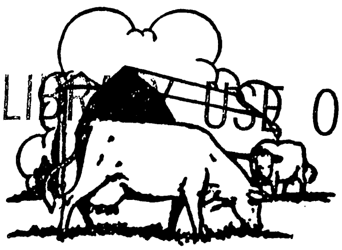

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THE BEEF IMPORT DILEMMA

A. F. McCalla and E. W. Learn

The combination of low cattle prices and increased beef imports raises many questions regarding the relationship between foreign trade and the domestic cattle industry. Three aspects of the beef import situation are considered in this article:

- Postwar developments in the world beef trade.
- The U.S. position in these developments and events surrounding the rapid rise in imports.
- The import question in the perspective of U.S. trade policy.

The World Beef and Beef Cattle Trade

The total volume of world trade in beef today is at its highest point in history. Except during the war and immediate postwar years, trade has been increasing in live cattle and fresh, chilled, and frozen meats. Only one of the four major classes of beef entering world trade, prepared meats, has declined (table 1).

The live cattle trade is dominated by exports from: Canada and Mexico to the United States, Ireland and Denmark to Great Britain, and Denmark to the European Common Market (EEC). These trade relationships have remained stable because shipments over long distances are uneconomical. The volume of this trade has risen steadily in the postwar period.

Table 1. World cattle and beef trade, 1934-62 (except 1940-44)

Year	Live	Fresh and frozen	Prepared	Canned
	thousand head	thousand metric tons*		
1934-39	2,160	750	38	182
1945-49	1,836	610	80	435
1950-54	1,840	455	62	341
1955-58	2,601	847	56	418
1959-62	2,842	1,062	34	460

* One metric ton = 2,205 pounds.
Source: FAO, *Trade Year Book.*

Trade in fresh, chilled, frozen, and canned meat has exhibited a rising trend, except during the late 1940's and early 1950's. Two factors have contributed to this: (1) improvements in processing and shipping technologies, permitting long distance shipment of these products, and (2) relaxation of sanitary barriers which greatly restricted trade in fresh meat. Trade in prepared meat has decreased because it has been partially replaced by preferred products—fresh and canned beef.

The United Kingdom (U.K.) is the major importer of beef and beef cattle, but her relative importance in world trade has declined while that of the United States has risen (table 2). The fall in British imports is due to larger domestic cattle numbers. Britain's dependence on imports declined from 50 percent of domestic consumption in 1950 to 30 percent in 1962.

The U.S. Import Position

Although public concern about beef imports is only recent, the United States has been a net importer (imports have exceeded exports) of beef and beef cattle in every year but 1947 since World War II. Imports, including live animals on a carcass basis, as a percentage of domestic production are shown in table 3.

Exports of beef have been relatively unimportant. Total exports of beef and beef animals in recent years have been less than one-half of 1 percent of domestic production.

The bulk of U.S. imports is of two types: live feeder cattle and fresh, chilled, and frozen beef generally equivalent in quality to domestic cow beef. The volume of both types of imports tends to follow the U.S. cattle cycle. In the building phase of the cycle, fed cattle prices rise; consequently cows are held off the market in order to expand herds. Higher fed cattle prices lead to increased imports of feeder cattle.

Herd expansion reduces the supply of cow beef. So imports increase to supplement the low level of domestic supplies. In recent years the declining trend in dairy cow numbers has further reduced domestic supplies of this meat.

However, demand for products made from cow beef has been rising. Per capita consumption of hamburger and processed beef has risen three times as much as that for all red meats in the last decade (33 percent for hamburger, 10 percent for all red meats).

The active policy of Australia and New Zealand to enter the U.S. market also contributes to increased imports. In 1952 Australia and the United Kingdom signed a 15-year agreement that committed Australia to ship the majority of her exports to the United Kingdom. Alterations in this agreement in 1958 and 1960 permitted Australia to sell to other countries.

