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meatingplace

The whole world over: U.S. meat
and global trade

Unbreakable Bond: The tough tactics
of Tyson's new CEO

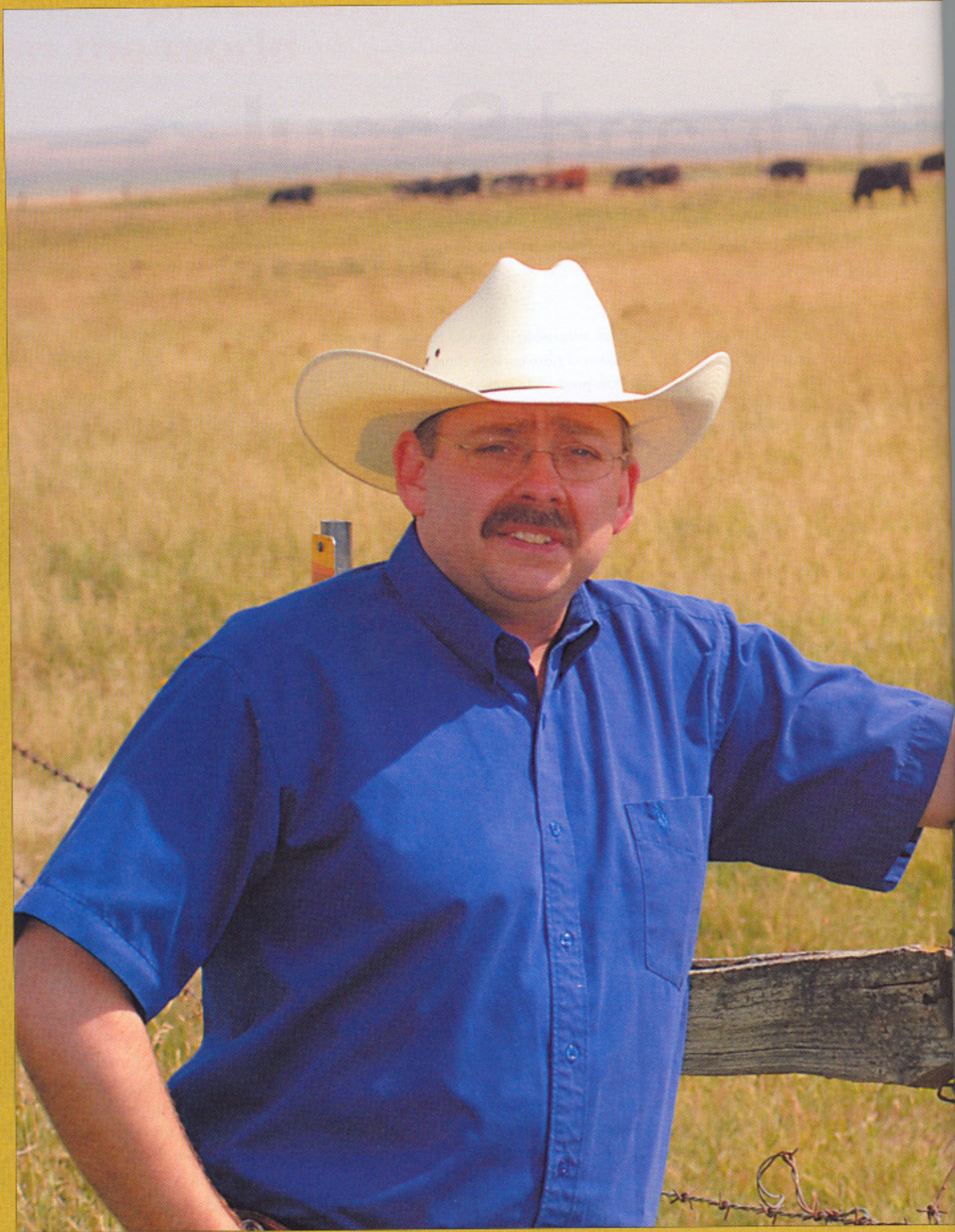
Will the well run dry on pumped meats?

Canada Beef
Export Federation
President

Ted Haney

"We're promoting our quality,
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but we're also positioning
ourselves as the alternative
to U.S. beef."

