CONDITIONS OF COMPETITION IN U. S. MARKETS BETWEEN DOMESTIC AND FOREIGN LIVE CATTLE AND CATTLE MEAT FIT FOR HUMAN CONSUMPTION

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CONDITIONS OF COMPETITION IN U.S. MARKETS BETWEEN DOMESTIC AND FOREIGN LIVE CATTLE AND CATTLE MEAT FIT FOR HUMAN CONSUMPTION

Report on Investigation No. 332-85
Under Section 332 of the Tariff
Act of 1930

Washington, D.C.
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SUMMARY

On May 31, 1977, the U.S. International Trade Commission on its own motion, instituted an investigation (investigation No. 332-85) to study the conditions of competition in U.S. markets between domestic and foreign live cattle and meat of cattle fit for human consumption. The institution of this investigation followed requests from several members of Congress that the then existing investigation No. TA-201-25 be broadened so as to permit parties interested in legislative relief from imported cattle and meat of cattle to appear and be heard pursuant to the provisions of section 332 of the Tariff Act of 1930, as amended. 1/ The Commission's previous report on "Beef and Beef Products " (TC Publication 128) was issued in June of 1964, prior to the passage of the so-called Meat Import Act of 1964 (Public Law 88-482). This report contains data developed on live cattle and meat of cattle since the last report was issued.

In the late 1960's and early 1970's the growing U.S. demand for beef, reflected in rising cattle prices, was conducive to expansion of the national herd; pasture was abundant and supplies of feed grain, at favorable prices, were ample. Cattlemen were optimistic and the industry producing beef and veal (the cow-calf operations, the feedlot operators, and the slaughterers and processors), for which U.S. consumers currently expend some $20 billion to $30 billion annually, was prosperous. Consumer incomes were increasing and consumption of beef continually rose, despite rising prices and competition from other meats, fish, and poultry. By 1973, average cattle prices received by farmers had reached record levels of 43 cents per pound (100 percent of parity). In that year,

1/ On Sept. 17, 1977, the Commission (Chairman Minchew not participating) reported to the President that the imports subject to investigation No. TA-201-25 were not a substantial cause of serious injury, or the threat thereof, to the domestic industry within the meaning of section 201 of the Trade Act of 1974 (USITC Publication No. 834).

however, per capita consumption of beef declined about 5 percent. In the fourth quarter of the year cattle prices fell, and, for the most part, they have not recovered as the overproduction of beef has continued. In the first three quarters of 1977, cattle prices averaged 34 cents per pound, about 59 percent of parity.

Notwithstanding the fall in cattle prices in late 1973, cattlemen continued herd expansion. By January 1, 1975, the number of cattle on the Nation's 1.8 million cattle farms and ranches was at a record level of 132 million head. During that year, the effects of the increased costs of production that had been burdening U.S. cattlemen since the late 1960's, but well contained through late 1973, were exacting their toll and causing great distress among cattle producers. 1/ The prices received for cattle after the price-fall of 1973 were only 50 percent higher than those received at the outset of the period of herd expansion; the cost of production such as feed, labor, and land, had nearly doubled, however, and those costs generally did not subside. Herd liquidation began to increase at an accelerating rate in 1975.

In 1976 the slaughter of cattle (49 million head) and the resulting production of beef and veal (27 billion pounds in carcass-weight equivalent) reached an alltime high. These high levels of production have continued into 1977. The recent declines in feed grain prices and the indicated decline in cattle numbers appear to be reinforcing the confidence of feedlot operaters and thus upward pressure is being exerted on feeder cattle prices which were up about 5 cents per pound in early

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1/ During the investigation, many cattlemen reported losses on their operations. A number of factors have kept them in business; these include rising land values, coupled with increased borrowing power, income from farm operations other than cattle, and, in some cases, minimal cash outlays.

November 1977 from a year ago. These events could prolong the U.S. overproduction of beef. As production of beef has increased, adding to the already large supplies of pork and poultry, fed cattle prices have remained low, although they were up several cents a pound in November. 1/

During this period of herd liquidation the financial position of the meatpackers appeared generally stable, as measured against the longrun experience of the industry. Meatpackers apparently have offset some of their increased costs through lower prices paid for cattle and increased productivity; thus, they have managed a sustained level of profits. As measured by the farm-retail price spread, the farmers' share of the 1976 retail beef prices declined by about 8 percentage points from the average prevailing in the 1967-75 period. In 1976 the farmers' share was 56 percent.

Virtually all parties to the investigation agreed that cattlemen have been in financial difficulty in recent years as costs have increased, herds have been liquidated, and beef and veal have been in oversupply. Some cattlemen contended that imports of beef and veal and of live cattle were primarily responsible for the distressed conditions of cattle growers and pointed out that in 1976 imports were at a near record high while production was at a record level; hence, the imports were having a price-depressing effect. Other cattlemen stated their belief that imports were not an important cause of their difficulties and that overproduction and increasing costs were the principal factors causing the problems of the industry.

1/ After 1973, consumption of beef continued its long-term increase, owing, in part, to a moderate decline in retail prices. In 1976, per capita consumption of beef averaged 129 pounds, a record high.

For a number of years, U.S. imports of live cattle have been equivalent to less than 1 percent of the U.S. available supply. Imported feeder calves (largely from Mexico) become products of the United States in a sense, inasmuch as the bulk of their slaughter weight is added in this country. Imports from Canada, the other important source, have been feeder cattle, dairy cattle, and, more recently, slaughter calves and cows.

Beginning January 1, 1965, U.S. imports of fresh, chilled, or frozen beef have been subject to the Meat Import Act. Accordingly, about 80 to 90 percent of the imports of meat of cattle have been subject to the provisions of the act. The remainder of the imports, mostly canned corned beef (a product not produced commercially in the United States), or frozen, cooked beef of South American origin, and imports of live cattle are not subject to the provisions of the act. Imports of beef and veal, about 1.6 billion to 2.0 billion pounds in recent years, mostly boneless beef from Australia and New Zealand, have been equivalent to about 7 percent of consumption; before the Meat Import Act went into effect, imports had been equivalent to about 9 percent of consumption. 1/ Production of beef and veal was about 6 billion pounds greater in 1976 than in 1967; imports, in contrast, were 700 million pounds greater.

Under the provisions of the act, imports may increase, or decrease, in accordance with changes in domestic production. In most years since the Meat Import Act has been in effect, the President, acting under the authority of section 204 of the Agricultural Act of 1956, has had the Secretary of State negotiate bilateral agreements with countries supplying

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1/ U.S. exports of live cattle and of beef and veal have not exceeded $225 million in recent years or have accounted for less than 1 percent of the respective production; however, exports of beef and veal offal and packinghouse byproducts have been valued at about $650 million to $950 million in recent years.

fresh, chilled, or frozen beef and veal to the United States so that their U.S. exports would be at or below the levels which would trigger quotas under the act. For practical purposes, therefore, the bilateral agreements, working as an adjunct to the Meat Import Act, have restrained imports of beef and veal so that such imports have not changed significantly relative to U.S. production and consumption since the act went into effect. In this connection, the Department of Agriculture estimates that imports of beef and veal in recent years would have been about 25 percent larger in the absence of the restraints that existed.

Most of the beef and veal imported into the United States is of a quality and type used for manufacturing, principally for making ground beef, including hamburger. 1/ Much evidence submitted during the investigation suggested that the demand for hamburger in the United States is strong and has been growing for a number of years. Hamburger is produced largely from the meat from cull cows and bulls (the type of beef with which the bulk of the imports compete) and the trimmings from fed cattle. U.S. prices of cull cows, like those of all cattle, have declined in recent years. However, as steer prices declined from 1975 to 1976, cull cow prices rose. This firmness of cow prices obviously reflects the growing demand for beef for hamburger. The firm cow prices have persisted despite increased supplies resulting from herd culling and liquidation and imports of manufacturing type beef. Imports appear to have composed about 18 percent of the U.S. supply of beef used for manufacturing in 1975 and 1976. Indeed, at the hearings on this investigation,

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1/ Hamburger is ground beef to which beef fat may be added; in this report the terms are used interchangeably.

much virtually undisputed information was presented that the imported lean beef is often mixed with trimmings from domestic fed cattle and the fat from such cattle, which otherwise would be used as tallow. In this use, the value of the domestic trimmings is enhanced to the extent they are mixed with the imports for the production of ground beef instead of being used as tallow.

Several members of Congress requested the Commission to address itself in the course of this investigation to specific legislative changes which may be needed, and to administrative actions which may be justified, in arriving at solutions of the beef import problem. A number of suggestions applicable to various aspects of the beef import problem were received from interested parties; these were directed primarily towards the modification of the Meat Import Act of 1964 and the adoption of more stringent sanitary and health as well as labeling regulations. These and other recommendations are briefly discussed in the paragraphs that follow as well in considerable detail in the body of the report.

Many views were expressed concerning the existing regulations on imports of live cattle and meat. Those most frequently echoed by the domestic interests concerned modifying the Meat Import Act and a tightening of the U.S. health and sanitary and labeling regulations affecting imports of beef and veal. The advocates of modifying the Meat Import Act contend that permissible imports under the act should fluctuate inversely with domestic production rather than directly as is currently the case. Contrary to the conditions that existed in 1976, this system of countercyclical regulation would have lowered imports at a time when production increased. On the other hand, it would allow greater imports at a time when production decreased. While a number of formulas for the operation of countercyclical regulations were presented during the investigation, no concensus was agreed upon by the representatives of the cattlemen.

U.S. imports of beef and veal are permitted only from countries which have meat inspection systems with standards that have been certified by the U.S. Secretary of Agriculture as being at least equal to U.S. Federal inspection standards. Officials of the Food Safety and Quality Service (FSQS) of the U.S. Department of Agriculture conduct periodic announced examinations of inspection procedures and plants in foreign countries to assure that comparable standards are being enforced. During this investigation, many cattlemen and consumer groups called for foreign produced meat to be exported to the United States to be subjected to the same rigorous health and sanitary requirements that are applicable to domestically produced meat.

With respect to labeling, some cattle producers contend that the containers in which meat is currently imported are required by Federal regulations to be labeled to show country of origin, but that after entry, most of the imports are removed from the original containers and ground with domestic beef to make hamburger. Hence, the imported beef loses its identity and the ultimate consumer does not know whether the hamburger purchased at retail contains imported beef. It is also contended that consumers have a right to this information and that the labeling regulations should be changed so as to require imported meat to be labeled through all channels of distribution, including the retail level.

During the investigation, a number of import interests indicated that they prefer to eliminate all restrictions on imports of beef and veal. Second to that, they would like no changes in the existing Meat Import Act. Spokesmen for the importers contend that some of the processed beef and veal products not presently covered by the Meat Import Act are either not produced or not produced in sigificant commercial quantities in the United States. Some submitted that the Commission's report on this investigation should only expound the facts and that under the statute (19 U.S.C. 1332(g)) the Commission is neither directed nor empowered to make policy recommendations to improve the position of domestic industries.

With regard to the countercyclical proposals presented--some of which involved limiting imports on a quarterly basis--importers expressed their view that such proposals would be unworkable because they would create a situation whereby the foreign source could not react to the demands of the U.S. market in an orderly fashion. During the investigation, importers testified that any quota formulation that would not allow for the participation of imports in an expanded U.S. market would be patently unfair.

The import interests testified that imports of beef and veal already comply with U.S. health, sanitary, and labeling laws and regulations. They point out that imported beef and veal is subject to mandatory health and inspection requirements which they allege are at least equal to those imposed upon meat produced in the United States; these requirements are imposed by the "Wholesome Meat Act" (21 U.S.C. 601, et seq.). In connection therewith, the import interests pointed out that U.S. officials are permanently stationed abroad, and they regularly visit and approve the plants which ship meat to the United States--a prerequisite under

U.S. law. Also, details of this inspection program are regularly reported to Congress. Further, the imported meat is screened to detect residues of substances such as pesticides and hormones in the exporting countries as well as at U.S. ports of entry. If these residues should exceed allowable limits, such imports are not permitted entry into the United States.

With regard to labeling, the importers contend that the domestic interests have implied throughout the investigation that meat products alone enjoy an exemption from being labeled that is not enjoyed by other products. The importers pointed out that the containers of imported beef are labeled with country of origin, pursuant to statutory requirements (19 U.S.C. 1304). Under the law, the importers point out, the "ultimate purchaser" is the manufacturer who uses the beef for making products such as hamburger and not the housewife who buys hamburger at retail. Imported beef is essentially a raw material used for manufacturing, such as any other raw material which is transformed into a new and different article before reaching the retail purchaser. The importers assert that labeling requirements have long been a favorite proposal of those trying to devise obstructions to import trade; such attempts, when made at the State level, have been struck down by Federal district courts as unconstitutional impairments to trade. Also, bills attempting to impose a Federal repackaging law were vetoed in 1960 and in 1963. When these bills were vetoed by the President, it was pointed out that such legislation would raise new barriers to foreign trade, invite retaliation, and impose added costs upon U.S. manufacturers and consumers.

INTRODUCTION

On March 17, 1977, the National Association of American Meat Promoters, the Meat Promoters of South Dakota, the Meat Promoters of North Dakota, the Meat Promoters of Montana, and the Meat Promoters of Wyoming, filed a petition with the United States International Trade Commission seeking relief from imports under the provisions of section 201(a)(1) of the Trade Act of 1974 for an investigation to determine whether live cattle and certain meat products of cattle fit for human consumption are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles. The Commission instituted investigation No. TA-201-25 on this matter on March 26, 1977. 1/ Copies of the Commission's notices of investigation and date of public hearings are presented in appendix A.

Subsequent to the institution of investigation No. TA-201-25, the Commission received from several member of Congress written request, copies of which are contained in appendix A, to broaden the investigation so as to permit parties interested in legislative relief to appear and be heard pursuant to the provisions of section 332 of the Tariff Act of 1930, as amended. In accordance therewith, the Commission, on its own motion, instituted this investigation (No. 332-85) on May 31, 1977, to study the conditions of competition in U.S. markets between domestic and foreign live cattle and cattle meat fit for human consumption. The same items in the TSUS are included in both of the investigations. Copies of the Commission's notices of investigation and dates of public hearings for investigation No. 332-85 are also presented in appendix A. The first four of the hearings were held in Rapid City, S. Dak., on June 14 and 15, 1977; Fort Worth, Tex., on June 28 and 29,

1/ The live cattle and certain meat products of cattle, which are the subjects of the investigation, are provided for in items 100.40 through 100.55, inclusive; 106.10, 106.80, and 106.85; 107.20 and 107.25; 107.40 through 107.60, inclusive; and 107.75 of the Tariff Schedules of the United States (TSUS).

1977; New York, N. Y., on July 12, 1977; and Kansas City, Mo., on July 19 and 20, 1977, in conjunction with investigation No. TA-201-25. 1/ The 5th of the hearings, which concerned investigation No. 332-85 only, was held in Washington, D.C., on September 20 through 22, 1977.

1/ On the basis of investigation No. TA-201-25, the Commission (Chairman Minchew not participating) reported to the President on September 17, 1977, that the live cattle and meat products of cattle subject to the investigation were not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles within the meaning of section 201 of the Trade Act of 1974 (USITC Publication 834).

DESCRIPTION AND USES

This investigation covers all live cattle, except the types generally imported free of duty (e.g., purebred cattle for breeding). Also included in the investigation is all meat of cattle fit for human consumption (including meat offal) whether fresh, chilled, or frozen, or prepared or preserved; 1/ beef extract is not included.

Live Cattle

In general usage, the term cattle refers to mature animals; the provisions for cattle in the TSUS (items 100.40 through 100.55) apply to all such animals regardless of age, sex, or size. Cattle are raised and maintained in the United States for the production of meat and milk.

Beef cattle, which compose about 86 percent of the national herd traditionally have been short legged, thick bodied, and blocky. In recent years, however, beef cattle have been bred to be more heavily muscled, leaner, longer legged, and longer bodied. Such cattle tend to yield a higher percentage of high-value meat cuts such as roasts and steaks. Beef cattle are grown and bred for the production of calves by so-called cow-calf farmers and ranchers. The calves produced by such cattlemen are generally regarded as the crop harvested from the herd. 2/ A beef cow will sometimes produce as many as 10 calves during her life span.

In contrast to beef cattle, dairy cattle are angular in conformation and have less flesh. Dairy cattle, which constitute about 14 percent

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1/ The terms "fresh, chilled, or frozen" and "prepared or preserved" are defined in headnote 1, to subpart B of part 2 to schedule 1 of the TSUS.

2/ Cow-calf operators generally keep 1 bull for each 20 to 30 cows.

of the national herd, are grown and bred for the production of milk. Most of the female calves from the dairy herd are raised for replacement stock. Most male calves and some of the less desirable female calves are sold for veal, although there has been an increase in recent years in fattening dairy-type steers (castrated males).

A few of the calves from beef cattle herds are slaughtered for veal when they weigh 180 to 250 pounds; veal calves are primarily milk-fed. Some bull and some heifer calves are kept for herd replacements. Most bull calves are castrated, and such steers, as well as heifers not kept for herd replacements, are eventually shipped to the feedlots for several months of intensive feeding and finishing on grain, primarily corn, before they are slaughtered. These animals, when initially placed in the feedlots, weigh 500 to 700 pounds and are generally called "feeders." When they are ready for slaughter, at weights generally averaging from 1,000 to 1,200 pounds, they are called "fed cattle." Sometimes, particularly when feed costs are abnormally high, feeder cattle are grown-out on grass or a combination of grass, other roughages, and limited amounts of grain before slaughtering. Such cattle are often called "nonfed cattle." In recent years, about 60 percent of the cattle slaughtered in the United States have consisted of fed cattle, 25 percent have consisted of culled dairy and beef cows and bulls, and 15 percent have consisted of nonfed steers and heifers.

Virtually all of the imported live cattle come from Canada and Mexico. Transportation costs and animal health regulations generally limit Mexico and Canada as being the only practical U.S. sources of supply of live cattle. 1/ The cattle from Canada are mostly cows and calves for immediate slaughter, cows for dairy purposes, and feeder cattle. Those from Mexico are mostly lean and lanky feeder cattle that weigh about 400 pounds. They are ultimately fed and finished in the United States to weights of about 1,000 pounds before slaughter.

Meat of Cattle

Beef that is ready for cooking and consumption without further processing is often referred to as "table beef." Table beef, which consists of cuts of meat such as steaks and roasts commonly found in grocery stores, constitutes a large part of the beef consumed in the United States. Veal, the meat of calves, also is consumed mostly in the form of table cuts. The table beef consumed in the United States is primarily from domestic grain-fed steers and heifers, although a large part of the meat from the nonfed cattle is also used as table beef. Beef sold for table use is generally graded Choice, or better, by the U.S. Department of Agriculture. 2/

1/ The quarantine and sanitary regulations administered by the U.S. Department of Agriculture prohibit, for example, all imports of cattle and fresh beef, veal, and beef products from countries not declared to be free of rinderpest and foot-and-mouth diseases. Because many of the important meat-producing countries of South America have not been designated as free of such diseases, meat imports from those countries are limited to cooked, canned, or cured meats. In view of such regulations, cattle and fresh beef and veal can come only from Australia, New Zealand, Central America, North America, and small areas of Europe and Asia.

2/ The official USDA grades for cattle and for beef (in descending suitability for table use) are Prime, Choice, Good, Standard, Commercial, Utility, Cutter, and Canner. In February 1976, revisions in the USDA beef carcass grading standards became effective. The most significant revision reduced the intramuscular fat content (marbling) required for a carcass to be graded "Choice." This change increased slightly the share of the carcasses graded "Choice" and reduced somewhat the share of carcasses graded "Good," the next lower grade.

Beef and veal to be further processed (ground, chopped, diced, cooked, or canned, etc) so as to alter the taste, consistency, or appearance of the meat, or to preserve the meat in some fashion (other than by chilling or freezing), is generally called "meat for manufacturing." At the hearings on this investigation, much testimony was presented that the use of beef for manufacturing in the United States is increasing rapidly, particularly for making ground beef, including hamburger.

Manufacturing beef is primarily from cull dairy and beef cows, as indicated above, and the trimmings from fed and nonfed steers and heifers as well as some meat from nonfed steers and heifers. The quantities of beef used for the various types of manufacturing depend upon a number of factors including the price for manufactured meat products and the availability of meat for manufacturing.

In the United States, manufacturing beef is usually made into foods such as sausages, and prepared and preserved into food products such as ground beef and hamburger (by far the largest of these products in volume), beef stew, corned beef, and beef used in precooked dinners and soups. Beef sausages (TSUS items 107.20 and 107.25) include comminuted seasoned products frequently put in casings, such as frankfurters, bologna, salami, and pepperoni. The imported sausages are generally more highly seasoned and higher in price than the domestic sausages.

Cured or pickled beef (TSUS items 107.40 and 107.45) is not a major article of commerce. Corned beef, which is prepared and seasoned in a salt brine, is produced in substantial quantities in the United States. The imported product, called canned corned beef (TSUS item 107.48) is a chopped, canned meat that is produced in the United States only for military purposes under Government contract; such U.S.-produced beef is not marketed commercially. In the United States, the imported product is commonly used in making corned beef hash, but it is sometimes also chilled and sliced for making sandwiches. TSUS item 107.52 provides for canned beef, other than corned beef, such as canned, cooked beef and gravy. U.S. production and imports of such products are small. The domestic product, which is not chopped or canned, is the beef commonly used in corned beef sandwiches.
TSUS items 107.55, 107.60, and 107.75 cover other prepared or preserved beef products included in this investigation such as ground beef, stew beef, cooked beef used in precooked dinners and soups, and mixtures principally of beef and other meats. Most of the imports consist of frozen cooked beef, which is produced in notable quantities in the United States. In 1976, however, some of the imports consisted of frozen beef that normally would have been classifiable in TSUS item 106.10 and subject to the provisions of the Meat Import Act, except for the fact that it had been cubed in the free-trade zone of Mayaguez, Puerto Rico.

Beef and veal offal (brains, hearts, kidneys, livers, tongues, and the like), TSUS items 106.80 and 106.85, are also covered by this investigation. Offal are both cooked and consumed in the form in which they are removed from the carcass and are used as well for manufacturing. Imports of offal consist mostly of calves' livers. Offal have been one of the major exports of the livestock and meat segment of the U.S. economy for the past two decades.

About 7 percent of the beef and veal consumed in the United States is imported. Most of the imported beef is in the fresh, chilled, or frozen condition (TSUS item 106.10) and is used for manufacturing. 1/ The bulk of the remainder of the imports consists of canned corned beef and cooked frozen beef; imports of beef sausages and offal are small.

The imported beef used for manufacturing is mostly boneless beef. At the hearings on this investigation a number of witnesses testified that the imported beef was frozen, rather than fresh or chilled, and thereby less subject to bacterial development 2/ than the domestic (mostly fresh) beef; also, the imported, frozen beef rapidly chills the fresh (unfrozen) domestic meat when the two are mixed for uses such as making hamburger, thus slowing the growth of bacteria. Some contended

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1/ A study issued by the Commission in 1971 concerning the uses of imported beef showed that in the period 1969-70 about 8 percent of the U.S. imports of beef and veal, classifiable in item 106.10 of the TSUS, was used as table beef and 92 percent was used for manufacturing; the uses of imported beef and veal during that period generally paralleled those in 1963, as reported by the Commission in 1964 (TC Publication 128).

2/ Salmonella in meat, as well as in other foods, has become a problem of health concern in the United States.

that the imported product was more uniform with regard to leanness. Because of its lean content, domestic processors often mix the fat trimmings from domestic beef with imported beef and thereby lower their costs of production by utilizing larger quantities of less expensive domestic trimmings in their production of hamburger.

U.S. CONSUMPTION

Beef and veal combined account for about half of the red meat, fish, and poultry consumed in the United States; about 97 percent of the consumption of beef and veal consists of beef. In 1976, U.S. consumers spent about $30 billion for beef and veal, equivalent as in most recent years to about 60 percent of their expenditures for red meats and about 20 percent of their total expenditures for food. For practical purposes, consumption of beef and veal reflects consumption of live cattle, and therefore, this discussion is limited to beef and veal.

Total and Per Capita Consumption

Annual civilian consumption of beef, which has risen rapidly in the past several decades, reached an alltime high of 27.4 billion pounds in 1976 (table 1, app. B). During the past decade, per capita consumption of beef has generally followed the trend set by aggregate consumption; in 1976, per capita consumption of beef reached a high of about 129 pounds. For a number of years, the rise in beef consumption was uninterrupted, except for a 5-percent decline in 1973. In that year, cattle prices reached the then record levels; cattlemen held back cattle for herd expansion, 1/ retail beef prices rose about 20 percent, and consumers boycotted beef. Although the effects of these factors on consumption of beef cannot be individually appraised, many or all of them undoubtedly had a bearing on the decline that occurred in the consumption of beef as well as of other meats, fish, and poultry in 1973.

1/ The price controls applicable to beef for about 6 months of the year under the Economic Stabilization Program are discussed in the section of this report on U.S. production.

The consumption of veal in the United States has always been much smaller than the consumption of beef, and retail prices of veal have been higher than those of beef. Unlike beef, however, the consumption of veal has trended downward over the long term, notwithstanding an increase in 1974-76--the years in which cattlemen marketed young calves for slaughter in response to sluggish cattle prices. The long-term decline in the consumption of veal reflects, in part, the growing practice of cattlemen to raise calves to maturity and hence maximize profits, rather than to market them for slaughter as veal.

Factors Affecting Consumption

For a number of years, U.S. consumers have demonstrated a strong preference for beef over other meats. In addition to the increase in population, factors such as rising consumer incomes, changing food habits and tastes, preferences for convenience foods, increased frequency of "eating out," improvements in the quality of the product, and aggressive marketing have contributed to the rise in consumption of beef. Also, the food stamp program of the Department of Agriculture and direct purchases of beef by the Department for school lunch and needy-family programs have boosted beef consumption. 1/

1/ During the past decade, except in 1973, purchases of beef (mostly frozen ground beef, but in some years canned beef and more recently frozen beef roasts and frozen beef patties) by the U.S. Department of Agriculture, mostly under the National School Lunch Act, ranged from 42 million pounds (1967 and 1968) to 200 million pounds (1977); the Department of Agriculture did not purchase any beef in 1973. This subject is discussed in further detail in the section of this report entitled "Provisions of Existing Law that May Provide Opportunities of Relief to Cattlemen."

Hamburger and other processed beef

The phenomenal growth in the U.S. consumption of ground beef, including hamburger, has undoubtedly accounted for a large part of the increased consumption of beef. 1/ Hamburger is not only less expensive than table cuts of beef, but it is also more competitive with other red meats and poultry for the consumer's food dollar. Fast food outlets also have greatly stimulated the sales of ground beef.

Detailed information on sales of beef, by form (including sales of ground beef) is limited. In order to ascertain U.S. sales of beef and veal, by form, the Commission sent questionnaires to the 100 leading grocery distributors and a random sampling of about 25 of the well-known and largest institutional users of beef. 2/ The following tabulation shows the percentage distribution of U.S. sales of beef and veal (domestic and foreign meat), by form, for 1975 and 1976 as reported by the grocery distributors and fast-food outlets:

Item	1975	1976
Beef and veal sold as--		
Table cuts (i.e., steaks, roasts, chops)	67	66
Ground beef, including hamburger	25	25
Other processed beef (i.e., hot dogs, bologna, pre-cooked dinners, soups)	8	9
Total	100	100

1/ During the investigation, a number of interested parties advanced the view that U.S. consumers are becoming a "hamburger society."
2/ Of the 125 questionnaires sent, 83 usable responses were received.

The respondents that supplied the data on which the above information was based sold 3.3 billion pounds of beef and veal in 1975 and 3.6 billion pounds in 1976 (about 18 percent of the total U.S. sales in each year). Some of the respondents reported that they did not know whether the beef they sold was of domestic or foreign origin. Of those that knew the origin of the beef they sold, only a few reported that the imported beef they sold was for table cuts (less than 6 percent of imports), but rather it was ground beef or other processed beef. Of the U.S.-produced beef and veal sold by the respondents in 1975, 69 percent of the total consisted of table cuts and 31 percent was used for manufacturing (ground beef and other processed foods). In 1976, 68 percent was table cuts and 32 percent was for manufacturing. Based on these data, about 18 percent of the beef and veal used for manufacturing in 1975 and 1976 was imported.

Competing meats, fish, and poultry

Nothwithstanding the strong preference of U.S. consumers for beef, the competition between beef, other red meats, fish, and poultry for the consumer's expenditures for food has been strong. For example, when per capita consumption of all meat, fish, and poultry declined by 15 pounds from 1972 to 1973 as prices rose, beef consumption dropped by about 6 pounds and pork consumption dropped 5 pounds. Consumption of poultry the other major meat experiencing long-term consumption growth comparable with that of beef, declined only 2 pounds reflecting, in part, a proportionately smaller rise in poultry prices than in red meat prices. 1/

1/ Cattle, hogs, and poultry (chickens and turkeys) supply about 90 percent of the U.S. annual consumption of red meat, fish, and poultry. Over the 14 year period, 1963-76, the share of annual consumption of all meats supplied by poultry increased from 17 percent to 20 percent; the share of consumption of all meats supplied by beef and veal increased from 46 percent to 51 percent.

Poultry are far more economical in the conversion of feed grains into meat than are cattle and hogs. 1/ This phenomenon is largely reflected in the fact that retail prices of frying chickens have been less than half that of beef and pork in recent years, as shown in table 2.

The role of imports

Annual U.S. imports of beef and veal have not varied greatly since the late 1960's. Since 1967, they have ranged between 1.3 billion and 2.0 billion pounds annually (table 3) and supplied from 6 to 9 percent of domestic consumption of all beef and veal. Inasmuch as the imports of beef move largely into manufacturing in the United States, imports compete primarily with the meat for cull cows and bulls which are the primary domestic sources of such meat. Nonetheless, as the demand for meat for manufacturing has expanded over the years--as evidenced largely by the growing demand for hamburger --prices for cull cows have held more firmly than have those for fed steers. In addition, the imported lean beef is often mixed with the fat trimmings from domestic fed cattle, thus enhancing the value of the trimmings from domestic sources.

Disposable income

Rising disposable personal income has been an important factor in the increased demand for beef. Increased income may be spent in a number of ways, and the percent of disposable income spent for beef is decreasing. In 1976, a year of record high per capita beef consumption, the percent of disposable income spent on beef declined 0.2 percentage points from the previous year and that decline has continued into January-June 1977 (table 4).

1/ The feed conversion rate for poultry is about 2.1 pounds of feed grains per pound of meat, whereas the rate for cattle is about 10 to 1, and for hogs, 3.5 to 1.

This decline reflects the fact that supplies of beef have recently increased and consumers have used more of the product, but because of relatively weak retail beef prices, proportionately less of consumers' incomes have been required for their purchases. Herd liquidation has caused this relatively weak pricing situation--a situation resulting in consumer beef expenditures rising less rapidly than total income. During the investigation, information was presented that if U.S. consumers had spent an additional 0.2 percent of their disposable income for beef in 1976, and assuming no change in supplies and distribution costs, the additional consumer expenditures on beef would have added an extra $30 to the price of every animal slaughtered or an additional $1.3 billion for the U.S. cattle industry in that year. 1/

1/ Guidelines, Cattle Economics Report, the American National Cattlemen's Association and Cattle Fax, Denver, Colo.

U.S. INDUSTRY

Characteristics of the U.S. Industry

The production of beef and beef products may be divided into three major categories: cow-calf operations, feedlot activities, and meat-packing operations including both slaughtering and processing. Although a single business enterprise may handle nearly all or various combinations of the operations listed above, the individuals that grow the live animals generally are not involved in the meatpacking operations. The production of these three operations combined averaged about $25 billion in 1976.

Cow-calf operations

In 1976, some 1.8 million U.S. farms and ranches handled cattle, compared with 2.2 million in 1967. Most of those farms and ranches keep breeding herds for producing beef calves. Breeding herds are often maintained on grass and receive little or no supplemental feed. When the cows and bulls from such herds are slaughtered their carcasses yield a lower grade of beef than the carcasses of grain fed animals. 1/ Cow-calf operations are located in all 50 States, but most are found in the western range lands 2/, the Corn Belt 3/, and the Southeastern States 4/ (see fig. 1).

1/ Purebred beef cattle, raised primarily to be bred with other cattle to maintain and improve the beef characteristics of the domestic herd, are also eventually slaughtered.

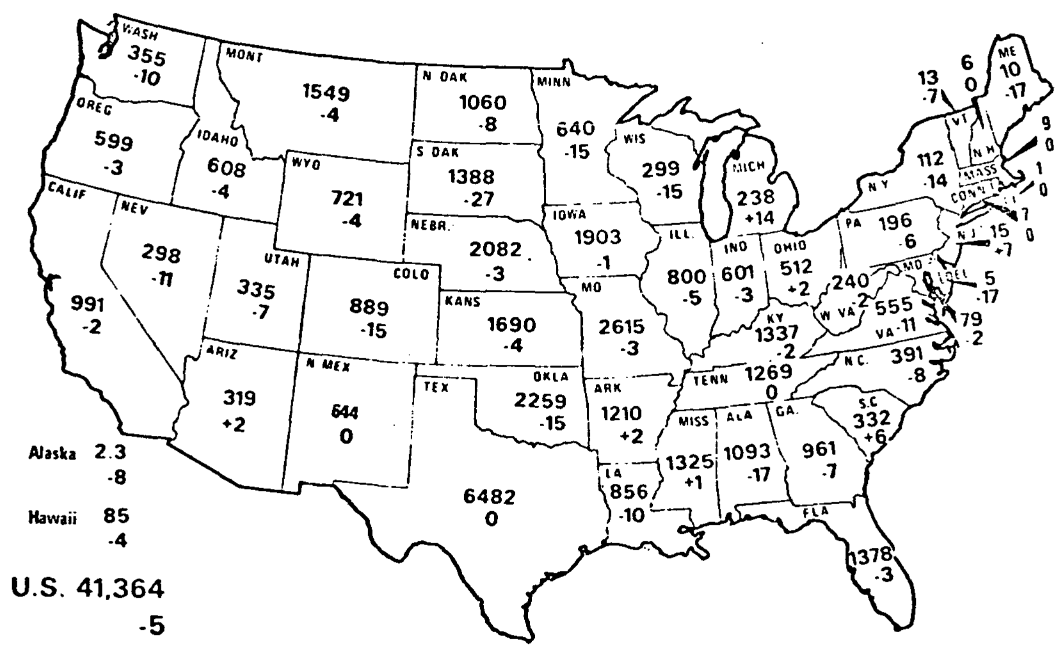
2/ The range lands are located in 15 States: Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, and Wyoming.

3/ The following States compose the Corn Belt: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, and Wisconsin.

4/ The Southeastern States include Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.

Figure 1.--Distribution of cow-calf operations in the United States, January 1, 1977

Number of beef cows (1,000 head) and percent change from pervious year



Source: U.S. Department of Agriculture.

Cow-calf operations are generally the most profitable agricultural use for range lands, which characteristically are rough in topography and have low rainfall, thus resulting in low levels of forage production. The ranches, therefore, are usually large in area to compensate for the lack of moisture and forage and may be 100,000 acres or more in size. Although the typical cow-calf operation in the range lands often consists of 150 to 300 cow-calf units, some operations reach several thousand units. In 1977, about 45 percent of the U.S. beef-cow herd was located in the rangelands, approximately the same percentage as in the early 1960's.

Cattle herds are generally smaller in the Corn Belt than in the range lands; 50- to 100-cow herds are common. Corn Belt farms are highly productive and generally cover several hundred acres. One acre usually can support a cow-calf unit. Beef production is frequently only one part of a diversified farm operation which often includes growing grain, primarily corn, and raising hogs. In 1977, about 28 percent of the U.S. beef-cow herd was located in the Corn Belt, slightly less than in the early 1960's.

Cow herds are relatively small in the Southeastern States; 50-cow herds are typical, although there are also a few large herds. Rainfall is higher than in the range lands and the growing season is longer than in the Corn Belt, but the soil is less naturally fertile and forage production is lower. In early 1977, about one-fourth of the U.S. beef-cow herd was located in the Southeastern States, compared with one-fifth in the early 1960's. Improved grasslands have stimulated cattle farming in this area. A substantial part of the calves produced in this area are shipped to other areas, particularly Texas, for fattening.

Feedlot operations

Some 190,000 cattle feedlots were located in 23 major cattle-feeding States in 1969; in 1976, there were 134,000 feedlots (table 5). 1/ This decrease in the number of feedlots, in recent years, is due in large measure to rapidly rising costs of operation, particularly costs of feed grains, coupled with a downward trend in the market price of fed cattle. 2/

A relatively few feedlots account for the bulk of the U.S. output of fed cattle and their share of the total output has increased over the years. Many of these feedlots are known to be part of large multi-establishment enterprises that encompass other farming operations, manufacturing, and trucking operations, as well as wholesale and retail activities. On the other hand, many of the feedlot operations include both large and small independent firms that concentrate primarily on cattle feeding. 3/

About two-thirds of the cattle marketed in the United States in 1976 came from 2 percent of the country's feedlots. These feedlots--with a capacity of 1,000 head or more--were mostly located in the areas of large feed-grain production west of the Missouri River. 4/ In 1976, about 98 percent of the U.S. feedlots had an annual capacity of fewer than 1,000 animals, and most of these were located east of the Missouri River. In the United States, small-scale feedlots (fewer than 1,000 head each) are mostly owned and operated by individual farmers; such farmers accounted for about a third of the fed cattle marketed in 1976.

1/ The 23 States account for about 95 percent of the fed cattle marketed in the United States.

2/ Data obtained in the course of the investigation indicate considerable turnover in the feedlot industry; about 40 percent of the independent feedlots have started since 1970 and about 75 percent have started since 1960.

3/ Available data indicate that about one-fourth of the feedlot operations employ no more than 2 workers and three-fourths have 10 or fewer. Limited data concerning sales volume tend to confirm the observation that most of the operations are relatively small; over one-half of the firms reporting sales volume showed sales of fewer than $1 million annually, and about 85 percent had sales volume of fewer than $5 million annually. The size of the average feedlot is believed to be increasing.

4/ The influx of capital from various sources into many large-scale feedlot operations may have been largely because of tax advantages.

Despite transportation charges, feeder cattle are often moved relatively long distances and sometimes through several marketing channels for feeding. In recent years a pattern following a clockwise direction has developed for shipping feeder calves to feedlots. For example, feeder calves from the Southeast tend to move to the Southwest; those from Texas and Oklahoma move in a northward direction; and those from the intermountain area and northern plains follow the traditional movement into the Corn Belt. California and Arizona take feeder cattle from various areas of the country.

U.S. meatpackers (slaughterers and processors)

In the slaughtering operation, live cattle are killed, bled, eviscerated, decapitated,and skinned. The animal's carcass is then generally split in half along the spinal column and chilled. In the case of veal calves, the carcass is usually not skinned or split until the final stages of processing.

Most domestic slaughterers also manufacture beef and veal products from the carcasses; parts of the carcass are cut-up to yield steaks and roasts, and other parts, including trimmings, are used in preparing products such as ground beef, sausages, and cooked beef. The use of beef for the various products depends, in large part, on the quality of the meat and the demands of the market.

Domestic slaughterers and processors dealing in the interstate commerce of meat are subject to the regulations of the U.S. Department of Agriculture. Most other meat plants are subject to State inspection regulations that have been certified by U.S. Department of Agriculture's Food Safety and Quality Service (FSQS). 1/ About 6,000 domestic meat slaughtering and processing plants are federally inspected for health and sanitation reasons. The majority of these plants probably handle beef. In 1976 there were about 1,660 federally inspected cattle-slaughtering plants and 900 such calf-slaughtering plants in the United States. 2/ In recent years, federally inspected plants have accounted for 90 percent of the United States cattle slaughter.

The commercial slaughtering of cattle and the processing of the meat has tended to move from central markets to within 50 to 100 miles of where the animals are fed; only a few States have accounted for the bulk of U.S. slaughter of cattle in recent years. In 1976, Texas, Nebraska, and Iowa accounted for nearly two-fifths of the total slaughter of cattle, and Kansas, California, and Colorado, for another fifth. The principal calf-slaughtering States that year were New York (with about 20 percent of the total), Texas (with 10 percent), Wisconsin and Iowa (with 9 percent each), and Pennsylvania (with 8 percent).

The carcass may be partially or fully processed at the meatpacking plant, or it may be shipped for processing to another meat plant or to a retail outlet. In recent years, there has been a trend toward more processing being done at the plant level. Meat packers have been using so-called boxed beef to market

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1/ The primary objective of FSQS inspection of livestock and meat processing is to assure that the meat distributed to consumers is wholesome, not adulterated, and properly marked, labeled, and packaged.

2/ These data include duplication inasmuch as some plants handle both cattle and calves.

an increasing share of their output. 1/ Preparing boxed beef involves the division of the carcass into primal or subprimal cuts at the meatpacking plant and packaging these cuts into plastic-lined cardboard boxes. These boxes of cuts of beef and coarse ground hamburger are then shipped to retail and institutional outlets. Marketing beef as boxed beef, including coarse ground beef, offers several advantages: improved worker productivity at the processing plant, reduced transportation costs because excess bone and fat are removed before shipment, weight loss of the meat is reduced owing to improved packaging, and semiskilled labor can handle the meat at the retail outlet.

Concentration in the meatpacking industry is much greater than in the live cattle industry. According to the 1972 Census of Manufactures (the most recent data available), the four largest companies operating meatpacking plants producing beef accounted for about one-fourth of the total value of U.S. shipments in 1972; the 20 largest accounted for about one-half, and the 50 largest accounted for two-thirds. Concentration in the production of veal is greater than that of beef. In 1972 the 20 largest companies accounted for 70 percent of the total value of veal shipments, the 50 largest companies, 91 percent. Concentration is also high in the canned-meat industry; in 1972, the 4 largest companies supplied two-thirds of the value of shipments and the 20 largest accounted for virtually all of the shipments.

1/ During the investigation, information was received that currently about 60 percent of the U.S. production of beef is marketed as boxed beef.

Production

The production of beef and veal involves growing, feeding, and slaughtering the cattle, as well as processing meat.

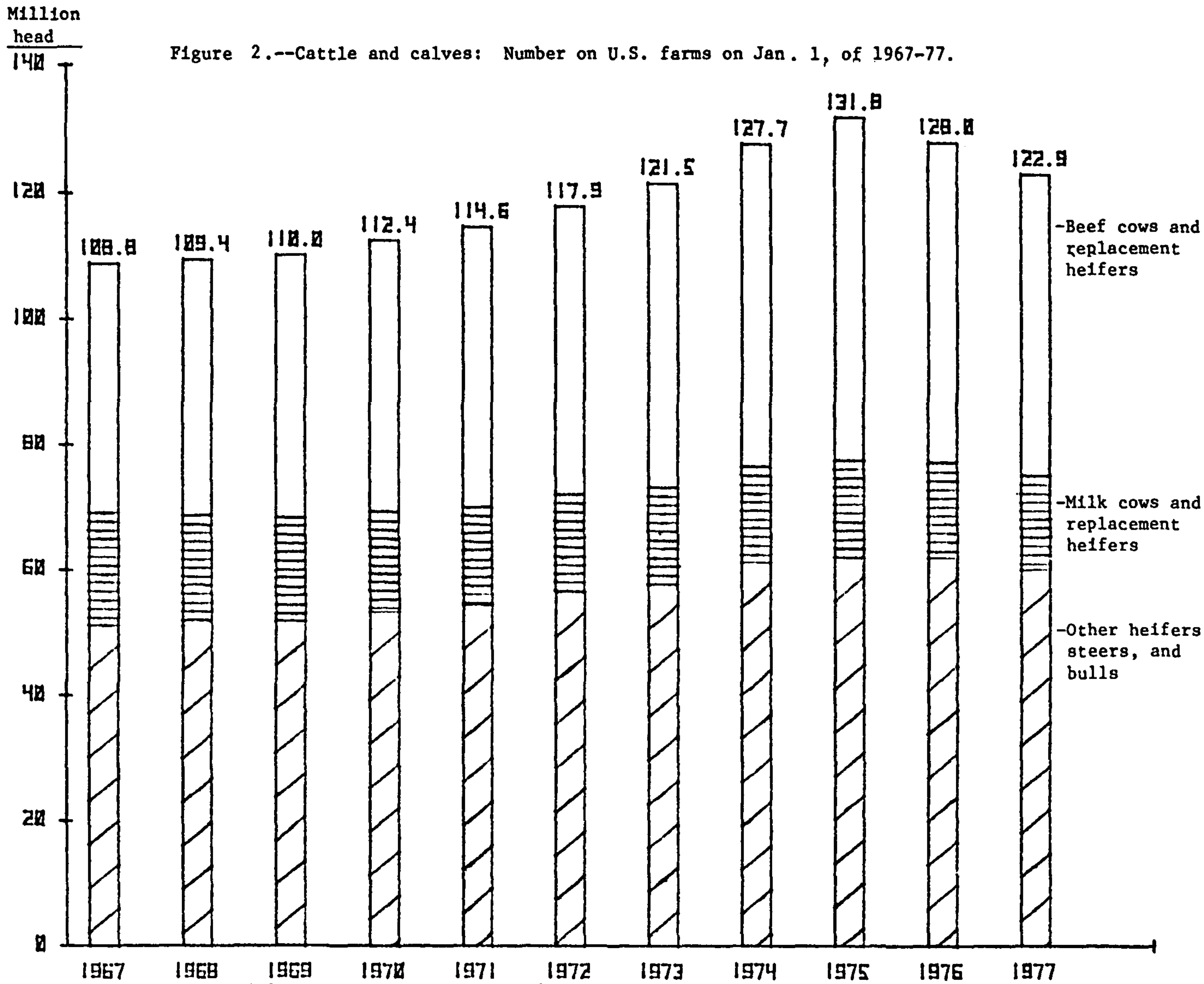
Live cattle

The latest expansion of numbers of cattle commenced during 1967, with all cattle on farms totaling 109.4 million head on January 1, 1968. The expansion lasted until 1975 when cattle numbers peaked at a record of 131.8 million head (table 6 and fig. 2). 1/ From January 1, 1975, to January 1, 1977, all cattle on farms declined to 122.9 million head, or about 7 percent.

During the past decade, the share of the national cattle herd composed of milk cows and milk replacement heifers declined from 18 to 14 percent, reflecting a long-term downtrend in the number of milk cows; the share of the national herd composed of beef cattle has correspondingly increased. Per capita consumption of milk and dairy products has declined over the years and output per cow has increased. Accordingly, the number of cows kept for milking has dropped, although the decline appears to have halted in the past several years. Culled cows from dairy herds are an important source of meat for manufacturing.

1/ The cattle cycle is discussed in the following section of the report on inventories.

Figure 2.--Cattle and calves: Number on U.S. farms on Jan. 1, of 1967-77.



Source: Compiled from official statistics of the U.S. Department of Agriculture.

Trends in major cost elements of cattle production. 1/--The importance of the various elements of costs differs between feedlot operations and cow-calf operations. Feeder calves are the major cost factor in feedlot operations; for example, during the first half of 1977, the purchase of calves accounted for about 45 percent of all costs incurred by feedlots. Feed, such as corn silage, protein supplement, and hay, is the other major cost factor in feedlot operations; it accounted for about 40 percent of total costs during the first half of 1977. Labor, transportation, interest on purchases, and equipment accounted for the remainder of the costs. Land costs are minor in feedlot operations because of the small area required to maintain a feedlot.

