

Getting Slaughtered: Issues in SK Packing Industry

Saskatchewan's domestic meat processors are fighting a two front battle for survival – trying to withstand competition from the major packers and the impacts of CFIA regulations.

Jim Warren - Editorial

In theory at least, the marketplace offers solutions to corporate concentration and declining competition in the Canadian meat packing industry. It may not be easy for small players in the meat business to survive, compete and grow, when large firms with deep pockets control 89% of the industry. And while it may not be probable, it is nonetheless theoretically possible for some of them to succeed and maybe even someday become big players themselves. While large companies have the benefits of economies of scale, smaller firms aren't entirely bereft of advantages.

Small firms are often more agile than large firms. They have the ability to respond quickly to market signals and the capacity to enter the marketplace at niche levels the majors aren't able or willing to service. Here in Saskatchewan we have dozens of small to medium sized meat processors who are making a positive contribution to our domestic meat industry. They offer support to primary producers who market farmgate meat, or to producers selling everything from, branded beef products to bison and organic meat. They can fill small orders and customize cuts and packaging for local retailers, restaurants and institutions in ways the big guys can't or won't. The ability to meet specialized market needs combined with lower transportation costs for both the cattle they buy and the beef they sell are advantages for small abattoirs.

Having the smaller guys around has been good for beef producers. After all, each and every week they provide a local market for a few hundred head of Saskatchewan cattle. Many producers will recall that our small local plants were often the only game in town for getting cull cows processed at the peak of the BSE crisis.

It is encouraging that independent business people including a good number of mom and pop operators are involved in Saskatchewan's meat industry. This is especially the case given that there isn't exactly a stampede of large firms scrambling to invest in western Canadian slaughter plants. That became clear in February of 2009 when Canada's Competition Bureau ruled in favour of XL Food's purchase of the Tyson Foods Plant at Brooks, Alberta. The Bureau's decision hinged on the fact that, XL was the only serious bidder available, and that if XL didn't buy the plant it would quite possibly close.

During the early days of the BSE mess, when it became apparent that there were too few opportunities to have cattle killed domestically, a lot of attention and investment money was directed at the construction of new packing plants. In the 2003-2006 period there were well over twenty proposals for new plants being floated in Saskatchewan. Combinations of local economic development authorities, individuals, groups of producers and Indian bands all figured their home town or farm was the ideal location for a new slaughter plant. Access to labour, transportation, or even water, often came second to local need, and enthusiasm. With the exception of the short-lived Natural Valley operation, nothing much of lasting success was

accomplished – investors lost money, and governments wasted money -- although, a number of business consultants and grant application gurus managed to make a whack of money.

Curiously, we failed to take advantage of the potential offered by our existing small plant operators. Established provincial processors like those at Drake, Swift Current, Weyburn, etc., had advantages that the proposed new operations didn't – namely: experience, branded product, and existing customers. All the proposed new plants would have, if and when they got built, was dead cows – at least until they developed a reputation, and markets. Developing product, a brand, and a revenue stream are things the existing small processors have been doing for years and in many cases, for generations. Is it not reasonable to suppose that if all the money and energy that went into promoting new plants that never got built, or failed after being built, had been invested with one or more successful existing plant operators we might have actually achieved something?

Beef industry association leaders have been correct in assuming that Saskatchewan's small processors don't offer much in terms of an immediate solution to our packer concentration woes. After all, when it's running, XL's Moose Jaw plant kills more animals in a day than all the small plants put together kill in a week. And that of course, is part of the problem – XL and Cargill are so large that many producers believe meaningful competition for slaughter cattle in western Canada has been compromised. And with the long running series of trade issues we've

been dealing with, exporting to the US doesn't always provide much in the way of relief from what is essentially a two-buyer domestic market.


Saskatchewan's smaller meat processors may not be capable of providing us with a quick fix. But they are still one of the best shots we've got when it comes to broadening our provincial marketing options over the long term. And it's not necessarily a shot that is too long or impossible. It wasn't all that long ago the Nilsson brothers were just a pair of auctioneers who decided to buy a kill plant in Calgary.

