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NEWS from U.S. Senator Bob Dole

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STATEMENT BY SENATOR BOB DOLE

AMENDMENT TO MEAT IMPORT QUOTA ACT OF 1964

The American livestock industry is unique among other commodities in that there is a law on the books dealing with the question of fresh-chilled and frozen meat imports, the Meat Import Quota Act. This law passed in 1964. It is a unique law in that it not only provides a degree of reasonable protection for the domestic livestock industry, but also provides guaranteed access to the United States on the part of exporting nations.

There is a major flaw needing correction and several clarifying amendments in order to make the law more equitable and workable. For that reason I am introducing a bill to amend the law. The prime thrust is designed to build into the Meat Import Act what is referred to as a counter-cyclical formula. As now structured the law permits more meat to be imported in those years when U.S. beef production is high and less when production is down. It should be just the opposite.

Under the suggested formula, yearly import quotas would be adjusted in inverse proportion to changes in per capita U.S. production of cow beef. At present, import quotas rise or fall along with the same trends in total U.S. beef output. The suggested formula would have imports decreasing when U.S. production of cow beef increased cyclically, and vice versa. This would help provide more stability of supplies and prices.

Cattle industry spokesmen and others have recommended the counter-cyclical approach.

As previously noted, the quota formula change is one of a number of changes in the law which are needed.

Other proposed changes are (1) all beef and veal, regardless of form or origin should be covered. (The law now covers fresh, frozen or chilled.) These amendments also are needed to prevent any further circumvention of the law. (2) Quarterly rather than annual quota determination -- so that we will not have a disproportionate share of a year's quota crowded into a single quarter, causing an abnormal impact in a short period. (3) A study of past imports and recommendations to assist in the prevention of disproportionate shipments through limited numbers of ports of entry.

In developing a counter-cyclical formula, it was concluded that cow slaughter and per capita cow beef production are the best indicators of a specific stage of the cattle cycle. Also, the formula addresses itself to the fact that boneless beef imports are more competitive with cow beef than with other types of domestic beef.

The suggested new formula is shown in Table 1. As you can see, the adjusted base quota as currently determined under the law would be further adjusted to reflect the cyclical changes in per capita cow beef production.

The numerator of the modifying fraction is a 10-year moving average of per capita cow beef output. A 10-year moving average is used because this is the approximate length of a cattle cycle; it introduces the cyclical factor in domestic production. The denominator of the fraction is an average of two years' per capita output-production in the year prior to the year under consideration and estimated production in the year for which the quota is being determined. Using these two years a part of the formula updates the adjusted base quota.

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The figures in the ratio fraction in Table 1 represent per capita cow beef production on a carcass weight basis. The adjusted base quota and proposed new quota are on a product weight basis.

Table 2 shows how the suggested change would have worked in the past and how it would work in the future in determining quotas. The second column in the Table is the ratio which is obtained by dividing as shown in Table 1. When this ratio is multiplied by the adjusted base quota under the current formula, one comes up with the proposed new quota.

The final column in Table 2 shows the amount by which the new quota would vary up or down from the quota as determined under the present law. During the last four years -- the liquidation period of the current cycle -- the quota would have been less each year.

TABLE 1. Proposed Formula to Amend Meat Import Law of 1964

$$A \times \frac{B}{C} = Q \text{ (New Proposed Quota)}$$

A = Adjusted Base Quota as calculated under the 1964 Meat Import Law.

B = Base period—This is a 10 year moving average of per capita production of commercial cow beef. It is the 10 years prior to year under consideration.

C = Average of two-year per capita cow beef production including the year previous to and an estimate of the year under consideration.

EXAMPLE FOR 1977

$$\underset{\text{1165.4 million lbs.}}{\text{(A)}} \times \frac{\text{17.98 lbs. (B)}}{\text{23.25 lbs. (C)}} = \underset{\text{897.4 million lbs.*}}{\text{(Q)}}$$

(*New quota would equal 1, 229.4 million lbs. on carcass weight equivalent basis, or 5.7 lbs. per capita.)

TABLE 2. How the Proposed Change Would Have Worked and Will Work

Year	Adj. Base Quota (from Meat Import Law of 1964) (Mil. Lbs.)	Ratio— Base period ÷ by 2-year Average	New Proposed Quota (Mil. Lbs.)	Differences from Adj. Base Quota (Mil. Lbs.)
1965	848.7	1.03	874.2	+ 25.5
1966	890.1	.96	854.5	— 35.6
1967	904.6	.98	886.5	— 18.1
1968	950.3	.98	931.3	— 29.6
1970	998.8	1.03	1028.8	+ 30
1971	1025.0	1.07	1096.7	+ 71.7
1972	1042.4	1.10	1146.6	+104.2
1973	1046.8	1.11	1161.9	+115.1
1974	1027.9	1.03	1058.7	+ 30.8
1975	1074.3	.78	837.9	236.4
1976	1120.9	.70	784.6	—336.3
1977	1165.4	.77	897.4	—268.0
1978**	1150.0	.89	1050.2	—128.7
1979**		1.02		
1980**		1.09		
1981**		1.13		

*All Figures Product Weight **Estimates