

# Building Resiliency in Alberta's Beef Processing Industry

Prepared For

Government of Alberta  
Alberta Beef Producers  
Alberta Cattle Feeders' Association  
Canadian Cattle Association

Prepared By

Serecon Inc.

December 2022



serecon

December 21, 2022

Mr. Brad Dubeau  
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Dear Mr. Dubeau:

**RE: FINAL REPORT – BUILDING RESILIENCY IN ALBERTA’S BEEF PROCESSING INDUSTRY**

We are pleased to provide this final report of our work identifying barriers and opportunities for building competitiveness and resiliency into both provincially and federally regulated processing sectors.

If you have any questions about any element of the final report, please do not hesitate to get in touch with me directly.

Yours truly,

SERECON INC.



Harvey Bradford, MSc, Ag. Econ.

# Table of Contents

<b>1.0 EXECUTIVE SUMMARY</b> .....	<b>1</b>
<b>2.0 INTRODUCTION</b> .....	<b>6</b>
2.1 OBJECTIVE .....	6
2.2 APPROACH.....	6
2.3 BACKGROUND ON PROCESSING INDUSTRY .....	6
<b>3.0 FINDINGS - PROCESSOR BARRIERS</b> .....	<b>9</b>
3.1 CONTEXT .....	9
3.2 PROCESSORS BARRIERS.....	9
3.2.1 <i>Federally Regulated Packers</i> .....	9
3.2.1.1 Labour Shortages .....	9
3.2.1.2 SRM Regulations .....	10
3.2.1.3 Traceability Regulations.....	11
3.2.1.4 Food Safety Innovation .....	12
3.2.2 <i>Provincially Regulated Processors</i> .....	12
3.2.2.1 Labour Shortages .....	12
3.2.2.2 SRM Regulations .....	13
3.2.2.3 Capital Financing.....	13
3.2.2.4 Extension Support.....	15
3.2.2.5 Communication .....	16
3.2.2.6 Market Access.....	17
3.3 SUMMARY .....	18
<b>4.0 CONCLUSIONS</b> .....	<b>19</b>
4.1 OVERVIEW.....	19
4.2 TOP 5 BARRIERS .....	19
4.2.1 <i>Labour Shortages</i> .....	19
4.2.2 <i>SRM Regulations</i> .....	20
4.2.3 <i>Access to Capital</i> .....	21
4.2.4 <i>Pathfinding &amp; Regulatory Compliance</i> .....	21
4.2.5 <i>Market Access</i> .....	22
<b>5.0 RECOMMENDATIONS</b> .....	<b>24</b>
5.1 RECOMMENDATION 1: ADDRESS IMMEDIATE LABOUR CRISIS.....	24
5.2 RECOMMENDATION 2: HARMONIZE PROCESSING STANDARDS .....	25
5.3 RECOMMENDATION 3: INCREASE PROCESSORS SUPPORT .....	27

## List of Tables

Table 1: Processor Barriers .....	1
Table 2: Actionable Recommendations .....	3
Table 3: Federally Regulated Packers - Alberta List .....	8
Table 4: Cooperative Interstate Shipping (CIS) Program - Example Program .....	26

## List of Figures

Figure 1: Provincial Abattoirs - Alberta Map.....	7
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# 1.0 Executive Summary

This report identifies barriers and opportunities to build competitiveness and resiliency into the beef processing sector in Alberta. In this report, building resiliency is viewed through the lens of removing existing barriers in order to provide an operating environment that encourages the establishment or expansion of processing capacity.

Barriers for processors of all sizes in Alberta were identified through a combination of background research, an online survey and stakeholder consultations. Over sixty individual stakeholder consultations took place for this work. The online survey was provided to small and medium sized provincially regulated processors via email link followed by a call to prompt participation. Fourteen provincially regulated processors responded to the survey. An additional 60 individual stakeholder consultations were completed for this work. Consultations included provincially regulated processors, federally regulated packers, cattle producers, backgrounders and feeders, industry associations, research institutions, regulatory bodies, and other experts with key insights.

The following barriers have been identified through the research methods applied to this work (Table 1). While there is some overlap between the provincially regulated and federally regulated sectors, the specific concerns differ between the two groups, which is why we have indicated the “level” in Table 1.

**Table 1: Processor Barriers**

Barrier	Key Processor Barrier Within Category	Level
Labour Shortages	<ul style="list-style-type: none"> <li>• Red tape in Temporary Foreign Worker (TFW) Program</li> <li>• Uncertain pathway to Permanent Residency (PR)</li> <li>• Cost of Labour Market Impact Assessment (LMIA)</li> <li>• Immigration emphasis on education over experience</li> </ul>	Federal
SRM Regulations	<ul style="list-style-type: none"> <li>• Competitiveness relative to United States packing operations.</li> <li>• SRM carve-out requirements in Canada leads to more carcass as by-product going into non-feed uses (e.g., fertilizer).</li> </ul>	
Traceability Requirements	<ul style="list-style-type: none"> <li>• Traceability regulations would require federally regulated packer to report ear tag numbers, RFID tag numbers, truck license plate number, date and time of arrival.</li> <li>• Barrier in the form of added administrative cost to doing business unless technology is given time to catch up (UHF technology vs RFID technology)</li> </ul>	
Food Safety Innovation	<ul style="list-style-type: none"> <li>• Barriers slowing food safety innovation have also been highlighted by larger packers as a concern with doing business in Canada.</li> <li>• Not enough mutual recognition of results coming out of other regions, especially key trade partners like the United States.</li> </ul>	
Labour Shortages	<ul style="list-style-type: none"> <li>• Complexity of TFW program and cost of applications</li> <li>• Sourcing both trained meat cutters and general labour</li> <li>• Retaining new staff for longer than 2-3 days</li> </ul>	
SRM Regulations	<ul style="list-style-type: none"> <li>• SRM disposal costs through renderer equivalent to \$300/bin. Considerable for small processors.</li> <li>• Disadvantage to larger packers who are paid by the renderer for by-product.</li> </ul>	

Barrier	Key Processor Barrier Within Category	Level
Capital Financing	<ul style="list-style-type: none"> <li>Lending criteria adopted by national banks do not favourably view small processors with regarding to their management, security, and cash flow.</li> <li>Difficulty accessing loans for investments (e.g., added freezer capacity).</li> </ul>	
Extension Support	<ul style="list-style-type: none"> <li>Extension support for small processors from government has declined.</li> <li>Extension support includes time assisting processors with certification, filling out applications and generally offering more of an educational and support role.</li> </ul>	
Communication	<ul style="list-style-type: none"> <li>Processor participation in their provincial association declined through 2010s to the point where they effectively no longer have a collective voice.</li> </ul>	
Market Access	<ul style="list-style-type: none"> <li>Limitations on interprovincial trade leads to inefficiencies for those operations wishing to build an integrated feeding/processing operation and export outside province. Processors want interprovincial trade.</li> <li>Declining marketing support from Alberta’s Business Development program, which previously offered more assistance to provincial processors in marketing.</li> </ul>	

### Top-5 Barriers Identified

The Conclusion section outlines the top-5 barriers from this work.

