

# Diversification Proves Crucial During Challenging Economy

Tars Cheema

## WestGen AGM

While the beautiful spring weather in the Fraser Valley may have kept some WestGen members home, it was still a full house with nearly 100 attending at the Clarion in Abbotsford for the AGM on March 19, with more producers attending and voting online.

### Board President Report

Board President Richard Boonstoppel opened the meeting, recognizing the tough economic challenges saying, "There can be no doubt that the prevailing market conditions during 2023 have been both demanding and extraordinary." From inflation to a lack of incentive days, the impact has reflected on WestGen. On a brighter note, investment markets improved from the 2022 slump, making WestGen's balance sheet much improved over 2022.

While progress continues on the strategic plans to diversify and strengthen the business, the challenges in recent years have slowed the timelines "just a bit." Richard referred to the goal of establishing the long-term stability of the business while ensuring "producers remain in control and at the decision-making table."

The last 10 years have seen many changes to the range of companies under the WestGen banner; in recent years 'The WestGen Group of Companies' was the general umbrella term. Richard formally introduced the *Antares Alliance* as the official name for the 'brand' under which the various companies will exist. Most recently, they have partnered with Vivaria, a digital technology company rooted in agriculture. "We made this investment to accelerate our digital capabilities, including how we collect and use data."

Recognizing the 80 year anniversary of BCAIC/WestGen, Richard acknowledged the focus and dedication of many people that brought success through these years. He thanked the Board for their efforts in governance to ensure that the organization would have another strong 80 years ahead. "It's crucial to acknowledge the significance and value of the producer's voice, especially as we see the erosion of many farmer-owned businesses." Richard concluded by pointing out that programs such as the Endowment Fund and other sponsorships that push profits back into the Western Canadian industry are what demonstrate differences from competitors.

He announced that both Ridley Wikkerink and Bob Matzek were re-elected for new three-year terms on the Board. Later in the meeting, Mike Duncan was acclaimed as a Director at Large, with no additional nominations received in-person or online.

### CEO Report

CEO Chris Parry's address opened with a realization that "we are still in the midst of extraordinary challenges in the industry." 2023 showed strong results, he said, pointing to cost control, efficiency and deliberate decisions to benefit the short term and assure long-term sustainability. "We weren't impervious to the down-pressures on our operations, yet, through it all, we persevered, achieving resilient results that laid the groundwork for future growth and strategic execution. All companies met or exceeded targets - they weathered the storm very well," he explained.

He spoke of the ongoing challenges presented by the

continued shift in product mix (sexed and beef) together with the decline in cows being bred in both the beef and dairy sectors.

"In 2024, we celebrate our 80th anniversary, a significant milestone as a farmer-owned and directed business." He recognized the milestones of partner businesses as well - Semex 50 years, Agwest Veterinary 20 years, Bow Valley Genetics 15 years, Cryogen 10 years.

Chris explained that while all the related companies will fall under the unified brand of Antares Alliance, it will not be a "customer-facing brand." It is not meant to replace the individual business brands or change their focus.

He highlighted that financially, 2023 was strong despite the "turbulent" times, with "group revenues excluding Semex and excluding portfolio investments stands at \$22M with a profit just under \$1.2M and EBITDA of \$2.7M."

He concluded with expressing appreciation to all those who play a role in the organization's ongoing success - from staff to Directors and ultimately the customers, "We genuinely appreciate your loyalty to the organization you own."

### Business Report

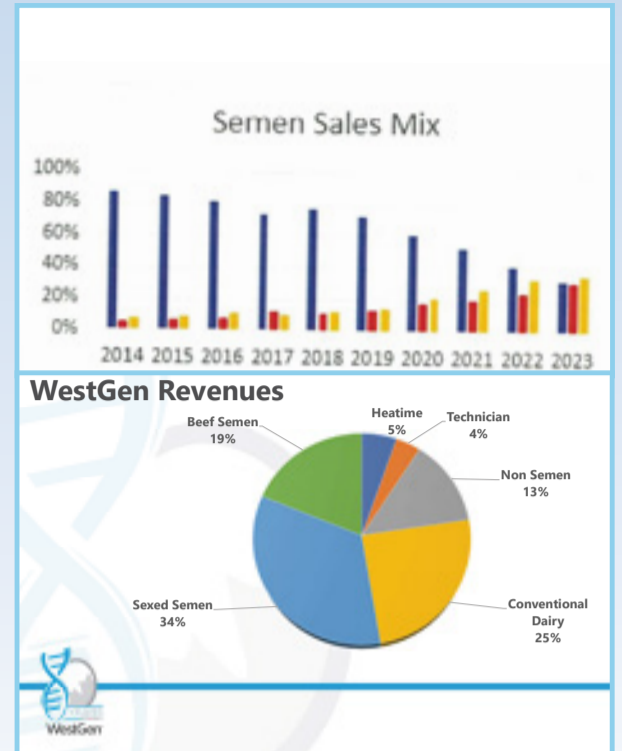
CFO Vernon Smith referenced at the start of the Business Report that the difficult dairy economy has had its impacts on sales and on staffing. Continued breeding trends such as more sexed semen, more beef, fewer females on farm to breed, are continuing to impact core sales. Total doses are down as a result but more dramatic is the shift in product mix. Beef on dairy doses have increased some 600% since 2014, but may have plateaued with sales essentially unchanged between 2022 and 2023. Producers recognize the value of beef-cross calves as an off-set to the cost of sexed semen - this product has seen an increase in doses of more than 700% since 2014!

