



CANADIAN
CATTLEMEN'S
ASSOCIATION

National Voice Of Cattle Producers

Information for Federal Candidates in Canada's 42nd General Election

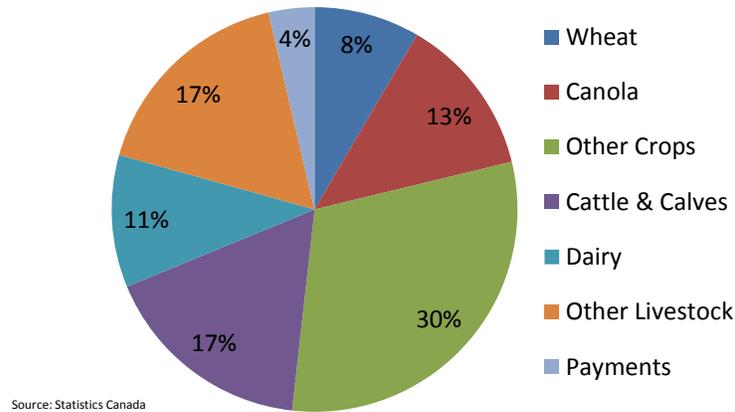
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The Beef Cattle Sector is a Major Driver of Canada's Rural Economy

Farm cash receipts from cattle and calves totaled \$9.7 billion in 2014 representing 17 per cent of total farm cash receipts. Over the period 2010-14, cattle and calves have been the second largest revenue maker for farms after canola. The cattle industry contributed \$18.7 billion to Canadian GDP in 2014. The 2011 Ag Census identified 68,500 farms in Canada that derive more than half their income from beef production.

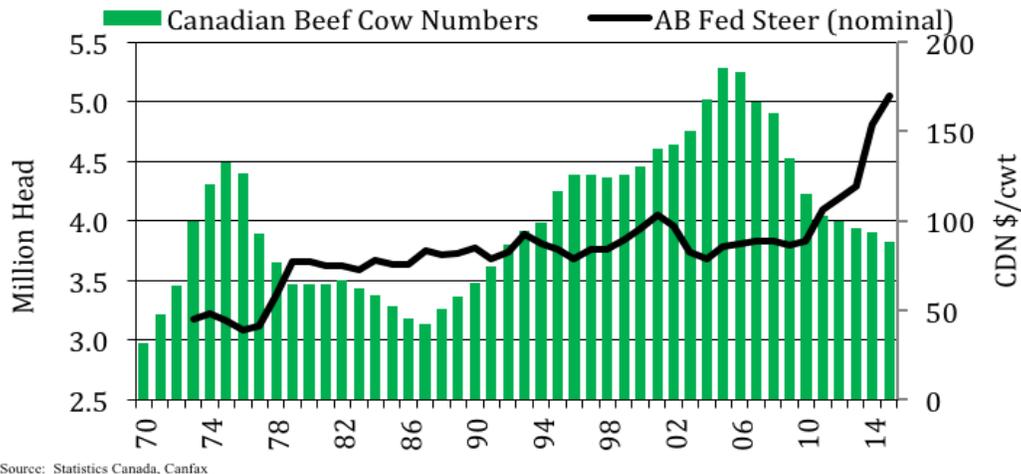
Canadian Farm Cash Receipts by commodity, 2014



In 2011, the beef sector supported 228,811 full-time equivalent jobs either directly or indirectly. Every job in the beef sector yields another 3.56 jobs elsewhere in the economy. For every \$1 of income received by workers and farm owners, another \$2.08 is created elsewhere¹.

Canada's Beef Cattle Sector is Ready to Expand

The last dozen years have presented both unprecedented challenges and amazing growth opportunities for Canada's beef cattle industry. With the worst of the challenges well in the rear view mirror, tight cattle supply coupled with recovering demand and restoration of most access to export markets has produced strong selling prices for Canadian cattle producers.



¹ "Economic Impacts of Livestock Production in Canada – A Regional Multiplier Analysis" Suren Kulshreshtha, University of Saskatchewan, September 2012 <http://www.albertabeef.org/uploads/TheMultiplierEffectfortheCanadianCattleIndustry0011025-4.pdf>

Based on the historical cattle cycle, the last three to four years of strong prices should be heralding herd expansion. However, very dry conditions in Western Canada this spring and early summer have caused cattle producers to worry about the availability of feed to make it through next winter. Consequently, many Western Canada beef producers have been forced to reduce the size of their herds rather than expand. In the meantime, the Southern U.S. has finally emerged from several years of drought and is likely to add more than three million head of cattle this year - some imported from Canada. While we are pleased to have access to sell young breeding cattle at excellent prices as relief from dry conditions in Western Canada, we may be missing an opportunity for expansion in Canada that the U.S. is capitalizing on.

