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CANADIAN CATTLEMEN’S ASSOCIATION STAFF

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## 2006 – 2007 COMMITTEES

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- Jim Bremner
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### CANFAX
- Larry Schweitzer, Chair
- Erik Butters
- Brad Wildeman
- John Gillespie

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The CCA strives to work for cattle producers and keep them informed about the latest industry developments.

Sign up to receive important email updates at [www.info-cca.ca](http://www.info-cca.ca) or call 1-866-INFO-CCA (1-866-463-6222) for the latest news.

Information on CCA activities is available at [www.cattle.ca](http://www.cattle.ca)
The Canadian Cattlemen’s Association (CCA) is the only national voice representing the interests of Canada's over 90,000 beef cattle producers. Twenty-seven producers from eight provinces make up the CCA Board of Directors. The CCA is structured to represent every phase of the production system: the purebred, cow/calf, backgrounding and feedlot sectors. The CCA provides the leadership and unity to speak as one voice for the beef industry. Canadian beef producers provide input to the CCA through our provincial members, and we encourage producers to get involved with their provincial cattle associations.

The CCA’s primary goal in 2006 was, and continues to be, the resumption of normalized trade. To that end, it is doing what it can to help move the second United States Department of Agriculture (USDA) rule. This rule will allow for the export of beef and cattle over 30 months of age and breeding stock born after the implementation of the feed ban to the U.S. It was encouraging when Rule 2 was moved to the Office of Management and Budget (OMB), an important step toward the full resumption of trade. Unfortunately, when BSE was discovered in a fifty-month old Alberta animal, that rule was voluntarily withdrawn by the USDA. Canada quickly conducted a full epidemiological investigation, including a thorough analysis of the possible source of infection, and this was well received by the U.S. However, with the U.S. midterm elections and the fact that R-CALF has indicated that it will oppose Rule 2, this may not be resolved as quickly as we would like.

We have had great success in regaining access to markets that closed after the discovery of BSE in our country. However, there are still key markets that have not reopened to Canadian beef and cattle or have not regained full access according to the World Organisation for Animal Health (OIE) standards. The CCA continues to push the Canadian government to take a leadership role and a pro-trade stand. We are encouraging the Canadian government to ensure that further market openings are in conformity with the OIE standards and provide access for all live cattle and beef from cattle of all ages.

The Canadian Food Inspection Agency (CFIA) announced that an enhanced feed ban will be implemented effective July 12, 2007. The enhanced feed ban will ban all potentially infected cattle tissue (specified risk material) from all animal feed, pet food and fertilizers. This prevents more than 99 per cent of potential infectivity from entering the animal feed chain, essentially eliminating the risk of downstream contamination and decreasing the time to effectively eliminate BSE from the Canadian herd. This should increase confidence among our export markets and help to ensure Canada continues to be a key player in the global beef market. The CCA is working with other industry stakeholders to determine if it may be possible to accelerate the implementation of the enhanced feed ban.

The value of the Canadian Cattle Identification Agency (CCIA) has been proven many times over the past few years. This system is highly regarded by our trading partners, particularly for its value in an animal health emergency. The cattle industry is developing a strategy to move toward full animal movement and tracking. However, we recognize that any system put in place must not result in the industry becoming non-competitive. In addition, the CCA has committed to the principles that any national system for beef cattle shall not impede or delay commerce and that the technology must be capable of reading identification at a rate which accommodates normal commerce. We must also be sure that the tolerance ranges for readability are acceptable to industry standards. Finally, we remain committed to maintaining producer confidentiality.

Every five years, the Canadian government prepares an agri-food policy that guides its programs and direction. The current policy agreements expire in March 2008. The CCA and the provincial organizations will be participating in the development of the next agri-food policy. This policy will define what is needed to support growth in the agri-food industry and includes business risk management programs, environmental programs, research and development, and trade policy. We will continue to work to ensure that the needs of Canadian beef cattle producers are met in this process.

The CCA’s overall purpose is to improve the collective long-term sustainability, profitability and growth of the Canadian beef cattle industry. We, as players in the
industry, must not forget our role in this. It is important to understand the needs of all sectors of the industry because we all depend in some way on each other. The purebred producer depends on the commercial cattle producer, the commercial cattle producer depends on the backgronder and feedlot operator, the feedlot operator depends on the packer and we all depend on the consumer. We need to continue to improve our relationships with the various sectors of the industry.

STATE OF THE INDUSTRY
By Dennis Laycraft, Executive Vice President

Canada’s beef cattle industry is continuing its path to recovery. Overall, we saw record Canadian beef consumption in Canada in 2005 in terms of total tonnes. In addition, Canada was the largest exporter of grain-fed beef in the world this past year. This is a remarkable success story signifying an important change to the international response and application of sound science-based standards through much of the world.

We estimate that we have recovered to 92 to 95 per cent of pre-BSE levels. Both fed and feeder cattle have largely recovered with current variances attributed to the strong appreciation of the Canadian dollar. The remaining impact is still significant, costing about $426,000,000 per year or $1,200,000 per day. We estimate:

- cull and bull prices are depressed by about $210 per head or $180,000,000 per year
- loss of milking heifer exports results in a loss of $190,000,000 per year
- loss of purebred cattle exports costs at least $20,000,000 per year, possibly much more
- additional certification procedures cost approximately $48,000,000 per year

Most of this will only be resolved by the implementation of the second rule in the United States.

