

Alberta Livestock and Meat Agency 2015-18 Business Plan



ALMA 2015 -18 Business Plan @ a Glance

The Alberta Livestock and Meat Agency (ALMA) is positioned as:

a catalyst in the development of a profitable and internationally competitive Alberta livestock and meat industry.

○ Goal #1: Increased Customer Access and Market Development (Domestic and International)

Strategies

- 1.1. Confirm and support market growth opportunities with key target customers in Canadian markets and target markets of China, Japan, EU and South Korea.
- 1.2. Facilitate strong industry relationships with decision- makers and policy influencers.
- 1.3. Facilitate the participation of export ready agri-food businesses on trade missions and support business partnerships with key food retailers in target markets.
- 1.4. Share information regarding elements of market readiness with domestic industry players.
- 1.5. Support consumer/customer focused leadership development and alignment.

○ Goal #2: Enabled Product Differentiation

Strategies

- 2.1. Provide information on customer market profiles for key markets to encourage new product development.
- 2.2. Support enabling technologies for validation of product quality and assurance.
- 2.3. Support new product development (concept to testing/ramp-up).
- 2.4. Communicate new market knowledge to industry and support of cross-sector learning opportunities.
- 2.5. Identify and mobilize the networks that link leaders and inform entrepreneurs.

○ Goal #3: Enhanced Productivity

Strategies

- 3.1. Enhance profitability at the farm level through adoption of technologies and practices for productivity improvement.
- 3.2. Advance transformational innovation through targeted Calls for Proposals addressing key industry issues.
- 3.3. Improvements through manufacturing efficiencies and labour gains.
- 3.4. Innovation for enhanced productivity focused on animal health and performance for all species including lamb, poultry, bison and diversified species.
- 3.5. Identify critical areas for supply chain collaboration for improved knowledge transfer, implementation and profitability.

○ Goal #4: Sustainable Development

Strategies

- 4.1. Stimulate and support industry initiatives that enhance the dialogue around sustainability and its relevance to consumer and societal food expectations¹ (health, ethics, and provenance).
- 4.2. Develop and support industry initiatives addressing gaps in information and balance of societal–environmental–economic priorities.
- 4.3. Targeted Calls for Proposals on sustainability.
- 4.4. Facilitating value capture of ecological goods and services.

¹ The Canadian Agri-Food Policy Institute. "Project 5: Consumers and Markets. Differentiate to Compete: The Consumer Perspective." May 2014.

ALMA's core businesses:

- To challenge and educate the industry with new and sustainable initiatives for the livestock and meat sectors and their partners.
- To provide oversight and direction of funding to realize the vision.
- To provide policy advice to government and industry.

Facing New Realities

The reality of today's marketplace is that it is demand-driven. The livestock and meat industry increasingly must keep on top of consumer trends in order to seize opportunities. ALMA encourages industry to be customer-centric. This means prioritizing customers in product and business decisions, and indeed organizing the business around them. Quality, safety and operational standards are often a fundamental requirement of leading retailers.

The Journey Continues...

Over the past six years, ALMA's role as a catalyst for ideas, information and investment is now well-defined. We have established relationships and partnerships with businesses large and small and helped expand the processing capacity in Alberta.

The Alberta livestock and meat industry has entered into a new era characterized by population growth, income growth, growing globalization, and market demands of transparency. In 2014, livestock producers experienced stronger prices in the shadow of production declines.

Growth in world production of beef and veal has slowed significantly in recent decades.² Canada's setback has been attributed to the 2008 financial crisis, high feed costs, and Mandatory Country-of-Origin Labelling (M-COOL). Informa Economics forecasts cattle inventories to bottom out in 2015 and 2016, before producers rebuild herds. Beef production is forecast to increase as a result of productivity improvements and moderate rebound in inventories.

