

CULL CATTLE AND DAIRY CALF PRODUCERS WORKSHOP

Draft Agenda

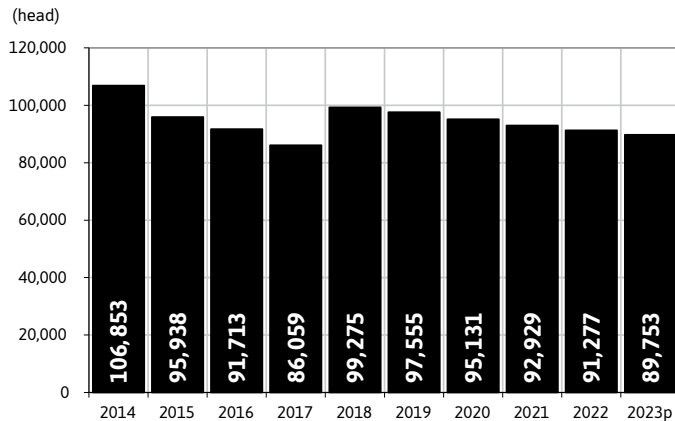
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CULL CATTLE AND DAIRY CALF

1. STATE OF THE MARKET IN 2023

Figure 1: Number of culled cattle in Quebec

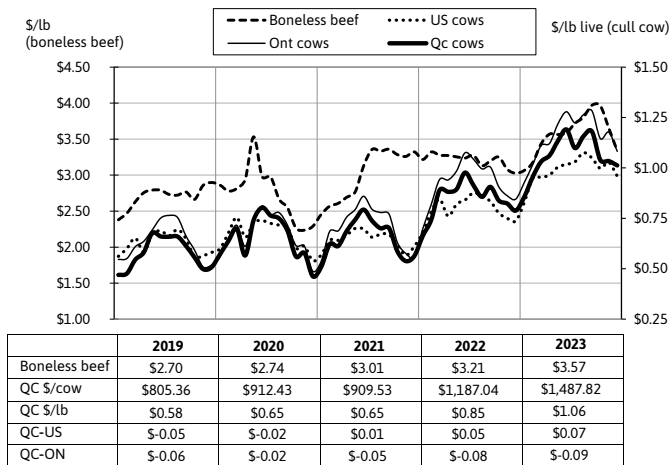


Source:
• PBQ: Number of cull cattle put to market in Quebec

In 2023, an average of 1,726 cull cattle were put to market on a weekly basis by producers through Quebec-based auctions. The volume of cull cattle put to market fell by 1.7% compared to 2022.

This data includes cull cattle sold at Quebec auctions and sold outside of Quebec under the Canadian Beef Check-Off Agency's national allocation agreement.

Figure 2: Price of Quebec, Ontario and US cull cattle and 85% lean boneless beef in Canada

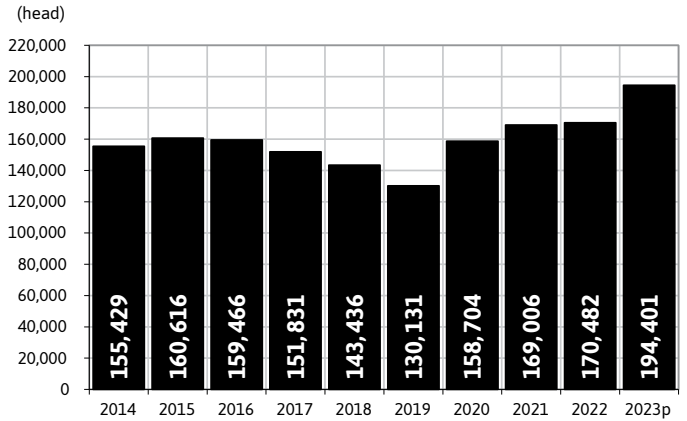


Sources:
• PBQ: Selling price of cull cattle sold in Quebec auctions, CC QC (\$/lb)
• PBQ: Revenue per 1,400 lb head of live cull cattle, CC QC (\$/head)
• Canfax: Selling price of cull cattle of all categories sold in Ontario auctions, CC ON
• USDA: Selling price of lean cull cattle sold at auction in New Holland, PA, converted to equivalent CAD\$, CC USA
• Canfax: Selling price of 85% lean boneless beef sold in Canada, boneless beef