For cow-calf operations, on the other hand, land is a major cost of production; it accounts for about 40 percent of total costs owing in large measure to the large amount of land generally needed in cow-calf operations. Feed costs account for about 25 percent of all costs in cow-calf operations, labor for about another 10 percent, and machinery, equipment, transportation, taxes, interest, veterinary and medicine and other miscellaneous charges account for the remainder.

The index of feeder-calf prices paid by feedlot operators rose from 100 in 1967 to 199 in 1973; it then declined to 135 in 1975 before advancing to 160 in 1976 (table 7). The increase observed from 1967 to 1973 reflects the profitability that took place in both feeding cattle and in cow-calf operations during the period. Similarly, the declines in 1974 and 1975 reflect low profits, or losses, experienced by cattle

1/ Based on material published by the U.S. Department of Agriculture.

feeders and the contraction of their operations, and declining receipts to cow-calf operators.

After staying about level for several years, the feed price index (1967=100) climbed to 160 in 1973 and peaked at 194 in 1974. The rise in 1973 and 1974 reflected the competition from the strong export demand for U.S. grains, a factor not prevalent in other cattle cycles, and unfavorable climatic conditions that limited domestic feed production. The moderation in the index to 187 in 1975 and to 191 in 1976 reflected increased domestic feed grain production and reduced export demand. 1/

The annual increases in land costs were relatively moderate during 1967-71 (1967=100) but they rose sharply during 1972-76 and averaged 244 in 1976. The index of labor costs incurred by farmers (1967=100) stood at 210 in 1976. During the 1967-76 period, land and labor costs increased the most among the major cost elements experienced by farmers, followed by feed costs and feeder calf costs. Although the major costs of cattle production generally doubled from 1967 to 1976 (table 7), the price received for cattle in 1976 was only 50 percent higher than in 1967.

Cattle slaughtered.--The long-term trend in the number of cattle slaughtered has been upward. In 1976, the commercial slaughter of cattle

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1/ In 1967-73, the beef-steer corn ratio (the bushels of No. 2 yellow corn equivalent in value to 100 pounds of slaughter steers weighing 900 to 1,100 pounds, at Omaha) was favorable to beef production; it ranged from 20.3 in 1967 to 28.0 in 1972. The ratio declined abruptly to 13.7 in 1974 and remained at low levels through the spring of 1977. In the summer of 1977, the ratio began to rise as grain prices moderated; in August, it averaged 24.0. This development might result in increased U.S. beef production in the foreseeable future and thus further increase the already large production of beef.

reached a record high of 42.7 million head (table 8), as herds were culled heavily, or liquidated, in response to drought conditions and low prices. During January-June 1977, slaughter amounted to 20.7 million head, compared with 19.3 million and 21.1 million head slaughtered in corresponding 6-month periods in 1975 and 1976, respectively. The bulk of the commercial slaughter is made up of fed steers and heifers. Most of the remainder consists of cows and nonfed steers and heifers.

During 1967-76, commercial cattle slaughter declined appreciably in only one year, 1973. In March through September 10 of that year price controls were in effect on beef and veal as well as on other meats under the Economic Stabilization Program. During that period, it appeared that cattlemen withheld their animals from the market in anticipation of higher prices and increased profits when the controls were removed. However, when the controls were lifted, increased supplies of cattle were marketed and prices dropped; they have not since attained the record level reached in 1973.

During 1967-72, the price of beef cattle ranged from 78 percent (1967) to 91 percent (1972) of parity; in 1973, it averaged 100 percent (table 9). 1/ Since then, it has declined as cattle prices have dropped and costs of production have increased. In 1976, the price of beef cattle averaged 59 percent of parity and the price of beef calves averaged even lower at 51 percent. The parity ratio of all farm products averaged 71 percent in that year. Indeed, during the 1974-76 period, the parity ratio for beef cattle averaged some 12 to 18 percentage points below the ratio for all farm products (calves averaged even lower at 20 to 36 percentage points), indicating that cattlemen on the basis of parity have not fared as well as other farmers in recent years.

Meat of cattle

Beef and veal.--Like the slaughter of cattle, production of beef has followed a long-term upward trend; production reached a record high of 26.0 billion pounds

1/ The parity ratio is a measure of the average per unit purchasing power of all farm products in terms of goods and services farmers buy in relation to that in a statutory base period.

(carcass-weight equivalent) in 1976 (table 3). During January-June 1977, beef production amounted to 13.0 billion pounds, about 2 percent above the output during the corresponding period in 1976. In 1976, and thus far in 1977, cattlemen were continuing to liquidate and reduce the sizes of their herds. The increase in beef production resulted not only from increased numbers slaughtered, but also from the increased average weight of cattle slaughtered.

U.S. production of veal has trended downward over the long term, notwithstanding an increase in 1974-76, owing to both the practice of farmers to market grain through fattening more calves and to the decline in the national dairy herd. The commercial production of veal declined from 792 million pounds (carcass-weight equivalent) in 1967 to 357 million pounds in 1973; it then rose and averaged some 860 million pounds in 1975 and 1976 (table 3). The increased output of veal in recent years reflects, in part, the cattlemen's decisions to liquidate and reduce their herds in response to depressed cattle prices.

Categorized in terms of the nomenclature of the TSUS, domestic production of beef and veal can only be broadly estimated. These estimates can be based on data on the output of federally inspected meat. The hamburger ground at the retail level--which is believed to account for most of the hamburger produced in the United States--is generally not federally inspected after grinding. If the U.S. production of federally inspected beef and veal had been classified for identification purposes according to the provisions of the TSUS, about three-fifths of the total produced in 1976 would have been classified under item 106.10, the category for fresh, chilled, or frozen meat. About one-fifth of the total would have been classified as prepared or preserved beef and veal under TSUS items 107.52 and 107.60, and the remaining one-fifth would have been sausages (TSUS items 107.20 and 107.25). 1/

There is also a substantial domestic output of edible beef and veal offal which is not accounted for in the estimates above. In 1976, U.S. production of such offal (TSUS items 106.80 and 106.85) amounted to about 1.8 billion pounds (product-weight basis).

Movement of cattle and beef and veal into the U.S. market.--There has been a long-term decline in the number of cattle sold at the large terminal markets, from about 50 percent of the total in 1960 to 10 percent of the total in recent years. Conversely, there has been an increase in the direct marketing of cattle by farmers and ranchers and by feedlot operators to meatpackers from about 40 percent of the total in 1960 to 75 percent in recent years. The remainder of the sales are accounted for by auction markets. The decline of the terminal markets occurred as the large central slaughtering facilities were moved to the areas of cattle production. The bulk of the beef and veal produced in the United States is distributed through wholesaling branches of slaughterers and processors. The farm slaughter of cattle for home consumption and vertical integration by retailers is believed to be minimal, although there are several large operations in the United States that feed and slaughter cattle and wholesale beef. A number of small-scale, independent wholesalers market beef and veal, generally in less than carlot quantities.

1/ These data do not account for the hamburger ground at the retail level.

Importers sell the bulk of their fresh, chilled, or frozen beef and veal to wholesalers and to packers or processors. In 1976, nearly two-fifths of their sales were to wholesalers, and a third were to packers or processors. Most of the remainder of their beef and veal went to retail stores and mass feeding establishments.

Retail food stores are the major outlet for beef and veal. For a number of years, less processing of beef and veal has been done at the individual stores and more has taken place at the retailer's central processing plants and the packer's processing plants. There has also been an increase in the use of private label products that have been processed, packed, and then shipped to the retailer ready for sale to the ultimate consumer.

U.S. Exports of Cattle and Products of Cattle

U.S. exports of live cattle as well as beef and veal are relatively small; however, the United States is the world's largest exporter of packinghouse byproducts of cattle (such as hides and tallow) and a substantial exporter of edible beef and veal offal.

Live cattle

Annual U.S. exports of live cattle are equivalent to less than 1 percent of the U.S. cattle population. During the period 1972-76, exports averaged 215,000 head annually, compared with only 62,000 head during 1967-71 (table 10).

The principal factors affecting the increase in exports of live cattle during 1972-76 included: (1) agreements between Mexico and the United States (the "Maquila beef" program) that provide for the export of live cattle to Mexico and the return to the United States of the beef that results from their slaughter; 1/ (2) the development of practical air transport for live cattle, especially high-valued cattle for breeding purposes; and (3) the opening of markets in the Communist countries of Eastern Europe to U.S. cattle.

U.S. exports of live cattle have consisted primarily of cattle for breeding and cattle for slaughter. Exports of cattle for breeding

1/ The U.S. had an unfavorable balance of trade with Mexico in live cattle and beef during 1974-76.

have generally declined in recent years--from about two-thirds of the total number in 1972 to less than one-third in 1976. Mexico and Canada have been the principal export markets; other important markets include countries in South and Central America and South Africa and Japan.

U.S. exports of cattle for slaughter during 1972-76 also went mostly to Canada and Mexico. Many of the live cattle exported to Mexico are part of the Maquila beef program. The high cost of transporting live cattle is probably the most limiting factor in shipping cattle to countries other than Canada and Mexico. Canadian health and sanitary regulations apparently limit U.S. exports of cattle to Canada. For example, Canada requires that live cattle be tested to verify the absence of blue-tongue disease, it require certification by U.S. veterinarians that live cattle have not received DES (diethylstibestrol, a growth stimulant) and that the meat of cattle offered for importation comes from animals that have not received DES. If live cattle are to be imported into Canada from Michigan, the animals must be tested by Canadian Government officials to verify the absence of PBB (polybrominatedbiphenyl, a feed contaminant); meat of cattle is also spot checked by the officials for PBB residue.

In August 1974, Canada unilaterally imposed quotas on its imports of certain live cattle and beef from the United States. These quotas were in effect until early August 1975. 1/ Mexico also has health and sanitary requirements and administrative regulations concerning imports of cattle.

Beef and veal and edible offal 2/

U.S. exports of beef and veal and edible beef and veal offal amounted to 311 million pounds in 1976, up about one-third from the 1972-75 annual average of 228

1/ In November 1974 the United States imposed quotas on its imports of certain Canadian livestock and meat products in response to the Canadian action earlier in the year; U.S. quotas were lifted at the same time the Canadian quotas were lifted.
2/ All weights are on a product-weight basis.

million pounds and almost double the 158 million pound annual average of 1967-71. Table 11 shows U.S. exports of beef and veal and beef and veal byproducts during the period 1967-76. During 1972-76, offal accounted for about three-fourths of the quantity of exports, but, because of their low unit value, they accounted for only about one-half of the value. Exports of offal equaled about 13 percent of U.S. production in 1976, up from 10 percent annually during 1972-75. The European Community (EC) was by far the largest market for such exports, accounting for about two-thirds of the total; other markets included Israel (beef livers), Mexico, and Japan.

During the period 1967-76, U.S. exports of beef and veal ranged from 26 million pounds (in 1969) to 81 million pounds (in 1976). Exports of beef and veal have been equivalent to less than 1 percent of U.S. production. U.S. exports have consisted almost entirely of fresh, chilled, or frozen beef, and a large part has been high-valued cuts of beef used in restaurants. Japan took about one-third of the exports in 1976 and Canada, a traditional market, one-fifth of the total; markets in the Caribbean area accounted for another fourth of the total.

Japanese imports of beef and veal from the United States are subject to a tariff of 25 percent ad valorem and a variable levy, and, depending on the cut of beef, a surcharge. Imports are also subject to an annually determined global quota. Quotas reflect the price received by Japanese beef producers. Thus, when the wholesale price of beef in Japan exceeds the Government-determined "ceiling" price, imports are permitted, reportedly to bring down the price in Japan; conversely, when the price in Japan is below the ceiling price, imports are severely restricted. On May 2, 1977, the Japanese Government announced the general beef import quota for the first half of the fiscal year 1977/78 at 70 million pounds--the same amount allowed in the previous 6 months, but 20 million pounds less than that allowed in the semi-annual quota announced a year earlier. Well over half of the quota was allocated to Australia.

Canadian imports of beef and veal are subject to quantitative limitations admininstered on a country-by-country basis. For 1977, Canada is limiting its imports of beef and veal from the United States to 26 million pounds. Canadian imports of fresh, chilled, and frozen beef and veal from the United States receive most-favored-nation rates of duty as do those from Australia and New Zealand, the other principal suppliers to the Canadian market. The rate of duty on beef and veal from these sources is 3 cents per pound (Canadian). There is evidence that Canada's health and sanitation requirements have inhibited U.S. live cattle exports to this market in recent times. According to testimony by Congressman Marlenee at the hearings in Washington, D.C., on September 20, 1977, the blue-tongue testing requirements of the Canadian Government have posed a serious bottleneck to these exports since 1973. 1/

EC imports of beef and veal from the United States are subject to tariffs, variable levies, and other administrative limitations, including licenses. In 1974, the EC experienced a build-up of stocks of meat and imports of cattle meat were banned, except for those articles negotiated under General Agreement on Tariffs and Trade agreements. The Export-Import plan (Exim) in force during the last half of 1975 permitted limited imports of beef only when an equal amount of the meat from domestic sources was exported. This plan was replaced by the time lag scheme, in force from January 1976 to April 1977, which linked imports with purchases of equal amounts from EC surplus stocks. Since April 1977, variable levies ranging from zero to 114 percent ad valorem have been imposed. The basic levy is the difference between the EC price and the world price.

1/ Transcript of hearings, pp. 51 and 52.

Packinghouse byproducts

The principal packinghouse byproducts exported from the United States are hides and tallow, the rendered fat of cattle. Exports of the byproducts contribute more to the economic well-being of U.S. meatpackers than exports of the other products of cattle. During 1967-76, the value of U.S. exports of cattle hides and calf skins increased from $108 million to $480 million, and their share of the total exports of beef and veal and their byproducts increased from 30 to 37 percent (table 11). Most of the exports consisted of cattle hides and were equivalent to about one-half of domestic production. The increase in value of exports reflects, in part, a growing demand abroad for U.S. hides that can be converted into leather and leather products. Japan has been the principal export market, by far, for U.S. cattle hides and calf skins. In 1976, that country accounted for about two-fifths of the total; other important markets included the Republic of Korea, Mexico, Italy, and Romania.

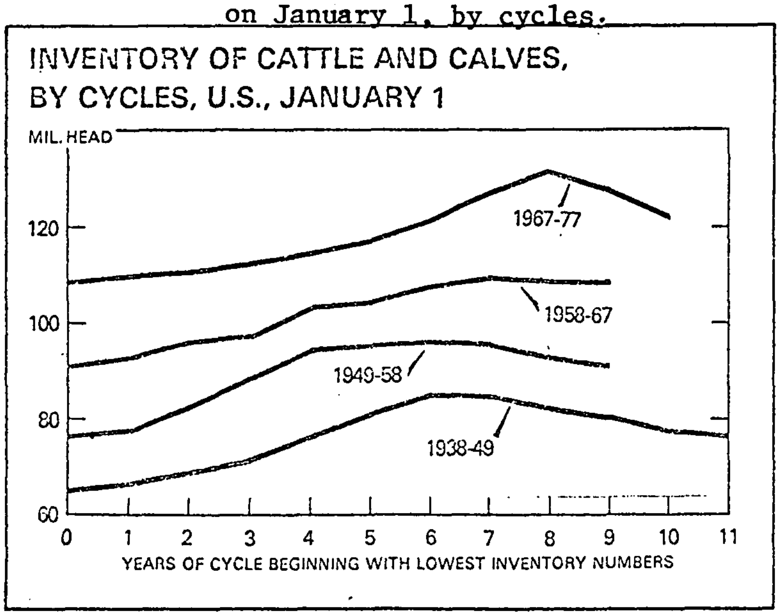
During 1967-76, U.S. exports of tallow, in terms of quantity, showed no discernible upward or downward trend, averaging about 2.1 billion pounds annually. In terms of value, however, exports of tallow as a share of the total exports of beef and veal and their byproducts dropped from 40 percent in 1967 to 30 percent in 1976. Most of the U.S. exports consist of inedible tallow which may be rendered edible abroad. U.S. exports go to many countries; in 1976, the European Community, Egypt, Japan, and South Korea were the principal markets for U.S. inedible tallow.

Inventories

Live cattle, the cattle cycle

Historically, the number of beef cattle and calves on U.S. farms and ranches has followed a cyclical pattern (fig. 3), and the results of that pattern, the cattle cycle, reflect the inventories of cattlemen. 1/

Figure 3.--U.S. inventory of cattle and calves on January 1, by cycles.



Source: U.S. Department of Agriculture.

The cyclical characteristic shown above occurs for both economic and biological reasons. A buildup in cattle inventories will be followed by increases in beef production. The cycle enters the expansion phase with the decision of producers to increase cow numbers. This decision is likely to be based largely on current conditions regarding cattle prices and forage supplies. Biological factors cause lags between the time the expansion decision is made and the increase in beef and veal production takes palce. 2/ Thus, the supply-demand conditions that exist

1/ The number of cattle on U.S. farms and ranches is discussed in the section of this report on U.S. production.

2/ The production of beef and beef products involves a series of operations that span a period of 2.5 years or more, beginning at the time the cow is bred.

when the increase in beef output finally occurs may be quite different than those prevailing when the initial expansion decision was made.

The build-up of the breeding herd during the expansion phase is accomplished by holding back heifers that would normally go to feedlots, in addition to retaining cows. The retention of cows and holding back of heifers further reduces supplies of beef available for slaughter, and higher prices follow. Producers typically respond to the higher prices by saving even more breeding stock.

At some point either feed conditions become unfavorable (causing producers to sell their cattle), or the supplies of beef and veal become too large to clear the market at the prevailing prices. In either event, the production of beef ultimately outruns demand at the prevailing prices, and prices begin to decline. Falling prices result in reduced profits, and producers begin to cull breeding stock. The culled breeding stock adds to the already substantial meat production, further depressing prices and profits. Young animals that would normally go to feedlots or breeding herds are also sold for slaughter, resulting in additional supplies of meat. 1/

This liquidation (sell-off) phase of the cycle continues until conditions (largely cattle prices and forage supplies) are such that producers once again decide to expand their herds because of anticipated profits, and a new cycle begins. The expansion phase of the latest cattle

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1/ Ronald A. Gustafson, "Livestock-Grain Interdependence: Implications for Policy," Agricultural Food Policy Review, USDA, January 1977, p. 122.

cycle got underway in 1967, with all cattle on farms at 109.4 million head on January 1, 1968, and lasted until 1975, when January 1 cattle numbers peaked at a record 131.8 million head. As a result of the liquidation phase of the cycle which began in 1975, January 1 inventories during the last 2 years have been successively lower, falling to 122.9 million head on January 1, 1977.

Herd reduction has continued through the first three quarters of 1977 and U.S. Department of Agriculture economists predict that it will continue through the fourth quarter and possibly into 1978. Their estimate of cattle on farms for January 1, 1978, is 117 million to 118 million head. Beyond early 1978, the Department of Agriculture economists estimate that the movement of the cattle cycle will depend largely on forage supplies and feed grain prices. Assuming favorable conditions, herd slaughter should moderate and cattle numbers will stabilize at about 116 million head; if forage and grain conditions are unfavorable in 1978, herd liquidation will continue.

Inventories of beef and veal

Cold-storage holdings of beef and veal do not change much from month-to-month (table 12). Monthly cold-storage holdings have averaged about 322 million pounds in recent years, generally equivalent to about 15 to 20 percent of the monthly output In May 1977, stocks amounted to 457 million pounds, about a tenth more than in May 1976. Meatpackers prefer to market beef and veal in the fresh form, rather than pay the costs associated with storage. Consequently, there has been little relation between the increased beef and veal production in recent years and year-end inventories.

Financial Conditions

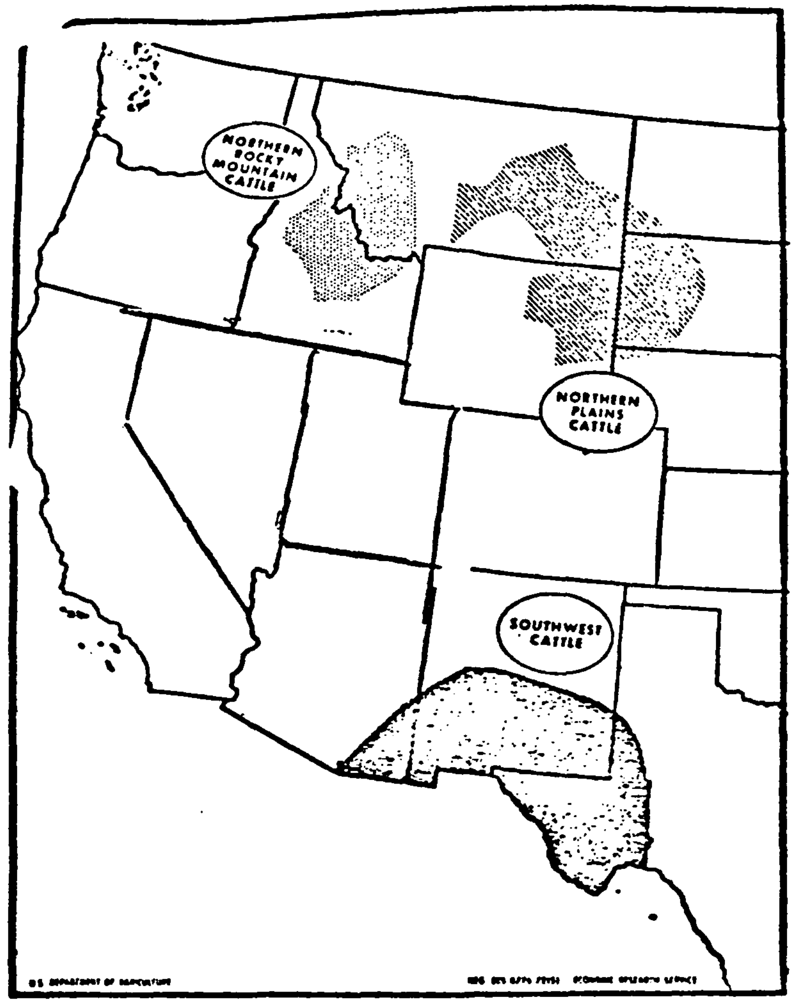
Cow-calf operations

The following discussion cover the financial conditions of cow-calf operatórs from 1960 to 1976.

1960-72.--U.S. Department of Agriculture studies on costs and returns of commerical cattle ranches in selected U.S. areas show that the rise in the ranches' income was greater than the rise in their production outlays. This reflected a combination of factors, such as: high prices of beef livestock (especially of feeder calves), increased calving rates, lower death losses, good range conditions, and concomitant heavier market weights for calves. The U.S. Department of Agriculture studied commercial ranches averaging about 300 head of brood cows in three important western producing areas: the northern plains, the northern Rocky Mountains, and the Southwest (fig. 4). Table 13 shows percentage returns to total capital (equity plus borrowed capital) invested. Ranch returns, on the whole, were well above average returns on common stock in this period. Even the least profitable Southwest ranches had positive, if low, returns. Their low profitability was caused by factors such as: low carrying capacity of their ranges, droughts, relatively limited use of public grazing land, and comparatively high land values which increased the investment required per animal unit.

1973.--In this peak year of cattle prices, no comprehensive information was available from the U.S. Department of Agriculture on costs and profitability.

Figure 4.--Cattle ranches: Three U.S. regions covered by USDA studies on costs and returns, 1960-72.



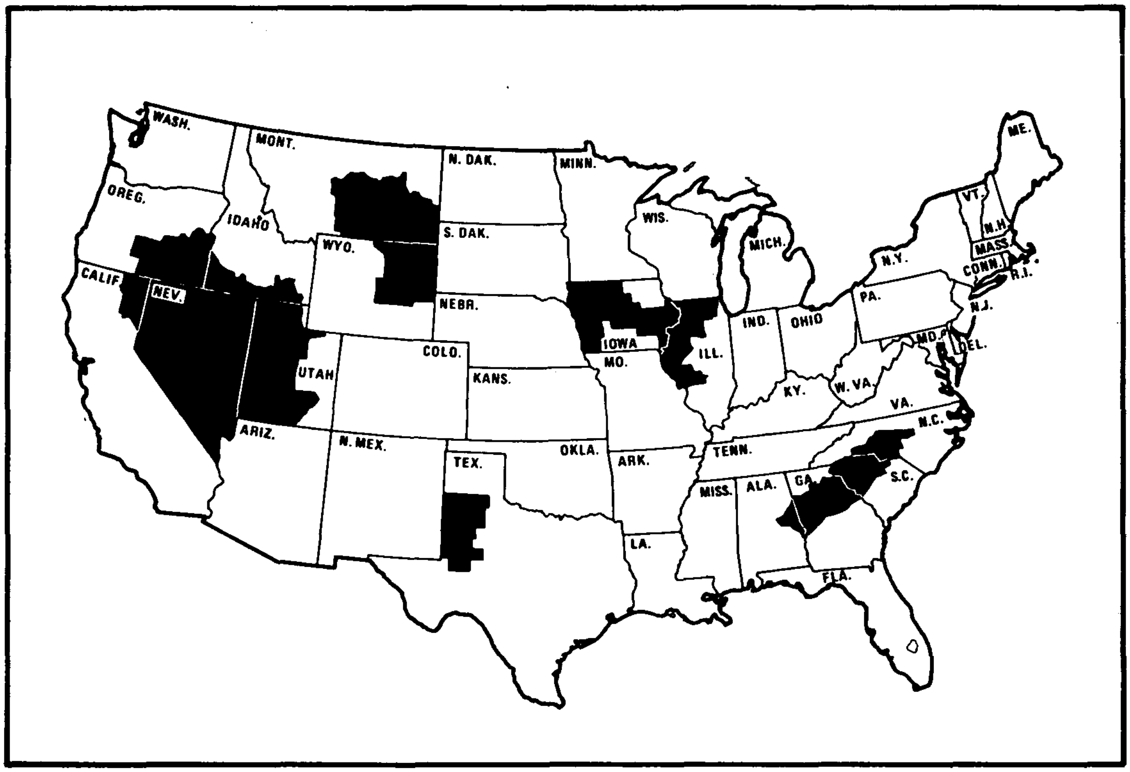
Northern Plains: includes generally southeastern Montana, northeastern Wyoming and western Dakotas. Northern Rocky Mountains: includes generally southwestern Montana and east central Idaho. Southwest spans parts of West Texas, southern New Mexico and parts of southeastern Arizona.

Source: U.S. Department of Agriculture.

1974-75.--For 1974 and 1975 the U.S. Department of Agriculture prepared detailed cost estimates for cow-calf operations considered common or "typical" in five regions of the United States. The regions selected are shown and defined in figure 5. From these itemized cost estimates the U.S. Department of Agriculture calculated the average selling price that would have been required both years to cover the variable costs and total costs of feeder calves sold by these operations. As no estimates were made on returns, a comparison of prevailing livestock prices in these years with the expense of raising feeder calves can serve as a crude indicator of profitability.

Table 14 shows herd sizes considered common or typical for operations in each of the regions and variable and total expenses per hundredweight of feeder calves produced by these enterprises. Data indicate that variable expenses differed significantly among the five regions. In the northern plains and southwest plains they were low, hence, returns to variable costs were probably positive, taking Kansas City prices as a basis of comparison. By contrast, in the western Corn Belt and especially in the southeast area, variable costs exceeded even the higher 1974 livestock prices, resulting in actual losses for the operator. The U.S. Department of Agriculture analyzed the reasons why a large majority of producers, which apparently were unable to cover variable expenses, continued to stay in business (in the short run, positive returns to variable costs justify continued operations). The U.S. Department of Agriculture explains that, among other reasons, the variable costs estimated were not entirely cash outlays, hence negative

Figure 5.--Feeder calves; 5 U.S. regions covered in USDA estimates on production expenses in 1974 and 1975.



Western Corn Belt includes most of Iowa plus Northwest and West Central Illinois. Southeast includes the Piedmont areas of Alabama, Georgia, South Carolina, and North Carolina. Northern plains encompasses the southeastern quarter of Montana and part of eastern Wyoming. Southwest high plains covers Texas. The intermountain area includes Nevada, western Utah, southern Idaho, southeastern Oregon, and a small borderline area of eastern California.

Source: U.S. Department of Agriculture.

returns did not necessarily mean cash losses for the operator. Most importantly, estimates on variable costs included charges for the labor of family members, which did not involve cash payments. Negative returns to variable costs were found mostly in those regions (western Corn Belt and southeast) where the cow herd was supplementary to crop operations and was maintained for returns (however low) to otherwise unutilized labor.

Table 14 shows different variations among the five regions for the total costs than for variable costs of raising feeder calves, For example, in the southwest high plains cow-calf units had the lowest variable, but the highest total, expenses, owing especially to the high cost of land in this area. U.S. Department of Agriculture estimates in all five regions showed total expenses per hundredweight of feeder calves above the actual price, Kansas City basis. This indicates that in both 1974 and 1975 cattle raising must have seemed an unprofitable enterprise to the potential entrant into the field, considering the investment in land, equipment, and facilities at the prevailing rates. In contrast, those operators that had their land and other capital assets already paid for did not incur actual costs associated with these assets on a year-to-year basis. Hence, if their total costs had been computed on their original investment on these resources, they would have been considerably lower than those presented in table 14. 1/

1/ Total costs in table 14 were calculated on the basis of capital asset values prevailing in the year in question, Capital appreciation.--Net asset appreciation, especially land appreciation, has long been considered a very important element of the cattle raising enterprise. Even in good years, capital appreciation sometimes exceeded net operating returns. 1/

1976.--A study, "Cost of Producing Feeder Cattle in the United States 1976," has been completed but not yet released by the U.S. Department of Agriculture. This new study discontinued the geographic classification used in earlier studies and defined five principal production areas in the United States with sufficiently homogeneous climatic, topographic, and agronomic conditions within each region to allow regional cost studies. These regions are: (1) Southeast, (2) Southwest, (3) West, (4) Great Plains, and (5) North Central.

The new U.S. Department of Agriculture study compared the average regional prices of feeder calves with their average regional production costs and found that total costs invariably exceeded prices. However, except in the Southeast, prices in these regions covered returns to fixed costs. Under 1976 cost-price relationships, therefore, cattle raisers may be expected to continue in business over the useful life of their capital facilities. Negative returns to total cost cannot be maintained indefinitely, however.

1/ Dr. Richard Shunway, a witness at the USITC hearings on the current investigation, testified that, in Texas, the gain in land values (coupled with tax incentives) had probably been the principal cause of the industry's long-term post-war growth despite low operating returns and frequent losses. He pointed out that the low returns were augmented, and losses apparently offset, by rapid capital gains. (Official report of the proceedings, Vol. III, pp. 651-57).

Cattle feeding industry

The profitability of cattle-feeding operations is determined predominantly by the price of fed livestock (the output) and of feeder cattle and grain (the principal inputs). The uncertainties and fluctuations in the prices of these three items, which occur for a variety of reasons, make cattle feeding a high-risk enterprise. It is also difficult for the industry to adjust its scale of operations according to unpredictable cost-price squeezes, as there is a time-lag of about 4 months between placing cattle on feed and marketing the finished livestock. By the time the threat of reduced earnings or outright losses becomes obvious, decisions on investment capital (and to a large extent also on operating capital) already have been made.

During the herd-expansion phase of the most recent cattle cycle the profitability of feeding operations fluctuated principally with grain prices, as the prices of feeder cattle and fed cattle were on a fairly predictable long-range upward course. The corn blight of 1970 and resulting higher feed prices apparently caused short-run losses to the industry. However, until the last quarter of 1973, returns to feeding enterprises were generally positive. Although feed prices rose rapidly in response to increased U.S. grain exports in 1973, the price of finished cattle increased also and allowed sufficiently attractive (even if reduced) margins. 1/

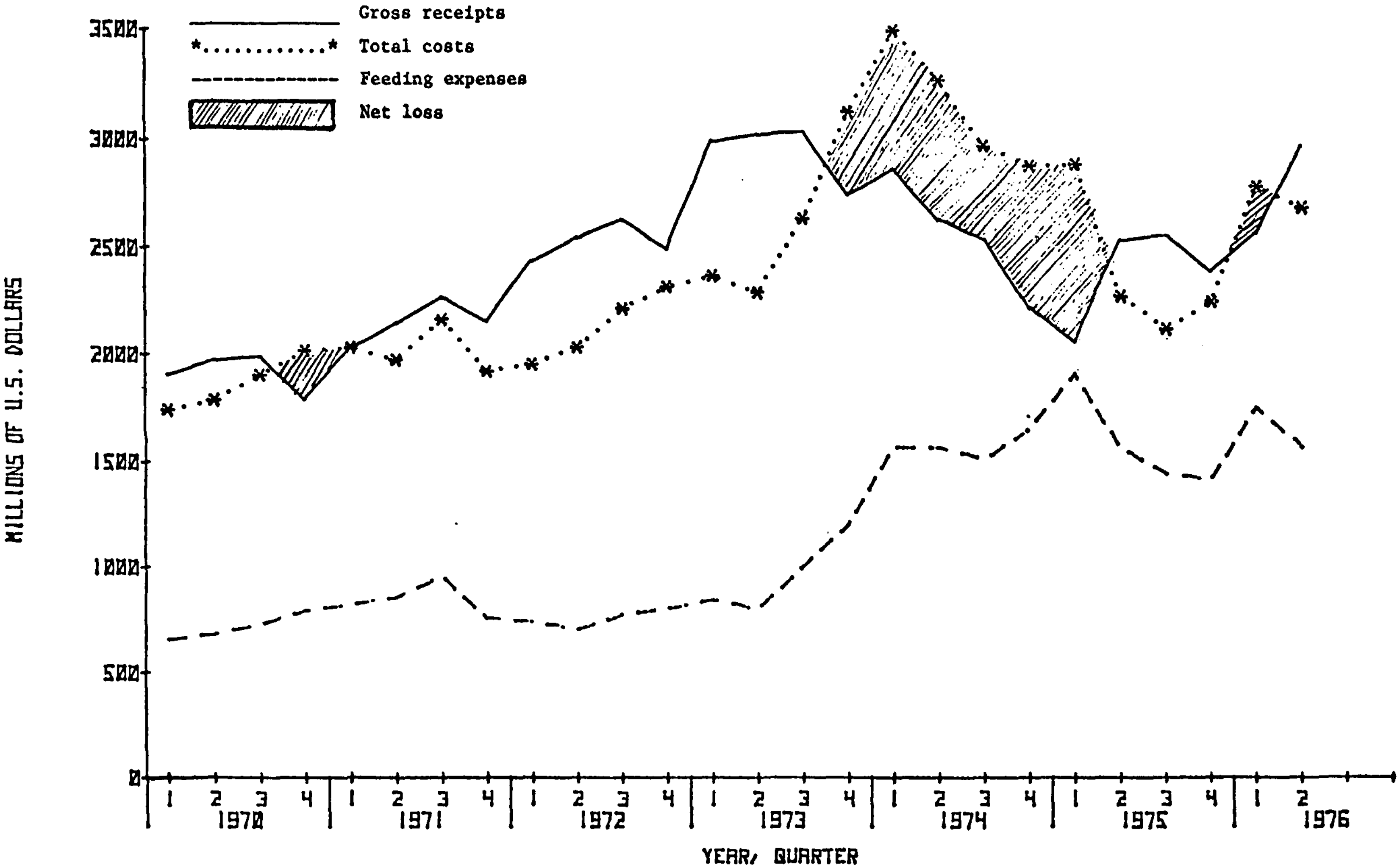
1/ See price section.

In 1973, the retail price ceiling imposed in March and the subsequent consumer boycott of meat pruchases broke the generally upward trend of livestock prices. Although the meat price ceiling was lifted in the fall, the previously withheld cattle inundated the market, causing livestock prices to fall precipitously instead of rising as cattlemen had expected. Prices continued to decline through the first quarter of 1975. The ratio between cattle prices (which were falling) and grain prices (which remained high) declined drastically. Adverse price developments prompted feedlot operators to reduce cattle on feed beginning in 1974, contributing thereby in large measure to the subsequent liquidation phase of the cattle cycle. Negative price margins were reflected in heavy losses for cattle-feeding enterprises in late 1973, throughout 1974, and early 1975. In 1974 the Emergency Livestock Credit Act was passed, providing Government guarantees and loans to affected enterprises. By mid-1975, the ratio of cattle prices to feed prices improved, bringing temporary relief. Yet, by the first quarter of 1976, feedlot operators once more saw a negative margin between their total costs and the selling price of cattle. Negative margins prevailed through the middle of 1977, as beef and cattle prices continued to be depressed.

Table 15 shows receipts, major cost elements, and net returns for cattle feeding in 23 States, based on U.S. Department of Agriculture estimates. These States normally account for about 95 percent of fed cattle marketed in the United States. Thus, the data shown give a fairly accurate nationwide picture of income trends in cattle feeding and the principal factors influencing them. Data show that negative net income (losses) prevailed in the industry for six continuous quarters from late 1973 through early 1975. Figure 6 shows the overwhelming effect of feeding expenses on the profitability of the industry. Until mid-1973, total costs and feeding costs were fairly stable, moving together. Feeding costs accounted for less than half of total costs. Subsequently total costs were driven up substantially by soaring feeding expenses through the first quarter of 1974. Thereafter, heavy losses induced feedlot operators to reduce total costs drastically by curtailing operations and by other means. Yet, feeding expenses continued to grow, and for most of 1975 they represented over two-thirds of total costs.

The U.S. Department of Agriculture is expected shortly to release estimates for the second half of 1976 and the first half of 1977 on the data shown in table 15 and figure 6. The above-mentioned negative price margin between feeder and fed cattle that prevailed throughout this period indicates, however, that profits, if any, must have been negligible.

Figure 6.--Cattle-feeding industry in 23 States: Gross receipts, total costs, and feeding expenses, by quarters, 1970-76.



Source: Table 3.

The impact of losses suffered by the industry varied among individual cattle feeders. Those that did not accumulate sufficient earnings from prior profitable years were faced with high losses of equity and inadequate reserves to support additional debt, especially as equity requirements also increased. Apparently, large commercial feedlots managed to operate at times at 50 to 60-percent capacity utilization, and relatively few feeders have been forced to liquidate their holdings through foreclosure. The industry is seen to adjust to unfavorable financial developments by making some changes in common ownership and/or business arrangements with suppliers (feeder producers, feed companies) or purchasers (meat packers).

The meatpacking industry

The financial picture of the meatpacking industry from 1925 through 1976 is summarized in table 16.1/ American Meat Institute (AMI) data show a continuous increase in the value of sales and net worth for meat packers since 1968. They also reveal fluctuations in year-to-year profitability, measured in earnings   sales, since 1963, reflecting the volatility of prices and production in the livestock economy.

Various median earnings ratios calculated by Forbes for the largest 16 public meatpacking companies are shown in table 17 for 1970-74, and annually for fiscal years covering largely 1974, 1975, and 1976.

1/ Note that AMI data also include operations relating to hogs. By contrast they exclude the meat processors that conduct no slaughtering operations. The annual data for 1963-76 are estimates of the AMI based on commercial livestock slaughter, as reported by the U.S. Department of Agriculture.

According the these data sources (AMI and Forbes), the profitability of the meatpacking industry in terms of sales did not change meaningfully in 1974-76. Forbes and AMI data indicate a slight decline in net profits on sales in 1976, compared with 1974. Concerning long-range developments, the ratio of net earnings to total sales of the meatpacking industry was about the same, or better, in this period (1974-76) than in prior years and decades. According to the AMI, earnings on net worth did decline somewhat in 1976, but they have increased significantly in the long run (table 16). Forbes data also shows a decline in median returns on stockholders' equity for 1976, but a better performance in 1974 through 1976 than in the preceding years of the seventies (table 16).

It should be noted that the financial performance of the meatpacking industry in 1974 through 1976 is different from the poor financial conditions of cow-calf operations and cattle feeders in these years. Table 18 shows that the gross profit margin of meatpackers ranged from 20.4 percent in 1974 to 21.5 percent in 1976. The gains from declining raw-material costs were offset by rising operating expenses in the meatpacking industry, leaving profitability comparatively unchanged.

PRICES

The principal meat price reporting services in the United States are the "Yellow Sheet," published by the National Provisioner, "The Meat Sheet," which is a Fairchild Publication, and the "Market News," a free weekly publication of the U.S. Department of Agriculture. "The Yellow Sheet" reports prices for a variety of items, but it does not show sales volume or whether the sale was from packer to packer or packer to processor. The quoted prices are based on open-market sales which are identified by the National Provisioner through telephone calls to and from sellers, buyers, and brokers. Estimates by industry sources and other price reporting services indicate that "The Yellow Sheet" daily price quotations are based on approximately 5 percent of all daily wholesale meat transactions. The National Provisioner has been reporting meat prices since 1927 and has an estimated circulation of 15,000.

"The Meat Sheet" reports daily high, low, and closing prices along with daily volume. It distinguishes between packer-to-packer and packer-to-processor sales of beef carcasses. It reports prices for imported frozen meats f.o.b. east coast, as well as for imported Central American boneless beef. "The Meat Sheet" has been published since 1974 and has a circulation of a little more than 700.

USDA's weekly publication, "Market News," quotes prices of livestock and meat on a weekly basis. It is primarily used by cattle producers.

It should be noted that a number of suits charging monopolistic practices have been filed against several national food chains, the National Provisioner, and the National Association of Food Chains. The suits have been filed by cattlemen in California, Nebraska, Texas, and Oklahoma. The California case involving Safeway, A & P, and Kroger, ended with an out-of-court settlement by Safeway and Kroger; A & P was ordered by a jury to pay $35.8 million, later reduced to $9 million. In another development, the Meat Price Investigators Association, formed to represent a group of midwestern cattle feeders, filed a civil suit (in August 1976) against four slaughterhouses, charging them with conspiracy to fix live-cattle and carcass-beef prices. 1/ In this suit the companies allegedly agreed to quote substantially identical bids for live cattle, allocated territories, boycotted certain live cattle markets, purchased businesses of potential competitors, bought production of beef of potential competitors, and gained and used inside information from major buyers.

A recent report by the Comptroller General of the United States discusses whether there are free-trade impediments in the marketing of meat. 2/ The report concluded that the use of union/management agreements, which restricted the form or hours in which certain meats could be marketed in some cities, appeared to be declining. However, it called for more effective actions in dealing with commercial bribery in the meat industry which, according to the

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1/ The 4 are Iowa Beef Processors, Inc., Flavorland Industries, Inc., MBPXL Corp., and Spencer Foods, Inc.

2/ "Marketing Meat: Are There Any Impediments to Free Trade?" Report of the Comptroller General of the United States, June 6, 1977 (CED-77-81).

Department of Agriculture, is longstanding and widespread. According to the report, "competition is limited and consumers are likely to pay higher prices for meat" 1/ when commercial bribery occurs in the meat industry.

Despite the information presented above, only limited data exist concerning the impact of the large-scale purchasing power of major retailers in the pricing of beef in the United States. In the hearing on the California cattle industry, conducted by the California Legislature, Senate Subcommittee on California's Food and Agricultural Economy, on June 27, 1977, Chairman Garamendi stated on page 6 of the transcript:

> . . . There is no doubt that large retailers, working in conjunction, have in the past artificially depressed beef prices. According to a Ninth Circuit Court of Appeals decision, major retailers conspired and in fact managed to depress the wholesale price of beef by 20 cents a pound. This practice is clearly illegal as it gouges ranchers out of a fair return for their labor.

On October 20, 1977, the office of Chairman Garamendi reported that no summary or conclusions of the hearing has yet been published and additional hearings are planned for December 1977.

In connection with the concentration of purchasing power by the major retailers, reportedly about 70 percent of all fresh beef sold in the United States is handled by grocery stores. According to Progressive Grocers' Marketing Guidebook, total sales by grocery stores in the United States amounted to $131 billion in 1974, and the 10 top chains accounted for about $34 billion of that total, or 26 percent.

Assuming that U.S. sales of beef by the top 10 chains paralleled their share of U.S. sales of groceries in 1976, about 18 billion pounds (70 percent of the beef produced in the United States) were sold by grocery stores, and, of that amount, the top 10 chains purchased about one-fifth of the beef produced in the United States in 1976.

1/ Ibid. p. 3.

Economic Background

The beef industry experienced slow growth from 1967 to 1970 within the general environment of an expanding U.S. economy with a fairly moderate rate of inflation. Feedlot operators had the incentive of positive feeding margins, ample grain supplies, and a growing demand for beef. The optimism of ranchers was reflected in longer holding periods for cows and for replacement heifers. While this would mean greater future beef supplies, the effect during this period was to reduce current supplies and thus to increase meat prices. Prices rose at all levels, from the farm level to the retail. Farmers receiving an average price of $22.24 per 100 pounds for beef cattle in 1967 were receiving $27.10 in 1970 (table 19). Price increases were experienced for Choice feeders, Choice steers, Utility cows, vealers, and for carcasses.

In the 1970's the beef industry has been strongly influenced by events affecting the price of grains and by Government economic policies. Because of a corn blight, the 1970/71 corn crop 1/ was smaller than in the previous year, and corn prices rose. The U.S. Department of Agriculture estimated that cattle feeders suffered losses in the fourth quarter of 1970 and first quarter of 1971. In the following year (1971/72), the grain crop set a new production record and grain prices began to fall, thus resulting in attractive feeding margins in the livestock sector. In late 1971, meat prices began rising owing to the growth in consumer incomes and demand for beef, the reduction in beef supplies resulting from the 1970 corn blight, and the diversion of heifers from slaughter to the breeding herds. Herd expansion became attractive as feeding margins expanded.

1/ Year beginning October 1.

Although the 1972/73 corn crop was large, feed prices began increasing in response to a growing export demand. Thus, feeding margins narrowed in mid-1972, yet not so much as to prevent a continuation of the increase in cattle numbers. From late 1972 to mid-1973, cattle prices rose sharply owing to a combination of increasing consumer incomes, a demand for beef, and a reduction in the supply of beef resulting from the severe winter of 1972-73 in the plains and north central cattle feeding areas. Price ceilings were imposed in March 1973. The following month saw the beginning of a consumer boycott of meat purchases. The response of cattle feeders was to reduce marketings, and beef cattle prices continued to increase.

