North American Trade in An Era of Increasing Regulation & Market Disruption

Parr Rosson
Professor & Director
Center for North American Studies
Texas A&M University
Food Safety & Security
Issues Disrupt Trade & Market Integration

- Bovine Spongiform Encephalopathy & Avian Influenza
- Issues Related to Genetically Modified Crops & Foods
- Bioterrorism Act Implementation
Mad Cows & Other Monsters!!
Bovine Spongiform Encephalopathy

- December 23, 2003 Dairy Cow Tests Positive for BSE
- Mega Markets Closed
  - Japan, Mexico, Korea (80%)
- Canada (10%) Reopened 1/22/04
- March 3, 2004: Mexico Opens Market to Deboned Meat from Cattle < 30 months
- Korea & Japan Still Closed
- U.S. Implementing Animal ID System
- U.S. Market Still Closed to Canadian Cattle
US Feeder Cattle Futures, Nov 03-Jan 04

FCF04 [10] - Feeder Cattle


BSE 12/23/03
U.S. Beef Production & Cattle Inventory

US Beef Demand

Index & Pounds per Person

Retail Choice Beef Index
Per Capita Retail Consumption

Retail Index Base Year 1980=100

Livestock Marketing Information Center & ERS, USDA.
Canadian Exports of Live Cattle and Hogs to the United States, 1993 - 2003

Million Head

Source: USDA/FAS
US Fed Cattle Futures, Apr-Jun 04

LCM04 [10] - Live Cattle
LAST: 87.20  CHANGE: ▲ 0.55  HIGH: 87.50  LOW: 86.70  6/23/2004

Chicago Mercantile Exchange
Monthly Omaha Choice Steer Prices

$/100 Pounds

2002

2003

2004

$76.73

$91.95

$105.50

$72.24

$0

$20

$40

$60

$80

$100

$120
US Boxed Beef Prices, Selected Boneless Cuts

AMS, USDA

Ribeye
$4.95  $4.96

Chuck, Shoulder
$1.34  $1.49

Top Inside Round
$1.34  $1.77

Loin Strip
$6.50  $7.31

Flank Steak
$3.98  $5.37

June 2003  June 2004

$/Pound
Alberta Direct Sale Steer Prices

Source: Alberta Agriculture, Food and Rural Development, www.agric.gov.ab.ca
Alberta Direct Sale Steer Prices

2002-04, Weekly Average Prices

Source: Alberta Agriculture, Food and Rural Development, www.agric.gov.ab.ca
2001 prices are monthly averages, source CANFAX calculated by LMIC.
Canadian Beef Exports to US Market, Jan-Apr 1989-2004
Canadian Beef Exports to US Market

1,000 Tons (January-April)

Boneless vs. Bone In

Summary/Implications

- Strong Demand, Low Domestic Production, Limited Imports of Canadian Cattle
  - Record High U.S. Cattle Prices
- Uncertainty About Opening of U.S. Market to Canadian Cattle
- Canadian Herd Size Up 8.7% from 2003
- Prices Appear to Be Following Seasonally Normal Patterns
- How Will Canadian Producers Respond?
Frankenfoods!

Jumping Genes!
GMO Crop Acres: World & U.S.

Million Acres

Source: Wall Street Journal, 4/16/04, and NASS and ERS, USDA
US GMO Acres by Crop

Source: NASS and ERS, USDA

Soybeans  Corn  Cotton

Million Acres


0 10 20 30 40 50 60 70
U.S. GMO Share of Acres by Crop

Source: ERS/USDA, April 2004
United Nations Biosafety Protocol

- Cartagena Agreement): *Protect Biological Diversity*
- 87 Members (US Not Signatory)
- **Prior Notice of Exports to Recipient Countries**
- Liability Rules to Be Developed-Contamination
- **US Must Comply, Though Not Member**
- First International GMO Agreement
European Union GMO Rules
April 18, 2004

- Allows for Informed Consumer Choice
- Moratorium on New Varieties Ended
- Warning Labels Required for Products Containing More than 0.9% GMO
- Distributors Need to Maintain Tracking of Products Containing GMOs
- **Not Certain if Feeds & Other Products Affected**
- **No Labels for Meat, Milk, Eggs**
- Greenpeace Opposes New Rules
- **10 New Countries Enter EU May 2004**
Other Major Developments

- Brazil Develops New GM Soybean
- China Approves Permanent GMO Certificates for Corn, Cotton, Soybeans
- Australia & Argentina Rapidly Adopting GMOs
- Monsanto Announces It Will Not Continue to Develop Wheat GMOs
- France Announces 8 Trial Sites for GMO Crops
Bioterrorism Act 2002
Food & Drug Administration

• **Registration**
  - What’s a Farm?
    • a facility in one general physical location devoted to the growing and harvesting of crops for food and/or the raising of animals for food (including seafood)
  - Farms Are Generally Exempt from Registration- But, Some Confusion

• **Prior Notice**
  - FDA Prior Notice Rule (Before Arrival): 2 Hrs. if Road, 4 Hrs. if Air or Rail, 8 Hrs. if Water

• *Current Regulations Include Live Animals*
Foreign Facilities—Register or Exempt?

- **Register:**
  - Manufacturing/processing a *finished food product*
  - Packing or holding a food product or food ingredient

- **Exempt:**
  - Manufacturing/processing a *food ingredient* that is subsequently further manufactured/processed outside the U.S.

*Full Enforcement Begins August 13, 2004*
FDA Contacts

- L. Robert Lake – Senior Manager
  - (301) 436-2379 or Lloyd.Lake@cfsan.fda.gov

- Leslye M. Fraser – Lead
  - (301) 436-2378 or Leslye.Fraser@cfsan.fda.gov

- HELP DESK
  - Phone: 800-216-7331 or 301-575-0156
  - E-mail: furls@fda.gov

Web Address: www.fda.gov
Center for North American Studies

“Informed Decisions for Global Change”

Parr Rosson
Ph: 979-845-3070
E-mail: prosson@tamu.edu