Moving Toward a Single Market Is Hard: Trade Tensions in the Canadian-U.S. Cattle and Beef Markets

Linda M. Young
Trade Research Center
Montana State University–Bozeman

for presentation at

Research Discussion Paper No. 27
March 1999

The purpose of research discussion papers is to make research findings available to researchers and the public before they are available in professional journals. Consequently, they are not peer reviewed.
Moving Toward a Single Market Is Hard:
Trade Tensions in the Canadian-U.S. Cattle and Beef Markets

Introduction

The state governments of South Dakota, North Dakota, and Montana blockaded or increased inspections of Canadian trucks with imports of beef, hogs, and grain for two weeks in September 1998. The governors of these states were quoted as stating that they were seeking proof that the imported cattle and meat were free of specified diseases and drugs and that grain was not infected with Karnal bunt or mixed with wild oats (Friesen 1998). The blockade received significant attention by the media and was effective in highlighting tensions in U.S.-Canadian cattle and beef trade. The blockade disrupted trade, cost both U.S. and Canadian industries due to delays and increased transportation costs, and redirected the efforts of government officials and commodity groups away from resolving the underlying issues to crisis management.

Other events also reflect tension in the U.S.-Canadian cattle and beef market. R-CALF (Ranchers-Cattlemen Action Legal Fund), a group of U.S. cattlemen, filed anti-dumping and countervailing duty cases on Canadian and Mexican imports with the U.S. Department of Commerce and the International Trade Commission.¹ In 1993 and in 1997 the U.S. International Trade Commission responded to congressional requests by conducting investigations of the impact of Canadian policies and imports on the U.S. beef industry (USITC 1993; USITC 1997).

This high level of tension is partially due to the fact that the Canadian and U.S. cattle and beef markets largely have free trade but are still in transition to a truly single market. In this paper, a single market differs from a free trade area due largely to the recognition by

¹The National Cattlemen’s Beef Association has not officially endorsed the anti-dumping and countervailing duty cases by R-CALF.
policymakers and producers and their organizations that the market is spatially integrated and that policy proposals account for that.

For the most part, tariffs and quotas restricting trade in agricultural goods between Canada and the United States have been removed and trade has increased. U.S. agricultural exports to Canada increased from US$1,542 million in 1986 to US$6,795 million in 1997, a more than fourfold increase. Canadian agricultural exports to the U.S. increased threefold over the same time period, from US$2,017 million to US$6,787 million. However, it is argued in this paper that the removal of tariffs and quotas is relatively easy compared to the removal of remaining technical and sanitary barriers to trade. Equally important is the need for producers and their commodity groups on both sides of the border to realize that their home market is no longer defined by national boundaries.

Technical barriers include measures that prevent entry of products that fail to meet the health, quality, safety, compatibility, or environmental standards of importing countries. Sanitary (for animals and animal products) and phytosanitary (for plants and plant-based products) regulations are applied to imports for the purpose of protecting human and animal health from a range of disease-causing organisms and pests and from risks arising from additives, contaminants, or toxins in food. The term technical barriers is frequently used to include sanitary barriers, and that usage is maintained here.

Several factors have focused attention on technical and, in particular, sanitary regulations that restrict trade. First, with the decline of agricultural tariffs and quotas due to trade liberalization, the fear has been expressed that countries will use technical and sanitary barriers to protect domestic industries (Roberts 1998). Second, increased two-way trade between Canada
and the United States has focused industry attention on the cost of meeting existing sanitary regulations governing trade. Third, consumer concerns over food safety have had a heightened profile due to public outcry over a number of incidents, including the occurrence of Bovine Spongiform Encephalopathy (BSE) and discoveries of meat contaminated by *E. coli* and *Salmonella* (Hobbs and Kerr 1998; Antle 1998). Lastly, both the North American Free Trade Agreement (NAFTA) and the Uruguay Round Agreement on Agriculture (URA) provide new criteria for sanitary barriers. These criteria include new concepts that have prompted the U.S. government to reevaluate some regulations.