Unfortunately, things aren't breaking in favour of the smaller operators these days. XL and Cargill continue to squeeze them out of the larger retail markets and government regulations on everything from inter-provincial

trade to overzealous physical plant and food safety inspection requirements threaten their survival. If the regulatory regime could be modified to allow smaller firms greater marketing options, or if a significant portion of the \$50 million in federal cash currently available to expand the beef packing business went to some of our smaller processors, we might actually see a lasting increase in beef slaughter capacity and competition in Saskatchewan.

It is true that providing government assistance to the smaller packers runs against the grain of market principles. But it is also true that plenty of large players have had their wallets padded via taxpayer largesse over the years. There was cash for Peter Pocklington's North Battleford venture, Intercon at Saskatoon, and Taiwan Pork in Moose Jaw, and the list goes on. If stimulus

money was good for GM it should be good for our little abattoirs on the prairie. There's a strong chance mom and pop from Saskatchewan will make better use of a little regulatory and financial support for their processing operations than Peter Pocklington did. Despite Agriculture Minister Gerry Ritz's assurance that the government is making the funding required to support smaller packers available, the facts are the federal government has offered them little more than more onerous regulations and the opportunity to take on more debt.

The accompanying article and sidebars by Carol Todoruk provide a thorough overview of the circumstances and issues affecting our small and medium-sized domestic packers. 

Saskatchewan's Meat Packing SNAFU (Situation Normal All ***** Up)

By Carol Todoruk

The ability of a home grown entrepreneur to process and sell Saskatchewan beef is governed by a morass of regulations, red tape, and approval processes that make getting into the meat business tough and staying in it even tougher.

Our federal government has the constitutional authority over interprovincial trade of any kind. For the meat business, this means only products coming out of federally certified abattoirs and processing facilities can be sold outside of Saskatchewan.

In Saskatchewan, slaughter houses and meat processing facilities can

fall under four different levels of legislation and regulations: EU, federal, provincial, and health district (See side bar: *Levels of Government Licensing*). Nothing gets into the EU unless their regulators have approved the plant. And their rules are more onerous than Canada's federal level of certification, which nonetheless still happens to be good enough for a long list of non-EU countries.

The only federally certified beef slaughter facility in Saskatchewan is XL Foods in Moose Jaw, But we do have a handful of federal meat processing facilities. One assumes that when Natural Valley was running and killing horses it had both federal and

EU status for its Neudorf-Wolseley plants but that matters little today. The operation is going through bankruptcy and a judge recently ruled the receiver can sell off the assets piece by piece. If that happens it makes reopening the two plants highly unlikely.

While both provincial and health district licensing allow processors to sell their product commercially within the province, large retail food chains often insist on federal certification. That was the case earlier this year when Federated Co-operatives Ltd. decided to limit its purchases of ground beef to product from federally certified operations. This effectively

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cut Saskatchewan's provincially inspected plants out of one of few large retailer sales opportunities they had. (The Federated Co-operatives official responsible for purchasing did not respond to requests for an interview.)

The dozen or so provincially licensed facilities and the roughly 75-80 health inspected operations are the only slaughter options available within Saskatchewan when XL Foods' plant at Moose Jaw isn't operating. However the combined weekly kill of these smaller operations is less than one fifth of XL's capacity.

XL Foods' has listed government regulations related to Specified Risk Materials (SRMs) as a factor behind its April plant closure. Saskatchewan's provincial and health inspected plants are also dealing with costs of the enhanced feed ban. Some of them are small enough to be exempted since they kill fewer than seven head of cattle that are over 30 months of age (OTM) per week. Those that don't fit the exemption are not in a position to get the same volume discounts that the big plants can capture for having huge amounts of SRM hauled away, and they have to store their SRM somewhere cool until they have a big enough load to ship.

The provincial and health inspected plants are facing governmental pressures on a variety of fronts. The meat they process can only be sold in-province. In addition, meat from a health region inspected operation can't be sold commercially in the City of Saskatoon, which has a bylaw requiring all meat sold in the city be from a provincially licensed facility.

