National Farmers Union

Submission to the Federal Competition Bureau regarding the proposed takeover of Better Beef Ltd. by Cargill

June 23, 2005
Saskatoon, SK

Submission by the National Farmers Union
To the federal Competition Bureau
On the proposed takeover of Better Beef Ltd.
By Cargill Ltd.

Saskatoon, SK. **June 23, 2005**

Introduction

The National Farmers Union (NFU) welcomes this opportunity to meet with the federal Competition Bureau and explain our concerns over the proposed takeover of Better Beef Ltd. of Ontario by Cargill Ltd.

The NFU is a direct-membership, nation-wide organization made up entirely of farm families. It was founded in 1969 and chartered in 1970 under a Special Act of Parliament. The NFU is committed to maintaining the family farm as the primary food producing unit, strengthening rural communities and building environmentally-sound, sustainable local economies.

NFU members produce a wide range of commodities, including beef cattle, dairy cattle and other livestock. In Saskatchewan, Alberta, and Manitoba, the livestock sector constitutes an important and significant percentage of overall net farm income. However, farm income has been declining steadily, and livestock farmers have not been immune to the trends of the past several decades. In fact, the ongoing BSE crisis has shone a spotlight on the inherently-shaky livestock sector – with its over-dependence on a single export market and the tight control over the pricing and marketing structure by a handful of very large and powerful corporations.

Evidence is swiftly accumulating that the current high-input, export –oriented, expansionist model of agriculture is not sustainable. That evidence includes: the current farm income crisis, environmental problems such as global warming, the transfer of many sectors of our economy to foreign multinationals, crumbling infrastructure, the loss of farms, and the destruction of rural communities.

The Farm Income Crisis

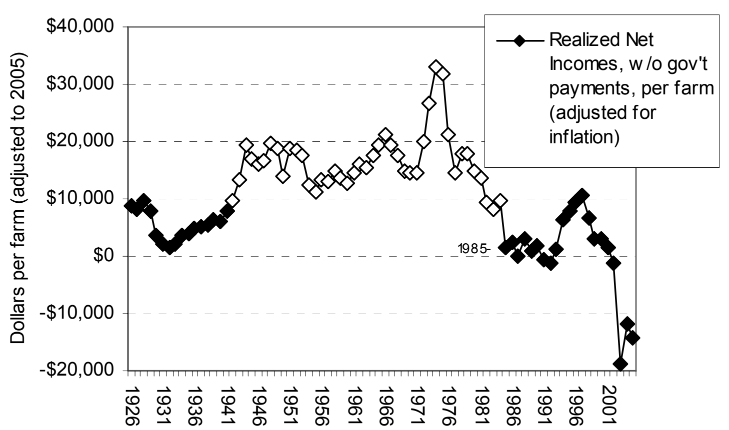
In western Canada, our members have been raising crops and livestock for years. Through thick and thin, through times of brief prosperity as well as times of low prices and bad weather, farmers have continued to provide the backbone of the prairie provinces' economies. This is one of the richest agricultural regions of the country, but the wealth that is produced in rural communities is siphoned off, through unequal market relations, to the benefit of others.

The farm income crisis in the prairie provinces continues to escalate. According to the most recent figures from Statistics Canada, 2004 realized net farm income in Alberta was \$635 million, Manitoba was \$368 million, and Saskatchewan was *negative* \$54 million.[1] While these figures represent an improvement over 2003 realized net farm income figures of *negative* \$368 million (Alberta), \$106 million (Manitoba) and negative \$86 million (Saskatchewan), much of that increase is attributable to increases in land values and higher inventory values, neither of which offset farmers' chronic cash flow difficulties. The fact is that realized net farm income in the prairie provinces is at record lows, despite record government program payments of more than \$1 billion in both 2003 and 2004.

This is not due to a couple of years of drought or closed borders due to BSE. This long-term decline in net income is the logical outcome of a structurally-flawed marketplace which is dominated by very few large corporations.

The following graph illustrates Realized Net Income from the markets (Market RNI) over the past 80 years (in dollars per farm, adjusted for inflation). By subtracting out government payments, Market RNI reveals the full extent of falling market net returns and shows the pressing need to restore balance to the marketplace.[2]

Figure 1: Canadian per-farm net incomes from the markets: 1926-2005



For over 40 years, between 1942 and 1984, Market RNI on an average Canadian farm stayed above approximately \$10,000 (white dots on Figure 1); Market RNI oscillating between \$10,000 and \$20,000, with a three-year spike to over \$30,000 in the 1970s.