This paper briefly examines previous reductions in trade barriers that have facilitated substantial integration of the U.S. and Canadian cattle and beef markets. As remaining barriers are largely technical and sanitary barriers, current efforts to reduce sanitary regulations for trade in feeder cattle between the United States and Canada are described. A recent proposal to require country of origin labeling on imported meat is discussed as an effort to impose a new technical barrier to trade. The conclusion includes a discussion of why remaining impediments to a single market are difficult to remove and how remaining in a phase of transition breeds tension.

**Previous Removal of Trade Barriers**

When the Canada–United States Free Trade Agreement (CUSTA) was implemented in 1989, tariffs on both live cattle and beef were reduced and within a few years were mostly eliminated. It is likely that changes in the tariffs were not extremely important in determining trade levels, as tariffs were already quite small at the beginning of the CUSTA. In 1988, the U.S. tariff on live cattle imports from Canada was 2.2 U.S. cents/kilogram, just 1.4 percent of the import value. Before the CUSTA, each country restricted imports under their domestic meat
import laws. With the CUSTA, these quotas were eliminated for trade between the United States and Canada. However, while the imposition of quotas disrupted Canadian-U.S. trade, they were not imposed frequently enough to be an important trade barrier (Kerr, Cullen, and Sommerville 1986). Hayes and Kerr (1997) note that although tariffs and quotas had not been significant obstacles to trade, nontariff barriers did create obstacles to the creation of a single market, including sanitary barriers and consumer regulations.

Trade in Live Cattle and Beef between Canada and the United States

In 1997, the United States imported 1.4 million head of slaughter and feeder cattle from Canada, a fivefold increase in the number of cattle imported prior to CUSTA in 1987 (see Figure 1). However, live cattle imports are still extremely small compared to the U.S. market, with imports of live cattle in 1997 constituting around 4 percent of U.S. cattle slaughter. The United States exported 41,189 head of live cattle to Canada in 1997, less than 1 percent of 1997 Canadian beef cow inventories.

U.S. and Canadian trade in beef and veal is illustrated in Figure 2. U.S. imports of beef and veal from Canada increased from 241 million pounds in 1985 to 711 million pounds in 1997. Even with this increase, imports of beef from Canada equaled just 3.3 percent of 1997 U.S. meat production. The United States is a much more important market for Canada than vice versa, with the vast majority of Canada’s beef exports destined to the United States in 1997, but only 13 percent of U.S. beef exports destined to Canada. In 1997, 33 percent of Canada’s beef production was exported, and imports equaled 23 percent of production. Measured in terms of beef production, the U.S. industry is ten times larger than Canada’s and is less dependent on trade. In
1997, only 8.4 percent of U.S. production was exported, while total beef imports represented 9.2 percent of U.S. production.

As impediments to trade between Canada and the United States were removed, north-south trade increased. Live cattle have been exported from the western provinces of Canada, particularly Alberta, to otherwise underutilized feedlots and packing plants in the western United States. Leading destinations include the states of Washington, Colorado, and Utah (U.S. International Trade Commission 1997). As the feedlot and packing industries in Alberta expand, it has been anticipated that fewer Canadian slaughter cattle will be exported to the United States. In fact, it has been predicted that some U.S. feeder cattle may be exported to Alberta, and this occurred in 1997 and 1998, although the numbers were small. As Canada exports fewer cattle, more Canadian beef is likely to be exported to the United States and to the Pacific Rim, also a major export market for the United States. Beef is exported from the Midwestern United States into the eastern population centers in Canada. One reason for this long-established trade pattern is the long distance from Alberta to eastern Canada, between forty and fifty hours by road, whereas the Midwestern United States is closer (Hayes, Hayenga, and Melton 1995).

Prices for slaughter cattle in the United States and Canada are illustrated in Figure 3. The data show that they move together and have the same turning points. Due to the large size of the United States market relative to Canada, it is commonly argued that cattle and beef prices are determined in the U.S. market, with Canadian prices reflecting differences in exchange rates and transportation costs. A statistical analysis of U.S. and Canadian slaughter prices was performed to further investigate this relationship. U.S. slaughter prices were found to be an extremely important determinant of Canadian slaughter prices. This analysis could not be performed on
beef prices due to lack of data (Dunford 1997). However, there is substantial evidence that the two markets are highly integrated (Young and Marsh).

