

The News Feed

An Ontario Cattle Feeders' Publication



Summer 2019 Edition



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CPTTP Trade Agreement Creating Market Growth



Attendees at FOODEX, the national food show in Japan, check out some of the Ontario Corn Fed Beef products that were on display at the event in March. Since the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTTP) went into effect on December 30, 2018, interest has been high for Canadian beef in the Japanese market. More details inside.

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Challenges, Changes And Opportunities

From The Desk Of Jim Clark



Jim Clark, Exec. Dir.

As I look around at the beef business and the challenges we're facing, I would say that the wind is in our faces as we head into the summer months. I say that because there are so many unknowns in our business at the moment. The African Swine Fever situation in China is a prime example. There are several unanswered questions, such as how it will impact on the meat supplies and what will that mean for prices at the meat counter for all proteins?

For cattle feeders, we're working at the lower end of the profitability scale. While more barns are being built, it looks as though the peak of new construction is behind us. The job now is to figure out how to spread these cattle around in our marketings to help keep the momentum going.

On the positive side, there has been strong consumer demand for beef. Around Easter, every week there was strong advertising for beef in the

grocery store flyers. It's critical to maintain that type of demand by focusing on branding and marketing. There are several parts to achieving that objective. While we're heavily focused on growing our domestic market, we're also banking a lot on the Asian market and the opportunities offered by the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Our goals are to get our beef into the highest market, whether that is here at home or around the world, and to get the best return for all members in our value chain.

BFO Approves Joint Marketing Venture

Our marketing efforts received a substantial boost in February at the Beef Farmers of Ontario (BFO) annual general meeting. The delegates approved the \$1.50 increase to the provincial portion of the beef cattle check-off in Ontario with strong support and a vote of 87 per cent in favour of the increase. Of the approved increase, \$1.25 will be dedicated to supporting the new joint venture between BFO and the Ontario Cattle Feeders' Association (OCFA) and the development of a marketing committee that will be focused on increasing market penetration of Ontario-branded beef, both at home and abroad. The remaining \$0.25 will be directed to BFO for the continued support of producer and consumer engagement activities.

BFO has begun the formal process of requesting that the Ontario Farm Products Marketing Commission amend Regulation 54 of the Beef Cattle Marketing Act. Upon approval, combined with the existing mandatory \$1.00 per head federal agency levy, the total Ontario check-off per head will be increased from \$4.00 to \$5.50 per head.

Three members from each organization have been appointed to the marketing committee.



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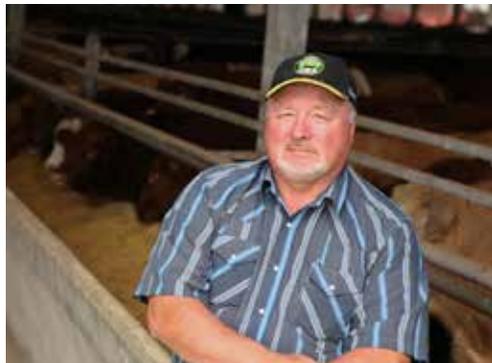
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Representing the OCFA are Mike Conlin, Jack Chaffe and Dale Pallister. The BFO's appointees are Rob Lipsett, Craig McLaughlin and Jason Reid. The committee will provide support and promotion for all Ontario beef brands in regional, domestic and international markets by working with farmers and partners in the processing, retail and foodservice sectors.

The joint venture falls in line with the agreement OCFA has had with the BFO in which the BFO will handle more of the political and government relations aspects, and OCFA will be doing more of the market development functions such as branding. This move makes sense because we don't need to have two parties both involved in marketing and to use more producer dollars to compete against each other. This joint committee is more of an integrated partnership, and it allows us to use some of the materials we have developed and some of our experience to help other Ontario groups that want to get into the branding and marketing of Ontario beef.

OCFA Board and Staff Changes



Barry Pletch

At our annual general meeting in March, long-time director Barry Pletch stepped down from our board. Barry was one of our first directors and was a big part of our development. He not only brought a lot of beef industry knowledge to the table, but his experience from the business and corporate world was valuable to our board. Derek Wilson will fill the vacancy left by Barry's departure. Derek is a feedlot operator from the Sarnia area, and we look forward to his contributions to our board in the future.

Adam Hill, who was our Quality Assurance Manager for six years, has accepted another position in the agriculture industry. We wish

Adam well in his new role as a customer service representative with Greenfield Global. As Quality Assurance Manager, he was our liaison, working with farmers on the on-farm food safety program for Ontario Corn Fed Beef. As food safety and quality assurance are key foundations of our program, Adam carried out a vital role for our organization. We are now in the process of hiring a replacement.



