



**International Trade and the U.S. Cattle
Industry in the New Millennium --
Facts and Issues for 2001**

R-CALF Second Annual Convention
Ramkota Hotel and Convention Center February 3, 2001

Terence P. Stewart
Stewart and Stewart

R-CALF Year in Review -- 2000

R-CALF Supports Legislation and Regulations to Help the Cattle Industry:

Continued Dumping and Subsidy Offset Act of 2000

H.R. 1144, “Country-of-Origin Meat Labeling Act of 2000”

USDA Mandatory Price Reporting Regulations

USDA Change in Use of Grade Label on Imported Beef

USDA Review of GIPSA Captive Supply Estimations

USDOC Study of Foreign Subsidies for Beef and Cattle Industries

GAO Study of Economic Modeling in Cattle and Beef Industries

R-CALF Year in Review -- 2000

R-CALF Raises Its Profile:

- | | |
|-----------|--|
| February | Meeting with President Clinton |
| April | U.S. Trade Deficit Review Commission Testimony |
| May | Meetings in Washington, DC -- seeking support for studies of cattle industry economic modeling and foreign subsidies to cattle and beef industries. |
| September | Testify in support of H.R. 1144, "Country-of-Origin Meat Labeling Act of 2000."

Meetings with USDA, GIPSA, NASS, USTR, USDOC, USDOJ, and 18 Members of Congress and/or their staffs |

R-CALF Year in Review -- 2000

R-CALF Provides Input:

- House Committee on Agriculture Review of Federal Farm Policy – June 12, 2000
- USDA – Official Grading of Imported Beef, Lamb, Veal and Calf Carcasses Under the Authority of the Agricultural Marketing Act of 1946 – April 3, 2000.
- USDA – Proposed Rule on Livestock Mandatory Reporting (Docket No. LS-99-18) April 17, 2000.
- USTR – Free Trade Area of the Americas Negotiations – February 7, 2000.
- USTR – Mandated Multilateral Trade Negotiations on Agriculture and Services in the World Trade Organization (WTO) and Priorities for Future Market Access Negotiations on Non-Agricultural Goods – May 12, 2000.
- USTR – National Trade Estimate Report on Foreign Trade Barriers – December 1, 2000.
- USITC – Simplification of the Harmonized Tariff Schedule of the United States (Investigation No. 332-388) – April 3, 2000.

R-CALF Year in Review -- 2000

Status of Legal Proceedings:

Live Cattle from Canada and Mexico – Cases ended by voluntary withdrawal of appeals in March 2000.

United States – Measures Treating Export Restraints As Subsidies – (WT/DS/194) WTO complaint brought by Canada challenging U.S. treatment of export restraints as subsidies. Example cited by Canada was USDOC's investigation of Canadian Wheat Board's restraints on exports of feed barley as potential subsidy to Canadian cattle industry. R-CALF is monitoring and providing input as appropriate

Market and Industry Trends

Beef Trade Flows -- 2000

	Population (Million)	Cattle Inventory (1000 hd)	Consumption (1000 MT)	Per Capita Cons. in Lbs.*	Production (1000 MT)	Imports (1000 MT)	Exports (1000 MT)
United States	276.5	98,048	12,539	99.8	12,311	1,369	1,151
Canada	31	12,655	979	69.5	1,260	280	565
Mexico	97.4	23,716	2,300	52.0	1,900	400	less than 1
EU	375.9	76,700	7,255	42.5	7,495	360	646
Australia	19.1	26,600	690	79.5	1,953	3	1,213
China	1270	126,983	5,319	9.2	5,350	9	40
Japan	126.5	4,588	1,518	26.4	534	1,000	less than 1
New Zealand	3.8	9,110	135	78.2	592	2	460
Korea	46.5	2,487	550	26.0	266	268	less than 1
Argentina	36.6	49,832	2,590	155.7	2,940	8	360
Uruguay	3.3	10,557	205	136.7	465	less than 1	260
Brazil	168	146,272	5,879	77.0	6,450	57	625

