

TABLE 2.—ECONOMIC EFFECTS OF REESTABLISHED BEEF IMPORTS FROM CANADA, FOR HYPOTHETICAL LOWER AND UPPER BOUNDS OF POSSIBLE EFFECTS OF THE PROPOSED RULE

	Only reestablished beef with bone and whole/half carcass imports from Canada assumed attributable to the proposed rule		All reestablished beef imports from Canada assumed attributable to the proposed rule	
	\$3.00 per pound beef	\$3.50 per pound beef	\$3.00 per pound beef	\$3.50 per pound beef
Assumed beef imports from Canada (tons)	84,000	84,000	382,000	382,000
Change in U.S. consumption (tons)	40,324	40,324	183,378	183,378
Change in U.S. production (tons)	(43,676)	(43,676)	(198,622)	(198,622)
Change in the price of beef (per pound)	(1.1 cents)	(1.3 cents)	(5.2 cents)	(6.1 cents)
Change in consumer surplus	\$313,260,000	\$365,455,000	\$1,416,390,000	\$1,652,383,000
Change in producer surplus	(\$289,425,000)	(\$337,648,000)	(\$1,325,068,000)	(\$1,545,845,000)
Annual net benefit	\$23,835,000	\$27,807,000	\$91,322,000	\$106,538,000

For beef prices of \$3.00 and \$3.50 per pound, respectively, annual net benefits of established beef imports would be \$23.8 million and \$27.8 million (only beef with bone and whole/half carcass imports assumed to be reestablished due to the proposed rule), and \$91.3 million and \$106.5 million (all beef imports assumed to be reestablished due to the proposed rule). As with reestablished imports of slaughter and feeder cattle, expected price declines due to reestablished beef imports from Canada would not be of a magnitude to significantly affect the economic welfare of producers or consumers. In the first case, price declines of 1.1 cents and 1.3 cents per pound are estimated for assumed beef prices of \$3.00 and \$3.50 per pound, respectively. In the second case, price declines of 5.2 cents and 6.1 cents per pound are estimated. Even in the latter analysis (all reestablished beef imports from Canada attributable to the proposed rule), the price declines represent less than a 2 percent fall in price.

Other, more minor commodities that would be allowed entry under the proposed rule and for which we have

trade data are sheep, goats, and farmed cervids; meat from these ruminants; and bovine tongues and livers. In all cases, reestablished imports from Canada would not significantly affect the U.S. supply of these commodities or the welfare of U.S. entities.

The United States prohibits ruminant imports from BSE-affected regions. Under the proposed rule, the United States would recognize Canada as a minimal-risk region for BSE, under which ruminant imports could resume. U.S. ruminant and ruminant product exports would be placed in jeopardy if importing countries do not agree that the factors the United States would consider justify the categorization of a region as one of minimal risk, and do not agree that the proposed age restrictions and other measures provide an adequate safeguard against the risk of BSE introduction from such a region.

We therefore analyze the economic effects that would occur if the United States would lose major export markets due to this proposed rule and its inclusion of Canada as a minimal-risk region.

Because U.S. ruminant and ruminant product exports to Canada and Mexico

would not be jeopardized by this proposed rule, exports to these two countries are excluded from the analysis. Since nearly all U.S. cattle exports are to Canada and Mexico, we can also limit the analysis to possible effects for beef exports.

Canada and Mexico together imported about 36 percent of U.S. beef exports in 2002. Removing these exports from consideration leaves about 64 percent of U.S. beef exports that could be affected by the proposed rule. About 56 percent of U.S. beef exports (over 87 percent, excluding shipments to Canada and Mexico) were sold to Japan and Korea. Given the predominance of these two countries among importers of U.S. beef, the analysis is performed for two levels of export reduction: 32 percent of 2002 exports, or 263,360 tons (loss of one-half of export markets other than Canada and Mexico), and 64 percent, or 546,720 tons (loss of all export markets other than Canada and Mexico). For each of these assumed levels of export reduction, impacts are estimated using the same beef prices, \$3.00 and \$3.50 per pound. The results of the analysis are shown in table 3.

TABLE 3.—ECONOMIC EFFECTS OF THE LOSS OF U.S. BEEF EXPORT MARKETS, ASSUMING EXPORT REDUCTIONS OF 32 PERCENT AND 64 PERCENT

[Quantities equivalent to one-half and all U.S. beef exports when exports to Canada and Mexico are excluded]

	Loss of export markets equivalent to 32 percent of 2002 beef exports		Loss of export markets equivalent to 64 percent of 2002 beef exports	
	\$3.00 per pound beef	\$3.50 per pound beef	\$3.00 per pound beef	\$3.50 per pound beef
Assumed reduction in beef exports (tons)	263,360	263,360	546,720	546,720
Change in U.S. consumption (tons)	116,483	116,483	232,967	232,967
Change in U.S. production (tons)	(146,877)	(146,877)	(293,753)	(293,753)
Change in the price of beef (cents per pound) ...	(3.6 cents)	(4.2 cents)	(7.2 cents)	(8.4 cents)
Change in consumer surplus	\$910,983,000	\$1,062,767,000	\$1,831,174,000	\$2,136,278,000
Change in producer surplus	(\$965,636,000)	(\$1,126,526,000)	(\$1,919,660,000)	(\$2,239,507,000)
Annual net benefit	(\$54,653,000)	(\$63,759,000)	(\$88,486,000)	(\$103,229,000)