



Market Advisor

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

Beef exports strong in spite of high prices

Prices for all market classes of beef cattle and both wholesale and retail beef prices have set record highs in 2014. Prices have been supported by historically low cattle and beef supplies, strengthening domestic beef demand and strong beef export demand. Normally, record-high prices would tend to encourage imports and discourage exports. However, trade is affected by many factors, such as exchange rates, governmental policies, trade agreements and worldwide weather conditions, just to name a few.

Volume is increasing

Indeed, U.S. beef imports in the first half of 2014 were more than 5% higher than last year, and likely were buoyed by higher prices. Much of the increase in beef imports came from Australia, who is the leading supplier of beef to the United States. A severe drought in Australia along with a weak currency also added to the increased imports. Australian beef production has increased more than 10% from last year as drought conditions forced liquidation of cattle. Interestingly, beef imports from other major suppliers such as New Zealand and Uruguay were down as demand for beef in China and other Asian countries increased.

So far this year, U.S. beef exports have been up about 7% more than last year. The latest U.S. livestock and meat trade data by country is available from the USDA Economic Research Service (ERS) at www.ers.usda.gov/data-products/livestock-meat-international-trade-data.aspx.

Strong beef exports are especially

significant because U.S. beef production has been down more than 5% for the year and beef prices are at record-high levels. Sales to Southeast Asian countries continue to be strong.

For 2014, the top five foreign customers by volume for U.S. beef in order of importance have been Japan (up 9%), Mexico (up 39%), Hong Kong (up 62%), Canada (down 25%) and South Korea (up 7%).

Japan regained the No. 1 U.S. beef customer status in 2013. In February 2013, Japan again began accepting U.S. beef from animals less than 30 months of age. Japan was the leading customer prior to the 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.

In mid-June, Hong Kong agreed to accept all U.S. beef products from animals of any age for the first time since 2003. Under the new

terms, Hong Kong will permit the import of the full range of U.S. beef and beef products, consistent with access prior to December 2003. Previously, only deboned beef from all cattle and certain bone-in beef from cattle less than 30 months of age could be shipped from the United States to Hong Kong. Earlier this year, Mexico, Uruguay, Ecuador and Sri Lanka also lifted their longstanding restrictions to provide full access for U.S. beef and beef products.

While Hong Kong is officially part of China, it serves as its own customs and quarantine administration zone and so maintains its own rules and regulations.

China has quickly emerged from importing very little beef in 2011 to the fifth-largest beef importer in the world. However, China does not allow beef imports from the United States because officials cannot agree on China's regulations related to BSE issues. Canada reached a beef export agreement with China in 2011, and China has been a growing market for Canadian beef.

Russia is one of the leading importers of beef in the world. In 2012, Russia was the sixth-leading destination for U.S. beef, which amounted to more than 6% of beef exports. Beef exports to Russia had been gradually increasing for several years. However, in 2013 Russia announced that it was banning all beef, pork and turkey from the United States unless it could be certified free of ractopamine. Currently, very little U.S. beef is exported to Russia.

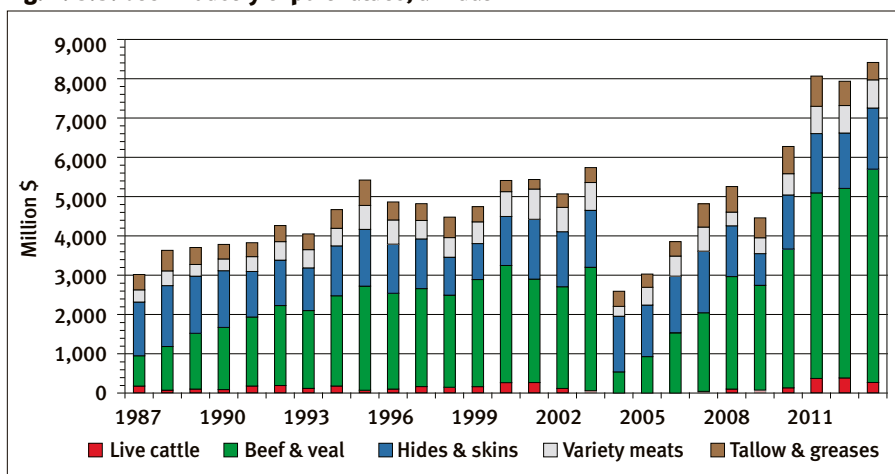
The United States continues negotiations with both China and Russia to gain access for U.S. beef. The beef industry remains hopeful that those negotiations will be successful in 2014.

International trade is very important to the U.S. beef industry. In 2013, the value of all U.S. cattle, beef and byproduct exports reached a record \$8.4 billion. The United States imported about \$5.6 billion worth of cattle, beef and byproducts resulting in a \$2.8 billion trade surplus.

Tim Petry

EMAIL: tim.petry@ndsu.edu

Fig. 1: U.S. beef industry export values, annual



Source: USDA FAS, Compiled and analysis by LMIC.

Livestock Marketing Information Center.

Editor's Note: *Tim Petry is a livestock marketing economist with the North Dakota State University Extension Service.*