

# **LIVE CATTLE AND BEEF: U.S. AND CANADIAN INDUSTRY PROFILES, TRADE, AND FACTORS OF COMPETITION**

Report to the Committee on  
Ways and Means of the  
United States House of  
Representatives and the  
Committee on Finance of  
the United States Senate on  
Investigation No. 332-328  
Under Section 332 of the  
Tariff Act of 1930

**USITC PUBLICATION 2591**

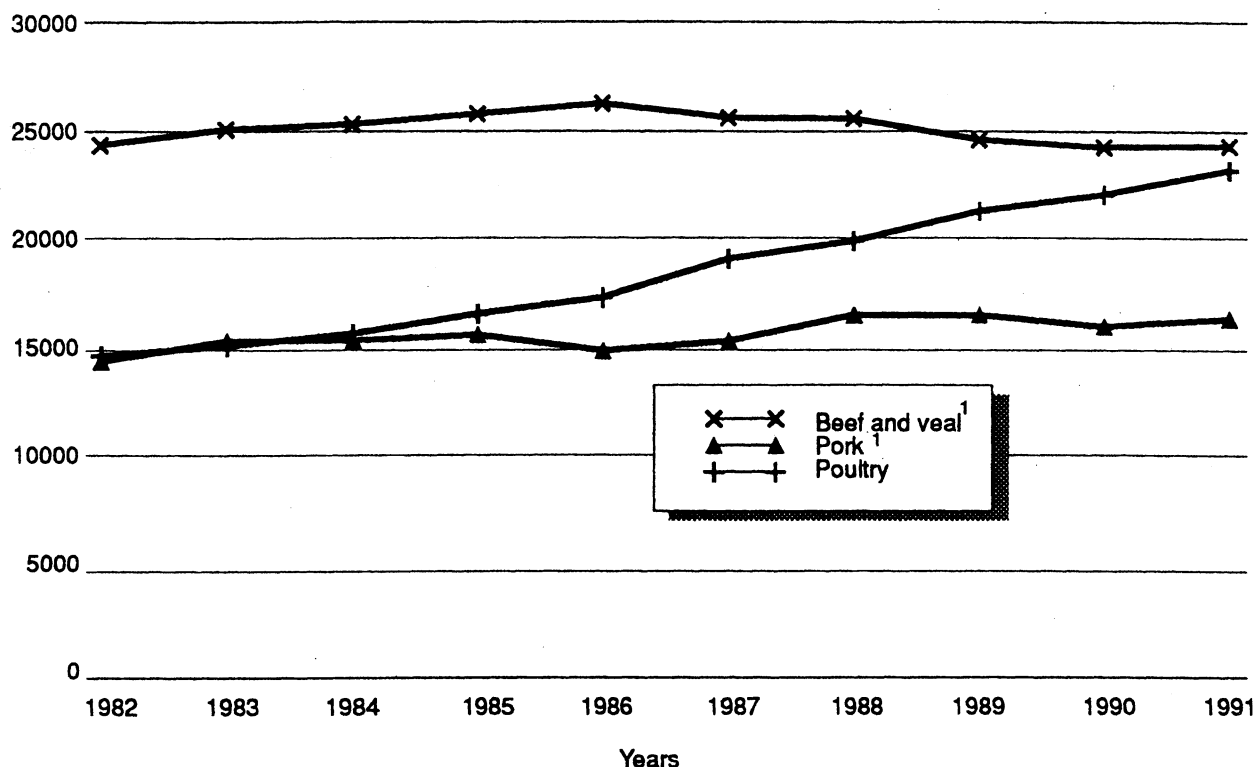
**JANUARY 1993**

United States International Trade Commission  
Washington, DC 20436



**Figure 2-7**  
**Red meat and poultry: Consumption in the United States, 1982-91**

Million pounds



<sup>1</sup> Carcass weight equivalent.

Source: Compiled from official statistics of the USDA.

264.6 pounds in 1987 to 270.5 pounds in 1991, U.S. per capita beef and veal consumption declined from 105.3 pounds to 96.7 pounds, or by 8 percent.

U.S. per capita disposable income and per capita expenditures for red meat and poultry are shown in table D-13. The share of per capita disposable income expended for beef declined steadily from 1.32 percent in 1987 to 1.16 percent in 1991. Expenditures for beef accounted for approximately two-thirds of the \$300.83 per capita expenditures for red meat.

### ***Exports of Live Cattle and Calves***

U.S. exports of live cattle were equivalent to less than 1 percent of U.S. production annually during 1987-91 (table D-8). Mexico was the largest U.S. export market for live cattle and calves, as shown in table D-14. Exports to Mexico ranged from 37 percent of all U.S. exports by quantity and 28 percent by value in 1987, to 80 percent of the quantity and 70 percent of the value in 1988. In 1991, 42 percent of these exports consisted of animals for breeding purposes; trade sources report that the great bulk of the remainder

consisted of cattle for slaughter. The share of U.S. exports to Canada ranged from 5 percent by quantity (4 percent by value) in 1988 to 29 percent by quantity (17 percent by value) in 1990.

### ***Beef and Veal Exports***

Total U.S. exports of beef and veal (product weight basis) increased by 92 percent, from 465 million pounds in 1987 to 895 million pounds in 1991, while the value increased by 128 percent, from \$771 million to \$1,758 million (table D-15). The most significant increase in exports occurred between 1987 and 1989, when exports almost doubled in terms of both quantity and value.

Exports of U.S. beef and veal (product weight basis) to Canada rose from 29 million pounds, valued at \$55 million, in 1987 to 200 million pounds, valued at \$385 million, in 1991 (table D-15). Increased U.S. exports of beef to Canada reflect a number of different factors, including the generally expanding north-south trade in live cattle and beef between the United States and Canada, the demand for well-marbled beef in Central Canada, and the relative efficiency of the U.S. meatpacking sector.

Japan continues to be the leading market for U.S. beef and veal. Overall, U.S. exports of beef and veal to Japan during 1987-91 rose 38 percent in terms of quantity and 59 percent in terms of value. In 1988, the United States and Japan signed the U.S.-Japan Beef and Citrus Agreement that called for an end to Japanese import quotas on beef products over a 3-year period. As of April 1, 1991, Japan had eliminated its beef quotas and set a tariff rate of 70 percent ad valorem. This rate is scheduled to decline to 50 percent by April 1, 1993.<sup>21</sup>

U.S. exports of beef and veal to Korea rose from 556,000 pounds, valued at \$1.7 million, in 1987 to 108 million pounds, valued at \$177 million, in 1991 (table D-15). Increased U.S. exports are primarily the result of strong Korean demand and liberalization of Korea's beef import quota. In July 1988, Korea announced a 14,500-metric-ton beef import quota, which ended a 3-year ban on all beef imports.<sup>22</sup> On April 26, 1990, the United States and Korea signed an agreement by which Korea agreed to raise its minimum access levels by an additional 4,000 metric tons each year beginning in 1990.<sup>23</sup>

U.S. exports of beef and veal to Mexico rose from 9 million pounds, valued at \$7 million, in 1987 to 142 million pounds, valued at \$185 million, in 1991 (table D-15). Continuous growth in U.S. beef exports to the Mexican beef market is expected due to the higher quality product and lower prices compared to the Mexican product.<sup>24</sup>

## Import Levels, Trends, and Sources

### *Live Cattle and Calves*<sup>25</sup>

U.S. Department of Commerce statistics show that U.S. imports of live cattle and calves from all sources increased from 1.2 million animals, valued at \$421 million, in 1987 to 2.1 million animals, valued at \$978 million, in 1990, but declined to 1.9 million animals, valued at \$952 million, in 1991 (table D-16). The share of U.S. consumption (slaughter) of live cattle and calves supplied by imports from all sources increased from 3.1 percent in 1987 to 6.1 percent in 1990, before falling to 5.7 percent in 1991 (table D-8).

