



ANALYSIS AND COMMENTS

Livestock Marketing Information Center

State Extension Services in Cooperation with USDA

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INTERNATIONAL TRADE: EXPORT VERSUS IMPORT VALUES IN THE U.S. CATTLE/BEEF COMPLEX

International trade has been an often-discussed topic among cattle producers and in the overall meat industry for decades. It appears time to revisit the topic. Overall, trade between countries is the result of complex economic, political and historical relationships. But, often the rather simple economic bottom line for the U.S. cattle/beef production industry is overlooked. That is the annual net dollar value of exports versus imports.

Interpretations of the benefits of international trade depend on where the boundaries of the analysis are set. When the boundaries are set at the world level and include both consumers and producers of all products, net economic benefits are clear in economic theory. Within the cattle/beef complex, the benefits can be influenced by how broad the sector is defined. From a U.S. perspective, even without considering potential benefits (or costs) of international beef trade to consumers, any benefits to international trade depend on how the sector is defined. For example, whether just the number of head of feeder cattle that flow across one international border is considered in terms of benefits/costs or whether both cattle and all the products produced from cattle are considered.

It is clear that for some time the U.S. has exported more dollars worth of cattle, beef and other products than it has imported. But, on a tonnage basis, the U.S. imports more beef than it exports. On a dollar basis, this analysis will identify and discuss the major categories of exports versus imports.

Background

This analysis takes a rather broad, but often overlooked simple value approach to cattle and beef product trade between the U.S. and the rest of the world. That assessment is based on adding-up the dollar values of both U.S. exports and imports as identified in the trade statistical summaries. All types of cattle imported and exported (feeder cattle, slaughter steers and heifers, slaughter cows and bulls, and breeding stock) will be considered. Identifying cattle products is rather difficult. The major category tends to be beef, however, many other cattle products are sold to foreign markets including hides, internal organs, tallow, tongue. Further, many of these items bring premium prices in foreign markets compared to the domestic market.

Internationally traded items are categorized by standardized commodity category codes defined in the Harmonized Tariff System (HTS). Several levels of codes exist and those codes are changed over time to reflect actual products traded internationally. Export codes, known as Schedule B codes in the U.S. are administered by the U.S. Census Bureau whereas the U.S. International Trade Commission administers import codes. The most detailed codes are the 10-digit level HTS codes.

Identifying cattle products is difficult due to the number of products that are derived and/or directly sourced from cattle. In addition, many beef and veal products that are exported and imported can contain beef and traces of pork and/or poultry depending on the HTS code classification. To effectively capture the quantity and value of U.S. beef exports and imports, HTS trade category level codes for the major categories for beef and beef byproducts were reviewed and aggregated into the following categories: 1) Beef and Veal, which includes fresh and frozen bone-in, boneless, and carcass beef, corned beef, beef sausages, and salted beef; 2) Variety Meats, consisting of all edible offal (liver, tongues) and meat extracts; 3) Beef Tallow and Greases; and 4) Hides and Skins. This is a diverse list and many countries are involved with buying from and selling to the U.S. Export values for each category are reported by USDA-FAS in the monthly Dairy, Livestock and Poultry: U.S. Trade and Prospects report. However, import values for each of the trade categories were derived from the values of 24 HTS codes: two 4-digit HTS codes, twelve 6-digit level HTS codes and eight 10-digit level HTS codes.

U.S. Exports and Imports

Over the last 25 years (1978 through 2003), the general trend has been that the dollar value of U.S. beef industry exports and imports have both increased. Twenty-five years ago the U.S. total export value was under \$2 billion. The largest component in value terms was hides and skins and the second largest component was tallow and greases. By 2003, U.S. exports of all items totaled just below \$6 billion and the largest dollar component was beef and veal (over \$3 billion). Graphically, Figure 1¹ depicts these numbers.

On the other hand, U.S. import value of all items was under \$2 billion in 1978 and increased to over \$4 billion in 2001 and 2002 before declining to about \$3.5 billion in 2003. Over the last 25 years, the two import categories that have increased the most have been beef and live cattle.

Looking just at 2003, the category with the largest export value was beef and veal, followed by hides and skins, variety meats, beef tallow and greases, and live cattle. The largest import category was beef and veal followed by live cattle, variety meats and hides and skins. For 2003, the value of imported tallow and grease was reported as zero.

Value of Net Exports

Net export value is simply the dollar difference between exports and imports. For the U.S., if net exports are positive the dollar value of exports was greater than that of imports. Since the early 1980's, the U.S. cattle/beef industry consistently exported more value than was imported. As shown in Figure 3, on an annual basis, from 1984 through 2003, the trend in U.S. net exports of beef and veal has generally been upward. Figure 3 uses essentially the same categories as the earlier figures (Figure 1 and Figure 2) with the exception of an "other" category, in which, the variety meats with the beef tallow and greases categories were combined.

In recent years, within the categories defined here, the U.S. consistently imported more value than was exported in only one category, live cattle. Consistently over the last 25 years, the hides and skins category and the other category have each been positive net exports for the U.S. On a dollar basis, over the last 25 years, beef and veal has transitioned from a net import to mostly a net export set of products. When all categories are considered, in 2003 U.S. net exports were positive by nearly \$2.5 billion.