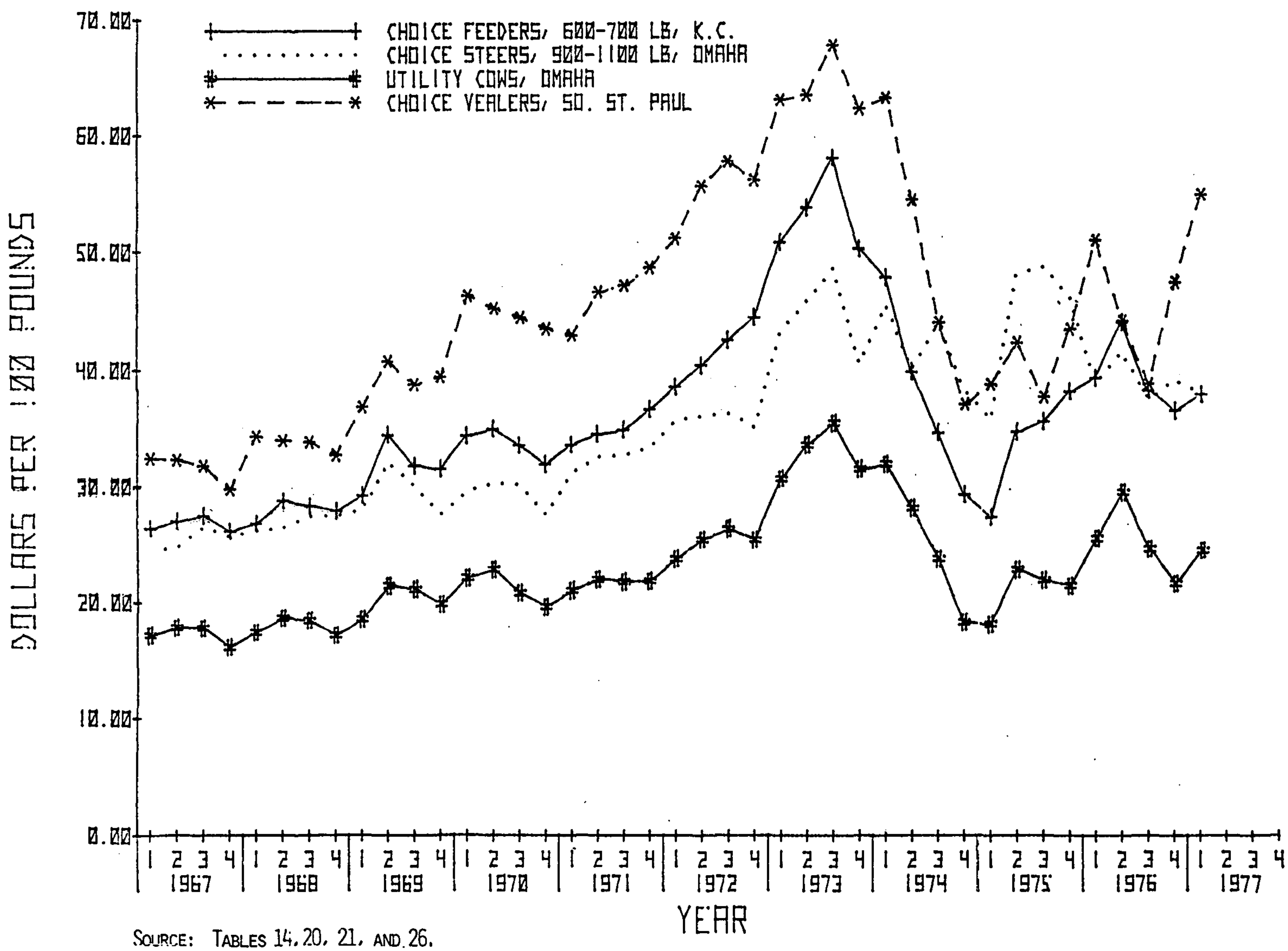
Rapidly rising grain prices in early 1973 resulted in the livestock sector being caught in a cost-price squeeze by mid-1973. Beef prices stayed strong and breeding herds continued to be enlarged. Despite retail price ceilings, feeder cattle prices climbed, reaching record highs in the third quarter of 1973. Because of the retail price ceilings, reduced marketings, and rising live-cattle prices, packers and retailers curtailed their beef operations. Assuming that cattle prices would rise even further, feeders withheld cattle from the market until price ceilings were to be lifted.

Price ceilings were lifted for beef on September 10, 1973. Feeder cattle inventories were very large, and an excessive number of well-fed cattle came on the market after that date. Prices of cattle fell strongly for the remainder of 1973 and through 1974, particularly for the excessively finished cattle. Higher quality cattle fell more in price than did cattle of lower quality during this period, as can be seen in price movements of Choice feeders, Choice steers, and Utility cows (tables 20 through 22 and fig. 7). Prices of Choice steers at Omaha (900 to 1,100 pounds) fell from \$48.57 per 100 pounds in the third quarter of 1973 to \$40.47 in the fourth quarter. The liquidation phase of the cattle cycle had begun. 1/ Large numbers of cattle were available while grain supplies were just adequate in 1973 and 1974. The 1974/75 grain crop was deficient, however, owing to such factors as late plantings, drought, and an early frost,

With higher grain prices putting pressure on livestock margins and cattle numbers at record levels, herd liquidation was accelerated in 1974. Cattle on feed, which amounted to 13.9 million on January 1, 1973, numbered 8.5 million on April 1, 1975. From late 1973 to early 1975, cattle feeders experienced negative net incomes. By late 1974, prices began to stabilize for livestock. Lower grain prices combined with low feed lot placements in 1974 and early 1975 resulted in better feeding margins in mid-1975. Margins favored placing cattle on feed. The price recovery was temporary, for feeding margins declined again during the winter of 1975/76 owing to a large nonfed-cattle slaughter and increased fed-cattle marketing. Prices were further depressed during 1976 as a result of a greater number of cattle slaughtered and higher average weights of the cattle during mid-1976.

1/ The previous bottom of the cattle cycle had been reached in 1967.

FIGURE 7.—LIVE CATTLE: PRICES PAID AT SPECIFIED MARKETS, BY QUARTERS, JANUARY 1967–JUNE 1977.



SOURCE: TABLES 14, 20, 21, AND 26.

For 1977, beef production is expected to be relatively large, with fed-cattle slaughter estimated to be greater than that in 1976 by up to 3 percent. 1/ The price of Choice 900 to 1,000 pound slaughter steers at Omaha is expected to average approximately $40 for 1977, while the 1977 retail price per pound of Choice grade beef is estimated to be 3 to 5 cents above 1976's $1.39 per pound. Supplies of pork and poultry are expected to be large this year and thus should tend to restrict potential increases in beef prices. Feeder-cattle prices for the remainder of 1977 will be influenced by weather conditions and the prospects for the new corn crop. If grazing conditions are good and the corn crop is large, feeder-cattle prices are likely to rise.

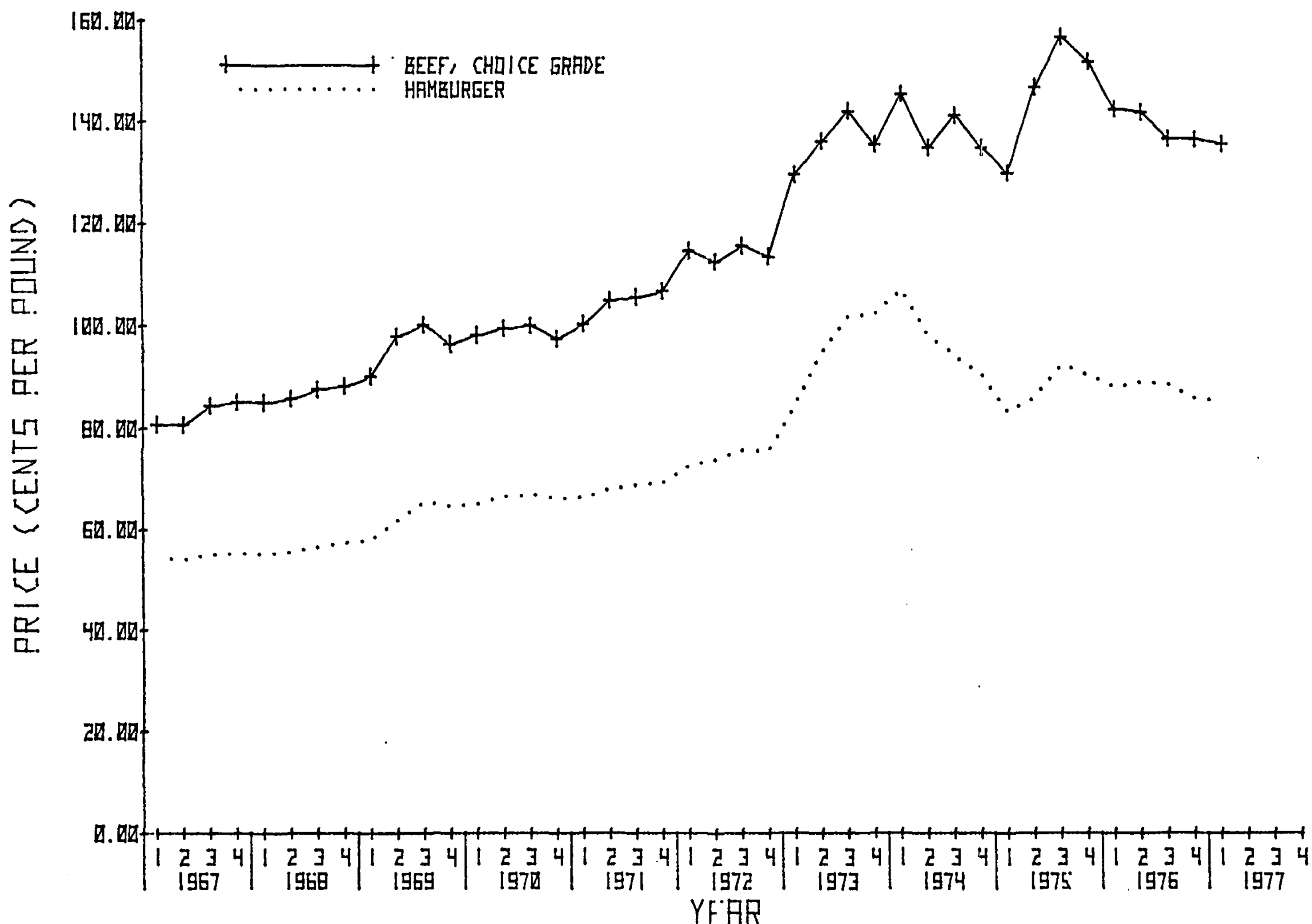
Individual Price Series

Retail

Retail prices of Choice grade beef and of hamburger rose in similar pattern almost continuously from 1967 to early 1974 (tables 23 and 24, fig. 8), but since then their price movements have diverged. From 1974 to 1977, the price of Choice grade beef has been both below and above the early 1974 peak. In the first quarter of 1977 the average price of Choice grade beef was 10 cents per pound less than that in the first quarter of 1974. The price of hamburger, however, has not surpassed its early 1974 high due to liquidation and increased supplies and was 21.6 cents per pound lower in the first quarter of 1977. The retail price difference between these two types of beef has risen from 28 cents per pound in 1967 to 51.3 cents per pound in 1976. The corresponding percentage increases in price, however, are similar--68 percent for Choice grade beef and 61 percent for hamburger.

1/ Estimates as of June 1977 by the U.S. Department of Agriculture. Because of reduced cow slaughter, total commerical cattle slaughter for 1977 is expected to decline 4 to 6 percent from the 1976 levels.

FIGURE 8.—CHOICE GRADE BEEF AND HAMBURGER: AVERAGE U.S. RETAIL PRICES, BY QUARTERS, JANUARY 1967–JUNE 1977.



SOURCE: TABLES 22 AND 23.

Wholesale

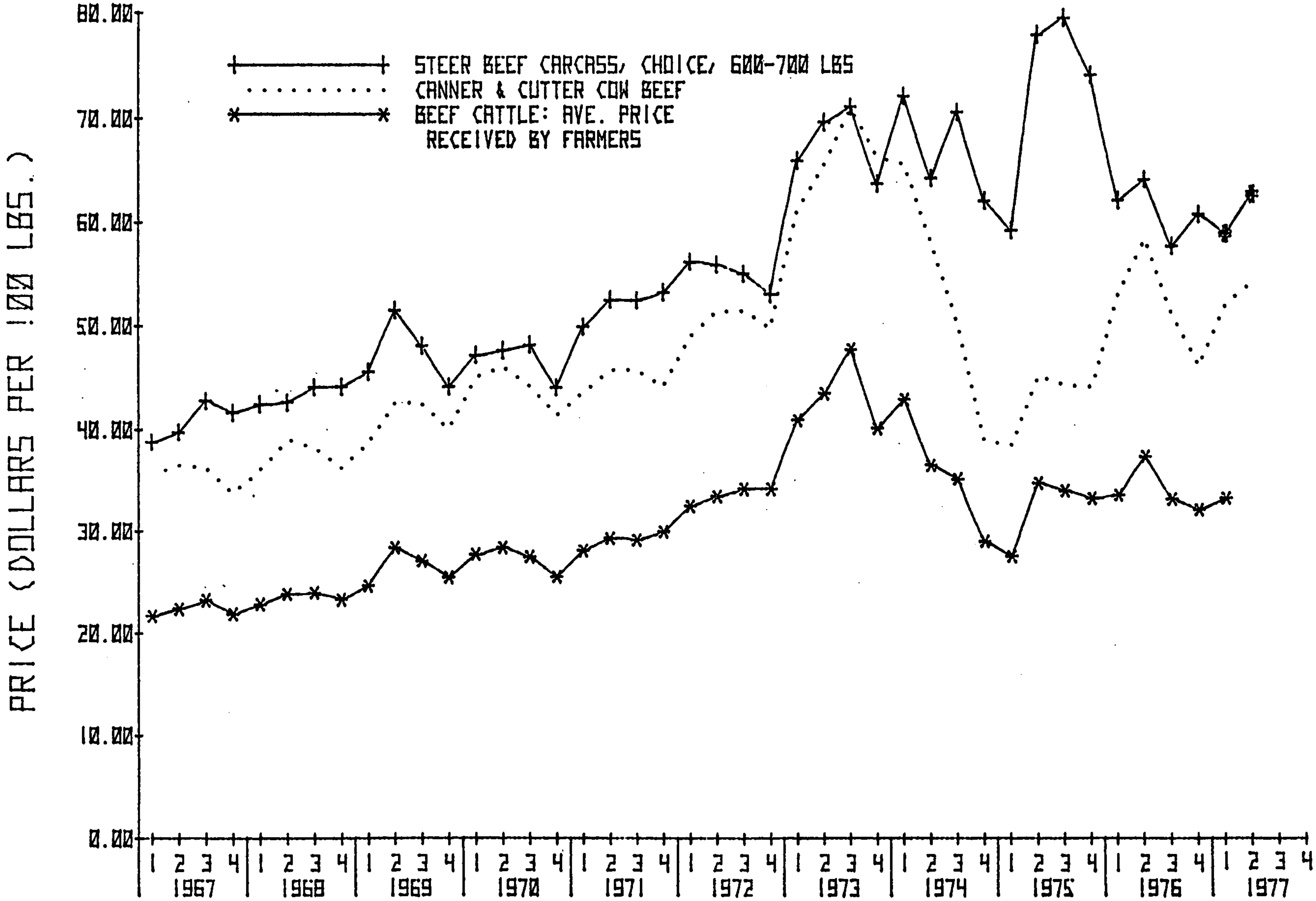
Wholesale prices of beef from 1967 to the present represented by carcass prices have displayed a pattern very similar to retail prices (fig. 9). The price difference between the higher and lower grades has increased. In 1967, the price difference between Choice steer beef carcasses and Canner and Cutter cow beef was $5.25 per 100 pounds; in 1976, it was $8.99 per 100 pounds. As was the case at the retail level, the percentage increases in price at the wholesale level for the higher and lower quality beef are similar. In the 1967-76 period, wholesale prices of Choice steer beef rose by 50 percent and by 47 percent for Canner and Cutter cow beef (tables 25 and 26). These price increases are smaller than those which took place on the retail price level. The major divergence in the wholesale price movements of these two types of beef occurred between early 1974 and early 1976.

Cattle prices

Four different cattle price series are shown in the report to cover various aspects of the cattle market (fig. 7). Prices for all types of cattle rose from 1967 to the third quarter 1973 then fell sharply until late 1974 or early 1975. After recovering somewhat, price movements became erratic after early 1975. The specific economic circumstances responsible for these price movements since 1967 are described in an earlier section of this report entitled "Economic Background."

Choice feeders, 600 to 700 pounds, Kansas City, were quoted at an average annual price of $26.68 per 100 pounds for 1967 (table 20), For 1976 the average price was $39.40, for an increase of 48 percent over 1967. A similar price rise occurred for Choice steers 900 to 1,100 pounds, Omaha

FIGURE 9.--STEER-BEEF CARCASSES, COW BEEF, AND BEEF CATTLE: U.S. PRICES, BY QUARTERS, JANUARY 1967-JUNE 1977.



YEAR

SOURCES: TABLES 19, 25, AND 26.

(slaughter cattle), which were $25.29 per 100 pounds in 1967 and $39.11 in 1976, for an increase of 55 percent (table 22). Prices for Utility slaughter cows, the meat of which is used largely for hamburger and in sausage, averaged $17.22 per 100 pounds in 1967 (table 21). In 1976 they were 47 percent higher, averaging $25.31 per 100 pounds. Choice vealers (young calves) sold for an average of $31.61 per 100 pounds in 1967 and for $45.18 in 1976, amounting to a 43 percent increase (table 27). The average annual price received by farmers for all kinds of beef cattle, per 100 pounds, was $22.24 in 1967 and $33.70 in 1976, amounting to a 52-percent increase.

Farm-Retail Price Spread

The total annual farm-retail price spread for Choice beef more than doubled from 1967 to 1976, rising from 29.6 cents to 61.0 cents per pound (table 28). 1/ From 1967 to 1975 the farmers' share was fairly stable; data for 1976 and early 1977, however, indicate a declining share. The rise in the total farm-retail spread appears to be attributable to such factors as--(1) increases in the costs to middlemen (e.g., higher wages, higher transportation costs, higher operating costs), and (2) demand shifts by consumers to better quality beef, probably due to growth in real per capita income.

The farm-carcass spread consists of transportation and marketing charges incurred between the farm and the packing plant, and charges for slaughtering, dressing, and shipping the carcass to the point of sale. It, too, rose over the 1967-76 period, from 6.4 cents to 10.7 cents. This was in contrast to the decline in this spread from 1956 to 1967, when changes in the meatpacking industry led to important improvements in efficiency which more than offset increases in costs. Improvements in the meatpacking industry occurred through the construction of new plants while many obsolete plants were being shut down, through an increase in the number of plants specializing in the slaughter of beef cattle, and through technical improvements which brought a reduction in labor requirements per unit of output.

The carcass-retail spread is substantially larger than the farm-carcass spread. The carcass-retail spread represents mainly the average gross margin that retailers receive for selling beef. In 1976, it averaged 50.3 cents per pound, more than double the 1967 spread of 23.2 cents.

1/ Note that these data are based on Choice grade beef only.

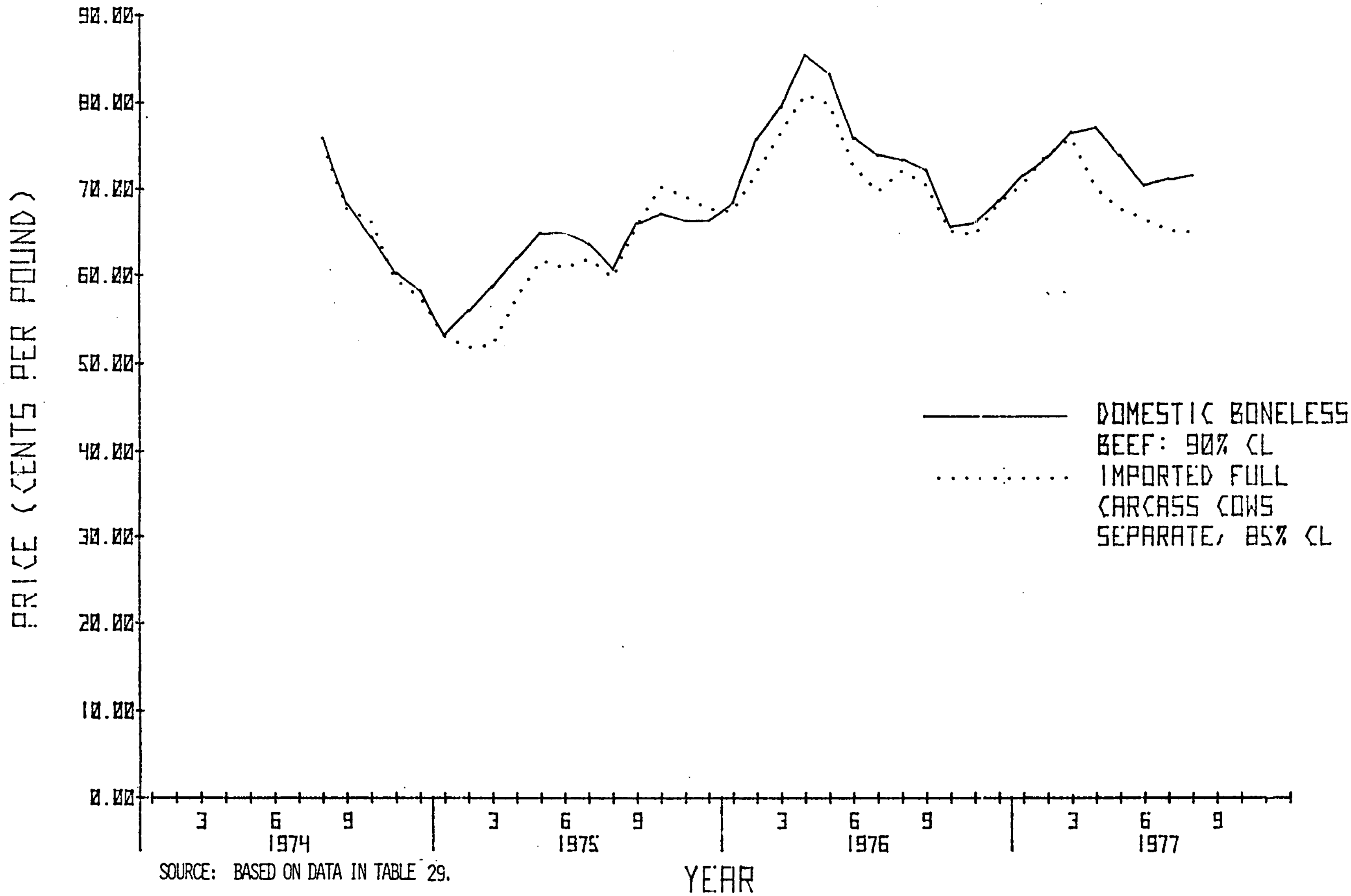
Import Prices

Price comparisons between imported and domestic beef are possible for several items based on data available from the "Meat Sheet" since late 1974. The most important import item reported is the frozen full-carcass cow, separate, 85 percent chemical lean (85 percent CL). The most comparable domestic beef is frozen boneless processing beef, 90 percent CL. 1/ Average monthly prices for these two substitutable types of beef have been computed for comparison purposes (table 28, fig. 10). As can be seen, these prices tend to be very close and to rise and fall together. Some seasonality does appear to exist with respect to the spread between the domestic and import price. During the first several months of the calendar year the domestic price exceeds the import price. However, during the last few months of the year the import price generally equals or exceeds the domestic price. Several factors appear to be significant in explaining this pattern. Because of the need to fill the annual quota, imports tend to arrive well in advance of the end of the year, thereby creating a short-term scarcity of imports by yearend. In addition, U.S. cow slaughter since 1974 has been seasonal, with higher rates of slaughter for cows and non-fed cattle generally occurring from October through February. These factors would tend to narrow the spread between import and domestic prices.

The average monthly spread in prices for the data in these two series was 2.13 cents per pound, with the domestic processing beef being the higher priced. The domestic beef price is reported at Chicago. Imports are used principally for mixing near their ports of entry on the east coast, and their prices are reported f.o.b. east coast. For the domestic product to compete with imports it must be transported to the east coast. Estimates of transportation costs between Chicago

1/ This point of comparability is in dispute, as discussed at length at the hearings.

FIGURE 10.—FROZEN BONELESS BEEF, DOMESTIC AND IMPORTED: PRICE COMPARISONS, BY QUARTERS, JUNE 1974–JUNE 1977.

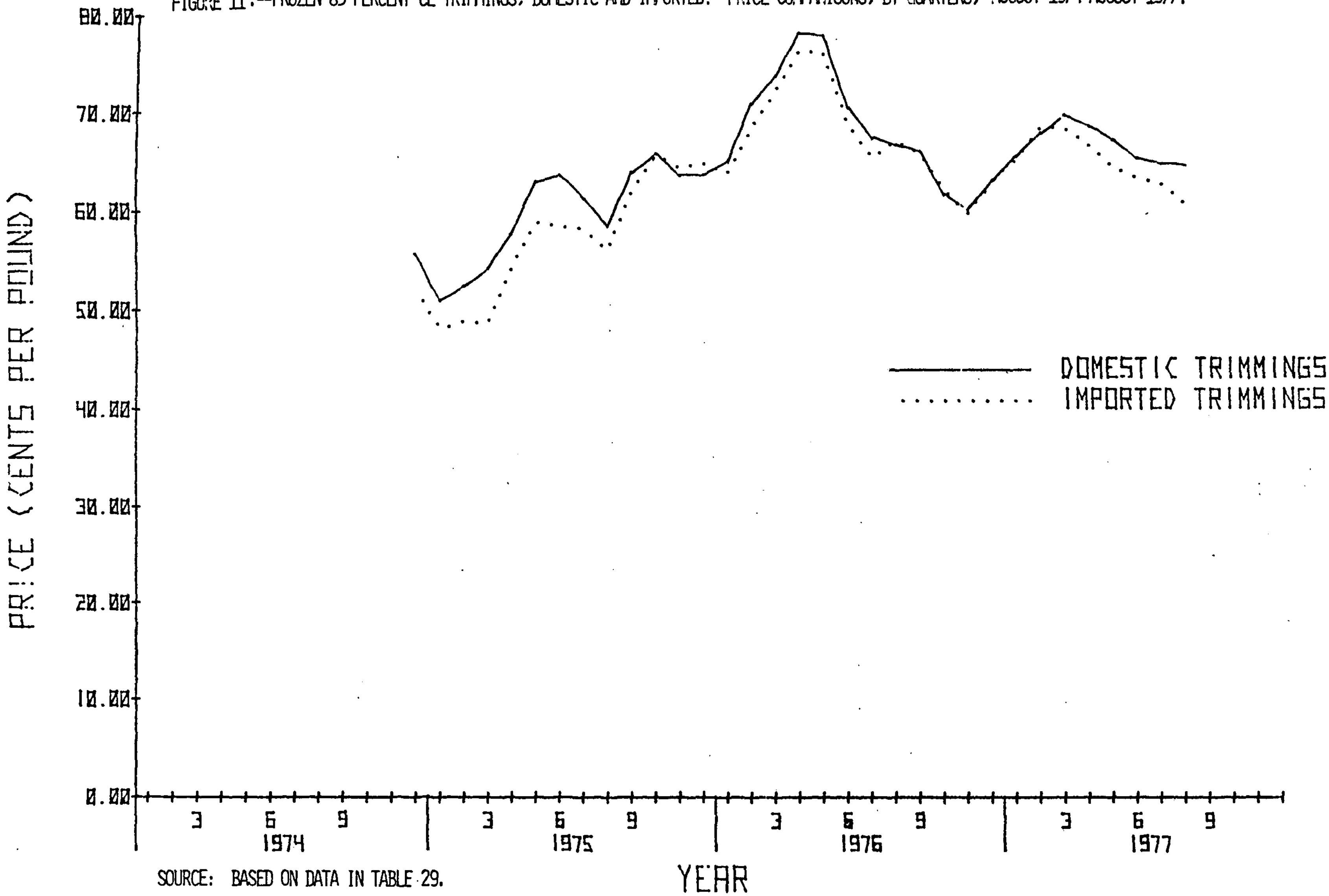


SOURCE: BASED ON DATA IN TABLE 29.

and New York by both the National Provisioner and "The Meat Sheet" were 2.25 cents per pound. This implies that the imported beef has a price advantage at the east coast, but that at Chicago the domestic beef has a slight price advantage.

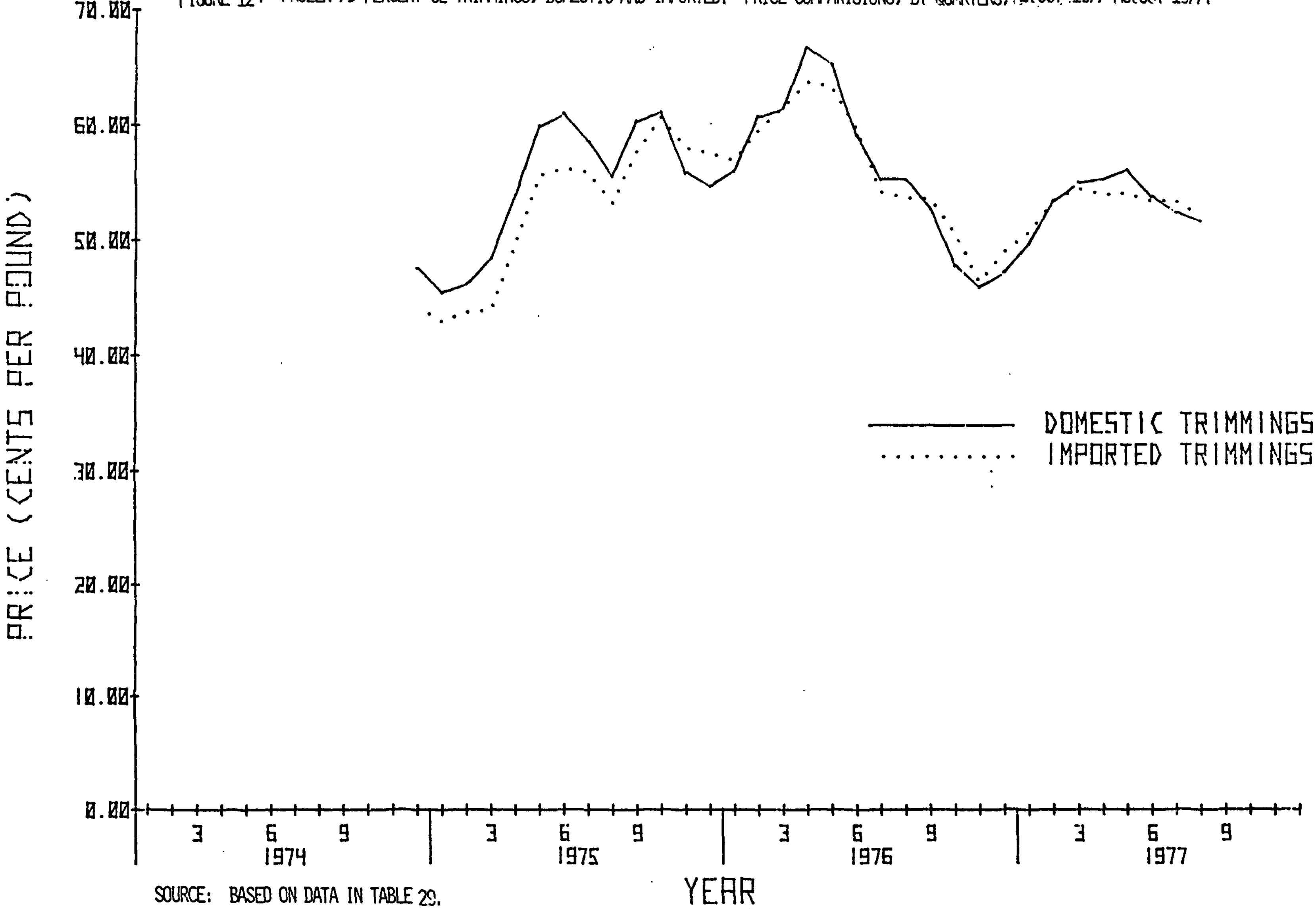
Two other price comparisons are possible with "The Meat Sheet" data between the imported and domestic prices for trimmings, 85 percent CL, and trimmings, 75 percent CL (table 29, figs. 11 and 12). The data indicate a pattern of seasonality of price spread very similar to that of frozen boneless beef. For trimmings, 85 percent CL, the domestic price averaged 1.82 cents per pound higher than the import price, and for the 75 percent CL it averaged 0.97 cent per pound higher. If one accounts for transportation costs from the Midwest, these figures imply that imports of these trimmings have a slight price advantage on the east coast, but that this advantage would disappear as one moves inland. At the hearings on this investigation, it was alleged that foreign beef enhances the value of the domestic trimmings to the extent that domestic trimmings are used for mixing with the imported boneless beef for processing. Consequently, the imports may help the domestic producer of fed steers and heifers from which the trimmings are derived. This is because the primary alternative use of the fat in these trimmings is for tallow. Whereas trimmings have sold for from 40 to 75 cents per pound since late 1974, the price of tallow is generally less than 20 cents per pound.

FIGURE 11.—FROZEN 85 PERCENT CL TRIMMINGS, DOMESTIC AND IMPORTED: PRICE COMPARISONS, BY QUARTERS, AUGUST 1974–AUGUST 1977.



SOURCE: BASED ON DATA IN TABLE 29.

FIGURE 12.—FROZEN 75 PERCENT CL TRIMMINGS, DOMESTIC AND IMPORTED: PRICE COMPARISIONS, BY QUARTERS, AUGUST 1977-AUGUST 1977.



SOURCE: BASED ON DATA IN TABLE 29.

FOREIGN INDUSTRY

Live Cattle Trade

The major beef exporting countries are not major exporters of live cattle. Australia, New Zealand, and Argentina, countries which account for the bulk of beef exports, are not adjacent to major live cattle importing countries, a prerequisite for substantial participation in live cattle trade.

Live cattle are purchased for breeding, feeding or slaughter. Breeding cattle, used to upgrade both dairy and beef herds, are relatively expensive, and the volume of trade is much smaller than the volume of the feeder and slaughter cattle trade. Markets for these cattle are in both developed and developing countries. The United States, the European Community, and Canada are the most important breeding cattle exporters.

The major markets for slaughter cattle and feeder cattle are the United States and the European Community. Canada and Mexico supply the U.S. market and Eastern Europe supplies the EC countries. During 1973, trade in these two markets reached about 2 million head of slaughter cattle and feeder calves. In 1974, U.S. and EC cattle production increased, and live cattle trade declined sharply; imports of live slaughter cattle by the United States and the EC were 50 percent below 1973 levels. In 1975, EC imports of live cattle rose about 53 percent over 1974 levels, while U.S. imports were 31 percent lower. High slaughter rates due to drought in the EC countries led to decreased imports of live slaughter cattle in 1976. Several factors, including drought in western Canada, led to a rise in U.S. imports of live cattle from Canada in 1976. At the hearings on this investigation, a number of witnesses testified that increased imports of meat into Canada from Australia also led to increased Canadian cattle marketing in the United States. An enlarged export quota on Mexican cattle to the United States in 1976-77 was announced by the Mexican Government, which, perhaps, combined with devaluation of the peso, stimulated increased exports from Mexico to the United States.

Beef and Veal Trade

The major beef and veal consuming nations are the United States, the nine EC countries, the Soviet Union, Canada, and Japan. The leading exporters are Australia, New Zealand, Argentina, Uruguay, Mexico, and the Central American countries.

Per capita consumption of beef and veal among the main consuming nations and for other selected countries for 1971-75 is shown in table 30. As the table indicates, per capita consumption in the United States was more than twice as high as it was in the EC and in the Soviet Union in 1975, and more than 12 times as high as in Japan in that year. This may indicate potential for significant growth in future consumption in the major foreign markets. Per capita consumption in three of the exporting nations--Australia, New Zealand, and Argentina--was significantly higher than in the United States in 1975. However, because of the relatively small populations in these countries, their total consumption was fairly small.

Some of the major exporting nations rank among the world's leading beef and veal producers (table 31). In 1976, beef and veal output in Argentina, the largest producer among the major exporting nations, amounted to more than 6.2 billion pounds; in Australia production was 4.1 billion pounds. 1/ Total non-Communist world exports of beef and veal in 1976 were about 6.0 billion pounds (table 32)--amounting

1/ Data in this section on output and trade are in carcass-weight equivalents.

to about 10 percent of the production of free-market economies. Australia supplied approximately 31 percent of these exports while Argentina and New Zealand provided 19 percent and 14 percent, respectively.

International trade in beef and veal is heavily influenced by trade restrictions. The EC, Japan, and Canada, for instance, maintain quotas, and U.S. imports are related to U.S. production levels in accordance with the Meat Import Act. In addition, Japan and the EC both impose high tariffs on beef and veal imports, and the EC also applies a variable levy to these imports. The chief exporting nations--Australia, Argentina, and New Zealand--have the abundant grazing lands needed to produce beef at a low cost and, thus, are generally able to export beef at a lower price than other nations. As a result, these countries maintain a dominant share of the world export market in spite of the many obstacles to trade. However, trade restrictions imposed by the major consuming nations do distort trade patterns. Partly as a result of these distortions, retail beef prices vary widely from country to country (table 33). Japan, which frequently has imposed the severest import restrictions in recent years, has the highest prices.

Following the onset of the worldwide recession in 1974, exports of the major supplying countries dropped sharply from 1973 levels (table 32). Although much of the decline in trade was a result of decreased consumer purchasing power in the major importing nations, the harsh import restrictions employed in the European Community and Japan to protect the falling prices were a factor in reduced world beef trade. European Community imports fell from 2.2 billion pounds in 1973 to 410 million pounds in 1975, while Japanese imports decreased from 428 million pounds in 1973 to only 142 million pounds in 1975 (table 34). Although total trade in beef and veal has recovered steadily since 1974, exports of the major supplying countries were still below 1973 levels in 1976 and are expected to increase only moderately in 1977--back to the 1973 level.

In the remainder of this section the leading beef and veal exporters and their major markets are considered in greater detail. As a point of reference, actual and expected production and export trends in the major exporting countries from 1974 to 1977 are shown in table 35.

Australia

Australia, with a land area about the same size as the United States but with a population only 6 percent as large, is well endowed with the grazing lands needed to produce the cattle necessary for a large, export-oriented beef industry. Australian cattle numbers rose from 29.1 million head in 1973 to 33.4 million in 1976, but if the current high rate of slaughter continues as expected, cattle numbers in 1977 are projected to decline to 32.0 million head (table 36). Australian beef and veal production declined 15 percent in 1974 following the worldwide recession, but increased 34 percent the following year as beef that was held off the market during 1974, when low prices prevailed, began to be offered for sale. In 1976, Australian beef and veal output increased 10 percent to 4.1 billion pounds as economic pressures and lack of producer confidence in the industry resulted in the continued liquidation of herds; Australian output of beef and veal is expected to increase about 4 percent in 1977.

In 1976, Australia exported 44 percent of the total beef and veal exported by the major beef exporters. 1/ For the most part, trends in export growth paralleled and amplified Australian beef and

1/ Australia, New Zealand, Argentina, Central America, Mexico, Uruguay.

veal production trends--total, Australian exports fell about 53 percent in 1974, experienced a post-recession rise by the same precentage in 1975, and rose 15 percent to 1.9 billion pounds in 1976. Australian exports of beef and veal are expected to rise 16 percent in 1977. Higher relative domestic prices for beef resulting from an 18-percent devaluation of Australia's currency against the U.S. dollar in the fall of 1976 were expected to cause some decline in Australian domestic consumption of beef, as exports would be expected to increase. However, a shortage of sheep meat caused Australian beef consumption to trend slightly upward.

Australia's 1977 beef and veal exports are projected by the U.S. Department of Agriculture to be distributed as follows:

Market	Percent of total beef and veal exports 1/
United States	44
U.S.S.R	11
Japan	10
Middle East	8
Eastern Europe	7
Canada	4
EC	4
Minor markets	11

1/ Total does not add to 100 percent because of rounding.

Restrictions on beef imports into the European Community and Japan and the United States' voluntary restraint program have led many beef exporting countries to seek additional markets. Australia has increased exports to the U.S.S.R., East European countries, and the Middle East in recent years.

New Zealand

Although New Zealand accounts for only a small part of world output of beef and veal, it produces about 8 percent of total beef and veal produced by major beef exporters and has long been a leading exporter of these products. In 1974, faced with unattractive prices and favorable grazing conditions, New Zealand producers held cattle off slaughter markets, cutting back production of beef and veal. In 1975, a substantial domestic supply of cattle on the hoof gave rise to a large number of cattle slaughtered, and New Zealand's output of beef and veal increased. High slaughter rates continued throughout 1976, and beef and veal output increased further to 1.4 billion pounds. High slaughter rates have reduced New Zealand's potential supply of beef and veal for 1977, and production is forecast to decrease 13 percent.

New Zealand's exports of beef and veal declined in 1974 and then rose in 1975 as New Zealand increased exports to the United States, the Soviet Union, and Canada and expanded to new markets in the Middle and Far East. New Zealand's 1976 beef and veal exports increased substantially, reaching 836 million pounds, as high slaughter rates and low domestic prices prevailed. In 1977, New Zealand's exports of beef and veal are projected to decrease slightly owing to decreased production and continued import restrictions in major markets.

New Zealand's 1977 beef and veal exports are projected by the U.S. Department of Agriculture to be distributed as follows:

Market	Percent of total beef and veal exports 1/
United States	55
Canada	12
U.S.S.R	12
European Community	5
Far East and South East Asia	5
Middle East	2
Minor markets	10

1/ Total does not add to 100 percent because of rounding.

Argentina

Argentina's economy is closely allied to the level of beef exports. The country depends mainly on the European Community to absorb most of the portion of its beef and veal production available for export. Sales to new markets face strong competition from Australia and New Zealand. Argentina's exports of beef and veal to the United States consist entirely of processed products--principally canned corned beef. 1/ Fresh, frozen, or chilled Argentine beef is not allowed in the United States owing to health regulations prohibiting imports from countries where foot-and-mouth disease exists.

In 1974, Argentina's beef and veal production rose slightly after a small drop in 1973. Exports fell by nearly half in 1974, a year of economic recession in Europe. In 1975 a high slaughter rate prevailed, and beef and veal production increased 13 percent; Argentina's 1975 beef and veal exports fell 8 percent. High slaughter rates continued in 1976 as beef and veal production rose to

1/ On Mar. 1, 1977, the duty preference for Argentine canned corned beef, which had been granted under the Generalized System of Preferences given developing countries, was removed. The concession was rescinded when U.S. imports of canned corned beef from Argentina exceeded the values permitted for the 1976 calendar year.

6.2 billion pounds, and Argentina's 1976 beef and veal exports nearly doubled to 1.2 billion pounds. Argentina's 1977 exports are projected to remain at about 1976 levels.

Other meat exporting countries

Uruguay, Central America, 1/ and Mexico accounted, respectively, for 9, 6, and 1 percent of total 1976 exports of beef and veal by major beef exporting countries. Uruguay, like Argentina, exports much of its beef and veal to European Community countries; exports of Uruguayan fresh, frozen, or chilled beef to the United States are prohibited by the same U.S. health regulations that affect Argentina. Central America and Mexico send most of their exported beef and veal to the United States. However, several Central American countries are attempting to diversify their markets (some have made increased sales to Venezuela and sales to Israel), and Mexico has sold approximately 0.5 percent of its projected 1977 beef and veal exports to Japan.

Uruguayan beef and veal exports increased in 1974 and then decreased somewhat in 1975 subsequent to the imposition of EC import restrictions on meat products. Uruguayan beef and veal exports increased 73 percent in 1976 as EC beef and veal imports increased nearly 60 percent over 1975 levels; however, projections of Uruguayan beef and veal exports indicate no rise in 1977.

1/ Including Caribbean countries.

In Central America, beef and veal production dropped slightly in 1974 but rose in 1975 and 1976 as slaughter rates were increased above 1975 levels. A small increase in beef and veal production is projected in 1977. Central American beef and veal exports have paralleled production trends, falling in 1974 and rising in 1975 and 1976. Central American beef and veal export volume is currently more or less determined by the level of imports into the United States permitted under the U.S. Meat Import Act. In 1977, Central American beef and veal exports are projected to increase 13 percent.

Mexico is gradually becoming less of a major exporter of beef and veal as domestic demand for these products steadily grows. Although its production level in recent years has averaged about 14 percent of all beef and veal produced by the major beef and veal exporting countries, Mexico exports only about 1 percent of all the beef and veal exported by those countries. Mexican exports trended sharply down in 1974 and 1975, sharply up in 1976, and are projected to increase less sharply in 1977.

U.S. IMPORTS

Live Cattle

From 1967 to 1976, U.S. imports of live cattle, excluding cattle for breeding, fluctuated considerably (table 37, fig. 13). Imports in 1967 amounted to about 740,000 head of cattle; from 1968 to 1973, about 1 million head a year entered the U.S. market. Imports dropped sharply in 1974 and 1975, a period of sharply declining cattle prices in the United States. By 1975, approximately one-third as many head of cattle were imported as in 1972. In 1976, imports rose to almost 973,000 head, a level comparable with that of the late 1960's and early 1970's. 1/

From 1967 to 1974, approximately 80 percent of the number of cattle were in the 200 to 699-pound category. In 1975 and 1976, there occurred a significant increase in the importation of live cattle weighing 700 pounds or more. In value terms, this category was the most important one for these 2 years.

Mexico and Canada are the two principal supplying countries of livestock to the United States (table 38). Except for 1975 and 1976, Mexico has consistently provided a much larger number of live cattle to the United States than has Canada. Almost all the imports from Mexico have been feeder cattle weighing from 200 to 699 pounds. In the other weight categories, i.e., under 200 pounds and 700 pounds and over, most of the imports have come from Canada. In recent years, most of the cattle from Canada have consisted of veal calves and cows for immediate slaughter.

Imports of live cattle are a very small addition to the U.S. domestic supply of cattle each year. From 1967 to 1976 the number of dutiable

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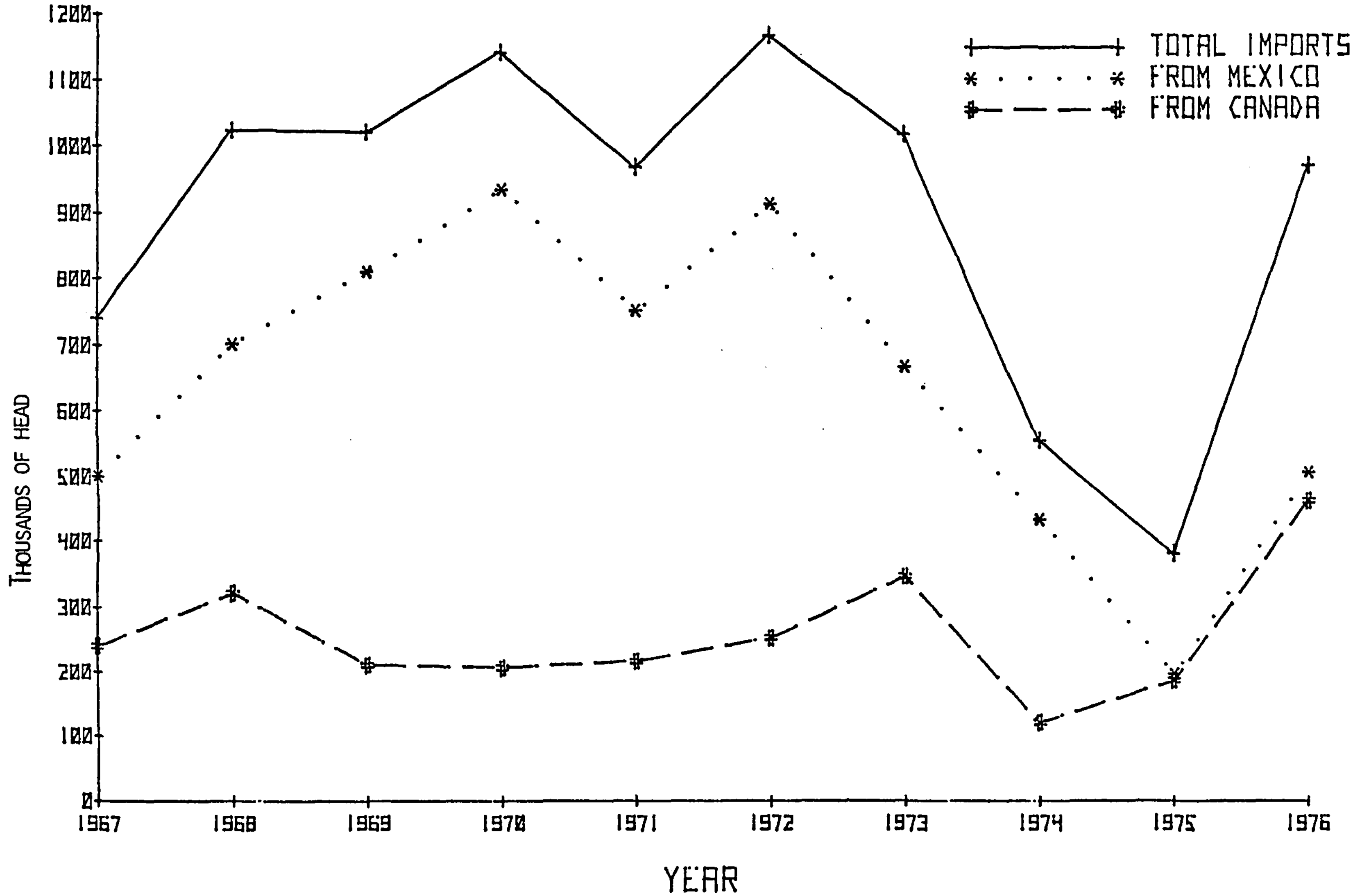
1/ Of the value of imports of live cattle in 1976, only 2 percent of the total involved related-party transactions: virtually all the transactions were at arm's length.

