

BSE: now it's Ottawa's turn to act

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When the applause for Ottawa's package of financial support to Canada's beef industry dies down, can we please get back to the point?

The point is trade. Of course enhancing domestic packing capacity is important. So is diversifying export markets, and providing support to ranchers and feedlots holding cattle back from the market.

But Canada's cattle trade with the United States is also important, dramatically important. And somehow, amidst all the cheerleading, the trade issues are slipping quietly off the table.

Until the mid-1980's, trade was a minor issue to the Canadian beef industry. Most cattle were slaughtered in Canada. Things began to change in 1986, when Ottawa and Washington negotiated quotas for imports of boxed beef from offshore countries, principally Australia, New Zealand and Nicaragua.

Washington strictly enforced U.S. quota levels, but Canada's ranchers were not so lucky. Profits to be made on cheap off-shore beef, combined with Ottawa's "use it or lose it" supplemental permit system, caused brokers to compete for permits by creating the illusion of market shortages.

As a result, supplemental permits soon equaled in-quota shipments, doubling imports, displacing Canadian supply and fundamentally altering the nature of the domestic cattle market.

Around the same time, in anticipation of a borderless Free Trade Agreement and North American Free Trade Agreement world, Canada's concentrated meat packing sector became more so by rationalizing (closing) regional slaughter capacity.

Normally, this would have had the effect of shorting the market and spiking live weight prices in Canada, but thanks to cheap off-shore imports, Canadian cattle prices plummeted.

In response to falling prices and a reduction in domestic slaughter capacity, Canada began exporting cattle to the US. Live cows and bulls that would normally supply the market niche now filled by supplementary offshore imports led the export parade.

Fifteen years later, the Canadian herd is 50 percent larger, exports now account for 59 percent of production (up from 25 percent), Cargill and Tyson control 70 percent of Canadian slaughter capacity in two western plants, and trade with the US is the major industry issue...

After the applause dies down, can we please get back to the trade issues?

When the international panel of scientists cleared Canada in June 2003, Ottawa should have immediately launched a NAFTA challenge. The "Slam Dunk" referred to by Canadian trade lawyers, a Chapter 20 panel ruling, would most certainly be in Canada's favour, re-opening the border and/or triggering Canada's right to retaliatory tariffs equal to the damages we have suffered.

Yet the same federal bureaucrats who only yesterday sang the praises of NAFTA now look the other way when NAFTA is raised as a valid trade defense for beef.

NAFTA has become a language spoken by lawyers, bureaucrats and their hired guns. Farmers who question Ottawa's failure to defend the sector are told they do not understand, which is sadly the most effective Canadian put-down of all.

The industry itself is partly to blame. Instead of pressuring Ottawa to do the right thing, the Canadian Cattlemen's Association has spent the past year calling on ranchers to be patient and assuring them an open border was imminent.

In the power back rooms of Ottawa, the highest of bureaucratic praise is reserved for those among them able to turn lobbyists into pets.

The general feeling today is that the border won't reopen until after the U.S. election.

This begs the obvious question: why would a politician be any more eager to break an election promise *after* it leads to victory at the polls?

Given the protectionist nature of U.S. trade politics, unless Ottawa picks up the NAFTA bat to defend Canada's ranchers, that US border could well remain closed indefinitely. Consider softwood lumber.

The Canadian taxpayer has been handed the bill for a disaster relief package that is clearly Washington's to pick up.

Ottawa's 16-month refusal to use NAFTA to open the border to Canadian beef is indefensible.

Washington is off-side. It's Ottawa's turn to act. Launching a government-to-government NAFTA Chapter 20 challenge to open the U.S. border to Canadian cattle is clearly the next step.

In response to questioning at an October 2nd meeting of Canadian Farm Writers in Windsor, Ont., Blair Coomber, director general of Agriculture Canada's international trade policy directorate, admitted both NAFTA Chapter 20 and Chapter 11 apply.

When we are finished clapping, it's past time to point Ottawa's trade bureaucrats in the right direction and run them thru the gate.