



MYTHS AND FACTS ABOUT THE CONGRESSIONAL JOINT RESOLUTION OF DISAPPROVAL OF THE USDA'S FLAWED RULE TO REOPEN THE CANADIAN BORDER

1) **MYTH: The Congressional resolution of disapproval of the USDA Canadian border rule will give American trading partners excuses to block our exports.**

FACT: While the resolution of disapproval does not directly address losses of U.S. export markets, rejection of USDA's rule will make it more likely that our export markets reopen. USDA's proposed final rule seeks to lower U.S. standards on cattle and beef below international norms. Since the discovery of BSE in Canada many of the most important U.S. export partners have repeatedly emphasized that maintaining the highest possible standards on meat safety is of critical importance. Arguments by USDA that lowering U.S. import standards to allow Canadian beef products into the U.S. will somehow cause major export customers like Japan and Korea to reopen their markets to the United States are flawed.

Specifically, while USDA proposes in its rule to allow imports of animals and beef from animals less than 30 months of age, it is negotiating with Japan to only allow beef from animals less than 20 months. The different standards can not both be based on the same science -- and that means it is not sound science. Our most recently reopened export markets, Egypt and Taiwan, have specifically demanded, in the case of Egypt that U.S. beef exports not include any commingled beef from a country with BSE (i.e. Canadian beef or beef from Canadian cattle) and in the case of Taiwan, that U.S. beef exports not include any imported beef products.

We believe that USDA can craft a rule that both maintains high standards and allows for open and safe trade between countries. In fact, that objective is our ultimate goal.

2) **MYTH: Resolution will accelerate packer movement to Canada because packers do not have enough cattle to run at capacity.**

FACT: USDA figures show that the U.S. cattle inventory is 1% above (roughly 900,000 head) last year's numbers. Because Canada exported approximately 1 million head a year before the discovery of BSE in their native herd, the increase in the size of the U.S. cattle herd, combined with Mexican imports, should easily make up for any lost Canadian slaughter cattle volume for U.S. meatpackers.

Indeed, USDA already reports that U.S. cattle on feed on March 1 were up 2% from last year and 6% from 2 years ago. Andrew Gottschalk of Hedgers.com was quoted in the industry publication, Cattle Buyers Weekly, with even more optimistic news saying that cattle on feed were 5% higher than cattle numbers a year ago with numbers expected to remain higher than last year "through the summer." All of this information leads the March 28 edition of Cattle Buyers Weekly to report that "[p]ackers also believe cattle supplies are starting to grow." *Id.* In fact, recent Business Week reports that Smithfield Foods is considering plans to build a large new packing plant in the Kansas/Oklahoma region, while the Kansas City Star reports that Creekstone, a medium sized packer, plans to expand its existing capacity. Any talk about meatpackers not having enough cattle flies in the face of reality.

Despite the projections and reality of higher U.S. cattle numbers in 2005, the March 28 Cattle Buyers Weekly also reports that meatpackers continue to feel a pinch as prices decline for beef and they earn less profits. One cause for the meatpackers current condition is that “[t]he beef pipeline is now filled and kill levels far exceed the demand base for this time of year...”. Congress should not be in the business of causing harm to the long-term future of the American cattle industry as a reaction to the mismanagement of certain companies in the meatpacking industry.

Further, the very concept that meatpackers will abandon the United States is illogical. The United States has more than 95 million head of cattle while Canada has between 12-15 million head. The U.S. is the largest beef consuming nation in the world, dwarfing not only Canada, but also the second largest beef consuming nation – the European Union. . Simple economics dictate that meatpackers will find it in their economic interest to remain in the United States. Are meatpackers expanding their facilities in Canada at the moment? Yes, with the help of Canadian government subsidies meatpackers like Tyson and Cargill are expanding their Canadian operations.

In addition, the U.S. is the only significant market in the world that presently accepts Canadian beef (Most of Canada’s previous export customers continue to maintain a ban on both Canadian beef and cattle). Because the U.S. does not require the country-of-origin labeling of beef, U.S. consumers are not afforded the opportunity to choose to either purchase or avoid the over 1 billion pounds of Canadian beef currently entering the U.S.. As such, it is U.S. policy that has induced Canada’s expansion of its processing capacity, not a competitive marketplace driven by consumer preference.

Rather than being diverted by false arguments about the long term growth of the U.S. and Canadian cattle industries, Congress should be squarely focused on maintaining high health and safety standards which will protect the U.S. cattle herd and ensure continued consumer confidence in U.S. beef.

3) MYTH: Resolution ignores the safety of beef.

FACT: Supporters of the Congressional resolution of disapproval know that U.S. beef is safe and are encouraged by the confidence that American consumers have in the safety of the U.S. beef supply. Rather than undermining, the resolution enhances customer confidence in the U.S. beef supply. Specifically, the resolution of disapproval opposes USDA’s proposed final rule that would lower U.S. health and safety standards to below international norms. Federal District Court Judge Richard Cebull states the following after examining all of the preliminary evidence:

“Allowing the import of Canadian cattle into the U.S. increases the potential for human exposure to material containing the agent for BSE in this higher-risk meat. This has substantial, irreparable consequences for cattle growers and also for all consumers of beef in or from the U.S. . . . Imports allowed from Canada under the Final Rule will likely be understood by consumers in the U.S. and abroad as increasing the risk of BSE agents entering the U.S. meat supply.”

Every other country in the world with known presence of BSE practices higher safety standards than Canada regarding BSE mitigation. They all remove high risk materials (*i.e.*, parts of the cattle referred to as "specified risk material" (SRM), which include brain, skull, eyes, spinal cord, most of the vertebral column, and certain ganglia and parts of the small intestine) in cattle over 12 months of age and they all test an extremely large proportion of cattle that enter the human food chain. Canada does neither.