Adam Hill

Meanwhile, just as this issue was going to press, we added a new staff member at the OCFA. Chelsea Martin has joined our team. Among other duties, she will be responsible for managing all OCFA social media and producer relations portfolios. We are excited to have Chelsea join the organization and we will have more about her role in a future edition.

Loblaws Re-launch

As the barbecue season is going into full swing, we are making plans for another busy few weeks for our mobile kitchen unit. We are excited to be visiting several stores of Loblaw Companies Ltd. As we heard from one of the company's executives during the Beef Industry Convention, Loblaw is planning a relaunch of the Ontario Corn Fed Beef program. Details are still being finalized. Watch our social media channels for updates. In the past, the tour has been a fantastic way to promote our brand and meet directly with consumers to tell them our story, and we look forward to another successful year.

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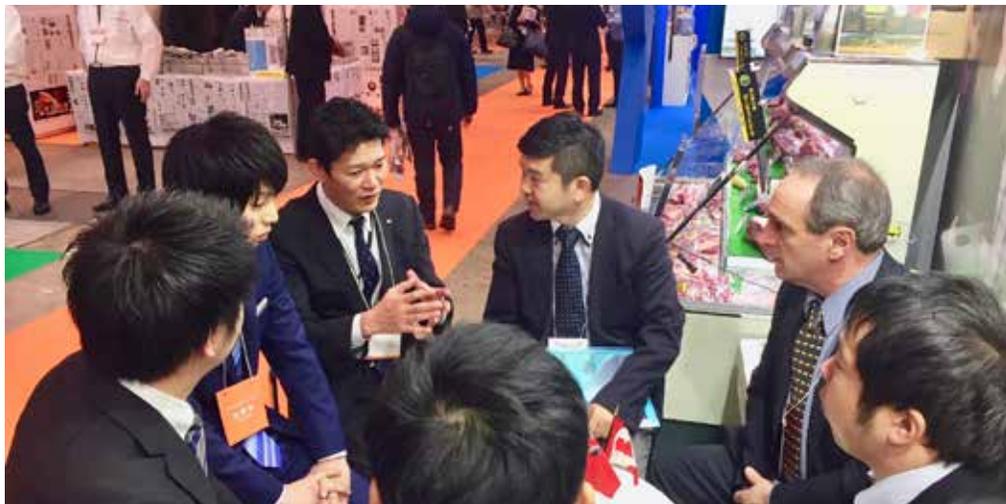


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Marketing Update: CPTPP Provides Opportunities For Growth



John Baker, OCFB Director of Brand Management and Business Development (top right), and Daisuke Shimojima, OCFB Program Manager, Market Development for Asia (top centre), meet with Japanese customers at the Supermarket Trade Show in Tokyo in February.

Ontario Corn Fed Beef is taking advantage of new market opportunities offered by the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Japan, one of the key countries involved in the agreement, was already an active export market for OCFB. Now that the deal is in place, more customers have come on board.

“With the implementation of the CPTPP on December 30, 2018, interest has been high for Canadian beef in the Japanese market,” says John Baker, Director of OCFB Brand Management and Business Development.

Between January and March, OCFB has developed five new retail customers in Japan, including Ralse, Ecos, Hokuren, Feel and Halo Day.

“As a very unique brand of Canadian beef, Ontario Corn Fed Beef has seen very strong interest in the retail sector as Japanese retail chains

look for imported beef options to differentiate themselves from their competitors,” says Baker. “Ontario Corn Fed Beef provides retailers with a unique brand of high-quality Canadian beef which helps to set them apart in their market from many of the larger import competitors.”

Ralse is a member of Arcs Group Co. Ltd., which is the largest retail chain group in the northern Japanese region around Hokkaido. Ralse has 73 stores throughout Hokkaido region. Also, the company is now promoting OCFB at all 36 stores in Sapporo. As the fourth largest city in Japan, Sapporo has a population of over 1.9 million.

Ecos is one of the largest growing sales for retail chains in Japan within 74 stores in the Kanto Region Centre, around Tokyo’s Metropolitan areas.

Hokuren Store was established in 1965 as the

first franchised retail chain in Hokkaido and has been promoting the attraction of customers with a unique product lineup throughout 78 stores.

