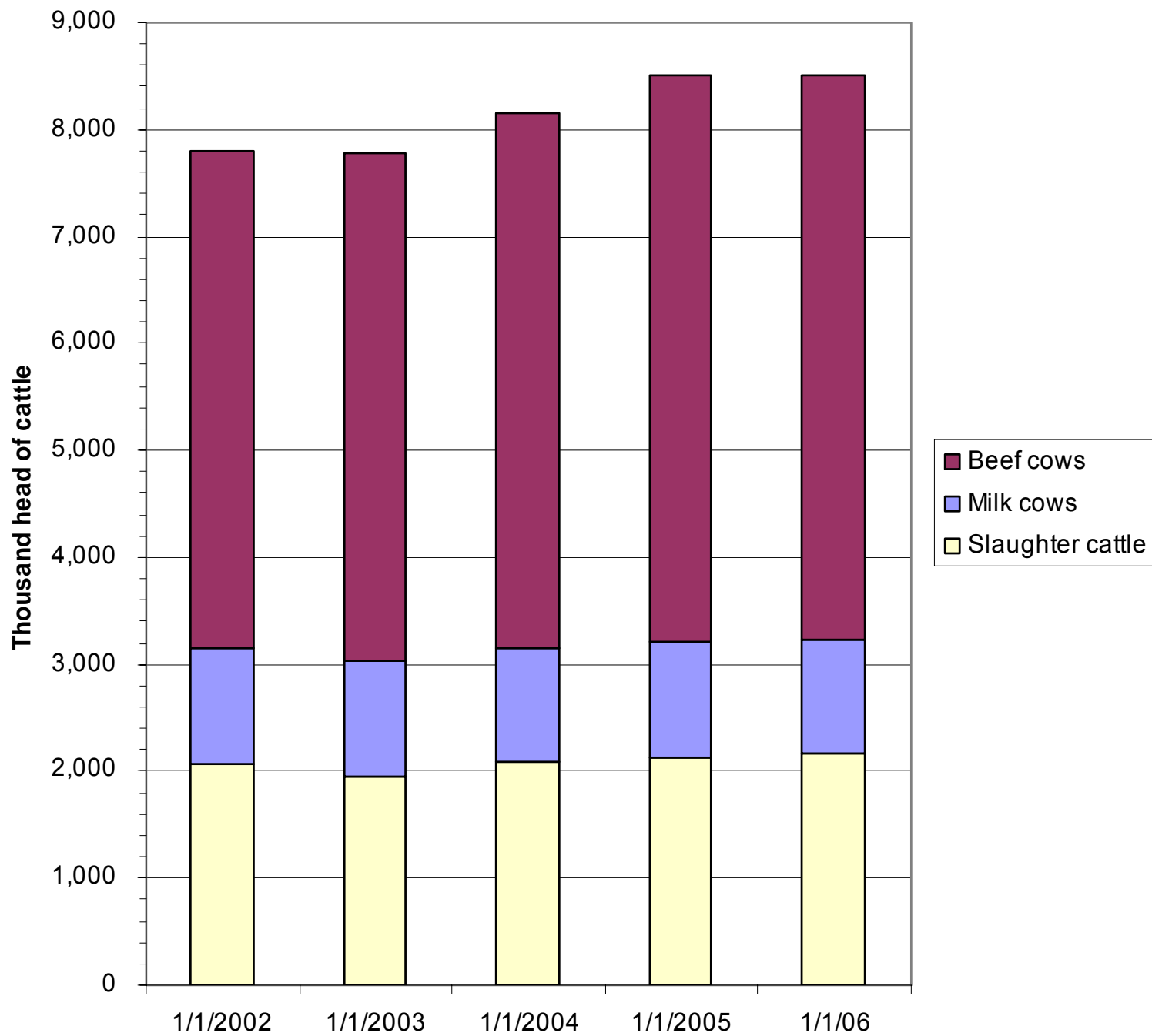
Source: CanFax, various months

IN FOCUS

A WEEKEND PHOTO PORTRAIT OF SOUTHERN ALBERTA

Show of support





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.

SENATE



SÉNAT

CATTLE SLAUGHTER CAPACITY IN CANADA

Interim Report of the Standing Senate Committee
on Agriculture and Forestry

Chair

The Honourable Joyce Fairbairn, P.C.

Vice-Chair

The Honourable Leonard J. Gustafson

May 2005

- 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)

House of Commons



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

Cattlemen, January 2005

Canada's new packing house map



BRITISH COLUMBIA

**Rangeland Beef Processors/
Blue Mountain Packers, Salmon Arm**

This private venture of 6 Alberta ranchers was approved by the Canadian Food Inspection Agency and began slaughtering cows on November 10. Rather than try to build a new facility they bought the mothballed Blue Mountain plant at Salmon Arm by selling 300 shares worth \$5,000 apiece. Shareholders receive dividends on profits after 2 years, and a transferable right to ship 25 head per year for each share. Debt capital is supplied by Farm Credit Corp.

This federally inspected plant meets EU standards but, of course, will process cows and bulls for sale to domestic processors for the foreseeable future. Last month it was processing 40 to 50 head per day with plans to ramp that up to its current maximum capacity of 250 per day, or 1,250 for a 5-day week.

Peace Country Tender Beef Co-op Ltd., Dawson Creek

This new-generation multi-species slaughter co-op is still in the talking stage. They need to raise \$7.2 million, 30% (\$2.16 million) from members, 20% (\$1.44 million) from investment capital and 50% (\$3.6 million) from loans. By December 320 producers had bought a minimum of ten \$60 shares. Each share provides the right to deliver one head per year. Investor dividend shares also go for \$60. After the first share offer expired in November they reworded the offer, allowing producers to pay for half the share in cash and half as debt against future cattle deliveries.

Spokesman Neil Pascoe says their plan is to begin construction of a plant able to process 1,000 head/week starting in April 2005. The land was bought for \$100,000 from the City of Dawson Creek and road work is underway. The co-op plans to offer BSE testing to customers who want it.

It will be a multi-species plant designed to handle fed and mature cattle, hogs, goats, elk and sheep.

