

COMMENTS ON THE CURRENT SITUATION ON CANADA'S BEEF CATTLE INDUSTRY

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Introduction

Our industry is well into month 9 of the BSE crisis since BSE was diagnosed in a cow in Northern Alberta.

The diagnosis of a second animal on December 23 in Washington State imported from Northern Alberta sent a second shockwave through the industry and dealt a serious blow to the already fragile confidence of the industry. Once again uncertainty has gripped the industry and is further complicating its ability to obtain capital. Concerns about delays in the re-opening of the US live cattle market has taken many producers to the edge of desperation and panic.

As we analyze the current situation, there is considerable difference from last summer.

1. We currently can export boneless beef products to over a dozen countries and the list is continuing to grow. Exports to markets that have re-opened have usually exceeded pre-BSE volumes.
2. Our slaughter cattle volumes are running above pre-BSE levels in Canada and new capacity is expected in March to increase this volume by approx. 6500 cattle per week with much of this capacity directed towards cows and bulls.
3. Our processors tell us they are able to sell all that they are producing and the system is not backed up for beef and beef products.
4. Domestic demand and consumer confidence have held firm according to a consumer research in January in both Canada and the US.
5. The United States has completed their investigation and we have strong indications the rule making that deals with live cattle and bone in beef products, etc. that was stalled in January will re-open very shortly for a short comment period and will proceed to final rule completion. This rule will establish the template that many countries will use to re-open to both Canada and the United States
6. The International Panel has completed their review of the US investigation and has indicated this is a North American industry and called on the US to take a leadership role in trade matters by adopting import/export policies in accordance with international standards to encourage the discontinuation of "irrational trade barriers".

7. The BSE Round Table that reports to the Minister of Agriculture is working on various scenarios that look at different dates for the re-opening of the US border to live cattle and the transition measures that would be necessary to deal with the various possibilities. In addition, it will look at where we want to position our industry in the future when full market access is restored to reduce our vulnerability to the type of risk that we are currently experiencing.

There are many views on when and whether the US border will re-open. We are increasingly optimistic that it will be sooner rather than later. We have good US industry support and recognition of the need to work together. The way we treat each other (Canada and the US) will affect how other countries deal with both of us.

We are working on relief measures including loan guarantees and cash advances to assist the industry to survive and adapt during this difficult and uncertain time.