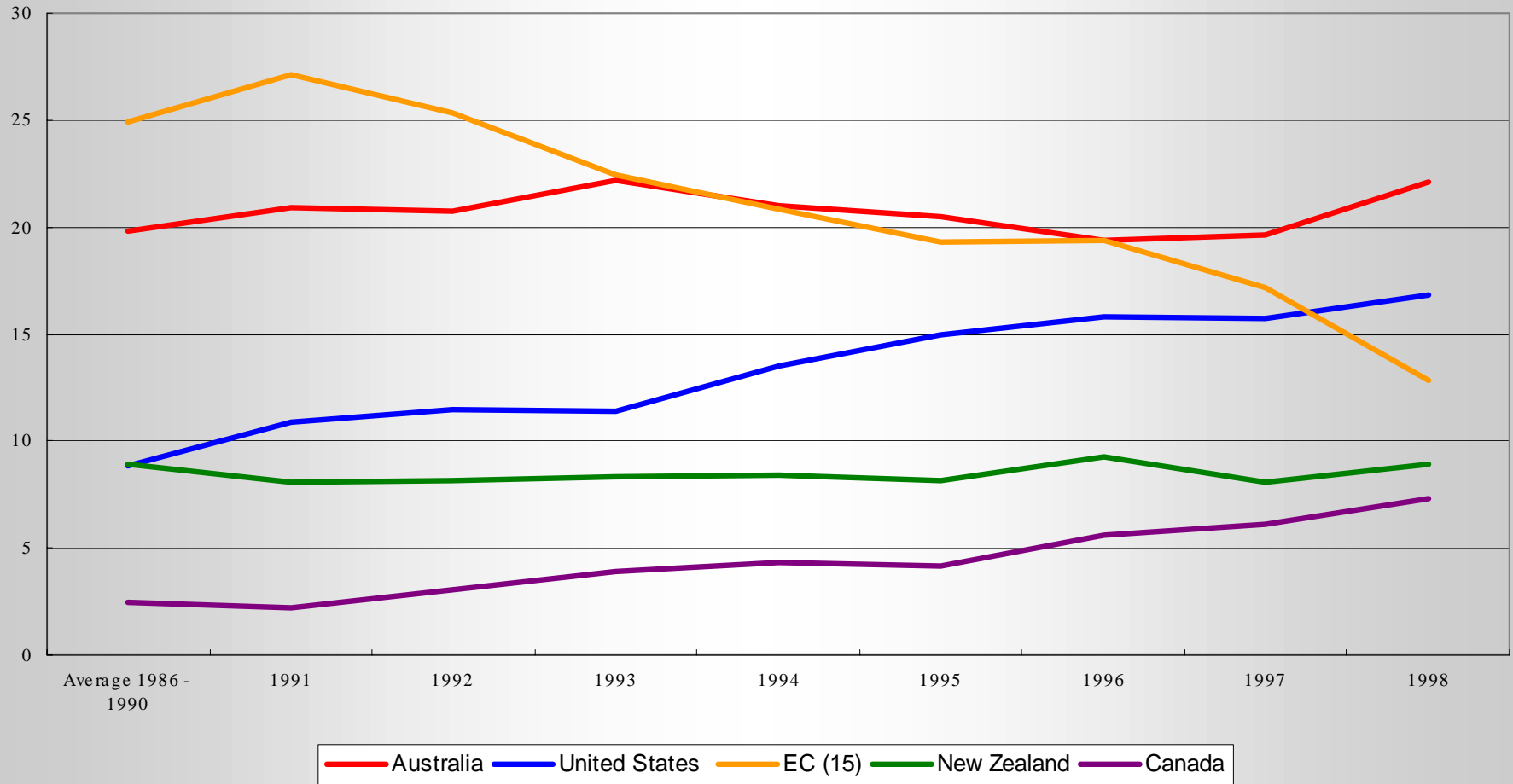
Complied from: USDA F.A.S Attache Reports, USDA World Livestock Outlooks, CIA Worldfactbook

* Carcass Weight Equivalent

** Not Able to Compute a Value

Note: Quantities not adjusted to reflect beef produced from imported cattle.

Share in world export volume of bovine meat, 1986-98 (%): Top five exporters in 1998



Source: FAO (1999), "FAOSTAT Statistics Database" from the Internet.

U.S. Imports and Exports of Live Cattle and Beef and Veal

	Live Cattle			Beef & Veal		
	Imports	Exports	Net Imports	Imports	Exports	Net Imports
	----- Head -----			<i>Thousands of Pounds, Carcass Weight</i>		
1990	2,135,000	119,914	2,015,086	2,354,567	1,006,042	1,348,525
1991	1,939,054	310,962	1,628,092	2,406,496	1,188,370	1,218,126
1992	2,255,265	321,790	1,933,475	2,439,775	1,323,637	1,116,138
1993	2,499,046	153,416	2,345,630	2,401,332	1,275,045	1,126,287
1994	2,082,504	230,791	1,851,713	2,370,727	1,610,620	760,107
1995	2,786,245	94,548	2,691,697	2,103,473	1,820,814	282,659
1996	1,965,448	174,307	1,791,141	2,072,729	1,819,194	253,535
1997	2,046,352	282,344	1,764,008	2,344,225	2,058,530	285,695
1998	2,034,009	285,209	1,748,800	2,643,105	2,160,811	482,293
1999	1,945,076	329,319	1,615,757	2,873,689	2,417,114	456,576
2000	1,974,881	535,252	1,439,629	3,052,377	2,562,046	490,332

Source: Kansas State Livestock and Meat Marketing website,
<http://www.agecon.ksu.edu/livestock/Livestock>
 Databases/Trade Databases/montrade.xls
 Data for 2000 are annualized.