The Reduction of Sanitary Barriers: The North West Cattle Pilot Project

The North West Pilot Project reduces the sanitary regulations for feeder cattle imports by Canada and the United States (Young and Marsh 1998). The project was first proposed at the North West Livestock Health conference in Spokane, Washington, in May 1995. Representatives from industry and government in the four northwestern states of the United States and the western provinces of Canada use the conference as a forum to reduce regional barriers to trade. The Canadian Cattlemen’s Association (CCA) worked with the National Cattlemen’s Beef Association (NCBA) and the Montana Stockgrowers Association (MSGA) on a proposal to reduce sanitary regulations for imports for each country, anticipating that a proposal based on reciprocity would garner the most support. The main elements of the original proposal were as follows:

• Canada would eliminate testing for anaplasmosis, brucellosis, and tuberculosis for feeder cattle from Montana and Washington imported into Canada for the period October 1 through March 31. There would be strict identification requirements for feeder cattle imported under the pilot program, and these cattle could not commingle with the Canadian herd.

• Cattle entering the United States from Canada are subject to both federal requirements and additional requirements that vary by state. Under the pilot project, the Animal and Plant Health Inspection Services (APHIS) of the U.S. Department of Agriculture was to waive test requirements for brucellosis and tuberculosis for Canadian cattle entering
Montana, and the state of Montana would eliminate vaccination requirements for brucellosis for imported cattle.

A description of the difficulties facing the proposal and the final outcome follows. However, it is first important to understand the criteria specified in international agreements that currently motivate and constrain changes in sanitary and phytosanitary barriers to trade.

**The Sanitary and Phytosanitary Agreement of NAFTA and the Uruguay Round**

Sanitary and phytosanitary measures are measures adopted by countries to protect human, animal and plant life and health from certain enumerated biological and chemical risks, which are detailed in Table 1. The Sanitary and Phytosanitary Agreement of the URA and NAFTA are roughly similar (Roberts 1998) and introduce criteria for regulations affecting trade. The URA agreement has two potentially conflicting goals: it provides incentives for countries to adopt internationally recognized standards, while at the same time allowing countries to develop standards that reflect their risk preferences but differ from international standards. International standards are being developed by three long-standing international organizations: (1) the Codex Alimentarius Commission, (2) the International Office of Epizootics, and (3) the International Plant Protection Convention.
Table 1: Definition of a Sanitary and Phytosanitary Measure

<table>
<thead>
<tr>
<th>Any measure applied to protect</th>
<th>from</th>
</tr>
</thead>
<tbody>
<tr>
<td>human or animal life</td>
<td>risks arising from additives, contaminants, toxins, or disease-causing organisms</td>
</tr>
<tr>
<td>human life</td>
<td>plant- or animal-carried diseases (zoonoses)</td>
</tr>
<tr>
<td>animal or plant life</td>
<td>pests, diseases, or disease-causing organisms</td>
</tr>
<tr>
<td>a country</td>
<td>damage caused by the entry, establishment, or spread of pests</td>
</tr>
</tbody>
</table>

Source: Roberts 1998

If a country adopts standards that differ from international standards (where they exist), those standards can be challenged through the World Trade Organization’s Dispute Settlement Process. In that case, the country must demonstrate that their standards are based on science, meaning that an assessment is made of the actual risks involved, including available scientific evidence, relevant inspection, sampling and testing, prevalence of specific diseases or pests, and the existence of pest- or disease- free areas. In assessing the risk to animal or plant life or health, the country must take into account relevant economic factors, including the cost effectiveness of alternative approaches, and choose the alternative that is least trade distorting.

Two other criteria are specified for sanitary and phytosanitary regulations. Regulations must be consistent, which means that where similar conditions for disease prevail, regulations cannot be more restrictive for imports than the home country or more restrictive for some countries than for others. Finally, regulations and the decision-making process behind them must be transparent, or made easily available to the public. These are the criteria that the United States and Canada agreed to as members of the World Trade Organization.
Obstacles in the Reduction of Sanitary Barriers

Several aspects of the pilot project made it difficult and costly for industry groups to conduct negotiations, to gain regulatory approval, and to monitor implementation of the North West Pilot Project.