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SHIPPING'S magnate

Ted Haney has seen Canadian beef exports become a billion-dollar business. As president of the Canadian Beef Export Federation, he's now eyeing the \$2 billion mark — and in markets well known to U.S. beef.

By Pete Hisey, senior editor

Ted Haney was born to travel, he says, and during his career he has spent almost as much time in Asian and Latin countries as he has at home in Alberta, Canada. Today he is the face of the Canadian beef industry, even when it gets a black eye, as it did in July when a 4-year-old Alberta animal was diagnosed with bovine spongiform encephalopathy.

As president of the Canadian Beef Export Federation, Haney also is the architect of an ambitious plan to reduce U.S. shares of Canadian beef exports from 85 percent to 50 percent while ramping up business in Japan, South Korea, Mexico, China and Taiwan. It's a plan that hasn't been universally embraced by members of the Canadian beef industry, some of whom prefer bartering sirloins and strip to offal and liver.

Haney takes a broader view, having experienced both the best and worst of times in Canadian agriculture. After graduating from the University of Edmonton, he worked for a time with Deloitte Haskins & Sells — now Deloitte & Touche — where he focused on policy, analysis and receivership issues during the Canadian farm disasters of the 1980s.

In 1992, after a stint in Burma working on dairy projects for World University Services of Canada, he joined the fledgling CBEF, an association charged with jump-starting Canada's moribund beef export industry, then valued at just \$25 million.

"I thought I'd only be with CBEF for five years," Haney recalls. "Fourteen years later, I'm still at it. It's my dream job."

During his tenure, business between the Canadian and U.S. beef industries came to fit hand in glove — until the gloves came off on fears of BSE. Although trade between the two countries is recovering, Haney knows Canada will have to clear hurdles internationally if it hopes to emerge as the preferred alternative for premium grain-finished beef.

Photos: Web Broadway

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"Someday," he says, "we'll look back at this as a time of trouble with a beginning, a middle and an end. Today, though, we're in the middle."

Meatingplace: What impact will the discovery of a 4-year-old animal, born well after the 1998 ruminant-to-ruminant feed ban was implemented, have on Canadian beef trade?

HANEY: We've had four cases in cattle born after the feed ban, although most were fed leftover feed. Our customers have been paying attention, but none have suspended trade. However, the finding has delayed some negotiations.

In June, we strengthened our feed ban. It now keeps all specified risk materials out of pet food, fertilizer and other products where the prions [associated with BSE] could find their way back into the animal food supply. We continue to use

ruminant meat and bone meal for poultry feed, but no SRMs. We had a good feed ban in place; now it's better.

Meatingplace: Strengthening the feed ban in the United States ran into a buzzsaw of opposition. What happened in Canada?

HANEY: Cost-focused producers were very concerned. But our recent BSE cases, along with the value function as it relates to increased demand for Canadian beef and rendered product, overtook that argument. Strengthening the ban was imperative; export is so important, it just had to be done.

Meatingplace: Are you planning to promote Canadian beef as safer than U.S. beef?

HANEY: Absolutely not. What we're saying is that our standards and processes are even better than they were.

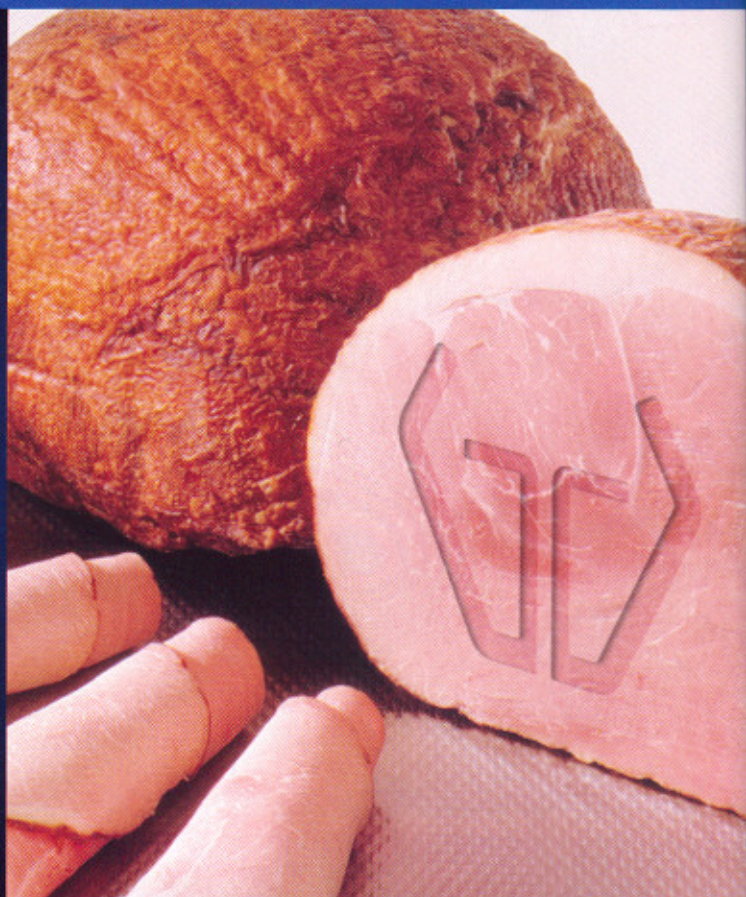
Meatingplace: What's the Canadian experience with Japan been like lately?

