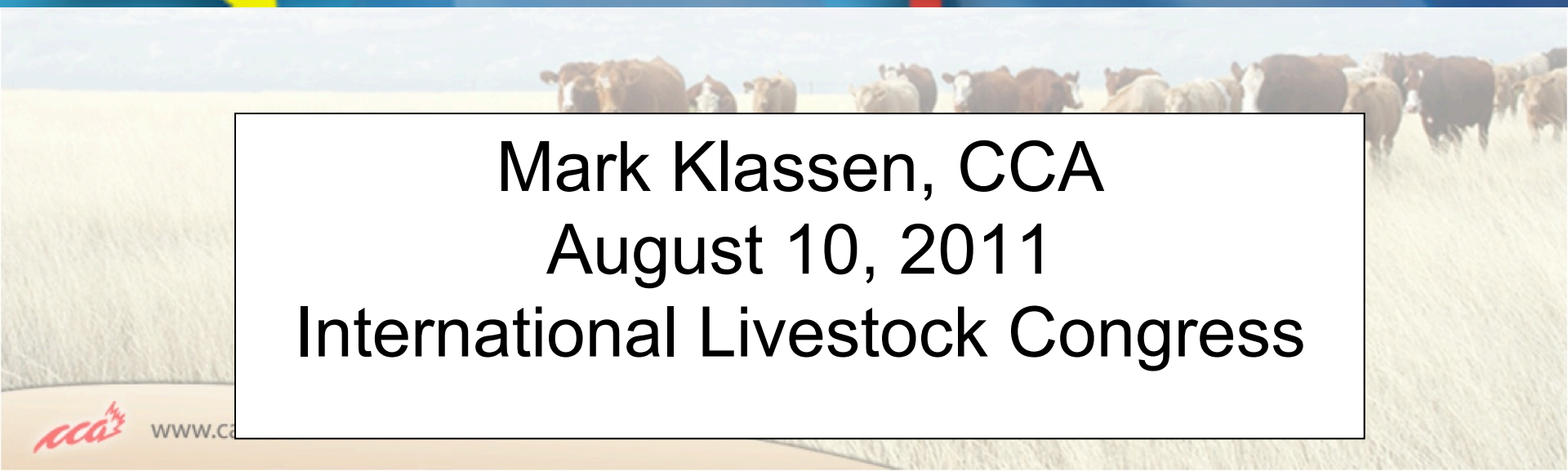


# EU Market Issues for Canadian Cattle Producers and Processors



Mark Klassen, CCA  
August 10, 2011  
International Livestock Congress

# Overview

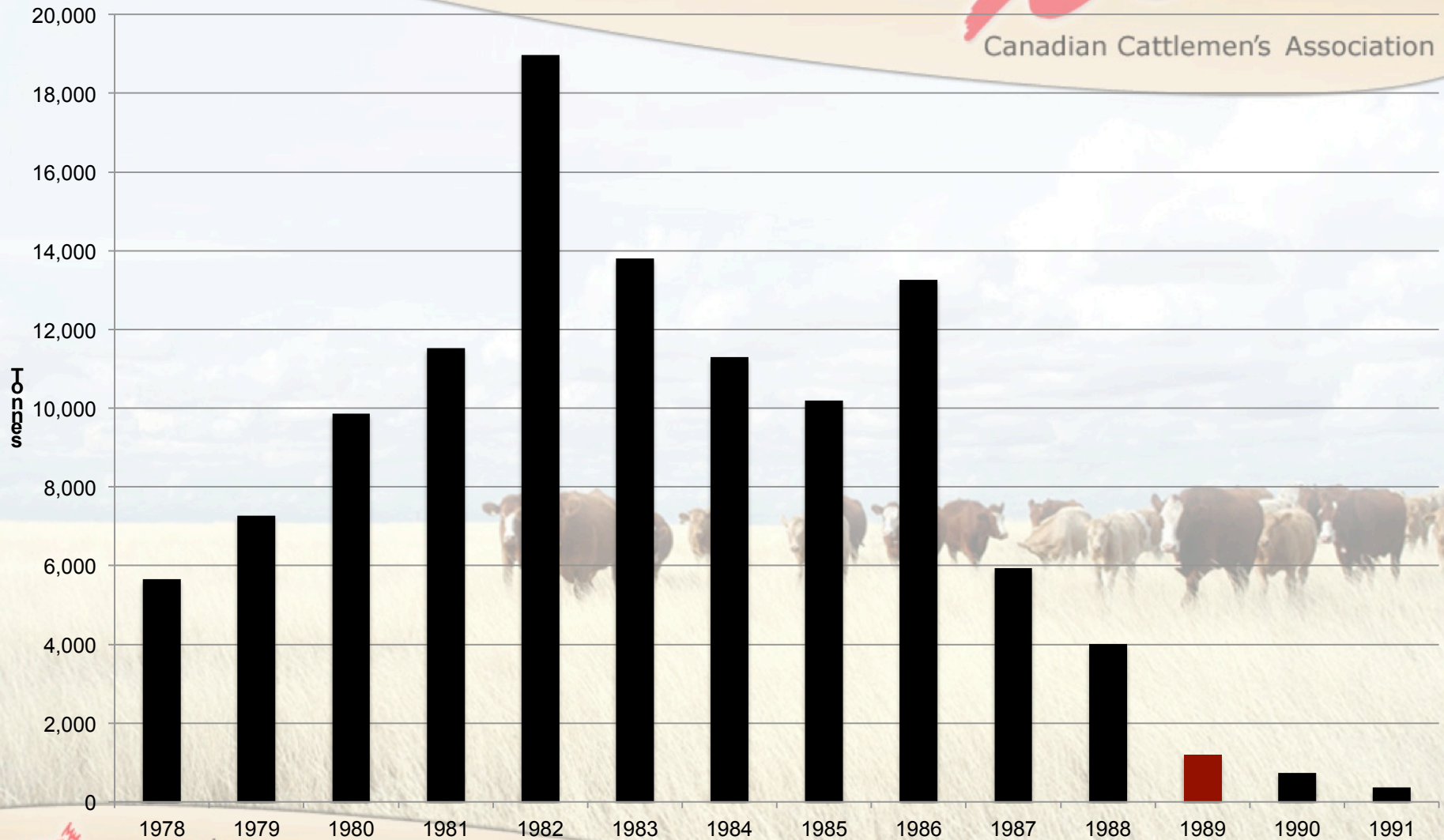


- Overview of the EU GEP Ban and its broader implications for other markets
- Current and Potential Canadian Beef Export Volumes to the EU
- Canadian Cattle Production Issues
- Canadian Processor Issues for EU Exports



# The EU Ban on Growth Enhancement Products (GEPs)

# EU Trade Before the Hormone Ban



# The Origin of the GEP Ban in the EU

- Reports in the 1970s over the illegal use of dethylstilboestrol (DES) in veal production in France (potential carcinogen)