Non-semen revenues have increased, including increased Elevate testing. Operating expenses declined slightly from the previous year. While operating income was higher in 2023 than 2022, it has not yet matched the extraordinary results from 2020. "As a group, it was a very strong year - diversification has worked," he stated.

Treasurer Tim Hofstra further supported the assessment of difficult times in agriculture with spiking interest rates, increased operational costs and reduced dairy incentive days. He was pleased to report that all investments had reclaimed ground given-up in 2022.

### WestGen Endowment Fund

Endowment Fund Chair Michael Andres was pleased to report that the Fund, originally seeded in 2004 with \$5M, has surpassed \$2.5M in disbursements back into the industry with 2024 allocations. "We put a high priority on our youth, starting with 4-H programs, distributed



based on farms in each province, plus scholarships and the WCC. We consider WCC a 'jewel' in our funding that we are fortunate to work with them."

WEF contributes \$20K annually to WCC and at least \$15K across the four western provinces. Beyond youth support, WEF funds research of relevance to cattle producers and a variety of community initiatives in both the dairy and beef sectors. He pointed to the local research of Paul Adams at Kwantlen Polytechnic University in Surrey and their internationally-recognized work on *Mycoplasma bovis* and *Salmonella dublin*. "There are very promising results from this work and it's great to be a part of it." Michael concluded by thanking the membership for supporting this beneficial program.

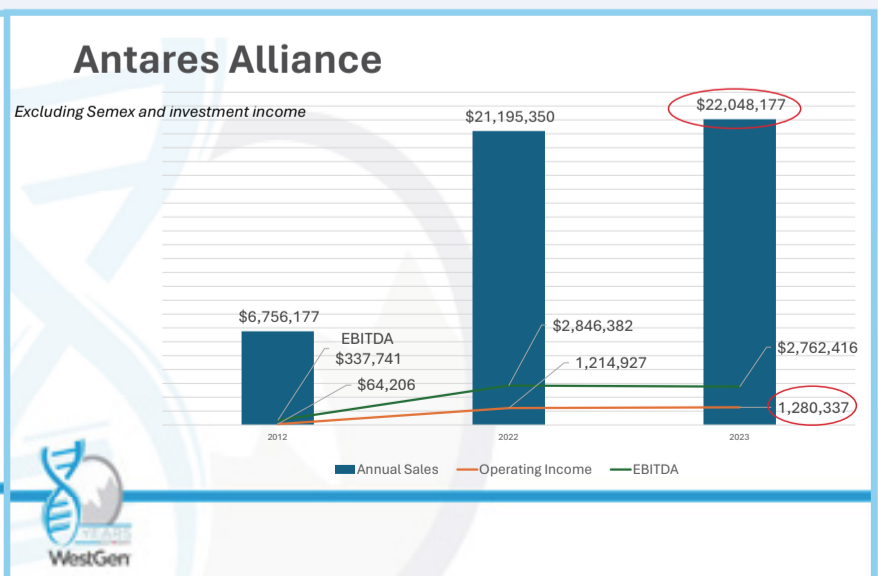
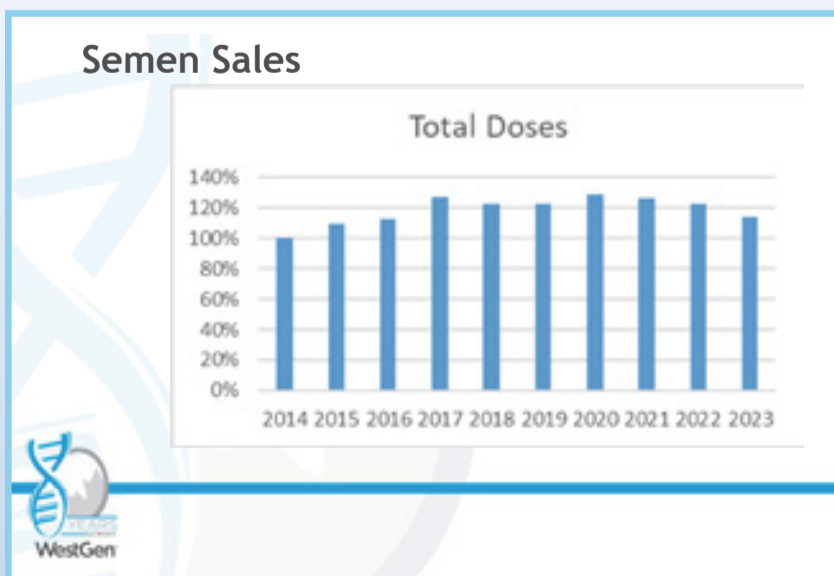
### Semex Report