- Labour Shortages** - barriers associated with labour shortages are the number one issue facing both the provincially and federally regulated processing industries in Alberta. At the federally regulated level there is a push to increase Cap rates and improve the pathway to Permanent Residency within the Temporary Foreign Worker (TFW) program to alleviate labour shortages. At the provincially regulated level the key challenge is sourcing and retaining skilled and unskilled domestic labour.
- SRM Regulations** - Packers operating in Alberta view Canada’s SRM regulations in terms of competitiveness relative to their U.S. operations. SRM carve-out requirements in Canada require more carcass by-product for over thirty-month (OTM) cattle be allocated to less profitable uses. For provincially regulated processors, SRM regulations mean small and medium-sized processors are charged more by the renderer in Alberta for by-product removal.
- Access to Capital** - Consultation with lenders reveals that small and medium sized processors do not fit their typical profile of an ideal borrower with regard to (1) management, (2) security, and (3) cash flow. Other jurisdictions approach this issue by offering government-back loan guarantees. Feedback from small and medium-sized processors suggests that they are seeking capital to expand freezer capacity and modernize some of their equipment.
- Pathways and Regulatory Compliance** - extension is defined as a service offering technical advice and the transfer of new ideas to support a given industry. Feedback from provincially regulated processors on their industry suggests that the food safety standards and processing standards can vary significantly from business to business. New entrants in particular may benefit from additional technical support in getting their facilities up and running. Support would also be beneficial in marketing meat products. There is an opportunity for government to support industry in these areas.

*Recommendations*

5. **Market Access** - A key barrier to growth for larger provincially regulated processors is market access. All of the larger provincially regulated processors pointed to their inability to trade interprovincially as a key barrier to their growth. Given the prioritization of this issue by federal provincial, and territorial (FPT) Ministers of Agriculture, there appears to be an opportunity at this time to push for interprovincial trade to the benefit of small and medium sized provincially regulated processors.

The Recommendations take into consideration the top 5 barriers identified in this report. The recommendations are addressed to the Government of Alberta as actionable steps that can be taken to overcome the key barriers facing processors (Table 2).

- **Recommendation 1: Address Immediate Labour Crisis**
- **Recommendation 2: Harmonize Processing Standards**
- **Recommendation 3: Increase Processor Support**

**Table 2: Actionable Recommendations**

**Recommendation 1: Address Immediate Labour Crisis**

- **Alberta Advantage Immigration Program - Re-evaluate Immigration Criteria:**
  - **Experience Over Education:** Consider adjusting mindset to view 2-years of work experience over the typical education criteria. As in other provinces, Alberta has prioritized education as their primary immigration criteria. Modelling the program off the Manitoba Provincial Nominee Program (MPNP) has been the feedback from federally regulated packers.
  - **Carve Out Positions:** AAIP can go further by establishing a set number of foreign worker positions specifically for processors. This approach would ensure that the processing industry has the labour it needs to continue to operate at full capacity. We recommend 500 positions be set aside for federally regulated packers in Alberta.
- **Government of Alberta - Create Career Trainee (Internship) Program:**
  - We recommend that an additional career trainee (internship) program be created that is specifically design for small and medium-sized processors. The program should have low baseline requirements such as having been in operation for over a year and demonstrated fiscal and organization need. The program would then fund a percentage of the intern’s salary (e.g., 70%) for a given time period (e.g., 7-12 months).
- **Government of Alberta - Review Financing Options for Provincial Processors:**
  - Small and medium-sized processors in Alberta are struggling to retain labour. Part of the underlying issue is aged facilities and the inability to access capital. For example, capital would allow smaller processors to upgrade equipment to create better working conditions for labour. We make two actionable recommendations to improve processor access to capital:

**1. Agriculture Financial Services Corporation - Raise Awareness and Prioritize Processors**

- There is an opportunity to use existing programming in Alberta by raising awareness amongst processors of AFSC's [Agribusiness Loans](#). Awareness should be raised through a marketing campaign to registered provincially regulated processors in combination with directives to AFSC to prioritize lending to this sector.

**2. Government of Alberta - Consult Federal Counterparts Regarding CSBFP**

- We recommend the Government of Alberta consult the federal government regarding how the Canadian Small Business Financing Program ([CSBFP](#)) could prioritize loan guarantees to small and medium-sized processors.

**Recommendation 2: Harmonize Processing Standards****▪ Federal, Provincial and Territorial Governments - Harmonize Standards:**

- Interprovincial trade has been highlighted by the larger provincially regulated processors as a key to growth for their businesses. The key to interprovincial trade is through harmonization of standards. We recommend two steps be taken to harmonize standards:
  1. First, we recommend that the Government of Alberta, in collaboration with the other provinces and territories and the federal government, continue to seek further harmony between federal and provincial processing standards, so as to reduce barriers to inter-provincial trade.
  2. Second, we recommend that the Government of Alberta seek federal government financial support to develop programming to:
    - i. Assist provincially regulated processors with upgrading their facilities to comply with CFIA standards (i.e., acquire HACCP certification).
    - ii. Outline how CFIA may cover a percentage of inspection costs for Alberta Meat and Dairy Inspection for meat destined out of province.

Bringing larger provincially regulated processors up to the federal standard would allow them to export to other provinces. We suggest modelling the program on the Cooperative Interstate Shipping (CIS) Program in the United States.

**Recommendation 3: Increase Processor Support****▪ Alberta Meat and Dairy Inspection - Create Defined Extension Support Roles:**

- We recommend that more extension-oriented roles be defined within Alberta Meat and Dairy Inspection. Small and medium-sized provincially regulated processors would benefit from additional extension support in the following areas:
  1. Navigating food health and safety standards (e.g., Safe Food for Canadian Regulations)
  2. Understanding appropriate SRM disposal techniques (e.g., large regional differences)
  3. Establishing new facilities (feedback suggests large difference between facilities)

**▪ Business Development Unit & FPDC- Emphasis on Meat Processing Support:**

- We recommend that the Business Development Unit and the Food Processing Development Centre (FPDC) prioritize traditional animal slaughter and meat processing in a similar manner to how new food trends like plant-based proteins have been prioritized in the last five years. We recommend



that two new positions be created as well as investments into FPDC focused on small and medium-sized processor technology.

– **New Business Development Unit positions:**

1. **Meat Marketing Support Role:** We recommend another Business Development position be created with a focus on assisting small and medium-sized provincially regulated processors with vendor engagement.
2. **Processor Start-Up Support Role:** We recommend a second position be created to assist newer small and medium-sized processors by providing guidance regarding navigating regulations not associated with food health and safety:
  - Regulatory overlap between provincial and municipal authorities.
  - Environmental regulations such as dealing with wastewater.
  - Navigating the various levels of tax requirements.
  - Hosting information outreach seminars through association.
  - Coordinating on-site (FPDC) visits for processors.
  - Accessing capital financing options

– **Government Investment in FPDC:**

3. We recommend that the Government of Alberta allocate additional funding towards initiatives within FPDC specifically focused on processing technology development that would benefit small and medium-sized processors. While specific technology development options need to be the part of additional research, we recommend an initial focus on:
  - **Kill and Chill Phase**
  - **Automatic Loading**
  - **Cattle Dehiding**

## 2.0 Introduction

### 2.1 Objective

The purpose of this work has been to identify barriers and opportunities to build competitiveness and resiliency into the processing sectors. The approach to generating further resiliency in the sector has been viewed through the lens of identifying the key barriers facing the processing industry and making actionable recommendations around how to remove those barriers.

### 2.2 Approach

Our research methods included a literature review, a jurisdictional scan, industry survey and stakeholder consultations. Consultations included over 60 stakeholders from provincially regulated processors, federally regulated packers, cattle producers, backgrounders and feeders, industry associations, research institutions, regulatory bodies, and other experts with key insights.

The consultation process adopted a semi-structured interview approach, where the interviewer asks open-ended questions instead of following a strict and formalized list of questions. Once certain themes began to emerge during the consultation process, our team lined up subsequent follow-up consultation with those we already contacted and with new stakeholders to focus on those specific topics. For example, within the topic of barriers for small processors we had to seek input from financial institutions regarding barriers in place for smaller processors to access credit. Through this approach, we continued conducting interviews until we no longer received new feedback from the consultation process (i.e., the process reached a saturation point).

The findings presented in the following report have been developed from (1) the literature review and jurisdictional scan, (2) the stakeholder consultation process, and (3) our own experience operating in the agri-food sector in Canada. The findings are not meant to single out any one sub-sector, regulatory body or group. Our intent is to provide an objective third-party overview of the barriers in place for this industry in Alberta and actionable recommendations based on those findings.