- Little producer knowledge about use or consequences of misuse at that time
  - Consumer concerns that this was linked reports of early puberty in Italian girls
  - DES found in baby food containing veal and reports of birth defects.
  - EU consumers called for a boycott of veal

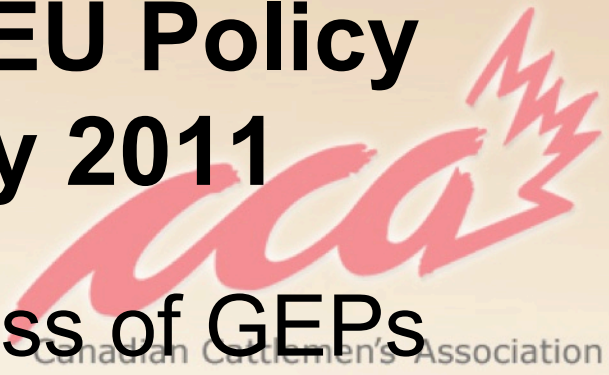


# The Origin the GEP Ban in the EU



- EC Proposed a ban on all HGP's in 1980
- 1981 scientific study (Lamming Report) was commissioned
  - Lamming Report concluded that most hormones **would not** present any harmful health effects when used appropriately
- Report was rejected by EU Parliament and revised in 1985 to support the ban which was fully implemented in 1989

