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96TH CONGRESS, 1st Session — SENATE — REPORT No. 96-465

MEAT IMPORT ACT OF 1979

DECEMBER 7 (legislative day, NOVEMBER 29), 1979.—Ordered to be printed

Mr. LONG, from the Committee on Finance, submitted the following

REPORT

[To accompany H.R. 2727]

The Committee on Finance, to which was referred the bill (H.R. 2727) to modify the method of establishing quotas on the importation of certain meat, to include within such quotas certain meat products, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

I. SUMMARY

H.R. 2727 as reported by the committee is designed to achieve the following objectives:

To modify the method of establishing quotas on the importation of beef and veal;

To stabilize U.S. beef and veal production and prices at levels adequate to provide a fair return to domestic producers of beef and veal;

To insure U.S. consumers of beef and veal adequate supplies at reasonable, stable prices; and

To provide reasonable access to the U.S. market for imported beef and veal.

Under present law, the so-called Meat Import Act of 1964 (78 Stat. 594; Public Law 88-482), limits are set on imports into the United States of unprocessed beef and veal.[1] The President must impose a quota covering these articles and, after calendar year 1979, high-quality beef specially processed into fancy cuts for a calendar year when imports of unprocessed beef and veal for the year are estimated by the Secretary of Agriculture to be 10 percent more than an adjusted base

[1] Limits are also set on imports of goat and sheep (except lamb) meat under this law. Imports of these meats are minimal compared to imports of beef and veal or U.S. production of beef and veal. When referring to beef and veal in describing the operation of the present law, it will be assumed that this reference also includes goat and sheep (except lamb) meat.

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quantity. This adjusted base quantity is determined by multiplying a base quantity (725,400,000 pounds) times the ratio which estimated average annual domestic beef and veal production for the current and 2 preceding years bears to average annual domestic beef and veal production during 1959–63. Thus, this adjusted base quantity increases in any year when domestic beef and veal production is estimated to increase and decreases when such production is estimated to decline. The quota is equal to this adjusted base quantity, but may not be less than 1.2 billion pounds in years after 1979.

Under the Meat Import Act, the President may suspend a quota or increase the quota above the adjusted base quantity if the President determines that (1) overriding economic or national security interests require the action, (2) supplies of beef and veal will not meet domestic demand at reasonable prices, or (3) trade agreements have been entered into which assure the policy of the act will be carried out.

H.R. 2727 amends the Meat Import Act. The committee made no amendments to H.R. 2727 as it passed the House. H.R. 2727 provides the following:

(1) *Countercyclical base quantity.*—Under the bill, the present adjusted base quantity, recalculated as described below, would be further adjusted by a countercyclical factor based on average annual per capita production of domestic cow beef. This yields the countercyclical adjusted base quantity, which is the amount of any quota required to be proclaimed under H.R. 2727. The countercyclical factor in any given year is the ratio of average annual per capita production of domestic cow beef during the current and previous 4 calendar years to average annual per capita production of domestic cow beef in the current and immediately preceding calendar year. Under present law, there is no such countercyclical factor. Rather, the existing adjusted base quantity, which equals the amount of any quota required to be proclaimed under existing law, is increased or decreased in direct relation to U.S. beef and veal production. This tends to exaggerate the cyclical extremes of U.S. beef and veal production and prices. The application of the countercyclical factor will cause the limitation on imports to vary inversely with U.S. production of beef and veal, so that as U.S. production decreases (and prices increase), import limitations will be liberalized, and vice versa. This should help to stabilize prices and production responses.

The adjusted base quantity under present law is determined by multiplying a base quantity (725,400,000 pounds), which is based upon historic annual imports of affected products in the period 1959 through 1963, by a ratio the numerator of which is the estimated average annual domestic commercial production of all meat articles covered by the law in the current and 2 preceding calendar years and the denominator of which is the average annual domestic commercial production of such meat articles during calendar years 1959 through 1963, inclusive. Under H.R. 2727, the base quantity is set at 1,204,600,000 pounds, reflecting average annual imports during calendar years 1968–1977. This amount is adjusted in any given calendar year by multiplying it by a ratio the numerator of which is the estimated average annual domestic commercial production of items included in the base quantity in the current calendar year and the 2 preceding calendar years and the denominator of which is the average annual domestic commercial production of such articles during calendar years 1968 through 1977. As indicated above, the adjusted base quantity is further adjusted by the countercyclical factor.

(2) *Broadened coverage.*—The adjusted base quantity under the Meat Import Act is determined by changes in the domestic commercial production of unprocessed beef and veal only. The quota under present law includes the same meats, plus, after calendar year 1979, high-quality beef specially processed into fancy cuts. Under H.R. 2727, the base quantity would be determined by changes in, and any quota proclaimed would cover imports of, certain prepared beef and veal as well, in order to prevent the practice of avoiding the quota by processing the meat outside United States customs territory and importing it into the United States under tariff items not subject to quantitative limitations.

