
Discussion

NATIONAL CATTLEMEN'S BEEF ASSOCIATION

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The paper by Loyns, Young and Carter is generally factual in its documentation of the United States versus Canada and Mexico, and Mexico versus United States in the recent anti-dumping and countervailing duty cases. The authors are to be commended, along with Brester, Marsh and others for providing factual information to the policy process even in the face of political unpopularity and criticism from their local constituents.

National Cattlemen's Beef Association (NCBA) recognizes the deficiencies of the current dumping laws as pointed out by the authors. Following expenditure of scarce industry resources to defend against dumping cases filed by Mexican producers against U.S. cattle, beef and beef variety meats, NCBA has adopted policy to draft new language defining "dumping" that would better protect U.S. producers in future cases. The objective is to make the definition of dumping more consistent with the practical realities of producing a product in a cyclical commodity marketplace. NCBA is considering alternatives, including adding evidence of predatory pricing or intent to drive competitors out of business, to the definition of dumping. This policy is consistent with a position developed during the 1999 five-nation beef conference in Banff, Alberta. It is also worth noting that the current Administration refused to raise this issue during the Seattle Ministerial Conference in the face of opposition from the U.S. steel industry and other industries that rely on anti-dumping cases for protection.

The Loyns et al. paper, however, fails to address a perception, and in many ways the reality, that the original U.S./Canadian trade agreement was skewed. In fact the United States gave more access than it received. This factor ultimately resulted in the trade actions, accurately described by the authors, plus border blockades instituted by state officials during the winter of 1998. Two cases in point are restrictions on U.S. feeder cattle exports to Canada and utilization of U.S. quality grades on carcasses and beef produced from cattle imported directly for slaughter from Canada.

U.S. FEEDER CATTLE EXPORTS TO CANADA

The first case has been addressed in part by the Northwest Project, strongly supported by the Canadian feeding industry and the Canadian Cattlemen's Association. USDA Secretary Dan Glickman and the Canadian government first announced on October 24, 1997 the implementation of the Northwest Project. It is a trade agreement that waives specific animal-health testing requirements and facilitates cross-border shipment of live cattle from U.S. cattle producers to Canadian feedlots. During the period October 1, 1999 through March 31, 2000, approximately 160,000 US feeder cattle will be exported to Canada under the Northwest Project protocol.

Contrary to findings in the paper by Loyns et al. the flow of feeder cattle is not from Canada to the United States in the absence of artificial, scientifically undocumented trade barriers. Transportation costs from Montana ranches and feed costs generally favor shipment of calves from Montana to Alberta feedlots versus feedlots in the U.S. Cornbelt or the High Plains. During the last marketing year (October 1, 1998 through March 31, 1999), 51,009 U.S. feeder cattle entered Canada under the revised Northwest protocol. This total was more than 5 times larger than during the previous year. This successful project was initiated through coordinated efforts of state and national industry representatives, Montana and Washington state officials, U.S. government officials and Canadian officials. During the past year Alaska, Hawaii, Idaho and North Dakota have been added to the growing list of states eligible to ship cattle to Canada under these revised rules. The project relies on science to resolve animal-health related trade barriers, one of the key initiatives of NCBA policy.

The case could easily be made that if this issue had been resolved during the 1989 U.S./Canadian agreement and U.S. feeder cattle had been able to enter Canadian feedlots under current protocol, that the recent dumping case and country-of-origin policy adopted by NCBA would never have been implemented. If half of the slaughter cattle entering the United States from Canada had originated in Montana or other northern tier states, pressure to restrict entry or differentiate the product would have been significantly reduced. The fact that Canadian cattle were able to come south while U.S. feeder cattle were denied access to Canadian feedlots was a significant contributing factor to producer frustration and unrest.

NCBA and the Canadian Cattlemen's Association are currently working to allow year-round access to Canadian feedlots for U.S. feeder cattle from a few select states. The long-term objective is for Canada to recognize the health status of each state (zone). Ultimately, the border must be as transparent for U.S. feeder cattle moving to Canada as it is for U.S. feeder cattle to move from one state to another, or for Canadian slaughter cattle to move to U.S. packing plants.

