

LMAC Convention June 2011: Round table discussion on Traceability

Speaker 1: Donna Huneset: Report on Phase Two Pilot Projects Canada

Lets get started; most of you know me. I'm Donna with the Ivomed Research Project on the Auction Market Traceability for over 2 years. For our first phase we scanned over 530, 000 head in over 139,000 groups in over 2 years.

The first one was 11 weeks: October to December. We had 9 Auction Markets, 149,000 head of cattle ran through them. That was a proof of concept stage. What we learned from that we took forward to Phase 2. Phase 2 was three times as many cattle, 3 times as long: 30 weeks and over 394,000 head.

What was interesting in Phase 2 is that we added an additional Auction Market and 3 buying stations. Market neutrality is a concern for the industry, so we ensured that we had buying stations in there as well because what happens in Auction Markets is going to happen in various commingled sites, so we tested buying stations as well.

Project definition: Phase 1, as you know, was proof of concept: you've heard me talk about this before. What we were doing was 'does this work?'; is it effective? Is it efficient? So we found that it was, if the system was located within the process flow it worked just fine. It didn't have any impact.

So we moved forward from that into Phase 2, where we integrated the tag collection and reporting with the hardware. We thought that there would be value to having a fully integrated system, so we integrated new software in with the hardware: we worked with each enterprise vendor at each site to create the new modules that would link that up. For example: if we had a system at the sale ring, we would purchase a sale ring module that would collect those tag numbers and then record them through the process, so they would be available on settlement sheets and invoices, etc.

So that is what we did in Phase 2; we ensured that the tag collection and recording numbers were integrated into the business process and the business software.

The configurations: we had 3 manufacturers and 13 sites. We had 3 before the sale ring, 3 after the sale ring, 3 at receiving ; and at this phase we also put in multiple systems. So in the buying stations and one of the Auction Markets, we put in multiple systems at Receiving. At JGL, a buying station, we had 4 systems, all tied in together and working off of one software. At St. Rose, we had 3 systems coming at Receiving. So all the systems we had were multiple systems and at Receiving.

The integrated systems: this is where we found the challenge. Phase 1 was a cakewalk compared to Phase 2. We found that the integration created more problems than anyone had anticipated: not only from our side and the project managers' side, but from the test site side. So let me start out by saying that the computer hardware and software must be linked together in order for them to

'talk'. This requires a whole series of networks, cables, digi boards and things that no-one had even heard of and no-one has ownership over that: hardware and software vendors etc. Subsequently, there is a whole 'piece' that must be tied together that nobody takes control of.

What was really crucial in the 2nd Phase was that in 3 of the test sites, we had to replace the whole computer systems, because they were too old to actually be able to network. This is something else we had not considered at the front end... and these systems cost over \$16,000., so you take an RFID hardware system and you add another \$16-17,000 dollars for a computer just to be able to network and that makes a huge difference. We also found that there were labour costs, or labour issues: the people that work in the yards in an Auction Market are generally not that comfortable with computers: so the men pinning and sorting cattle are awesome at that, but it is very difficult to get them to work with a computer and data. So trying to get them to work with a computer became a real issue.

Project Metrics: were exactly the same as in Phase 1: we studied the impact on the commerce, on business process, on employee and animal health and safety.

We further evaluated 'read accuracy', same as we did in Phase 1, but we also looked this time at : what were the benefits , or value, to an Auction Market or a buying station by having these numbers integrated within their system. We also assessed cost: this study has a very detailed cost assessment. I need to point out that similarly to Phase 1, there was no intervention at all with the tags: if they didn't read, we didn't touch it. If there was an animal without a tag, we didn't ask the Auction Market at all to stop and switch that up.

Metric Read Accuracy: (see slide entitled counting cows) Integrated process reduced read accuracy! In Phase 1 we had a 93% global accuracy. In Phase 2, we dropped to 89%. That should never have happened: we should have been Up around 95-96%, based on the systems we had that we knew worked well in Phase 1.

What happened? A couple of things happened: in one of our facilities we had a massive problem and we don't know where it was: it was probably within the integrated system: we have hardware, we have software, we have data entry device, and we have cables. Somewhere in those 4 things, something was failing.

Somewhere between the hardware, which is sending a tag number through a series of cables, to a data entry device, to software: 14% of their data was dropped ! So it was dropped due either to an incorrect tag number(duplicate numbering, partial numbering) the data was a mess and we tried so many things and we are still working on it. We haven't been able to figure out what part of that was going 'sideways' . At a 14% lowered read rate, it only got an 83% specifically because of those data challenges. Other data challenges were duplicate tags, we had to scan 'stuff out', issues in the way it was recorded: a huge problem was human error: so you are sitting in a sale ring, extremely busy, With a thousand other things going on, and you've got to capture that tag: sometimes they would forget, sometimes they would capture it twice, sometimes

they would capture it three times: trying to get used to it and capture it effectively was difficult. So again, we had a lot of data cleansing as a result.

Being busy also caused problems such as putting in 44 cattle when there were only 4 cattle: the reason I know it was an error is because it scanned three: an obvious error. A lot of what is happening is the human error in trying to link up that process with capturing that tag when you are already busy doing a lot of other things at once.

Another scenario that happened: we had one Auction Market with the system at the sale ring and they had to come through the system right before the sale ring, then into the weigh scales; so they had to capture the tag in the RFID system, then go into the weigh scales and be captured and then get into the sale ring.

The ring clerk was absolutely not able to do that: they tried with 4 or 5 different systems: it actually ended up tripling the time of their sale... so after 3 sales you can imagine why they would just say stop. We couldn't get a proper read rate on it, it just wasn't working well.

What did we find out? Effectively, these systems have more impact on Receiving than Sale rate; both in terms of hardware and software.

In Phase 1 we found that the Receiving areas had a greater impact for several reasons: some of them had to shut down numerous receiving areas to run through just one(like Scott in Winnipeg: we had to shift up the system they had to run through and the only way to do that created a 64 foot alley, so obviously cattle moving through a 64 foot alley where they used to going straight down took an extra 1 ½ minute., which is not a lot but when you take it over 150-160 groups/day it is a lot. The thing they further found was a problem when we put the *think* at Receiving to capture the tags: at Receiving they would enter the consignment number and when you have a lot of ground loading trailers with multiple owners that have to be entered into the software, and when you have to sort all the owners out and enter them by Consignor, in an area that is not designed for sorting and penning, it required an extra 1 ½ hour per day.

So those with the system at Receiving felt that the software. absolutely impacted their commerce.

With the RFID system at the sale ring, there was absolutely no impact because there is already a 12 foot alley coming in and a 12 foot alley going out and if you drop in a wide-alley system it has no impact and is very effective.

The software, while it did have some impact, it was not on the speed of commerce, as it was stress on the ring clerk. It is always a super busy position and they are always trying to capture one more thing after another. I have a very good quote on this as I was talking to the sale ring clerk in Saskatoon, and I asked her if she did the breed range testing on the panel, and she looked at me and said, " No", literally, just like that. " How many more 5 minute jobs can I do in this already busy position? I'm already tapped out fully and you keep asking me to do ` one more thing'. It's too much" .

At receiving, higher cost, way higher costs. Both scenarios, again with integration and without the integration, you've got a lot more pens, a lot more gates, and a lot more infrastructure going on at receiving than you do at the sale ring.

At the sale ring, you've already got a 12 foot wide alley, you drop a wide alley system in the middle of that and you are not switching up pens and gates and changing a million things around, whereas at Receiving you are. The other thing at Receiving, if you are going to be entering data at Receiving you have got to have some sort of receiving booth, you've got to have a little 'house', you've got to have another data entry device, some of the DT 500's are almost \$8000., so you add a monitoring booth at about \$2000., and \$8000. DT 500 and you've added another \$10,000 just to start collecting your data at Receiving vs. at the sale ring.

The different kinds of locations:

Sale ring: absolutely wide- alley recommended for all the reasons mentioned; drop in a 12 or 8 foot wide alley, its all good.

Receiving: single alleys can work on the loading shoots; they don't work just for ground-loading trailers (.) Has no impact on the speed of commerce to do it that way. However, I have to point out that loading shoots are generally 40-45 inches and to have the highest rate of efficiency on a single alley system, it should be about 32 inches. So, we were surprised that we didn't get the rate accuracy we thought we would on the Receiving areas with the single alley shoots

and that is why: they're just a little bit too wide; very efficient but just a little bit too wide for the highest rates. Also, Receiving Auction Marts have a higher volume of ground-loading trailers and this is really important to consider.

Sale Rings have the highest read-accuracy and this was evident in all cases and one of the reasons is that they are selling in smaller groups and you are not bringing in 110 cattle at one time; this is very difficult and it is hard to get a 90-100% read rate on 110 cattle, whereas if you are selling 1 or 2 in the auction ring it is a lot easier. Also, sometimes they come in and they stand, like in Killarney we had a system going into the sale ring: so an animal would come in and it would stand there a minute waiting for its turn, it may turn around a little bit, giving it a few minutes to read. Same thing going out: it may stand there a bit waiting for its final pen, whereas when they are in Receiving, they are moving those things through: lets get'em on and get'em done.

At Receiving the reads are less accurate and we just talked about why: the larger groups.

In the sale rings, we tried some 4 panel systems in Phase 2: highly, highly effective ! We were very impressed. The 8 panel system turned out to be quite successful in Phase 1 and so we thought we would try a shorter, smaller version because one of the big issues with the big 8 panel system is that they take up a huge amount of space. So being able to go to a 4 panel system and having it effective, we had one of our test sites that had a 98.5% read accuracy on a 4 panel Destron system : we were very, very impressed to see that !

It's really hard to tie up 2 years of research in 15 minutes. So I'm going to talk really fast !

Identifying Potential value: this was one of the key things that we were looking for in Phase 2: did this integration piece provide any value back to the markets or to the test sites? So we thought that possibly we had some assumptions: maybe having age verification information could be used for some sort of inventory control data control. We found that it actually had no value.. so , everyone of our test sites came back and sale: no value to the operations, no value to Consigners, and no value to the buyers. So, at this point the read accuracy is too low to support any sort of inventory and the age-verifications are still pretty low to have that support value. So we were actually unable to find any value. I wont read all of this, but I will hit the highlights...

Costs: way higher than anticipated !

Issues: higher than anticipated ! and not only for me as a Project Manager but for our test sites. I found Phase 2 a very challenging project to work for and to did our test sites.

Performance: was lower than expected. I've just mentioned that we went from 93% down to 89% global accuracy.

It's all about the software ! so in the Phase 2 report we looked at 3 different options:

- 1) we looked at the same options as in Phase 1; this 3rd party entering the data
- 2) option Phase 2: fully integrated systems within the market and having the test site actually enter the data
- 3) we also looked at option 3 which is a 'stand alone' basic functionality software: you turn it on in the morning, the cattle scan through all day, you put in the number at the end: a sort of ghost technology: it creates a sited event. We tested it in a couple of markets with a high level of success We're testing this one more time over the next few months, up until about October 2011 (it's the next step to this) but this is what its all about- the hardware will do it's job, we've proven that in Phase 1. The part that we've got to make the decision around is what kind of software are you going to use? And only you guys know that at your individual sites.