1) Many players were involved in the process. Due to the reciprocal nature of the project, negotiations involved many government agencies. On the U.S. side, several state governments were initially involved as well as APHIS. On the Canadian side, the Alberta provincial government and the Canadian Food Inspection Agency (CFIA) were involved. Customs agencies were also consulted. Commodity groups at federal, state, and provincial levels were represented. In the final stages of negotiations one meeting involved around 40 people representing 13 industry groups and agencies.

2) Requirements to change regulations were different for Canada than for the United States. The approval processes for the project varied substantially between the countries in terms of complexity and time required. On the U.S. side, APHIS needed to grant a federal waiver for the test requirements for brucellosis and tuberculosis, and APHIS had the power to do so without consultation with Congress. The state of Montana needed to waive a state statute requiring brucellosis vaccinations for imported Canadian cattle. The Canadian approval process was much more lengthy. Beginning with approval of the concept by Cabinet, the legislation had to be drafted and published in the Gazette with a period for public comment. Then legislation was forwarded to the minister for approval, then to Cabinet, and then was published for a second time as law.
3) Agencies held conflicting objectives. On the Canadian side progress was slowed due to the cost recovery objective of CFIA. The cost recovery objective required employing fees to pay for both the risk analysis and the provision of any services associated with the implementation of the project.

A major obstacle to the negotiation of the project was the Regionalization Docket released by APHIS in April 1996. The purpose of the docket was to update sanitary requirements for U.S. imports so that they were consistent with the new criteria embedded in the URA and NAFTA, as discussed earlier. Historically, disease risk was assessed on the basis of national boundaries, and if the disease was present within a country, imports were banned. The Regionalization Docket proposed to recognize disease-free areas within countries and to allow imports from those regions. The contradiction for the North West Pilot Project did not lie in the concept of regionalization, but in the health classification given to the Canadian herd. If the Regionalization Docket had been adopted as originally proposed, requirements for importing Canadian cattle would have been significantly increased, defeating the purpose of the pilot project. The health classification for tuberculosis, for example, was interpreted to mean that Canadian cattle would be held at the border for 72 hours for administration of a test (Hopf 1997; Ducksworth 1998). However, APHIS did not publish information on what the classifications would mean for U.S.-Canadian border requirements.

Officials of the Canadian government protested strongly, and the health status of the Canadian herd was changed before adoption of the docket. The new classification resulted in the removal of federal requirements to test for brucellosis for any feeder cattle entering the United States, not just those destined for states involved in the North West Pilot Project. This action
angered some U.S. industry groups, who felt that the unilateral change in regulations would remove Canada’s incentive to follow through on changing their regulations.

In addition, Article 708 of CUSTA stipulates that the United States and Canada must consult with each other during the development of or change of a technical regulation that would affect trade (Hayes and Kerr 1997). It appears that APHIS did not consult with Canada in the development of the Regionalization Docket.

4) *Industry groups from both countries insisted that the reductions to sanitary regulations be reciprocal in nature.* Although reciprocity is a useful tactic for amassing political support, it is not necessarily an appropriate goal for changes in sanitary regulations, which may differ for scientifically sound reasons and may be necessitated by a country’s trade agreements. Differences in the approval processes also created tensions due to uncertainty about the timing of changes and worries that one country would give away too much too early.

5) *Risk assessments are difficult and costly.* APHIS adopted risk assessment methodologies quite recently. Risk assessment can be described as a vehicle for interpreting and characterizing scientific evidence, involving hazard identification, estimation of the likelihood of a hazard, and evaluation of the consequences of the hazard should it appear (Roberts 1998, p. 24). However, risk assessments are difficult due to “large and irreducible uncertainties in predicting the effects of biological stressors” (Roberts 1998, p. 26). Evidence bearing on risk assessments can be complicated and contradictory, as is evidenced by the hormones dispute brought by Canada and the United States against the European Union. In addition, APHIS clearly states that geography and science should be the determinants of regulations, not politics (APHIS 1996). However, their abrupt change in the health classification of the Canadian cattle herd calls into question the
criteria used for their risk assessment before and after public outcry over the original Regionalization Docket.