ALBERTA

Cargill Foods, High River

Cargill's \$32.5 million 3-phase expansion is well underway and is scheduled for completion in the fall of 2005. A reworked

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

While we wait for the U.S. border to open to Canadian cattle, producers and entrepreneurs across the country aren't waiting for the bureaucrats. These men and women are trying to expand Canada's beef packing capacity. They come in all sizes but all share an unshakable belief in the future of our cattle business. Here's a quick coast-to-coast rundown on the changing map of our packing industry at the start of 2005.

Continued on page 16

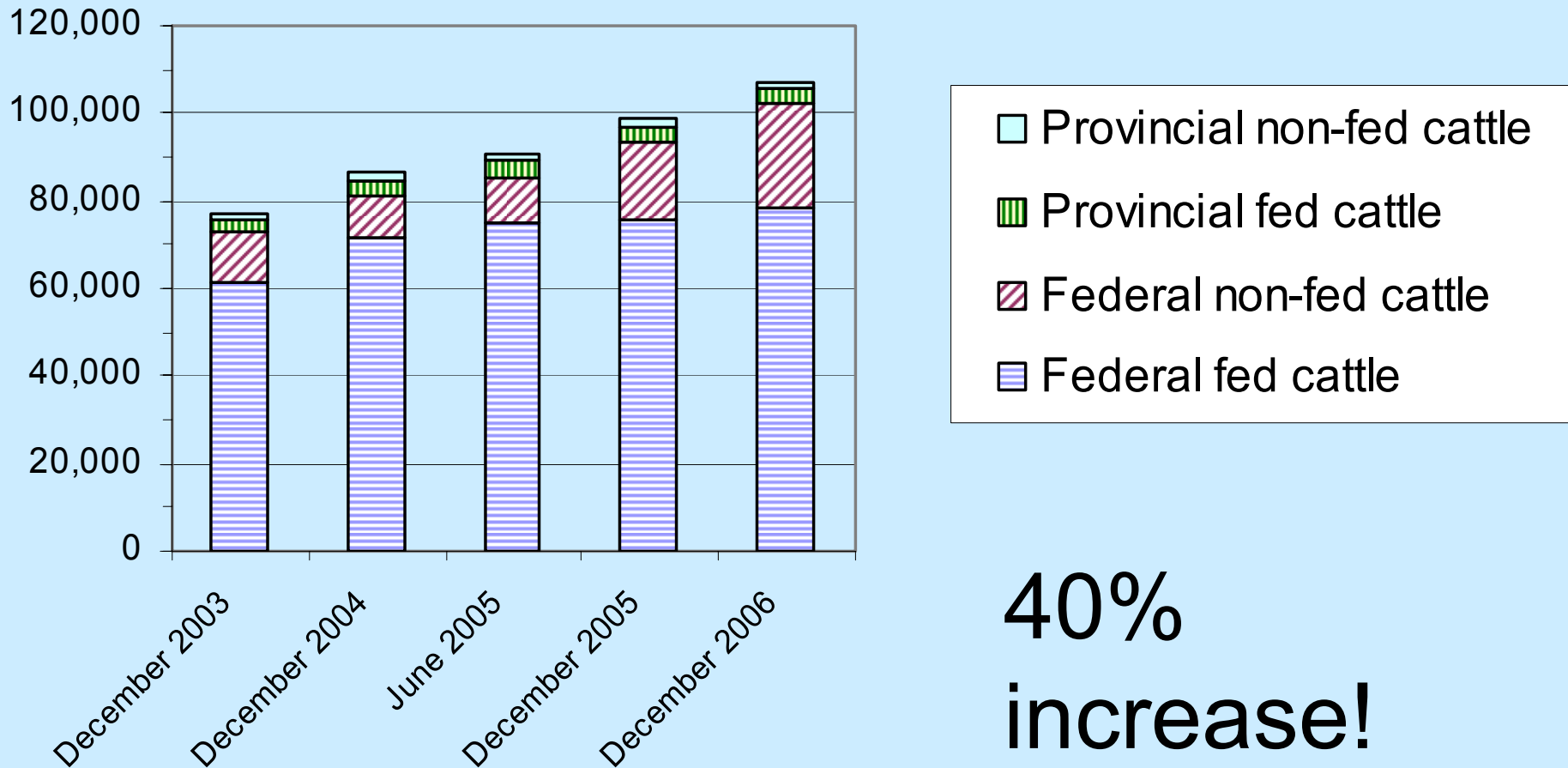


News Flash

The Ruminant Slaughter Equity Assistance Program
- Commentary -
By Kevin Grier & Larry Martin

“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



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?

