

Of Border Closings and BSE: North American Beef/Cattle Market Integration

**Presentation for the
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The Impacts of Globalization
on Southern Agriculture**

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Overview

- **The Growing Integration of the North American Beef and Cattle**
- **BSE – Canada and the United States**
- **Summary and Implications**

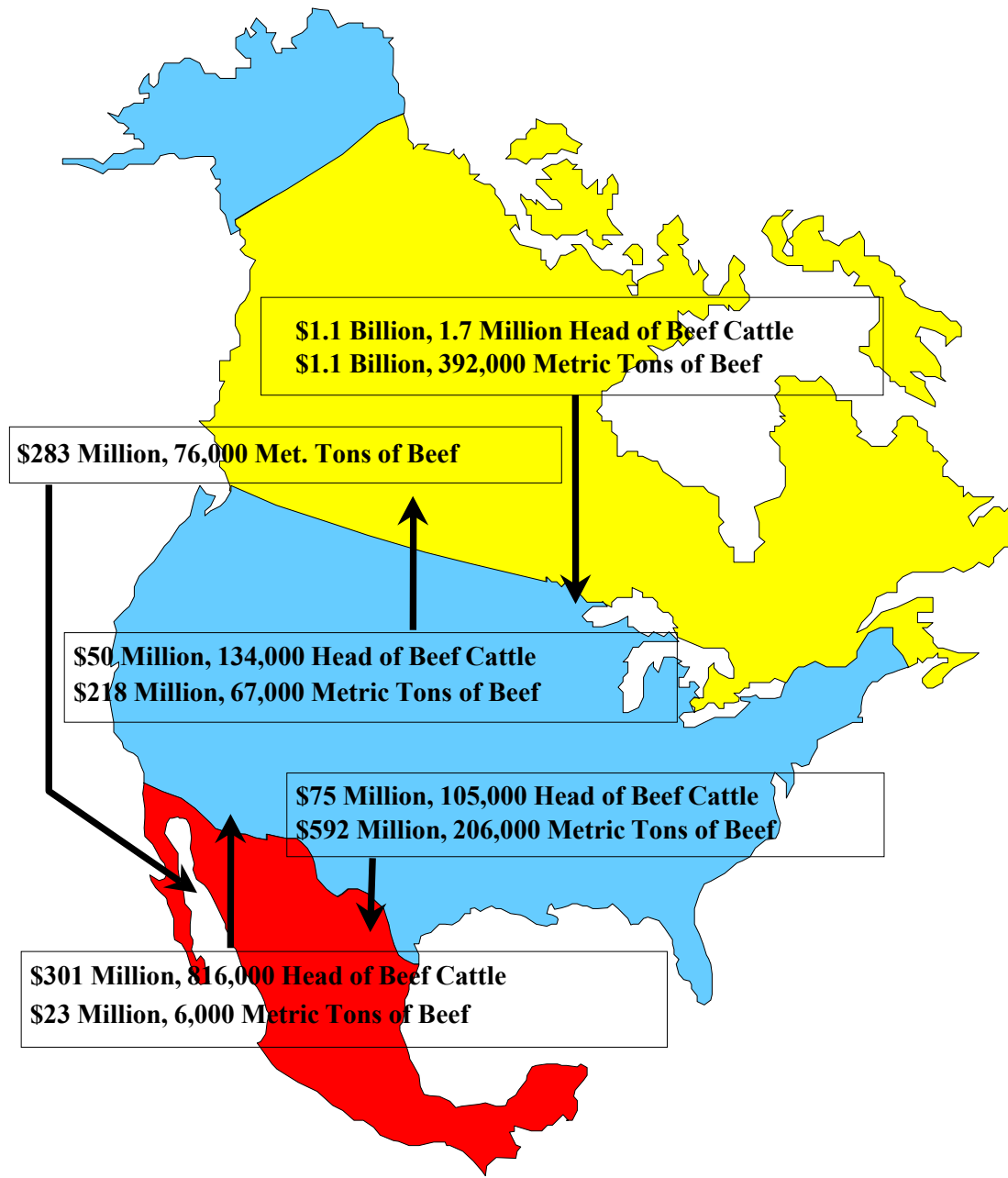
Market Integration

- **Harmonization of Border Regulations & Stability of Investment Rules**
- **Increased Trade**
- **Increased Investment**
- **Leads to Price Convergence (NAFTA)**
 - **Hogs/Pork, .86**
 - **Beef/Cattle, .60**
 - **Chicken, .26**
- **Regulatory Integration (including SPS)**
Facilitates Market Integration

The Evolving North American Beef Supply Chain

- **CUSTA and NAFTA Have Led to Greater N.A. Trade in Beef and Cattle**
- **Mexico Supplier of Feeders to U.S., U.S. Returns Beef**
- **Canada Supplier of Cattle and Beef to U.S. – “No Difference in U.S. or Canadian Steer”**
- **Greater Integration of Other Resources (Capital, Technology, Grains) Has Also Occurred**
- **A North American Beef Complex Resulted**

