FOREIGN BEEF TRADE ISSUES AND OUTLOOK

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Cattlemen generally look at foreign trade in two simple categories: imports and exports. While imports have taken up most of our time and energies for the past 25 years, I want to talk about exports first.

Cattle, beef and beef product exports are the opportunities of the nineties. We are becoming active players in the export arena. This is a far cry from where we began in the early 1970's.

The beef industry did not get involved in exports in a serious way until around 1973. The NCA Foreign Trade Committee was formed at that time. A few years later the U.S. Meat Export Federation was organized. The MEF was to be the red meat industry organization charged with the responsibility of product promotion and market development overseas. We all knew that there would not be any sudden results from the MEF's efforts. Compared with the rest of agriculture we were the new kids on the block.

We learned early that all the good promotion and marketing plans were of no value if you didn't have access to the market. We learned that potential markets were closed to us by high tariffs, licensing schemes, restrictive quotas and other innovative ways to keep us out and to protect the domestic cattle industries.

With the various trade barriers we knew we had to develop trade policies that in cooperation with our government would eventually allow us to sell beef abroad.

As an industry, producers and packers had to get serious. Exports could no longer be a residual market; in other words, sell just what we couldn't sell at home. We needed to make a commitment to be reliable suppliers once a market was established.

Foreign markets have created real challenges, but as we overcome the obstacles opportunities will occur.

Let's look at the various markets.

Japan is by far our biggest export customer. Our increased access to that market is a result of a combination of things coming together over a period of time.

Changing lifestyles, and an improving economy in Japan, set the stage for beef to become an increasing part of the Japanese diet. Beef was popular, and the Japanese consumer wanted more of it, and was willing to pay for it.

However, the Japanese beef producer saw increased imports as a threat to his livelihood. Japanese farmers, through their representation in the diet, have a disproportionate amount of influence. Politically, farmers had clout and were successful in keeping restrictive quotas for many years.

Since 1978, the U.S. and Japanese governments have been through three tough rounds of negotiations. The most recent round, this past summer, has opened the way for the U.S. to sell significant amounts of beef to Japan. Thanks to a determined U.S. Trade Representative, Ambassador Clayton Yeutter and USDA Secretary Richard Lyng, strong by-partisan support from Congress and a unified beef industry, the Japanese beef quotas will be eliminated by 1991.

What does this mean? Well, in 1986 we sold 481 million dollars worth of beef and veal to Japan. In 1988 it was 841 million dollars and by the year 2000 some experts predict it will be a two billion dollar market.

The Japanese market offers some real opportunities for the 1990's.

Not as optimistic, is the market in the European Community. We are faced with a number of trade barriers to that market.

The most notable is their ban on imports from animals treated with growth promotants.

The EC Hormone ban was adopted with no consideration of the scientific evidence. It was, by their own admission, a political decision. That makes it all that much harder to resolve.

Because of the manner in which the EC imposed this ban, the U.S. government had no choice but to retaliate for the market we would lose. The market was 130 million dollars in 1988. Most of this market, about 90 million dollars, was in variety meats.

The basic principle of the EC directive on growth promotants is one we can not accept. To concede would threaten our domestic market as well as other international markets.

The EC has made an arbitrary, indefensible decision that if allowed to go unchallenged will set a bad precedent and lead to other trade barriers.

We believe the consumer and the market place should make the choice, not governments. Trade restrictions in the name of health and safety should be substantiated and backed up by sound research and scientific evidence.

If we are able to resolve our differences with the EC on this issue, I believe we can recapture much of our market and see some growth in the high quality beef market.

The EC is preparing to drop its country trade barriers, within the community, by 1992. This will make the EC the worlds largest trading block. We do not know whether this will ultimately be an opportunity or challenge.

Other markets we are focusing on are Canada, Mexico, Korea and Taiwan. We face political obstacles and uncertainties in Mexico, Korea and Taiwan.

