

# PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

## Why the surge in beef imports of late

In an email we received this week, a farm journalist, referring to our column on US beef trade, asked what we thought was behind the increase in beef imports. As shown in the column, US beef imports have increased at a faster rate than US beef exports over the last few years (<http://tinyurl.com/h78eptv>). The reporter’s question, which we failed to address, is: Why?

First let’s go to the beef import numbers, noting the major country sources of US beef imports. In 2015, the US imported \$9.1 billion worth of beef from all countries. Of that number, \$7.0 billion came from three countries with which we have a free trade agreement (FTA), Australia (\$2.6 billion), Canada (\$2.5 billion), and Mexico (\$1.9 billion).

Live beef accounts for \$2.2 billion of that total. Canada sent \$1.3 billion worth of live cattle across our northern border while Mexico shipped \$0.8 billion in from the south.

In 2015 the US imported \$2.8 billion in fresh and chilled beef. Canada exported \$1.0 billion of that fresh or chilled beef to the US followed by Mexico (\$0.9 billion) and Australia (\$0.7 billion).

Frozen beef accounted for \$3.4 billion of the US imports of beef in 2105. Australia supplied \$1.7 billion of that while New Zealand provided \$1.1 billion. Nine other countries provided the rest with Uruguay accounting for \$194 million and Nicaragua sending in \$132 million in frozen beef.

US beef imports increased from \$3.2 billion in 1992 to \$5.7 billion in 2013, an average of \$113 million a year (figure 1). In 2014 and 2015, beef imports increased by \$3.4 billion or \$1.7 billion a year.

for \$850 million of that increase and Canada \$400 million. The countries with whom the US does not have an (FTA) were responsible for \$674 million of the increase in beef imports from 2013 to 2015, of which New Zealand accounted for \$382 million.

So why have imports surged these last few years? The increase has occurred within the context of the dispute Canada and Mexico had filed with the World Trade Organization (WTO) over the US Country of Origin Labeling (COOL) laws. COOL was also opposed by the US meatpacking industry, which argued that it would be very costly to implement.

In May 2013, the US had amended the COOL regulations in response to an adverse ruling by the WTO. The new regulations included changes, which Canada argued were more onerous than the earlier regulations. In March 2014, the WTO established a compliance panel to review the matter and many in the meatpacking industry expected the ruling to go against the US.

With COOL nearly in the rearview mirror, one explanation, or least contributing factor, for the surge in US beef imports could be that the packers felt free to import beef from the least expensive source without fear that increased imports would undermine their arguments against COOL.

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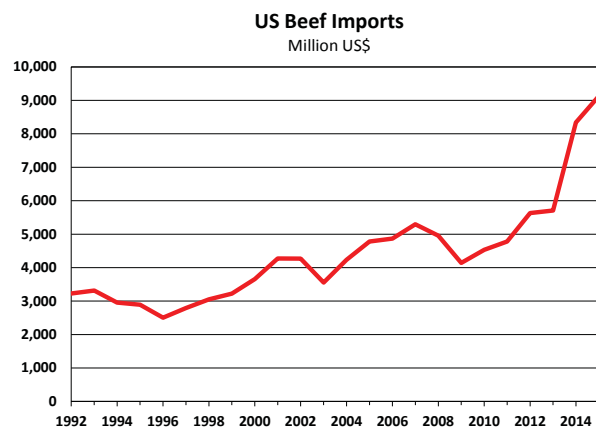


Figure 1. US beef imports, 1992-2015. Data source: US Department of Commerce, Census Bureau, USA Trade Online (<http://tinyurl.com/jsltwao>).

Australia took the lion’s share or \$1.5 billion of the \$3.4 billion two-year increase. Mexico accounted

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