Feel is one of the major retail chains locally centred around Nagoya, which has a population of over 2.3 million as the third largest city in Japan. They have 71 stores in Aichi Prefecture and Shizuoka Prefecture in the central district of Japan.

Hallo Day is one of the largest retail chains, locally centred around Fukuoka. With a population of over 1.6 million, Fukuoka is the fifth largest city in Japan. Hallo Day has 47 stores in the west Japan region. With these new customers, OCFB is now featured in 11 retail chains throughout each region of Japan. “We work closely with our distributor partners in Japan to identify potential new retail customers who are not in close proximity to our existing customers,” adds Baker.

Japanese Trade Shows

As part of our market development efforts, OCFB participated in the Supermarket Trade Show in Tokyo, Japan on Feb. 13-15. The show attracts retail industry customers, executives and key influencers from all over Japan. OCFB partnered with our distributor partner Prima Meat Packers to introduce OCFB to many new potential retail supermarket customers. OCFB products from Cargill and St. Helen’s were on display and samples were provided to show attendees. The feedback on the samples was extremely positive. The OCFB booth was the largest representation of any Canadian beef supplier.



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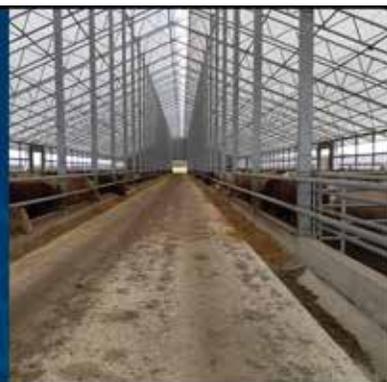
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OCFB participated in the Supermarket Trade Show in Tokyo, Japan on Feb. 13-15. We teamed up with our distributor partner Prima Meat Packers to introduce OCFB to many new potential retail supermarket customers. The OCFB booth was the largest representation of any Canadian beef supplier.

OCFB also participated at FOODEX, an annual national food show in Japan on March 5-8. The show attracts attendees from 85 countries and draws an estimated 85,000 visitors. OCFB displayed products from Car-gill, St. Helen's and also introduced OCFB product from Ryding Regency to the market for the first time. "Participation at these trade shows provides an opportunity to increase awareness around the Ontario Corn Fed Beef brand and to demonstrate our unique attributes to a large trade audience," says Baker. "These events bring many new contacts as well as existing customers who see our commitment to the Japanese market."

Domestic Trade Show

Closer to home, OCFB participated at the Restaurants Canada (RC) Show in Toronto Feb 24-26. The show is the largest event for the foodservice industry in Canada. OCFB also collaborated with Maple Leaf Sports & Entertainment Catering at the gala event reception to serve OCFB Roasted Tri-Tip Sirloin. "Participation at the RC show provides OCFB staff, along with our packer/distributor partners, an opportunity to engage with foodservice industry representatives and influencers," says Baker.



Ontario Corn Fed Beef on display at the Restaurants Canada Show in Toronto, Feb 24-26. The show is the largest event for the foodservice industry in Canada.

OCFB Now Available In Dubai Via Home Delivery

OCFB partnered with Dubai based distributor partner, Simply Gourmet to launch Ontario Corn Fed Black Angus Beef on their new home delivery platform, The Butchery, which is a specialty meat home delivery portal. The new entity has the ability to reach a larger consumer base through the rapidly growing home delivery segment. OCFB products are featured, including a video highlighting the OCFB Quality Assurance program. "We are very excited to partner with Simply Gourmet to bring Ontario Corn Fed Beef to the home delivery market in Dubai," says Baker. "This new concept expands the reach of our brand beyond the retail supermarket."

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Growing Cattle Supply To Test Improving Markets



File photo: Brian Perillat, Canfax senior market analyst, speaking at the 2018 Canadian Beef Industry Conference in London.

Supported by good demand and the impact of African Swine Fever in China, momentum has been building in the cattle markets over the last few weeks. But large cattle production numbers in North America could change that direction in the coming weeks.

“Typically fed cattle should stay strong for the next month or two, but you’re definitely going to see some pressure into the summer market as a lot of these cattle numbers really start coming to town into the summer and early fall,” says Brian Perillat, senior market analyst for Canfax. “For the next couple of months, I think these markets might see a little bit of pressure but

should remain decent at these kinds of levels or maybe down a little bit.”

The African Swine Fever (ASF) story has dominated the news in the protein markets. Recent estimates note that approximately 30 per cent of China’s hog population could be culled due to the disease. “So, there is a lot more demand out of China for animal proteins over the next year or two really fuelling a lot of this market momentum,” says Perillat. “Over the last few years, China has already been the fastest growing export market globally as well, even prior to any of this ASF issue. Certainly, the demand side of the picture looks very promising.”