Table 2. Percentage of world imports of beef and beef cattle by major areas in selected years

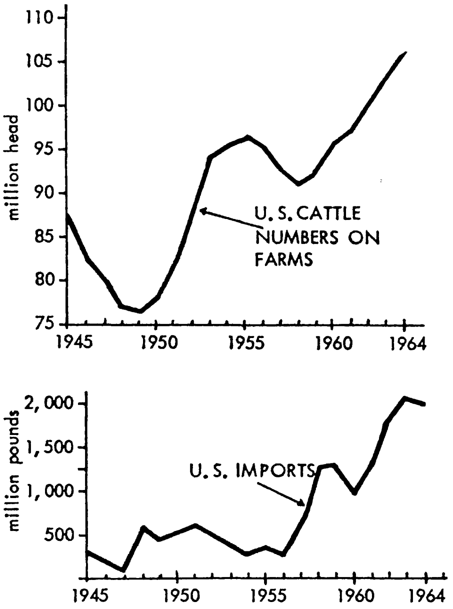
Year	U.K.	U.S.	EEC*	Others
1934-38	80	3	3	14
1953	70	9	7	14
1957	60	10	12	18
1962	50	24	11	15

* Mainly West Germany and Italy.

Table 3. U.S. imports of beef and beef cattle as a percent of domestic production (1946-63)

Year	Percent	Year	Percent	Year	Percent
1946	1.5	1952	4.4	1958	8.6
1947	0.7	1953	2.4	1959	8.6
1948	5.0	1954	1.8	1960	5.9
1949	3.8	1955	2.1	1961	7.9
1950	4.7	1956	1.5	1962	10.6
1951	5.8	1957	3.9	1963	10.9*

* Preliminary data.



Upper scale: U. S. cattle numbers on farms. Lower scale: U. S. imports of beef and cattle. (In 1947 and 1952-55 there were embargos on imports of live animals from Mexico and/or Canada.)

In addition, the U.K. application for membership in the EEC threatened Australia's and New Zealand's prospects in the British market. Active efforts to establish alternative markets, mainly the United States, in which to sell their increasing supplies of exportable meat products, have apparently met with success.

Agriculture and U.S. Trade Policy

Undoubtedly, the U.S. cattle industry is in serious shortrun difficulty. It is also true that imports have contributed to some extent to the price fall. However, in light of the U.S. position of world leadership, the import question must be placed in proper perspective.

Requests for import restrictions as a means of improving domestic cattle prices illustrate a basic conflict between domestic agricultural policy and freer trade. In 1962, U.S. agricultural interests reacted strongly against high tariffs to protect German poultry producers in the now famous "chicken war." Currently, U.S. beef interests are seeking comparable treatment regarding "low priced" beef imports. The economic issues in both cases are essentially the same. But the position of U.S. agricultural interests has been reversed.

The Price Question. In recent years the U.S. market has been able to absorb 3- to 4-percent annual increases in cattle marketings without serious price lowering effects. Cattle marketings in 1963 were up 7 percent over 1962 levels. Imports in 1963 were 240 million pounds higher than in 1962, but in the same period domestic production was up more than 1 billion pounds. The higher than average marketings in 1963 had significant price-deflating effects.

Recent U. S. Department of Agriculture studies (see *Livestock and Meat Situation,* November 1963) suggest that cattle prices would have fallen substantially even in the absence of imports. Although precise estimates are impossible, imports probably have contributed not more than 15 to 20 percent of the price drop (about 0.50 to 0.65 cents per 100 pounds of the $3.70 decline in average prices between 1962 and 1963). The remainder can be attributed to larger domestic marketings of beef and increased supplies of pork and poultry.

If it is true that the price-depressing effect of imports has been small, then price-raising effects of restricting imports would also be small. In any case, the longrun price structure of the U.S. market is determined largely by domestic supplies.