Lessons learned: 1) this is really critical... both of my projects got started in the fall,with Phase 2 , we were running into the fall run: a really difficult time for any Auction Market to work with the system. These systems should be installed in the spring to give lots of time. You must have an experienced team to assess the

hardware and the software combination- this is what I feel what I feel was a really difficult piece and I am going to recommend that Project Management go in and decide the best solution.(whether you use Hardware or software project managers, somebody has to project manage this thing)

Jakes' company has worked with these test sites 'forever' and they know what is available: for instance in certain situations we started out with one particular module and had to customize it to fit with the business process: it cost us twice as much. The better solution would have been to pay somebody \$2500 and go in and look at with the hardware. So..a big piece of it is keeping them together and project managing that.

2)Labor shortages: Same issue as before: getting people to work with the equipment.

Conclusion: keep it simple and it will work ! I cant stress this enough.

Traceability is feasible: we have proven it over the past 2 years, but it needs a simple solution. The more complicated you make this, the more difficult it becomes: the cost increases, the buyout decreases, and the challenge of using it every day increases. In my opinion, the answer is simplicity.

Phase 2 study is now complete: its another 100 page boring report. Its currently in production and will be available June 8: it is on the CCIA website. If anyone wants a hard copy of that please let me know and I will put you on the mailing list.

One last thing: my thanks to Rick Wright, without whom we would not have been able to do what we did and thank you also to the test sites: I know it was a challenge and they stood up and they stepped up at the beginning of something which they had no idea about and so I applaud every one of you for supporting this project. Thank you.

Speaker 2: Rick Frederickson: Alberta Agriculture : report on Phase Two Projects Alberta

Thankyou very much Jim and thankyou for the invitation to come and speak about the Auction Mart pilot that we had in Alberta. First thing I would like to do is recognize some of the Auction Markets that we worked with and collaborated with. A number of them are here at the meeting: Jim and Ken and Bob Perlich, Jerry Hewson , Rob Bergevin, . The other 2 auctions we worked with were Secure Auctions and the Highwood Auction. So I just wanted to thank those gentlemen who assisted us..

I guess where it started was when we initiated this pilot to install the test system in these 6 markets. We implemented it in the fall run. Donna talks about the challenges of putting something together in the fall run and we were up against that a little bit, but we wanted to subject the scanning staff, the equipment and the process to real world pressures that the fall run brings to all of you .

Pilot objectives: included testing the viability of the technology to scan cattle both moving in and out of the markets. We wanted to upload that information to the CLTS (Canadian Livestock Tracking System) just to see if there were issues in connecting to the system. And then a huge part of the project was to look at the costs and some alternative models, business models, and what costs there were for the auctions to put systems in. So, in a nutshell: various business models and costs. We also wanted to determine if reading and reporting could take and place and to what degree of accuracy and whether or not it slows down the speed of commerce.

As I said, we needed to assess the technology and infrastructure and also test it in the Alberta winter conditions to see if would have any effect on the equipment and the approach was an intensive model: we hired the vendor to make it happen, put the equipment in and find the best possible system to ensure the best possible read rate and this does drive up the cost of the system that you put into these places, but it also tells us what is possible and from there we can work backwards and see if there is another option for markets that might be less expensive, but every bit as effective.

For some of the vendor-operated models, we hired ITS to do this particular project: we wanted them to capture some variables that effect the read rates. So there was a lot of work done by the scanning crew to make sure that we captured the data that we needed around read performance and design, the durability of the readers and in differing weather conditions. Donna talked a little bit about operator-error: we wanted to see how that factored in; we wanted dedicated staff, or did get dedicated staff to capture the untagged cattle and the Wrong-tagged cattle and obviously another factor here is tags. We continually here this from producers: we have a lot of issue with tags and tag-retention from in the minds of producers from across the country, so we wanted to see what kind of factor that would be in the reading.

We tested a number of different types of reader systems: one manufacturer but different systems depending on what worked best for the auction market ie: high flow single alley systems. And some of the data we did collect was obviously the *percentage reads* . We also connected with the CLTS and captured age-verified calves coming into the markets. As part of this project which was basically an add-

on, we also had the mobile field rep from CCIA in the province also assisting producers to age-verify so that these calves would be age-verified going through the ring. We looked at lot sizes, sale types, percentage by scanner types, so that we could compare the performance of the different types and different systems because we really wanted to get a handle on any tag issues that might be out there and any up-loading or data base errors we might find.

Two sets of data and reports were generated:

1) one dealt with the scanning metric and what we were looking at here was the number of cattle coming in,

ie: the number of cattle by-passing the scanner, cattle with no tags or bar codes, non-reading tags, of which there was a certain %, tags that were non-functional. (in some cases you could slap the tags and they would start working) dual tags, and then the transfer errors for recording information into the system. We looked at move-in, with passive monitoring and move-out, with passive monitoring, both with basically no intervention.

2) the 2nd report dealt with the cost analysis: looking at a number of business models. As far as the equipment goes, it would be the market owning and operating the equipment; vendor operated and market owned (which is the one we did) and 3rd party operated: market owned and vendor owned and operated, and looking at the move-in and move-out link to our brand-inspection permits, move-in and move-out data direct and movement was reported to CLTS in all cases, and then move-out of cattle going back to the farms and ranches. And then we divided that cost analysis with the capital costs and operating costs.

So basically in terms of the scanning metrics: we had 248,000 head in the 1st part of the project and we had to do some additional scanning because we found that we had 5000 head by-pass the scanner, just under 8,000 had barcodes and we were in a transition period and we weren't going to get them with the equipment anyway, but they were still valid. There were 11,000 head without tags and there was .6% with non-reading tags so the tag performance that way was not too bad.

We did read tags for just under 11,000 head for part of this and there were about 156 with dual tags. So essentially, if we count in the cattle that we re-tagged and presented to the scanner, it was 233,800 EID's presented to the scanner, of which 227,000 were read , so 96.9% if you include back in the re-tagged cattle.

Now where there was no intervention, we had 248,300 head in the sales, read 227,000. As a percentage of animals in that sale, it works out to about 91%, which is very similar to the national project. And just within our report, this is an example of the numerous charts in the report – highlighting the numbers and the months, etc. in which we captured this particular data and you can see

the bypassed animals, those with electronic identification that is presented to the scanner and the numbers that we did read out of that, and the percentages that we do have there.

Probably a bigger issue and one of the key findings of the project was that it is not necessarily the scanning equipment that is the problem in a lot of cases: tag issues that we just talked about, orientation of the tags in particular can effect the read rates, but when you are looking at the system as a whole: we had 12,000 errors trying to move information into the system, and that has to be something that has to be addressed before the system can be accurate in tracking the animal and reporting where the movements have been.

We did also look at read rate distribution by lot and you can see there is some variability in terms of the percentages of reads and we tried to capture that, as you can see from the top line: from 0 to about 25 % read rate. We have about 175 lots that were in that category, but by far the vast majority of the lots read were in the top end between the 95-100%. Based on the fact that if you do put the tags in front of these readers and in the proper fashion, the tag readers are capable of reading the tags at a fairly successful rate.

I saw some differences between the 'wand' in the single and the multi systems, and certainly, as Jim will attest, using the wand from a catwalk is highly accurate.

The single alley systems such as Jerry had out in Provost was also fairly accurate because of the way the animals are moved through the system.

One of the issues, because of the tag problems that we do have, is the degree of intervention you might have relative to determining if the animal is actually carrying the proper tag, or if there is a dual tag or even no tag. This does result in some intervention: re-tagging is intervention that does effect the speed of commerce for the markets. And it is something that they have to do as producers are not tagging all these animals coming in and it does create a slow-down for the markets. But as you can see, we had 45,000 head to be handled and if about 18% coming in have to be tagged, and so this is a significant issue if you are looking at making the entire system work.

When we started talking about speed of commerce, we had to come up with a baseline for this or a definition: the total time taken for the market to normally receive, draft, sell and deliver livestock and I guess in this context, I would argue Whether the re-tagging is part of the normal receipt of animals within a market, or is it part of the traceability element, at least in this particular project, and does it have to be factored in on that side before the commencement of any scanning activity, and also taking into consideration any current best management practices that are used by all the markets.

IN SUMMARY: ,the peak scanning times in the multi-panel was about 187 head per hour and about 174 head per hours for wand. So it basically boils down to about 19 seconds per animal in terms of the multi-panel and just under 30 for scanning off the catwalk.

From a cost-analysis: I have only high-lighted the market-owned and operated or the vendor-owned and operated facilities for the purpose of this presentation, but there is a lot more detail in the report about the costs, but we saw operating costs at just under 2.00/head for the market-owned and operated and that would move up to about 2.12/head if vendor-owned and operated, and this is a move-in only scenario. With a move-in and move-out this jumps to about 2.27 and 2.37, respectfully. So in terms of key finance, we found that with the proper equipment , location, and handling, the speed of commerce can be minimized and I think that the same holds true for the national, which is what Donna indicated. And the reader performance is unaffected by weather: really cold weather can have some effect on the battery life, but this can be managed.

Certain tag issues and solutions required were identified in the project. We did increase the level of re-tagging, because we were able to identify the animals easier. Certainly there are collaborators who demonstrated equipment to producers, and there was a lot of interest from primary producers around what we were doing and what potential that might have for them.

We didn't have any staff or livestock injured, which was key and there was outstanding vendor performance in terms of finding solutions for the market. Some of the other learnings: there is still some scepticism on the impact on the sales flow: read rates by lot and lot size and the degree of intervention that individual markets might have to reach targets.

Factors outside of the reading systems that inhibit the read rates: non-compliance, ie producers not tagging their cattle coming in; system issues such as not being able to connect to report the movements up into the CLTS; electronic interference: this one definitely needs to be looked at in a number of markets; the Staff scanning need to have first-hand knowledge of traceability. In order to have a good effect overall, we need to have good education from top to bottom in the system; larger capital investment is needed for yard infrastructure; and then there is the whole area of the ongoing costs and who pays, which needs to be addressed. What we found when you are trying to put movements into the CLTS is that too many animals are falling outside of the system to be truly effective; and we are not accurate enough yet with the read rates to try to integrate the system into the invoicing and the business practices of the market.

Scanning is viable from the equipment and process standpoint, but there are significant challenges. We will also need to look at the data integrity issues, CLTS transfer areas. Collaboration is key.