Meanwhile in Eastern Canada, beef farmers compete with growing cities and suburban development for pastureland. Furthermore, the high returns per acre of grain and cash crops and the deep pockets of supply-managed producers are squeezing beef cattle production (particularly cow-calf operators) out of Southern Ontario. Ontario beef farmers are looking to Northern Ontario where affordable land and ample water provide conditions well suited for beef farming. Beef farming can provide stable long-term economic activity for northern communities and should be facilitated by government.

In Manitoba, expansion is affected by uncertain water conditions that go beyond weather. Significant infrastructure solutions are required to avoid flooding that can take pastures years to recover.

Working Together with Government

Even producers that carefully manage their operations and adjust to market conditions can be squeezed by uncontrollable factors such as unnecessary government regulation, disastrous weather events, a volatile currency or an outbreak of animal disease.

Despite the challenges, there is enormous optimism for the future of raising cattle in Canada. Much of that optimism comes from the knowledge that the recent revenue increases can be extended by creating new access to high value markets through trade agreements and by regaining markets that are currently restricted or closed to Canadian beef.

Cattle producers need Government to work cooperatively with the sector when making policy changes and to ensure that producers have reliable programs to help manage their business risk.

This document outlines a number of recommendations for Government that the CCA has identified to realize its vision of the future. A positive combination of these suggested market access improvements, a competitive regulatory environment, effective risk management and financing programs, continued research discoveries and adoption of innovative practices will enable existing producers as well as new and young entrants to grow the industry and its contribution to Canada's economic success.

Access for Canadian Beef to Foreign Markets

Canada is one of the largest exporters of red meat and livestock in the world. More than 40 per cent of Canadian cattle and beef production must be exported. There are many high value markets that maintain high tariffs and other non-tariff barriers on Canadian beef. These tariffs either prevent Canadian beef exports or significantly erode the economic value of exporting. Comprehensive trade agreements with these countries could be very beneficial for Canadian beef cattle producers.

The Federal Government has placed a high priority on market access in recent years by forming the Agricultural Market Access Secretariat, pursuing new free trade negotiations, challenging barriers through formal dispute

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resolution processes at the World Trade Organization and engaging Ministers and the Prime Minister with their foreign counterparts. The CCA applauds such activities and encourages them to continue in the 42nd Parliament, but observes that resources are still too limited to engage simultaneously on all necessary fronts. The load is shouldered by a small team of Federal Government trade negotiators and technical officials struggling to undertake multiple trade negotiations simultaneously.

The CCA recommends utilizing resources in a targeted manner to achieve the following highest priorities:

- 1) Resolve the WTO dispute with the United States over Country of Origin Labelling;**
- 2) Successfully negotiate and implement the Trans-Pacific Partnership Agreement to address the 38.5 per cent tariff imposed by Japan on Canadian beef;**
- 3) Establish technical conditions that enable commercially meaningful beef exports to the European Union and implement the Canada-EU Comprehensive Economic and Trade Agreement (CETA);**
- 4) Remove the "temporary restrictions" imposed by Korea, Taiwan, Indonesia and Peru on Canadian beef products since February 2015;**
- 5) Restore access for over 30 month beef to Mexico;**
- 6) Secure full access for Canadian beef exports to China;**
- 7) Ensure expeditious procedures and resources exist to facilitate importation to Canada of live breeding stock and genetics.**

Country of Origin Labelling in the United States

The CCA supports the idea of country of origin labeling and believes we have good requirements in Canada that allow producers to promote Canadian products if they choose to do so without disrupting trade.

The U.S., however, implemented a mandatory country of origin labeling (COOL) requirement in late 2008 for beef, pork and other products that is more onerous than the Canadian approach to origin labelling. While COOL does not outright deny access to the U.S., the requirement to label meat with the country where the animal was born necessitates keeping Canadian livestock segregated from U.S. born animals. This measure easily devalues Canadian cattle by over \$100 per animal.

Fortunately, resolution is in sight. The World Trade Organization (WTO) Dispute Settlement Body has reached the end of its process in declaring the U.S. in non-compliance. This fall, the WTO will authorize Canada and Mexico to place retaliatory tariffs on U.S. exports. This looming threat is causing the U.S. Congress to contemplate a resolution via repeal of the offending COOL legislation. However, Congress will only follow through with repeal if they feel retaliation by Canada and Mexico is imminent.

The CCA requests all Parties seeking to form the Government of Canada in the 42nd Parliament to declare their intention to swiftly impose retaliatory tariffs on U.S. exports the moment Canada is authorized to do so by the WTO if the U.S. has not eliminated the incentive to segregate imported livestock by that time.