(3) *Restrictions on Presidential suspension authority.*—Under H.R. 2727, the conditions for suspending or increasing import quotas are changed. Before taking any such actions, the President is required to give public notice of his intention to act and to provide a 30-day opportunity for public comment. In addition, if the factors used to calculate the countercyclical formula indicate that the cattle cycle is in the herd liquidation phase and this domestic beef production is relatively high (the ratio is less than 1.0), then the President could not suspend or increase the quota unless (1) during a period of national emergency declared under the National Emergencies Act of 1976, he determines and proclaims that suspension or increase is required by overriding national security interests; or (2) he determines and proclaims that the supply of articles covered by the quota will be inadequate because of natural disaster, disease, or major national market disruption, to meet domestic demand at reasonable prices; or (3) on the basis of a biannual review of the countercyclical factor, the countercyclical ratio has become equal to or greater than 1.0, indicating a new phase in the cattle cycle or more accurately identifying the existing point in the phase. When the countercyclical ratio is equal to or greater than 1.0, then the President has the same authority as in existing law to suspend or increase the quota. Since the countercyclical formula should provide long term stability for the domestic beef industry as well as consumers, the bill puts these new restrictions on the President's authority to suspend or increase quotas when the suspension or increase would exaggerate rather than counter a cycle in the domestic industry.

(4) *Minimum access floor.*—The 1.2 billion pound floor on quotas established under the Meat Import Act for calendar years after 1979 would be increased to 1.25 billion pounds annually.

(5) *Regional impact study.*—The Secretary of Agriculture would be required to study and report upon the regional impact of meat imports. This report would be required not later than June 30, 1980.

All the provisions of the bill would take effect on January 1, 1980.

II. General Explanation

Present Law

The Meat Import Act.—The Meat Import Act of 1964 provides under section 2(a) that the aggregate quantity of fresh, chilled, or frozen meat of cattle (Tariff Schedules of the United States (TSUS) item 106.10), sheep (except lambs) (TSUS item 106.22), and goats (TSUS item 106.25) which may be imported into the United States in any calendar year beginning after December 31, 1964, should not exceed an adjusted base quantity.[1] Imports of beef and veal constitute virtually all of the imports covered. Provision is made that this base quantity (725,400,000 pounds) shall be increased or decreased for any calendar year by the same percentage that estimated average annual domestic commercial production of these articles in that calendar year and the 2 preceding calendar years increases or decreases in comparison with the average annual domestic commercial production of these articles during the years 1959 through 1963, inclusive.

A 10-percent overage is allowed, so that only when imports are expected to exceed 110 percent of the adjusted base quantity are quotas triggered. The quota is the adjusted base quantity. Each year the Secretary of Agriculture is required to publish in the Federal Register the estimated quantity that would trigger the imposition of quotas under the law, and quarterly, the quantity of meat that, but for the law, would enter the United States in such calendar year.

If the Secretary's estimate of imports exceeds the trigger level, the President is required by law to proclaim quotas on imports of meats subject to the law. The quota proclamation may be suspended or the total quota quantity increased if the President determines and proclaims pursuant to section 2(d) of the act that—

(1) such action is required by overriding economic or national security interests of the United States, giving special weight to the importance to the Nation of the economic well-being of the domestic livestock industry;

(2) the supply of articles of the kind described will be inadequate to meet domestic demand at reasonable prices; or

(3) trade agreements ensure that the policy set forth in the act will be carried out.

Section 2(d) further provides that any such suspension shall be for such period, and any such increase shall be in such amount, as the President determines and proclaims to be necessary to carry out the purposes of section 2(d).

Operation of the Meat Import Act.—In the first 14 full years that the Meat Import Act has been in effect, actual meat imports have exceeded the adjusted base quantity eleven times and have exceeded the trigger level six times (but only barely in three of these six instances). In seven instances the President proclaimed the required quotas, but in six of those instances (in the years 1970–74 and 1978) he simultaneously suspended them in view of overriding economic interests or short supply, and in the seventh instance (1976) he increased the quota level, again in view of overriding economic interests, to a level equal to the trigger level.

In seven of these years (1970–1972; 1975–1978), as well as in 1979, the Executive branch negotiated agreements with major meat-exporting countries limiting meat imports under the authority of section 204 of the Agricultural Act of 1956 (70 Stat. 200; 7 U.S.C. 1854). Section 204 authorizes the President to negotiate agreements with foreign countries limiting exports to and imports into the United States of agri-

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[1] In calendar years after 1979, the Trade Agreements Act of 1979 provides that the quota also would cover high-quality beef specially processed into fancy cuts.

cultural commodities and products. Section 204 authorizes enforcement of these agreements by customs regulations as well as unilateral action against countries declining to participate in the restraint program. Except for 1978 and 1979, the agreements have established import restraints that were intended, in the aggregate, to maintain U.S. imports at levels just below the trigger level of the Meat Import Act. Foreign governments have apparently preferred agreed restraints at this level to forestall unilateral quotas at the lower level of the adjusted base quantity. Each country was also thereby assured a defined equitable share of the total restraint level. In 1978 and 1979, the total level of this restraint program has been well above the trigger level (though below projected imports absent the agreements), after Presidential decisions and proclamations that there would otherwise be a shortage of meat at reasonable prices.

