

FED CATTLE PRODUCERS WORKSHOP

Proposed Agenda

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FED CATTLE

1. STATE OF THE MARKET IN 2024

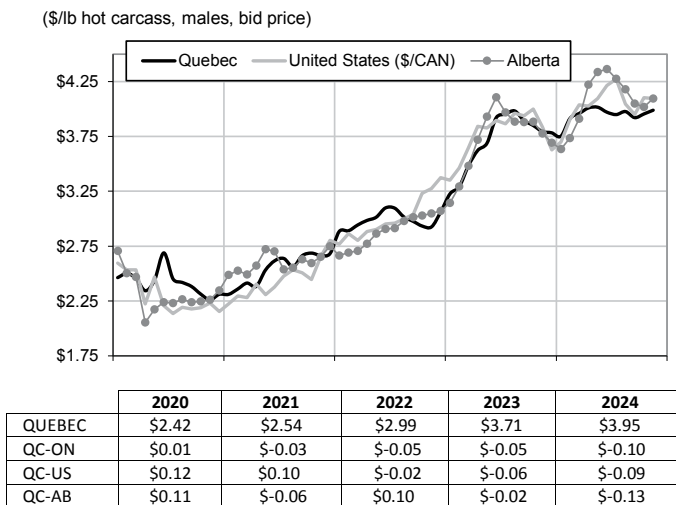
In 2024, the price of cattle stayed at record levels both in Canada and the US. The strong increase in worldwide demand for beef meat, particularly in Asia and Latin America, has supported these high price levels from which North American producers have benefited. Challenges remain nonetheless, specifically in terms of the high input costs (calves, feed, labour) and the significant drop in American cattle inventory due to important droughts that affected the major cattle producing states over the last two years.

Currently, there are fewer beef cows on pasture in the US meaning that there will be fewer calves and cattle being fattened. We expect a yearly 1 to 3% drop in this inventory over the next two years. The potential outcome is a drop in beef meat supply for another few years. If pasture conditions permit, herds should begin being reconstituted in 2025. Accordingly, it is likely that demand and price of cattle will stay relatively high in 2025.

This optimism should nonetheless be tempered in light of other economic factors such as competition between beef meat and other animal proteins, consumer purchase power, domestic demand, and export demand.

In Quebec, the average price of fed cattle rose significantly —by \$0.24/lb carcass weight (cwt)— going from \$3.71/lb cwt in 2023 to \$3.95/lb cwt in 2024. This represents an increase in value of fed cattle, that is, \$216 for a 900 lb steer. The average price at the start of 2024 was \$3.75/lb cwt. Prices continued on an upward trend and peaked around \$4.25/lb cwt in December.

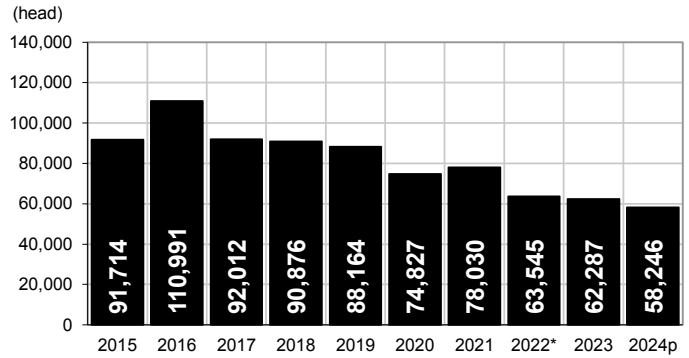
Figure 1: Price of fed cattle (A1-A2) in Quebec, Western Canada, and the US (spot market only)



Sources:
 • PBQ: Bid price of A1-A2 male steer, full loads, sold in Canada and the US, spot market, from the farm, Quebec
 • OCA: Sale price of A1-A2 male steer, direct sales, Ontario

Selling prices of Quebec fed cattle were on average \$0.13/lb lower than those in Western Canada (Figure 1) with a higher price differential than we saw in 2023 (\$0.02/lb). The differential between the average price of Quebec fed cattle versus US fed cattle also grew in 2024, going from -\$0.05/lb cwt to -\$0.10/lb cwt. This has helped once again stoke exports of Canadian-fed cattle to the US. The favourable exchange rate also largely explains this trend.