Competitiveness Issues

The objective of increasing market access must go hand-in-hand with ensuring the Canadian livestock industry retains its ability to compete in all markets, domestic and international.

Unfortunately governments frequently propose policies that are not scientifically justified or do not consider the ability of cattle and other agricultural producers to compete. Even well considered policies can be counterproductive if they take the Canadian industry in an independent direction from competitors in other nations.

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The CCA would encourage Members of the 42nd Parliament to pursue the adoption of policies that are essentially equivalent in their outcome to the policies of other countries with which we compete. For this reason, as an industry, we are pursuing international partnerships such as the Five Nations Beef Alliance and the Global Roundtable for Sustainable Beef. We recommend that Government also strive to develop regulations in partnership with its international counterparts. In this regard, we believe that the Regulatory Cooperation Council initiative commenced in 2011 holds great, although yet unrealized potential for the competitiveness of the Canadian livestock and red meat sector.

Traceability

The CCA encourages the Government in the 42nd Parliament to implement traceability of cattle through the Cattle Implementation Plan (CIP). The CIP is a sustainable, effective and efficient cattle traceability system for Canada. It was developed through a collaborative process between industry and provincial and federal governments and was officially recognized by all industry sectors as industry's roadmap to traceability at the National Cattle Traceability Summit in August 2011.

Research

The Government has made several announcements related to agricultural research funding in the past few years. These announcements are very positive and the CCA supports further increased funding for agriculture research beyond the levels in Federal Budget 2015.

Research is integral to support consumer confidence and to ensure that Canada's beef industry is globally competitive and able to take advantage of current and emerging trade opportunities. Productivity improvements are critical as agriculture is challenged to produce more with less land, water, and labour resources. Research is also integral to providing science-based information to address growing public and consumer questions around agricultural production and social license issues such as animal welfare, environmental sustainability, and various production practices. Independent peer reviewed science provides an important voice to regulatory, policy, trade, and public debate which can ultimately have a significant impact on the beef industry's ability to operate in a sustainable and competitive manner.

Significant investment is needed to renew and reinvigorate agriculture research to a more meaningful level with investments focusing not only on research outcomes that address industry's priorities but also on developing critical research capacity. This includes having skilled people working both within industry and in research institutions. This will support industry advancement as access to a sound and comprehensive knowledge base is particularly critical in times of competitive challenges.

Enhanced long-term funding for applied agricultural production research is needed to rebuild research infrastructure and expertise to a level that can support innovation within the Canadian agriculture sector.

In addition, a clear commitment from the Federal Government to maintain and strengthen Agriculture and Agri-Food Canada's internal research capacity to perform long-term, high-risk discovery research is also needed. The benefits of basic scientific research (particularly in the areas of food safety and quality, animal health, and environment) extend beyond agriculture. Science-based production, policy and regulation benefit industry, government and society as a whole.

Workforce Availability

Availability of full time permanent agricultural and processing labour has become a serious issue threatening the viability of food production in Canada. The two largest beef processing facilities in Alberta currently have hundreds of vacancies that they are unable to fill with Canadians despite non-stop recruiting efforts across Canada.

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Canadian packing plants are deferring high value export orders to their U.S. affiliates because we do not have the labour to process the product. This means lost value for cattle producers. The alternative is to sell more live cattle to U.S. packers and a loss to the Canadian economy. Clearly the choices are to import more labour or ultimately import more food into Canada.

Canadians are better served with a comprehensive labour strategy incorporating dedicated pathways for agriculture and primary processing companies to hire willing workers from abroad when needed and for viable pathways to residency for those successful workers.

The CCA stands with every other segment of Canadian agriculture and primary processing in supporting the recommendations of the Labour Task Force's Canadian Agricultural and Agri-Food Workforce Action Plan². Highlights of the recommendations include: improving pathways to permanent residency for foreign workers; a dedicated agriculture workforce program; and facilitating and expediting the processing of agricultural worker applications.

The CCA encourages all parties and candidates to declare their support for implementation of the Canadian Agricultural and Agri-Food Workforce Action Plan early in the 42nd Parliament.

Environmental Sustainability

Increasingly agriculture is being asked by different stakeholders to account for the environmental performance of its management practices. Agri-food companies have increased their focus on sustainable development and corporate social responsibility. The challenge of the need to increase the food supply means increasing productivity and that means increasing efficiencies. Canadian beef cattle producers are already among the most efficient in the world. They are utilizing tools like managed grazing and raising feed-efficient cattle to maintain that trend.