The committee bill

The committee bill, which is unchanged from H.R. 2727 as it passed the House, amends the Meat Import Act of 1964 as follows:

(1) *Countercyclical factor.*—The present adjusted base quantity under the Meat Import Act, recalculated as described below, would be adjusted by a countercyclical factor: A fraction, the numerator of which is average annual per capita production of domestic cow beef during the current (as estimated) and four preceding calendar years and the denominator of which is the average per capita production of domestic beef in the current (as estimated) and preceding calendar year. This yields the countercyclical adjusted base quantity, which is the amount of any quota which would be proclaimed under H.R. 2727. The factor is called "countercyclical" because when applied to the adjusted based quantity, it would cause the adjusted base quantity to vary inversely with U.S. production of beef and veal, whereas under present law, the adjusted base quantity varies directly with such production.

The adjusted base quantity under present law is determined by multiplying a base quantity (725,400,000 pounds) based upon historic imports of affected products in the period 1959 through 1963, inclusive, by a ratio the numerator of which is the estimated average annual domestic commercial production of all meat articles covered by the law in the current and 2 preceding calendar years and the denominator of which is the average annual domestic commercial production of such meat articles during calendar years 1959 through 1963, inclusive. Under H.R. 2727, the base quantity is set at 1,204,600,000 pounds, and is adjusted in any given calendar year by multiplying this quantity by a ratio in which the numerator is the estimated average annual domestic commercial production of items included in the base quantity in the calendar year and the 2 preceding calendar years and the denominator is the average annual domestic commercial production of such articles during calendar years 1968 through 1977. As indicated above, the base quantity is further adjusted by the countercyclical factor.

(2) *Processed beef and veal.*—Imports of processed beef and veal are not at present subject to the Meat Import Act, except that small quantities of high-quality beef specially processed into fancy cuts would be subject to quotas under the act in calendar years after 1979. Under the bill, imports of certain processed beef and veal products would be used to calculate the adjusted base quantity, and all products in affected

TSUS categories, plus imports of high-quality beef specially processed into fancy cuts, would be subject to quotas imposed. Specifically, the adjusted base quantity would be calculated on the basis of the following TSUS item numbers: 106.10 (relating to fresh, chilled, or frozen cattle meat); 106.22 and 106.25 (relating to fresh, chilled, or frozen meat of goats and sheep (except lambs)); and 107.55 and 107.62 (relating to prepared and preserved beef and veal (except sausage).

(3) *Estimates by the Secretary of Agriculture.*—Under the bill as reported out by the committee, the Secretary of Agriculture would be required to estimate and publish for each calendar year, before the beginning of such calendar year, the countercyclical adjusted base quantity provided for under the bill. Also, before the first day of each calendar quarter in such calendar year, the Secretary would be required to estimate and publish the aggregate quantity of meat of the type considered in calculating the adjusted base quantity that would be imported in such calendar year but for the limitations under the bill.

(4) *Imposition and removal of quotas.*—Under the bill, if the estimate of annual imports of meat made by the Secretary quarterly equals or exceeds 110 percent of the estimated annual countercyclical adjusted base quantity of such articles, then the President is required to limit by proclamation the total quantity of such articles which may be imported to an amount equal to the countercyclical adjusted base quantity. The articles subject to the quota are all the articles used to calculate the adjusted base quantity plus any article of meat provided for in item 107.61 of the TSUS (relating to high-quality beef specially processed into fancy cuts). As under present law, a limitation on imports ceases to apply for any calendar quarter in which an estimate of the Secretary of Agriculture indicates that the 110 percent trigger level will not be reached. An exception of this rule is that when a proclaimed limitation on imports has been in effect for the third calendar quarter, the quota must continue through the fourth calendar quarter, even if imports in excess of the trigger level have not been estimated, unless the quota is suspended or increased under other authority in the bill.

The President would also have authority to suspend or increase the proclaimed quota under limited circumstances, as follows:

First, he would have to provide an opportunity for public comment by giving 30 days' notice in the *Federal Register* of his intention to suspend or increase.

Second, he could not act unless and until he made one of three determinations, which are identical to current law, namely that suspension or an increase is required by overriding economic or national security interests of the United States, giving special weight to the importance to the Nation of the economic well-being of the domestic cattle industry; that the supply of meat articles will be inadequate to meet domestic demand at reasonable prices; or that trade agreements entered into after the date of enactment of the act ensure that the policy set forth in the statute will be carried out. Suspensions may be for such periods and in such amounts as the President determines and proclaims to be necessary to carry out the purposes of the suspension subsection.

Third, notwithstanding the general suspension authority described above, if the countercyclical factor for a calendar year yields a quotient of less than 1.0, indicating that the cattle cycle is in the herd liquidation phase and that domestic beef production is relatively high, then the President may not suspend or increase the quota unless (1) during a period of national emergency declared under section 201 of the National Emergencies Act of 1976, he determines and proclaims that suspension or increase is required by overriding national security interests; (2) he determines and proclaims that the supply of beef and veal subject to the act would be inadequate to meet domestic demand at reasonable prices because of a natural disaster, disease, or major national market disruption; or (3) on the basis of actual data concerning the first two quarters of the calendar year, a revised calculation of the countercyclical fraction would yield a quotient of 1.0 or more, indicating a new phase in the cattle cycle or more accurately indicating the existing point in the cycle. Suspensions or increases under these special circumstances could be for such period or in such amounts as the President determines and proclaims to be necessary to carry out the purposes of this subsection, except that the effective period of the suspension or increase made pursuant to the special national emergency provision may not extend beyond the termination of the declared national emergency.

