International Trade in Cattle and Beef Products with Emphasis on the Effects of the European Economic Community on the South Dakota Economy

Harold F. Bjarnson

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INTERNATIONAL TRADE IN CATTLE AND BEEF PRODUCTS WITH
EMPHASIS ON THE EFFECTS OF THE EUROPEAN ECONOMIC
COMMUNITY ON THE SOUTH DAKOTA ECONOMY
INTERNATIONAL TRADE IN CATTLE AND BEEF PRODUCTS WITH EMPHASIS ON THE EFFECTS OF THE EUROPEAN ECONOMIC COMMUNITY ON THE SOUTH DAKOTA ECONOMY

BY

HAROLD F. BJARNASON

A thesis submitted in partial fulfillment of the requirements for the degree Master of Science, Department of Economics, South Dakota State College of Agriculture and Mechanic Arts

January, 1964
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>The Problematic Situation</td>
<td>2</td>
</tr>
<tr>
<td>The Problem</td>
<td>4</td>
</tr>
<tr>
<td>Objectives</td>
<td>7</td>
</tr>
<tr>
<td>Procedure</td>
<td>8</td>
</tr>
<tr>
<td>II. INTERNATIONAL TRADE IN CATTLE, BEEF CATTLE PRODUCTS AND FEED GRAINS</td>
<td>11</td>
</tr>
<tr>
<td>Value of World Exports of Cattle and Beef Cattle Products</td>
<td>13</td>
</tr>
<tr>
<td>World Trade in Specific Commodities</td>
<td>15</td>
</tr>
<tr>
<td>Cattle</td>
<td>15</td>
</tr>
<tr>
<td>Fresh and Frozen Beef and Veal</td>
<td>21</td>
</tr>
<tr>
<td>Canned Meats</td>
<td>22</td>
</tr>
<tr>
<td>Offal, Game and Other Meat</td>
<td>23</td>
</tr>
<tr>
<td>Tallow and Greases</td>
<td>23</td>
</tr>
<tr>
<td>Hides and Skins</td>
<td>23</td>
</tr>
<tr>
<td>International Trade in Feed Grains</td>
<td>24</td>
</tr>
<tr>
<td>III. UNITED STATES IMPORTS OF CATTLE AND BEEF CATTLE PRODUCTS</td>
<td>27</td>
</tr>
<tr>
<td>United States Imports of Cattle and Calves</td>
<td>30</td>
</tr>
<tr>
<td>United States Imports of Beef and Veal</td>
<td>32</td>
</tr>
<tr>
<td>Sources of Beef and Veal Imports</td>
<td>33</td>
</tr>
<tr>
<td>Imports of Boneless Beef</td>
<td>37</td>
</tr>
<tr>
<td>Chapter</td>
<td>Page</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>Imports of Other Beef Cattle Products</td>
<td>39</td>
</tr>
<tr>
<td>American Public Opinion on Imports of Cattle and Beef Cattle Products</td>
<td>39</td>
</tr>
<tr>
<td>The European Economic Community and United States Imports of Cattle and Beef Cattle Products</td>
<td>44</td>
</tr>
<tr>
<td>IV. UNITED STATES EXPORTS OF CATTLE AND BEEF CATTLE PRODUCTS</td>
<td>46</td>
</tr>
<tr>
<td>United States Exports of Cattle and Calves</td>
<td>51</td>
</tr>
<tr>
<td>United States Exports of Beef and Veal</td>
<td>52</td>
</tr>
<tr>
<td>United States Exports of Variety Meats</td>
<td>54</td>
</tr>
<tr>
<td>United States Exports of Oils, Fats and Greases</td>
<td>55</td>
</tr>
<tr>
<td>United States Exports of Hides and Skins</td>
<td>57</td>
</tr>
<tr>
<td>Effects of Exports of Cattle and Beef Cattle Products on the United States Beef Cattle Industry</td>
<td>58</td>
</tr>
<tr>
<td>United States Exports of Feed Grains</td>
<td>61</td>
</tr>
<tr>
<td>V. THE IMPORTANCE OF SOUTH DAKOTA BEEF CATTLE IN THE NATIONAL BEEF CATTLE INDUSTRY, AND IN THE SOUTH DAKOTA ECONOMY</td>
<td>64</td>
</tr>
<tr>
<td>The Importance of South Dakota Beef Cattle in the Beef Cattle Industry of the United States</td>
<td>65</td>
</tr>
<tr>
<td>Future Production and Consumption of Beef and Veal</td>
<td>70</td>
</tr>
<tr>
<td>The Importance of Beef Cattle in the South Dakota Economy</td>
<td>71</td>
</tr>
<tr>
<td>The Relationship Between Feed Grains and Beef</td>
<td>75</td>
</tr>
</tbody>
</table>
Chapter South Dakota and United States Exports and Imports of Cattle and Beef Cattle Products ........................................ 78

VI. THE EUROPEAN ECONOMIC COMMUNITY .......................... 82
The Treaty of Rome ....................................................... 87
The Common Agricultural Policy ....................................... 90
The Proposed Common Agricultural Policy for Cattle and Beef Cattle Products .................................................. 96
Reaction to the Common Agricultural Policy .......................... 99
Alternative Policies for the Common Market ............................ 100

VII. PRESENT EEC IMPORTS OF CATTLE AND BEEF CATTLE PRODUCTS, PROJECTIONS TO 1970, AND EFFECTS OF ALTERNATIVE COMMON MARKET POLICIES ON THE UNITED STATES ................................................. 107
Present Imports of Cattle and Beef Cattle Products by the European Economic Community .................................................. 109

EEC Imports of Live Cattle and Calves ................................ 109
EEC Imports of Beef and Veal ........................................... 112
EEC Imports of Variety Meats ........................................... 119
EEC Imports of Tallow and Greases ................................... 123
EEC Imports of Cattle and Calf Hides and Skins ....................... 124
EEC Imports of Other Beef Cattle Products ............................ 126

Imports of Feed Grains by the European Economic Community .................................................. 128

Projections to 1970 for Beef and Veal Imports by the European Economic Community .................................................. 138
Chapter

Effects of a Protectionist Six-Member EEC on the United States ................. 143
Effects of a Protectionist Enlarged EEC on the United States ................ 148
Effects of a Liberal Six-Member EEC on the United States ..................... 151
Effects of a Liberal Enlarged EEC on the United States ........................ 152

VIII. EFFECTS OF THE ALTERNATIVE COMMON MARKET POLICIES ON SOUTH DAKOTA ................. 154

Effects on South Dakota of a Six-Member EEC with a Protectionist Common Agricultural Policy .................. 154
Effects on South Dakota of an Enlarged EEC with a Protectionist Common Agricultural Policy .................. 156
Effects on South Dakota of a Six-Member EEC with a Liberal Common Agricultural Policy .................. 157
Effects on South Dakota of an Enlarged EEC with a Liberal Common Agricultural Policy .................. 158

