

LMAC President's Report on Traceability, March 2011

Having met extensively with Government representatives to discuss traceability within the Marketing sector, the Directors of LMAC have come to the realization that a lot of work needs to be done before the Traceability file can move forward.

LMAC has identified many issues that concern our membership. Government and Industry need to continue to work together to address and deal with these issues before Mandatory Traceability is feasible at the Auction Market level.

We have reached a critical time where Government must answer some direct questions and Industry must have a united voice on the Auction Market's role in livestock traceability.

As you read this, Government is in the process of developing and reviewing regulations and policy that will effect how we do business at Auction Markets. We need to make sure that Industry has input into the development of these new regulations. Market Neutrality is a major concern, all sectors must be treated the same!

The following are questions that I as President and LMAC Board and members have raised.

Traceability Plan: The first fundamental question that has not been answered is, what is the vision and plan for reading at the Markets? We have been given a resource plan with a cap of \$ 100,000, without any direction as to what is expected of the Auction Market sector. Are we going to have to read in only or out only or are we expected to read in and out? Industry has been suggesting a Plan B which is developed more fully later in this letter. Is this an acceptable option for Government? Until we get a clear traceability plan that outlines the requirements and standards that our members are expected to meet it is very difficult to respond to a resource plan.

A clear position by the Federal Government will allow implementation to occur. While we need government to be clear on the path it intends to take, we as an Auction Market industry, in concert with other livestock marketers, need to direct the implementation plans before they unfold. Our issue with Government is that, while consultation is occurring, we are unclear as to their starting point.

Tagging Stations: CFIA is considering withdrawing the "Tagging Station" status at Auction Markets. Will we still be able to accept untagged cattle at the Market and provide custom tagging services? Will this open the door for more AMP's (fines) to the Markets? How will we deal with producers that do not have facilities to tag at home but wish to sell at Auction Markets? Will this push more cattle to direct sales?

Market Neutrality: How does the government intend to deal with the following transactions with regards to scanning and movement reporting?

Page 2

- a. Farm to farm sales
- b. Electronic sales

- c. Direct sales to Buyers and Drovers
- d. Direct Sales to Feedlots
- e. Direct Sales to Packers
- f. Dealer to Dealer sales
- g. Purebred Livestock Auctions
- h. Cattle sold at Exhibitions and Fairs

If the time comes that Auction Markets are required to scan all cattle on their property then the above transactions have to be enforced at the same level at all transaction points so that Auction Markets are not put at a disadvantage because of traceability.

Costs of Traceability: The recent announcement of the "LATI" program will not cover the costs of equipping the entire industry. The program covers 80% of approved costs to a maximum of \$100,000 per location. LMAC's current position is that the funding level should be at a minimum of 90% with no cap for approved costs, that there should be provisions for on going costs for maintenance, warranty and service agreements, equipment replacement costs and compensation for training of employees. The LATI program does not cover any on going costs nor does it cover any replacement costs for obsolete/old equipment.

Other Options: Is there an opportunity to have a "third party" service provider come in and do the scanning and movement reporting. They would sign MOU's with the Government and the Markets to take the responsibility and liability associated with the traceability requirements. They would be responsible for the equipment, manpower, and all the costs of movement reporting. The Government would then pay the service provider a negotiated fee for this service. Government would be required to pay for the costs of renovations at the markets to accommodate the scanning. Would this scenario address the concerns of many of the Auction Market operators that do not wish to participate under the current conditions?

Plan "B" : CCA and some members of industry are proposing that we do not need to scan "all" cattle at the Auctions. They suggest that in western Canada approx. 75% and in Eastern Canada 60% of the cattle sold at Auction Markets arrive at a feedlot, packer or export center within 48 hours of being sold. In the majority of cases these cattle are restrained and scanned at these locations. Many feel that by forcing the Markets to scan the cattle, they will be duplicating the process. Alberta already has mandatory scanning at the feedlots over 1000 head, and the CIP recommendations are to expand that to all of Canada.

We currently have a very good paper trail at the Markets that tells us who delivered the cattle and who purchased them. The high-risk cattle that are left are the cattle going back to the farms and to the small feeders or grass operator. The Plan B proposal would have the Markets scan and report the movement of those cattle that go to purchasers that do not have equipment to scan the

Page 3

cattle on arrival at their location. It has been suggested all cattle that are not sold to a licensed dealer would have to be scanned at the Auction

Market after the sale, possibly at the time of loading. If the cattle are sold to a licensed dealer it becomes their responsibility to make sure the cattle are scanned at their buying station or on arrival at their new home. The dealer could request that the Auction Market scan some cattle on their behalf if the cattle are going directly to a location that does not have the ability to scan. Those Auction Markets that scan these cattle would be paid a per head fee by the government to provide this service. There would also be assistance to purchase scanning equipment and train employees. This plan would not have a negative effect on the speed of commerce prior to the sale.

The question is: Should we as an industry pursue plan B as an interim solution until such time as we have better technology and we have a better handle on costs to the industry?

Compliance: How do we see the enforcement done in the future and what role if any will the markets play in enforcement? Currently LMAC members are in the forefront in assisting CCIA in capturing untagged animals at the Market. It is widely recognized that their assistance has been a major driver in achieving the high compliance rates that the industry has achieved. Despite this assistance our members are continuing to receive AMP's for animals that inadvertently get missed. If AMP's are intended as a tool to change behavior they are not achieving their intended purpose. LMAC and CCIA have encouraged the CFIA to target their enforcement program towards the owner of the cattle rather than the Auction Markets, truckers and buyers. Perhaps there is an opportunity here for Provincial Governments (ag reps, etc.) to be more involved with producers in the education process?

What are our Options? If as an industry we do not agree to the conditions set forth by CFIA and AAFC what are our options? Do we seek legal counsel? Can the Government force Auction Markets to participate through the new regulation being developed? Will some Markets be forced out of business due to the costs of traceability? How have the unknown facts about the cost and liability of Traceability affected the value of your business?

We do know that Minister Ritz has made it very clear that traceability is not going away. By ignoring this issue we will harm the livestock marketing business. There are plans this summer for a Beef Traceability Summit to discuss the progress on Beef Traceability. Government has asked industry including LMAC for input into the regulations and traceability file. If we do not give our expectations and what we are prepared to do, they will continue without us and we will have to live with their decisions.

This is probably the most critical issue facing LMAC and our members since metric conversation. We have allies at CCIA and CCA as well as other industry groups. What we need now is direction and a unified voice.

Page 4

At the LMAC convention on the weekend of June 9-12 in Waterloo, Ontario we will dedicate our three hour business meeting on Saturday morning exclusively to this issue. We

encourage members to attend this meeting to provide input. Following this meeting the Board of Directors will develop a position paper that we will present to Government on behalf of LMAC Members.

Larry Witzel, Mike Fleury and Rick Wright sit on National Committees representing LMAC that deal with Traceability and Regulations.

Please direct your comments either to myself, Committee members, or Jim Wideman, National Administrator.

Respectfully submitted
Jim Abel
President,
Livestock Markets Association of Canada

Jim Abel sam1990@telusplanet.net
Jim Wideman jgwideman@rogers.com
Rick Wright r16@mts.net
Larry Witzel lwitzel@olex.on.ca
Mike Fleury m.fleury@yourlink.ca

No virus found in this message.
Checked by AVG - www.avg.com
Version: 10.0.1204 / Virus Database: 1498/3518 - Release