U.S. beef imports through August continue at record-setting pace

by Gregg Doud, Chief Economist and Julie McWright, Manager, International Markets – NCBA

Summary

Total January-through-August 2005 U.S. beef imports continued to expand beyond the record pace set in 2004. Although imports from Australia and New Zealand are down, imports from Uruguay are increasing at a staggering rate – even though about 95 percent of Uruguay's exports to the United States are assessed the 26.4 percent over-quota tariff rate.

The overall volume of lean and cooked beef imports is also up from last year, increasing about 3 percent. The main differences have been an additional 45,000 metric tons (mt.) from Uruguay so far this year and 30,118 mt., or approximately 13 percent, increase in beef imports from Canada due to increased slaughter capacity.

Background

Total U.S. imports

Major U.S. suppliers continue to be Australia, Canada and New Zealand, as illustrated in the accompanying *Beef Imports from Primary Suppliers* table. These three countries accounted for approximately 75.4 percent of the volume and 78.4 percent of the value of beef imported from January through August 2005.

Lean imports from Uruguay remain the big story in 2005, increasing 55.4 percent from last year. Most of this product (95%) is price competitive, even after it is assessed a 26.4 percent over-quota tariff. Imports from New Zealand are down mostly as a result of that country's dairy cattle cycle and the related decreases in production (more than 60% of New Zealand's beef is now derived from dairy cattle).

Imports from TRQ suppliers

Total 2005 U.S. beef imports from primary tariff rate quota (TRQ) suppliers so far are down 9 percent compared to the same time period in 2004. U.S. imports of fresh and frozen beef products subject to TRQs (not including cooked, canned and processed beef that is reported in the *Beef Imports from Primary Suppliers* table) as well as imports of fresh and frozen beef from Canada and Mexico are reported weekly by the Department of Homeland Security-U.S. Customs and Border Protection.

U.S. beef imports from Australia, New Zealand, Argentina, Uruguay, Japan and "all others" are subject to TRQs as negotiated in the World Trade Organization (WTO) Uruguay Round and shown in the accompanying table *Beef Imports Subject to TRQ from Primary Suppliers*. Under the WTO Most Favored Nation (MFN) TRQ, suppliers must pay a 4.4 cents/kg. in-quota tariff. Any product shipped after the TRQ is filled is assessed a U.S. tariff of 26.4 percent. Historically, exporting countries rarely fill their beef TRQs.

Beef Imports from Primary Suppliers: January - August 2004 vs. 2005

	Volume (Thousand Metric Tons)			Volume (Million Dollars)		
	2004	2005	% Change	2004	2005	% Change
Canada	234.00	264.12	12.87	783.27	904.24	15.44
Australia	229.18	204.24	-10.88	658.93	614.04	-6.81
New Zealand	183.88	157.47	-14.36	521.23	480.61	-7.79
Brazil	32.57	32.39	-0.56	118.15	111.79	-5.38
Argentina	18.10	18.32	1.22	51.28	58.99	15.04
Uruguay	81.35	126.44	55.43	186.67	291.43	56.12
Mexico	4.80	6.20	29.31	24.52	32.56	32.77
Other	19.26	20.62	7.05	48.95	54.99	12.34
Total Beef	803.13	829.80	3.32	2,393.01	2,548.66	6.50
Total Variety Meats	11.25	15.50	37.81	37.14	47.74	28.56
Total US Imports: Beef + Variety Meats	**814.38**	**845.30**	**3.80**	**2,430.14**	**2,596.40**	**6.84**

Canada: Canada's packing capacity has increased by more than 10,000 head per week during the past year, evidenced by Canada's increasing beef exports to the United States. Canada is now capable of slaughtering approximately 90,000 head per week with a goal of processing 110,000 head (fed and non-fed slaughter) per week. Canadian slaughter in August 2005 was about 70,000 head per week, similar to August last year, although non-fed slaughter levels in Canada have increased significantly since the U.S. border reopened to live-cattle trade.

Australia: The United States imports mostly lean beef for manufacturing from Australia, which is then blended with U.S. trimmings to create quick-service hamburgers. Australia last filled its WTO MFN TRQ for fresh/chilled and frozen beef in 2001. Australia came close again in 2004, with an export volume that filled 97.68 percent of its TRQ.