Possible Areas for Further Study .................. 159

IX. SUMMARY AND CONCLUSIONS .................. 161

LITERATURE CITED .................. 167

APPENDICES .................. 172

Appendix A: Glossary of Terms .................. 173
Appendix B: Project Statement, 397 .................. 178
<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>World Exports of Cattle and Beef Products, 1960 and 1961</td>
<td>13</td>
</tr>
<tr>
<td>2.</td>
<td>Imports of Cattle, Beef Products and Feed Grains, and Percentage of World Imports by Country and Groups of Countries, 1961</td>
<td>16</td>
</tr>
<tr>
<td>3.</td>
<td>Exports of Cattle, Beef Products and Feed Grains, and Percentage of World Exports by Country and Groups of Countries, 1961</td>
<td>18</td>
</tr>
<tr>
<td>4.</td>
<td>Imports of Cattle and Beef Cattle Products, and Comparison with United States Production, 1962</td>
<td>28</td>
</tr>
<tr>
<td>6.</td>
<td>United States Exports of Cattle and Beef Products, Calendar Year 1962</td>
<td>48</td>
</tr>
<tr>
<td>7.</td>
<td>United States Exports of Feed Grains to Present and Potential Members of the EEC, Value by Country and Group, Calendar Years, 1957-61</td>
<td>61</td>
</tr>
<tr>
<td>10.</td>
<td>Proposed Common External Tariffs of the European Economic Community on Cattle and Beef Products</td>
<td>97</td>
</tr>
<tr>
<td>11.</td>
<td>Common Market Imports of Beef Cattle and Calves, and Sources of These Imports, Calendar Year 1962</td>
<td>110</td>
</tr>
<tr>
<td>12.</td>
<td>Common Market Imports of Beef and Veal, and Sources of Imports, Calendar Year 1962</td>
<td>113</td>
</tr>
<tr>
<td>Table</td>
<td>Page</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>------</td>
<td></td>
</tr>
<tr>
<td>13. Net Imports of Beef and Veal by Applicants for Full Membership to the European Economic Community, 1962</td>
<td>115</td>
<td></td>
</tr>
<tr>
<td>15. Imports of Grains by the Common Market and Prospective Members, 1959-60</td>
<td>130</td>
<td></td>
</tr>
<tr>
<td>17. United States Grain Exports to the EEC Countries Under Selected Conditions, 1970</td>
<td>135</td>
<td></td>
</tr>
<tr>
<td>18. Projections to 1970 for European Economic Community Production, Consumption and Net Import Requirements</td>
<td>142</td>
<td></td>
</tr>
</tbody>
</table>
CHAPTER I

INTRODUCTION

Trade has existed among different societies throughout man's known history. Its importance and advantages have long been recognized and appreciated by the leaders and merchants of the world. In biblical times, for example, great caravans of heavily-laden camels carried the treasures of the East to the bustling centers of Damascus, *Babylon*, and Memphis. Greece and Rome sent their legions to distant lands to secure the highly valued and coveted exotic goods which were obtainable only in these alien regions.

Rulers of the various states early learned the pecuniary gains to be made from trade. Thus it was that tariffs and other restrictions to trade by which rulers could make profits were erected with the beginnings of foreign trade.

However, with the collapse of the Roman Empire, the commencement of what is known as the "Dark Ages" and the subsequent rise of the feudal system throughout Europe, duties on external trade were greatly increased. This trend culminated in the system of mercantilism, an ideology, widely held by the leaders of the developing nation-states of Europe. Mercantilist thought dictated that high barriers be erected to imports so that a nation might become self-sufficient, and export its surpluses in return for gold bullion.

After reaching a peak in the eighteenth century, the protectionism of mercantilism slowly lost its popularity, and the economists of
the day began instead to expound the advantages of freeing international trade. The movement toward free trade has advanced at different rates among the countries of the world since that time, and except for temporary efforts to raise barriers to trade in times of recession and depression, it can be generally stated that the nations of the world have found it to their advantage economically to mutually lower international barriers to trade.\textsuperscript{1} The law of comparative advantage explains the monetary advantages of trade.\textsuperscript{2} Trade gives political advantages as well, for by tying nation-states together economically, it provides them with common interests and goals, and unifies them in their opposition to potentially harmful nations or blocs. Whether or not this liberalizing trend in trade will continue into the future, and the results of possible future world trade patterns in cattle and beef cattle products on the United States and South Dakota will be considered in this study.

The Problematic Situation

The United States of America has proven itself to be one of the most efficient producers of industrial and agricultural goods in the world. As a result, United States goods have been eagerly sought by

\textsuperscript{1}For a definition of "trade barriers," see the Glossary of Terms, Appendix A.

\textsuperscript{2}For a definition of "comparative advantage," see the Glossary of terms, Appendix A.
other countries, and the United States has benefited by exchanging these goods for other commodities produced by foreign nations.

Trade is important to the United States. International trade is especially important to the agricultural sector of the United States economy. Of the total United States exports in the 1962 calendar year of $21,285,484,000, almost one-quarter, or $5,031,403,000 came from the sale of agricultural commodities. On the other hand, only $3,875,537,000 of the $18,242,236,000 in goods and services imported by the United States were agricultural. Thus there was a favorable balance of trade in agricultural commodities of $1,155,866,000.\(^1\) It is estimated that the produce of one out of every five acres of cropland in the United States is exported annually.\(^2\) This large volume of agricultural exports shows that many farmers in the United States are directly and vitally dependent on foreign markets for a good part of their incomes.

Although few cattle and little fresh beef are exported by the United States, the exportation of beef products is considerable. Cattle hides and calf and kip skins, tallow and variety meats are important export commodities of the United States. Imports into the United States of cattle and beef products have been increasing considerably in the


past few years. Especially significant is the rise in United States imports of manufacturing meats and live beef cattle.

United States trade policy, as exemplified at the May 1963 meetings in Geneva of members of the General Agreement on Tariffs and Trade (GATT) is to liberalize international trade on a most-favored-nation basis. Bringing this policy into effect would, of course, mean that restrictions on agricultural imports into the United States would be decreased or eliminated in return for a mitigation or abolition of import barriers by other countries to United States exports of agricultural commodities. GATT negotiations to liberalize trade, mainly between the United States and the European Economic Community (also known as the EEC, the Common Market, and the "Six"), will begin on May 4, 1964.

The Problem

Our generation is witnessing profound changes on the international scene. The birth of a new nation is not unusual, and many of the older nations which played important roles in the great historical events of the past are declining in power relative to the newer industrializing nations. Certainly, among the most far-reaching of all changes is that which is presently taking place in Western Europe, where the medieval concept of universality appears to be re-emerging.

For a definition of "most-favored-nation," see the Glossary of Terms, Appendix A.
The establishment of several intra-European organizations in the post World War II period culminated in 1957 in the formation of an European Economic Community consisting of France, the Federal Republic of Germany, Italy and the three Benelux countries: the Netherlands, Belgium and Luxembourg. Although primarily an economic union in which internal barriers are to be abolished within a set period of time, it has political overtones and it is envisaged by many that this economic community is but a first stage in the ultimate political union of Western Europe. Exactly how this union will develop is impossible to say. Changes in policy in Europe and in the United States have not ceased. It is a very dynamic subject with which this thesis deals. Just as the Common Market could become a powerful economic and political entity, so could it be broken up overnight by a political leader. President de Gaulle of France has already threatened that if an agricultural policy for the EEC is not agreed upon by December 31, 1963, France will withdraw from the Community. This would destroy the EEC. If the EEC does overcome this hurdle, there will be other crises as well in the future.

The six European nations are now attempting to develop a single agricultural policy and will soon begin to bargain in international trade negotiations as a unit, rather than as six separate nations. The United States may therefore, in the future, have to deal with the six EEC nations collectively to win trade concessions rather than with the individual member countries. This means that it will be extremely
important for the United States to deal in a very competent manner with
the Common Market.

The problem is that the development of a common agricultural
policy (CAP) by the EEC will affect present world trade patterns in
cattle and beef products. Such a single policy by the six nations will
have a different effect on trade in these commodities than the present
collective effect of the individual agricultural policies of the member
nations. This in turn will influence exports and imports by the United
States of cattle and beef products and will thus affect the South Dakota
cattlemen and the South Dakota economy.

The beef cattle industry is an important one in the United States.
It is especially important in South Dakota which has ranked fourth
among states in the union since 1951 in total numbers of beef cows.
In the 1956-60 period, 41.1 percent of cash farm incomes in South Dakota
came from cattle and calves. To illustrate the growing importance of
cattle in the state, this figure can be compared to that of the 1940-44
period when only 20.2 percent of farm cash income came from cattle and
calves.¹ The United States is a large exporter of beef cattle products
and a very important importer of cattle and beef and veal. Obviously
then, a change in world trade of cattle and beef products brought about
by a new agricultural policy for the six EEC nations will affect

¹United States Department of Agriculture, Crop and Livestock
Reporting Service, A Century of South Dakota Livestock, U.S.D.A.,
exports and imports of these commodities by the United States, and will therefore affect the United States beef cattle industry and the cattle ranchers and feeders of South Dakota.

The manner in which United States' agriculture in general and the South Dakota beef cattle industry in particular will be affected will depend ultimately on the agricultural policy formulated by the EEC. The development of such a CAP is a long and arduous task, for the farm interest groups in each of these countries are reluctant to allow their governments to make concessions that would not be in the farmers' interests.