In conclusion: what we need to address in going forward, and I think this project did adequately show us the capability of the traceability technology and the reading

technology; but it did identify a lot of areas we need to address at the Auction Markets before we can move forward:

- data integrity and our ability to correct errors is one of those: we have a lot of birth dates coming through the system that are obviously wrong and we have to have some way of making sure that they are corrected.
- Electromagnetic interference
- Tag issues and system issues with reporting and being able to communicate with CLTS
- Cost of infrastructure
- Country sales and market neutrality are a key concern for the markets
- Process and role clarity as it refers to untagged cattle coming into the markets: whose responsibility as part of the traceability system

Questions to the speakers:

Ken Perlich to both speakers: (thanks both speakers for efforts and all the work put into both projects) When I hear of the various percentages, 91%, 96%, 98%, 82%, whatever the number, when they " trip off the tongue", you don't realize that in looking at the lots that needed intervention, there actually were about 1 in 5: 17-18 %, which means that 1 in 5 lots need further intervention at this particular stage of technology. So when we look at that, I think we have to be very wary that 1 in 5 is a lot. If you had 1 in 5 people going through a border that didn't have the proper paperwork, you would have a bottleneck of gargantuan proportion. Can both of you speak to what your baseline numbers mean? And whether you agree with my wariness or not?

Rick Frederickson: it is hard to present those kinds of numbers without really putting it into context and to the degree to which you are talking about. Your comment was a fair one: the averages that we talk about and the intervention that we talk about need to be assessed, because in some cases it might be a very small intervention which requires a short period of time,(like missing a barcode tag) but it will still show up in the stats as an intervention; so this will need to have more work to show what we are talking about time wise and what is the impact on the market relative to that particular intervention. We all recognize that the tags and the tagging issue, especially un-tagged cattle coming in from the producers, presents a challenge to the market and the markets have expressed this significance of this challenge and the enforcement which results. There are certain elements of this than can be reduced as well: producers need to be more accountable. And there is some variability here: when we talked about the averages, ie magnetic interference can take a read rate and drive it right down into the ground and then the next minute it is back up again; so finding solutions for those kinds of issues around the technology and performance may require intervention because now you have to re-read a group that is obviously not properly scanned. We did re-tag just under 11,000 head as part of and around 156 were dual tagged, and only a small percentage, about .6% were non-reading tags and so the tag performance that way was not too bad. So

essentially, if we count in the cattle that we re-tagged and then presented to the scanner, there were 233,800 EID's presented to the scanner, 227,000 were read. So 96.9%, if you include back in the re-tagged cattle.

So there are some things we have to look at and there is some variability and so some of the information does get buried when you put it onto the screen.

Donna Huneset: we didn't do any intervention. None. We didn't touch them. If that group ran through and they got 20%, then they got 20%. We did not ask our test sites to re-run them. One of the interesting things is that our read accuracies came straight out of 'not touching them'. So we didn't see a 1 out of 5, or 20% that needed intervention: our read rates would be significantly lower had we had to do that; it would have dropped everything by 20%, so our 93% global average in Phase I is from no intervention at all. We could note, and you could see it at receiving, it has a more dramatic impact because at the sale ring the cattle are already tagged or in smaller groups. At Kamloops for example, we had a day where we had a 75% read rate and the reason was they were so busy that day and cattle were coming in and they were un-tagged and they had to keep moving them and get them through the system, so a lot of those cattle went through un-tagged that day; but they had their processes set up, so tagging was primarily done before the scanners. But that day it just didn't happen, they had to do it over. Selling traditionally is higher, because read accuracies are higher because they are generally already tagged by that point. So your location in the system is going to have a lot of influence, but I think that the 20% probably isn't realistic because we didn't touch the animals at all and we had higher read rates. But it is not an insignificant factor, for sure.

Ken Perlich: Donna is confusing me again with, "it is not an insignificant factor", but that's alright.

Yancy Crozier: I just want to clarify because I have had to re-handle a lot of these cattle myself. I think when we say in our report: the handling intervention on cattle: if we had 100 head of cattle and we had to re-tag one animal, I classified that as re-handling all 100 because in theory I had to go into that pen and disturb those cattle. If some were laying down in a feed and water pen I couldn't just say "everyone lay down and the one without a tag, put your hand up". That didn't happen. But I think that what Ken is trying to say is that regardless of some kind of project, the cattle were handled in both : in Donna's project the Auction market actually did the intervention before the cattle were scanned ; whereas in our project, we did all of the re-tagging along with the Auction markets, so I just wanted to clarify that.

Rick Wright: assessing the degree of intervention and how that impacts is important and producers need to be educated around the fact that if I send calves to town without tags, it is not just my cattle that are impacted in terms of shrinkage , but it is

the guy behind me that is waiting for my cattle to get dealt with at the market as well.

Roy Rutledge: one of my problems is speed of commerce, and if I remember it right, you mentioned that it was 187 head/hour. Where we operate, we have a single system for bringing the cattle through and we weigh with a single scale and I don't have this figured out to the second, but theoretically, it should be easier to scan those cattle walking through one at a time: they stop at that scale for a brief time that should work well. But if we can do one every 15 seconds, we are doing 240 head/hour and that's a lot faster. If we are doing one every 20 seconds, we are down to 180 head/hour and for the day that's a 60 head difference. Anyway, we try to average 200 and we like to average 210, so we have to have them about every 17-18 seconds and that's snapping them through there. So...one of them doesn't read well: we stop and that is already affecting our speed of commerce because we like to have 5000 head sales. Sometimes we are a little reluctant in peak periods to even take 5000 head because we don't know how many we have to re-tag, and when we start re-tagging, this starts slowing us down, slowing us down. If we don't have any to tag, we can do 230 an hour, then when we start tagging we're down to 180 and over the whole day it averages out to about 200. So there's our problem: tagging. One of the things I think is wrong here is that we have a Cadillac system: we've built this Cadillac system and you've done your part in whatever you can in developing the Cadillac, but we got 'shit-tires' on it and you can't buy a Cadillac here and head to Calgary with tires that are just completely rotten, and that's the tag: not good enough: they fall out, they don't read, they don't go in: so I think we've got to have something besides the tag. There's our problem and if we don't get that straight, all this other stuff is not going to work.

Rick Frederickson: I agree: this is what I'm talking about when I say producer education; because it's not just sending them to town un-tagged, but it is also where you place that tag so the system can be as effective as possible.

Roy Rutledge: could we not find something better than just a scabby ear tag that can be taken out and replaced: it's a piece of garbage that we are sticking in their ears... and I don't think we ever will. Do you think we ever will? Is there anybody here from the CCIA? The CCIA is funded through the sale of ear tags, so it's never going to get changed. We have to get to the bottom of this thing and get it straightened out from the beginning.

Rick Wright: I don't disagree that the whole system has to be looked at, but I do think we have to take a step back and look at what is the retention rate and how are the tags performing. We do have a high percentage of the tags staying in the animals, right? And a lot of these calves are not getting tagged until they are just about ready to leave the ranch and we didn't see a real high percentage of these

tags being lost if they are tagged at home properly. Certainly when we start seeing the bulls and the cows coming into the markets there is a higher percentage of animals coming in untagged, and those were the highest for us. Certainly, it is an issue, but we also have the producers that are tagging properly and they are not running their cattle in areas where the tags get yanked out.

Roy Rutledge: would you believe that 5% of them fall out in the fall if you tag them at branding. If you buy backgrounding cattle in the fall, would you believe that 5% of them will fall out before you sell them in the spring and if you sell them in the spring and put them out on grass, would you believe that 5% of them will fall out before you bring them back in the fall? And I suspect and I also do believe that another 5% are going to fall out by the time they are sold in the fall.

The panel is introduced: Susie Miller, Director of AAFC; Rick Wright, presenting LMAC perspective and his involvement on CCIA; Colleen Barnes, Director of CFIA Larry Witzel, a backstop on his involvement with IJAC, and Jim Abel, LMAC President, by moderator Jim Wideman, and seated at the front.

Jim thanks the panel for their time given to LMAC; their work is appreciated.

As introduction, Jim stated that Susie Millers' presentation is on *Governments Vision, Expectation for Livestock Traceability and How are we going to get there?*

Susie Miller: First of all I would like to not only say thank you for inviting us here, but also thanks to LMAC for working with the Government Advisory on Traceability. We have been running since 2006, and it has not always been pretty, but it has been productive. Larry Witzel has been your representative since the beginning. Also, 5 people took time out of their busy schedules to go to Australia last August, Rick Wright, Larry Witzel, Jim Abel, Steward Stone and Scott Anderson. We were in 7 different hotels over 7 nights, 6 different place and was an opportunity that demonstrated that government and industry can work together. One of the things that we found was given that the successful implementation of traceability is actually a partnership between government and industry, the LMAC members could get a lot more out of industry than if we were talking to them and we could get a lot more out of government than if the industry were talking to them. And so, collectively it was an educational experience.

I would like to talk a little bit about timelines for traceability and first of all, I am speaking on behalf of Agriculture Canada and CFIA. For those of you have close

encounters with government, CFIA is the regulator and AFC is the economic developer. We are the source of money and CFIA is the source of your pain! However, we do answer to the same Minister and we are joined at the hip and we are moving together collectively. So in terms of the timelines, some of you may be aware that in 2009, the Ministers identified that there would be a comprehensive, mandatory traceability system by 2011, and through this government-advisory committee process, we have been working with industry and LMAC is also participating on a cattle implementation plan, so the question that everybody is asking and particularly your part of the industry, because it is a critical point, is How can we actually get there: both appropriately and affordably. So if you take a look at this schematic, we don't have 100%, but we do have initial tagging and the fact that is not 100% is an issue, and we then have tag retirement at the abattoir offsite disposal and export: it is the 'in between' we are trying to capture in terms of movement. Right now we know when a tag is sold and we know when that tag is retired, we know who the tag is sold to (maybe) and we know who retired that tag, and we've got no information in between. So therefore, we do not have a traceability system: what we do have is an animal ID system that allows tracing back to the purchaser of the tag. What we are all trying to do is to see what we can capture in between in terms of the movement. So what you told us, loud and clear, and this isn't comprehensive, but we wanted an opportunity to say " we have heard you".

-One is that the performance should focus on outcomes: it shouldn't be 98%, 94%, it has to be on trying to get a system that is traceable. It shouldn't define read-in, read-out, etc. it has to be where it actually works. The compliance should be progressive and not punitive and I'll talk about compliance a little bit later.

-Information should be protected; this is about traceability for purposes of disaster management. Anything other than that you have to agree to provide your information- this is not about another way for government to use information provided by industry in order to be able to manage other issues.

- the cost has to be shared, but not off-loaded. This is something that is very sensitive and we definitely heard from the cow-calf producer that they are not taking up any more of the cost; we have heard from others in the system, including LMAC members, that you cannot ask the producers for more of the cost and LMAC cannot afford to absorb them either.

- we've talked about speed of commerce

- market neutrality: the auction markets are not the only way sales are conducted, and anything that is required of one must be required of the other

-premises identification is something that hasn't come up here, but with a traceability system, you need to know where the animals have been and the only way you can do that is to have a premises ID system and some provinces are better than others in assisting the industry in getting that done.