<sup>21</sup> USDA, Foreign Agricultural Service (FAS), *Dairy, Livestock, and Poultry Products: U.S. Trade and Prospects*, FDLP 5-91, June 1991, pp. 2-4.

<sup>22</sup> USDA, FAS, *Dairy, Livestock, and Poultry: U.S. Trade and Prospects*, FDLP 2-1989 (Mar. 1989), p. 3.

<sup>23</sup> USDA, FAS, *Dairy, Livestock, and Poultry: U.S. Trade and Prospects*, FDLP 6-90 (July 1990), p. 1.

<sup>24</sup> USDA, "Livestock Annual Report," Mexico City, report MX2185 (Aug. 10, 1992), p. 18.

<sup>25</sup> Data on imports of live cattle and calves were collected as described in the 1987 Cattle Report.

### *U.S. Imports of Live Cattle and Calves from Canada*

U.S. imports of live cattle and calves from Canada increased steadily from 262,000 animals, valued at \$168 million in 1987, to 905,000 animals, valued at \$590 million, in 1991. The U.S.-Canada trade balance in live cattle and calves was consistently negative for the United States during 1987-91 as U.S. imports rose steadily and exports generally increased but by smaller amounts as shown in the following tabulation (in 1,000 animals):

	U.S. imports from Canada	U.S. exports to Canada	U.S. trade balance
1987 .....	262	33	-229
1988 .....	488	15	-473
1989 .....	585	23	-562
1990 .....	874	35	-839
1991 .....	905	88	-817

Source: Official statistics of the U.S. Department of Commerce.

U.S. imports of live cattle and calves from Canada include cull cattle, fed steers and heifers, and young calves destined for slaughter; feeder cattle and calves to be placed in U.S. feedlots; and dairy and beef animals for breeding purposes as well as dairy animals for milk production. The mix of imports varies significantly depending on the time of year and the import region of the United States. The mix of U.S. imports also varies from year to year (figures 2-8 and 2-9).

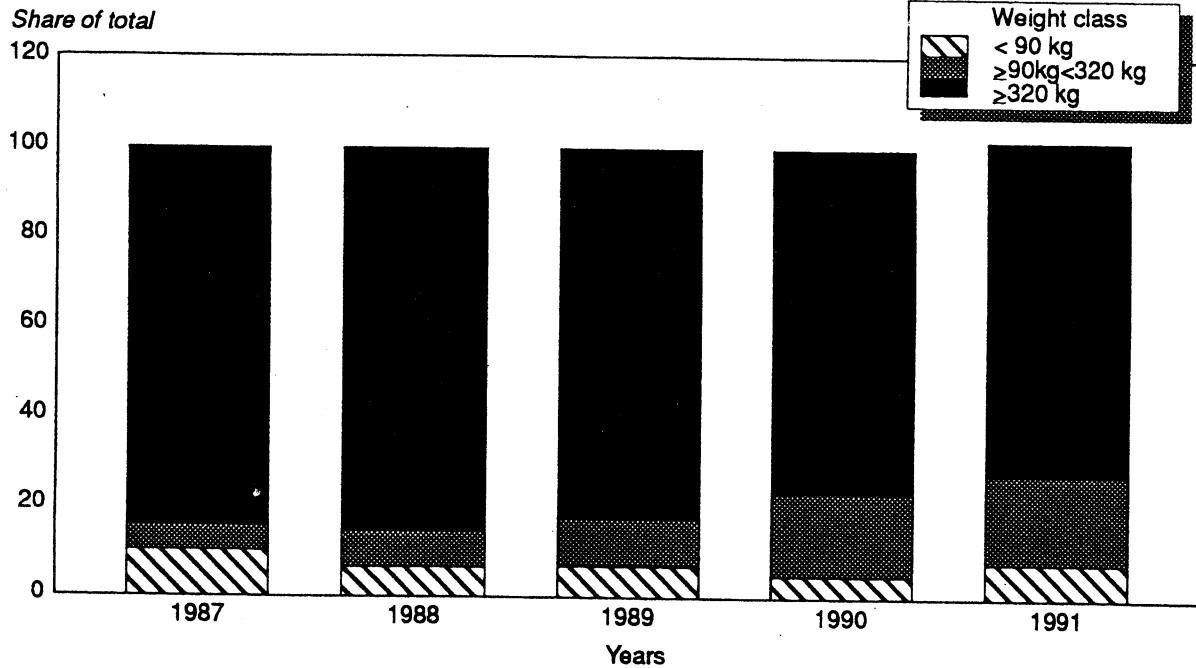
During 1987-91, live cattle weighing 320 kilograms or more accounted for the largest share of U.S. imports of cattle and calves from Canada (fig. 2-8 and tables D-17 through D-19). Their share declined, however, from a peak of 83 percent in 1988 to a low of 73 percent in 1991 as imports of calves weighing 90 kilograms or more, but less than 320 kilograms each, increased. U.S. imports of live cattle weighing 320 kilograms or more from Canada more than tripled during 1987-91, increasing from 205,000 animals, valued at \$146 million, in 1987 to 664,000 animals, valued at \$493 million, in 1991 (table D-19). Most of these imports consist of animals destined for immediate slaughter, but some are reported to be relatively heavy weight feeders (about 900 pounds) to be fed for a few weeks in U.S. feedlots.<sup>26</sup> During 1989-91, about 55 percent of U.S. imports of cattle destined for immediate slaughter from Canada consisted of steers and heifers, down from about 60 percent in 1987-88; the remainder consisted of cows and bulls (table D-20).

U.S. Department of Commerce statistics show that calves weighing less than 90 kilograms (198 pounds)

<sup>26</sup> USITC staff conversations with officials of the Canadian Cattlemen's Association, Calgary, Alberta, and USDA veterinary official at Sweetgrass, MT, Aug. 1992.