FIGURE 13.--CATTLE: U.S. IMPORTS, 1967-76.



SOURCE: BASED ON DATA IN TABLE 37.

live cattle imported (i.e., all cattle imported except those for breeding purposes) was less than 1 percent of the annual available domestic supply of live cattle (table 39).

The two major ports of entry for cattle in 1976 were El Paso, Tex., and Pembina, N. Dak. (table 40). The increased flow of imports from Canada compared with imports from Mexico helps explain the shift in the pattern of entry of live cattle imports by customs districts since 1974, when the top four districts were all on the U.S.-Mexican border.

Questions were raised by domestic producers as to the impact that U.S. imports of live cattle from Canada and Mexico have on the price of cattle in U.S. regional markets near the U.S. borders with these two countries. Recently a high percentage of U.S. imports from Canada have been slaughter cows weighing over 700 pounds. To see whether these imports were having an impact on cow prices at U.S. markets near the Canadian border vis-a-vis those further inland, weekly prices of Utility cows at South St. Paul, Minn., and at Omaha, Neb., were compared with western Canadian exports to the U.S. of cattle for slaughter weighing over 700 pounds. Four different 10-week periods during 1976 and 1977 were used. The price differential between South St. Paul and Omaha was used on the theory that when imports from Canada rise, the price at South St. Paul should fall relative to that in Omaha and the differential should diminish. 1/

1/ Utility cow prices at South St. Paul are generally higher than those at Omaha. More Canadian imports should reduce demand at South St. Paul relative to Omaha owing to the former's much closer proximity to Canada.

Hence, one expects an inverse relationship between the price differences and imports. A correlation analysis of the data results in a correlation coefficient of -0.22, which indicates that there was not a significant price impact. 1/

U.S. live cattle imports from Mexico consist principally of feeder calves weighing between 200 and 700 pounds. To ascertain whether these imports were affecting prices at U.S. markets near the Mexican border, prices of Choice feeder calves (steers) at Alice, Tex., close to the Mexican border, were compared with those at Amarillo, Tex., located much further inland. Weekly import flows through the Laredo customs district were compared with the Alice-Amarillo price differential. If imports increase, one expects this differential to diminish or become more negative. Thus, a negative relationship would be expected if Mexican imports have a greater price impact on regional markets near the border than on markets further inland. The correlation coefficient between imports and the price differentials was -0.066, which indicates almost no relationship between these two variables and that, therefore, there was no significant price impact.

Both the Canadian and Mexican data used here indicate no significant regional price impact of live cattle imports.

Meat of Cattle

Volume and trend

In terms of product weight, U.S. imports of beef and veal (including edible offal and processed products) in 1976 amounted to 1.5 billion pounds, valued at $924 million (table 41). Imports rose from

1/ The correlation coefficient is a measure of linear association. It enables one to determine whether the hypothesis that the level of imports and the price differential are related is a tenable one.

approximately 1 billion pounds to just over 1.5 billion pounds during the 1967-73 period, a time of herd expansion and rising cattle and beef prices in the United States (figs. 14 and 15). From late 1973 through early 1975, cattle and beef prices in the United States were relatively low. As expected, imports fell from their 1973 peak, with the values dropping to a greater extent than the quantities owing to price declines (see section on import prices). U.S. prices for cattle and beef have recovered somewhat since early 1975, and the same is true for beef imports. While the 1976 import quantity is approximately the same level as the 1973 quantity, it was valued at about $250 million less. 1/

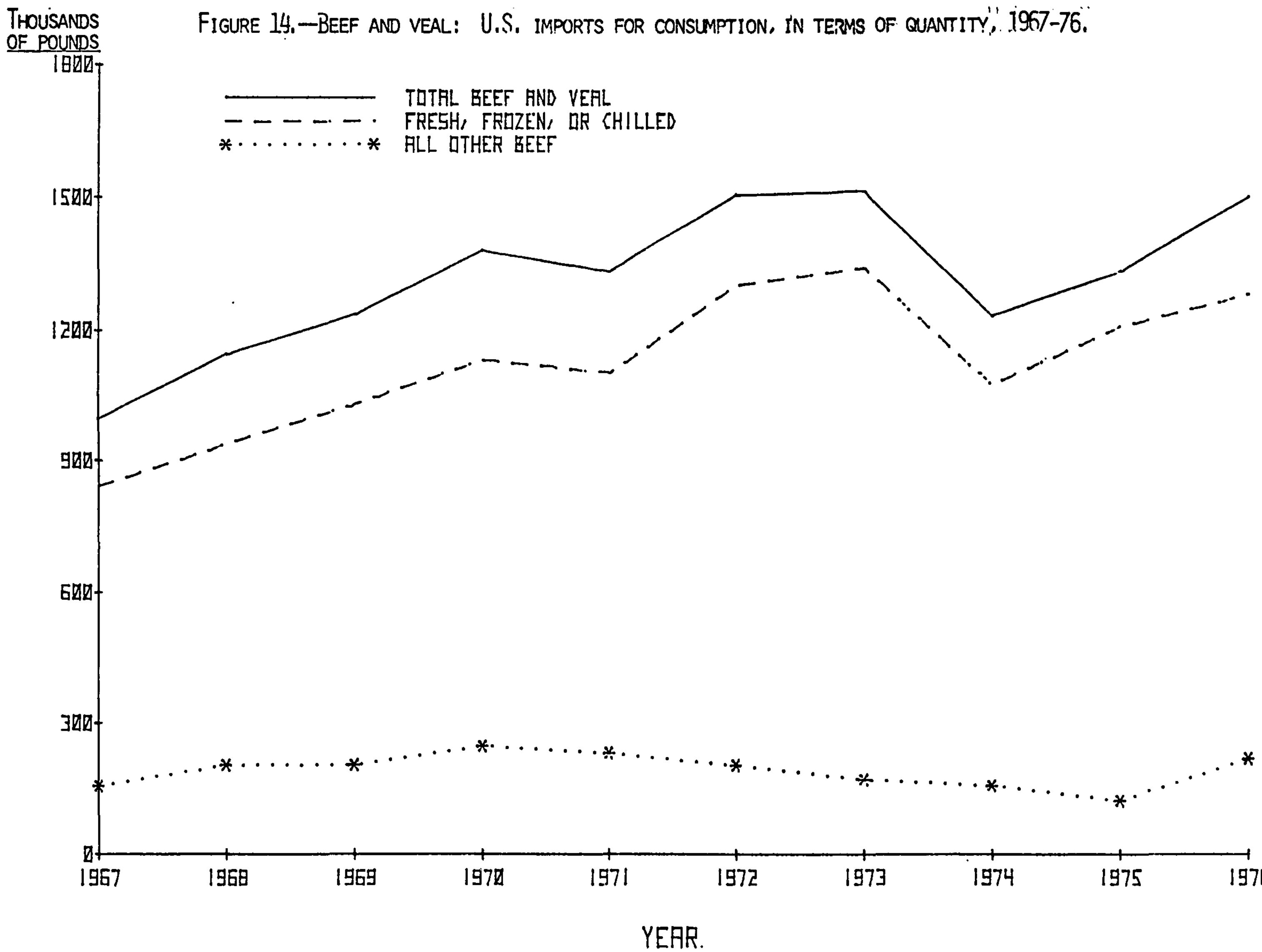
The most important import item is fresh, chilled, or frozen boneless beef, of which over 1.2 billion pounds, valued at over $730 million, entered the United States in 1976. Most of these imports are 85 percent chemical lean beef. Only two other import items were valued at over $50 million in 1976--corned beef and beef and veal, prepared, preserved, valued over 30 cents per pound (also known as frozen, "cooked beef"). Imports of corned beef have shown some growth since 1967. Other items of beef and veal have been imported in small quantities in recent years.

<u>The principal supplying countries</u>

In 1976 the major sources of beef and veal imports into the United States were Australia and New Zealand, which together accounted for over 60 percent of the quantity of imports and almost 60 percent of the import value (table 42). No growth in imports from these two countries

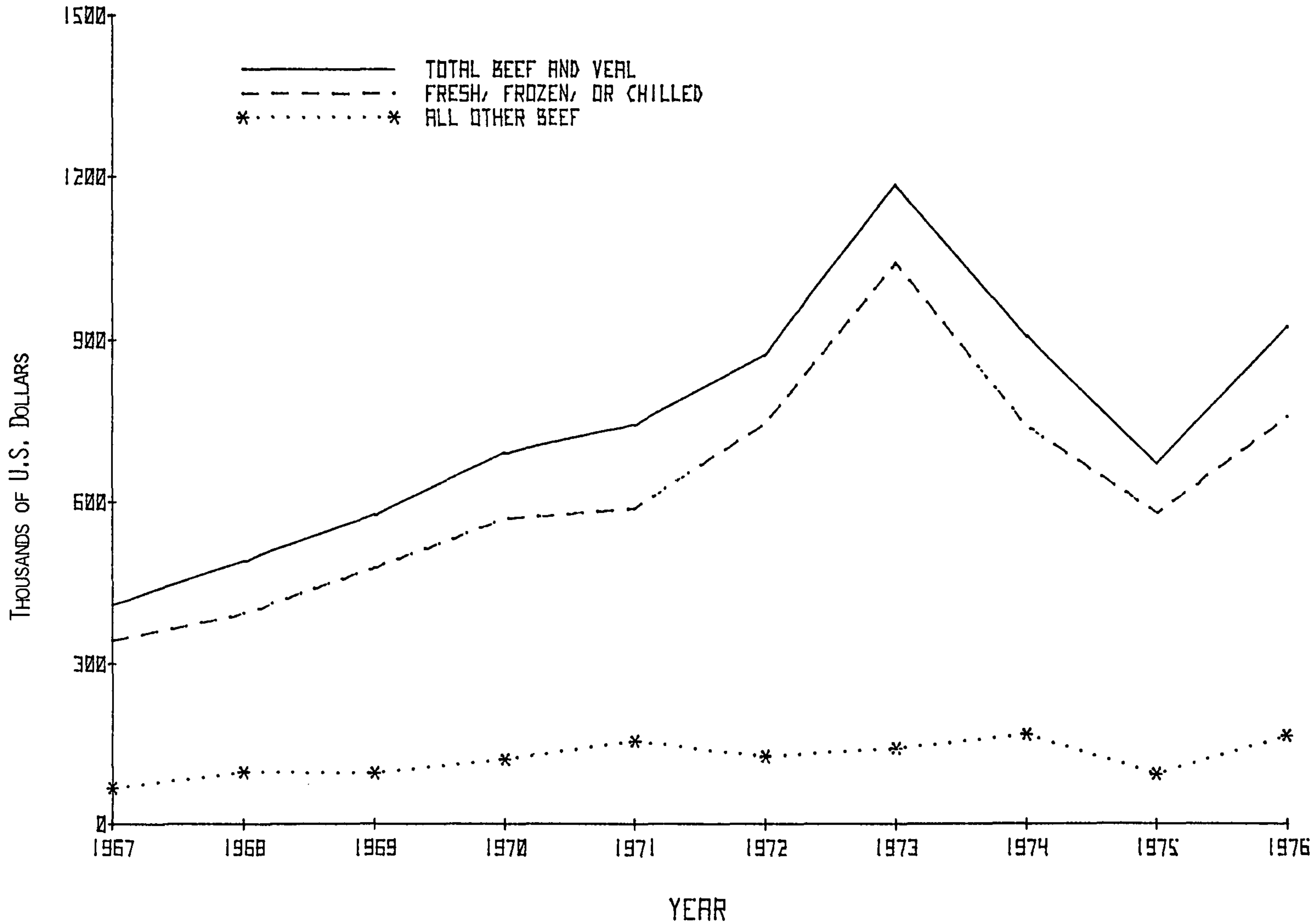
1/ Of the value of imports of meat of cattle in 1976, about 20 percent of the total involved related-party transactions; virtually all the transactions were at arm's length.

Figure 14.—Beef and veal: U.S. imports for consumption, in terms of quantity, 1967-76.



Source: Based on data in table 41.

FIGURE 15.--BEEF AND VEAL: U.S. IMPORTS FOR CONSUMPTION, IN TERMS OF VALUE, 1967-76.



SOURCE: BASED ON DATA IN TABLE 41.

has occurred since 1972. Other principal supplying countries in 1976 were those of Central America, Argentina, Canada, Brazil, and Mexico.

Imports of beef and veal, fresh, chilled or frozen, covered by the Meat Import Act, come principally from Australia and New Zealand (table 43). Other major sources are the Central American countries, Canada, and Mexico. In 1974, imports from Ireland were approximately at the same value and quantity as those from Canada and Mexico, but since then they have dropped substantially to a very low level. For imports of beef, bone in, Canada was the main traditional source in the 1972-76 period, with the exception of 1974 when almost half came from Central America. Veal imports have increased from New Zealand, and decreased, almost equally, from Australia. Veal imports from Canada and Mexico have diminished very sharply since 1972. In 1976, approximately 60 percent of veal imports came from New Zealand.

Imports of beef not covered by the Meat Import Act came principally from Argentina and Brazil during the 1972-76 period (table 44). These two countries have supplied at least 80 percent of the U.S. import market for corned beef; in 1976, they supplied over 90 percent. While imports in 1976 from each source amounted to about 46 million pounds, the Brazilian product was valued about $5 million more than the Argentine. For the remaining beef imports, Argentina has been the principal source since 1972, and Brazil has been the second most important one. Imports of these beef products from Central America have declined substantially since 1972, whereas imports from Australia and New Zealand have grown considerably; nevertheless, imports from

Oceania in 1976 still accounted for a very small portion of this import market. Canada's small share has decreased over the 1972-76 period. Imports of edible meat offal (not covered by the Meat Import Act) have come primarily from Canada (table 45).

U.S. entry ports

The major ports of entry for U.S. imports of beef and veal, fresh, chilled, or frozen, in 1974-76 were New York, Philadelphia, and Miami (table 46). Most of these imports are further processed near the ports of entry. These areas are generally distant from the major beef-producing areas of the United States. Major entry ports for corned beef in 1976 were Philadelphia, New York, San Juan, San Francisco, Mobile, New Orleans, and Baltimore (table 47). In quantity terms, all imports through these ports have grown since 1974 except for those through New Orleans. For other beef in airtight containers, major entry points in 1976 were Philadelphia, Mobile, and San Francisco (table 48). Imports through Houston have declined substantially since 1974.

The Conditions of Competition from Imports of Beef and Veal in the Period Preceding the Meat Import Act of 1964 and Those of the Current Period

Before the late 1950's, imports had supplied only a negligible part of the beef and veal consumed in the United States. By 1958, however, imports supplied 6.3 percent of consumption, and by 1963, the year before the enactment of the Meat Import Act, they had increased to 9.1 percent of consumption. In terms of product weight, U.S. imports of beef and veal increased from 941 million pounds in 1958 to 1,702 million pounds in 1963, or by about 80 percent. The act became effective on January 1, 1965, and afforded cattlemen a degree of protection from imports not enjoyed by many other industries. Since then, imports have not shared in the U.S. market as they did prior to enactment of the act. Rather, they have averaged about 7 percent of consumption. Moreover, imports of beef and veal have not increased as dramatically in recent years as they did during the 1958-63 period. In 1971, for example, imports of beef and veal amounted to 1,756 million pounds and in 1976, they amounted to 2,006 million pounds, for an increase of 14 percent. With regard to the restrictiveness of the act, the U.S. Department of Agriculture has estimated that imports of beef and veal in 1976 would have been 307 million pounds greater (an increase of 25 percent) in the absence of the restraints in effect in that year and in 1977, they would have been 300 million to 350 million pounds greater (an increase of 27 percent). 1/

Although imports have been a known factor in the marketplace since enactment of the Meat Import Act and their share of consumption has remained relatively stable, cattlemen have not fared as well in recent years as they did before the act. In recent years, production costs rose rapidly, and, concurrently, cattle prices did not keep pace with costs. In the 1958-63 period, for example, the parity ratio for beef cattle averaged about 90 percent. In 1971-76, however, it averaged 77 percent, and in 1975 and 1976, it was only 58 percent and 59 percent, respectively. All farm products in 1975 and 1976 averaged 76 percent and 71 percent of party, respectively.

The Meat Import Act has held beef and veal imports quite stable relative to consumption. At times when domestic supplies have been limited, such as in 1973, the act has been administered so as to allow unlimited imports, thus stabilizing prices and assuring consumers of adequate supplies. On the other hand, when supplies have been plentiful (e.g., 1975 and 1976) the act has been administered so as to provide for voluntary restraints on exports to the United States, or, as in October 1976, to implement an actual import quota. Thus, the act has provided a degree of stability for consumers and, at the same time, has maintained imports at levels lower than otherwise might have occurred.

1/ U.S. Department of Agriculture, "Meat Import Options for 1976" and "Meat Import Options for 1977." No date.

U.S. CUSTOMS TREATMENT

Live cattle and meat of cattle fit for human consumption are provided for in parts 1 and 2 of schedule 1 of the Tariff Schedules of the United States which became effective on August 31, 1963. From June 18, 1930, to August 30, 1963, inclusive, these articles were classified under paragraphs 701, 706, and 1606 of the Tariff Act of 1930, as amended. Table 49 shows the statutory rates of duty and the rates applying to imports from most-favored nations (MFN) (a) in effect in 1967 prior to the implementation of certain reductions negotiated during the Kennedy round and (b) presently in effect. 1/

1/ The term "statutory rates" refers to the rates of duty set by Congress in the Tariff Act of 1930, the so-called Smoot-Hawley tariff. The rates of duty applicable to most articles imported from our trading partners have been negotiated downward, and sometimes eliminated, since 1930 as a result of various bilateral and multilateral trade agreements between the United States and other countries. The most recent comprehensive multilateral agreement was concluded in 1967 as a result of the Kennedy round negotiations. As a result of those negotiations, rates of duty on numerous articles were reduced or eliminated, generally in stages beginning Jan. 1, 1968, with final implementation on Jan. 1, 1972. These negotiated rates are applicable only to goods imported from most-favored nations. Rates of duty applicable to MFN countries are set forth in column 1 of the TSUS. Rates of duty applicable to non-MFN countries--all Communist countries, with the exception of Poland, Yugoslavia, and Romania, which have been granted MFN status--are set forth in column 2 of the TSUS. The column 2 rates are all statutory rates. The column 1 MFN rates are primarily negotiated rates and thus lower than the statutory rates. The same statutory rates appear in both columns 1 and 2 on articles for which there has been no negotiated reduction in rates of duty.

By virtue of the so-called Meat Import Act of 1964(Public Law 88-482, approved Aug. 22, 1964; 19 U.S.C. 1202), further discussed elsewhere, meat of cattle provided for in item 106.10 of the TSUS may be made subject to an absolute quota by Presidential proclamation should the annual ratio of imports to domestic commercial production increase over the analogous weighted average annual ratio for the period 1959 through 1963, inclusive.

The quarantine and sanitary regulations administered by the U.S. Department of Agriculture operate to restrict and even prohibit imports of cattle, beef, veal, and beef products from certain areas. 1/ For example, imports of cattle and fresh, chilled, or frozen beef, veal, and beef products are limited to those countries that have been declared free of rinderpest and foot-and-mouth diseases by the U.S. Secretary of Agriculture. Because of the existence of such diseases in many of the important meat-producing countries of South America, meat imports from those countries, in recent years, have virtually all been in the form of cooked, canned, or cured meats. The general effect of such prohibitions has been to limit imports of fresh beef to those from Australia, New Zealand, Central America, North America, and small areas of Europe and Asia.

1/ Pursuant to sec. 306 of the Tariff Act of 1930, as amended (19 U.S.C. 1306).

Tariff Treatment for Live Cattle

Imports of live cattle, other than purebred animals for breeding purposes, 1/ are provided for in items 100.40 through 100.55, inclusive, of the TSUS. For purposes of the TSUS, the term cattle includes all such animals, including calves and dairy cows, regardless of sex, size, or age.

The TSUS breaks such live cattle imports into 3 basic weight categories--under 200 pounds each, 200 pounds or more but under 700 pounds each, and 700 pounds or more each. Subcategories within the under 200 pound and 700 pounds and over categories set tariff-rate quotas on certain live cattle imports. Dairy cows weighing over 700 pounds each are also specially provided for in a subcategory.

Cattle weighing under 200 pounds each are provided for in TSUS items 100.40 and 100.43. Item 100.40 provides for the entry of a quota of not more than 200,000 head in a 12-month period beginning April 1 in any year at a tariff rate of 1.5 cents per pound from MFN countries. All overquota imports enter under item 100.43 at the rate of 2.5 cents per pound. The average ad valorem equivalent of the rate of duty on the cattle entered under item 100.40 in 1976 was 5.1 percent; for item 100.43, the average ad valorem equivalent was 9.5 percent.

Cattle weighing 200 pounds or more but under 700 pounds each are provided for in item 100.45 of the TSUS. The statutory rate of 2.5 cents per pound applies to all such imports; the rate has not been reduced as a result of post-1930 trade agreements. The ad valorem equivalent of the duty on such imports averaged 8.0 percent in 1976.

1/ Such purebred animals enter under TSUS item 100.01 and are free of duty.

Cattle weighing 700 pounds or more each, if cows imported specially for dairy purposes, enter under TSUS item 100.50; otherwise, such cattle are subject to a tariff quota and enter under item 100.53. Those cattle imported in excess of the quota provision of item 100.53 are entered under item 100.55 of the TSUS. The MFN rate of duty for the dairy cows entered under TSUS item 100.50 is 0.7 cent per pound. The rate had been 1.5 cents per pound prior to the Kennedy round tariff reductions. This rate of duty was the only one of the six TSUS item rates covering imports of live cattle that was reduced as a result of the Kennedy round agreement. The ad valorem equivalent of the MFN rate of duty averaged 1.7 percent in 1976.

The MFN rates of duty for the other cattle weighing 700 pounds or more each, provided for in items 100.53 and 100.55 of the TSUS, are 1.5 and 2.5 cents per pound, respectively. Item 100.53 provides for the entry of not over 400,000 head in the 12-month period beginning April 1, in any year, of which not over 120,000 may be entered in any quarter beginning April 1, July 1, October 1, or January 1. Overquota imports enter under item 100.55 at the higher duty of 2.5 cents per pound. In 1976 the ad valorem equivalent of the 1.5-cents-per-pound rate of duty averaged 5.7 percent and that of the 2.5-cents-per-pound rate averaged 11.9 percent.

Tariff Treatment for Meat of Cattle

Meat of cattle of the types covered in this investigation is provided for in items 106.10, 106.80, 106.85, 107.20, 107.25, 107.40, 107.45, 107.48, 107.52, 107.55, 107.60, and 107.75 of the TSUS. Such meat of cattle includes beef and veal and the edible meat offal of cattle, whether or not such meat is fresh, chilled, or frozen, or prepared or preserved, and whether or not it is in the form of sausages or mixed with other kinds of meat.

Meat (except meat offal) of cattle, fresh, chilled, or frozen

The bulk of the imported meat of cattle enters under TSUS item 106.10, which provides for meat (except meat offal) of cattle (i.e., both beef and veal), fresh, chilled, or frozen. All such imports under item 106.10 may be made subject to an absolute quota pursuant to the Meat Import Act. Meat entering under item 106.10, if from an MFN country, is dutiable at a rate of 3 cents per pound. This trade-agreement rate has been in effect since 1948. The average ad valorem equivalent of the MFN rate of duty was 5 percent in 1976.

Edible meat offal

Edible meat offal, fresh, chilled, or frozen, of all animals--including cattle, but excluding birds--enters under item 106.80, if valued not over 20 cents per pound or item 106.85, if valued over 20 cents per pound. Such offal, if valued not over 20 cents per pound, is dutiable at a rate of 0.5 cent per pound if from an MFN country. The average ad valorem equivalent of the MFN rate of duty for such offal was 3.4 percent in 1976. Offal valued over 20 cents per pound is dutiable at a rate of 2.5 percent ad valorem if from an MFN country. Rates of duty on offal imported from MFN countries were reduced by

50 percent as a result of the Kennedy round trade agreements. Further, offal, if imported from designated developing country, has been eligible since January 1, 1976, for duty-free treatment under the Generalized System of Preferences (GSP). 1/

Sausages

Beef sausages in airtight containers enter under TSUS item 107.20 and "other" beef sausages enter under TSUS item 107.25. Beef sausages in airtight containers entering under TSUS item 107.20 are dutiable at a rate of 7.5 percent ad valorem if from MFN countries, and "other" beef sausages entering under TSUS item 107.25 are dutiable at a rate of 5 percent ad valorem if from MFN countries. The MFN rates for both items were reduced by 50 percent as a result of the Kennedy round agreements. Beef sausages entering under TSUS items 107.20 and 107.25 are eligible for duty-free treatment under the GSP.

Beef and veal, prepared or preserved (except sausages)

Beef or veal, cured or pickled, valued not over 30 cents per pound, enters under TSUS item 107.40 at a rate of 3 cents per pound if from an MFN country, and such beef and veal valued over 30 cents per pound enters under TSUS item 107.45 at a rate of 10 percent ad valorem, if from an MFN source. Such beef or veal has been designated as eligible for duty-free treatment under the GSP. There have been no known imports entered under TSUS item 107.40 since 1971.

Beef, prepared or preserved, in airtight containers, enters under TSUS item 107.48, if corned beef, and under TSUS item 107.52, if other such beef. Such beef is generally canned, but it may also be in sealed

1/ The Generalized System of Preferences is provided for in title V of the Trade Act of 1974 (19 U.S.C. 2461 et seq.).

plastic packages. The MFN rate of duty for both items is 7.5 percent ad valorem. Both rates were reduced by 50 percent as a result of the Kennedy round agreements.

Other types of beef and veal, prepared or preserved--that is, other than sausages, beef, or veal, cured or pickled, or beef in airtight containers--enters under TSUS item 107.55, if valued not over 30 cents per pound, and under TSUS item 107.60, if valued over 30 cents per pound. The MFN rates of duty on TSUS items 107.55 and 107.60 are 3 cents per pound and 10 percent ad valorem, respectively. Both rates were last reduced in 1948. The ad valorem equivalent of the 3-cents-per-pound rate of duty was 11.2 percent in 1976.

Mixtures of beef and other meats

Products containing mixtures of beef and other meats, such as certain types of salami, enter under TSUS items 107.70 or 107.75, which provide for "other meats and edible meat offal. . . ." The MFN rate of duty on such imports is 5 percent ad valorem. The pre-Kennedy round rate was 10 percent.

Other Government Regulations Affecting Imports

The Meat Import Act of 1964 1/

The Meat Import Act was passed, among other reasons, to protect the domestic cattle industry. In the view of the Committee on Finance of the U.S. Senate, the industry was "caught in the crossfire of rising production costs and decreased product prices." 2/ The Committee concluded, on the basis of price data provided as a result of a Commission study, 3/ "that imported meat has played an important part in creating the distressed market conditions" in the industry. 4/ The Committee noted that imports of beef accounted for one-half of the total increased domestic use of beef over the 8-year period 1956-63. 5/

Under section 2(a) of the Meat Import Act, the aggregate quantity of fresh, chilled, or frozen beef and veal (TSUS item 106.10) and meat of mutton and goats (except lambs) (TSUS item 106.20) which may be imported into the United States in any calendar year beginning after December 31, 1964, should not exceed an adjusted base quantity. 6/ Provision is made that this base quantity (725,400,000 pounds) shall be increased or decreased for any calendar year by the same percentage that estimated average annual domestic commercial production of these

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1/ Reproduced as app. C.

2/ S. Rept. No. 1167, 88th Cong., 2d sess. 2, reprinted in /1964/ U.S. Code Cong. and Ad. News 3070, 3071 /hereinafter cited as Meat Import Report/.

3/ Report on Investigation No. 332-44 (Beef and Beef Products) Under Section 332 of the Tariff Act of 1930 Pursuant to a Resolution of the Committee on Finance of the United States Senate Adopted November 20, 1963, TC Publication 128, June 1964.

4/ Meat Import Report, note 3, page 1 at 3074.

5/ *Ibid* at 3071

6/ For practical purposes, imports of beef and veal (TSUS item 106.10) are the significant imports.

articles in that calendar year and the 2 preceding calendar years increases or decreases in comparison with the average annual domestic production of these articles during the years 1959 through 1963, inclusive.

A 10-percent overage is allowed, so that only when imports are expected to exceed the adjusted base quota level by 10 percent are those quotas triggered. Each year the Secretary of Agriculture is required to publish in the Federal Register the estimated quantity that would trigger the imposition of quotas under the law, and quarterly, the quantity of meat that, but for the law, would enter the United States in such calendar year.

If the Secretary's estimate of imports exceeds the trigger level, the President is required by law to proclaim quotas on imports of meats subject to the law. The quota proclamation may be suspended or the total quota quantity increased, if the President determines and proclaims pursuant to section 2(d) that--

> (1) such action is required by overriding economic or national security interests of the United States, giving special weight to the importance to the nation of the economic well-being of the domestic livestock industry;
>
> (2) the supply of articles of the kind described . . . will be inadequate to meet domestic demand at reasonable prices; or
>
> (3) trade agreements entered into after the date of the enactment of this act ensure that policy set forth will be carried out.

Section 2(d) further provides that any such suspension shall be for such period, and any such increase shall be in such amount, as the President determines and proclaims to be necessary to carry out the purposes of section 2(d).

Section 204 of the Agricultural Act 1/

Section 204 of the Agricultural Act of 1956 (7 U.S.C. 1854) authorizes the President to negotiate agreements with foreign governments to limit the export from such countries and the importation into the United States of any agricultural commodity or product manufactured therefrom. Section 204 also provides that when a bilateral agreement has been concluded under section 204 among countries accounting for a significant part of world trade in the articles with respect to which the agreement was concluded, and remains in effect, the President may also issue regulations governing the entry or withdrawal from warehouse of the same articles which are products of countries not parties to the agreement.

The President has used this authority from time to time since 1964 as an adjunct to the Meat Import Act. He has had the Secretary of State negotiate numerous bilateral agreements with countries supplying beef and veal to limit their exports below the respective calendar-year trigger levels established under the Meat Import Act.

All of the bilateral agreements negotiated have been substantively the same, except that shares of the adjusted aggregate import quota for each calendar year are allocated (pursuant to section 2(c) (3) of the Meat Act)--

> . . . among supplying countries on the basis of the shares such countries supplied to the United States market during a representative period of the articles described . . ., except that due account may be given to special factors which may have affected or may affect the trade in such articles.

Each agreement sets forth the rights and obligations of each party. The agreements do not purport to be comprehensive in the sense of providing enforcements, compensation, or penalty provisions. A typical agreement states the total amount of imports the United States will permit into the country from participants in the voluntary restraint program and the portion of that quantity which the signatory will receive. Additionally, there is usually a provision permitting the United States to limit imports to that level by the issuance of regulations governing entry or withdrawal from warehouse, along with a provision permitting the

1/ Reproduced in app. C.

United States to increase the total amount imported under the program and allocate shortfall resulting from some countries being incapable of filling their negotiated levels. Finally, the agreements almost always contain provisions stipulating the representative period for computation of possible quotas, and calling for consultation on interpretative questions and questions on total import increases.

History of meat imports under the Meat Import Act and Section 204 of the Agricultural Act

During the first 3 years that the Meat Import Act was in effect (i.e., 1965-67), meat imports were below the adjusted base quotas and the trigger levels (see tables in app. C).

In mid-1968, it became apparent for the first time that imports might exceed the trigger level. Accordingly, in August 1968, Australia and New Zealand were asked to restrain shipments voluntarily in order to avoid quotas. Imports in 1968 were ultimately above the base quota level but below the trigger level.

When imports reached levels that threatened to trigger the quotas under the Meat Import Act, that act and section 204 of the Agricultural Act were used in conjunction with each other to forestall the imposition of quotas. The Meat Import Act quotas come into effect when imports are estimated to exceed the adjusted base quota by 10 percent; however, the President may suspend such quotas. When such quotas come into effect they can restrict imports to the adjusted base quota amounts. Since it is advantageous to the exporting countries to ship quantities approaching the trigger levels for the Meat Import Act quotas and at the same time not exceed the trigger levels lest quotas be imposed reducing the shipments to the adjusted base quota, exporting countries were receptive to negotiating voluntary restraint levels under section 204 which would not exceed the trigger levels under the Meat Import Act. No country wanted another country to take unfair advantage and have a disproportionate share of the total quota, and each country might prefer to fill a known quota in the way it finds most advantageous to itself. The provision of section 204 allowing the President to impose regulations governing imports from countries not a party to the agreement, when bilateral agreements have been concluded with countries accounting for a significant part of world trade, encourages all supplying countries to agree to restraint levels or face unilaterally imposed restrictions.

In 1969, all major supplying countries, except Canada and the United Kingdom, agreed to an informal restraint level below the trigger level (see table C-2 in app. C). Special restrictions on imports from Honduras were agreed to bilaterally in November 1969 and were enforced to keep imports within agreed-to restraints. Imports in 1969 exceeded the adjusted base quota level and approximately equalled the trigger level.

In 1970, a restraint program was again negotiated. Imports in the first half of the year were very heavy and, as a result, two actions were taken at mid-year--(1) the President proclaimed and then suspended quotas in view of "overriding economic interests of the United States" (Proclamation No. 3993, 3 CFR 491 (1970)), and a new restraint level was authorized at a level higher than the trigger level, and (2) section 204 was used to embargo transshipments through Canada, closing a loophole in the program. Section 204 was also used to hold five supplying countries to their restraint agreements. Actual imports in 1970 were 1,170.4 million pounds, 171.6 million pounds over the 998.8-million-pound adjusted base quota level and 71.7 million pounds over the 1,098.7-million-pound trigger level.

In 1971, the restraint program continued at the level established in late 1970. Because this level was higher than the 1971 trigger level, the President took action to proclaim and suspend quotas (Proclamation No. 4037, 3 CFR 16 (1971)). Actual 1971 imports were slightly higher than the suspended trigger level, but they were below the negotiated restraint level largely because of U.S. dock strikes.

In 1972, a restraint program 7 percent higher than the 1971 program was agreed to by the principal supplying countries. In March, the President suspended the quota proclamation in order to encourage greater shipments of beef to the United States (see Proclamation No. 4114, 3 CFR 115 (1972)).

In 1973 and 1974, quotas were again invoked by the President and simultaneously suspended (see Proclamation No. 4183, 3 CFR 208 (1973); and Proclamation No. 4272, 3 CFR 338 (1974)). There were no new voluntary restraints negotiated during those 2 years. In 1973, imports of meats subject to quota, at 1.36 billion pounds, exceeded the trigger level by 200 million pounds. In 1974, imports were 1.08 billion pounds, 50 million pounds below the trigger level.

In 1975, voluntary restraints were negotiated again, for the first time since 1972. No proclamations were issued. Imports in 1975 were 1.21 billion pounds, 27 million pounds over the trigger level. 1/

In 1976, voluntary restraints under section 204 were again negotiated. On October 8, 1976, the Secretary of Agriculture published fourth-quarter estimates which indicated that imports for the calendar year would exceed the 110-percent trigger level (estimated imports were 1.25 billion pounds and the trigger level was 1.23 billion pounds). On October 9, 1976, the President issued Proclamation No. 4469, 3 CFR 62(1976), proclaiming (1), in conformity with section 2(c) of the act, a quota of 1,120.8 million pounds (the adjusted base quota); and (2), pursuant to section 2(d) of the act, that it was required "by overriding economic interests of the United States" to increase the quota by 112.1 million pounds. The sum of 1,120.8 million pounds and 112.1 million pounds is 1,232.9 million pounds, the trigger level in 1976. Actual imports in calendar 1976 were 1,231.7 million pounds, just slightly under the quota limit.

In 1977, voluntary restraints under section 204 were negotiated for a quantity of 1,271.9 million pounds. Imports from Canada were for the first time covered in such agreements. The 1977 arrangements also provided that entries of meats processed in U.S. foreign-trade zones, trust territories, or possessions after January 1, 1977, will be counted against the individual country limitations. 2/

1/ The overage was apparently due in large part to poor statistics. In 1975, the Department of Agriculture used census data in making its estimates. Such data generally were not available until 6 weeks after the actual imports occurred. In 1976, the Department of Agriculture worked out a new arrangement with the U.S. Customs Service whereby import data could be obtained on a weekly basis as imports neared the trigger-point level.

2/ The provisions relating to U.S. foreign-trade zones, trust territories, or possessions are a result of the importation into the continental United States in 1976 of foreign-produced beef and veal that was processed in the foreign-trade zone at Mayaguez, Puerto Rico, and not counted against quantitative limitations.

In summary, in the 12 full years that the Meat Import Act has been in effect, meat imports have exceeded the base quota nine times and have exceeded the trigger level five times (but only barely in three of these five instances). In six instances the President proclaimed the required base quotas, but in five of those instances (in the years 1970-74) he simultaneously suspended them in view of "overriding economic interest", and in the sixth instance (1976) he increased the quota level, again in view of "overriding economic interests", to a level equal to the trigger level. Voluntary restraints were negotiated with most of the major exporting countries in 5 of these years (1970, 1971, 1972, 1975, and 1976).

The Federal Meat Inspection Act

Section 20 of the Federal Meat Inspection Act, as amended (21 U.S.C. 620), provides, among other things, that meat and meat products prepared or produced in foreign countries may not be imported into the United States "unless they comply with all the inspection, building construction standards, and all other provisions of this chapter [chap. 12, Meat Inspection] and regulations issued thereunder applicable to such articles in commerce in the United States". Section 20 further provides that "All such imported articles shall, upon entry into the United States, be deemed and treated as domestic articles subject to the provisions of this chapter [chap. 12, Meat Inspection and the] Federal Food, Drug, and Cosmetic Act [21 U.S.C. 301]. . . ."

Thus, section 20 intends that the foreign meat-exporting country enforce inspection and other requirements with respect to the preparation of the products at least equal to those applicable to preparation of like products at federally inspected establishments in the United States, and that the imported products be subject to inspection and other requirements upon arrival in the United States to identify them and further ensure their freedom from adulteration and misbranding at the time of entry. 1/ However, section 20 does not provide that the imported products be inspected by U.S. inspectors during their preparation in the foreign country. 2/

1/ See U.S. Senate, Agriculture and Forestry Committee, Report on S. 2147, S. Rept. No. 799 (90th Cong. 2d sess.) 1967, as published in 2 U.S. Cong. & Adm. News 1967, p. 2200. S. 2147, as modified, ultimately became Public Law 90-201 (the Wholesome Meat Act), approved Dec. 15, 1967.
2/ Ibid.

The Secretary of Agriculture has assigned responsibility for the administration of the department's section 20 functions to the Foreign Programs Staff of the Federal Meat and Poultry Inspection Program of its Food Safety and Quality Service. 1/ By 1976, FSQS had certified 46 countries as having meat inspection systems with standards at least equal to those of the U.S. program. At the beginning of 1976, there were 1 084 approved foreign plants. 2/

In 1976, FSQS had 20 veterinarians assigned to review foreign meat plant operations. Twelve of these 20 were stationed outside the United States. FSQS had an additional 100 inspectors assigned to the inspection of meat at the point of entry into the United States. 3/ Plants exporting large volumes and other plants having minor problems or past difficulties in meeting U.S. standards were visited at least four times annually; all other certified plants are visited at least twice a year.

All imported meat being offered for entry into the United States must be accompanied by a meat inspection certificate issued by the responsible official of the exporting country. The certificate must identify the product by origin, destination, shipping marks, and amounts. It certifies that the meat comes from animals that received veterinary ante-mortem and post-mortem inspections; that it is wholesome, not adulterated or misbranded; and that it is otherwise in compliance with U.S. requirements. 4/

1/ The Foreign Programs Staff of the Federal Meat and Poultry Inspection Program recently was reorganized under FSQS; formerly they had been part of the Animal and Plant Health Inspection Service.

2/ The numbers of certifications refer to all meat, including beef, veal, and poultry. See U.S. Department of Agriculture Foreign Meat Inspection 1976: Report of the Secretary of Agriculture to the Committee on Agriculture and Forestry, U.S. Senate Committee on Agriculture, House of Representatives, March 1977, pp. 1 and 5 (hereinafter cited as Foreign Meat Inspection 1976).

3/ See Foreign Meat Inspection 1976, p. 2

4/ Ibid at p. 6; and 327.2 of the Meat and Poultry Regulations (9 CFR 327.2).

U.S. inspectors at the port of entry inspect part of each shipment. Statistical sampling plans similar to those used in inspecting domestic meat are applied to each lot of product inspected in order to ensure that a representative sample is selected. Samples of frozen products are defrosted prior to inspection. Canned meat containers are inspected for condition, and sample cans are opened for inspection of contents. Labels are verified for prior U.S. approval and the accuracy of stated net weights is checked. Specimens are routinely submitted to meat inspection laboratories to check compliance with compositional standards. Sample cans are also subjected to periods of incubation for signs of spoilage. 1/

Meat imports are monitored for residues, such as pesticides, hormones, heavy metals, and antibiotics, by selection of representative samples for analysis by U.S. laboratories. Special control measures are in effect for handling of meat from countries when excessive amounts of residues are detected. The procedures consist of refusing or withholding entry of the product until results of laboratory analyses are received.

The reconditioning or reworking of unsatisfactory products or defective lots is not generally permitted in the United States. Exceptions are made for damaged or dented canned products which may be sorted and reoffered for entry, and for correction of slight irregularities in labeling. Not until all examinations and tests show full conformity with U.S. standards are products allowed to enter U.S. commerce. Products that fail to qualify are held under U.S. Customs bond until they are reexported, made unusable for human food purposes, or destroyed. Some refused products may be permitted entry solely for use in pet food. 2/

1/ See Foreign Meat Inspection 1976, at p. 6.
2/ Ibid.

During calendar year 1976, approximately 9.3 million pounds of beef and veal--less than 1 percent of total imports--were refused entry. No more than 2 percent of beef and veal imports from any major meat-exporting country were refused entry.

PROVISIONS OF EXISTING LAW THAT MAY PROVIDE OPPORTUNITIES FOR RELIEF TO CATTLEMEN

Relief from imports may be available to domestic cattlemen under one or more of the following statutory provisions.

Section 22 Import Restrictions

For many years it has been the policy of the U.S. Government through the U.S. Department of Agriculture (USDA) to assist the agricultural sector of the economy by supporting prices of specified agricultural products. From time to time programs of the USDA have resulted in prices of some products being supported at levels higher than world prices. It was recognized, therefore, that limitations on imports were necessary to prevent material interference with the Government programs.

Section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), requires the Secretary of Agriculture to advise the President whenever any article is being or is likely to be imported under such conditions and in such quantities as to materially interfere with a price-support or other program undertaken by the USDA. If the President agrees with this advice, 1/ he directs the U.S. International Trade Commission to conduct an investigation to determine import interference with price-support programs, and to report to him the Commission's finding and recommendations. Following receipt of the report, the President, if he agrees therewith, is required to impose such fees or quotas, within certain statutory limitations, on the importation of the articles involved as he deems necessary. For a condition that requires emergency treatment, the President may take action under section 22 pending the report and recommendations of the Commission.

In a similar manner, the Secretary of Agriculture may advise the President that conditions have changed and the existing section 22 restrictions may be relaxed. The President, following advice by the Commission, may liberalize or terminate the existing import controls on the articles concerned.

1/ The President has the option of doing nothing.

Since section 22 was enacted in 1935, import quotas have been imposed on the following: certain dairy products; cotton, certain cotton waste, and certain cotton products; wheat and wheat flour; peanuts; rye, rye flour, and rye meal; barley and barley malt; oats and ground oats; shelled filberts; and tung nuts and tung oil. Section 22 import fees have been imposed on the following: shelled or blanched almonds, shelled filberts, specified shelled "Virginia-type" peanuts, flaxseed, and linseed and peanut oils. Currently, only certain dairy products, cotton, wheat and wheat flour, and peanuts are subject to quotas. 1/

Countervailing Duty

Section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303), the countervailing duty law, provides that "Whenever any country, or dependency . . ., shall pay or bestow, directly or indirectly, any bounty or grant upon the manufacture or production or export of any article or merchandise manufactured or produced in such country . . . there shall be levied and paid, in all such cases, in addition to any duties otherwise imposed, a duty equal to the net amount of such bounty or grant . . .. Complaints alleging a violation of the countervailing duty law are filed with the Secretary of the Treasury. Determinations are also made by the Secretary. In the case of an imported article which is free of duty, duties may be imposed under this section only if there is an affirmative determination by the ITC that an industry in the United States is being or is likely to be injured, or is being prevented from being established by reason of the importation.

In recent years, numerous agricultural products, including sugar, various dairy products, canned hams, castor oil products, frozen boneless beef, various tomato products, barley, molasses, spirits, and bottled olives, have been made subject to countervailing duties. Most of these duties are still in effect.

1/ The quotas on wheat and wheat flour have been suspended since Jan. 26, 1974, pursuant to Presidential Proclamation No. 4298.

Antidumping Act

Under the Antidumping Act, 1921, as amended, special duties may be imposed on imported merchandise, whether dutiable or free, on which a dumping finding has been made. Generally, the dumping duty is imposed on imported merchandise if the U.S. market price is less than the foreign market price. The duty collectible is an amount equal to the difference between the U.S. price and the foreign market price. The foreign market price contemplates the price of goods purchased in usual wholesale quantities.

Dumping investigations are conducted by the U.S. Customs Service. When the Secretary of the Treasury advises the International Trade Commission that merchandise is being sold at less than fair value, i.e., dumped, 1/ the Commission institutes an investigation to determine whether an industry in the United States is being or is likely to be injured. After completion of its investigation, the Commission notifies the Secretary of the Treasury as to its determination. If the determination is in the affirmative, the Secretary of the Treasury proceeds to effect the collection of the dumping duty.

All imports of agricultural products are potentially subject to the imposition of dumping duties. At the present time dumping duties are in effect on the following agricultural imports: whole dried eggs from Holland, instant potato granules from Canada, canned Bartlett pears from Australia, and ice cream sandwich wafers from Canada.

1/ If the Secretary of the Treasury concludes that there is substantial doubt that a U.S. industry is being injured by sales at less than fair value, he refers his findings to the Commission, which then has 30 days to determine whether or not there is reasonable indication that the injury provision has been met. If the Commission reports to the Secretary that there is no reasonable indication of injury, Treasury's investigation is terminated.

Unfair Import Practices

Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), declares unlawful "unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destory or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States . . . ." When the International Trade Commission determines a violation of section 337 to exist, it may issue an exclusion or a cease-and-desist order. Recently, two agricultural products, chicory and coffee, were the subject of investigations under section 337. Both investigations were terminated by the Commission without a finding of a violation.

Other Avenues of Relief

Under section 301 of the Trade Act of 1974, the President may, in the case of a subsidized import which is substantially reducing sales of the competitive U.S. product, impose duties or other import restrictions on the products of the exporting country, after investigation by the Secretary of the Treasury and the International Trade Commission.

