

BC BEEF PRODUCERS THE CONCEPT

Submitted by Mary MacGregor Q.C.

Well, I was going to write this column on another topic. But at the request of the cattle industry steering committee on a BC Beef brand and processing facility, I've agreed to write this article to let BC's cattle people know what is happening at the Steering Committee table.

Background.

BC Cattlemen's and the Association of BC Cattle Feeders have, for several years, had a steering committee looking at establishing a processing facility in British Columbia. As a key part of that work, the group was to establish a BC Beef brand, plus sales and marketing opportunities for BC branded beef.

The reason for the steering committee's work is, of course, to create and increase the market for BC branded beef products within British Columbia, and later elsewhere—with the ultimate objective of increasing the profitability of the cattle industry in British Columbia.

The path to selling BC Beef at a hoped-for premium is rife with challenges. They include creating, funding, and appropriately locating a processing facility; creating a reliable year-round fed cattle supply chain; creating additional expertise in BC in feeding cattle to finish; sourcing required feedstocks, developing a brand which attracts consumers, developing a marketing system to get BC Beef to market—and to do it all in a cost-effective way.

What's New?

What's new is that the steering committee learned of the potential to lease the KML processing facility near Westwold, BC.

Suddenly what was until then a theoretical discussion became an opportunity. The committee responded by simplifying the start-up concept to cull cows/grind only, adding steering committee representation from the breeders and feeders and the dairy sectors, and negotiating to lease the KML plant.

The concept is that BC cattle producers will sell cull cows to the processing facility which will process them into ground beef, to be sold under a BC Beef brand, through sales channels

into the main urban market. As has always been the concept, the profits from processing and marketing the products must go back to the producers who supply the cows.

Producer Participation?

Here are the steering committee's thoughts about how producers can participate.

- Producers would have to qualify as British Columbia cattle producers producing BC born and raised cows, and may be asked to qualify as VBP+ producers or for dairy, pro/Action producers.
- Producers would be both entitled and obligated to ship a committed number of cull cows each year.
- Failure to supply the required cows would result in the forfeiture of the right to have cows processed in future (see explanation below).
- Cows would be delivered at different times of year.
- The processing plant would buy the cows on arrival at the plant, at market price. A grid for quality of the cow and time of year of shipment would have to be applied to the market price, with bonuses and discounts relating to quality. Payment of the market price subject to grid would happen within days of delivery.
- Cows would be processed, ground, and the processed product would be marketed under the BC Beef brand.
- Once a year, processing plant revenue minus costs would be divided among all the producers who shipped cows to the processing facility, on a per-cow-supplied basis.

The steering committee is working hard to move from concept to reality. Planning continues apace.



Photo by Copper-T Ranch

Explanation of Some BC Beef Concepts.

Advisors Bruce Cowper of Mallot Creek Group Inc. on the plant and processing aspects of the business, and Glenn Brand of Brand Marketing & Management Inc. on the branding and marketing aspects, have provided guidance to the steering committee. As I have been on committee conference calls for the last few weeks, it has been a privilege to listen to and learn from these experts.

Bruce Cowper has lengthy experience with processing plants. He was instrumental in the formation of Progressive Pork, a highly successful producer-owned processing facility in Ontario on which this BC initiative is modelled.

Bruce’s advice throughout is that the venture will succeed or fail based on the ability to secure (a) an assured supply of cows and (b) the quality of the cows.

The need for an assured supply of cows is what drives the concept that the producer not only may, but also must supply cows annually to the plant, or else forfeit that producer’s position.

The need for higher quality cows to process is to be addressed by the bonus/discount on the grid. In concept, producers who supply lower quality cows are to take a larger-than-market discount. The larger discount for lower quality cows is to incentivize producers either not to supply lower quality cows or to take steps to improve their quality before shipping, which may mean holding and feeding them to increase quality--or to ship cows when the supply of cows is smaller.

Securities Law Requirements.

The broad concepts outlined above must be fleshed out and described in detail. No opportunity to participate or invest will be offered unless and until that opportunity can be offered in full compliance with applicable securities law.

More Later.

You can expect to hear much more about BC Beef and the BC Beef brand.

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