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**national farmers union**  
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**FOR IMMEDIATE RELEASE**

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**PACKERS TAKING ADVANTAGE OF BSE CRISIS, SAYS NFU**

**RIMBEY, Alberta** – The Alberta Auditor General’s report clearly shows that the three big beef packers are benefiting from the Bovine Spongiform Encephalopathy (BSE) crisis while farmers are struggling financially, says Jan Slomp, Alberta Coordinator of the National Farmers Union (NFU).

The report by Alberta Auditor General Fred Dunn on the Alberta government’s BSE-related assistance programs was released in early August. It shows that Tyson Foods, Cargill and XL Foods experienced a 281% increase in net profit in the eight months following the discovery of a single case of BSE in May, 2003.

“We now allow two or three companies to take full advantage of a distorted marketplace at the expense of farmers,” stated Slomp. “This is not a situation where the government can just sit back and pretend it’s business as usual. The government needs to intervene until balance in the marketplace is restored.”

Prior to the BSE crisis, a sizable percentage of Alberta’s fed cattle were sold into US markets. The closure of the US border reduced the level of competition for live cattle sales. This resulted in a surplus of fed cattle in Canada with not enough slaughter capacity around to process them. The Canada Alberta BSE Recovery Program (CABSERP) required the actual sale of the mature animal to trigger payout, which resulted in more animals being offered for slaughter. The packers subsequently took advantage of the situation by further depressing the price paid for cattle, while retaining virtually the same pricing structure for the finished product.

While the Alberta Auditor General says the packers did nothing wrong or illegal, Slomp says the fact remains that the \$400 million BSE aid package, which was supposed to help farmers, produced a windfall for the packers.

“Not only were they able to triple their profits on slaughter, they also directly received government funds by virtue of the fact that they are registered owners of cattle in feedlots,” he pointed out.

The packers owned a large number of animals covered under the CABSERP program. Cargill received \$9 million and Tyson received \$33 million directly from the program. In addition, noted Slomp, the packers likely received additional funds through various numbered companies and contracts, which did not show up in the Auditor General’s report.

While the Alberta government claims the CABSERP program triggered higher calf prices in the fall of 2003, Slomp says the more likely explanation is that feedlot owners were willing to pay more because of rising expectations that the US border would open quickly. "The optimism in the feedlot sector was based on US cattle prices," contended Slomp. "When the border stayed shut, Canadian prices fell again. In the long run, the CABSERP program didn't do anything to resolve the issue. It's a shame that much money was mis-spent and now we're worse off than before." He said the aid money would have been better directed toward launching Canadian-owned slaughter facilities.

Slomp said the government could have done a better job by instituting a floor price based on farmers' cost of production and benchmarked on a percentage of the consumer price, at least until balance in supply and demand is restored. Programs are also needed not only to compensate for extreme low prices for older mature cows, but to actually reduce the cow herd to a size that restores balance in the marketplace.

While the Alberta government is lauding Cargill's decision to acquire Canadian-owned Caravelle Foods and Tyson's recently-announced expansion plans, Slomp says these developments are not good news. "We need increased slaughter capacity, but that capacity needs to be owned by others than the existing large packers. It needs to cater to different markets than the US, to lessen our dependence on that market. The expansion of Cargill and Tyson should be prevented. We cannot afford to become more dependent on companies that don't hesitate to kick us while we are down."

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