# Broader Implications of EU Policy Codex Meeting of July 2011



- Beta agonists are a newer class of GEPs used in approx. 50% of Canadian Cattle
- 4<sup>th</sup> attempt at Codex failed to achieve MRLs for Ractopamine (Optaflexx™) due to opposition led by the EU 27.
  - This occurred despite a Joint FAO/WHO Expert Committee on Food Additives (which includes EU scientists) which confirmed safety of Ractopamine in 2004, 2006, and 2010

# Broader Implications of EU Policy



- Inability to set a MRL creates potential issues in Non-EU markets for our beef
- Taiwan now cites the lack of a MRL as key to its rationale to continue zero tolerance policy on Ractopamine.
  - Taiwan exports are down this year by 88%
- Potential trade issues China and Russia as well.

# Broader Implications of EU Policy

- Canadian industry may face increasingly difficult decisions around use of GEPs
  - Difficult to segregate 50% of cattle that use beta agonists at plants with so many other existing sorting requirements
  - Financial benefits of beta agonists greater than premiums available from Taiwan but calculation will need to be reevaluated if other export markets are impacted

# Current and Future EU Export Volumes

# Current EU Export Volumes



- May 2011 YTD Export Volumes (beef & offal – Statistics Canada)
  - Canada = 170 tonnes
  - USA = 11,738 tonnes
- USA currently ships approximately 69 times more YTD
  - Prior to the ban about 10 times more
  - Canadian industry is facing some unique challenges which limits exports and producer participation

# Potential Export Volumes Long Term GIRA Projections



- EU production declining over time
- Consumption decreasing more slowly (poor) economy may reduce further
- Net effect is projected increase from 2010 imports of between **50%** (w/o Doha) to **156%** (+854K t cwe) in imports by 2025.

Estimated Impact of Doha Agreement on Total EU 27 Imports of Beef from all Origins (tonnes cwe)				
Scenario	2010 Forecast	2025 Forecast	Increase (2025-2010)	Increase (%)
Successful Doha Round	546,000	1,400,000	854,000	156%
Current EU Access Rules	546,000	820,000	274,000	50%

**Key Assumptions:** EU will require increased imports to meet demand as domestic production continues to decline due to increased milk yields in the dairy herd (67% of the EU27 cow herd are dairy cows), and the low profitability of the suckler cow sector. The Doha Round projections assume an offer from the EU similar to what was on the table during July 2008 Doha Round negotiations.

# Potential Export Volumes

- EU is one of the worlds largest markets for beef and a very significant opportunity for the Canadian industry
- An EU/Canada FTA (and perhaps a DOHA agreement as well) can expand existing access to quota with very favorable tariff rates.
- Our success will be significantly influenced by the ability to resolve issues impacting our cattle production and processing.

Canadian Cattlemen's Association

# Canadian Cattle Production Technical Issues for the EU Market

# Cattle Production Protocols for the EU



- The most significant issue is the requirement to implement protocols in the Canadian Program for Certifying Freedom from GEPs for the Export for Beef to the EU
  - Because of the complexity there has been very limited participation and producers seldom register for more than one year.
  - Currently several western feedlots along with cow calf operations in the program and no eastern participation.



# EU Cattle Production Protocols

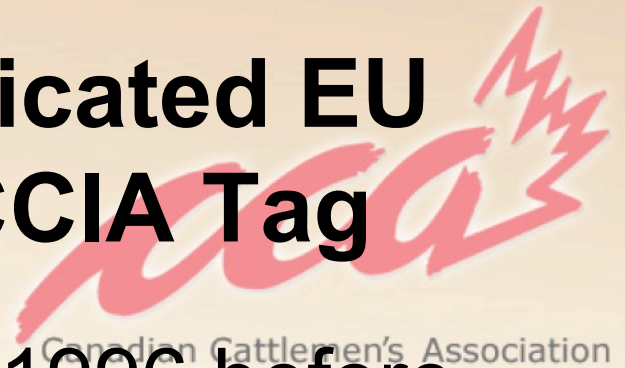


- Cost of production is critical because loss of GEPs costs approximately 100\$/head in lost growth efficiency and carcass yield.
- Original protocol estimated to cost an additional 20-40\$/head for administration
- CCA held a workshop with CFIA and industry to identify the most significant concerns and to initiate a rewrite of the EU protocol for cattle production.