Integration in the North American Cattle and Beef Industry, 2002



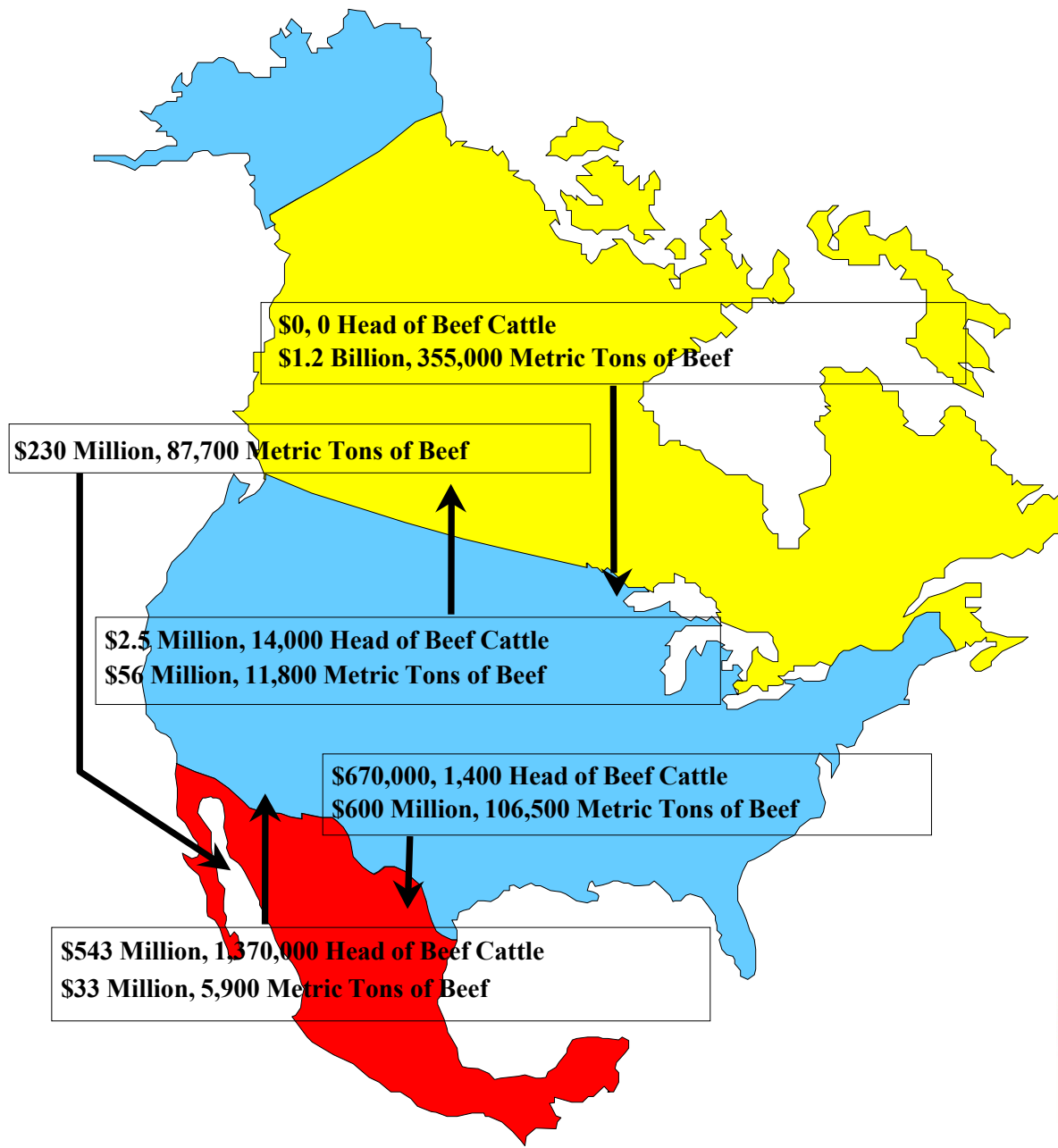
BSE and the North American Beef Supply Chain

- **BSE Discovered in Canada in June 2003 and in the United States in December 2003**
- **Canada's Industry Highly Export Dependent and Severely Hurt when U.S. Closed Border**
- **U.S. Industry Less Export Dependent and Suffered Brief Downward Price Impact**
- **2 Year Prohibition of Canadian Live Cattle Shipments Led to Upward Price Pressure in U.S.**
- **Mexico Speedy Resumption of Beef Imports from U.S. and Increase in Feeder Exports to U.S.**