Capacity Utilization

With the resumption of live cattle trade, our weekly slaughter levels declined to about 70 per cent of capacity. Utilization is down 12 per cent year to date compared to 2005 for the period prior to the border reopening for live cattle, with declining fed cattle slaughter partially offset with cow slaughter. After the border opened last July, we saw a large number of live cattle exports destined for the U.S. Live cattle exports have now slowed to a level more consistent with pre-BSE averages.

It remains very important that we work closely with the processing sector to address both cost issues and marketing improvements to reverse this trend. We continue to pursue the 90/10 goal to have our dependence on live cattle imports targeted at 10 per cent or less of our production. Live cattle exports certainly improve competitive bidding; however, we do not want to slip back to the level of live slaughter cattle exports that we were facing leading up to May 20, 2003.

BSE and Trade

Our extensive national surveillance program continues to demonstrate its effectiveness with the unwelcome but not unexpected few cases of remaining BSE that have been identified this past year. However, the strong domestic and international confidence in our products is a testament to the effectiveness of our multilayered safeguards and the proactive enhancements that we
continue to make. Clearly our national identification program has been an incredibly important factor in this process.

While there is never a good time to find those rare cases of BSE, it is very frustrating how this seems to consistently happen at the worst possible time for U.S. rule making. The next rule to allow for trade in beef and cattle over thirty months (OTM) and breeding stock had just moved to the Office of Management and Budget (OMB) – the last step before official publication - when we found the most recent animal. At CFIA’s invitation, the United States Department of Agriculture (USDA) sent experts to participate in the investigation. Following that announcement, USDA voluntarily withdrew the rule from OMB pending the results of the investigation. Obviously, the age of the animal raises questions about our feed ban that USDA will need to address in the rule either in the preamble or in changes to the rule.

It should be noted that a small number of BARB (Born after Ruminant Ban) cases of BSE have been found in most countries, including Canada. The investigation into the most recent case found in Canada placed a high priority on identifying the possible source of infection. The investigation found overall good compliance with the feed ban, with the likely cause of infection identified as an incident in a commercial feed facility where flushing did not occur between a load of cattle feed and non-ruminant feed. This may have resulted in the contamination of a single batch of cattle feed with prohibited material. Fortunately, the entire batch of feed was shipped to the BSE-positive animal’s farm, and this indicates that it was very likely an isolated incident. Our feed policy was thoroughly examined in 2005 by both the CFIA and USDA, and it was found that compliance increased steadily, reaching a very high level of compliance in 2002/2003.

Prior to the discovery of this case, Canada had already announced enhancements to the 1997 feed ban. The announced changes will eliminate all specified risk material (those tissues that could potentially carry BSE infectivity) from all animal feed in order to eliminate the risk of cross contamination. These new measures will accelerate the eradication of BSE in Canada. Longer term, there is no question that our customers will look with more rigor at the overall veterinary infrastructure in each country and the commitment that industries are making to animal identification, tracing systems, and individual animal information such as age verification and source verification. We believe Canada can lead in this area, but it is crucial that we continue to lead as an industry with sound and practical initiatives.

Canada Sets International Example for Science-Based Rules

In June, Canada revised its import policy (BSE) to re-open trade with the United States for all beef and beef products with the specified risk material (SRM) removed, all ages of cattle direct for slaughter (already in effect), and all cattle born after the introduction of the feed ban. This is consistent with the guidelines set by the World Organization for Animal Health (OIE).

In addition, the Government of Canada finally announced this year that it was changing Canada’s bluetongue policy to remove it from the reportable list and put it on the immediately notifiable list – effectively eliminating the various import requirements that have been such a chronic irritation to U.S. producers and Canadian importers. The CCA will continue to work to get the final regulatory steps completed as quickly as possible. In addition, we are expecting revisions to the risk assessment related to Anaplasmosis to be completed shortly. Possible policy changes will be proposed after the risk assessment is completed.

The CCA has continued to stress the importance of North America harmonization in a range of policy areas. The changes to our bluetongue policy, our BSE import policies, and the messaging around our new feed policy have created a more favorable environment for these efforts.

