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August 13, 2003

Honourable Jean Chrétien  
Prime Minister of Canada  
80 Wellington Street  
Ottawa  
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VIA FAX: (613) 941-6900

Dear Prime Minister Chrétien:

The NFU's farmer members are pleased and relieved that the Canada's BSE-triggered trade crisis has partially abated. The August 8 decision by the U.S. to accept certain beef products may reduce some of the pressure on livestock farmers and speed a move toward normal prices and revenues. Thank you for the work that you and Minister Vanclief have done to date on this issue.

The work surrounding this issue—for governments and for farmers—has not ended, however. In many ways, our work has just begun. In addition to measures to fully restore meat and livestock markets and to compensate farmers until prices return to normal, it is critical that governments join forces with farmers to re-orient Canadian livestock sectors so that we will never again face their potential destruction.

This letter summarizes the recommendations of the National Farmers Union regarding BSE and market closures. These recommendations were developed during recent and extensive consultations with our family farmer members. This letter has two parts:

- Part 1 focuses on actions that governments must undertake immediately to support livestock producers until markets are fully restored and farmers' incomes are returned to normal; and
- Part 2 focuses on longer-term actions that governments and farmers must take to re-orient and secure our livestock sectors.

### **1. Immediate measures to fully restore markets and to support farmers**

**1a.** Clearly, our first priority must be to fully restore markets for Canadian livestock and meat in the U.S. and around the world. Until markets open for live cattle,

Canada will have an oversupply and prices will remain low. We urge your maximum efforts toward fully restoring our markets.

**1b.** Even with a partial restoration of export markets, it is clear that markets and prices will be negatively affected for some time. Farmers' incomes will be depressed for many months as a result of this crisis. And if markets are slow to fully re-open or do not fully re-open, the effects on farmers will last for years. The federal government must provide adequate ongoing support to farm family cattle producers. That support must include the following elements:

- Programs to compensate cow-calf producers for current and future losses resulting from instability and uncertainty in feeder and slaughter markets;
- Continued deficiency payments—set at 100% of pre-BSE prices—for farmers who sell slaughter cattle;
- Incentives to help farmers hold some of their slaughter cattle off the market;
- Similar compensation for farmers who raise bison, sheep, and other affected livestock; and
- Support for hay and feed-grain producers who will face lower prices until livestock markets stabilize.

All family farm livestock producers must be adequately and promptly compensated, and financial compensation must continue until prices and revenues return to normal. All payments must be capped and targeted to ensure that the maximum number of farmers receive useful assistance and to ensure that the majority of money does not flow to a small minority of large producers.

## **2. Measures to avert the future destruction of our meat sectors**

This BSE-triggered trade crisis has demonstrated the precarious position of our export-oriented livestock sectors. This precarious position is further demonstrated if we contemplate some unsettling scenarios. For instance: If we find a second case of BSE one year from now, market closure would persist for much longer, again risking the destruction of our cattle sector. Or if Foot and Mouth Disease was to be discovered in Canada, export markets both for live cattle and for hogs would probably disappear, devastating both sectors.

Canadian livestock farmers currently face intolerable risks. It is absolutely critical that we eliminate those risks and ensure long-term stability and prosperity for farms raising livestock. To do so, the National Farmers Union strongly recommends that the federal government work with farmers to implement the following policy changes. Canada must:

**2a.** Adopt strict, European-style testing and regulatory measures, including mandatory testing for BSE for all slaughter cattle over 30 months of age. Such

testing will ensure that any infected animal is caught and kept out of the food stream and thus guarantee the BSE-free status of the Canadian food supply and of our exports.

The alternative to testing is to continue to play Russian Roulette with consumer confidence, with our export markets, and, ultimately, with the fate of our cattle farmers. Now that we know the consequences of not dealing with BSE—one case threatens to destroy the cattle sector—inaction is unthinkable.

In addition to protecting us from negative outcomes, decisive action would bring significant benefits over the status quo: testing would strengthen and stabilize the beef industry and give Canadian beef a competitive advantage. Moving to adopt the highest standards for Canadian livestock production would complement the goals outlined in your government's Agriculture Policy Framework: most notably, to brand Canadian food products as the highest quality in the world.

**2b.** Remove all animal protein from livestock feed. It is not sufficient to merely ban rendered ruminant protein from ruminant feed. As long as rendered ruminant protein remains in the livestock feed system, there remains the risk that such material could be fed to cattle or other ruminants. Some Health Canada scientists have long called for the removal of animal protein from livestock feed.

