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# Economics Newsletter

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## THE U. S. BEEF INDUSTRY - IMPACT OF FOREIGN FACTORS

Introduction. The U. S. cattle industry is more complex than it was a few years ago. A major contributing factor to this complexity is the increased impact of foreign factors. Although many could be listed, the theme of this newsletter will be to present only two of the factors: (1) population impacts and (2) cattle numbers. A follow-up newsletter will be used to present some of the factors which affect the beef industry within the U. S.

Population Impacts. The world's population is growing rapidly. One indication of this growth is presented in Table 1.

At the growth rate indicated, it is evident that there must also be an increased demand for food. In many less developed countries, where population increases are often the greatest, the population growth is not accompanied by increased incomes. Income levels are often so low that people cannot purchase the required levels of protein, even in the cheapest form. Sometimes this means a reduction in the demand for more expensive proteins - livestock products.

The impact of the above on the U. S. beef industry is at least two-fold. First, there are increased world demands for protein, especially feed grains. Since the U.S. is a major grain producer, the demand is channeled here. This increased demand causes an increase in U. S. feed grain prices, a major input for the fed-beef industry in the U.S.

A second impact of the increased population is not as direct as the first. This effect is caused by a "feed the world" philosophy. Grain consumed as grain will feed more people than the same amount of grain processed by the beef animal as meat. Thus, there may be a tendency on the part of some people to switch to non-meat diets, or at least to consume less meat. This causes a reduction in the demand for some grades of beef, such as fed-beef, and at the same time there may be an increase in demand for non-fed or grass-fed beef. The net results on the industry are not yet clear.

World Beef Supplies. Until recent years there was little world trade in fresh or frozen beef. Each country's market was somewhat isolated. As world beef

Table 1. World Population Growth

Year	Population in Billions	Years Required to Add Billion People
1 A.D.	0.25	
1800-1830	1.0	Approx. 1800
1927	2.0	Approx. 100
1960	3.0	33
1973	4.0	13
1984	5.0	11
1993	6.0	9
2000	7.0	7

supplies increased, some countries looked to foreign markets to sell their surpluses. The U. S., with relatively high prices, was a logical market. Our imports increased rapidly and finally import quotas were imposed.

Currently, world cattle numbers are at record levels, 1.34 billion head. However, this inventory is not evenly distributed and the production from a given inventory varies considerably from area to area. This is noted in Table 2. For example, the U. S., with only 10 percent of the cattle inventory produces 30 percent of the world's beef output. India, a country with almost one-fifth of the inventory, produces virtually no beef for food.

In total, world production of beef has increased by 50 percent in the last 15 years. Approximately 37 million metric tons were produced in 1974. Therefore, there are pressures from surplus countries for our internal market - foreign beef competes with U.S. produced beef. Also, export possibilities for the U.S. are limited because other countries either have adequate internal sources or buy from other surplus countries.

Summary. The world market definitely affects the U.S. cattle industry. Some impacts are direct, such as beef imports and grain exports, while others are more indirect, such as the increased world demand for protein and lowered demands for our beef exports. In addition, the issue is not always purely an economic one. The political, social and moral issues also play a role in further complicating the picture.

Table 2. Cattle Numbers and Beef Production, Selected Areas, 1974 and 1975.

Area <sup>1</sup>	Production <sup>2</sup>		Numbers <sup>3</sup>	
	Metric Tons (000)	Percent of World Production	Million Head	Percent of World's Numbers
NORTH AMERICA (U.S.)	12745 (10658)	34 (30)	195.7 (131.8)	15 (10)
SOUTH AMERICA (Argentina) (Brazil)	5597 (2226) (2100)	15 (6) (6)	209.9 (58.0) (91.0)	16 (5) (8)
EUROPE (France)	9761 (1793)	26 (5)	134.6 (24.7)	10 (2)
USSR	5766	15	109.1	8
AFRICA (Ethiopia) (South Africa)	1022 (310) (473)	3 (1) (1.5)	157.5 (25.3) (17.6)	12 (2) (1)
ASIA (India) (Japan)	691 (*) 290	2 (*) (1)	491.0 240.6 3.5	36 18 (*)
OCEANIA (Australia)	1680 (1250)	5 (3)	44.9 (34.5)	3 (2)
TOTAL	37261	100	1342.7	100

<sup>1/</sup>Countries with largest production and/or inventories are noted in parentheses under each major area.

<sup>2/</sup>Preliminary 1974. <sup>3/</sup>Forecast January 1, 1975.

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