Section 301 authority may be used only if the President finds that the anit-dumping and the countervailing statutes are inadequate to deter the practices.

The Trade Act of 1974 also provides for adjustment assistance for workers, firms, and communities as a means of relief from injury caused by import compeition.

Workers

A group of workers or their certified or recognized union or other duly authorized representative may file a petition for adjustment assistance with the Secretary of Labor under section 221 of the Trade Act.

Under the worker adjustment-assistance provisions, workers in a firm qualify for trade-adjustment benefits if the Secretary of Labor, within 60 days after the filing of a petition, finds that an absolute or relative increase in imports contributed importantly to the workers' unemployment and to a decrease in sales or production of the firm from which they have become unemployed.

The Trade Act provides for direct readjustment allowances to workers certified as eligible for trade adjustment assistance as well as for measures aimed at helping adversely affected workers to find new employment, including job search, training, and relocation allowances. Only two agricultural worker petitions have been accepted by the Secretary of Labor. However, neither of these firms were certified as eligible for adjustment assistance. 1/

Firms

Firms may file petitions for adjustment assistance with the Secretary of Commerce under section 251(a) of the Trade Act. Firms which are found eligible for assistance are entitled to technical assistance and/or financial assistance in the form of loans and loan guarantees. The Secretary of Commerce is required to reach his decision on a firm's adjustment-assistance proposal no later than 60 days after receiving the firm's application.

1/ The firms and their lines of business were Mid-American Dairymen, Inc. (dairy products) and Kenneth Canning Co. (mushroom canning).

The Secretary shall certify a firm as eligible to apply for adjustment assistance if he determines that increases in imports have contributed importantly to the separation or threat of separation of a significant number of workers in the firm and that sales or production, or both, of such firms have decreased absolutely. The Secretary of Commerce has accepted nine petitions from agricultural firms for adjustment assistance. 1/ Two of those firms were not certified as eligible for adjustment assistance. 2/

Communities

Communities may file petitions for adjustment assistance with the Secretary of Commerce under section 271(a) of the Trade Act. Communities will be certified as eligible to apply for adjustment assistance if the Secretary determines that a significant number or proportion of the workers employed within the "trade impacted area" defined by the Secretary of Commerce have been or are threatened to become totally or partially separated, that sales or production of a firm or firms within the area have decreased absolutely, and that increased imports or the transfer of productive facilities to a foreign nation have contributed importantly to the unemployment or decline in sales or production. Eligible communities could receive a variety of developmental assistance including technical assistance and direct grants for the acquisition and development of land improvements of public works and public services.

The bill also contains several provisions designed to attract new investment to trade impacted areas. The Secretary of Commerce is authorized to make loans and loan guarantees to qualified applicants to acquire, construct, or modernize plant facilities or for such other purposes as the Secretary determines are likely to attract new investment and to create new, long-term employment opportunities with the area.

1/ The firms and their lines of business were Smithfield Sugar cooperative (sugar), Fantessa Enterprises, Ltd. (mushroom growing and processing), P. Mastrippolito & Sons, Inc. (mushroom growing and processing), Losito Mushroom Corp. (mushroom growing and processing), Mortensen Enterprises, Inc. (cattle raising), Utica Farms Mushrooms, Inc. (mushroom growing), La Peer Mushrooms (mushroom growing), Marzzetti Bros., Inc. (mushroom growing), and Great Lakes Mushroom Farms, Inc. (mushroom processing).

2/ Fantessa Enterprises, Ltd., and Mortensen Enterprises, Inc.

Public Law 83-480 (food aid to developing countries)

This statute provides assistance to developing nations by means of U.S. food aid to alleviate hunger and promote economic progress. Most of the assistance has been in the form of grain shipments because grain is relatively low in cost and it is often in surplus, is storable, fits into the normal diets of the receiving countries, and is conducive to shipping. However, cattle and beef are subject to provisions of that law. Since July 1, 1954, 0.1 percent of Public Law 83-480 shipments (in terms of value) have been beef. Increased shipments of beef under that law could be a means of reducing the domestic supply.

Public Law 94-35 (loan guarantees)

This provision of law is a loan guarantee program that provides loan guarantees for farmers who would not otherwise qualify for loans to purchase livestock, feed grains, equipment, and/or to refinance livestock operations.

Public Law 99-68 (disaster aid)

This statute provides loans in counties designated as "Natural Disaster Areas." About 2,324 counties in the United States, Puerto Rico, and the Virgin Islands are so designated. The program provides for loans to producers who are unable to obtain sufficient credit elsewhere to finance their needs at reasonable rates and terms.

National School Lunch Act

The Food and Nutrition Service of USDA is responsible for distributing beef, as well as other food items, under authority of the National School Lunch Act. In recent years, the agency has annually purchased and distributed over 100 million pounds of beef (primarily frozen ground beef). The program has no statutory limit on the amount of beef that can be purchased. However, the prices at which the USDA offers to purchase beef are often below market prices and purchases under this program have been limited.

Drought and Flood Conservation Program

The USDA, under authority of the Soil Conservation and Domestic Allotment Act of 1936, as amended, operates the Drought and Flood Conservation Program. The program provides for cost sharing for certain practices (e.g., purchasing irrigation equipment) that could be beneficial to cattlemen. The program is available to farmers in over 2,000 U.S. counties designated as "Emergency Drought Impact Areas."

Other U.S. governmental programs through which beef and veal may be purchased

Department of Defense officials report that there is no statutory limitation on the amount of beef and veal which may be purchased but that as a practical matter, the number of military personnel limit such purchases. U.S. military consumption of beef and veal amounted to about 255 million pounds in 1976, about 1 percent of total consumption. The Veterans Administration states that the purchases of beef and veal for use in its hospitals are made by the individual hospitals. The total purchases are limited by the number of eligible participants in VA programs.

Indirect governmental purchases of beef and veal occur through the food stamp program (Public Law 95-113). Officials of the U.S. Department of Agriculture estimate that approximately 30 percent of the total value of purchases with food stamps consists of red meat. Based on total purchases under the food stamp program in fiscal year 1976, purchases of red meat by program recipients are estimated at $1.5 billion. Individual food stamp recipients determine the share of their food stamps that they use for beef and veal.

Other governmental purchases of beef and veal, both direct and indirect, occur under section 4(a) of the Agriculture and Consumer Protection Act of 1973, as amended (Public Law 93-86). These purchases have been small, but according to an official of the U.S. Department of Agriculture they could become larger if funded. Programs operating under this authority include "Aid to Needy Families" (certain American Indians and families in U.S. trust territories) and the "Supplemental Food Program" (for certain infants, young people, and pregnant women). Limited quantities of beef and veal also are purchased under authority of the Older American's Act of 1965, as amended (Public Law 95-65).

LEGISLATIVE PROPOSALS BEFORE CONGRESS

Many of the proposals of witnesses at the public hearings were related to proposed legislation pending in Congress. Most such bills introduced have been referred to the House or Senate Agriculture Committees.

Proposed Amendments to the Federal Meat Inspection Act

Bills introduced in both Houses would amend the Federal Meat Inspection Act (21 U.S.C. 601 et. seq.) "to require that imported meat and meat food products made in whole or in part of imported meat be subjected to certain tests and that such meat products be identified as having been imported," and "to require that the cost of conducting such tests, inspections, and identification procedures on imported meat and meat food products . . . be borne by the exporters of such articles." 1/ These bills would require that foreign meat imports be required to meet U.S. standards and to require labeling of imported meat products. Other bills have been introduced in both Houses with the sole objective of amending the Federal Meat Inspection Act just to require labeling of meat products as "imported" or "imported in part" at the retail level, where such products are most likely to be sold to the ultimate consumer. 2/

A bill has been introduced in the House requiring humane methods of slaughter for domestic animals and for foreign animals whose meat products would be exported to the United States. 3/

1/ Bills S. 297, H.R. 1349, H.R. 2010, H.R. 3130, H.R. 4113, H.R. 4230, H.R. 4925, H.R. 5276, H.R. 7398, H.R. 7790, and H.R. 8684.
2/ Bills H.R. 1073 and H.R. 8730.
3/ Bill H.R. 1464.

Proposed Amendments to the Meat Import Act of 1964

Bills have been introduced to revise the Meat Import Act. Several bills would prevent the circumvention of import restrictions through the production or manufacture of articles from foreign trade zones, territories, and possessions of the United States. 1/

One proposed bill expands the definition of meat products subject to quota to include TSUS items 107.55 and 107.60 (other prepared or preserved beef and veal, except sausages), revises the base quota from 725,400,000 pounds to 737,000,000 pounds, and puts all powers to regulate the quotas in the hands of the Secretary of Agriculture. 2/

A Senate bill provides for changing the base quota to 750,000,000 pounds and ties changes in quota levels for each calendar quarter to the ratio of the number of fed cattle slaughtered to the number of cattle commercially slaughtered in the first 2 months of the preceding calendar quarter. The Secretary of Agriculture is authorized to allocate the quotas, and all Presidential powers (such as suspension of quotas and trade agreements) are deleted. 3/

Another bill provides the same as the one just discussed but in addition allows for adjustment of the base quota level over time in relationship to U.S. domestic production. 4/

1/ Bills S. 294, H.R. 1500, H.R. 6879, H.R. 7399, and H.R. 7724.
2/ Bill H.R. 3574.
3/ Bill S. 239.
4/ Bill H.R. 1154.

PROPOSALS PRESENTED AT THE HEARINGS

Changes in the Operation of the Meat Import Act of 1964

Countercyclical quotas

A majority of the witnesses in favor of providing some form of import relief for the domestic cattle and beef industry, including several members of Congress, suggested that the Meat Import Act, which currently permits imports to rise and fall with domestic production, be modified so that imports fall when domestic production rises and rise when domestic production falls. Such countercyclical quotas, they asserted, would tend to increase imports at times of high prices and decrease imports at times of low prices. It was argued that such quotas would tend to stabilize prices for the domestic industry and for consumers. A few witnesses suggested mechanisms for such countercyclical quotas. One was that import quotas could be tied to the relationship between U.S. costs of production and domestic prices or to parity prices for meat (e.g., a 25-percent cut in import quota levels for each 5-point drop in U.S. cattle prices below parity prices). Another proposed mechanism was to tie import quota levels to the ratio of the number of fed cattle slaughtered to the total number of cattle slaughtered, with the intent of reducing imports during the liquidation phase of the U.S. cattle cycle. In addition, there were suggestions that quotas be established quarterly rather than annually and that limitations be placed on quota entries through any single port of entry.

Closing loopholes in the act

A majority of the witnesses, including most congressional witnesses, proposed that coverage of the quotas under the Meat Import Act of 1964 be broadened. Such proposals ranged from adding prepared or preserved (processed) beef and veal to the articles covered by the quotas to putting all red meat in whatever form (live animals and fresh, chilled, frozen, or processed meat) under the quotas. Several witnesses wanted limitations on imports of live cattle; it was felt, however, that this should be done by means other than the meat import quota, since the witnesses did not want to restrict imports of breeding stock, or they felt that it would be difficult to develop an acceptable conversion formula for live cattle to meat equivalents.

Most witnesses at the hearings advocated broadening the quota coverage as one method of closing a so-called loophole. The loophole allowed meat processed in foreign trade zones or territories of the United States, or transhipped through Canada, to be imported outside the quotas. There were complaints that there are imports of meat under the quotas that had merely been transshipped through the listed country of origin and that Canada imported meat for its own needs and exported its domestic product to the United States, but suggestions that this problem be solved did not include mechanisms for dealing with the problem.

Several Congressmen suggested that the base periods and formulas for the establishment of quotas under the Meat Import Act should be updated to account for current conditions. Several congressional witnesses also called for improvements in the Department of Agriculture statistics and estimates used to administer the act.

Many witnesses, including congressional witnesses, suggested changes in the administration of the act. It was proposed that the requirement that estimated imports exceed quota levels by 10 percent before quotas are triggered be eliminated or that the trigger level be reduced to 5 percent. It was suggested that limitations be placed on the power of the President to suspend quotas in cases of national emergency. Several witnesses said that the provisions for negotiation of voluntary restraint agreements with meat importers were used more to serve international rather than domestic interests. It was recommended that the power to negotiate such agreements be transferred to the Secretary of Agriculture. Some witnesses suggested that authority to administer the act be moved to the Department of Agriculture. One Congressman suggested that domestic producers be empowered to take the administrators of the act to court if they disagree on the administration of the act. It was also suggested that advisory committees to aid in administering the act be established. Suggestions were made that the act include provisions for embargoes on meat imports.

Changes in the Tariff

Besides revisions in meat import quotas, there were proposals for tariff actions on meat imports. Several witnesses proposed putting a variable tariff on meat imports tied to parity prices. There were proposals to change the tariff on meat imports to reflect current parity prices or to equalize the costs of production between domestic and foreign producers. One witness suggested that this action could be accompanied by allowing duty-free treatment for such imports when U.S. prices exceeded "fair market values" for a period of 90 days. Increases in duties on meat products from 5 to 10 cents per pound higher than the difference between domestic and imported meat prices were proposed. Short-term increases in tariffs to deal with current problems were suggested by a number of witnesses, including Congressional witnesses.

Other Suggested Congressional Actions

Several witnesses, including several congressional witnesses, suggested that meat imports be restricted to products subject to similar standards of health and sanitation as are required in U.S. production. It was urged that 100 percent of the imported meat be inspected by U.S. inspectors, that drugs not allowed in the production of domestic cattle be prohibited in the production of foreign cattle the meat of which is destined for the U.S. market, that slaughter of foreign beef for the U.S. market be carried out under the same standards as U.S. slaughter, and that the internal organs of all imported meat be inspected by U.S. inspectors. Virtually all such proposals for improved standards for imported meat included the suggestion that the cost of the increased inspections required to achieve these results be borne by the importers of such meat. In addition, some witnesses suggested that improved inspection of live cattle imports was needed, and one congressional witness proposed that reciprocal inspection standards be imposed (i.e., if Canada requires inspection for blue tongue disease on U.S. exports of live cattle to Canada, the U.S. should require the same inspection on live cattle imports from Canada).

It was proposed by many witnesses that imported meat products be labeled as "imported" or "imported in part" through all distribution channels to the retail level. It was suggested that grocery stores, meat markets, and fast food chains that sell imported meat be required to advertise it as such, and that restaurants should identify imported meat on their menus. Some witnesses proposed a prohibition on mixing imported and domestic meats.

Some witnesses suggested that Congress prohibit the use of Federal funds for the purchase of imported meats, and a further suggestion was made that such funds be prohibited from going to any institution which buys or serves imported meats.

One Congressman urged enactment of laws to improve the reporting of market information in the domestic meat market, particularly price information. It was suggested that market manipulation was likely without improvements in market information. There were also suggestions for an investigation of practices in the futures markets for meat products.

Import Interests

During the investigation, the import interests indicated that they preferred to eliminate all restrictions on imports of beef and veal. 1/ Second to that, they preferred no changes in the existing act; they contended that imports already comply with U.S. health, sanitary, and labeling laws and regulations. Third, they contended that some of the processed beef and veal products not presently covered by the Meat Import Act are either not produced or are not produced in significant commercial quantities in the United States.

The import interests pointed out that much of the testimony of domestic witnesses at the hearings consisted of recommendations for legislative changes which would add to the already formidable protection enjoyed by the domestic industry under the Meat Import Act. The importers contended that, without exception, the recommendations would add to the unique protection already enjoyed by the U.S. beef industry. One way or another, they contended, each of the recommendations would add to the expense and complication of importing or would actually limit imports.

Major Proposals of Domestic Producers and Importers

1. Quota coverage for beef and veal

The domestic producers contended that the quota should be modified to close loopholes in the existing act, so as to prohibit quota-type meat from being processed

1/ Several econometric models received in the course of the investigation relate to the impact of imports upon domestic producers and consumers; they are shown in appendices D and E.

in foreign trade zones, or in other countries, and then imported and not counted in the quota. They maintain that all imported beef is competitive with domestic beef.

Importers contend that imported grass-fed beef is complementary to domestic grain-fed beef and, at best, the imported beef could be considered competitive only with the limited domestic production of lean beef. They further point out that a representative of the National Cattlemen's Association estimated that sales of culls would represent 15 percent of beef producers' income. Some importers claim that processed beef should not be covered by quota unless the quota base is adjusted to consider processed meat imports, and they assert that the foreign trade zones problem has been corrected by the Department of Agriculture. Some noted that canned corned beef is not produced commercially in the United States and that other meats, such as frozen cooked beef are produced only on a limited scale. They believe that this type of beef should not be subject to a quota, as it does not compete with domestic products.

2. Quota coverage for live cattle

Domestic producers claim that including live cattle in the existing quota, or establishing a separate quota for live cattle, will protect local markets from market disruption by large imports of feeder calves or cattle for slaughter from Canada or Mexico.

Importers contend that imports of live cattle are negligible in relation to the total domestic market and that imports of feeder calves benefit domestic feedlot operators. They point out that Canada and Mexico have a balance of trade with the United States in live cattle that is mutually beneficial. The importers contend that no conversion formula can be written to determine meat equivalents of live cattle and that proposals for quotas should not include live cattle for breeding purposes.

3. Countercyclical quotas

Domestic producers assert that current quotas should be made countercyclical so that imports would be high when domestic prices rise and low when domestic prices fall. This, they assert, will allow market stability for producers and consumers. Some called for quarterly quotas and others called for imports to enter at particular ports.

Importers oppose quotas in any form and would prefer to have the Meat Import Act eliminated. Second to that, they prefer no changes in the existing laws. Countercyclical quotas, they claim, would tend to keep imported meat out of the U.S. market when foreign suppliers are also liquidating herds and are most in need of these markets. Also, importers contend that foreign supplies could not be turned on or off at will under such a proposed system in order to satisfy the U.S. market. They point out that U.S. consumers customarily begin to purchase less beef and start to buy more substitutes when beef prices become disproportionately high. In order for the U.S. market to be served by imports, they assert, it must be a consistent market for imports.

4. Quota trigger level

Domestic producers contend that the 10-percent trigger has led to a continual level of imports 10 percent above the adjusted base quota level, since voluntary restraint agreements are negotiated to avoid the necessity of triggering the quota. They claim that U.S. Department of Agriculture estimates of imports have been faulty in the past.

Importers claim that the 10-percent trigger level provides room for the negotiation of voluntary restraint agreements.

5. President's power to suspend quotas

Domestic producers want to eliminate the President's power to suspend the quotas and they believe that the exclusive administration of the quotas should be vested with the Secretary of Agriculture. Domestic producers point out that the President has suspended quotas in the past in pursuit of consumer interests and has not administered the act in the interest of producers.

Importers testified that quota suspensions are used because imported meat is needed in the domestic market since the domestic industry does not produce enough lean meat for U.S. demand. They point out that the U.S. supply of manufacturing beef is a byproduct of two other operations--cow/calf and dairy. Also, they point out that in periods such as late 1972 and 1973, they supplied beef to the U.S. market when it was wanted and needed.

6. Inspection of foreign beef

Domestic producers and consumers contend that inspection of foreign meat is not as rigorous as inspection of domestic meat. They want the cost of the additional inspection to be borne by the importers.

Foreign suppliers claim that their standards are in conformity with applicable U.S. law and are already as high, or higher, than U.S. standards and that their standards are adequately enforced. They point out that U.S. inspectors are permanently stationed abroad and that they regularly visit foreign plants. The plants are approved by these U.S. officers and this approval is a prerequisite for shipping beef to the United States. During the investigation, the Council for the Australian Meat Board quoted the U.S. Secretary of Agriculture as stating:

> We have a fine cooperative program with the Governments of Australia and New Zealand. We are satisfied that the beef which comes from those countries is clean; it is slaughtered and handled under sanitary conditions comparable to our own. We do not have the slightest doubt about the cleanliness and wholesomeness of beef which comes from Australia and New Zealand.

7. Labeling of imported beef

Domestic producers and consumers want imported beef to be labeled "imported" or "imported in part" with country of origin at all levels of distribution, including the retail level, so that consumers will know they are eating imported meat. The producers claim consumers would prefer "higher quality" domestic meat.

Importers contend that this would be an undue burden on interstate and foreign commerce as the courts have found with regard to several State laws. Imported meat, they assert, satisfies U.S. laws regarding labeling and that even if there were any truth to the allegations concerning the inferiority of foreign inspection, the corrective action to be taken would be in administration of the present law rather than in changing the law. The importers believe that requiring the labeling of domestically processed meat would mean that labeling would be required of all imported products processed domestically. The importers point out that containers of imported beef are labeled pursuant to statutory requirements (19 U.S.C. 1304) with country of origin in such manner as to advise the "ultimate purchaser," meaning the manufacturer and not the retail buyer (housewife), of such country. They claim that imported quota beef is essentially a raw material used in manufacturing. Under the law, they contend, the "ultimate purchaser" of quota beef is the manufacturer who uses it, with other materials, to produce a new and different product. Such product, they point out, is a product of the United States.

8. Other proposals

The importers made no major proposals at the hearing. The importers asserted, however, that virtually without exception, the proposals of the domestic interests had a common denominator--that all of them would add to the unique and unprecedented protection already enjoyed by the U.S. beef industry. One way or another, they claimed, each would add to the expense and complication of importing, or would limit imports or discourage their use. Also, the importers asserted that the Commission's report on this investigation should set forth the facts. They contend, in effect, that section 332 neither directs nor empowers the Commission to make policy recommendations designed to improve the position of domestic industries.

APPENDIX A

NOTICES OF INVESTIGATION NO. TA-201-25 AND HEARINGS, THREE CONGRESSIONAL LETTERS REQUESTING A 332 INVESTIGATION OF U.S. IMPORTS OF LIVE CATTLE AND BEEF, AND NOTICE OF THE INSTITUTION OF INVESTIGATION NO. 332-85 AND HEARINGS

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

[TA-201-25]

LIVE CATTLE AND CERTAIN EDIBLE
MEAT PRODUCTS OF CATTLE

Notice of Investigation and Hearings

Investigation instituted. Following the receipt on March 17, 1977, of a petition filed by the National Association of American Meat Promoters, the Meat Promoters of South Dakota, the Meat Promoters of North Dakota, the Meat Promoters of Montana, and the Meat Promoters of Wyoming, the United States International Trade Commission, on March 26, 1977, instituted an investigation to determine whether live cattle and certain meat products of cattle fit for human consumption, provided for in items 100.40 through 100.55, inclusive; 106.10, 106.80, and 106.85; 107.20 and 107.25; 107.40 through 107.60, inclusive; and 107.75 of the Tariff Schedules of the United States, are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

Public hearings. Public hearings in connection with this investigation will be held in Rapid City, S. Dak., beginning on Tuesday, June 14, 1977; in Dallas, Tex., beginning on Tuesday, June 28, 1977; and in New York, N.Y., beginning on Tuesday, July 12, 1977. Times and locations of the hearings will be announced later. Requests for appearances should be filed with the Secretary of the United States International Trade Commission, in writing, at his office in Washington, D.C., not later than noon of the fifth calendar day preceding the hearing at which the appearance is requested.

Inspection of the petition. The public portion of the petition filed in this case is available for public inspection at the Office of the Secretary, United States International Trade Commission, 701 E Street NW., Washington, D.C. 20436, and at the New York City office of the Commission, located at 6 World Trade Center.

By order of the Commission:

Kenneth R. Mason
Secretary

Issued: April 8, 1977

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

[TA-201-25]

LIVE CATTLE AND CERTAIN EDIBLE
MEAT PRODUCTS OF CATTLE

Notice of Additional Public Hearing

Notice is hereby given that the United States International Trade Commission has scheduled an additional public hearing in its investigation of live cattle and certain meat products of cattle fit for human consumption. The hearing will be held in Kansas City, Mo., beginning on Tuesday, July 19, 1977. The dates and places of previously announced public hearings in this investigation, in Rapid City, S. Dak., beginning on Tuesday, June 14, 1977; in Dallas, Tex., beginning on Tuesday, June 28, 1977; and in New York, N.Y., beginning on Tuesday, July 12, 1977, are unchanged. Times and locations of the hearings will be announced later. Requests for appearances should be filed with the Secretary of the United States International Trade Commission, in writing, at his office in Washington, D.C., not later than noon of the fifth calendar day preceding the hearing at which an appearance is requested.

Notice of the investigation and hearing was published in the Federal Register of April 13, 1977 [F.R. 19389].

By order of the Commission:

Kenneth R. Mason
Secretary

Issued: May 16, 1977

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GEORGE MC GOVERN, S. DAK.
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HUBERT H. HUMPHREY, MINN.
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RICHARD B. STONE, FLA.
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JESSE HELMS, N.C.
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RICHARD G. LUGAR, IND.

MICHAEL R. MC LEOD
GENERAL COUNSEL AND STAFF DIRECTOR

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, D.C. 20510

DOCKET FILE

MOTION DOCKET NUMBER
TA-201-25
Office of the Secretary
Int'l Trade Commission

'77 MAY 19 PM 4:18
RECEIVED
OFFICE OF THE SECRETARY
U.S. INTL. TRADE COMMISSION

Distb. Comm., Staff, Div. Opns.

May 18, 1977

Daniel Minchew, Chairman
U. S. International Trade Commission
Washington, D. C. 20436

Dear Mr. Minchew:

It is our understanding that the International Trade Commission now has underway an investigation under Section 201 of the Trade Act of 1974 concerning beef imports. As you know, beef imports are also subject to the Meat Import Act of 1964 and that Act may limit the Commission's ability to provide any relief that may be found necessary in the Section 201 case.

We understand that hearings on the Section 201 case are now scheduled to begin June 14 in Rapid City, South Dakota; June 18 in Dallas, Texas; July 12 in New York, New York; and July 19, 1977, in Kansas City, Missouri. We believe those hearings would be the most efficient means of gathering information pursuant to Section 332 of the Tariff Act relevant to the need for any legislative action with respect to beef imports. Consequently, we urge that the Commission, on its own motion, act promptly to broaden the pending Section 201 proceeding to permit parties interested in legislative relief to appear and be heard pursuant to Section 332 of the Tariff Act at the hearings already scheduled.

We are gratified that the International Trade Commission has moved quickly to consider the beef import problem and we do hope that it will now permit a full exploration of the problems. We look forward to a comprehensive recommendation as to any needed legislation.

Sincerely,

Bob Dole — George McGovern (McGovern)

Hubert H. Humphrey — H. E. Talmadge

Lloyd Bentsen — Milton R. Young (MILTON)

James B. Allen — James O. Eastland

JAMES ABDNOR
2D DISTRICT, SOUTH DAKOTA

1224 LONGWORTH HOUSE OFFICE BUILDING
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WALTER C. CONAHAN
ADMINISTRATIVE ASSISTANT

COMMITTEES:
PUBLIC WORKS AND TRANSPORTATION
VETERANS' AFFAIRS
AGING

Congress of the United States
House of Representatives
Washington, D.C. 20515

'77 MAY 25 PM 4

MOTION DOCKET NUMBER
M-272
Office of the Secretary
Int'l Trade Commission

Hon. Daniel Minchew, Chairman
U. S. International Trade Commission
Washington, D. C. 20436

Dear Mr. Minchew:

We commend the investigation the International Trade Commission has undertaken with respect to beef imports. We are concerned, however, that the current limitation of the scope of the investigation to Section 201 of the Trade Act of 1974 will result in less than adequate coverage of the issues involved.

Accordingly, we urge that the investigation be expanded pursuant to the authorities contained in Section 332 of the Tariff Act of 1930. It is our understanding this will cause the inquiry to be conducted with specific regard to legislative changes which may be needed as well as to administrative actions which may be justified.

Your prompt attention to this matter will be appreciated.

Sincerely,

Mark Andrews

James Abdnor

Steve Symms

Charles Thone

Jim Leach

Bob Stump

Al Quie

Mike Blouin

Ed Jones

Hon. Daniel Minchew
Page 2

Arlan Stangeland

Jerry Huckaby

Tom Hagedorn

Keith G. Sebelius

James M. Jeffords

Jim Johnson

Virginia Smith

Bill Wampler

Glenn English

Ted Risenhoover

Wes Watkins

JA/agk

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RESIDENCE:
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SIOUX FALLS, SOUTH DAKOTA 57102
(605) 336-2980 EXT. 433

May 23, 1977

The Honorable Daniel Minchew, Chairman
U.S. International Trade Commission
Washington, D.C. 20436

Dear Mr. Minchew:

I understand that the International Trade Commission has underway an investigation under Section 201 of the Trade Act of 1974 with respect to beef imports.

Since the Commission has chosen to investigate beef imports under Section 201, I believe it would be most appropriate and useful if this investigation were broadened to include consideration of this import situation as it is affected by Section 332 of the Tariff Act.

The hearings slated by the Commission around the country will be most useful in gathering information on beef imports, and it would be unfortunate if the scope of the investigations were to be limited to Section 201.

I therefore urge the Commission to act promptly and broaden the pending Section 201 proceeding and permit those parties interested in legislative relief to appear and be hear regarding Section 332 of the Tariff Act at the hearings slated in Rapid City, New York, New York and Kansas City.

Thank you for your consideration and prompt response.

Sincerely,

Larry

Larry Pressler
Member of Congress

LP:pl

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

[TA-201-25]

LIVE CATTLE AND CERTAIN EDIBLE
MEAT PRODUCTS OF CATTLE

[332-85]

CONDITIONS OF COMPETITION IN U.S. MARKETS
BETWEEN DOMESTIC AND FOREIGN LIVE CATTLE
AND CATTLE MEAT FIT FOR HUMAN CONSUMPTION

Section 332 investigation instituted. On May 31, 1977, the United States International Trade Commission instituted, on its own motion, an investigation under section 332(g) of the Tariff Act of 1930, as amended (19 U.S.C. 1332(g)), to study the conditions of competition in U.S. markets between domestic and foreign live cattle and cattle meat fit for human consumption. Such live cattle and cattle meat are of the types provided for in items 100.40 through 100.55, inclusive; 106.10, 106.80, and 106.85; 107.20 and 107.25; 107.40 through 107.60, inclusive; and 107.75 of the Tariff Schedules of the United States.

In its investigation, the Commission will be concerned with, among other things, the effects of imports of such articles on domestic producers and processors of live cattle and products thereof fit for human consumption. The Commission invites the submission of information on the product characteristics of foreign and domestic articles; the characteristics of the domestic industry or industries producing and/or processing such articles; U.S. consumption; production, imports, and exports; inventories held in the United States; pricing practices, price trends, and price relationships between the imported and domestic products; trends of the major cost elements and profitability of operations of producers and processors; and the actions taken under or in connection with the co-called Meat Import Act of 1964 (Public Law 88-482, approved August 22, 1964 (19 U.S.C. 1202)).

Public hearings. Public hearings in connection with these investigations will be held in Rapid City, S. Dak., beginning on Tuesday, June 14, 1977, at 10:00 a.m., m.d.t., at the Rushmore Plaza Civic Center, 444 Mt. Rushmore Road North, Rapid City, S. Dak.; in Dallas, Tex., beginning on Tuesday, June 28, 1977, at 10:00 a.m., c.d.t., in Room 7A23, 1100 Commerce Street, Dallas, Tex.; in New York, N.Y., beginning on Tuesday, July 12, 1977, at 10:00 a.m., e.d.t., in the auditorium of the United States Mission to the United Nations, 799 U.S. Plaza, 45th Street and First Avenue, New York, N.Y. (please use 45th Street entrance); and in Kansas City, Mo., beginning on Tuesday, July 19, 1977, at 10:00 a.m., c.d.t., in Room 302, 911 Walnut Street, Kansas City, Mo. An additional public hearing in connection with the section 332 investigation will be held beginning on Tuesday, September 20, 1977, at 10:00 a.m., e.d.t., in the Hearing Room, U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436.

The Rapid City, Dallas, New York, and Kansas City hearings will be held in conjunction with the Commission's investigation No. TA-201-25, being conducted under section 201(b) of the Trade Act of 1974 (19 U.S.C.

2251(b)), concerning live cattle and certain meat products of cattle fit for human consumption, notice of which was published in the Federal Registers of April 13, 1977, and May 19, 1977 (42 F.R. 19389 and 42 F.R. 25774, respectively). To the maximum extent possible, witnesses who are addressing testimony to investigation No. TA-201-25 and the criteria relative to relief under section 201(b) of the Trade Act of 1974 are requested to first present their testimony with respect to that investigation and then give their testimony with respect to investigation No. 332-85.

Requests for appearances should be filed with the Secretary of the U.S. International Trade Commission, in writing, at his office in Washington, D.C., not later than noon of the fifth calendar day preceding the hearing at which the appearance is requested. Requests should (a) identify each witness by name and interest and (b) indicate whether the testimony relates to investigation No. TA-201-25 or No. 332-85 or both. Written statements will be accepted in lieu of or in addition to oral testimony. Such statements should be submitted at the earliest practicable time, but in no event later than the closing of the final hearing for each investigation.

By order of the Commission:

KENNETH R. MASON
Secretary

Issued: June 8, 1977

APPENDIX B

STATISTICAL TABLES

Table 1.--Meat, poultry, and fish: U.S. civilian consumption, total and per capita, 1963-76

Year	Red meat (carcass weight)						Poultry meat (chicken and turkey, ready to cook)	Fish	All meat
	Beef	Veal	Total beef and veal	Pork	Lamb and mutton	Total red meat			
	Total consumption (million pounds)								
1963	17,612	913	18,525	12,199	908	31,632	7,005	1,956	40,593
1964	18,899	990	19,889	12,361	794	33,044	7,284	1,986	42,314
1965	19,060	992	20,052	11,235	716	32,003	7,811	2,068	41,882
1966	20,140	881	21,021	11,243	771	33,035	8,383	2,107	43,525
1967	20,793	749	21,542	12,506	759	34,807	8,780	2,066	45,653
1968	21,627	707	22,334	13,035	738	36,107	8,790	2,170	47,067
1969	22,065	654	22,719	12,940	687	36,346	9,283	2,229	47,858
1970	22,926	581	23,507	13,393	657	37,557	9,771	2,384	49,712
1971	23,084	545	23,629	14,904	645	39,178	9,949	2,346	51,473
1972	23,962	465	24,427	13,921	684	39,032	10,515	2,575	52,122
1973	22,812	376	23,188	12,820	557	36,565	10,240	2,683	49,488
1974	24,489	493	24,982	13,962	483	39,427	10,483	2,562	52,472
1975	25,398	876	26,274	11,575	430	38,279	10,340	2,574	51,193
1976	27,434	853	28,287	12,363	395	41,045	11,176	2,748	54,969
	Per capita consumption (pounds)								
1963	94.5	4.9	99.4	65.4	4.9	169.7	38.0	10.7	218.4
1964	99.9	5.2	105.1	65.4	4.2	174.7	39.0	10.5	224.2
1965	99.5	5.2	104.7	58.7	3.7	167.1	41.2	10.8	219.2
1966	104.2	4.6	108.8	58.1	4.0	170.9	43.8	10.9	225.6
1967	106.5	3.8	110.3	64.1	3.9	178.3	45.1	10.6	234.0
1968	109.7	3.6	113.3	66.2	3.7	183.2	44.6	11.0	238.8
1969	110.8	3.3	114.1	65.0	3.4	182.5	46.7	11.2	240.4
1970	113.7	2.9	116.6	66.4	3.3	186.3	48.5	11.8	246.6
1971	113.0	2.7	115.7	73.0	3.1	191.8	48.8	11.5	252.1
1972	116.1	2.2	118.3	67.4	3.3	189.0	51.0	12.5	252.5
1973	109.6	1.8	111.4	61.6	2.7	175.7	49.2	12.9	237.8
1974	116.8	2.3	119.1	66.6	2.3	188.0	50.0	12.2	250.2
1975	120.1	4.2	124.3	54.8	2.0	181.1	48.9	12.2	242.2
1976	128.8	4.0	132.8	58.0	1.9	192.7	52.5	12.9	258.1

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 2.--Beef (Choice grade), hamburger, pork, and frying chicken: U.S. average retail price, by months, 1972-76 and January-July 1977

(In cents per pound)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average
						Beef (Choice grade) 1/							
1972	112	116	116	112	111	114	117	116	113	113	112	115	114
1973	122	130	135	136	136	136	136	144	145	136	135	134	136
1974	143	150	142	136	135	132	138	143	142	137	134	132	139
1975	133	129	127	134	148	158	161	156	153	152	151	151	146
1976	149	143	135	142	142	141	138	136	134	134	136	139	139
1977	138	135	133	134	138	137	-	-	-	-	-	-	-
						Hamburger							
1972	71	73	74	74	74	74	75	76	75	76	75	75	74
1973	78	84	91	94	95	95	95	104	106	104	102	100	96
1974	103	110	108	101	97	95	91	95	96	93	90	88	97
1975	85	83	81	81	87	91	94	93	90	91	90	89	88
1976	89	88	86	86	90	90	89	89	87	86	86	85	88
1977	85	85	85	85	87	86	85	-	-	-	-	-	-
						Pork 1/							
1972	76	81	79	78	79	82	86	86	87	88	87	89	83
1973	94	97	103	103	102	104	108	132	126	117	115	116	110
1974	117	117	112	105	99	94	104	109	110	109	111	113	108
1975	115	115	114	106	123	131	144	150	154	159	154	148	135
1967	144	142	139	137	139	140	142	137	133	125	118	117	134
1977	120	121	121	119	121	126	-	-	-	-	-	-	-
						Frying chickens in retail stores (urban areas)							
1972	41	42	42	41	41	41	42	41	43	42	41	41	42
1973	44	46	60	59	58	58	60	92	73	58	55	53	60
1974	59	59	58	56	52	51	52	54	57	56	58	60	56
1975	59	59	59	58	58	62	68	69	70	67	67	66	64
1976	64	61	61	61	59	62	63	61	59	57	54	54	60
1977	55	59	61	61	61	61	62	-	-	-	-	-	-

1/ Estimated weighted average price of retail cuts.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 3.--Beef and veal: U.S. production, imports, exports, and civilian consumption, 1963-76 1/

Year	Production: Beef	Production: Veal	Production: Total	Imports 2/	Exports	Civilian consumption 3/	Ratio of imports to-- Consumption	Ratio of imports to-- Production
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent
1963	16,456	929	17,385	1,677	35	18,525	9.1	9.7
1964	18,456	1,013	19,469	1,085	69	19,889	5.5	5.6
1965	18,727	1,020	19,747	942	59	20,052	4.7	4.8
1966	19,726	910	20,636	1,204	39	21,021	5.7	5.8
1967	20,219	792	21,011	1,328	42	21,542	6.2	6.3
1968	20,880	734	21,614	1,518	38	22,334	6.8	7.0
1969	21,158	673	21,831	1,640	37	22,719	7.2	7.5
1970	21,685	588	22,273	1,816	40	23,507	7.7	8.2
1971	21,902	546	22,448	1,756	53	23,629	7.4	7.8
1972	22,419	459	22,878	1,996	62	24,427	8.2	8.7
1973	21,277	357	21,634	2,022	91	23,188	8.7	9.3
1974	23,138	486	23,624	1,646	63	24,982	6.6	7.0
1975	23,976	873	24,849	1,782	53	26,274	6.8	7.2
1976	25,969	853	26,822	2,006	90	28,287	7.1	7.5

1/ Carcass-weight-equivalent basis.
2/ Data do not include imports of miscellaneous prepared or preserved meats and edible meat offal.
3/ Allowance made for stocks.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 4.--Per capita disposable income and per capita expenditures for all food and beef, 1963-76, and by quarters, January-June 1977

Period	Per capita disposable income	Per capita 1/ expenditures for--		Ratio of expenditures for all food to disposable income	Ratio of expenditures for beef to disposable income
		All food	Beef		
				Percent	Percent
1963	$2,128	$402	$54.87	18.9	2.6
1964	2,278	419	56.53	18.4	2.5
1965	2,430	443	58.95	18.2	2.4
1966	2,597	473	63.53	18.2	2.4
1967	2,740	481	65.09	17.6	2.4
1968	2,930	515	70.32	17.6	2.4
1969	3,111	544	78.88	17.5	2.5
1970	3,348	582	82.92	17.4	2.5
1971	3,588	592	87.11	16.5	2.4
1972	3,837	627	97.75	16.3	2.5
1973	4,286	699	109.89	16.3	2.6
1974	4,639	788	119.92	17.0	2.6
1975	5,060	866	129.79	17.2	2.6
1976	5,511	923	132.39	16.8	2.4
1977:					
Jan.-Mar	1,448	2/	31.79	2/	2.2
Apr.-June	1,495	2/	31.34	2/	2.1

1/ Estimated from retail weight of consumption times average retail price.

2/ Not available.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 5.--Number of cattle feedlots and fed cattle marketed, by feedlot capacity and by States, 1976 1/ 2/

State	Under 1,000-head capacity		1,000- to 15,900-head capacity		16,000-head capacity and over		Total	
	Lots	Cattle marketed	Lots	Cattle marketed	Lots	Cattle marketed	Lots	Cattle marketed
	Number	1,000 head	Number	1,000 head	Number	1,000 head	Number	1,000 head
Arizona	3	2	27	100	18	693	48	795
California	24	6	94	631	32	1,207	150	1,844
Colorado	318	154	164	843	20	1,147	502	2,144
Idaho	504	11	53	199	6	130	563	340
Illinois	13,930	815	3/ 70	3/ 120	0	0	14,000	935
Indiana	10,483	343	3/ 17	3/ 22	0	0	10,500	365
Iowa	32,830	2,506	170	399	0	0	33,000	2,905
Kansas	5,880	522	86	985	34	1,577	6,000	3,084
Michigan	1,680	210	3/ 39	3/ 61	0	0	1,719	271
Minnesota	11,132	734	3/ 68	3/ 70	0	0	11,200	804
Missouri	7,966	300	34	46	0	0	8,000	346
Montana	70	4	3/ 49	3/ 100	0	0	119	104
Nebraska	15,000	1,263	337	1,605	13	590	15,350	3,458
New Mexico	3	0	3/ 33	3/ 199	4	107	40	306
North Dakota	886	47	3/ 14	3/ 24	0	0	900	71
Ohio	7,775	322	3/ 25	3/ 65	0	0	7,800	387
Oklahoma	312	23	36	223	3/ 7	3/ 432	355	678
Oregon	316	30	3/ 19	3/ 107	0	0	335	157
Pennsylvania	5,998	111	3/ 0	3/ 0	0	0	6,000	114
South Dakota	8,532	311	3/ 68	3/ 268	0	0	8,600	579
Texas	912	60	110	3/ 848	67	3,039	1,089	3,947
Washington	199	24	3/ 20	3/ 340	0	0	219	364
Wisconsin	7,914	158	3/ 14	3/ 24	0	0	7,928	182
Total	132,667	7,956	1,547	7,299	201	8,922	134,417	24,180

1/ Number of feedlots with 1,000-head or more capacity is number of lots operating any time during year. Number under 1,000-head capacity is number at end of year.

2/ The 23 State totals show actual number of feedlots and number of animals marketed in each size group. The sum of numbers shown by States under specified size group may not add to 23-State total for that size group, since for some States size groups are combined to avoid disclosing individual operations.

