

Mad cows, sad cows and glad cows...

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Wendy R. Holm, P.Ag.

MAD COWS – Ottawa's Fear of NAFTA

Canada's cows should be MAD! It took a while to dispel the "spin", but by mid-October, Canada's ranchers finally had the straight goods: "Yes, NAFTA applies. No, we are not going to use it. Why? Because we prefer a "soft approach".

Euphemisms aside, Canada is AFRAID to use NAFTA to re-open the US border to Canadian beef.

It has nothing to do with a 7 year OIE ban (applies only between non-NAFTA countries). It has nothing to do with time (NAFTA has a 215 day fast track). It has nothing to do with the costs of legal action (NAFTA is a panel ruling, not a lawyers' slug-fest). It has nothing to do with Japan.

It has everything to do with Ottawa's unwillingness to "anger" the Americans. Bureaucrats picking sectoral winners and losers. Washington's agenda in place and driving the process. Senior industry leaders danced and manipulated by American lawyers and Ottawa spin into accepting Washington's unilateral proposal for "legislation" (90 days), gazetting (30 days minimum) and feedback (another 30 days minimum). With no guarantees.

Canada's solid NAFTA rights should have been invoked from the outset: Chapter 20 to open the border (see October Column *SLAM DUNK*) and Chapter 11 to secure compensation for ranchers and feedlot operators (Pope Tribunal ruling: *Access to markets is a property interest subject to protection under Article 1110*).

Canadian expressions of gratitude for Washington's "phased opening" of the border to Canadian beef is much like the RCMP thanking thieves for voluntarily limiting break and enters to Mondays and Tuesday nights.

Meanwhile, Canada's highly concentrated, US dominated packing sector is poised to feast on the remains of our once-independent cow calf and feedlot sector.

2004 is an election year for Bush. American ranchers are getting a record US\$1.12 a pound for fat cattle. Euphemisms aside, Ottawa is running scared.

SAD COWS – Closure of Armstrong Cheese

The devastating effect of industry concentration on Canada's farming community is poignantly demonstrated by Saputo's closure of Armstrong Cheese after over 100 years of operation.

Saputo began selling cheese to Montreal's Italian community in the 1950s. In the 1960's, plans to sell part of the business to New York Mafia boss Joseph Bonanno drew scrutiny from U.S. and Canadian anti-crime, racketeering and competition cops for years. By 2000, Saputo had grown to a US\$1.2 billion cheese company with two thirds of its business in the US. In three short years, with sales of US\$3.5 billion, Saputo is the largest dairy processor in Canada, one of the leading cheese manufacturers in North America, and together with Parmalat, fully controls Canada's dairy processing sector.

Saputo's dramatic jump in market share began with their February 2001 acquisition of Dairyworld Foods, the fluid-milk and cheese operations of Agrifoods International Co-operative Ltd (once Canada's second largest co-op). Several months later, Saputo announced the closure of three Canadian cheese plants.

This August, coincident with the shutdown of a cheese plant in Ontario and a production line in Quebec, Saputo announced first quarter profits of \$46.1 million, up 11.6% from year earlier levels. During this time, margins increased by 6.25%; US\$38.3 million in US acquisitions and US\$26.1 million in fixed assets were added to the books.

This September, Saputo announced the sale of its manufacturing operation on Annacis Island and the closure of two more Canadian plants – one in Calgary and the 100+ year old plant in Armstrong.

In early October, to “access raw material at competitive international prices”, Saputo announced its US\$50.8 million acquisition of Molino Hermanos S.A (sales of US\$90 million, 40% exported; Argentina's third largest dairy processor).

This year, the Saputo family – with \$2.31-billion in personal assets – ranked 12th on the Financial Post's list of the 50 wealthiest Canadian families, up from 22nd spot last year. A 68.6% increase in family wealth in just 12 short months.

Dairy Foods Magazine's annual list of the top 100 US and Canadian dairy processors ranked Saputo 4th (and Parmalat 8th) out of 100 North American firms. Two short years ago, Saputo did not appear in the Top 10. In 2002, the top ten dairy processors controlled 46% of the North American market share; the top 4 firms alone controlled 28%.

For the 70 or so dairy farmers in BC's Salmon Arm-Enderby-Armstrong area, this is not a story of Canadian success but of Canadian failure – the inability of Canadian public policy to shield our farmers from the devastating effects of market concentration.

The Armstrong plant was modernized to the tune of \$4-5 million just before its sale to Saputo. But farmers considering buying the plant back as a cooperative face big questions: Would Saputo sell to the farmers? At what price? And can they realistically market into a system dominated by highly concentrated processors and retailers?

In the short term, milk destined for the Armstrong plant will likely be shipped down to the coast for processing, reducing farmer returns. In the longer term, the consequences for the tiny perfect dairy community that supplies milk to BC's interior are very uncertain indeed.

GLAD COWS – Cuba's Dairy Project Moves Ahead

Ending on a brighter note, I am happy to tell you that we have at last secured an NGO partner (the respected International Centre for Sustainable Cities) to support our CIDA Project application to transfer Canadian dairy skills to Cuban farmer cooperatives.

Come with me to Cuba this year to see for yourself the linkages this Project offers! With the strong Canadian dollar, it's a STEAL! And deductible. But hurry.... holm@farmertofarmer.ca, 604.947.2893