



New trade case welcomed as cattle producers lose over one million dollars per day

December 1, 2008

Calgary, AB – The Canadian Cattlemen's Association (CCA) fully supports the announcement today that the Government of Canada is requesting consultations with the United States, pursuant to the World Trade Organization (WTO) Agreement, concerning the U.S.' implementation of mandatory Country-of-Origin Labeling (COOL) regulations for meat products.

CCA President, Brad Wildeman stated, "We have been working with the federal government to prepare a possible trade challenge for some time now. We congratulate federal Agriculture Minister, Gerry Ritz, and Stockwell Day, Minister of International Trade for initiating this process to stand up for Canadian cattle producers. This is the first formal step that must be undertaken before a trade dispute settlement panel can be established under WTO rules."

The United States implemented the new, onerous COOL rules on September 30, 2008. The resulting adverse impact has significantly impeded Canada's ability to market livestock in the U.S. This law requires beef, as well as pork and other meats sold in US stores, to be labeled with the country where the animal was born. This requires U.S. ranchers and meat packing companies to handle Canadian cattle separately from U.S. cattle. To minimize their additional costs, many U.S. meat packing companies are now refusing to accept cattle from Canada. The few U.S. companies continuing to process Canadian cattle are discounting those cattle and some are also limiting their acceptance of Canadian cattle to certain days.

The combined impact of the lower prices for Canadian cattle with the increased cost of transporting them greater distances, plus processing on fewer days, is estimated to be about \$90 per animal. The price that Canadian meat packing companies are willing to pay is influenced by their U.S. competitors, therefore the \$90 per head loss applies to all Canadian cattle regardless of whether they are exported to the U.S. The new U.S. COOL law results in approximately a \$400-million annual loss to the Canadian cattle industry.

"We hope that the initiation of this formal process will encourage the U.S. to adopt greater flexibility in how COOL is administered", Wildeman explained. "Ultimately we want the U.S to abide by our trade agreements that require Canadian cattle to be treated as favourably as US cattle."

- 30 -

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The COOL law creates five 'origin' categories for beef sold at retail in the USA:

- A - beef from cattle born and raised in the USA may be labeled as US beef;
- B - beef from cattle born in Canada and raised in the USA may be labeled as US/Canada;
- C - beef from cattle imported from Canada to the US for immediate processing must be labeled as Canada/US;
- D - beef imported to the US from Canada must be labeled as Canadian;
- E - ground beef must be labeled with a list of all reasonably possible countries.

Beef sold at food service establishments in the US, such as restaurants are not covered by COOL, nor is beef exported from the U.S.

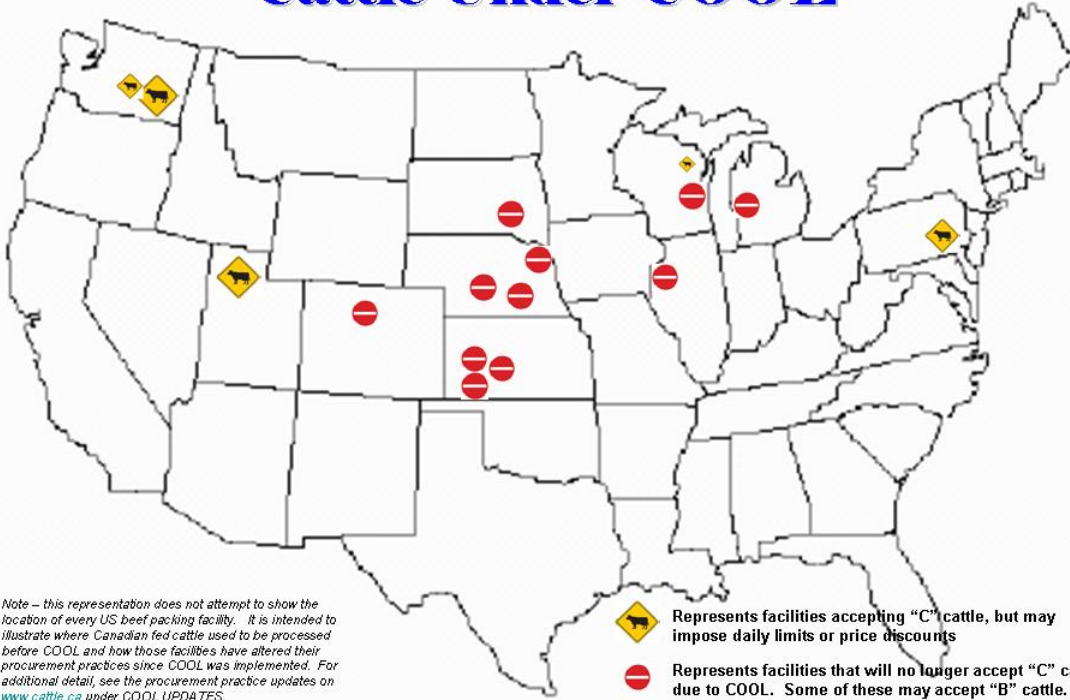
In a typical year, Canada exports approximately 1.2 to 1.5 million head of live cattle and 310,000 tonnes of beef to the US.

Approximately one-third of the live cattle would be further raised in the US ("B" category) and two-thirds are exported for immediate processing into beef ("C" category). A graphic illustration of the impact of COOL on marketing opportunities for "C" cattle is attached (also available on www.cattle.ca under COOL Updates).

Formal consultations are the first step that must be taken before requesting the initiation of a trade dispute settlement panel under either the WTO or NAFTA. The formal consultation period must last a minimum of 60 days before a request for a dispute settlement panel can be made.

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US Packer Procurement of "C" Cattle Under COOL



"B" cattle are born outside the US, but raised in the US. "C" cattle are imported to the US for immediate slaughter.