3/ Lots and marketing from larger size groups are included to avoid disclosing individual operations.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 6.--Cattle and calves: Number on U.S. farms, by classes, on Jan. 1 of 1963-77

(In thousands of head)

Year	Cows and heifers for--		Heifers 500 pounds and more			Steers 500 pounds and more	Bulls 500 pounds and more	Steers, heifers & bulls less than 500 pounds	Total inventory on farms
	Beef	Milk	Beef-cow replacements	Milk-cow replacements	Other				
1963	29,829	16,570	5,044	5,186	6,191	14,210	2,035	25,423	104,488
1964	31,908	15,960	5,408	4,978	6,178	14,696	2,129	26,646	107,903
1965	33,400	15,380	5,700	4,780	5,980	14,050	2,180	27,530	109,000
1966	33,500	14,490	5,760	4,450	5,990	14,770	2,150	27,752	108,862
1967	33,770	13,725	5,900	4,215	6,100	14,780	2,155	28,138	108,783
1968	34,570	13,115	6,110	4,080	6,020	14,820	2,195	28,461	109,371
1969	35,490	12,550	6,150	3,990	5,930	14,905	2,220	28,780	110,015
1970	36,689	12,091	6,431	3,880	6,132	15,265	2,272	29,609	112,369
1971	37,877	11,909	6,664	3,843	6,113	15,610	2,327	30,235	114,578
1972	38,807	11,778	6,987	3,828	6,399	15,999	2,376	31,688	117,862
1973	40,918	11,624	7,436	3,874	6,434	16,555	2,466	32,229	121,536
1974	43,008	11,286	8,226	3,942	6,821	17,802	2,645	33,942	127,672
1975	45,472	11,211	8,879	4,095	6,509	16,373	2,987	36,302	131,828
1976	43,746	11,087	7,197	3,973	7,395	17,153	2,849	34,577	127,977
1977	41,364	11,031	6,554	3,906	8,051	16,935	2,668	32,388	122,897

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 7.--Index of prices paid by U.S. feedlot operators and cow-calf operators, for major production items, 1963-76

(1967=100)

Year	Feeder calves	Feed	Average value per-acre farm	Wages paid by farmers
1963	93	98	77	80
1964	80	97	82	82
1965	91	97	86	86
1966	103	101	93	93
1967	100	100	100	100
1968	105	94	107	108
1969	119	96	113	119
1970	122	101	117	128
1971	130	105	122	134
1972	158	106	132	142
1973	199	160	150	155
1974	148	194	187	178
1975	135	187	214	192
1976	160	191	244	210

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 8.--Cattle: U.S. commercial slaughter, by classes, 1972-76 and Jan.-June of 1975-77

(In thousands of head)

Year	Steers and heifers: Fed	Steers and heifers: Nonfed	Steers and heifers: Total	Cows	Bulls and stags	Total
1972	27,670	1,452	29,142	5,992	645	35,779
1973	25,890	873	26,763	6,248	676	33,687
1974	23,880	4,598	28,478	7,514	820	36,812
1975	21,210	7,047	28,257	11,577	1,097	40,931
1976	25,040	5,997	31,037	10,619	998	42,654
January-June--						
1975	10,890	3,269	14,159	4,643	481	19,283
1976	12,700	2,804	15,504	5,078	501	21,083
1977	13,110	2,412	15,522	4,696	440	20,658

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 9.--Average prices received by farmers, average parity prices, and parity ratios for beef cattle and calves, and parity ratios for all farm products, 1963-76

Year	Beef cattle			Calves			Parity ratio (percent), all farm products
	Average price received by farmers	Average parity price	Parity ratio (price received as percent of parity price)	Average price received by farmers	Average parity price	Parity ratio (price received as percent of parity price)	
	Per 100 pounds	Per 100 pounds		Per 100 pounds	Per 100 pounds		
1963	$19.90	$24.00	83	$24.10	$27.00	89	78
1964	18.10	24.70	73	20.70	28.10	74	76
1965	19.80	25.70	77	21.80	29.40	74	76
1966	22.20	27.10	82	26.00	31.00	84	79
1967	22.20	28.40	78	26.40	32.70	81	73
1968	23.40	29.60	79	27.60	34.40	80	73
1969	26.20	31.00	85	31.50	36.40	87	73
1970	27.10	32.50	83	34.50	37.90	91	72
1971	29.00	34.40	84	36.10	40.60	89	69
1972	33.50	36.80	91	43.90	44.10	100	74
1973	43.00	43.00	100	57.00	52.00	110	91
1974	35.80	51.00	70	38.60	62.80	61	86
1975	32.20	55.30	58	26.90	67.50	40	76
1976	33.90	57.00	59	34.50	67.40	51	71

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 10.--Live cattle: U.S. exports of domestic merchandise, by types, 1963-76

Year	Cattle for breeding	Other cattle	Total
	Quantity (1,000 head)		
1963	22.4	0.7	23.2
1964	28.2	33.5	61.6
1965	32.4	21.8	54.2
1966	27.0	8.4	35.4
1967	31.7	23.6	55.3
1968	31.9	3.8	35.7
1969	34.1	5.1	39.2
1970	26.3	61.7	88.0
1971	32.9	59.7	92.6
1972	132.4	63.8	196.2
1973	79.9	192.6	272.6
1974	88.5	115.9	204.4
1975	71.6	124.3	195.9
1976	59.0	145.6	204.5
	Value (1,000 dollars)		
1963	10,337	231	10,568
1964	10,874	6,708	17,582
1965	14,001	3,083	17,084
1966	11,786	2,499	14,285
1967	13,771	7,465	21,236
1968	14,141	1,051	15,191
1969	15,130	1,547	16,677
1970	12,902	16,425	29,328
1971	16,038	16,481	32,519
1972	24,138	19,660	43,798
1973	52,132	73,848	125,978
1974	67,408	42,468	109,876
1975	48,108	29,146	77,254
1976	45,939	46,226	92,165

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 11.--Beef and veal, and beef and veal byproducts: U.S. exports of domestic merchandise, by kinds, 1963-76

Year	Beef and veal	Beef and veal offal	Total	Cattle hides and calf skins	Tallow
	Quantity (million pounds)				
1963	8.8	1/	1/	1/	1,633.5
1964	35.3	1/	1/	1/	2,116.4
1965	33.8	132.4	166.2	1/	2,001.9
1966	18.0	118.3	136.3	1/	1,830.4
1967	31.1	119.2	150.3	1/	2,076.6
1968	27.0	124.6	151.6	1/	2,080.8
1969	25.7	127.9	153.6	1/	1,780.8
1970	29.2	119.6	148.8	1/	2,038.8
1971	42.0	148.3	190.3	1/	2,446.1
1972	52.2	175.2	227.4	1/	2,207.1
1973	79.1	162.8	241.9	1/	2,179.6
1974	50.6	155.0	205.6	1/	2,474.2
1975	45.6	174.8	220.4	1/	1,856.0
1976	80.6	230.7	311.3	1/	2,263.9
	Value (million dollars)				
1963	6.2	1/	1/	61.0	104.5
1964	17.2	1/	1/	74.7	154.4
1965	18.9	36.8	55.7	97.2	179.1
1966	13.5	36.6	50.1	142.0	153.9
1967	20.2	34.8	55.0	108.4	144.6
1968	19.9	35.0	54.9	107.7	123.3
1969	21.7	37.3	59.0	137.8	128.0
1970	24.6	39.3	63.9	132.9	177.1
1971	36.0	47.5	83.5	138.9	216.4
1972	49.9	62.3	112.2	272.1	174.1
1973	97.7	84.3	182.0	346.8	290.0
1974	64.8	65.2	130.0	305.4	494.2
1975	70.1	72.0	142.1	267.3	300.0
1976	110.0	103.2	213.2	480.3	382.4

1/ Not available.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 12.--Frozen beef and veal: Cold-storage holdings by months, 1972-76 1/

(In thousands of pounds)

Year	January	February	March	April	May	June	July	August	September	October	November	December
1972	339,126	305,862	284,580	281,776	275,416	255,624	259,920	282,231	299,015	325,979	351,991	367,945
1973	385,600	372,394	359,885	363,441	336,020	320,920	299,285	252,605	241,928	310,307	386,208	443,662
1974	469,228	456,182	477,692	467,841	461,668	438,955	397,356	374,165	342,485	345,267	355,835	397,397
1975	407,865	390,434	388,062	350,898	309,500	288,937	268,943	259,282	253,832	273,408	321,830	352,947
1976	354,242	366,118	400,417	400,823	408,183	402,866	390,347	370,931	390,949	414,314	439,418	464,165

1/ Data represent inventories at the end of the month.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 13.--Returns to capital, for selected western cattle ranches, by areas, 1960-72 1/

(In percent)

Year	Returns to capital for cattle ranches in the-- South-west	Northern plains	Rocky Mountains
1960	2/	2.8	3.1
1961	2/	2.3	4.1
1962	2/	4.5	5.7
1963	2/	3.7	5.0
1964	2/	2.0	2.5
1965	1.6	2.1	3.5
1966	1.9	3.3	4.8
1967	1.2	3.2	4.9
1968	1.4	3.5	5.5
1969	1.6	4.1	7.0
1970	1.1	4.7	6.5
1971	1.0	5.4	7.4
1972	3.6	7.6	10.8

1/ Net ranch income less a nominal charge (annual wage to year-round hands times 1.25) for operator's labor and management, divided by total ranch investment.

2/ Not available.

Source: U.S. Department of Agriculture, ERS-525, Costs and returns, Northwest Cattle Ranches, 1972.

Table 14.--Feeder calves: 1/ Variable and total expenses in typical cow-calf operations 2/ of 5 U.S. regions, and average selling price, 1974 and 1975

(Per hundredweight)

Item	50-cow herd				150-cow herd		300-cow herd			
	Western Corn Belt		Southeast		Northern plains		Southwest plains		Intermountain area	
	1974	1975	1974	1975	1974	1975	1974	1975	1974	1975
Average selling price required to cover--3/:										
Variable expenses (feed cost, labor, interest on operating capital etcetera)	$39.91	$39.03	$ 44.34	$ 55.94	$16.87	$18.99	$ 12.63	$ 12.74	$33.25	$37.66
Total expenses (cost of livestock, machinery, etcetera; also imputed charges for land and management)	89.88	98.85	108.81	119.81	85.88	91.37	125.03	124.30	91.40	88.51

1/ 400 to 500 pounds.
2/ Not necessarily representative of region as a whole.
3/ Sales price of cull cows subtracted from expenses. The average selling price per hundred weight in Kansas City for steers of choice and good grades in 1974 was $38.40 and in 1975 was $29.90; for heifers of the same grades the price in 1974 was $33.58, and in 1975 it was $23.48.

Source: Based on information from the U.S. Department of Agriculture, Livestock and Meat Situation, "Estimated Production and Expenses for Beef Cow-Calf Enterprises in Five Regions of the United States", August 1976.

Table 15.--Cattle feeding industry, in 23 States: Estimated cash receipts, cost of goods sold, and net income, by quarters, 1970-76

(In millions of dollars)

Year and quarter	Gross receipts[a]	Operating costs of goods[b]				Cost of fixed investments[c]	Net income
		Calves	Feeding expenses	Interest charges	Total operating		
1970							
1st	1,908	1,027	658	42	1,727	16	165
2nd	1,975	1,043	684	43	1,770	16	189
3rd	1,994	1,110	732	48	1,890	16	88
4th	1,795	1,155	797	53	2,005	15	-227
1971							
1st	2,032	1,138	829	53	2,020	15	-3
2nd	2,145	1,049	861	52	1,962	15	168
3rd	2,265	1,138	959	52	2,149	15	101
4th	2,158	1,106	760	42	1,908	15	235
1972							
1st	2,438	1,161	743	41	1,945	15	478
2nd	2,546	1,271	708	43	2,022	15	509
3rd	2,630	1,375	778	47	2,200	15	415
4th	2,498	1,442	807	51	2,300	15	183
1973							
1st	2,992	1,452	849	51	2,352	15	625
2nd	3,024	1,424	804	50	2,278	15	731
3rd	3,039	1,557	1,004	59	2,620	15	404
4th	2,753	1,838	1,201	73	3,112	15	-374
1974							
1st	2,864	1,833	1,568	81	3,482	14	-632
2nd	2,634	1,616	1,567	70	3,253	14	-633
3rd	2,545	1,378	1,516	64	2,958	13	-426
4th	2,221	1,150	1,655	60	2,865	14	-442
1975							
1st	2,067	902	1,914	58	2,874	13	-820
2nd	2,536	649	15,67	45	2,261	13	262
3rd	2,561	618	1,448	43	2,109	13	439
4th	2,389	770	1,416	49	2,235	13	141
1976							
1st	2,574	966	1,757	52	2,775	12	-213
2nd[e]	2,968	1,047	1,573	55	2,675	12	281

1[a]Fat cattle are assumed marketed at 1,050 lb. Prices for fat cattle are based on quarterly average for choice 900-1,100 lb. steers at Omaha. [b]Costs based on prices paid for feeder steers two quarters prior to quarter marketed and feed prices during fattening period. Feeder calves are bought at 450 lb. and prices are based on quarterly averages for 400-500 lb. Choice steers in Kansas City. Cattle are assumed to gain 644 lb. (600 lb. net gain plus 44 lb. shrink—4%). Number of head purchased assumed to be two percent more than number sold to allow for death loss. Interest charges based on debt funds outstanding items Production Credit Association average interest rates. [c]Includes interest expenses on long term investment times debt and depreciation on long term fixed capital. [e]Forecast.

Source: Based on table 1 of Capital Flows in the Cattle Feeding Industry by J.Bruce Hottel and J. Rod Martin, in USDA,"Livestock & Meat Situation," LMS-209, June 1976, p. 39.

Table 16.--Meatpacking industry: Financial data, averages 1925-47, 1947-63, and 1963-76, and annual, 1963-76

Period	Total sales	Net worth	Net earnings	Earnings as a percent of-- Total sales	Net worth
	Million dollars	Million dollars	Million dollars		
Average:					
1925-47	4,022	797	46	1.1	5.7
1947-63	11,884	1,391	94	.8	6.8
1963-76	25,148	2,605	247	1.0	9.5
Annual:					
1963	15,325	1,875	129	.9	6.9
1964	15,900	1,900	182	1.2	9.6
1965	17,125	2,050	142	.8	6.9
1966	19,500	2,050	134	.7	6.5
1967	19,825	2,175	200	1.0	9.2
1968	20,750	2,150	185	.9	8.6
1969	23,125	2,325	205	.9	8.8
1970	24,400	2,450	244	1.0	10.0
1971	24,725	2,725	334	1.4	12.3
1972	27,800	2,850	235	.8	8.2
1973	33,225	3,225	340	1.0	10.5
1974	35,500	3,375	375	1.1	11.1
1975	36,650	3,575	380	1.0	10.6
1976	38,225	3,750	372	1.0	9.9

Source: American Meat Institute *Annual Financial Review of the Meat Packing Industry, 1976*.

Note.--The 1925-47 P & S Series represents summary reports by the USDA compiled from financial statements of meatpacking companies filed with the Packers and Stockyards Administration. These figures have not been available since 1947. The 1947-63 figures (AMI Series (A)) are estimates of AMI based on Census of Manufacturers reports for meatpacking published by the Bureau of the Census. The 1963-76 figures (AMI Series (B)) are estimates of AMI based on USDA's annual reports on commercial slaughter and meat production.

Table 17.--Forbes data for the meatpacking industry and all industries: 3 median profitability measures for selected large public companies, average, 1970-74 and annual, 1974-76

(In percent)

Item	Meatpacking companies				All industry 1/
	5-year average 2/ ending 1974	1974	1975	1976 3/	1976 3/
Median return on stockholders' equity 4/	13.1	16.6	13.8	12.9	12.9
Median return on total capital	9.1	11.8	10.2	10.1	9.8
Median net profit per sale 5/	-	1.2	1.2	1.0	4.6

1/ 30-industries, 963 public companies.

2/ 12-month period ending with the last quarterly available financial report, and preceding 4 years.

3/ 12-month period ending with the last available quarterly financial report.

4/ Convertible bonds, convertible preferred stocks, warrants, and stock options have been converted into common shares and stockholders' equity has been calculated from shares and equivalents.

5/ Profit after taxes.

Source: Forbes, 27th, 28th, and 29th annual reports on the American industry, January 1 of 1975, 1976, and 1977.

Table 18.--Meatpacking industry: Raw-material costs, operating expenses, gross and net profits, as percent of total sales value, 1974-76

Item	1974	1975	1976
Total sales	100.0	100.0	100.0
Cost of livestock and other raw material	79.6	79.0	78.5
Gross profit margin	20.4	21.0	21.5
Operating expenses	18.5	19.2	19.7
Earnings before taxes	1.9	1.8	1.8
Income taxes	0.8	0.8	0.8
Net earnings	1.1	1.0	1.0

Source: American Meat Institute, Financial Facts About the Meat Packing Industry, 1976.

Table 19.--Beef cattle: Average prices received by U.S. farmers, by quarters, January 1963-June 1977

(Per 100 pounds)

Year	1st quarter	2d quarter	3d quarter	4th quarter	Annual
1963	$20.60	$19.97	$20.40	$18.60	1/ $19.90
1964	18.60	17.77	18.30	17.57	1/ 18.00
1965	18.27	20.33	20.73	20.03	1/ 19.90
1966	22.43	23.03	22.27	21.27	1/ 22.20
1967	21.66	22.36	23.16	21.80	22.24
1968	22.73	23.70	23.83	23.16	23.40
1969	24.50	28.23	26.96	25.30	26.20
1970	27.60	28.23	27.33	25.33	27.10
1971	27.93	29.17	29.00	29.83	29.00
1972	32.40	33.33	34.07	34.07	33.50
1973	40.80	43.43	47.67	40.00	42.80
1974	42.83	36.37	34.97	28.83	35.60
1975	27.33	34.57	33.83	33.07	32.30
1976	33.37	37.17	32.97	31.93	33.70
1977	33.07	35.03	-	-	-

1/ Annual weighted average computed by weighting State weighted average prices by quantities sold.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 20.--Choice feeders, 600 to 700 pounds: Average prices paid at Kansas City, by quarters, January 1967-June 1977

(Per 100 pounds)

Year	1st quarter	2d quarter	3d quarter	4th quarter	Annual
1967	$26.29	$26.92	$27.42	$26.10	$26.68
1968	26.78	28.74	28.29	27.87	27.92
1969	29.22	34.52	31.83	31.55	31.78
1970	34.37	34.97	33.56	31.91	33.70
1971	33.57	34.50	34.84	36.57	34.87
1972	38.47	40.30	42.46	44.36	41.40
1973	50.77	53.74	57.98	50.20	53.17
1974	47.78	39.80	34.64	29.31	37.88
1975	27.39	34.67	35.54	38.06	33.91
1976	39.19	43.89	38.10	36.40	39.40
1977	37.77	40.77	-	-	-

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Note.--Prior to 1972 the weight class was 550 to 750 pounds.

Table 21.--Utility slaughter cows: Average prices paid at Omaha, by quarters, January 1963-June 1977

(Per 100 pounds)

Year	1st quarter	2d quarter	3d quarter	4th quarter	Annual
1963----------	$14.85	$15.33	$15.16	$13.57	$14.73
1964----------	13.63	13.72	13.37	12.23	13.24
1965----------	13.19	14.85	15.32	14.38	14.44
1966----------	17.60	18.95	18.12	16.66	17.83
1967----------	17.15	17.81	17.79	16.15	17.22
1968----------	17.42	18.66	18.45	17.20	17.94
1969----------	18.62	21.48	21.18	19.87	20.29
1970----------	22.11	22.81	20.82	19.61	21.32
1971----------	20.99	21.93	21.74	21.79	21.62
1972----------	23.71	25.40	26.32	25.39	25.21
1973----------	30.66	33.64	35.45	31.49	32.82
1974----------	31.95	28.18	23.77	18.32	25.56
1975----------	18.15	22.84	21.91	21.46	21.09
1976----------	25.53	29.47	24.60	21.64	25.31
1977----------	24.50	26.61	-	-	-

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 22.--Choice steers, 900 to 1100 pounds: Average prices paid at Omaha, by quarters, January 1963-June 1977

(Per 100 pounds)

Year	1st quarter	2d quarter	3d quarter	4th quarter	Annual
1963--------	$24.22	$22.23	$24.14	$22.57	$23.21
1964--------	21.20	20.59	24.14	23.41	22.21
1965--------	22.80	25.70	26.36	25.38	25.12
1966--------	26.97	25.90	25.58	24.14	25.69
1967--------	24.39	24.70	26.46	25.60	25.29
1968--------	26.22	26.40	27.39	27.46	26.86
1969--------	28.02	32.19	30.00	27.59	29.44
1970--------	29.55	30.24	30.14	27.50	29.35
1971--------	31.06	32.54	32.71	33.27	32.39
1972--------	35.71	36.04	36.26	35.12	35.78
1973--------	43.28	45.84	48.57	40.47	44.54
1974--------	45.46	40.01	43.91	38.19	41.89
1975--------	35.72	48.03	48.64	46.05	44.61
1976--------	38.71	41.42	37.30	39.00	39.11
1977--------	37.88	40.77	-	-	-

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 23.--Beef, Choice grade: Average U.S. retail prices, by quarters, January 1967-June 1977

(Cents per pound)

Year	1st quarter	2d quarter	3d quarter	4th quarter	Annual
1963	80.6	76.5	78.6	78.4	78.5
1964	75.8	73.5	77.7	79.0	76.5
1965	76.2	79.9	82.8	81.6	80.1
1966	82.7	83.4	81.8	81.7	82.4
1967	80.7	80.6	84.3	85.0	82.6
1968	85.0	85.7	87.5	88.1	86.6
1969	90.0	97.7	100.9	96.2	96.2
1970	98.0	99.3	99.9	97.3	98.6
1971	100.2	104.8	105.4	106.6	104.3
1972	114.4	112.3	115.3	113.2	113.8
1973	129.2	135.8	141.8	135.1	135.5
1974	145.1	134.5	141.0	134.5	138.8
1975	129.6	146.5	156.4	151.4	146.0
1976	142.1	141.5	136.1	136.0	138.9
1977	135.1	136.6	-	-	-

Source: Compiled from official statistics of the U.S. Department of Labor.

Table 24.--Hamburger: Average U.S. retail prices, by quarters, January 1963-June 1977

(Cents per pound)

Year	1st quarter	2d quarter	3d quarter	4th quarter	Annual
1963	52.6	50.8	50.9	51.5	51.2
1964	49.7	48.8	49.6	50.4	49.5
1965	49.3	51.0	52.4	52.0	50.8
1966	53.0	55.3	54.4	54.6	54.2
1967	54.3	54.0	54.9	55.3	54.6
1968	55.1	55.5	56.5	57.3	56.1
1969	57.8	61.8	65.5	64.5	62.4
1970	65.1	66.5	66.9	66.2	66.2
1971	66.4	68.1	68.8	69.2	68.1
1972	72.6	73.8	75.6	75.4	74.4
1973	84.5	94.7	101.6	102.0	95.7
1974	106.8	97.8	93.9	90.1	97.2
1975	82.9	85.9	92.2	90.0	87.8
1976	87.8	88.7	88.2	85.5	87.6
1977	85.2	85.8	-	-	-

Source: Compiled from official statistics of the U.S. Department of Labor.

Table 25.--Choice Steer-beef carcasses, 600 to 700 pounds: Average wholesale prices, Midwest, carlot by quarters, January 1963-June 1977

(Per 100 pounds)

Year	1st quarter	2d quarter	3d quarter	4th quarter	Annual
1963	$39.65	$36.98	$39.36	$37.14	$38.28
1964	35.84	34.37	39.22	38.12	36.89
1965	37.51	41.50	41.78	40.38	40.31
1966	42.57	40.61	39.88	38.91	40.49
1967	38.73	39.67	42.74	41.59	40.68
1968	42.41	42.61	44.11	44.16	43.32
1969	45.59	51.49	48.09	44.13	47.32
1970	47.18	47.63	48.14	44.00	46.74
1971	49.83	52.43	52.35	53.13	51.93
1972	56.03	55.74	54.87	52.94	54.90
1973	65.81	69.51	1/ 71.00	63.59	67.16
1974	72.02	64.12	70.46	61.95	67.14
1975	59.07	77.80	79.38	73.95	72.55
1976	61.96	63.95	57.50	60.58	60.99
1977	58.69	62.53	-	-	-

1/ 2-month average; no sales in August.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Note.--Prior to 1967, prices are at Chicago.

Table 26.--Canner and Cutter cow beef: Average wholesale prices, Midwest, carlot by quarters, January 1963-June 1977

(Per 100 pounds)

Year	1st quarter	2d quarter	3d quarter	4th quarter	Annual
1963	$29.13	$30.34	$29.13	$26.37	$28.62
1964	28.04	28.52	27.12	24.84	27.13
1965	27.21	29.32	29.91	28.04	28.62
1966	34.67	37.26	35.94	33.88	35.44
1967	35.49	36.38	36.18	33.67	35.43
1968	35.90	38.88	38.20	36.16	37.28
1969	38.60	42.62	42.45	39.95	40.90
1970	45.04	46.04	44.14	41.28	44.12
1971	43.53	45.66	45.65	44.06	44.73
1972	48.86	51.25	51.37	49.62	50.17
1973	61.01	65.45	70.86	66.18	65.42
1974	65.54	58.01	50.02	38.70	53.07
1975	38.33	45.14	44.10	44.04	42.90
1976	52.94	58.16	50.95	45.96	52.00
1977	51.90	54.05	-	-	-

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Note.--Prior to 1967 prices are at Chicago.

Table 27.--Choice grade veal calves: Average prices paid at South St. Paul, by quarters, January 1963-June 1977

(Per 100 pounds)

Year	1st quarter	2d quarter	3d quarter	4th quarter	Annual
1963	$31.92	$29.11	$28.67	$28.21	$29.48
1964	30.93	26.44	25.92	25.16	27.11
1965	29.76	28.36	26.91	27.47	28.10
1966	34.75	32.80	30.99	31.09	32.41
1967	32.49	32.36	31.86	29.74	31.61
1968	34.36	33.99	33.87	32.77	33.75
1969	36.84	40.71	38.71	39.35	38.90
1970	46.23	45.20	44.41	43.46	44.82
1971	42.94	46.55	47.10	48.59	46.30
1972	51.07	55.57	57.65	56.02	55.09
1973	63.00	63.43	67.68	62.21	64.08
1974	63.17	54.38	43.96	37.02	49.63
1975	38.68	42.18	37.56	43.33	40.44
1976	50.84	44.01	38.62	47.24	45.18
1977	54.75	53.13	-	-	-

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 28.--Beef, Choice: Average retail price, net farm value, farm-retail spread, and farmers' share of retail price, by quarters, January 1963-June 1977

Period	Retail price	Net farm value 1/	Farm-retail spread: Total	Farm-retail spread: Carcass-retail	Farm-retail spread: Farm-carcass	Farmers' share
	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Percent
1963	78.5	48.4	30.1	23.2	6.9	62
1st quarter	80.6	50.8	29.8	23.3	6.5	63
2d quarter	76.5	46.2	30.3	23.1	7.2	60
3d quarter	78.6	50.1	28.5	21.7	6.8	64
4th quarter	78.4	46.5	31.9	24.7	7.2	59
1964	76.5	46.2	30.3	23.2	7.1	60
1st quarter	75.8	44.1	31.7	24.0	7.7	58
2d quarter	73.5	42.4	31.1	23.5	7.6	58
3d quarter	77.7	49.8	27.9	21.2	6.7	64
4th quarter	79.0	48.6	30.4	24.1	6.3	62
1965	80.1	51.8	28.3	22.1	6.2	65
1st quarter	76.2	47.9	28.3	21.9	6.4	63
2d quarter	79.9	53.6	26.3	20.2	6.1	67
3d quarter	82.8	53.7	29.1	22.7	6.4	65
4th quarter	81.6	51.9	29.7	23.7	6.0	64
1966	82.4	52.3	30.1	24.0	6.2	63
1st quarter	82.7	55.2	27.5	21.4	6.1	67
2d quarter	83.4	52.8	30.6	24.6	6.0	63
3d quarter	81.8	51.4	30.4	24.2	6.6	63
4th quarter	81.7	49.8	31.9	25.5	6.4	61
1967	82.6	53.0	29.6	23.2	6.4	64
1st quarter	80.7	50.3	30.4	24.1	6.3	62
2d quarter	80.6	51.8	28.8	22.4	6.4	64
3d quarter	84.3	55.9	28.4	22.1	6.3	66
4th quarter	85.0	54.2	30.8	24.3	6.5	64
1968	86.6	56.7	29.9	23.5	6.4	65
1st quarter	85.0	55.6	29.4	23.0	6.4	65
2d quarter	85.7	55.9	29.8	23.4	6.4	65
3d quarter	87.5	57.7	29.8	23.4	6.4	66
4th quarter	88.1	57.8	30.3	24.0	6.3	66
1969	96.2	62.2	34.0	27.5	6.5	65
1st quarter	90.0	59.7	30.3	23.9	6.4	66
2d quarter	97.7	68.5	29.2	23.1	6.1	70
3d quarter	100.0	62.8	38.1	31.2	6.9	62
4th quarter	96.2	58.0	38.2	31.9	6.3	60
1970	98.6	61.5	37.1	30.3	6.8	62
1st quarter	98.1	61.4	36.7	29.5	7.2	63
2d quarter	99.3	63.2	36.1	30.0	6.1	64
3d quarter	99.9	63.4	36.5	29.6	6.9	63
4th quarter	97.3	58.0	39.3	32.4	6.9	60
1971	104.3	67.8	36.5	28.6	7.9	65
1st quarter	100.2	64.8	35.4	27.3	8.1	65
2d quarter	104.8	68.1	36.7	28.5	8.2	65
3d quarter	105.4	68.5	36.9	29.2	7.7	65
4th quarter	106.6	69.9	36.7	29.2	7.5	66
1972	113.8	72.4	41.4	33.7	7.7	64
1st quarter	114.4	73.6	40.8	33.0	7.8	64
2d quarter	112.3	73.5	38.8	31.0	7.8	65
3d quarter	115.3	72.6	42.7	35.4	7.3	63
4th quarter	113.2	70.0	43.2	35.4	7.8	62

See footnote at end of table.

Table 28.--Beef, Choice: Average retail price, net farm value, farm-retail spread, and farmers' share of retail price, by quarters, January 1963-June 1977--Continued

Period	Retail price	Net farm value 1/	Farm-retail spread			Farmers' share
			Total	Carcass-retail	Farm-carcass	
	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Percent
1973	135.5	89.9	45.6	37.4	8.2	66
1st quarter	129.2	87.3	41.9	34.0	7.9	68
2d quarter	135.8	92.7	43.1	35.6	7.5	68
3d quarter	141.8	98.8	43.0	36.9	6.1	70
4th quarter	135.1	80.7	54.4	42.9	11.5	60
1974	138.8	86.1	52.7	41.4	11.3	62
1st quarter	145.1	92.1	53.0	41.2	11.8	63
2d quarter	134.5	81.7	52.8	40.9	11.9	61
3d quarter	141.0	91.3	49.7	38.9	10.8	65
4th quarter	134.5	79.3	55.2	44.3	10.9	59
1975	146.0	92.9	53.1	40.5	12.6	64
1st quarter	129.6	75.2	54.4	43.0	11.4	58
2d quarter	146.5	101.3	45.2	33.1	12.1	69
3d quarter	156.4	100.9	55.5	41.0	14.5	65
4th quarter	151.4	94.3	57.1	44.9	12.2	62
1976	138.9	77.9	61.0	50.3	10.7	56
1st quarter	142.1	77.7	64.4	52.3	12.1	55
2d quarter	141.5	83.1	58.4	48.5	9.9	59
3d quarter	136.1	73.1	63.0	52.3	10.7	54
4th quarter	136.0	77.8	58.2	48.0	10.2	57
1977						
1st quarter	135.1	74.3	60.8	49.8	11.0	55
2d quarter	136.6	80.4	56.1	45.8	10.4	59

1/ Gross farm value minus byproduct allowance.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 29.--Frozen boneless beef and trimmings, domestic and imported: Monthly prices, by types, August 1974-August 1977

(In cents per pound)

Period	Domestic boneless processing beef (Chicago) 90% CL	Imported full-carcass cow, separate (FOB east coast) 85% CL, spot to 10 days delivery	Domestic trimmings 85% CL	Imported trimmings 85% CL	Domestic trimmings 75% CL	Imported trimmings 75% CL
1974:						
August	75.94	75.14	72.32	1/	61.64	1/
September	68.32	67.71	65.20	1/	55.05	1/
October	64.47	66.26	61.47	1/	52.79	1/
November	60.34	59.50	58.02	1/	49.84	1/
December	58.32	57.58	55.72	52.20	47.60	44.38
1975:						
January	53.28	53.10	51.07	48.19	45.57	42.95
February	55.91	51.79	52.41	48.88	46.20	43.85
March	58.72	52.05	54.20	48.80	48.38	43.97
April	61.87	57.50	57.80	54.35	53.90	49.72
May	64.83	61.76	63.07	58.98	59.97	55.69
June	64.94	60.89	63.78	58.57	61.02	56.26
July	63.70	61.98	61.45	58.25	58.70	55.95
August	60.86	59.79	58.60	56.13	55.64	53.29
September	66.00	65.80	63.98	62.14	60.38	57.79
October	67.11	70.26	65.93	65.82	61.18	60.73
November	66.34	69.12	63.83	64.55	55.95	58.05
December	66.37	67.68	63.89	65.02	54.79	57.58
1976:						
January	68.33	67.37	65.12	63.96	56.04	56.96
February	75.75	71.95	71.05	68.61	60.82	59.64
March	79.55	76.57	73.88	72.36	61.48	61.59
April	85.47	81.03	78.31	76.59	66.80	63.88
May	83.42	79.88	78.22	76.32	65.40	63.45
June	76.00	72.63	70.79	69.00	59.23	59.77
July	73.97	69.67	67.67	65.56	55.37	54.25
August	73.40	72.10	66.95	67.33	55.33	53.76
September	72.25	70.41	66.30	66.00	52.85	53.70
October	65.64	65.06	61.87	62.28	47.90	50.71
November	66.11	64.71	60.35	59.92	46.03	46.47
December	68.63	68.36	63.16	63.23	47.27	49.00
1977:						
January	71.57	70.67	65.77	65.45	49.66	50.70
February	73.63	74.02	68.06	68.73	53.41	53.44
March	76.52	75.86	69.85	68.60	55.02	54.55
April	77.14	70.00	68.89	66.91	55.33	54.02
May	73.90	67.70	67.51	64.62	56.12	54.13
June	70.45	66.55	65.61	63.52	53.85	53.42
July	71.10	65.16	64.98	62.90	52.50	53.50
August	71.52	64.98	64.86	60.88	51.70	52.05

1/ Not available.

Source: Compiled from daily statistics of "The Meat Sheet," published by Meet Sheet, Inc.

Table 30.--Beef and veal: Per capita consumption in specified countries, 1971-75

(In pounds, carcass-weight equivalent)

Area and country	1971	1972	1973	1974	1975 1/
North America:					
Canada	93	95	95	99	108
Costa Rica	29	26	22	15	22
Dominican Republic	13	13	13	13	13
El Salvador	13	11	11	13	13
Guatemala	18	18	15	15	20
Honduras	15	11	13	15	15
Mexico	22	22	29	31	31
Nicaragua	33	31	31	29	31
Panama	55	55	55	53	55
United States	115	119	112	119	123
South America:					
Argentina	143	139	150	174	187
Brazil	37	40	49	42	44
Chile	40	35	24	49	49
Colombia	46	40	33	35	40
Paraguay	84	68	60	68	66
Peru	18	15	13	13	13
Uruguay	161	141	143	168	190
Venezuela	44	44	44	44	46
Europe:					
Western:					
EC:					
Belgium-Luxembourg	62	62	62	68	66
Denmark	44	37	35	51	40
France	64	62	62	68	66
West Germany	55	53	53	53	53
Ireland	44	44	31	64	64
Italy	57	55	62	57	51
Netherlands	42	37	40	44	46
United Kingdom	55	53	51	55	57
EC average	57	55	55	57	57
Austria	51	49	51	57	62
Finland	46	49	42	51	55
Greece	37	35	42	35	37
Norway	35	35	35	37	42
Portugal	24	26	26	31	29
Spain	24	24	29	26	31
Sweden	37	33	35	42	42
Switzerland	60	57	57	55	53

See footnotes at end of table.

Table 30.--Beef and Veal: Per capita consumption in specified countries, 1971-75 - Continued

(In pounds, carcass-weight equivalent)

Area and country	1971	1972	1973	1974	1975 1/
Europe:					
Eastern:					
Bulgaria	22	22	26	26	29
Czechoslovakia	49	49	57	55	55
Hungary	20	20	20	26	22
Poland	33	33	33	42	44
Yugoslavia	26	22	26	33	35
U.S.S.R.	46	49	49	55	55
Africa:					
Republic of South Africa	49	49	49	44	44
Asia:					
Taiwan	2	2/	2/	2/	4
Iran	4	4	4	4	4
Israel	42	22	22	24	24
Japan	7	9	9	7	9
Philippines	4	7	7	7	7
Turkey	11	9	9	11	13
Oceania:					
Australia	93	95	112	123	148
New Zealand	86	115	95	115	146

1/ Preliminary.
2/ Less than 0.5 pound.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 31.--Beef and veal: Production in selected countries or areas and the EC, 1972-77

(In millions of pounds, carcass-weight equivalent)

Producer	1972	1973	1974	1975	1976 1/	1977 2/
United States	22,878	21,634	23,624	24,849	26,822	25,760
EC	12,134	12,290	14,518	14,678	14,242	13,646
Argentina	4,830	4,744	4,768	5,378	6,156	5,876
Australia	2,912	3,300	2,794	3,740	4,120	4,298
Canada	1,980	1,978	2,076	2,314	2,512	2,486
Mexico	1,308	1,642	1,860	1,960	2,174	2,204
New Zealand 3/	906	990	914	1,118	1,350	1,180
Uruguay	640	564	728	760	892	860
Central America	736	734	702	750	818	856
Japan	650	500	644	750	656	706
Total	48,974	48,376	52,628	56,296	59,742	57,872

1/ Estimated.
2/ Forecast.
3/ For year ended Sept. 30.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 32.--Beef and veal: Exports by selected countries or areas and the EC, 1972-77

(In millions of pounds, carcass-weight equivalent)

Exporter	1972	1973	1974	1975	1976 1/	1977 2/
Australia	1,644	2,028	1,070	1,642	1,896	2,204
Argentina	1,486	1,102	638	586	1,166	1,168
New Zealand 3/	638	696	568	672	836	794
Uruguay	322	240	264	250	430	430
EC 4/	188	180	456	516	364	276
Central America 5/	306	292	254	274	294	330
Canada	92	90	60	46	130	110
Mexico	128	86	42	30	50	60
All other	898	1,550	1,168	1,158	882	882
Total	5,702	6,266	4,520	5,174	6,048	6,254

1/ Preliminary.
2/ Forecast.
3/ For year ended Sept. 30.
4/ Excludes intra-Community trade.
5/ Includes Dominican Republic and Haiti.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 33.--Beef: Retail prices, by selected world capitals and by cuts, July 7, 1976

(In U.S. dollars per pound converted at current exchange rates)

City	Sirloin steak (boneless)	Chuck roast (boneless)
Tokyo	8.42	6.73
Stockholm	5.11	2.89
Copenhagen	4.86	2.28
Bonn	4.12	2.82
Brussels	3.82	1.96
The Hague	3.66	2.08
London	3.14	1.46
Rome	2.99	2.17
Paris	2.93	1.57
Ottawa	2.04	1.38
Mexico City	1.81	1.34
Washington, D.C	1.77	1.12
Canberra	1.71	.78
Brasilia	.74	.48
Buenos Aires	.63	.27
Median	2.99	1.57

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 34.--Beef and veal: Imports by selected countries and the EC, 1972-77

(In millions of pounds carcass-weight equivalent)

Importer	1972	1973	1974	1975	1976 1/	1977 2/
United States	1,996	2,022	1,646	1,782	2,004	1,984
EC 3/	2,098	2,172	954	410	650	694
U.S.S.R.	70	36	646	820	606	552
Canada	218	230	186	192	316	214
Japan	192	428	170	142	286	314
Greece	114	138	58	80	176	132
Spain	186	178	30	60	98	66
East Germany	92	102	44	78	88	102
Portugal	70	44	80	52	80	98
Switzerland	94	90	44	34	44	44
Chile	84	40	98	12	12	16
Other countries	530	674	578	1,432	1,764	1,874
Total	5,746	6,154	4,532	5,090	6,122	6,086

1/ Preliminary.
2/ Forecast.
3/ Excludes intra-Community trade.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 35.--Beef and veal: Annual percentage change in production and exports in major exporting countries or areas, 1974-77

Exporter	1974	1975	1976	1977 1/
	Production			
Australia	-15.4	33.9	10.2	4.3
New Zealand 2/	-7.6	22.2	20.7	-12.6
Central America 3/	-4.5	6.9	9.1	4.6
Mexico	13.3	5.3	10.9	1.4
Argentina	.5	12.8	14.5	-4.5
Uruguay	28.9	4.5	17.4	-3.7
Average	-17.0	16.5	13.2	-1.5
	Exports			
Australia	-47.3	53.6	15.4	16.3
New Zealand 2/	-18.4	18.2	24.3	-5.0
Central America 3/	-12.9	7.8	7.3	12.8
Mexico	-51.3	-26.3	64.3	17.4
Argentina	-42.2	-8.0	98.9	.2
Uruguay	10.1	-5.8	72.6	-
Average	-36.2	21.9	35.2	6.7

1/ Estimated.
2/ Year ended Sept. 30.
3/ Includes Haiti and Dominican Republic.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 36.--Cattle and buffalo: Number in specified countries, average 1967-71, annual 1972-77

(In millions of head)

Area and country	Average 1967-71	1972	1973	1974	1975	1976	1977 1/
North America:							
Canada	11.68	12.27	12.73	13.21	14.01	13.70	13.19
Costa Rica	1.45	1.65	1.69	1.74	1.82	1.89	1.97
Dominican Republic	1.14	1.42	1.50	1.84	1.90	1.95	2.10
El Salvador	1.33	1.15	1.01	1.04	1.07	1.10	1.16
Guatemala	1.40	1.74	1.81	1.92	2.03	2.15	2.27
Honduras	1.56	1.62	1.64	1.66	1.69	1.75	1.80
Mexico	24.16	26.37	26.83	27.51	28.70	29.20	28.60
Nicaragua	1.86	2.20	2.30	2.40	2.50	2.60	2.72
Panama	1.15	1.29	1.31	1.33	1.35	1.36	1.38
United States	111.02	117.86	121.53	127.67	131.83	127.98	122.90
Total	156.76	167.57	172.35	180.32	186.89	183.68	178.08
South America:							
Argentina	49.84	52.31	54.77	58.25	59.55	59.05	58.35
Brazil	86.49	85.13	86.14	92.00	94.00	95.00	96.00
Chile	2.93	2.88	2.89	3.46	3.61	3.34	3.10
Colombia	19.36	20.96	22.10	23.03	23.03	23.22	23.86
Ecuador	2.71	2.98	2.40	2.46	2.59	2.73	2.86
Peru	4.00	3.78	3.80	4.14	4.20	4.26	4.30
Uruguay	8.62	9.27	9.86	10.96	11.36	10.70	10.75
Venezuela	8.07	8.55	8.84	9.09	9.40	9.59	9.78
Total	182.04	185.88	190.80	203.40	207.75	207.89	209.01
Total, Americas	338.80	353.45	363.15	383.72	394.64	391.57	387.09
Europe:							
Western:							
E.C.:							
Belgium	2.66	2.64	2.78	2.90	2.89	2.81	2.81
Denmark	3.01	2.68	2.81	3.10	3.06	3.06	3.06
France	21.58	21.70	22.56	23.95	24.33	23.84	23.51
West Germany	14.06	13.64	13.89	14.36	14.43	14.49	14.52
Ireland	5.18	5.52	5.95	6.41	6.50	5.97	6.06
Italy	9.52	8.67	8.74	8.49	8.24	8.53	8.90
Luxembourg	.19	.19	.20	.21	.21	.21	.20
Netherlands	3.77	3.78	4.12	4.72	4.72	4.61	4.52
United Kingdom	12.20	12.92	13.76	14.84	14.84	13.92	13.30
Total	72.17	71.73	74.77	78.97	79.22	77.42	76.89

See footnote at end of table.

Table 36.--Cattle and buffalo: Number in specified countries, average 1967-71, annual 1972-77--Continued

(In millions of head)

Area and country	Average 1967-71	1972	1973	1974	1975	1976	1977 1/
Europe--Continued:							
Western--Continued:							
Austria	2.46	2.50	2.51	2.62	2.58	2.50	2.49
Finland	1.88	1.74	1.71	1.78	1.70	1.70	1.66
Greece	1.08	.99	1.06	1.23	1.25	1.30	1.35
Norway	.98	.93	.95	.96	.95	.90	.90
Portugal	1.05	1.34	1.40	1.07	1.10	1.00	1.00
Spain	4.11	4.25	4.48	4.41	4.42	4.41	4.41
Sweden	1.99	1.83	1.89	1.91	1.88	1.88	1.87
Switzerland	1.86	1.84	1.91	1.97	1.96	2.01	2.00
Total	15.41	15.42	15.90	15.95	15.84	15.70	15.68
Total, Western Europe	87.57	87.14	90.69	94.92	95.07	93.07	93.11
Eastern:							
Bulgaria	1.41	1.45	1.51	1.52	1.62	1.73	1.79
Czechoslovakia	4.33	4.35	4.47	4.56	4.57	4.56	4.65
East Germany	5.08	5.29	5.38	5.48	5.58	5.53	5.47
Hungary	1.97	1.88	1.89	1.93	2.02	1.90	1.89
Poland	10.23	10.56	11.26	12.31	12.82	12.76	12.04
Romania	5.18	5.53	5.77	5.90	5.98	6.13	6.35
Yugoslavia	5.42	5.21	5.37	5.68	5.87	5.76	5.83
Total	33.62	34.27	34.65	37.38	38.46	38.36	38.03
U.S.S.R	96.88	102.43	104.01	106.27	109.12	111.03	110.30
Total, Eastern Bloc	130.50	136.70	139.66	143.65	147.58	149.39	148.32
Africa:							
Republic of South Africa	11.20	11.61	11.74	11.91	12.33	12.77	13.15
Asia:							
Iran	5.86	6.53	6.62	7.26	7.20	7.25	7.30
Japan	3.35	3.57	3.57	3.65	3.64	3.72	3.88
Korea	1.26	1.28	1.37	1.54	1.86	1.64	1.60
Philippines	5.96	6.64	7.04	5.11	4.77	4.46	4.45
Turkey	14.74	13.68	14.08	14.26	14.41	14.80	15.00
Total	31.17	31.70	32.68	31.82	31.88	31.87	32.23
Oceania:							
Australia	20.93	27.37	29.10	30.84	32.70	33.43	32.00
New Zealand	8.44	8.77	9.09	9.42	9.64	9.77	9.57
Total	29.37	36.14	38.19	40.25	42.44	43.20	41.57
Grand total	629.17	657.28	676.11	706.27	723.94	721.91	714.93

1/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Note.--Because of rounding, figures may not add to the totals shown.

Table 37.--Dutiable live cattle: U.S. imports for consumption, by weight categories, 1963-76

Item	1963	1964	1965	1966	1967	1968	1969
Under 200 pounds: 1/							
Quantity-------------1,000 head---	64	64	81	126	98	147	159
Weight-------------1,000 pounds---	9,275	7,870	9,985	15,010	10,624	15,683	18,822
Value-------------1,000 dollars---	2,059	1,697	2,112	3,794	2,784	4,429	5,750
200 to 699 pounds: 2/							
Quantity-------------1,000 head---	689	403	864	828	608	803	792
Weight-------------1,000 pounds---	255,095	143,610	339,551	321,846	218,658	290,611	272,459
Value-------------1,000 dollars---	50,004	26,977	66,078	68,662	47,562	67,901	66,635
700 pounds or over, dairy: 3/							
Quantity-------------1,000 head---	12	14	15	21	13	16	23
Weight-------------1,000 pounds---	13,365	15,679	16,869	23,179	14,012	17,171	25,064
Value-------------1,000 dollars---	2,812	3,218	3,504	5,490	3,863	4,861	7,425
Other: 4/							
Quantity-------------1,000 head---	69	48	150	105	22	59	47
Weight-------------1,000 pounds---	61,633	45,934	133,671	95,362	22,401	59,758	48,071
Value-------------1,000 dollars---	12,714	9,833	26,604	19,210	4,762	13,910	13,840
Total:							
Quantity-------------1,000 head---	834	529	1,110	1,080	740	1,024	1,021
Weight-------------1,000 pounds---	339,368	213,093	500,076	455,397	265,695	383,223	364,416
Value-------------1,000 dollars---	67,589	41,725	98,298	97,156	58,971	91,100	93,650

Item	1970	1971	1972	1973	1974	1975	1976
Under 200 pounds: 1/							
Quantity-------------1,000 head---	169	160	173	144	78	10	120
Weight-------------1,000 pounds---	23,167	21,184	22,355	17,789	8,383	885	11,108
Value-------------1,000 dollars---	7,660	7,877	11,217	12,267	4,022	312	3,238
200 to 699 pounds: 2/							
Quantity-------------1,000 head---	907	749	939	784	414	221	563
Weight-------------1,000 pounds--	309,273	253,683	325,421	296,897	162,437	92,164	225,846
Value-------------1,000 dollars---	78,273	75,260	115,201	134,419	65,285	29,080	70,355
700 pounds or over, dairy: 3/							
Quantity-------------1,000 head---	35	36	25	18	10	2	16
Weight-------------1,000 pounds---	38,029	38,356	27,742	20,718	11,131	2,686	18,008
Value-------------1,000 dollars---	11,910	12,460	10,410	9,330	5,435	1,062	7,631
Other: 4/							
Quantity-------------1,000 head---	32	26	31	77	55	150	274
Weight-------------1,000 pounds---	36,574	29,552	33,965	72,087	50,846	158,327	292,166
Value-------------1,000 dollars---	12,727	11,238	15,256	37,275	31,876	46,789	76,259
Total:							
Quantity-------------1,000 head---	1,143	969	1,169	1,023	556	383	973
Weight-------------1,000 pounds---	407,043	342,774	409,483	407,491	232,798	254,062	547,128
Value-------------1,000 dollars---	110,570	106,835	152,084	193,290	106,618	77,243	157,483

1/ TSUS items 100.40 and 100.43 (in 1963, under Schedule A No. 0010600).
2/ TSUS item 100.45 (in 1963, under Schedule A No. 0010700).
3/ TSUS item 100.50 (in 1963, under Schedule A No. 0010800).
4/ TSUS items 100.53 and 100.55 (in 1963, under Schedule A No. 0010900).