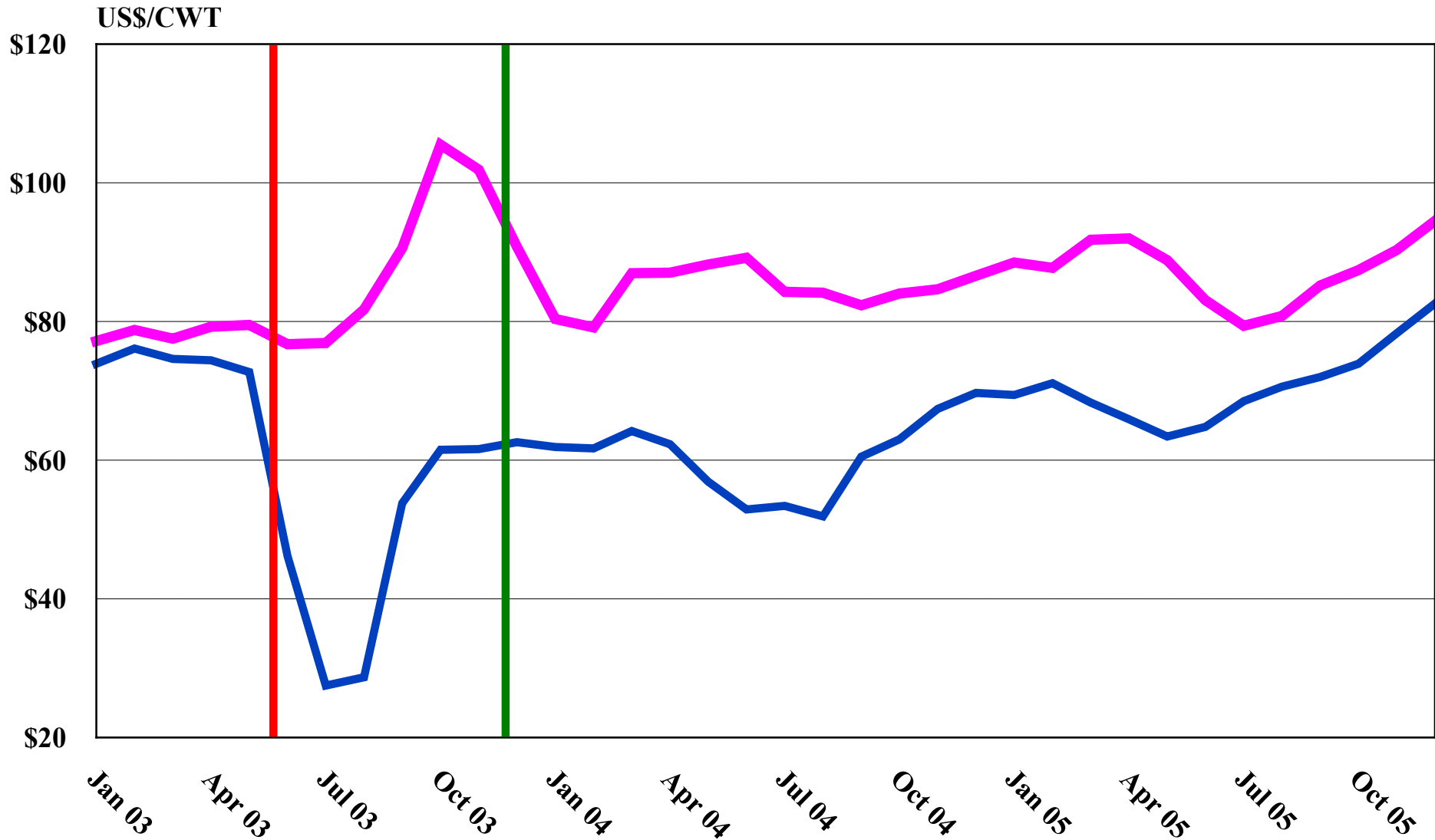
The North American Beef Supply Chain: Comments

- **BSE Reduced and Altered N.A. Beef Industry Integration, Especially Among Canada and the U.S., Temporarily**
- **While Unable to Export Fed Steers to the U.S., Canada Increased Feeding, Slaughter Capacity, and Beef Exports to U.S.**
- **U.S. Firms (Tyson/IBP, Cargill) Have Increased Investment in Canadian Processing Plants**
- **Will Resumption of Canadian Cattle Exports to U.S. Spark Return to 2002 Scenario – Getting Close**