# 1. Requirement for a Dedicated EU Tag in addition to the CCIA Tag

- EU protocols implemented in 1996 before CCIA tag implemented but today they still require purchase of an additional EU tag
  - Only one supplier for the tags and often they were not available in a timely manner
- Cattle required the tag before leaving the cow-calf operation so lack of availability meant eligible animals could not be utilized.



# 1. Requirement for a Dedicated EU Tag in addition to the CCIA Tag



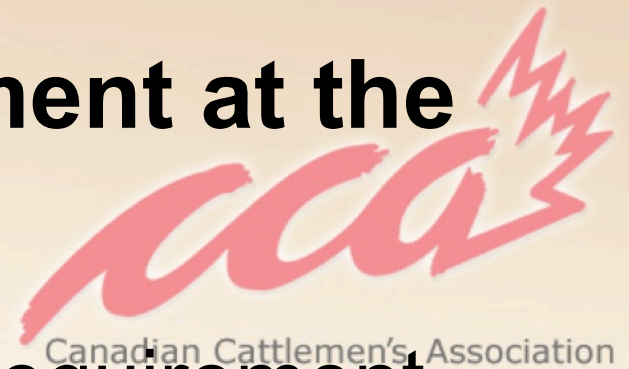
- As an interim solution industry proposed a new policy allowing tags to be placed at the feedlot recognizing the CCIA tag preserved the identity of the animal.
- In the rewritten protocol the EU tag is eliminated along with the cost and delays.
- CCIA tag on its own fully satisfies all the requirements of the US EU protocol and no doubt sufficient for Canada as well.

## 2. Urine Testing Requirement at the Feedlot



- Collection of urine at the feedlot is not easy
- Limited program participation meant that urine samples might not be tested until a significant quantity was accumulated
- This can result in delays upto 8 weeks which can delay shipment of EU eligible animals to slaughter

## 2. Urine Testing Requirement at the Feedlot



- Revised program eliminates requirement for urine testing at the feedlot.
- Surveillance to be conducted at the plant through procedures defined by National Chemical Residue Monitoring Program.
- Note that that urine testing at the feedlot is not required under the American protocol for the EU

### 3. Cost of Accredited Veterinarians to Audit the EU Protocol



- Canada's protocol for the EU requires an accredited veterinarian to be physically present to monitor multiple aspects.
- Canadian feedlot in the EU program had one or more vet visits per week with associated cost and logistical challenges.
- Equivalent sized feedlot (5000+) under the US program required 2 visits per year by an individual who was not a veterinarian.

### 3. Cost of Accredited Veterinarians to Audit the EU Protocol



- As an interim solution the requirement for veterinary visits was greatly reduced.
- Under the rewritten EU program visits to enrolled operations will be similar to the US program. (cow-calf=1/feedlot= 2 visits)
  - E.g no requirement for vet at tag replacement
- Canada will continue to use vets but we must monitor cost recognizing US and Australia protocols do not require this.

# 4. Transfer Certificates and other EU Paper Work Extensive



- Cattle producers noted the paper work burden in the program as problematic.
- Revised EU protocol reduces and simplifies transfer certificates preparation.
  - e.g. previously would need to run animals through the chute at cow-calf to record IDs before shipping with associated cost and risk of injury. As they are scanned at feedlot in any event these numbers will be sent back to cow-calf.

# 4. Transfer Certificates and other EU Protocol Paper Work Extensive



- We are exploring further the approaches used in other countries.
  - Australian program (European Union Vendor Declaration and Waybill)
- Need to ensure credibility without compromising our ability to compete

## 5. Increase Availability of EU Eligible Cattle



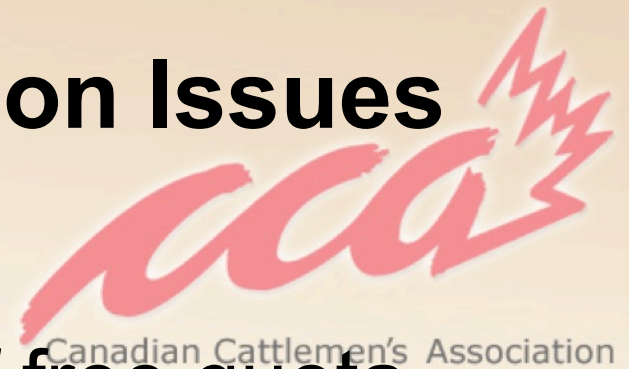
- Availability of eligible cattle a significant issue and prevents consistent supply
  - Cattle often go to domestic hormone free programs with reduced requirements
- Industry has proposed that in the revised EU program it will be possible retain eligibility of animals that have left the original premise such as those on community pasture or forestry reserve

