

The commodities that would be allowed to enter under the proposed rule are:

- Cattle less than 30 months of age, sheep and goats less than 12 months of age, and cervids of any age, imported in all cases for immediate slaughter;
- Cattle less than 30 months of age and sheep and goats less than 12 months of age imported for feeding at a designated feedlot (for slaughter at less than 30 months and 12 months of age, respectively);
- Meat from cattle, sheep, and goats that have been slaughtered within these age restrictions;
- Meat of cervids either farm-raised or harvested on a game farm or similar facility;

• Meat from wild-harvested caribou, musk ox, or other cervids that has been commercially processed;

- Certain hunter-harvested wild ruminant products for personal use; and
- Certain other products and byproducts, including bovine livers and tongues, gelatin, tallow, and cervid offal.

With respect to Canada, slaughter cattle, feeder cattle, and beef would be the main commodities affected by resumption of ruminant and ruminant product imports. The additional supplies would cause prices to fall. Welfare gains for consumers and losses for producers/suppliers are measured, and net benefits and losses estimated. Since May of this year, U.S. producers/suppliers of ruminants and ruminant products have benefited from high price

levels at least partly attributable to the ban on imports from Canada. Estimated price declines for producers/suppliers and consumers/buyers of slaughter cattle, feeder cattle, and beef largely reflect a return to the more normal market conditions that prevailed before Canada's BSE discovery.

Expected effects due to reestablished slaughter cattle and feeder cattle imports from Canada are shown in table 1. (The model and parameters used are explained in the body of the economic analysis.) The estimated effects are near-term, and would occur during the first year or so following the resumption of imports. In the longer term, production and marketing adjustments in response to changed market conditions would create new price-quantity equilibria.

TABLE 1.—ECONOMIC EFFECTS OF REESTABLISHED SLAUGHTER CATTLE AND FEEDER CATTLE IMPORTS FROM CANADA

	Slaughter cattle	Feeder cattle
Assumed reestablished slaughter and feeder cattle imports from Canada (head)	840,800	504,500
Change in numbers slaughtered and fed (head)	366,350	221,318
Change in numbers supplied by U.S. entities (head)	(474,450)	(283,182)
Change in the prices of slaughter and feeder cattle (dollars per 100 pounds)	(\$1.30)	(\$0.72)
Change in consumer surplus	\$455,317,000	\$188,220,000
Change in producer surplus	(\$448,744,000)	(\$182,053,000)
Annual net benefit	\$6,573,000	\$6,167,000

Reestablished slaughter cattle imports from Canada of 840,000 head would result in a price decline of \$1.30 per 100 pounds. This price decline would be accompanied by an increase of about 366,350 head in the number of cattle slaughtered, and a decrease of 474,450 head in the number of slaughter cattle supplied by U.S. entities. These changes translate into an increase in consumer surplus of \$455.3 million for buyers of slaughter cattle, and a decrease in producer surplus of \$448.7 million for sellers of slaughter cattle, for an annual net benefit of \$6.6 million.

Whether a portion of this benefit would be realized by beef consumers would depend upon wholesale and retail margins and elasticities of demand. The price decline would reduce incomes of domestic suppliers who would be competing with slaughter cattle imports from Canada. The estimated price change is small, falling within expected variations of recent USDA price projections. A price decrease of \$1.30 per 100 pounds would represent a decline of 1.7 percent and

would not significantly affect buyers or sellers of slaughter cattle.

Reestablished feeder cattle imports from Canada totaling 504,500 head would result in a price decline of 72 cents per 100 pounds. This fall in price would be accompanied by an increase of 221,318 head in the number of cattle fed, and a decrease of 283,182 head in the number of cattle supplied to feedlots by U.S. entities. Consumer surplus would rise by \$188.2 million for buyers of feeder cattle, and producer surplus would fall by \$182 million for sellers of feeder cattle, for an annual net benefit of about \$6.2 million.

A price decline resulting from reestablished feeder cattle imports from Canada would benefit the receiving feedlots. The decline would also reduce incomes for domestic suppliers, such as stocker operations, in competition with importers of feeder cattle from Canada. The estimated effects are small. A price decrease of 72 cents per 100 pounds would represent a decline of 0.9 percent and would not result in significant gains or losses for the affected entities.

Beef is modeled as a single aggregate commodity, but two analyses are performed. Boneless beef and certain other ruminant products are allowed to enter the United States from Canada under permit. We do not know whether quantities of boneless beef that enter under permit will reach levels that prevailed prior to the ban. This uncertainty is acknowledged by using two different import levels. The first analysis assumes that boneless beef imports from Canada under permit will reach 2002 levels; the effect of the proposed rule with respect to beef would be in reestablishing beef with bone and whole/half carcass imports. The second analysis assumes that no boneless beef is imported under permit, and all reestablished beef imports from Canada would be attributable to the proposed rule. The two analyses are hypothetical extremes that provide a lower bound and an upper bound of possible effects. Effects for two price levels of beef, \$3.00 and \$3.50 per pound, are estimated, as shown in table 2.