**Figure 2-8**

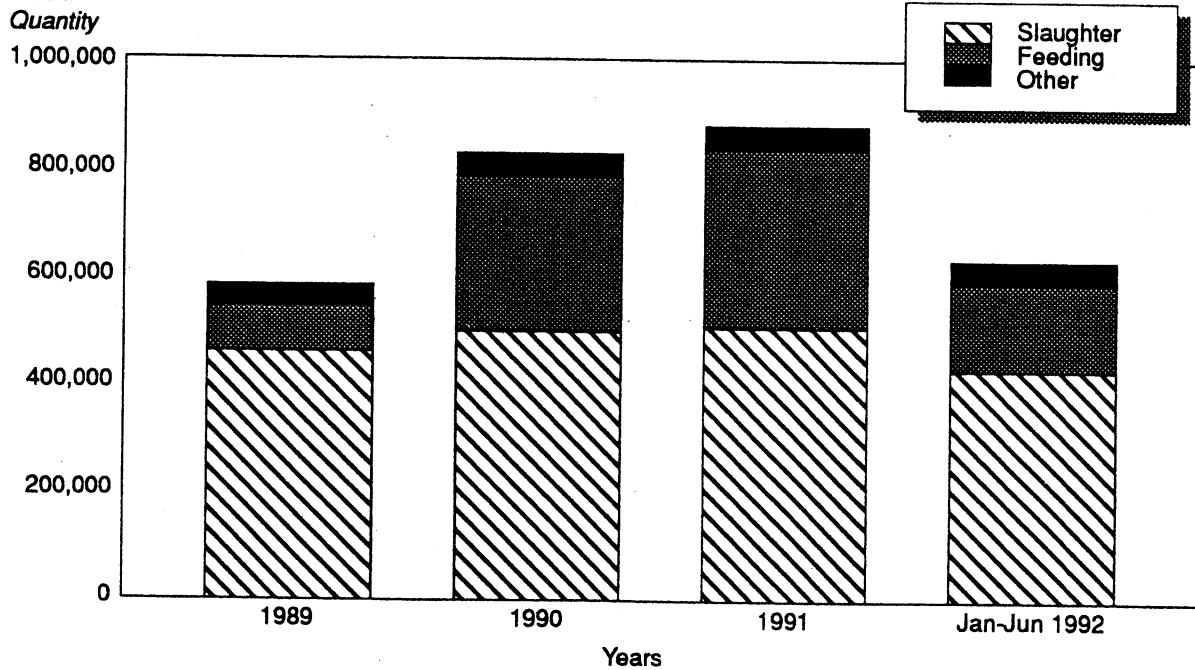
**Live cattle and calves: U.S. Imports from Canada, by weight classes, 1987-91**



Note: Does not include U.S. imports of purebred cattle for breeding purposes or animals for dairy purposes.  
Source: Compiled from official statistics of the U.S. Department of Commerce.

**Figure 2-9**

**Live cattle and calves: U.S. Imports from Canada by intended uses, 1989-91, and January-June 1992**



Source: Compiled from U.S. Department of Agriculture, Animal and Plant Health Inspection Service, Quarterly Recap of Import Animals Inspected.

each (200 pounds each for 1987-88)<sup>27</sup> accounted for 5 percent to 10 percent annually of U.S. imports of live cattle and calves from Canada during 1987-91. Such imports rose from approximately 25,000 animals, valued at \$2.7 million, in 1987 to 71,000 animals, valued at \$11.8 million, in 1991 (table D-17). Various sources have reported that the bulk of the calves consist of veal calves destined for immediate slaughter.

Cattle and calves weighing 90 kilograms or more, but less than 320 kilograms each, accounted for a generally increasing share of U.S. imports of live cattle and calves from Canada during 1987-91, with their share rising from 5 percent in 1987 to about 18 percent in 1990 and 1991. Such imports rose from 14,000 animals, valued at \$5.5 million, in 1987 to 157,000 animals, valued at \$73.5 million, in 1991 (table D-18). Various sources have reported that the bulk of the animals consist of feeders to be grown to slaughter weights in U.S. feedlots.

With changes in the Harmonized Tariff Schedule (HTS) effective January 1, 1991, more detailed statistics became available from the Department of Commerce concerning the subject imports. These statistics show that imports from Canada of animals weighing 90 kilograms or more, but less than 200 kilograms (441 pounds) each, averaged 18,000 animals annually in 1990-91 (table D-21), and imports from Canada of animals weighing 200 kilograms or more, but less than 320 kilograms each averaged 140,000 animals annually in 1990-91 (table D-22). Still more changes in the HTS became effective January 1, 1992. Statistics from these changes show that of U.S. animals for immediate slaughter, steers accounted for 29.2 percent (187,407 animals) of the total; heifers for 18.8 percent (120,702 animals); and cows for 22.1 percent (141,534 animals) of all U.S. imports of cattle and calves from Canada during January-June 1992 (table D-23). In comparison, imports from Mexico apparently still consist largely of feeder animals (table D-24).

Data from the "Quarterly Recap of Import Animals Inspected" confirm the trends shown by the Department of Commerce data. According to these data, U.S. imports of all cattle and calves from Canada rose from 583,068 animals in 1989 to 881,217 in 1991 (table D-26 and figure 2-9).<sup>28</sup> The Quarterly Recap data show that U.S. imports of all cattle and calves for slaughter from Canada rose from 458,333 animals in 1989 to 504,909 animals in 1991 (table D-25); during

<sup>27</sup>The adoption of the Harmonized Tariff Schedule resulted in a change in the basis for collection of quantity statistics from pounds to kilograms. This resulted in a slight change in weight categories.

<sup>28</sup>Cattle and calf import numbers from the Quarterly Recap of Import Animals Inspected are lower than U.S. Department of Commerce numbers because the former are taken from USDA veterinarian records. These records are less precise in regard to total numbers, but they are more precise as to the intended use of cattle and calf imports and the destinations of the imports.

January-June 1992 such imports amounted to 427,142 animals.

These data also show that U.S. imports of all cattle and calves for feeding or grazing from Canada rose from 84,000 animals in 1989 to 334,000 animals in 1991; during January-June 1992 such imports amounted to 162,000 animals (table D-25). The increase in imports of cattle for feeding or grazing probably reflects a number of factors including higher feeder prices (discussed later in this report) and the increasing calf crop in Canada (which rose from 4.5 million animals in 1989 to 4.7 million in 1990 and 1991) compared to the calf crop in the United States (which declined from 40.1 million animals in 1989 to 39.2 million in 1990 and 39.3 million in 1991). Additionally, Canadian sources report that lower real interest rates in the United States relative to Canada have encouraged Canadian feeder exports to the United States.<sup>29</sup> During 1987-91, imports of cattle for breeding purposes and cows for dairy purposes, amounted to a few thousand animals annually (tables D-26 and D-27).

U.S. imports of all cattle and calves from Canada, by month, from January 1987 through June 1992 are shown in table D-28. Imports ranged from a high of 126,000 animals in March 1992 to a low of 13,000 animals in September 1987. In general, imports tend to be somewhat higher in the spring, when seasonally high levels of veal calves are available, and in the fall, when pastures are reduced and herds of animals are culled, and calves are weaned.

### ***Magnitude of Imports of Live Cattle and Calves from Canada in Relation to Imports from Other Major Sources***

Canada and Mexico account for nearly all U.S. imports of live cattle and calves (table D-16). The share of total U.S. imports of live cattle and calves supplied by Canada increased from 22 percent of the quantity and 40 percent of the value in 1987, to 47 percent of the quantity and 62 percent of the value in 1991.