(5) *Minimum access floor.*—The minimum access floor added to the Meat Imports Act by section 704 of the Trade Agreements Act of 1979, which was 1.2 billion pounds for any calendar year after 1979, is increased to 1.25 billion pounds per calendar year. This quota would apply to all articles of meat used to calculate the adjusted base quantity and as well to articles of meat provided in item 107.61 of the Tariff Schedules of the United States (relating to high-quality beef specially processed into fancy cuts).

(6) *Study of regional impact.*—The bill directs the Secretary of Agriculture to study the regional impact of imports of processed and unprocessed beef and veal. The Secretary is to report the results of this study, together with any recommendations including recommendations for legislation, if any, to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate not later than June 30, 1980.

Reasons for the bill

The production of beef and veal is cyclical. In the late 1960's and early 1970's per capita consumption of beef and veal increased despite rising prices and competition from other meats, fish, and poultry. The growing demand for beef caused an expansion of the national herd. Cattlemen were optimistic and the industry producing beef and veal (cow-calf operations, feedlot operators, slaughterers and processors) prospered.

In 1973 per capita consumption of beef declined about 5 percent. Cattle prices began to decline in the face of oversupply. In 1976, prices were only 5 percent higher than those received at the outset of the period of herd expansion in 1967. The cost of production of beef, however, had nearly doubled between 1967 and 1976.

As a result of low prices, climbing costs of production, and an oversupply of cattle, producers began to liquidate herds. In 1976, production of beef and veal reached an all time high of 27 billion pounds. These high levels of production continued in 1977 and early part of 1978.

The effects of the large variations in beef and veal production and prices is severe on both U.S. beef and veal producers and consumers. Testimony received at the committee's hearings on beef imports in February 1978 and September 1979 indicates that it is generally agreed that the domestic beef industry as a whole had been seriously hurt in 1974–1978. Faced with low prices and sharply rising costs, many producers, large and small, were forced out of the industry or went deeply into debt to ride out the cycle. Further, with prices remaining low, a massive herd liquidation has occurred, and with a record slaughter of cows, a period of sharply rising prices was in store for the consumer.

Imports play an important role in the cattle cycle. According to studies undertaken by the U.S. International Trade Commission, imports have supplied about 7 percent of U.S. consumption of beef in most years since the Meat Import Act became effective on January 1, 1965. In 1978, however, domestic production declined and prices rose and imports supplied 8.4 percent of consumption. During the period January to March 1979, prices continued to rise rapidly and imports supplied 11 percent of consumption (an increase of 33 percent from year-earlier levels) as domestic production declined 10 percent. The Department of Agriculture has projected that imports of beef during 1979 will be equivalent to 10 to 12 percent of U.S. consumption.

Under the present law, limitations on such imports vary directly with U.S. production of beef and veal. This means that as U.S. production decreases and prices increase in response to continued demand, the limitation on imports, calculated according to the statutory formula under present law, decreases, so less imports are permitted within the quota. When U.S. production increases and prices drop, imports within the quota amount increase. This situation with imports contributes to amplifying the swings in the cattle cycle which results in consumers periodically paying very high prices and producers periodically suffering severe losses, causing many of them to leave the industry.

H.R. 2727, by use of a countercyclical factor based on per capita U.S. commercial domestic cow beef production, would tend to remove the destabilizing effect of imports under the present law on the U.S. market. Under the bill, any limitation proclaimed by the President would permit more imports in times of low U.S. production and rising prices, thus increasing U.S. supply and having a price retarding effect beneficial to consumers; less imports would enter in times of high U.S. production and falling prices, thus decreasing U.S. supply and having the effect of maintaining U.S. prices to avoid severe losses to domestic producers. For example, estimates have been made projecting that for 1981, the estimated mid-point of the herd rebuilding phase of the cattle cycle, the countercyclical quantity under the committee bill be more than 25 percent greater than the corresponding limitation under present law. Added stability in the beef and veal industry should provide an economic climate which encourages investment in cost-reducing technology, improvements in productivity, better breeding stock, pasture improvements, better machinery and equipment, and better veterinary programs. Because of increased efficiencies which can be attained by the domestic industry in a more stable price and production environment, improvement in the quality, certainty of supply, and price of beef will benefit the consumer.

The portion of the formula provided by the 5-year moving average of per capita domestic cow beef production divided by the 2-year average is the 'countercyclical" part of the formula. This part of the formula provides a determination as to when the cattle breeding herd is increasing or decreasing. When the quotient is 1.0 or more, it indicates that cattlemen are in the buildup phase of the cattle cycle and market supplies are relatively low and prices are relatively high. Under these conditions, the formula will work to let in more imported meat at the time it is most needed. Conversely, when the cow beef quotient is less than 1.0, the herds are being liquidated and calf-bearing cows are being slaughtered. At this time, domestic supplies will be plentiful, prices will be low, and the formula will require a reduction in imports.