### 2.3 Background on Processing Industry

#### **Provincially Regulated Processors**

The red meat processing industry in Alberta is separated into provincially regulated processors and federally regulated packers.<sup>1</sup> According to the [Agricultural Processing Industry Directory](#) published by the Government of Alberta, there are roughly 50 provincial abattoirs who reportedly process bovine meat. Some of these smaller processors specialize in bovine, but many process wild meat, bison, hogs and poultry meat as well. Provincially regulated processors are concentrated in cattle production regions of the province (Figure 1).

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<sup>1</sup> There are also provincially regulated food processors (e.g., sausage manufacturers), but at the provincially regulated level this work focused on those processors who also slaughter livestock and are regulated by Meat and Dairy Inspection Alberta.

**Figure 1: Provincial Abattoirs - Alberta Map**



Source: Produced using Government of Alberta location data.

Beef produced at provincially regulated processors cannot be exported outside the province. Most processors surveyed for this work ranged in size 6 to 20 head per week, with a few processing more than 20 head per week. Smaller processors typically rely on family labour with limited arms length labour while the larger provincial processors retain a staff of more than 15 people. The larger processors retain both “skilled” and “unskilled” workers. The unskilled labour category is often the most difficult for smaller processors to fill, with a turnover rate of 2-3 days.

Provincial processors tend to generate revenue through three different approaches. First, many new processors start out offering custom cutting and wrapping services as a way to get into the business because it does not require the same level of capital as purchasing livestock for processing. Cutting and wrapping services are typically done for cow-calf producers with farmgate sales. Second, processors try to transition into purchasing livestock and cutting and wrapping for sale to a third party (e.g., local retail outlet). Fat cattle are typically purchased through a feedlot for this purpose. The third approach is to purchase livestock to cut and wrap for sale through their own retail outlet (either on site or through remote sales). This is ultimately the point all processors want to reach as it generates the largest profit margin for their business.

### Federally Regulated Packers

The federally regulated packing industry in Alberta is made up of six packers (Table 3). The majority of federally regulated beef processing in Alberta is completed by JBS Brooks and Cargill High River.

**Table 3: Federally Regulated Packers - Alberta List**

Location	Estimated Throughput
JBS Brooks	4,500 head/day
Cargill High River	4,700 head/day
Bouvry Exports Calgary Ltd.	160 head/day
Berretta Farms Ltd. (Canadian Premium Meats)	135 head/day
Harmony Beef Company Ltd.	600-700 head/day
Prairie Farm Foods Inc.	N/A
<b>Total Estimated Capacity</b>	<b>10,000-10,200 head/day</b>

Source: Publications and Serecon estimates.

Federally regulated packing plants are able to export to other provinces and internationally. They require inspection by the Canadian Food Inspection Agency (CFIA) and supply large domestic retail outlets in Canada including Overwaitea Foods Group, Loblaw Companies, Costco, and all the other major retailers. Supplying large retail outlets requires consistent supply and uniform product. The larger federal packers produce the volume necessary to service these markets.

Federal packers also vary significantly in not only their level of technology adoption but also in what level of processing they complete in-house. For example, the largest packer (Cargill High River) completes all stages from the “kill & chill” to processing and warehousing in preparation for export. The largest processor also renders its own by-products including Specified Risk Material (SRM). Some of the smaller packers on the list complete the earlier stages and then work with a third party to do some of their value-added processing (e.g., hamburger patty production). Most of the smaller and medium-sized federally regulated packers work with the provincial renderer to dispose of their by-product as well as handle all of their SRM waste.

## 3.0 Findings - Processor Barriers

### 3.1 Context

The following section identifies barriers for the provincially regulated and federally regulated processing sectors. It is our opinion that building competitiveness and resiliency into the processing sector can best be achieved through removal of barriers facing industry. This section identifies the top barriers.

The findings on barriers for processors of all sizes presents a summary of input provided by both provincially and federally regulated processors/packers and our supplementary input from the background research process. The following processors barriers have been identified:

#### Federally Regulated Packers

- Labour Shortages
- SRM Regulations
- Traceability Regulations
- Food Safety Innovation

#### Provincially Regulated Processors:

- Labour Shortages
- SRM Regulations
- Capital Financing
- Extension Support
- Communication
- Market Access

### 3.2 Processors Barriers

The barriers identified in the following section have been separated into federally regulated packers and provincially regulated processors. This separation has taken place because the barriers faced by the two levels of the processing industry are different.

#### 3.2.1 Federally Regulated Packers

##### 3.2.1.1 Labour Shortages

Labour barriers for the federally regulated packers are reported to be the:

- Complexity of the Temporary Foreign Worker (TFW) program
- Cap rates (10%-20%) on foreign labour remaining low
- Uncertain pathway to permanent residency (PR) for workers

Some of the labour-related barriers appear to have also heightened during the pandemic. For example, feedback from a labour expert pointed out how all the certifying bodies overseeing language testing halted operations during the pandemic, resulting in a severe backlog in applications. This backlog is reportedly working its way through the system but is expected to continue to have an impact for some time to come.

The bullet points identified above are well-documented through the Canadian Meat Council (CMC) and the issues are kept at the forefront of the dialogue with government through registered lobbyists and other representatives to speak on behalf of the packing industry. Recent changes like an increase on the Cap on foreign workers to 30% (for some processors) is a step in the right direction. Other barriers such as the increasing processing fees and paperwork required in completing a Labour Market Impact Assessment (LMIA)<sup>2</sup> and the uncertain pathway to permanent residency (PR) for foreign workers both remain barriers for packers.

While most of the barriers identified revolve around the federal TFW program, some highlighted areas where they believe the province of Alberta could re-evaluate immigration priorities in order to benefit the food processing industry. The opinion from industry is that the Alberta Advantage Immigration Program (AAIP), formerly the Alberta Immigrant Nominee Program, previously prioritized immigration that aligned more closely with the needs of industry. For example, much of the foreign labour in packing plants is currently being sourced from the Philippines. Much of this labour has completed up to Grade 10. The past immigrant nominee program in Alberta was pragmatic about accepting the education documentation of these workers, i.e., a Grade 10 certificate from a local village in the Philippines was accepted as a high school equivalent for the sake of the immigration process. Now, it appears that the province has started to mirror the express entry program at the federal level, resulting in tighter criteria and more red tape in accessing foreign labour.

To summarize, what industry is seeking is to have AAIP show independence from the federal program by adjusting their approach to this category of foreign labour. In other words, industry wants AAIP to adjust its perspective by valuing experience over education for this category of foreign worker and reduce some of the red tape around demonstrating education equivalency. An example provided is for a skilled "Industrial Butcher" seeking to come to Canada. Many of these butchers have been working for many years outside their hometown and tracking down their certification is often incredibly cumbersome. Industry is seeking for 2-years of experience to be viewed as acceptable without any further education criteria.

### 3.2.1.2 SRM Regulations

Regulations on handling Specified Risk Material (SRM) were one of the most raised barriers during the consultations with federally regulated packers as well as, to a lesser extent, the provincial processors.

SRM regulations are ranked as a second largest barrier by the federally regulated packers. Since regulations in Canada were changed by the Canadian Food Inspection Agency (CFIA) post bovine spongiform encephalopathy (BSE) outbreak in 2003, the processing industry in Canada has been pushing for alignment with the United States on how SRM is regulated. Recently, following the World Organization for Animal Health (OIE) changing Canada's risk status to "negligible" in 2021, there have been renewed calls from processors/packers to have SRM regulations aligned

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<sup>2</sup> An LMIA application is \$1,000 and hiring a third party to complete the assessment is estimated at \$2,000. Larger packers handle these submission process on their own, but smaller federally regulated packers outsource this work at a cost of \$3,000 per LMIA application.

