

9-30-2015

Is Imported Beef a Complement or a Substitute for Domestic Beef?

Sunil P. Dhoubhadel
Fort Hays State University

Azzeddine M. Azzam
University of Nebraska-Lincoln

Matthew C. Stockton
University of Nebraska-Lincoln

Follow this and additional works at: http://digitalcommons.unl.edu/agecon_cornhusker



Part of the [Agricultural Economics Commons](#)

Dhoubhadel, Sunil P.; Azzam, Azzeddine M.; and Stockton, Matthew C., "Is Imported Beef a Complement or a Substitute for Domestic Beef?" (2015). *Cornhusker Economics*. 807.
http://digitalcommons.unl.edu/agecon_cornhusker/807

This Article is brought to you for free and open access by the Agricultural Economics Department at DigitalCommons@University of Nebraska - Lincoln. It has been accepted for inclusion in Cornhusker Economics by an authorized administrator of DigitalCommons@University of Nebraska - Lincoln.

Cornhusker Economics

Is Imported Beef a Complement or a Substitute for Domestic Beef?

Market Report	Year Ago	4 Wks Ago	9/25/15
Livestock and Products,			
Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	158.42	147.00	128.78
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	276.25	247.40	228.84
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	235.53	215.83	194.20
Choice Boxed Beef, 600-750 lb. Carcass.	246.23	243.97	218.66
Western Corn Belt Base Hog Price Carcass, Negotiated.	104.66	71.55	69.19
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean.	110.50	85.74	82.41
Slaughter Lambs, woolled and shorn, 135-165 lb. National.	162.88	156.09	154.71
National Carcass Lamb Cutout FOB.	368.21	358.76	361.18
Crops,			
Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	4.75	4.03	4.20
Corn, No. 2, Yellow Nebraska City, bu.	3.12	3.51	3.57
Soybeans, No. 1, Yellow Nebraska City, bu.	10.57	9.01	8.29
Grain Sorghum, No.2, Yellow Dorchester, cwt.	5.21	5.75	6.00
Oats, No. 2, Heavy Minneapolis, Mn, bu.	3.79	2.69	2.59
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	191.25	183.00	185.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	90.00	85.00	82.50
Grass Hay, Large Rounds, Good Nebraska, ton.	87.50	87.50	80.00
Dried Distillers Grains, 10% Moisture Nebraska Average.	118.00	142.50	127.00
Wet Distillers Grains, 65-70% Moisture Nebraska Average.	35.00	45.50	50.50
* No Market			

United States beef imports have been a controversial issue since 1958, which marked the beginning of major U.S. imports of beef from Australia. From the onset, U.S. beef producers have always been concerned with unrestricted beef imports fearing they would depress prices in the domestic market. In response to these fears, the U.S. Congress enacted the 1964 Meat Import law (P.L. 88-482) limiting red meat imports to approximately 7% of the then current domestic red meat production. This system was replaced by a beef Tariff Rate Quota (TRQ). Historically, TRQ countries rarely fill their quotas. The table on the next page provides the most recent year-to-date data on beef exports to the U.S. by country and a brief explanation of how TRQs work.

The claim that beef imports depress domestic beef prices implies that domestic beef and imported beef are substitutes and as such that imported beef would reduce the use of domestic beef due to its lower price.

However, historical data on U.S. beef imports indicate that the primary product imported as beef consists of grass fed lean beef trimmings (mainly 90 percent lean trimmings, known as 90s). These 90s are imported primarily from Australia and New Zealand, and mixed with fat trimmings from U.S. domestic grain fed beef to mitigate fat content of the final product, ground beef. Given this fact, it is plausible that imported beef and domestic beef are complements rather than substitutes. If that is the case, then a decline in the price of imported beef would be associated with an increase in the use of both imported and domestic beef. So which is it – is imported beef a complement or a substitute for domestic beef?

We addressed the question at the processing level of the beef supply chain and the results we report here

are from a peer-reviewed article forthcoming in the journal *Agribusiness Letters*. We found that, on average, a one percent decrease in the price of imported beef leads to a decline in the use of domestic carcass beef of about 150 million pounds and a decrease in the use of cull cow beef of about 92 million pounds. This indicates that imported beef is a substitute for beef and cull cow carcasses. The decline represents a very small decline of 0.09% and 0.29% relative to the mean use of the respective domestic meats during the sample period (January 2009 – December 2014).

This relationship translates into an average decline of 0.20% in the price of carcass beef and 0.67% in the price of cull cow beef for every 1% decline in the price of imported beef.

The main takeaways are:

- Imported beef is competitive with U.S. produced beef.
- A decline in the price of imported beef reduces the use of both carcass and cull cow beef and conversely a price increase would increase the use of both.
- During the sample period, a decline (increase) in the price of cull cow beef due to beef imports was more than three times the decline (increase) in the price of carcass beef.

Year-to-Date Imports Under the WTO, Fresh, Chilled and Frozen ¹

Updated: 9/3/2015

YTD imports under WTO:	9/1/2014	8/31/2015	Tariff Rate Quota (TRQ)	Imports as% of Quota
		Metric Ton Product Weight		
Canada	122,893	128,077	NA	NA
Mexico	69,432	92,591	NA	NA
TRQ countries	372,207	493,499	696,421	70.86
Australia	181,031	279,677	378,214	73.95
New Zealand	148,255	169,367	213,402	79.37
Argentina	-	-	20,000	0.00
Uruguay	12,803	12,870	20,000	64.35
Other	30,118	31,585	64,805	48.74
Total	564,532	714,167		NA

NA = Not applicable

¹ Under rules agreed to in the World Trade Organization (WTO), a quantity of imports within the limits of a Tariff Rate Quota (TRQ) enter at minimal tariff. A larger tariff is charged on imports above that limit. Imports from Canada and Mexico are exempt from the TRQ under the rules of the North American Free Trade Agreement (NAFTA).

Source: http://www.ers.usda.gov/datafiles/Livestock__Meat_International_Trade_Data/Beef_fresh_chilled_and_frozen_Yeartodate_imports_under_various_trade_agreements/customs_service.xls

Sunil P. Dhoubhadel
Assistant Professor
Department of Agriculture
Fort Hays State University
Kansas
spdhoubhadel@fhsu.edu

Azzeddine M. Azzam
Professor
Department of Agricultural Economics
University of Nebraska-Lincoln
aazzam1@unl.edu
(402) 472-5326

Matthew C. Stockton
Associate Professor
West Central Research & Extension Center
University of Nebraska-Lincoln
mstockton2@unl.edu
(308) 696-6713