China, accounting for nearly half of global pork production, will have a huge impact on the future global supply/demand. China is forecasted³ to become more dependent on pork imports to meet domestic consumption due to their expanding population, income growth and increased urbanization. Although the Canadian pork industry has experienced relatively static production over the last decade, the Alberta industry appears to be stabilizing. While producer margins were positive over the last couple of years, many producers are still

² Informa Economics, Medium-Term Economic Outlook for Alberta's Cattle and Hog Sectors, February 2015.

³ Informa Economics et.al.

recovering from severe equity losses in prior years. Alberta will need to address infrastructure constraints.

Optimistic prospects in emerging markets seem to be elusive. And yet the long term outlook remains very positive as populations expand, wealth increases, and demographic patterns shift in the global markets.

Industry is faced with the daunting undertaking of connecting our near term uncertainty with that of a prosperous future. That connection is forged through innovation and leadership.

The near term uncertainty is prevalent in:

- Oil prices: The sharp drop in oil prices is hurting the Canadian economy through reduced business investment in the energy sector and lower energy consumption. The Conference Board of Canada predicts Alberta's GDP growth will pause in 2015, if the price of oil continues to decline. This foreshadows challenges in the budget year ahead. Slumping oil prices are resulting in a drop in the dollar, changes to oil companies' spending and impacting investment. However, the implications of a weaker oil price and Canadian dollar to the livestock industry should support agricultural prices and exports.
- Livestock prices: 2014 witnessed a price rally but current markets are rebalancing, along with concerns of global economic and social instability. The beef sector experienced high prices driven by strong demand for cattle and short supplies. With the recent announcement of Bovine spongiform encephalopathy (BSE) and subsequent border closures by several countries, the industry is watching the market with trepidation. The pork industry has struggled for the last decade but the outbreak of Porcine epidemic diarrhea virus (PEDv) in the United States reduced the number of animals coming to market, increasing hog prices. Hog supplies have now increased and the pork market in early 2015 has softened considerably. Higher 2015 US pork production, a strong US dollar, and weakening US export sales are expected.
- International trade:
 - Closures due to BSE - China, South Korea, Peru, Belarus and Taiwan have suspended Canadian beef imports and, Indonesia has placed restrictions on non-edible meat products.
 - EU-Canada Comprehensive Economic and Trade Agreement (CETA) – access requirements. Trade restrictive effects of non-tariff barriers included protocols for ensuring that banned substances have not been used in production or in carcass washes as well as impediments created by the administration of the "tariff rate quotas" for meat products⁴.
 - Trans-Pacific Partnership (TPP) – The TPP negotiations involve 12 countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand,

⁴ The Canadian Agri-Food Policy Institute. "Leveraging Trade Agreements to Succeed in Global Markets", A discussion paper, July 2014. John M. Weekes, Senior Business Advisor, Bennett Jones; Al Mussell, Senior Research Associate, George Morris Centre; and David McInnes, President & CEO, Canadian Agri-Food Policy Institute

Peru, Singapore, the United States and Vietnam. Canada and its competitors recognize the significant potential Asia has to offer.

- Canada and Japan negotiations on a trade agreement (Canada-Japan Economic Partnership Agreement) are proceeding.
- U.S.'s Country of Origin Labelling scheme (COOL) – requires packaging include where the animal was born, raised and slaughtered, which means animals have to be segregated at slaughter and tracked throughout the process. The World Trade Organization has already ruled the United States must change its meat-labelling laws, a ruling which has been appealed, with a mid-2015 decision expected.
- Canada – South Korea Free Trade Agreement came into effect January 1, 2015 and will see the elimination of South Korean tariffs on Canadian imports with a range of phase-in periods; including beef (15 years) and pork (5-13 years).

- **Competitive pressures:** Overseas competitors will challenge Canada's export markets in such areas as labour, access to credit and markets and information exchange. Ethical and sustainable production is in strong demand. Production systems will need to make efficient use of water and energy, reduce greenhouse gas emissions and keep an eye on developments in the areas of residues, antibiotic resistance, and zoonotic disease. Producers remain generally optimistic relative to long term prosperity. There is a need for better access to export markets, enhance productivity and innovation and technologies to ease production costs.

