



Monthly Report



By Gjenna Vold

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Trade update

On November 19, under Rule 2, the U.S. border opened to all Canadian cattle born on or after March 1, 1999, including breeding stock, and beef products from cattle of any age. Exporters of younger cattle no longer need to check dentition or ensure that heifers are not pregnant and Canadian feeder cattle will no longer be under movement restrictions once in the United States. Although only a few truckloads of over-30-month (OTM) and breeding cattle crossed the border in the first few days, this expanded access to the United States will improve profitability for nearly all types of cattle.

The Ranchers-Cattlemen Action Legal Fund (R-CALF) filed for both a preliminary injunction (PI) and a temporary restraining order (TRO) with the U.S. District Court in South Dakota to prevent Rule 2 from being implemented. If either the PI or the TRO are accepted by the Court, it can overturn the rule until a hearing on R-CALF's request for a permanent injunction can be heard. It remains unclear whether the judge will grant a PI or a TRO, but as each day passes it becomes clearer that the resumption of trade is not negatively impacting the U.S. market. The Canadian Cattlemen's Association (CCA) will continue to monitor and challenge any legal obstacles.

The CCA is also pleased to note that on November 26, R-CALF's deadline expired to file for an appeal to the U.S. Supreme Court on its failed attempt to get a permanent injunction against the first United States Department of Agriculture (USDA) rule to allow younger cattle to enter the U.S. in July 2005. With the passing of this deadline, the litigation on Rule 1 is officially concluded.

On November 28, the USDA's Food Safety and Inspection Service (FSIS) resumed normal testing levels of Canadian meat and poultry product imports. The temporary period of increased testing did not reveal any problems with Canadian meat products and an audit by the USDA of Canadian plants concluded that Canadian meat is produced safely. The FSIS resumed normal levels of testing for listeria monocytogenes and salmonella in ready-to-eat products. It will continue testing for E. coli at the same level as other countries.

Another issue of concern for exporters is the requirement by some states that Canadian cattle be tested for bovine tuberculosis (TB) and brucellosis. Although Canada is considered by the USDA to be TB-free with the exception of Manitoba, and brucellosis-free, some states are imposing their own restrictions. Be sure to look into the specific state requirements before transporting cattle to the United States.

CCA working to address current industry crisis

The combined challenges of a high Canadian dollar, high feed prices, regulatory burdens and trade issues have created both an income crisis and an input cost crisis for the Canadian cattle industry. The CCA believes that with industry and government working together to address the underlying problems, the Canadian industry can overcome these challenges.

What actions are being taken?

CCA leaders and staff have been undertaking a sustained effort to create awareness of the crisis among government decision-makers. The CCA is seeking a cash advance to deliver an immediate cash infusion to the industry while a series of

medium-and longer-term recommendations to correct underlying problems are adopted and implemented. It is important that we do not ask for a handout. This could open the industry to countervail activities from the United States which would be detrimental and costly. The CCA's recommendations have been coordinated closely with the hog industry to develop a united strategy for the Canadian livestock and red meat industry.

The CCA's recommendations are contained in two documents that were presented to the Standing Committee on Agriculture and Agri-Food in Ottawa, Ont. on November 26. The first of these documents, "CCA Recommendations to Address Current Challenges for the Canadian Cattle Industry", outlines the problems and identifies several options that could address current industry issues. The second document, entitled "CCA

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- Emergency management

The CCA is the national voice for the beef cattle industry, representing nearly 90,000 cattle producers.

Recommendations on Business Risk Management Options" outlines how to make the programs currently available to industry more accessible and to ensure that all programs are national in scope and in treatment. The CCA is requesting that government:

- Addresses the issue of producers' declining reference margins. If this is not addressed, the new AgriStability program will not work for Canadian cattle producers.
- Eliminate the viability test requiring producers to have positive reference margins in two of the three years used to calculate these margins. With the economic situation that has faced producers over the past two years,

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many who would be viable under normal market circumstances have now been removed from the program.

- Allow producers who might have opted out of the Canadian Agricultural Income Stabilization (CAIS) to participate in the program at this time if they pay their fee and a nominal penalty.
- Allow producers across Canada the option of using the better of either the Olympic average or the average of the last three years to calculate their reference margins. Currently Alberta is offering its producers this option.
- Allow custom feeding to be included as a production indicator on the online structural change calculator used to predict CAIS payments and/or reference margins.
- Change the AgriInvest Allowable Net Sales (ANS) calculation to include 90 per cent of the custom feeding income and custom feeding expense amounts reported on a producer's tax return instead of the 50 per cent currently proposed.
- Allow producers the option of calculating their ANS on an accrual basis or cash basis, regardless of the method used to file their income tax.
- Remove the annual contribution limit of \$22,500 and maximum contribution limit of \$375,000.

Cattle producers need the option of getting an advance payment on their future incomes. The CCA proposes a special advance payment be offered to cattle producers of up to \$100 for every cow and up to \$150 for every feeder, based on ending 2006 inventories, as listed on a producer's CAIS supplementary form. This advance would simply allow producers timely access to dollars that they will eventually receive, either through CAIS or from selling cattle. Government has already agreed in principle that this is a necessary tool for producers although the current mechanisms are preventing this short-term goal from working.

Visit www.cattle.ca and click on the "What's New" link to view both documents and the Agriculture Minister's funding announcement.

Emergency management

On November 29, the CCA conducted an emergency management tabletop exercise in order to solidify and implement a process in the event of a foreign animal disease outbreak in Canada. After the events of the BSE crisis the industry recognizes the importance of being prepared for any potential disease-related or any other crisis. The exercise was developed with the knowledge and experience gained from the events in 2003.