However, it is hoped that a CAP will be agreed upon for the 1964 GATT negotiations in Geneva. This EEC policy could favor the liberalization of agricultural trade or could take a protectionist approach. In other terminology, the Common Market could be an outward-looking, free trading community, possibly numbering as its members all or most of the countries of Western Europe, or it could attempt to be a six nation, inward-looking, French-led third world force. Whatever policy it chooses to follow, the South Dakota cattlemen and thus the South Dakota economy will be affected. Each policy, of course, will have a different effect.

Objectives

The purpose of this thesis is to estimate the extent to which selected EEC agricultural policy alternatives would affect United States
imports and exports of cattle and beef products, and to hazard conclud-
sions concerning the effects of the various EEC policies on the South Dakota cattlemen. This involves an examination of United States trade in these commodities and of alternative Common Market policies and the future trade patterns which would result from each. It is hoped that the facts assembled herein concerning international trade in cattle and beef products will be of assistance to South Dakota ranchers, feeders and other interested people.

This thesis raises many questions as to what can be done to anticipate and deal with effectively, problems which will adversely affect South Dakota, and also what courses of action by the United States Government would best serve South Dakota's interests. However, solutions to such problems will not be proposed in this thesis.

Procedure

The first step will be an examination of exports and imports by the major world traders of cattle and beef cattle products. This will allow estimates to be made of the extent to which exports of these commodities would be curtailed or encouraged by various EEC policies, and calculations of what might be alternative trade patterns for them if EEC policies discouraged imports of these commodities by the Six to a greater degree than would be the case under a continuation of national policies.
Then an analysis of United States imports and their sources and
United States exports and their destinations will be made. Imports
and exports will be examined by commodities. This will allow a better
examination of the effects of competition exerted by imports and bene-
fits to United States cattlemen from exports than would otherwise be
possible. It will also permit an analysis of the degree to which United
States imports and exports of each individual beef cattle products may
be affected by changes in the patterns of world trade, resulting from
the future CAP.

The role played by South Dakota beef cattle in the United States
beef cattle industry will then be examined so that the effects on the
United States beef cattle industry, of policy changes in the Common Mar-
et, may be correspondingly measured on the South Dakota cattlemen.
Then, pursuing this course more thoroughly, an analysis of the importance
of the South Dakota beef cattle industry in the state economy will be
computed, so that the effects of a new EEC agricultural policy can
later be measured on the South Dakota economy as a whole.

It will then be necessary to look at the Common Market itself.
Its historical background, aims, conditions for membership and common
agricultural policy will be given particular attention. The various
policies it could choose to follow in agriculture will be individually
examined. Present imports of cattle, beef products and feed grains, and
the chief suppliers of these imports will be examined. Projection
requirements to 1970 under the different policy assumptions will be
made, and then the effects of each one of these policies on the chief
world exporting nations and the United States will be measured.
Finally, the corresponding effects on the South Dakota ranchers, feed-
ers and the state economy as a whole will be estimated.
CHAPTER II

INTERNATIONAL TRADE IN CATTLE, BEEF CATTLE PRODUCTS AND FEED GRAINS

If, as the title of this thesis suggests, changes in the patterns of international trade in beef cattle and their products would result because of the future EEC common agricultural policy, then it is essential that a study of present international trade in these commodities be made. Only by so doing can a realistic estimate of possible redirection of trade be made. It will be necessary to examine exports and imports by the major world traders of cattle and beef products, so that later estimations can be made of the extent to which exports of these commodities would be curtailed under protectionist EEC policies, and so that calculations may be made of what might be alternative trade patterns for them. A brief summary of world trade in feed grains will also be made because of the fact that a future Common Market CAP may affect the price of United States feed grains, and this in turn would affect the United States beef cattle industry.

To give a general idea of the relative importance of beef to different countries, it will be necessary to briefly examine beef production in the nations of the world. According to the 1962 United States Department of Agriculture, Agricultural Statistics, the production of beef and veal in the 41 leading beef producing countries amounted to 51,999,000,000 pounds in 1961. Since this figure includes almost all of the world's most important beef producing countries, the
relative importance of the United States as a beef and veal producer is unmistakable. The United States produced, in 1961, 16,341,000,000 pounds, or 31 percent of total world production. The Soviet Union was second with 5,090,000,000 pounds, not quite one-third of total United States production. Argentina was third with 4,409,000,000 pounds. However, it may be noted that on a per capita basis, Argentina produced over twice as much beef and veal as the United States. The Common Market, with 8,088,000,000 pounds, produced about half the United States' total. France proved to be the greatest producer among EEC members and accounted for 40 percent of EEC production of beef and veal. West Germany and Italy followed France in importance. Other important world producers of beef include Canada, Mexico, Australia, New Zealand, and South Africa.¹

Production of beef is certainly not in proportion to each country's cattle numbers. If this were the case, then India would surely be the most important beef producer in the world, for India has approximately one-quarter of the world's cattle numbers, estimated in January 1963 to be 1,078,000,000.² The United States, with almost one-third

Table 1. World Exports of Cattle and Beef Products, 1960 and 1961

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<tr>
<td>Cattle</td>
<td>141</td>
<td>3,250</td>
<td>458</td>
<td>129</td>
<td>3,920</td>
<td>506</td>
</tr>
<tr>
<td>Beef: fresh,</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>chilled &amp; frozen</td>
<td>601</td>
<td>927</td>
<td>557</td>
<td>557</td>
<td>997</td>
<td>547</td>
</tr>
<tr>
<td>Offal &amp; other meat</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(variety meats)</td>
<td>443</td>
<td>269</td>
<td>119</td>
<td>424</td>
<td>274</td>
<td>116</td>
</tr>
<tr>
<td>Canned meat</td>
<td>900</td>
<td>442</td>
<td>398</td>
<td>895</td>
<td>467</td>
<td>418</td>
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1Value per head  2Thousand head  3Metric tons


of beef and veal production had only 104,000,000 cattle, not quite one-tenth of the world beef numbers. ¹

Value of World Exports of Cattle and Beef Cattle Products

Now it will be necessary to consider trade in beef cattle and beef products. Table 1 shows the relative importance of the various types of beef exports. Table 1 shows that fresh, chilled and frozen beef is the most important of the various cattle and beef cattle products in world trade. In the year 1961, the value of world trade in this commodity was $547,000,000. This was slightly below the 1960 figure.

Behind beef in international importance is live cattle. Trade in cattle in 1961 was valued at $506,000,000. However, unlike trade in beef, trade in live cattle is usually between nations which are geographically close. Thus, a substantial share of the world's trade is between the United States on the one hand, and Mexico and Canada on the other. Trade in live cattle and calves between Western European nations is also very large.

The value of world trade in canned meat was $418,000,000 in 1961. It should be noted that the term "meat" and not "beef" is used. The exact proportion of beef in total exports of canned meats is uncertain. However, it has been assumed that beef would make up approximately one-third to one-half of this total world export figure of canned meats.

Much of the same statement must be made for the commodity "offals and other meats," for the Food and Agricultural Organization of the United Nations (FAO), Trade Yearbook, from which these figures were taken is not explicit about the composition of these products. It is the considered opinion, however, among specialists in the meat field at South Dakota State College with whom the author has spoken, that the greatest part of "offals" would be composed of offals from cattle.

Although the exact proportion of beef in some of these commodities is in doubt, it may nevertheless be concluded, even considering the minimum assumptions concerning beef content, that world trade in cattle and beef cattle products is very large. Many cattlemen in many
countries obviously depend on world markets for a good part of their incomes.

World Trade in Specific Commodities

A closer examination will now be made of international trade in cattle and beef products. Special attention will be given to the principal world exporters and importers of these commodities and to their importance in total world trade. Tables 2 and 3 give a rather complete summary of international trade in these commodities for the 1961 calendar year.

Cattle

Table 2, which considers only imports, shows that the greatest importers of cattle in the world are found in Western Europe and the United States. The EEC accounted in 1961 for 22.7 percent of all imports of cattle and the United Kingdom for 17.9 percent. Western Europe imported 47.4 percent of the total exports of cattle in the 1961 calendar year. In the Western Hemisphere, the United States is by far the most significant importer of cattle. In 1961, the United States accounted for 27 percent of total world imports of 3,860,000 head of cattle.

