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CORNHUSKER ECONOMICS

The U.S. Import of Beef: Friend or Foe to Domestic Beef Production?

Controversy surrounding the United States import of beef has been an issue since at least 1958, which marked the beginning of major imports from Australia (Edward, 1964). From the onset, U.S. beef producers have been concerned that beef imports would depress the prices they receive for their product. Consumer groups, on the other hand, have welcomed increased imports, expecting that increased competition would lower meat prices. As a result of these conflicting views, the past 50 years has seen the creation of various measures of legislation which control the volume of imports.

Statistical information about U.S. beef imports indicate that the primary product imported as fresh beef consists of grass fed lean beef trimmings, mainly 90 percent lean trimmings known as 90s. This beef is generally mixed with domestic trimmings from grain fed beef to make a lean ground beef (Doud, 2007; Elam, 2005, and Nelson, et al., 1982). Given the fact that imported beef is used to mitigate fat content and create a consumer preferred product, lean ground beef, it is plausible that it has a complementary rather than a substitutive relationship with domestic grain fed beef. If this is the case, imports increase rather than depress domestic prices. This article reports the results of recent research at the University of Nebraska's West Central Research and Extension Center, showing the estimated effect current levels of imports have on wholesale beef prices. This research specifically investigates the relationship of choice beef, select beef, and 50 percent lean beef trimmings sold in the U.S., with respect to imported beef from the major importing countries. The effect of imports on these three beef product groups is measured by estimating flexibilities.

Market Report	Yr Ago	4 Wks Ago	1/22/10
Livestock and Products,			
Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.....	\$81.51	\$81.27	\$ *
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb....	114.68	104.73	114.12
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb....	95.43	92.25	98.60
Choice Boxed Beef, 600-750 lb. Carcass.....	150.98	138.51	144.95
Western Corn Belt Base Hog Price Carcass, Negotiated.....	59.44	59.62	66.10
Feeder Pigs, National Direct 50 lbs, FOB.....	*	*	*
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.....	57.80	68.24	77.01
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.....	90.00	*	*
National Carcass Lamb Cutout, FOB.....	249.85	245.73	239.49
Crops,			
Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.....	5.42	4.31	3.90
Corn, No. 2, Yellow Omaha, bu.....	3.79	3.85	3.41
Soybeans, No. 1, Yellow Omaha, bu.....	9.80	10.09	9.29
Grain Sorghum, No. 2, Yellow Dorchester, cwt.....	5.34	6.36	5.45
Oats, No. 2, Heavy Minneapolis, MN, bu.....	2.18	2.60	2.33
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.....	*	135.00	135.00
Alfalfa, Large Rounds, Good Platte Valley, ton.....	77.50	87.50	87.50
Grass Hay, Large Rounds, Premium Nebraska, ton.....	85.00	*	*
Dried Distillers Grains, 10% Moisture, Nebraska Average.....	145.50	113.00	107.50
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.....	48.50	39.00	38.75
*No Market			

A flexibility is a measure of the percentage change in the price of a good with respect to a percentage change in the quantity of another related good. For example, a flexibility of one indicates that a one percent change in the price of a good (a) is expected when there is a one percent change in the quantity of good, and (b) a related commodity in the same market. When a flexibility is positive, it indicates a complementary relationship between those two commodities, i.e., an increase in the price of goods (a) is expected as a result of an increase in the quantity of the goods, and (b) a related commodity. The reverse is true of negative flexibilities, which is indicative of a substitution effect, i.e., a decrease in the price of goods (a) is expected with an increase in the quantity of goods, and (b) a related commodity.

Results indicate that there is no statistical evidence that current imports of beef have any influence on wholesale beef prices. The flexibility estimates for choice and select beef with respect to imports are found to be negative and very small in magnitude, about a 0.01 percent price decrease for either choice or select beef for one percent increase in imports. Statistical tests show this small estimated value is no different than zero. It is plausible that current import volumes of beef are not significantly large enough to affect wholesale beef prices. Mathews, Vandever and Gustafson (2006), have a similar conclusion in their study on the economic impact of North American Bovine Spongiform Encephalopathy (BSE) incidents on U.S. beef production. They conclude that the 2003 BSE event which induced a ban on the import of beef from Canada did not trigger higher prices in the U.S. market. Considering the amount of beef imported from Canada, about ten percent of domestic production, this is not really surprising.

In addition to import effects, export effects are also studied. Surprisingly, exports only affect one group of domestic beef, select. This is somewhat unexpected, since much of the talk in the industry is about the importance of choice meat cuts in the export markets. It is estimated that select carcass values will

increase by just less than a half of a percent, 0.042, for every one percent increase in volume of all beef exports.

We recommend reading the complete report, especially if you are interested in this topic or the science related to it. The report can be accessed at

[http://ageconsearch.umn.edu/bitstream/56509/2/Dhoubadel Stockton SAEA Orlando.pdf](http://ageconsearch.umn.edu/bitstream/56509/2/Dhoubadel%20Stockton%20SAEA%20Orlando.pdf)

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