However, imports may accentuate the building phase of the cattle cycle by preventing cow prices from rising in response to lower domestic supplies of cow beef. This argument's significance depends upon the extent to which the incentive to cull breeding cows arises from higher cow beef prices. This question is largely unanswered at the present time.

Broader Trade Considerations. The cost of imported beef includes 3 cents per pound tariff and about 4 cents per pound transport cost. The recently concluded voluntary agreements limit imports in 1964 to a level 6 percent below 1963. The United States could not independently impose further quantitative restrictions without violating previous international committments under the General Agreement on Tariffs and Trade.

The Trade Expansion Act of 1962 emphasized U. S. interest in expanded trade. Imposition of restrictions on meat imports would clearly place U.S. negotiators in a difficult position when bargaining for increased access to foreign markets. We have argued against EEC restrictions on our agricultural products. If we apply similar restrictions on imports to the United States, our case for freer access of agricultural and nonagricultural goods to the EEC is greatly weakened.

Trade is a twoway street for all nations. Those who want to sell abroad must purchase foreign goods in return. As leader of the Western world and as the largest exporter of agricultural products, the United States must carefully consider any action that might lead to more rather than fewer trade restrictions.

SOYBEANS AND THE COMMON MARKET

Reynold P. Dahl

U.S. soybean production doubled during the past decade—from 341 million bushels in 1954 to 701 million bushels in 1963. Despite this increase, average prices received by farmers held at about the same level—$2.46 per bushel for the 1954 crop, $2.34 for the 1962 crop, and an estimated $2.57 for the 1963 crop.

The success story of this crop could not be written if soybeans did not enjoy an expanding export market. Exports of soybeans have more than tripled during the past decade.

In 1962-63 the soybean equivalent of our exports of soybeans, soybean oil, and soybean meal totaled 243 million bushels—nearly 40 percent of total production.

Common Market, Our Largest Market

The six countries (Belgium, Luxembourg, The Netherlands, France, Italy, and West Germany) of the European Economic Community (Common Market—EEC) form our largest single export market for soybeans and soybean products. In the 1962-63 crop year these countries took more than 63 million bushels of U.S. soybeans, 35 percent of our total exports of this commodity. In addition, they took 760,000 short tons of U.S. soybean meal or 65 percent of total U.S. shipments.

These are commercial sales made for dollars; consequently, we are interested in maintaining and expanding this important export market for soybeans and soybean products. Will the establishment of EEC affect this objective?

One basic provision of the Treaty of Rome, which established the EEC, is that all tariffs between member countries would be eliminated in a series of reductions during a transition period. In 1970, complete freedom of trade would exist. In addition, a common policy for trade with third countries would be in force by 1970.

In the past, EEC countries individually have had programs to support farm incomes with wide differences in provisions. European farmers have received assistance through government price support programs. Prices of farm products have been supported at levels above world prices; imports have been restricted through quotas, fixed tariffs, levies, state trading monopolies, etc.

A common agricultural policy is now being formulated; both method and level of support of farm income are being standardized. The broad principles of this policy are agreed to but many details have to be worked out.

The EEC has decided to limit imports of wheat, feed grains, and poultry through variable levies which automatically raise import prices to the higher prices within the EEC. Of course, such levies insulate their domestic market from competition from lower priced imports.

There is good reason for concern over the future of U.S. agricultural exports to the EEC. However, generalizations from our so-called "problem" commodities—those subject to variable levies—to all commodities may result in conclusions that are more gloomy than facts warrant.

Outlook Bright for Soybeans and Meal

U.S. exports of soybeans and soybean meal have increased substantially in recent years; prospects appear good for a continued rise.

An important factor contributing to this favorable outlook is that both soybeans and soybean meal are currently imported into the EEC duty-free. They will also be duty-free under the common external tariff in 1970.

