

Livestock origin a sticking point in Canada/EU trade talks

Canadian and U.S. livestock sectors highly integrated

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Rules on recognizing the origin of cattle and pigs slaughtered in Canada are one of the sticking points in free-trade talks with the European Union, Canada's chief agriculture negotiator said Wednesday.

Canada hopes to win greater access for its beef and pork in Europe, while the EU wants a foothold in Canada's protected agriculture sectors, especially dairy.

Talks on a comprehensive deal are expected to finish this year, but one outstanding issue is on rules of origin, said Frederic Seppey, chief negotiator for Agriculture and Agri-Food Canada.

The issue is whether the EU will give preferential access to all meat processed in Canada, given the strong integration of the North American livestock market. Canadian and U.S. farmers freely move livestock across the border to take advantage of the lowest feeding costs and highest slaughter prices.

The EU has not agreed that all meat slaughtered and

processed in Canada is considered of Canadian origin. It takes into consideration where the livestock was born and raised.

Canada's position is that slaughtering and cutting up a cow or pig is a significant enough step that the end product should be recognized as Canadian, even if the animal was born or fattened to market weight in the United States, Seppey said.

"We don't want beef that has been processed in Canada and perhaps is from cattle that were born in Canada but fed in the U.S. to be prevented from getting the potential preferential treatment," Seppey told reporters on the sidelines of the Canada Grains Council meeting in Winnipeg.

"In our trade agreements we are always advocating that slaughter is enough of a transformation to confer origin."

EU negotiators are hesitant to concede the point, because Canadian slaughter plants import livestock from the U.S., as well as buying domestically. The issue would likely disappear once the U.S. and EU negotiate their own trade deal, but those talks are just beginning, nearly four years behind Canada-EU negotiations.

"We are within reach of an agreement, the final stages. It would be such a shame to not conclude," Seppey said, adding that he expects the two sides to eventually find a solution on the livestock origin issue.

Other outstanding issues include access for

pharmaceuticals and automobiles, he said.

Canada is the third-biggest pork shipper after the U.S. and EU, and also the No. 6 exporter of beef and veal. EU countries are collectively the world's third-biggest beef and veal producer and the second-largest pork producer.

Canada is seeking to diversify its trade away from the U.S., which currently takes 75 per cent of all Canadian exports, and the EU just over 10 per cent. Under an FTA, Canada-EU trade could increase by 20 per cent, Canada has said.

Total trade of agriculture and food products between Canada and the EU currently amounts to about \$6.6 billion annually.