"2023 was good...not great," began new Semex CEO Matt McCready, also recognizing that it's exciting to be celebrating Semex's 50th anniversary. With the recent retirement of longtime Semex CEO Paul Larmer, this was Matt's first presentation at WestGen's AGM.

"We did grow our semen revenue by 9% over 2022, that's with overall semen sales of \$145M around the world." He added that non-semen revenue growth was a highlight - with Boviteq and embryo sales growing by just under 10% and Elevate genetic testing increased by 20%.

"We have a strong line-up in LPI sires and double digit type sires and we're consistently ranking with 20% in the top 100 or top 1000 TPI bulls," he explained. Additionally, their Angus sires program, only started in 2020, has begun producing results in 2023 which show positive rankings in various indexes. The new 'Methane Index' on Semex sires is showing a strong uptake in certain markets, "especially in the UK, western Europe and Australia where a lot of dairy processors have made net-zero targets by 2030 or 2050." He indicated that interest in this de-carbonization aspect is growing around the world.

Echoing similar comments heard earlier in the morning of challenging economic times, he said, "Our cost of production and operating expenses have increased 12% in 2023 over 2022."





With the US continuing to be Semex's largest export market (about 20% of global total), the consequences of their soft milk price have been difficult to avoid. As farms left production, those cows typically went to the very strong beef market. "We held doses flat in 2023, we grew our revenue in sexed semen and we know our competitors were struggling, so we know we actually performed fairly well."

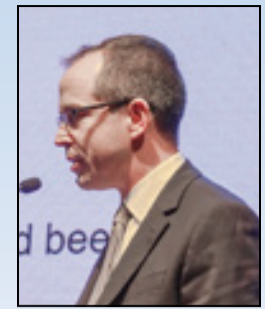
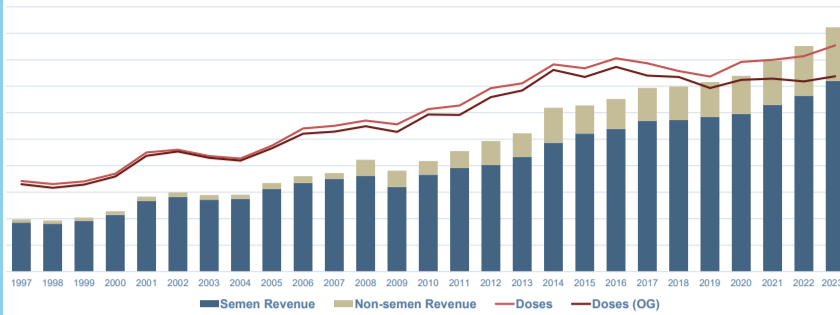
While the trend to more sexed semen has driven up revenues, the margins are lower per dose, making it less profitable. But they remain committed to this technology with 63 sorting heads in production today and room to double capacity. The newest sorting technology machines can increase efficiency of production by 20%, he reported.

Matt's perspective extended globally to ongoing geopolitical tensions that have caught Semex unintentionally, such as Russia and China. Since China has not renewed trade with Canada since 2019's agreement expired, Semex must fill that market via US channels. "This is more costly and we have a limited sire offering, but we are staying close to the same doses."

Matt shared that access to FSH hormone (used in ET work) made business difficult for Boviteq in the US market. They still produced more than 300,000 embryos between Boviteq and Brazil.