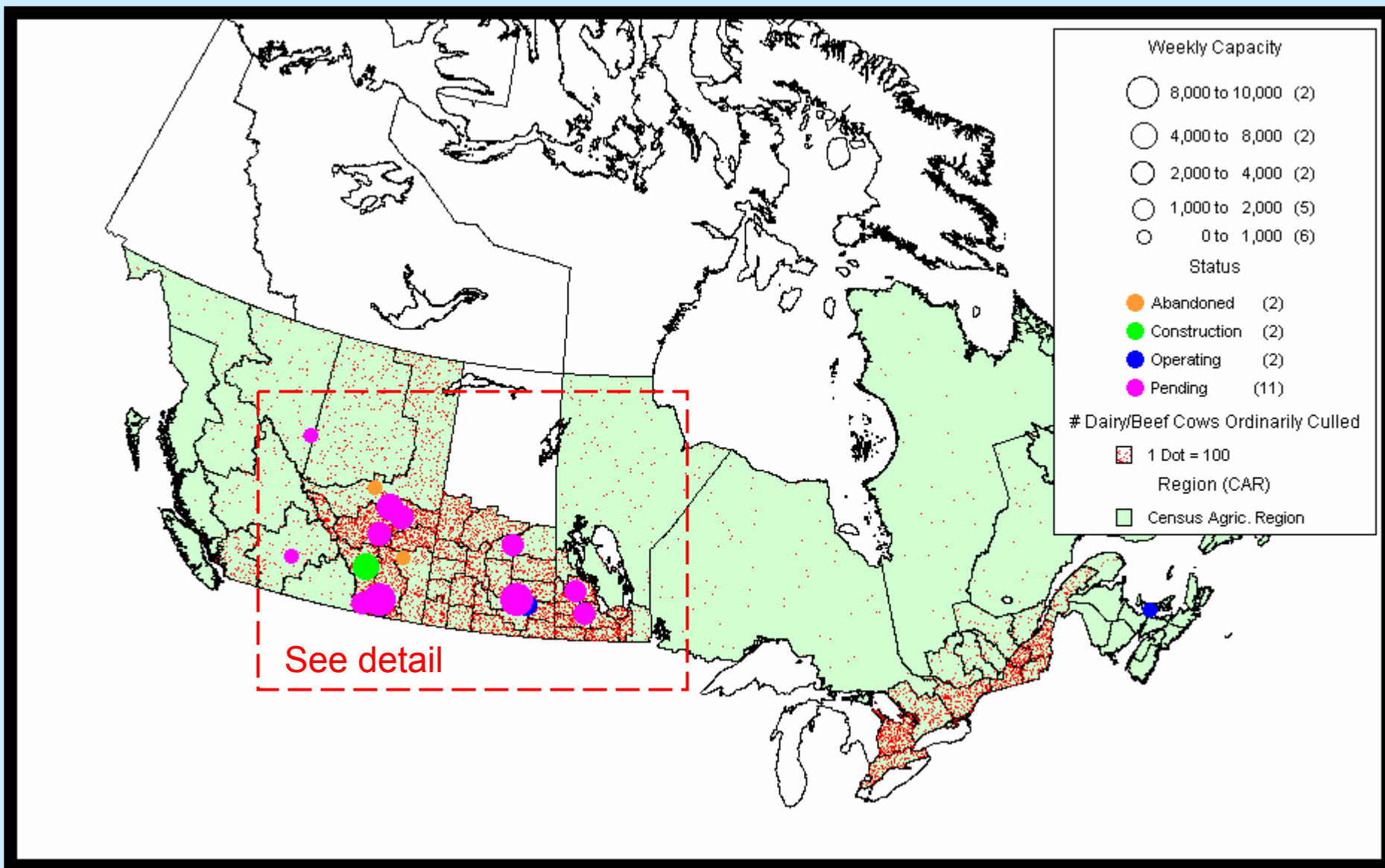
- Co-op with investment characteristics
- Members own shares which are tradable
- Shares are **delivery rights & obligations**
 - E.g. \$50,000 for 200 hooks
- Membership is closed when shares sold reach plant capacity
- Motivated to integrate supply chain & boost value-added
- Shares expressed in bushels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

Expansions to Canadian Weekly Cattle Slaughter Capacity - Corporate Packers

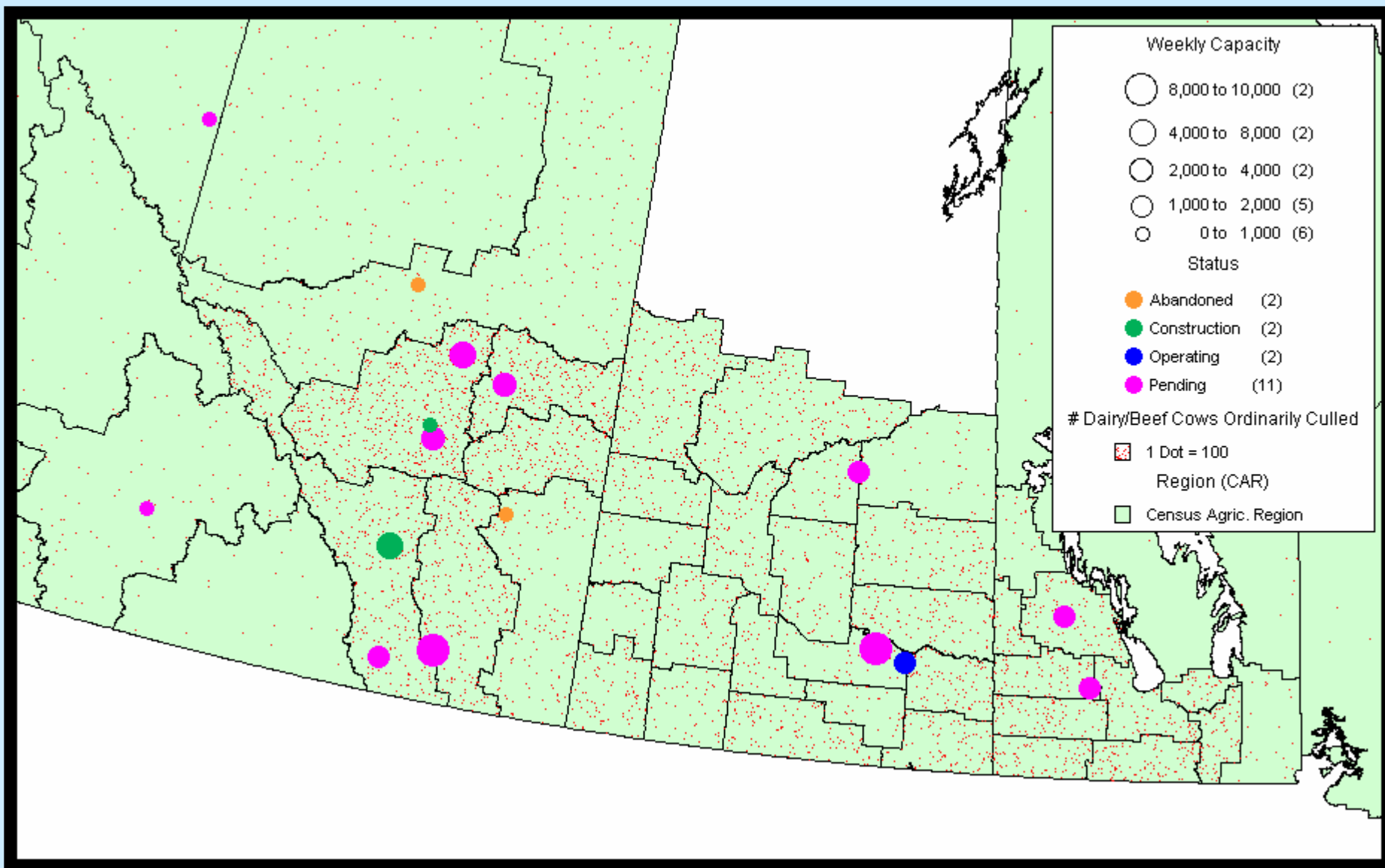
<u>Name</u>	<u>Location</u>	<u>Organization</u>	<u>Capacity</u>	<u>Status</u>
Cargill Foods	High River, AB	Corporation	24,600	Operating
Lakeside Packers	Brooks, AB	Corporation	28,200	Operating
XL Beef	Calgary, AB	Corporation	5,500	Operating
XL Beef	Moose Jaw, SK	Corporation	8,000	Operating
Gencor Foods	Kitchener, ON	Corporation	1,500	Operating
Ryding Regency Meat Packers Ltd.	Toronto	Corporation	1,500	Operating
Colbex/Levinoff	St. Cyrille-de-Wendover	Coop	5,200	Operating

