July 18, 2017

NAFTA Consultations
Global Affairs Canada
Trade Negotiations – North America (TNP)
Lester B. Pearson Building
125 Sussex Drive
Ottawa, ON K1A 0G2

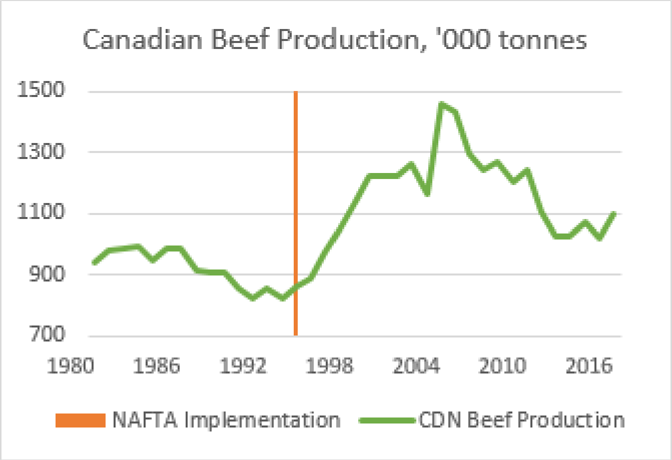
Dear Global Affairs Canada,

Beef Farmers of Ontario (BFO) appreciates the opportunity to participate in the Government of Canada's consultations on the potential NAFTA renegotiation. BFO represents the 19,000 beef producers in Ontario by advocating in the areas of policy planning, industry development and research, and domestic and export market development.

NAFTA has had a directly measurable impact on beef production and trade in Canada. The implementation of NAFTA, both through a measured increase in trade between Canada, the United States, and Mexico and the development of mutually beneficial supply chains across North America, has resulted in a North American beef sector that is better integrated, more efficient and productive, and ultimately a greater contributor to employment and economic growth.

The U.S. and Mexico are both highly valuable export markets for Canada, with the U.S. by far the largest destination for Canadian beef exports, and Mexico varying between Canada's second and fourth largest export market. In 2016, Canada exported 270,000 tonnes of beef and 760,000 head of live cattle to the U.S. valued in excess of $3 billion. Mexico in 2016 imported 16,000 tonnes of Canadian beef valued at $109 million. Similarly, Canada imported $978 million of U.S. beef and $19 million of Mexican beef in 2016.

The effects of NAFTA on the Canadian beef sector are apparent; beef production in Canada increased substantially following NAFTA's implementation, with the decade following seeing average beef production 29% higher than the decade prior. Even following the bovine spongiform encephalopathy (BSE) crisis in 2003, Canada's beef production has not dipped below pre-NAFTA levels.




Source: Statistics Canada

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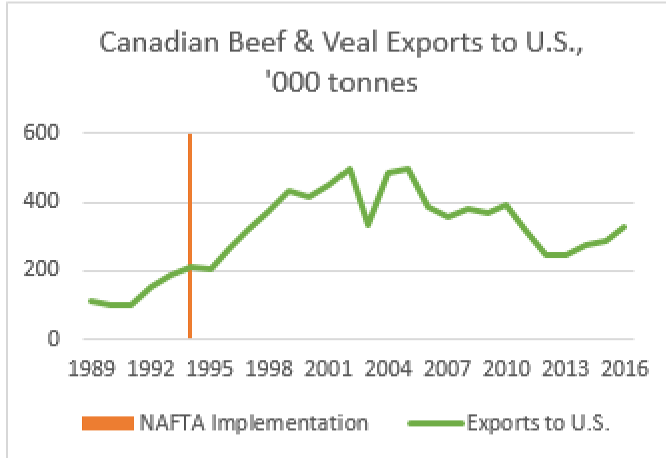
This effect can be similarly observed in the export of Canadian beef to the United States. Shipments across the border increased notably following the implementation of NAFTA, as a result of better access to the U.S. market by Canadian beef producers. Given the extent of market integration that is now fundamental to Canada's beef trade with the United States, it can not be expected that the current level of exports could be maintained without the protections enshrined in NAFTA.




Source: USDA

The reciprocal duty-free trade of both beef and live cattle between NAFTA countries provides better price coordination between buyers and sellers, allows for higher levels of production, and ensures a consistent supply of protein for consumers in the event that a supply disruption in one country may occur. A minimum objective of any NAFTA renegotiation should be to maintain the prohibition on tariffs and quotas that makes this market access possible.

However, while NAFTA may be integral to the current level of trade that exists between Canada, the United States, and Mexico, barriers to trade still exist that disadvantage the Canadian beef sector. Beef Farmers of Ontario recommends any NAFTA renegotiation attempt to address the following issues:

**Elimination of the Marketing Requirement for Canadian Cattle Exported to the U.S.**

Canadian cattle that are exported to the U.S. and not bound for immediate slaughter must currently be permanently identified by a freeze brand, hot iron, or a tattoo inside the left ear. This requirement came into force in the aftermath of the BSE crisis to manage the anticipated backlash from the U.S. beef industry regarding the movement of unidentified live Canadian cattle into the U.S. market. At the time, Canadian officials justified the implementation of the rule as a temporary measure that would allow the re-opening of the U.S. border to Canadian cattle, and it was viewed as a short-term solution to a much larger issue.