In 1985, however, Market RNI fell to near-zero. And with the exception of a mid-90s surge, when peak income struggled to reach the troughs of previous decades, Market RNI has remained near zero for the rest of the 1980s and through the 1990s.

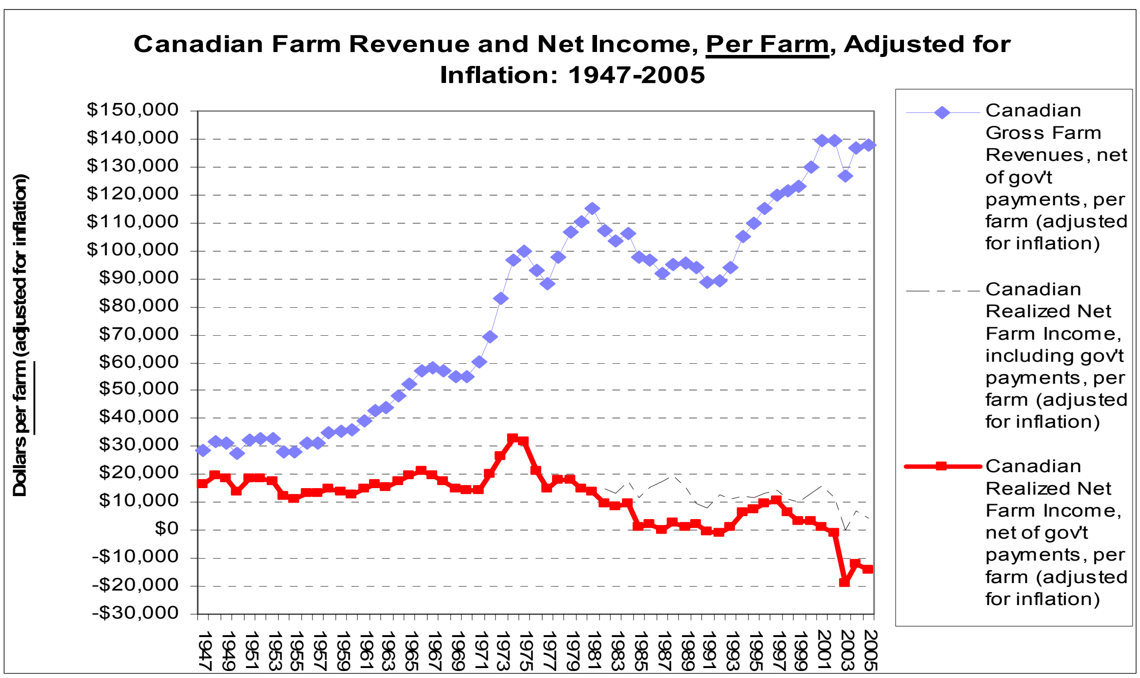
[1] "Net Farm Income", The Daily, Statistics Canada, Wednesday, May 25, 2005, www.statcan.ca/Daily/English/050525/d050525a.html
[2] "Understanding the Farm Crisis" The National Farmers Union's Second Submission to the Hon. Wayne Easter, Parliamentary Secretary to the Minister of Agriculture and Agri-Food, June 7, 2005.

Most recently, Market RNI has fallen deep into negative territory, oscillating now between negative $10,000 and negative $20,000 per farm per year.
The following table lists revenue, expenses, and net income averages for each of the past five and a half decades. The right-hand column shows that our farm crisis began in the 1980s when net incomes from the markets plummeted. BSE and other recent calamities have had their effects, but they merely intensified a crisis that has been consuming farm families for over two decades.