The U.S.-Australia Free Trade Agreement was implemented in January 2005, providing increased U.S. market access for Australia under a separate TRQ for manufacturing beef (U.S.-Aus FTA TRQ). Dry weather and ample opportunities for Australian beef in Asian markets suggested that Australia would export less beef to the United States in 2005. So far this year, U.S. imports of Australian beef have been about 8 percent less than the same time last year.

Beef Imports Subject to TRQ from Primary Suppliers: YTD Week Ending November 7, 2005						
	Volume (Metric Tons)					
	Quota	2005	% Fill '05	2004	% Fill '04	% '05 vs '04
Australia	378,214	262,881	69.51	286,654	75.79	-8.29
New Zealand	213,042	170,354	79.83	193,364	90.61	-11.90
Argentina	20,000	0	0.00	0	0.00	0.00
Uruguay	20,000	15,661	78.31	15,693	78.47	-0.20
Japan	200	0	0.00	0	0.00	0
"Others"	64,805	24,099	37.19	25,026	38.62	-3.71
Total	**696,621**	**472,996**	**67.90**	**520,738**	**74.75**	**-9.17**
US Beef Imports from non-TRQ Suppliers						
Canada	0.00	302,702	N/A	296,778	N/A	2.00
Mexico	0.00	6,516	N/A	4,582	N/A	42.21

U.S. imports from Australia declined during the first half of 2005 because of Australia's emphasis on supplying beef to South Korea and Japan. A new and interesting development to watch is Australia's decision to scrap its quota system for managing exports to the United States. Historically (until August 2005), Australia allocated a company-by-company quota system involving between five and six key players for the first 85 percent of Australia's 378,214-mt. TRQ. This approach may have actually stimulated exports to the United States, to an extent, because companies that did not fill their individual quota allocation to the United States typically had that quota reduced the following year.

Under the U.S.-Australian Free Trade Agreement that went into effect this year, Australia's TRQ could have increased by 15,000 mt. if U.S. exports in 2005 had returned to pre-2004 (mad cow disease) levels. Since this will obviously not occur, Australia's TRQ will increase by 20,000 mt. in 2007.

New Zealand: The United States imports mostly lean beef from New Zealand, which nearly filled its WTO MFN TRQ during the last two years (98.71% and 99.31% respectively). Like Australia, New Zealand year-to-date (YTD) exports are down, and with New Zealand's October 2004 through September 2005 cattle slaughter down 10 percent and total beef production down roughly 5 percent, no one expects New Zealand to come close to filling its quota in 2005.

Argentina: Argentina remains ineligible to ship fresh or frozen beef to the United States because the country has not maintained FMD-free (foot-and-mouth disease) status after a March 2000 outbreak. Cooked and processed beef may be shipped without quota restrictions.

Brazil: Recent FMD outbreaks in Matto Grosso and Matto Grosso Du Sul have halted Brazil's efforts to gain FMD regionalization status for resuming trade to the United States. Therefore, the U.S. market remains closed to fresh and frozen beef products from Brazil.

Even Brazilian cooked exports to the United States should end up being down sharply in 2005 because Brazil voluntarily pulled its health certification status for all plants exporting to the United States after a USDA Food Safety and Inspection Service (FSIS) audit. The reason for this decision is not clear, but only six plants' eligibility (of 32 eligible for export to the United States) had been reinstated at press time.

Uruguay: U.S. imports of fresh and frozen beef from Uruguay resumed in May 2003 after Uruguay achieved FMD-free with vaccination status. During 2004, Uruguay filled 97.65 percent of its 20,000 metric ton WTO MFN TRQ for fresh and frozen beef, but so far in 2005 more than 95 percent of Uruguayan exports to the United States have been out of quota and therefore assessed the 26.4 percent duty.

Key Points

- **From January to August 2005, beef imports increased 3.3 percent in volume and 6.5 percent in value compared to the same time in 2005. U.S. imports from TRQ suppliers are down 9 percent so far in 2005, but this doesn't factor in the significant imports from Uruguay that are being assessed the out of quota tariff.**
- **New Zealand nearly filled its WTO MFN TRQ in 2004, but 2005 imports from New Zealand will likely fall well short of 2004 levels. However, imports from Uruguay will continue at record levels.**
- **The total U.S. beef supply (production, plus imports, minus exports) in 2005 is projected to be a record 28.0 billion pounds, up 234 million pounds from 2004. This estimate is based on imports of 3.8 billion pounds versus a current export projection of 639 million pounds (October USDA estimates).**