Concerning exports of cattle, Table 3 shows that the Common Market is relatively unimportant, and shipped only seven percent of world exports of cattle to foreign countries in 1961. When the other countries are added in, however, Western European exports are quite large. Western Europe, in 1961 accounted for almost 40 percent of world
Table 2. Imports of Cattle, Beef Products and Feed Grains, and Percentage of World
Imports by Country and Groups of Countries, 1961

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<tr>
<th></th>
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<th>Offal, Game &amp; Other Meat</th>
<th>Hides &amp; Skins</th>
<th>Feed Grains</th>
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<tr>
<td></td>
<td>1000 head %</td>
<td>1000 m.t. %</td>
<td>1000 m.t. %</td>
<td>1000 m.t. %</td>
<td>1000 dol. %</td>
<td>1000 m.t. %</td>
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Table 2. (Continued)

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<th>Offal, Game and Other Meat</th>
<th>Hides &amp; Skins</th>
<th>Feed Grains</th>
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<tbody>
<tr>
<td>1000 head</td>
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<td>1000 m.t.</td>
<td>1000 m.t.</td>
<td>1000 dol.</td>
<td>1000 m.t.</td>
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ASIA:
Fed. of Malaya-Singapore
- 16.0 3.2 1.6 2.1 -- 138.2
Hong Kong
- 98.9 2.3 2.6 8.4 -- --
Japan
- 1.0 5.4 0.3 7.8 58.4 1,981.2 8.1
Total
- 192 15 20 22 75.0 4,471

AFRICA:
Total, Africa
- 286 8 17 -- 2.1 778

OCEANIA:
Total, Oceania
- -- 1 6 -- 4.1 --

WORLD TOTAL
- 3,860 901 426 289 808 24,422

1 Amount from cattle sources unspecified
2 Amount from cattle sources unspecified
3 Amount from cattle sources unspecified
4 Includes barley, maize, oats and sorghum millets and other cereals.

Table 3. Exports of Cattle, Beef Products and Feed Grains, and Percentage of World Exports by Country and Group of Countries, 1961

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<thead>
<tr>
<th>Cattle Numbers</th>
<th>Fresh &amp; Frozen Beef &amp; Veal</th>
<th>Canned Meat</th>
<th>Offal, Game &amp; Tallow &amp; Other Meat</th>
<th>Hides &amp; Skins</th>
<th>Feed Grains</th>
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<tr>
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<td>1000 %</td>
<td>1000 m.t.</td>
<td>1000 mil.</td>
<td>1000 lb.</td>
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Table 3. (Continued)

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<th>Tallow and Greases</th>
<th>Hides &amp; Skins</th>
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<td>m.t. %</td>
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Table 3. (Continued)

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<th>Offal, Game</th>
<th>Tallow</th>
<th>Hides &amp; skins</th>
<th>Feed Grains</th>
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</table>

WORLD TOTAL 3,920 997 473 274 2,443 757 26,663

1 Amount from cattle sources unspecified
2 Amount from cattle sources unspecified
3 Figure for 'Tallow and Greases' taken from U. S. Department of Agriculture, Foreign Agriculture Circular, Foreign Agriculture Service, Washington D.C., September 1962.
4 Amount from cattle sources unspecified
5 Includes barley, maize, oats and sorghum millets and other cereals.

exports of cattle. Denmark and Ireland are by far the most important European exporters of live cattle. Irish exports accounted for 40 percent of all Western European exports and Danish exports made up 20.5 percent. In the Western Hemisphere, Canada and Mexico were the most important exporters, accounting for 27 percent of world exports. Other exporters of significance were found in the northern, formerly French-controlled cattle-grazing areas of Africa.

**Fresh and Frozen Beef and Veal**

More important to this study is an examination of world trade in fresh, chilled, and frozen beef. Trade in this commodity has been increasing appreciably because of rising standards of living, increasing populations, high world beef prices, and the development throughout the world of modern meat packing facilities.

The Common Market in 1961 accounted for about one-fifth of total world imports of beef. Western Europe took 61.2 percent of all imports. Clearly, then, the Western European beef market is of utmost importance for the major world exporters of beef. The United States has surprisingly also become an important market for exporters of beef. In 1961, the United States imported 28.6 percent of total world exports of beef.

The major exporters of beef in the world, according to Table 3, are found outside of Europe. Argentina supplied 27.2 percent of world exports of beef in 1961. Normally, Argentina's share of world exports is greater, but it is presently holding back its cull cows to build up future stocks. It is expected that in the years ahead, Argentina will
be able to at least maintain and possibly even increase its present share of world exports of beef and veal. Australia and New Zealand together exported 25.6 percent of world exports of this commodity. Western Europe made up almost 30 percent of total world exports in 1961, but this was not even half of the amount it imported. So it becomes clear then, that the major world importers of beef include Western Europe, and in particular the United Kingdom, which in the 1958-61 period took almost 40 percent of entire world imports. The United States also is a large importer. These countries were supplied by exports from Argentina, Australia, New Zealand, and France, among others.

Canned Meats

Canned meats, which are not made up exclusively of beef, is another important trading commodity. The major world importers in 1961 included the United Kingdom with almost half of all imports and the United States with 22.4 percent. Principal world exporters were the EEC, in which the Netherlands was most important, Denmark, with 17 percent of world exports, and Argentina with 15.4 percent. So the Common Market is not an importer of canned goods, but has instead a favorable balance of trade in canned meats of 134,600 metric tons.¹

¹For a definition of "favorable balance of trade," see the Glossary of Terms, Appendix A.
Offal, Game and Other Meat

The six Common Market countries imported 34 percent of the world's trade in offals in 1961. The United Kingdom imported 47.6 percent of world offal exports. Thus, Western Europe accounted for the gigantic total of 82.7 percent of world imports of offals. Exports of this commodity came from the United States, which accounted for 21.6 percent of world offal exports in 1961, and Argentina with 17 percent. The Western Hemisphere supplied 47.4 percent, or almost half the world's exports of offals. Oceania in 1961 exported 17.5 percent of the world total.

Tallow and Greases

Only export figures are available for tallow and greases in these tables, but it can be seen that the United States is the outstanding exporter of tallow and greases in the world, accounting for approximately 75 percent, or three-quarters of all tallow and greases exported in 1961. Western Europe is the United States' chief customer for this commodity.

Hides and Skins

The EEC is the world's greatest import market for hides and skins. In 1961, it took 44 percent of world exports of this commodity. It is, however, very difficult to state the portion of hides and skins in world trade from bovine sources. Such information is not given by the FAO. The United Kingdom is also an important importer of hides and
skins. It took 15.5 percent of world exports in 1961. Western Europe accounted for approximately two-thirds of world cattle and calf hides and skins imports. The United States imported 18 percent of the world imports of this commodity.

Forty percent of hides and skins exports originated in Western Europe. The United States was the most important exporter in the Western Hemisphere, accounting for 17.3 percent of all exports of this commodity. Oceania exported 13.5 percent of hides and skins in world trade.

International Trade in Feed Grains

A study of international trade in feed grains, as well as cattle and beef cattle products must be made, if the effects of a new common agricultural policy for the EEC on the United States beef cattle industry and the South Dakota cattlemen are to be judged. If the new CAP of the Common Market affects grain prices within the United States, this will have a corresponding effect on the prices of livestock products, and beef cattle in particular, in the United States. If exports of grains from the United States were considerably restricted for example, because of a restrictionist CAP, then surpluses would accumulate in the United States, grain prices would likely drop, and livestock production would probably increase. Undoubtedly, many farmers would use some of their acreage which had formerly been used to grow feed grains, to graze cattle instead. It may thus be concluded that what the
European Economic Community does in its CAP regarding feed grains in the future will surely directly concern the beef producers in the United States.

If the Common Market should follow a liberal agricultural policy, and increase imports of feed grains from the United States, prices would remain relatively high in the United States, and farmers would be encouraged to continue production at the same high level. This would also be true of other world feed grain exporters. A protectionist policy would cause surpluses to accrue in the other major exporting nations, and prices would almost certainly fall in the world feed grain markets. This would mean that the prices of feed grains exports to countries outside of the Common Market would likely be lower than before the CAP came into existence.