Table A. Per-farm gross revenues, expenses, and net incomes

	Per-farm gross revenues from the markets	Per-farm expenses	**Per-farm net incomes from the markets**
1950s average	$31,428	$16,703	**$14,725**
1960s average	$49,032	$32,112	**$16,920**
1970s average	$85,021	$63,770	**$21,250**
1980s average	$101,875	$95,497	**$6,378**
1990s average	$106,075	$101,558	**$4,516**
2000s average	$134,406	$139,921	**$-6,987**

The following graph illustrates that fundamental contradiction in the marketplace. Overall, gross farm revenues have risen steadily since the 1950s. Despite this increase, however, realized net farm incomes in Canada have continued to decline. In 2003, realized net farm income plummeted to negative $28 million. Canadian average net farm income in 2003 was negative $20,000 per farm. While gross revenue has climbed, realized net farm income has fallen. The high cost of inputs such as seed, fertilizer, machinery and petroleum has accounted for much of the transfer of wealth out of the hands of farmers. Despite increases in production, as farmers have adopted new



technology, they have also faced falling prices at the farm gate for the commodities they produce. The bottom line is that farmers are producing more for less, while retailers, processors, distributors and input suppliers are capturing the profits.

The National Farmers Union has proposed a sixteen point plan for overcoming the farm income crisis, as outlined in a series of presentations to Hon. Wayne Easter, Parliamentary Secretary to the Minister of Agriculture and Agri-Food. Among the recommendations is a call to rein in the burgeoning economic power of corporate players in the food chain: input suppliers, processors, retailers and distributors.[3]

The current market situation for cattle and beef

The farm income crisis is not due to farmer “inefficiencies”, but is in fact attributable to the dominant market power of a relative handful of very powerful corporations. Nowhere is this more clearly demonstrated than in the beef processing sector. Over the past two years, a number of investigations by the House of Commons Agriculture Committee, the Senate Agriculture Committee, the Alberta Auditor General, and the federal Competition Bureau, into allegations of excessive profiteering by Cargill, Tyson, XL Foods and other packing companies have brought to light important information about this sector.

The big players in the Canadian beef packing industry are the federally-inspected plants. There are currently 19 federally-inspected beef packers in Canada, ranging in size from a weekly slaughter capacity of 25 head in Lacombe, Alberta, to 22,000 head in Brooks, Alberta.

The two largest packers, Lakeside (Tyson) and Cargill, are both currently ramping up capacity by approximately 4000 head per week, further increasing their dominance over the industry. XL Foods, with its two plants in Moose Jaw and Calgary, is the third largest player in the game with a combined slaughter capacity of 9,000 head weekly. Better Beef Ltd. of Ontario is currently the fourth-largest packing plant with a capacity of 8,500 weekly, nearly matching XL’s output.

The following table illustrates the location and capacity of these plants.[4]

[3] “Solving the Farm Crisis: A Sixteen Point plan for Canadian Farm and Food Security”, presented by the National Farmers Union, January 20, 2005, Saskatoon, SK
[4] Canadian Livestock and Beef Pricing in the Aftermath of the BSE crisis, Report of the Standing Committee on Agriculture and Agri-Food, Paul Steckle, MP, Chair, April, 2004

Table 2.2
Canadian Federally Inspected Beef Packers — 2003

Company	Location	Type of Cattle	Weekly Slaughter Capacity (Head)
Medallion Meat Corp.	Falkland, B.C.	Beef	500-600
Pitt Meadows Meats	Pitt Meadows, B.C.	Steers, Cows, Bulls, Calves	75
Northwest Foods Inc.	Edmonton, Alberta	Steers, Heifers, Cows, Bulls, Bison	600
Bouvry Export Co. Calgary Ltd.	Fort McLeod, Alberta	Bison	1,200
Cargill Foods	High River, Alberta	Steers, Heifers	20,500
Lacombe Research Centre	Lacombe, Alberta	Steers, Heifers, Cows, Bulls	25
Lakeside Packers Ltd. (Tyson)	Brooks, Alberta	Steers, Heifers, Cows, Bulls	22,000
XL Beef	Calgary, Alberta	Steers, Heifers, Cows, Bulls	5,000
XL Beef	Moose Jaw, Sask.	Steers, Heifers, Cows, Bulls	4,000
Plains Processors Ltd.	Carman, Manitoba	Steers, Heifers, Cows, Bulls, Calves	200
Better Beef Limited	Guelph, Ontario	Steers, Heifers	8,500
St. Helen's Meat Packers Ltd.	Toronto, Ontario	Steers, Heifers, Cows, Bulls, Calves	2,000
Ryding Regency Meat Packers Ltd.	Toronto, Ontario	Steers, Heifers, Calves	1,500
White Veal Meat Packers Ltd.	Weston, Ontario	Calves	250
Abatoir Colbex Inc.	Wendover, QC	Bulls, Cows	2,500
Ecolait Ltée.	St-Clair Laplaine, QC	Calves	2,400
Abattoir St-Germain	St-Germain, QC	Calves	1,700
Viandes Giroux (1997)	East Angus, QC	Cows	75
Abattoir Z. Billette	St-Louis-Gonzague, QC	Steers, Heifers	600
Total			**73,725**