Government regulations regarding the slaughter and processing of beef increased substantially as a

result of the (BSE) scare in 2003. Jim Laturas, Food Safety Specialist with the Saskatchewan Ministry of Agriculture, said BSE can't take all the blame for the increased pressures on slaughtering plants and processors. Rising energy costs at about the same time meant that the additional regulations governing the use of SRM in feed led to higher costs for rendering and disposal.

While there are numerous, excellent provincially inspected abattoirs and processors in the province, in addition to the health district inspected operations, they account for only a fraction of the provincial kill. The lion's share is handled by XL when it is operating.

According to Mike Guest of Western Prime Meat Processors in Weyburn, a provincially licensed facility. "Things were going good until Federated decided to purchase only federal meat," he said. The Federated Cooperatives decision has cut his plant's weekly kill from 75 to 35-40 cows. While he acknowledges the possible benefits of *E. coli* testing, which is done at the federally registered facilities, he feels the small operations produce meat that is just as safe, if not safer than the larger plants. Similar to the federal plants, provincially licensed facilities are inspected by the CFIA.

"We feel our plant is as safe as the big plants. There's actually more inspection time per animal in a plant this size than in a large plant," Guest said.

Since *E. coli* contamination of meat is mostly about contact with fecal matter, Guest's assertion, that the close CFIA inspector scrutiny of each and every slaughter event at his plant is sufficient, seems reasonable.

There are a couple of lights at the end of the tunnel for domestic processors, and only one may be a train. At the July meeting of federal, provincial and territorial ministers of agriculture, the ministers agreed to take another look at the safety of Canada's food system. That could mean even more regulations, but given the three working groups toiling at it, and the eternal difficulties inherent in inter-governmental agreements, Saskatchewan's smaller abattoirs and processors have some time to breathe and adapt.

Earlier this year, the federal government announced a new, \$50 million Slaughter Improvement Program, which can provide up to half the cost of establishing a federally inspected plant. Mike Guest estimates it would cost him as much as \$3 million to upgrade to federal standards; even with the new grant, that's still a lot of money. But, it would expand the inter-provincial and international markets for him and others and, of course, help assure them markets for their products in the province as well.

But, with increased pressure from consumers for government assurances that their food is safe, there are growing calls for eliminating the two lower tiers of Saskatchewan meat inspection entirely. Industry officials are convinced that applying the federal standards across the board – and across the country – will put the health district inspected and provincially licensed facilities out of business. This could in turn wreak havoc with farmgate marketers and producers trying to establish branded meat markets. As they are currently envisioned, the new rules would not allow abattoirs to accept animals killed outside the plant, such as farm killed

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Meat Packing SNAFU
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beef, not to mention big game killed by hunters. No one at the CFIA has yet figured out how to bring a live moose into a kill plant for processing.

John Sperling is president of the 80 or so member Saskatchewan Meat Processors' Association and the owner of JMR Meats in Davidson, a health district inspected operation. Sperling has real concerns about the future of the smaller operators like himself

if the federal standards are applied. "It would put a guy like myself right out of business overnight. So, what they would create, then, is a whole bunch of back yard butchers who do not even come up to minimal health standards. What you're going to end up with is worse than what we have today," he said. And, he doesn't feel the federal slaughter program would be enough to help him or his counterparts at the health district level. "It wouldn't be beneficial," he said. Like most government programs,

Sperling feels the red tape and hassle involved wouldn't net enough for them to take the giant, expensive, step to federal registration.

So, what's the answer? Sperling, who recently returned from the Holy Land with perhaps some additional insight, is only half joking when he says that only the Second Coming can save Saskatchewan's non-federally registered abattoirs and meat processors. **B**

Slaughter Plant Certification In Saskatchewan

Livestock producers who want to market their meat or processed meat products need to think carefully about where they will have their animals slaughtered and their meat processed, as the type of plant affects where the meat can be marketed.

