

## Market Research Report for Regional Beef Value Chains in B.C., Canada

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*The co-applicants and industry sponsors for this research project were the British Columbia Association of Cattle Feeders (BCACF) and the Cariboo Cattlemen's Association (CCA). BCACF was established in 1988 to support the needs of cattle feeders in British Columbia. The main objective of the association is to bring information, technology and education, as well as other services, to the cattle feeders of the province (BCACF report 2011). The Cariboo Cattlemen's Association was established to promote, encourage, develop and protect the beef cattle industry in the Cariboo. (Constitution and Bylaws, Cariboo Cattlemen's Association). In addition this project was made possible through funding from the Investment Agriculture Foundation of B.C. and Agriculture Canada.*

*The principal investigators are three faculty members from the School of Business and Economics (SOBE) at Thompson Rivers University (TRU). The research project is in two phases - market analysis and logistics research. Dr. Eric Lien and Dr. Wei Song are responsible for the market analysis while Dr. Avninder Gill is responsible for the logistics research. Project Management was provided by Office of Research Innovation and Graduate Studies at TRU (RIGS) with Gillian Watt as project manager. Six students from the SOBE at TRU were also engaged in this project: Pamela De Lime Ishy, Xiye Chen, Nick Meyers, Robert Tallon, Orest Kuzma and Drew Beesley. Mr. Martin Doree, transportation consultant also contributed research and information for the logistics report. Bill Freding, Dimity Hammon, David Zirnhelt and Dave Fernie provided information and valuable insight into the beef production and processing side and, Stanley Zappa shared initial pilot project findings from the culinary side. Final design and layout was provided by Mairi Budreau, Thompson Rivers University Office of Advancement. Dr. Nancy Van Wagoner, Associate Vice President, Research and Graduate Studies extends her thanks to all those who came together to make this project possible.*

### *B.C. Beef Industry*

*Over the last few decades, the noticeable decline in beef consumption in developed countries has caused a significant net loss in the beef industry. Possible factors for the decline include a change of consumer preferences; high prices of beef in comparison to other meats such as pork, turkey and chicken; lack of quality standards; and several beef safety debacles. These have all contributed to the reduction of beef consumption (Menkhaus, Whipple, Field and Moore, 1988; Atance, Bardaji and Garate, 2004). Consequently, the beef industry has been severely challenged, especially in developed markets, including Canada and the USA.*

*Beef producers in B.C. are currently in a state of financial distress from several years of commodity prices below the cost of production. The B.C. ranching industry is composed of a majority of family operations with between 150 and 500 head of mother cows. Over the past 50 to 70 years, the industry has moved from growing, finishing and marketing cattle here in B.C. to selling calves or back-grounded yearlings to feedlots on the prairies, where they are finished, processed and marketed under a commodity-type system of trade.*

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*As the B.C. Beef industry moved away from finishing and marketing their beef locally to supplying a commodity-driven feedlot system in the prairies, their margins slowly began to erode, with the largest reduction occurring over the past six years. This margin decline for beef producers is due to a number of production and revenue factors. Globalization of the retail, food service and distribution industries has played a critical role on the revenue side; however at the same time, there is a growing segment of chefs and consumers who do not want to buy commodity beef and who are willing to pay more for locally produced beef with certain valued attributes. This project is aimed at assessing whether this new perspective on beef consumption has the potential to provide new opportunities for the beef industry in BC.*

*The main research questions for this project are*

- 1. The chefs', store managers', and consumers' attitudes toward the price and the value of various attributes of BC locally produced beef.*
- 2. If high quality local beef is available, would BC chefs and customers pay a premium price?*
- 3. The consumers' preferences for ordering/distribution systems.*

*To address these questions, seven sub-research questions have been developed to address the following points:*

*The value to chefs and to the guests' eating experience of the various attributes of locally produced beef: taste and tenderness, interest in the local story, supporting local producers, reducing the carbon footprint, health aspects, no antibiotics in feed and no growth implants, and dry-aging. This is designated as "Willingness to pay."*

*What volumes of the various prime cuts would each chef order weekly through the seasons, and if a software program was available to assist in carcass optimization and identifying the cost per serving, would the chef be interested in purchasing the beef on a carcass basis providing the value could be demonstrated;*

*What are the most important considerations for the chefs in choosing the source of their beef;*

*What ordering/delivery system would be most effective in meeting the needs of the chefs;*

*What percentage of gross sales would the distributor require in order to provide an effective service. "Full service sales and distribution vs. simple distribution";*

*What pricing would the processor require in order to provide an effective service. Length of dry-aging is from 14 days to 21 days; and*

*What is the required price per pound of carcass weight for finished beef for the producer.*

*Following a brief discussion on seven segments of the BC beef market, the methodology used in the studies is explained. Finally, the detailed findings and related discussion are presented. The management implications and the limitations of the study as well as the direction for possible further study are discussed.*