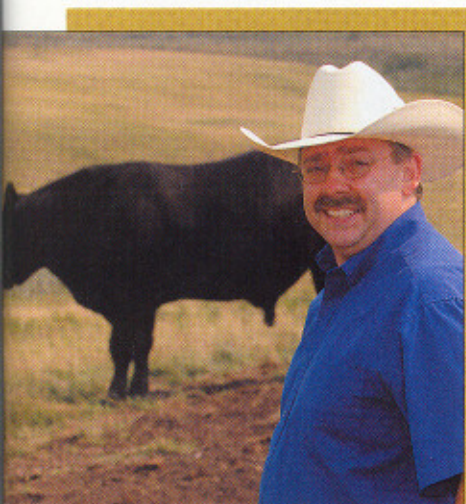
HANEY: Pretty frustrating. We didn't lose access in December 2005, but as a result of the 20-month rule, we're only shipping 200 tons of product to Japan a month. Prior to the rule, we were shipping 500 tons a week. We can only sell cattle with a birth certificate, although we're working on a method utilizing a carcass physiological assay, similar to the arrangement the United States has. That said, we expect to have a lot more verified animals by April, which should lead to substantial volume improvement.

Meatingplace: Some think Canada may have an advantage over the United States thanks to its comparatively modern infrastructure.

HANEY: On average, our plants are about 10 years old, which is pretty new by

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world standards. Even some of our older plants have been reconstructed several times. That provides advantages in cold-chain management and food safety.

For instance, we’ve been able to institute carcass washes before opening the hide, eliminating a great deal of potential pathogens. We’ve also built plants specifically configured for the removal and inspection of specified risk materials — the whole process.

We’ve had to adapt. When the 30-month rule arrived, we had to be flexible. When Hong Kong demanded we separate cattle by age, we did it. We’re looking to reenter the European Union, and, to do so, we need box-to-animal traceability. It costs more, but we’re learning to convert cost to a revenue advantage.

Meatingplace: Meaning giving the customer what he wants?

HANEY: Yes. Several years ago, we took Japanese buyers through our plants, and while impressed, they requested big changes. They wanted different fabrication, smaller boxes, inner liners and vacuum packing to deliver shelf life of 60 days. Some of our people asked, “Are they crazy, do they know how much this will cost?” The main buyer responded, “Cost doesn’t matter. We’ll pay.”

So cost became a profit center. One plant figured that while those provisions would cost \$5 in packaging alterations, it could charge \$7 for it. Well, that just swept the industry.

Meatingplace: Let’s talk about the Canadian initiative to reduce the U.S. share of Canadian beef exports to 50 percent. How did that come about?

HANEY: We have a long history with beef, and back in the early 1980s we were

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fairly self-sufficient in processing. But within a few years, three of our major packers — Swift, Burns and Canada Packers — closed down. We were stuck with stranded cattle, which led to the export market to the United States and, indirectly, magnified the problems we had in 2003 [when the United States closed its border to Canadian cattle].

Meatingplace: Meanwhile, Canada's slaughter capacity is being rebuilt. Where does it stand now?

