

introduction of tuberculosis into the United States.

Executive Order 12866 and Regulatory Flexibility Act

This proposed rule has been reviewed under Executive Order 12866. The rule has been determined to be not significant for the purposes of Executive Order 12866 and, therefore, has not been reviewed by the Office of Management and Budget.

We are proposing to amend the animal importation regulations to prohibit the importation of Holstein cross steers and Holstein cross spayed heifers from Mexico. The regulations currently prohibit the importation of Holstein steers and Holstein spayed

heifers from Mexico due to the high incidence of tuberculosis in that breed, but do not place any special restrictions on the importation of Holstein cross steers and Holstein cross spayed heifers from Mexico. Given that the incidence of tuberculosis in Holstein cross steers and Holstein cross spayed heifers from Mexico is comparable to the incidence of tuberculosis in Holstein steers and Holstein spayed heifers, this action is necessary to protect the health of domestic livestock in the United States.

Given the size of U.S. livestock inventories and the volume of animal and animal product sales, consequences of a large tuberculosis outbreak in the United States could be catastrophic. Cattle in U.S. herds in 2000 were valued

at \$67 billion, with 1999 cash receipts of \$36.5 billion from the sale of cattle, calves, beef, and veal. Cash receipts from the sale of milk and cream in 1999 reached \$23.2 billion. The value of fresh beef and veal exports by the United States totaled \$2.7 billion in 1999 and \$3 billion in 2000. A widespread tuberculosis outbreak in the United States could potentially cause significant production and trade losses.

Economic Effects of the Proposed Rule

As shown in table 1, the value of cattle imported from Mexico in 1998 through 2001 represented less than 1 percent of the value of the total U.S. domestic cattle supply.

TABLE 1.—VALUE OF U.S. SUPPLY AND IMPORTS OF LIVE CATTLE IN COMPARISON TO VALUE OF CATTLE IMPORTED FROM MEXICO MEXICAN

Year	U.S. imports of live cattle from Mexico (millions)	U.S. supply of live cattle ¹ (millions)	Mexican imports as a share of total U.S. cattle supply (percent)	U.S. imports of live cattle from the world (millions)	Mexican imports as a share of total U.S. imports (percents)
1998	\$208.54	\$61,193.11	0.3	\$1,162.87	18
1999	296.46	59,681.54	0.5	1,021.81	29
2000	405.56	67,985.32	0.6	1,157.49	35
2001	411.00	71,707.06	0.6	1,482.21	28

¹ Supply = Domestic production + Imports – Exports).

Sources: Imports and Exports: U.S. Department of Commerce, Bureau of the Census, as reported by the World Trade Atlas. Domestic production from Table

7–1, Chapter VII, Agricultural Statistics 2000, NASS/USDA.

Further, as shown in table 2, the volume of U.S. imports of live cattle

from Mexico has generally increased since 1997. Imports of Holstein cross-bred steers and spayed heifers have generally increased during the same period.

TABLE 2.—NUMBER OF LIVE CATTLE IMPORTED INTO THE UNITED STATES FROM MEXICO AND THE WORLD

	1997	1998	1999	2000	2001
Imports from Mexico	653,798	703,412	458,188	1,183,227	1,141,368
Imports from all other countries	2,083,493	2,036,746	1,949,566	2,191,199	2,439,200

Source: FAOSTAT electronic databases for “all cattle breeds” category of imports.

Effect on Small Entities

Under the Regulatory Flexibility Act, agencies are required to analyze the economic effects of their regulations on small businesses and to use flexibility to provide regulatory relief when regulations create economic disparities between different-sized entities. According to the Small Business Administration's Office of Advocacy, regulations create economic disparities based on size when they have a significant economic impact on a substantial number of small entities.

U.S. livestock importers, breeders, and producers would be the entities that

could be directly affected if this proposed rule is adopted. There are no specific data available on numbers of cattle importers; however, there are approximately 2,000 wholesale livestock traders (North American Industry Classification System [NAICS] code 422520), many of whom may also be cattle importers. It is likely that the majority of these firms are small entities according to the Small Business Administration's (SBA's) criterion of 100 or fewer employees. There are approximately 1 million livestock producers and breeders (NAICS code 112111) in the United States, approximately 99 percent of which are small entities according to SBA's criterion of annual receipts of \$750,000 or less.

However, given that (1) imported Mexican cattle account for less than 1 percent of the value of the U.S. cattle supply, and (2) the volume of Holstein cross steers and spayed heifers imported from Mexico is believed to represent a small fraction of total cattle imports from Mexico, we expect that the economic effects on the U.S. livestock industry of the prohibition would be negligible. The proposed prohibition also would not have a significant effect on U.S. cattle importers, breeders, or producers because such persons could easily substitute other breeds of cattle for Mexican Holstein cross steers and spayed heifers.

This proposed prohibition on the importation of Holstein cross steers and spayed heifers would benefit the U.S.