Because restrictions on animal rendering will cause increases in the costs that farmers face to dispose of dead animals, federal aid would be necessary to offset these increased costs. The amount of this aid would be tiny, however, in comparison to the costs of another BSE outbreak.

**2c.** Move toward eliminating the use of synthetic growth hormones and non-therapeutic antibiotics in livestock production. The use of these drugs threatens to create the next health scare and to trigger the next market closure. Much of our beef is already shut out of the European market because of our use of hormones in cattle production. A recent study by the Ohio State University Comprehensive Cancer Center showed linkages between one widely-used growth hormone and breast cancer. Routine use of antibiotics has been linked to the creation of antibiotic-resistant bacteria, threatening the lives of people who require these essential drugs.

**2d.** Conduct further research into the causes of BSE and its contributing factors. There remain many unanswered questions about what causes BSE and how it is transmitted. For example, some researchers have suggested that organophosphate insecticides applied to cattle may be linked to BSE. Research may reveal new

information necessary to ensure the BSE-free status of Canadian food and exports.

**2e.** Consider border measures to guarantee that beef imported into Canada is BSE-free. With BSE risks in the U.S. identical to risks in Canada, it would make little sense to thoroughly test Canadian cattle and then to let untested U.S. beef enter Canada. It may be necessary to require the U.S. to harmonize its BSE-testing standards and procedures with ours. Clearly, with BSE cases confirmed in so many countries around the world, all countries should perform mandatory BSE testing on at-risk livestock.

**2f.** Move toward matching Canadian beef production to Canadian consumption. Such a move must be gradual and predictable and facilitated by targeted transition support so that we do not lose family farm cattle producers.

We need to question our dependence on export markets. As a national farm organization, we have watched as one case of Potato Wart in one field in the Maritimes has led to the closure of the U.S. border, with devastating effects for potato farmers. Now we have seen one cow with BSE close the border for all Canadian beef, cattle, and other ruminant livestock, with similarly devastating effects. Through an ill-conceived focus on export markets, we have built a Canadian agricultural system that is fragile and brittle. If one sick cow or one diseased field can shut down our export markets, we are foolish to depend on such rickety markets, and doubly foolish to strive to become ever more dependant.

Phased in over time, aligning production with consumption may require only a relatively modest reduction in the Canadian cattle herd. To minimize negative impacts, we could utilize innovative measures such as marketing slaughter cattle 100 pounds lighter, thus reducing beef production without an equal reduction in the size of the herd.

Reduced beef production targeted to the domestic market under a supply management system need not mean lower net incomes for farmers. Under a supply management system, cattle farmers in the future, like dairy and poultry farmers today, would receive guaranteed prices based on costs of production and these higher returns and higher net incomes would offset any losses resulting from reduced production. Lower production can be accompanied by increased stability and security and increased net returns. The NFU will provide more detailed recommendations for a supply-management system in a future letter.

**2g.** Monitor and report profits by major packing plants. With U.S. markets now open to certain Canadian beef products but not to live cattle, a glut of slaughter

cattle will persist in Canada, depressing prices. The U.S.-owned beef packers that control 74% of Canadian capacity—Cargill and Tyson—will be able to capitalize on the current situation by buying cheap cattle in Canada, exporting prime cuts into the U.S., and reaping high prices. These U.S.-owned packers will pocket large profits. Also, these packers have already benefited from the increased spread between Canadian cattle prices and Canadian retail beef prices.

In order to qualify for government aid programs such as CFIP or Crop Insurance, farmers must open their books and demonstrate losses. Transnational packers should be forced to meet the same standard. Government payments to packers must cease until those corporations open their books and clearly demonstrate significant losses.

In conclusion, we need to fully restore our markets and to compensate our family farmers until prices and incomes return to normal. But we also need medium- and long-term plans to ensure that a similar crisis never again threatens to bankrupt this country's livestock farmers. The NFU is calling on all governments to act decisively to remove all possible food-safety risks from our beef supply and to reduce reliance on unreliable export markets, and in so doing, to maximize the stability and prosperity of our livestock farms.

I thank you for your current and future efforts in support of our family farms and in ensuring safe, nutritious food for all Canadians.

Sincerely,

Stewart Wells  
President  
National Farmers Union

cc: Selected Federal Ministers  
Provincial Premiers and Ministers of Agriculture  
Members of the House of Commons Standing Committee on Agriculture and Agri-Food  
Selected Media