Beef sales to Mexico in 1988 were 40 million dollars, in addition we sold 113 million dollars of beef cattle. Our variety meat sales have grown, and have partially offset our loss to the EC market.

The Mexican market has had its ups and downs, and at this point it is uncertain whether it will stabilize, grow or decline.

We have seen, for instance, large numbers of feeder cattle imported from Mexico in recent years; a million head or more per year. However, this year those numbers are down considerably. This is due in part because of a 20 percent export tax imposed by the Mexican government.

The Canadian market for U.S. exports will continue to grow, particularly in the eastern provinces. I expect us to import more cattle and beef from the western provinces into western U.S. markets. This market is the most like ours in both the product and consumer desires. The eastern provinces find it more efficient to import feeder cattle and beef from our eastern states than to ship from their western provinces.

Korea and Taiwan hold major potential. Korea is much in the position Japan was 10-15 years ago. We have some major political hurdles to overcome, but the market is growing. Their import quota in 1988 was 13,000 m.t. Korea expects to import 39,000 m.t. in 1989.

We have come a long way in a few years in exports. We surpassed the one billion dollar mark in beef sales in 1988. In addition, we exported close to 2.5 billion dollars of other cattle and beef products. So our overall export market in 1988 was in excess of 3.5 billion dollars.

Exports are no longer an afterthought in our marketing efforts. They are significant and they offer real opportunities in the 1990's.

IMPORTS

The other side of the coin is imports. The U.S. is not only the worlds largest beef producer, but is also the worlds largest importer of beef.

On a carcass weight basis we import about 2 billion pounds of beef annually. Approximately 85 percent of our imports are fresh, chilled or frozen and are subject to the Meat Import Law. Australia, Canada and New Zealand supply over 75 percent of the beef subject to the law. Central American countries and some European countries make up the difference.

The remainder is cooked, canned and corned beef which comes mostly from Argentina and Brazil.

The Meat Import Law was legislated in 1964. There were major amendments adopted in 1979. The 1979 changes were designed to close the loopholes and change the formula which determined the quota to make it more responsive to the market.

Our industry is the only one in the United States with a statute on the books that determines the level of allowable imports.

It is defensible. It provides producers assurances that the U.S. will not become the dumping ground for other countries' surpluses. It assures consumers of ample supplies of beef. It establishes the game rules so supplying countries can plan and know what to export. It provides U.S. producers the opportunity to plan, knowing what to expect in imports.

Since the law was amended in 1979, it has been managed by the USDA in accordance with the intent of Congress. Quotas have not been invoked or suspended. However, imports have stayed within the limits of the law.

The law is not perfect. It probably never will be. There are several interest groups who would like to see it repealed. We will continue to come under pressure to repeal or change this law.

But so long as other countries restrict their markets, and fair and open trade does not exist, the NCA will vigorously defend and seek the enforcement of the Meat Import Act.

Imports for 1989 are expected to be about 100 million pounds below what they were in 1988. Australia, Canada and New Zealand have reduced their numbers much like we have in the U.S.

The opening of the Japan market should divert some of Australia's exports from the U.S.

URUGUAY ROUND

If you have not already heard of the Uruguay Round, you will. This is the Multilateral Trade Negotiations within the General Agreement of Tariff and Trade. Ninety-six countries are involved in this process. This round was initiated in Puntaldel Este, Uruguay, in September 1987.

The United States is a major player in this Uruguay Round. We put some bold proposals on the table. For instance, we proposed to eliminate all trade distorting subsidies. This is being opposed by the European Community. Other countries such as Australia, Canada, Japan, and others have their versions of trade proposals. U.S. success or failure at the MTN may have a significant impact on American agriculture, including the beef cattle industry.

Hopefully, it will lower trade barriers, open markets and level the playing field. Like all negotiations there is give and take. We must be willing to give in order to take. Our job will be to make sure we are getting a fair shake at the bargaining table.

The beef industry has come a long way in just a short period of time. We are part of an international market. We must become active players in trade policy and aggressive marketing. If we do, we will reap the opportunities in the 1990's.