**Implementation and Revision of the Pilot Project**

In October 1997 regulations were in place to allow the importation of untested feeder cattle from the states of Montana and Washington into approved Canadian feedlots. However, less than 1,000 head were imported under the project due to restrictions placed on the movement of cattle imported into Canada under the pilot project as well as a lack of economic incentives. Changes in the protocols for implementation were negotiated, evaluated, and approved. The Canadian Food Inspection Agency amended the regulations in August 1998 to reduce the movement restrictions placed on imported cattle. About 2,000 Montana calves are set for delivery to Alberta under the project. These were sold in the September 11\(^{th}\) Canadian Satellite Livestock Auction, and another 4,000 calves are booked for the September 25\(^{th}\) auction (Ducksworth 1998). The implementation of the pilot project is likely to have a small but positive impact on the U.S. and Canadian beef industry. It will facilitate the ability of packers in Alberta to procure animals within a least-cost distance of their plants. A reduction in net U.S. imports of live cattle from Canada due to Canadian feedlot and packing expansion would also mitigate the demands for protection in the United States.

**Transactions Costs and the Removal of Technical Barriers**

Negotiations for the North West Pilot Project took longer than those for the entire Canada-U.S. Free Trade Agreement. Hayes and Kerr (1997) state that the removal of technical barriers to trade in the Canadian and U.S. cattle and beef markets since 1989 has been disappointing. They argue that there are high transaction costs associated with the removal of
technical barriers to trade. Likening trade agreements to complex transactions, Hayes and Kerr draw on tenets of the New Institutional Economics to show that transactions do not occur in the frictionless economic environment assumed in standard neoclassical economics. They discuss the information, negotiation, and monitoring activities required to remove nontariff barriers.

Technical barriers to trade are not usually identified in a trade agreement. Thus groups desiring the benefits of a single market must undertake these costly activities with the expectation that the future gains will be greater than the cost.

Information costs include identifying trade-inhibiting regulations and estimating the benefit from their removal, finding out which agencies administer the regulations and how to change them, and finally, what allies can be enlisted to create political support for change. This political support is necessary because often these agencies have priorities other than trade liberalization. Negotiation costs include lobbying, commissioning of studies and risk analysis, and presenting input into public and private hearings. Once the regulatory change is undertaken, monitoring costs exist to ensure that the change has been effectively implemented (Hayes and Kerr 1997, p. 166–167).

The transactions costs identified by Hayes and Kerr are all evident in the evolution of the North West Pilot Project. In addition to the costs recognized by Hayes and Kerr, a few other aspects make the removal of sanitary barriers problematic. It may be difficult for an industry group to estimate accurately the economic benefit of the removal of a trade barrier. And these benefits occur over time, whereas the costs occur up front.

In contrast to a technical barrier, the change of a tariff is procedurally simple, as tariffs can be reduced by a formula in a predictable manner over a number of years. Tariff reduction can
be done on a reciprocal basis even if the starting point for countries is different—for example, both sides can reduce tariffs to zero over a number of years. In contrast, the North West Pilot Project illustrates the high cost of removing technical barriers and why the pace of removal is slow.

**Outstanding Technical Barriers to Trade: Grade Equivalency**

An outstanding issue of some consequence for U.S.-Canadian trade in beef and cattle is recognition of the equivalency of the two countries’ grading standards. Since Canada unilaterally changed its grading standards in 1996, Canada and the United States have been using the same methods for grading beef quality (Hayes and Kerr 1997). The economic costs due to lack of official recognition of grade equivalency are well documented (Kerr 1992; Hayes, Hayenga, and Melton 1995). Canadian packers are forced to sell beef at greatly reduced prices in the United States, commonly called “no-roll” prices, due to the lack of a USDA stamp. Canadian carcasses can be imported into the United States, processed, and receive USDA grades; however, doing so adds to Canadian industry costs by about 3 percent of total carcass value. The same is true for U.S. packers exporting to Canada. As U.S. beef cannot be sold into eastern Canada without a large reduction in price, the U.S. beef industry is deprived of a lucrative outlet for the lean beef that is preferred in eastern Canada. It has been estimated that this cost is equivalent to a 5 percent tax on U.S. beef that is exported to Canada (Hayes, Hayenga, and Melton 1995). Despite the potential economic benefits, to date little progress has been made in convincing U.S. producers that grade equivalency would benefit them.
Potential Technical Barriers to Trade: NCBA Proposals for Country-of-Origin Labeling

The NCBA has proposed and lobbied for legislation that would require country-of-origin labeling of beef sold at the retail level. Imported beef and beef produced from cattle imported into the country less than ten days before slaughter would be covered by the labeling requirements. In September of 1998, a joint House/Senate committee of the U.S. Congress rejected the legislation but mandated that the U.S. Department of Agriculture undertake a study to examine the issue. As the NCBA has indicated that they intend to continue to fight for this measure, it is likely to remain a factor in Canadian-U.S. agricultural trade relations for some time. If passed, this legislation would introduce a technical barrier to imports of Canadian cattle and beef.

