

## **Beef Imports and Exports Adjust as Market Signals Change**

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The meat import and export markets have several dynamics, and the international flow of different meats can have tremendous implications on domestic beef and cattle prices. The positive for beef cattle producers is that the trade data from November 2015 for international beef trade is showing signs of improvement compared to previous months. Thus, it may be beneficial to discuss what is happening on the trade front and how 2016 may take form.

Through the first nine months of 2015 beef imports had experienced a year over year increase of 29.5 percent. However, October and November beef imports were down 12.9 and 26.6 percent respectively compared to the same months one year earlier which has resulted in imports up only 19.7 percent for the first eleven months of the year compared to the previous year.

Australia is the largest import source for beef and accounted for 46.0 percent of the increase in imports the first eleven months of 2015. However, imports from Australia in October and November were down 32.8 and 43.5 percent respectively from the same months in 2014. This decline was largely due to Australia meeting their import quota and facing increased tariffs for quantities in excess of the quota. New Zealand is the second largest import source and accounted for 16.0 percent of the increase year over year, but November exports were down 31.5 percent from a year ago.

Canada and Mexico are also major beef import sources. Imports from Canada through the first eleven months are up 5.0 percent while imports from Mexico are up 29.0 percent. Imports from Mexico accounted for 15.6 percent of the increase in beef imports year over year. Brazil has also established itself in the U.S. market by increasing exports to the U.S. by 92.5 percent compared to the first eleven months of 2014 and accounting for 12.9 percent of the year over year increase in imports.

Imports are expected to slow in 2016. Based on the January WASDE (World Agricultural Supply and Demand Estimates), the USDA projected imports to decline 15.6 percent in 2016 compared to 2015. Much of this decline will be because of slowing imports from Australia and New Zealand. Both countries were exporting at an unsustainable rate. Additionally, if drought conditions continue to improve in Australia and if they improve in New Zealand then both countries will begin retaining animals to rebuild the cattle herd.

Beef exports the first eleven months of 2015 were 12.3 percent lower than the same period in 2014. Exports to Japan were down 18.8 percent during this eleven month period compared to the same months one year earlier while exports to Mexico and Canada declined 17.4 and 11.8 percent respectively. In 2014, Hong Kong emerged as a major export market, but exports through the first eleven months of 2015 were down 24.5 percent compared to a year earlier.

Monthly beef export totals have been below year ago levels every month of 2015. Seven of those months had year over year declines in excess of 9 percent with the biggest declines occurring in January and July through October. However, exports in November were only 0.8 percent lower than the previous November. Mexico, Hong Kong and South Korea led the way with November exports up 11.8, 7.8, and 7.6 percent respectively compared to a year ago. Japan continues to be the drag with October exports down 40.9 percent and November down 28.8 percent compared to the same months a year earlier. USDA projected beef exports in 2016 to exceed 2015 levels by 9.4 percent based on the January WASDE.

Cattle imports are down 12.1 percent through November compared to 2014 while cattle exports are down 34.5 percent. Imports of cattle from Canada are down 31.1 percent for the first eleven months of 2015 compared to the same months in 2014 while imports from Mexico are up 10.2 percent over the eleven month period. However, November cattle imports from Canada and Mexico are 58.9 and 29.7 percent lower than the previous November respectively.

What lies ahead for the import and export market in 2016 will be dependent on supply and demand fundamentals which will be demonstrated through changes in cattle and beef prices. Some of these changes have already been witnessed with the late year cattle price decline. The value of the dollar will continue to impact beef and cattle trade, but the value of the dollar is not the only game in town. The global economy and global market will have the final say, but at this time the export market appears to have year over year gains in store for 2016.