Integration in the North American Cattle and Beef Industry, 2004

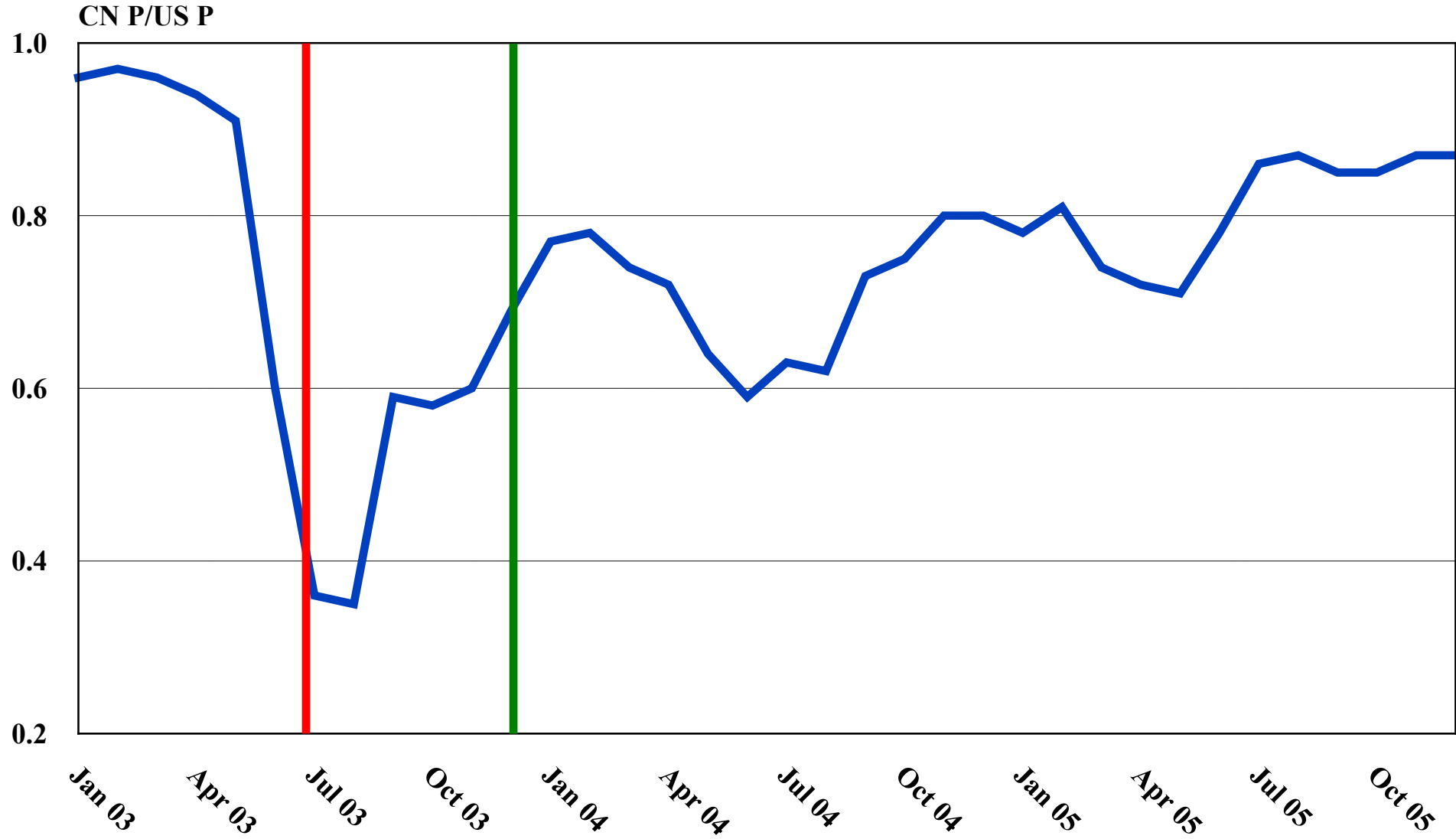


Canadian and U.S. Steer Monthly Prices 2003 - 2005



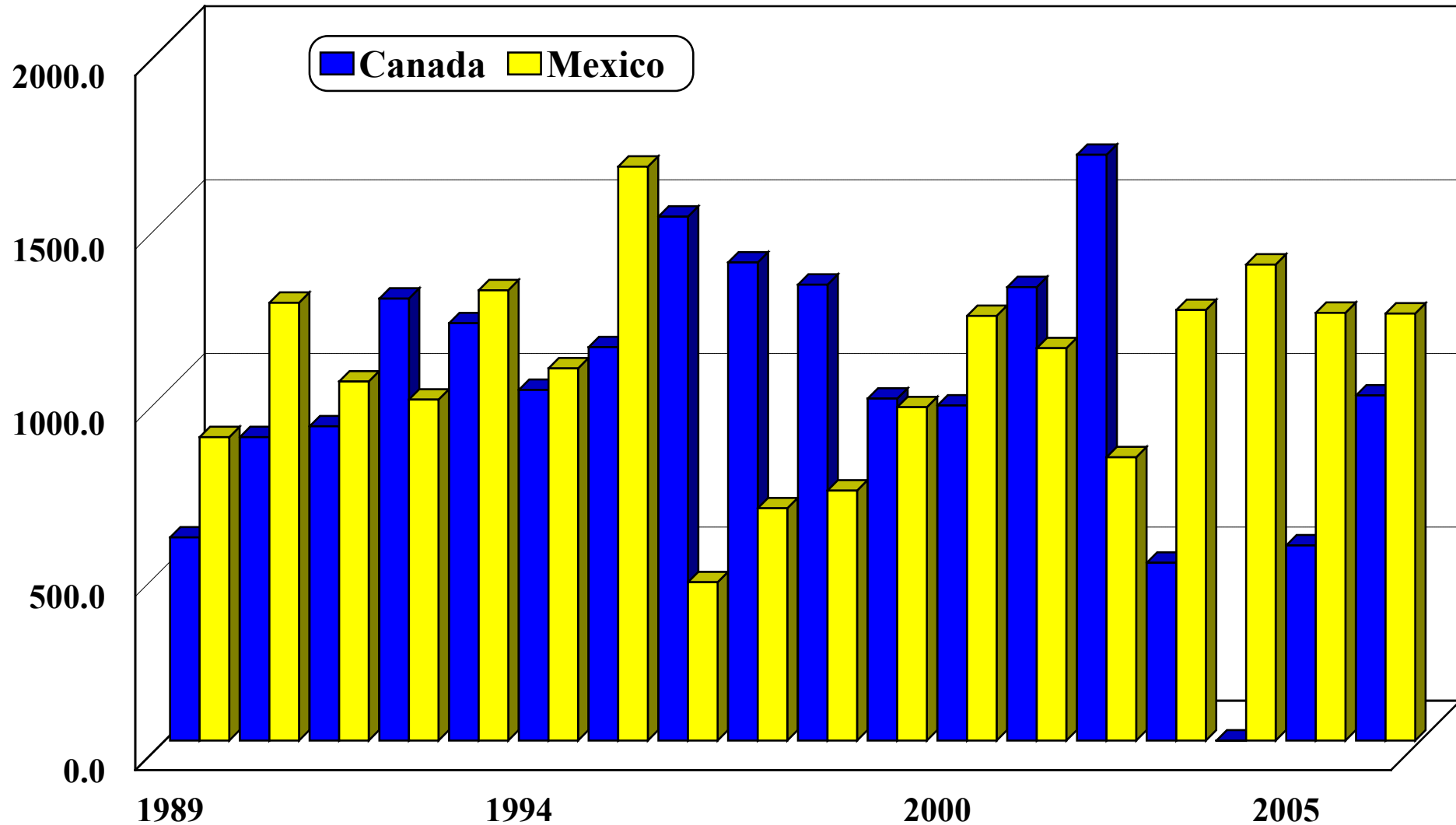
Source: Alberta Agriculture, Food and Rural Development, www.agric.gov.ab.ca

Canadian to U.S. Monthly Steer Price Ratios 2003 - 2005



Source: Alberta Agriculture, Food and Rural Development, www.agric.gov.ab.ca and USDA

U.S. Imports of Live Cattle from Canada and Mexico, 1989 - 2006



Source: U.S. Trade Internet System, www.fas.usda.gov/ustrade

Potential Disruptions to N.A. Beef Supply Chain

- **Diseases Such as BSE and FMD Could Again Disrupt Trade**
- **Domestic Legislation, such as MCOOL and the Bioterrorism Act, Have Potential to Cause Disruptions**
- **Anti-Dumping/Countervailing Duty Cases Filed by All Three N.A. Countries Against Each Other Strain Relations and Could Disrupt Trade Flows**
- **Fluctuations in Exchange Rates Often Result in Temporary Changes in Advantages for Either U.S. or Canada/Mexico – and This Will Continue**

Summary

- **North American Beef Is Almost One Supply Chain**
- **Markets React Immediately to ‘News,’ But U.S. Recovered Quickly While Pain Lingered in Canada**
- **U.S. Increased Cattle Imports from Mexico and Beef Imports from Canada and Uruguay to Help Meet Demand**

