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### *Farm Production*

Canadian cattle and hog producers are internationally competitive and have indicated their willingness to compete on fair terms with producers from any nation. However, they are very sensitive to competition from those countries that use export subsidies as an integral part of their market competitiveness.

Based on 1986 figures, the livestock and red meat sector accounts for approximately 29 per cent of total farm cash receipts, or \$5.8 billion annually.

### *Processors*

The red meat processing industry is Canadian-owned and controlled. It is the third largest manufacturing industry, as measured by value of shipments. Some 95 per cent of all red meat is produced under federal inspection in more than 500 registered establishments, of which approximately 190 are slaughtering plants. In 1986, some 3.7 million cattle and calves were slaughtered in federally and provincially inspected plants. In 1986, commercial hog slaughter in Canada totalled 13.8 million head.

Within the Canadian slaughter and meat processing industries, there is overcapacity in both beef and hog slaughter operations, notwithstanding considerable rationalization. Many plants are, at this time, unable to realize the economies of scale achieved by their U.S. competitors.

### *Assessment*

#### *Specific Elements of the Agreement Affecting Livestock and Red Meats*

Both countries agree:

- to exempt each other from their respective meat import laws;
- to an open border for meat inspection;
- to regional recognition of disease-free areas;
- to establish equivalent accreditation procedures for inspection systems and inspectors;
- to accept the equivalence of export certificates issued by private veterinarians accredited by the agriculture departments in respective countries;
- to work towards eliminating U.S. state restrictions on importation of animals, embryos, animal products and by-products;
- to accept imports of U.S. breeding cattle from bluetongue-free areas of the United States, under certain stringent conditions;
- to work on procedures to permit the importation of live swine for immediate slaughter from U.S. areas certified free of pseudorabies; and
- to accept equivalence for veterinary drugs.