Leaflet 10. Beef and the World Trade Organization

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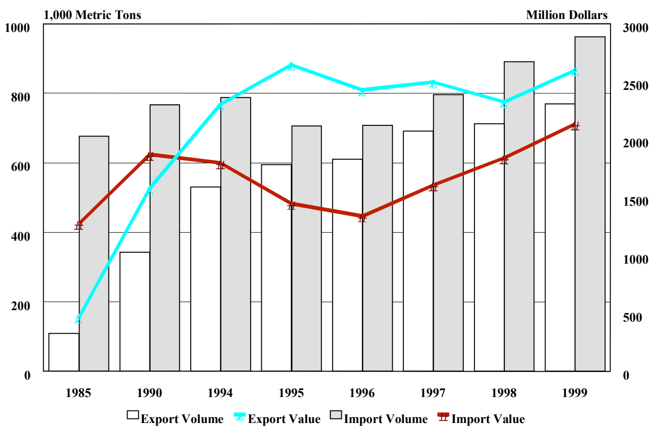
Trade Situation and Outlook

The United States was a net exporter of beef in 1999, generating a trade surplus of $530 million. However, import volume exceeded exports by approximately 200,000 mt due to exports of high quality beef products and imports of low quality beef products. U.S. beef exports have increased six fold since 1985, growing from 110,000 metric tons (mt) to 777,000 mt in 1999. The value of U.S. beef exports increased from to $2.3 billion in 1998

U.S. Beef Trade, 1985 - 1999



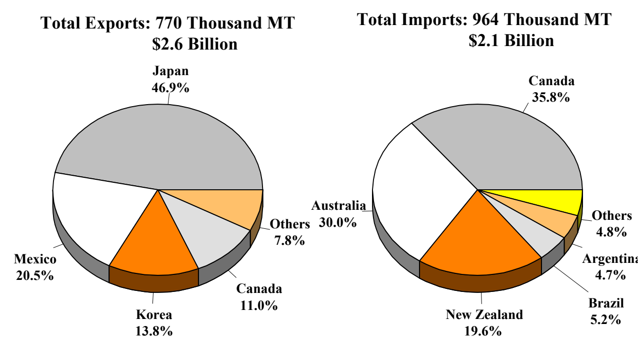
Source: FATUS, USDA/FAS

to $2.6 billion in 1999. The international market has become more important to beef producers with the share of U.S. beef production entering the export market increasing from about two percent in the mid-1980s to 8.9 percent in 1999. This share is expected to grow.

The United States currently has 20 percent of the world beef export market, up from just 4 percent in 1985 and growing almost every year since then. Japan imported 361,000 mt of U.S. beef ($1.4 billion) in 1999, continuing its lead as the largest market for the United States. Japan's export market is larger than the next largest three markets, Mexico, Canada and Korea, combined.

Mexican imports of U.S. beef have expanded 400 percent since 1985, reaching 158,000 mt ($454 million) in 1999, solidifying

U.S. Beef Exports and Imports, 1999



Percent of Volume of Exports and Imports

Source: FATUS, USDA/ERS

Mexico's position as the second largest export market for U.S. beef.

U.S. beef imports have increased 39 percent since 1995. In 1999, the United States imported 964,000 mt of beef valued at $2.1 billion. Beef imports have increased from 8.0 percent of total U.S. beef consumption in 1985 to 10.4 percent in 1999. Much of the increase in beef imports has been due to a strong U.S. dollar, competitively priced ground beef from Australia and New Zealand, the elimination of U.S. tariffs on beef from Canada, and the implementation of a 20,000 mt fresh beef quota for each of Argentina and Uruguay. Canada is now the largest import supplier of beef to the U.S. market, with 345,000 mt ($937 million) in 1999, followed by Australia with 289,000 mt ($506 million), and New Zealand with 187,000 mt ($336 million). This represents a shift in the trade pattern prior to 1996 period, when Australia was the largest supplier to the United States, followed by New Zealand and Canada.

Major Beef Trade Issues

The EU Ban on Hormone Treated Meats. Since 1989, the EU has banned the production and importation of all meats produced using artificially administered growth hormones. In 1998 the WTO ruled that the ban violated trade regulations because it is not based on scientific evidence and ordered that it be lifted. The EU has thus far failed to comply. In May 1999 the WTO authorized the United States to impose retaliatory tariffs of 100 percent on imports from the EU valued at $116.8 million. Pork, fruit juice, and tomatoes account for about 62 percent of the products facing punitive tariffs. The African and Caribbean Basin Growth and Opportunity Act signed in May 2000 authorizes the rotation of retaliatory tariffs every six months, or the carousel effect, in order to provide broad based retaliatory impacts on EU businesses. U.S. consumers, however, are likely to experience negative impacts from the retaliatory tariffs due to higher prices and reduced availability of products from the EU. While the resolution of this issue would benefit both U.S. producers and consumers, a solution appears unlikely in the near future.

Antidumping Issues. Antidumping petitions in agriculture have increased in recent years and tend to be concentrated among North American trading partners. Since NAFTA was implemented in 1994, the United States and Mexico have engaged in several major battles over antidumping petitions filed in both countries. On April 29, 2000 Mexico imposed antidumping duties on U.S. beef, after more than a year of investigation. These duties range from $0.03 per kilogram to $0.80 per kilogram. Carcass beef has the lowest duties, while bone-in and boneless beef face the highest duties. Duties are also company specific. This case represents the most recent in a series of petitions filed in the United States which resulted in antidumping investigations of Mexican and Canadian cattle exports to the U.S. market. It is likely that antidumping petitions will continue as a means to reduce the flow of imported products, leading to more market uncertainty.

Regionalization. Under the Uruguay Round Agreements, countries may establish regions which are insect and disease free, even though the country may not be entirely free. The burden of proof rests with ability of the exporting country to convince the importing country that the region is free of a particular problem and is likely to remain free. As a result, Argentina and Uruguay have been certified partially or completely free of aftosa and are now exporting fresh and chilled beef to the United States. Both countries have been successful at filling their import quotas under this program. U.S. feeder cattle exports to Canada have also benefited from regionalization, with exports rising from 1,000 head in 1998 to 51,000 head in 1999 and an estimated 250,000 head in 2000. Feedlots in Alberta purchased 87 percent of all imported U.S. cattle. In addition to Montana and Washington, the Northwest Cattle Project is now open to 26 other states that will be approved to ship feeder calves to Canadian feedlots.

Import Labeling. Legislation is pending in both the houses of U.S. congress to implement regulations that would require country of origin labeling on imported meats. USDA and segments of the meat industry claim that costs of such measures are prohibitive, while cattle producers claim labels are needed for food safety and country identification. Suppliers of imported meats view the policy as protectionist.

Other issues which may affect beef trade are relatively high export subsidies used by the EU, continued implementation of the U.S.-Canada feeder cattle pilot program, and farm program changes which may alter the availability and cost of feed grains.