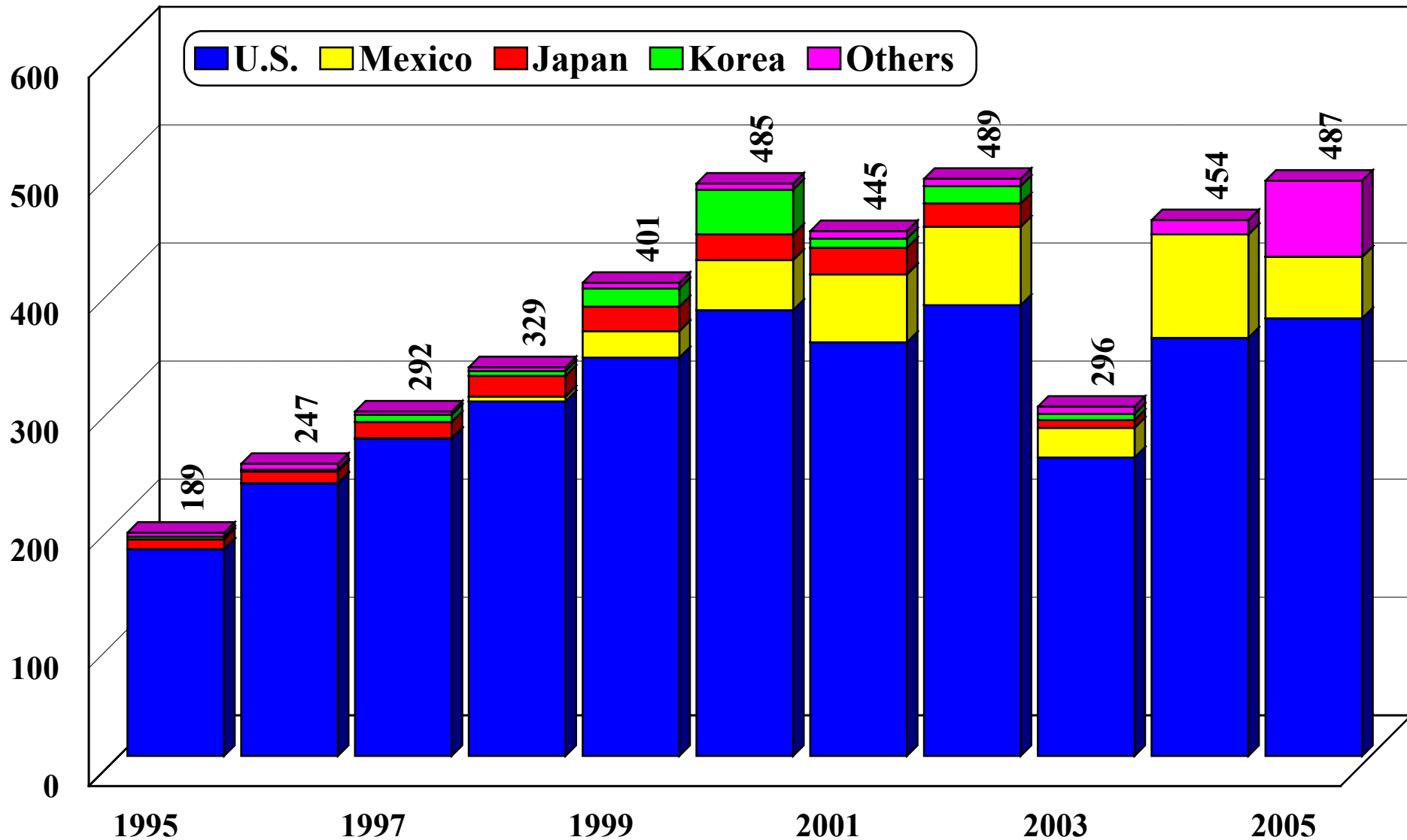


Implications

- **Disruptions will Continue to Occur, But N.A. Supply Chain Is Resilient**
- **NAFTA Appears to Facilitate Return to Integrated Markets**
- **Adherence to International Standards Important, But Difficult Due to Political Influence**