In 2023, the average live weight price of cull cattle rose to \$1.06/lb compared to \$0.85/lb in 2022. This increase is due to high North American market demand for beef protein.

The average benchmark price of boneless beef was \$3.57/lb in 2023, compared to \$3.21 in 2022.

Figure 3: Number of Quebec dairy calves put to market



Source:
• PBQ: Number of dairy calves put to market in Quebec

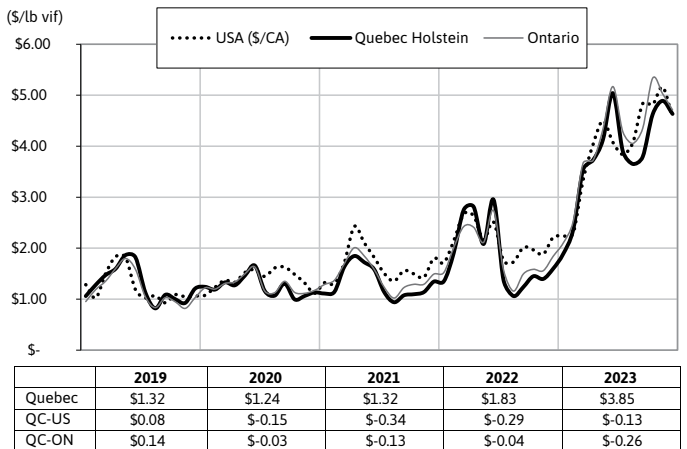
On average, 3,738 dairy calves were put to market on a weekly basis by producers in Quebec auctions in 2023.

The forecasted total annual volume of dairy calves put to market for 2023 is 194,401, representing a 14% increase compared to 2022.

The share of cross-bred dairy calves born from beef sire semen reached 53% in 2023.

This data includes dairy calves sold at Quebec auctions and sold outside of Quebec under the Canadian Beef Check-Off Agency's national allocation agreement.

Figure 4: Price of good male dairy calves in Quebec, Ontario, and the US

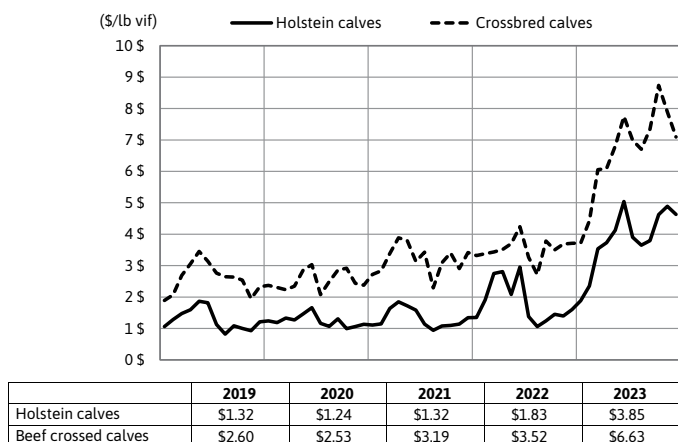


Sources:
• PBQ: Selling price of male dairy calves sold in Quebec auctions
• OCA: Selling price of male dairy calves sold in Ontario auctions
• USDA: Selling price of male dairy calves sold in auctions in New Holland, PA, converted to equivalent CAD\$, USA

The average live weight price of dairy calves peaked at \$5/lb in June 2023. Dairy calves were put to market at an annual average live weight price of \$3.85/lb in 2023, i.e., \$2.02/lb more than 2022. This price variance is due namely to the US market's very high demand for fattened cattle and the favourable exchange rate for the export of calves to the US.