Comparison of U.S. Cattle Inventories, Imports of Cattle and Prices for Nebraska Direct Steers 1100 lbs. 1990-2000

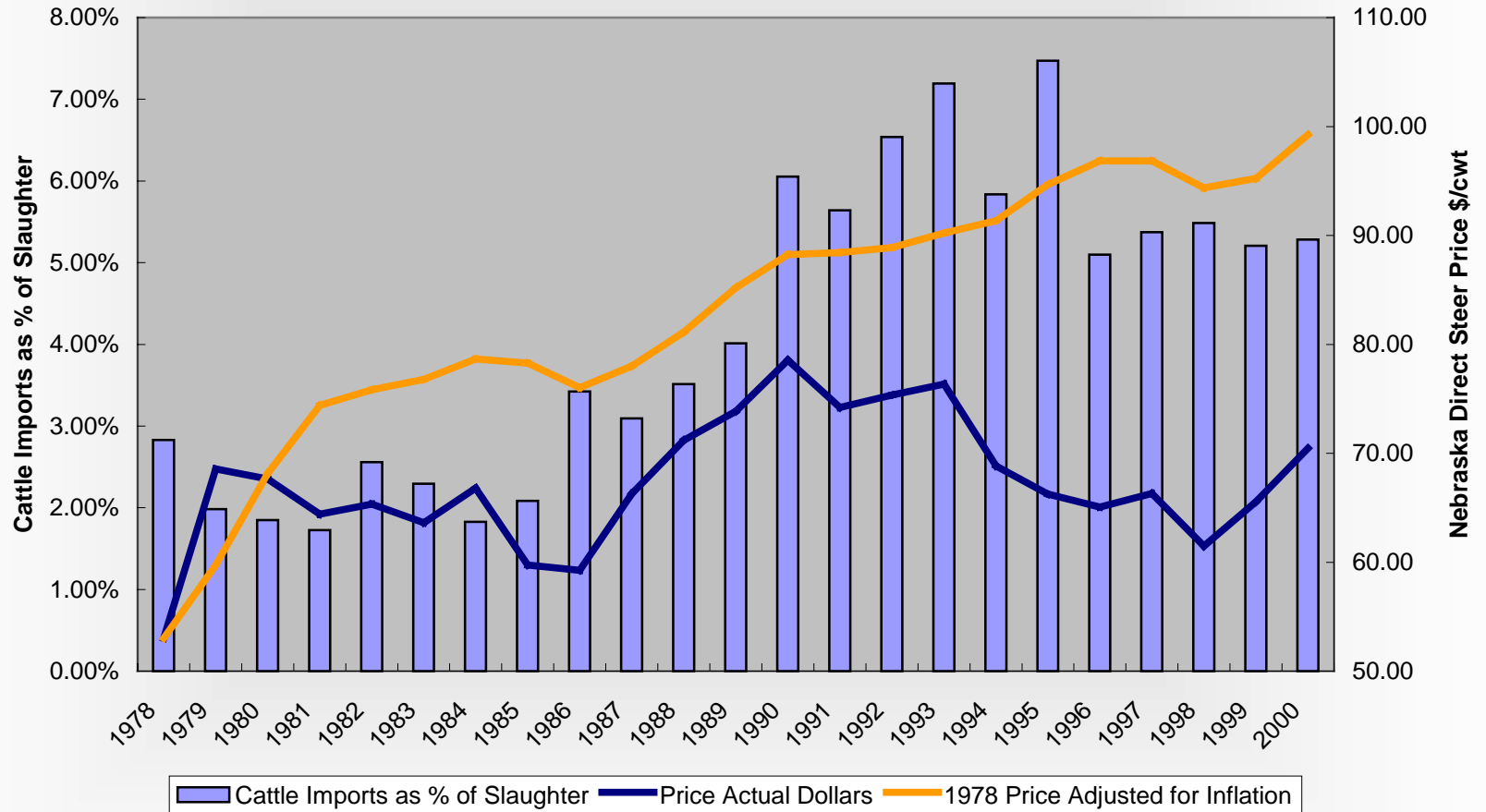
	Cattle Inventory as of Jan 1	Cattle Imports	Beef and Veal Imports*	Nebraska Direct Steers 1100 cwt Price	1978 Fed Steer Price Adjusted for Inflation	Price Below Inflation (1978=0)
	<i>Thousand of Head</i>			<i>\$ / cwt</i>	<i>\$ / cwt</i>	<i>\$ / cwt</i>
1990	95,816	2,135.00	4,417.96	78.56	88.23	9.67
1991	96,393	1,938.93	4,484.21	74.21	88.42	14.21
1992	97,556	2,255.27	4,539.52	75.35	88.89	13.54
1993	99,176	2,499.05	4,503.20	76.36	90.22	13.86
1994	100,974	2,082.50	4,307.31	68.84	91.35	22.51
1995	102,785	2,786.25	3,741.44	66.26	94.67	28.41
1996	103,548	1,966.60	3,648.13	65.05	96.84	31.79
1997	101,656	2,048.36	4,042.74	66.32	96.84	30.52
1998	99,744	2,036.75	4,439.07	61.47	94.38	32.91
1999	99,115	1,949.57	4,674.50	65.56	95.23	29.67
2000	98,048	1,974.88	4,898.72	70.45	99.26	28.81

Source: Data from USDA ERS Red Meat Yearbook and Agricultural Statistics.

