U.S. Meat Imports Estimated Higher, Voluntary Curbs Due

By FOREIGN COMMODITY ANALYSIS
Dairy, Livestock, and Poultry
Foreign Agricultural Service

As U.S. negotiations with meat-supplying countries to voluntarily curb their exports near completion, USDA has increased its estimate of 1975 meat imports subject to the Meat Import Law (P.L. 88-482) to 1.18 billion pounds. The new estimate, which was released on March 31, was revised upward as the voluntary restraint program became more clear, and is 30 million pounds above USDA's first estimate of 1.15 billion pounds made December 31.

In the absence of the restraint program, however, USDA has estimated imports of meat under the Law above the point that would trigger import quotas.

The program of voluntarily limiting imports is aimed mainly at protecting the U.S. market from excessive foreign supplies of meat, chiefly beef. The United States is currently the only significant world market open to meat-exporting countries. Although U.S. beef prices are not very encouraging for imports, they may look better as 1975 goes on, especially since most other importing countries are closed to imports and beef output in exporting countries is continuing to build.

Even if negotiation of the voluntary curbs proves unsuccessful, the United States still has an ace in the hole. The U.S. Meat Import Law, in effect since 1964, provides for quotas to be imposed on meat imports if estimated yearly imports equal or exceed 110 percent of an adjusted base quantity. The law permits imports of covered meat, which are largely of frozen boneless beef for further processing, to rise in proportion to increases in U.S. production, computed from a 1959-63 base.

For 1975, the base quantity, as set by this formula, is 1,074.3 million pounds. product weight. Adding 10 percent overage, the actual point at which the President may take action under the Law to limit imports is 1,181.7 million pounds.

The estimate of U.S. meat imports covered by the Law is reviewed and revised quarterly. If imports are estimated above the trigger point, the President must invoke quotas. He may not, however, reduce imports permitted below a certain level—this year 1,074.3 million pounds.

Last year, U.S. meat imports subject to the law were sharply below 1973's and were well under the quota triggering point. This year, however, the pace of imports has quickened as trade restrictions elsewhere have made themselves felt. For the first 2 months of 1975, for example, imports rose to 233 million pounds—32.6 million more than was imported in these months last year. Any price improvement from present levels will, of course, encourage still more imports.

Although U.S. livestock producers, plagued by financial problems, have urged the imposition of quotas, the President has decided to try to negotiate voluntary agreements with supplying countries for a number of reasons. Most important, this approach is expected to make it easier for the United States to negotiate reductions in barriers to overseas sales of U.S. farm products. Import quotas, by contrast, could be detrimental to both U.S. agricultural exports and the U.S. economy as a whole.

FURTHER, the difference between the quantity of imports under voluntary restraints and the quota level is minor. The difference amounts to only about three-quarters of a pound of meat, carcass weight basis, for each U.S. consumer, compared with the total 230 pounds of meat he is expected to consume in 1975. This slight difference is expected to have only a negligible impact on U.S. livestock and meat prices.

Most beef imported into the United States is of manufacturing quality for use in hamburgers or for further processing. As such, imports compete directly with culled cows or animals fed on grass or silage, rather than higher quality beef grain-finished in feedlots. Because of higher U.S. prices of feed ingredients, slaughter of nonfed animals has grown dramatically over the past year and a half.

As a result of this increase in production, combined with the current economic downturn, imported beef prices have been pressured down. At end-March, however, imported manufacturing beef prices improved to about 55 cents a pound, about the same as at the beginning of the year, but down by 24 cents from those of a year ago.

Heavy U.S. slaughter of cows, as well as of nonfed steers and heifers, that is forecast for 1975 will tend to hold imported beef prices down. For the year, a 20 percent increase in U.S. cow slaughter is expected, which will come on top of a 20 percent rise recorded in 1974.

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