A second factor is that for climatic reasons these countries do not produce enough oilseeds to cover their needs. They find soybeans desirable to import because soybeans contain a higher ratio of high protein meal to oil than do most oilseeds—80 percent meal to 17 percent oil on a weight basis. Prospects are good that the demand for soybean meal will increase at a rapid rate as meat production and consumer incomes increase in the EEC. Mixed feed production increased more than 70 percent in the last 4 years; this trend will probably continue.

If consumer incomes continue to increase at the present rate, the EEC Commission forecasts that between 1958 and 1970 poultry consumption in the community will increase 115 percent; beef consumption, 53 percent; and pork consumption, 29 percent. The external tariff structure will tend to favor the production of this meat within the EEC.

Thirdly, feed grain prices are supported at levels considerably above world prices through variable import levies. As a result, feed grains are expensive relative to soybean meal in the EEC. In Germany the price of soybean meal has been cheaper than feed barley in recent years. In 1962 the average price of feed barley in Germany was $103.50 per metric ton while 44-percent protein soybean meal sold for an average of $90.25 per metric ton.

The cheapness of soybean meal relative to feed grains has greatly contributed to increased meal consumption in the EEC. With livestock production increasing in this area and with prevailing price relationships between feedstuffs, it is understandable why U.S. exports of both soybeans and soybean meal have increased.

Soybean Prices are Important

The future growth of our exports of soybeans and soybean products will be affected by their prices. Because they have competitors, these commodities must be realistically priced. Soybean meal has tough competitors in the EEC; its sale can drop rapidly when price gets out of line with competing products. The same is true for soybean oil.

Consequently, restraint must be exercised in setting the support price for soybeans. In addition, it is in the interest of the U.S. soybean industry to expand production enough each year to cover the demand increase for soybean products.

The current crop year may be a case in point. The total supply of soybeans at the beginning of the 1963 crop year was about the same as a year earlier. Substantially higher soybean and soybean meal prices have resulted; they have helped reduce the rate of increase in foreign sales for these products this year.

Prospects for Soybean Oil Exports

The United States would like to sell soybean oil, as well as beans and meal, to EEC countries. In fact, we have sold significant quantities of soybean oil to the EEC in some years, but sales during the last several years have fallen off. The outlook may not be bright because the EEC will have a common external tariff of 10 percent on crude soybean oil by 1970.

However, it is questionable if we could sell more soybean oil in the EEC even under the old tariff rate of 5 percent (this was in effect in the Benelux Countries and West Germany). More soybeans will be crushed in the EEC in response to an increased demand for soybean meal. The soybean oil derived from the larger European crush will probably meet most domestic market requirements.

Common Policy for Fats and Oils

The market potential for soybean oil in the EEC will be affected by decisions made on common policies for dairy products and fats and oils. The EEC Commission opposes the taxation of vegetable oils to support butter—as farm organizations propose. But if butter surpluses increase to 400,000 metric tons by 1970 as forecast, steps may be taken such as selling surplus butter in melted form as a cooking oil at reduced prices.

It would be in the interest of the U.S. soybean industry if the EEC would adapt a dairy policy aimed toward stabilization of milk production. This may be accomplished through a price policy which promotes meat production rather than milk. Structural change in European agriculture may be required as a solution to the milk surplus.

A key part of the common policy for fats and oils will probably be an excise tax levied on domestically produced and imported vegetable oils. Tax proceeds would support the incomes of rapeseed and sunflower growers in the EEC and olive oil producers in Italy.

Present production of domestic oilseeds—rapeseed and sunflower—is not large in the EEC. However, France hopes to replace some wheat acreage with sunflowers. It is questionable whether longrun interests of either the EEC or the United States will be served if the uneconomic production of these crops is stimulated through higher support prices.

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the outlook corner

Beef Consumption Trends

S. A. Engene

Sagging cattle prices are causing concern among beef men. Why have prices gone down? What will happen in the future?

The first important factor affecting meat prices is the supply. Because our population has been growing continuously, supply can be studied most effectively in terms of per capita supplies.

