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**Canadian Cattlemen's Association Monthly Report**  
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**Bluetongue Consultation Paper**

On May 19, 2006, the Canadian Food Inspection Agency (CFIA) released its consultation document outlining proposed revisions to Canada's import policy for bluetongue. CFIA is recommending that bluetongue restrictions be lifted for all classes of cattle, deer, goats, sheep and other ruminants imported year round into western Canada from any state in the U.S. In addition, it is proposed that bluetongue be changed from being a reportable disease to immediately notifiable. CCA worked closely with CFIA to ensure that the full economic and trade implications were understood and has prepared comments in support of the proposed changes.

CFIA has acknowledged that as new scientific evidence has become available, it has reinforced that the current restrictions are unnecessary. In 2003, the CFIA concluded that a vector capable of transmitting bluetongue does not exist in Eastern Canada from Ontario to the Atlantic Provinces. In addition, research funded by the CCA showed that the local strains of the *C. sonorensis* vector in southern Alberta and northern Montana have a very poor capacity to spread bluetongue virus. Because of this, CFIA has concluded that there are "only very limited opportunities for bluetongue to spread in some years in the southernmost border regions of the Prairie Provinces and British Columbia".

**Budget 2006**

The CCA has also been encouraged by discussions with the federal government on future revisions to the CAIS program. The Federal Government has announced several changes to the CAIS program, including most notably, adjusting the method of inventory valuation retroactively to 2003, 2004, and 2005. With the new inventory valuation method, an opening price (P1) and an end of year price (P2) will be used to value inventory. This method will be applied to market commodities, but not to productive assets such as breeding stock. The CCA is extremely pleased with this change, as it matches the policy of the CCA.

In addition, the Government announced broader negative margin coverage. A producer's reference margin is calculated by using the average production margin for three of the past five years (dropping the year in which the production margin was lowest and the year it was highest). Currently, producers with a negative margin are not eligible for CAIS. However, with the 2002 drought and two years of the BSE crisis, many producers with viable operations were faced with negative margins. The announced change means that producers will be eligible for CAIS if they have positive margins in three out of their previous five years.

With these announced changes, the federal government will be deferring the collection of overpayments made to producers under the CAIS program. Many beef cattle producers across the country have received letters from the CAIS administration indicating that they are required to repay advances that were provided during the past few years. The government has chosen to defer the collection of these overpayments and the interest charges on the payments until they have sorted out how much money each producer is eligible for with the new changes.

## **World Trade Organization (WTO) Negotiations**

Negotiations continue in efforts to arrive at a deal for agriculture at the World Trade Organization negotiations, but it will take a major effort by Ministers to bridge the gaps. Darcy Davis, Vice Chair of the Foreign Trade Committee and Chairman of Alberta Beef Producers, returned from talks in Geneva feeling concerned about the lack of ambition – especially from the Canadian negotiating team. With approximately 70 percent of Canadian beef and cattle production exported, the CCA and its provincial members feel that it's crucial that the voices of Canada's trade dependent sectors be reflected in Canada's negotiating position.

A key issue at these negotiations is the treatment of "sensitive products". There is agreement at the WTO that each country should be able to identify a certain number of products as "sensitive" and that these products are not subject to the same level of tariff cuts and tariff quota expansion as other products. The two issues that are currently being negotiated are the selection and treatment of these products. That is, how many products each country will be allowed to designate as sensitive and the degree to which they will be subject to tariff reductions and tariff quota expansion. This is an incredibly important issue for the beef industry as many high value markets such as the European Union and Japan are likely to designate beef as a sensitive product. Unfortunately, although nine out of ten Canadian farmers depend on the international market, it appears that the Canadian Government has provided our negotiators with instructions to oppose increasing access for sensitive products. This position has isolated Canada to such an extent that it is unclear how our negotiators will be able to secure improved access for beef.

If there is failure to come to an agreement at the WTO, the environment for Canadian agriculture will be increasingly challenging. Current WTO rules permit subsidies to increase, and many countries could actually increase tariffs without notice or explanation. However, Davis commented that he sees no signs that countries want to give up entirely at the World Trade Organization level. He cautioned that there is the possibility for a "low ambition" outcome, should a deal be reached.

## **Beef Producers Travel to Ottawa**

The CCA and its provincial members have been coordinating a series of fly-ins into Ottawa to meet with their Members of Parliament. These visits provide an opportunity to discuss priority issues for Canadian cattle producers with their legislators. Issues discussed include normalizing trade with the U.S., the current WTO negotiations, CAIS reform, enhanced feed ban, and veterinary drug approvals.

In May, representatives from Manitoba, Ontario and Alberta were able to meet with over 50 MPs from all parties in those provinces. A similar trip for Saskatchewan beef cattle producers is planned for June and hopefully additional provinces in the fall. These trips will be an ongoing element of CCA's work to engage our politicians and continue building a constructive partnership between the cattle industry and Members of Parliament.