Expansions to Canadian Weekly Cattle Slaughter Capacity-People's Packers

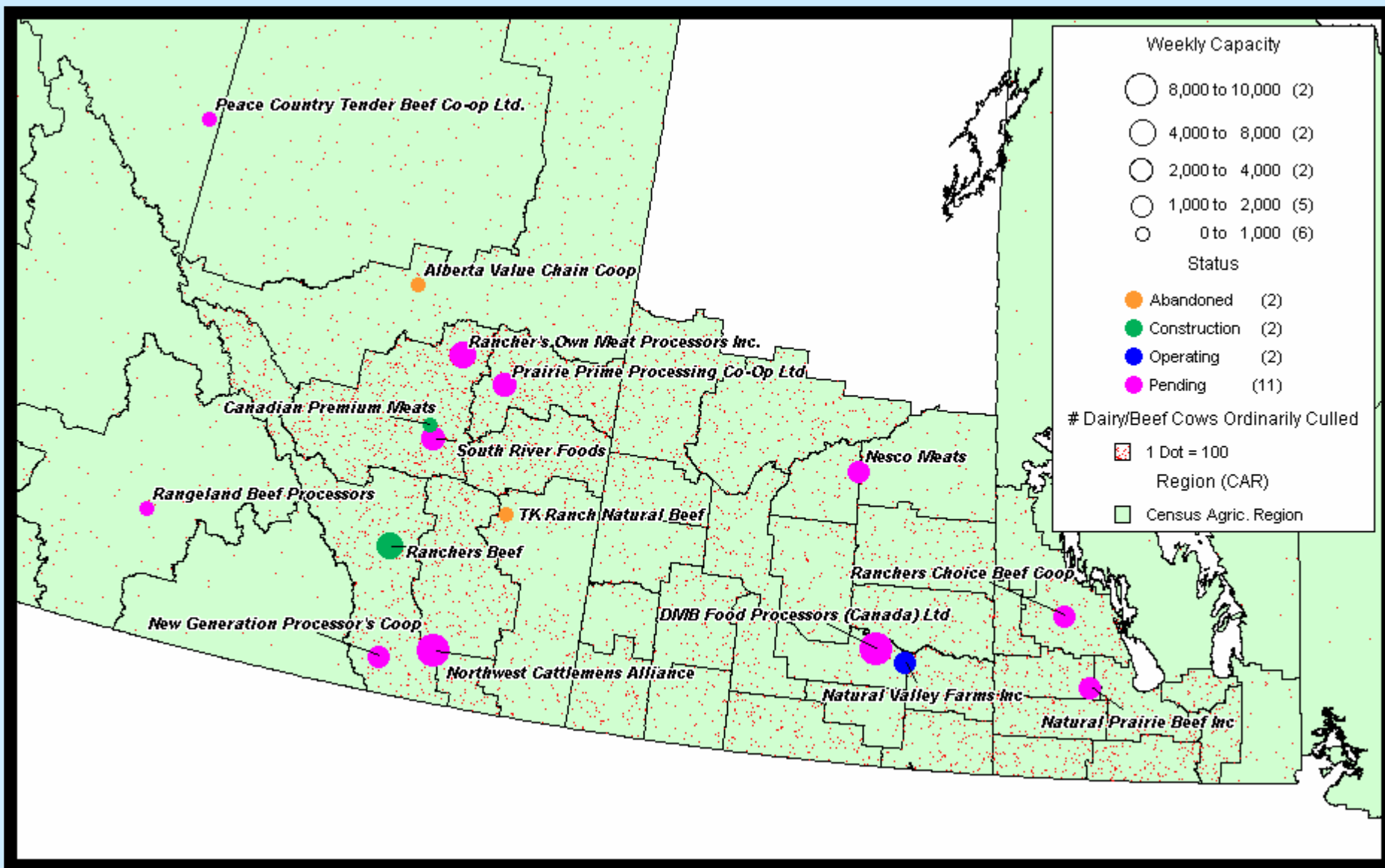
<u>Name</u>	<u>Location</u>	<u>Organization</u>	<u>Capacity</u>	<u>Status</u>
Rangeland Beef Processors*****	Salmon Arm, BC	Corporate	500	Pending
Peace Country Tender Beef Co-op	Dawson Creek, BC	NGC	500	Pending
Rancher's Beef *****	Rocky View, AB	Producers	4,000	Construction
Canadian Premium Meats	Lacombe, AB	Corporate	500	Construction
South River Foods	Lacombe, AB	Corporate	2,000	Pending
Rancher's Own Meat Processors	Edmonton, AB	NGC	4,000	Pending
TK Ranch Natural Beef	Hanna, AB	NGC	300	Abandoned
Northwest Cattlemen's Alliance	Lethbridge, AB	NGC	10,000	Pending
New Generation Processor's Coop	Pincher Creek, AB	NGC	1,000	Pending
Prairie Prime Processing Co-op	Ryley, AB	NGC	2,500	Pending
Alberta Value Chain Coop	Ft Assiniboine, AB	NGC	500	Abandoned
Canada Farm Direct	Not Released	Corporate	24,000	Pending
Natural Valley Farms Inc.	Wolseley, SK	Producers	1,200	Operating
Beef Initiative Group	Possibly SK	NGC	7,500	Pending
DMB Food Processors (Canada)	Qu' Appelle, SK	Private	10,000	Pending
Nesco Meats	Melfort, SK	NGC	1,600	Pending
Ranchers Choice Beef Co-op	Dauphin, MB	NGC	1,300	Pending
Natural Prairie Beef	Neepawa, MB	Corporate	1,000	Pending
PRO-East Beef	Not specified	NGC	1,500	Pending
Atlantic Beef Products	Borden, PEI	NGC	500	Operating



