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Federal Reserve Bank of Chicago - -

February 17, 1967

IMPORTS OF MEAT in recent years have caused considerable controversy. In 1964, following the record level of meat imports during the previous year, a new meat import law was enacted. This legislation was designed to limit imports of beef and some other meats if they threaten to exceed certain quotas computed by the Secretary of Agriculture. However, the quotas may be suspended or increased by the President if he determines such action is required by underlying economic or national interest, or that the supply of meat will be inadequate to meet domestic demand at reasonable prices, or that trade agreements with supplying countries will insure that quota limits will be adhered to.

The quantity of meat that may be imported in any calendar year is determined by adjusting the base level of 725 million pounds (the average annual quantity imported from 1959 through 1963) in accordance with increases or decreases in domestic commercial production of these meats during the latest three-year period. An estimate of production for the current year is included in the three-year average.

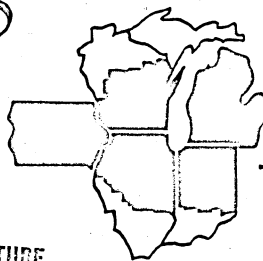
In 1966, for example, domestic production of beef, veal, mutton and goat was estimated at 19.5 billion pounds. The average for the three-year period, 1964-1966 (including the estimate for 1966), was 19.3 billion pounds or 22.7 percent larger than the annual production of 15.7 billion pounds in the base years 1959-1963. Thus, the 1966 quota is computed by increasing the 1959-63 import base of 725 million pounds by 22.7 percent, to 890.1 million. Before restrictions on imports could have been imposed, however, the estimate of imports would have had to be 10 percent above this level or 979.1 million pounds.

Since enactment of the meat import legislation, imports have not been large enough to require imposition of the quotas. In 1965, imports covered by the law totaled 614 million pounds compared with the quota of 848.7 million and a maximum quota of 933.6 million.

Imports of these meats during January-November, 1966, totaled 757 million pounds. Although this was sharply above the level of the previous year—up 35 percent—it was still well below the 979.1 million maximum permitted for 1966.

Meat imports depend largely upon domestic prices and availability. Beef and veal make up the bulk of meat imports to the United States. About 90 percent of the former goes into processed meats. As a consequence, these imports respond largely to variations in cow slaughter in the United States. From the late Fifties through 1963, for example, cow slaughter declined to relatively low levels as farmers and ranchers were enlarging their breeding herds and beef imports rose to a record high. As cow slaughter rose sharply in 1964 and 1965, imports dropped but then increased last year as cow slaughter was reduced again.

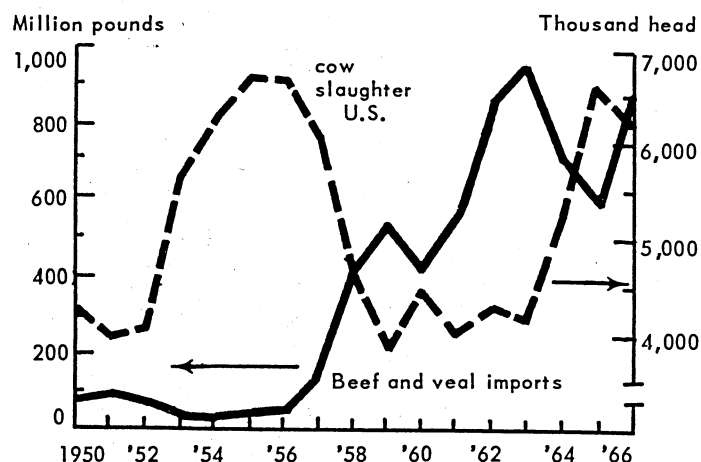
Agricultural Letter



Number 896

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Imports Rise Sharply As Cow Slaughter Declines



Cow slaughter is expected to decline further during 1967, reflecting a buildup in breeding herds and reduced culling of dairy cows. Also, prices of low-grade beef are likely to strengthen, averaging higher than in other major meat importing countries. These factors are expected to cause a larger quantity of imports. Recent estimates by the Secretary of Agriculture place meat imports for 1967 at 960 million pounds—well above the quota of 904.6 million pounds but slightly below the maximum 995 million pounds permitted before restrictions could be imposed.

Conferences on Agricultural Credit have been announced for four states in the Seventh District. The dates are as follows:

Wisconsin Agricultural Credit Conference
Park Motor Inn, Madison, March 7 and 8

Indiana Bankers Association Agricultural Credit Clinic
Purdue University, March 15 and 16

Iowa Bankers Association Agricultural Credit Conference
Iowa State University, March 21 and 22

Michigan Agricultural Finance Conference
Kellogg Center, East Lansing, April 12

Further information may be obtained from the respective universities or state banking associations.

Roby L. Sloan
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