Source: Canfax Annual Report 2002, George Morris Centre

The Alberta Auditor General's report, which followed the money trail in the wake of the Alberta government's BSE-related assistance programs, was released July 27, 2004. This report revealed that **only three federally-inspected meat packers: Cargill, Tyson Foods (Lakeside) and XL Foods, controlled "at least 90%" of the capacity in Alberta**.[5] Between 1989 and 2002, thanks to generous financial incentives from the Alberta government, the province's feedlot sector grew rapidly, as did its share of the slaughter capacity for the country. Alberta is the fourth-largest region in North America (behind Texas, Kansas and Nebraska) for cattle inventory, and is also the fourth largest

[5] "Report of the Auditor General on the Alberta Government's BSE=-related assistance programs", Auditor General of Alberta, July 27, 2004, page 13

cattle-feeding region. Alberta's cattle on feed inventory peaked at 1.6 million head in 2000. Between 1989 and 2002, Alberta's cattle slaughter capacity grew by 81%, and currently the province accounts for 72% of the entire Canadian slaughter industry.[6]

Large feedlots linked to major packers

Alberta is also the province where the major feedlots are concentrated. The province has approximately 500 feedlots with an average size of 1,500 head – and 208 of those large feedlots have greater than 1,000 head capacity. These largest feedlots have a combined capacity of 1,545,600 head per cycle, or at least 3 million head per year.[7] The top 20 feedlots with over 1,000 head capacity represent 50% of the total capacity of the province while only representing 10% of the number of feedlots.[8]

While the Alberta Auditor General's report clearly outlined the disproportionate capacity and market share of a small percentage of the feedlots, it failed to delve into the relationship of those extraordinarily-large feedlots with the packing companies. While acknowledging the influence of currency fluctuations and the traditional price spread between Canadian and US markets prior to the closure of the US border to live cattle exports in May, 2003, the Auditor General's report suggests the price discovery mechanism for feeder cattle and fed cattle is a direct function of "the continual interaction of both supply and demand forces".[9]

The direct link between many of these largest feedlots and the dominant packing plants is direct ownership of cattle as well as the purchase of cattle through contracts, similar to the methods used by these same corporations in the United States. Tyson owns Lakeside Feeders, one of the largest feedlots in Alberta, and therefore can source significant numbers of cattle from its own facility. While Cargill does not own feedlots directly, it does own cattle in those feedlots, and therefore can also access its own animals when it is expedient to do so.

The Alberta Government is also helping out the large feedlots with ties to packers by subsidizing their risk through the Alberta basis program. This program guarantees cattle feeders who set aside fed cattle a minimum value based on a discount to American prices when the cattle are sold. Historically that basis was about 7 to 8 cents per pound under the US price. In 2004, the average cash spread was about 31 cents a pound.[10]

The following table illustrates the size and capacity of feedlots in Saskatchewan and Alberta.[11]

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[6] Alberta Auditor General's report, ibid, page 15
[7] Alberta Auditor General's report, ibid, page 15
[8] Alberta Auditor General's report, ibid, page 15
[9] Alberta Auditor General's report, ibid, page 19
[10] Alberta Aid undermines Manitoba, Allan Dawson, Farmers Independent Weekly, May 28, 2005
[11] "Canadian Livestock and Beef Pricing in the aftermath of the BSE crisis: Report of the Standing Committee on Agriculture and Agri-Food, Paul Steckle, MP, Chair, April, 2004, page 20

Table 2.1
Alberta and Saskatchewan Feedlots and Bunk Capacity — 1 January 2004

Bunk Capacity	Alberta		Saskatchewan		Alberta and Saskatchewan		Bunk Capacity
	#	Capacity as % of Total	#	Capacity as % of Total	#	Capacity as % of Total	
1,000-5,000	130	20%	19	34%	149	21%	1,000-5,000
5,001-10,000	46	22%	6	29%	52	22%	5,001-10,000
10,001-15,000	14	11%					
15,001-20,000	11	13%	3	38%	39	57%	10,001+
20,001+	11	35%					

Source: Canfax

The result is that when prices at independent feedlots rise to a level where the major packers are unwilling to pay, they can simply stop buying on the open market and revert to drawing on their own captive supply. This has the effect of capping the upward price trend and lowering prices to levels dictated by the packing companies.

