



**Pre-budget submission to the**

**House of Commons  
Standing Committee on Finance**

**2012 Federal Budget**

Submitted by

The Saskatchewan Cattlemen's Association

August 12, 2011

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Thank you for the opportunity to present our views on a number of issues important to the cattle industry in Saskatchewan.

The Saskatchewan Cattlemen's Association (SCA) promotes the well being of all production sectors of the Saskatchewan beef cattle industry, including cow-calf, backgrounding and feedlot operations. The SCA's main policy priorities are:

1. Protecting the existing cow herd and cattle feeding infrastructure
2. Reducing barriers to business
3. Advancing market opportunities and strategies
4. Sustaining effective research and development capacity

Three topics I would like to raise today:

1. Research and Development

Currently, a very small portion of research dollars is directed to the livestock sector and an even smaller portion to the forage and cattle industries. Any long term strategy for sustainability, profitability or growth is built on applicable research and development funding. In order for Saskatchewan's cattle industry to remain competitive, funding needs to support applicable research that will maintain and grow the industry in the future.

A recent research project by Dr. John Cranfield, "Evaluating the Economic Benefits from the Canadian Beef Check-off", evaluated the economic impact of investing in marketing and research activities. The analysis showed that Canadian cattle producers gain net economic benefits from investment in marketing and research activities. Specifically, between 2005 and 2008 the benefit-cost ratio (BCR) associated with investment of producer check-off dollars in marketing and research activities grew from 7:1 to 11:1, with an average of 9:1 over this time period.

This means that on average from 2005 to 2008, every check-off dollar invested in marketing and research activities earned \$9 for Canadian cattle producers.

Subsequent analysis showed there has been under-investment of check-off dollars in marketing and research. Results show that investing one additional dollar in marketing and research activities returns between \$9 and \$15 in additional producer benefits. Had investment been optimal, the return to this marginal investment should have yielded one additional dollar in producer benefits. This means there has been under-investment in marketing and research activities, and investment in these activities should increase in order to maximize producer benefits. Moreover, the extent of this under-investment has been larger for research activities than for marketing activities.

## 2. Redesign Business Risk Management

Current risk management tools were developed in an era of chronic low incomes in the grains and oilseeds industry. We are in a new era of more profitable agriculture driven by strong foreign demand and a rapidly growing bio fuels industry. Within this new environment, price volatility has become the main risk for the livestock industry and a significant risk for the grains and oilseed sector as well.

Currently, a price and basis insurance program is available to Alberta cattle producers. This program is not linked to cost of production but rather the futures market. Although it may require some tweaking, it could form the basis for a national cattle risk management program. Currently, Saskatchewan Cattlemen's Association and Canadian Cattlemen's Association policy support this objective.

Federal and provincial governments' investments in the current crop insurance programs are a necessary and important part of the risk management strategy for the grains and oilseeds industry. However, we must be very careful to ensure the design of the program does not negatively impact the growth and development of the cattle industry. Both sectors compete for the same land but are not treated equally in terms of government dollars paid out to that sector.

## 3. Redesign Agri Stability

Where do the funds come from to fund the above programs? Perhaps support for Agri Stability should be reduced. Programs before Agri Stability (CAIS, CFIP, AIDA) were developed for disaster mitigation. During the years of chronic low income, they were enhanced to provide income support. Perhaps it is time to return the program to its original intent, disaster mitigation, and reduce the burden on governments' treasuries.

In summary, the Saskatchewan Cattlemen's Association would like to see beef cattle and forage research given a higher priority to ensure the long term growth of the industry. And the business risk management tools need to be redesigned to address the risks in the cattle industry.