Integration of the North American Live Cattle and Beef Market

Since the introduction of free trade in the late 1980's, the United States and Canada have become each other's largest trading partners in agricultural products. In this process, the live cattle and beef supply chain complex has become highly integrated and acts very much like a single market.

Trade flows of live cattle, beef and feed are very large: The annual value of two-way trade in live cattle and beef between the United States and Canada increased from US$700 million in 1989 to US$2.5 billion in 2002. While this growth pattern was interrupted in 2003 due to the closure of the U.S. border, this nonetheless represents more than a 250% increase in trade in a little more than a decade. Over the past 5 years, 7.3 million head of cattle have crossed the border in one direction or the other as breeding stock, dairy animals, veal calves, feeders and slaughter animals. Animal feed is also freely traded, and over the past five years, two-way trade in animal feed was valued at US$9 billion.

Integration benefits producers: Live cattle and beef product trade flows are determined by competition in North America, not by borders. For Northern-tier states, Canada is an alternate market. Canada and Mexico are the destination of 97% of U.S. live cattle exports. As well, effectively all U.S. live cattle imports come from either Canada or Mexico.

Integration allows North American processors to be competitive internationally: Over the past decade, North American processing industries have become more efficient and able to benefit from the advantages of specialization. For example, U.S. beef packing and processing plants in northern-tier states have traditionally relied on imported Canadian slaughter animals and beef carcasses to run at capacity. This helps to reduce average slaughtering costs and support their competitiveness domestically and internationally. Additionally, Canada's two major beef processing facilities are American-owned, and many of Canada's beef exports to the U.S. are by American-owned companies.

Closed borders hurt everyone: The border closure in May 2003 has had a negative impact on the industry in both the U.S. and Canada. Jobs have been lost and livelihoods affected in both countries. As a result, Canada is taking steps to reposition Canada's livestock industry and to help shift it to a more sustainable basis of operation. It is doing this by taking a four-pronged approach which includes continuing efforts to reopen the U.S. border, introducing measures to facilitate the increase of slaughter capacity in Canada, introducing measures to sustain the industry until that capacity comes on-line and continuing efforts to expand access to export markets for its beef and other ruminant products.

Integration means BSE is a shared risk: Since the early 1990s, the United States and Canada have taken aggressive steps to minimize the human and animal health risks associated with BSE. Given the high degree of integration of the cattle and beef industry, the United States, Canada and Mexico have agreed to a coordinated approach to managing the risk of BSE.

For more information

For details on the integrated live cattle and beef industry between Canada and the United States, please visit our Web site at **http://www.agr.gc.ca/usadvocacy**

All figures are in U.S. dollars

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