### 3.2.1.3 Traceability Regulations

with the United States. There is currently a risk assessment being completed by a third party to outline the potential risks associated with SRM regulatory change. The results of this risk assessment will feed into the decision-making process by CFIA.

Based on feedback from the consultation process, our understanding of the reluctance to change the SRM regulations comes down to (1) the question of whether or not the original “classical” case of BSE from 2003 has been eradicated, and (2) concern around other areas of Canada’s beef supply chain with regard to “catching” BSE prions.

The packing industry views the recent OIE status change as an opportunity for alignment with the U.S. on SRM regulations. Alignment would remove their second largest barrier behind labour. Stakeholders also point out that as more and more time continues to go by there must be a point after which it is determined by CFIA that the original “classical” case of BSE discovered in Canada is viewed as eradicated. Many believe the beef industry has reached that point and would like to see movement on this barrier.

As industry requires more and more traceability data, there is a push for new systems to be put in place to track cattle through the supply chain. All actors along the supply chain are going to bare some of the cost of traceability in the form of tracking devices (e.g., ear tags) or in administrative costs to keep track of the information.

CFIA is putting in place new traceability regulations that will track the movement of the animal at every step through the supply chain. Currently there is a “Bookend System” in place. This means livestock is tracked when it leaves origin (ranch) and when it is slaughtered (packer). Trading houses do not have to record when cattle go through their sale. The new traceability regulations would allow CFIA the trace every step along the supply chain, which is critical in the event of disease outbreak. The new regulations would require federally regulated packer to report ear tag numbers, RFID tag numbers, truck license plate number, date and time of arrival. Packers already report when the animal is slaughtered, but the new traceability regulations would add this additional information.

The barrier for packers is that a lot of plants would have a cost to record and report this information when it arrives at the plant. The packers view the upcoming requirement as disproportionate given that other intermediary segments of the supply chain are not being asked to record this information.

The packers are seeking a technology that would reduce their traceability costs by using Ultra-High Frequency (UHF) tags. At this time, their concern is that industry is pushing for adoption of Radio Frequency Identification Tags (RFID) tags, which only allow the packer to access the information within a certain radius of the animal.

While the new traceability regulations are not yet a barrier, packers are working with industry to try to seek a solution that will provide a grace period while newer UHF technology catches up so that this issue does not become a barrier to their operations.

### 3.2.1.4 Food Safety Innovation

Barriers slowing food safety innovation have also been highlighted by larger packers as a concern with doing business in Canada. In general, the different circumstances around zero risk/tolerance on food safety are found to be frustrating. The perspective is that there is not enough mutual recognition of results coming out of other regions, especially key trade partners like the United States.

A common example provided is new methods of testing for microbials for meat products. The viewpoint of the larger packers is that there are new methods for testing microbials available but no chance that CFIA will adopt them. One of the largest processors identified this as “the number one issue facing red meat processors”. They suggested that something “needs to be done to adjust mitigation chemistry so that they have a nimbler system here in Canada”.

This has been referred to by the packers as cultural issues at CFIA that impact multiple regulatory approaches and stymie innovation. Another example is water recycling technology. Water recycling is a critical component of a larger packing operation, and they are constantly seeking new water recycling systems to reduce their operating costs and improve their operations. There is a new system available that the larger packers are seeking to integrate into their operations but they have been waiting years for approval from CFIA on the technology.

The packer suggests that because Canada is a small player in the global market, there should have an aggressive approach to adopting foreign risk assessment reviews from other regions.

### 3.2.2 Provincially Regulated Processors

#### 3.2.2.1 Labour Shortages

Provincially regulated processors rely much more on domestic workers in their operations. It is only the largest provincial processors who are starting to explore the TFW program, and their barriers will be much the same as those identified above for the federally regulated packers.

Provincial processors report various barriers around labour, including:

- Difficulty sourcing labour in their facilities,
- Problems retaining new staff for longer than a couple days,
- Competition from other sectors (e.g., Oil and Gas)

This barrier appears to have been heightened through the pandemic and as a result of government programs like the Canada Emergency Response Benefit (CERB), the rebound of the oil and gas sector in Alberta and recent housing price inflation (more motivation to seek higher paying work elsewhere).

Feedback from processors suggests that new hires only last a few days in the processing operation before leaving. The given reason for leaving is often a higher paying job or that the processing work is too labour intensive and difficult. Smaller processors often have less of the labour-saving equipment found in the larger facilities, and the work is very difficult.



Smaller processors also report frustration with the provincial meat cutting program. This appears to come down to a disconnect between what the processors are seeking and what the meat cutting program is producing. The processors are either seeking low-cost labour or a specific meat cutting skillset that is not being trained in a program that produces general meat cutting skills. The meat cutting program is seeking to produce skilled graduates that can either go on to open their own shop or take on a management role within an existing processing facility. Feedback from the meat cutting program suggests that graduates who have gone on to work in smaller processing facilities often leave due to working conditions, or they are unable to achieve a salary in line with their expectations.

All else being equal, smaller processors appear to require support accessing labour, retaining it long term, and paying a sufficient salary. On the other hand, feedback from the meat cutting program suggests that the processors also have a role to play in creating working conditions that are attractive to retaining labour. Feedback suggests that facilities are often dated and there is work to be done improving working conditions so that workers want to remain in the role.

### 3.2.2.2 SRM Regulations

Not all provincially regulated processors viewed SRM regulations as a barrier. Many appear to have worked it into their operating costs over the past 15 years and now view it as a part of doing business. However, the SRM-related barrier for smaller processors is that it adds to their operating costs and reduces their profit margin.

Prior to SRM regulatory change by CFIA in 2007, the provincial renderer collected by-product material from smaller processors without charging for collection. The renderer was collecting this material and rendering it in their facility at no cost to the processor. Our assumption is that the renderer was able to cover collection (transportation) costs with the profit generated by the by-product material. Once CFIA changed SRM regulations so that SRM by-product had to be rendered in a segregated facility, the renderer built a new facility and began charging smaller processors for all by-product pickup (both SRM and non-SRM by-product).

The renderer provides provincially inspected processors separate bins for disposal of non-SRM and SRM by-product. The renderer picks up the two different types of by-product on separate days. Consultation with processors suggest that they can fit the by-product material from 6 Under Thirty Month (UTM) carcasses in the "regular" by-product bin and are charged between \$80-\$100 per bin for pickup (roughly \$15 per head). For SRM, processors are charged approximately \$300 per bin for pickup.

Smaller provincially regulated processors point out how the larger packers are able to generate profit from the sale of by-product material to the renderer. Larger operations are able to put together larger shipments of by-product material and work out deals with the renderer for payment of this product. There are economies of scale in place that allow larger processors to generate revenue on the sale of by-product while smaller processors are charged for removal.

### 3.2.2.3 Capital Financing

Consultation with provincially regulated processors suggests that there is interest in expanding their operations by adding additional freezer capacity or by purchasing

modern equipment to either add more value-added processing capacity or reduce some need for labour. Small and medium sized processors report access to financing as a key barrier to expansion.

Regarding capital financing, capital loans are reportedly difficult to source through national banks. Processors complain how the banks “do not understand agriculture” and they often “get cold feet and pull back too easily” when it comes to financing their industry. Consultation with lenders reveals that small and medium sized processors do not fit their typical profile of an ideal borrower. They assess a small or medium sized processor on three criteria: (1) management, (2) security, and (3) cash flow.

First, lenders look at how long a processor has been in business, and they try to assess a potential borrower's management abilities when it comes to running their business. A small processor would improve their chances of accessing a loan with a well-developed business plan and a good track record of solid management decisions. However, putting together this paperwork for a loan application is often not done by smaller processors.

Second, lenders will also consider common forms of security. Preferably real estate. The issue is that small and medium-sized processors either lease the land where the processing operation is located (unable to use leased land as a form of security), or the buildings are owned but often have little remaining equity. Buildings tend to be older and fully depreciated.

