

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/4001  
28 February 1974

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Original: English

## CANADA - TEMPORARY SURTAX ON IMPORTS OF LIVE CATTLE AND FRESH BEEF

The following communication, dated 7 February 1974, has been submitted by the Canadian delegation in Geneva.

Traditionally, United States and Canadian cattle markets have been so closely interrelated they have been viewed by producers as a single "North American" market. Close proximity, low tariffs and long-existing two way trade flows have resulted in a situation where market conditions in the large United States market have been immediately reflected in the much smaller Canadian market. However, during the latter half of 1973 the North American cattle market was subjected to severe distortions, largely as result of temporary aberrations arising from the decision of the United States Government to extend retail and wholesale price ceilings on beef after similar controls on other meats had been removed on 19 July 1973. The Government of the United States stated at that time that beef would remain under the price ceiling regulations originally announced on 29 March 1973 until 12 September 1973. As a result of the July announcement United States producers apparently started to withhold cattle from market in expectation that cattle prices would rise sharply after removal of the price freeze. This did not occur. After United States price controls were removed on 9 September 1973, United States prices reflected the influence of large backlog of "overfinished" cattle which had been withheld from marketing during the previous two months. Prices fell from \$53.1 per cwt. in August (on the basis of monthly average price of choice steers, at Omaha) to \$45.45 in September and to less than \$40 per cwt. by early November. In view of the close relationships of the North American cattle market, Canadian prices, which had been higher than United States prices, paralleled decline in United States prices. Imports into Canada of cattle from the United States rose to record levels. These price reductions had particularly serious impact on the Canadian industry because the United States embargo on soybean exports earlier in the year had resulted in relatively much greater increases in cattle feed prices in Canada.

It was in this context that the Canadian Government on 3 November 1973 imposed a temporary surtax on imports of live cattle and fresh beef under provisions of section 8.2 of the Canadian Customs Tariff. The surtax was 3 cents per pound on live cattle and 6 cents per pound on fresh beef. In announcing the surtax the Minister of Finance advised the House of Commons that the measure was put in place to stabilize the Canadian markets for feed and cattle which in recent weeks had been

seriously disrupted by an unusually large volume of imports. The Government was concerned that without such a measure Canadian beef producers would not have had sufficient assurance of market stability to produce the volume of beef required to meet Canadian demands.

The United States is the only contracting party having substantial interest in exports of live cattle and fresh beef to the Canadian market. United States authorities were advised prior to the imposition of the surtax, and the issue has been discussed informally on a number of occasions since 3 November.

In announcing imposition of the surtax, the Minister of Finance stressed that this was a temporary measure and that the need for it would be reviewed within thirty days. On 30 November 1973 the Minister advised the House of Commons that a review had been undertaken and that the Government had decided to retain the surtax subject to a continuing review.

On 4 January 1974 the Minister announced a phase-out of the surtax in three equal instalments beginning midnight 13 January 1974 when the surtax on imports of live cattle was reduced to 2 cents per pound and the surtax on imports of fresh beef to 4 cents per pound. A further reduction took place at midnight 27 January 1974 reducing surtax to 1 cent per pound on live cattle and 2 cents per pound on fresh beef. The surtax will be removed entirely as of midnight 10 February 1974.