*Beef and Veal imports converted from carcass weight equivalent to head by dividing the average production of U.S. Slaughter in pounds per head.

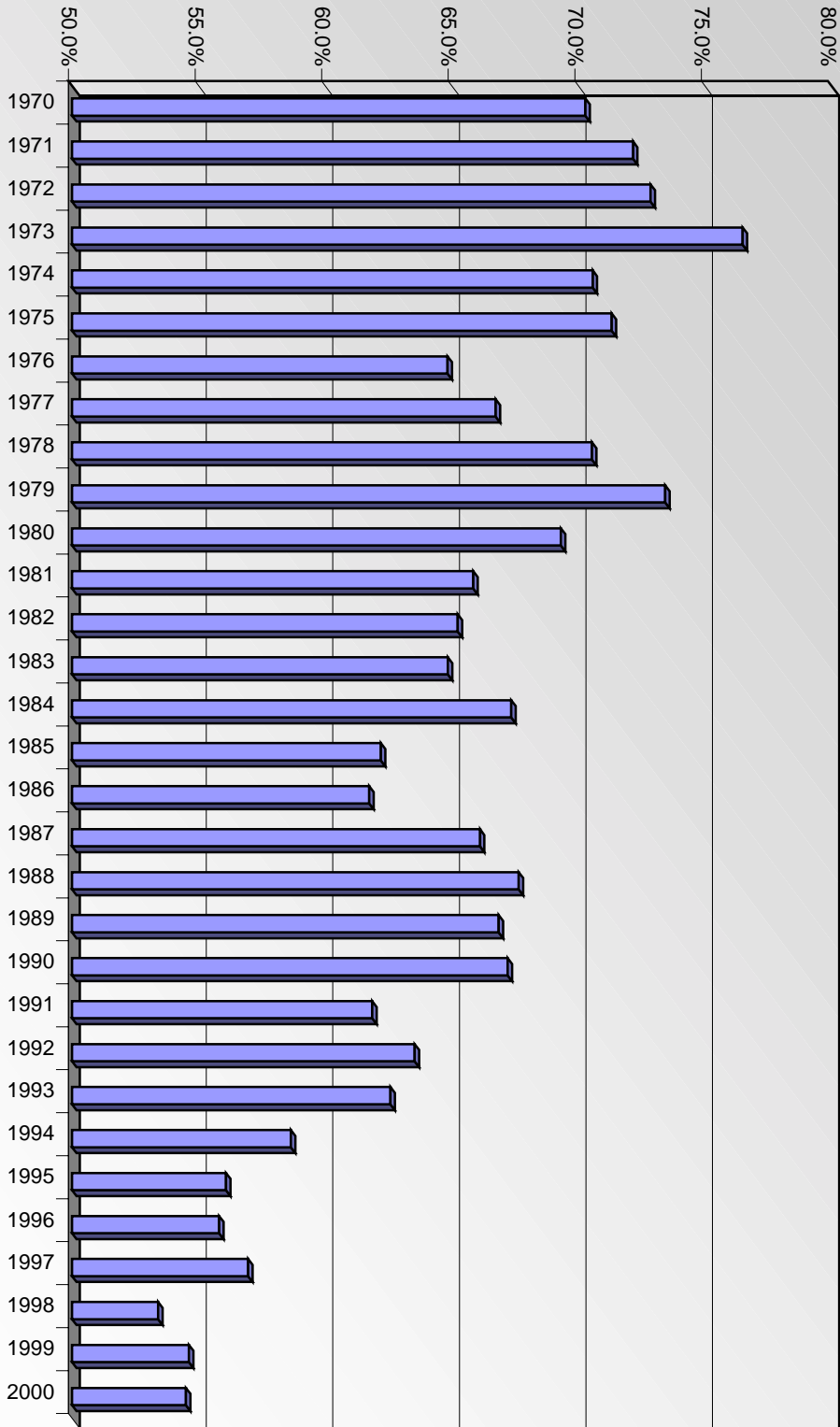
Steer price adjusted for PPI using IMF International Financial Statistics 1999 Yearbook and November 2000 eds. (PPI for 2000 is average of I and II Qtrs).

Imports of Live Cattle as a Percent of Total Cattle Slaughter and Prices for Nebraska Direct Steers 1100 lbs.