“The more you know, the better you eat.”™ Consumers have a growing appetite to know more about what they eat, where it comes from, what's in it and how it was raised. Better decisions are made by informed consumers. Understanding consumer expectations and responding to them are key to industry success.

Goals, priority initiatives and performance measures

○ **Goal #1: Increased customer access and market development (Domestic and International)**

Position:

- Keeping the Canadian products and market share relevant to consumer.
- Fiscal constraints will witness a tightening on support services related to export facilitation.
- Industry will need to better promote the key attributes of Canadian meats as part of a healthy balanced diet.
- Consumer / customer demands will drive the offering of a range of retail meat products (including sustainable, ethical, healthy and verified).
- Confirm which markets offer the highest value to producers and focus support on improving market share to these markets.
- Greater monitoring, measurement of the returns from generic promotion campaigns.

- Continued support of priority market development to access customers in China, Japan, EU and South Korea.
- Strategic advice to protect and advance Japan bilateral trade; China market access; CETA and South Korea implementation; and ensure common footing with major competitors as the Trans-Pacific Partnership (TPP) opens to potential members.
- ALMA continues to monitor the progress in World Trade Organization (WTO), Codex, international market access and compliance with existing trade agreements, in particular with our NAFTA partners and mandatory country-of-origin labeling ruling.
- Focus on customer/consumer market development activities (including education/awareness) and enable relationship connections.

Strategies

- 1.1. Confirm and support market growth opportunities with key target customers in Canadian markets and target markets of China, Japan, EU and South Korea.
- 1.2. Facilitate strong industry relationships with decision- makers and policy influencers.
- 1.3. Facilitate the participation of export ready agri-food businesses on trade missions and support business partnerships with key food retailers in target markets.
- 1.4. Share information regarding elements of market readiness with domestic industry players.
- 1.5. Support consumer/customer focused leadership development and alignment.

| Performance Measure | Last Actual 2013-14 | Target 2015-16 | Target 2016-17 | Target 2017-18 |
|---|------------------------|-------------------|-------------------|-------------------|
| 1.a Engagement with company missions into Key/Priority Markets ¹ | 5 | 5 | 5 | 5 |
| 1.b ALMA-supported market development activities in key markets. | 3 | 3 | 3 | 5 |
| 1 c. Market and competitive research reports (i.e.: GIRA) | 2 | 3 | 3 | 5 |

Note:

- 1 Key/Priority markets include China, Japan, EU and South Korea. Strategic positioning continues with TPP members.

○ Goal #2: Enabled Product Differentiation

Position:

- Past efforts to work together with one voice have fueled the development of a national beef strategy. ALMA endorses positive connection with consumers, public, government and partnering industry to further long term relationships.
- New products are essential for industry growth and require investments in science, technology and strategic partnerships to drive innovation and quality.
- Product opportunity must align with existing strengths and capacity of Alberta's livestock and meat sector.
- Align the opportunity with global trends in consumer demand, when and where possible.
- Support system approaches to product differentiation and positioning.
- Marketing support aligned with priority export markets.
- Emphasis on attribute-based differentiation.

Strategies

- 2.1. Provide information on customer market profiles for key markets to encourage new product development.
- 2.2. Support enabling technologies for validation of product quality and assurance.
- 2.3. Support new product development (concept to testing/ramp-up).
- 2.4. Communicate new market knowledge to industry and support of cross-sector learning opportunities.
- 2.5. Identify and mobilize the networks that link leaders and inform entrepreneurs.

