

Leaflet 9. Animals and Animal By-Products and the World Trade Organization

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Trade Situation and Outlook

Anti-dumping petitions, animal health regulations, and a ban on the use of growth hormones have dominated U.S. trade disputes in live animal trade for more than a decade. While some of these issues were resolved under U.S. law, others were referred to the WTO for resolution. This leaflet provides background on these and other issues affecting U.S. animal and by-product trade.

Cattle. The United States is a net importer of live cattle, with a trade deficit of \$534 million in 1999. About 98 percent of U.S. live cattle trade is with NAFTA partners. U.S. exports of live cattle were relatively small in 1999, 329,000 head valued at \$174 million. The United States imported 985,000 head of cattle (\$708 million) from Canada and 960,000 head (\$293 million) from Mexico that same year.

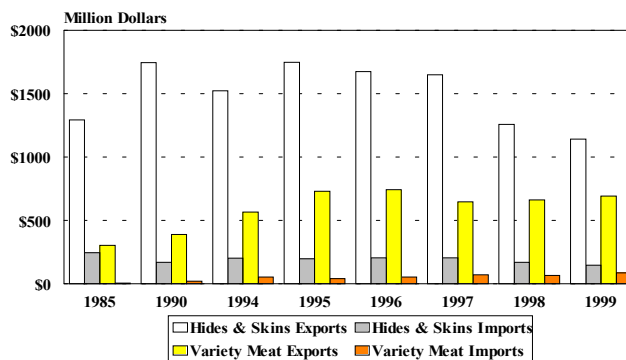
In 1995 cattle imports reached a record 2,790,000 head (\$1.41 billion) when Mexico liquidated part of its herd due to drought and high feeding costs. A 65 percent decline in the value of the Mexican peso also stimulated exports of low cost cattle to the U.S. market. Since then, Mexico has not supplied the U.S. market with more cattle than Canada. Only limited cattle herd rebuilding has occurred in Mexico. Canada has increased commercial slaughter capacity, especially in the western prairie provinces where domestic feed grain prices have fallen relative to world prices due to the elimination of subsidized transportation rates favoring grains destined for export. In next several years U.S. live cattle imports from Mexico and Canada should become more equal.

Hogs. The United States is a net importer of live hogs, with a trade deficit of \$197 million in 1999. U.S. hog exports were 177,000 head in

1999 worth \$19 million, with 161,000 head (\$14 million) going to Mexico. Mexico is usually the leading market for U.S. hogs, with the exception of 1995, when Korea was the number one market. The second largest market for U.S. hogs has typically been Canada, followed by Japan and Korea.

U.S. live hog imports reached a record 4,136,000 head worth \$216 million in 1999. Canada has consistently supplied all slaughter hog imports to the U.S. market. About 90,000 head of mostly breeding hogs were imported from Europe and Australia. Canada will remain the number one import supplier of hogs to the U.S. market in the near term. Canada ships slaughter hogs from western provinces and Ontario and feeder pigs from Manitoba and Saskatchewan. The reduction of the U.S. countervailing duty, a stronger U.S. dollar, and expanding hog inventory led to greater shipments to the U.S. market.

U.S. Hides & Skins and Variety Meats Trade, 1985 - 1999



Source: FATUS

Animal Hides/Skins and Variety Meats. The United States is a major trader of animal hides/skins and variety meats. In 1999, U.S. exports of hides and skins exceeded imports by almost \$1.0 billion, with exports of \$1.14 billion and imports of \$147 million. Both exports and imports were lower compared to

the previous fifteen years. Korea is the largest importer of U.S. hides and skins, with \$346 million in 1999, followed by Taiwan (\$165 million) and Mexico (\$154 million). The United States imports about 70 percent of its hides and skins from Canada, and has done so since 1994.

The United States is a net exporter of variety meats, with a volume surplus of 455,000 mt and a value surplus of \$605 million in 1999. Of the 507,000 mt (\$692 million) in U.S. variety meat exports in 1999, 173,000 mt (\$384 million) were shipped to Japan and 133,000 mt (\$122 million) to Mexico, accounting for 60 percent of export volume and 73 percent of value. Other major markets were the Newly Independent States at 35,000 mt (\$18 million), the EU at 25,000 mt (\$11 million), and Hong Kong at 25,000 mt (\$27 million).

U.S. imports of variety meats were 52,000 mt in 1999 valued at \$87 million. Canada supplied 37,000 mt (\$62 million), Australia 8,400 mt (\$15.5 million) and New Zealand at 4,000 mt (\$5 million). These three countries accounted for 98 percent of U.S. variety meat imports.

Major Trade Issues

Northwest Cattle Project. The Northwest Cattle Project (NWCP) facilitates trade in feeder cattle between Canada and the U.S. It was implemented as a result of bilateral negotiations between the U.S. and the Canadian governments. There are currently six U.S. states participating in NWCP: Alaska, North Dakota, Montana, Idaho, Washington, and Hawaii. Montana currently accounts for three-fourths of the exports under NWCP. Both countries also agreed to eliminate testing for certain animal diseases. Total Canadian cattle imports from the United States are expected to rise 7 percent to 250,000 head in 2000.

Mexican Antidumping and Countervailing Duties on Offals. SECOFI, the Mexican government agency responsible for international trade, announced on August 2, 1999 that it was imposing import duties on U.S. beef and beef offal imports. A final decision on the matter was reached on April 28, 2000. Beef offals from the U.S. were exempted from duties beginning on April 29, 2000. The threat of trade restrictions continues to be an irritant to U.S. Mexico agricultural trade, however.

BSE and the Hormone Ban by the European Union. Bovine Spongiform Encephalopathy (BSE) continues to be a problem for EU cattle producers. To help negate losses resulting from BSE, the EU lifted its ban on British cattle, but continues to ban U.S. cattle and meats treated with growth hormones. While the United States has imposed WTO approved punitive duties on \$160 million in EU agricultural exports, there has been no change in the EU policy to continue the ban.

Mexican Anti-dumping Duties on Hogs. Mexico's implementation of an anti-dumping compensatory duty in 1999, resulted in a 23 percent drop in U.S. live hog exports. The duty is \$0.351 per kilogram (48 percent ad valorem equivalent), as well as the 8 percent in-quota import tax. It is likely that the duty will remain throughout 2000. As a result, U.S. live hog exports to Mexico are forecast to be 75,000 head, 53 percent less than 1999.

Canadian Hog Import Regulations. In October 1999 Canada implemented a revised Health of Animal Regulation designed to facilitate U.S. slaughter hog importation. Although originally implemented in December 1998, restrictive transportation and waste management requirements limited Canadian import demand for hogs. The October 2000 revisions should improve shipping of slaughter hogs from the United States. Exports of slaughter hogs to Canadian packers are expected to reach 25,000 head in 2000.