CCA Review

As the industry continues its recovery, the CCA initiated a review of the organization’s structure, processes, and governance. The organizational review is now nearing completion and several recommendations have been made to the Board. A number of improvements have already been initiated in how the committees operate and the process for developing policy. We are now continuing to work with the provinces to ensure that the CCA is structured to meet regional and sectoral needs. An industry as diverse as this one – from B.C. to the Maritimes and from seedstock to feedlots – requires a structure that meets the needs of the entire industry.
## FINANCE

Schedule of Revenue, Expenditure and Net Assets

Year ended June 30, 2006 with comparative figures for 2005

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
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<tbody>
<tr>
<td><strong>Revenue:</strong></td>
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<td>Assessments</td>
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<td>Alberta</td>
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<td>Other</td>
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<td>Communications</td>
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<td>Convention</td>
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<td>Executive &amp; Finance Committee</td>
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<td>Semi Annual Meeting</td>
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<td>Domestic Ag Policy</td>
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<td>5 - Country</td>
<td>10,151</td>
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<td>Environment</td>
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<tr>
<td><strong>Total Expenditure:</strong></td>
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<tr>
<td><strong>Excess (deficiency) of revenue over expenditure</strong></td>
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<td><strong>Net assets, beginning of year</strong></td>
<td>359,708</td>
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<tr>
<td><strong>Net assets, end of year</strong></td>
<td>262,413</td>
<td>359,708</td>
</tr>
</tbody>
</table>
The total number of cattle and calves in Canada on July 1, 2006 declined 4.7 per cent from a year ago to 16.25 million head. The 810,000 head year over year decline was the largest single year drop in recent history. The biggest factor in the large inventory reduction was the resumption of fed and feeder cattle exports in 2005. As well, a larger cow slaughter since the fall of 2005 has also removed more cull cows from the overall inventory.

The summer inventory report showed a significant reduction in the number of heifers being held for replacement purposes. Nationally, beef heifers for breeding were down 15.9 per cent to 724,500 head – the smallest inventory of beef heifers since 1989. This single reduction accounted for 17 per cent of the overall inventory decline on July 1. Smaller heifer numbers being held back mean record large slaughter heifer marketings.

Canadian beef production for 2006 is forecast to remain steady at 3.6 billion lbs. Last year saw a 10 per cent increase in tonnage over 2004. The 2006 forecast includes slaughter cattle for export. Both 2005 and 2006 will go down as near record production years, second only to 2002. The large feeder exports in late 2005 and early 2006 reduced the overall tonnage capability in Canada for 2006.
The relationship between Alberta, Ontario and U.S. fed cattle prices has returned to the more typical levels experienced before May 2003. For the two and a half years the US border was closed to under thirty month cattle, price relationships were completely disconnected. As mentioned in the basis comments below, spreads have not been exactly identical to pre-BSE but higher export and freight costs are mostly to blame.

Feeder cattle prices in Alberta and Ontario saw a significant recovery after the border reopened in July 2005. Overall average prices for 2006 will definitely be higher than 2005. However, if we compare August 2006 to the year before, Alberta’s 850 lb steer price is almost identical to where it was a year ago ($114.67/cwt in 2006 versus $114.84 in 2005). In Ontario, the August 2006 average price on 850 lb steers is slightly higher than 2005 ($113.23/cwt versus $112.52).

Fed cattle basis levels have not followed the seasonal historic trends this year. Basis (the spread between local and U.S. cash prices) was much wider than normal during the first quarter of 2006, even after accounting for additional export costs due to new regulations. However, the period from May through July saw basis much stronger than normal. Some weeks in June actually saw local cash prices higher than the U.S. even before freight and export costs. As of August, the spread had widened back out to very wide/weak.
Fed cattle exports in 2006 were almost 700,000 head making it the largest export year since 2001. The all-time record of 900,000 head still stands from 1996. The split between steers and heifers has been almost even this year with 52 per cent of the total exports being steers. Previously, the spread tended to be closer to 60/40 steers to heifers. The largest percentage of cattle has moved into Washington state.

BSE changed the face of trade since 2003. In 2005, Brazil was the largest exporting nation accounting for nearly 26 per cent of global beef trade. Australia was the second largest at 20 per cent of the total followed by Canada at 10.8 per cent. This is in the face of most markets remaining closed to Canadian over-thirty-month cattle and beef. The next largest nations were Argentina at 9.8 per cent and New Zealand at eight per cent. In comparison, in 2003, Australia led the way with 19 per cent of global beef exports, Brazil with 16.3 per cent and the U.S. with 15.8 per cent. With most markets closed to Canada for seven months in 2003, Canada fell to 7.4 per cent.
BSE and related issues have continued to be of key importance to the Animal Health and Meat Inspection Committee. Whether the focus is on Canada’s own import policy or enhancements to the feed ban, the CCA continues to promote science-based trade rules and work towards the elimination of BSE from our national herd.

**Bluetongue Policy Changes**

The Canadian industry and the Canada-U.S. trade relationship overcame a huge challenge this year when the Canadian Food Inspection Agency (CFIA) announced it was revising its import policy to eliminate all bluetongue-related control measures for cattle from the United States.

The CCA has been lobbying for years to eliminate the restrictions on cross-border trade related to bluetongue and anaplasmosis. The restrictions associated with bluetongue have been in place for several decades and the issue was a contentious one due to the additional costs it placed on Canadian importers and U.S. exporters. Thanks in part to research the CCA funded, CFIA has recognized that the science which led to the restrictions was based on incorrect assumptions.

Bluetongue is an insect-born disease affecting ruminant animals, including cattle, deer, sheep and goats. There are no human health risks related to the disease. The disease has little effect on cattle, with sheep and goats being more susceptible. Although the likelihood of a bluetongue outbreak is negligible, the CCA is establishing an indemnity fund to offset any unlikely death losses caused by bluetongue in the sheep and goat industries.