A farmer from Lethbridge, Cor Van Pelt, published a letter to the editor in the local Lethbridge paper on March 15, 2005, in which he documented packer reluctance to purchase cattle, and the resulting direct influence on prices:

"Here we go again.
Wednesday, March 2, 2005, fat cattle were selling at $1.51 - $1.55 on the rail. This is for a carcass of about 925 lbs. This was the day before the court ruling in Montana was to be announced. Thursday, March 3, 2005, packers weren't buying cattle. They were waiting for the announcement in Montana. (This, by the way, indicates that the packers' ability to own thousands of head of cattle is very detrimental to the beef industry.) Friday, March 4, 2005, feedlot operators were offered $1.36 rail grade. And on Wednesday, March 9, 2005, their offer was $1.33. While the prices offered by the packers plummeted, nothing at all had actually changed at the packing plants. Before the court ruling in Montana, packers and order buyers were not shipping fat cattle to the USA. After the Montana ruling they did not ship cattle south. The only difference? Perhaps $200 or more per head to the feedlot operator. And this money went straight into the pockets of the packers (Cargill and Tyson's Lakeside). One wonders when these people will be taken to task for their unscrupulous behaviour!"

As the House of Commons Agriculture Committee noted in a report in April, 2004, Alberta and Saskatchewan data confirms the trend to fewer and larger feedlot operations. This report notes that Cargill, Tyson and XL Foods control 95% of the western Canadian packing industry. "They are also vertically integrated into feedlot operations, with packer-owned cattle procurement averaging 16% of Alberta cattle marketings in the past six years.[12] It is claimed that, like Colorado-based packers, Alberta packers are more

[12] House of Commons Ag Committee report, ibid, page 25 – quoting Canfax Weekly Summary, Volume XXXVI, Issue 6, 13 Feburary, 2004, page 1

vertically integrated (in percentage terms) than their Kansas, Nebraska or Texas counterparts to manage the greater seasonal aspect of fed cattle supply in Canada. Partial vertical integration thus provides a more secure and balanced supply of fed cattle to their packing operations throughout the year, thereby lowering their investment risk while realizing greater economies of scale."

The House of Commons Ag Committee also makes a point of questioning the degree of "competition" between Canadian-based subsidiaries of US multinationals and their parent companies. "Cargill Foods and Lakeside Packers Ltd. are subsidiaries of US-based multinational corporations that benefit from considerable market infrastructure in, and information on, the United States, Japan, Mexico and other major meat-importing countries. Being part of this larger network requires their management to use Canadian cattle and beef in ways to *complement and coordinate, but not directly compete with,* their US-based plants. A competitive advantage is believed to be obtained from this type of corporate organization."[13]

Both Cargill and Tyson are dominant in the US beef packing industry. Together with Swift & Co. and National Beef Packing Co., they control 83.5% of the market in the United States.[14] The Competition Bureau of Canada itself has noted, in a report by Kevin Grier of the George Morris Centre released in February 2005, that "four firms are responsible for 85% of Canadian slaughter. These four firms are Better Beef, Guelph, Ontario; Cargill Foods, High River, Alberta; Lakeside Packers, Brooks, Alberta; and XL Foods, in Calgary, Alberta and Moose Jaw, Saskatchewan."[15]

The massive influence of the big packers on the supply and price of cattle through feedlots is illustrated by the finding of the Alberta Auditor General in his report, when he pointed out that of the nearly $403 million in BSE compensation paid by the Alberta government in 2003, the largest recipients were Cargill ($9 million) and Tyson ($33 million) because they were among the largest "owners" of cattle in the province.[16]