The Uruguay Round Agreement contains an Agreement on Technical Barriers to Trade. Article 2.1 of the Agreement on Technical Barriers states that “Members shall ensure that in respect of technical regulations, products imported from the territory of any Member shall be accorded treatment no less favorable than that accorded to products of national origin” (GATT Secretariate 1994), echoing the national treatment clause that has been the cornerstone of the General Agreement on Tariffs and Trade since its inception. Article 2.2 goes on to detail that “Members shall ensure that technical regulations are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade. For this purpose, technical regulations shall not be more trade restrictive than necessary to fulfil a legitimate objective.... Such legitimate objectives are, inter alia: national security requirements; the prevention of deceptive practices; protection of human health or safety, animal or plant life or health or the environment.”
The country-of-origin labeling requirements appear to violate the Agreement on Technical Barriers as stated above, as they would create an obstacle to trade without fulfilling one of the legitimate objectives for introducing a technical barrier. The proposal for country-of-origin labeling indicates the high level of tension that exists over U.S. imports of Canadian cattle and beef, despite efforts by segments of the industry to remove technical barriers. The following section discusses the causes of this tension.

Conclusion: Toward a Single Market?

Although there are some remaining barriers to trade, their costs are relatively small. The U.S. and Canadian market are integrated, and prices in the two countries move together. The United States is a net importer of Canadian beef and cattle, and together these imports accounted for between 3 and 6 percent of U.S. supplies since 1990. It has been estimated that the change in imports of Canadian beef and cattle have contributed to the decreased U.S. prices by an average of one percent per year since 1990 (Marsh 1998). Why does so much tension exist?

The U.S. cattle and beef industry has faced declining real prices over the last thirty-five years. Since 1962, real prices for slaughter cattle (Nebraska direct, 1,100–1,300 lbs.) have declined by 52 percent. Per capita demand has been on a downward trend since the late 1970s. Per capita consumption of beef declined from 94 pounds in 1976 to 67 pounds some twenty years later, a decline of 40 percent. Although total meat consumption has risen slightly over that time period, beef’s share declined from 50 to 32 percent in the last twenty years. Finally, the size of the U.S. industry as measured by head slaughtered has not experienced significant growth. Slaughter numbers vary significantly with the cattle cycle; however, as Figure 4 indicates, there
has not been significant growth. U.S. exports of beef have grown but still account for a small share of U.S. production, around 9 percent.

The United States does not have a regular program of income support or stabilization for stockgrowers. Unlike previous U.S. commodity programs that have given substantial price support for grains or transition payments to grains producers (under the 1996 Federal Agricultural Improvement and Reform Act), there is no history of price and income support in the cattle sector. This means that when prices are low, it is not likely to be fruitful for stockgrowers to lobby to change domestic program variables to increase support. And since the supply of cattle is fixed in the medium run, cattle producers do not have the same flexibility to affect supply as grains producers. One of the few variables that cattle producers can attempt to influence is imports.

The U.S. and Canadian cattle and beef markets are still in a transition to a single market. Although tariffs and quotas were eliminated quite some time ago, some technical regulations that affect trade continue to exist. And although the general level of government support for the cattle and beef industry is limited in both countries, there are differences in policies and the level of support offered (Young and Marsh 1998). These inequities, although of limited economic consequence, attract attention and breed tension. And while trade between the two countries has increased over the last ten years, the United States has consistently been a net importer of cattle and beef from Canada, at times giving rise to the belief that these regulations and policies, not economic incentives, are the cause for the net import position of the United States.

I think that it is fair to argue that in general terms, U.S. cattle producers and their commodity groups do not perceive the U.S. and Canadian market as a single market. Many of the
actions and policies of the NCBA, including import labeling and grade equivalency, appear to be based on a desire to isolate the U.S. market. The U.S. beef industry is roughly ten times the size of the Canadian industry. There may not be a large enough economic incentive for U.S. producers to change their perspective from one based on a national identity to one based on a single market with Canada.