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 38.--Dutiable live cattle: U.S. imports for consumption, by principal sources and by weight categories, 1963-76

(Quantity in number of head; value in thousands of dollars)

Year	Canada		Mexico		Other		Total	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Under 200 pounds: 1/								
1963	36,618	1,026	27,120	1,033	6	2/	63,739	2,059
1964 1/	50,730	1,221	13,162	476	0	0	63,892	1,697
1965	64,070	1,530	16,921	582	0	0	80,991	2,112
1966 1/	104,196	2,884	22,293	910	5	2/	126,494	3,794
1967	87,184	2,333	10,553	449	1	2	97,738	2,784
1968	134,344	3,805	13,052	623	0	0	147,396	4,429
1969	126,683	4,141	32,459	1,608	1	1	159,143	5,750
1970	123,458	5,345	45,475	2,314	0	0	168,933	7,659
1971	126,221	6,180	32,467	1,697	1	1	158,689	7,877
1972	130,770	8,213	42,502	3,004	64	2/	173,336	11,217
1973	128,418	10,891	15,187	1,344	220	27	143,825	12,262
1974	74,138	3,713	3,464	309	0	0	77,602	4,022
1975	9,553	273	592	41	0	0	10,145	313
1976	115,045	2,860	4,769	378	0	0	119,814	3,238
200 to 699 pounds: 3/								
1963	148,486	14,591	540,099	35,366	353	46	688,938	50,004
1964	86,713	7,001	316,662	19,976	0	0	403,375	26,977
1965	359,486	31,976	504,285	34,101	0	0	863,771	66,078
1966	280,522	29,586	547,287	39,049	319	28	828,128	68,662
1967	121,900	12,270	485,929	35,271	13	20	607,842	47,562
1968	114,628	12,750	687,912	55,144	7	7	802,547	67,901
1969	18,522	2,689	773,829	63,928	5	18	792,356	66,635
1970	17,122	2,424	889,809	75,780	61	70	906,992	78,273
1971	30,222	4,431	718,642	70,799	9	29	748,873	75,260
1972	69,637	12,368	869,527	102,773	4	60	939,168	115,201
1973	147,521	37,250	631,074	95,516	1,395	749	779,990	133,514
1974	17,787	5,997	395,905	59,096	85	193	413,777	35,285
1975	30,745	5,770	190,062	23,152	44	158	220,851	29,080
1976	70,104	11,771	492,491	58,204	112	380	562,707	70,355

See footnotes at end of table.

Table 38.--Dutiable live cattle: U.S. imports for consumption, by principal sources and by weight categories, 1973-76--Continued

(Quantity in number of head; value in thousands of dollars)

Year	Canada		Mexico		Other		Total	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
700 pounds or over, dairy: 4/								
1963	11,864	2,805	7	1	5	6	11,876	2,812
1964	13,926	3,212	37	6	0	0	13,963	3,218
1965	15,258	3,502	7	1	1	1	15,266	3,504
1966	21,115	5,455	324	25	33	9	21,472	5,490
1967	12,948	3,863	0	0	0	0	12,948	3,863
1968	15,619	4,849	164	11	0	0	15,783	4,861
1969	22,810	7,415	65	9	1	1	22,876	7,425
1970	35,142	11,908	0	0	9	2	35,151	11,910
1971	35,700	12,431	232	27	8	3	35,940	12,460
1972	25,123	10,401	40	8	5	2	25,168	10,410
1973	18,107	9,242	173	64	1	1	18,281	9,306
1974	9,498	5,433	1	2/	3	2	9,502	5,435
1975	2,270	1,056	36	6	0	0	2,306	1,062
1976	15,777	7,525	49	107	0	0	15,826	7,631
700 pounds or over, excluding dairy: 5/								
1963	51,018	10,324	18,123	2,382	23	8	69,164	12,714
1964	45,881	9,244	1,777	589	0	0	47,658	9,833
1965	136,551	24,755	14,077	1,849	0	0	150,628	26,604
1966	90,872	17,336	14,505	1,858	3	16	105,380	19,210
1967	17,958	4,030	3,936	622	26	109	21,920	4,762
1968	57,145	13,650	1,344	217	20	42	58,509	13,910
1969	42,524	12,911	4,099	498	56	431	46,679	13,840
1970	30,362	11,394	1,299	249	163	1,084	31,824	12,727
1971	24,278	10,194	1,100	203	205	841	25,583	11,238
1972	27,443	13,664	3,738	996	182	596	31,363	15,256
1973	54,011	28,146	22,744	6,424	505	2,646	77,260	37,216
1974	19,332	19,085	35,331	8,378	584	4,413	55,247	31,876
1975	143,092	36,032	5,389	1,860	1,145	8,897	149,626	46,789
1976	263,007	70,455	10,508	2,272	757	3,532	274,272	76,259

See footnotes at end of table.

Table 38.--Dutiable live cattle: U.S. imports for consumption, by principal sources and by weight categories, 1963-76--Continued

(Quantity in number of head; value in thousands of dollars)

Year	Canada		Mexico		Other		Total	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Total
Total:								
1963----------	247,986	28,746	585,349	38,782	381	60	833,717	67,589
1964----------	197,250	20,678	331,638	21,047	-	-	528,888	41,724
1965----------	575,363	61,763	535,283	36,532	10	3	1,110,656	98,297
1966----------	496,705	55,261	584,409	41,842	360	53	1,081,474	97,156
1967----------	239,990	22,497	500,418	36,342	40	131	740,448	58,971
1968----------	321,736	35,055	702,472	55,996	27	49	1,024,235	91,100
1969----------	210,539	27,157	810,452	66,043	63	451	1,021,054	93,650
1970----------	206,084	31,071	936,583	78,343	233	1,156	1,142,900	110,570
1971----------	216,421	33,236	752,441	72,726	223	873	969,085	106,836
1972----------	252,973	44,646	915,807	106,781	255	658	1,169,035	152,084
1973----------	348,057	85,528	669,178	103,348	2,121	3,423	1,019,356	192,298
1974----------	120,755	34,228	434,701	67,783	672	4,607	556,128	106,618
1975----------	185,660	43,130	196,079	25,058	1,189	9,054	382,928	77,243
1976----------	463,933	92,610	507,817	60,961	869	3,912	972,619	157,484

1/ TSUS items 100.40 and 100.43.
2/ Less than $500.
3/ TSUS item 100.45.
4/ TSUS item 100.50.
5/ TSUS items 100.53 and 100.55.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 39.--Cattle: U.S. imports and available domestic supply, 1963-76

(Quantity in thousands of head)

Item	1963	1964	1965	1966	1967	1968	1969
Cattle on farms, Jan. 1	104,488	107,903	109,000	108,862	108,783	109,371	110,015
Plus:							
Imports	852	547	1,128	1,100	752	1,039	1,042
Dutiable 1/	279	529	1,111	1,081	740	1,024	1,021
Calf crop	42,268	43,809	43,922	43,537	43,803	44,315	45,177
Less: Exports available	23	62	54	35	55	36	39
Total domestic supply	147,585	152,197	153,996	153,464	153,283	154,689	156,195
Dutiable imports as a share of total domestic supply---percent	0.19	0.35	0.72	0.70	0.48	0.66	0.65
Imports as a share of total domestic supply---percent	.58	.36	.73	.72	.49	.67	.67

Item	1970	1971	1972	1973	1974	1975	1976
Cattle on farms, Jan. 1	112,369	114,578	117,862	121,534	127,670	131,826	127,976
Plus:							
Imports	1,168	991	1,186	1,039	568	389	984
Dutiable 1/	1,143	969	1,169	1,019	556	383	973
Calf crop	45,871	46,739	47,695	49,132	50,695	50,426	47,415
Less: Exports available	88	93	104	273	204	196	205
Total domestic supply	159,320	162,215	166,639	171,432	178,729	182,445	176,170
Dutiable imports as a share of total domestic supply---percent	0.72	0.60	0.70	0.59	0.31	0.21	0.55
Imports as a share of total domestic supply---percent	.73	.61	.71	.61	.32	.21	.56

1/ This category excludes cattle for breeding.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 40.--Live cattle: U.S. imports for consumption, 1/ by principal customs districts, 1974-76

Customs district	1974	1975	1976
	Quantity (1,000 pounds)		
El Paso, Tex	53,086	44,739	115,919
Pembina, N. Dak	5,230	104,696	150,854
Great Falls, Mont	6,445	31,441	61,259
Ogdensburg, NY	19,976	20,044	47,961
Seattle, Wash	2,850	7,472	42,839
Nogales, Ariz	43,877	13,849	39,221
San Diego, Calif	55,855	18,349	27,976
Laredo, Tex	30,592	5,741	19,648
Detroit, Mich	4,019	771	15,598
St. Albans, Vt	6,741	3,441	16,583
All other	4,128	3,519	9,270
Total	232,798	254,062	547,128
	Value (1,000 dollars)		
El Paso, Tex	26,309	14,691	38,786
Pembina, N. Dak	5,808	22,976	36,028
Great Falls, Mont	9,239	11,698	20,429
Ogdensburg, NY	9,114	4,527	13,903
Seattle, Wash	1,685	1,755	9,805
Nogales, Ariz	10,057	2,782	8,118
San Diego, Calif	17,078	5,445	7,183
Laredo, Tex	14,337	2,138	6,874
Detroit, Mich	3,873	1,171	5,392
St. Albans, Vt	2,691	702	4,342
All other	6,427	9,358	6,624
Total	106,618	77,243	157,484
	Number (head)		
El Paso, Tex	157,098	111,046	300,945
Pembina, N. Dak	10,429	113,281	167,192
Great Falls, Mont	7,172	31,527	64,906
Ogdensburg, NY	62,184	19,503	116,278
Seattle, Wash	2,775	7,324	42,775
Nogales, Ariz	110,786	36,757	102,527
San Diego, Calif	91,086	33,525	56,023
Laredo, Tex	75,725	14,746	48,322
Detroit, Mich	9,583	930	14,854
St. Albans, Vt	23,792	8,889	36,047
All other	5,559	5,400	22,750
Total	556,189	382,928	972,619

1/ TSUS items 100.40, 100.43, 100.45, 100.50, 100.53, 100.55.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 41.--Beef and veal: U.S. imports for consumption, by general product groupings, 1963-76, January-June 1976, and January-June 1977

Item	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	January-June 1976	January-June 1977
	Quantity (million pounds)															
Fresh, chilled, or frozen: 1/																
Beef, bonein 2/	19.9	17.1	29.3	20.7	11.7	26.9	19.6	24.3	22.1	12.3	18.9	10.7	7.6	21.0	11.2	16.7
Veal 3/	26.4	17.4	18.9	22.0	14.2	18.3	25.7	23.5	21.8	36.1	31.2	30.5	24.4	22.0	11.0	9.7
Beef, boneless 4/	939.8	668.9	536.0	720.2	814.6	893.9	984.5	1,083.2	1,056.5	1,251.4	1,292.0	1,034.1	1,175.9	1,238.5	667.8	556.0
Total	986.1	703.4	584.2	762.9	840.5	939.1	1,029.8	1,131.0	1,100.4	1,299.9	1,342.1	1,075.3	1,207.8	1,281.6	690.0	582.4
All other: 5/																
Corned beef 6/	0	0	0	0	85.7	101.0	94.6	88.5	67.2	80.1	69.7	66.9	53.0	99.8	42.5	40.1
Beef and veal, prep. or pres., except frozen, over 30¢ per pound 7/	2.2	9.8	21.2	30.4	36.7	63.8	64.2	70.2	72.3	52.7	48.9	41.2	35.5	62.7	26.7	25.9
Beef, except corned beef, in airtight containers 8/	36.6	82.8	90.5	90.4	12.0	16.9	22.7	30.9	24.1	19.7	23.8	26.9	10.7	18.8	9.6	9.9
Edible offal 9/	3.5	1.8	2.2	3.3	3.5	3.8	5.6	9.8	6.5	7.9	7.2	5.9	5.6	5.3	2.2	2.9
Other 10/	3.5	9.1	17.1	12.7	11/ 18.5	11/ 19.2	17.8	47.3	60.7	43.3	22.9	17.9	18.5	32.8	14.1	10.9
Total	45.8	103.5	131.0	136.8	156.4	204.7	204.9	246.7	230.8	203.6	172.5	158.8	123.3	219.4	95.1	89.7
Total imports	1,031.9	806.9	715.2	899.7	996.9	1,143.8	1,234.7	1,377.7	1,331.2	1,503.5	1,514.5	1,234.1	1,331.1	1,501.1	785.1	672.1
Percentage of total as fresh, chilled, or frozen	95.1	87.2	81.7	84.8	84.3	82.1	83.4	82.1	82.7	86.5	88.6	87.1	90.7	85.4	87.9	86.7
	Value (million dollars)															
Fresh, chilled, or frozen: 1/																
Beef, bonein 2/	6.2	5.4	8.8	7.2	4.3	10.5	9.0	11.1	10.6	7.3	16.1	7.3	4.4	11.7	6.5	9.0
Veal 3/	9.9	6.5	6.8	9.9	7.2	9.3	14.4	14.2	13.9	25.1	26.9	23.5	13.1	14.2	6.5	6.7
Beef, boneless 4/	239.6	286.0	180.2	281.3	332.4	375.1	456.3	542.5	562.6	711.9	998.7	709.8	562.3	732.9	398.3	334.4
Total	255.7	229.9	195.8	298.4	343.9	394.9	479.7	567.8	587.1	744.3	1,041.7	740.5	579.9	758.8	411.3	350.1
All other: 5/																
Corned beef 6/	0	0	0	0	33.4	40.9	37.7	36.6	41.2	51.4	51.9	71.9	39.4	76.4	31.4	31.7
Beef and veal, prep. or pres., except frozen, over 30¢ per pound 7/	1.2	5.0	11.7	16.7	20.1	39.1	39.6	47.1	69.4	41.0	50.0	50.3	28.9	50.9	21.5	21.8
Beef, except corned beef, in airtight containers 8/	11.1	26.5	32.2	34.7	4.4	6.6	9.0	14.0	14.6	11.8	20.1	25.5	6.8	11.8	5.8	6.5
Edible offal 9/	1.4	.7	.8	1.1	1.2	1.1	1.7	2.5	2.0	2.8	3.4	2.8	2.0	1.7	0.7	0.9
Other 10/	1.1	3.2	6.0	4.9	11/ 7.5	11/ 8.8	7.7	21.5	28.1	19.9	16.8	17.9	15.7	24.6	11.2	9.3
Total	14.8	35.4	50.7	57.4	66.6	96.5	95.7	121.7	155.3	126.9	142.2	168.4	92.8	165.4	70.6	70.2
Total imports	270.5	265.3	246.5	355.8	410.5	491.4	575.4	689.5	742.4	871.2	1,183.9	908.9	672.7	924.2	481.9	420.3

1/ Items subject to the provisions of the Meat Import Act of 1964.
2/ TSUSA items 106.1020 and 106.1040 (Schedule A No. 0018300 prior to September 1963).
3/ TSUSA item 106.1080 (Schedule A No. 0019000 prior to September 1963).
4/ TSUSA item 106.1060 (Schedule A No. 0018500 prior to September 1963).
5/ Items not subject to quota limitations of Meat Import Act of 1964.
6/ TSUSA items 107.4820 and 107.4840 (107.5020 and 107.5040 prior to 1976).
7/ TSUSA item 107.6040 (Schedule A No. 0029000 prior to September 1963).
8/ TSUSA items 107.5220 and 107.5240 (107.5060 and 107.5080 were part of 107.5000 prior to 1967 and part of Schedule A No.0028000 prior to September 1963; data for 1963-67 include corned beef.
9/ TSUS items 106.80 and 106.85 (Schedule A No. 0023600 prior to September 1963).
10/ TSUS or TSUSA items 107.20, 107.2520, 107.45, 107.55, 107.6020, 107.7000, 107.7540, and including items 107.7560, 107.7500 prior to 1969.
11/ Includes lamb and mutton.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures do not add to totals shown.

Table 42.--Beef and veal: U.S. imports for consumption, by principal sources, 1972-76

Source	1972	1973	1974	1975	1976
	Quantity (1,000 pounds)				
Australia	675,618	698,482	515,703	681,906	679,156
New Zealand	267,180	291,523	260,381	277,147	270,902
Central America	195,876	197,635	168,568	186,469	198,602
Argentina	94,148	80,972	88,976	56,234	95,019
Canada	65,061	60,320	40,017	25,583	88,233
Brazil	47,987	45,889	39,484	34,879	73,031
Mexico	82,130	67,417	39,153	29,905	52,723
Ireland	31,108	21,996	44,013	6,803	4,597
Other countries	44,408	50,265	37,797	32,172	38,745
Total	1,503,515	1,514,498	1,234,092	1,331,098	1,501,008
	Value (1,000 dollars)				
Australia	388,378	545,364	354,032	311,177	382,158
New Zealand	154,773	225,928	176,323	124,865	155,986
Central America 1/	106,636	143,764	115,284	107,113	133,230
Argentina	61,975	70,001	94,776	41,870	68,387
Canada	39,416	51,070	28,012	14,252	56,149
Brazil	34,869	39,175	45,487	27,132	61,213
Mexico	48,255	51,736	31,169	18,581	32,788
Ireland	17,388	18,553	32,443	3,315	2,358
Other countries	24,566	38,285	31,350	24,356	31,909
Total	871,255	1,183,875	908,876	672,660	924,178

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 43.--Beef and veal, fresh, chilled, or frozen: U.S. imports for consumption covered by the Meat Import Act of 1964, by types and by principal sources, 1972-76

Type and year	Australia	New Zealand	Canada	Central America 1/	Mexico	Ireland	All other	Total
	Quantity (1,000 pounds)							
Beef, bone in: 2/								
1972	4,075	647	6,494	769	230	0	108	12,322
1973	5,613	990	11,869	367	0	12	0	18,851
1974	2,559	190	5,944	354	139	258	1,219	10,662
1975	1,598	255	609	3,356	0	0	1,735	7,553
1976	2,840	894	14,439	92	76	0	2,701	21,043
Veal: 3/								
1972	19,551	8,751	4,264	0	3,555	9	0	36,130
1973	17,471	11,006	657	36	1,996	0	0	31,165
1974	14,825	14,801	104	1	769	0	33	30,533
1975	7,498	16,736	86	0	42	0	0	24,361
1976	8,475	13,191	362	0	0	0	0	22,029
Beef, boneless: 4/								
1972	648,511	256,647	47,540	173,622	78,085	30,875	16,156	1,251,436
1973	672,565	278,721	42,728	192,458	64,993	21,784	18,778	1,292,026
1974	493,393	244,734	30,492	167,171	37,897	43,756	16,623	1,034,066
1975	669,831	258,331	20,465	182,127	29,721	6,803	8,600	1,175,878
1976	657,987	248,011	69,218	192,732	52,269	4,446	13,852	1,238,515
Total:								
1972	672,137	266,045	58,298	174,391	81,870	30,884	16,264	1,299,888
1973	695,649	290,717	55,254	192,861	66,988	21,796	18,778	1,342,042
1974	510,777	259,725	36,540	167,527	38,804	44,013	17,875	1,075,261
1975	678,926	275,323	21,159	185,483	29,763	6,803	10,336	1,207,793
1976	669,302	262,097	84,020	192,824	52,345	4,446	16,553	1,281,587
	Value (1,000 dollars)							
Beef, bone in: 2/								
1972	2,899	376	3,485	397	126	-	36	7,319
1973	4,969	727	10,157	206	-	7	-	16,067
1974	2,464	147	3,382	282	86	199	709	7,269
1975	1,100	132	368	1,924	-	-	924	4,447
1976	1,809	531	7,555	49	84	-	1,705	11,733
Veal: 3/								
1972	13,040	7,124	2,918	-	2,047	10	-	25,138
1973	14,194	10,503	619	33	1,555	-	-	26,904
1974	11,785	10,815	73	1	743	-	39	23,455
1975	3,720	9.347	50	-	24	-	-	13,141
1976	5,211	8,722	232	-	-	-	-	14,165
Beef, boneless: 4/								
1972	365,225	146,469	30,634	97,791	46,048	17,287	8,409	711,863
1973	523,759	213,758	37,997	141,493	50,091	18,395	13,231	998,725
1974	334,426	164,607	23,164	114,339	30,268	32,245	10,703	709,752
1975	304,480	114,414	12,042	104,760	18,545	3,315	4,724	562,280
1976	370,273	142,373	46,600	130,155	32,641	2,306	8,533	732,882
Total:								
1972	381,164	153,969	37,037	98,188	48,221	17,297	8,445	744,320
1973	542,923	224,989	48,773	141,732	51,646	18,403	13,231	1,041,696
1974	348,675	175,569	26,620	114,622	31,096	32,443	11,451	740,476
1975	309,301	123,892	12,460	106,684	18,569	3,315	5,648	579,868
1976	377,293	151,626	54,387	130,204	32,725	2,306	10,239	758,780

1/ Guatemala, Belize, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama.
2/ TSUSA items 106.1020 and 106.1040.
3/ TSUSA item 106.1080.
4/ TSUSA item 106.1060.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 44.--Beef and veal: U.S. imports for consumption not covered by the Meat Import Act of 1964, by types and by principal sources, 1972-76

Type and year	Argentina	Brazil	Australia	New Zealand	Central America	Canada	Other countries	Total
	Quantity (1,000 pounds)							
Corned beef: 1/								
1972	43,762	29,958	21	0	0	27	6,367	80,135
1973	28,352	28,798	50	51	0	6	12,415	69,672
1974	42,182	21,252	0	13	0	4	3,466	66,917
1975	24,563	21,828	0	89	0	6	6,532	53,018
1976	46,018	46,546	153	86	0	2	7,030	99,835
Other beef: 2/								
1972	50,386	18,029	3,460	1,135	21,485	6,736	22,261	123,492
1973	52,308	16,889	2,783	755	4,774	5,060	20,215	102,784
1974	46,794	18,232	4,926	643	1,051	3,473	16,805	91,914
1975	31,671	13,051	2,980	1,735	986	4,418	15,446	70,287
1976	49,001	26,485	9,701	8,715	5,778	4,211	15,691	119,586
Total:								
1972	94,148	47,987	3,481	1,135	21,485	6,763	28,628	203,627
1973	80,660	45,697	2,833	806	4,774	5,066	32,630	172,456
1974	88,976	39,484	4,926	656	1,041	3,477	20,271	158,831
1975	56,234	34,879	2,980	1,824	981	4,424	21,978	123,305
1976	95,019	73,031	9,854	8,805	5,778	4,213	22,721	219,421
	Value (1,000 dollars)							
Corned beef: 1/								
1972	26,973	20,061	14	-	-	30	4,342	51,420
1973	19,796	21,947	34	68	-	9	10,010	51,864
1974	44,547	23,308	-	19	-	8	4,050	71,932
1975	17,809	16,567	-	121	-	10	4,914	39,421
1976	32,627	37,866	115	145	-	5	5,688	76,446
Other beef: 2/								
1972	35,002	14,808	2,200	804	8,448	2,349	11,904	75,515
1973	49,957	17,043	2,407	871	2,032	2,288	15,716	90,315
1974	50,229	22,179	5,357	735	662	1,384	15,922	96,468
1975	24,061	10,565	1,876	852	429	1,782	13,806	53,371
1976	35,760	23,347	4,750	4,215	3,026	1,757	16,097	88,952
Total:								
1972	61,975	34,869	2,214	804	8,448	2,379	16,246	126,935
1973	69,753	38,990	2,441	939	2,032	2,297	25,727	142,179
1974	94,776	45,487	5,357	754	662	1,392	19,972	168,400
1975	41,870	27,132	1,876	973	429	1,792	18,720	92,792
1976	68,387	61,213	4,865	4,360	3,026	1,762	21,785	165,398

1/ TSUSA items 107.4820 and 107.4840 (107.5020 and 107.5040 prior to 1976)
2/ TSUS or TSUSA items 106.80, 106.85, 107.20, 107.2520, 107.45, 107.5220, 107.5240, 107.55, 107.6020, 107.6040, 107.70, 107.7540, and 107.7560.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 45.--Edible meat offal, fresh, chilled, or frozen, of all animals (except birds) (TSUS items 106.80 and 106.85): U.S. imports for consumption, by principal sources, 1972-76, January-June 1976, and January-June 1977

Source	1972	1973	1974	1975	1976	January-June-- 1976	January-June-- 1977
	Quantity (1,000 pounds)						
Canada	5,475	4,001	3,096	4,189	3,761	1,679	2,102
Australia	922	1,221	1,418	704	422	130	123
Honduras	260	299	204	96	246	158	40
Mexico	260	143	349	142	376	86	222
Costa Rica	0	41	24	13	70	62	0
All other	953	1,502	797	443	474	91	418
Total	7,870	7,207	5,888	5,587	5,349	2,206	2,905
	Value (1,000 dollars)						
Canada	1,415	1,377	953	1,423	1,199	562	692
Australia	537	930	937	247	162	56	39
Honduras	69	102	80	35	87	50	15
Mexico	34	42	74	12	56	4	22
Costa Rica	0	20	12	7	33	28	0
All other	758	880	712	227	149	29	133
Total	2,813	3,351	2,768	1,951	1,686	729	901
	Unit value (per pound)						
Canada	$0.26	$0.34	$0.31	$0.34	$0.32	$0.33	$0.33
Australia	.58	.76	.66	.35	.38	.43	.32
Honduras	.27	.34	.39	.36	.35	.32	.38
Mexico	.13	.29	.21	.08	.15	.05	.10
Costa Rica	0	.49	.50	.54	.47	.45	0
All other	.80	.59	.89	.51	.31	.32	.32
Average	.36	.46	.47	.35	.32	.33	.31

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 46.--Beef and veal, fresh, chilled, or frozen: U.S. imports for consumption, by principal customs districts, 1974-76

Customs district	1974	1975	1976
	Quantity (1,000 pounds)		
New York, N.Y	296,295	437,086	398,744
Philadelphia, Pa	199,112	188,763	191,060
Miami, Fla	127,831	139,903	151,978
San Juan, P.R	26,915	37,556	86,178
Los Angeles, Calif	60,729	70,355	68,595
Seattle, Wash	42,698	43,009	54,429
San Francisco, Calif	47,483	42,840	46,805
Ogdensburg, N.Y	19,883	14,665	36,575
Charleston, S.C	48,139	46,759	41,277
El Paso, Tex	0	21,499	36,564
Other	206,176	165,357	169,383
Total	1,075,261	1,207,793	1,281,587
	Value (1,000 dollars)		
New York, N.Y	202,862	198,317	228,667
Philadelphia, Pa	131,797	84,034	108,007
Miami, Fla	88,621	80,763	101,750
San Juan, P.R	18,324	23,355	44,058
Los Angeles, Calif	42,640	33,310	41,462
Seattle, Wash	30,279	20,414	32,359
San Francisco, Calif	24,773	19,845	28,024
Ogdensburg, N.Y	14,643	8,453	23,930
Charleston, S.C	32,647	19,618	23,650
El Paso, Tex	0	13,839	22,796
Other	153,909	77,919	104,077
Total	740,496	579,868	758,780

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 47.--Corned beef in airtight containers (TSUS item 107.48): U.S. imports for consumption, by principal customs districts, 1974-76

Customs district	1974	1975	1976
	Quantity (1,000 pounds)		
Philadelphia, Pa	14,248	8,376	17,728
New York, N.Y	5,737	6,564	14,080
San Juan, P.R	8,228	8,299	11,988
San Francisco, Calif	5,552	6,126	11,370
Mobile, Ala	7,187	5,242	12,116
New Orleans, La	10,609	5,714	9,921
Baltimore, Md	4,145	4,231	8,567
Houston, Tex	3,154	2,141	4,538
Tampa, Fla	1,044	1,392	2,811
Los Angeles, Calif	1,965	1,767	2,170
Other	5,050	3,167	4,547
Total	66,917	53,018	99,835
	Value (1,000 dollars)		
Philadelphia, Pa	14,654	6,150	13,825
New York, N.Y	5,889	4,923	10,253
San Juan, P.R	8,910	6,706	9,506
San Francisco, Calif	6,495	4,680	9,203
Mobile, Ala	7,716	3,723	8,771
New Orleans, La	11,877	4,087	7,947
Baltimore, Md	4,500	3,070	6,625
Houston, Tex	3,104	1,319	2,709
Tampa, Fla	1,080	1,012	2,246
Los Angeles, Calif	2,197	1,339	1,787
Other	5,511	2,411	3,573
Total	71,931	39,421	76,446

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 48.--Beef in airtight containers (except corned beef) (TSUS item 107.52): U.S. imports for consumption, by principal customs districts, 1974-76

Customs district	1974	1975	1976
	Quantity (1,000 pounds)		
Philadelphia, Pa	8,758	4,305	5,382
Mobile, Ala	576	2,115	4,186
San Francisco, Calif	4,316	2,530	3,686
New York, N.Y	1,537	247	1,065
Los Angeles, Calif	332	104	1,144
Seattle, Wash	392	192	1,137
Houston, Tex	3,215	593	618
Baltimore, Md	825	153	618
Charleston, S.C	199	229	426
San Juan, P.R	11	13	160
Other	6,717	212	254
Total	26,877	10,692	18,765
	Value (1,000 dollars)		
Philadelphia, Pa	8,783	2,795	3,344
Mobile, Ala	555	1,236	2,503
San Francisco, Calif	4,255	1,657	2,299
New York, N.Y	1,404	216	853
Los Angeles, Calif	265	62	786
Seattle, Wash	401	116	621
Houston, Tex	3,364	339	420
Baltimore, Md	595	104	411
Charleston, S.C	172	122	262
San Juan, P.R	9	8	100
Other	5,682	129	157
Total	25,486	6,784	11,755

Source: Compiled from officials statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 49.--Live cattle and certain meat of cattle fit for human consumption: Rates of duty and average ad valorem equivalents of the rates, 1930, 1967, and 1977

(Cents per pound; percent ad valorem)

Description and TSUS item	Rate of duty 1930	Rate of duty 1967	Rate of duty 1977	Average ad valorem equivalent of 1976 duty
Cattle:				
Weighing under 200 pounds each:				
For not over 200,000 head entered in the 12-month period beginning Apr. 1 in any year (item 100.40)	2.5¢	1.5¢	1.5¢	5.1
Other (item 100.43)	2.5¢	2.5¢	2.5¢	9.5
Weighing 200 pounds or more but under 700 pounds each (item 100.45)	2.5¢	2.5¢	2.5¢	8.0
Weighing 700 pounds or more each:				
Cows imported specially for dairy purposes (item 100.50)	3¢	1.5¢	0.7¢	1.7
Other:				
For not over 400,000 head entered in the 12-month period beginning Apr. 1 in any year, of which not over 120,000 shall be entered in any quarter beginning Apr. 1, July 1, Oct. 1, or Jan. 1 (item 100.53)	3¢	1.5¢	1.5¢	5.7
Other (item 100.55)	3¢	2.5¢	2.5¢	11.9
Meats of cattle (except meat offal), fresh, chilled, or frozen (item 106.10)	6¢	3¢	3¢	5.0
Edible meat offal, fresh, chilled, or frozen:				
Valued not over 20 cents per pound (item 106.80) 1/	6¢	1¢	0.5¢	3.4
Valued over 20 cents per pound (item 106.85) 1/	30%	5%	2.5%	-
Sausages, whether or not in airtight containers:				
Beef, in airtight containers (item 107.20) 1/	30%	15%	7.5%	-
Other beef (item 107.25) 1/	20%	10%	5%	-
Beef and veal, prepared or preserved (except sausages):				
Beef or veal, cured or pickled:				
Valued not over 30 cents per pound (item 107.40) 1/	4.5¢	3¢	3¢	2/
Valued over 30 cents per pound (item 107.45) 1/	30%	10%	10%	-

See footnotes at end of table.

Table 49.--Live cattle and certain meat of cattle fit for human consumption: Rates of duty and average ad valorem equivalents of the rates, 1930, 1967, and 1977--Continued

Description and TSUS item	Rate of duty			Average ad valorem equivalent of 1976 duty
	1930	1967	1977	
Beef and veal, prepared or preserved (except sausages)--Continued:				
Beef in airtight containers:				
Corned beef (item 107.48) 1/3/	30%	15%	7.5%	-
Other (item 107.52)	30%	15%	7.5%	-
Other:				
Valued not over 30 cents per pound (item 107.55)	6¢	3¢	3¢	11.2
Valued over 30 cents per pound (item 107.60)	20%	10%	10%	-
Other meats and edible meat offal, prepared or preserved:				
Valued over 30 cents per pound (item 107.75) 1/	20%	10%	5%	-

1/ Imports are eligible for duty-free treatment under the Generalized System of Preferences.
2/ No imports.
3/ Included in item 107.50 at the same rates of duty prior to Jan. 1, 1976.

Source: Rates of duty from Tariff Schedules of the United States; ad valorem equivalent computed from official statistics of the U.S. Department of Commerce.

APPENDIX C

THE MEAT IMPORT ACT OF 1964, SECTION 204 OF THE AGRICULTURAL ACT OF 1956, AND ACTIONS THEREUNDER

Public Law 88-482
88th Congress, H. R. 1839
August 22, 1964

An Act

78 STAT. 594.

To provide for the free importation of certain wild animals, and to provide for the imposition of quotas on certain meat and meat products.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) item 852.20 of title I of the Tariff Act of 1930 (Tariff Schedules of the United States; 28 F.R., part II, August 17, 1963) is amended to read as follows:

Wild birds and animals. Free entry. 77A Stat. 420. 19 USC 1202.

"852.20	Wild animals (including birds and fish) imported for use, or for sale for use, in any scientific public collection for exhibition for scientific or educational purposes	Free	Free

(b) Headnote 1 of part 4 of schedule 8 of such title I is amended by striking out "item 850.50," and inserting in lieu thereof "items 850.50 and 852.20,".

(c) The amendments made by this section shall take effect on the tenth day after the date of the enactment of this Act.

Meat imports, limitation.

SEC. 2. (a) It is the policy of the Congress that the aggregate quantity of the articles specified in items 106.10 (relating to fresh, chilled, or frozen cattle meat) and 106.20 (relating to fresh, chilled, or frozen meat of goats and sheep (except lambs)) of the Tariff Schedules of the United States which may be imported into the United States in any calendar year beginning after December 31, 1964, should not exceed 725,400,000 pounds; except that this quantity shall be increased or decreased for any calendar year by the same percentage that estimated average annual domestic commercial production of these articles in that calendar year and the two preceding calendar years increases or decreases in comparison with the average annual domestic commercial production of these articles during the years 1959 through 1963, inclusive.

77A Stat. 20. 19 USC 1202.

(b) The Secretary of Agriculture, for each calendar year after 1964, shall estimate and publish—

(1) before the beginning of such calendar year, the aggregate quantity prescribed for such calendar year by subsection (a), and

(2) before the first day of each calendar quarter in such calendar year, the aggregate quantity of the articles described in subsection (a) which (but for this section) would be imported in such calendar year.

In applying paragraph (2) for the second or any succeeding calendar quarter in any calendar year, actual imports for the preceding calendar quarter or quarters in such calendar year shall be taken into account to the extent data is available.

Presidential Proclamation.

(c) (1) If the aggregate quantity estimated before any calendar quarter by the Secretary of Agriculture pursuant to subsection (b) (2) equals or exceeds 110 percent of the aggregate quantity estimated by him pursuant to subsection (b) (1), and if there is no limitation in effect under this section with respect to such calendar year, the President shall by proclamation limit the total quantity of the articles described in subsection (a) which may be entered, or withdrawn from warehouse, for consumption, during such calendar year, to the aggregate quantity estimated for such calendar year by the Secretary of Agriculture pursuant to subsection (b) (1).

(2) If the aggregate quantity estimated before any calendar quarter by the Secretary of Agriculture pursuant to subsection (b) (2) does not equal or exceed 110 percent of the aggregate quantity estimated by him pursuant to subsection (b) (1), and if a limitation is in effect under this section with respect to such calendar year, such limitation shall cease to apply as of the first day of such calendar quarter;

except that any limitation which has been in effect for the third calendar quarter of any calendar year shall continue in effect for the fourth calendar quarter of such year unless the proclamation is suspended or the total quantity is increased pursuant to subsection (d).

(3) The Secretary of Agriculture shall allocate the total quantity proclaimed under paragraph (1), and any increase in such quantity pursuant to subsection (d), among supplying countries on the basis of the shares such countries supplied to the United States market during a representative period of the articles described in subsection (a), except that due account may be given to special factors which have affected or may affect the trade in such articles. The Secretary of Agriculture shall certify such allocations to the Secretary of the Treasury.

Proclamation suspension.

(d) The President may suspend any proclamation made under subsection (c), or increase the total quantity proclaimed under such subsection, if he determines and proclaims that—

(1) such action is required by overriding economic or national security interests of the United States, giving special weight to the importance to the nation of the economic well-being of the domestic livestock industry;

(2) the supply of articles of the kind described in subsection (a) will be inadequate to meet domestic demand at reasonable prices; or

(3) trade agreements entered into after the date of the enactment of this Act ensure that the policy set forth in subsection (a) will be carried out.

Any such suspension shall be for such period, and any such increase shall be in such amount, as the President determines and proclaims to be necessary to carry out the purposes of this subsection.

(e) The Secretary of Agriculture shall issue such regulations as he determines to be necessary to prevent circumvention of the purposes of this section.

(f) All determinations by the President and the Secretary of Agriculture under this section shall be final.

Approved August 22, 1964.

LEGISLATIVE HISTORY:

HOUSE REPO TS: No. 25 (Comm. on Ways & Means) and No. 1824 (Comm. of Conference).
SENATE REPORT No. 1167 (Comm. on Finance).
CONGRESSIONAL RECORD:
Vol. 109 (1963): Feb. 26, considered and passed House.
Vol. 110 (1964): July 27, considered in Senate.
July 28, considered and passed Senate, amended.
Aug. 11, House disagreed to Senate amendments and requested conference.
Aug. 18, House and Senate agreed to conference report.

SECTION 204 OF THE AGRICULTURAL ACT OF 1956

1854. Agreements limiting imports. — The President may, whenever he determines such action appropriate, negotiate with representatives of foreign governments in an effort to obtain agreements limiting the export from such countries and the importation into the United States of any agricultural commodity or product manufactured therefrom or textiles or textile products, and the President is authorized to issue regulations governing the entry or withdrawal from warehouse of any such commodity, product, textiles, or textile products to carry out any such agreement. In addition, if a multilateral agreement has been or shall be concluded under the authority of this section among countries accounting for a significant part of world trade in the articles with respect to which the agreement was concluded, the President may also issue, in order to carry out such an agreement, regulations governing the entry or withdrawal from warehouse of the same articles which are the products of countries not parties to the agreement. Nothing herein shall affect the authority provided under section 22 of the Agricultural Adjustment Act (of 1933) as amended [§ 624 of this title]. (May 28, 1956, c. 327, Title II, § 204, 70 Stat. 200; June 19, 1962, P. L. 87-488, 76 Stat. 104.)

Table C-1.--Actions under the Meat Import Act of 1964, 1964-77

(In millions of pounds)

Year	Adjusted base prescribed under sec. 2(a)	Trigger level adjusted base plus 10% sec. 2(c)	Import level estimated under sec. 2(b)(2) 1/	Actual imports under TSUS Nos. 106.10 and 106.20	Action taken by President
1964--	-	-	-	739.9	Voluntary restraints negotiated under section 204 with Mexico and Australia.
1965--	848.7	933.6	1st qtr. 733.0	613.9	No new voluntary restraints. Restraints with Mexico and Australia continue.
			2d qtr. 714.0		
			3d qtr. 675.0		
			4th qtr. 630.0		
1966--	890.1	979.1	1st qtr. 700.0	823.4	No new voluntary restraints. Restraints with Mexico and Australia continue.
			2d qtr. 760.0		
			3d qtr. -		
			4th qtr. 800.0		
1967--	904.6	995.1	1st qtr. 960.0	894.9	No new voluntary restraints negotiated.
			2d qtr. 900.0		
			3d qtr. 860.0		
			4th qtr. 860.0		
1968--	950.3	1,045.3	1st qtr. 900.0	1,001.0	No new voluntary restraints negotiated.
			2d qtr. 925.0		
			3d qtr. 935.0		
			4th qtr. 990.0		

See footnote at end of table.

Table C-1.--Actions under the Meat Import Act of 1964, 1964-77--Continued

(In millions of pounds)

Year	Adjusted base prescribed under sec. 2(a)	Trigger level adjusted base plus 10% sec. 2(c)	Import level estimated under sec. 2(b)(2) 1/	Actual imports under TSUS Nos. 106.10 and 106.20	Action taken by President
1969--	988.0	1,086.8	1st qtr. 1,035.0 2d qtr. 1,035.0 3d qtr. 1,035.0 4th qtr. 1,035.0	1,084.1	Voluntary restraint negotiated with Honduras.
1970--	998.8	1,098.7	1st qtr. 1,061.5 2d qtr. 1,061.5 3d qtr. 1,140.0 4th qtr. 1,160.0	1,170.4	Voluntary restraints negotiated with Haiti, Panama, Australia, Ireland, New Zealand, Dominican Republic, Honduras, Guatemala, Nicaragua, Costa Rica, Mexico. Executive proclamation issued for enforcing quotas and simultaneously suspended.
1971--	1,025.0	1,127.5	1st qtr. 1,160.0 2d qtr. 1,160.0 3d qtr. 1,160.0 4th qtr. 1,160.0	1,132.6	Voluntary restraints negotiated with Panama, Costa Rica, Guatemala, New Zealand, Ireland, Australia, Haiti, Dominican Republic, Mexico, Nicaragua, and Honduras. Executive proclamation imposed quotas and simultaneously suspended.

See footnote at end of table.

Table C-1.--Actions under the Meat Import Act of 1964, 1964-77--Continued

(In millions of pounds)

Year	Adjusted base prescribed under sec. 2(a)	Trigger level adjusted base plus 10% sec. 2(c)	Import level estimated under sec. 2(b)(2) 1/	Actual imports under TSUS Nos. 106.10 and 106.20	Action taken by President
1972--	1,042.4	1,148.6	1st qtr. 1,240.0 2d qtr. 1,240.0 3d qtr. 1,240.0 4th qtr. 1,275.0	1,355.5	Voluntary restraints with El Salvador, Honduras, Australia, Nicaragua, Dominican Republic, Ireland, New Zealand, Guatemala, Haiti, Mexico, and Costa Rica. Executive proclamation imposed quota and simultaneously suspended.
1973--	1,046.8	1,151.5	1st qtr. 1,450.0 2d qtr. 1,450.0 3d qtr. 1,450.0 4th qtr. -	1,355.6	No new voluntary restraints negotiated. Executive proclamation imposed quotas and simultaneously suspended.
1974--	1,027.9	1,130.7	1st qtr. 1,575.0 2d qtr. 1,575.0 3d qtr. 1,210.0 4th qtr. 1,115.0	1079.1	No new voluntary restraints negotiated. Executive proclamation imposing quotas and simultaneously suspended.

See footnote at end of table.

Table C-1.--Actions under the Meat Import Act of 1964, 1964-77--Continued

(In millions of pounds)

Year	Adjusted base prescribed under sec. 2(a)	Trigger level adjusted base plus 10% sec. 2(c)	Import level estimated under sec. 2(b)(2) 1/	Actual imports under TSUS Nos. 106.10 and 106.20	Action taken by President
1975--	1,074.3	1,181.7	1st qtr. 1,150.0	1,208.9	Voluntary restraints negotiated with Haiti, Panama, Guatemala, Australia, New Zealand, Dominican Republic, and Costa Rica.
			2d qtr. 1,180.0		
			3d qtr. 1,180.0		
			4th qtr. 1,180.0		
1976--	1,120.9	1,232.9	1st qtr. -	1,231.7	Voluntary restraints negotiated with Australia, El Salvador, Nicaragua, Guatemala, Haiti, Honduras, New Zealand, Panama, Dominican Republic, Mexico, and Costa Rica.
			2d qtr. 1,223.0		
			3d qtr. 1,223.0		
			4th qtr. 1,250.0		Executive proclamation setting quota and permitting increase.
1977--	1,165.4	1,281.9	1st qtr. 1271.9	685.6 (through July 1977)	
			2d qtr. 1271.9		
			3d qtr. 1271.9		

1/ Annual import level estimated quarterly by the Secretary of Agriculture.

Table C-2.--Meats subject to the Meat Import Act of 1964: Voluntary restraint quantities negotiated under sec. 204 of the Agricultural Act, by sources, 1969-72 and 1975-77

(In millions of pounds)

Source	1969	1970	1971	1972	1975	1976	1977
Australia	505.2	527.2	560.3	600.4	615.1	632.2	653.0
New Zealand	211.0	220.3	234.1	250.9	252.8	259.8	268.3
Canada	1/	1/	1/	1/	1/	1/	75.0
Mexico	65.8	71.5	73.0	78.2	1/	60.0	62.1
Costa Rica	33.4	36.3	37.1	39.8	52.2	53.7	55.6
Nicaragua	37.6	39.3	41.8	44.8	1/	48.9	50.7
Honduras	14.1	14.7	15.6	16.7	1/	35.8	37.2
Guatemala	21.4	22.3	23.6	25.3	33.4	14.4	35.6
Dominican Republic	10.5	11.0	11.7	12.5	14.0	14.4	15.0
El Salvador	1/	1/	1/	3.0	1/	11.4	11.9
Panama	5.2	5.6	5.7	1/	2.5	2.6	5.0
Haiti	2.1	1.0	2.4	2.6	1.8	1.9	2.0
Belize	1/	1/	1/	1/	1/	1/	.5
Ireland	62.7	65.5	69.7	74.7	1/	1/	1/
Total	969.0	1,014.7	1,075.0	1,148.9	1,161.9	1,135.1	1,271.9

1/ Not party to a voluntary restraint agreement.

Source: Compiled from U.S. Treaties and Other International Agreements (TIAS).

Note.--There were no voluntary restraint agreements negotiated for 1973 and 1974.

APPENDIX D

ECONOMETRIC MODELS PRESENTED AT COMMISSION HEARINGS

Econometric Models Presented at Commission Hearings

Several econometric models were presented at the Commission hearings on imports of live cattle and beef. Most of these models are concerned principally with the relationship between the level of imports of beef and the effect changes in this level would have on domestic prices received by cattle growers or on retail prices for beef. This appendix reviews the main results of these models

The models were presented by the following persons: George L. Abraham, President of Abraham & Associates, Inc., a private research and consulting firm in Sarasota, Florida; Dr. Ernest E. Davis, Livestock Marketing Economist, Texas Agricultural Extension Service, Texas A & M University; Thomas M. Leonard, Senior Economist, Council on Wage and Price Stability; and Dr. James P. Houck, Department of Agricultural and Applied Economics, University of Minnesota, St. Paul, Minnesota.

Submissions by George L. Abraham: Rapid City hearings, June 15, 1977; Fort Worth, Texas, hearings, June 29, 1977; Kansas City, Missouri, hearings, July 20, 1977; Washington, D.C., hearings, September 22, 1977

Mr. Abraham submitted some of the specifications of three models his consulting firm has developed. They were presented in Table D-6 of Mr. Abraham's testimony at the Rapid City hearings, as follows:

ABRAHAM & ASSOCIATES BEEF PRICE FORECASTING MODELS
Historical Base Period 1960-1975 - Quarterly Observations

I. CARCASS STEER PRICES - $R^2 = 97.4$
One (1) Standard Deviation is 3.8300

VARIABLES
Degree of Importance to Explain Price Change

1.	1.1329	Income
2.	-1.2003	Block Beef Production
3.	.1812	Hog Slaughter
4.	- .1450	Processing Beef Disappearance
5.	.1184	Spot Commodity Index
6.	- .0911	Beef Freezer Stocks
7.	.0460	Dummy 3
8.	.0338	Dummy 2
9.	.0215	Dummy 1
10.	2.4906	Constant

II. 90% LEAN BONELESS BEEF PRICE - $R^2 = 92.0$
One (1) Standard Deviation is 7.9100

VARIABLES
Degree of Importance to Explain Price Change

1.	.9639	Income
2.	- .9126	Processing Beef Disappearance
3.	.4625	Spot Commodity Index
4.	.4288	Block Beef Production
5.	- .1810	Beef Freezer Stocks
6.	- .1009	Constant

III. 50% LEAN BEEF TRIMMING PRICE - $R^2 = 87.1$
One (1) Standard Deviation is 13.6600

VARIABLES
Degree of Importance to Explain Price Change

1.	1.0695	Processing Beef Disappearance
2.	-1.0484	Block Beef Production
3.	1.0078	Income
4.	.8024	Spot Commodity Index
5.	- .6227	Beef Freezer Stocks
6.	.0924	Dummy 2
7.	.0761	Dummy 1
8.	.0404	Dummy 3
9.	-1.1378	Constant

These models are used by Mr. Abraham to forecast beef prices. He does not present the level of significance of the variables in his models, so they are difficult to interpret. Unlike other models presented at the Commission hearings, Mr. Abraham's models do not incorporate imports and thus cannot be used to estimate the impact of imports on domestic livestock and beef prices and on revenues in the livestock and beef industry.