# 5. Increase Availability of EU Eligible Animals



- We have proposed to CFIA protocols which allow EU animals to be purchased at auction in the new program
  - Inability to source cattle at auction eliminates access to large numbers of cattle
  - Australian and US program already permits sale of EU eligible cattle at auction.
- Also proposed that certified organic cattle can qualify

# Tariff Free Quota Definition Issues



- US and Canada granted tariff free quota as compensation for hormone dispute
  - US granted tonnage equivalent of \$116 million in compensation and Canada \$11 million
  - Countries that can meet the definition of high quality beef for the quota can ship on it. E.g. Australia
- US settled with the EU before Canada and they created the quota definition

# Tariff Free Quota Definition Issues



- US Tariff Free Quota definition
  - 1. Diet for the last 100 days, contains 62 % of concentrates on a dietary dry matter basis with at least 12.26 MJ ME per kg/ dry matter.
  - 2. Fed not less less than 1.4 % of live body weight per day on a dry matter basis.
  - 3. The carcass from which beef cuts are derived are evaluated.... by an evaluator employed by the national government

# Summary of EU Cattle Production Issues



- Canada's protocol imposed restrictions not applicable to our competitors.
- These are essentially “made in Canada” trade barriers which have reduced producer participation and our exports.
- These issues will be addressed with the development of a revised protocol for the EU which is currently being finalized.

# Canadian Processor Issues for the EU Market

# Canadian Processor Issues for the EU Market



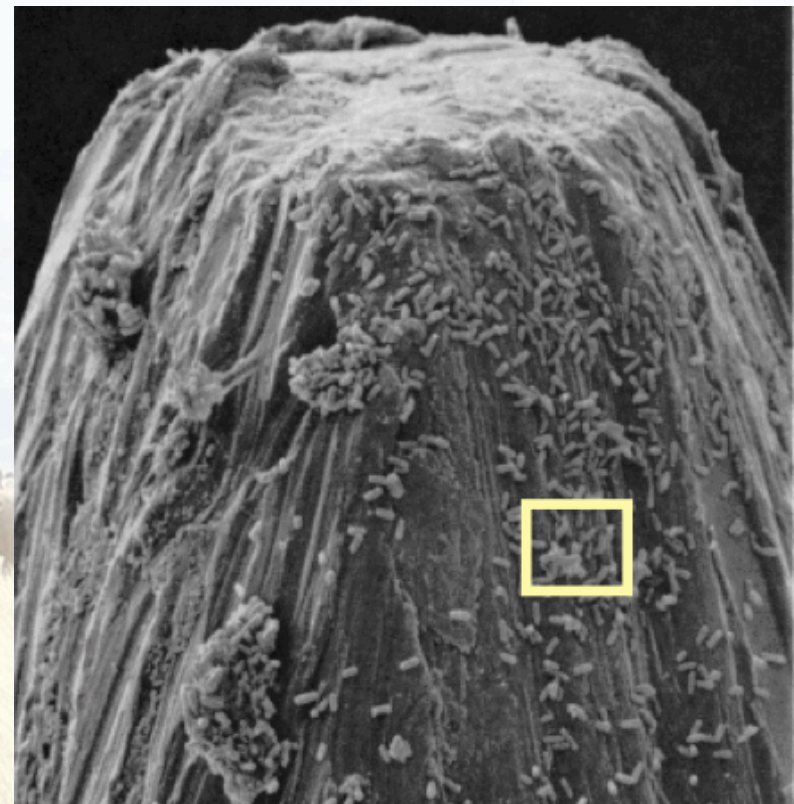
- Canada has two plants currently slaughtering cattle for the EU.
- Large Canadian plants won't export to the EU until technical barriers are addressed.
- Kill costs at small plants are upto \$150/head higher (which adds to the existing cost of EU protocol) and limits supply of Canadian beef.