U.S Cattle On Feed Up Two Per Cent

On the supply side of the story, U.S. cattle on feed numbers continue to grow. According to the latest report from the USDA, cattle and calves on feed for the slaughter market in the U.S. for feedlots with capacity of 1,000 or more head totalled 12 million head on April 1, 2019. The inventory was two per cent above April 1, 2018. The report noted that this is the highest April 1 inventory since the series began in 1996. “Packing plants and such are going to have to be running full out this summer just to meet the cattle supplies,” says Perillat. “That becomes a bit of a challenge as Ontario has witnessed this winter that once there are more cattle than capacity, it can take a bite out of the cattle market despite good beef prices and strong international demand. We do need to keep in mind that the packing capacity in North America has

“ We do need to keep in mind that the packing capacity in North America has not grown very much in the last few years. ”

not grown very much in the last few years.”

He also notes that a significant dairy cattle cull is adding to the growing U.S.

numbers, which has an impact on the cattle flows in Ontario and is pressuring the Ontario fed cattle market and the cull cow market. “The province is seeing a lot of dairy cows come to market, and that has sort of what’s backed up a little bit in their packer numbers, both from the extra cows and the fact there are fewer fed cattle going to the U.S.”

As for the Canadian dollar, Perillat is not bullish on the prospects for the Loonie, which has been trading near \$0.75 US for some time. While traders will be watching to see how the federal election may affect the value, he notes that a lot depends on oil prices and the strength of the U.S. dollar. “If we stay in this range of 75 cents, I would say, overall, it is positive for the market,” says Perillat. “And we can be anywhere from 74 to 78 cents, which I think is manageable. But if we start sneaking above 78 cents, or especially if we get above 80 cents, then that definitely will start to show up in pressuring the cattle markets. But it’s pretty hard to make a call on the dollar.”

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High-Supply Environment In The Crop Markets



Matthew Pot, Economist and author of Grain Perspectives

Besides increasing cattle numbers, farmers are also dealing with a high-supply environment in the grain markets. Matthew Pot, economist and author of Grain Perspectives, says the burdensome crop numbers will likely keep a lid on the prospects for big price swings in the markets going forward.

“As for marketing the crops this year, we want to make sure that we realize that volatility may be less than what we would have expected a couple of months ago, given the fact it’s a high-supply environment,” notes Pot.

A pair of crop reports from the United States Department of Agriculture didn’t do the corn markets any favours on March 29. The old crop price in Chicago closed more than 17 cents lower in the wake of the Prospective Plantings Report and the Quarterly Grain Stocks Report. According to the plantings report, corn planted area for all purposes in 2019 in the U.S. is estimated at 92.8 million acres, up four per cent, or 3.66 million acres from last year. Meanwhile, the agency estimated corn stocks at 8.6 billion bushels, which was approximately 270 million

above the trade’s expectations. “What that (estimate) gives us is essentially just increasing our carryout for this marketing year,” says Pot. “We’re now dealing in a market that has higher supplies than it would have had three or four months ago.”

Another bearish factor is a delayed demand for corn for both the ethanol and export markets. “Ethanol production pace is behind, and we could potentially expect more cuts in both ethanol and export demand in the next six months heading into the roll-over of marketing years,” adds Pot.

As for good news for the corn market, he notes that the managed money funds are sitting at an historical short position as the planting and growing season approaches. “At some time, all these contracts that they’ve sold, they’re going to have to buy back. The question is when and why, what is going to be the reason to do that,” says Pot, adding that China could be a catalyst in the corn market.

On soybeans, the U.S. export business stands

out as a factor to watch. Pot notes that the five-year average for cumulative exports is typically 84 per cent of the USDA projection at this point in the marketing year. As of mid-April of 2019, the number was only 61%. Even if the U.S. and China reach an agreement to resolve their trade dispute, it may not be enough to make up for the 23% lag. What’s more, the South American crop has improved in recent weeks. In the World Agricultural Supply and Demand Estimates report on April 9, the USDA increased its production estimate for Brazil by 0.5 million tons to 117.0 million, reflecting favourable weather in Rio Grande do Sul. “Three months ago, the South American crop would be getting smaller; there were drought concerns, but now it seems to have stabilized itself and it is certainly getting bigger,” says Pot. “It doesn’t help that the U.S. dollar continues to hold onto its strength and that doesn’t really help U.S. export demand.”