The NCBA’s perspective may be explained by its goals, membership, and activities (NCBA 1998). The NCBA provides services and input into public policy on behalf of its members. One division of the NCBA is financed by beef check-off funds and oversees beef and beef product promotion, research and other market development programs. Beef check off funds are from U.S. cattle producers and are to be used in their interest. The other division is financed by member dues and oversees input into government policy. The NCBA is concerned with a variety of domestic policy issues, including captive supplies and packer concentration. The regulatory body that oversees these issues is the Grain Inspection, Packer and Stockyards Administration of the U.S. Department of Agriculture. A major goal of the NCBA is to address consumer concerns, including food safety. Food safety regulations are enforced by the Food Safety and Inspection Service, also of the U.S. Department of Agriculture. Most of the policy issues of concern to producers are addressed in Washington.

Looking to the future, the upcoming negotiations under the World Trade Organization do provide a forum where U.S. and Canadian producers have a shared objective, namely further liberalization of beef policies by importers. Both the Canadian and U.S. industries realize that domestic market growth will be minimal and that opportunities exist in world markets. However, if future negotiations for trade liberalization follow the pattern established in the Uruguay Round,
they may not present an opportunity for U.S. and Canadian industry groups to coalesce. The Uruguay Round was dominated by bargaining between the United States, the European Union (EU) and Japan. Canada joined a group of countries from the Cairns group to increase their bargaining power vis a vis the other major powers.

It is instructive to ask if other national commodity groups have moved from an identity based on national boundaries to that of the market within a free trade area. Several longstanding free trade areas exist, including the European Union (EU). Queries by the author of experts in EU markets and a preliminary search of the literature did not reveal cases illustrating the creation of commodity groups spanning national boundaries. The EU has been able to achieve carcass grade equivalency among its members. However, producer groups in the EU have an incentive to cooperate due to their joint interest in the Common Agricultural Policy, which provides price and income support for its members. The U.S. and Canada do not act together to provide a commodity policy for their producers.

Tension caused by increased globalization is not confined to the beef market, nor to agriculture, but is evident throughout the U.S. economy. Rodrik (1997) states that the “key tension of globalization is that open trade can conflict with social contracts that protect certain activities from the relentlessness of the free market.” Integration is occurring at the same time that government provision of safety nets has been reduced. Rodrik argues that a key component of the post war social bargain in advanced industrial societies was the provision of social insurance and safety nets at home, such as unemployment benefits, severance payments and adjustment assistance, in exchange for the adoption of freer trade policies. Bonnen (1997) and Rodrik (1997) note that the nation state has a declining ability to fulfill the demands placed on it,
particularly the need for social insurance, and that none of the actors in the emerging international political order have the capacity to fulfill these functions. Rodrik argues that complacency towards the social consequences of globalization could be a backlash against trade, and ultimately to the adoption of protectionist policies that are welfare reducing. Arguing against protectionism, he endorses adequate safety nets and programs to assist with the economic adjustment that is required with openness to trade.

While trade tensions exist in the Canadian–U.S. beef and cattle markets, it is important to keep them in perspective. Trade does occur. Some remaining technical barriers to trade are being removed. Investment in Alberta’s packing facilities were made by multinational firms that are important in the U.S. industry, and their interests span national boundaries. The creation of strong ties between the national commodity groups across national borders may not occur until governments do not provide incentives for lobbying on the basis of national need. Until then, further progress to achieving a single Canadian-U.S. cattle and beef market may be slow.
References


Antle, John. 1998. No such thing as a free safe lunch: The cost of food safety regulation in the meat industry. Trade Research Center, Research Discussion Paper No. 9, Montana State University-Bozeman, March.


Hopf, Dr. 1997. Personal communication, Agriculture Canada, October.


Figure 1. U.S.-Canadian Trade in Live Cattle

Figure 2. U.S.-Canadian Trade in Boxed Beef
Figure 3. U.S.–Canadian Slaughter Prices, 1980–1996

Figure 4. U.S. Cattle Slaughtered, 1970–1997