The bulk of U.S. imports of live cattle and calves from Mexico (98 percent or higher) consist of animals weighing 90 kilograms or more, but less than 320 kilograms each. Imports from Mexico also account for the vast majority of U.S. imports of these animals. However, the share of such cattle supplied by Canada rose from 2 percent of the quantity and value in 1987, to 13 percent of the quantity and 17 percent of the value in 1991 (table D-18).

<sup>29</sup> See Jane Owen, "Outlook for the North American Livestock Sector," *Canadian Journal of Agricultural Economics*, No. 38 (Dec. 1990), pp. 557-589.

## ***U.S. Imports of Live Cattle and Calves from Canada in Relation to U.S. Production and Consumption***

U.S. imports of all live cattle and calves from Canada rose from the equivalent of 0.7 percent of consumption (commercial cattle and calf slaughter) in 1987 to 2.7 percent in 1991 (table D-8). The increase in the Canadian share reflects increased imports combined with generally declining U.S. cattle consumption.

U.S. imports of calves weighing less than 90 kilograms each from Canada, which as noted earlier are thought to have consisted primarily of calves for immediate slaughter, rose from being equal to 0.9 percent of commercial calf slaughter in 1987 to 4.9 percent in 1991 (table D-29). U.S. imports rose during this period, and U.S. production declined sharply, from 2.8 million animals in 1987 to 1.4 million in 1991.

Data from the Quarterly Recap of Import Animals Inspected show that U.S. imports of cattle and calves for slaughter only, as opposed to all imports, rose from 1.2 percent of cattle and calf consumption (slaughter) in 1989 to 1.5 percent in 1991 (tables D-8 and D-25).

U.S. imports of animals for breeding purposes and cows for dairy purposes from Canada were equal to less than 1 percent of the U.S. inventory of such animals annually during 1987-91. Similarly, imports of animals for grazing or feeding from Canada are estimated to have been equal to no more than 1 percent of the number of animals placed on feed annually during 1987-91.

## ***U.S. Imports of Live Cattle and Calves from Mexico***

U.S. imports of live cattle and calves from Mexico fluctuated during 1987-91, ranging from 0.8 million animals, valued at \$262 million, in 1988 to 1.3 million animals, valued at \$419 million, in 1990. In 1991, imports amounted to 1.0 million animals, valued at \$361 million (table D-16).

The changes in the HTS effective January 1, 1992, show that imports from Mexico of animals weighing 90 kilograms or more, but less than 320 kilograms each, accounted for virtually all U.S. imports of live cattle from that country (table D-24). Imports of cattle weighing 90 kilograms or more but less than 320 kilograms each from Mexico by month, from January 1987 through June 1992, are shown in table D-30.

In general, Mexican exports of cattle to the United States have been significantly influenced by rainfall in Northern Mexico and resulting pasture conditions. Drought in 1989 and 1990 contributed to relatively high export levels in those years. In addition, in the late 1980s, Mexico replaced its quota on exports of live cattle with an export charge that declines annually until

eliminated by 1993. Mexican exports were reduced in 1991 as rainfall increased, pastures improved, and Mexican cattlemen retained animals to build up their herds.<sup>30</sup>

## ***Destination of U.S. Imports of Live Cattle and Calves by Region***

The destinations, by State, of U.S. imports of live cattle and calves reported in the Quarterly Recap of Import Animals Inspected, are shown in figures 2-10 and 2-11 and appendix E. The Western Rangeland States accounted for nearly all U.S. imports through Mexican border ports (figure 2-10). Texas accounted for 74 percent of the imports in 1989, 85 percent in 1990, and 79 percent in 1991. Almost all such animals were listed as being for feeding or grazing.

U.S. imports through Canadian border ports were distributed throughout the United States (figure 2-11). However, Washington State accounted for an annual average of about 24 percent of all imports through these entry points. These imports were equivalent to about one-quarter of all cattle and calves slaughtered in Washington State in 1991.

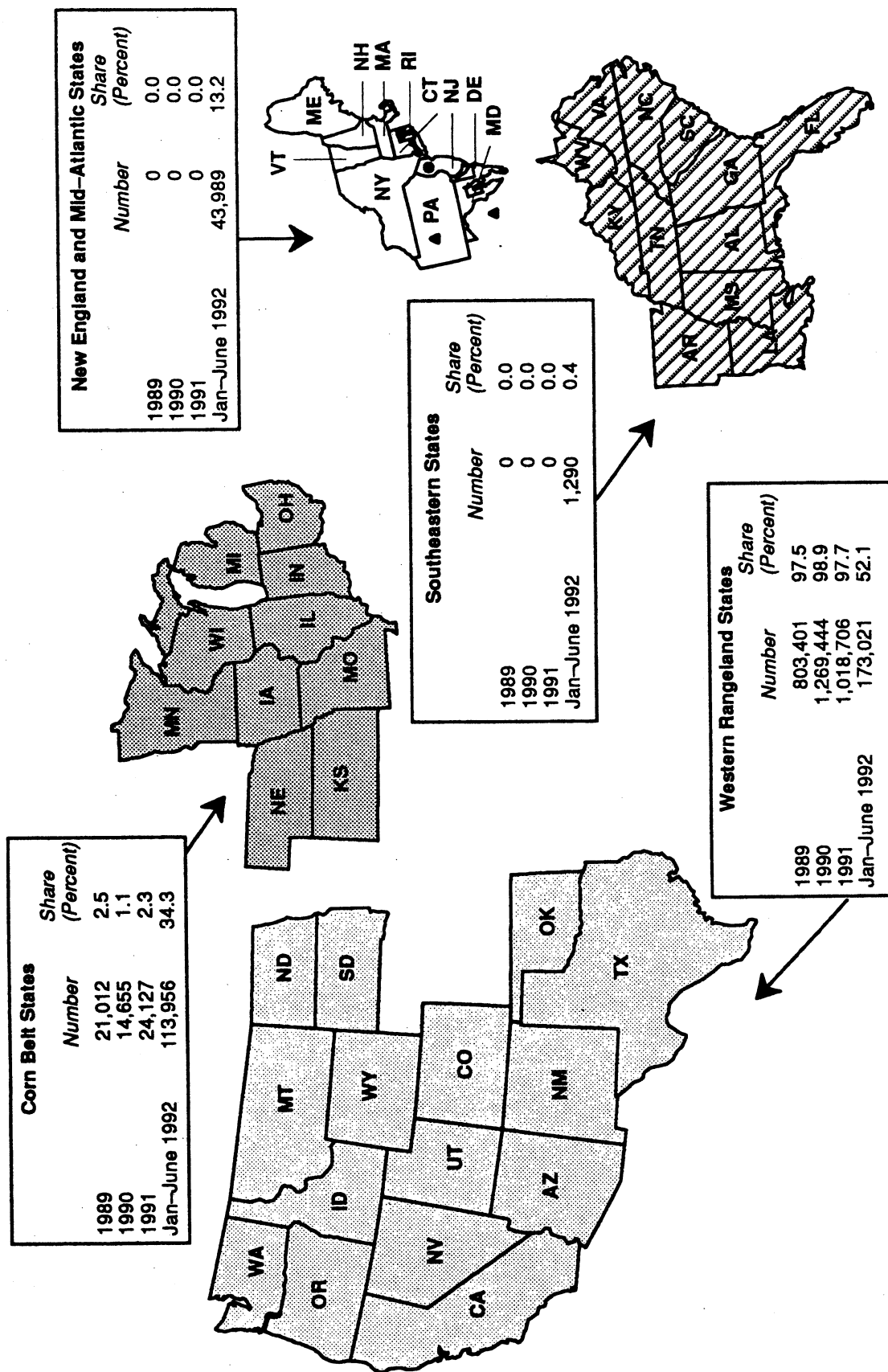
Table D-31 shows U.S. imports of live cattle and calves by customs districts as reported by the U.S. Department of Commerce for 1987-91, January-June 1991, and January-June 1992. Imports of live cattle and calves from Canada through northwest ports (Great Falls, MT; Pembina, ND; and Seattle, WA) increased from \$129 million in 1987 to \$498 million in 1991. Such imports through northeast ports (Detroit, MI; Ogdensburg, NY; Buffalo, NY; St. Albans, VT; and Portland, ME) increased during the period from \$39 million in 1987 to \$93 million in 1991. Texas and Arizona accounted for nearly all U.S. imports of live cattle and calves entering through Mexican border ports.

