

The impact of U.S. mCOOL on the Canadian beef and cattle industry

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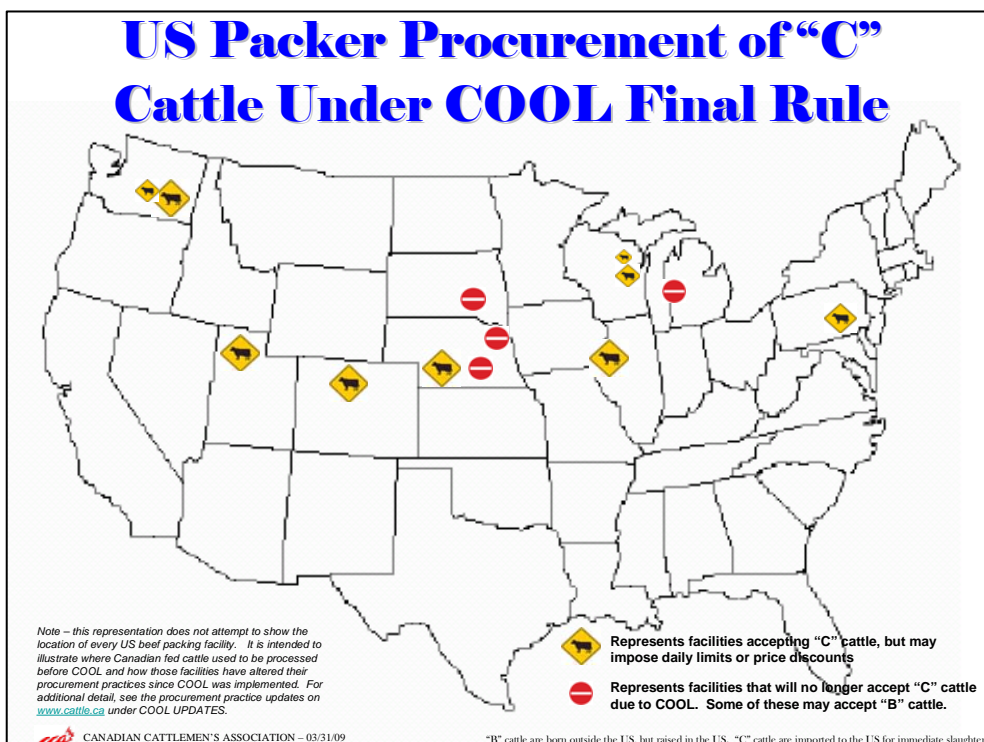
Following some eight years of debate, negotiating and compromising, the United States (U.S.) implemented Mandatory Country-of-Origin Labelling (mCOOL) in September 2008 under an interim regulation. The final regulation became effective March 16, 2009.

mCOOL affects beef, pork, chicken, sheep and goat meat, plus seafood, fruits and vegetables sold at retail in the U.S.

mCOOL requires meat sold at U.S. retail to show one of the following labels:

- A. "U.S." when the meat came from animals born and raised exclusively in the U.S.
- B. "U.S./Canada" or "U.S./Mexico" or "U.S./Canada/Mexico" or other possible combinations when livestock is born outside the U.S. and raised in the U.S.
- C. "Canada/U.S." for meat from animals imported into the U.S. for immediate slaughter (this category mainly occurs with respect to cattle from Canada).
- D. "Canada" for meat imported from Canada.
- E. Ground beef is to be labeled with a list of all reasonably possible countries in the grind.

mCOOL does not comply with the U.S.' trade obligations. The main gist of the trade violation is that mCOOL fails to recognize that a transformation of an imported good (i.e. a live animal) into a substantially new good (meat), results in that new good acquiring the origin of the country where the transformation occurs. Under both the WTO (World Trade Organization) and NAFTA (North American Free Trade Agreement), origin labeling of meat is allowed. But the label must indicate the country where it became meat, not where the animal was born or raised.



The transformation of cattle into beef is performed by slaughter facilities known as "packers". Every U.S. packer would like to have only one origin label and since over 90 per cent of the cattle slaughtered in the U.S. would be U.S.-born and raised, they would prefer the "A" label. Some packers are able to comply with mCOOL by not purchasing any Canadian cattle.

Some U.S. packers are more reliant on Canadian-born animals to optimize economies of scale. Those packers have found it necessary to manage two origin labels and are passing the administrative costs back to Canadian cattle producers in the form of lower prices.

How important is the Canadian market for U.S. agriculture exports?

Canada has been the number one destination for U.S. agriculture exports every year for well over a decade. In 2008, Canada purchased US\$16.2 billion of U.S. agricultural goods. That was a 14 per cent increase from 2007.

Annual U.S. agriculture exports to Canada have more than doubled in the past 10 years.

What agricultural products does Canada import from the United States?

\$1.2 billion of Canada's imports of U.S. agricultural goods were bulk commodities such as grain corn, rice, soybeans and peanuts.

Nearly another \$3 billion of Canada's imports were intermediate/semi-processed U.S. agriculture exports, such as soybean meal, vegetable oil, seeds, syrups, sweeteners, live animals and flour.

The majority, nearly three-quarters, of Canada's U.S. agriculture imports, are consumer-oriented and ready to eat products from the U.S. These are products that typically undergo little to no further processing in Canada. All the value is added in the U.S. and they go straight to Canadian store shelves.

In 2008, Canada imported:

- \$2.9 billion of U.S. fresh fruits and vegetables,
- \$1.5 billion of U.S. processed fruits and vegetables and juices
- \$1.4 billion of U.S. snack food products (excluding nuts)
- \$1.3 billion of U.S. red meats
- \$750 million of U.S. cookies, crackers, other baked goods
- \$500 million of U.S. pet food
- \$500 million of U.S. breakfast cereals
- And over another \$1 billion of various prepared food products (soups, sauces, heat and serve meals, pasta, etc)

What states benefit most from exporting agriculture products to Canada?

California is the top state exporting directly to Canada, accounting for \$2.96 billion or 18% of US agriculture exports to Canada.

Ten other states (Minnesota, Washington, Illinois, Ohio, Wisconsin, Florida, Iowa, Pennsylvania, New York and Michigan) account for another \$7.5 billion or 47 per cent of U.S. agriculture exports to Canada.

There are 31 U.S. states that exported at least \$100 million each of agriculture goods to Canada in 2008.