Tables 2 and 3 include world trade figures for feed grains in the 1961 calendar year. Western Europe is the most significant importer of feed grains. The Common Market took over 38 percent of all feed grain exports in 1961 and the United Kingdom alone took almost 19 percent. Japan seemed to be the only importer of feed grains of any significance outside of Europe. Japan took 8.1 percent of world imports of feed grains in 1961.

On the export side, the most important nation is the United States. The United States, in 1961, accounted for over 40 percent of all world exports of feed grains. Other important exporters included Argentina, with 9.5 percent, and Canada with 6.0 percent. Oceania,
Mexico and South Africa exported slightly smaller portions of world exports than did Canada.
CHAPTER III

UNITED STATES IMPORTS OF CATTLE AND BEEF CATTLE PRODUCTS

The United States has, for several decades, imported more cattle and beef products than it has exported. Much to the consternation of livestock producers as a whole, the United States, since 1958, has been a net importer of total livestock and livestock products as well. However, it is not the intention in this chapter to illustrate the growing reliance of the American people on foreign markets for livestock products, but rather to analyze the importation of cattle and beef products, their quantities, values, and sources.

United States restrictions on imports of cattle and beef cattle products appear to be moderate, at least in comparison to those of most other countries. For example, imports of live cattle under 200 pounds have a 1.5 cent per pound import duty. However, 2.5 cents a pound is charged on cattle in this category after 200,000 have been imported in any one year. Cattle weighing 200-700 pounds are charged 2.5 cents a pound, and cattle over 700 pounds for not over 400,000 cattle in any year are charged 1.5 cents a pound. Fresh, chilled or frozen beef enters at 3 cents a pound, and boneless beef and veal enter at a 2.5 cent a pound duty. Edible meat offals are charged one cent a pound if valued not over 20 cents a pound, and if valued over 20 cents a pound, come
Table 4. Imports of Cattle and Beef Cattle Products, and Comparison with United States Production, 1962

<table>
<thead>
<tr>
<th>Item</th>
<th>Imports Value</th>
<th>Quantity</th>
<th>Imports as of U. S. Production</th>
<th>Percent of Production</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mil. dol.</td>
<td>mil. lb.</td>
<td>mil. lb.</td>
<td>percent</td>
</tr>
<tr>
<td><strong>Beef:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bone-in, fresh, chilled,</td>
<td>5.7</td>
<td>18.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>frozen</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boneless</td>
<td>258.1</td>
<td>819.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canned, including corned</td>
<td>28.5</td>
<td>84.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pickled and cured</td>
<td>0.3</td>
<td>0.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Veal, fresh or frozen</td>
<td>8.9</td>
<td>25.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other meat, canned, prepared or preserved,</td>
<td>10.6</td>
<td>23.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>n.e.c.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>312.1</td>
<td>971.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total carcass weight equivalent</strong></td>
<td></td>
<td>1,445.0</td>
<td>16,300</td>
<td>8.9</td>
</tr>
</tbody>
</table>

| Cattle and Calves:                        |              |          |                               |                       |
| Under 200 pounds                          | 2.0          | 66       |                               |                       |
| 200-700 pounds                            | 85.4         | 1,042    |                               |                       |
| 700 pounds and over, dairy                | 3.7          | 16       |                               |                       |
| 700 pounds and over, n.e.s.               | 19.3         | 109      |                               |                       |
| Bulls for breeding                        | 0.9          | 1        |                               |                       |
| Cows for breeding                         | 5.2          | 16       |                               |                       |
| **Total**                                 | 116.5        | 1,250    | 34,700                        | 3.6                   |
| **Carcass weight equivalent (mil. lbs.)**  |              |          |                               |                       |
|                                           | 280          |          |                               |                       |

| Hides and Skins:                          |              |          |                               |                       |
| Buffalo hides                             | 2.1          | 3.5      |                               |                       |
| Calf skins                                | 2.9          | 5.1      |                               |                       |
| Cattle hides                              | 3.4          | 18.2     |                               |                       |
| Kip skins                                 | 6.9          | 13.4     |                               |                       |
| **Total**                                 | 15.3         | 40.0     |                               |                       |
Table 4. (Continued)

<table>
<thead>
<tr>
<th>Item</th>
<th>Imports Value</th>
<th>Quantity</th>
<th>Quantity of U. S. Production</th>
<th>Imports as Percent of Production</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mil. dol.</td>
<td>mil. lb.</td>
<td>mil. lb.</td>
<td>percent</td>
</tr>
<tr>
<td>Oils, fats and greases:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oleomargarine</td>
<td>0.7</td>
<td>1.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stearic acid</td>
<td>6 /</td>
<td>5 /</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tallow, edible and inedible</td>
<td>6 /</td>
<td>1.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other oils and fats, edible</td>
<td>6 /</td>
<td>5 /</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other fats, greases and oils, inedible</td>
<td>6 /</td>
<td>0.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>0.8</td>
<td>3.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Total value of cattle and beef cattle products imports | 447.7

1Commercial as reported, plus estimates for farm
2Not elsewhere classified
3Not elsewhere specified
4Thousand head slaughtered
5Under 500,000 pounds
6Under $500,000

Sources: 1) Don Paarlberg "The Rise in Meat Imports," Economic and Marketing Information for Indiana Farmers, Purdue University, Lafayette, Indiana, July 31, 1963
into the United States at five percent ad valorem. Other beef sausage enters at 10 percent ad valorem.\textsuperscript{1}

Table 4 is very important to the analysis of imports of cattle and beef cattle products in this chapter. It may be noted that the total value of cattle and beef cattle products imports was $447,700,000 in 1962. This large sum seems to be made up almost entirely of commodities listed under the two headings, "beef" and "cattle and calves."

United States Imports of Cattle and Calves

In numbers as well as value, 1962 proved to be a record year for imports of cattle and calves. A total of 1,250,000 cattle and calves was imported by the United States in the 1962 calendar year. In dollar terms, this amounted to $112,800,000, or 25.6 percent of all United States cattle and beef cattle product imports. The great majority of these imported cattle, 1,042,000 to be specific, was between the weights of 200 and 700 pounds. It may be generally stated that cattle in this weight group are bought primarily for feeding purposes by United States cattle feeders whose purpose it is to fatten these cattle on United States feed grains and then to sell them to be slaughtered. The number of head of cattle imported in 1962 was equal to 3.6 percent of the total numbers of cattle slaughtered in 1962. However, only 1.7

percent of the beef and veal consumed in the United States in 1962 came from these imports of live cattle.

Canada and Mexico are the sources of United States imports of cattle and calves. In 1962, Canada exported 497,954 of the total 1,249,891 cattle and calves imported by the United States, and Mexico supplied the remaining 751,937 head of cattle and calves. Mexico supplied approximately two-thirds of total cattle and calves in the feeder category (200 - 700 pounds). Canada supplied almost all United States imports of breeding cattle.¹

It is unlikely that the future will present any major new exporters of live cattle to the United States. Shipment of these cattle makes it very difficult. It is possible, however, that exports from Canada and Mexico will continue to expand in the future, for they have increased greatly in numbers in the past, and as long as United States feeders find it profitable to import cattle and calves, these two neighboring countries will undoubtedly be very willing to continue in their capacity as suppliers of live cattle and calves. In 1952, total exports of cattle and calves from these two countries to the United States amounted to only 143,063 head.² The rate of increase, it may thus be seen, has been great.


²Livestock and Meat Situation, LMS-130, op. cit., p. 23.
Now it will be necessary to pay much closer attention to beef and veal, the commodity which has been presenting the greatest problem to those people concerned with beef imports. Imports of beef and veal, (see Table 4), totaled $312,100,000 in 1962. This is 70.8 percent of the entire value of imports of cattle and beef cattle products. The combined value of cattle and calves imports and beef and veal constitutes 96.4 percent of all imports of cattle and beef products.