Testing requirements related to anaplasmosis are still in place. The CCA is working to develop a pilot project enabling a number of U.S. states to export cattle of all classes into Canada with specified management practices. In addition, the Beef Cattle Research Council (BCRC) has approved vector research to complement the pilot project.

**New Changes Adopted for OIE Terrestrial Code – Canada Follows Guidelines**

Last year, guidelines to the BSE Chapter of the World Organisation for Animal Health (OIE) were changed to move it to a three-category BSE risk system (negligible, controlled, and undetermined). The three-category system also identified products, such as deboned skeletal muscle meat from cattle under thirty months of age, that should be eligible for trade regardless of a country’s BSE status.

The CFIA has also committed to changing its BSE import policy to align with international standards. The U.S. is now eligible to export all classes of cattle to Canada, with the exception of breeding cattle born before 1999. This science-based approach is consistent with what the CCA has been requesting from its trading partners.

This year, the OIE approved changes to the surveillance appendix of the BSE Chapter of the Terrestrial Code. The new surveillance code focuses on achieving a certain number of points, based on the adult cattle population. The purpose is to ensure countries are testing the high risk animals such as animals exhibiting BSE-like symptoms and within the targeted age range. The system provides more points for certain sub-populations and age categories that are of the greatest value in surveillance (i.e. clinical suspects between four and seven years of age are worth more points than young animals tested at routine slaughter).

**Feed Ban Enhancements**

On June 26, the CFIA announced it would be enhancing the feed ban to eliminate all specified risk material from animal feed, pet food and fertilizers. The purpose of the enhancement is to accelerate the eradication of BSE and to provide further assurances to a number of export markets.
The new outcome-based approach will be effective July 12, 2007 to allow the industry time to make the necessary changes. Additional time will be provided to smaller establishments to achieve full compliance. The CCA had been advocating a harmonized approach to the feed ban enhancement with the U.S. At this time, the U.S. has proposed an outcome-based system with a short list of specified risk material to be excluded from the feed chain. It is believed that these approaches are essentially equivalent measures.

The CCA is examining the possibility of accelerating the implementation of the enhancements.

Traceability

In 2005, a Federal/Provincial/Territorial (FPT) Traceability Task Team was created to provide advice and recommendations on the development and implementation of a national agriculture and food traceability system. Traceability has been a key issue for the CCA this past year, prompted by the work of this group. The CCA has approved the following principles in the development of a national system for the Canadian beef cattle industry:

- Any system shall not impede or delay commerce
- The costs of the system must not result in the industry becoming non-competitive
- The technology must be capable of reading identification at a rate which accommodates normal commerce
- Tolerance ranges for readability must be acceptable to industry standards
- Producer information must remain confidential

In July, various national livestock species groups met in support of a multi-species national data repository. This group is developing a process to transition the present Canadian Cattle Identification Agency (CCIA) database to a new structure that would have broader industry involvement. It is the long-term goal of these groups to have the new structure act as the industry owned and run national data repository for traceability in Canada.

Veterinary Pharmaceuticals Imports (Own Use)

In order to address the pending elimination of the “own use” provision for veterinary pharmaceuticals, the CCA is advocating a permit-based program for importing veterinary products from the U.S. This program would be applicable for veterinary products from the U.S. that are approved for use in Canada. The CCA will be working with other industry groups and livestock sectors on this proposal.

We all know that the USDA is not about to provoke the electorate in any state by proposing the so-called “rule two” until the dust settles. Nevertheless, the CCA has been quietly working on a number of fronts.

First, we are working to ensure that Canada’s own regulatory house is in order. Thus we applaud the Canadian Food Inspection Agency’s (CFIA’s) announcements on June 29, 2006 that it was lifting Canada’s BSE restrictions on U.S. breeding cattle, and

FOREIGN TRADE COMMITTEE
Brad Wildeman, Chair

By the time you read this, the U.S. Congressional and Gubernatorial elections will be behind us, some significant cattle states may have new political representation and the U.S. House and Senate or both may have switched from Republican to Democrat control. Although we don’t know what the election results will be, we know that the election process has impacted a number of foreign trade issues that Canadian cattle producers care about.
on July 10, 2006 that, after nearly 20 years, the import restrictions for bluetongue will finally be lifted. These announcements resulted in very positive CCA-National Cattlemen's Beef Association (NCBA) meetings this past summer.

Second, now more than ever we must build and maintain close relationships with influential U.S. cattle industry people at the state and grassroots level. All of the fundamentals we have done, such as holding meetings with our U.S. industry counterparts, keeping them informed of developments, and delivering on promises such as bluetongue, help our allies help us. We are continuing this initiative and will be traveling to about a dozen state meetings this fall.

We are taking every opportunity to advocate the scientifically correct response to BSE, especially in light of the questions that arose as a result of the cases we had born after the feed ban. It is important we remind people that the European experience indicates that every country having native BSE cases will have cases born after the feed ban. This does not mean that the feed ban is ineffective. Even the U.S. Ninth Circuit Court of Appeals recognized this fact last summer in its decision, noting that it is not appropriate to analyze each BSE protective component in isolation, but rather to evaluate the cumulative effects of the multiple interlocking safeguards.

