Discussion

NATIONAL CATTLEMEN'S BEEF ASSOCIATION

Chuck Lambert

There are probably many more areas of agreement than disagreement among the industries within the North American trade region. National Cattlemen's Beef Association (NCBA), along with the associations from Canada, Mexico, Australia and New Zealand, meet about every 18 months in a five-nation beef conference to discuss issues of importance in the trade arena. We are especially interested in issues relating to the European Union (EU) and the 1999 round of World Trade Organization (WTO) negotiations. In 1999, we will also invite the cattlemen's associations from Uruguay and Argentina to attend the five-nation meeting and invite them to join this group on a permanent basis to discuss trade issues of mutual interest.

In the United States, efficiencies from alliances are changing the way we have done business historically in the beef industry. Our industry has traditionally been a segmented, dispersed industry. The production model has resulted in many antagonisms among the sectors—cattle trading hands two to five times with no information passing among the sectors. We have seen what has happened to beef's market share with respect to an integrated poultry industry. Restructuring the pork industry is positioning pork to do similar damage to beef with respect to beef's market share.

The Canadian beef industry is much more coordinated than the U.S. industry. The Canadians use video imagery to provide carcass information back to individual producers. Canada is much further down the line with respect to individual animal identification. We have had producers from Canada on NCBA educational programs to help educate our producers to the Canadian model which we think will become more prominent in the future. The changes which are occurring in the United States are not coming without a lot of soul searching and producer unrest in some regions.

PROTECTIONISM

As change take place, agriculture will revisit some of the protectionist issues. Some segments of agriculture, including a meat industry which has traditionally not supported government involvement, will be brought into these discussions.

The protectionist pressures are, in part, responses to other countries' non-compliance with rulings by the WTO. The EU's indication that it might respond within four years to the WTO ruling on the hormone ban adds to confrontation and consternation. Producers question participation in trade agreements if the other parties are not going to comply. The United States has one of the most open beef markets in the world. NCBA's objective is to gain access to emerging international markets. The EU, by its response, is threatening the role of the WTO as a dispute settlement body. If the EU does not respond and bring its regulations into compliance, the role of the WTO is diminished and could potentially lose its credibility as a dispute settlement mechanism.

Also, in the sanitary and phytosanitary arena, the United States has recognized regions of Uruguay and Argentina as foot and mouth disease-free. Last fall, we recognized Canada as being brucellosis-free. When U.S. shippers try to export feeder cattle to Canada, they still face a complete regimen of testing for brucellosis, tuberculous, anaplasmosis and blue tongue. These impediments exist even though the United States is tuberculous-free, nearly brucellosis-free, and has large regions of the country which are anaplasmosis and blue tongue-free. NCBA has worked to develop a small pilot project involving Montana and Washington to reduce restrictions on U.S. feeder cattle shipped to Canadian feedlots. Until U.S. producers have reciprocal regionalization (recognition of those regions in the United States that are disease-free, so that U.S. feeder cattle can be shipped into Canadian feed lots), we will continue to see pressure for regulations that will slow the shipment of Canadian slaughter cattle into the United States.

TRADE

The United States exports about 8 percent of its beef production. In 1997, about 45 percent of the tonnage and 55 percent of the value of these exports went to Japan. Mexico is our second-largest and fastest-growing export market. Canada is third and Korea is fourth. Korea is now in economic chaos and exports may decline by 50 percent or more, at least in 1998. The United States is still a net importer of beef. In 1996, the United States exported nearly as much as we imported. Canada supplies 33 percent of U.S. beef imports—most of that is grain-fed. Australia and New Zealand each supply about 25 percent. That is mostly lean grinding product. Brazil, Argentina and Costa Rica account for most of the rest.

In addition to meat imports, last year the United States imported nearly 1.1 million slaughter cattle from Canada, about 211,000 feeder cattle from Canada and about 662,000 feeder cattle from Mexico. Traditionally, Mexico has supplied about 1 million feeder cattle. This was as high as 1.38 million feeder cattle in 1995 due to the Peso devaluation and the drought. In 1996, it was about 424,000. In 1998, we expect to import about 800,000 feeder cattle from Mexico. The United States is a net importer of about 6-7 percent of it's beef, if you calculate the beef equivalent of the cattle imported.

The change that trade is bringing about—a more integrated system and becoming more consumer focused—has led to issues including labeling. The USDA Agricultural Marketing Service has announced a certification program to recognize "born, raised and slaughtered in the United States" products. NCBA has policy on the books calling for labeling of imported products. Canadian cattle which are imported and slaughtered in the United States are counted as U.S. production and are eligible for USDA grade. Under the NCBA proposal, beef from these cattle would be stamped "imported."

Pressures and tensions have increased. As U.S. exports of beef to Mexico have increased, pressures from the Mexican cattlemen for anti-dumping cases and increased reinspection at the border to slow those trade flows have increased. Continuing the communication and working on these issues are keys to sustaining the increased trade flows for our mutual advantage. Educating our producers to understand the net benefits of those trade flows is key.

LOOKING AHEAD

The U.S. beef industry will likely evolve to a two-tier system. We see many alliances evolving. For example, U.S. Premium Beef is aligned with Farmland, and McDonald's has an alliance with a cattle marketer and some feedlots in Texas. Many alliances involve individual animal identification and trace back. All of them involve increased information flows and some type of value-grid-based pricing on the consumer end-product value rather than the production value. There is a sector of the industry which is rapidly moving in the value-grid-based pricing direction and a sector which wants to continue to raise cattle in the traditional manner—hauling them to the market at weaning time or the end of the production cycle, sell those cattle and never see or hear from them again. There will be a two-tiered beef production and marketing system, at least for a few years. Over time, if the Canadian paper is right, the value-based, consumer-orientated, structurally-aligned, more contractual system will prevail, and more and more U.S. beef production will come from that type of system.

For the beef industry, food safety is job one and our top priority. The consumer's right to have a safe and wholesome product is non-negotiable. That is our goal and we are working toward it with Hazard Analysis Critical Control Point (HACCP) programs.