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Figure 5: Comparison of prices of male dairy calves versus beef crossed calves



Source:
 • PBQ: Selling price of male dairy calves and beef crossed calves sold in Quebec auctions

In 2023, good male Holstein calves sold at a live weight price of \$3.85/lb compared to \$6.63 for good male beef crossed dairy calves. The increase in the number of beef crossed dairy calves ultimately reduces the supply of Holstein calves which increases their price at auction.

2. ACHIEVEMENTS AND ONGOING BUSINESS IN THE CULL CATTLE AND DAIRY CALF SECTOR IN 2023

2.1 Market Development

The market development project spearheaded by the cull cattle and dairy calf marketing committee (CMMBR) led to the launch of Bœuf du Québec certification in November 2023. A number of operations signed the license agreement and discussions are ongoing with other potential partners.

The special promotion and marketing contribution for cull cattle producers initiated in 2023 will enable the funding of initiatives such as the development and deployment of a promotional communication strategy for the sector. This represents a major initiative for all three sectors of the beef pipeline (fed cattle, feeder calves, and cull cattle).

2.2 Beef crossed dairy calves

For a number of years, the sector has been vigilantly watching beef cross dairy calf market trends. A guide on the use of beef sire semen in dairy herds was published in 2020 and can be found in the Publications section of the PBQ website (bovin.qc.ca). This guide helps producers in their choice of bull based on breed and expected progeny differences (EPDs) to suit their target market.

Crossed dairy calf sector activities over the last year include:

- An information campaign tour aimed at employees of Centre d'insémination artificielle du Québec (CIAQ);

- Production of a podcast for STGenetics;
- Participation in information days designed for the CIAQ's cattle improvement forums (*Cercles d'amélioration du bétail*);
- Presentations for Dairy Days held in a number of regions in the province.

The sector continues to deploy efforts to share information with dairy producers to meet the needs of buyers and maximize producer revenues.

2.3 Veal Sector Project

In 2023, the veal sector engaged in a collaborative project to improve the supply of beef crossed dairy calves for veal cattle production. The first part of the project established a measure between back fat deposits, sex, and crossing. This part of the project sought to better understand the back fat deposition on different types of veal in order to address sector concerns. Analyses revealed that Angus-crossed female veal had increased back fat deposits compared to male and female purebred Holstein veal at the start of their grain-based finishing diet, particularly after the second month. The project's next phase will look at how to reduce back fat deposits through diet modifications.

2.4 Improving the management, health, and welfare of cull dairy cows

In 2019, the sector proposed a project to document the condition and welfare of cull cows passing through Quebec auctions. The goal was to identify management practices that can improve their welfare and maximize producer revenues. The project was led in conjunction with Université de Montréal's faculty of veterinarian medicine and is nearly complete. It allowed the committee to produce a short video to promote best practices in the management of cull cattle both at the farm and at the time of their departure. The video is available on the PBQ's YouTube channel. The sector hopes to share the results of this project with producers in the coming year through a variety of initiatives.

2.5 Opportunity study for the development of a Quebec-based dairy beef sector – Techno-economic study including commercial scale-up

This project sought to document herd performance for Holstein steers in the context of Quebec market. Over 1,000 Holstein steers and 800 Angus-Holstein steers were tracked as they were fattened. Market trends present the beef sector with an opportunity in terms of beef crossed dairy calves. The results of the dairy steers fattening project are available through a series of videos and a producer's guide at <https://bovin.qc.ca/la-production/bovin-de-reforme-et-veau-laitier/publications/>. The project was funded by the province's sectoral development program (*Programme de développement sectoriel*) thanks a Canadian Agricultural Partnership between the Canadian and Quebec governments.