| Performance Measures | Last Actual 2013-14 | Target 2015-16 | Target 2016-17 | Target 2017-18 |
|--|------------------------|-------------------|-------------------|-------------------|
| 2.a. Number of ALMA supported research initiatives focused on product differentiation. | - | 20 | 20 | 20 |
| 2.b. Leverage ratio with the product differentiation focused research initiatives | - | 2.5 | 2.5 | 2.5 |
| 2.c. Number of ALMA supported initiatives through the Agri-Processing Product and Market Development Program | 19 | 20 | 20 | 20 |
| 2.d. Leverage ratio with the Agri-Processing Product and Market Development Program | 2.48 | 2.5 | 2.5 | 2.5 |
| 2.e. New products developed | 48 | 50 | 50 | 50 |
| 2.f. New leader development | 524 | 400 | 400 | 450 |
| 2.g. New educated professionals (i.e.: HQP) | 435 | 200 | 200 | 200 |
| 2.h. Market profile research studies | 2 | 2 | 4 | 4 |

Goal #3: Enhanced Productivity

Position:

- Continue to support Alberta's post-secondary institutions, research facilities and provincial development centres to enable them to continue developing innovations that can be commercialized.
- Support genomics research commercial application, especially as it relates to animal performance and non-traditional traits in the area of epigenetics.
- Encourage advancement of smaller, more nimble packer/processors targeted at meeting consumer needs.
- Cattle supply remains tight.
- Canada and Alberta pork producers are export dependent. Growth in exports will result in moving toward productivity and animal welfare without undue financial hardship. The sector is committed to providing the right product for the right market.
- Hog supply remains tight. Western Canada witnessed increased integration of the hog sector as they secure production.
- A skilled and motivated labour force is essential for meat production (at both the primary and secondary levels).
- There still lies great potential for innovation to enhance production for animal health and performance in lamb, bison, poultry and diversified species.

- Help ensure valuable research outcomes are rapidly translated into action by industry businesses.

Strategies

- 3.1. Enhance profitability at the farm level through adoption of technologies and practices for productivity improvement.
- 3.2. Advance transformational innovation through targeted Calls for Proposals addressing key industry issues.
- 3.3. Improvements through manufacturing efficiencies and labour gains.
- 3.4. Innovation for enhanced productivity focused on animal health and performance for all species including lamb, poultry, bison and diversified species.
- 3.5. Identify critical areas for supply chain collaboration for improved knowledge transfer, implementation and profitability.

| Performance Measures | Last Actual 2013-14 | Target 2015-16 | Target 2016-17 | Target 2017-18 |
|--|------------------------|-------------------|-------------------|-------------------|
| 3.a. Number of ALMA supported research initiatives focused on efficiency and productivity gains. | - | 25 | 25 | 25 |
| 3.b. Leverage ratio with the productivity focused research initiatives | - | 2.5 | 2.5 | 2.5 |
| 3.a. Number of ALMA supported initiatives focused on efficiency and productivity gains. | 59 | 50 | 50 | 50 |
| 3.b. Leverage ratio with the Agri-Processing Automation and Efficiency Program. | 9.94 | 4.5 | 4.5 | 4.5 |
| 3.c. Knowledge transfer events | 43 | 45 | 45 | 45 |

Goal #4: Sustainable Development

Position:

- Industry environmental, ethical and sustainability credentials are of immediate importance.
- Support is needed for industry to work collaboratively to ensure a whole of industry strategy, and deliver on customer expectations for standards.
- Sustainability is a key issue crossing all sectors and supply chain partners and encompasses economic, social and environmental factors. Progress is dependent on broad coordination and industry leadership.
- Sustainability is as important to the primary producers as it is to the end consumer.
- Social license to pursue livestock production is linked to agriculture's ability to demonstrate sound sustainable management practices. These practices need to adapt to pressures from climate or societal changes, land and water use.
- Efforts to communicate progress and benefits of sustainable practices need support. Information garnered from the benchmark and indicator works can be used to move industry forward.