In terms of quantity as well as value, "boneless beef" is the singularly most important import item. In 1962, 819,100,000 pounds of boneless beef entered the United States from foreign countries. Thus, out of the total imports of 971,000,000 pounds, boneless beef in terms of quantity made up approximately 84 percent of beef and veal imports, and in value, it comprised approximately 83 percent of all beef and veal imported in the 1962 calendar year.

The total of 971,000,000 pounds imported amounted to a carcass weight equivalent of 1,445,000,000 pounds. Total production in the United States in 1962 was 16,300,000,000 pounds. Thus, imports of beef and veal were 8.9 percent of total domestic production of beef and veal.

Reduced to their carcass weight equivalent, imported beef cattle and calves equaled 280,000,000 pounds. Total carcass weight equivalent of imports of beef and veal therefore equaled 1,745,000,000 pounds. These imports as a percent of total United States production amounted
to 10.6 percent of total domestic beef production. As an illustration of the rapid growth in imports of these commodities, the 1962 percentage may be compared to that in 1956. Imports of beef and veal and carcass weight equivalent of cattle in 1956 hit a low of 1.6 percent of total domestic production.¹

**Sources of Beef and Veal Imports**

The sources of United States beef and veal imports are shown in Table 5. It can be quickly seen how greatly the picture has changed since the 1951-55 period. Imports in this period averaged 206,784,000 pounds compared to the 970,945,000 pounds imported in 1962. Imports have thus more than quadrupled in the last decade.

In the 1951-55 average period, the principal suppliers of United States imports of beef and veal were Argentina, Mexico, Canada and Uruguay. These four countries accounted for 84 percent of United States beef and veal imports. Argentina alone supplied 47 percent of United States imports. In the 1962 calendar year, however, the situation seems to have changed considerably. Argentina, which had supplied almost half of United States imports of beef and veal in the 1951-55 period, in 1962 accounted for only 4.7 percent of total United States imports of this commodity. Canada's share of total imports was only 7.0 percent and Mexico's only 6.1 percent. In 1962, the great suppliers of beef

### Table 5. United States Imports of Beef and Veal, Product Weight Basis, by Country of Origin, Average 1951-55, Annual 1959-62

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,000 pounds</td>
<td>1,000 pounds</td>
<td>1,000 pounds</td>
<td>1,000 pounds</td>
<td>1,000 pounds</td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>12,990</td>
<td>160,937</td>
<td>130,695</td>
<td>154,329</td>
<td>213,556</td>
<td>22.00</td>
</tr>
<tr>
<td>Argentina</td>
<td>97,562</td>
<td>62,911</td>
<td>47,553</td>
<td>56,467</td>
<td>45,818</td>
<td>4.72</td>
</tr>
<tr>
<td>Mexico</td>
<td>35,435</td>
<td>48,541</td>
<td>39,042</td>
<td>53,336</td>
<td>59,233</td>
<td>6.10</td>
</tr>
<tr>
<td>Canada</td>
<td>25,360</td>
<td>22,321</td>
<td>18,747</td>
<td>32,119</td>
<td>19,143</td>
<td>1.97</td>
</tr>
<tr>
<td>Ireland</td>
<td>7,187</td>
<td>41,977</td>
<td>43,615</td>
<td>61,098</td>
<td>70,725</td>
<td>7.28</td>
</tr>
<tr>
<td>Australia</td>
<td>1,411</td>
<td>223,941</td>
<td>144,665</td>
<td>232,164</td>
<td>444,730</td>
<td>45.80</td>
</tr>
<tr>
<td>Brazil</td>
<td>2,828</td>
<td>20,805</td>
<td>8,417</td>
<td>13,960</td>
<td>13,539</td>
<td>1.40</td>
</tr>
<tr>
<td>Uruguay</td>
<td>15,612</td>
<td>8,911</td>
<td>10,753</td>
<td>14,781</td>
<td>16,117</td>
<td>1.66</td>
</tr>
<tr>
<td>Paraguay</td>
<td>610</td>
<td>8,863</td>
<td>9,732</td>
<td>10,081</td>
<td>8,167</td>
<td>0.84</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>3,119</td>
<td>5,368</td>
<td>5,488</td>
<td>3,829</td>
<td>739</td>
<td>0.08</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>----</td>
<td>9,759</td>
<td>15,334</td>
<td>8,713</td>
<td>8,106</td>
<td>0.83</td>
</tr>
<tr>
<td>Cuba</td>
<td>8</td>
<td>2,262</td>
<td>293</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>66</td>
<td>1,698</td>
<td>2,988</td>
<td>1,312</td>
<td>6,891</td>
<td>0.71</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>- - -</td>
<td>5,764</td>
<td>10,033</td>
<td>14,577</td>
<td>15,795</td>
<td>1.63</td>
</tr>
<tr>
<td>Honduras</td>
<td>311</td>
<td>1,509</td>
<td>3,391</td>
<td>5,525</td>
<td>9,324</td>
<td>0.96</td>
</tr>
<tr>
<td>Other Countries</td>
<td>51</td>
<td>682</td>
<td>550</td>
<td>3,415</td>
<td>15,936</td>
<td>1.64</td>
</tr>
<tr>
<td>Other meat 1/</td>
<td>2,4234</td>
<td>96,099</td>
<td>21,309</td>
<td>23,866</td>
<td>23,126</td>
<td>2.38</td>
</tr>
<tr>
<td>Total</td>
<td>206,784</td>
<td>722,348</td>
<td>512,605</td>
<td>689,572</td>
<td>970,945</td>
<td>100.00</td>
</tr>
</tbody>
</table>

1/ Other meat, canned, prepared or preserved. This is a miscellaneous category which since 1959 has been mostly uncanned cooked beef, and before that, lightly salted boneless beef.

2/ Excludes estimated amounts of boneless beef included in this category prior to 1954.

and veal imports by the United States proved to be Australia, with 45.8 percent and New Zealand with 22.0 percent of United States imports of beef and veal. Together, these two countries shipped 658,268,000 pounds of the total 970,945,000 pounds of beef and veal imported by the United States. In other words, the Oceania countries made up 67.8 percent, over two-thirds, of total United States imports of beef and veal. Occupying third place in importance among suppliers of United States imported beef and veal was Ireland. In 1962, it shipped 70,725,000 pounds of beef and veal to the United States, equal to 7.3 percent of total United States imports.

The question may be asked why it is that Australia and New Zealand have become such important exporters of beef and veal to the United States in such a short period of time. The answer to this question is that production in both countries has grown greatly because of strong government support. Beef cattle producers have been given many incentives by the governments of these Oceania countries to increase their production. Also, one of the post-war measures originally taken to increase Australian production, that of an agreement with the United Kingdom to supply large amounts of beef and veal annually, was terminated in 1958. Australia then became free to export its processing beef to other parts of the world. It was quick to take advantage of the higher prices in the American market. As long as United States prices remain high in relation to other importers, it may be expected that Australia,
Zealand, and other exporting nations will continue to try to develop greater markets for their beef and veal in this country.

During this same period, Argentine exports to the United States have fallen in quantity as well as in proportion to the other principal exporting nations. The reason that Argentina did not take advantage of high prices and the high level of demand for beef in the United States as did Australia, New Zealand, and Ireland, is that Argentina has been building up its stock of beef cattle, and has not had surpluses of manufacturing beef to send to the United States. More significantly, United States imports of Argentine beef has been very greatly limited because of an incidence of hoof-and-mouth disease in Argentina.

Other imports of beef and veal in 1962 came from other Latin American countries. The areas north of the Panama Canal can ship fresh beef because cattle in these countries are free of hoof-and-mouth disease. Imports from the Central American countries in proportion to total imports of beef and veal are still relatively small, but have increased rapidly in the past few years. Imports from Costa Rica, Guatemala, Honduras, Nicaragua and Panama increased from 176,000 pounds in 1956 to 35,000,000 pounds in 1962. New and improved slaughter houses are being built, meat plants are being opened, and the use of modern refrigeration has increased greatly. It is expected that production of beef and veal in these countries and consequently exports of these commodities from Central America will increase rapidly in the
future. Of course, the United States will be the primary target as a market for their increased exports.

Imports of Boneless Beef

As stated above, over 80 percent of all United States imports of beef and veal consist of boneless beef for manufacturing purposes. As a matter of fact, about one-third of total United States manufacturing meat used in such items as hamburgers, sausages and frankfurters comes from foreign sources. What is the reason for this?