Thanks to these improvements, comparing beef production in Canada over the past three decades, in 2011 we required 22 per cent less land and 28 per cent fewer cattle to produce an equivalent amount of beef as in 1981. Furthermore, we produced 17 per cent less methane, 19 per cent less nitrous oxide, and 15 per cent less CO₂. The GHG intensity per kg of beef produced has decreased by 16 per cent during this time period.³

Grasslands that are managed by Canadian cattle producers do more than produce beef. They support ecosystem services such as wildlife habitat, biodiversity conservation, water quality and carbon storage. Nearly one-third (31.2%) of Canada's agricultural lands are covered in grasses and forages (20 million hectares). The majority of those lands are in natural grasses (14.7 million hectares)⁴. Those grasslands are particularly important areas for Canada's migratory birds. Cattle producers want to be part of the development of a new and effective approach to the management of incidental take of species at risk and migratory birds. The CCA's objective is to come up with a solution where these species become an asset to all Canadians, including the land managers that provide the habitat.

The CCA encourages the Government of Canada to continue to look for ways that ranchers can partner in conservation for the supply of public goods. Examples of this might be shared costs for conservation actions, ensuring funds are available for continuation and expansion of agri-environmental programs and the development of market-based instruments.

More effort is needed to promote and reward beneficial management practices that further enhance conservation on agriculture landscapes. Collaborative research on beneficial management practices and an adaptive management approach to implementing and incentivizing them is more effective than an expensive regulatory framework.

² <http://www.cahrc-ccrha.ca/sites/default/files/PPWG-Update-April15-FINAL-ENG.pdf>

³ Legesse et al. unpublished data

⁴ 2011 Agriculture Census of Canada

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Working cooperatively with Environment Canada, Agriculture and Agri-food Canada and other stakeholders, the agriculture community can enhance conservation, contribute to food security and support rural community health.

Balancing the demand for natural resources, an increased food supply and enhancing conservation values requires wise and adaptable management to support Canadian needs in a sustainable way. Past solutions to protecting the environment have centered primarily on government legislation and regulation. New and innovative thinking is needed to develop creative approaches to managing landscape change.

The CCA supports market growth and environmental sustainability by recommending that the Government direct resources into innovative land management tools and conservation programming. This increases the resilience of the grassland ecosystem, improving biodiversity conservation and wildlife habitat. This meets the public's demand for environmentally sustainable food production.

The CCA also supports the development of domestic and international markets and trade agreements with investment into innovative research in managed grazing and conservation and providing technical assistance to sustainably increase agricultural productivity and use of conservation management.

Social License

On-farm food safety, animal care and environmental stewardship are part of every cattle producer's daily routine. Canadian cattle producers deliver a safe product from well cared for healthy animals raised on a land base that producers work to ensure remains healthy and productive for the next generation. Despite all the good work being done on these issues by producers, there is constant movement to increase requirements and regulation of agriculture.

The CCA led the development of the Canadian Roundtable for Sustainable Beef (CRSB). The CRSB aims to be a national, multi-stakeholder initiative developed to advance existing and new sustainability efforts within the industry. The CRSB focuses on three pillars of sustainability: environment, social and economic. Through leadership, science, multi-stakeholder engagement and collaboration continuous improvement of sustainability of the Canadian beef value chain will be achieved and recognized.

We know that government regulations have many purposes. Advocates of such regulations often promote them as a means of differentiating our product in the marketplace. However, the reality is often that the added cost burden exceeds the value consumers are willing to pay for the benefits. The CCA believes government regulations must be based on appropriate management of real risks and an accurate analysis of the costs and benefits of these regulations. The CCA will call upon the Government of Canada to continue to cooperate with the CRSB in the 42nd Parliament to develop policies that help to maintain Canada's position as a global leader in sustainable food production.

Business Risk Management for Cattle Producers

The CCA's first preference is that there be sufficiently funded national agriculture programs that are delivered consistently across all jurisdictions. Programs should minimize the risk of adverse impacts on international and inter-provincial trade, minimize distortion of market forces and minimize influence on business decisions. Programs must not disrupt the competitive imbalance between agriculture sectors or regions.

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The CCA believes that the Western Livestock Price Insurance Program (WLPIP) is a forward-looking, market-based, insurance-style program that allows producers to manage price risk. The WLPIP should be made permanent. Cattle producers in Eastern provinces have chosen to support alternate programs in their provinces. In the absence of a single sufficiently funded national program, the CCA encourages the Government to contribute to each jurisdiction's existing livestock insurance program.

Various feeder and breeding cattle financing programs have operated efficiently under provincial jurisdiction for many years. With the recent surge in cattle prices, the loan guarantee limits of these programs are no longer sufficient to cover the capital investments required to acquire cattle in today's market. The CCA encourages the Federal Government to participate and enhance the loan guarantees of feeder and breeding cattle financing programs.

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