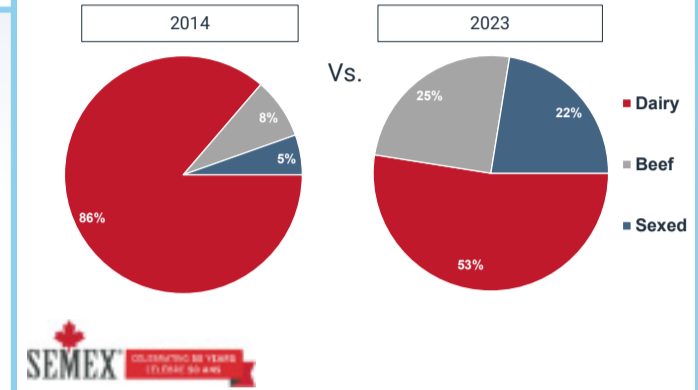
Overall in the semen business, 13M doses were distributed through their companies around the world.

### Revenue & Volume Growth



**New Semex CEO  
Matt McCready**

### Semen Product Mix



## WestGen AGM

- Producer Panel
- Genetic Workshop
- Evening Social

### Genetic Workshop



A thought-provoking presentation was made by the team of Paul Meyer, Sales Manager and Greg Hessels, Sales Rep.

#### Genetic Workshop

Do you have individual cow fat% and SCC

Is Milk Yield the best measure of return on investment?

Clearly, milk yield doesn't tell the whole story

2yr-olds from a BC Herd						
Quartile	PROS	Count	Av	Av	Av	Av SCC
			DIM	305M	305F	
Top 25%	2136	58	203	10,810	476	29
2 <sup>nd</sup> Quart	1593	57	170	10,595	455	25
3 <sup>rd</sup> Quart	1284	58	148	10,538	434	38
4 <sup>th</sup> Quart	859	58	191	10,729	433	48
Avg	1468	231	178	10,669	450	35

Fat yield difference between top and bottom quartiles suggest a very good return.

Rankings of 2-year olds by Pro\$ values into quartiles allows actual performance to be compared. Usually at least 40 kg for 305-day Fat yield separates top and bottom quartiles and differs by nearly \$1,000 in lactation revenue per animal for the two groups.

Genomic testing, evaluations and rankings correlate especially to the differences seen in top and bottom groups.



### For the Love of Farming Producer Panel



The young, enthusiastic and charming panelists made for a light, entertaining and uplifting time, spurred on by the uniquely engaging emcee Steve Saccomano. (L-R) Erin Harris of Creston, Josh Matzek of Chilliwack and Doug Groenendijk of Chemainus shared laughs and insights about their experiences in farming and the CTV program 'Farming for Love.' We will present more complete coverage of this program in our Summer issue.

### Ode to South Africa



These lovely talented dairy ladies demonstrated their courage and beautiful singing voices for the whole crowd at WestGen's AGM evening social. Based on their collective experiences on the recently completed South Africa adventure, they penned their own version of 'The Lion Sleeps Tonight' with clever references to the many aspects of the amazing adventure they all enjoyed. We expect to see this video on TikTok and YouTube. Thank you Sheri, Elizabeth, Alicia, Terri and Krista for serenading us with style!

### Porters Dairy Produces a Different Crop!

The Porter Brothers 'farm boy band' was simply - great! How they managed to become proficient professional musicians while also growing up on Porters Dairy's 300-cow operation on Vancouver Island is remarkable. All original music and a country rock sound, they provided good entertainment leading up to dinner and again after the formal program. I wish I had got them to sign my program since I think there could be more fame than farming in their futures! Well done Jack (lead) Marshall (drums) and Dean (bass)!!

### And that's a Wrap!



WestGen's Marketing Manager and Party Planner Krista and her enthusiastic team had the crowd literally rolling in fun through the Jeopardy games, once again, presided over by the host of Banking for Love, Steve Saccomano. Steve gauges audience support for each 'mummy' in the finals. While the crowd was loud throughout the games, it was good natured fun all the way.

### Celebrating a Remarkable 80 Years!



Current WestGen directors in the back (except for John Tap) and past directors in the front are happy to celebrate the 80 year achievement of a once-little farmer-initiated AI centre.

It is no small feat that the local farmer-organized AI centre that started life in 1944 as the Lower Fraser Valley Artificial Insemination Association has not only hung on, but has thrived for 80 years, and grown into a substantial holding of ag-related businesses benefiting the dairy and beef producers in Western Canada. We have all witnessed the loss of co-op after co-op over the same timeframe. Today, WestGen and its affiliated businesses under the newly introduced 'Antares Alliance' is one of very few farmer-owned and directed businesses that continue to give farmers a true voice in the sector.

**Congratulations to all who have played a part in this undeniable success story!**