As Mike Callicrate, a rancher from Colorado and a vocal critic of corporate control in the US marketplace, noted: "Today, we have four packers that control over 80% of the total steer and heifer slaughter in the United States, with IBP (Tyson) being the largest of those packers. IBP is in partnership with Wal-Mart, the largest retailer in America – the largest in the world, in fact – and together they are able to put downward pressure on cattle prices. Being their largest input expense, it's very important for them to try to reduce their cost of cattle as much as possible. They've done that through their basic market power, which derives precisely from the fact that they are so large – and there are so few bidders in the market – that they seem to be able to coordinate their effort. I mean, when

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[13] House of Commons Ag Committee report, ibid, page 25, [Emphasis added.]

[14] Concentration of Agricultural Markets, January 2005, Mary Hendrickson and William Heffernan, Department of Rural Sociology, University of Missouri. www.foodcircles.missouri.edu/CRJanuary05.pdf

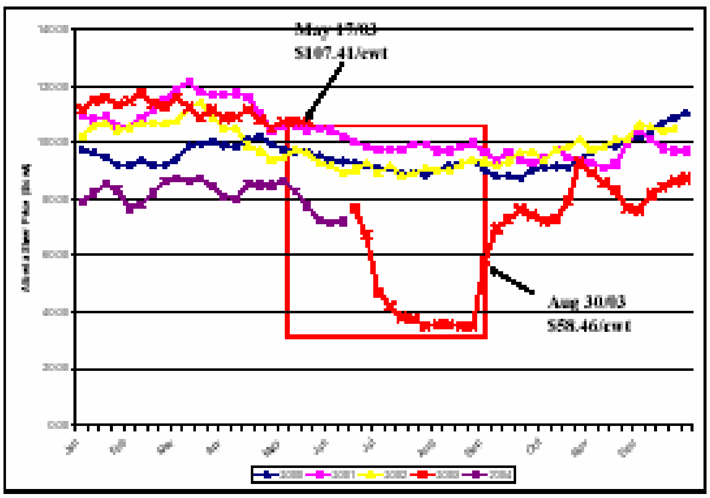
[15] "Analysis of the Cattle and Beef markets Pre and Post BSE: Final Report to the Competition Bureau," Kevin Grier, Senior Market Analyst, George Morris Centre, February 2005. Page 44. (Grier quotes a US trade publication, Cattle Buyers Weekly, as saying the top four US packers only account for 70% of total cattle slaughter in the US.)

[16] Alberta Auditor General's report, ibid,

IBP comes out on a Monday or Tuesday to the feed-yards and bids a low price, the other packers know immediately what they're bidding, and they all bid the same. As a result, we've lost about $400 of the producer share of the consumer beef dollar here in the last several years, since these packers have come to the point where they can control these prices."[17]

When the US border slammed shut to exports of live cattle in May, 2003, the packers took advantage of the Alberta government's CABSERP program to depress prices at the farm gate. The following graph illustrates the sharp fall in steer prices between May 17, 2003 and August 30, 2003. The Auditor General report's data confirms that the packers had sufficient influence in the market to not only negatively influence prices, but also to capture the compensation payments to farmers by lowering prices by an equivalent amount.[18]

Figure 2 Alberta Weekly Steer Prices



Source: CanFax

The inescapable conclusion is that the livestock sector in general, and the beef packing industry in particular, is heavily dominated by two very large, and very powerful, US-based multinational corporations, Cargill and Tyson. The influence of these two companies in manipulating prices at all levels is immense.

Is there competition in the market?

While a majority of younger cattle produced in western Canada are marketed through feedlots and end up being processed in the larger plants in Alberta, there is a small percentage of animals that are sent to eastern plants for processing.

