Canada: meatpackers profit from BSE crisis

By David Adelaide
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A recently released report by Alberta's auditor general reveals that the major meatpacking companies reaped windfall profits from Canada's BSE crisis, while the social cost of the crisis fell onto cattle producers, including small farmers and farm workers, and the public treasury.

In May 2003, a single Alberta cow was discovered to have been infected with Bovine Spongiform Encephalopathy (BSE), or Mad Cow Disease, which has been linked with the fatal human neurological condition variant Creutzfeld-Jacob Disease (vCJD). Canadian beef was immediately barred access to all of its major export markets. Entire ranching communities in Alberta, the province in which Canada's beef industry is centered, faced economic ruin, as the price for fed cattle plunged from $C107 per hundredweight to between $C65 and $C85 per hundredweight.

A blitz of ad campaigns and nationalist appeals from politicians encouraged Canadians to support the beleaguered industry by continuing to buy "Canadian beef." These appeals, which paid scant regard to any and all questions of public health and safety, were largely successful, and, as Fred Dunn, the auditor general, notes in his report, Canadians actually consumed 5 percent more beef in 2003 than they had in 2002.

Fearing the steep fall in cattle prices would drive many ranchers into bankruptcy, provincial and federal governments announced subsidy programs for cattle producers, such as the Canada Alberta BSE Recovery Program (CABSERP). CABSERP gave producers a "deficiency" payment for 90 percent of the difference between what they sold slaughtered cattle for and what comparable product would have gone for in US markets during the same period.

With the export of live cattle to the United States barred indefinitely and winter approaching, producers were compelled to sell their cattle to the meatpacking plants at prices far below normal. The terms of CABSERP further encouraged a glut of cattle for slaughter, thereby placing even greater downward pressure on prices, as they stipulated that the subsidy would only be applicable to cattle slaughtered by an early cut-off date.

Auditor General Dunn cites a Statistics Canada report that says farm cash receipts for cattle were 34 percent lower in 2003 than in 2002, although more cattle were slaughtered. Wholesale and retail prices for beef, however, remained substantially unchanged. According to Dunn, Alberta's three largest meatpackers—the multinationals, Lakeside Packers, Cargill Foods and XL Foods—made off with an average of $C176 profit per head of cattle during the second half of 2003, an increase of 281 percent over the figure of $C46 per head recorded during the period preceding the BSE crisis. While exploiting the BSE crisis to drastically increase the differential between the prices they paid ranchers for their cattle and the prices they charged consumers for beef, the meatpackers also received tens of millions of dollars in payouts from CABSERP, since they were themselves owners of large cattle herds.

In early 2004, farmer and consumer groups and opposition politicians began to complain about this obvious case of profiteering. The three meatpacking companies were subpoenaed to appear before a federal parliamentary committee and ordered to open their books to scrutiny. They refused to appear and were subsequently held to be in contempt of parliament. A motion that would have fined the recalcitrant corporations was blocked by Conservative and Bloc Quebecois MPs.

The companies, however, did prove willing to hand over their financial records to Alberta's auditor general, doubtless because they expected that any report made on the orders of the right-wing Tory government of Ralph Klein would treat them with kid gloves. Canada's longest-serving premier, Klein has won the accolades of the *Wall Street Journal* for his cuts to public and social services and advocacy, in the name of "free enterprise," of deregulation and privatization.

The meatpacking companies were not disappointed. While Dunn makes a number of very limited criticisms of the CABSERP subsidy program, the main thrust of his report is to portray the meatpackers' obvious profiteering as an entirely unavoidable and even legitimate consequence of "supply and demand" in a "distorted market." According to Dunn, "the issue is not that the packers received program funds destined for producers, but rather, to the extent that CABSERP caused cattle prices to fall, the cost of the program increased."

It is undeniable that the way in which the subsidy program was structured helped drive down prices and thereby facilitated the meatpackers' price gouging. But even without any subsidy to cattle producers, the big meatpacking concerns, under conditions whereby the export of live cattle had been completely halted, would still have been able to use their monopoly position to squeeze a low price out of the cattle producers while balking at any lowering of beef prices.

That the three multinational meatpackers took advantage of the BSE crisis to make off with record profits, while passing on its social costs to small producers and society as a whole is acknowledged parenthetically by the auditor general's report. Dunn writes: "There is no doubt, however, that there has been a shift in the value obtained from cattle between the producers and the packers since the discovery of BSE. Producers now receive less for their cattle than prior to the discovery of BSE and to that extent, the decrease in value represents a transfer of value from the producers to the packers."

The substance of Dunn's recommendations to government, leaving aside various ritualistic invocations of greater accountability, is a call for increased slaughter capacity within Canada (and, therefore, reduced dependence on US exports).

Dunn also proposes increased testing for BSE, but rejects the call for testing of all cattle at slaughter. Significantly, at no point in the arguments he cites against 100 percent testing is any sort of public health imperative considered. Rather, Dunn argues against blanket testing on the grounds that such a measure would not ensure export markets are reopened to Canada's cattle industry. "No nation," writes Dunn, "has stated that it would accept Alberta beef even if it were 100 percent tested for BSE. Assuming Alberta moved to 100 percent testing, there would still be uncertainty whether the border with any other nation in the world would immediately re-open."

Just as Canada's meatpackers have sought to increase their profits from the BSE crisis, so various states, Canada included, have exploited the very real concerns about public health to bar their markets to foreign producers and wage trade wars. Recent reports have increased the estimate of the health threat posed by BSE and vCJD. Yet capitalism's division of the world into competing nation-states and subordination of all social needs to the profit requirements of multinational corporations prevents a rational response to this international crisis.