-and when we talk about the portal: this is the mechanism to share information, but incentive-based approaches must be considered. This is not just about punitive but maybe there is a carrot to be used.

What have we learned?

We talked about CCIA, but the one thing that was surprising from a government perspective, and not because we didn't do our homework, but the reason for funding pilot projects (and we did 5 prior to the CCIA auction market pilot) is to learn and that is how you learn. But the one most surprising thing was we in government were counting on the fact that there would be some benefit to you as business operators, and it was surprising to find that, in fact, there wasn't immediate benefit. There maybe can be in the long run, but what we were looking for was an opportunity to contribute to your operations so that traceability would actually be of benefit to you, and from Donna was saying and what we have seen, is we are not there yet. And we may never get there, but we cannot proceed on the basis that traceability, right now, is going to be a good thing for your business. There is going to be some cost, and there may be some benefits, but the benefits certainly do not outweigh the cost and are much harder to find than we initially expected to see.

The technology solutions have to be tailor-made for individual auction marts. I can't remember how many we counted – somewhere under 200 across the country- and that probably means 200 different approaches. And less complicated systems of high rates of acceptance and lower costs , in keeping with what Donna said : is it easy, stand alone, just put it in, passive, then you are going to have a greater opportunity for success. Alberta came about it from a different way: they were looking at what does it take to do it right, perfect, and it was a different approach, but the end results were not that different.

We also did a community pastures pilot, we used PFRA pastures and we looked at it because community pastures are also commingling sites. The advantage is that they is only sort of a week of take-in and take-out; cattle move much slower, and there is already a recording system, because each patron is only allowed to bring in so many animals. So they already have an infrastructure for recording, they are just not using the tags. But some of the same things came up; particularly, tag readability and also tag retention. So there is no easy answer, even on something that has a slower pace.

In terms of what we are doing next: we are undertaking with the PFRA and with AgCanada, but with a steering committee that includes industry: a tag retention study. We are starting this year and looking at calves from the time they are born to the time they are marketed and we are looking at bulls, actually using PFRA bulls so there are real conditions in terms of the pasture and we're also looking at breeding cows.

So, net result: there will be trade-offs: higher performance and higher costs and is that affordable? When we started from governments perspective, we assumed it was affordable, we assumed it could be done and that we could find the money to invest. We assumed that the ongoing costs would be balanced by ongoing benefits.

We have changed some of our suppositions and where do we go next? Do we proceed and build with current technology, or wait for better technology with higher read rates? Do we use the current technology with minimal business integration and few direct benefits, or wait for better business solutions and more direct benefits? I'll get to this at the end, but from our perspective with it also having to connect to regulation and compliance, is that if we want you to move ahead and use what is currently there, we have to do it with the understanding and recognition that it has to have minimal costs and it has to have minimal intervention and that a regulatory system, or whatever is required from government, has to reflect that. So before I finish, I will talk a little bit about the regulatory approach. Currently there are regulations under the Health of Animals Act and many of you are aware of those, and it has to do with the requirement for identification for sheep, cattle and bison, but the regulatory system under the Health of Animals Act is not sufficient to bring in things like premises ID and to move to compliment the system. So we are looking at a different approach that may, or may not include a piece of legislation. Just to be clear, legislation is just the framework that allows government to make regs, but is not the regulatory-making process. There has not been a regulation from CFIA on traceability that has not been developed with the full agreement of the industry. That doesn't mean that every individual has agreed: for example requirement or de-listing of barcodes and moving to RFID: there were individual that didn't want that, but the industry leadership agreed and wanted, and asked for that. So that is our history. There is no intention of implementing, or putting in regulations that the industry is not capable of meeting. Secondly, regulations will not include a read-rate percentage, just to be clear. When we develop the standards, I mean the standards have been simplified and basically say that we are going to have to know where animals were: we did have a target of 95%. Those standards which we discussed with industry were never adopted officially as the government standard, but was a mechanism for discussion. Regulations wont be effective if there is a read-rate! So, dont take the read-rate off the table because it speaks to whether or not you have an effective traceability system.

We need to talk about current compliance: and let you know that we have heard you. Ken Sloik is here at the back: he works for CFIA out of Portage, and Ken has been tasked to work with you and producers on the compliance management. I think one of the things that we learned in Australia when we actually had one of the state government employees, Barbara Lancaster from Queensland, come over and talk to the various provincial and federal governments about 2 months after we were there was that the auction yards can help in compliance, we don't have to have an adversarial relationship. What they found, in their system, was that there are those that are accidental and those that are chronic, and picking on the auction market is not the way to resolve chronic issues. There were just over 11,000 inspections, but only 26 monetary penalties. That doesn't make it different if you are the one given the monetary penalty, but the point being is that we have to find a better way, and

that is Ken's commitment to do that, and that includes work he is doing with the Inspectors to ensure compliance, training modules that will be shared with industry, and working with you and with CCIA to determine at the producer level if there is something we can do on tag placement, is there something we can do working together on applicators, and its not just read rate, but it is the retention rate that has an impact. This is why we are doing the pilot that PRFA is leading: to actually look at whether it makes a difference if you use a particular applicator, or a particular tag.

So what do we want in the next 6 months: basically, to work with you to agree what when, where and how we are going to implement cattle traceability. There is a cattle summit that is in planning for September that industry would like to have: kind of shut the industry away for a few days until there is agreement... and government too, expect there will be a lot less of us than you, but that is the idea. There are a lot of different groups looking at different ways...there is the CCA, there is CCIA, there is another group in the Prairies, there are various other small focus groups that want to move it forward for value-added purposes, the Cattle Feeders have a different position maybe than LMAC: so the idea is to spend a couple of day with everyone together and say: lets figure this out, lets put a roadmap out, what do we need to get from A to B, B to C, and C to D. What we want is the continued voluntary reporting of information from those Auctions who participated in the pilot project. If you can continue to do that without any additional equipment, the equipment that is there is yours, can we continue to do work together?

I mentioned that we wanted to work together to develop a compliance strategy that works: but also one is which you can see yourselves as a contributor and not as a target, and explore options and trade-offs.

So what does it mean: when we are building that road-map- how close can we get to what we need with the type of investmentor do we have to go the stage where we question if the equipment is there? Are the tags good enough so that a high level of investment to reach a high level of readability and reportability is realistic at this point in time. From Governments perspective, we don't want to slow the momentum down, we want to use what is there. We also recognize that if we move to regulations too quickly, there will be a lot of resistance and it wont be built on the investments that you have already made.

In closing, I would again like to say thank you again .

Rick Wright (presenting on behalf of LMAC and CCIA involvement)

We've talked about traceability for a number of years and now the Government is on the road to implementing a movement reporting file, which is the third and final pillar of the traceability system. Today, I have been asked to talk to you about the Livestock Marketing perspective and our expectations, concerns, and the outstanding issues that we feel need to be dealt with before traceability can move forward in the cattle business. I was interested in what Susie had to say: it was refreshing to know that not only have they listened, but they are starting to hear and they are starting to get our message and I commend them for taking that approach.

I ask that you excuse me today, some of my observations may seem blunt, but I have been to a lot of meetings, and I have put on a lot of miles about traceability and it is a very emotional issue for people in the country. There are as many opinions as there are people. Now that the majority of government is here, it seems that the agencies involved with traceability was some forward movement from the cattle industry and that's fair enough. But before we move forward, we want to know the details of what is expected from us and what our liabilities will be as the marketing industry before we can proceed.

A quick history lesson: back in 2003, Blair Vold was our representative on the CCIA and he convinced the LMAC Board of Directors at the LMAC Annual Meeting in Brandon, to pass a resolution supporting traceability. That was the most active Board meeting that I have been at during my 20+ years on the LMAC Board of Directors. It was supposed to be a 1/2 hour meeting, and at 2 1/2 - 3 hours we finally called it quits and walked out. When the smoke cleared, LMAC agreed to support traceability in principle, but with the attached caveats: that it not impede the speed of commerce; that there was adequate funding provided by the government to cover the costs of traceability; that traceability would be market-neutral at all times; and that employee safety and animal welfare would be considered at all times.

Our position has not changed from the LMAC perspective; however, I would like to remind our friends from the government that our support is not unconditional. Today, at best, the majority of Auction Mart owners and licensed order buyers are reluctant participants. During a time when cattle numbers are declining in Canada, and there is even more competition for those cattle being sold, producers, in an effort to manage cost, and exploring new ways to market their products; auction markets have changed their business process, designed their markets to be more efficient, and have also addressed the producer concerns about shrink and the animal welfare issues. With margins very tight in the marketing industry, Operators are managing their expenses and they are very reluctant to spend more of their own money unless there is some direct benefit to their business or to their customers. When we first started talking about traceability in the discussions, we talked about tagging cattle, sometime in the future recording and reporting the tags that were at a location on a particular day. We were told that traceability would not effect the way we did business in the marketing sector and we were also told, on many

occasions by our government representatives, in many meetings, that in the future we would not have the responsibility for the health and the enforcement of the traceability and the future is now, and the requirements have changed.

So why are we reluctant to welcome traceability with open arms? One of the major concerns is the lack of a clear and defined road map from the government as to their expectations and their requirements from the markets and the buying stations. Industry recognizes that there has been great progress in opening lines of communication and the channels between government and industry and I would like to thank Susie Miller, Dan Lutz, Peter Paucher and Ken Sloik for being approachable and being willing to learn more about our business. We realize that you guys do not make the final decisions, but we look to you for your help and assistance to get our message to the top of the pile. And I can honestly say, and I have been doing this for quite a while, we have made more progress in open communication in the last year than we probably did in the previous 5 years: so we've made some great steps and a lot of it was initiated by our people that are here today from government.

We hope we can see the wish and want list from CFIA as it pertains to the cattle sector and the role the marketing arm is expected to play, and we hope to see it soon. When that happens, we as industry can respond with what we are willing and what we are capable to do. But up until now, we really don't know what is expected from us: is it read-in? is it read-out? Is it read in and out? A vocation? Those types of things. We've been asked to put in suggestions. We've been told there is money to build a house, but we haven't been given the blueprints as to how we are to build that house and what the expectations are. When questioned, some of the staff we've dealt with in the past have told us it is all in the IJAC documents, but I can guarantee that none of our members, outside of Larry, has read the IJAC documents and has had the time to digest all of that.

One of the biggest issues for the LMAC and its members is funding. We recognize that the LATI program is available, and we thank the government for making it available. However, the LATI program is only the starting point in dealing with funding. This program in its present form is inadequate to meet the needs of many of the industry's stakeholders: the funding cap of \$100,000. is not high enough to cover the costs of equipping some of the larger markets and buying stations. For just an example, the installation at J.G.L in Moosejaw was over \$120,000. The multi-reading system at Brussels was just over \$100,000. and the minimum contribution expected in the program of industry's contribution of 20% is just too high, especially if in-kind contributions are not considered. The National Applied Research Study at the Auction Marts and Buying Stations showed no direct benefit to the Auction Marts or Buying Stations, or added any value to the animals their customers sold.