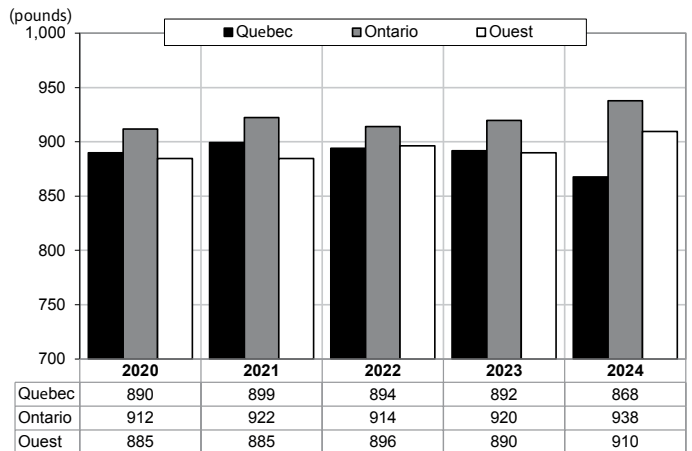
Figure 2: Quebec fed cattle production*



Source:
 • PBQ: Number of fed cattle put to market by producers in Quebec

Despite improved profitability over the last two years in the fed cattle sector, the increase in the costs of production, market uncertainty, and the low profitability from the past few years ultimately led to another drop in production volume compared to the previous year (Figure 2). In total, 58,246 head were produced in 2024, excluding sales paid directly to producers.

Figure 3: Average weight of steer* carcasses (Quebec, Ontario, and Western Canada)

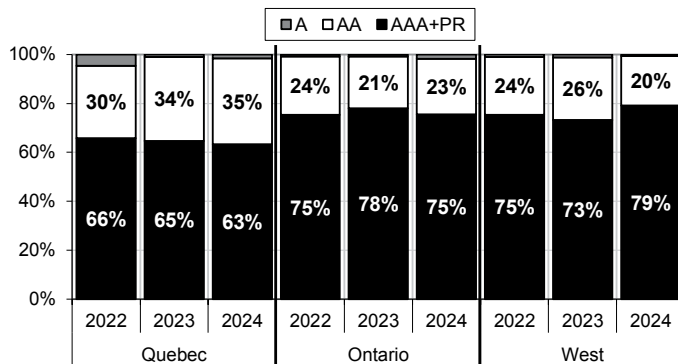


* Slaughtered in Canada

Sources:
 • PBQ: Selling weight of steer slaughtered in Canada (weighted 65% male, 35% female), Quebec
 • CBGA: Selling weight of steer slaughtered in Ontario (weighted 65% male, 35% female)
 • CBGA: Selling weight of steer slaughtered in Western Canada (weighted 65% male, 35% female)

In 2024, the average weight of steer carcasses in Quebec was significantly lower than it was in 2023 (Figure 3), with a 24 lb drop bringing the average weight down to 868 lb. In Western Canada, the average weight of carcasses was 910 lb in 2024, compared to 890 lb in 2023. This is a 20 lb rise. Similarly in Ontario, we see higher carcass weights growing once more, this time from 920 lb in 2023 to 938 lb in 2024.

Figure 4: Marbling of steer* carcasses (Quebec, Ontario, and Western Canada)



* Slaughtered in Canada

Sources:

- PBQ: Grading of fed cattle produced in Quebec and slaughtered in Canada
- CBGA: Grading of fed cattle slaughtered in Ontario
- CBGA: Grading of fed cattle slaughtered in Western Canada

In terms of carcass quality, Figure 4 shows trends in the share of carcasses based on their marbling score. The share of AAA or Prime steer carcasses produced in Quebec is 63%, which is 12% lower than in Ontario and 16% lower than in Western Canada.

2. ACHIEVEMENTS AND ONGOING BUSINESS IN THE FED CATTLE SECTOR IN 2024

2.1 VBP+ CERTIFICATION

As of January 1, 2025, the new regulation (hereinafter, the “Regulation”) on the production and marketing of fed cattle (*Règlement sur la production et la mise en marché des bouvillons*) will require operations putting to market more than 20 head per week to be certified through the Verified Beef Production Plus (VBP+) program. The Fed Cattle Marketing Committee (internally known as the CMMBA) would like to underscore the importance of Quebec’s fed cattle sector transitioning towards sustainability.

