



Monthly Report

By Theresa Keddy

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U.S. Farm Bill passes. Mandatory country of origin labelling to come into effect

On May 22, most of the 2007 U.S. Farm Bill became law, including the revised provisions for mandatory country of origin labelling (COOL) which is scheduled to come into effect on October 1, 2008. COOL was originally passed in the 2002 Farm Bill, but was not implemented due to its unworkable provisions.

Under the revised COOL provisions, many of the record-keeping requirements have been eliminated making it potentially less onerous than its 2002 predecessor. It also significantly scales back a penalty structure to now apply only to "wilful violations". The 2002 requirement to label ground beef packages with the name of each country that contributed animals to the grind for that package (and in descending order by weight percentage) is replaced in the 2007 version with a label listing all reasonably possible countries of origin of the ground beef. These are important improvements that will decrease the administrative cost of complying with mandatory COOL. However, a Canadian animal that is fed, slaughtered

and processed in the United States would still need to be segregated and labelled differently from U.S. cattle.

We are waiting for the United States Department of Agriculture (USDA) to publish all of the technical details explaining its interpretation of the law and what it expects the industry to do to bring it into compliance. We are unlikely to see these details before late July, at which time they will be available for a period of public comment. It is possible that the public comment period may be completed by the COOL implementation date of October 1, but since this is likely to be a "major" rule, it is not likely that the full rulemaking process will be complete by that time. If this is the case, we believe that the USDA may publish the rules as "interim final", meaning they are in effect even though public comment is not yet taken into account and the rule could be subject to change at a later date.

When the seafood origin labelling rules were implemented a few years ago, the

...continued on page 2

This Month...

- U.S. Farm Bill passes. Mandatory country of origin labelling to come into effect
- "Product of Canada" labelling revisions announced
- United States to implement enhanced feed ban: CCA to push for harmonization
- Business Risk Management
- Five Nations Beef Alliance continues to work for producers
- South Korea to resume imports of U.S. beef?
- WTO agreement important for Canadian exporters
- International Livestock Congress
- 2008 CCA semi-annual meeting and convention

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

"Product of Canada" labelling revisions announced

On May 21, Prime Minister Stephen Harper announced that "Product of Canada" labelling guidelines would be revised so that only products that are "all or virtually all" Canadian can be labelled as "Product of Canada".

Under the Meat Inspection Act, beef that is imported and not processed in Canada must already be labelled with its country of origin when sold at retail. Imported beef that undergoes minimal

processing in Canada does not have to be labelled with its country of origin but it is still not Canadian and should not be labelled "Product of Canada". However, until now, a "Product of Canada" label could legally be applied to products that contain imported ingredients as long as 51 per cent of the added cost of manufacturing or processing is done in Canada.

The CCA believes that the current 51 per cent "Product of Canada" rule is outdated and commends the Government of Canada for moving forward to remove this standard.

However, we also want to ensure that any new rules put in place are consistent with the trade obligations we expect other nations to abide by. In this respect we are pleased to note that "Product of Canada" labelling is distinct from the U.S. COOL in that Canada's program will be voluntary and employed only when marketers determine "Canadian" beef to be of value in the marketplace. Nevertheless, there are many details yet to be developed by government officials. The CCA plans to be engaged in this process to ensure the new rules are workable for the Canadian beef industry.

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USDA announced an initial educational period during which the law would not be strictly enforced. At this point, we can only speculate as to whether the USDA will offer a "grace period" in this case, but we do believe the circumstances of having little to no advance notice of the implementing rules are similar to the seafood situation. Also, there is a grandfather provision in the law that permits any cattle (or other covered animals) already present in the U.S. as of July 15 to be considered as born in the U.S. for the purposes of COOL.

The CCA is concerned that after July 15, U.S. cattle feeders and processors may choose to deeply discount or not buy Canadian cattle and beef because of the costly segregation and labelling requirements. In addition, we believe that COOL violates the WTO and North American Free Trade Agreements. Among other provisions, these Agreements provide that meat from an imported animal slaughtered and processed in a country becomes a product of that country. The Government of Canada has been made fully aware of our expectation that all legal means will be used to defend our industry, including challenging COOL under trade agreements.

United States to implement enhanced feed ban: CCA to push for harmonization

On April 24, 2008, the U.S. Food and Drug Administration published its final rule to implement an enhanced feed ban in the United States that will become effective at the end of April 2009.

The CCA is pleased with this news. Although regulations surrounding Canada's enhanced feed ban are not the only factor affecting our costs, the adoption of an enhanced feed ban in the U.S. is an important step towards Canada regaining competitiveness with the U.S. Currently, processing costs for Canadian packers are anywhere from \$50 to \$80 more a head than for U.S. packers.

The CCA is encouraging the federal government to work towards harmonization of our feed ban with the U.S. approach. The U.S. policy is deemed to have the same outcome as Canada's enhanced feed ban, but is not as costly. In fact, the U.S. policy is the approach the CCA advocated from the beginning. There are no implications for food safety by making this change and therefore no negative impact on consumers.

To help facilitate harmonization, the CCA plans to bring representatives from the Canadian and U.S. cattle, packing, and rendering industries together. This will be beneficial to both sides as we can share our experiences with Canada's enhanced feed ban. We will also invite both Canadian and U.S. regulators to participate in this discussion. We believe that if sound science is the basis of the discussion, harmonization should be achievable.