As I mentioned earlier, we are not prepared to spend thousands of dollars of our own money with no benefit or return on the investment. Some of the fine details in the LATI Funding agreements make the markets nervous and it was brought to my attention that there is a possibility that an environmental study could be requested in order to access funding. I didn't see this myself when I read it, but those types of

things are going to restrict the number of people that are going to come forward to apply for that money.

We also need to be very careful when we are out promoting this program and trying to sell traceability that we don't confuse value add with traceability. Value add has the potential to be a synergy of traceability, but to date the 2 programs are not interchangeable.

Until the issues of tag-retention, data integrity, and technology integration are dealt with, it will be very hard to convince industry that they are going to be able to develop beneficial synergies that can be used in their own business process, such as using that information for inventory control and other measures.

The other issues around funding are on-going costs. It is my understanding that the LATI doesn't cover service agreements, extended warranties or the maintenance upgrades of software, replacement of both software and hardware components: all these points, and I'm sure there are a few that I've missed here today, but all need to be dealt with before we get buy-in from the government. I talked to one individual that had some experience in some of these programs, who said " we took a carrot, and took some government money a while back, and we put in some equipment and it worked fine, but in those past years we paid thousands of dollars to maintain it, upgrade it and keep it running to provide information that really hasn't benefited us. So we are going to be really reluctant to take a carrot again."

Industry has concerns over how technology and its integration with existing technology at the markets will happen. Most of the markets have invested thousands of dollars in their own technology, staff is comfortable using it and they are not prepared to pay more money to try something brand new, and I was very appreciative when I heard Susie talk about uniqueness and individuality of the markets , because we have 150+ markets out there, and she is right, there are no two exactly the same.

The promotion of traceability from a lot of sectors to industry has been built around the opportunity to open new markets and increased value for the animals being sold. Right now, there is really no proof that markets are going to open up with movement reporting. We are constantly reminded that Australia and Quebec have systems that work, that the industry in those areas are behind those programs. I was very fortunate that I have been able to see both of them first-hand and up close recently; and you're right, the systems worked very well, but the key in both places is that the programs are driven by direct and immediate financial benefit to the producers. Cattle in Australia that have lifetime traceability and are EU certified are worth between 60-120 dollars/head more than domestic cattle. In Quebec, the tag numbers are tied directly to the insurance programs and in both locations we talked to producers, markets and dealers, and without that financial driver, neither place would be any more excited about traceability than we are today.

Today, we view the movement reporting as a tool for CFIA for emergency management, in the event that there is a need for tracing back. And it is the thought

of many people in LMAC and others that we do business with, that if this is what it is all about today, then the government should pay.

Market neutrality is a major issue with the markets. Until there is a clear defined explanation as to how electronic sales are going to be handled, direct to farm sales, farm to dealer sales, farm to feedlot sales, dealer to dealer sales and sales outside the markets, industry will not buy in as we sit here today: market neutrality is extremely important to us.

We've made it really clear that all sectors have to be on a level playing field and that no sector can gain or have an advantage or be at a disadvantage because of the traceability requirements.

Speed of commerce is an important issue: the National Research program showed that if we were at Receiving, then there was a definite impact on the speed of commerce. One of the biggest impacts is the fact that a lot of the markets have gone to high volume throughputs on loading areas and if we have to sort the ownership before we go through the scanners, then that is going to take some time. If the scanning is done prior to the scale, then it minimized the effect on the speed of commerce, but there is still an effect and there is still extra labour required. If it is done after the scale, then there is minimal effect again, but then we lose the opportunity for some of the information flow.

A lot of the Markets that we have dealt with and are members, have redesigned their markets to be more efficient. What I saw, especially with my friends in Quebec last week, that through the scanning system, everything is going head to tail through the chutes and we have opted to take that out of our systems in a lot of places and it seems like a step backwards.

Liability is something that is a big concern to us and that ties into the compliance enforcement part of it. Again, we have been told that there are not going to be minimum read rates on the percentage that can be legislated, and that's good as that has been a concern. We were also told that we were not going to be forced to be the inspectors on the cattle delivered when we got into this program and because the rules changed from what we originally started with compared to where we are today: there is a trust issue between the markets, dealers and the CFIA. The confrontational approach that Susie alluded to is out there, it's real, and we need to deal with that. It's fine to say that there have only been 20 some AMPS, but we have inspectors out there dealing with your best ambassadors every day that are under the threat of AMPS, and when we say the AMPS being threatened for \$3000. For \$2000 dollar sheep, it doesn't build a working relationship with the people that you are having to work with each and every day.

We are also concerned about the future compliance and enforcement questions are being asked every day: what happens if we have an equipment malfunction and we can't scan. Do we have to stop the sale? What do we do? What are the provisions that have to happen? Who is going to be responsible for the data integrity? Each time we have something that has some human intervention in it, we have the opportunity for information that may not be 100% correct and does that fall back

onto us as the Markets, if we're doing scanning on behalf of CFIA and on behalf of the government?

Since we first talked about capturing the numbers at a location, things have evolved and we understand that some of the stuff that CFIA may also require is the current owner, the premise ID or where it came from, or the licence plate of the truck or how it got there, the possibility that the cattle were commingled or some other information that is certainly relevant to a full traceability. These changes in the perspective of our membership will require more time, more expense, more responsibility and potentially more liability to us if there is a mistake made.

We have been asked over the last number of years for industry input and we've often wondered if there is anyone listening? An example that I will use is this: CCIA has a resolution on the books and recorded, that *Auction Marts and truckers not be fined for livestock without tags that are delivered to their markets and that the onus be put back on the primary producer for the tagging*. This resolution was unanimously passed by the CCIA Board of Directors, endorsed by LMAC, endorsed by CCA and nothing has changed... and if that not industry speaking, then I don't know who is.

We talk about at meetings and committees, I'm on a lot of committees, Steve Primrose is on a lot of committees, we have a lot of producer and industry people on these committees and we do talk about a number of things, and one of the things that came up in the last few weeks is harmonization. When we talk about the implementation, we are told that the species have to be harmonized. I think Pork was one of the first to the table and it looks to a few of us that that is the benchmark and it may not be feasible to make cattle and sheep into pigs for the purposes of traceability. The production, the movement, the marketing, the logistics of everything are totally different, and we have to keep that at the back of our minds, it's a different mindset. I'm not so sure that total harmonization is possible.

Better knowledge by some of the people on the negotiating parts from government side, of how our business works, will help to move things forward.

Right now, within the industry, we have basically three programs that are being discussed out in the countryside when it comes to traceability and movement reporting:

One is what we did in the Auction Mart studies in Alberta and the national one where we may scan the cattle at receiving; or may scan prior to the sale; or may scan them immediately after being sold sometime before they leave the Market. One of the messages loud and clear from our members is that with whatever, the direction that we go, they hope they can maintain an individual choice as to where we provide that service: if we are responsible for it, then we are not forced into having to do it at one location, keeping in mind the uniqueness.

The second one on the table is Plan B and Plan B is a little complicated and I do have some documentation for it if anyone would like it after the meeting, but basically what it is, is that we read the cattle going out that are destined to locations

that do not have the ability to read. And in Alberta, for instance, they have movement reporting for feedlots of 1000 head or more per annum. At the packing plants they are reading, where they're exporting cattle they're reading, a number of the other feedlots and buying stations have the ability to read cattle coming in, so we, as Markets, would be responsible for reading what we think is about 30% of the cattle in Western Canada. No doubt in Eastern Canada the numbers would be higher. It's not a long-term solution, but it could be a short-term solution until we get better technology and get things working a little smoother for us.

The third option that seems to have some popularity is the 3rd party owned and operated auctions that we saw in Australia where an arms-length independent company comes in and does the scanning: they have a working agreement with government and it allows us to deal with our issues of ongoing cost and equipment replacement, labour, training, etc. This is something that needs to be looked at a little closer.

In closing today, I'm sure there are other concerns from our members, and I'm sure you will hear them today and I'm not going to take up any more of your time. I just want to summarize again, funding is extremely important, but even if you agree to pay for everything, that doesn't address all the issues that we have. The speed of commerce is also extremely important, along with liability, compliance and enforcement, employee and animal welfare. We have sowed the seeds, we have had a positive response from the people here in this room that are from government. We need to keep that moving. We need to build some trust back between industry and government. We need to expand on the communication. There is no cookie-cutter solution for traceability in the Auction Market system and its going to be a very long road with some speed bumps along the way, but certainly what I heard this morning from Susie is encouraging and I invite my colleagues to make some comments and bring up their concerns as well. Its been my pleasure to represent you on CCIA and a number of committees, its been a lot of work and definitely a challenge, but if we don't participate in driving the train, then we will only get the opportunity to ride along in the caboose, so its extremely important that we be vigilant in keeping LMAC's membership concerns foremost in the negotiations that are going to happen here over the next few years.

Moderator Jim Wideman: thankyou Rick for that very comprehensive overview and perspective from the industry. I'm sure everyone would agree that you have shared

all of our concerns. We are going to have all 5 of these people up here at the table, and as I have indicated, other government people that are here: Dan Lutz, Rick Frederickson, Donna Huneset, Ken Sloik, Peter Paucher. I'm going to ask that we have respect and the rule is to treat the person you are addressing in the manner in which you would like to be treated, and I think if we do that we will make our point, make our point firmly and strongly, but keep it respectful and keep it considerate. I'm going to take speakers, so start lining up. We have 1 hour and 15 minutes, so who would like to be first? Again, try to focus in on a question: we do want to hear your point of view, but try to focus your comments down to a question at a certain point, so that we can tap into the expertise that is here this morning:

Rhett Parks: Rick had mentioned a 3rd party perhaps coming in to scan. As a market operator, we are not especially happy about somebody coming in after hours or through the night to scan cattle. If there is a mistake, its going to be on the market and the people who end up paying for it. So, this was just a quick comment. I do think we need to have a ghost type system that we don't see and doesn't have any impact on the speed of commerce. I don't think the technology is anywhere close to that yet. With LATI, its good in theory, but what do we need to do? We don't know if we need to scan them in, scan them out, the idea that we would sign on to a program without knowing the fundamentals or basics doesn't make sense. The biggest thing I guess is funding, whether is 80% or 90% or 100%: I don't feel that we should bear the expense and the on-going expense year in and year out , when some this equipment has a 3-5 year life expectancy .I plan to be in this business for another 25-30 years, 50 years, whatever it is, I don't want to be paying \$50,000. in 3 years from now and then another \$50,000 years after that, and on and on and on. We do have figures, and I think that Alberta Auction Markets have figures out, of somewhere between 3.50 and 5.00/head for scanning costs and I don't want to bear this cost, or my customers, or my producers, especially after the last 7 to 8 years, with BSE, they can't bear it. Maybe if it was 10 years ago after some record high prices, but at this time, I just cant see putting it on to our customers.

