CANADIAN CATTLEMEN'S ASSOCIATION

Dennis Laycraft

I appreciate the invitation to participate on this panel and to comment on the Loyns, Young and Carter paper. The authors are to be commended for their paper and I concur with their overall findings.

Canadian cattle producers and their association have had a full plate over the past two years. We have had to defend against U.S. actions on anti-dumping (AD) and countervailing duty (CVD) investigations, country-of-origin labeling initiatives targeted to beef products sourced predominantly from Canada, border protests, State introduced non science based testing requirements and false allegations about pharmaceutical product usage, petitions to eliminate grading of imported Canadian beef, and so forth. We recognize that during this time many cattlemen on the U.S. side saw a "growing imbalance" in trade (often measured by counting cattle liners), and they were frustrated with our animal health requirements. In fact, Canada moved too slowly to address these concerns and saw the problems aggravated by the failure of the first attempt with the North West Project (feeder cattle) in 1997. That program is now working very well.

What was lost in rhetoric was the fact that, on a per capita basis, we consume almost twice the amount of U.S. beef in Canada that the United States consumes of Canadian beef. Overall, Canadian per capita consumption of U.S. agricultural goods is about six times American per capita consumption of Canadian agri-food products. In many ways we are each others best customer.

The Trade Remedy Actions

As one becomes more familiar with anti-dumping rules, it is clear that measures are increasingly being used as a form of protectionism and are completely inappropriate where a common market, free trade zone exists.

The CVD case found Canadian subsidies to be well below "de minimis" (1percent) making Canada one of the least subsidized beef cattle industries in the world. What was worrisome about the ruling however were the subsidy benefits that were attributed to some government policies affecting input costs. In particular the rates charged on crown grazing lands and reduced commercial interest rates due to loan guarantees were overemphasized. Ironically the U.S. International Trade Commission (USITC, 1993) studied the issue of grazing fees on public land found that Canada's nominal rates were three to four times higher than U.S. rates and U.S. Bureau of Land Management (BLM) rates are unchanged since that study. The Canadian Wheat Board (the main target of the countervail action) was *found not to be causing lower feed grain prices* during the period of investigation. As a result, that investigation terminated in October.

The trade remedy laws do not take into account relative subsidy levels in the two countries. Our President was once asked by a group if he fed subsidized grain. He said no, and then corrected himself when he remembered that he had imported some U.S. grain and fed it to his cattle.

The "market-to-market" comparison method was a critical part of the USITC analysis under the AD action. By that method, comparison sales are examined to determine if they are below the full cost of production. *If more than 20 percent of sales are below the full cost of production as calculated by the investigating agency, all below- cost sales are removed from the home market average. This adjustment causes a higher home market average price in comparison to the export market and a dumping margin is found even though there is the absence of underselling.* The adjustment biases calculations against the exporter. The preferred method of comparison is to examine prices in the receiving market versus the home market (less adjustments for freight, brokerage, handling, etc.). If there are receiving country sales below production costs, those should be reflected in the calculations.

We sold cattle in a competitive market place and, according to U.S. data, likely at a better margin, albeit negative, than many U.S. producers. We find it offensive that the process concludes we traded these cattle "unfairly". If you truly believe in free enterprise and there are no unfair subsidies or policies

that affect pricing, you must accept there are periods of profit and loss in our business. How many agriculture crops are being sold today would pass the test that was applied to Canadian live cattle? Wheat, corn, barley and many more would surely fail.

The option of undertaking a cross border analysis through an International Trade Commission 332 Study or through the Canadian International Trade Tribunal is a viable alternative or at the very least a useful precursor to the initiation of any trade investigation. This might prevent many costly and disruptive investigations from occurring.

NAFTA

Protectionists in the United States, including those in agriculture, have struck out at NAFTA as the source of all that is wrong in the world. Sound analysis demonstrates that NAFTA has been good for all three countries. W e recognize the NAFTA has some inadequacies. For the most part, the shortcomings are related to what was not included, not excluded, and the failure to complete several processes to harmonize standards *dating back to the Canada/United States Agreement in 1989.* These "shortcomings" have directly and/or indirectly contributed to the disputes that have taken place over the past several years.

The most serious shortcoming was the failure to prohibit the use of anti-dumping rules between free market participants. It is our position that *there is no justification for antidumping actions where a product is sold in a free trade environment.* We are also seeking changes through the WTO. 134 out of 135 countries supported a change in Seattle but the United States opposed it.

As the paper suggests, there are other issues that factor into disputes. The second inadequacy of NAFTA was a failure to achieve the harmonization objectives. The process started off well in 1990 when Trade Minister Mazankowski and Trade Secretary Yeutter agreed to streamline meat inspection. Political pressure from border meat inspectors and "susceptible" U.S. cattle producers stalled and eventually killed the initiative. Following the Jack In the Box tragedy, the attention switched to "mega regs" and all initiative was

lost even though the two systems were studied and found “remarkably similar”.

Other commitments to harmonize standards saw little process and in some cases the divisions have grown wider, supported by anecdotal arguments to justify inaction or contrary action. Some are suggesting that technical standards such as grading or country-of-origin are part of some equity in a “brand” or trademark. Brands or trademarks are part of commercial trade and should be pursued voluntarily by those that see value in those initiatives. Technical standards should be science based and trade friendly, otherwise they will also be used increasingly as a non tariff trade barrier.

CCA is encouraged by the December 1998 Record of Understanding to improve the dialogue between our two country’s Departments of Agriculture, to address some harmonization issues, and to set up an early warning system to address disputes at the early stages.

CONCLUSION

We have had a rough couple of years. However that should not overshadow the fact that, on balance, we have achieved an integrated market for beef and beef cattle, we have a good relation with many of our U.S. counterparts, and the CCA and NCBA have a long history of cooperation, and work well together on most issues.