Canadian Beef Exports

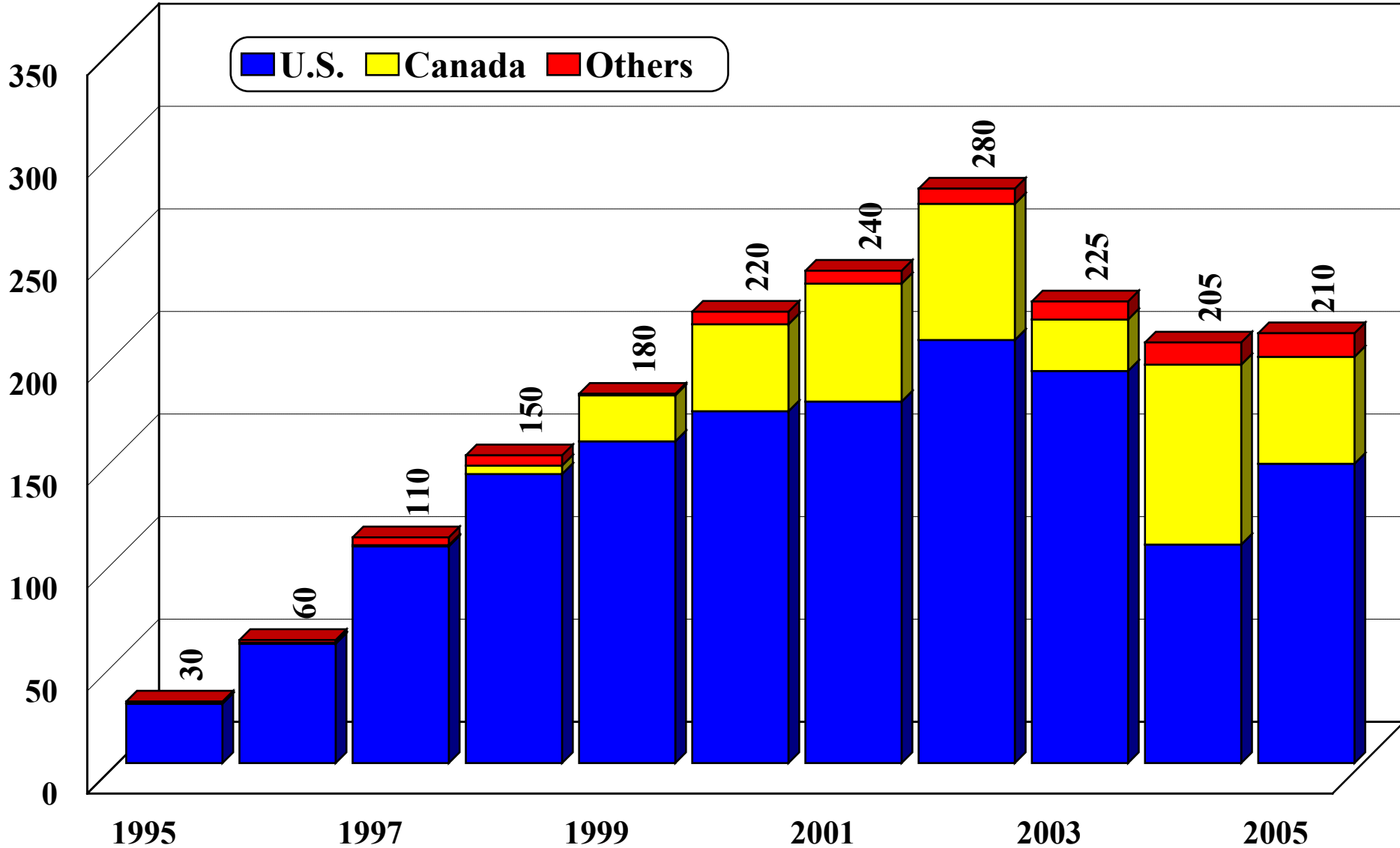
1,000 MT, Retail Weight



Source: Agriculture and Food Canada, USDA/FAS

Mexico Beef Imports

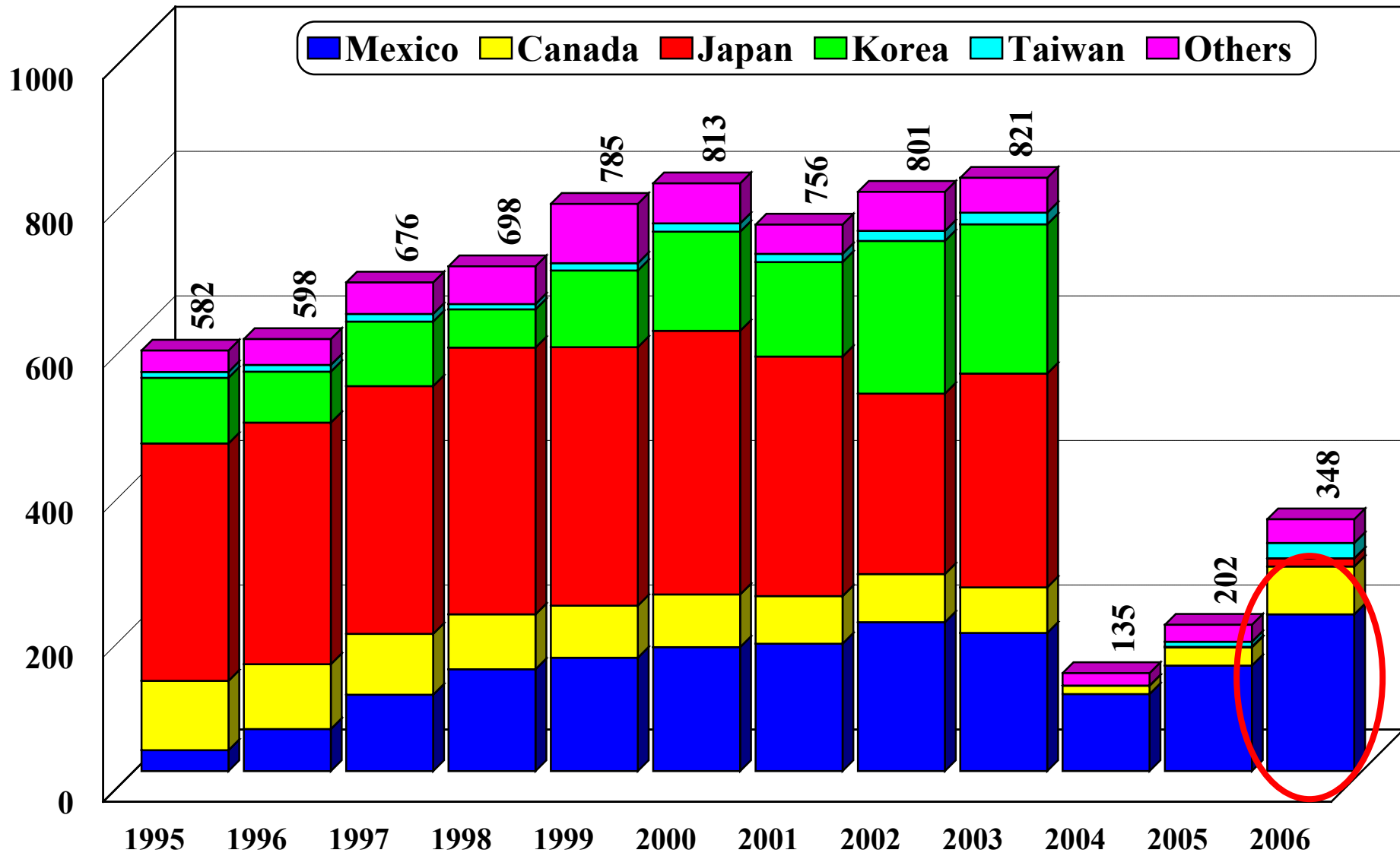
1,000 MT



Source: FAS/USDA attache reports, U.S. Trade Internet System, and Agriculture and Food Canada