The explanation is simply that there is a market for these meats. The United States producers have not been able to supply domestic demand for manufacturing meat products and exporters of these commodities have thus filled in the gap. It should be explained, however, so that the impression is not given that United States producers have been unable to increase production of beef and veal, that production of this commodity has grown considerably in the past. In fact, beef and veal production increased from 10,819,000,000 pounds in 1952 to 16,311,000,000 pounds in 1962.¹ These increases have been mainly in bone-in beef and veal. Little bone-in or chilled beef has been imported. The domestic producer has found it less profitable to fulfill the demand for the poorer-quality manufacturing meat while markets for the higher quality products were available.

¹Livestock and Meat Situation, LMS-134, op. cit., p. 46.
The increase in manufacturing beef imports is explained by the cattle cycle. Cattle stocks are presently being increased to enable domestic producers to fulfill future demands for cattle and beef products. Cows that would normally be culled and whose meat would be used for manufacturing purposes are being held back for breeding purposes in order that beef cattle numbers may be increased. This has been the case since 1957 when the cattle cycle took a turn and numbers of cattle in the United States began to be increased. Thus it is argued by some that imports of manufacturing beef have had little adverse effects on United States cattlemen, and rather that they have been beneficial, for imports have ensured a steady supply of this meat to the American consumers, and have kept prices stable. If demand for beef continues to be strong as has been the case in the past, and population continues to grow at a high rate, it is conceivable that there will only be a small downturn in the cattle cycle, if any at all. The need to hold cows back in the future to continue increasing cattle numbers is conceivable. In this case, imports would continue to enter the United States at high prices. If, on the other hand, production of manufacturing beef in the United States increases substantially, and if imports continue at the same high level, then prices will fall, and the United States cattlemen will be hurt over and above any present adverse effect resulting from present imports.
Imports of Other Beef Cattle Products

Of the remaining beef cattle products imported by the United States, the most important is "hides and skins." Table 4 shows that imports of hides and skins from bovine animals amounted to $15,300,000 in 1962. This is not even four percent in value of total imports of cattle and beef products. Kip skins were most important. The value of the other general commodity, listed in Table 4 under the heading of "oils, fats and greases," is practically negligible. Total imports of these products amounted to only $800,000 in 1962.

American Public Opinion on Imports of Cattle and Beef Cattle Products

Imports of cattle and beef cattle products in 1962, totaling $447,000,000 constitute a significant portion of total production. Though a poor figure for comparison, it may be noted that total cash receipts from farm marketings of cattle and calves in 1962 was $8,146,000,000. Cattlemen in the United States have been keenly aware of competition from these imports. A reaction rather typical of cattlemen concerning beef imports by the United States was printed in the editorial page of the "Brookings Register" newspaper, in July, 1963. Concerning beef imports, Mr. Dwight Holaway had this to say:

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With millions of United States acres lying idle in soil bank, with millions of bushels of seed grains lying in storage (all at no little cost to the government and United States taxpayer) and with thousands of farmers leaving their farms annually, must we open our shores and pocketbooks to these imports of foreign meats?¹

This attitude is echoed by livestock organizations. The National Livestock Feeders Association, for example, stated its opinion in a memorandum to Christian A. Herter, United States trade ambassador. It pointed out that because imports have risen over 40 percent following the 1958 tariff reductions on boneless beef and veal, some measures ought to be taken to protect the United States cattlemen.

Imports of beef and veal are now approaching the 10 percent level of domestic production. In our opinion, a 5% level can be injurious to domestic producers; surely a 10% level is depressing to the degree of being detrimental to the stability of the United States market. We have conferred with the officials of the Livestock and Meat Products Division, Foreign Agricultural Service, USDA, on this subject.²

Since beef and veal imports are on the upswing when domestic production is being increased, the National Livestock Feeders Association suggests that

A system of flexible duties and import quotas tied inversely to domestic production would constitute an ideal method of handling meat imports. Such a system would provide for a measure of

¹Dwight Holoway, editorial, Brookings Register, Brookings, July 24, 1963.

protection for United States growers and feeders and yet allow for trade with other countries.¹

Consumers of course are overwhelmingly in favor of increased imports of beef and veal. They argue that imports of beef help to stabilize prices and supply and thus fill a useful role for both United States producers and consumers. Since it is largely processing meats that are imported the price of high quality beef and the price of fed cattle are therefore little affected by such imports.² Furthermore, they argue that if the United States can expect to continue its high level of grain exports because its efficiency in grain production is greater than that of the importing nations, how can the United States turn around and refuse entrance of lower-priced manufacturing beef into the United States? This would be entirely inconsistent and only invite retaliation by foreign governments.

The Trade Expansion Act of 1962 (Public Law 87-794) contains provisions to extend assistance to firms or workers adversely affected by increased imports resulting from trade concessions. If any further concessions are granted to foreign exporters of beef and beef products by the United States government, then cattlemen, their associations,

¹National Livestock Feeders Association, Memorandum to Christian A. Herter, Special Representative for Trade Negotiations, Re: Imports of Meat and Meat Products in Foreign Trade Negotiations, Omaha, April 3, p. 4.

and meat packing companies, upon showing that they are being adversely affected, will qualify for government aid in the form of tariff relief, tax assistance for firms, retraining of personnel involved or other manners of redressing their complaints.

A quick attempt will be made to determine whether or not it is true that prices have been affected by these imports. It is likely that imports have had some effect on United States prices, but to state the exact degree to which prices have been affected is impossible. In so far as imports of processing meats compete with domestic beef used for processing purposes, such as hamburgers and frankfurters, there is competition. But there has been such a shortage in supply of these meats in recent years, that prices of manufacturing meats have not fallen. If manufacturing beef had not been imported, it is likely that prices of manufacturing beef would have risen, and less would have been sold because of the competition from meats such as pork and mutton. Thus, competition of domestic pork and mutton with domestic manufacturing beef appears to be just as important, or even more so, than competition with imported manufacturing beef. The average price received by farmers for beef cattle per hundred pounds has remained quite steady since the 1957-58 period, when imports of beef made their first really big increase. Prices rose from $15.00 in 1956 and $17.20 in 1957 to $22.00 in 1958 and $22.70 in 1959. Since that time, prices per hundred weight of beef
cattle have remained relatively constant. In 1962, they were $21.30 per hundredweight.\(^1\)

Much the same is true of the price of canner and cutter cows. In 1957, 100 pounds sold for $11.96. In 1958, the price rose to $16.47. In 1962, the average annual price for canner and cutter cows was about 40 percent higher than the 1953-55 average.\(^2\)

Under these circumstances, it would be difficult for cattlemen to prove that they have been seriously affected by imports of beef and veal. However, it would be equally difficult for those favoring imports to prove that imports of manufatureng beef have had no adverse effects on the United States beef cattle industry. It must be remembered that if United States cattlemen increase their rate of slaughter of cull cows in the future, then competition with foreign importers will be very real and harmful to their sales. Such a situation would result in a lowering of domestic prices for processing beef and consequently less income to the United States cattlemen.

The question must be asked whether or not such imports can be expected to continue. Will foreign suppliers be able to export such large quantities to the United States indefinitely? An answer to this

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question is difficult to give, but it is to be expected that Australia, New Zealand and Ireland will be able to continue to supply the United States at this same rate, and at the same time satisfy demands in their European markets. It must be concluded that continued heavy imports of boneless beef are to be expected. Cow prices per hundredweight may fall somewhat, but this would not be a retarding factor on imports. It would take a considerable drop in cow prices to cause a drop in imports.

The European Economic Community and United States Imports of Cattle and Beef Cattle Products

Really, the key question is whether or not world trade patterns will continue in the future as they have in the past. Will the Common Market, for example, continue in the future to import from Argentina, Denmark, Ireland and Oceania? If not, that is, if imports of these commodities are restricted by the new common agricultural policy, how much of the surplus of beef and beef cattle products of these countries will be redirected to the United States?