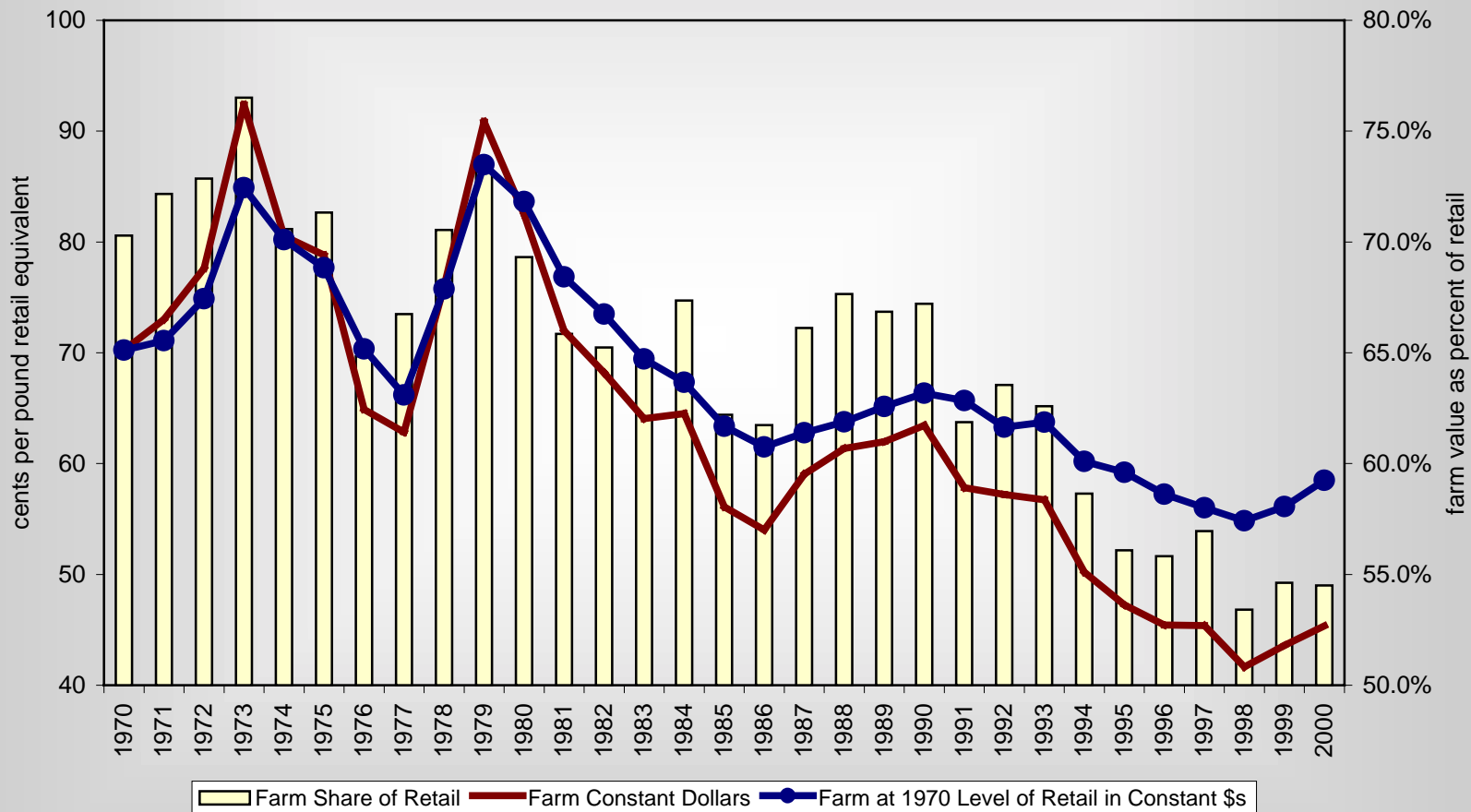
Price Spreads

Gross Farm Value as % of Retail Price

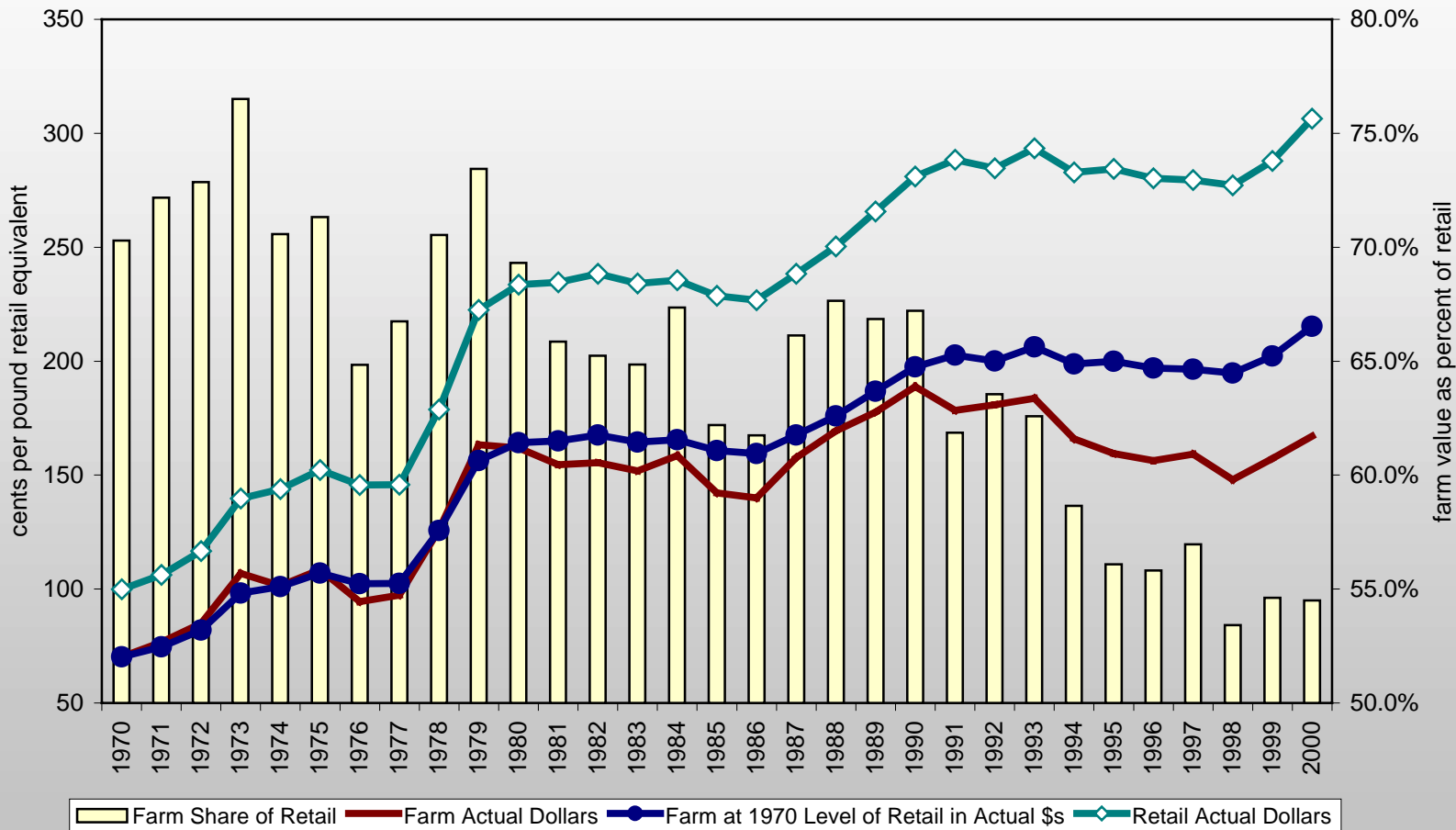


Value Received by Farmers as a Percent of
Retail Dollar on Beef

Choice Beef Values and Spreads - Farm Price vs. Retail Price In Constant Dollars (1970=100)



Choice Beef Values and Spreads - Farm Price vs. Retail Price In Actual Dollars



Trade Measures

Mexican Antidumping Duties on U.S. Beef

<u>HTS No.</u>	<u>PRODUCT DESCRIPTION</u>	<u>DUTY RATE</u> <u>(US \$/KG)</u>
0201.10.01	Beef: Fresh or chilled carcasses or half carcasses	0.07
0202.10.01	Beef: Frozen carcasses or half carcasses	0.07
0201.30.01	Beef: Fresh or chilled, other cuts, bone-in	0.03-0.80
0201.30.01	Beef: Frozen, other cuts, bone-in	0.03-0.80
0201.30.10	Beef: Fresh or chilled, boneless	0.07-0.63
0201.30.10	Beef: Frozen, boneless	0.07-0.63

Antidumping Measures Affecting Leather Products

<u>Country</u>	<u>Imports From</u>	<u>Product</u>	<u>Duties</u>
Venezuela	China	Footwear	48.27%
Venezuela	China	Footwear	146.45%
Canada	China	Women's footwear	29%
European Union	China	Leather handbags	38%
European Union	China, Indonesia, Thailand	Footwear	12-130%

Country of Origin Labeling

- European Union regulation EC 1760/2000 requires compulsory labeling of country of origin of beef. Operators and organizations marketing beef shall indicate on the label:
 - reference number/code insuring link between the meat and the animal or animals;