The countercyclical factor of per capita cow beef production was selected for several reasons. While imports are competitive with all domestically produced beef and veal, they are most directly competitive with domestic cow beef. Thus, the factor addresses itself to available quantities of similar type products. Also, it is believed by the committee that cow beef production is the best indicator of the specific stage of the cattle cycle, as it is much less subject to temporary phenomena which may for a limited time affect such factors as prices. As the best reflection of the particular stage of the cattle cycle, it is the best indicator of production trends, both long and short term. Further, the use of a per capita element in the countercyclical factor contributes to a degree of stabilization of supplies to consumers.

The average annual imports of meat subject to quota for 1968–1977 equal 1,204.6 million pounds. This figure is the base quantity under H.R. 2727 and will be adjusted annually by the ratio of the 3-year moving average domestic production to the 10-year average domestic production for the years 1968–1977 to reflect the basic long-range growth of beef supply and demand in the United States. This will assure imports of beef a share in the growth of the U.S. market.

The carcass weight of imports of live cattle entered under items 100.40, 100.43, 100.45, 100.53, and 100.55 of the TSUS during any calendar year are excluded from the estimated annual domestic commercial production of meat articles for such year for the purposes of computing the adjusted base quantity. Thus, meat production from imports of foreign live animals are not considered in computing the formula.

In considering this bill, the committee was careful to take into account any impact on consumers or inflation which enactment of the bill may have. In its first several years of operation, the bill will permit more imports than are permitted under existing law, thus helping to dampen inflation. The committee is informed by the Congressional Budget Office that the net inflationary effect of H.R. 2727 over the next 10 years would be about neutral.

The committee bill extends the quota on imports under the Meat Import Act to processed beef and veal for the first time. This is done to prevent avoidance of the current law. In order to avoid present limitations which apply only to imports of unprocessed beef and veal, supplying countries in the past have shipped unprocessed beef and veal to U.S. foreign-trade zones for minimal processing and then shipment to the United States. Further, foreign processed beef and veal compete with the product produced by U.S. processors, and thus tend to reduce the need of the U.S. processor for domestically produced beef and veal; permitting it to enter unregulated would tend to defeat the purpose of the bill, i.e., stabilizing the U.S. market.

The present bill is similar to H.R. 11545 passed by the House and the Senate in the previous Congress, but vetoed by the President. In his memorandum of disapproval, the President supported the countercyclical management of meat imports, but he objected to that bill on two grounds. First, he stated that he felt the minimum access level for meat imports set in H.R. 11545 of 1.2 billion pounds annually was too low. A major change in this law as compared to the bill passed in the last Congress is to raise the floor for quotas under the law to 1.25 billion pounds. This floor represents a compromise. The committee is informed that the new level is acceptable to the administration and is consistent with the international obligations that the United States has undertaken with major trading partners in the Multilateral Trade Negotiations.

The second basis for the President's veto of H.R. 11545 was its restrictions upon his flexibility to increase or suspend entirely meat import quotas. H.R. 2727 strikes a balance that is acceptable to the administration and the committee with respect to this issue. It provides that when the countercyclical portion of the formula provided for in the bill results in a quotient of less than 1.0, then the President may not increase the annual quota unless the conditions of true emergency exists. However, in circumstances where the countercyclical portion of the formula results in a quotient equal to or more than 1.0, then the President's existing authority to suspend or increase quotas is preserved. Thus, this committee's concern to ensure that the countercyclical formula operates without Presidential intervention except in a true emergency is met. When the countercyclical portion of the statutory formula results in a quotient of less than 1.0, the herds are being liquidated and calf-bearing cows are being slaughtered. Therefore, domestic supplies will be plentiful and prices will be low so that a reduction in imports as would occur by application of the quota formula is appropriate. Under the bill, in this situation, the President could not increase the quota, either by suspension or by permitting an increase of the quota, unless he determined that (1) during a period of national emergency declared under section 201 of the National Emergencies Act of 1976 the action is required by overriding national security interests; (2) the supply of articles under the quota would be inadequate to meet domestic demand at reasonable prices because of natural disaster, disease, or major national market disruption; or (3) that, on the basis of actual data for the first half of any calendar year, it was discovered the the countercyclical portion of the formula yielded a quotient of 1.0 or more.

The terms used in the bill relating to the authority to suspend or increase a quota, "natural disaster," "disease," and "major national market disruption," refer only to significant occurrences having a major effect on production, marketing, and distribution. Price fluctuations of relatively short duration do not amount to a major national market disruption. For example, when the beef cycle is heading into a liquidation phase, there may be temporary periods of price plateau or even price rise for some part of a year. The Committee does not intend that such a situation be considered a major national disruption. Presidential action to raise quotas in that situation could exaggerate the longer term downward trend. Similarly, the other provision in the emergency Presidential authority to increase or suspend quotas, relating to a mid-year review of data to determine whether the countercyclical factor indicates a change in the cattle cycle, is intended to give the President freedom to act as under present law in the event domestic production decreases. Conversely, if mid-year review shows that the countercyclical factor has fallen below 1.0, and the quota has previously been increased or suspended, then the President should consider decreasing or imposing the quotas at that time, as appropriate, if the imposition of a quota required.