3. SECTOR ORIENTATIONS FOR 2024

3.1 Deployment of the Bœuf du Québec certification

The cull cattle and dairy calf sector will continue to develop markets for cull cattle produced in Quebec. It will also continue its involvement in the development of the collective Bœuf du Québec certification as well as the establishment of new partnerships.

3.2 Establishment of Veal POD program criteria

Improving the welfare, health, and quality of dairy calves put to market at auction remains a priority for this sector. The goal of the POD (plan-observe-decide) project is to establish criteria for the development of a recognition program for dairy farms that follow best dairy calf care practices.

The project was led in tandem with Université de Montréal's faculty of veterinarian medicine and funded by the province's agri-food program *Innov-Action agroalimentaire*. The sector's goal is to launch a program that traces, on behalf of buyers, calves raised following best husbandry practices in order to maximize producer revenues in the sale of these calves in Quebec's auctions.

The best performing dairy producers in Quebec identified using the project's criteria were contacted and surveyed about their dairy calf care practices. Using survey results and the scientific literature, best practices will be shared with dairy producers alongside an opportunity to be recognized as a POD calf producer, i.e. recognized by buyers as producing high-quality calves.

3.3 Veal sector

Contributions from different sectors of the veal sector will aim to improve the supply of crossed calves for veal cattle production. In 2022, the cull cattle and dairy calf sector, as well as the milk-fed and grain-fed veal sectors, took on a three-part project to allow the stakeholders to adapt to changes stemming from the growing presence of beef crossed dairy calves on the market. These three parts consist of:

- Performing a literature review on beef-crossed calves in the main veal meat-producing countries in Europe and Oceania.
- Identifying the best beef bull breeds to cross with Jersey, Ayrshire, and Brown Swiss.

Establish if any, the relationship between back fat deposition and the sex or type of calf.

The conclusions generated by the back fat deposit study in grain-fed calves will allow the sector to plan the project's second phase focused on calf diet.

The cull cattle and dairy calf sector will also continue to deploy efforts to support the adaptation of the *Health of Animals Regulations - Part XII: Transport of Animals-Regulatory Amendment* in collaboration with the grain-fed and milk-fed veal sectors.

3.4 Cull Cattle

The cull cattle sector will continue to offer resources to producers to help them adapt to the *Health of Animals Regulations - Part XII: Transport of Animals-Regulatory Amendment*. Priority will be given to the management and transport of cattle that cannot be taken to assembly points. The sector hopes to ensure that all marketable cattle can be exploited in keeping with current laws and regulations.

3.5 Member Involvement

In 2024, the sector hopes to promote the involvement of cull cattle and dairy calf producers in a number of projects. The CMMBR will consult members over the course of the year in an effort to involve them more in the sector's ongoing business. The methods used to consult members will be determined on a case-by-case basis.

4. CONSULTATION ON ALLOCATING THE CULL CATTLE MARKETING DEVELOPMENT FUND TOWARDS SUSTAINABLE DEVELOPMENT AND GREENHOUSE GAS EMISSION REDUCTION PROJECTS

The cull cattle marketing development fund, known as the *Fonds pour le développement de la mise en marché des bovins de réforme* (FDMMBR) was created in 2004 by the Producteurs de bovins du Québec (PBQ) to fund the establishment or operation of a commercial enterprise, i.e., Levinoff-Colbex, and hold share capital or any other form of capital within such enterprise (Decision 8089 of the Régie des marchés agricoles et alimentaires du Québec (RMAAQ)).

At this same time, the *Règlement sur la contribution spéciale pour le développement de la mise en marché des bovins de réforme* was adopted by the PBQ and approved by the RMAAQ, whereby said contributions were to be allocated to the FDMMBR.

On August 17, 2005 (RMAAQ Decision 8407), the RMAAQ exempted the PBQ from articles 60 and 128 of the Act Respecting the Marketing of Agricultural, Food and Fish Products (Law) per article 37 of said Law, allowing PBQ to invest the FDMMBR's funds into a commercial enterprise.

