



Action News

Canadian Cattlemen's Association



In This Issue...

- CCA to focus on Canada-Korea Free Trade Agreement
- U.S. agriculture groups want to resolve the COOL dispute
- Beef production protocols for the EU market: significant progress made but more needed
- Beef Cattle Research Council project update

CCA to focus on Canada-Korea Free Trade Agreement

Now that Canadian beef exports to South Korea have resumed, the Canadian Cattlemen's Association (CCA) is putting its energies towards the Government of Canada (GoC) completing negotiations to establish a Canada-Korea Free Trade Agreement (FTA).

On January 20, 2012, the GoC announced that Korea had ended its nearly nine-year ban on imports of Canadian beef and cattle. Korea was the last major beef importing country to holdout from resuming importation of Canadian beef following the 2003 discovery of a case of bovine spongiform encephalopathy (BSE) in Canada.

South Korea is a lucrative market for the Canadian beef industry -- Canadian beef exports are estimated to be \$30 million to Korea by 2015 -- but its clout as a trading partner reaches far beyond agriculture.

Prime Minister Stephen Harper noted as much in his statement welcoming the decision by South Korea to reopen its market to Canadian beef and cattle.

"While this relationship will be very beneficial to Canada's beef industry, our Government remains confident that this decision will also help create a favourable climate which will lead to a deeper trade relationship with South Korea -- a priority market for Canada," the statement from the Prime Minister said.

Canada-South Korea two-way merchandise trade was valued at \$9.8 billion in 2010. Canadian merchandise exports to South Korea were \$3.7 billion, while Canadian merchandise imports were \$6.1 billion, the statement said.

Canada and South Korea launched negotiations towards a FTA in 2005. Talks ceased in March 2008 due to challenges in a number of areas including agriculture. In the interim, South Korea signed FTAs with several countries, including the European Union and the United States. The Korea-U.S. FTA is of particular concern as it will provide U.S. beef with a tariff advantage over Canadian beef in the Korean market. As soon as the Korea-U.S. FTA is implemented in February, U.S. beef will enter Korea at 37.4 per cent duty while Canadian beef remains at 40 per cent. Next year, U.S. beef will be down to 34.7 per cent duty with a further reduction every year until U.S. beef is duty free.

The Prime Minister's statement is an important indication that he places a high priority on getting the Canada-Korea FTA back on track. Of course, this is not the first time Prime Minister Harper has intervened on beef access to Korea. Indeed, when Prime Minister Harper met with Korean President Lee Myung-bak in December 2009, President Lee came out of that meeting signalling his desire to work towards a resolution of the beef trade dispute.

From that point on, meaningful technical exchanges took place between Korean and Canadian officials outside of the World Trade Organization (WTO) process. A science-based technical agreement was reached in June 2011 whereby Canada suspended the WTO Panel pending Korea completing its domestic process to resume importing Canadian beef. Korea delivered on its commitment on January 20.

Going forward, the CCA will work with the Harper Government as it seeks to deepen the Canada-Korea partnership. Completion of the Canada-Korea FTA will become the new Canada-Korea priority for the Canadian cattle and beef sector.

Beef production protocols for the EU market: significant progress made but more needed

On January 1st, 2012, Canada implemented a new protocol for the production of cattle used to produce beef for the European Union (EU) market. While the requirement to ensure that no Growth Enhancing Products (GEP) are used in animals for the EU remains firmly in place, significant progress has been made to reduce paperwork and other costs of participation. Among the most important changes is the removal of the requirement for a dedicated EU program ear tag. In the past, the protocol specified that a special EU tag be placed in the animal's ear in addition to the Canadian Cattle Identification Agency (CCIA) tag. This change reduces costs for participants and also the logistical challenges of securing these tags from a single supplier.

Another important attribute of the new approach is that it permits sales of EU eligible animals at the auction mart. Given the numbers of animals sold at auction, it is important that Canadian producers be able to utilize this option in the same manner as EU protocols implemented in Australia and the U.S. currently permit. Simplified requirements for testing and monitoring on the farm have also been put into place which reduces the cost of labour and also expenses related to veterinary oversight.

While significant progress has been made at the livestock production level, further improvements regarding EU-approved slaughter protocols are needed in order to get more facilities approved for the EU and to help those that are already approved operate more efficiently. For example, under the current EU requirements it is not possible to use the antimicrobial treatments that many processors rely on. These include organic acid washes which are sprayed onto carcasses and cuts. Currently the use of lactic acid is being considered in the EU following a positive recommendation by the European Food Safety Authority. The approval process has been slow to proceed and it remains to be seen when this type of intervention will be an option for beef exported to the EU.

The importance of antimicrobial interventions will continue to grow as new microbiological testing requirements for the U.S. market are implemented in March of this year. Accordingly, the CCA will continue to work towards further results on these technical issues so that the Canadian industry is able to take full advantage of the free trade agreement currently being negotiated with the EU.