In addition, the Presidential authority to suspend or impose quotas under any circumstances is subject to his providing opportunity for public comment by giving 30 days notice by publication in the *Federal Register* of his intentions. This is intended to allow the public to be advised of the President's intention to act contrary to what public expectation may be under the new law.

The committee is concerned that imports of beef and veal may enter through relatively few ports in substantial quantities and may therefore have a more pronounced economic impact on the regions around such ports than on the rest of the country. The bill would require the Secretary of Agriculture to explore this situation and report the results of his study, with any recommendations, to this committee and the Committee on Ways and Means of the House, by June 30, 1980.

III. Regulatory Impact of the Bill

In compliance with paragraph 5 of rule XXIX of the Standing Rules of the Senate, the committee states that the provisions of the bill should not result in new major and continuing regulatory activity.

IV. Vote of the Committee in Reporting the Bill

In compliance with section 133 of the Legislative Reorganization Act of 1946, the committee states that the bill was ordered reported by voice vote.

V. Budgetary Impact of the Bill

In compliance with section 252(a) of the Legislative Reorganization Act of 1970 and sections 308 and 403 of the Congressional Budget Act, the following statements are made relative to the costs and budgetary impact of the bill.

The provisions of the bill do not provide new budget authority or tax expenditures. The committee accepts the estimates of the Congressional Budget Office on the impact of the bill. The report received by the committee from the Congressional Budget Office is included in this report.

U.S. Congress,
Congressional Budget Office,
Washington, D.C., December 6, 1979.

Hon. Russell B. Long,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

Dear Mr. Chairman: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has reviewed H.R. 2727, the Meat Import Act of 1979, as ordered reported by the Senate Committee on Finance on December 6, 1979.

The bill directs the Secretary of Agriculture to adjust the meat import quota formula contained in Public Law 88–482 so that the quota will be calculated on a countercyclical basis. The bill defines the conditions under which the President can suspend the quota, and establishes a minimum annual level of meat imports. None of these activities will require a budget outlay. and it is therefore expected that no significant additional cost to the federal government will be incurred as a result of enactment of this legislation.

Sincerely,

ROBERT D. REISCHAUER,
(For Alice M. Rivlin, Director)

VI. CHANGES IN EXISTING LAW

In compliance with paragraph 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown below (existing law proposed to be omitted is enclosed in black brackets, new matter is in italic, existing law in which no change is proposed is shown in roman.

THE MEAT IMPORT ACT OF [1964] 1979

(Section 2 of Public Law 88–482, As Amended)

[SEC. 2. (a) It is the policy of the Congress that the aggregate quantity of the articles specified in items 106.10 (relating to fresh, chilled, or frozen cattle meat) and 106.20 (relating to fresh, chilled, or frozen meat of goats and sheep (except lambs)) of the Tariff Schedules of the United States which may be imported into the United States in any calendar year beginning after December 31, 1964, should not exceed 725,400,000 pounds; except that this quantity shall be increased or decreased for any calendar year by the same percentage that estimated average annual domestic commercial production of these articles in that calendar year and the two preceding calendar years increases or decreases in comparison with the average annual domestic commercial production of these articles during the years 1959 through 1963, inclusive.

[(b) The Secretary of Agriculture, for each calendar year after 1964, shall estimate and publish—

[(1) before the beginning of such calendar year, the aggregate quantity prescribed for such calendar year by subsection (a), and

[(2) before the first day of each calendar quarter in such calendar year, the aggregate quantity of the articles described in subsection (a) which (but for this section) would be imported in such calendar year.

[In applying paragraph (2) for the second or any succeeding calendar quarter in any calendar year, actual imports for the preceding calendar quarter or quarters in such calendar year shall be taken into account to the extent data is available.

[(c)(1) If the aggregate quantity estimated before any calendar quarter by the Secretary of Agriculture pursuant to subsection (b)(2) equals or exceeds 110 percent of the aggregate quantity estimated by him pursuant to subsection (b)(1), and if there is no limitation in effect under this section with respect to such calendar year, the President shall by proclamation limit the total quantity of the articles described in subsection (a) which may be entered, or withdrawn from warehouse, for consumption, during such calendar year, to the aggregate quantity estimated for such calendar year by the Secretary of Agriculture pursuant to subsection (b)(1). Notwithstanding the preceding sentence, no limitation proclaimed for a calendar year after 1979 shall be less than 1,200,000,000 pounds.

[(2) If the aggregate quantity estimated before any calendar quarter by the Secretary of Agriculture pursuant to subsection (b)(2) does not equal or exceed 110 percent of the aggregate quantity estimated by him pursuant to subsection (b)(1), and if a limitation is in effect under this section with respect to such calendar year, such limitation shall cease to apply as of the first day of such calendar quarter; except that any limitation which has been in effect for the third calendar quarter of any calendar year shall continue in effect for the fourth calendar quarter of such year unless the proclamation is suspended or the total quantity is increased pursuant to subsection (d).