 - approval number and Member State or third country of the slaughterhouse at which the animal or group of animals was slaughtered;
 - approval number of de-boning hall and Member State or third country at which carcass or group of carcasses were de-boned; and
 - category of animal or animals from which the beef was derived.

Sanitary and Standards Notifications on Cattle and Beef Submitted to the WTO

Country	BSE	FMD	MRLs	Feed Issues (Non-BSE)	Quarantine Policies	Dioxin	Grading Standards	Labeling
Australia	X							
Belgium			X					
Bulgaria	X							
Canada			X (2)				X	
Czech Republic	X							
European Union	X		X					X
Hong Kong		X				X		
India	X							
Jamaica							X	
Japan	X		X					
Korea	X				X	X		X
Malaysia	X							
Netherlands	X			X (4)				
New Zealand	X	X	X			X		
Peru		X						
Philippines	X							
Poland	X							
Singapore		X						
Thailand	X							
United States		X (2)					X	

Trade Disputes of Interest to the U.S. Cattle Industry

WTO Trade Disputes

- Pending Consultations:
 - *US -- Continued Dumping and Subsidy Offset Act of 2000 (WT/DS271/1)* -- Members requesting consultations: Australia, Brazil, Canada, Chile, European Union, India, Indonesia, Japan, Korea, Mexico and Thailand
 - Consultations scheduled for early February in Geneva
 - Panel likely to be requested in February
- Active Panels:
 - *US -- Measures Treating Export Restraints as a Subsidy (WT/DS194/1)* -- Complaint filed by Canada.

