

Market Advisor: International trade important to both U.S. demand

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International beef trade is important to both the demand and supply sides of the U.S. beef market. Economic theory suggests that beef exports increase beef demand and beef imports increase beef supplies. Beef exports in 2014 on

a quantity basis were similar to 2013 levels, but on a value basis they were about 15% higher. Record-high U.S. prices for beef contributed to the high value. Normally, high prices, along with the increasing value of the U.S. dollar,

would ration exports. So, maintaining a similar volume to the previous year was a positive demand factor for 2014 cattle prices in the United States.

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Beef byproduct exports

Beef imports into the United States also increased and were buoyed by the record-high prices and increasing U.S. dollar value. Another important factor included a drought in Australia, which forced beef herd liquidation and additional beef to export.

Many factors affect both beef exports and imports and could be the topic for several columns. I will just concentrate on beef byproduct exports in this particular column.

U.S. beef byproduct values were also record high in 2014. Values for individual beef byproduct items are influenced by many fundamental supply and demand factors. Export demand is especially important because the amount of U.S. byproducts produced is large in comparison to domestic demand.

For example, many hides are exported to overseas customers to be processed into leather and leather products. So economic conditions around the world and the value of the U.S. dollar relative to other currencies affect byproduct values. Strong economies with robust automobile and leather clothing sales certainly help the demand for leather.

Beef byproducts include all items, both edible and inedible, from harvested cattle that are not part of the dressed carcass. The hide is the most valuable byproduct and usually accounts for about one-half of the total byproduct value. Other beef byproducts include items such as edible and inedible tallow, livers, hearts, tongues, oxtails, tripe (stomach), and meat-and-bone meal. Edible byproducts are often referred to as “variety meats.” Inedible byproducts are used for a wide variety of pharmaceutical, cosmetic, household and industrial products.

Tastes and preferences for traditional beef cuts and variety meats differ throughout the world. Fortunately, some foreign customers actually prefer variety meats such as livers, hearts and tripe; unlike many U.S. consumers. Tongues, for example, are popular in Japan. In some countries, particular variety meats are preferred over traditional meat cuts or even used for

and supply

medicinal purposes. In other countries a variety meat may be a cheaper source of protein for lower-income consumers.

The USDA Economic Research Service (ERS) published a much more in-depth explanation of uses of byproducts titled “Where’s the (Not) Meat? Byproducts from Beef and Pork Production,” which is available at www.ers.usda.gov/media/147867/ldpm20901.pdf.

The USDA Agricultural Marketing Service (AMS) publishes a daily *USDA Byproduct Drop Value* report for fed cattle. It is available at www.ams.usda.gov/mnreports/nw_ls441.txt

AMS reports the quantity, price and value for a number of the most important byproducts both for a typical 1,375-pound (lb.) steer and for a combined steer and heifer (1,300-lb.) category. Values are reported on a per-hundredweight (cwt.) live basis.

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As I write this article, the byproduct value for a 1,375-lb. steer was quoted at \$16.24 per cwt., or \$223.30 per head. AMS reported the market value of an average live steer at \$167 per cwt., so byproducts amounted to about 10% of the steer value. Values of selected individual byproduct items included the steer hide at \$7.82 per cwt. (\$107.53 per head), both tongues and oxtail at \$0.96 (\$13.20 per head), meat-and-bone meal at \$0.78 (\$10.73 per head), livers at \$0.58 (\$7.98 per head), and hearts at \$0.37 (\$5.09 per head).

AMS also issues a weekly *USDA Byproduct Drop Value (Cow)* report. It is available at www.ams.usda.gov/mnreports/nw_ls444.txt.

The report lists the quantity, price and value for important byproducts from a typical 1,100-lb. cow. As I write this article, the cow byproduct value was estimated at \$15.22 per cwt., or \$167.42 per head. An 1,100-lb. cow selling for \$115 per cwt. would have a market value of \$1,265. So, byproducts would amount to about 13% of the cow’s value.

Fed-steer byproduct values increased to record-high levels in the first part of 2008 at \$12 per cwt. However, the U.S. and world economic crisis sent values plummeting to \$6 by the end of 2008. Values began

improving in late 2009 as economic conditions improved. Gradual improvement throughout 2010 resulted in record-high values again at more than \$12 by year’s end. Continued gradual improvement fueled by strong export

demand has resulted in the current record-high values near \$16 per cwt.

Both supply and demand factors will affect beef byproduct values in 2015. Projected lower U.S. fed-cattle and cow slaughter and continued strong export demand should support byproduct values at near-record levels again in 2015. However, world political and economic situations such as the conflict between

Russia and the Ukraine, the Middle Eastern unrest, and economic conditions in Southeast Asian countries could all impact byproduct values.



Editor’s Note: *Tim Petry is a livestock marketing economist with the North Dakota State University Extension Service.*