In our marketing system, practically all meats that go to market are consumed. And they are consumed shortly after marketing; carryover stocks are a small part of the total supply. Marketings in a year almost equal consumption in the same year.

So we can restate the general situation in this way: An important factor affecting price is the amount of meat that farmers ask consumers to buy. How much beef are they now asking them to buy? A comparison with long-time as well as recent trends gives some information.

U. S. consumption per capita of beef and other meats is shown in table 1. We divided the period from 1900 to 1959 into five periods; consumption per capita of beef was relatively constant within each period.

Consumption of beef dropped from 70 pounds per person during 1900-11 to 52 pounds in 1927-40. Total consumption rose by only 10 percent (table 2) during this period—less than the increase in population.

Farmers stepped up beef production quite rapidly after World War II. Supplies of beef offered to consumers more than doubled—from 8.5 billion pounds in 1941-52 to an expected 18.2 billion in 1964. Of this increase, almost nine-tenths came from increased U.S. production while a little more than one-tenth came from increased imports.

This increase in supplies was more rapid than the growth in population. The average quantity of beef each person in the United States was asked to buy rose from 61 pounds per year in 1941-52 to 97 pounds in 1964. One-third of this increase came in the last 4 years—up from 85 pounds in 1960 to 95 in 1963 and probably 97 pounds in 1964.

This rapid increase in supply has brought prices down—the principle of supply and demand at work.

The first important factor affecting price is supply; the other is demand. Present prices probably would be considerably lower if there had not been higher incomes and a shift in preference from pork to beef during the two decades since the last war. These shifts made consumers willing to buy extra beef without a drastic drop in prices; as we say in economics, the demand curve shifted to the right.

Beef supplies are likely to remain high for the next few years—they might even go higher than 1964 levels. Farmers and ranchers had more beef cows on January 1, 1964 than in any past year so more calves will be coming to market in the future. There is little prospect that beef prices will rise while supplies are so large.

Study of the beef market requires consideration of the supplies of other meats which compete for the consumer's dollar. Beef's biggest competitor is pork. Pork marketings, primarily from U.S. farms, increased almost as fast as population. Therefore, the average level of pork consumption per capita has stayed almost constant in the past 65 years. Hog prices did not keep up with beef prices, in spite of the rapid increase in beef supplies; consumer preferences shifted away from pork.

Production and supplies of other red meats (veal, lamb, mutton) increased slightly faster than population up to 1950. They have decreased since that time, with per capita consumption falling from 15 pounds in 1941-52 to about 10 pounds this year. Per capita consumption of poultry has about doubled in the last 20 to 25 years. This, too, tends to depress beef prices.

Table 1. Consumption per capita of beef and other meats, United States, 1900-64

Period	Beef*	Pork*	Other red meat*	Poultry†
		pounds		
1900-11	70	70	13	20
1912-26	61	66	13	19
1927-40	52	64	14	20
1941-52	61	71	15	23
1953-59	82	64	13	30
1960	85	65	11	34
1961	88	62	11	38
1962	89	64	11	37
1963††	95	65	10	37
1964§	97	64	10	38

* Carcass weight.
† Ready-to-cook weight.
†† Preliminary.
§ Estimated.

Table 2. Total consumption of beef and other meats, United States, 1900-64

Period	Beef*	Pork*	Other red meat*	Poultry†
		billion pounds		
1900-11	5.9	5.9	1.1	1.6§
1912-26	6.4	7.0	1.4	2.0
1927-40	6.7	8.1	1.8	2.7
1941-52	8.5	9.9	2.0	3.7
1953-59	13.5	10.5	2.1	5.0
1960	15.1	11.6	1.9	6.1
1961	15.9	11.2	1.9	6.8
1962	16.3	11.7	2.0	6.8
1963††	17.6	12.0	1.8	6.9
1964§	18.2	11.9	1.8	7.1

* Carcass weight.
† Ready-to-cook weight.
†† Preliminary.
§ Estimated.

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