



ANALYSIS AND COMMENTS

Livestock Marketing Information Center

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INTERNATIONAL TRADE: EXPORT VERSUS IMPORT VALUES IN THE U.S. HOG/PORK COMPLEX

The subject of international trade has grown to be a key and an often-discussed topic among hog producers and those involved in the overall meat industry. Trade between countries is the result of complex economic, political and historical relationships. The key economic basis for benefits to international trade is comparative advantage. It appears rather clear that having a comparative advantage is the general situation for the U.S. hog/pork industry.

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 hog/pork 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 pork 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 pigs or slaughter hogs that flow across the U.S. Canadian international border is considered in terms of benefits/costs or whether both hogs and all the products (pork and by-products) produced from hogs are considered.

Prior to 1993, on a value basis, the U.S. imported more hogs/pork than it exported, however, since then U.S. exports of pork have remained well above the amount imported and continues to grow. Unlike the beef industry that has exported more dollars worth of product for quite some time, only over the last 12 years has the U.S. hog industry exported more dollars worth of pork and other related products than it has imported. The change from being a net importer to a net exporter can be attributed to a variety of changes that have occurred in the U.S. and international pork trade industry.

Background

This analysis takes a rather broad, but often overlooked, simple value approach to hog and pork 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 hogs imported and exported (feeder pigs, slaughter hogs, slaughter sows and boars, and breeding stock) will be considered. Identifying hog products is fairly difficult due to a wide variety of products produced from and/or with pork products. The major category tends to be pork, however, many other hog products are sold to foreign markets including lards and fats, sausage casings, and pork skins. 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 the designation of import codes. The most detailed HTS codes and those defined are at the 10-digit level.

Identifying hog products is difficult due to the number of products that are derived and/or directly sourced from hogs. In addition, some meat products can contain pork, beef, and poultry products depending on the HTS code classification. To effectively capture the quantity and value of U.S. pork exports and imports, HTS 10-digit level codes for the major categories for pork and pork byproducts were reviewed and aggregated into the following categories: 1) Pork, which includes fresh and frozen bone-in, boneless, and carcass pork, pork sausages, and salted pork; 2) Variety Meats, such as by-products and sausage casings; 3) Pork Lard, Fats, and Oils (including greases); 4) Hog and Pig Skins; and 5) Live Hogs (includes feeder, slaughter, and breeding hogs). This is a diverse list and the best method to accurately capture the value of the U.S. hog and pork trade industry was to add-up the total number across categories and across countries on a dollar value basis. Export values for each category are reported by USDA-FAS in the monthly Dairy, Livestock and Poultry: U.S. Trade and Prospects report. Import values for each trade category were derived from the values of 32 HTS codes: one 4-digit HTS code, three 6-digit level HTS codes, and twenty-eight 10-digit level HTS codes.

U.S. Exports and Imports

Over the past two decades (1984 through 2003), the total dollar value of U.S. pork/hog industry exports has grown dramatically as evidenced in Figure 1¹. In the 1984, the total value of U.S. pork exports was slightly over \$200 million. Exports of pork and sausages accounted for the largest share of export value followed by variety meats and lard, fats, and oils. By 1994, the dollar value of U.S. pork industry exports had surged to just under one billion dollars. In 2003, the total export value was just short of \$2 billion.

In value terms, pork and sausage have driven the increase in U.S. pork industry exports. In 1984, this category accounted for about 50 percent of total industry export value, with pork only exports (fresh, frozen, and chilled pork) accounting for the majority of value. Last year (2003), the value of U.S. pork and sausage exports was about \$1.5 billion and represented about 80 percent of the total export value. Pork exports on a value basis are followed by pork variety meats and sausage casings which in 2003 accounted for 9 percent of the total value, followed by lards, oils, and other fats, hog and pork skins, and lastly live hogs, which comprised less than one percent of the total export value.

Prior to 1993, the dollar value of U.S. pork/hog imports was in general on the decline. However, in 1993, the trend began to change as shown in Figure 2. In 1994, total U.S. pork industry imports were estimated at just over \$600 million. In 2003, the total import value more than doubled, to just under the \$1.5 billion.

Similar to exports, the dollar value of pork and sausage imports is the largest component of the total import value. Last year, the estimated import value for pork and sausages was just under one billion dollars and accounted for over two-thirds of the total U.S. import value followed by live hogs, variety meats and sausage casings. U.S. live hog imports have increased since the early 1990's and continued to grow in 2003. Still, U.S. live hog imports only accounted for about a quarter of overall pork/hog import value.

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

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. Over much of the last 20 years, the value of U.S. pork industry net exports generally increased (Figure 3). Figure 3 uses essentially the same categories as noted above with the exception of an “other” category which includes three categories: 1) sausage casing and variety meats; 2) pork lards, oils and other fats; and 3) hog and pork skins.