Lenders report that the concern with weak collateral would not be as much of an issue if the asset could be repossessed through a General Securities Agreement (GSA), whereby the asset can be repossessed by the lender. A built-in freezer is not easily repossessed by the lender as it becomes part of the building and loses its value for resale.

Third, lenders look at a processor's cash flow. The tendency for red meat processing and cash flow to fluctuate with the cattle cycle does not help. Small and medium sized processors often require a line of credit to manage cash flow, and this does not look strong on a loan application.

Small processors report better success acquiring capital loans through institutions like Farm Credit Canada (FCC). For larger processors FCC is reportedly a good option when it comes to sourcing capital financing, but not working capital. FCC does not provide working capital.

The Agriculture Financial Services Corporation (AFSC) in Alberta is another option, but few processors are aware they act as a lender as well as insurer. Through their lending programs, AFSC provides loans to cover land and equipment purchases as well as working capital. Small and medium sized processors fall under their lending umbrella, even though few know about it or submit applications.

While AFSC has suitable loans for small processors as a part of their lending programs, there may be an underlying aversion to the processing industry resulting from past experience. There was a push in the early 2000s to support increased

slaughter capacity in the province (following BSE) and AFSC came up with new programming. The programming tried to foster investment into processing. The two key programs were the Beef Product and Market Development Loan Program and Project Investor Financing (PIF) Loan Program. The programs were designed to enable AFSC to become involved in a few larger projects, with the understanding that it would result in AFSC exceeding their rural investment targets, i.e., it was viewed as disaster relief.<sup>3</sup>

With this experience in mind, we view it as unlikely that AFSC (with government direction) would create any specific programming viewed as “disaster relief” for the processing sector without a significant change in policy direction. They offer programs already that are suitable for smaller processors, but new programming would have to result from a top-down decision from the government of Alberta.

Other jurisdictions are attempting to overcome the difficulties faced by smaller processors accessing capital loans by offering government-backed loan guarantees. For example, the United States has set aside \$21.9 million in grant funding to support meat and poultry supply chains. Specifically, the Food Supply Chain (FSC) Guaranteed Loan program and the Meat and Poultry Intermediary Lending Program (MPILP) have been developed to strengthen the financing systems for independent processors. The former provides loan guarantees to banks willing to lend to smaller processors.

In Canada, the closest comparable program would be the federal Canadian Small Business Financing Program (CSBFP). This program in Canada fills a similar role to the guaranteed loan program currently offered in the United States by making it easier for small businesses to get loans from financial institutions by sharing the risk with lenders. However, the major difference is that this Canadian program is not specific to meat processing. Small and medium sized processors in Alberta would be competing with all other small businesses across Canada through the CSBFP.

#### 3.2.2.4 Extension Support

While support can be defined many different ways, in this section we refer specifically to extension services offering technical advice and support to provincially regulated processors. This support is found in two distinct areas:

1. Food Health and Safety Regulations
2. Engagement with Venders (B2B Support)

First, the stakeholder consultation process suggests that small and medium-sized processors would benefit from additional support adhering to food health and safety regulations. Alberta Meat and Dairy Inspection oversees all meat inspection and slaughter licensing in the province. While the mandate of the department may never have been to offer extension support to small and medium sized provincial processors, in the past they had a larger staff and budget and were able to take more time to offer extension-like support. This extensions support would have included time in assisting processors with understanding Hazard Analysis Critical Control Point (HACCP) certification, filling out complex food safety applications and

<sup>3</sup> Agriculture, Food and Rural Development. Business Plan 2006-09. Government of Alberta ([link](#)).

generally offering more of an educational and support role. While it may never have been their responsibility to offer this additional support, the loss of this (call it “in-kind”) service leaves processors with a gap in support that has not been filled by another entity, such as a provincial association.

Provincially inspected processors admit that there is a gap in educational support for smaller meat processors in the province. They observe that some of the newer entrants to the industry may not have the support they need to meet modern food health and safety standards in their facilities. Some of this gap in educational support could be offered through Alberta Food Processors Association (AFPA), but they are also a smaller organization with limited budget and little participation from small and medium-sized processors. AFPA does not have the resources or the incentive from membership to develop these sort of education support programs.

Second, support with marketing has also been requested by provincially regulated processors. Feedback from provincially inspected processors suggests that they would also benefit from increased marketing support. The larger provincially regulated processors point to programs in other provinces that they feel help their counterparts in those provinces market product to retail, which is something they struggle to do in Alberta.

Larger provincially regulated processors in Alberta who attend national meetings and have had the opportunity to connect with their counterparts in Ontario describe the Vender Engagement (VE) program available through the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA). The OMAFRA program is run by limited staff members who have experience in marketing meat and in facilitating the key business to business (B2B) relationships between their provincially regulated meat industry and retailers (e.g., Farm Boy) who are looking to capitalize on the local food movement. Feedback suggests that this program benefits processors in Ontario because the VE Program helps them market there “less desirable product”.

It is our understanding that the Business Development program in Alberta formerly employed staff who took on a similar role to what we have described in the VE program at OMAFRA. With staff reductions over time, and decisions about where resources should be focused, the Alberta program has a strong emphasis on initiatives housed in the Leduc Food Processing Development Centre (FPDC). FPDC plays a key role in fostering growth and commercialization of food, beverage and ingredient manufacturing companies, and is helping to ensure that Alberta attracts food manufacturers and stays at the forefront of new food trends. However, there is little participation from traditional meat processors, meaning that they are benefitting little from the current structure of the Business Development program in Alberta. Processors are requesting a position be filled in the Business Development program that provides marketing support in a similar manner to the VE program.

#### 3.2.2.5 Communication

Communication refers to the ability of the regulatory body and the processors to come together and exchange ideas effectively, discuss issues that are arising within the industry, and perform effective consultation processes prior to policy change. It also refers to the ability of industry to come together and collectively lobby for change. This ability is not present for processors in Alberta.

Feedback from the provincially regulated processors suggests that they have been growing increasingly frustrated at their belief that government will make changes to how they are regulated without any consultation process. This feeling has grown during the pandemic, when industry days and other opportunities to gather with government were put on pause. There is frustration at the belief that their voices are not being heard by their regulators.<sup>4</sup>

Part of the decline in communication can be explained by the pandemic and it is likely a temporary issue. The secondary explanation is that processor participation in their provincial association has declined to the point where they effectively no longer have a collective voice. In the past, Alberta had a meat processors association that represented meat processors exclusively. In 2005 the meat processors association amalgamated with the AFPA. In the mid-2000s following the merger with AFPA, the meat processors had active participation from respected representatives from their industry like Russ Paul and Brad McLeod. Russ Paul was the “legs on the ground” of the organization and with his passing in 2011 there was a significant gap in leadership on the meat processing side of AFPA. There now appears to be minimal interest amongst meat processors in Alberta in participating in AFPA.

AFPA is primarily a membership-fees driven organization, like most industry associations. Without participation from provincial associations and their membership fees, AFPA is unable to provide association content or representation for this sector. This issue will need to be overcome if association representation for smaller processors is to be renewed, and communication between parties restored.

### 3.2.2.6 Market Access

Feedback on market access focused on interprovincial trade and a request for increased marketing support. Processors suggest that both of these initiatives would help them grow their businesses.

The larger provincially regulated processors are keen to export to other provinces. This is also applicable to some of the larger cattle producers who are seeking to develop an integrated feeding/processing operation. Consultation with one of these operations presented a scenario whereby they send fat cattle to Westwold, British Columbia, to be processed at the federally regulated KML Beef plant in the interior so that they can export meat to a retailer in neighbouring Saskatchewan. This requires transporting the livestock 900 kms and then bringing the processed meat back across Alberta to a retailer in Saskatchewan. The ability to trade interprovincially would allow some of these larger provincially regulated processors to build their processing businesses and capitalize on the “buy local” trend growing amongst consumers, without having to go through the federally regulated operations.

