

NAFTA should be invoked to open border

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Bureaucratic apple-polishing and double-talk notwithstanding, the US border remains 75% closed to Canadian beef, and this could go on for years.

If it does, Canada's ranchers — the vital, independent players in Canada's beef sector — will be gone. To the irrevocable detriment of public policy, sustainability, food security and community economic and environmental interests.

Invoking NAFTA boils down to two issues. One: getting a NAFTA ruling. Two: exacting a monetary penalty (both to compensate our ranchers and to create a financial incentive for prompt compliance).

Getting a NAFTA ruling against Washington's failure to fully re-open the US border to Canadian beef shouldn't be difficult. NAFTA's sanitary and phytosanitary provisions say science - not politics and protectionism - must prevail; Washington has admitted our beef is safe. (In fact there is apparently evidence to suggest that one ill-fated cow began her life in the US...) If Washington wants to continue to curry favour with the Japanese, they will have to find another horse to ride.

But financial compensation for the \$11 million a day in damages the border closure is costing us should also be a strategic objective of the Canadian government.

Retaliatory trade measures targeted to maximize political grief in Washington would add clout to Canada's position. But retaliatory tariffs leave economic victims of their own and don't provide compensation for ranchers.

Careful reading of NAFTA's Chapter 11 would suggest a more strategic approach for Canada's ranchers. Precisely because of the highly integrated, inter-linked, continental nature of the North American beef market, the economic argument can and should be made that Canada's ranchers - collectively - are "investors" in the sense of NAFTA Chapter 11 and therefore entitled to compensation from Washington.

Ottawa's support for a compensation claim by Canada's ranchers for expropriation of profits and investment under NAFTA would begin to shift the economic burden to where it belongs – Washington.

One has to question what the real understory is here. Canada's ranchers – the last of the free marketeers — are completely dependent on Canada's highly-concentrated, US-dominated meat packing sector for retail market access. Canada's meat packers are the gatekeepers. And the "tolls" (that portion of the rancher's profit margins that get captured by the packer) are getting higher every day, stripping away returns vital to sustainable management.

What effect does a 75% closed US border have on the Canadian meat packing sector?

In the short term, a ban on live exports means Canada immediately has an oversupply of cows relative to kill capacity, which allows packers to drive down live prices paid to ranchers (capturing more and more of the margin which legitimately should accrue to the stewards that produce those cattle in a sustainable way).

In the longer term, it will drive out independent ranchers and change the face of Canadian agriculture. In the words of one Peace River rancher that sold his herd in early August for less than half their value:

"I ran spreadsheet scenarios for a month, swallowed hard, and pulled the trigger. Equity I had been building for 20 years is gone. I am out of the business - selling equipment to pay off the mortgage, hoping to be able to retain the land. There are going to be many more stories like this in the months to come. Opening the border a little will not help farmers and ranchers who will be trying to recover from this for years. Banks have little or no equity left in land or cattle on many operations. Ranches as production units are severely devalued. Some producers will weather this incident; few will weather the next incident intact. The structure of the industry will certainly change — effectively eliminating the 'middle' and replacing it with management through contracts, price structuring, resource control and financial instruments. Something to watch for in the next year are foreclosures in blocks - I've seen it before in our area; US money likes its land in contiguous parcels."

Unless the US border soon reopens to Canadian beef, Canada's ranchers — the vital, independent players in Canada's beef sector — will be gone.

To the irrevocable detriment of public policy, sustainability, food security and community economic and environmental interests.

It's time to pick up the big stick.

WINTER 2004 FARMER DELEGATIONS TO CUBA

Like the skinny little kid on the playground who gets picked on cause his mother dresses him funny (in fatigues and a beard), Cuba just might grow up to be the concert pianist that plays the songs that save the world. Come with me to Cuba this winter and see for yourself what the rest of the world is talking about. Book early while the Canadian dollar is high and SAVE!

NEXT MONTH: The Fall Campaign: Canada's Farmers Resolve To Protect Canada's Water!

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