Some Comments

Many countries are involved with buying products derived from U.S. cattle and many countries sell cattle and their products to the U.S. Moreover, some countries will buy from the

¹ Members of the Livestock marketing Information Center (LMIC) can access the graphics used in this article and many others related to international trade in both PowerPoint and other formats (see the Members Only section of the LMIC website at <http://www.lmic.info>)

U.S. and sell to the U.S. (including Canada and Mexico). Aggregating cattle, beef, and byproduct trade across countries in dollar terms masks the complex interrelationships involved but does provide a useful broad picture. It is instructive to note that in 2003, and in most recent years, the live value of cattle imports by the U.S. was about \$1 billion. On a value basis the U.S. has over the same period of years annually exported about \$1 billion of beef hides. So, from an industry wide perspective, the net value of cattle imported by the U.S. is offset by the net value of hide exports.

In most recent years, overall beef industry exports have resulted in a net flow of dollars into the U.S. But, those were "normal" years and 2004 has been anything but normal with the BSE related disruptions to U.S. exports of beef and many byproducts. This year (2004) for the U.S. will be one of large beef imports, low beef exports, and low variety meat exports, making the U.S. a net importer for the first time in many years. Returning to more normal trade levels in future years will put the aggregate U.S. beef industry back into a net exporter status.

Figure 1.

U S BEEF INDUSTRY EXPORT VALUES

Annual

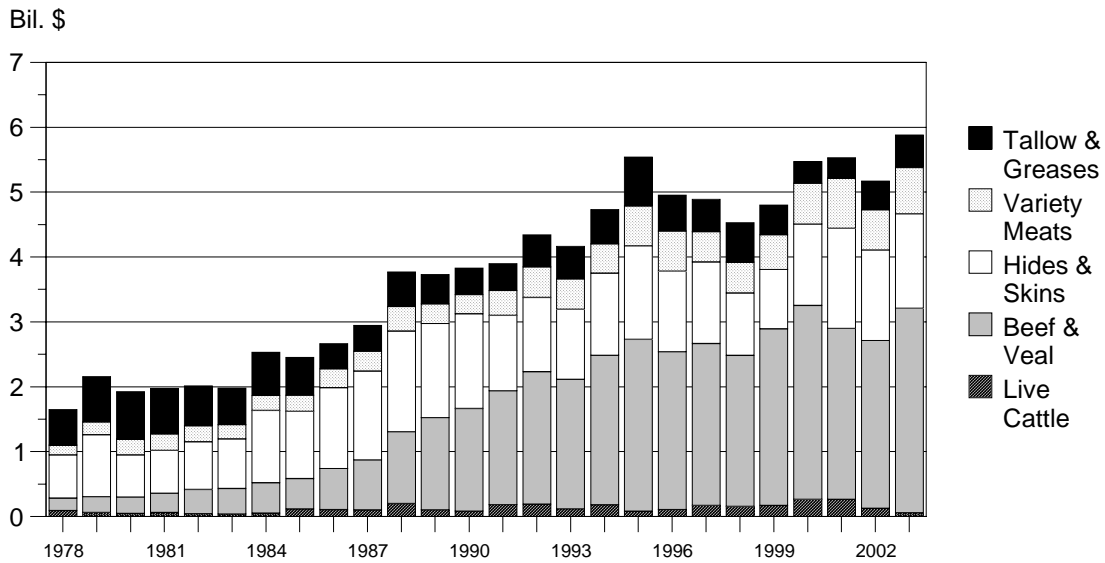


Figure 2.

U S BEEF INDUSTRY IMPORT VALUES Annual

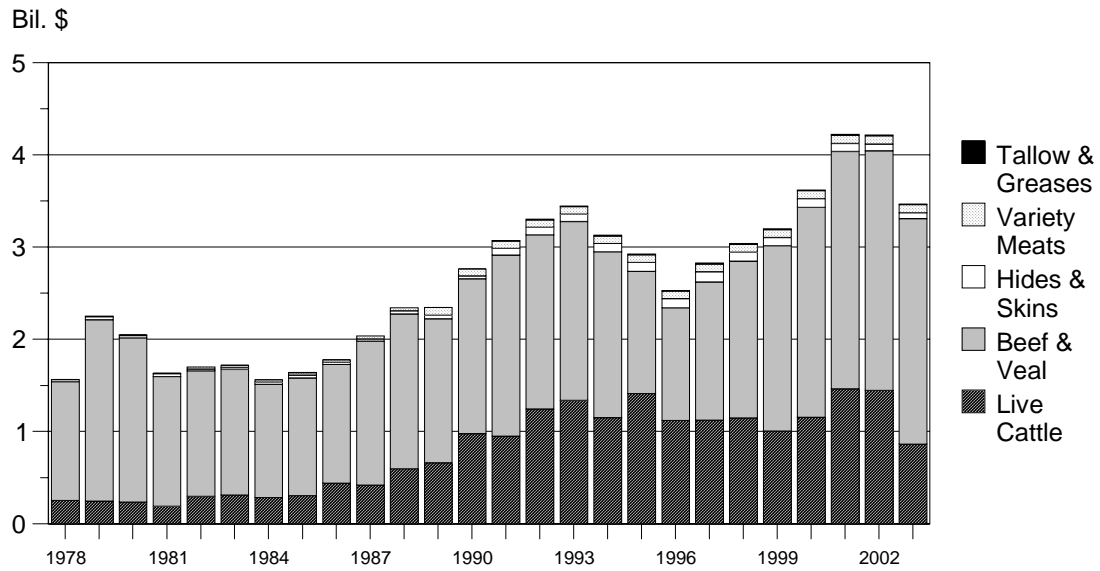


Figure 3.

U S BEEF INDUSTRY NET EXPORT VALUES Annual