## ***Imports of Beef and Veal***

U.S. imports of all types of beef and veal products from all suppliers increased from 2.3 billion pounds (carcass-equivalent weight), valued at \$1.6 billion, in 1987 to 2.4 billion pounds, valued at \$2.0 billion, in 1991 (table D-32). Canada was the third- or fourth-leading supplier of U.S. imports of beef and veal products after Australia, New Zealand, and, in some years, Argentina. The share of the quantity of these imports supplied by Canada ranged from 7 percent in 1988 to 11 percent in 1989. During 1987-91, imports from Australia accounted for about 45 percent of the total (except in 1989). Imports from New Zealand accounted for about 25 percent of the total during 1987-91, and those from Argentina nearly 10 percent.

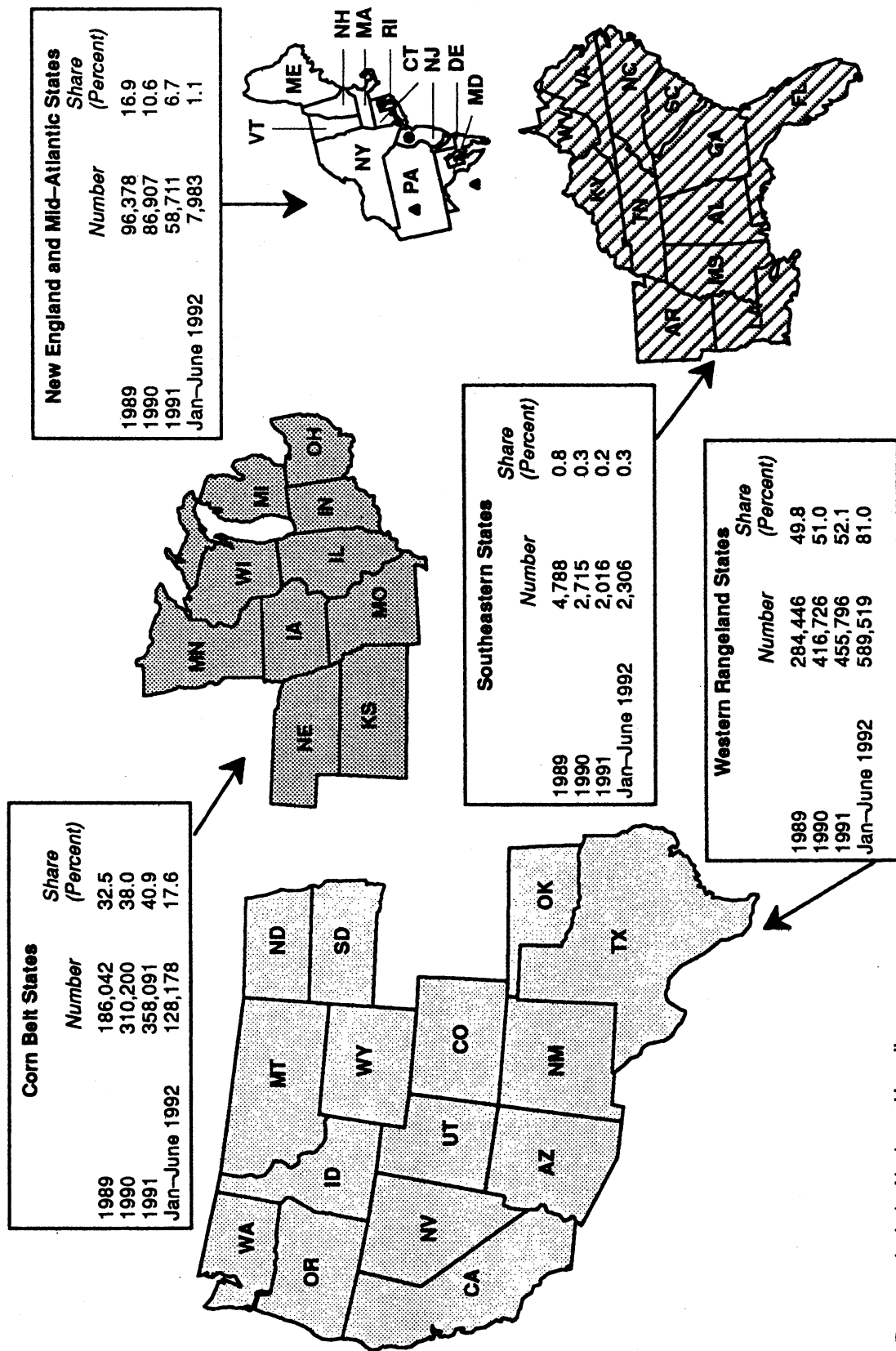
<sup>30</sup> Adapted from USDA FAS, *Livestock Annual* (MX0144) (Aug. 6, 1991), pp. 3-4.

**Figure 2-10**  
Live cattle and calves: U.S. destinations, through Mexican border ports, by region, 1989-91 and January-June 1992<sup>1</sup>



<sup>1</sup> Does not include Alaska or Hawaii.  
Source: Compiled from USDA, APHIS, Quarterly Recap of Import Animals Inspected.

**Figure 2-11**  
**Live cattle and calves: U.S. destinations, through Canadian border ports, by region, 1989-91 and January-June 1992<sup>1</sup>**



<sup>1</sup> Does not include Alaska or Hawaii.

Source: Compiled from USDA, APHIS, *Quarterly Recap of Import Animals Inspected*.