Business Risk Management

CCA President Brad Wildeman, continued to make strong representations for adoption of the CCA's recommendations for improvements to the suite of Business Risk Management programs over the past several weeks. Along with CCA staff and representatives of the Canada Pork Council, the CCA president presented the recommendations to meetings of federal and provincial agricultural Deputy Ministers in Montreal on May 20 and then to Ministers in Toronto on May 30.

The CCA and CPC continued to put up a united front in expressing the urgent need to eliminate the viability test and program caps that are rendering many producers ineligible for financial assistance. We also requested that producers in all provinces be given the choice to base their reference margins on the better of the "Olympic average" or the average of their most recent three years and to enhance negative margin coverage from the current 60 per cent to 70 per cent, retroactive to 2006, as allowed by WTO rules.

Several provinces have implemented ad hoc programs or payments over the past several months and we are concerned this will continue in the absence of an agreed national approach. The growing variety of provincial programs has altered commercial decisions and is increasingly pitting producers in some regions against producers in others. We continue to stress the importance of a national approach.

We have now made these representations at all levels in the federal and provincial governments, including at the political level. We have gone as high as is possible on the Canadian agricultural scene and are now waiting for a response, which will likely come when the federal and provincial agriculture ministers meet again in July at Quebec City. We strongly encourage individual cattle producers to tell their elected representatives, particularly at the provincial level, the importance of adopting the CCA recommendations.

Five Nations Beef Alliance continues to work for producers

The CCA, as a member of the Five Nations Beef Alliance (FNBA) attended the FNBA meeting on May 15-16 along with the national organizations representing beef producers in Australia, New Zealand, Mexico and the United States. These five organizations represent producers from countries that account for one-third of global beef production and account for 20 per cent of global beef trade. The overriding principle for the FNBA is to exceed global consumers' expectations in respect of beef, while eliminating non-scientific and political trade restrictions.

Issues of international significance were discussed and the FNBA agreed to continue to advocate for further liberalization as a key priority in the Doha Round of the World Trade Organisation (WTO) negotiations and for expanded market access via the removal of tariff and non-tariff barriers, the elimination of all export subsidies and substantial reductions in domestic support. Governments will be urged to avoid measures that distort global markets and negatively affect the availability of inputs and resources that are vital to the production of cattle.

The FNBA also agreed that sound science should be the only basis for resolving issues and that their respective countries should implement international World Organisation for Animal Health (OIE) guidelines. This is important for ensuring that trade in cattle, genetic material, beef and beef products is not interrupted based on non-scientifically based criteria. It also supported the use of sound science and international OIE guidelines in preventing the introduction and spread of animal diseases and threats, and in implementing and maintaining effective animal welfare codes. The importance of animal identification and traceability was discussed and FNBA members will work to ensure pragmatic and effective systems are in place to enhance consumer confidence.

South Korea to resume imports of U.S. beef?

Although South Korea announced on April 18 that it would re-open its market to U.S. beef from cattle of all ages by mid-May, this has still not taken place. In response to public protesting over fears about the safety of U.S. beef, Seoul delayed implementing the deal. However, at the end of May, Seoul said that it would resume imports of U.S. beef the first week of June but as of June 5, it has still not occurred.

We are following these developments closely and hope Korea will honour its commitments. Canada should be well positioned to resume full access to Korea soon after the U.S. due to the fact that Canada has identical BSE risk status from the OIE as the United States. In fact, Canada is nearly two years ahead of the U.S. in enhancing its feed ban – a factor that the Koreans have indicated is important to them. The CCA is working with the Government of Canada to achieve a successful outcome.

WTO agreement important for Canadian exporters

The adoption of an ambitious WTO agreement with improved market access is extremely important to the long-term viability of the 90 per cent of Canadian producers that are export-dependent or whose prices are

set in international markets. A new revised text of the Draft Modalities for Agriculture was just released and we are encouraged with the progress that has been made in domestic support, export competition and market access.

A good deal for Canadian agriculture is already sitting on the table and if it were to be adopted, would result in net benefits to Canadian agriculture of nearly \$3 billion per year. Nearly \$1 billion of those benefits would accrue to the cattle and beef sector. The CCA is actively encouraging the Government of Canada to seek an ambitious agreement to the Doha Round and lock these benefits in without seeking to water them down.

International Livestock Congress

Hot Issues in Beef, a global view on the issues and market, highlight the 5th annual International Livestock Congress (ILC) to be held Friday, July 11 in the Palomino Room at the Roundup Centre, Stampede Park in Calgary, Alberta. The conference will look at the complex forces at work in today's fast changing beef industry.

The topics included in this year's ILC are very relevant to the current situation in the industry and include the U.S. farm bill, mandatory country of origin labelling, how Canada is perceived in the global marketplace and how it can be more competitive, as well as innovations in animal health and genomics.

For more information, visit www.ilccalgary.com and register as soon as possible.

2008 CCA Semi-Annual Meeting and Convention

The CCA is pleased to host its 2008 semi-annual meeting and convention at the Hilton Suites hotel in Winnipeg, Manitoba on August 11-15. This year's theme is "Breaking Beef Barriers" and will feature an enlightening and informative line of speakers on topics such as "why beef production is good for the environment".

To register today, inquire about sponsorship opportunities, or for more information, call the CCA office at (403) 275-8558.