



Market Advisor

► by **Tim Petry**, North Dakota State University Extension Service

Beef trade update

International trade continues to be an important component of beef, fed-cattle and cull-cow prices. The international market is also very dynamic, as factors such as world weather conditions, exchange rates and trade agreements are continuously changing. Two important beef trade issues in 2013 have been with Japan and Russia.

Export markets

The announcement in January 2013 that Japan would again allow U.S. beef from cattle less than 30 months of age starting in February caused speculation that Japan may return to the leading export market for U.S. beef. Japan was the leading customer prior to discovery of the first case of bovine spongiform encephalopathy (BSE) in the United States in December 2003, when Japan banned U.S. beef imports. Trade for only beef from cattle slaughtered at 20 months of age or less resumed in 2005. A more in-depth discussion of beef trade with Japan is available in the March issue of the USDA Economic Research Service (ERS) *Livestock Dairy and Poultry Outlook* in a special article titled "Japan Announces New Rule for Imports of U.S. Beef." It is available at www.ers.usda.gov/media/1058622/ldpm225.pdf.

Beef exports to Russia have been

gradually increasing in the last several years. In 2012, Russia was the sixth leading destination for U.S. beef, which amounted to more than 6% of beef exports. However, earlier this year Russia announced that it was banning all beef, pork and turkey from the United States unless it could be certified free of the growth promotant ractopamine hydrochloride. Since the United States does not have a ractopamine-free certification process, beef exports to Russia have stopped.

U.S. beef exports were record high in 2011 at 2.8 billion carcass weight pounds (lb.). Exports declined to 2.5 billion lb. in 2012, and the USDA ERS is projecting about 2.4 billion lb. for 2013. Some reasons for the lower volume of exports include the strengthening value of the U.S. dollar, lower U.S. beef production and record-high U.S. beef prices. Important to note is that even though the volume of beef exports declined in 2012 and may be a little lower in 2013, the

value of annual beef exports has increased due to higher prices.

The latest beef trade data that are available as I write this column are for the first six months of 2013. Through June, beef exports were up 0.5% compared to last year, and beef imports were down 2.6%.

Last year the leading destinations for U.S. beef in order of importance were Canada, Japan, Mexico, South Korea, Hong Kong and Russia. This year, as expected, Japan has surged to first place with beef exports, up 53% to that country so far. The increase is especially noteworthy given that the U.S. dollar has increased about 20% relative to the Japanese yen in the last several months. That causes the price of U.S. beef that is at historically high levels to be even higher priced in Japan.

Canada is the second-leading destination for U.S. beef so far in 2013, with exports up 13.5%. Mexico remains in third place, but exports are off 17% from 2012. Hong Kong moved up to fourth place with a 62% increase compared to last year, and South Korea fell to fifth place with a 25% decline.

A potential trade issue to watch is with our No. 2 (Canada) and No. 3 (Mexico) customers for U.S. beef. Both countries are disputing the U.S. country-of-origin labeling (COOL) law. They say recent amendments to COOL violate current trade agreements and have filed a complaint with the World Trade Organization (WTO). If the WTO rules in their favor, both countries have said they will retaliate. Canadian officials released a list of 38 commodities, including beef, which would be targeted for trade duties. The Mexican government said it would suspend preferential tariffs for a variety of U.S. products, including meat.

International trade is very important to the U.S. beef industry. In 2012, the value of all U.S. cattle, beef and byproduct exports was \$7.9 billion. The U.S. imported about \$5.6 billion worth of cattle, beef and byproducts, resulting in a \$2.3 billion trade surplus.

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