In 2003, there was a total of 12,350 head of cattle (including bulls, cows, steers, heifers and calves) which were shipped to Ontario plants for slaughter. In 2004, that number

[17] "Breaking the Cattle Trust: A Rancher's Crusade against a Modern Monopoly", Acres USA, March, 2002
[18] Alberta Auditor General's Report, ibid, page 80

declined to 7,220. While this marked a significant decline, it was more in line with the shipments of slaughter cattle to Ontario in 2002, when the total was 7,980.[19]

Table 4 Destination of Saskatchewan Slaughter Cattle Marketings, 2003 and 2004

	total slaughter		bulls		cows	
Destination	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
Saskatchewan	**167 740**	**138 440**	**6 940**	**6 870**	**9 390**	**56 180**
Exports	**219 740**	**145 240**	**7 990**	**6 390**	**56 180**	**27 870**
Alberta	204 010	104 550	4 690	350	51 930	10 460
Manitoba	2 150	4 970	250	740	1 020	3 240
Ontario	7 220	12 350	160	10	130	40
Other Provinces	6 360	2 140	2 890	400	3 100	1 600
U.S.A.	0	21 230	0	4 890	0	12 530
Total	**387 480**	**283 680**	**14 930**	**13 260**	**65 570**	**84 050**

	steers		heifers		calves	
Destination	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
Saskatchewan	**99 460**	**50 970**	**51 840**	**24 410**	**110**	**10**
Exports	**99 590**	**79 500**	**55 960**	**31 370**	**20**	**110**
Alberta	93 030	64 810	54 340	28 820	20	110
Manitoba	530	410	350	580	0	0
Ontario	5 850	10 860	1 080	1 440	0	0
Other Provinces	180	40	190	100	0	0
U.S.A.	0	3 380	0	430	0	0
Total	**199 050**	**130 470**	**107 800**	**55 780**	**130**	**120**

In Alberta, there is also a small percentage of animals that are shipped to slaughter in Ontario. Because Better Beef is the largest Ontario packer, it is among the most active buyers from Ontario. While higher trucking and handling costs will play a part in a farmer's decision to ship cattle from western Canada to Ontario, the fact that a farmer has that option available will provide leverage for him in the marketplace.

In other words, the influence of a buyer from Ontario or Quebec cannot be measured entirely in terms of the number of animals purchased. The presence of that buyer serves to balance, to a certain extent, the dominant influence of major packers in western Canada.

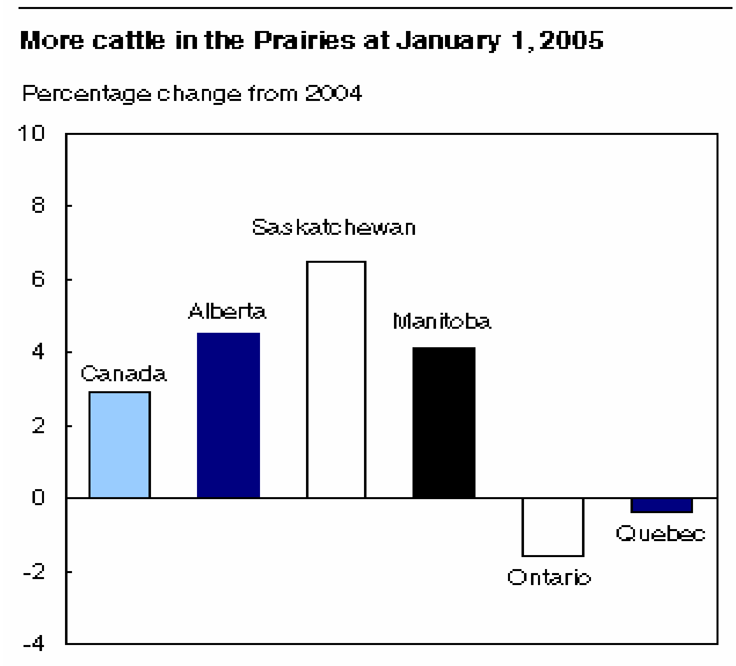
[19] "Destination of Saskatchewan Slaughter Cattle Marketings, 2003 and 2004; and 2002 and 2003, Government of Saskatchewan, Saskatchewan Agriculture and Food, www.agr.gov.sk.ca/apps/cattlemarket/cm_main.asp?firstPick=Reports&secondPick=Cattle%20Marketing

Feedlot operators in Alberta have confirmed that while sales to Ontario and Quebec plants are relatively small, the market influence of these eastern packers is somewhat weighted because they represent another option for farmers. In the overall picture, the market is clearly dominated by the major packers, however.

Cargill's market power influences lending decisions

Ever since the BSE crisis hit, farmers across the country have been pressing federal and provincial governments to provide assistance is establishing independent, Canadian-owned and producer-controlled processing plants. The massive surplus of cattle, particularly cull cows, is a major factor depressing farm income in Canada.