Our frequent communications with U.S. industry and government officials establish a level of confidence in Canada’s cattle and beef industry. Although setbacks such as the withdrawal of “rule 2” from the Office of Management and Budget (OMB) back to the USDA for potential revisions are disappointing, the objective of full normalization of trade remains due to the U.S.’ fundamental confidence in Canada’s system and industry compliance. We must strive to never give the USDA cause to question our commitment to comply with its regulations.

Looking at the rest of the world, we currently have at least partial access to five out of what were our top 10 beef markets in 2002: U.S., Mexico, Japan, Cuba and Hong Kong. There are encouraging signs from Russia, Saudi Arabia and Taiwan, so we are hopeful that by the time this is published, one or more of these important markets will also have re-opened.

South Korea is still refusing to talk to Canadian authorities about re-opening its market to our beef and is also seeking to interfere with Canadian access to the U.S. by insisting that any U.S. beef exported to Korea be segregated from Canadian animals. Thus, the CCA has requested the Government of Canada initiate World Trade Organization (WTO) dispute settlement proceedings against Korea and suspend free trade negotiations with Korea until this matter is resolved.

In July, WTO negotiations at the Doha Round were formally suspended for an indefinite period. I am hopeful that after the U.S. elections there will be a serious push to get this process back on track. We know that this is a slow moving process and is not yet fully supported by all of Canadian agriculture or all our trading partners. The lack of foresight by some industry leaders in other sectors and some politicians is currently the biggest threat facing the beef industry. The industry’s most critical protection against a future crisis like BSE is to have the ability to feed and process more cattle in Canada and export more beef to a broader mix of global markets. To do this, we need our trade negotiators to focus more aggressively on knocking down high tariff barriers in export markets instead of being neutralized in Geneva by their defensive posture.
Canadian Agricultural Income Stabilization (CAIS) Program

Although the federal government committed to replace the CAIS program during the last elections, it appears that the program will be kept for the time being, with revisions being made. Currently, changes have been made to the method of inventory valuation and coverage for negative margins. The CCA continues to engage in discussions with the federal government about these changes and the development of a separate disaster program. The CCA has developed the following principles to guide these discussions:

- The primary concern of the CCA is that the program be developed for disaster protection as opposed to income fluctuation
- The program must be as market neutral as possible:
  - It must be structured to minimize the influence it has on business decisions
  - It should not alter the competitive balance within the industry, including regional and sectoral
  - It must allow the cattle industry to be driven by clear market signals
- The program must be structured to minimize risk of foreign trade action
- The program must be transparent and predictable
- The cattle industry needs a voice in program policy direction

A government working group has been tasked with providing recommendations on a disaster program and on production insurance for livestock to Ministers in November. Any recommendations would need to be negotiated between the provinces and the federal government before implementation.

Agricultural Policy Framework (APF)

The five-year timeframe on the current APF expires March 31, 2008. Consultations will begin taking place this fall to develop the next APF. This will build to federal/provincial/territorial negotiations in the spring and summer of 2007. The CCA will be involved in these processes in a number of different areas and avenues. It is important that the beef cattle industry provides consistent messages.

Areas of policy that the committee will be discussing include:
- Overarching principles for the next agri-food policy
- Research and development spending
- Regulatory reform
- Energy policy and bio-fuels
- Traceability
- Environmental programs
- Production insurance
- Disaster programming

Cash Advance Program for Livestock

Since the annual meeting in March, Bill C-15 has passed. This is the Agricultural Marketing Programs Act (AMPA) which covers cash advances for agricultural products. The bill extends the program to livestock and combines two former programs into one while increasing limits for borrowing and the interest-free portion. The Bill will come into effect once Agriculture and Agri-Food Canada (AAFC) has developed the appropriate regulations for implementation. This will likely be late this year or early 2007.

At the semi-annual meeting in August, the committee resolved to direct CCA staff and leadership to communicate to AAFC its concern about potential trade implications of the AMPA amendments.
Greenhouse Gas Mitigation

The CCA has been working with Alberta Agriculture and other partners to develop protocols for possible carbon trading. The work was slowed considerably because of uncertainty regarding how the new government would view the domestic offset trading system framework.

The federal Green House Gas Mitigation Program (GHGMP) uncovered efficiency practices that potentially could be designated as carbon offsetting credits, such as the practice of feeding animals edible oils such as sunflower or flax seed oil that may result in the reduction of methane production.

Although the GHGMP was completed on March 31, 2006, the CCA is continuing to work with the Soil Conservation Council to provide demonstrations on grazing and manure management and the feeding of distillers grains (DG). Agriculture and Agri-Food Canada (AAFC) is providing bridge funding for these programs and is supporting the Canadian Agricultural Producers Addressing Environmental Issues (CAPAEI).

Renewable Fuels

Agriculture products are no longer just food. They can now be used to produce a variety of non-food products including energy in the form of renewable fuels such as ethanol, biodiesel, and biogas.