There are three separate tiers of government rules that can apply to abattoirs and meat processors in Saskatchewan: federal registration, provincial licensing and health region licensing. Only federal registration permits the sale of meat products outside of Saskatchewan. Even if a producer sends his stock out of province for slaughter, it still has to be processed and/or stored at a federally registered facility.

Federal registration

Products intended for sale outside of Saskatchewan or internationally must be processed in a federally registered plant. Additional regulations apply to products intended for export to the European Union (EU).

Federally licensed plants operate under the authority of The Canadian Food Inspection Agency (CFIA), which

administers *The Meat Inspection Act and Regulations*. These regulations contain strict facility construction and sanitation standards to ensure the safety of the meat and meat products, mandatory HACCP programs (internationally recognized food safety system) and require both ante- and post-mortem inspection of each animal and carcass by CFIA officials. Additional regulations under *The Food and Drug Act* also apply.

The slaughter of animals at federally certified plants occurs under monitoring by CFIA inspectors and CFIA veterinarians. Veterinary inspectors are always onsite during kills at a federal plant.

There are currently no federally licensed beef slaughter facilities in operation in Saskatchewan, though some of the federally registered operators that process other animal products may include beef in some of their products.

Provincial licensing

Provincial inspection and licensing is voluntary; inspection is provided through a contract between the

Saskatchewan Ministry of Agriculture and the CFIA. Such plants can sell their product only within Saskatchewan.

Plants with provincial licensing must abide by standards set out in the Domestic Meat Inspection Program, under the authority of *The Diseases of Animals Act* and the Control of Animal Disease Regulations. The provincial regulations are similar to the federal ones, and contain physical construction and sanitation standards, as well as requiring both ante- and post-mortem inspections.

The slaughter of animals at a provincially certified plant occurs under monitoring by an onsite CFIA inspector. Provincial plants do not need to have a CFIA approved veterinarian onsite during a kill, just the inspector. However, if the inspector sees a potential problem he or she can call in a CFIA approved veterinarian on an as needed basis. The province pays a portion of the CFIA inspection fees at provincially certified plants. If a provincial plant goes federal it has to pick up the full tab for inspection which includes the expense of both CFIA inspectors and veterinarians.

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Slaughter Plant Certification
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Saskatoon is slightly different from other Saskatchewan municipalities. A city bylaw, which pre-dates provincial legislation, requires that only meat and meat products from animals slaughtered in, at minimum, a provincially licensed plant be sold within the city.

Regional Health Authority Licensing

To market meat or meat products anywhere else in Saskatchewan (outside of Saskatoon) requires licensing by the local health region, of which there are 12 in the province.


This level of regulation applies to the small neighbourhood butcher shops and also applies to meat sold at farmers' markets. Licensing is done under the authority of *The Public Health Act* and the Sanitation Regulations, which set out minimal construction and sanitation standards and do not require carcass inspection.

Other

Meat sold at the farmgate does not require inspection, but these sales are limited to meat cut into steaks or roasts, or that is ground, and is wrapped and frozen on the farm.

No additional processing, such as sausage, jerky, bacon, etc. is allowed for sale.

Marketing meat or meat products to hospitals is subject to the Hospital Standards Regulations. The meat can be processed by a health inspected plant, but the animal must have been slaughtered under federal or provincial law.

Pre-packaged meat and meat products must meet federal labeling requirements. *The Guide to Food Labeling and Advertising* is available from the CFIA website at www.inspection.gc.ca 