The wheat story is similar to soybeans with the pace of U.S. exports lagging behind the five-year average. At Week 45 of the marketing year, Pot notes that exports are at 75% of the USDA’s projection, down from the five-year average of 85%. “You’re probably going to see those exports roll into the next marketing year, and a chance that the 2018-19 ending stocks could end up over 1.1 billion bushels,” adds Pot.

On the plus side, U.S. wheat plantings are expected to be lower in 2019. The USDA is forecasting 45.8 million acres, down four per cent from 2018. According to the USDA, this total represents the lowest all wheat planted area on record since records began in 1919. But Pot says the crops in Europe and Russia, as well as Chinese demand, will also be factors. “What the wheat market needs is a couple of stories right now,” he adds. “You want to sell on any opportunities and take advantage of that.”

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Governments Expand Support To Corn Farmers With Crops Impacted By Plant Disease



Ernie Hardeman, Minister of Agriculture, Food and Rural Affairs, addresses the 2019 Grain Farmers of Ontario March Classic.

The Government of Canada and the Government of Ontario have heard farmers' concerns and are responding with new steps to improve the corn production insurance plan. A new tiered corn salvage benefit will be introduced in support of requests from farmers who dealt with deoxynivalenol (DON) in their corn crop last year due to wet weather.

During his remarks to the Grain Farmers of Ontario March Classic in London, Ernie Hardeman, Ontario Minister of Agriculture, Food and Rural Affairs, noted that a new tiered corn salvage benefit will begin in the 2019 crop year for eligible corn farmers.

"This will better reflect the different levels of costs associated with harvesting and handling DON corn and help producers who are harvesting and trying to find a market for the damaged crop," said Hardeman. "We've also extended the Commodity Loan Guarantee Program repayment deadline to Sept. 30 for the 2018-19 program years. This extension will give producers affected by DON extra time to market their corn. In addition, we provided solutions to help farmers with storage issues, and we supported the sector to find alternate markets for high DON corn."

The support for the salvage benefit is provided under the Canadian Agricultural Partnership. "We understand that this continues to be a significant issue for Ontario corn farmers and the sector at-large," said Marie-Claude Bibeau, federal Minister of Agriculture and Agri-Food, in a news release. "Through the Canadian Agricultural Partnership, we are helping farmers access the tools and support that they need to overcome difficult situations and manage future risk, while also looking towards long-term solutions to ensure the continued growth and prosperity of the agriculture sector."

According to Agricornp, customers will see a new tiered approach to the corn salvage benefit, with benefit amounts rising as DON levels increase. This tiered approach not only reflects the increased costs associated with higher DON levels, but it also aligns with the industry's practice of segregating affected corn by DON level. In 2018, the corn salvage benefit paid customers was \$0.79 per eligible bushel of corn. To be eligible, DON levels had to exceed 5 ppm. Customers can now receive compensation for DON-affected corn starting at 3 ppm and are eligible to receive higher compensation for higher levels of DON.

At 3-5 ppm, the benefit amount is \$0.52/bu. For 5-8 ppm, the amount is \$0.79/bu. At 8+ ppm, the benefit amount is \$1.08/bu.

This new corn salvage benefit builds on previous government responses to DON-impacted Ontario farmers, including:

- Establishing a partnership with the Grain Farmers of Ontario on proposed research into such areas as developing best management practices for in-season mitigation of DON and for effectively managing the storage of high-DON corn.
- The provincial government extending its Commodity Loan Guarantee Program loan repayment deadline, giving producers affected by DON additional time to market their corn. The Ontario government also increased the maximum guaranteed loan limit, on a pilot basis, from \$120 million to \$200 million for the 2019 and 2020 program years.

- Launching a cost-share program through the Canadian Agricultural Partnership to provide special assistance to farmers experiencing revenue loss over testing for DON.

In addition to the supports to help manage the impacts of DON, the Ontario government also hosted two roundtable sessions with industry representatives to work on connecting farmers with mental health supports. "Mental health in our agriculture communities is a matter that is very close to my heart; it's why I want to help address the stigma that still surrounds mental health," said Hardeman, referring to the Ford government's investment in mental health care. "It is so important for farmers to know help is available for them if they need it. It isn't just financial help, sometimes it's mental health help that they need, and we want to make sure it's there."

Last year, the provincial government announced an investment of \$1.9 billion over ten years in mental health, addictions and housing supports that will be matched by the federal government.