CANFAX MARKET BRIEFS

Week ending January 27th, 2012

(in Cdn\$)		This wk	Change
↓	Fed steers	113.66	-0.50
↓	Fed heifers	113.10	-1.05
↑	Feeder steers	---	+6.23
↑	Feeder heifers	---	+6.89
↑	Cdn Feeder Index	149.87	+3.92
↑	Cdn Calf Index	170.87	+7.54
↑	D1/D2 cows	72.63	+3.47
↑	Slaughter bulls	79.83	+3.14
↔	Mar barley (\$/tonne)	212.00	n/c
(in US\$)			
↑	Cdn spot dollar	99.83	+0.96
↑	Feb live cattle	124.55	+0.35
↓	Mar feeder cattle	153.62	-0.38

U.S. agriculture groups want to resolve the COOL dispute

CCA President Travis Toews attended the American Farm Bureau Federation (AFBF) Annual Meeting earlier this month where he had several opportunities to update Farm Bureau delegates on the World Trade Organization (WTO) Panel report on U.S. country of origin labeling law (COOL).

The discussions identified how the U.S. will be better off by eliminating the discrimination that COOL has created for Canadian and Mexican livestock imported into the U.S. Although COOL has not produced any quantifiable benefits for U.S. agriculture, it puts at least 9,000 U.S. meat processing jobs at risk through closure of excess processing capacity. Once U.S. packing facilities start closing, the U.S. livestock producers that rely on the closed facilities will be negatively impacted.

Also explored was the potential for Canada to take retaliatory action should the U.S. not comply with the WTO ruling. With Canada being such a huge importer of U.S. agricultural and prepared food products, the AFBF concluded that it is in the best interest of U.S. farmers and ranchers to resolve the COOL dispute as soon as possible and not delay a resolution through an appeal. The AFBF expressed this by passing a policy to, *"support country of origin labeling that conforms with COOL parameters and meets WTO requirements."*

Furthermore, AFBF directed its staff to *"Encourage the USTR not to appeal the WTO ruling on COOL, but to go straight to a legislative resolution."*

The decision by AFBF is consistent with the position taken by the National Cattlemen's Beef Association (NCBA) at their summer meeting in August 2011. The NCBA had taken notice that the WTO had delivered its final decision to the U.S., Canadian and Mexican governments. Although the ruling had not yet been made public, apparently the NCBA had gleaned enough from media reports to take the following position on the case: *"NCBA staff should urge the U.S. Trade Representative to forego an appeal of the WTO ruling on US COOL and work with Congress and/or regulatory agencies to implement a program that is WTO compliant and consistent with current NCBA policy."*

Finally, a group of over 100 U.S. agriculture oriented State Legislators met in Washington D.C. from January 6-8 at the annual meeting of the State Agriculture and Rural Leaders (SARL). The CCA participated in this meeting and had the opportunity to have many conversations regarding COOL, similar to what was discussed at AFBF. This group passed a resolution, *"that SARL encourages the U.S. to waive an appeal of the WTO Dispute Panel's ruling on COOL and further encourages the United States Congress to make a legislative amendment that would bring COOL into conformity with the U.S. WTO obligations, without hindering the ability of the United States to continue to implement COOL for informed consumer decisions."*

As the mainstream agriculture groups rally to seek a resolution to the COOL dispute, the fringe groups who support retaining the trade discriminatory provisions can be expected to become increasingly vocal. As they do so, the CCA will continue to work with organizations and lawmakers in Washington, D.C. to encourage the U.S. to waive any appeal and to move directly to resolve the dispute.

Beef Cattle Research Council project update

The Beef Cattle Research Council announced a call for research proposals in the August 2, 2011 edition of Action News. The Council met in December to review the proposals that were submitted. Four proposals were approved for funding based on favorable reviews from independent experts, alignment with industry research priorities, and budgetary constraints. We'll be featuring these funded projects over the coming weeks. One of the projects will investigate at a faster, less labour-intensive method of doing routine carcass grading research.

Visit <http://www.cattle.ca/action-news/2012/links/measuring-canada-beef-advantage.html> to read more.

CCA Action News

Staff Contributors: John Masswohl, Mark Klassen,
Reynold Bergen

Written, edited and compiled by: Gina Teel and Tracy
Sakatch

For more information, contact:
CCA Communications at feedback@cattle.ca or visit our
website at www.cattle.ca

Head office:
Ste. 310, 6715 8th Street NE,
Calgary, AB T2E 7H7
Phone: 403.275.8558
Fax: 403.274.5686

Ottawa office:
1207, 350 Sparks Street,
Ottawa, ON K1R 7S8
Phone: 613.233.9375
Fax: 613.233.2860