However, there are no animal health or food safety arguments that support the requirement for live cattle exported from Canada to the U.S. to be branded or tattooed. The identification requirement that continues to be enforced by the U.S. has surpassed its useful life and continues to create unnecessary and avoidable costs for Canadian producers and exporters. Branding or tattooing cattle is typically done immediately prior to departure once the decision to export to the U.S. has been made. This practice creates additional processing costs for producers and places extra and unnecessary stress on animals prior to loading. Furthermore, the requirement to unload and reload cattle at the border so that brands and tattoos can be verified by U.S. border officials increases the risk of injury to inspectors and animals alike. This creates additional inspection costs and transit delays that could otherwise be avoided. BFO recommends the elimination of this unnecessary, outdated, and harmful identification requirement.

**Enhanced Cooperation on Livestock Transport**

*Short-Term Cross-Border Movement*

Approximately 300,000 cattle are transported into Ontario from Western Canada on an annual basis. Given the current export/import restrictions, livestock trucks coming into Ontario from Western Canada travel on the Canadian side of the border, which adds a significant amount of time to the total time in transport. Similar constraints exist for U.S. cattle in different regions. BFO recommends an improved approvals process for short-term export and re-entry into Canada or the United States, to allow sealed trucks to be rerouted through the U.S. to avoid longer routes for cattle on both sides of the border. Such changes would decrease transport times and lead to an improvement of animal welfare.

*Baudette, Minnesota Border Crossing*

Currently, cattle cannot be exported across the Baudette, Minnesota border crossing. As Baudette already maintains an inspection station and has facilitated temporary livestock border crossings in the past, and North-Western Ontario would benefit from increased export access to the United States, BFO recommends investigating the feasibility of opening this border crossing for livestock export.

**Cross-Border Inspection Harmonization**

On average, 77 truckloads of Canadian meat cross into the U.S. every day of the year, and 50 likewise cross from the U.S. into Canada. Every truck crossing the border into the U.S. is screened by U.S. border security officials, then sent to one of only 10 USDA inspection centres along the Canada-U.S. border prior to their final destination. Trucks containing U.S. meat are similarly screened by Canadian border officials, but only 10 percent are subject to further inspection at one of 125 Canadian Food Inspection Agency-registered establishments inland.

This process is disproportionately time consuming for shipments of Canadian cattle, and results in fees imposed by USDA inspection centres on every shipment. The result of this process is that Canadian product is unnecessarily subject to added costs and held up at the U.S. border; this provides a source of frustration for both Canadian exporters and U.S. customers. BFO recommends that the Canadian Government work to alleviate this unbalanced technical barrier to trade in any NAFTA renegotiations.

**March 1, 1999 Birth Date Regulation**

It remains a U.S. regulatory requirement that all live cattle imports from Canada be born after March 1, 1999. The USDA considers March 1999 as the effective date of the 1997 ruminant feed ban imposed in Canada. However, it is now highly unrealistic to envision cattle in Canada that were born before March 1999 being exported to the U.S. for food purposes. BFO recommends eliminating this outdated requirement, as the obligation to provide a negative on this birth date is onerous and costly to beef producers with effectively zero benefit.

**Country of Origin Labeling**

While the Appellate Body of the World Trade Organization has ruled that U.S. mandatory Country of Origin Labeling was discriminatory to Canadian cattle and hogs, appetite among some U.S. lawmakers still exists for reinstatement of COOL or a modified program. Canada should retain its retaliation rights if future segregation-focused programs are initiated. Continued segregation policies at some U.S. beef processing plants reduces the competition for and value of Canadian cattle, which negatively affects our producers. U.S. segregation policies also hurt the red meat industry in the U.S.

by adding costs given the high level of integration between the two countries. BFO recommends that Country of Origin Labeling, and similar non-tariff barriers to trade, not be accepted as part of any NAFTA renegotiation.

**Proposals from The Canadian Cattlemen's Association**

BFO similarly supports the following proposals from the Canadian Cattlemen's Association (CCA):

- Maintain the current NAFTA rules of origin for beef and cattle
- Designate Canadian beef as eligible to supply U.S. Government food procurement programs

Additionally, to help address current and future issues surrounding regulatory coherence and harmonization, we strongly support the CCA recommendation that any NAFTA renegotiations include a regulatory cooperation chapter which increases the scope of TPP Chapter 25 – "Regulatory Coherence".

BFO thanks Global Affairs Canada for the opportunity to comment on the Government of Canada's priorities for the potential NAFTA renegotiation. We would be pleased to discuss our comments in further detail at your convenience.

Sincerely,

Matt Bowman
President