

National Office
2717 Wentz Ave.
Saskatoon, Sask.
S7K 4B6
Tel (306) 652-9465
Fax (306) 664-6226



FOR IMMEDIATE RELEASE:

MARCH 9, 2004

NFU CALLS FOR IMMEDIATE CASH PAYMENT, FLOOR PRICE MECHANISM

OTTAWA, Ontario - The National Farmers Union (NFU) is calling on the federal government to immediately implement an emergency cash payment of \$300 per on-farm calf to compensate cow-calf producers suffering large losses as a direct result of the Bovine Spongiform Encephalopathy (BSE) crisis.

Based on the current inventory of calves on farms (4.97 million head), the total payment would amount to approximately \$1.49 billion.

The NFU is also calling on the federal government to set a floor price that packers would have to pay when buying cattle. This floor price would be set to ensure farmers received the same portion of the retail value of their beef that they received before the BSE crisis. The NFU outlined both of these recommendations in a letter sent this week to Prime Minister Paul Martin and Agriculture Minister Bob Speller.

NFU Livestock Committee Chairperson Don Mills said the immediate cash injection is "urgently needed" to compensate cow-calf producers. "More importantly, a floor price is needed so farmers can again obtain fair and adequate returns from the market. Once that happens, financial assistance from taxpayers can be dramatically reduced in the near future."

Family farmers who raise beef calves are experiencing severe cash flow problems as a result of weak market prices, stated Mills. The NFU estimates cow-calf farmers have lost about \$250 per calf marketed. Many farmers are holding calves off the market to prevent further price declines due to a glut of animals, but this move is costing them an estimated half a billion dollars in lost cash flow as a result.

Mills pointed out that financial assistance through BSE recovery programs has largely bypassed cow-calf producers and significant evidence shows the funds ended up fattening the bottom line for large packing houses. "Cow-calf producers are caught in a no-win situation, as their loss on each animal mounts at the same time as the size of the overall herd is increasingly rapidly," he said.

"Without government payments immediately, farmers will be forced to dump surplus calves onto an unstable and unwilling market, forcing prices down and multiplying losses," said Mills. "Paying producers \$300 per calf now will allow them to cover past losses and also prevent an excess of calves entering the market and depressing price levels."

These floor prices would be set at a level that returns to farmers the same percentage of the retail value of beef that they were receiving before BSE was found in North America. This ensures a level of fairness to all sectors of the industry.

"The retail value of a steer has changed very little over the past year," noted Mills. "Unfortunately, farmers are no longer receiving their fair share of those grocery store dollars. The BSE crisis has highlighted a serious structural problem within the beef sector, where two packing companies, Cargill and Tyson, control as much as 74% of the Canadian beef packing capacity. This level of

corporate concentration has led to a loss of price transparency and a rise in price manipulation through contracting with large feedlots.”

The NFU also advocates mandatory testing for BSE of all slaughter cattle over 30 months of age, and a ban on all animal byproducts from all animal feeds for all animals destined for human consumption. A round of community meetings currently taking place in several Alberta centres has shown considerable support for these two policies among cow-calf producers.

Finally, the NFU is calling on the government to take a leadership role in identifying ways of dealing with the problem of an expanding surplus of older cows. Prior to the border closure, these animals were shipped live to the US and made into hamburger. Now their numbers are building up and their market value has declined sharply, while packers are claiming Canada does not have the capacity to process these cattle.

- 30 -

Contact: Don Mills, NFU Livestock Committee Chair (519) 225-2163
Stewart Wells, NFU President (306) 773-6852
Jan Slomp, NFU Alberta Coordinator (403) 843-2068
Terry Pugh, NFU Executive-Secretary (306) 652-9465