One of the slides said "cost-shared, not off-loaded" and if it took another \$10.00 to get to work everyday, how would you like it ? at the end of the day, you'd be going to your boss and saying , " it's going to cost me between \$2000-2500 a year to get to work so I need a raise." Anyway, this is how I feel and if my Dad was here, he would probably say it a little better, a little different. The on-going costs for tech support are a major concern. In the last 8 years, using a Genesis system, we probably have had maybe 10 hours of tech support. In the 4 months from Sept. to Dec. , we had 27 hours of tech support and it's not cheap.

Response Susie Miller: No, I'm not going to respond, but provide more information.

One of the things that the Federal and Provincial asked us is that we come back in July to talk about the costs and benefits on a on-going basis; about what the traceability system should be and who should pay, according to the

benefits accrued. At the Government and Industry Advisory on Traceability, we developed the industry's approach, and we will be taking that forward, with a lot of the same comments that you have made: that right now there are not a lot of individual benefits that would make them feel comfortable about accruing any costs. In terms of moving it forward down the chain to individual producers, there is an issue about the ability to do that in the context of not only the producers paying but also the market neutrality and that government has to contribute in terms of cost-sharing but also the on-going costs: its not just about the investment, but the on-going costs (including cost of labour, cost of reporting) and the renewal of technology has to be taken into consideration. I'm not sure about what will come out of that, but that is what we are presenting to Ministers: the indication that industry is looking for a longer term commitment than just the investment costs.

Pat Jacobson(Saskatchewan) : I would like to address a whole different angle to this and that is labour: I had a full-time job before this started and with the second part of the project which was tied into line by line cattle sales, so at the ring the cattle were scanned and attached to the line by line of cattle: this became an additional full-time position which I was asked to do: this increased the level of stress: I had to run the thing myself to start with because I had to staff that was capable to manage: I had to leave my office and go up to the ring to run this system for 4 months, until I got staff going fast enough I had to force 3 additional staff. To this date, I only have one other person that can keep up. It is stressful, it is exhausting, the hours are long and hard and this is too much to ask of anyone and this is my concern: I was pleased to hear that there were no injuries: that was just luck, because the more we are handling these cattle, the more that people are bale-grazing in the winters, and you in the industry understand that the cattle are getting wilder and harder to handle because a lot of the cattle are being fed by machines etc, etc. so I do think it is just luck that no-one has gotten hurt. And if we do integrate this, labour laws are going to come after us hard and I thing that something beyond the financials have to be considered.

Ken Perlich: First of all, I guess I would like to commend our three representatives at the table: they go to so many meetings and represent us so well: I thing we often don't see that. Rick showed us today that is the case (applause), so thank you very much to all three of you.

I will speak today from an Alberta perspective because that is who pushed me up to the mic: that is where I'm coming from today. Susie, I am completely surprised that we are finally getting through, that some of our communications are working and so I thank you and the rest of the folks from government for your message here today, and it truly is a little bit of hope for us and so I think we are starting to head in the right direction. We've got so far to go, but at least from my perspective, this is a little bit different from where the discussions were going and that is good news.

When you did say with your 2nd last slide about the way forward, and you talked about regulation not having an actual read rate in it: absolutely fantastic. I'm glad that got on tape! When we go forward, you said 'maybe we need to sit there and wait' before technology catches us; maybe we need to integrate, or not integrate; And then in the next slide you said, 'what are we going to do in the next 6 months?' and it sounded like we aren't waiting, we are going forward, here we go. Am I reading this right? Could you just clarify that before I continue?

Response Susie Miller: it certainly is our preference, we will do our best to persuade you that waiting forever for technology to catch up with the need is an issue about what expectations should be, not whether or not we should continue to attempt. If all other conditions put forward are met, in terms of the way you want things done, the assistance level, the recognition of the on-going costs, the fact that there are easier ways and more difficult ways to do this, the fact that there are issues about the integration and the costs associated with that....if all of those can be satisfied, can we continue to move ahead on a voluntary basis and at least establish a base to go on: that is what we would like to work with you on.

Ken Perlich: Ok, thank you. Given that, from the Alberta perspective, I think that our first and foremost issue as we do go forward is market neutrality: the idea that if we are to build a traceability system that could even be perfect in every way: most efficient, most effective and we chase all the cattle away from the Auction Market and that traceability system, then we really haven't attained anything at all. And we as Auction Market owners will definitely be in big trouble, huge trouble if that is the case.

Jim Wideman, moderator: we could say that is not only an Alberta issue, but a Canada issue

Ken Perlich: Yea, and you will probably find that the rest of my story also follows that line, but thank you Jim. On the 2nd piece, and this intertwines with it: is that the speed of commerce issue is the thing. When we talk about costs, and Rhett was very good at outlining those cost issues that we have, and I will talk to them a little bit more, but when we spoke to Rick Frederickson from Alberta Agriculture not too long ago, Rick asked us: 'if 100% of the costs were covered, if everything financial: infrastructure costs, start-up costs, hardware, software, ongoing, staff, animals, whatever it is... if all that was covered, do you really have a problem? And yes we do, because it is not just the costs that are the issue, the thing that is going to drive away cattle from going through our places is the fact that we've got, at least by perception, a bigger hoop to go through when it comes to regulatory issues when it comes to traceability. If people think that their cattle are being "rodeo-ed" or if people think that their cattle are going to be hurt, or if people

think that they are going to lose x% due to shrink because of something that we may or may not do because of traceability, we are going to lose those customers. And we cant. I think that I will leave it at that.

On the cost side, I think Rhett went through the costs quite well... the idea is that Yes, while I have speed of commerce and neutrality and market neutrality issues, you bet we want the costs kept down, when it comes down to it. And we need to see where that is not going to impact us. So while that is not my biggest issue, it is definitely going to be a #3. We need to know where we are going, and on those 3 issues, we really need to know where we are going.

I think it is a September Summit that is going to be happening? Fantastic. We need to be better at communicating to our entire membership, in addition to everything else that needs to go on, and I think we will see that that gets done. I think we can get to where industry (Auction Markets) and government need to be, I'm glad that you have no longer wrapped us in with the feedlots, because that was starting to become as issue: many of our places don't single file the animals.

I really appreciate you coming here today and am looking forward to working with you and I'm glad that you are hearing us.

Jake Berlett, Viewtrack: I have 2 very specific questions that anybody can address and they may help guide the thinking process in the future:

- 1) in the discussion, who is the customer? Who are we doing this for?
- 2) What are the customer requirements?

I think the reasons those may be relevant questions is they help derive the answer to 'who should pay?' Generally, customers pay for a service or a product delivered. We, as a service provider to the Livestock industry, we have in our particular company, about 300 years of collective experience dealing with the Auction market sector and every day we find ourselves at an intersection asking these questions: who is the customer and what are their specifications? Without exception, from week to week, we've got both private sector clients and public sector clients. Across North America there are RFID reading systems being purchases, installed and integrated, and I am being very specific about private sector, and they are doing it because those businesses are spending their own money; they have given us and other service providers their specifications and we are held accountable to meeting those specifications and they are doing it because they know or believe that there is a business driver for doing so: in the private sector this is very clear and cut and dried.

In the public sector, it is now always this clear. So again, to close, who is the customer and very specifically, what are the customer requirements? If we can better understand them and better document them, then I would submit that there is an opportunity to a) be held accountable to them and

- b) work to a very specific end

Response Susie Miller: I can respond from the government customers perspective. I think that traceability is different than, may I say, the gun registry. The traceability system was developed by the industry, for the industry, with industry leadership and industry pain. The original goal the government played on animal ID was to provide the regulatory authorities required to provide system integrity. Right? So it was industry led, industry's idea, industry's money, industry's leadership. Absolutely no question about that. What we have has evolved into a system where we are moving to something where the customers change: not really changed, but are both. The original reasons for the industry wanting to establish the animal ID system have not changed, and CCIA always had intentions to move to a traceability system and had that specified before provincial and federal governments got involved. And from both a federal and provincial government perspective, looking at this in terms of managing health impact has impacted the whole industry. The problem that we have in terms of clarity around customer is that it isn't evidently just the government, it isn't clearly an individual producer, it tends to be more collective, ie: the industry. I have had some conversations with some friends of mine who are small herd owners, 200-300 cows, and they are saying 'I know I should do it for the good of the industry, but it is not particularly helping me.' And I think that this is our biggest challenge here: there are benefits that accrue to the industry as a whole, but not to the industry in terms of individuals. So when it comes to answering your question of who is the customer and what do you want, it becomes very murky and hard to actually define. So from a customer perspective and what government wants, I have to say we have evolved in the last 5 years. What we are looking for is a tool, or a mechanism to be able to help us manage animal health issues, disaster issues generally. For example, the whole premise of the ID system was used effectively in Manitoba to determine where they were actually going to poke the hole in the dyke to let the water out, because when they knew where the animals were, they could more effectively put their interventions on flood control, taking into consideration where the animals were. So from a customers perspective we are trying to move from a prescriptive outcome of you must do this and this and this, to one that is more this is what is need at the end result in terms of information. That has been helped by the pilot projects and the discussions with industry to know what the costs are. From the governments perspective, we don't have unlimited budgets, and in fact, we are under increasing pressure in terms of funding availability.

So , we want an efficient and effective system and if we have to change or modify our expectations in terms of what is effective, then that is what is going to happen. The difficulty is on selling the industry for either specifying or undertaking the additional costs, is that it is so hard for any one business to be able to tell, but all of you were impacted by BSE. As an example, all of you will be impacted by any kind of animal disease, but who pays the insurance on that, and from a government perspective, we haven't always picked up our share of ongoing costs. When you take a look at what we have put into CCIA in the early years, there was some initial money from the CFIA, certainly there was some enforcement, but we put a lot more

in over the last few years than the first few, and the on going costs of CCIA are still being picked up by the producer. What we've heard is and what we believe is that has to change .If we're going to have significant additional requirement in the future, then we are going to have to pick up the cost because the industry is tapped out relative to the benefits that they can see thus far. They've build it to date, they've put their money in, and they got everybody on board . We're not looking to take over, we will still have the industry do the data collection and the data management and that CCIA continues to exist, but what we are looking at is from governments perspective, maybe the question now is 'how much do we have to pay to get how much more' and how far are we going to go.

Now I know it is not a complete answer to your question, but because this is industry and government together, there are no clear answers. We're not going out and asking for a contract, we're not going out and saying we want this done, we want to bid as to how much its going to cost for that service, we're not asking for service in that way: we're trying to bill with industry for those things that they need to meet their needs, at the same time as meeting our needs in such a way to get it done without everybody going broke, including government.

Jim Abel : I just want to mirror some of Susie's comments: I believe that our traceability customers, when it comes to the LMAC, are half of our partnership and that pertains to the health of animals and the management of the health of animals and things like disease outbreak. The other partners that I believe we have are the export markets, providing a safe Canadian product. So those would probably our 2 partners when it comes to traceability.

