Canadian capacity to meet the opportunity exists in both production and processing. In the short term, however, access is restricted by trucking regulations. There are currently some restrictions on movement of meat interprovincially and internationally, but in January 1988, Canada started deregulation of trucking over a five-year period which should facilitate trade.

As well, packers will need time to shift technologies to export boxed beef and portion cuts, rather than carcasses. Additionally, Canadian packers will need to adjust to U.S. specifications for high quality beef. In the long term, market development activities will be needed to inform the U.S. consumer that Canadian beef, or certain brands of beef, are leaner than the alternatives.

No major impediments to competitiveness at the primary level are identified, but Canadian packers may be somewhat limited by their size and, therefore, cost structure relative to U.S. counterparts. Producers, provinces and packers are generally in favour of exporting value-added products. The Agreement will create incentives to expand exports.

*Feeder Cattle Imports*

Feeding opportunities are enhanced for Canadian feedlots by the possibility of importing feeder cattle more easily. This is particularly true of Ontario, which imports over two thirds of its feeder cattle.

The enhanced access for Canadian feedlots to U.S. feeder cattle will come through reductions in technical barriers, such as the mutually recognized inspection systems, and through harmonization of disease standards. Removal of the Canadian tariff will reduce Canadian feedlot input costs.

In 1986, some 8,000 feeder cattle were imported into Ontario, whereas Alberta received 3,600 head. Imported feeder cattle accounted for an average of 10 per cent of slaughter over the last five years in Ontario and some eight per cent in 1986 in Alberta.

This opportunity will allow the primary feeding regions of Canada — Ontario and Alberta — to increase their throughput of high quality fed beef.

The major impact over time will be the stability of supply to the feeders, slaughterers and processors during times of herd rebuilding in Canada. The competitiveness of Eastern Canadian feedlots could improve as a result of eliminated tariffs and reduced transportation costs associated with importing cattle from the Midwest or Eastern United States rather than from Western Canada. Alternative supplies of feeder cattle will ensure competitive pricing, i.e., prices would not be bid up significantly over the U.S. price in times of short supply, as now happens.

*Live Hog and Pork Exports*

In 1986, total U.S. pork imports reached an all-time high, over $1 billion from all sources. Canada provides about 50 per cent by volume of U.S. imports and 42 per cent of the value. The largest import product in value terms is canned pork, most of which comes from Denmark. The United States is the largest pork importer in the world, hence significant market development opportunities exist for Canadian producers and processors to provide this market with hogs and processed pork products.