In 2011, the Government of Canada put \$3 million towards an interprovincial trade pilot project overseen by CFIA. The pilot followed the USDA establishing their

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<sup>4</sup>This work focused on those provincially regulated processors who also have abattoirs, which falls under the authority of Meat and Dairy Inspection Alberta.

### 3.3 Summary

[Cooperative Interstate Shipment](#) (CIS) program around the same time.<sup>5</sup> Through the CIS program, selected state-inspected establishments in the United States that comply with federal inspection requirements are permitted to ship meat and poultry products in interstate commerce. To be eligible to participate in the CIS program, state Meat and Poultry Inspection (MPI) programs must meet a number of criteria to demonstrate that the inspection that it provides to state-inspected plants will be the “same as” the inspection that Food Safety and Inspection Service (FSIS) provides to official federal establishments.

In April 2022, CFIA developed a Ministerial Exemption (ME) process to permit interprovincial movement of food through establishments that are not federally licensed if such trade becomes necessary to alleviate food shortages. In July 2022, the federal, provincial, and territorial (FPT) Ministers of Agriculture reached an agreement to pursue inter-provincial trade through four pilot projects focused on increasing domestic trade in meat. These initiatives all point to the need to harmonize standards to allow for interprovincial trade.

This findings section is informed by a combination of the survey, the stakeholder consultation process, and the takeaways from the literature review and jurisdictional scan work.

Barriers facing the federally regulated processing industry include labor shortages, SRM regulations, traceability regulations and food safety innovation. Labour is the largest barrier followed by SRM regulations. Increased costs around traceability are something the packers see coming in the near future and they are working on new technology that will reduce their costs. Food safety innovation is something the packers view as a larger issue facing the food processing industry. There are new approaches (e.g., microbial testing) available that they view as sufficient and would like to see adopted by the CFIA.

The remaining barriers identified in this section are focused on the provincially regulated processing sector. The themes developed are ones of reduced communication between industry and the regulatory body, and departmental cut-backs over time leading to reduced extension support and marketing support by government. At the same time, processors have taken a less active role in their provincial association, meaning there is no entity to fill the communication gap. With the loss of key individuals from the processing industry taking an active role in AFPA in the early 2010s, there is now very little representation in the association by industry. Finally, the issues around accessing capital as a smaller processor are holding back the provincially regulated industry from expansion. Interventions may be required to overcome the identified barriers to accessing capital.

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<sup>5</sup>Under CIS, state-inspected plants can operate as federally-inspected facilities, under specific conditions, and ship their product in interstate commerce and may have the opportunity to export them to foreign countries, provided the CIS participating State has entered into a supplemental agreement that addresses the export of CIS inspected products. No states currently have a supplemental agreement for exporting product internationally. There are currently 10 states participating in the program, with Montana being the latest to join in 2022.

## 4.0 Conclusions

### 4.1 Overview

The purpose of this work has been to identify barriers and opportunities to build competitiveness and resiliency into the processing sector in Alberta. We have approached the work through a combination of research methods including a literature review, a jurisdictional scan, industry survey and stakeholder consultations. Consultations included provincially regulated processors, federally regulated packers, cattle producers, backgrounders and feeders, industry associations, research institutions, regulatory bodies, and other experts with key insights. Over 60 stakeholder consultations took place for this work.

***This section outlines the top barriers from this work and the following Recommendations section provides our opinion regarding actionable steps that can be taken by the Government of Alberta to reduce these barriers and ultimately lead to a more resilient beef processing industry going forward.***

### 4.2 Top 5 Barriers

Top 5 barriers identified throughout this report:

1. Labour Shortages
2. SRM Regulations
3. Access to Capital
4. Pathfinding & Regulatory Compliance
5. Market Access

#### 4.2.1 Labour Shortages

Labour is consistently ranked as the top barrier facing industry. Shortages in the meat processing sector has been a growing concern for years, but it appears to have increased during the pandemic and continues to effect both federally and provincially regulated processors.

The consultation process revealed some temporary issues during the pandemic that made the situation worse. For example, in Alberta there was a ban on TFW in the position of "retail butcher". The federally regulated packing industry hires general labourers, industrial butchers and retail butchers. The larger packers require retail butchers as they are completing value-added processing in-house. The ban on retail butchers was put in place to protect domestic workers in Alberta during the pandemic, and it increased the labour shortage for packers. Another example of a pandemic-related issue is the closure of agencies approved by Immigration, Refugee and Citizenship Canada (IRCC) to conduct language testing. Due to Covid-related issues, many of these testing facilities closed during the pandemic and it generated a large backlog in applications and reduced access to foreign labour for processors.

General concerns with the TFW program focus more on the increasing cost of the program, limited Cap rates on foreign labour, and the uncertain pathway to Permanent Residency (PR). While no packer during the consultation process was able to confirm the program cost increase, stakeholders indicate that the

[significant reforms](#) that took place in the program in 2014 drove up the cost of bringing in foreign labour. The LMIA component of an application, the component required to prove need for a foreign worker, increased to \$1,000 per application. The Cap rate on foreign labour is another identified barrier. During the pandemic, temporary measures were put in place such as the Cap rate being increased from 10-20% to 30% for some packers. This helps, but not all packers were given the increase to 30%. Finally, the pathway to Permanent Residency is uncertain. Packers are seeking amendments to the program to ease the transition into PR status for the workers they are bringing in and training in their facilities.

Larger provincially regulated processors are starting to consider using the TFW program, but the cost appears prohibitive. Hiring out the application submission process to a third-party costs in the range of \$2,000-\$3,000 per application. The general rule of thumb is that each foreign worker costs around \$5,000 to get to Canada and working in the facility after application fees and transportation are considered. The costs associated with the program make it out of reach for most smaller processors in Alberta.

The majority of small and medium sized processors rely on domestic labour, and their labour-related concerns are primarily focused on finding any labour willing to take on the job. Processors report turnover time of under a week for new hires and often no more than 2 days. Workers leave because the job is too difficult, or they find a hire paying job in a different industry. Smaller processors also report giving up on looking to hire trained meat cutters. They have decided that it is more cost effective to hire unskilled workers and train them on the job, due to their minimal success in hiring from the provincial meat cutting program. Consultation with the meat cutting program in Alberta and the processors suggests there is a disconnect between the skills sought by provincial processors and those being taught in provincial training programs. One explanation from a small processor is that the provincial training program produces general meat cutting skills while most small processors cater to a specific market and are required to train specific skills. From their perspective, it makes more sense to train on the job. Consultation with the meat cutting program suggests that their students often find the working conditions in small plants below the standards of what they expected.

#### 4.2.2 SRM Regulations

SRM regulations is the second key barrier identified by the federally regulated packing industry. The largest federally regulated packers operating in Alberta view Canada's SRM regulations in terms of competitiveness relative to their U.S. operations. The largest packers are international businesses with the bulk of their North American operations in the United States. They are constantly reviewing their operations on both sides of the border and comparing profitability. Their argument is that the SRM carve-out requirements in Canada (more stringent than in the United States) mean more of the carcass by-product for over thirty-month (OTM) cattle is being used to create other products (e.g., fertilizer) rather than generating a higher return as by-product into the rendering industry for animal feed. Movement on this issue is critical for packers.

While the larger packers in Alberta view Canada's SRM regulations in terms of lost revenue potential, smaller provincially regulated processors view them as an



additional operating costs. Smaller processors have various options for disposal of by-product and SRM, but most processors work with renderers in Alberta to have their by-product picked up on a regular basis. Prior to 2009, all by-product was collected by the renderer from smaller processors free of charge. After 2009 the renderer began charging smaller processors for collection on the grounds that they had to pay for a new segregated SRM processing facility following the regulatory change. SRM regulations are costing small and medium-sized processors in higher disposal costs relative to regular by-product material and in additional management requirements (i.e., material must be segregated, and strict health and safety guidelines followed).