Larry Witzel: I would just like to add to that: I think that we are a huge export market of cattle as well as hogs, but we are talking cattle today. We export around the world, so we need to be sure that the requirements that are needed to get to that market are in place because if not ,we lose our industry and if there is not success in going up the line, then we will lose our customers who are the producers bringing the cattle in. Sometimes, when we talk about traceability, we have to understand that we will need to do the requirements needed, in the most efficient way, without huge cost, and I think that's the most important thing we need to look at when governments are looking at things. I'm really pleased today with what Susie has brought forward: being on IJAC for a number of years, Ive seen a lot of advances. The format that was set up for IJAC was a very positive format and yes there was frustration with industry and government, but government brought us to the table on this and I have to give them recognition. They have been patient with us and it is a very complex thing to put together: we are reading these animals one by one as they move their heads around: I really want to thank the government for listening and for coming forward and for continuing to try to resolve this together.

At the end of the day, we are all going for the same goal, its just how we get there without huge costs and how do we do it efficiently, because we need the export market. Thank you.

Jake Berlett: I have a follow-up comment on a question: we've tried to bring this the table, we've tried to bring this not only to the table but also to this room and what we specifically tried to talk about was there are private sector auction market clients that are doing this. Interestingly enough, they are doing it proactively and with their own cheque books. They are also the least likely people who are going to come here and stand in front of the mic and tell you why they are doing it, because they are doing it, because they are doing it because they believe there is an inherent competitive business advantage and why would they come and advertise that to you? So we are not going to give up on that because there are people out there doing it because there is business value in doing it, so we'll do the best we can to assist with that. That was a follow-up comment, not a question, but they're not opening their cheque books just for the sake of doing it.

Bruce Holmquist: I am a sponsor from one of the breed associations, but I am going to take that hat off address my question as a producer and as one of the producers who has had 'skin in the game', to use one of our favourite phrases, and has contributed, bought ear tags, just because its what we do as part of our animal ID process, but I would also like to add value to that tag and that is how I approach traceability. But if they can answer the question of who our customer is, there is an important player who we are ignoring or missing or afraid to mention and that is who controls the true purse strings, and that is the retailers. We've got WalMart, Sobeys, Safeway, the whole gamut, that are looking at us as an industry and saying, 'Ok guys, you better get your act together because we do have pork and poultry on our shelves and they are competing with you for share of the protein market.' And that is our true competition. Traceability may not open export markets for our product, but lets not ignore the domestic industry because like Rhett said and I want to be watch Rhett sell cattle like our honourable member from Assiniboia with suspenders on, years from now. But I do know the makeup of this group is going to be a lot different in ten years. LMAC will change just like the rest of the industry has changed and been forced to change, and that is by the retailers. Thankyou.

Jim Wideman, moderator: just on that note, the Ontario corn fed beef that you had in this room on Thurs. nite , the OCFA who own that brand just landed Loblaws. Some of you may or may not know that , but that is going to build up to 3000 head of cattle /week that will come from Ontario corn-fed under that regime, so that is an example of that end, that customer who has the purse strings. This is really good news I believe for the Ontario cattle producer.

Bob Perlich: I need some answers on market neutrality. Government and CFIA, where are your answers on market neutrality? We've been waiting a long time to hear, but all I hear is 'we're working on it'. Well,... if you've been working on, I would like to hear some comments.

Response Donna Huneset: I guess I would have to say we haven't worked on it. In terms of market neutrality, this is a concept that we have just been starting to talk about within the context of the pilot project. We've heard a lot about it in the last 3-4 months, but we need to sit down with you and determine exactly what it is that you feel are the vulnerable points on market neutrality. Is it just about reporting? Is it just about requiring everybody to make the same reporting? It is about enforcement? Is it about assistance? We need to understand this and know better. We don't have any answers because we have only had the questions for a short period of time.

Colleen Barnes : I would like to build a bit on the remarks I heard earlier. I would like to hear from CFIA what the rules are, I am at a bit of a loss because the approach we have taken is "lets do this together"and so we've been working with industry, we could have come out with rules for people to take a kick at, we didn't do it that way specifically because we wanted industry to take the lead because it was an industry initiative that started this : what would work for you and then lets work from there. I think that's how we have been pursuing it: lets work with industry to develop it together, we don't want to come out with rules until it is fully understood how the system would work and then we develop that together. So, market neutrality is in that same vein: we are just starting to hear about it now and so, noting that whatever obligations are on you guys, have to be on the other system, that is just fairness.

Bob Perlich : I am pleased to hear that you haven't made any rules, but at the same time, if I am hearing you right, you are going to be getting hold of this right away and then we are going to be discussing this? Is that correct? Are we going to be moving forward on this particular issue right away? Because this is a crucial issue. This is a deal breaker in a big way, and I am speaking on behalf of myself here, I'm not speaking on behalf of everybody, but it is a deal breaker with me: either we get an answer to that, or the old feet go down.

Susie Miller: I guess there are a couple of options we can offer you so that you can be part of the Cattle Summit: we are willing to sit down anytime, anywhere, and as a matter of fact, I am going to your sale on July 15, so I am going to be there all day ! But, we can do this in a more formal fashion; we can do conference calls where we have 5 or 6 people from across the country on the phone, just talking about market neutrality. We are open to going where you are, to doing what you need, to having this discussion. We have worked through the organizations and the Associations

because that is a very good entry point, but it doesn't mean that we can't supplement that, our IJAC, and coming to the LMAC meetings with other meetings that you want to set up, either at the provincial level, provincial association level or the national association level, or one on one, I mean we are always open. Maybe we need to leave here today knowing what some of the next steps could be.

Modertor Jim Wideman: thank you very much, Bob, and I think basically what you are saying I know that other members are saying, that the neutrality piece is a critical one, but I know for many markets it relates to enforcement; in other words, where auction markets are treated the same as the order buyers down the road that run a depot, or electronic auctions, or whatever it is, that all of those are treated in the same way and I know that enforcement has been an issue. Markets have felt that they have been treated very differently on the enforcement side than their competitors down the road who run an order buying stations, at that's an issue that certainly. If it is only a perception, then we are open to listen to that, but markets do not believe it is only perception.

Bob Perlich: that's a really good point and that is exactly why we asked this question.

Markets were targeted and they are targeted again first. 25% of the cattle are sold electronically or by private treaty basis or farmer to farmer. 25% is a lot smaller than 75%: maybe that is the direction you need to go first, get the 25% handled on a tracing system and then move to the 75%. Its easy to come to the markets because there is a few markets to handle, but you know as well as I that the only reason you haven't enforced anything on the other level is because it is impossible, you don't have enough manpower to enforce that. That is why you have enforced at the Market level; we're not simple, we know that. But at the same time, we have to protect ourselves and the livelihood of not just ourselves, but the generations to come down the road because , well, I've talked enough.

Response Dr.Ken Sloik, Enforcement CFIA: a couple of comments, I guess, on that point. Number one, the reason we go to Auction Marts is to monitor the primary producer, which you people are asking us to do. Its a place where we know we can go and find them and see what's going on, and we're not there to specifically monitor the Auction Mart, we're there to monitor the primary producer. I guess the other comment I would make, and I'm going to change my hat now, because I am also a cow-calf producer: I buy 100 ear tags a year, it cost me 325.00 last year... as far as my input into traceability goes, that is what my cost is. I spend 2000. a year at Auction Marts selling my cattle, and I don't hear from you people why I should spend that \$2000. You know I do hear lots of reasons to spend the money on the traceability, but I don't hear anything from the Markets Association as to why I should spend that extra \$2000.

Modertor Jim Wideman: You know Ken you have opened a can of worms here and we are not going to respond to that and I disappointed that a government person would have said that because Markets could spend an hour or two this morning to explain to you what their commissions relate to, and the fact that Markets are saying that they cannot afford these extra costs. I have another Government role that I play in which I get to see the financial statements of Markets across Ontario, and they are aren't kidding. The reason that you should spend that \$2000. , and you don't have to, you can go somewhere else, you can go private treaty if you want, but that is your option, it is a private decision and I don't think it enters into the role or the discussion of this meeting this morning, respectfully.

Ken Sloik: my comment was made as a farmer, and not as a government employee

Moderator Jim Wideman: yes; I know it is hard to split that hat this morning

Ken Sloik: I made my comments in regards to market neutrality and the traceability program when I listen to my neighbors talk and the traceability program is not the reason they leave the Auction Markets

Tom Vicars:and we've put a lot of money into this traceability system ourselves and we know that the technology is very much in its' infancy and we have to be very careful how far we process from this. The other question that really concerns me is that I have gone through this whole cycle and where is the CFIA heading, because I have discovered we can come to these meetings and have a very clear idea of how its going and then when I get home and I get back to my office and somebody comes in with a tag issue and its CFIA, they never go see the producer, but they will come straight to me and I think there are some issues there that we have to get out: and its got to be other than us, we are the first line and the easy ones to fix the problem because we have taken on the tagging of animals that come into our yards; and the other thing with the CFIA that I find very frustrating is that they have a lot of Inspectors out there that have 0 knowledge of the industry: how to handle cattle, how to walk through pens, etc and that is hard to sell to the producer who observes this and loses all their confidence. I don't know whether it is your hiring procedures, but our industry is very selective and it takes us about 30 seconds to figure out whether you know anything about the industry or not. My major concern is the CFIA people themselves: where are they heading and what do they want?

Response Colleen Barnes: I think we're all working together on where we are going with any additional traceability requirements going forward. In terms of what we have in the enforcement already, we are hearing about enforcement from the Markets and we are hearing that you are concerned that is seems we are targeting your Operation. So we have started to think about the enforcement strategy; making

sure that we communicate that there is a range of things we can do, from communicating all the way up through the amps that we have available; and getting training for our Inspectors so that we have a consistent approach across the country. So we are hearing about the enforcement side and trying to address that .

Tom Vicars: thank you, because I have discovered that if something comes to our yards, my name comes up with little stars beside it and that usually dictates that somewhere along the line we have been deficient and I don't think that is fair.....

Brennin Jack: I am going to be quick, but I am young in this industry and this is my life and to have someone that is in the industry that is representing us from a government side, or has that opinion about Markets, that a commission is how I get paid...if I have someone with that mentality talking to producers, it makes me really sick. Everybody is here, from Quebec all the way to B.C. and every single person here gets paid by one way and that's selling cattle; either through a ring or DLMS or whatever electronic sale you have and it really sickens me that somebody can come in here expressly on our territory of LMAC and insult us in that way. I am really disappointed and if you are trying to work with us, pull up your socks and really think about what you are saying.

Roy Rutledge: One gentlemen mentioned about the 300 years of experience he had with another person, well... Ralph Vold and I have that between us! I would like to address the first question to Susie: my problem has always been, and people might know this, permanent ID. Do you know of anything that is being done to get permanent ID, because tags are not very permanent. I have seen a lot of them replaced. Is research going on?