In 1984, the value of U.S. net hog/pork exports was negative \$700 million. In 2003, although down slightly from prior years, the U.S. net export value of the pork/hogs complex was just over \$500 million (the year-to-year decline is attributed to higher values of imported pork and live hogs). Overall, the industry net export value has been at or above \$500 million since 1995.

Among the categories defined, the U.S. has historically imported more value than was exported in only one category, live hogs. Pork and sausages and other items both have provided a net flow of dollars into the U.S.

A Concluding Comment

Many countries are involved with buying products derived from U.S. hogs and many countries sell pork to the U.S. One major country (Canada) sells pigs and hogs to the U.S. Aggregating hogs, pork and byproduct trade across countries in dollar terms masks the complex interrelationships involved but does provide a useful broad picture. In this broad perspective, the value of U.S. hog and pig imports is more than offset by U.S. exports of pork, sausage and other items.

Figure 1.

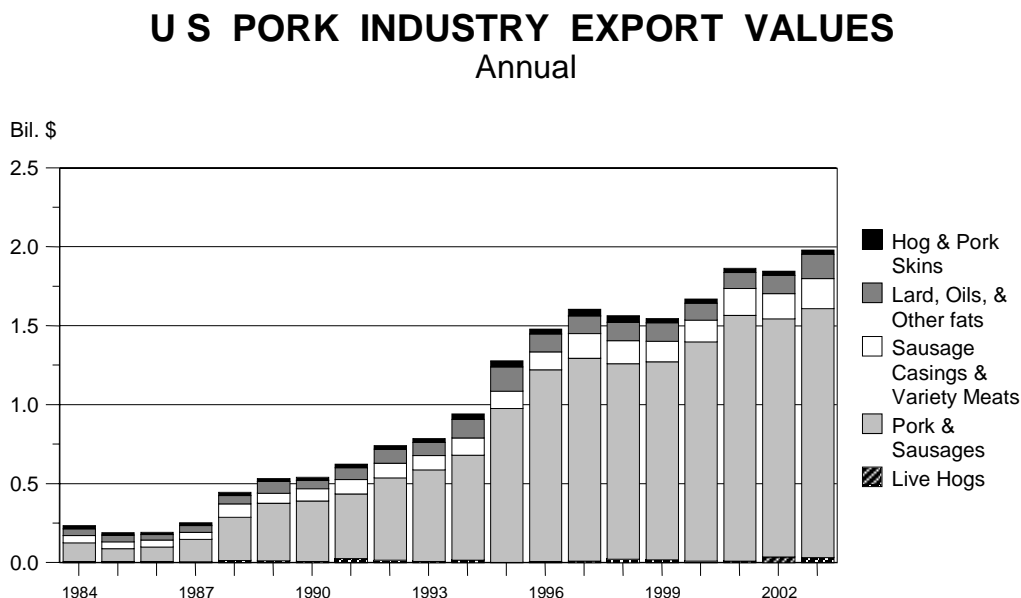


Figure 2.

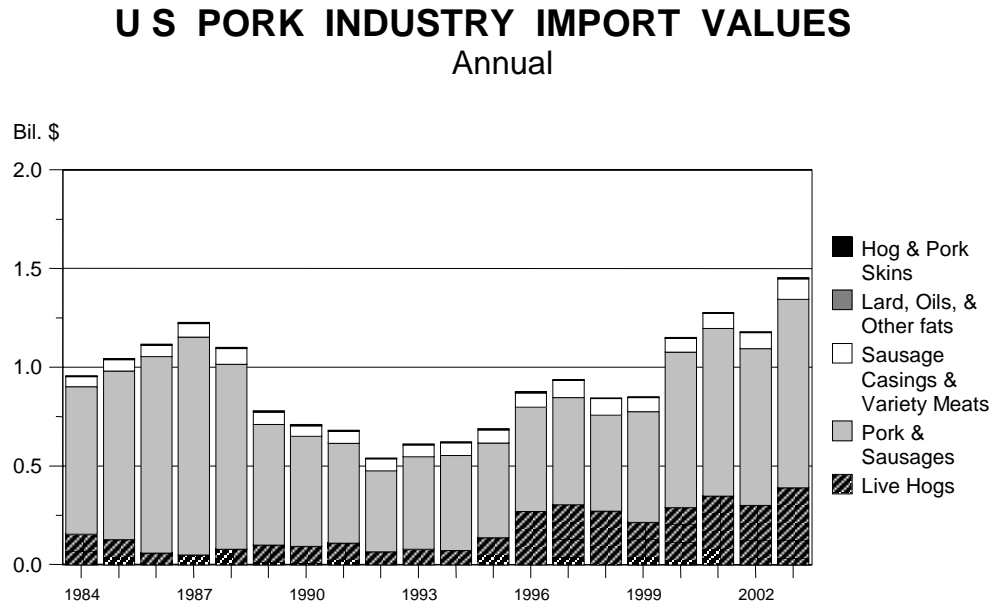


Figure 3.