[(3) The Secretary of Agriculture shall allocate the total quantity proclaimed under paragraph (1), and any increase in such quantity pursuant to subsection (d), among supplying countries on the basis of the shares such countries supplied to the United States market during a representative period of the articles described in subsection (a), except that due account may be given to special factors which have affected or may affect the trade in such articles. The Secretary of Agriculture shall certify such allocations to the Secretary of the Treasury.

[(d) The President may suspend any proclamation made under subsection (c), or increase the total quantity proclaimed under such subsection, if he determines and proclaims that—

[(1) such action is required by overriding economic or national security interests of the United States, giving special weight to the importance to the nation of the economic well-being of the domestic livestock industry;

[(2) the supply of articles of the kind described in subsection (a) will be inadequate to meet domestic demand at reasonable prices; or

[(3) trade agreements entered into after the date of the enactment of this Act ensure that the policy set forth in subsection (a) will be carried out.

[Any such suspension shall be for such period, and any such increase shall be in such amount, as the President determines and proclaims to be necessary to carry out the purposes of this subsection.

[(e) The Secretary of Agriculture shall issue such regulations as he determines to be necessary to prevent circumvention of the purposes of this section.

[(f) All determinations by the President and the Secretary of Agriculture under this section shall be final.]

(Section 704 of the Trade Agreements Act)

[(a) In General.—Subsection (a) of section 2 of the Act entitled 'An Act to provide for the free importation of certain wild animals, and to provide for the imposition of quotas on certain meat and meat products" (78 Stat. 594) is amended to read as follows:

["(a) (1) It is the policy of the Congress that the aggregate quantity of the articles specified in items 106.10 (relating to fresh, chilled, or frozen cattle meat), 106.22 (relating to fresh, chilled, or frozen meat of sheep (except lambs)), 106.25 (relating to fresh, chilled, or frozen meat of goats), and 107.61 (relating to certain prepared fresh, chilled, or frozen beef) of the Tariff Schedules of the United States which may be imported into the United States in any calendar year beginning after December 31, 1964, should not exceed 725,400,000 pounds, increased or decreased as provided in paragraph (2).

["(2) The amount referred to in paragraph (1) shall be increased or decreased for any calendar year by the same percentage that estimated average annual domestic commercial production of the articles specified in items 106.10, 106.22, and 106.25 of the Tariff Schedules of the United States in that calendar year and the two preceding calendar years increases or decreases in comparison with the average annual domestic commercial production of such articles during the years 1959 through 1963, inclusive.".

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[(c) CONFORMING AMENDMENTS.—

(1) Paragraphs (1) and (2) of subsection (b) of section 2 of such Act is amended by inserting "(1)" after "subsection (a)".

(2) Subsection (c) (1) of section 2 of such Act is amended by inserting "(1)" after "subsection (a)".

(3) Subsection (c) (3) of section 2 of such Act is amended by inserting "(1)" after "subsection (a)".

(4) Paragraphs (2) and (3) of subsection (d) of section 2 of such Act are amended by inserting "(1)" after "subsection (a)".

[(d) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to calendar years after 1979. The amendments made by subsection (c) shall take effect on January 1, 1980.]

"SEC. 2. (a) This section may be cited as the 'Meat Import Act of 1979'.

"(b) For purposes of this section—

"(1) The term 'entered' means entered, or withdrawn from warehouse, for consumption in the customs territory of the United States.

"(2) The term 'meat articles' means the articles provided for in the Tariff Schedules of the United States (19 U.S.C. 1202) under—

"(A) item 106.10 (relating to fresh, chilled, or frozen cattle meat);

"(B) items 106.22 and 106.25 (relating to fresh chilled, or frozen meat of goats and sheep (except lambs)); and

"(C) items 107.55 and 107.62 (relating to prepared and preserved beef and veal (except sausage)), if the articles are prepared, whether fresh, chilled, or frozen but not otherwise preserved.

"(3) The term 'Secretary' means the Secretary of Agriculture.

"(c) The aggregate quantity of meat articles which may be entered in any calendar year after 1979 may not exceed 1,204,600,000 pounds; except that this aggregate quantity shall be—

"(*1*) *increased or decreased for any calendar year by the same percentage that the estimated average annual domestic commercial production of meat articles in that calendar year and the 2 preceding calendar years increases or decreases in comparison with the average annual domestic commercial production of meat articles during calendar years 1968 through 1977; and*

"(*2*) *adjusted further under subsection* (*d*).

For purposes of paragraph (*1*), *the estimated annual domestic commercial production of meat articles for any calendar year does not include the carcass weight of live cattle specified in items 100.40, 100.43, 100.45, 100.53, and 100.55 of such Schedules entered during such year.*

"(*d*) *The aggregate quantity referred to in subsection* (*c*), *as increased or decreased under paragraph* (*1*) *of such subsection, shall be adjusted further for any calendar year after 1979 by multiplying such quantity by a fraction—*

"(*1*) *the numerator of which is the average annual per capita production of domestic cow beef during that calendar year* (*as estimated*) *and the 4 calendar years preceding such calendar year; and*

"(*2*) *the denominator of which is the average annual per capita production of domestic cow beef in that calendar year* (*as estimated*) *and the preceding calendar year.*

For the purposes of this subsection, the phrase 'domestic cow beef' means that portion of the total domestic cattle slaughter designated by the Secretary as cow slaughter.