Additionally, on or around August 31, 2005, the Government of Quebec authorized Investissement Québec (IQ) to offer the PBQ funding assistance in the form of a loan in the maximum amount of \$19M to fund the establishment and operation of a commercial enterprise, under the terms of Order no. 805-2005.

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A special contribution of \$53.86 per cull cattle put to market was collected from producers of the cull cattle sector starting August 1, 2008, to refinance the operation of the commercial enterprise and reimburse some of the loans taken out by the PBQ from a financial institution, i.e., National Bank of Canada (NBC) to this end.

The NBC loans were paid back by the PBQ and the collection of the special contribution was discontinued in 2014.

As of November 30, 2023, the FDMMBR has a positive balance of approximately \$2.6M.

The PBQ's debt towards IQ amounts to approximately \$19.5M (including compound interest).

For a number of months now, the PBQ has been holding discussions with the Quebec Ministry of Economy, Innovation and Energy (MEIE), IQ, and the Quebec Ministry of Agriculture, Fisheries and Food (MAPAQ) for the purpose of conclusively settling this undertaking, namely the radiation of the PBQ's debt.

The discussions have proven fruitful seeing as PBQ with MEIE, IQ and MAPAQ have confirmed their willingness to put forward a proposal to the government in 2024 to write off the PBQ's \$19.5M debt (including compound interest) with IQ.

Given this debt forgiveness, the PBQ must resolve to invest the FDMMBR's balance of funds, i.e., approximately \$2.6M, in projects geared towards sustainability, such as namely reducing greenhouse gas (GHG) emissions.

Remember that producers have committed to making the shift to more sustainable beef production, and in particular to reducing their GHG emissions by 30% by 2030, which means developing and making available to producers, concrete and proven solutions to achieve this.

The various projects to be funded by the FDMMBR will be determined jointly by the PBQ (including a representative from the cull cattle and dairy calves marketing committee (CMMBR)) and MAPAQ.

Further, MAPAQ and PBQ have agreed that said projects shall benefit the producers of the cull cattle sector and more generally in the interest of all cattle producers.

In order to use the balance of funds from the FDMMBR to these ends, the PBQ must seek the approval of producers during a general meeting called for this purpose.

Recommendation

The CMMBR and the PBQ board of directors recommend that producers approve the use of FDMMBR funds for purposes other than those for which the funds were initially collected, i.e., to fund the commercial enterprise, to support the producers of the cull cattle sector in funding and implementing collectively beneficial sustainable development and greenhouse gas emission reduction projects pertaining to their production.

Motion put to producers

Do you agree with the recommendation from the cull cattle and dairy calf marketing committee and the Producteurs de bovins du Québec's board of directors to amend the mandate of the Fonds pour le développement de la mise en marché des bovins de réforme as to now allocate its funds towards funding and establishing sustainable development and greenhouse gas emission reduction projects, conditional on the write-off of Producteurs de bovins du Québec's debt to Investissement Québec in the approximate amount of \$19.5 million?



YES



NO

5. ELECTION OF THE COMMITTEE REPRESENTATIVE AND THEIR ALTERNATE

5.2 ELIGIBILITY REQUIREMENTS

- Be in production at the time of their appointment;
- Reside or have an operation within the group's territory as outlined by the Joint Plan (*Plan conjoint des producteurs de bovins du Québec*);
- Be registered in the Joint Plan's cull cattle category;
- In the case of a corporate body or corporation, the individual person receiving the mandate must also:
 - Be active in the cattle operation other than as a funder;
 - Hold at least 20% of its capital stock or issued shares;
 - Sit on its board of directors, if applicable, and having voting rights;
- Having paid the contributions outlined by the Joint Plan or, failing such, having taken legal action to contest them within 30 days of their invoice.

6. OTHER BUSINESS (AS APPLICABLE)