#### 4.2.3 Access to Capital

Regarding capital financing, capital loans are reportedly difficult to source through national banks. Processors complain how the banks “do not understand agriculture” and they often “get cold feet and pull back too easily” when it comes to financing their industry. Consultation with lenders reveals that small and medium sized processors do not fit their typical profile of an ideal borrower. They assess a small or medium sized processor on three criteria: (1) management, (2) security, and (3) cash flow.

AFSC already provides loans to cover land and equipment purchases as well as working capital, and small and medium sized processors fall under their lending umbrella. However, AFSC is also required to make sound lending decisions and they are going to view small and medium-sized processors through a similar lens as the national banks in Canada. Government interventions are typically required to overcome the lending profile of smaller processors.

In the United States they are attempting to overcome the difficulties faced by smaller processors accessing capital loans by offering government-backed loan guarantees for banks willing to lend to small processors. In Canada, the closest comparable program would be the federal Canadian Small Business Financing Program ([CSBFP](#)). This program in Canada fills a similar role to the guaranteed loan program currently offered in the United States by making it easier for small businesses to get loans from financial institutions by sharing the risk with lenders. However, the major difference is that this Canadian program is not specific to meat processing.

Feedback from provincially regulated processors suggest that if they are able to overcome labour shortages and access capital loans for expansion, many would be in a position to grow their businesses. The number one investment small and medium-sized processors would make is to expand their freezer capacity.

#### 4.2.4 Pathfinding & Regulatory Compliance

The consultation process revealed a provincially regulated processing industry that would benefit from additional support with pathfinding and regulatory compliance. Technical advice to assist with navigating complex regulatory hurdles around food health and safety and other matters would be beneficial.

Feedback from small and medium-sized processors in Alberta suggests that they would benefit from support adhering to modern food, health, and safety standards.

The regulations have become increasingly complex at the same time as government appears to have stepped back from a role of outreach and extension. An example of where this support would be valuable is in assisting processors with understanding Hazard Analysis Critical Control Point (HACCP) certification. Feedback from the regulator suggests that there is programming available through CAP to provide fund matching support to upgrade facilities, but the reality is that very few provincial processors submitted applications. The impression is that many were not aware of the funding or viewed the application process as prohibitively complex. HACCP certification is a critical component required to access many retail outlets and it is an area where extension support could be beneficial. The regulatory body, Alberta Meat and Dairy Inspection, is the natural choice to assist producers in this capacity. However, there does not appear to be the additional resources within the regulatory body to support these outreach and extension activities.

Small and medium-sized processors would also benefit from additional support marketing products. Feedback from stakeholders suggests that the Business Development Program within AAFRD formerly had staff with a role that offered assistance facilitating B2B relationships between venders and provincial processors. While this may not have been the formal job description, there were individuals within the department that had this skillset and offered valuable assistance to processors in Alberta. Feedback from processors suggests that they would benefit greatly from renewed support within the Business Development program offering this level of support. They point to the Vender Engagement (VE) program still housed within OMAFRA as a key example of that they seek.

Finally, this work revealed a provincially regulated processing industry that is no longer participating in their provincial association, and as a result, has lost its collective ability to lobby for change on key issues. The struggle with participation from small and medium-sized processors is that they only appear to come together when there is a key issue to focus on as this has been the case in the past. At least some intervention is required to restart processor participation in an association that will give the industry a platform for communication with the regulatory body.

#### 4.2.5 Market Access

A key barrier to growth for larger provincially regulated processors is market access. All of the larger provincially regulated processors pointed to their inability to trade interprovincially as a key barrier to their growth.

Solutions need to be found to standardize trade regulations across provinces. In their response to the first report of the Standing Committee on Agriculture and Agri-Food, entitled: *Room to Grow: Strengthening Food Processing Capacity in Canada for Food Security and Exports*, the Standing Committee on Agriculture and Agri-Food (the Committee) recommends that the Government of Canada seek further harmony between standards to reduce barriers to inter-provincial trade. In November 2021, the federal provincial, and territorial (FPT) Ministers of Agriculture agreed that finding interprovincial trade solutions should be priorities under Sustainable Canadian Agricultural Partnership (SCAP) Framework ([Government of Canada](#)). The Ministers refer to their hopes around the ongoing interprovincial trade pilot project.

Larger provincial processors who are looking to start exporting to other provinces are going to great lengths to receive federal inspection approval. One of the largest processors is a fully integrated operation (production, feeding and processing) that is sending beef to BC's interior to be processed at Westwold and then exporting it to retailers in Saskatchewan. This adds considerable transportation costs to their product. With access to interprovincial trade, the largest 3-4 provincially regulated processors would be in a position to grow their operations and benefit from the increased market size.

## 5.0 Recommendations

The Recommendations take into consideration the top 5 barriers identified in the Conclusions section and provides a clear, actionable recommendations.

- **Recommendation 1: Address Immediate Labour Crisis**
- **Recommendation 2: Harmonize Processing Standards**
- **Recommendation 3: Increase Processor Support**

### 5.1 Recommendation 1: Address Immediate Labour Crisis

#### **Alberta Advantage Immigration Program - Re-evaluate Immigration Criteria**

There is an opportunity at this time for the Government of Alberta to adopt a more layered view on immigration criteria. Feedback from industry suggested that the following action from AAIP would have the greatest impact on their ability to access labour:

1. **Experience Over Education:** Start valuing 2-years of work experience over the typical education criteria. There is currently a Agri-Food Immigration Pilot that is testing a pathway to permanent residency for experienced, non-seasonal workers in specific industries, like meat processing. The pilot will conclude in May 2023. This pilot may improve some of the issues around retaining foreign workers (i.e., smooth the pathway to permanent residency), but the province of Alberta has the final say on which benchmark criteria, education or experience, will be the key decision factor. As in other provinces, Alberta has prioritized education as their primary immigration criteria. AAIP has an opportunity to set its own path by necessarily following the lead of IRCC and choosing to adopt policy changes that will have a positive impact on the food processing industry in the province.
2. **Carve Out Positions:** AAIP can go further by establishing a set number of foreign worker positions specifically for processors. This approach would ensure that the processing industry has the labour it needs to continue to operate at full capacity. We recommend 500 positions be set aside for federally regulated packers in Alberta.

As a general comment, the processing industry points to the Manitoba Provincial Nominee Program (MPNP) as the “Gold Standard” of provincial nominee programs. Further investigation into why the Manitoba program is specifically working effectively for industry should be conducted.

#### **Government of Alberta - Create Career Trainee (Internship) Program**

The Government of Alberta has various existing [internship and student employment programs](#) including indigenous intern programs, articling programs, municipal internship programs, and various others. There are currently seven programs available in the province. We recommend that an additional career trainee (internship) program be created that is specifically design for the food processing industry.

An example program in another province is the [Food Producer and Processor Career Internship Program](#) offered by the Columbia Basin Trust in British Columbia. The key point on this program is that it is eligible for all food processors who have been in operation a minimum of one year and that have a demonstrated fiscal and organizational need for an intern and wage funding. It does not require that the intern be a student. This type of career internship program would provide small and medium sized processors a percentage of the intern's salary (up to a given limit) for a 7–12-month term for a full-time, career focused position that leads to permanent employment.

In our opinion, this is the sort of support program that would have an immediate beneficial impact on small and medium-sized processors. While it may not solve the difficulty with finding labour, it would enable processors to afford to pay a wage rate that may retain workers.