WTO Trade Disputes

- Key Disputes Involving Cattle, Beef, and/or Beef Products:
 - *Korea -- Measures Concerning the Testing and Inspection of Agricultural Products* (WT/DS 3 and WTDS41). Complaint brought by United States. Bilateral agreement whereby Korea adopted common international shelf-life standards for beef and other products.
 - *Korea -- Measures Affecting Imports of Fresh, Chilled and Frozen Beef* (WT/DS161/1). Complaint brought by United States. Panel and Appellate Body found Korean dual retail system for imported beef, more stringent record-keeping for imported beef and certain distinctions between grass-fed and grain-fed cattle inconsistent with GATT 1994.

WTO Trade Disputes

- Key Disputes Involving Cattle, Beef, and/or Beef Products
 - *EC -- Measures Affecting Meat and Meat Products* (WT/DS26). Complaint filed by United States. Panel and Appellate Body found measures prohibiting imports of beef from cattle treated with certain growth hormones inconsistent with SPS Agreement. EC has refused to conform its measures. United States has retaliated under Section 301 and with the authorization of the DSB.

WTO Trade Disputes

- Key Disputes Involving U.S. Safeguard Measures
 - *US -- Safeguard Measure on Imports of Fresh, Chilled or Frozen Lamb* (WT/DS177/1 and 178/1). Complaint brought by Australia and New Zealand. Panel found following to be inconsistent with Safeguards Agreement:
 - USITC definition of domestic industry to include input producers (lamb producers) as producers of like product (lamb meat);
 - USITC failure to collect data that represented a major portion of total domestic production;
 - USITC determination failed to demonstrate that import increases, by themselves, were necessary and sufficient cause of threat of serious injury.
 - Failure to demonstrate existence of “unforeseen developments.”

**Pending Legislation
of Interest to the Cattle Industry**

Legislation Introduced in the 107th Congress of Interest to the Cattle Industry

Bill Number/ Short Title	Sponsor/Cosponsors	Purpose
<i>Farm Policy</i>		
S. Res. 13	Sen Daschle (D-SD) – 19 cosponsors (Akaka, Baucus, Carnahan, Conrad, Dayton, Dorgan, Durbin, Edwards, Harkin, Johnson, Kennedy, Kerry, Kohl, Leahy, Rockefeller, Sarbanes, Schumer, Stabenow, Wellstone)	Expressing sense of the Senate regarding the need for Congress to enact new farm bill during the 1 st session of the 107 th Congress; include in the budget resolution for FY 2000 sufficient funds to provide adequate farm income safety net and eliminate need for off-budget, emergency spending; ensure all farm-related payments are allocated fairly and reasonably and in relation to need; provide additional sums necessary to fund other farm bill priorities, such as rural development and telecommunication, conservation, research, nutrition, and food safety.
<i>Market and Industry Concentration</i>		
S. 20 -- Securing a Future for Independent Agriculture Act of 2001	Sen. Daschle (D-SD) – 15 cosponsors (Akaka, Baucus, Carnahan, Conrad, Dayton, Dorgan, Durbin, Harkin, Johnson, Kennedy, Kerry, Kohl, Leahy, Rockefeller, Wellstone)	To enhance fair and open competition in the production and sale of agricultural commodities. This legislation would, <i>inter alia</i> , (1) provide protections for agriculture from anticompetitive practices and (2) provide for country of origin labeling of beef.

Legislation Introduced in the 107th Congress of Interest to the Cattle Industry

Bill Number/ Short Title	Sponsor/Cosponsors	Purpose
S. 142	Sen. Johnson (D-SD) 3 cosponsors (Daschle, Grassley and Craig)	To amend the Packers and Stockyards Act of 1921 to make it unlawful for a packer to own, feed, or control livestock intended for slaughter.
S. 109 -- Dairy Farmer Viability Act	Sen. Feingold (D-WI) 2 cosponsors (Jeffords, Kohl)	To establish a commission to study and develop recommendations to improve the viability of dairy farming, taking into account with respect to the dairy industry: (1) farm prices; (2) competition; (3) leverage; (4) stability; and (5) marketplace concentration.
<i>Country of Origin Labeling</i>		
S. 20	Sen. Daschle (D-SD)	See Market and Industry Concentration above.
S. 144 -- Peanut Labeling Act of 2001	Sen. Cleland (D-GA)	For peanuts or peanut products produced in, or imported into, the United States (including any peanut product that contains peanuts that are not produced in the United States), retailer is required to inform consumers, at the final point of sale to consumers, of the country of origin of the peanuts or peanut products. Includes waiver where retailer can demonstrate it is impracticable for the retailer to determine the country of origin. "Peanut product" is defined as any product more than 3 percent of the retail value of which is derived from peanuts contained in the package.