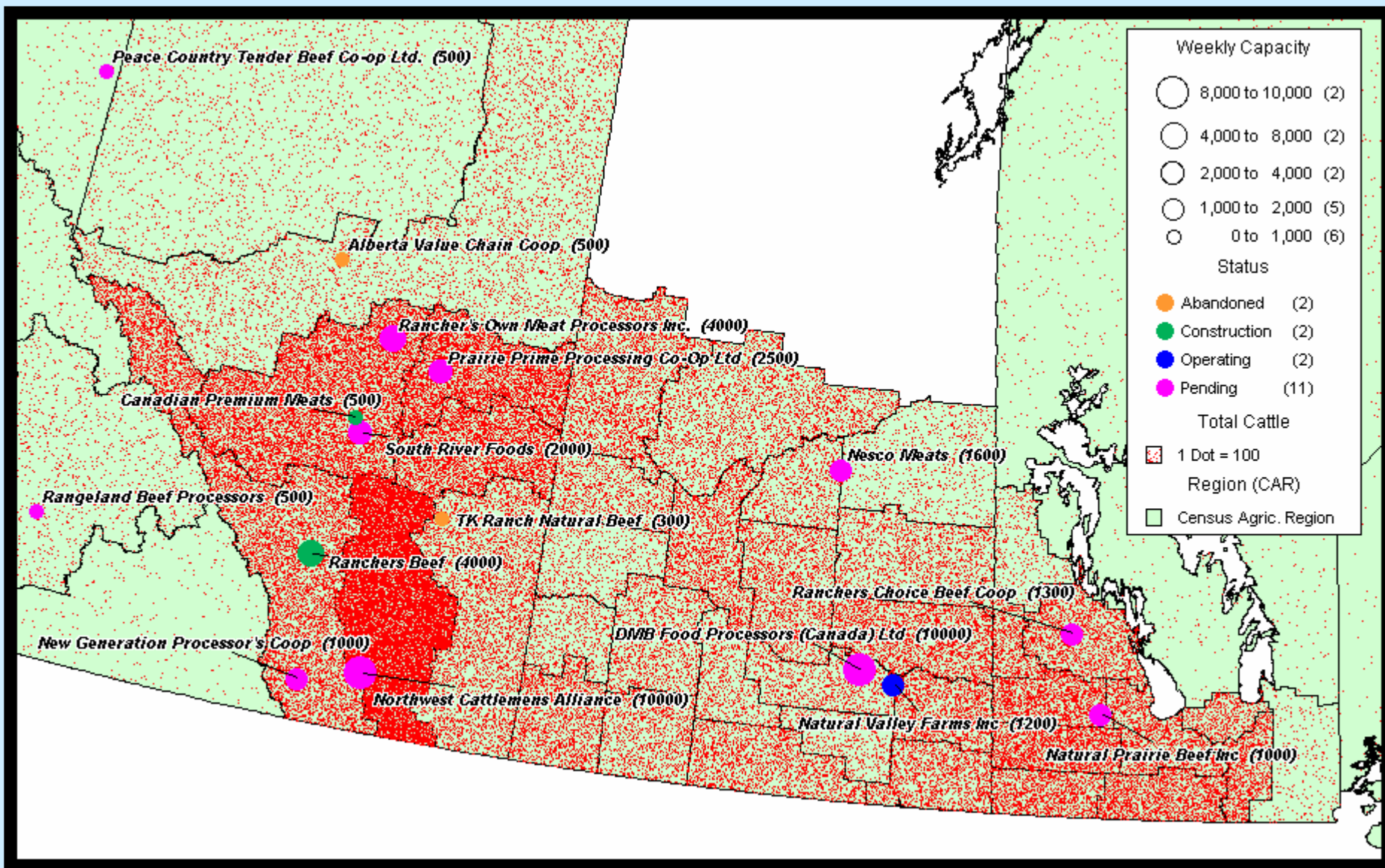
Prairie People's Packers



Prairie People's Packers

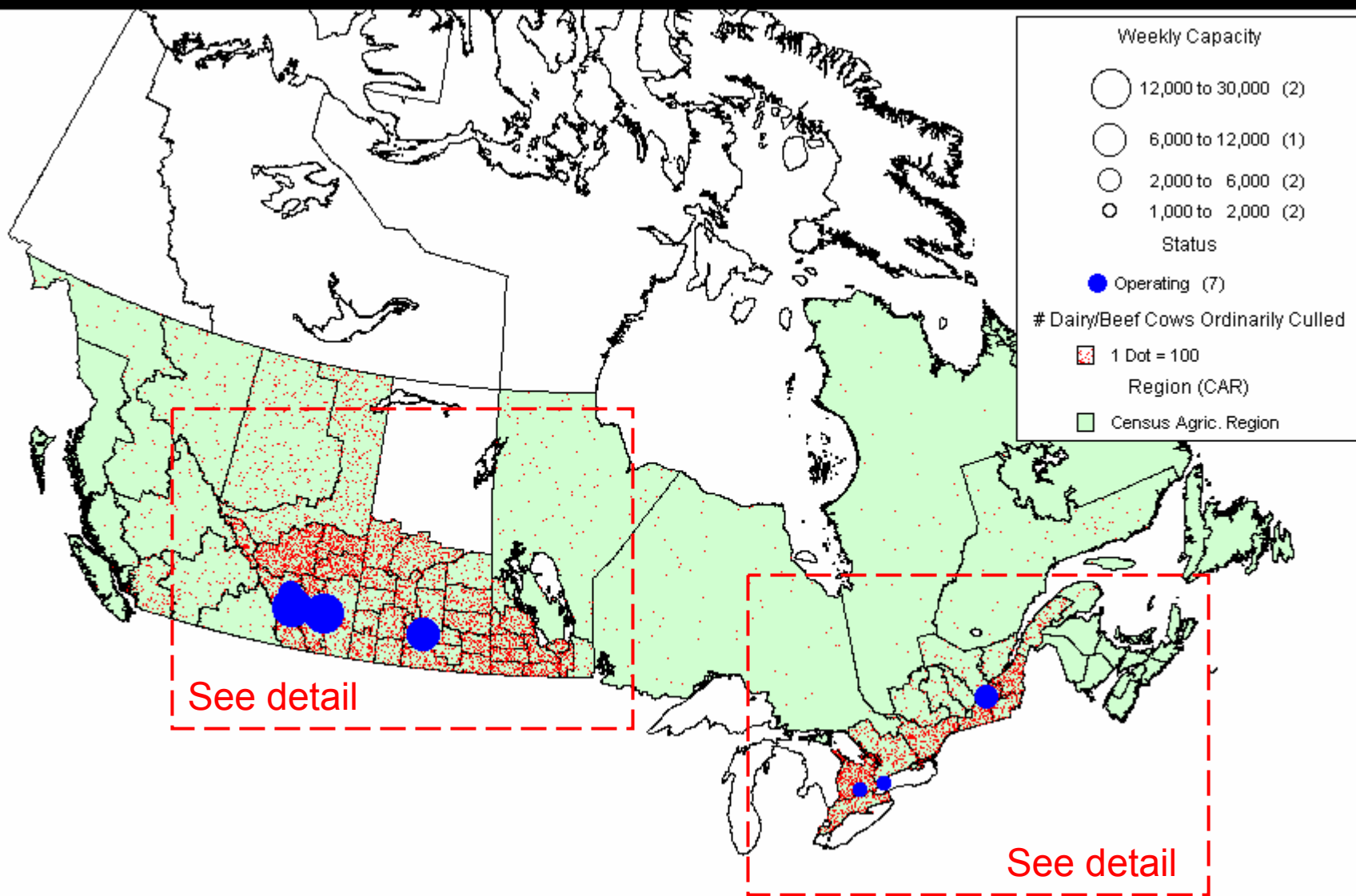