Submission by Dr. Ernest E. Davis, Fort Worth hearings, June 28, 1977

Dr. Davis presented the estimated impact of increased imports based upon four studies done by agricultural economists. All these studies indicate a significant inverse effect of beef imports on domestic cattle prices. In one table, Dr. Davis compares the estimated effects in these studies of increased beef imports on cattle prices.

Beef cattle: Comparison of four studies of increased beef imports on cattle prices

Cattle classification	Study			
	Farris & Graeber 1/	Rausser & Freebairn 2/	Folwell & Shapouri 2/	Ehrich & Usman 2/
	Dollars per hundredweight			
All cattle	-	-	-1.41	-
Cull cows	-1.91	-1.09	-	-1.08
Slaughter steers	-.24	-.60	-	-
Feeder calves	-	-1.16	-	-

1/ Estimated at one pound per capita (202 million pounds) increase in beef imports.
2/ Estimated at 200 million pounds increase in imports.

Source: Graeber, Kenneth E., and Donald E. Farris, "Beef Cattle Research in Texas, 1973," Texas Agr. Exp. Sta. PR-3217, Texas A&M University, 1972.
Freebairn, J. W., and Gordon C. Rausser, "Effect of Changes in the Level of U.S. Beef Imports," Amer. J. of Agr. Econ. 57 (1975): 676-688.
Folwell, Raymond J., and Hasein Shapouri, "An Econometric Analysis of the U.S. Beef Sector." Mimeographed. Washington State University, 1976.
Ehrich, Rollo L., and Mohammed Usman, Demand and Supply Functions for Beef Imports, Agr. Exp. Sta., B604, University of Wyoming, Laramie, Jan. 1974.

These studies indicate a relatively large impact of beef imports on prices of cull cows.

In another table, Dr. Davis indicates the estimated average price received during 1975 and 1976 for utility cows, choice slaughter steers, and choice feeders had imports been held to 1964 levels (1,197 million pounds), when the Meat Import Act was passed.

Beef cattle: Actual prices and estimated prices using 1964 beef import levels, 1975-76

Item	Utility cows		Choice slaughter steers		Choice feeders	
	1975	1976	1975	1976	1975	1976
	Dollars per hundredweight					
Actual prices	21.09	25.51	44.61	39.11	33.91	39.40
Graeber & Farris	26.62	32.95	45.31	40.07	-	-
Freebairn & Rausser	24.28	29.72	46.37	41.54	37.30	44.09
Ehrich & Usman	24.25	29.68	-	-	-	-

The Graeber & Farris model shows the largest price increases for utility cows--26 percent in 1975 and 30 percent in 1976. As expected, the price increases for choice steers is much smaller in these models.

In another table, Dr. Davis presents estimates of the additional revenue that ranchers would have received if beef imports had been reduced to 1964 levels in 1975 and 1976.

Beef cattle: Estimated total receipt impact from beef imports given 1964 import levels, 1975-76

Item	Utility cows		Choice slaughter steers		Choice feeders		All slaughter cattle	
	1975	1976	1975	1976	1975	1976	1975	1976
	Million dollars							
Graeber & Farris	607.1	770.7	109.1	168.2	-	-	-	-
Freebairn & Rausser	350.2	444.9	274.4	425.9	477.9	677.6	-	-
Folwell & & Shapouri	-	-	-	-	-	-	1,647.2	1,792.6
Ehrich & Usman	346.9	440.8	-	-	-	-	-	-

The Freebairn & Rausser model indicates a total revenue loss of $1.1 billion in 1975 and $1.5 billion in 1976. The estimated unrealized revenues in the Folwell & Shapouri model are even larger--$1.6 billion in 1975 and $1.8 billion in 1976.

Submission by the Council on Wage and Price Stability, New York hearings, July 12, 1977

The Council on Wage and Price Stability estimated the annual effects of eliminating imports of beef and veal as follows:

(1) Price increase (at retail)----------------------	6 percent	
(2) Benefits:		
Increased returns to domestic producers and workers----------------------------------	$1,125 million	
Total benefits------------------------------		$1,125 million
(3) Costs:		
Cost to consumers-------------------------------	$1,167 million	
Decline in tariff revenue----------------------	$ 42 million	
Decline in tariff equivalent revenue 1/---------	$ 28 million	
Total costs--------------------------------		$1,237 million
(4) Net cost (i.e., total costs minus total benefits)----		$ 112 million

Thus, the Council estimates that eliminating imports would raise the average price of beef and veal by six percent and raise the food component of the Consumer Price Index by about 0.7 percent.

Submission by Dr. James P. Houck, Kansas City hearings, July 17, 1977

The analysis by Professor James P. Houck breaks down the consumption demand of beef in the United States into two interrelated product categories: (1) table cuts such as steaks and roasts; and (2) processed items such as hamburgers, frankfurters, and sausage. He estimates the short-run effects on prices of a 10-percent decrease in processed beef supply and in beef imports.

1/ A quota operates like a tariff, but rather than the revenue going to the Government, it is shared between importers and exporters.

Beef: Price effects of a 10-percent decrease in domestic supply and in U.S. imports

Effects on retail price of--	10-percent decrease in--	
	Total processed beef supply	Beef imports 1/
	Percent change	
Processed beef	+15	+3
Table beef	+ 4	+1
All beef 2/	+ 8	+2
Other meat	+ 1	+0.2
Other food	+0.2	-

1/ Imports at 20 percent of processed beef supply to reflect average 1970-76 conditions.
2/ Weighted average of processed beef (.35) and table beef (.65).

As the above table indicates, the principal impact is on prices of processed beef. As a result of shifting demand away from processed beef, prices of table beef also increase. Small price increases would also result for other meats (e.g., pork, poultry, lamb) and for fish.

Professor Houck also estimated the short-run impact in prices of more substantial decreases in processed beef imports.

Beef imports: Price effects of a reduction to half of 1976 level and to zero

Effects on retail price of--	Result of import reduction--	
	To half of 1976 level 1/	To zero
	Percent change	
Processed beef	+13	+26
Table beef	+ 3	+ 7
All beef 2/	+ 7	+14
Other meat	+ 1	+ 2
Other food	+0.1	+0.3

1/ 1976 imports at 1,486 million pounds, product weight.
2/ Weighted average of processed beef (.35) and table beef (.65).

Thus in the short run, these results indicate that total imports hold processed beef prices at retail about 26 percent lower than they would be otherwise. Table beef prices are also affected, but to a much smaller extent (7 percent). Other meat prices (i.e., pork, poultry, lamb, and fish) are barely affected.

Another series of computations by Professor Houck indicate the annual effects of changing imports of beef and veal:

Beef imports: Costs and benefits of reducing to zero and of reducing to one-half of 1976 level

Item	No imports 1/	Imports of one-half of 1976 level	
		Higher tariff	Tighter quota
Price increase (percent)	6	3	3
Tariff level (¢ per lb.)	3	8	3
Imports (million lbs.)	0	700	700
Returns to domestic producers ($ mil.)	+1,125	+560.25	+560.25
Effect on consumers ($ mil.)	-1,167	-595.75	-591.75
Change in tariff revenues ($ mil.)	-42.0	+14.0	-21.0
Change in quota windfall 2/ ($ mil.)	-28.0	-28.0	+7.0
Net effect ($ mil.)	-112.0	-45.5	-45.5

1/ Estimates by the Council on Wage and Price Stability.
2/ Equivalent to tariff-equivalent computation presented in testimony by the Council on Wage and Price Stability.

Professor Houck notes that he uses the same methodology as the Council on Wage and Price Stability at the New York hearing. His estimated net effect on the economy is a social cost of $45.5 million.

APPENDIX E

THE IMPACT OF UNITED STATES BEEF IMPORTS: A REPORT PREPARED BY DR. ANDREW SCHMITZ AND MR. RAY NELSON FOR THE U.S. INTERNATIONAL TRADE COMMISSION

The Impact of United States Beef Imports *

Andrew Schmitz and Ray Nelson **

This study quantitatively assesses the impact on United States beef prices of changes in governmental policy which directly affects the volume of beef imported. The major emphasis is on imports which are subject to the Meat Import Act of 1964. Spatial price equilibrium models and import demand functions estimated by econometric techniques are among the approaches used in the quantitative assessment of the impact of beef quotas. The results of the various approaches are presented and compared.

I. Historical Background

The issue of United States beef imports has been a controversial one. For example, beef producers have contended that if beef imports are not restricted, irreparable harm can be done to the live stock industry. On the other hand, consumers here argued that increases in beef prices in the late 1960's and early 1970's were partly caused by beef import quotas.

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* This report was prepared by the authors for the United States International Trade Commission.

** Andrew Schmitz is Professor of Agricultural and Resource Economics, University of California, Berkeley and Ray Nelson is a graduate student in the Department of Agricultural and Resource Economics at the University of California, Berkeley. The assistance of G. Russell McCracken and Colin Carter in preparing this report is acknowledged and appreciated.

Table 1: United States Imports of Cattle, Beef, and Veal 1960-1975

Year	Total[1] U.S. Marketings	Total[2] Cattle Imported	Total[1] U.S. Production	Total[1] Beef & Veal Imports	Fresh[3] Frozen or Chilled Imports	Total Imports Percent of Production
	1,000 head cattle		1 million lbs carcass weight equivalent		1 million pounds	percent
1960	46,288	623.9	15,862	775	413	4.89
1961	47,036	997.8	16,371	1,037	569	6.33
1962	48,585	1,216.7	16,399	1,440	860	8.81
1963	49,781	821.8	17,385	1,677	989	9.65
1964	52,832	514.9	19,469	1,085	707	5.57
1965	56,085	1,095.4	19,747	942	587	4.77
1966	57,526	1,060.0	20,636	1,204	767	5.83
1967	57,146	727.4	21,011	1,328	842	6.32
1968	58,602	1,008.5	21,614	1,518	945	7.02
1969	58,157	998.2	21,831	1,641	1,032	7.52
1970	58,785	1,107.7	22,273	1,816	1,157	8.15
1971	61,432	933.1	22,486	1,756	1,142	7.82
1972	63,182	1,143.9	22,878	1,996	1,324	8.72
1973	60,110	1,005.1	21,634	2.022	1,350	9.35
1974	57,774	546.7	23,624	1,646	1,079	6.97
1975	66,482	380.6	24,849	1,782	1,211	7.17

Sources:

1. United States Department of Agriculture, Statistical Reporting Service, *Livestock and Meat Statistics*, Statistical Bulletin 333, and Annual Supplement.
2. United States Department of Agriculture, Economic Research Service, *Livestock and Meat Situation*, various issues.
3. United States Department of Agriculture, Economic Research Service. *United States Foreign Agricultural Trade Statistical Report, Calendar year*, 1976 and 1974.

A. *United States Beef Imports*

1. Magnitude and Types

To gain prospective on the beef quota issue, Table 1 presents data on United States imports of cattle, beef and veal. During the period 1960-1975, United States beef imports have not exceeded 10% of domestic production. However while the percentage of imports is not large, the absolute amounts are substantial (eg: 2.02 billion pounds, expressed in carcass weight equivalent, for 1973). Also the largest percentage of beef imported into the United States is fresh, frozen and chilled -- the categories of beef upon which this study focuses. Further, over 90% of the beef imported in these forms is "boneless" beef.

2. Source of Imports

Table 2 illustrates the sources of United States beef imports of the fresh, frozen and chilled categories. The principal suppliers are Australia, New Zealand and Central America in descending order of importance. Note that Australia provides roughly 20% of the total. Thus together Australia and New Zealand supplies roughly 70% of the above types of beef imported into the United States.

Table 2: United States Imports of Beef and Veal (Fresh, Chilled and Frozen) by Sources of Supply, 1972-76

YEAR	AUSTRALIA	NEW ZEALAND	CANADA	CENTRAL AMERICA	ALL OTHERS
1,000 Pounds					
1972	672,137	266,045	58,298	174,391	129,018
1973	695,649	290,717	55,254	192,861	107,562
1974	510,777	259,725	36,540	167,527	100,692
1975	678,926	275,323	21,159	185,483	46,902
1976	669,302	262,097	84,020	192,824	73,344

Source: Compiled from official statistics of the United States Department of Commerce.

3. Beef Shipments to the United States from Australia and New Zealand

The two major suppliers of beef to the United States are Australia and new Zealand. Table 3 illustrates the percentage of beef production of each country that is exported to the United States and the corresponding percentage of each country's total beef exports. Note that at times more than 50% of their beef exports go to the United States. Also more than 20% of the production in these two countries is exported which is unlike in the United State where, as seen earlier, less than 10% of total domestic production is imported.

4. The Meat Import Act of 1964

In 1964, because of the significant increase in United States beef imports and depressed domestic prices, Congress passed the Meat Import Act. This Act applies only to fresh, frozen and chilled beef and veal entering the United States and limits the amount of imports to a predetermined level.1/ The base level for the quota is determined annually by the Department of Agriculture and must be published in the *Federal Register*. The amount of the quota is "increased and decreased for any calendar year by the same percentage that estimated average annual domestic commercial production of these articles during the years 1959 through 1963, inclusive."2/ Whenever the projected amount of imported meat subject to the law exceeds the trigger level or 110 percent of the quota base, the President is required to limit by proclamation the quantity of beef and veal legally importable. However, the quota proclamation can be

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1/ Actually the Act also covers meat from sheep and goats. However because the amounts are insignificant the numbers used are taken to be beef and veal imports.

2/ United States Congress House, 1964. Meat Importation Act, 88th Congress 2nd Session. H.R. 1839.

Table 3: Australia and New Zealand Beef and Veal Production and Exports, 1967-1974

Australia

	Total Production	Total Exports	Shipments to U.S.	U.S. Imports Australia's Production	U.S. Imports Australia's Exports
	(million pounds)		(percent)		
1967	1,976.0	927.0	425.6	22	46
1968	1,976.0	832.0	444.2	22	53
1969	2,159.0	992.0	491.1	23	50
1970	2,211.0	1,105.0	535.8	24	48
1971	2,430.0	228.0	505.4	21	42
1972	2,912.0	1,652.0	674.7	23	41
1973	3,298.0	1,948.0	697.9	21	36
1974	2,756.0	1,110.0	514.3	19	46

New Zealand

	Total Production	Total Exports	Shipments to U.S.	U.S. Imports Australia's Production	U.S. Imports Australia's Exports
	(million pounds)		(percent)		
1967	700.0	373.0	170.9	24	46
1968	763.0	402.0	203.1	27	51
1969	854.0	517.0	223.7	26	43
1970	856.0	590.0	241.6	28	41
1971	818.0	587.0	241.8	30	41
1972	927.0	584.0	266.4	29	46
1973	937.0	633.0	291.3	31	46
1974	948.0	572.0	259.9	27	45

Source: United States Foreign Agricultural Service, *World Agricultural Production and Trade*. Statistical Report, various years.

can be suspended if the President determines that extenuating circumstances prescribed by the Law do indeed exist.

The base and trigger levels of beef and veal imports subject to the Act are given in Table 4. The original quota base is 725.4 million pounds which is 4.6 percent of the 1959-63 average production of 15,703 million pounds. The other base quantities as previously explained are varied according to the trends in United States production.

Also shown in Table 4 is the aggregated amount of the types of meat subject to the Act which was imported during each calendar year. As can be seen, not until 1968 did it appear that imports would exceed the trigger level. Rather than have the Act invoked, the exporting countries agreed to voluntarily restrain shipments. Voluntary restraint kept the level of imports below the trigger level until 1970 when the trigger level was exceeded. The President made a proclamation invoking the quota but suspended it according to his duties and powers under the Act. Similar proclamations and suspensions resulted when the trigger levels were exceeded in 1971 through 1974. In 1975, voluntary restraints by the exporting countries successfully restricted imports. However, in 1976, the trigger level was again exceeded, a proclamation was made, but the President for the first time, did not concurrently suspend the quota.

B. *Commerical Cattle Slaughter and Uses of Imported Beef*

1. <u>United States Commercial Slaughter</u>

To fully appreciate the amount of domestic beef which imports directly compete with, Table 5 presents numbers on United States commercial beef slaughter for 1972-76. The number of fed cattle slaughtered decreased since 1972 while the number of non-fed steers and heifers increased. Also the number of cows for commercial slaughter roughly doubled during this period. As a result, during this period per capita consumption of non-fed beef from steers,

Table 4: Imports Under The Meat Import Act *
1965-1976

Year	Quota Base[1]	Trigger Level[1]	Actual Imports[2]
		(millions of Pounds)	
1965	848.7	933.6	614.2
1966	890.1	979.1	823.4
1967	904.6	995.1	984.9
1968	950.3	1,045.3	1,001.0
1969	988.0	1,086.8	1,084.1
1970	998.8	1,098.7	1,170.6
1971	1,025.0	1,127.5	1,132.6
1972	1,042.4	1,146.6	1,355.5
1973	1,046.8	1,151.1	1,356.1
1974	1,027.9	1,130.7	1,079.1
1975	1,074.3	1,181.7	1,208.9
1976	1,120.9	1,233.0	1,231.7 **

* Meat is defined as fresh, chilled or frozen beef, veal and meats of goats and sheep excluding lambs.

1. United States International Trade Commission. *Conditions of Competition in United States Markets Between Domestic and Foreign Live Cattle and Cattle Meat Fit for Human Consumption,* Appendix C. Report on Investigation no.332-85, September 1977.

2. *United States Foreign Agricultural Trade Statistical Report, Calendar Year 1974 and Ibid Calendar Year 1976* United States Department of Agriculture, Economic Research Service, Washington, D.C.

** This number is obtained from United States International Trade Commission *Op.Cit.;* it is slightly different from that presented in Table 1.

heifers and cows increased while that for fed steers and heifer beef decreased. The implications of these trends become clear when one considers how imported beef is used.

Table 5: Cattle: United States Commercial Beef Slaughter, by Class
1972-1976

(In thousands of head)

Year	Steers and heifers			Cows	Bulls and stags	Total
	Fed	Nonfed	Total			
1972-----------	27,670	1,452	29,142	5,992	645	35,779
1973-----------	25,890	873	26,763	6,248	676	33,687
1974-----------	23,880	4,598	28,478	7,514	820	36,812
1975-----------	21,210	7,047	28,257	11,577	1,097	40,931
1976-----------	25,040	5,997	31,037	10,619	998	42,654

Source: Compiled from official statistics of the United States Department of Agriculture.

2. Uses of Imported and Domestic Beef

Most of the meat imported which is subject to the Meat Import Act is processed into sausage, ground beef or hamburger, beef stew, corned beef, and beef to be used in prepared dinners and soups. This is also true for much of the non-fed beef produced in the United States for which there has been a phenominal increase in production in recent years. For example during the period 1970-1975 the production of hamburger meat more than doubled.

Many argue that beef and veal imports are complementary to the United States beef industry rather than supplementary. Since the lean imported beef can be ground and mixed with the fat trimmings from domestic beef, the value of the home production is actually enhanced. However, from the point of view of those producing non-fed beef for similar processing into hamburger, the complementarily effect of the imported meat is certainly questionable.

Most of the imported fresh, chilled and frozen beef and veal is sold to wholesales, packers, and processors with the remainder going to retail stores and commercial dining establishments. These imports are generally mixed with domestic beef and consumed near the ports of entry. Chicago beef, for example, cannot compete with non-fed foreign supplies on the East Coast but is does have a slight price advantage in its home territory.

II. Literature Review

A. *Descriptive Studies*

There are several excellent descriptive studies available which describe the issues surrounding international trade in beef. Also some of these studies provide data and the overview needed for quantitative modelling of the impact of United States beef imports. Among the Studies are those by Barmettler and Cothern (1973), Cothern (1973), Cothern (1974), Davis (1977), Ginn (1977), Menzie and Hillman (1964), Schaller (1973), United States International Trade Commission (1977) and the United States Tariff Commission (1964).

In total, the above studies stress that:

(1) Imported beef is not readily substitutable for grain fed beef in the United States hence, where possible, fed and non-fed beef should

be categorized separately and the effects of the beef quota should be analyzed for each type of beef.

(2) The beef economics of Australia and New Zealand are heavily dependent on the United States for beef purchases.

(3) Both the cow-calf and feed-lot operators suffered severe financial loss from 1974-1976.

(4) Imports worsen price instability since they increase as domestic production increases.

(5) There has been a relative increase in the production of hamburger meat in the United States.

B. *Quantitaitve Studies*

The studies by Rentlinger (1966) and Schultz (1924) were among the early studies which estimated demand and supply functions for beef using econometric techniques. However then studies did not explicitly consider the effects of beef quotas. Edwards (1964) was among the first to quantitatively estimate the impact of beef quotas on producer prices. Among the models estimated was a function where the average price received by United States farmers for beef cattle depends on the quantity of steer and heifer beef supplied, per capita supply of domestically produced cow and bull beef, per capita supply of imported beef, value of by-products and per capita disposable income. This equation and others were estimated by the method of least squares.

Langemeier (1967) estimated a complete model of United States demand, supply and price relationships for the beef sector. Both two-stage and single-stage least squares methods were used. In their model the supply of beef was partitioned into fed, domestic non-fed and import components; the demand for beef was divided into fed and non-fed categories. Two years later McGarry (1969) did a spatial price equilibrium analysis of the world beef market in which supply and demand equations were estimated econometrically for major exporters and importers. Transportation costs were included along with quotas, tariff policies and other trade restrictions. Then by the use of quadratic programming McGarry computed consumer and producer prices and exports and imports by region under alternative governmental policies.[1/] In this type of a framework, the beef quota effect can be determined directly. Later Bawden and Schmitz (1973) did a spatial price equilibrium model of world trade in beef, wheat and feedgrains. Prices, trade flows, domestic consumption and production are determined from the three commodities simultaneously since in solving for equilibrium conditions the supply and demand for each commodity is not only a function of the price of that good but they are also functions of the prices of the other goods included in the model. In this model the supply and demand functions for each major trading region in beef, wheat and feedgrains were estimated econometrically and then solved by quadratic programming.

The effects of alternative beef import policies have also been determined by a simulation model. Duymovic *et.al.* (1972) analyzed the United States beef economy by this means for the period 1971-1980. The base model was also modified to simulate alternative import policies. Later Knox (1973) applied various costs of adjustment theories to the beef industry and analyzed through optimal control procedures the impact of removing quotas.

Additional studies since 1970 include Hunt (1972), Jackson (1972), Houck (1974), Ehrich and Usman (1974) and Freebairn and Rausser (1975). Hunt estimated separate beef demand functions for table cuts and for processed items. The non-fed

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1/ The spatial price equilibrium model was formulated by Samuelson (1952) and later extended by Takayama and Judge (1964).

beef demand included imports. Hunt isolated statistically significant direct and cross price elasticities of demand and income elasticites at the retail level for these two main classes of beef. Jackson examined the impact of beef quotas by estimating a forecasting model which consisted of four equations: Prices of all beef, high grade beef, low grade beef and other meats. Results are presented on the impact of the quota on retail prices of various classes of meat, farm prices and on returns to resources employed in beef production. Houck extended Hunt's analysis and determined the impact of the quota on retail prices of various classes of beef. Elasticity-flexibility estimates were also made. The study by Ehrich and Usman estimated by two stage least squares import supply and demand functions. As an example beef imports were specified as a function of the price of utility cows, wholesale price of beef carcasses Brisbane Australia and the production of beef and veal in Australia, New Zealand, and Ireland divided by United States population. The most recent study is that by Freebairn and Rausser. They estimated a model of the United States which included consumption, production, trade, and retail and farm prices of fed beef, other beef, pork, poultry, and inventory levels of livestock. From this model they were able to estimate short-term and long-run multipliers.

III. Past Findings

The results presented from past studies are by no means all inclusive. Rather they are representative of quantitative studies done on the issue of beef quotas.

Table 6 presents separate retail price elasticities and income elasticities for United States fed beef and non-fed beef. These were derived from a seven-equation simultaneous model of the United States beef market by three-stage least squares. Note that: (1) the direct demand for table beef is more elastic than for processed beef (2) the cross price elasticities approximately fulfill

Table 6
Retail Price Elasticities and Income Elasticities for Fed (FB) and Processed Beef (PB) in the United States

Part A

Quantities Demanded of:	Price Elasticities		Income Elasticity
	FB Price	PB Price	
FB	-2.03	+ .63	+0.92
PB	+1.37	-1.35	+0.20
	Part B		
FB	-2.030	+0.530	+0.92
PB	+1.233	-1.493	+0.20

Source (Part A): R. D. Hunt The Contrasted Effects of Quota, Autarky, and Free Trade Policies on United States Beef Production and Prices, Ph.D. Thesis, Department of Agricultural Economics, University of Minnesota, 1972.

Source (Part B): J. P. Houck "The Short-Run Impact of Beef Imports on United States Meat Prices," Australian Journal of Agricultural Economics. Volume 18, April 1974, pp.60-72.

the well known symmetry relation (3) price changes of table beef have a much larger impact on demand for processed beef than price changes of processed beef have on table beef demand.

The results in Table 7 are derived from the elasticity estimates in Table 6. At the extreme, a 10 percent increase in imports of processed beef causes the retail prices of processed beef to decrease by 4.86 percent. The effects on fed beef and all beef are 1.33 and 2.39 percents respectively.

Table 8 presents results on the impact of beef imports on retail prices (expressed in ¢/lb) of choice beef, hamburger, pork and chicken and on farm prices of slaughter steers, cull cows and feeder calves. The effects on both a 200 million pound and a 700 million pound change are shown. Note that the latter change represents more than half of the United States beef imports under the 1964 Meat Act. In terms of long-term impacts, an increase in beef imports of 700 million pounds causes choice beef at the retail level to drop by 4.59¢/lb while hamburger meat decreases by as much as 8.02¢/lb. At the farm level, the above change in imports causes the price of slaughter steers to decrease by 2.10¢/lb, the price of cull cows to decrease by 3.82¢/lb and the price of feeder calves to decrease by 2.42¢/lb.

Tables 9, 10 and 11 present additional data on the impacts of beef quotas. Also actual prices of utility cows, slaughter steers and feeder calves are given. Note that the results in Tables 10 and 11 use as a base the actual imports in 1964. For utility cows, the loss in total receipts due to increased imports above the 1964 level exceeded 600 million dollars. In terms of all slaughter cattle the loss exceeded 1.6 billion dollars.

Table 7
Short-Run United States Price Effects of Changes in Processed Beef Imports

Part A

On United States Retail Prices of:	Total Supply of PB	10% Increase in Imports of PB(a)	Imports of PB from Australia(b)
		(percent change)	
Processed Beef (PB)	-10.81	-3.46	-1.73
Fed Beef (FB)	- 3.36	-1.07	-0.54
All Beef(c)	- 5.59	-1.79	-0.90
	Part B		
Processed Beef	-15.20	-4.86	-2.43
Fed Beef	- 4.15	-1.33	-0.66
All Beef	- 7.47	-2.39	-1.20

a.) Imports at 32% of total PB

b.) Australian Shipments at 50% of imports

c.) Weighted Average Price

Source: J. P. Houck "The Short-Run Import of Beef Imports on United States Meat Prices." Australian Journal of Agricultural Economics., Volume 18, April 1974, pp.60-72.

Table 8
Estimates on Prices of Certain Meats of a 200 - and 700 Million Pound Increase in Beef Imports

Prices (United States)	Increase in Beef Imports (million pounds) 200 Short-Term	200 Long-Term	700 Short-Term	700 Long-Term
Retail Prices (¢lb)				
Choice Beef	-0.99	-1.31	-3.47	-4.59
Hamburger	-1.10	-2.29	-3.85	-8.02
Pork	-0.19	-0.20	-0.67	-0.70
Chicken	-0.26	-0.31	-0.91	-1.09
Farm Prices ($/100 lbs)				
Slaughter Steers	-0.56	-0.60	-1.96	-2.10
Cull Cows	-0.94	-1.09	-3.29	-3.82
Feeder Calves	-0.69	-1.16	-2.42	-2.42

Source: J. W. Freebairn and G. C. Rausser "Effects of Changes in the Level of United States Beef Imports," American Journal of Agricultural Economics. Volume 57, November 1975, pp.676-688.

Table 9: Effects of Increased Beef Imports on Cattle Prices *

Cattle Classification	Study			
	Farris and Graeber**	Rausser and Freebairn***	Folwell and Shapouri***	Ehrich and Usman***
	- $ per hundredweight -			
All Cattle			-1.41	
Cull Cows	-1.91	-1.09		-1.08
Slaughter Steers	- .24	- .60		
Feeder Calves		-1.16		

* Source: Ernest E. Davis *Food and Fiber Economics*. Texas Agricultural Extension Service AECO, volume 6, no.7 (September)

** Estimated at one pound per capita increase in beef imports.

*** Estimated at 200 million pounds increase in beef imports.

Table 10: Live Prices for Cows, Fed Steers and Estimated Prices 1964 Beef Import Levels 1975-1976

Classification	Study							
	Actual Prices		Farris and Graeber		Freebairn and Rausser		Ehrich and Usman	
	1975	1976	1975	1976	1975	1976	1975	1976
	- $ per hundredweight -							
Utility Cows	21.09	25.51	26.62	32.95	24.28	29.72	24.25	29.68
Slaughter Steers	44.61	39.11	45.31	40.07	46.37	41.54		
Feeder Calves	33.91	39.40			37.30	44.09		

Source: Same as Table 9.

Table 11: Estimated Impacts on Total Receipts from Beef Given Import Levels, 1975-1976

Cattle Classification	Farris and Graeber 1975	Farris and Graeber 1976	Freebairn and Rausser 1975	Freebairn and Rausser 1976
	million dollars			
Utility Cows	607.1	770.7	350.2	444.9
Slaughter Steers	109.1	168.2	274.4	425.9
Choice Feeders			477.1	677.6
All Slaughter Cattle				
	Folwell and Shapouri 1975	**Folwell and Shapouri 1976**	**Ehrich and Usman 1975**	**Ehrich and Usman 1976**
Utility Cows			346.9	440.8
Slaughter Steers				
Choice Feeders				
All Slaughter Cattle	1647.2	1792.6		

Source: Same as Table 9.

IV. Additional and Recent Findings

A. *Econometric Models*

In this section results are presented for three econometric models. Although these models are estimated using current data they patterned after those of Edwards (1964), Ehrich and Usman (1974) and Jackson (1972).[1/]

1. Model I

The estimated equation for the period 1959-1975 is:

$$P = 32.71 - 0.21\,Q_f - 0.44_{Q_o} + 12.76\,I + 1.13\,P_b \tag{1}$$

$$(-\ 3.08)^{*}\quad (-\ 2.38)\quad (3.18)^{*}\quad (3.01)^{*}$$

$R^2 = .83$

$D.W. = 2.01$

where: P = average real price of live choice grade steers ($/cwt.)

Q_f = per capita production of fed beef (lbs)

Q_o = per capita production plus per capita imports of non-fed beef (lbs)

I = natural log of per capita desposable increase ($1,000)[2/]

P_b = real farm value of by products (¢/lb)

1/ In each model the number in brackets are "t" statistics. significance at the 5% level is indicated by *; 10% level of significance is **.

2/ The level of statistical significance does not change significantly even if logs are not used.

In equation (1) all of the coefficients are significant at least at the 5% level of probability;[1/] their signs are consistent with economic theory. Interestingly the results are very similar to those obtained by Edwards (1974) even though data from 1963-1975 are added to our model.

Of major importance in interpreting equation (1) is the effect of variable Q_0. For example if imports are increased by 215 million pounds (which is roughly 18% of the current level of imports under the Meat Act) the average "real" price (in 1967 dollars) of beef would decrease by roughly $0.44/cwt. This price is equivalent to $0.80/cwt. in 1977 dollars. This result is also very close to that obtained by Freebairn and Rausser (1975) where they estimated the effect of a 200 million pound increase in imports to be $0.60/cwt. and $1.09/cwt. for slaughter steers and cull cows respectively

To interpret the results further, suppose imports were reduced to their 1964 level. This would be a reduction of roughly 600 million pounds. Such a reduction would cause the nominal price of fed beef (at the farm level) to increase by over $2.00/cwt.

1/ Two assumptions implicit in equation (1) should be noted. The first of these is that the supply of beef coming on the market in any one year is a predetermined variable, i.e., supply is not a function of (does not depend upon) current price in the market.

The second assumption is that of perfect substitution between domestically produced cow beef and off-shore beef of similar quality. In simple terms, this implies that a given decrease in domestic cow beef production will have no effect upon the average price of all domestically produced cattle if it is accompanied by an increase of equal volume in the quantity of beef imported. Furthermore, the rate at which beef from these two sources can be substituted for one another is independent of the volume of either of them, i.e., the effect upon price of a given increase in imports will be the same when the production of domestic cow beef is equivalent to one pound per capita as it will be when domestic production is a hundred, or a thousand, pounds per capita.

2. Model II

The estimated equation for the period 1959-1975.[1/]

$$(2) \qquad \ln P_c = 5.21 + 0.21 \ln Q_f - 0.99 \ln Q_o + 0.49\, I$$

$$(0.91) \qquad (-\,3.58)^{*} \qquad (2.47)^{*}$$

$$R^2 = 0.53$$

$$D.W. = 1.85$$

where: P_c= real wholesale price of utility cows (\$/cwt. dressed). All of the other variables are the same as defined in Model I. Note that only Q_o and I have significant effects on cow prices.

Since equation (2) is estimated in logs, the coefficient -0.99 is $\frac{\partial P_c}{\partial Q_o} \Big/ \frac{Q_o}{P_c}$, hence a 1% change in Q_o results in a 1% change in P_c. Because of our definition of Q_o, a 215 million pound increase in imports results in a 2.8% decrease in P_c. This translates into a \$0.75/cwt. in real terms and \$1.37/cwt. in nominal terms.

Additional equations were estimated:

$$(3) \qquad P_c = 46.30 - 0.05\, Q_f - 1.41\, Q_o + 22.18\, I$$

$$(-\,0.36) \quad (-\,3.87)^{*} \qquad (2.95)^{*}$$

$$R = 0.58$$

$$D.W. = 1.98$$

$$(4) \qquad P_c = 89.97 + 0.09\, Q_f - 2.17\, Q_o + 26.95\, I - 0.63\, Q_p$$

$$(0.77) \quad (-\,5.58)^{*} \qquad (4.35)^{*} \ (-2.93)^{*}$$

$$R^2 = 0.67$$

$$D.W. = 1.78$$

1/ The structure of the model is somewhat similar to that used by Ehrich and Usman (1974).

(5) $$P_c = 9.92 + 0.54 \ln Q_f - 1.58 \ln Q_o + 0.61 I - 1.06 \ln Q_p$$
$$(2.15)^* \quad (-4.40)^* \quad (3.36)^* \quad (-2.22)^*$$

$$R^2 = 0.67$$

$$D.W. = 1.81$$

In the above equations Q_p is per capita pork production (lbs). All of the other variables are the same as previously defined.

The estimated effects from the quota using equations (3), (4) and (5) are greater than those obtained from equation (2). For example from equation (3) a 215 million pound increase in imports reduces the wholesale price of utility cows (dressed weight) by $1.41/cent which in nominal terms is $2.57/cwt. Equation 4 shows that the effect is $2.17/cwt. in real terms and $3.96/cwt. in current dollars. From equation (5), a 215 million pound increase in imports results in a decrease in P_c by 4.4% which is a $1.18/cwt. real price decrease or a $2.16/cwt. nominal price effect.

The above findings are consistent with theory and previous results. The coefficients indicate that meat imports have a greater effect on the price of non-fed beef than on fed beef prices. This is because meat imports under the Act fit the non-fed category and in consumption fed and non-fed beef are not perfect substitutes.

3. Model III

In the following equations (estimated from 1959-1975 data) the effects of imports on both fed and non-fed beef.

$$(6) \qquad P_f = 61.23 - 0.03\,Q_f - 0.77\,Q_* - 0.03\,Q_p + 29.98\,I$$

$$(-\,5.36)^* \quad (-\,2.76)^* \quad (-\,0.17) \qquad (5.70)^*$$

$$R^2 = 0.74$$

$$D.W. = 2.08$$

where: P_f = real price of wholesale dressed choice 700-800 steers ($/cwt.)

and Q_* = per capita quantity of utility cow carcasses (lbs).

$$(7) \qquad P_c = 78.58 - 0.0001\,Q_f - 1.68\,Q_* - 0.52\,Q_p + 19.15\,I$$

$$(-\,0.18) \quad (-\,4.91)^* \quad (-\,2.33)^* \qquad (2.90)^*$$

$$R^2 = 0.71$$

$$D.W. = 1.13$$

In terms of equation (6) a 215 million pound increase in imports, assuming that they are substitable with domestic non-fed beef, decreases the real price of P_f by $0.77/cwt.; in nominal terms this is $1.40/cwt.; from equation (7) the effect on P_c is $1.68/cwt. in real terms and $3.08/cwt. in nominal terms. Note also that the effect of imports on the price of non-fed beef is much greater than the effect on fed-beef price. This finding is consistent with other studies.

B. *Spatial Price Models*

The free-trade model for a single commodity is described in notation form below:1/

Let

Subscript i = consuming regions 1, . . ., n

Subscript j = producing regions 1, . . ., m

D_i = quantity consumed in region i

1/ The above framework can easily be modified to describe a multiply commodity model. However it is much easier computationally to solve for equilibrium prices, quantities, trade flows and the like in the single commodity case than in the multiple good case.

S_j = quantity produced in region j

DP_i = the (destination) price in producing region i

OP_j = the (origin) price in producing region j

X_{ij} = quantity shipped to region i from region j

and

T_{ij} = transfer cost to region i from region j.

Given demand equations for each region,

$$D_i = a_i - b_i \, DP_i \quad \text{for all } i;$$

supply equations for each region,

$$S_j = c_j + d_j \, OP_j \quad \text{for all } j;$$

and transfer costs among all regions,

$$T_{ij} \quad \text{between each } i \text{ and } j;$$

find:

$$DP_i,\ OP_j,\ D_i,\ S_j,\ \text{and } X_{ij} \quad \text{for all } i \text{ and } j$$

by maximizing:

$$f\,(P) = \Sigma_i\, a_i\, DP_i - \tfrac{1}{2}\, \Sigma_i\, b_i\, DP_i - \Sigma_j\, c_j\, OP_j - \tfrac{1}{2}\, \Sigma_j\, d_j\, OP_j$$

subject to:

$$DP_i - OP_j \leq T_{ij} \quad \text{if } X_{ij} = 0$$

$$DP_i - OP_j = T_{ij} \quad \text{if } X_{ij} > 0$$

$$D_i = \Sigma_J\, X_{ij}$$

$$S_j = \Sigma_i\, X_{ij}$$

$$DP_i,\ OP_j,\ X_{ij} \geq 0.$$

Although the above model is specified for free trade in commodities, it can be modified to incorporate tariffs, quotas, price supports and many other governmental policies which affect international trade.2/ Because of this, the model is realistic in depicting actual trade flows among nations. Also it is possible to determine the effects of removing or introducing governmental policies such as a lowering or increasing of beef quotas.

A. *Single Commodity Beef Model*

In the pioneering study by McGarry (1969) beef prices, trade flows, consumption and production were determined endogenously while wheat, feedgrains and other commodities were exogenous to the model. McGarry estimated statistically beef supply and demand functions for the United States, Argentina, United Kingdom, Ireland, Denmark, the European Economic Community, Australia and New Zealand. For the remaining regions, projections of import/export gaps were made based on trend analysis.

The McGarry model has since been expanded to include wheat and feedgrains endogenously hence only two of his major results will be presented.4/ First, McGarry projected that by 1980 the competitive position of the United States beef industry would improve relative to its position in the 1950's and 1960's

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2/ The interested reader should refer to the following excellent paper on how to incorporate governmental policies into free trade spatial price equilibrium models. D. L. Bawden "A Spatial Price Equilibrium Model of International Trade." Journal of Farm Economics, volume 48 (November 1966) pp.862-874.

3/ M. J. McGarry An Economic Analysis of 1980 International Trade in Beef. Ph.D. Dissertation, Department of Economics, University of Wisconsin (1969).

4/ See D. L. Bawden and A. Schmitz "The Effects of Alternative Agricultural and Trade Policies on the World Wheat, Feed Grain and Beef Market," in *Domestic and Foreign Government Programs and Policies Affecting United States Agricultural Trade.*

visa via the United States. Second, McGarry estimated the effect on the farm price of fat cattle of allowing imports from Australia to increase by 180,300 metric tons. This increase in imports caused producer prices to decrease from \$1057/metric ton to \$1029/metric ton.

B. *Multiple Commodity Model*

The study by Bawden and Schmitz (1973) computes prices and trade flows for beef, wheat and feedgrains in a spatial price equilibrium context. Supply and demand equations were estimated for beef wheat and feedgrain for major trading nations. For beef, supply and demand equations were estimated for the United States, Canada, Australia, Argentina, the European Economic Community, Japan, New Zealand, and the United Kingdom. In the "basic" solution which contained E.E.C. levies, United States quotas and other barriers to trade, United States producer price was \$868/metric ton. This dollar amount is the weighted average price received by farmers for beef cattle expressed in carcass weight equivalents. In the basic solution the demand price (which differs from the producers price by transportation costs among production and consumption centers) is \$908/metric tons.1/ Corresponding to the above, the production of beef and veal was 9581 thousand metric tons and imports were 518 thousand metric tons or roughly 1 billion pounds expressed in carcass weight equivalents or roughly 670 million pounds in terms of product weight equivalents.2/ This amount is roughly 60% of current imports under the Meat Act.

Based on this model, an increase in imports of 600 million pounds of the types of meat imported under the Meat Act (which is mostly boneless beef) reduced United

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1/ The basic solution is presented in Bawden and Schmitz (1973) p.417.

2/ See Table 218 United States Department of Agriculture, Economic Research Service. *Livestock and Meat Statistics*, p.143 (July 1970), for the relationship between carcass weight and product weight.

States beef prices by 8%. This is a reduction of \$69/metric ton in terms of the weighted average producer price of beef expressed in carcass weight equivalent, which is roughly \$3.10/cwt. of carcass weight beef. It is important to note that this price is for both fed and non-fed beef.1/ Interestingly the above findings are consistent with our results which were presented earlier (derived from completely different models) and with those of other authors (see for example Tables 9 and 10).

Unlike in the previous studies, results are presented on the volume of United States beef imports, if both the quota and the duties were removed. With both the quota and duty removed, imports expressed in product weight equivalent would increase by roughly 600 million pounds. If only the quotas were removed, imports would increase by roughly 350 million pounds. This is roughly 60% and 35% respectively when imports measured in product weight are expressed as a percentage of the volume of carcass weight beef imported under the tariff and quota.2/

It is interesting to determine the effects of a change in quota levels when the United States beef demand and supply functions are updated by including in estimation data through 1975. The results do not significently cnage. A change in imports of 600 million pounds changes the price in terms of carcass weight by roughly \$70/metric ton. The producer price in the absence of both tariffs and quotas is roughly \$1100/metric ton and imports would increase by between 600-700 million pounds.

If one uses the standard concepts of economic rent and consumers' surplus

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1/ Due to the increase in imports beef production declines by 2% and gross revenue to the beef sector drops 10%.

2/ In addition to the quota, for meat imported which is subject to the Meat Act a 3¢/lb duty is imposed.

as a measure of welfare change, the change in economic rent (as a measure of producer welfare) is approximately 375 million dollars computed for 1975 for a change in boneless beef imports of 325 million pounds. Evaluated in terms of the 1964 level of imports under the Act, the loss in economic rent by allowing imports under the Act to increase to current levels is roughly 500 million dollars. Note that this number is smaller than that given in previous studies since they use the change in total gross receipts which, when the supply curve is upwarding sloping, has to be greater than the change in economic rent.

In terms of the effect on consumers, the loss in consumers' surplus (where the demand curve is estimated at the wholesale level) due to a decrease in imports of 350 million pounds is roughly 500 million dollars.

V. Interpretations and Conclusions

The previous findings show the approximate magnitudes of the effects of changing the level of United States beef imports. While the econometric models used are able to detect the effect of imports on different types of meat, one is unable with this approach to determine the effect of a complete removal of duties and quotas unless some assumption is made about the effect this has on the supply price of exporters. On the other hand, because of the complexity of spatial price models, one generally has to aggregate non-fed and fed beef into one category. Thus, while this approach can give results on the effects of free trade it cannot differentiate the effects imports have on different types of meat unless separate demand functions are estimated and included in the model. In our spatial model, beef was aggregated into one commodity; this should be kept firmly in mind when interpreting the results.

One can use the quantitative findings reported in many ways. As a example, effects measures in terms of aggregate welfare were presented. These were estimated based on economic rent and consumers' surplus. Other authors presented findings in terms of change in gross receipts due to a change in import levels. One other way that the results may prove useful is to consider the effect of a change in imports on a specialized cow-calf rancher who has a breeding herd of 200 cows and who sells the calves as feeders. Assume that imports increase by 400 million pounds which (based on the previous results) causes cull cow prices to drop by roughly \$2.25/cwt. and feeder calves to decrease by \$2.15/cwt. Assuming a 5% death loss, a 10% cull rate and that calves are sold at a 450 lb. weight, the change in total gross receipts for the rancher is roughly \$2500. How important this amount is to the rancher depends upon, among other things, the general level of prosperity in the cattle industry.

The overall prosperity of the cattle industry, at the time when decisions are made on import levels, is important. As a recent study (International Trade Commission (1977) pointed out, the cattle industry has been under financial stress since 1973. The majority of cow-calf operations during the 1974-76 period did not cover their total costs of operation. In certain cases, cow-calf operators did not even cover variable costs. It is clear that an additional \$2500/year to a rancher during this period would have a greater effect than say during 1973 when the cattle business was quite profitable.

Because of their current financial problems many cattle people are facing, another point worth stressing in the link between the cattle cycle and the Meat Act in which the quota is tied to domestic production. Because of a sharp rise in grain prices and other factors, the number of cows slaughtered increased dramatically since 1973 (see Table 5). This caused prices to drop even further. However the decrease was strengthened by the growth in imports since, if the Act is adhere to, more beef can be imported because domestic production is increased even though even though part of the production increase is due to herd liquidation due to a depressed industry. Thus one could argue, that the present quota system (if adhered to) can magnify the degree of price instatility in the cattle industry.

The data presented can also be used to examine the effect on cattle feeders and consumers. With respect to the latter, imports do not effect the poor and the wealthy equally. As studies have shown, the largest proportion of non-fed beef is consumed by low income people. Hence they gain more from beef imports than do people who purchase largely fed beef. As our results showed, the impact of imports on fed beef prices is less than the impact on non-fed beef prices.

In evaluating the trade offs between producers and consumer groups from meat imports, it should be remembered that in some cases producers derive their sole source of income from the sale of beef. As a result, their livelihood greatly depends on income derived from the sale of cattle. For consumers, due to substitutes and the general level of affluence, clearly not all of their income is spent on meat.

In conclusion, the empirical results show that changes in imports allowed under the Meat Act will not have a major impact on various types of cattle producers (egs.: cattle feeders, cow-calf operators) nor on consumers in terms of changing profits or consumer expenditures by say 50%. Any likely changes in imports under the Act can at most have a 10 to 15% effect on beef prices and the like for any given year. Thus it is incorrect to argue, for example, that a 20% reduction in beef imports will solve the financial problems of cattle producers or a 20% increase in imports will cause a substantial drop in retail meat prices.

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