The Renewable Fuels Policy, recently announced by the federal government, is intended to ensure a market for renewable fuels in Canada as well as increasing ethanol and biodiesel production. Recommended policies include:

- Mandated five per cent renewable fuel content in Canadian fuel
- Tax credits for ethanol and biodiesel production
- Programs to encourage farmer equity investment in renewable fuels production facilities and to support emerging technologies

There is concern expressed by some that the ethanol industry could increase the cost of feed grains that would not be mitigated by the benefits of feeding distillers grains. Others view access to the DG as an opportunity for the cattle industry. DG, a high-quality bypass protein that increases feeding efficiencies, also increases phosphorus and nitrogen levels in the manure which in turn raises more challenges and opportunities.

Ecological Goods and Services

Ecological goods and services (EGS), or perhaps better referred to as environmental services, represent the benefits society gets from ecosystem functions. Healthy rural landscapes provide important EGS such as wildlife habitat, groundwater recharge, flood and erosion control, carbon sequestration, biodiversity, and air and water purification.

Federal and provincial agriculture ministers are looking to the industry to develop pilot projects to demonstrate the potential for payments for EGS to promote conservation and biodiversity.

The CCA is working with Dr. Glenn Fox, an agricultural economist from the University of Guelph to develop a pilot project that would use case studies to explore opportunities for voluntary, market-based provision of EGS. Several options have been suggested to promote the voluntary provision of EGS on rural lands. These options include the purchase of development rights and easements, tax credits, bidding processes, development of associations and clubs, systems to increase access to information, a kind of brokerage function that helps potential providers and potential consumers of EGS identify one another and to negotiate terms and conditions.

A research strategy will be developed to identify regional case studies where a variety of EGS in different locations explored as many of these options as possible with the available research resources.
Implementing the Species at Risk Act

Although the CCA is working with other resource-based industries to discuss issues and possible approaches to incidental effects arising from the application of the Species at Risk Act, the effective implementation of this act is continuing to be a challenge. We are working with Environment Canada and the Department of Fisheries and Oceans to develop a cohesive approach to the management of incidental effects issues without acting as a replacement for the Foundation Policies and Documents’ permitting policies and procedures, risk management frameworks, etc.

The CCA is a member of the Species at Risk Advisory Committee that reports to the federal environment minister. As a member of this committee, the CCA has the opportunity to assist the government in implementing the Act effectively and efficiently.

Developing the use of stewardship agreements as enabled by Section 11 of the Act is something the CCA continues to be very interested in. As well, we will continue to ask that Environment Canada develop regulations for compensation for extraordinary impact.

Agriculture Policy Framework

The committee is reviewing the environment pillar of the existing Agriculture Policy Framework (APF) as a basis to provide comments to AAFC on APF II. APF I included a number of initiatives such as Environmental Farm Plans (EFP) and certification of EFP, Greencover, Critical Areas, Technical Assistance and Environmental Standards. These initiatives need to be evaluated in terms of how well they are working for the cattle industry.

Transportation Changes

The CCA is taking a science-based approach in its responses to the possible revisions to the animal transport regulations under the Health of Animals Act proposed by the Canadian Food Inspection Agency (CFIA). In terms of feed, water and rest intervals, the Canadian cattle industry supports a maximum transportation time (without feed, water or rest) for cattle that is supportable based on industry experience, available Canadian data and practical considerations including existing infrastructures, vehicle designs and market geography. In the absence of supportable Canadian research, the CCA does not support a reduction in travel limits.

The CCA also recommends that loading density standards be addressed through CFIA policy.
CONVENTION COMMITTEE
Ian McKillop, Chair

The CCA Semi-Annual Meeting and Convention is held each August in a different part of Canada to give local cattle producers the opportunity to view their national organization at work. The 2006 convention was held in Niagara Falls, Ontario, with 174 delegates in attendance.

The theme of this year’s convention was “Trade: Our Future”. Presentations included an update on the state of the industry by Brad Wildeman, vice president of CCA. Associate professor from the Mississippi State University, Darren Hudson, discussed the future of animal agriculture in terms of competitiveness and new international marketing opportunities.

Fiona Boal, vice president of Food and Agribusiness Research from Rabobank International, gave a colourful discussion on the changing players and patterns of global beef trade. Consumer attitudes and perceptions about beef product safety across major beef import and export nations were highlighted by Dr. Ted Schroeder, professor of agriculture economics at Kansas State University.

Alanna Koch, vice president of the Canadian Agri-Food Trade Alliance, spoke on international trade agreements. Dr. Chuck Lambert from the United States Department of Agriculture spoke on the opportunities for U.S. and Canadian industries to work together and build strong export markets. Anne Dunford finished with the CanFax market update.

Delegates were also invited to a BBQ and social evening in the historic wine country of the Niagara Region. Family-owned and operated Staff Farms was the scenic backdrop for the evening and the hospitality from the Staff family was much appreciated and did not go unnoticed.

Holding a convention requires a lot of work, effort and resources. I’d like to extend thanks to our convention committee, the Ontario Cattlemen’s Association, and the executive and staff of the CCA. Also a huge thanks to all of our sponsors because without their generosity this event would not take place.