HANEY: We're not quite self-sufficient yet. We have capacity for about 5.1 million animals per year — really about 4.5 million without running 12 shifts per week. But there are more plants coming on line, such as Rancher's Beef in Calgary and Natural Valley Beef in Saskatchewan. Those and others will raise the capacity to about 5.5 million per year, or up to 5

million without extra shifts. I think by then we'll have reached a rest period.

Meatingplace: How is the export situation for Canada in markets other than Japan and the United States?

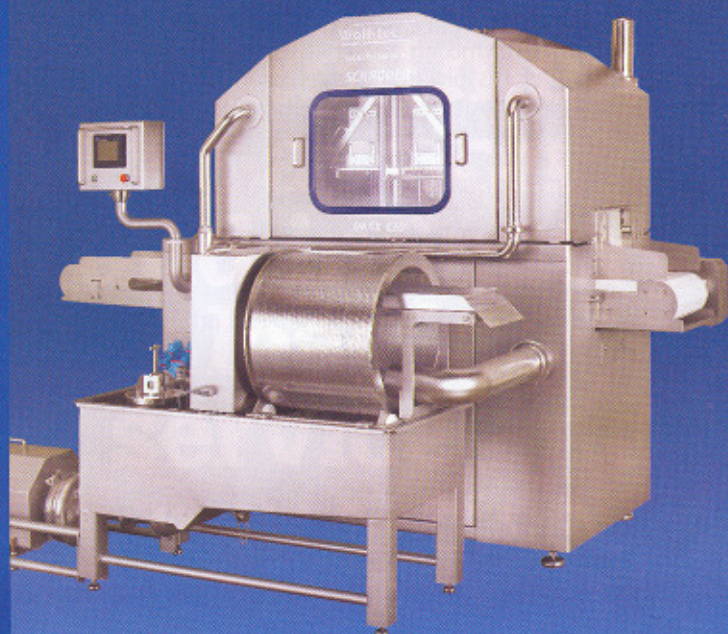
HANEY: In some markets, such as New Zealand and Cuba, they're taking all products. Taiwan is expected to open soon, but South Korea is a problem. South Korea is steeped in process, not science, and they use that as a negotiation strategy, which is very unfortunate.

China is very confusing. The regulators are fine. They accept our controls and are satisfied with our traceback capability. It's the political side that's a problem. The ministries of agriculture are extremely tough, because importing beef undermines their goal of increasing beef production at home. By comparison, the ministries of trade are more supportive.



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The European Union is a problem because of its hormone-free standard. Most of our cattle are not hormone-free. However, with the emergence of organic and natural markets, we're beginning to build a base of hormone-free animals of sufficient size to start looking at the EU. We'll be in negotiations this fall to streamline the process; for instance, they demand special ear tags on every animal. Today, we have a national animal ID program that makes these additional ear tags superfluous. We can trace from the package back to the farm, which is what the European Union wants.

Meatingplace: You have a major competitor in virtually every market you export to. How are you differentiating Canadian beef?

HANEY: We're taking a multifaceted approach. We're promoting our quality,

tenderness and safety, of course, but we're also positioning ourselves as the profitable alternative to U.S. beef.

We're targeting retailers with 100 units or less. There's the perception we're a smaller player than the United States or Australia. They know their needs register with us.

Also, they can use us to negotiate on price and terms. Having a second supplier creates a more positive environment for the retailer. Sometimes, clients are more comfortable, even when they are buying from the U.S. and Canadian divisions of the same company.

And, of course, having two suppliers allows a customer to balance its risk. We've had some Japanese customers say they want Canadian beef on their shelves as a backup in the event something happens with U.S. beef.

Meatingplace: In a perfect world, what would you most like to see happen in the global beef marketplace?

HANEY: No. 1 would be true adoption of OIE standards and the end to the politicizing of BSE. When it's an old disease, like foot-and-mouth, and is treated in a predictable way, that will be a good time. The impact is so out of proportion to its real effect — fewer than 200 human victims over 15 years, almost all in Great Britain. There are foodborne diseases that are far, far worse, and that should be the emphasis if we really want to reduce consumer risk.

And I hope to see the true emergence of an export culture in Canada. Each professional generation, which changes every 10 years or so, is getting more attuned to export, and that gives me great hope. ☺

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