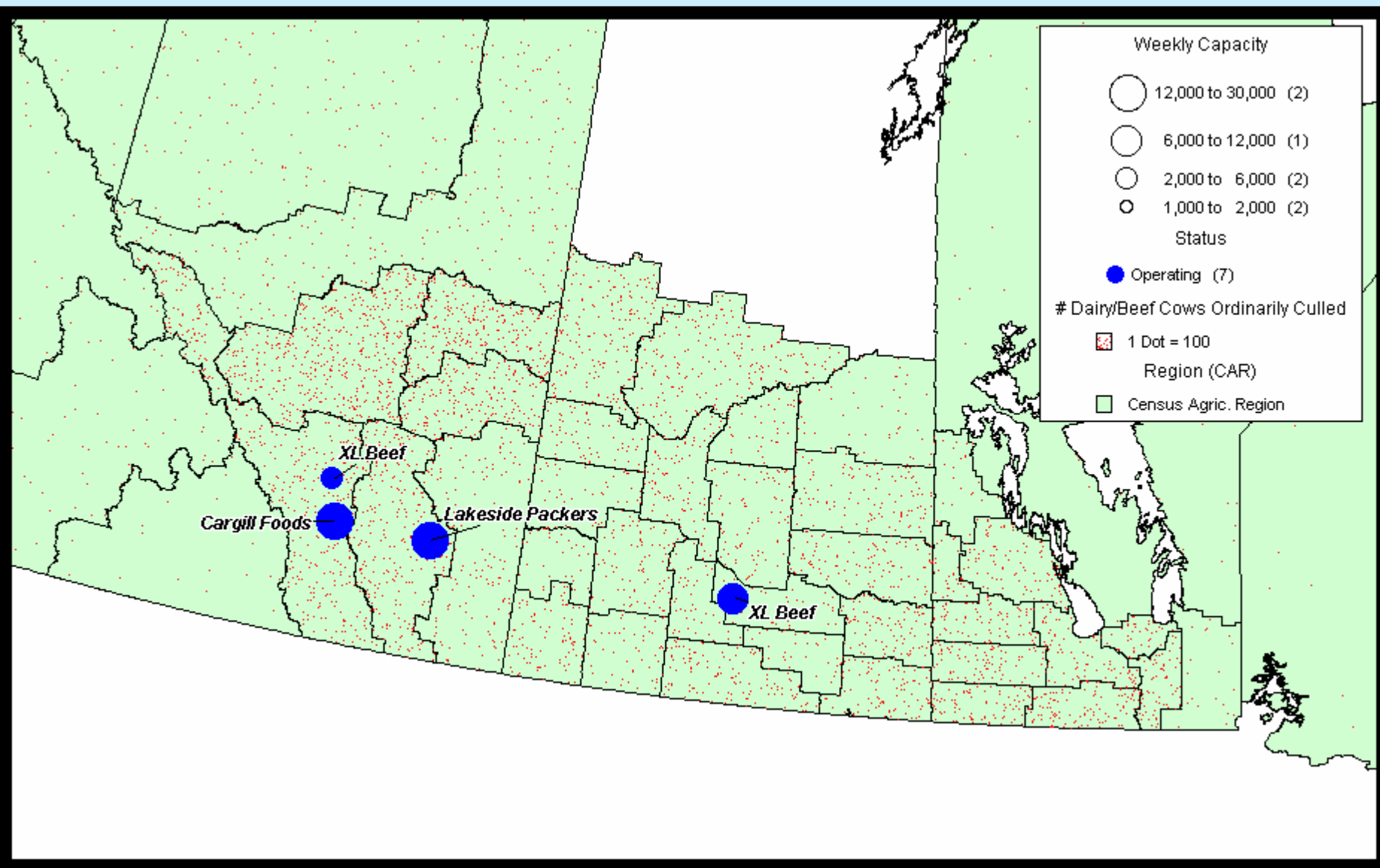
Prairie People's Packers

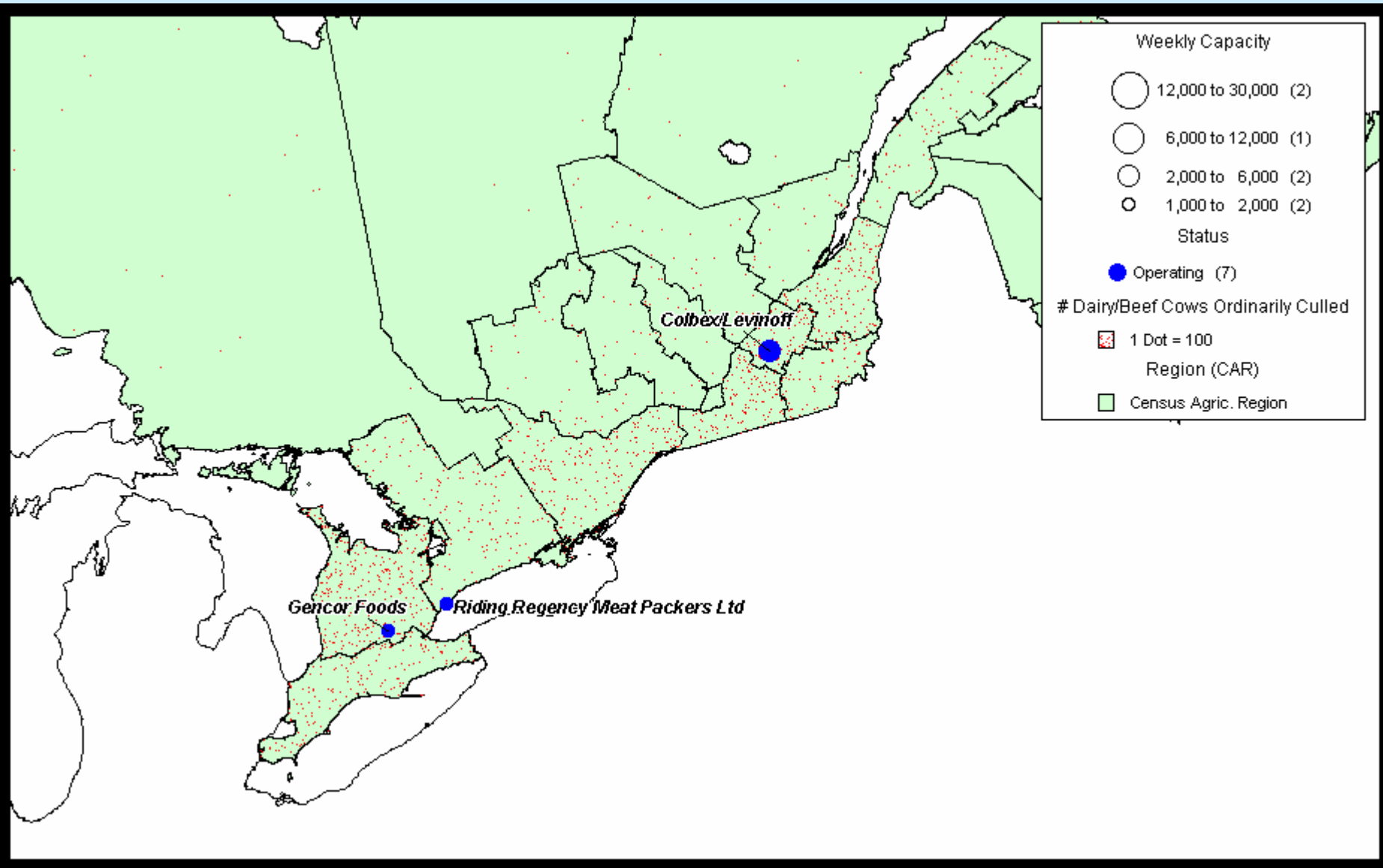