Federally-Registered Meat Establishments in Saskatchewan

Company	Location	Slaughter	Processing	Storage
Lilydale Inc.	Wynyard	poultry	poultry	---
Maple Leaf Consumer Foods	North Battleford Saskatoon	---	red meat red meat, poultry	---
Natural Meat Company Inc.*	Neudorf Wolseley	cattle, horses ---	---	---
New Food Classics	Saskatoon	---	poultry, red meat	---
Prairie Pride Natural Foods	Saskatoon	poultry	poultry	---
Premium Brands Operating Gp. (Harvest Meats)	Yorkton	hogs	poultry, red meat	---
SJ Irvine Fine Foods	Saskatoon	---	poultry, red meat	---
Saskatoon Fresh Pack Potatoes	Saskatoon	---	---	yes
Saskatchewan Food Ind. Dev. Ctr.	Saskatoon	---	poultry, red meat	
Summit Gourmet Food*	Regina	---	red meat	---
Thomson Meats*	Melfort	---	poultry, red meat	---
Westco Multitemp Distribution	Saskatoon	---	---	yes
XL Foods*	Moose Jaw	cattle	red meat	---

* not currently in operation

The full list of all federally registered operations across Canada can be found on-line at <http://active.inspection.gc.ca/scripts/meavia/reglist/reglist.asp?lang=e>

Saskatchewan Provincially Licensed Meat Abattoirs and Meat Processors

Country Choice Meats, Duck Lake (pork only)
Drake Meats Inc., Drake
E & A Meat Market Ltd., St. Brieux
Friesen's Meat Processing, Warman
Larson's Abattoir Ltd., Leross*
Pine View Farms, Osler (poultry only)

Prairieland Meat Packers, Avonlea*
Superior Meats 2005 Ltd., Swift Current
Treens Packers Ltd., Swift Current
Wadena Meat Processors 96, Wadena
Watson Meat Processors Ltd., Watson
West Bridgeford Meats Ltd., Tugaske
Western Prime Meat Processors, Weyburn

*not currently in operation

"SRM Rules Threatening Canadian Cattle Industry" - Wildeman

Increased costs arising from Canada's enhanced feed ban and associated SRM (Specified Risk Material) disposal rules constitute one of the more significant threats to improved market conditions and prices for Canadian beef producers. That's the assessment of industry officials including Canadian Cattlemen's Association (CCA) President, Brad Wildeman.

In an Oct. 8 interview with *Beef Business*, Wildeman said, "The CCA estimates the situation is costing the Canadian industry at least \$30 per head more than the costs incurred by the US beef industry under its less restrictive feed ban."

"Given that trade irritants such as COOL and BSE-related restrictions have been affecting our capacity to export live cattle to the US for slaughter," said Wildeman, "it is critical that we maintain our capacity to process cattle here in Canada. And to that end our packing industry has to be competitive from a cost perspective."

Wildeman explained one of the factors that has helped Canada's

cattle industry cope in the face of US Country of Origin Labeling (COOL) has been our ability to export significant volumes of trim into the US. However, the commodity nature of the trim market makes sales highly dependent on price. Over the long term the cost differential caused by things like the enhanced feed ban could result in further contraction of the Canadian packing industry as kill volumes and capacity move into the US or even further offshore.

Anything that might contribute to a decrease in the capacity of the Canadian packing industry or a further reduction in the number of players, has the potential to create additional problems for grassroots producers. Many industry observers are already alarmed by the fact that Cargill and XL Foods are the only major players left in the country. Saskatchewan cattle feeder, Bill Jameson of JGL Livestock, for example, recently told *Beef Business* that "one of the biggest things negatively impacting cattle prices this fall is the fact that there are essentially only two companies bidding on our animals."

Canada's enhanced feed ban was announced in 2006 and implemented in July of 2007. It expanded on previous efforts to prevent BSE in cattle, including the 1997 prohibition on feeding material derived from all mammals to ruminants. The enhanced feed ban now prohibits the use of SRMs, and meat and bone meal (MBM) derived from SRM, in feed processed for all livestock and pets; and in fertilizer. MBM derived from non-SRM cattle parts can still be fed to non-ruminant livestock and pets, provided it is produced on dedicated lines in approved facilities.