The 2007 CCA Semi-Annual Meeting and Convention will be held in Nova Scotia. Check www.cattle.ca for further details.

VERIFIED BEEF PRODUCTION
Canada’s beef on-farm food safety program

To create a more focused and user-friendly system, the Verified Beef Production™ program has adjusted its requirements at the farm and feedlot level. The new program features an enhanced focus on food safety, reduced paperwork and simpler auditing procedures.

The program continues to focus on meeting withdrawal times for animal health products or feed medications and reducing the potential for broken needle fragments in live cattle. Some records are still required in order to demonstrate on-farm practices, however many producers can use the records they already have.

Major changes include reducing the complexity previously required for mixing medicated feed, removing signed protocols and adjusting some wording for clarity. Standard operating procedures are still in place for the use of animal health products, medicated feed or water, cattle shipping and pesticide control.
The difference in the new producer manual is that some requirements are noted as “must do’s” and some are recommendations. Producers will be expected to apply those recommendations which make sense on their operations.

The audit process has been adjusted to one initial audit followed by an annual records assessment or self-declaration over an eight-year period. This will help reduce costs while still maintaining a credible program, as an on-farm visit may only be required once in an eight-year period. Random audits will also take place.

Veterinarians continue to be important partners in the program, providing a broad advisory role for treatment protocols, drug and needle use, cleaning of health equipment and use of medicated feed and water. They are also required to provide written prescriptions for extra-label use of medications.

The VBP program is supported by the Canadian Cattlemen’s Association and federal funding through the Agricultural Policy Framework. This funding has facilitated the training of qualified auditors in B.C., A.B., S.K., M.B., O.N., the Atlantic provinces and Quebec. In addition, the efforts of provincial coordinators and volunteer advisory committees are significant - and appreciated.

We continue to work on developing a pull in the marketplace that will provide producers with greater benefits. We have been exploring promotional opportunities with Canada Beef Export Federation and the Beef Information Centre. In addition, keeping costs low and making the program more practical is expected to appeal to producers.

The cost to produce the new producer manual has been reduced to $1.60 - $3.50 per manual, from $12, and is available from each provincial delivery agent. It is also available on-line at www.qualitystartshere.org under On-Farm Food Safety Program.

The beef on-farm food safety program is designed to complement food safety programs underway at processing plants and at retail. Verified Beef Production ™ is a trademark program under Quality Starts Here ✓.

**Benefits of Verified Beef Production (VBP)**

- proof of responsible actions
- enhanced awareness of food safety risks
- readiness should market require it
- improved use of animal health products
- authenticity of 3rd party audit (optional)
- branding marketing tool
- guidelines for training staff/family members
- satisfaction in helping to make a difference

**VB P program is recognized by CFIA**

**Four producer marketing alliances use the VBP program as a base component:**

- Ontario Corn Fed Beef
- Prairie Heritage Beef
- Peace Country Premium Beef
- Natural Valley Farms

Support by these companies is playing a significant role in enhancing producer interest.
As the Canadian Cattle Identification Agency (CCIA) continues its role as a world leader in animal identification and efficient disease trace-back, several initiatives have continued to progress including the move to Radio Frequency Identification (RFID) Technology. Previously used bar-coded tags were no longer manufactured as of January 2005 and no longer eligible for sale in Canada as of July 1, 2005. The transition to RFID technology continued with the CCIA board of directors recommending that all cattle leaving their herd of origin be tagged with a CCIA-approved RFID tag as of September 1, 2006. The Canadian Food Inspection Agency (CFIA) will begin full enforcement December 31, 2007. Currently, there are six CCIA-approved tags all of which have met extensive field and laboratory trials. The CCIA continues to encourage tag manufactures to submit a variety of RFID tag styles for trial. These trials are ongoing and continuously produce consistent results.

Several other enhancements to the CCIA’s database, including premise identification, group lot identification, full animal movement tracking and age verification, allow the Canadian cattle identification program to continue its commitment to further program developments. With the ever-increasing demand for accurate age determination in Canadian cattle, the CCIA implemented technological advancements to the national database that provide an effective and internationally recognized age verification process. This voluntary program enables producers to store birth date information and have it readily available for domestic or export markets. Producers who do not have Internet access can assign a third-party user to submit data on their behalf. In the New Year, changes to the CCIA’s database began to integrate premise identification, account management, age verification, and movement and sighting. This exciting initiative continued with the addition of value-added, zoning and disaster recovery components which were completed in 2006. These database enhancements adhere to all post-BSE International Review Committee recommendations.

As an industry-initiated and led program, the CCIA remains dedicated to working with our partners in new and ongoing initiatives for the benefit of the Canadian cattle industry. The CCIA is committed to ensuring that all program components continue to meet and exceed domestic and international requirements in order to maintain our role as a world leader in animal identification and age verification.