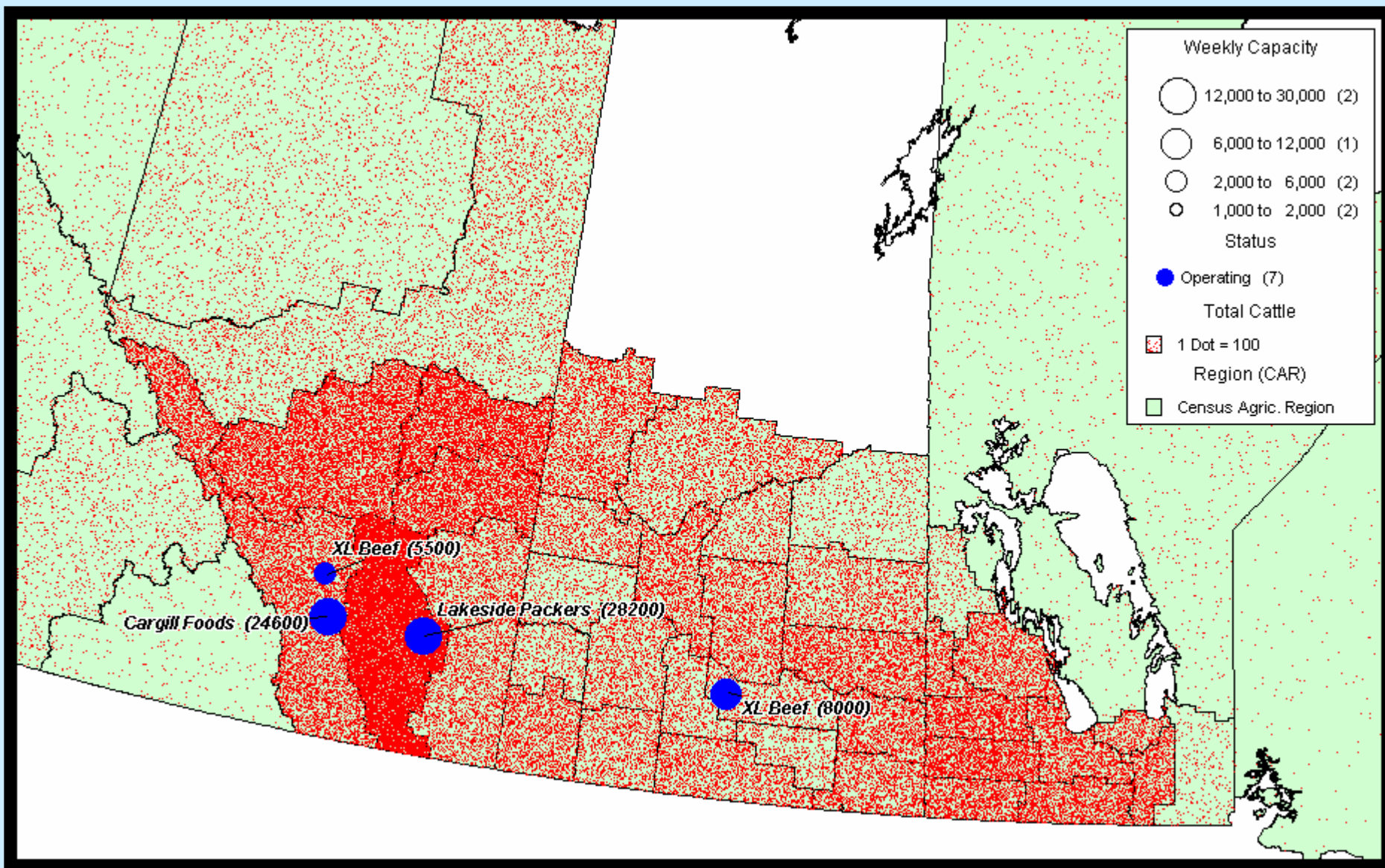
Prairie People's Packers

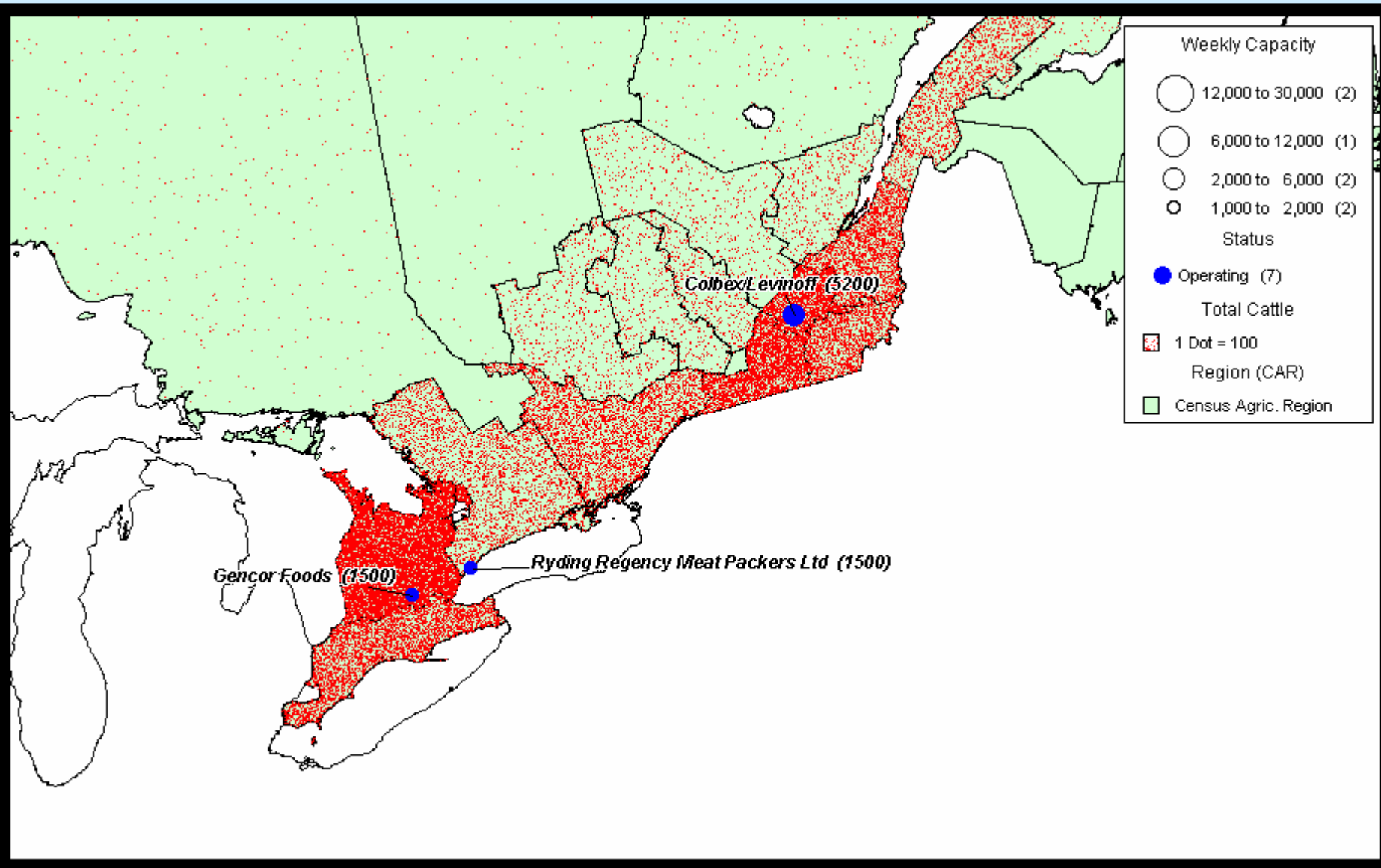
- Turning to existing, large scale meat processing establishments owned by multilocal firms...











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?