U.S. imports of fresh, chilled, or frozen beef and veal increased from 2.0 billion pounds (carcass-equivalent weight), valued at \$1.3 billion, in 1987 to 2.1 billion pounds, valued at \$1.7 billion, in 1991 (table D-33). Canada was the third-leading supplier of U.S. imports of fresh, chilled, or frozen beef and veal after Australia and New Zealand. U.S. health and sanitary regulations prohibit Argentina from shipping fresh, chilled, or frozen beef and veal to the United States. The share of the quantity of imports of fresh, chilled, or frozen beef and veal supplied by Canada is similar to that of all beef and veal. During 1987-91, Australia supplied about 50 percent of annual U.S. imports of fresh, chilled, or frozen beef and veal in most years, and New Zealand accounted for about 30 percent.

The Meat Import Act of 1979 requires the Secretary of Agriculture to estimate imports of certain meat items—primarily beef and veal—each quarter of the year, and the President to restrict these imports if a USDA import estimate equals or exceeds the trigger level determined by formula in the act.<sup>31</sup> Canada was also the third-leading supplier of U.S. imports of these meats after Australia and New Zealand (table D-34); however, imports from Canada are exempt from quotas as part of the United States-Canada Free-Trade Agreement. On July 2, 1992, the Secretary of Agriculture announced the third quarterly estimate of meat imports under the Meat Import Act for calendar year 1992 at 1,311.1 million pounds. Voluntary restraint agreements (VRAs) that the United States has negotiated with Australia and New Zealand should keep total imports of beef below the trigger level of 1,311.2 million pounds for the remainder of the calendar year.

## Beef and Veal Imports from Canada

U.S. imports of all beef and veal from Canada increased from 190 million pounds, valued at \$139 million in 1987, to 223 million pounds, valued at \$190

million in 1991 (table D-32). However, official statistics of the U.S. Department of Commerce show that the U.S.-Canadian trade balance for all beef and veal, which had been negative for the United States during 1987-89, was positive for the United States in 1990-91, as shown in the following tabulation (in 1,000 dollars):

	U.S. exports to Canada	U.S. imports from Canada	U.S. trade balance
1987 .....	58,892	139,116	-80,224
1988 .....	83,422	119,654	-36,232
1989 .....	130,982	187,530	-56,548
1990 .....	306,972	188,697	118,275
1991 .....	389,116	190,371	198,745

Virtually all of the beef and veal imported from Canada during 1987-91 was fresh, chilled, or frozen (table D-33). Imports of prepared or preserved beef and veal from Canada averaged about 1 million pounds and \$2 million annually during 1987-91 (table D-35). Virtually all imports of veal from Canada have consisted of carcasses.

Two-thirds to three-fourths of U.S. imports of beef from Canada consist of boneless beef and trimmings (table D-36). The share accounted for by carcasses and bone-in cuts declined from 37 percent in 1987 to 26 percent in 1991.

In assessing the extent of beef and veal imports from Canada, the import penetration ratio should include imports plus meat derived from imported live cattle and calves since the latter are eventually slaughtered for beef. The following tabulation shows the estimated carcass-weight equivalent of meat obtained from imported live cattle and calves, U.S. imports of beef and veal from Canada, U.S. production of beef and veal from U.S. cattle and calves, and the total U.S. imports from Canada as a percent of U.S. production (million pounds):

<sup>31</sup> USDA, "Meat Import Estimate for Third Quarter Based on Voluntary Restraints," press release, 0637-92, p. 2.

Period	Beef and veal from Canadian- live cattle and calves <sup>1</sup>	Beef and veal from Canada	Total imports	U.S. beef and veal pro- duction from U.S. cattle and calves	Ratio of imports from Canada to U.S. production
1987 .....	163	190	353	23,995	1.5
1988 .....	313	172	485	23,985	2.0
1989 .....	364	239	602	23,442	2.6
1990 .....	508	222	730	23,070	3.2
1991 .....	531	223	753	23,223	3.2

<sup>1</sup> Carcass weight equivalent of U.S. beef and veal from U.S. imports of live cattle and calves. Data estimated by multiplying the pounds of imported live cattle by a dressed-weight yield of 59 percent and by multiplying the pounds of imported calves by a dressed-weight yield of 57 percent.

The ratio of imports from Canada to U.S. beef and veal production rose steadily from 1.5 percent in 1987 to 3.2 percent in 1990, and remained at 3.2 percent in 1991.

During 1987-91, the United States registered annual negative trade balances (based on a carcass-weight equivalent basis)<sup>32</sup> with Canada for total live cattle, calf, beef, and veal trade. In recent years, this trade balance has become more favorable for the United States for beef and veal and less favorable for live cattle and calves as shown in the following tabulation (in million pounds) carcass-weight equivalent basis:

	1987	1988	1989	1990	1991
Live cattle and calves ..	-143	-305	-351	-489	-479
Beef and veal .	-154	-120	-141	-26	34
Total .....	-297	-425	-492	-515	-445

## U.S. Trade Measures

U.S. imports of live cattle, live calves, beef, and veal are subject to import duties (tariffs) as provided for under the HTS. The tariffs applied to imports from Canada have been reduced as a result of the United States-Canada Free-Trade Agreement.<sup>33</sup> In addition, U.S. imports of certain beef and veal are subject to quantity limitations imposed under the Meat Import Act of 1979 and to VRAs negotiated under section 204 of the Agricultural Act of 1956. Also imports are subject to health and sanitary regulations administered by the USDA.

### Tariff Measures

Live cattle<sup>34</sup> and their meat are provided for in chapters 1, 2, and 16 of the HTS, which became effective on January 1, 1989 as shown in appendix F. Most cattle and calves imported into the United States from Canada and Mexico have been classified under HTS subheading 0102.90.40. Since January 1, 1992, imports from Canada classified under HTS subheading 0102.90.40 have been subject to a duty rate of

0.4¢ per kilogram. Imports from Mexico classified under HTS subheading 0102.90.40 are dutied at 2.2¢ duty rate of per kilogram. The ad valorem equivalent of the rate of duty during January-June 1992 was 0.3 percent for imports from Canada and 0.4 percent for imports from Mexico.

Fresh, chilled, or frozen beef, corned beef in airtight containers and beef, except corned beef, in airtight containers account for the great bulk of U.S. imports of all beef and veal. Most U.S. imports of fresh, chilled, or frozen beef and veal are dutiable at 4.4¢ per kilogram, though some items are dutiable at rates up to 10 percent ad valorem. The ad valorem equivalent of the rates of duty for imports of fresh, chilled, or frozen beef and veal from all sources during 1991 was 1.6 percent. The column 1 rates of duty applicable to imports of corned beef in airtight containers and beef, except corned beef, in airtight containers are 7.5 percent ad valorem and 3 percent ad valorem, respectively; however, imports of corned beef in airtight containers enter duty free under a temporary duty suspension.

## The U.S.-Canada Free-Trade Agreement

The United States and Canada agreed to phased tariff reductions on imports of live bovine animals and beef and veal under the United States-Canada Free-Trade Agreement. Presidential Proclamation 6343 (56 F.R. 50003) of October 2, 1991, implemented an accelerated schedule of duty eliminations under the United States-Canada Free-Trade Agreement and made such eliminations effective retroactively to July 1, 1991. Among HTS subheadings subject to the proclamation were those providing for all fresh or chilled beef and veal (except the subheading for carcasses and half carcasses that was already "Free"), frozen carcasses and half carcasses, and other cuts with bone in. Consequently, the only form of fresh, chilled, or frozen beef and veal imported from Canada that receives a rate of duty other than "Free" is frozen boneless beef and veal.

