

New Doors Open for CAB® in Canada

The North Country beckons with opportunities for growth.

BY STEVE SUTHER

Canadian demand has been a key to the success of the Certified Angus Beef LLC (CAB) International Division. Licensees in Canada last year sold 15 million pounds (lb.) of *Certified Angus Beef™* (CAB®) product, ranking second to Japan in overall sales.

Moreover, many Canadian foodservice and retail licensees say they could double sales if this world-leading branded beef product were processed in Canada. It's already produced there, but Canadian Angus-type carcasses traditionally have been shipped to U.S. locations for U.S. Department of Agriculture (USDA) grading and certification as CAB product.

Some of those millions of pounds of branded CAB product have been exported and trucked back to Canada along with mostly U.S.-produced product. Not only has this been inefficient for packers, it also has increased the number of trucks bringing Canadian beef into the United States — often a point of contention with northern U.S. producers.

Because of the growing interest among licensees on both sides of the border, CAB — a wholly owned subsidiary of the American Angus Association — has expanded its program to license plants for both beef slaughter and fabrication to produce CAB product in Canada, says Jim Riemann, CAB president.

Some processing firms in Canada had been identifying Angus and Angus-type cattle for CAB for some time, Riemann explains. These and additional firms representing more than 65% of Canadian slaughter capacity have expressed a strong interest in being able to fabricate CAB products in their Canadian plants.

The CAB Board of Directors voted last fall to explore these potentially greater efficiencies with Canadian licensing.

The demand for CAB product has outstripped available supplies for most of the CAB Program's 22-year history. Last year the CAB supply-development effort shifted into high gear, launching a Feedlot Licensing Program (FLP) that has enrolled more than 50 feedlots in 14



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states, with 600,000-head current capacity. Meanwhile, producer premiums for achieving CAB acceptance continue to rise, and the genetic tools to get there are becoming sharper.

The move to expand in Canada should help ensure a continued robust growth in demand for the jump-started supply, and

that is a key to garnering producer premiums as a reward for hitting the CAB target. This new opportunity is expected to increase demand on both sides of the border for Angus cattle with the genetics to hit that target.

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Cattle availability

The total Canadian beef herd is about 10% of the U.S. beef herd, and about 15% of the Canadian herd is Angus or Angus-type. Some 400,000 of Canada's 2.7 million annual fed-beef slaughter could meet the basic live specifications for CAB product. But since there is no CAB Program in Canada, many of those cattle had been entering the United States.

If 15% of carcasses from this black-hided subset of cattle were to meet CAB specifications, about 7.3 million lb./year of CAB products would be produced by the Alberta plants. Canadian retail and foodservice licensees currently market a little more than 15 million lb. of CAB products yearly. By comparison, CAB licensees market about 570 million lb. of products in total each year.

The largest CAB retail licensee north of the border, Overwaitea Stores (81 locations and growing across western

Canada), plans to more than double sales if the CAB product can be of Canadian origin.

With the better service afforded by locally licensed plants, other Canadian retail and foodservice licensees expressed similar interest. Canadian demand for locally-produced CAB product is expected to cover the increased supply. These licensees tend to prefer marketing Canadian-produced beef without the import documentation and currency-value differences. Yet they understand the Canadian-produced supply would not be adequate to meet their needs, and they would continue buying U.S.-produced CAB products as demand grows.

"There is a perceived difference in the eyes of some of our Canadian customers that U.S. beef is somehow different and poorer than Canadian beef," says Danny Ransom, Intercity Packers, Vancouver, British Columbia. "There are also customers who won't buy *Certified Angus Beef* because it is not Canadian.

"Although we know that North American beef production is borderless, this change will give our customers the option of buying a great product — *Certified Angus Beef* — from their preferred country of origin," Ransom explains. "This change will also help in the overall availability of *Certified Angus Beef*, which is very positive."

The amount of U.S.-produced product shipped to Canada would be affected little but has much potential for growth, Riemann says. In the near term, there are several positive aspects that should reduce both the import of Angus-type live cattle and curtail the practice of shipping Angus-type carcasses into the United States for grading and certification as CAB product, he adds.

Maintaining integrity

CAB is coordinating with the Canadian Beef Grading Agency (CBGA) in the development of procedures to work with packers for producing and protecting the integrity of branded products from steer and heifer carcasses.

The CBGA marbling-scoring standards are already identical to those used in the United States, and U.S. yield grades can be calibrated to a yield percentage. Standards for the remaining six CAB carcass specifications — "A" maturity, moderate or better muscling, medium to fine marbling texture, neck



Canadian retailers say they would double sales if product could be processed in Canada.

hump no greater than 2 inches, and no dark cutters or blood splashes — can be easily maintained, Riemann says.

Riemann met last fall with CBGA officials to resolve all remaining issues that heretofore prevented licensing Canadian beef-processing and -fabrication plants.

"Reporting systems have now been written to satisfy the Canadian Food Inspection Agency, as well as CBGA, and labeling and product integrity details have been ironed out," Riemann says.

The CAB Supply Development Team licenses North American feedlots to improve sourcing of not just black-hided, but true Angus-type cattle for CAB. For more information, contact the Manhattan, Kan., satellite office at (785) 539-0123.

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