"(*e*) *For each calendar year after 1979, the Secretary shall estimate and publish—*

"(*1*) *before the first day of such calendar year, the aggregate quantity prescribed for such calendar year under subsection* (*c*) *as adjusted under subsection* (*d*); *and*

"(*2*) *before the first day of each calendar quarter in such calendar year, the aggregate quantity of meat articles which* (*but for this section*) *would be entered during such calendar year.*

In applying paragraph (*2*) *for the second or any succeeding calendar quarter in any calendar year, actual entries for the preceding calendar quarter or quarters in such calendar year shall be taken into account to the extent data is available.*

"(*f*) (*1*) *If the aggregate quantity estimated before any calendar quarter by the Secretary under subsection* (*e*) (*2*) *is 110 percent or more of the aggregate quantity estimated by him under subsection* (*e*) (*1*), *and if there is no limitation in effect under this section for such calendar year with respect to meat articles, the President shall by proclamation limit the total quantity of meat articles which may be entered during such calendar year to the aggregate quantity estimated for such calendar year by the Secretary under subsection* (*e*) (*1*); *except that no limitation imposed under this paragraph for any calendar year may be less than 1,250,000,000 pounds. The President shall include in the articles subject to any limit proclaimed under this paragraph any article of meat provided for in item 107.61 of the Tariff Schedules of the United States* (*relating to high-quality beef specially processed into fancy cuts*).

"(*2*) *If the aggregate quantity estimated before any calendar quarter by the Secretary under subsection* (*e*) (*2*) *is less than 110 percent of the aggregate quantity estimated by him under subsection* (*e*) (*1*), *and if a limitation is in effect under this section for such calendar year with respect to meat articles, such limitation shall cease to apply as of the first day of such calendar quarter. If any such limitation has been in effect for the third calendar quarter of any calendar year, then it shall continue in effect for the fourth calendar quarter of such year unless the proclamation is suspended or the total quantity is increased pursuant to subsection (g).*

"(g) The President may, after providing opportunity for public comment by giving 30 days' notice by publication in the Federal Register of his intention to so act, suspend any proclamation made under subsection (f), or increase the total quantity proclaimed under such subsection, if he determines and proclaims that—

"(1) such action is required by overriding economic or national security interests of the United States, giving special weight to the importance to the Nation of the economic well-being of the domestic cattle industry;

"(2) the supply of meat articles will be inadequate to meet domestic demand at reasonable prices; or

"(3) trade agreements entered into after the date of enactment of this Act insure that the policy set forth in subsection (c) and (d) will be carried out.

Any such suspension shall be for such periods, and any such increase shall be in such amount, as the President determines and proclaims to be necessary to carry out the purposes of this subsection.

"(h) Notwithstanding the previous subsections, the total quantity of meat articles which may be entered during any calendar year may not be increased by the President if the fraction described in subsection (d) that calendar year yields a quotient of less than 1.0, unless—

"(1) during a period of national emergency declared under section 201 of the National Emergencies Act of 1976, he determines and proclaims that such action is required by overriding national security interests of the United States;

"(2) he determines and proclaims that the supply of articles of the kind to which the limitation would otherwise apply will be inadequate, because of a natural disaster, disease, or major national market disruption, to meet domestic demand at reasonable prices: or

"(3) on the basis of actual data for the first two quarters of the calendar year, a revised calculation of the fraction described in subsection (d) for the calendar year yields a quotient of 1.0 or more.

Any such suspension shall be for such period, and any such increase shall be in such amount, as the President determines and proclaims to be necessary to carry out the purposes of this subsection. The effective period of any such suspension or increase made pursuant to paragraph (1) may not extend beyond the termination, in accordance with the provisions of section 202 of the National Emergencies Act of 1976, of such period of national emergency, notwithstanding the provisions of section 202(a) of that Act.

"(i) The Secretary shall allocate the total quantity proclaimed under subsection (f)(1) and any increase in such quantity provided for under subsection (g) among supplying countries on the basis of the shares of the United States market for meat articles such countries

supplied during a representative period. Notwithstanding the preceding sentence, due account may be given to special factors which have affected or may affect the trade in meat articles or cattle. The Secretary shall certify such allocations to the Secretary of the Treasury.

"*(j) The Secretary shall issue such regulations as he determines to be necessary to prevent circumvention of the purposes of this section.*

"*(k) All determinations by the President and the Secretary under this section shall be final.*

"*(l) The Secretary of Agriculture shall study the regional economic impact of imports of meat articles and report the results of his study, together with any recommendations (including recommendations for legislation, if any) to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate not later than June 30, 1980.".*

SEC. 2. This Act shall take effect January 1, 1980.

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