USDA QUALITY GRADES

NCBA supports the concept of grade equivalency. That means that if Canada, Mexico or other trading partners wish to adopt grading standards that are equivalent to USDA quality grades, then *market and promote* them as such, NCBA will not object. The U. S. beef industry does, however, understand the economic "free rider" principle and strongly objects to beef from other countries receiving USDA quality grades without country of origin differentiation. USDA grades are recognized as the standard of excellence in the international market and the U.S. beef industry has invested substantial resources in developing brand equity associated with USDA grades. NCBA opposes reciprocity - - ie., USDA graders in non-U.S. plants and grading of imported carcasses and beef produced from cattle imported directly for slaughter.

Historically, U.S. packers had an economic incentive to present imported carcasses for USDA quality grades. The Canadian grading system did not recognize marbling as a quality factor for nearly 20 years. During this period there was virtually no price differential between Canadian carcasses that were more highly marbled (equivalent to USDA Choice or Prime, for example) and carcasses that were less marbled (equivalent to USDA Select or Standard). Consequently, U.S. packers could purchase carcasses (or cattle) in Canada with potential to grade USDA Choice or Prime, export them to the United States to be graded, and receive the quality differential (in effect the U.S. spread between USDA Choice and Select carcasses).

During 1999 NCBA petitioned the U.S. Department of Agriculture to end the practice of putting grades such as "USDA Choice" or "USDA Prime" on imported beef. This practice misleads consumers because it allows imported beef to receive the same grade as U.S. beef, leaving the false consumer perception that the imported beef with an USDA grade is produced in the United States. NCBA be-

lieves this violates the Code of Federal Regulations that governs meat processing. On February 3, 2000, USDA published an advanced notice of public rule making proposing that imported carcasses no longer be graded, or that if they are graded that the country-of-origin identification currently applied to imported carcasses be retained if the quality grade is retained to the ultimate consumer. A third alternative proposed by USDA and strongly opposed by NCBA is that imported carcasses receive the USDA quality grade without country-of-origin identification.

Country-of-origin labeling will become increasingly important to the U.S. cattle industry as international beef trade continues to expand. Country-of-origin labeling allows consumers to make informed decisions when purchasing meat and meat products, and competitive market forces will determine the relative value of meat from different countries.

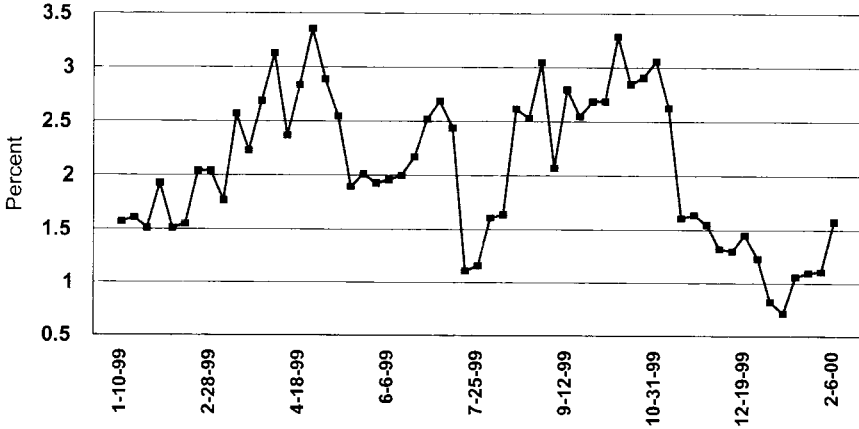
This issue is not about food safety. USDA inspects imported beef, which must meet the same safety and wholesomeness requirements as U.S. beef. It is important to note that imported beef has country-of-origin labels - - either on the product or on shipping containers - - when it enters the United States; however, these labels are lost during further processing. The benefits of this system accrue more to importers, packers and processors, and less to beef producers in exporting countries. Country-of-origin labeling will ultimately provide a "brand-like" mechanism for the beef industry.

