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Subsidy with a negative impact

International relations between countries are usually maintained by different strategies which include effective trading systems. This is usually regulated by different international organizations which may be global or regional.

World trade organization is an international trading organization established to help start, negotiate and maintain trade agreements between governments of member countries. In cases of dispute, WTO helps by investigating it and solves the dispute.

Canadian Agricultural sector is diversified. An important part of the sector is the live cattle farming and beef production. This sector has expanded rapidly over time and many families are involved in the farming. Export of cattle products contribute greatly to economic development of the country. There have been many issues as regards to the Canadian government subsidies and policies on the Canadian live cattle and beef production. The impact of the subsidies on the domestic supplies, farmers, and international market are the major considerations of this article.

The Canadian beef market has had more than 100 percentage increase from 1986 to 2001 (Leroy, 2006). This is a desired growth effect in terms of live cattle and beef production. The growth was influenced by the different government policies and international policies that favour trans-border trading. Some of those policies allow subsidies on grains for cattle feeding, expansion of cattle slaughtering capacity and export agency funding, all contributed to the rapid expansion over the years.

Canadian-United States Trade agreement (CUSTA) was established between the United States and Canada for both countries to benefit from the expanding Canadian live cattle and beef market and increasing demand for imported live cattle and beef with lower price by United States retailers and consumers. However, the discovery of BSE on May 20, 2003 resulted in the drastic reduction in the demand for the Canadian cattle or beef. This was as a result of the action the importing countries took to shut their borders against the importation of infected cattle to save and protect human and animal lives from infection. That resulted in a great loss for farmers and many had to stop the cattle farming.

Five years after the BSE occurrence, the Canadian government introduced some sets of new subsidies that will allow production of quality beef and cattle at low prices for international retailers especially US retailers. This was aimed to enter into competitive cattle market and regain its previous role as one of the major exporting countries for live cows and beef.

Some of the major subsidies introduced after the challenge of BSE (bovine spongiform encephalopathy) include: BSE recovery loans, Stocker Loans, Alberta Feeder Association Guarantee Programs. These were introduced in 2008. There are other programs that are being planned to introduce, these include; SE recovery program, work sharing program, Canadian Agricultural income stabilization program, Transitional industry support program, and Cull animal program. Most of those programs focused on assisting the producer and meat packers so as to keep the domestic market moving and

effectively to further penetrate the US beef market which is the major determinant of the Canadian cattle exporting market.

BSE recovery loans helped the Manitoba cattle producers that are affected by the BSE to help recover from the financial hardship experienced. The stocker loan provides loans for producer to buy calves for breeding. Taking a critical review of these programs and policies instituted by the Canadian government, it can be seen that the major justification for the actions are based on helping the affected farmer to survive the BSE situations and regained their production status in the international market. However, there are several issues and complaints raised by the international communities especially those involved in the purchase of the Canadian live cattle's and beefs.

A major issue is that which relates the aim of the subsidies to unaccepted principles that guides international trading between two countries. The two countries have different perspective to the issue and their plan to actually prevent the negative impact on the two regions. For instance, the U. S farmers argued that the results of the subsidies being initiated by the Canadian government shows a level of market prices which are far below the competitive market value. It was believed that having that from a market that is just trying to recover from a loss period is not acceptable.

In a bid to achieve its aims, the Canadian government are trying to push for the removal of an importing regulation which is tagged " COOL (country of origin labeling)". Canada filed a WTO complaint which is focused on the

removal of COOL imposed by the American government.

This regulation ensures that the country of origin of a product is placed on the products. This will allow retailers and consumers to know the actual country of origin before purchase. This push for removal of COOL clearly shows that something is wrong with the live cattle and beef market in Canada. It actually reveals that the government are trying to penetrate the US market more with the aim of being the sole producer of the live cattle and beef in the US markets.

The action of subsidies provided by the government actually has a negative impact on the domestic supply and farmers in Canada. This is because of the mode by which the subsidies are being implemented. The subsidies are limited to major producers and beef packers, making other developing farmers suffer more. This is because of the high cost of production of a cattle and selling for a lower price. The effect of the policies now is that majority of the local farmers are now leaving the cattle rearing farming. That will definitely affect the economy of those regions and farmers that were not considered in the subsidies.

Canada subsidies on live cattle and beef were seen by many as a means of out-competing independent U. S cattle producers using its inherent resources. Those subsidies were seen to be unjust in its mode of propping up the cattle supplies even beyond the market demand. The perception regarding the live cattle and beef subsidies by the Canadian government are being seen by the US trade representatives as a way of manipulating the US cattle market and that should not be allowed to happen.

The highlighted issues in this article show that the current subsidies being initiated and implemented by the Canadian government to help assist their cattle farmers are not fully beneficial. The demerits seem to overwhelm the merit for both international communities and local farmers. As it's been explained earlier, if the government is planning to contribute to the development of both local and export market, focus should not be on the major farmers alone because they represent smaller percentage of cattle farmers in Canada. The policies initiated should also not compromise an international relationship because of the interest in dominating the cattle market.

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