

BFO STATEMENT

Call for Urgent Government Action



Les Producteurs
de bovins du
Québec



Beef Producers Call for Urgent Action to Offset Financial Losses Across Rural Ontario and Quebec

September 17, 2019 (Guelph, Ont.) – The Beef Farmers of Ontario (BFO) and Les Producteurs de bovins du Québec (PBQ) are calling on federal political party leaders to include, as a first priority in the mandate of the Minister of Agriculture & Agri-Food, a Beef Cattle Investment and Assistance Program to help farmers in Ontario and Quebec mitigate the harm of recent trade and market disruptions. With the approaching federal election, BFO and PBQ are asking all candidates in Ontario and Quebec to raise this issue during the election campaign.

“The loss of key export markets in China and Saudi Arabia, combined with reduced processing capacity in Eastern Canada and market access challenges in the U.S. and the E.U., has created a perfect storm,” says BFO President, Joe Hill. “Beef farmers have incurred losses of more than \$180 per animal since the beginning of January, largely as a result of government action and inaction. Collective beef cattle farm losses in the two provinces have exceeded \$100 million since the start of the year. On the cattle feeding side alone, the industry is losing more than \$2.5 million per week on average, which is simply not sustainable. Something needs to be done.”

“Current trade opportunities should favour the growth of beef production, but in reality, this is not the case. Quebec’s cattle production volume is declining and continues to get worse. The new trade agreements do not currently encourage better farm profitability, quite the contrary,” says Claude Viel, PBQ Chair. “Our sector requires assistance to help mitigate the critical trade and market disruption challenges our farmers are faced with.”

Governments have staunchly supported the supply managed sectors with billions of dollars to help their farmers offset losses incurred or expected as a result of recent trade agreements and disruptions through direct compensation payments, infrastructure assistance, and quota value protection. The beef sector deserves an equitable level of support and assistance proportionate to the harm beef farmers have received.

BFO and PBQ represent more than 30,000 beef farmers in Ontario and Quebec, who collectively contribute more than \$2 billion in GDP to the Canadian economy from primary farm production alone. BFO and PBQ urge all federal candidates in the two provinces to raise the need for beef sector assistance for Ontario and Quebec beef farmers throughout the election campaign.

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Background

While the economic opportunity from export markets has reached record significance, growing trade and market disruption challenges are becoming unmanageable for beef farmers and severely hampering the viability and sustainability of the beef sector.

With the China closure alone, the beef sector expects to lose hundreds of thousands of dollars per week based on previous export volumes. In addition, the economic sanctions imposed by Saudi Arabia in August 2018 have had a significant impact on exports from Ontario, a market that had grown to over \$26.5 million in 2017. Even with regained access, relationships have been lost and our reputation as a reliable supplier has been strained, which will take significant time to rebuild. In the interim, depressed returns for farmers and processors will continue.

Despite our long-standing support for CETA as a vehicle for duty-free beef access to the world's largest economy, the beef sector has not been able to take advantage of the trade opportunities that exist due to on-going trade barriers related to Canada's domestic meat inspection and processing system. While Canadian producers and processors have been largely left out of the European market, the same cannot be said of farmers and processors in the EU. European exports to Canada are exceeding Canadian beef exports to the EU by more than three times, and the vast majority of the product coming into our market is ending up in stores and restaurants in Ontario and Quebec, displacing locally produced product.

Beef farmers in Ontario and Quebec are also faced with a serious processing capacity and competitiveness issue that is costing the sector millions in lost income. Segregation policies by processors in the United States have reduced the interest and viability of purchasing Canadian cattle, particularly from Eastern Canada, which has resulted in a stagnant and uncompetitive market in Ontario and Quebec relative to other regions in North America.

The current marketplace has too few processors placing bids on cattle to ensure a competitive, healthy market. Processors are running at or near capacity as a result of an influx of dairy cull cows, a healthy supply of fed beef cattle, and reduced marketing options south of the border. Periods of backlog in processing are becoming more frequent and severe, requiring farmers to feed cattle at increased cost for longer periods. When processing space is eventually secured, farmers are then penalized for overweight animals.

Depressed market prices as a result of trade disruptions and market access challenges have persisted for months on end, with no end in sight, and the losses are mounting. On average, farmers have lost more than \$180 per animal since the beginning of January. Collective beef cattle farm losses in the two provinces has exceeded \$100 million since the start of the year. On the cattle feeding side alone, the industry is losing more than \$2.5 million per week on average, which is simply not sustainable.

Regardless of the reasons for the trade and market issues facing the sector, beef farmers in Ontario and Quebec have no immediate recourse to address current challenges.

Reduced funding for Business Risk Management (BRM) programs in Canada also means beef farmers have limited access to an effective farm safety net to help weather the storm. In 2013, the Government of Canada reduced the spending envelope for BRM programs by more than \$500 million. As a direct result of the spending cuts, high BRM participation costs now exceed the income and payment benefits for beef farmers.

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