As of January 1, 2005, Saskatchewan's cattle herd was estimated at over 3 million head, a substantial increase over the 2.85 million head a year earlier. In fact, Saskatchewan's cattle herd rose 6.5% from 2004, the biggest increase of any province in Canada.[20] As of January 1, 2005, there were 9.5 million head of cattle on cow-calf operations across Canada. The cost of managing these larger herds rests entirely on the individual farmer.



While some efforts to build independent slaughter plant capacity have made headway, the real difficulty will come when they try to compete with the two largest US-owned packers, which are also ramping up their capacity.

[20] "Livestock Estimates," The Daily, Statistics Canada, Thursday, February 17, 2005. www.statcan.ca/Daily/English/050217/d050217b.htm

But the challenges faced by these independent packing plants are not limited to the highly-concentrated market conditions they will face when, and if, they become operational.

There are indications that financial institutions are reluctant to risk investment in independent, farmer-owned packing plants because of Cargill's ability to crush smaller competitors through direct and indirect means. Through recent acquisitions, such as Carvelle Foods, Cargill has the ability, and the incentive, to directly undercut competitors who contract to supply beef from cull cows for the fast-food industry within Canada.

The fact is that Cargill is very much aware of the growing pressure for independent Canadian processing capacity, and is prepared to take steps to protect its interests.

In testimony to the US House of Representatives in Washington, DC on March 1, 2005, Ken Bull, Vice-President of Cattle Procurement for Cargill Meat Solutions, expressed concern over potential disruption of the marketplace:

"But what the committee may not yet have focused on is that there has been a quiet, yet substantial change going on in the processing industry that doesn't bode well for the entire sector.

"As Canada has been isolated, in order to process a large supply of fed-cattle that otherwise would have come south to places like Washington, Utah, and Colorado, Canadian processors have now added about 5,000 head of packing capacity per day, or 30,000 head per week…

"The North American beef sector is not limitless in its ability to grow. Our growth will come only from two sources – increased domestic consumption , and increased trade. I can say with great certainty that neither of these growth avenues will absorb the kind of packing plant capacity expansion we have seen. When trade returns to some sense of normality, there will be excess capacity left somewhere. Less efficient capacity may find it challenging to compete with the newer, more efficient operations that have been built"[21]

Bull also pointed out that "Cargill's Schuyler, Nebraska beef plant is more than 1000 miles closer to the Canadian population centres of Toronto and Montreal than is our High River, Alberta plant."[22] Cargill continues to view the Canadian beef sector as part of a highly-integrated North American market, and is capable of adjusting its business plans to take advantage of closed or open borders.

Will an open border make a difference?

[21] Testimony of Ken Bull, Vice-President, Cattle Procurement, Cargill Meat Solutions, before the House Committee on Agriculture, March 1, 2005. www.agriculture.house.gov/hearings/109/h50301w4.pdf
[22] Testimony of Ken Bull, ibid.

In 2004, the National Farmers Union made several presentations to the Competition Bureau urging that the takeover of Schneiders Foods by Maple Leaf Foods be blocked. The NFU opposed the takeover on the grounds that it would give Maple Leaf Foods a virtual monopoly over hog sales in western Canada. The Competition Bureau rejected the NFU's arguments, saying the presence of buyers in the United States would provide sufficient price competition. A countervailing duty was subsequently placed on Canadian hogs which virtually wiped out that option for producers. Meanwhile, the merger was approved in April, 2004.

In the wake of that merger, Maple Leaf Foods has significantly strengthened its hold on the marketplace. According to a report on CBC News, Maple Leaf Foods "has reported significant jumps in sales and profits in the final quarter of 2004 as its earlier acquisition of Schneider Foods continued to boost its top and bottom lines. Maple Leaf said Q4 sales surged 40 percent to $1.8 billion, while quarterly profits grew 23 percent to $33.2 million."[23]

Over the past two decades, the open border and the integration of the North American beef sector has meant fewer buyers and less competition in the marketplace. It is unrealistic to expect that an open border in the future will reverse that trend.

The National Farmers Union strongly recommends that the Competition Bureau block the proposed takeover of Better Beef by Cargill.

[23] CBC News, Wednesday, February 23, 2005