Market Advisor

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U.S. is important in world beef trade

U.S. beef exports set record highs in 2011 for both volume and value. The United States exported 2.8 billion pounds (lb.) of beef in 2011, 21% more than in 2010 and almost 11% more than the previous record set in 2003. The value of beef exports was also a record at $4.6 billion, and was up $1.2 billion (34%) compared to last year.

Beef trade factors

In the latest World Agricultural Supply and Demand Estimates (WASDE) report, USDA predicted 2012 beef exports to decline about 6% in volume and imports to increase about 18.5%. Attempting to explain international trade is complicated, because many factors affect trade flows of agricultural commodities, including beef. But to try to simplify beef trade, a few important factors include general economic conditions, exchange rates, government policies, and changing beef production and price levels in the many beef importing and exporting countries.

Some reasons for USDA projecting more imports and fewer exports in 2012 are the strengthening value of the U.S. dollar; lower U.S. beef production, especially cow beef; higher U.S. beef prices; and increasing beef production and expected increases in exports from Australia. Even though the volume of U.S. exports will be lower in 2012, important for the beef industry is that the value of exports will likely be about 5% higher than last year due to higher prices.

The United States is a major participant in the world beef market because we are the largest beef producer, largest consumer, second-largest importer behind Russia, and the third-largest exporter behind Australia and Brazil.

The top four destinations for U.S. beef exports in 2011 were Canada, Mexico, Japan and South Korea. Exports to all of those countries have been down in single-digit percentages compared to last year. However, increases of about 50% to Vietnam and Russia have been recorded.

The top three sources of U.S. beef imports in 2011 were Canada, New Zealand and Australia. Australia was the leading provider of beef to the United States until 2008, when it fell to second through 2010 and to third in 2011. A drought in Australia caused beef herd liquidation, but rebuilding has now taken place. Imports from Australia are up significantly this year, and Australia is poised to regain second-place and possibly first-place status in 2012. Imports from Canada and New Zealand are up just slightly.

Why does the United States trade?

Why does the United States both export and import substantial quantities of beef? Again, the answer is complicated and could take much more space than available in this column. However, I will try to simplify.

Except for trade with Canada (more later), the United States basically exports high-quality, grain-fed beef and byproducts such as tongues, livers, hearts, etc. We import lower-quality, manufacturing-grade beef, because the demand for hamburger is much greater than our cow and bull slaughter can satisfy. It is not efficient to feed cattle to the Choice and Select grades and then grind the meat for hamburger. This is especially true when we can sell the meat in the much higher-priced export market and purchase much cheaper grinding meat from other countries.

Canada's case is more of a logistical issue, and the United States both exports and imports grain-fed beef. Most of Canada's cattle are fed in the West and its largest human population is in the East. So, it is more efficient to ship some Canadian beef to the large U.S. West Coast population and ship some U.S. beef to the Canadian East Coast population.

Even though a higher volume of beef imports and fewer exports are predicted for 2012, that won't be enough to offset the expected 3.3% decline in beef production that the Livestock Marketing Information Center (LMIC), which I am a member of, is predicting. The LMIC projects about a 2% decline in 2012 U.S. per capita beef consumption, which is one of the factors supporting current cattle prices. Fed-cattle prices are 9% above last year at this time, with cow prices about 25% higher, and, depending on the geographic region, feeder cattle and calves are 20% to 35% higher than last year's record prices.

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