

CITIZENS *for* PUBLIC JUSTICE



Mad farmers and BSE ... 20 months later

by John Kolk

Beef production in southern Alberta is a competitive, highly capitalized, industrialized and export-focused series of enterprises that include grain farms, cow-calf ranches, back grounding lots, large feedlots, veterinarians, truckers, world scale processing plants and service companies. Since the Canada/USA Free Trade Agreement, Canada has moved from a net importer of beef to a large exporter. Much of that activity has occurred in Southern Alberta. A mild climate, access to irrigated cropland, proximity to American markets, aggressive farm operators and government policy have contributed to a five-fold expansion of production in 20 years.

With my brother, our spouses, parents and a dozen staff, we operate a feedlot, a cow calf operation, and a poultry farm in the County of Lethbridge, a couple of hours south of Calgary and an hour north of the Montana border. Our farm was started in the 1950s by my grandparents and has expanded and specialized through the years, as the farm economy has changed.

The cow that infected an economy

Noon on May 20th, 2003 I received a call. “The federal and provincial Ministers of Agriculture are announcing that a northern Alberta cow was confirmed to have a case of

BSE (Bovine Spongiform Encephalopathy).” That finding has meant changes in my activities, perceptions and priorities over the past 20 months.

Farmers have always dealt with uncertain weather and fluctuating commodity prices. Nevertheless as our farm operations industrialized, we tried to plan our marketing, staffing, capital expansion and production to meet our commitments to banks, staff and customers. The American border closure to live animals and processed beef meant that all our plans were worthless.

The industry moved from prices that were set on supply and demand to not having a market at all. There were layoffs throughout the sector; capital spending was put on hold; banks had to adjust credit terms; and most producers were left in a daze. Between May and August 2003, prices for market ready steers dropped from \$1.05/lb to \$0.25/lb. A BMO report claims that in the past 20 months the beef sector lost \$5 billion due to the border closures.

A scramble for ways to cope

Government and industry immediately went to work to try to address the issue through programs and dollars focused on immediate impacts at the feedlot level and processing plants. Canadians started eating a lot more beef in support of the farm sector and almost \$2 billion in taxpayer support went to the industry in various programs. But there was no play-book to follow and the well-intentioned programs could not help all the players. At times the programs backfired.

Individual farmers responded as they could—some tried to market beef direct to consumers; others refinanced their operations, cut back on cattle as they could, or in some sad cases gave up. As the timeline for normalized trade moved from “soon” (then Agriculture Minister Lyle Vanclief) to a year or up to seven years, frustrated farmers start pointing fingers at packers and governments and anti-American and anti-multinational feelings ran high.

A struggle to understand

Personally, being in the middle of the situation as it unfolded was confusing and stressful. The financial losses on our farming operation were the equivalent of paying down a 20-year house mortgage for 15 years and then having to start over at year two. Fortunately, between government support and other farm assets, we were able to refinance and meet all of our obligations to staff, community, banks and local businesses.

It is important to take some distance from the current uncertainty over the opening of the border to live cattle and the personal and financial impacts, to clearly understand what the Canadian beef industry has gone through and what it needs to do. I will try to take a step back and look at the Canadian BSE crisis.

The farm side of the beef industry grew faster than its marketing and risk management structures adapted:

We relied on one market for more than 70 percent of our business.

We relied on a NAFTA agreement to keep trade going without understanding American protectionism or sovereignty on trade issues.

We ignored the loss of locally-owned processing and shipped many processing jobs to the U.S.

We were more focused on opportunity than on managing risks.

We relied on a culture that was transaction-based and valued independence while selling into a global food market that was relationship-based and managed risks. The

agri-food complex (fast food corporations, grocery chains, processors, input suppliers) had to protect their investments and reputations to maintain their market shares. That meant supply chains and risk management that focused on protecting each sector past primary production. The primary side of the industry relied on the marketplace and low cost of production to protect their investment and reputation.

Government and industry ignored the British experience with BSE and acted as if “it could never happen here.”

We ignored some of the environmental and social stresses that were starting to show.

For the past 15 years, intensive livestock operations became the focus of concern by health and environmental groups because of our real and perceived impact on water and air quality. Specialization on farms led to a concentration of nutrients and livestock in certain areas across Canada and the US. Whereas ten thousand people scattered over a thousand square miles don't require a lot of bylaws and infrastructure to get along, a similar concentration of people in a large apartment complex requires bylaws, police enforcement, water, sewage treatment and social services to survive. We've discovered that is not a lot different with livestock concentrations.



Where to now?

- We are a bruised and wiser industry.
- We need to keep jobs at home through processing and further processing.
- We cannot rely on government to maintain market access.
- We need to build better relationships with all markets and consumers.
- Free trade and globalization can be trumped by local protectionism and anti-trade action. Canada needs to become more realistic about trade relations. Trade has been called an extension of war by different means. As Bob Rae points out: “Every country is protectionist if it can get away with it.” Canada is a trading nation that needs good rules to trade under, but needs to evaluate trade agreements for both domestic and international impacts. The ideology that claims free trade is good in and of itself needs to be challenged. Free trade must be seen as a tool for countries and people to achieve their goals.
- The past 20 years of export-focused commodity agriculture in North America needs to be re-evaluated. In some cases we are exporting poverty to developing countries; in other cases we are exporting at a cost to our own environment that is higher than the value of the exports. Canada has a role to play in the export of food because of our incredible natural resources, but the current balance may not be what is in Canada's best interests, and maybe not in the world's.

And personally?

As you have read, I have more questions than answers. We will continue to farm. We will try to meet our commitments and understand our impacts on the environment, other farmers and consumers. We are exploring involvement in a processing plant. I guess our ongoing plan is to do justice and produce food.



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