

Questions Arising at the Livestock Committee Meeting (August 6, 2009)

Hormone Beef into EU: “Does the European Economic Union (EU) limit the import of Canadian beef produced with hormones?”

- The answer is “Yes”.
- The U.S. has challenged the restrictions through the WTO and three tribunals have ruled against the EU ban.
- Nevertheless, the EU continues to refuse Canadian beef produced with hormones.
- Under WTO rules, the EU can continue to ban the imports but must accept allowable retaliatory measures from affected countries. Canada is imposing tariffs against selected EU exports on a rotating basis, choosing to target products with emerging popularity.

In addition, there are stringent rules for beef produced WITHOUT hormones

- Hormone-free Canadian beef is limited to an annual EU quota of 11,000 tonnes.
- Hormone free beef intended for the EU market must go through a rigorous and convoluted process before being accepted.
 - Calves need to be registered, pretty much right after birth, with an accredited, practicing veterinarian, then monitored with a paper trail through to feeding.
 - Ultimately this beef must be packed at an EU inspected plant. There are only two such plants in Canada – Canadian Premium Meats in Lacombe, AB and Bouvry Exports in Fort Macleod, AB, both small.
- Furthermore, EU does not accept whole carcasses and initial primal cuts, and has a 45% tariff on boneless trim. The EU typically takes only loin and other prime cuts.
- Thus, it becomes very expensive to access the EU market with hormone-free beef.
 - The cost of finishing hormone-free beef is about 20% higher (than hormone produced beef) for the whole carcass. This cost has to be recovered from sale of the prime cuts that the EU prefers, which make up only about 15% of the carcass.
 - EU importers are reluctant to pay for the premium product and consistently argue for a ‘conventional’ carcass price.
- That EU trade practices can be discriminatory, particularly through their use of health-related regulations as trade barriers, is driven home by their treatment of organic beef imports that ought to qualify within the 11,000 tonne quota. They require certified organic beef, free of hormones by definition, to also go through the same process as non-organic, hormone-free beef.

Negative Margins: “Is negative margin coverage in the AgriStability program the same for all livestock sectors?”

- “Yes”, it applies consistently to all livestock sectors.
- The very first program design intended not to cover negative margins but that was changed immediately after being announced.
- Originally, 60% of the current year negative margin was covered provided the reference margin was positive and no more than two of the previous five margins were negative.
- In light of the impact of BSE, changes were made to allow coverage under more circumstances. Negative margins are now covered even though the reference margin is negative but only if there are at least two positive production margins out of three selected by Olympic averaging from the last five years.