On August 28, 1992, the Commission received a request from the USTR to advise the President of its judgment as to the probable economic effect on domestic industries and consumers of the immediate elimination of the U.S. tariff on frozen boneless beef (HTS subheading 0202.30) and prepared meals containing more than 20 percent by weight of beef and veal (HTS subheading 1602.50.90) under the United States-Canada Free-Trade Agreement. In response to the USTR request, the Commission instituted investigation No. 332-334 under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) on September 11, 1992. The Commission's advice which was furnished to USTR on November 27, 1992, has been classified by USTR.

<sup>32</sup> The data for U.S. imports of live cattle and calves and for imports and exports beef and veal were converted to a carcass-weight equivalent by the USITC based on official trade statistics reported by the U.S. Department of Commerce. The data for U.S. exports of live cattle and calves were converted to a carcass-weight equivalent by the USITC based on official trade statistics reported by the U.S. Department of Commerce and Agriculture Canada.

<sup>33</sup> Also, developing countries are granted preferential tariff treatment under the Generalized System of Preferences and/or under the Caribbean Basin Initiative as described in the Commission's 1987 report.

<sup>34</sup> For purposes of the HTS, the term cattle refers to all such animals, regardless of sex, age, or size.

## *The Meat Import of 1979 and Section 204 of the Agricultural Act of 1956*

The Meat Import Act of 1979 and Section 204 of the Agricultural Act of 1956. The Meat Import Act of 1979, and section 204 of the Agricultural Act of 1956 were described in the Commission's 1987 report and were reproduced as appendixes M and O, respectively, of that report. Recent actions under these acts are summarized in appendix G.

## *Nontariff Measures for Health and Sanitary Regulation*

Certain health and sanitary regulations that apply to U.S. imports of live cattle, and fresh, chilled, or frozen beef and veal are administered by the USDA to protect the U.S. livestock industry and to ensure an adequate supply of safe meat for consumers. Under these regulations, imports of the aforementioned articles are generally limited to those from countries that the U.S. Secretary of Agriculture<sup>35</sup> has declared free of rinderpest and foot-and-mouth diseases.<sup>36</sup> The general effect of these prohibitions has been to allow imports only from North America (including Canada and Central America), Australia, New Zealand, and certain areas of Europe.

The USDA administers section 20 of the Federal Meat Inspection Act,<sup>37</sup> which provides, among other things, that meat and meat products prepared or produced in foreign countries may not be imported into the United States unless the foreign meat-exporting countries enforce inspection and other requirements with respect to the preparation of the products covered that are at least equal to those applicable to the preparation of like products at Federally inspected establishments in the United States. The act also requires that the imported products be subject to inspection and other requirements upon arrival in the United States to ensure their freedom from adulteration and misbranding at the time of entry.<sup>38</sup> However, section 20 does not require the imported products to be inspected by U.S. inspectors during their preparation in the foreign country.

<sup>35</sup> Pursuant to sec. 306 of the Tariff Act of 1930 (19 U.S.C. 1306).

<sup>36</sup> Rinderpest and foot-and-mouth diseases are highly contagious, infectious diseases that can afflict cloven-footed animals (such as cattle, sheep, swine, and deer). Because the diseases are easily transmitted and debilitating, they are an ever-present threat to the U.S. livestock industry. The diseases do not present a direct threat to human health.

<sup>37</sup> 21 U.S.C. 620.

<sup>38</sup> See U.S. Senate, Agriculture and Forestry Committee, Report on S. 2147, S. Rep. No. 799 (90th Cong. 2d sess.), 1967, as published in 2 U.S. Code *Congressional and Administrative News*, 1967, p. 2,200. S. 2147, as modified, ultimately became Public

The U.S. Secretary of Agriculture has assigned responsibility for the administration of the Department's section 20 functions to the Foreign Programs Division, Meat and Poultry Inspection Program, Food Safety and Inspection Service (FSIS). By the end of 1990 (the most recent year for which data are available), the FSIS had certified 29 countries as having meat inspection systems with standards at least equal to those of the United States, and had certified 1,370 foreign plants, including 637 in Canada, 134 in Australia, 89 in New Zealand, 20 in Central America, and 6 in Mexico.<sup>39</sup>

Pursuant to the 1981 Farm Bill,<sup>40</sup> the FSIS has placed increasing emphasis on review of a country's regulatory system as a whole, rather than on review of individual plants. FSIS now evaluates country controls in seven basic risk areas: residues; diseases; misuse of food additives; gross contamination; microscopic contamination; economic fraud; and product integrity.<sup>41</sup> As required by the Farm Bill, FSIS also carries on a species identification program under which the FSIS assures that meat is properly identified by origin and species.

Under the Federal Meat Inspection Act, all imported meat being offered for entry into the United States must be accompanied by a meat inspection certificate issued by a responsible official of the exporting country. The certificate must identify the product by origin, destination, shipping marks, and amounts. It must certify that the meat comes from animals that received veterinary antemortem and postmortem inspections; that it is wholesome, not adulterated or misbranded; and that it is otherwise in compliance with U.S. requirements. Imported meat is also subject to the same labeling requirements as domestically processed meats, i.e., the label must be informative, truthful, and not misleading.

Under the Federal Meat Inspection Act, U.S. inspectors at the port of entry inspect part of each shipment of meat. Representative sampling plans similar to those used in inspecting domestic meat are applied to each import shipment. Samples of frozen products are defrosted, canned meat containers are opened, and labels are verified for prior U.S. approval and stated weight accuracy. Specimens are routinely submitted to meat inspection laboratories to check compliance with composition standards. Sample cans are also subjected to periods of incubation for signs of spoilage. Meat imports are also monitored for residues, such as pesticides, hormones, heavy metals, and antibiotics, by selecting representative samples for

<sup>38</sup>—Continued

Law 90-201 (the Wholesome Meat Act), approved Dec. 15, 1967.

<sup>39</sup> The number of certifications refer to all meat, including beef and veal. See USDA, FSIS, *Meat and Poultry Inspection, 1990, Report of the Secretary of Agriculture to the U.S. Congress* (Mar. 1, 1991), p. 39 (hereinafter, *Meat and Poultry Inspection, 1990*).

<sup>40</sup> Sec. 1122 of Public Law 97-98, dated Dec. 22, 1981.

<sup>41</sup> *Meat and Poultry Inspection*, 1984, p. 50.