Details of the VBP+ program are outlined in this document under the Quality Programs portion of the 2024 Activities section.

2.2 REGULATION ON FED CATTLE PRODUCTION AND MARKETING

The purpose of the Regulation is to set out terms pertaining to production and marketing to help guide producers.

The revised draft Regulation was presented and approved by producers during the 2024 annual regional general meetings and at the PBQ annual general meeting on March 27, 2024. On May 6, 2024, the Régie des marchés agricoles et alimentaires du Québec (RMAAQ) then approved the wording of the new Regulation.

2.3 FED CATTLE MARKETING AGREEMENT

A draft agreement was approved by the Fed Cattle Marketing Committee (internally known as the CMMBA) and will be presented to different buyers in 2025 to kickstart negotiations. The purpose of this agreement is to set out terms with buyers for the marketing of fed cattle.

2.4 INDUSTRY GROWTH PROJECT

The CMMBA took part in an exercise where committee members were asked to suggest concrete actions aligned with possible orientations or projects that could help improve the productivity of fed cattle operations by fostering their vitality, thereby increasing production volumes or, at the very least, maintaining them.

The fed cattle selling agency and the fed cattle negotiation committee, in tandem with the beef sector strategic planning steering committee, were mandated by the CMMBA to establish a production growth and value creation strategy for farm operations and the industry as a whole. As such, one of the strategy’s objectives is to foster an overall increase in the quality of fed cattle put to market, including marbling quality. The goal is to ensure the long-term sustainability of existing operations through a profitable value creation strategy.

2.5 MARBLING QUALITY IMPROVEMENTS

In North America, one of the main value creation criteria focuses on marbling. Local abattoirs have also expressed interest in seeing more marbling from Quebec producers. An action plan has therefore been proposed to help producers respond to this need.

For producers, the goal is profitability in producing more cattle with marbling scores meeting AAA or Prime standards while maximizing carcass yield (Y1, Y2, Y3) and avoiding over fattening steer (which reduces yield). In North America, the most frequently used tool to promote marbling production is the price scale. In keeping with their distinct concerns and goals, abattoirs were each asked to submit a custom price scale. Different scales and schemes are therefore now under study. The selling agency is working with abattoirs to establish price scales that will benefit both producers and abattoirs.

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The goal for producers is to reach, or surpass, the 75% mark in AAA- or Prime-graded steer. Another goal is to improve the uniformity of lots which is highly valued by the industry.

The marbling project's action plan was launched in 2024 and will continue in 2025. Its main actions are:

- Meetings with nutritionists, implant suppliers, Quebec-based cattle consultants, and other industry agents to outline the industry's priorities and recruit their expertise to help producers reach the minimum 75% AAA- or Prime-graded steer target.
- Analyses of marbling averages and operational performances reflecting optimal results in an effort to promote best practices in ensuring good marbling.
- Technical information-sharing with producers to help them pursue possible improvements in terms of nutrition, implants, and genetics.

3. SECTOR ORIENTATIONS FOR 2025

The following business will be the focus in 2025:

- Continue to pursue the industry growth project, which includes the marbling quality improvement project;
- Continue to pursue beef sector strategic planning;
- Collaborate with the feeder calf sector and the cull cattle and dairy calf sector on a number of projects such as information-sharing events for producers (dairy/beef cross breeder-finishers, carcass marbling quality);
- Negotiate the marketing agreement with buyers;
- Assess the financial standing of the selling agency.

4. ELECTION OF THE COMMITTEE REPRESENTATIVE AND THEIR ALTERNATE

4.1 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 fed cattle category;
- Having raised (on their own or another's behalf) or having produced and put to market at least 50 steers over the past calendar year;
- 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 have 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.

Should no such producer having raised (on their own or another's behalf) or having produced and put to market at least 50 steers over the last calendar year nominate themselves as a candidate, a fed cattle producer meeting all eligibility criteria other than those pertaining to volume can be eligible to serve as a member (or alternate) of the marketing committee as an observer, that is, with speaking rights but no voting rights.

5. OTHER BUSINESS (AS APPLICABLE)