



# Monthly Report

By Theresa Keddy

APRIL 2008

## Canada, U.S. and Mexico reach agreement to export breeding stock to Mexico

On March 28, Canada, Mexico and the United States reached a trilateral agreement to allow for the export of Canadian and U.S. breeding cattle born after January 1, 1999 to Mexico.

This agreement arose following a February 23 agreement between Canada and Mexico that prompted Texas (followed by other southern U.S. states) to prohibit Canadian breeding cattle from utilizing their state-owned export facilities en route to Mexico due to what they claimed were unfair trade practices. Agriculture Minister Gerry Ritz and officials from Agriculture and Agri-Food Canada (AAFC) and the Canadian Food Inspection Agency (CFIA) acted quickly to resolve this matter and the CCA applauds their quick response. The March 28 trilateral agreement

should serve as a model for dealing with North American trade issues.

Canadian exporters will need to obtain a health certificate from the CFIA and import permits from the USDA's Animal and Plant Health Inspection Service (APHIS) and Mexico's Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación (SAGARPA) as well as provide advance notice to Mexican officials. Shipments will be inspected by U.S. and Mexican officials.

More information will be available on the CFIA website when the export certificates are finalized which should be early next week.

## This Month...

- Canada, U.S. and Mexico reach agreement to export breeding stock to Mexico
- Gencor Foods Inc. closes its doors
- New CCA president to continue pushing for a competitive industry
- U.S. Country of Origin labelling

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

## Gencor Foods Inc. closes its doors

On April 1, 2008, Gencor Foods Inc. (GFI), which operated a cattle processing plant in Kitchener, Ontario, announced that it has suspended operations and commenced bankruptcy proceedings.

GFI was opened in 2004 to assist Ontario cattle producers during the BSE crisis. It specialized in slaughtering cull cows that could not be exported to the United States after the border closed. However, when the U.S. border opened to older cattle, GFI couldn't compete financially with U.S. plants for a number of reasons, primarily the new onerous regulations implemented by the Government of Canada in July 2007 to

enhance the feed ban. Under the enhanced feed ban, Canadian beef facilities must segregate and dispose of specified risk materials (SRMs) at a cost of anywhere from \$10 to \$50 per head. U.S. facilities however are not required to perform such operations and may continue to sell SRM-containing meat and bonemeal for use in poultry, hog or pet food or as fertilizer.

The CCA is very disappointed with Gencor's closure. It joins Abattoir Billette in Quebec and Ranchers' Beef in Calgary that have closed since the implementation of the enhanced feed ban. Furthermore, Better Beef in Guelph has scaled back its operating level and Natural Valley in Saskatchewan moved away from cattle processing to alternative species.

We support the federal regulations to enhance Canada's feed ban. However, knowing that the implementation of this feed ban would create a competitive imbalance between Canadian and U.S. beef processing facilities, for over a year the CCA has been requesting that the federal government create a temporary transition fund to mitigate the costs of handling and disposing of SRMs. If this request continues to go unheeded, it is likely that the industry will continue to experience further loss of processing capacity. The CCA will continue to discuss this with government officials to try to find a solution to ensure continued food and animal feed safety while minimizing production costs.

## Canadian Cattlemen's Association

310, 6715—8th Street N.E., Calgary, Alberta, Canada, T2E 7H7  
(403) 275-8558 Fax: (403) 274-5686 [www.cattle.ca](http://www.cattle.ca)

## **New CCA president to continue pushing for a competitive industry**

At the recent CCA annual general meeting, the board of directors elected Brad Wildeman from Saskatchewan as president and Tony Saretsky from Alberta as vice president. Hugh Lynch-Staunton, having completed his term, has moved to the position of past-president.

The first priority of the new CCA executive is to continue, and resolve, the work the CCA has been doing to return competitiveness and profitability to the industry. In the meantime, contraction in the industry can only be prevented or minimized if governments have an effective suite of nationally-consistent business risk management (BRM) programs in place. Unfortunately, cattle and other livestock producers do not currently have access to adequate BRM programs on a national basis. As a result, several provincial governments have unilaterally responded to the needs of their producers with assistance and unwittingly, increased tension among provinces that are not receiving adequate assistance.

Over the past several months, the CCA and its member organizations from across Canada have been lobbying intensely for a number of regulatory and policy improvements to address the competitiveness and BRM situations. Although there has been some positive movement, most of the CCA's requests have not yet resulted in any significant changes. Under the executive's direction, the CCA recently submitted another request to the federal government firmly stressing the need for immediate improvements to the BRM programs so that all producers across Canada have equal access.

Specifically, the CCA is requesting that governments make the following changes to BRM programs:

- remove the viability test
- enhance negative margin coverage from the current 60 per cent to 70 per cent, retroactive to 2006, as allowed by WTO rules
- give producers the option of the best of the "Olympic average" or the average of the previous three years in reference margin calculations, retroactive to 2006
- remove caps from BRM programs

All of these changes require the agreement of the federal and provincial governments who jointly fund and deliver the BRM programs. The CCA hopes that all federal and provincial ministers of agriculture arrive at their annual meeting in May prepared to reach consensus on a national BRM suite of programs that addresses the needs of the Canadian beef cattle industry.

## **U.S. Country of Origin Labelling**

In 2002, the U.S. Congress approved a provision to require mandatory country of origin labelling (COOL) provisions for

beef and other commodities at retail sale. Although law, the provision has never come into effect. With the onus on U.S. retailers to conduct the labelling requirements along with a heavy record-keeping burden and stiff penalties for non-compliance, Congress realized that the 2002 COOL law is unworkable and pushed back the implementation date several times. The current implementation date is October 1, 2008.

In 2007, instead of pushing back the implementation date again, Congress focused on making COOL less onerous for U.S. stakeholders by attempting to legislate a revision to the 2002 law. The versions of the 2007 Farm Bill passed by both the House and Senate both contain a COOL revision that eliminates many of the record-keeping requirements and significantly scales back a penalty structure that would now apply only to "willful 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. Nevertheless, the CCA remains concerned over provisions of the legislation that require segregation of Canadian-born cattle fed or slaughtered in the U.S. and that the costs related to such segregation will discriminate against Canadian cattle.

The status of the revised COOL is currently tied to the status of the 2007 Farm Bill. Both the House and Senate have passed their versions of the Farm Bill, but the two chambers have not yet been able to negotiate an agreed-upon final version. While both versions contain very similar provisions to revise COOL, there are vast differences in other unrelated Farm Bill provisions. Furthermore, the White House has issued a veto threat over new taxation provisions in the Farm Bill. So there are significant challenges yet to be overcome in order for the overall legislative vehicle to achieve final passage. The 2002 Farm Bill has twice received short-term extensions and the current thinking is that if the 2007 bill is not passed by the current expiry date of April 18, 2008, then the 2002 law would be extended by a further one to two years. If the COOL revision does not become law, through either the Farm Bill or by being attached to some other piece of legislation, the 2002 version of COOL will remain the law and must be implemented by October 1, 2008.

The CCA believes that both versions of COOL violate U.S. trade obligations under both NAFTA and the WTO. Under both of these agreements, meat is the origin of the country that transforms the live animal into meat. Thus any law that requires meat to be labelled with the country where the animal was born is a violation. The CCA has repeatedly advised the Government of Canada of its expectation that all legal means will be used to defend our industry, including challenging COOL under trade agreements.