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**APPENDIX E**  
**IMPORTS OF LIVE CATTLE AND**  
**CALVES BY STATE OF DESTINATION**

U.S. imports of live cattle and calves from Canada, by destination, 1989-91  
and Jan-Jun 92, as reported by "Quarterly Recap of Import Animals Inspected"

Destination	1989	1990	1991	Jan-Jun 1992
Alabama	151	59	47	1
Alaska	79	139	50	129
Arizona	111	49	1,362	3,341
Arkansas	68	63	55	0
California	698	1,370	4,663	12,413
Colorado	17,380	42,064	44,722	86,098
Connecticut	26	215	2	2
Delaware	74	21	0	0
Florida	215	168	376	113
Georgia	38	85	89	119
Hawaii	0	0	0	0
Idaho	11,710	24,186	13,078	4,422
Illinois	966	4,548	5,376	8,956
Indiana	5,002	11,064	48,241	5,460
Iowa	21,024	50,258	45,045	16,427
Kansas	15,571	32,800	24,379	3,567
Kentucky	279	396	424	131
Louisiana	1	98	12	0
Maine	447	2,715	2,119	1,397
Maryland	1,122	2,583	2,346	0
Massachusetts	236	522	853	686
Michigan	40,740	35,800	38,219	27,045
Minnesota	60,241	77,875	107,914	22,973
Mississippi	7	136	8	0
Missouri	330	191	338	123
Montana	2,081	7,818	10,490	3,830
Nebraska	33,235	78,723	72,990	27,966
Nevada	19	30	8	20
New Hampshire	18	20	47	51
New Jersey	940	585	418	0
New Mexico	265	273	506	26,500
New York	35,002	20,610	3,926	592
North Carolina	702	345	383	6
North Dakota	38,820	63,076	54,812	14,613
Ohio	4,126	5,186	4,166	375
Oklahoma	1,618	6,006	3,481	69
Oregon	409	563	2,115	102
Pennsylvania	49,973	49,559	44,698	1,222
Rhode Island	0	18	0	0
South Carolina	4	2	0	2
South Dakota	15,069	24,185	35,134	6,788
Tennessee	218	76	229	1,643
Texas	5,200	13,878	20,589	258,339
Utah	43,789	50,426	55,227	21,830
Vermont	8,540	10,059	4,302	4,033
Virginia	2,295	946	278	291
Washington	147,179	182,006	208,745	148,682
West Virginia	810	341	115	0
Wisconsin	4,807	13,755	11,423	15,286
Wyoming	98	796	864	2,472
Other	11,186	11,261	17,569	1,009
Total	582,919	827,948	1/ 881,512	729,124

1/ This total is the sum of values above, adjusted for reported semen total (10,721).

U.S. imports of live cattle and calves from Canada and Mexico, by destination,  
1989-91, and Jan-Jun 92, as reported by "Quarterly Recap of Import Animals Inspected"

Destination	1989	1990	1991	Jan-Jun 1992
Alabama	151	59	47	59
Alaska	79	139	50	129
Arizona	71,976	59,433	75,099	49,980
Arkansas	68	63	55	0
California	58,189	82,821	77,359	46,874
Colorado	27,539	61,120	55,059	97,067
Connecticut	26	215	2	2
Delaware	74	21	0	0
Florida	215	168	376	128
Georgia	38	85	89	119
Hawaii	0	0	0	0
Idaho	11,880	24,186	16,295	4,955
Illinois	966	4,548	5,376	9,170
Indiana	5,002	11,064	48,241	15,249
Iowa	21,024	50,258	45,045	24,754
Kansas	30,683	45,889	47,815	24,398
Kentucky	279	396	424	175
Louisiana	1	98	12	0
Maine	447	2,715	2,119	1,399
Maryland	1,122	2,583	2,346	1,344
Massachusetts	236	522	853	893
Michigan	40,740	35,800	38,219	27,499
Minnesota	60,241	77,875	107,914	57,810
Mississippi	7	136	8	0
Missouri	5,780	1,369	919	211
Montana	2,081	7,818	10,490	5,735
Nebraska	33,685	79,111	73,100	64,382
Nevada	492	885	1,490	210
New Hampshire	18	20	47	51
New Jersey	940	585	418	190
New Mexico	41,926	9,914	20,322	36,967
New York	35,002	20,610	3,926	9,321
North Carolina	702	345	383	256
North Dakota	38,820	63,076	54,812	27,315
Ohio	4,126	5,186	4,166	2,226
Oklahoma	9,851	15,972	12,309	2,922
Oregon	409	929	2,115	102
Pennsylvania	49,973	49,559	44,698	33,997
Rhode Island	0	18	0	0
South Carolina	4	2	0	3
South Dakota	15,069	24,185	35,134	13,099
Tennessee	218	76	229	1,656
Texas	618,549	1,102,123	848,549	304,330
Utah	43,789	50,698	55,631	21,830
Vermont	8,540	10,059	4,302	4,775
Virginia	2,295	946	278	1,199
Washington	147,179	182,096	208,745	148,682
West Virginia	810	341	115	1
Wisconsin	4,807	13,755	11,423	16,435
Wyoming	98	914	1,093	2,472
Other	11,187	13,583	18,075	1,067
Total	1,407,333	2,114,369	1/ 1,924,851	1,061,438

1/ This total is the sum of values above, adjusted for reported semen total (10,721).

U.S. imports of live cattle and calves from Mexico, by destination, 1989-91,  
and Jan-Jun 92, as reported by "Quarterly Recap of Import Animals Inspected"

Destination	1989	1990	1991	Jan-Jun 1992
Alabama	0	0	0	58
Alaska	0	0	0	0
Arizona	71,865	59,384	73,737	46,639
Arkansas	0	0	0	0
California	57,491	81,451	72,696	34,461
Colorado	10,159	19,056	10,337	10,969
Connecticut	0	0	0	0
Delaware	0	0	0	0
Florida	0	0	0	15
Georgia	0	0	0	0
Hawaii	0	0	0	0
Idaho	170	0	3,217	533
Illinois	0	0	0	214
Indiana	0	0	0	9,789
Iowa	0	0	0	8,327
Kansas	15,112	13,089	23,436	20,831
Kentucky	0	0	0	44
Louisiana	0	0	0	0
Maine	0	0	0	2
Maryland	0	0	0	1,344
Massachusetts	0	0	0	207
Michigan	0	0	0	454
Minnesota	0	0	0	34,837
Mississippi	0	0	0	0
Missouri	5,450	1,178	581	88
Montana	0	0	0	1,905
Nebraska	450	388	110	36,416
Nevada	473	855	1,482	190
New Hampshire	0	0	0	0
New Jersey	0	0	0	190
New Mexico	41,661	9,641	19,816	10,467
New York	0	0	0	8,729
North Carolina	0	0	0	250
North Dakota	0	0	0	12,702
Ohio	0	0	0	1,851
Oklahoma	8,233	9,966	8,828	2,853
Oregon	0	366	0	0
Pennsylvania	0	0	0	32,775
Rhode Island	0	0	0	0
South Carolina	0	0	0	1
South Dakota	0	0	0	6,311
Tennessee	0	0	0	13
Texas	613,349	1,088,245	827,960	45,991
Utah	0	272	404	0
Vermont	0	0	0	742
Virginia	0	0	0	908
Washington	0	90	0	0
West Virginia	0	0	0	1
Wisconsin	0	0	0	1,149
Wyoming	0	118	229	0
Other	1	2,322	506	58
Total	824,414	1,286,421	1,043,339	332,314