BFO Update: Hill Elected To Lead BFO In 2019



Joe Hill, President, Beef Farmers Of Ontario

The Board of Directors of the Beef Farmers of Ontario elected Joe Hill to be their 2019 President. The feedlot producer from the Fergus area will continue to lead the organization in the year ahead with Rob Lipsett continuing his role as vice president.

Joining the BFO Board in 2019 are Don Badour, Mert Schneider and Ron Stevenson who will all serve three-year terms. Badour, who will represent the cow-calf sector on the board, resides in Perth, Ont. where he operates a cow-calf operation with his family. Schneider will serve as feedlot director, and will replace Tom Wilson who completed three terms on the board. Schneider and his family operate a feedlot and cash crop operation in Palmerston, Ont. Lastly, Ron Stevenson was acclaimed to the position of southern director, and will replace Cory Van Groningen who completed two terms on the board. Ron and his family live in Walton, Ont. and operate a cow-calf and feedlot operation.

Returning to the BFO Board are Dave Cavanagh of Ennismore, Ont., who was elected by voting

delegates to represent the eastern region of Ontario, and Dan Darling of Castleton, Ont., who was elected to the position of at-large. Darling will replace Kim Sytsma who completed one term on the BFO Board.

The Board of Directors was named in February following the BFO's Annual General Meeting.

BFO Board of Directors and staff welcomed over 400 attendees at this year's AGM, including a number of Members of Provincial Parliament who attended the evening banquet. BFO was pleased to have the Honourable Ernie Hardeman, Minister of Agriculture, Food and Rural Affairs meet with delegates at the banquet. During Minister Hardeman's address, he announced changes to the Ontario Feeder Cattle Loan Guarantee Program. The changes will reduce unnecessary and costly credit checks to better align with lender and borrower business practices and expectations. The revisions will also streamline the transfer of ownership of livestock once a loan is paid off, which will directly benefit beef farmers who are members of the program.

Environmental Stewardship Award Winner

In other news from the AGM, Steve Sickle, owner of Sickle Farms in St. George, Ontario, was presented with the Environmental Stewardship Award, sponsored by the RBC Royal Bank.

Steve has always been an early adopter and ambassador for soil and water conservation on his farm; practices that began with his father, Bill, in the 1970s and 80s, and which Steve continues and improves on today. Fencing the cattle out of the watercourses and wetlands on the farm, installing a solar powered water bowl on the corner of three fields, and transitioning to rotational grazing are just a few of the projects completed in the last ten years.

An intensive cover crop and intercropping plan and no-till farming practices have also been implemented. All of these projects and plans have led to the improved resiliency of his crops and infiltration of his soil, and lend themselves well to Steve's belief that it is better to have living roots in the soil year-round.

Over the years, Steve has taken advantage of funding through both the Grand River Conservation Authority's (GRCA) Rural Water Quality Program and Ontario Soil and Crop Improvement Association's Species-At-Risk Farm Incentive Program to implement a number of projects on the farm. Sickle Farms has long had an Environmental Farm Plan in place, and Steve has held leadership roles with the local, regional and provincial Soil and Crop Improvement Associations, the Brant Federation of Agriculture and Brant Cattlemen's Association. He is also a member of the Ontario Soil Network and a former member of the Brant County Agricultural Advisory Committee.

The Mapleseed Pasture Award Winner

Meanwhile Doug Gray and his life and farming partner, Bonnie Wilson, of Piper Creek Farms near Castleton in Northumberland County received the 2019 Mapleseed Pasture Award.

Piper Creek Farms consists of 105 acres of pasture and the management system is primarily a form of strip grazing that Doug calls "modified mob grazing." The system utilizes 10 five-acre paddocks and one extended rest area that is continuously grazed when needed. Two other paddocks may or may not be needed in the rotation depending on rainfall. If they are not required, the hay is used as stored feed or stockpiled for fall grazing.

The extensive use of frost seeding to rejuvenate the pastures has been a major benefit, resulting in a wide variety of grasses and legumes in the pastures. The mix of species includes timothy, brome (both tall and soft), bluegrasses, orchard, trefoil, red and white clover, and persistent alfalfa from previous seeding.

While the water source for the remote pastures is a creek or pond, Doug explains that, as a matter of farm policy, they do not water any of the herds in surface water. The water is pumped by solar powered systems to provide water to these pastures through an above ground water line, which has a number of drops that allow for shorter trips to water, and quick and easy movement of stock tanks.