Until the CFIA has determined that SRMs have been properly segregated and that feed mills and renderers have the appropriate dedicated lines and processes in place some odd issues arise. For example, we know there are all sorts of safe salvagable bits of meat, offal, and bone that should be eligible for use in non-ruminant livestock or pet food, but according to the new rules they cannot be used unless the dedicated lines are in place and approved. Indeed, unless the approved processes are in operation,

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*SRM Rules
cont. from pg. 31*

a rib eye steak deemed satisfactory for human consumption at an exclusive white tablecloth restaurant would not qualify for hog, dog or cat food. Understandably, there has been some urgency expressed by the meat, rendering and feed industries about getting approved systems in place and the associated financial costs and red tape have proven frustrating.

In addition, new rules for the disposal and storage of SRMs were imposed in conjunction with the wider feed ban. These have also produced new costs and logistical problems for the industry.

Solutions to feed ban related problems suggested by industry stakeholders have run the gamut from more closely harmonizing the Canadian rules with those currently in effect in the US, to proposals that view ensuring food safety as a public good, like healthcare, that should be shared by all citizens as opposed to being borne solely by producers in a hard-pressed industry.

Brad Wildeman suggests that a few common sense adjustments to the Canadian SRM system such as allowing composted SRM to be used as fertilizer could help reduce disposal system costs in Canada. And the CCA has been at the forefront in pressing government to make funding available to help industry adapt.

According to Saskatchewan Stock Growers Association General Manager, Chad MacPherson, "something as simple as wider producer adoption of age verification could help minimize the number of cattle incorrectly

labelled as over 30 months of age (OTM) and reduce the amount of SRMs we produce." This makes sense given that under Canada's enhanced feed ban, SRMs are defined as substances found only in OTM cattle – with the exceptions of part of the small intestine from cattle of all ages and cattle that die outside a CFIA inspected slaughter plant.

The potential for negative consequences coming out of the enhanced feed ban was underlined here in Saskatchewan on April 24, 2009 when XL Foods closed its Moose Jaw slaughter facility.

SRM removal and disposal costs were cited by XL Foods as a factor involved in its decision to shut down the Moose

"When compared to the Canadian rules the Americans are dealing with "feed ban lite"

Jaw plant. XL maintained those costs discouraged it from bidding as much for cattle as US packers were prepared to spend and as a consequence fat cattle, especially from Manitoba, were moving to the US for slaughter in greater numbers. With fewer cattle available, and its margins stressed by higher SRM related costs, XL said it would keep the plant closed until at least September, when it hoped supply issues would turn around.

At the Saskatchewan Stock Growers Annual General Meeting in Moose Jaw in June of 2009, XL's Brian Nilsson claimed that Canadian packers were required to remove and pay for the disposal of approximately 120

pounds of SRM per head, while their US counterparts were responsible for closer to 12 pounds. Nilsson estimated that the cost disadvantage for Canadian packers at that time ranged between \$30 and \$70 per animal.

"What's happened under the enhanced feed ban is that we've lost the revenue stream from material we were formerly able to sell," said Nilsson, "and now we have to pay somebody to pick it up and dispose of it."

When Nilsson made his Canada-US cost comparison there was still a fair bit of uncertainty regarding the status of SRM regulation in the US. As far back as 2004, US regulators had been floating proposals to expand their mammal to ruminant feed ban. In October 2009, new feed ban rules finally came into effect in the US and the playing field has become less slanted in favour of the US industry, but according to the CCA and Canadian packers it's still far from level.


In the US, stakeholder groups including meat processors, the National Cattlemen's Beef Association and the National Renderers Association continue to be critical of various aspects of the US version of the enhanced feed ban. This is the case even though when compared to the Canadian rules the Americans are dealing with "feed ban lite".

For example, US processors have a far shorter list of SRM to deal with than is the case in Canada. SRM can be used for fertilizer in the US, but not in Canada. Tallow rendered from SRM can be used in livestock and pet food

in the US, but not in Canada. SRM can go to any landfill that will take it in the US, it has to go to a secure CFIA approved toxic waste site in Canada.

Not all US cattle organizations are upset by the new American feed ban rules. R-CALF, for example, has been highly supportive of the new measures. And interestingly, here in Canada the NFU is arguing that the CFIA hasn't been going far enough to ensure food safety.

