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Characteristics and Problems of World Trade in Beef and Cattle

At the first meeting of the Meat Sub-Group (16-19 June) the Canadian delegation identified three problem areas affecting world cattle and beef trade, i.e. (1) import restrictions, (2) export measures and (3) international market instability resulting from a number of factors, including the trade measures already mentioned.

In line with the agreement that delegations be invited to provide an analysis of the characteristics and problems affecting trade in the bovine sector, we feel that the most useful contribution the Canadian delegation can make is to highlight the structure of Canada's trade in beef and cattle and to relate this to the characteristics and problems influencing world bovine trade.

Structure and characteristics of Canadian trade

In 1974 sales of cattle and calves contributed \$1.68 billion to Canadian farm cash receipts, equivalent to about 20 per cent of total farm cash receipts.

Canadian exports of cattle and beef in recent years have averaged about 6 per cent of the value of annual production. Live cattle, largely veal calves and feeder cattle, are the major form of Canadian exports. Over the period 1970-74 exports averaged 185,000 head, valued at about \$26 million. Exports of fresh and chilled beef, largely boneless for manufacturing purposes, averaged 72 million pounds valued at \$47 million. In turn, Canada imported an average of 107,000 head of cattle, largely for immediate slaughter during 1970-74, valued at \$43 million, and 128 million pounds of fresh, chilled and boneless beef worth some \$88 million.

Traditionally, the Canadian livestock industry has operated within the context of a North American livestock economy and for many years a generally beneficial pattern of two-way trade with the United States has developed. Western Canada, the major beef cattle producing area of Canada exports feeder cattle to the United States while Eastern Canada, an area generally deficit in fed beef production imports fed cattle for slaughter from the United States as well as quantities of fed beef, largely for the hotel, institution and restaurant trade.

In trade in meat, a pattern has developed whereby Canada tends to export fresh and chilled boneless beef to the deficit United States market where it attracts a price premium over frozen boneless, and to import frozen manufacturing grade beef from Australia and New Zealand. Since 1969 Canada has been a net importer of dressed beef and veal, affecting to a considerable extent the retention of beef females for herd expansion.

Canada's trade in cattle and beef accounts for less than 2 per cent of world trade. Nevertheless, this trade makes an important contribution to certain regions of Canada and the economic prosperity of the Canadian bovine sector is very much affected by international developments, particularly those in the United States. The effects of events and national policies in other markets which influence the international availability and terms of trade in cattle and beef are quickly transmitted through the price mechanism and have a major influence on the value of beef and cattle sold domestically in Canada and in our export markets, both existing and potential. Traditionally the terms of access into the Canadian market have been the most liberal of the major import markets - fixed tariffs of 1 1/2 cents/lb. on live cattle and 3 cents/lb. on fresh chilled and frozen beef.

Import restrictions

Of direct importance to the volume and value of Canadian exports are the terms of access for our cattle and beef exports. In this regard we face levels of tariffs in our major market, the United States, in excess of the levels applied to similar products entering Canada. Moreover, the tariff structure in the United States involved a significant amount of tariff escalation which favours trade in the less processed product forms. Finally, and by no means least the overhanging threat of the United States Meat Import Law, with its associated mandatory import quotas and "voluntary" export restraints exercises a destabilizing influence on the Canadian bovine sector. Together these barriers play an important rôle in inhibiting the rational development of Canada's livestock industry and contribute to problems of regional economic development. However, it should be noted that in comparison to other major import markets the

terms of access into the United States market are relatively, and I stress the word "relatively", liberal. In this context one cannot avoid noting that the "regular" terms of access into the EEC and Japan are far less favourable than either those of the United States or Canada.

Export aids

By and large export subsidies have not had the same adverse impact on the bovine sector as they have had on the dairy and grain sectors. However, it is symptomatic of the general problem of export subsidies that countries tend to utilize them in times of depressed market conditions thereby ascerbating and prolonging an already difficult price situation for both exporters and other importers. This is particularly true in the situation we find ourselves today.

Market instability

Mr. Chairman, the Canadian delegation will not attempt to analyze in detail the complex of factors which resulted in the world beef situation swinging rapidly from a high price shortage situation, which saw importers literally begging exporters to ship as much as possible, to a situation characterized by over-supplies, low prices and the virtual closure of two major import markets and varying degrees of import controls in the remaining markets. Suffice to say that the experience of the last several years had led to a much better appreciation of the factors and interrelationships which exert a destabilizing influence on the world bovine sector. My exporter colleagues have more than adequately identified and analyzed the various economic and technical factors which contribute to instability. In brief these include: the inventory cycle of beef production and the fact that national cattle cycles have been brought more closely into phase: the impact of a slowdown in economic activity on a product which is characterized by relatively high income and price demand elasticities: the small amount of world trade relative to production: the impact of volatile feed grain prices on cattle feeding profitability, to cite just a few of the more important economic factors. However, the analyses of our exporter colleagues and the analyses prepared by numerous governmental and intergovernmental organizations also clearly indicate that the so-called inherent instability of the world beef market has been grossly accentuated by the trade policy actions of governments. In particular border measures which quantitatively restrict imports, without allowance for some traditional level of imports, have had the effect of shifting most, if not all, of the burden of adjustment to altered economic conditions onto exporters and other importers. There is little doubt the embargo actions taken by the EEC and Japan disrupted and distorted traditional trade flows with major effects on product availability and prices, which in turn contributed to further safeguard actions by other importers such as the United States and Canada. However, in

analyzing the Canadian reaction to this situation we cannot but contrast the decision of the Canadian Government to limit imports to the level prevailing in a previously representative period to the virtual embargoes of the EEC and Japan.

The Canadian delegation is firmly of the opinion that a major lesson to be drawn from the trade policy reactions to the present bovine meat situation is the need for improved international guidelines and greater multilateral surveillance on the use of safeguard measures. Improved international co-operation in the field of market analysis and forecasting should provide governments with a better basis on which to take decisions but the ultimate value of such co-operation will be seriously eroded if governments continue to utilize safeguard measures in a way which transfers the entire burden of adjustment to other countries.