#### **Government of Alberta - Review Financing Options for Provincial Processors:**

Small and medium-sized processors in Alberta are struggling to retain labour. Part of the underlying issue is aged facilities and the inability to access capital. For example, capital would allow smaller processors to upgrade equipment to create better working conditions for labour. We make two actionable recommendations to improve processor access to capital:

##### **1. Agriculture Financial Services Corporation - Raise Awareness and Prioritize Processors**

- There is an opportunity to use existing programming in Alberta by raising awareness amongst processors of AFSC's [Agribusiness Loans](#). Awareness should be raised through a marketing campaign to registered provincially regulated processors in combination with directives from the Government of Alberta to AFSC to prioritize lending to this sector.

##### **2. Government of Alberta - Consult Federal Counterparts Regarding CSBFP**

- We recommend the Government of Alberta consult the federal government regarding how the Canadian Small Business Financing Program ([CSBFP](#)) could prioritize loan guarantees to small and medium-sized processors. The CSBFP has a similar loan guarantee mechanism to the recently announced United States programming targeted at guaranteeing loans for meat processing (e.g., the Meat and Poultry Intermediary Lending Program), except it is not processor specific.

## 5.2 Recommendation 2: Harmonize Processing Standards

#### **Federal, Provincial and Territorial Governments - Harmonize Standards**

Interprovincial trade has been highlighted by the larger provincially regulate processors as a key to growth for their businesses. Whether they are located near a provincial border and want to access markets in their area across the border, or they are a larger processors looking to export further away, interprovincial trade

would open up the domestic market opportunities for larger provincial processors. The key to interprovincial trade is through harmonization of standards.

First, we recommend that the Government of Alberta, in collaboration with the other provinces and territories and the federal government, seek further harmony between federal and provincial processing standards, so as to reduce barriers to inter-provincial trade. In late 2021, the Federal, Provincial and Territorial Ministers of Agriculture agreed that market diversification and interprovincial trade solutions should be priorities under the Next Policy Framework. Continued emphasis by the Government of Alberta through their participation in the *Interprovincial Committee Related to Trade* is of continued importance in pushing this initiative forward.

Second, we recommend that the Government of Alberta seek federal government financial support to develop programming to:

- Assist provincially regulated processors with upgrading their facilities to comply with CFIA standards (i.e., acquire HACCP certification).
- Outline how CFIA may cover a percentage of inspection costs for Alberta Meat and Dairy Inspection for meat destined out of province.

Bringing larger provincially regulated processors up to the federal standard would allow them to export to other provinces. The United States has been working on supporting state inspected processors in accessing national markets through their Cooperative Interstate Shipping (CIS) Program (Table 4).

**Table 4: Cooperative Interstate Shipping (CIS) Program - Example Program**

Through the CIS program, selected state-inspected establishments in the United States that comply with federal inspection requirements are permitted to ship meat and poultry products in interstate commerce. To be eligible to participate in the CIS program, state Meat and Poultry Inspection (MPI) programs must meet a number of criteria to demonstrate that the inspection that it provides to state-inspected plants will be the “same as” the inspection that Food Safety and Inspection Service (FSIS) provides to official federal establishments. FSIS reimburses individual states for 60% of their costs associated with providing this interstate eligible inspection service.

We recognize that similar programming was attempted through Growing Forward 1 (GF1) and Growing Forward 2 (GF2) to support processors in upgrading facilities. However, feedback suggests that more awareness of the opportunity should be generated amongst processors as well as additional support in submitting applications. Consultation with Alberta Meat and Dairy Inspection regarding their insight around how to increase participation in future program is recommended to ensure uptake.

5.3 Recommendation 3:  
 Increase Processors  
 Support

We make two overarching recommendations around increasing processor support in Alberta:

- |   |
|---|
| 1. Create extension support roles in Alberta Meat and Dairy Inspection        |
| 2. Emphasize meat processing in Business Development Unit and FPDC activities |

**Alberta Meat and Dairy Inspection - Create Defined Extension Support Roles**

Feedback from the regulatory body suggests that there has been hiring in the last year in response to some of the issues identified throughout this report. Our understanding is that the new positions are meant to address some of the communication breakdown with industry.

While this step may solve some of the areas identified in this work, we recommend that more extension-oriented roles be defined within Alberta Meat and Dairy Inspection. Small and medium-sized provincially regulated processors would benefit from additional extension support in the following areas:

- Navigating complex food health and safety standards
- Understanding appropriate SRM disposal techniques
- Establishing new facilities that meet modern safety standards

As the regulator overseeing industry, Alberta Meat and Dairy Inspection is going to be best positioned to provide this valuable extension support.

**Business Development Unit & FPDC- Emphasis on Meat Processing Support**

We recommend that the [Business Development](#) Unit and the Food Processing Development Centre (FPDC) prioritize traditional animal slaughter and meat processing in a similar manner to how new food trends like plant-based proteins have been prioritized in the last five years.

Large government investments<sup>6</sup> into FPDC are going towards the installation of equipment specifically focused on supporting companies to develop new plant-based foods and products, and much of the centre is staffed by food scientists, engineers and technologists looking to support this forward-looking food development mindset. Given the importance of the cattle industry in the province of Alberta, there needs to be more emphasis on supporting meat processing.

First, we recommend that two new Business Development positions be created with a focus on:

1. **Meat Marketing Support Role:** We recommend another Business Development position be created with a focus on assisting small and medium-sized provincially regulated processors with vender engagement. We recommend that the Vender Engagement (VE) program at OMAFRA be used as a template for the new position. Our understanding is that the Business Development Unit formerly had a position adopting a similar role. Smaller processors would benefit from one being re-established.

<sup>6</sup> An example being the federal government investment of \$2.6 million in 2020 ([Alberta Seed Guide, 2020](#)).

2. **Processor Start-Up Support Role:** We recommend a second position be created to assist newer small and medium-sized processors by providing guidance regarding navigating regulations not associated with food health and safety. Food health and safety would be under the purview of the recommended new position(s) to be created within Alberta Meat and Dairy Inspection. This recommended new position would assist with other start-up business related challenges such as:
  - a. Regulatory overlap between provincial and municipal authorities.
  - b. Environmental regulations such as dealing with wastewater.
  - c. Navigating the various levels of tax requirements.
  - d. Accessing capital financing (e.g., leverage CSBFP and AFSC).
  - e. Hosting information outreach seminars through association.
  - f. Coordinating on-site (FPDC) visits for processors.

While there may be an opportunity to leverage existing staff to take on these two additional roles, running a slaughter facility and marketing meat products is completely different than many other forms of food manufacturing. Meat processing is subtractive manufacturing (removes material to create parts), whereas food product development is often additive manufacturing (build food products by adding ingredients). We recommend that new staff be hired to ensure that these activities do not get tagged onto existing staffs' workload at the risk of becoming a "corner of the desk" priority.

Second, we recommend that the Government of Alberta allocate additional funding towards initiatives within FPDC specifically focused on processing technology development that would benefit small and medium-sized processors. While specific technology development options need to be a part of additional research, we recommend an initial focus on:

- **"Kill and Chill Phase"** - While the larger federally regulated packing plant operations are looking to implement automation processing technology in the next 5-10 years that will allow them to process sub-primal cuts, the low-hanging fruit for smaller processors will be implementing technology that reduces labour requirements during the initial slaughter and chilling phases. Some options include:
- **Automatic Loading** - options should be reviewed for smaller systems to move animals into the designated area for stunning. This is happening for hogs.
- **Cattle Dehiding** - This is a labour-intensive element of processing and one that could be explored on a smaller scale.

Announcing the allocation of funds towards meat processing technology at FPDC would have two positive impacts for small and medium sized processors:

1. It would provide a location where they could view new technology for their industry and begin to determine the feasibility of implementing it into their own operations. They would also be able to provide feedback and take part in the conversation around what technology they are seeking.



2. It would be a signal to small and medium sized processors that they have not been left behind in the pursuit of new food trends such as plant-based protein food and beverage products.

We recommend these two actionable recommendations as key steps to re-establishing strong support for provincially regulated processors in Alberta.