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Canadian Cattlemen's Association Monthly Report January 2007

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“Rule 2” Approved by the Office of Management and Budget

“Rule 2”, which will allow for the resumption of trade of Canadian beef and cattle over 30 months of age and breeding cattle to the United States was approved by the Office of Management and Budget (OMB) on December 29, 2006 to be published in the Federal Register for public comment. It could be published by the end of this week.

This is the next step towards full normalization of trade and the CCA is hopeful that it will proceed without any further complications. Once the rule is published we'll know more about what it entails and how long the public comment period will be.

The United States Department of Agriculture (USDA) submitted Rule 2 to the OMB for review on November 24, 2006. After the public comment period, the USDA will review the comments, write responses to them and potentially amend the rule. At that point the rule must be returned to the OMB with the USDA's report on the results of the public consultation. After the OMB approves the final rule, the USDA will register it for implementation. Since it has been designated by the OMB as “major”, there is a mandatory 60 day waiting period, during which time Congress may review the final rule and potentially pass a resolution to disallow it.

If there are no further legal or political complications, the rule could be implemented in the late second quarter or third quarter of 2007.

“Rule 1” Continues to be Challenged

“Rule 1”, which opened the U.S. border to Canadian cattle and beef under 30 months of age (UTM), continues to be challenged by R-CALF, which was allowed to appeal the final district court ruling on Rule 1 to the Ninth Circuit Court. R-CALF's briefs were submitted to the Ninth Circuit in late December 2006 and the USDA's reply brief and R-CALF's rebuttal should be submitted in late January 2007. After all these briefs are submitted, the Ninth Circuit may set a date for oral arguments or it may rule on the basis of the written briefs. There is no time limit for the court to issue a decision.

While it seems unlikely that R-CALF will be successful in its attempt to close the border, the CCA continues to work with its legal counsel and the USDA to ensure R-CALF does not have any additional leverage it can use against us.

Supplemental Import Permits

The CCA is pleased to see that the House of Commons Standing Committee on Agriculture unanimously agreed in December to constrain the use of supplemental imports of beef or veal – i.e. imports over and above Canada’s duty-free quota of 76,409 tonnes. In previous years, the unconstrained use of supplemental imports from low-cost countries forced many Canadian cattle producers to seek higher prices by sending their older cattle to be processed in the United States.

Under the policy adopted by the House Agriculture Committee, beef importers must demonstrate their efforts to purchase Canadian beef and veal before seeking a permit to import “supplemental” quantities from countries such as Australia, New Zealand or South America. The policy will also require the Minister to make a report to the House of Commons if he intends to issue supplemental import permits totaling more than 1,500 tonnes in any given year and explain the reasons for the increase.

Canada did not have the slaughter capacity to process all the cattle that needed to go to market when the border closed in 2003. That situation has changed dramatically in the past three and a half years. Canada can now process approximately 105,000 head of cattle every week compared to 72,000 in 2003. For older cattle, Canada can now process as many as 18,000 head per week compared to about 8,000 in 2003. With this new capacity, there should be ample supply of Canadian beef for the needs of the commercial beef processing industry.

To fully implement this policy, the House of Commons must adopt the committee’s report. We are encouraging House leaders and all MPs to make a motion to adopt the Standing Committee on Agriculture’s report on Supplemental Beef Imports. Unanimous support will allow for a quick adoption of the policy.

CanFax Welcomes New Senior Analyst

The CCA is pleased to welcome Bart Holowath, senior market analyst, as the newest edition to CanFax. Bart worked with Western Feedlots Ltd. in High River for 11 years where he was the general manager of cattle. Bart, along with his wife and two children, own a cattle and horse operation in Cayley, AB., where he also competes in working cowhorse and cutting. His extensive knowledge in the cattle and feedlot industry will be an asset to both the CCA and CanFax.

CanFax is the complete source for national cattle and beef fundamentals, providing expert analysis of markets and trends in the ever-changing North American beef industry for over 30 years. It provides up-to-the-minute information to cattlemen, feedlot managers and agri-business professions to help them maximize their profit in today’s beef sector.