Notwithstanding Brad Wildeman's position regarding the serious long term issues coming out of the enhanced feed ban, a \$30 dollar increase in the cost to slaughter a beef animal amounts to about the same amount of financial grief that a 3 cent upward move of the Canadian dollar would produce.

Perhaps the most significant lesson to be taken from expensive frustrations like the enhanced feed ban is that after six years of trade related misery, the Canadian cattle industry is so shell-shocked we can sincerely worry that a 3% cost increase will throw us into the ditch. The camel's back does eventually break. 



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Is Feed Ban Injury A Self-Inflicted Wound?

Back in July of 2006, Canada's then Agriculture Minister, Chuck Strahl, announced the government's intention to implement an "enhanced feed ban" in support of efforts to eliminate BSE in Canada. Strahl applauded a number of stakeholders for their efforts in helping develop the new regulatory system. Groups getting praise for their assistance included: The Animal Nutrition Association, the Canadian Cattlemen's Association, The Canadian Meat Council, rendering operations, and provincial governments.

According to Strahl these organizations had, "provided invaluable leadership during the

implementation period to achieve the highest level of readiness."

Strahl maintained that by extending the feed ban to include all animal feed and imposing new restrictions on the disposal of SRM material, BSE would be eliminated in Canada within 10 years as opposed to twenty years under the existing mammal to ruminant feed ban.

CCA officials at the time were supportive of the move, indicating that a comprehensive process that would reduce the risks of further BSE cases showing up in the future is precisely what the industry required.

The CCA's current president Brad Wildeman said, it is important to remember the situation the industry was facing between 2003 and 2006.

"We were continually being surprised and disappointed by the appearance of new BSE cases," explained Wildeman, "there was concern that if we didn't do something more than we'd been doing there was a danger we could lose our controlled risk status and be back where we were in the summer of 2003 when we couldn't export -- period."

On March 15, 2007 the federal government reminded all concerned that the enhanced feed ban would go

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Self-inflicted Wound
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into effect under the auspices of the Canadian Food Inspection Agency (CFIA) on July 12, 2007. By that time a number of former supporters were getting cold feet and by early July the wheels had started to come off the enhanced feed ban bandwagon.

Media reports now quoted meat industry officials calling the implementation process “a fiasco.” A July 9, 2007 story on canada.com cited a small struggling packer from Chilliwack who claimed he was going to have to spend \$1 million on things like new saws, special drain screens and a cool room devoted solely to storing SRMs. The CCA’s Executive Vice President, Dennis Laycraft was reported calling for an additional \$50 million to bridge the industry through the transition into the new rule regime. (According to more recent CCA statements most of the \$80 million the government promised to facilitate the changes didn’t show up until the spring of 2009.) Chuck Strahl said some of the blame for the initial shortage of cash was the fault of the provinces who were tasked with distributing the money.

Beef Business asked Brad Wildeman what had happened between 2006 when the industry appeared to be on-side with the process and now. According to Wildeman, one issue that frustrated the consensus was the level of risk reduction that the CFIA eventually chose to adopt. “We always believed that the enhanced

feed ban should be comprehensive and effective,” said Wildeman, “however, the CFIA went to a level of risk reduction that resulted in considerably higher costs than other available options, without significantly reducing the risk factors for BSE.”

Wildeman noted that leading edge research on BSE risk reduction such as the 2002 and 2003 reports by the Harvard Center for Risk Analysis indicated that the sort of BSE levels experienced in Canada could be eliminated within ten years without the implementation of all of the measures preferred by the CFIA.

To summarize (very loosely), the Harvard studies along with additional industry and government research

In addition to alleged CFIA overkill on the risk reduction front, government estimates for costs to industry of the enhanced feed ban and disposal rules presented in 2007 were nearly four times lower than the actual costs that came in during 2008 (the first full year under the new rules). Wildeman cites the *Feed Ban Cost Survey* released by the Canadian Meat Council in July of 2009, which indicated that total additional costs based on the 2008 slaughter (at federal plants) were \$35.7 million whereas the government estimate was just \$9.5 million.