Response Susie Miller: there is something in the horse industry that they are very interested in because they don't want ear tags; chips migrate, so they are moving to take a look at retinal scans. I think there has been some research done on retinal scans with calves. Is this going to be feasible? You know, 10 years ago we wouldn't have expected the kind of electronic equipment that we have today: the first laptop practically broke your back to carry it. I would say that the research is probably going to be led by those industries that worry about how pretty the ID looks, and so the horse industry definitely is investing a lot of money looking at alternatives. I think from our perspective, we are not adverse to supporting some of those explorations- it's not our primary approach. We're not undertaking anything specifically, its basically up to the industry in the private sector. Would you also agree Rick?

Roy Rutledge: I wasn't implying that the government should be looking at it..

Moderator Jim Wideman: Well Roy, 20 years ago, when I was still involved at OLEX, a company right here in Waterloo was looking at and had actually produced a chip that had some wings on it, that wasn't going to migrate, but it was costly... so I think that there are some people looking at it, but what the state of it is, I'm not sure.

Roy Rutledge: in my opinion, for what its worth, I am not against the system, but I think the system would work if we had something permanent it wouldn't impede the speed of commerce if the stuff that's in there, stayed in there and we could walk through and develop the rest of the project.

Another comment I would like to make; I promote the Auction system wherever I go and it has been my experience that people who don't sell by Auction take 5-10 cents less/lb. for their cattle. So, if you don't want to pay your commission and take 5-10 cents /lb less, then that is your privilege.

Wayne Small: I would like to discuss the problem of tagging and fines at Markets. I have just heard the Inspector say that they don't go to the Market to zero in on the Sale Barns , but to check on the tags on the producers. Well, at our Market, they have that completely backwards and if I understand from Susan that there has been 26 or 29 fines levied, then I must be the only rogue in this place, because we have gotten about 14 or 15 of them, and there are 3 more of them backed up in the courthouse now... so if we are moving ahead with any type of traceability equipment, where there is any authority given to CFIA to charge us with numbers or level of readability, whatever authority is given to CFIA to rule on that and if it is anything like the tagging thing, then I don't think that any Market here should take any part of it at all, they should stay completely clear of it because all we are going to see is fine and more fines. I heard Rich mention about the fines, that there are 3 or 4 different groups that endorsed the resolution and there has been nothing done there and quite frankly, I don't know how long we can keep paying these fines. We just got levied with 2 more from Levinoff Meat Packers; we have no way of proving that they were our cows, neither does CFIA when they go to a holding barn down there and stay for the weekend: who knows whose cows they are, but you cant go to Quebec to fight a fine for 600. I guess my comment is that if the CFIA have anything to do with the rulings on this new tagging system down the road, I would say to every Sale Barn here: keep absolutely clear of it.

Susie Miller : the reason I am responding is I got here first. Point made. And I think we've made it very clear that one of the things that I would like to see come out this discussion is that you guys don't leave your meeting without having a mechanism for continuing to work with us one two issues:

- 1) the enforcement and compliance management and
- 2) market neutrality

We don't know your businesses as well as you do, we don't know your competitors'

Businesses as well as you do, we want to sit down with you and define: in an ideal work what do you want to see vis a vis, market neutrality and compliance management. So I have asked Jim W. to make sure that we do this.

Moderator Jim Wideman: we will put a mechanism together in terms of the Board who will be meeting after all of this discussion has been transcribed and put on the public record, and it will be sent out to all our members across Canada. The Board will reconvene in late summer prior to the Cattle Summit in September and we are pleased to hear that the Government wants to sit down and that they have not looked at the neutrality issue and that they are open to having us involved in the enforcement side because we had put that forward as a proposal in Winnipeg several months ago: that we sit down and have a government-industry protocol around the whole issue of amps at Auction Markets.

Rick Wright: one of the things.... We had our first meetings on Compliance between CFIA and industry in December and everyone we invited came to that meeting, that's how important it was and we started some steps towards working on the compliance and the enforcement part of it. I would like to take a minute and have Ken explain some of the suggestions made on the tagging site regulations and so there is no misinformation out there: what would change for our responsibility and why there are looking at making that particular thing happen. The last comment want to make is that we have been fairly passive in the past looking when it came to the amps and most of the people have paid and on time because it wasn't worth their time, especially when we get amps in the busy season, so to try to go the tribunal and fight that was not worthwhile. But now some of the Inspectors are coming up to our guys are saying 'you are multiple offenders, we've fined you 4 times in the last 2 years, so you are not complying and we are going to get really tough with you' and they need to look at the entire concept because they are basically just paying the fine to make it go away. So we need to review this and make sure people are being treated fairly and on the public relations side, we've talked about discretion in our meetings and the Inspectors need to have a lesson in discretion.

Colleen Barnes: just to be clear: we've been hearing this for awhile and that is why Ken is here: we are trying to get the enforcement folks that are 'on the ground' more sensitized to the concerns that we are hearing. I lead the policy side, so on the Regulation what the rule is, we're not just focussed there, we are focussed on the ground, what it means, what we're doing and like said, we have heard and we are making efforts through training and developing approaches and protocols and raising the awareness around this issue

Dan Lutz: I assume this is a 2-way street and that I can also ask a question of LMAC? The reason that there is traceability is Australia: it has been a 30-year

process and they started out with PICs: premise identification codes, and they actually have an animal history tied to the property, so they have been trying to improve their process of managing issues in their animal industry for a long time. And Rick, I think what pushed them over the hill recently was that they had a feed contamination and they are a big exporter so they were looking at losing all of their markets. The reason that animals have passports in the UK is because of BSE and what I am hearing from LMAC, and you need to express that, is that all the issues are about implementation and I am wondering if in your board meetings if it would also be possible to consider a resolution that says, 'traceability is important, we cannot not afford to do this and we have clear examples around the world, and while we have issues to resolve, we believe in the principle of moving forward. Because it is important that our decision makers hear that as well as hear 'we have issues to resolve'. We are going into a situation where we are trying to get funding for this traceability, the situation in government right now is cost reduction and so why should traceability be a priority: I think it should be a priority for livestock in Canada.

Peter Paucher: thank you. I am just going to address two of the things that Rick Wright raised:

- 1) the resolution at CCIA, where the CCIA board made a resolution whereby they were asking that the enforcement at the Auction Marts would be placed more on primary producers. We heard that and the answer to that is we are very much willing to consider that, but we have to move it through our regulatory process, and unfortunately, that takes time. Just for the purposes of this meeting, we are working on the next regulatory package for cattle and we are aiming to close our policy process for that by November of this year and then will be drafting the new regulations in 2012. So there will be no change until 2012, I am sorry, but that is just the way the regulatory process works; I cannot speed it up; Colleen can tell you what it takes to move things because we have to jump through so many hoops.
- 2) The second one is tied to the first and that is tagging sites: in the same package we would actually like to take tagging sites out of the regulations. This doesn't mean that you as businesses would not be allowed to tag cattle or be allowed to be tagging sites, but we would take it out of the regulations, because the way it is in the regulations right now, the tagging sites are basically not working; they are allowed to have their inventory of tags and they are supposed to report when they tag an animal, but they are not doing so. So why have something in place that is not working? So if we take the tagging sites out of the regulations it doesn't mean that the tagging sites as such couldn't exist – they would just not be regulated.

Stewart Stone: thank you Jim. First I would like to say that I am really pleased about some of your comments earlier; it removed some of the impediments and helps to build some more trust as we look for solutions. I have a very specific question and it

relates to wild and dangerous animals; we've been talking about this for 4-5 years and I know I am dealing with it in my markets. Its pretty hard to explain ' to a mother or father why their child has been maimed or even killed' for the sake of putting in a tag; we've been back and forth with CFIA people and regulatory people as to whether there is an exemption for a wild and dangerous animal or not and we get mixed messages every day about this: we need to deal with this issue very quickly before somebody else gets hurt and so I just wondered where this stands in your process, as far as making exemption for wild and dangerous animals.

Colleen Barnes: formally doing it in law takes time, but I think there is something here I can take back and there is a practical process vs doing it in law which takes time. Leave this with me and I will take it back to see if there is scope within the existing wording where we can bring in a protocol as opposed to a change in the law.

Steward Stone: and then can you bring something out so that we all know about it?

Moderator Jim Wideman: yes, to formalize a protocol within the regulation? Thank you.

Scott Campbell: I have a lot of things running through my head from listening this morning...firstly , a lot of this responds from not knowing- that is the big thing- my wife and I are young in the business, we own an equipment business as well as the Auction Market and this supports our family and the 5 families that work for us. We believe strongly in it. It worries us that we are working toward generating businesses with so much unknown that we don't know what we are working towards. It feels like what Rick says: lets get on and drive the train, ... but we have no idea where the train is going. It scares us a little bit, we put all our money back in and all our heart and effort into these things and we really don't know where it's all headed. You know when they came in they wanted some respect, I guess, and at the utmost there were a lot of good things said here today, but when the Inspectors come to my place they are given that, they're welcome to a free coffee, free to come and go; and we ask a lot of questions and ask why they are there and why and one time I was told that it was easier to come to my place, it's a public place instead of a private property, like the farm. I don't remember the government paying my taxes; our places are private places as well and we have no problem. Ken made the mention there... every day we look for better markets for our producers. Most of us are producers as well and we are marketers, we try and work every day to make sure that the order buyers are looked after, the cattle are looked after properly so that there is less shrink, less everything, and I guess that just left some more questions in my mind, when that kind of an opinion can come out of an Inspector. We just need to know where we are headed with this. I am involved in a pilot project and if traceability is where we need to go for the betterment of the industry,

then we are all on board, but we need clarification of where we are headed and a little respect for the fact that this is how we make our living.

Moderator Jim Wideman: thank you very much for those comments.

Dennis Schroeder from Cargill(sponsor): I don't want to belabour the point, but as a terminal facility, we can get fined as well for receiving cattle that aren't tagged. We can't be set up as a tagging facility, so we are in a bit of a quandary. I believe we have been fined at least once on it. Our main concern is that it shows up a health of animals violation and so if we get fined 10 or 20 times, then all of a sudden we have to do a meat recall and if a reporter does a research on that its going to show up that Cargill has been fined 10-20 times for violations. So the monetary issue is an issue. What we have done is started reporting back to the producers their tagging rates with every load of cattle and CFIA has been good to work with us on it, but the fact of the matter is we cant keep getting fined and it is a huge reputation concern for us. I wanted to take the opportunity since you are talking about this to make everyone aware of this. The actual monetary fine can be passed back to the producer at the end of the day if we had to, and like I say, we are working with producers on this.

Moderator Jim Wideman: I really appreciate everyone's participation this morning and Susie, we will follow up with you directly, and Colleen, with you on the whole enforcement and neutrality piece, to educate government on what neutrality means for Markets. A big had for all the participants.