Strategies

- 4.1. Stimulate and support industry initiatives that enhance the dialogue around sustainability and its relevance to consumer and societal food expectations (health, ethics, and provenance).
- 4.2. Develop and support industry initiatives addressing gaps in information and balance of societal–environmental–economic priorities.
- 4.3. Targeted Calls for Proposals on sustainability.
- 4.4. Facilitating value capture of ecological goods and services.

| Performance Measures | Last Actual 2013-14 | Target 2015-16 | Target 2016-17 | Target 2017-18 |
|--|------------------------|-------------------|-------------------|-------------------|
| 4.a New partnerships in sustainability. | 2 | 2 | 5 | 5 |
| 4.b Sustainability information and reporting. | - | 2 | 2 | 2 |
| 4.c Leverage ratio of sustainability projects. | - | 1.25 | 1.25 | 1.50 |
| 4.d New research initiatives for sustainable production. | 11 | 10 | 15 | 20 |

AGENCY GOVERNANCE

ALMA has an internal system of policies, processes and staffing to ensure value for our stakeholders. These policies and processes outline ALMA's role as that of:

- providing further stimulus for the competitiveness and profitability of the industry and positively influence the national direction of livestock and meat industry;
- fostering relationship development among stakeholders; and,
- managing programs and initiatives to help make this happen.

ALMA reports to the Minister of Alberta Agriculture and Rural Development through the Board Chair. Governance practices have been developed to respond to the high expectations of stakeholders and include best practices within the livestock and meat industry.

Under the auspices of the Alberta Livestock and Meat Strategy (ALMS), ALMA works in partnership with industry and government to ensure that the Alberta livestock and meat industry realizes its full potential as a supplier of quality products. As a catalyst to industry, ALMA provides ideas, information and investment opportunities for the development of a profitable and internationally competitive Alberta livestock and meat industry.

The ALMA Board are accountable for the ALMA's performance in relation to its mission and strategic objectives and for the effective stewardship of financial and human resources.

Members of ALMA's Board of Directors

Dr. David A. Chalack, DVM, Board Chair

David Andrews

Ted Bilyea

Robert Francis

Ron Jackson

Leighton Kolk

Jeff Kroll

Kim McConnell

Jurgen Preugschas

John F.T. Scott

Anne Wasko

John Weekes

Financial Plan

STATEMENT OF OPERATIONS (in thousands)

| EXPENSE BY PROGRAM | 2013-14 Actual | 2014-15 Budget | 2014-15 Forecast | 2015-16 Estimate | 2016-17 Target | 2017-18 Target |
|---|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|
| OPERATIONAL REVENUE | | | | | | |
| Transfer from Department | 7,689 | 35,390 | 32,390 | 31,390 | 31,390 | 31,390 |
| Investment Income | 62 | 66 | 66 | 66 | 66 | 66 |
| Other Revenue | 1,413 | 1,601 | 1,601 | 750 | 250 | - |
| Total Operational Revenue | 29,164 | 37,057 | 34,057 | 32,206 | 31,706 | 31,456 |
| OPERATING EXPENSE | | | | | | |
| Industry Investment | 0,847 | 15,894 | 15,894 | 13,307 | 13,307 | 13,307 |
| Strategic Initiatives | 13,763 | 14,009 | 11,009 | 13,233 | 13,233 | 13,233 |
| Corporate Services | 3,162 | 4,487 | 4,487 | 3,850 | 3,850 | 3,850 |
| Livestock Development | 1,244 | 2,582 | 2,582 | 1,750 | 1,250 | 1,000 |
| Total Operational Expense | 29,016 | 36,972 | 33,972 | 32,140 | 31,790 | 31,540 |
| AMORTIZATION | 362 | 150 | 150 | 150 | 150 | 150 |
| Net Operational Result | (214) | (65) | (65) | (84) | (234) | (234) |
| CAPITAL INVESTMENT SPENDING BY PROGRAM | | | | | | |
| CAPITAL INVESTMENT | | | | | | |
| Corporate Services | 145 | - | - | - | - | - |
| Total | 145 | - | - | - | - | - |
| CAPITAL INVESTMENT REVENUE | | | | | | |
| Transfers from Government of Canada | - | - | - | - | - | - |
| Other Revenue | - | - | - | - | - | - |
| Total | - | - | - | - | - | - |
| Net Capital Investment Result | (145) | - | - | - | - | - |