March 2005

International Trade and the Cattle Industry

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March 16, 2005

Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln
http://agecon.unl.edu/pub/cornhusker.htm

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Market Report	Yr Ago	4 Wks Ago	3/11/05
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	$88.04	$88.85	$93.15
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	116.81	130.40	129.23
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	93.35	105.77	108.33
Choice Boxed Beef, 600-750 lb. Carcass	143.15	146.60	152.07
Western Corn Belt Base Hog Price Carcass, Negotiated	63.55	64.69	69.42
Feeder Pigs, National Direct 45 lbs, FOB	48.76	63.45	67.22
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	68.95	71.27	70.18
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	96.00	109.00	109.00
National Carcass Lamb Cutout, FOB	232.87	260.37	268.05
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Omaha, bu	3.59	3.33	3.67
Corn, No. 2, Yellow Omaha, bu	2.84	1.79	1.97
Soybeans, No. 1, Yellow Omaha, bu	9.62	5.33	6.26
Grain Sorghum, No. 2, Yellow Columbus, cwt	4.84	2.46	2.82
Oats, No. 2, Heavy Minneapolis, MN , bu	1.80	1.87	1.86
Hay			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	115.00	115.00	115.00
Alfalfa, Large Rounds, Good Platte Valley, ton	62.50	62.50	62.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	57.50	57.50	57.50

* No market.

Trade flows of cattle and beef had been increasing over the last 20 years, that is until BSE was discovered in Canada and subsequently in the U.S. in 2003. How did the increased trade of cattle and beef products impact the beef industry, the cattle industry and/or the cow-calf producer? The goal of this short article is to look at annual trade flows from 1998-2002 to provide answers to the above questions. The year 2002 was the last full year when trade flows were not significantly impacted by the discovery of BSE in North America.

Trade in the beef industry can be broken into three main components: 1) live animal trade, 2) beef and veal trade, and 3) hide, skins, variety meats, tallow, greases and lard. There is significant trade in each of these three components, and if you consider only one or two of these components you may have a different view of trade than if you consider all three components.

Trade in live animals consists of feeder cattle, fed cattle, cull cattle and very limited trade in breeding stock. Over 99 percent of live animal trade is with Canada and Mexico. The average number of head traded on an annual basis is contained in Table 1. Imports from Canada have averaged 1.25 million head from 1998-2002. Feeder cattle imports were estimated at 229 thousand head, fed cattle under 30 months were estimated at 642 thousand head and cattle over 30 months were at 380 thousand head. Most of the over 30 month cattle were cull cows and bulls, which were slaughtered in the U.S. There were 969,895 head imported from Mexico, the majority of which would be feeder cattle destined for grass and/or feedlots. Rodeo stock accounted for the other imports from Mexico. Total cattle imports averaged 2.22 million head. Exports of cattle and calves from the U.S. have averaged slightly less than 358 thousand head per year. Most of these exports were feeder cattle to Canada. Only considering live animal trade, the U.S. imports far more than it exports. Net trade would add approximately 3.26 percent to annual marketings of cattle. The price impact on fed and feeder cattle prices would be to depress prices 5-6.5 percent. The average price from 1998-2002 for fed cattle and for 550 pound steers in Nebraska averaged $67.22 and $97.92, respectively. The price impact from live cattle and calf trade likely depressed prices $3.36-4.37 for fed cattle and $4.90-6.36 for calves.

Before jumping on the anti-trade band wagon, let's consider trade in the other two sectors. Beef and veal imports into the U.S.

have averaged 2.2 billion pounds per year, Table 1. The three major suppliers of beef into the U.S. are Canada, 763 million pounds, Australia, 740 million pounds and New Zealand, 446 million pounds. They accounted for almost 90 percent of our imports from 1998-2002. We exported 1.75 billion pounds per year of beef and veal. Our major export markets were Japan, 741 million pounds, Mexico, 378 million pounds, Korea, 283 million pounds and Canada 187 million pounds. Those four markets accounted for slightly over 90 percent of our exports.