Given the way our meat industry is structured most observers assume that the \$35.7 million in additional costs will trickle down and affect the prices that beef producers can expect to receive for their animals.

“Government estimates for costs to industry presented in 2007 were nearly four times lower than the actual costs that came in 2008”

determined that there is no significant advantage to be gained by eliminating a “long list” accounting for something like 99% of SRM from the food system or the environment, over a “short list” which accounts for approximately 90% of SRMs. Furthermore, there is no significant advantage in developing disposal systems which prohibit the use of SRM for absolutely anything – be it fertilizer, biomass fuel or anything else. As it stands today, the CFIA enforces a “long list” SRM system in Canada, while the Americans have adopted a less onerous “short list.”



SRMs -- The Long and The Short of It

The OIE and the long list

The OIE (International Organization for Animal Health) has developed a list of what it considers to be the ruminant tissues most likely to contain the prions (proteins that act as infectious agents) responsible for passing on BSE when ruminant tissue is eaten by another ruminant. It is worth noting that there are ongoing debates in science about how BSE affects different animal tissues and at what ages these tissues become hazardous. For instance, there continues to be questions asked about things such as whether the over 30 month (OTM) threshold is too high or too low. The Japanese, for example, have argued it is too high and have preferred a 20 month cut off. Other issues involve the capacity of prions to remain infective and dangerous in the environment – apparently they can be destroyed by burning but if so, at what temperatures? Similarly, at what point, if ever, do they become benign through procedures such as composting?

With those sorts of qualifications in mind the list of Specified Risk Materials (SRMs) related to BSE in cattle recognized by many countries is as follows:

SRMs

The skull, brain, eyes, tonsils, trigeminal ganglia (a nerve system in the head), spinal cord, and dorsal root ganglia (nerve junction nodes along the spinal column) of cattle 30 months of age or older, as well as the distal ileum (the last section of the small intestine before it joins the large intestine) of cattle of all ages.

In the US, regulatory agencies such as the USDA refer to this as the “full list” or “long list” of SRMs. This “long list” is what the CFIA is currently using to manage BSE risk and SRMs in Canada. *Beefing up the ban*

“We go so far as to insert tampons up a cow’s nose”

In 2007 the CFIA implemented an enhanced feed ban which extended the 1997 mammal to ruminant feed ban to include the use of SRM in any livestock or pet food. The primary rationale given for broadening the feed ban was to eliminate the risk of cross-contamination. If for example, SRM was used in prepared feeds or supplements for hogs there was the potential for mistakes to be made on the farm – whereby feeds containing SRM would inadvertently be fed to cattle. There was also concern that renderers or feed mills could contribute to cross-contamination by (inadvertently or carelessly) employing equipment such as bins,

trucks, or augers that had at one time contained SRM (ostensibly for use in hog or other livestock feeds) when processing or handling cattle feed.

The upshot of the enhanced ban is that there is no longer any accepted commercial use for SRMs in the animal or human food systems in Canada. Furthermore, SRM is not eligible for use as fertilizer, or topsoil, in Canada.

The US goes for the short list

In July of 2004, US regulators including the Food and Drug Administration, and the US Department of Agriculture initiated efforts to expand certain aspects of the 1997 US mammal to ruminant feed ban to include the use of SRM in all livestock and pet foods. Opposition from sections of the beef industry and issues coming out of risk assessment research in the US delayed the implementation of the new rule. When it was finally implemented

in October of 2009, it would be based on an SRM *short list* of 90% of suspected risk materials -- limited to the brain and spinal cord of animals over 30 months of age. It is still possible for salvaged beef products other than SRMs to be used in feed for livestock other than ruminants. And tallow rendered from SRM can still be used in non-ruminant animal feed provided it contains less than 0.15% insoluble impurities. In Canada, SRM-sourced tallow cannot be used for anything.

Under the US *short list* the brain from an OTM is considered SRM, but the rest of the head isn't. US packers are

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