For more information please contact:
1-877-909-2333
www.canadaid.ca
The purpose of the Beef Cattle Research Council (BCRC) is to determine research and development priorities for the beef cattle industry and to administrate the research funding allocation of the National Check-off. The BCRC sponsors research and technology development and adoption in support of the vision of the Canadian beef industry to have high quality Canadian beef products recognized as the most outstanding by Canadian and world customers.

Upon reviewing 19 full research proposals at its meeting in Nisku, Alberta on June 21-22, the Council accepted seven for funding. The Council was able to fund a greater number of projects this year as a result of receiving $1,000,000 of the Vitamin Class Action funding entrusted to the CCA. These funds will assist the Council in implementing a comprehensive research strategy that focuses on the research priorities identified by the Council in its 2005 Priority Setting Workshop.

In addition to the above research projects, the BCRC has decided that a portion of the Vitamin Class Action funds will be used to develop and implement a communications strategy to disseminate and distribute research results to industry participants.

### 2006 Projects Approved

- Seasonal Activity of Wood Ticks (Dermacentor andersoni), a Vector of Bovine Anaplasmosis
- Distribution & Genotyping of Lineages in E.coli 0157:H7 Isolates from Cattle and their Environment in Alberta
- Best Management Practices for the Prevention & Control of Johne’s Disease In Western Canadian Beef Herds
- Pathogenesis & Control of Mycobacterium Avium Subspecies Paratuberculosis
- Factors Affecting Viability, Survival, Dormancy and Culturability of Microbacterium Paratuberculosis Bacterium
- Recombinant Bovine C3d as an Adjuvant to Facilitate Early Calfhood Vaccination
- Development & Longitudinal Antimicrobial Resistance and Antimicrobial Use Surveillance Program for the Feedlot Sector in Western Canada

### BCRC Research Projects in Progress

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<tr>
<th>2003</th>
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<td>Characterization of Antibiotic Resistant Escherichia coli as Indicators of Resistant Pathogens in Cattle</td>
<td>Interaction of Escherichia coli 0157:H7 within Sections of the Beef Cattle Digestive System in vitro</td>
<td>Development of a Challenge Model for Mycoplasma bovis and Vaccine Testing of Chimeric Proteins</td>
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<td>Rearing, Release and Distribution of Insects for Biological Control of Pasture Weeds</td>
<td>Validation of a Genetic Marker for Beef Tenderness</td>
<td>DNA-Based, Needle-Free Vaccination Methods against Bovine Viral Diarrhea Virus in Calves</td>
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<td>Postmortem Intervention Strategies to Enhance Tenderness of Underutilized Beef Cuts</td>
<td>Use of Glycolytic Inhibitors to Improve Beef Tenderness</td>
<td>Environmental Issues of Mycobacterium Paratuberculosis (Johne’s Disease) Infections of Cow-Calf Herds: Environmental and Wildlife Reservoirs of Infection</td>
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<td>How does Stress Affect Lung Defenses and Predispose Calves to Bacterial Pneumonia?</td>
<td>Investigation of the Role of Mycoplasma sp. in Infectious Respiratory Disease of Feedlot Cattle</td>
<td>Bacteriophage Therapy for Control of Escherichia coli 0157:H7 in Cattle</td>
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<td>Best Management Practices to Improve Environmental Sustainability and Productivity of Grassland Systems Using Hog Manure</td>
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<td>A Study to Examine the Market Power of Canadian Packers</td>
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For projects funded in 2002 or earlier, please refer to CCA’s 2003 Annual Report
The 16-member board of directors of the Canadian Beef Cattle Research, Market Development and Promotion Agency (National Check-off Agency) is dedicated to implementing this program across the country.

The Domestic Levy Order was registered April 14, 2005. Currently, British Columbia, Alberta, Saskatchewan, New Brunswick, and Manitoba have signed the necessary agreements to implement the national levy order in their respective provinces. Progress has been made in Ontario, Quebec, Nova Scotia and Prince Edward Island towards enabling legislation, and agreements are reaching their final stages.

The National Check-off is not an additional levy on producers in most provinces. It allocates $1 of the current levy to research, market development, and domestic marketing and promotion. It also levies cattle moving between provinces which in many cases miss being collected on. The province of origin receives a net rebate of the provincial portion of the inter-provincial sale with the National Check-off portion being allocated according to the stipulation of that province.

Funds generated from the National Check-off are allocated by the provincial organizations to the Beef Information Centre (BIC), Canada Beef Export Federation (CBEF), and the Beef Cattle Research Council (BCRC). Some provinces have also chosen to retain some of these funds for provincial research and promotion activities.

This funding is critical for BIC to provide market development programs in Canada and the U.S.; for CBEF to actively pursue market access and market recovery in export markets; and for BCRC to continue to fund timely and relevant research and communicate those results to the industry. Check-off funds also play a key role in securing additional revenue. This industry contribution is used to leverage dollars from other funding organizations, the primary example being the Legacy Funds.

The National Check-off Agency board would like to thank all provinces and producers for their support and commitment to this program.

The 2006/2007 Executive:
Marlin Beever, Chair
Kevin Boon, Vice Chair
Kevin Antworth, Second Vice Chair
Travis Toews, Secretary/Treasurer
Rob McNabb, Executive Director