NCBA will continue to work for approval of legislation to implement mandatory country-of -origin labeling. Concurrently, efforts will be intensified with the Food Marketing Institute (FMI), other organizations and packer representatives to develop a voluntary system for identifying and promoting U.S. beef consistent with instructions from Senate and the House committee leadership. And NCBA will continue to work for eliminating provisions for grading imported carcasses, or at a minimum insist that country-of-origin identification applied to these carcasses be retained to the end consumer if the USDA quality grade is retained.

IMPACT OF ANTIDUMPING DUTIES

Preliminary dumping duties were imposed on Canadian cattle imported into the United States on June 30, 1999. (See Figure 1.) A case can be made that

Figure 1: Canadian Cattle as a Percentage of U.S. Slaughter, January 10, 1999 - February 6, 2000.



Source: Calculated by the author.

forward shipping took place for 2-3 weeks prior to June 30 in anticipation that the duties would be imposed. Imports of Canadian cattle as a percent of U.S. slaughter declined for two weeks as U.S. packers, other importers and Canadian sellers determined how the new system would operate. By the end of five weeks, imports of Canadian cattle had returned to pre-duty levels as participants adapted to the new system and Canadian cattle prices adjusted to account for duty levels.

A case could be made that this is a classic example of a shock to a functioning market that subsequently adjusts and returns to equilibrium. Duties were eliminated on November 19, 1999 when the ITC released its final determination of no injury. Imports of Canadian cattle declined after the preliminary duty was lifted — probably a year-end seasonal marketing factor.

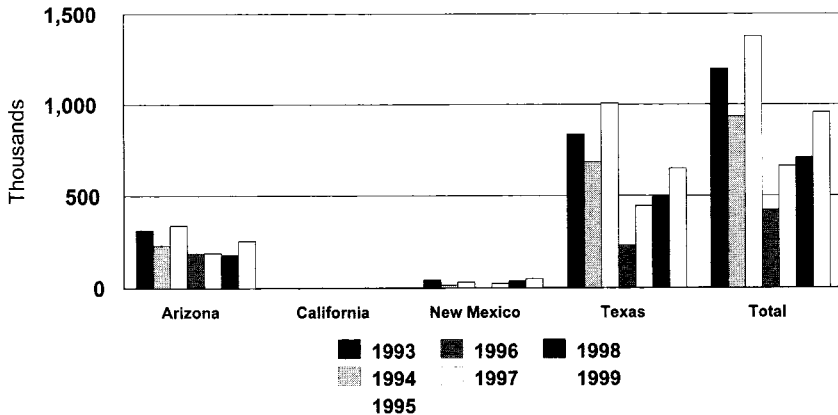
IMPORTS FROM MEXICO

U.S. imports of feeder cattle from Mexico spiked to 1.378 million in 1995 in response to peso devaluation (flight to the dollar) and drought in northern Mexico. (Table 1 and Figure 2) U.S. imports of feeder cattle from Mexico declined to approximately 424,000 during 1995. During 1999, U.S. imports of feeder cattle

Table 1. Imports of Mexican Feeder Cattle, 1993-1999.

	<i>Arizona</i>	<i>California</i>	<i>New Mexico</i>	<i>Texas</i>	<i>Total</i>
1993	314,790	1,634	43,015	837,131	1,196,570
1994	232,338	0	15,532	685,813	933,683
1995	340,901	0	30,540	1,006,954	1,378,395
1996	190,377	0	276	233,229	423,873
1997	191,788	0	23,620	446,206	661,614
1998	180,937	0	37,865	491,327	710,129
1999	257,242	0	49,929	648,483	955,654
99%98	142.2%	N/A	131.9%	132.0%	134.6%

Source: U.S. Department of Agriculture/Animal and Plant Health Inspection Service. Calendar year-to-date comparison through December 31.

Figure 2: Imports of Mexican Feeder Cattle, 1993-1999.

Source: U.S. Department of Agriculture/Animal and Plant Health Inspection Service.

reached nearly 1 million — approximately the number imported during the late 1980s and early 1990s.