Table 1. Annual Average Trade in Cattle (Head) and Beef (1,000 lbs) and Total Cattle and Beef (Carcass Weight Equivalent 1,000 lbs), 1998-2002

	Imports		Exports
Cattle and Calves			
Canada	1,251,217 hd		
Mexico	969,895 hd		
Total	2,224,380 hd		357,720 hd
Beef and Veal			
Canada	763,020 lbs	**Canada**	187,020 lbs
Australia	740,420 lbs	**Japan**	741,480 lbs
New Zealand	445,900 lbs	**Mexico**	378,080 lbs
		Korea	282,560 lbs
Total	2,206,640 lbs	**Total**	1,747,800 lbs
Total Cattle and Calves, Beef and Veal	2,985,920 lbs		2,353,500 lbs
(Carcass Equivalent)	**11.16 % U.S. Production**		**8.8% U.S. Production**

Source: USDA, Livestock and Meat Statistics and Livestock & Poultry Situation: U.S. Trade & Prospects, FAS.

It is possible to compare all cattle and calf trade and all beef and veal trade by converting everything to a carcass weight basis. Total imports of cattle and calves, and beef and veal averaged 3 billion pounds per year, Table 1. Total exports average 2.4 billion pounds per year. The increase of 632.4 million pounds from trade on an annual basis adds 2.36 percent to our domestic production. Just considering the pounds of beef, and not considering the value of beef imported versus exported, this additional beef likely depressed cattle prices 3.5-4.7 percent. Fed cattle prices would have been $2.35-3.16 per cwt. lower, and calf prices would have been $3.43-4.60 per cwt. lower during the 1998-2002 time period.

All beef is not created equal, or at least it is not of equal value. Perhaps the most appropriate manner to look at trade is not in terms of head or pounds traded, but to look at the dollars leaving the industry and the dollars coming into the industry. Imports of cattle and calves were valued at $1.2 billion annually, Table 2. Exports of cattle and calves were valued at $202 million annually. The net loss to the industry from cattle and calf trade is a billion dollars annually. While we imported more pounds of beef than we exported, the value of beef and veal exports were $2.65 billion compared to imports values at $2.23 billion. Trade in beef and veal brought $419 million annually into the industry from 1998-2002. However, the largest gain in trade occurs in the variety meats, hide and skins, and the tallow, greases and lard component. The U.S. only imports $180 million of these products on an annual basis, but exports $2.25 billion. Trade in these by-products brings in slightly over $2 billion annually into the industry.

In total, the U.S. imports $3.7 billion and exports $5.1 billion in cattle, beef and by-products annually. Therefore, the net of trade during 1998-2002 was to add $1.45 billion annually to the industry. How much did $1.45 billion add to the value of fed cattle and calves? Commercial cattle slaughter averaged 35.8 million head during 1998-2002. The added value, $1.45 billion, from international trade, likely increased the value of commercially slaughtered cattle slightly over $40 per head, or about $3.40 per cwt. If fed cattle were worth $40 more as a result of trade, then a 550 pound steer was likely worth $7 more per cwt. as a result of international trade from 1998-2002.

It is likely that not all of the $1.45 billion was returned to cow-calf producers in the form of higher calf prices. Packers, processors and beef trading firms likely retained some of that as profit. However, to suggest that none of that $1.45 billion trade surplus found its way back to cow-calf producers in the form of higher calf prices would be incorrect. If packer margins were reduced due to less international trade, they would certainly try and buy fed cattle cheaper to regain some of their margin. Likewise, if feedlots received a lower price for fed cattle and were less profitable, they would have been less aggressive in bidding for calves to enter the feedlot.

While it is tempting to try and close some borders to imports of cattle and beef, and receive a short-term economic gain, if in the long-term that results in less total trade in beef and beef by-products, I believe that would result in less dollars for cow-calf producers. Trade does not occur in isolation. It is not likely that the U.S. can close borders to imports of cattle and beef and still expect to be able to export beef and beef by-products.

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Table 2. The Annual Value of Trade in Cattle, Beef and By-Products, 1998-2002 (Values are in Million Dollars)

	Cattle and Calves	Beef and Veal	Hides and Skins	Variety Meat, Tallow, Lard	Total Value
Imports	1,244.88	2,231.80	87.84	91.84	3,656.38
Exports	201.90	2,651.18	1,212.38	1,038.16	5,103.66
Net Imports	1,042.98				
Net Exports		419.36	1,124.54	946.32	1,447.28

Source: USDA, Livestock & Poultry Situation: U.S. Trade & Prospects, FAS.