

U.S., Canada, & COOL

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Trade

- All trade is voluntary
- All trade is mutually beneficial
- International trade increases consumption possibilities

If Trade Is So Good, Why Is It Controversial?

- Free markets and free trade increase social welfare (benefits outweigh costs) for society at large
- But not all individuals and groups are made better off

Rapid Increase in Trade: Why?

- Huge benefits from specialization in comparative advantage and trade
- Floating (market-based) exchange rates: since 1973
- Massive advances in communication and transportation
- Free trade agreements: NAFTA, GATT, WTO

Result

- International trade stimulated economic growth

U.S. Beef & Cattle Import Composition

U.S. Imports

- Feeder cattle from Mexico
- Trimmings and ground beef from Australia & New Zealand
- From Canada
 - high-value muscle cuts,
 - manufacturing/trimming beef
 - Live cattle & cattle carcasses

U.S. Beef & Cattle Imports

- Imports totaled 17% of U.S. beef supplies
 - 51% from trimming & manufacturing grade beef
 - 28% from Canadian cattle imports (carcass wt)

Source: Brester, Marsh, & Atwood

Country of Origin Labeling (COOL)

Proponents of COOL argue that:

- Consumers have a right to know
- COOL would enhance food safety and quality
- COOL would increase demand for domestically produced products

Country of Origin Labeling (COOL)

Opponents of COOL Argue

- Implementing COOL would be very expensive
- COOL would not affect food safety
- Is just a non-tariff trade barrier

Gains from Trade Are Large

- Imposition of restrictions or costs that effectively limit trade should only be undertaken if they unequivocally benefit society
- Do Country of Origin Labeling requirements in beef and pork meet this test?

How Do Imports Measure Up?

- Imports must meet U.S. food safety standards
 - equivalent to domestic production standards
- Live fed cattle or carcasses imports eligible for USDA Quality grades

Surveyed attitudes and perceptions about beef

Consumers in Canada, US, Japan, Mexico - April 2006



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U.S. Consumers' Beef Purchase Determinants

% of Respondents Listing Attribute Among
Their Top 5 Purchase Determinants

Beef Attribute

Freshness	81%
Price	73%
Leanness	71%
Color	61%
Tenderness	38%
Flavor	36%
Safety Assurance	26%
Preparation Ease	17%
Nutrition	16%
Country of Origin	14%
Juiciness	12%
Preparation Time	11%
Natural	7%
Organic	6%
Traceability	3%

Consumer Willingness To Pay for Country of Origin

- Consumers in all countries prefer domestic product
 - 84% of Canadian respondents were willing to pay for Canadian origin
 - 94% of Japanese respondents were willing to pay for Japanese origin
 - 84% of U.S. respondents were willing to pay for U.S. origin
- Since less than 10% of table cut beef is imported, will these consumers have to pay a premium?

U.S., Canada, & COOL Summary

- Country of origin labeling is costly
 - Permanent domestic demand increase of 4% required to offset costs
 - Poultry sector benefits because it does not have to absorb any labeling costs
- Consumer benefits are negligible
 - COOL does not enhance product quality
 - COOL does not enhance product safety
- If it looks & feels like a non-tariff trade barrier, it probably is a non-tariff trade barrier