U.S. Beef Exports, 1995 - 2006

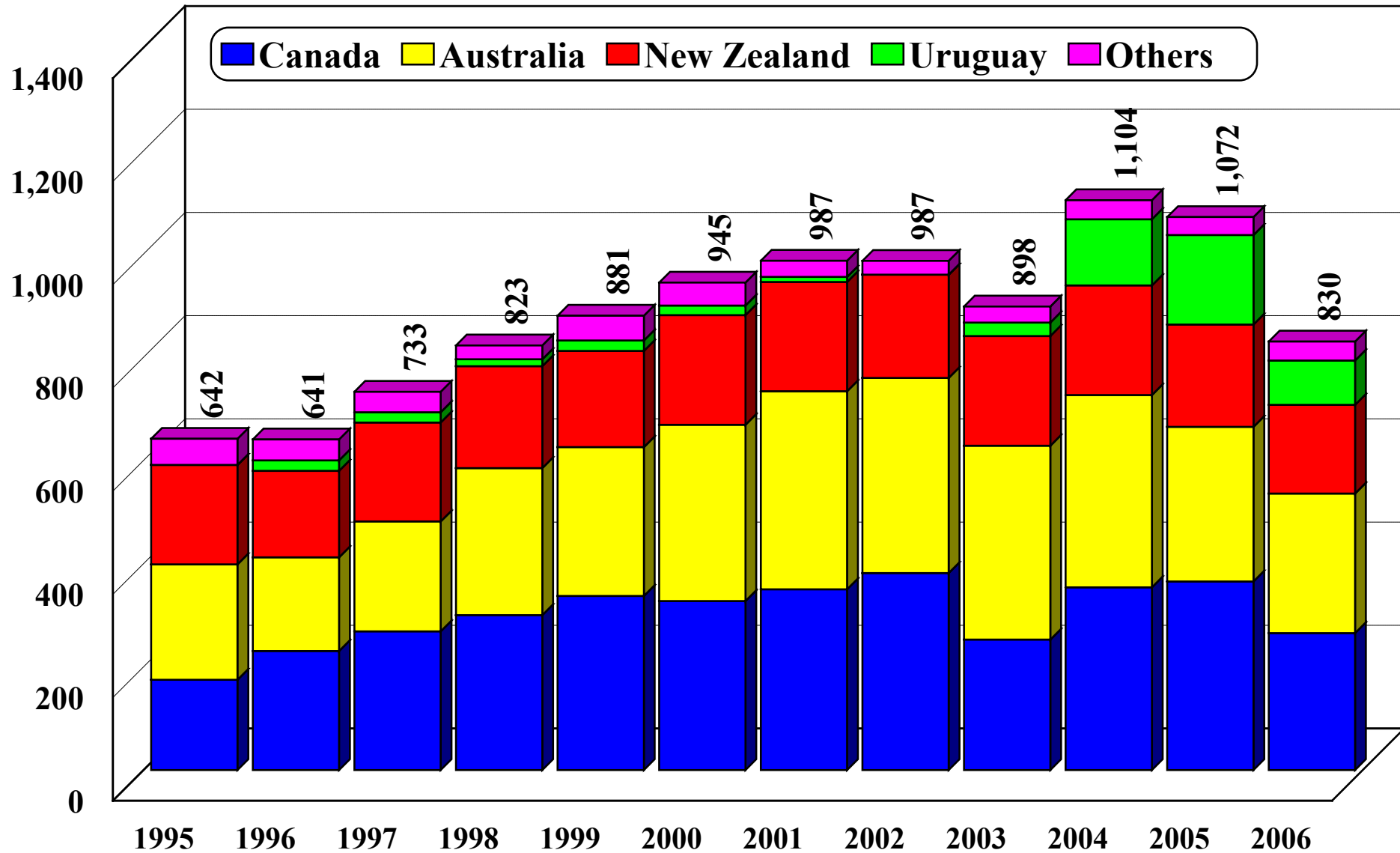
1,000 MT (Retail Weight)



Source: U.S. Trade Internet System, www.fas.usda.gov/ustrade

U.S. Beef Imports, 1995 - 2006

1,000 MT (Retail Weight)



Source: U.S. Trade Internet System, www.fas.usda.gov/ustrade, 2006 through November