# Antimicrobial Interventions the most significant issue.



- EU does not permit the use of key interventions effective against *E. coli* O157:H7 and other pathogens
- Cuts sold to the EU while trim remains in N. American market



# Carcass Pasteurization



- Canadian processors use steam or hot water applied to carcasses as one of the most effective interventions (99%)
- EU was concerned with “cooking”
- Have accepted steam pasteurization
- Hot water used by the majority of Canadian processors is still not eligible
  - Are concerned about recycling water (which is necessary due to limited supplies)

# Carcass Pasteurization



- Performed research with the Canadian industry to demonstrate microorganisms does not multiply in the hot water.
  - EU may still insist on microbial testing and additional rinse.
- Critical area which has been slow to negotiate with the EU
  - US Support

# Antimicrobial Rinses



- Canadian industry utilizes antimicrobial rinses using organic (lactic acid, acetic acid) and inorganic solutions.
  - The US has indicated that unless progress is made they will reconsider the compensation settlement with the EU
- US has submitted documentation for approval of organic acids (lactic acid)

# Antimicrobial Rinses



- We consulted with the US and agreed that one submission is best
  - Canada will have access to antimicrobials approved for US use.
- This important technical barrier will very likely be resolved soon.
- EU needs these approaches to meet their own microbial reduction goals

# Segregation Requirements



- EU cattle to be housed in separate pens, slaughtered at the beginning of the day and cuts fabricated with clear separation between other production. Offal must also be segregated.
  - Already many other processes that require segregation (Japan, Halal, Other species, OTM/UTM etc..)
  - Sorting requirements becoming very complex

# Traceability & Labeling Requirements



- EU does have specific requirements (which may increase) around traceability
  - More difficult at plant (large plants) than farm.
- Each box must have uniquely numbered EU Health Mark sticker applied over lid
- All numbers must be recorded and matched to internal plant coding. If any errors found you must disassemble pallets until it is found.

# Other Requirements



- EU registration approval for individual establishments (older plants).
- Use of wooden pallets to be phased out
- Requirements for plant to inspect 100% of carcasses for implants
- Each additional requirement adds cost which must be recovered. Much more expensive than domestic hormone free.

# Summary of Processor Issues for the EU



- Antimicrobial interventions (rinses and pasteurization) are critical to achieving volumes that take advantage of EU FTA.
- There is reason to be optimistic that this will be achieved in part because of the EU compensation agreement with the US.
- EU registration of larger plants will allow us to increase capacity and lower prices.

# Concluding Thoughts



- We will likely achieve resolution of many important issues for Canadian cattle production and processing within the next one to two years. This coupled with progress on obtaining quota with favorable tariff rates will create the most accessible conditions for trade with the EU since the hormone ban was implemented in 1989.

# Concluding Thoughts



- Fundamentally the GEP issues are larger than the EU and continued efforts at Codex and other standard setting bodies (although challenging) must be made.
- We will need to reach out to markets such as Russia and China with very large potential but with concerns around GEPs widely used in Canadian production to ensure stable market access.

# Concluding Thoughts



- The existing Canadian cattle production protocol for the EU did not achieve a workable balance between regulatory objectives and commercial realities.
- There is a need for a collaborative effort by industry & government to reexamine this balance in many aspects of our regulatory system and this must include benchmarking against other countries.

# Thank you



- Contact information for additional questions on EU protocols
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Stilbenes, stilbene derivatives; salts and esters of

- diethylstilboestrol
- dienooestrol
- hexooestrol

Thyreostats

- thiouracil
- methylthiouracil
- propylthiouracil
- tapazole

Substances with oestrogenic or androgenic action; salts, esters or metabolites of

- trenbolone
- methyltestosterone
- nortestosterone
- chlorotestosterone acetate
- methylboldenone,
- zeranol
- ethinyloestradiol

Substances with gestagenic action

- chlormadinone acetate
- melengestrol acetate
- medroxyprogesterone acetate
- megestrol acetate

Natural hormones

- oestradiol
- testosterone
- progesterone

Beta-agonists

- clenbuterol
- ractopamine
- Zilpaterol

- any other members of this family of compounds are not permitted at any time during the lifetime of the GEP free bovines.



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