Legislation Introduced in the 107th Congress of Interest to the Cattle Industry

<i>Trade Negotiating Authority</i>		
S. 136 – Fast Track Trade Negotiating Authority Act	Sen. Gramm (R-TX)	To implement fast track negotiating authority.
S. 137 – Americas Free Trade Act	Sen. Gramm (R-TX)	To authorize negotiation of free trade agreements with other countries in the Americas.
S. 138 – Chile-NAFTA Accession Act	Sen. Gramm (R-TX)	To authorize negotiation for the accession of Chile to the North American Free Trade Agreement.
S. 140 – United Kingdom – NAFTA Accession Act	Sen. Gramm (R-TX)	To authorize negotiation for the accession of the United Kingdom to the North American Free Trade Agreement.

Regulatory Developments of Interest to the U.S. Cattle Industry

Regulatory developments of Interest to the Cattle Industry

USDA Mandatory Price Reporting Regulations

Effective date for program start has been moved from Jan. 30 until April 2 to allow more time for testing of the program's new electronic information collection system. Once implemented, the program will require producers and other market participants to report information about the marketing of live cattle, swine, and lambs and products of those livestock.

USDA Change in Use of Grade Label on Imported Beef

Forbids use of USDA quality grade shields on imported beef and lamb products. Rule is now subject to a 90 day comment period before implementation can begin. Announced Jan. 19, 2001.

Regulatory developments of Interest to the Cattle Industry

USDA Review of GIPSA Captive Supply Estimations

As part of the Agricultural Appropriations bill USDA has been instructed to conduct a comprehensive study on the issue of captive supply, and deliver a report by September 30, 2001. In particular, USDA was instructed to examine and report on whether or not the cattle that are procured pursuant to a captive supply arrangement by a packer's non-reporting subsidiary, affiliate and owners, officers and employees are being included in the percentages as captive supply. The report shall also include the reasons why GIPSA's annual "Packers and Stockyard Statistical Report" frequently reports a captive supply percentage much lower than the percentages reported by other entities.

Regulatory developments of Interest to the Cattle Industry

USDOC Study of Foreign Subsidies for Beef and Cattle Industries

The Department of Commerce was instructed to review the subsidies that foreign governments provide to their cattle and beef producers. Of special interest were possible subsidies provided by the governments of major beef and cattle producing and consuming countries such as Argentina, Australia, Brazil, the European Union, New Zealand, and Uruguay. Issued Feb. 1, 2001.

Regulatory developments of Interest to the Cattle Industry

GAO Study of Economic Modeling in Cattle and Beef Industries

The General Accounting Office (GAO) was asked by Senator Tom Daschle to conduct a comprehensive review of the leading economic models used by the U.S. Government, including the USDA's Economic Research Service and the Grain Inspection, Packers and Stockyards Administration and the U.S. International Trade Commission to assess the extent to which these models are understating the effects of imports, market concentration, and use of marketing agreements and forward contracts on domestic cattle prices. The intent of this study is to improve economic modeling techniques. This study is ongoing.

Concentration, Competition and Antitrust: Developments

The New Secretary

Secretary Ann M. Veneman during her confirmation hearings pledged to use federal antitrust laws.

“We would intend to use that authority to its maximum degree,” Veneman said, referring to the Packers and Stockyards Act. John Ashcroft, President George W. Bush's nominee for attorney general, has promised to work with the USDA on antitrust enforcement as well, she said.

Source: The Bureau of National Affairs, Inc, Jan. 18, 2001 and Reuters

Concentration, Competition and Antitrust: Developments

The Old Secretary

Secretary Dan Glickman on Jan. 4th advised Congress to strengthen the nation's antitrust laws, saying growing concentration in the agriculture industry has hurt family farmers and reduced competition.

"I'm hopeful that this Congress will take a good, profound look at our antitrust laws," Glickman told reporters at a news conference. "They were put on the books 70 or 80 years ago...Those laws may not be terribly suitable or at least they may need to be revised to deal with the modern realities of agriculture mergers."

Reuters, Jan 4, 2001.

Concentration, Competition and Antitrust: Developments

GIPSA News

GIPSA has said that several new rules will be proposed during the course of 2001 to ensure fair competition in livestock:

- Rules to clarify record keeping requirements for packers;
- Rules mandating disclosure of specific production contract terms;
- Rules specifying conditions under which packers may offer premiums and discounts in carcass merit transactions

Concentration, Competition and Antitrust: Developments

GIPSA News

GIPSA's statistical report reviewing the 1998 reporting year was published in July. The report shows insight into concentration trends in the cattle industry. In 1990 there were 497 firms (with a minimum of \$500,000 of livestock for slaughter purchased) operating 623 plants; by 1998 there were only 297 firms operating 372 plants. The report provides that less than 15% of slaughter cattle overall, and less than 5% of steers and heifers were purchased in public markets. In Texas and Oklahoma less than .6% of steer and heifer purchases were in the public market place. The four largest cattle packers purchased only 4.8% of their purchases on the public market. These four largest packers accounted for 70% of all cattle purchases in 1998-99.

Source: 2000 Annual Report of the Grain Inspection, Packers and Stockyards Administration.