Diplomatic Rifts Costly For Canadian Agriculture



Former politician Peter MacKay, pictured at the Grain Farmers of Ontario March Classic, in London, Ont.

A former Canadian Minister of Justice and Foreign Affairs suggests that Canada should tread carefully when dealing with the United States and other trading partners. Peter MacKay, who also served as National Defence Minister in former Prime Minister Stephen Harper's Cabinet, shared his views on politics and trade in a keynote speech at the Grain Farmers of Ontario March Classic.

On trade with the U.S., MacKay told the audience that it's critical to foster a good relationship because the economy of our neighbour across the border is vital to the Canadian economy and the agriculture industry. "We don't always have to agree. We don't, certainly, always ascribe to the same ideals and even the same values, but we are very much the same people, and we have shared goals and visions," he added.

MacKay encouraged farmers and others in the ag industry to continue to reach out to their counterparts in the U.S. through their industry or personal connections. "We need to continue to show solidarity in North America because it is a big and competitive world out there for your industry and others," he said. "Yes, there

has been a great deal of talk about diversifying our markets and trying to find new markets in ways in which we can get Canadian products where we want to be. For the first time in a long time, we are actually in a deficit position. That is to say, we're importing now much more than we're exporting and that is not really in keeping with our history."

On recent trade developments, MacKay believes Canada can do more to take advantage of the Canada-European Union Comprehensive and Trade Agreement. Known by its acronym, CETA, the agreement went into effect in 2017. Noting that it covers a \$7-trillion economy, he said Canada is ahead of the U.S. and other countries who would like to have similar market access. "And they're hungry, literally and figuratively, for Canadian products, your products," added MacKay. "We should be leading trade missions and delegations and getting in the presence of their representatives and promoting Canadian product."

On the other hand, MacKay warned trade could harm Canada's economy if we're not careful when it comes to dealing with our trading partners. Citing China as an example, he said our

relations with the Asian country are not on a sound footing at this point. Tensions have increased since the arrest in Canada of Huawei Technologies Co. Ltd. Chief Financial Officer Meng Wanzhou on a U.S. warrant. At the time of his speech, China had suspended the licences of two Canadian companies to export their canola seed to China, citing non-compliance with its plant health requirements. More recently, China suspended imports from two Canadian pork exporters, noting a labelling problem.

"As much as we view ourselves as different and distinct in many ways; a country that respects the rule of law, a country that covets the independence of our judiciary, a country that very much believes in human rights, there are many differences that set us apart from China," said MacKay. "But their economic power and might will not allow us to dictate their policy, nor will they tolerate us lecturing them on any of the aforementioned subjects."

Referring to the SNC-Lavalin scandal, MacKay said this is "a low point" for Canada in terms of the world's perception of our rule of law claims. "And where we tell China that we don't interfere in our justice system, (that) we don't try to exert political influence over individual cases; we're not going to tell a judge or prosecutor how to decide the outcome of a case...we better be able to stand behind those words."

Noting that a good reputation is something that is difficult to earn but is easily turned, MacKay said that Canada's disputes with China and Saudi Arabia have been damaging. "There is a very real cost to sometimes overextending our reach, lecturing other countries about their human rights, doing it in a way that's open through Tweets or other communications that's meant to shame."

MacKay prefers a more diplomatic approach. He noted that Canada has "incredibly able" people in the civil service who have dedicated their lives to diplomacy and to promoting Canada's interests. "There is an accepted way to communicate much of what we want to communicate without causing the public spectre and a backlash, albeit unintended," he said.

Industry Notes

Canadian Cattle And Hog Inventories Shrink

Cattle and hog inventories were down on January 1 compared to January 1, 2018. This was the first year-over-year (from January to January) decrease for the hog inventories since January 2013. Except for a few small increases, cattle inventories have been declining since January 2005.

Cattle:

On January 1, Canadian farmers had 11.5 million cattle on their farms, down 1.1% from January 1, 2018. Inventories were 23.3% below their peak level in January 2005.

Cattle producers retained less breeding stock in 2018, as the number of beef heifers held for breeding on Canadian farms was down 1.4% to 553,800 head compared with the same date a year earlier. The number of beef cows decreased by 1.0% to 3.7 million head. The inventory of calves on January 1 decreased by 1.3% to 3.7 million head. The number of feeder heifers increased by 1.2%, while the number of steers decreased by 3.4% from January 1, 2018.

As of January 1, 72,420 farms reported inventories of cattle and calves, down 1.6% from January 1, 2018, and 3.1% lower compared with the same date in 2017. Canadian farmers had 1.4 million dairy cows and heifers on their farms, up 0.3% from January 1, 2018.

Ontario farmers had 1.595 million cattle on their farms on Jan. 1, down 0.7 per cent from Jan. 1, 2018. The number on dairy operations was 698,800, up 2.9%. The number of cattle on beef operations dropped 3.3% to 896,200.

Total disposition of cattle rose 1.6%, driven by higher cattle slaughter levels during the second half of 2018 compared with the same period in 2017. Total cattle slaughter rose 3.1% to 1.8 million head in the second half of 2018, marking the third consecutive year-over-year increase. International exports of cattle decreased by 2.3% to 295,100 head during the second half of 2018 compared with the same period in 2017.

Canadian slaughter cattle prices were lower on

average during the second half of 2018 compared with the same period in 2017.

Hogs:

Hog producers reported 14.0 million hogs, down 1.0% from January 1, 2018, and the first year-over-year (from January to January) decrease in six years. However, the hog inventory remained 10.1% above the January 1, 2013 level. As of January 1, there were 8,060 farms reporting hogs in Canada, down 1.3% from the same date a year earlier. These farms reported 1.2 million sows and gilts, down 0.1% from January 1, 2018.

Sheep:

Canadian farmers held 842,300 sheep and lambs on January 1, 2019, up 2.0% compared with the same date in 2018 and the second consecutive year-over-year increase (from January to January).

International exports of sheep decreased to 800 head in the second half of 2018, down 33.3% from the same period in 2017.

Canadian lamb prices decreased in the second half of 2018 compared with the same period in 2017.

(Source: Statistics Canada)

CCA Concerned New Animal Transport Regulations Will Undermine Cattle Welfare Rather Than Enhance It

Proper cattle care and welfare are paramount in the Canadian beef industry. The cattle industry's objective is for animals under transport to arrive successfully at their destination in good health and condition, without injury and while minimizing stress. Agriculture and Agri-Food Canada (AAFC) research shows that 99.95 per cent of cattle on long-haul journeys reach their destination in good condition.

While the intent of the revised Health of Animals – Transport Regulations published in February is presumably to seek improvements in the remaining 0.05 per cent, the Canadian Cattlemen's Association (CCA) anticipates the revisions will likely increase stress to cattle and opportunity for injury. This is mostly due to the changes in regulations requiring more loading

and unloading for rest stops.

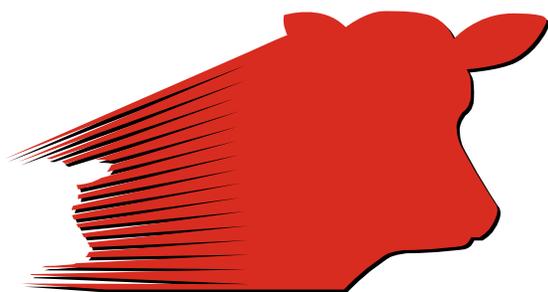
The CCA questions why the revised regulations ignore the Government of Canada's own research and why they were released prior to the completion of ongoing research that would inform a decision on how to change the regulations to ensure the best outcomes for animal care. This research, funded in part by AAFC, will collect data through 2021 and is being conducted using commercial cattle, transport trailers, and drivers under typical commercial distances and conditions in Canada, as it is important to base regulations on directly relatable conditions and scenarios. This research will inform science-based industry best practices to ensure animal welfare is safeguarded during transport.

Further, the regulations have disregarded recommendations made by cattle producers drawing from years of practical hands-on expertise in handling and minimizing stress on their animals. These and other recommendations were included in the CCA's extensive comments, questions and recommendations submitted during the Canadian Food Inspection Agency (CFIA) review process and to the Standing Committee on Agriculture and Agri-Food.

The CCA has continuously demonstrated leadership in animal welfare, particularly when it comes to understanding the effects transportation has on cattle, and will continue to do so. The CCA will be analyzing the revised regulations document in full and will continue to engage the Government of Canada on our concerns about the animal welfare implications of these regulations before they come into effect next year.

CCA believes the revised regulations are premature and incomplete. To ensure proper process, specific proposals need to be researched to understand how they affect the wellbeing of the animal. The CCA notes that without fully evaluating unknowns such as the stress of unloading and reloading versus the stress of completing the journey, the effects of temperature, trailer design, loading densities as well as whether rest stops do, in fact, relieve stress, the Government is taking a risky approach with the revised regulations that the group anticipates will move industry's good record away from, rather than closer to, 100 per cent.

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