And assuming that the United Kingdom joins the Common Market and restricts imports of beef from Australia and New Zealand, how much of this high-quality beef and veal would instead be sent to the United States, and what would this mean to cattlemen in terms of markets and prices? Argentina is not expected to increase exports of beef and veal
greatly, but it is anticipated that exports from Australia and New Zealand will increase rapidly, and that these countries and many other world suppliers will not be unwilling or unable to fill Argentina's traditional markets, and still have much other beef to export. However, a detailed discussion of future United States imports as a result of Common Market agricultural policies must be left for consideration in later chapters.
CHAPTER IV

UNITED STATES EXPORTS OF CATTLE AND BEEF CATTLE PRODUCTS

Exports of agricultural products have increased greatly since the pre-World War II era. In 1939, United States agricultural exports totaled $655,000,000. The 1962 calendar year agricultural exports, on the other hand, amounted to more than $5,000,000,000.\(^1\) Even allowing for the decreased value of the dollar in this period, the increase has been enormous. The reason for this great increase and for the fact that so many other countries find it in their interest to import agricultural goods from the United States is the great efficiency of the United States farmers. Yet, just as United States agricultural production has become extremely efficient, so is this true of United States industrial production. Because of this, traditional importers of United States agricultural goods, mainly the industrialized nations of Western Europe, have found it increasingly difficult to export their industrial goods to the United States in return for imports of agricultural imports from the United States. Therefore, they seek to increase their trade with relatively underdeveloped nations. United States may be faced with increasing competition in the future because of this. This is one of the reasons why European nations may follow a policy of restricting United States imports. Another reason is that they want to

\(^1\)U.S. Foreign Agricultural Trade by Commodities Calendar Year 1962, op. cit., p. 2.
provide protection for their politically important farmers. Their concern, of course, is mainly with feed grain imports. But the future policy of Europe, and the Common Market in particular, will affect the United States cattlemen.

In the nineteenth century, with the rapid expansion of grazing area in the United States, more beef was available than could be consumed and thus the United States became a net exporter of beef and beef products. However, with the settling of the West and the increased urbanization of the twentieth century, domestic consumption caught up with the domestic production of beef cattle, and as a result, the trend became one of increasing imports of beef cattle and beef cattle products. The United States has now been a net importer of beef and beef products for several decades.

Trade in cattle and beef cattle products in the nineteenth century and the early part of the twentieth century was necessarily limited because of the difficulty of shipping fresh meat and beef products without having them spoil. With the introduction of improved packing and shipping facilities, however, world trade in these products has expanded enormously. Newer and better methods are still being invented and thus permitting even greater amounts to be cheaply and safely shipped. Because of this, it can be expected that in the future, exports of beef and veal, and beef products in canned and refrigerated form will be much more common. In Chapter II, it was shown that in 1961 almost a million metric tons of beef and veal alone were exported.
Table 6. United States Exports of Cattle and Beef Cattle Products, Calendar Year 1962

<table>
<thead>
<tr>
<th>Commodity Exported</th>
<th>Quantity</th>
<th>Value</th>
<th>Unit</th>
<th>Total World</th>
<th>Total World</th>
<th>EEC</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>thousands</td>
<td>1000 dollars</td>
<td></td>
<td>1000 dollars</td>
</tr>
<tr>
<td>Cattle:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For breeding</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dairy</td>
<td>no.</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other than dairy</td>
<td>no.</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other cattle</td>
<td>no.</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total, cattle live</td>
<td>no.</td>
<td>19</td>
<td></td>
<td>7,829</td>
<td></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Beef and veal:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fresh or frozen</td>
<td>1b.</td>
<td>9,856</td>
<td></td>
<td>6,754</td>
<td></td>
<td>64</td>
<td>124</td>
</tr>
<tr>
<td>Pickled or cured</td>
<td>1b.</td>
<td>15,061</td>
<td></td>
<td>5,071</td>
<td></td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Canned</td>
<td>1b.</td>
<td>2,196</td>
<td></td>
<td>815</td>
<td></td>
<td>26</td>
<td>97</td>
</tr>
<tr>
<td>Total, beef and veal</td>
<td>1b.</td>
<td>27,113</td>
<td></td>
<td>12,640</td>
<td></td>
<td>92</td>
<td>229</td>
</tr>
<tr>
<td>Variety Meats (Beef Origin Only)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sausages, bologna &amp; franks, canned</td>
<td>1b.</td>
<td>. .</td>
<td></td>
<td>204</td>
<td></td>
<td>. .</td>
<td>. .</td>
</tr>
<tr>
<td>Sausages, bologna &amp; franks, not canned</td>
<td>1b.</td>
<td>. .</td>
<td></td>
<td>362</td>
<td></td>
<td>. .</td>
<td>. .</td>
</tr>
<tr>
<td>Other meats, fresh, frozen, cured:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef liver, fresh or frozen</td>
<td>1b.</td>
<td>. .</td>
<td></td>
<td>483</td>
<td></td>
<td>. .</td>
<td>. .</td>
</tr>
<tr>
<td>Beef tongues</td>
<td>1b.</td>
<td>. .</td>
<td></td>
<td>8,956</td>
<td></td>
<td>. .</td>
<td>. .</td>
</tr>
<tr>
<td>Other variety meats</td>
<td>1b.</td>
<td>. .</td>
<td></td>
<td>2,012</td>
<td></td>
<td>. .</td>
<td>. .</td>
</tr>
<tr>
<td>Meat specialties</td>
<td>1b.</td>
<td>. .</td>
<td></td>
<td>539</td>
<td></td>
<td>. .</td>
<td>. .</td>
</tr>
<tr>
<td>Other meats &amp; products</td>
<td>1b.</td>
<td>. .</td>
<td></td>
<td>15</td>
<td></td>
<td>. .</td>
<td>. .</td>
</tr>
<tr>
<td>Other canned meats:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baby foods</td>
<td>1b.</td>
<td>. .</td>
<td></td>
<td>117</td>
<td></td>
<td>. .</td>
<td>. .</td>
</tr>
<tr>
<td>Other meats &amp; products</td>
<td>1b.</td>
<td>. .</td>
<td></td>
<td>190</td>
<td></td>
<td>. .</td>
<td>. .</td>
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Table 6. (Continued)

<table>
<thead>
<tr>
<th>Commodity Exported</th>
<th>Quantity</th>
<th>Value</th>
<th>Value</th>
<th>United</th>
<th>United</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unit</td>
<td>Total World</td>
<td>Total World</td>
<td>EEC</td>
<td>Kingdom</td>
</tr>
<tr>
<td></td>
<td></td>
<td>thousands</td>
<td>1000 dollars</td>
<td>1000 dollars</td>
<td>1000 dollars</td>
</tr>
<tr>
<td>Meat extracts &amp; bouillion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>cubes</td>
<td>lb.</td>
<td>...</td>
<td>423</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Total, beef variety meats</td>
<td>lb.</td>
<td>125,000</td>
<td>13,301</td>
<td>8,553</td>
<td>3,678</td>
</tr>
<tr>
<td>Beef casings</td>
<td>lb.</td>
<td>...</td>
<td>2,671</td>
<td>629</td>
<td>198</td>
</tr>
<tr>
<td>Oils, Fats &amp; Greases:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oleic acid and red oil</td>
<td>lb.</td>
<td>484</td>
<td>83</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Oleo oil and stearin</td>
<td>lb.</td>
<td>4,253</td>
<td>153</td>
<td>271</td>
<td>194</td>
</tr>
<tr>
<td>Oleo stock</td>
<td>lb.</td>
<td>410</td>
<td>47</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Shortenings, chief weight</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>animal fats</td>
<td>lb.</td>
<td>2,147</td>
<td>515</td>
<td>15</td>
<td>---</td>
</tr>
<tr>
<td>Stearic acid</td>
<td>lb.</td>
<td>8,094</td>
<td>816</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>Tallow (from cattle):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Edible</td>
<td>lb.</td>
<td>5,350</td>
<td>468</td>
<td>---</td>
<td>3</td>
</tr>
<tr>
<td>Inedible</td>
<td>lb</td>
<td>1,370,018</td>
<td>88,151</td>
<td>26,375</td>
<td>1,078</td>
</tr>
<tr>
<td>Other animal oils:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other inedible oils</td>
<td>lb.</td>
<td>...</td>
<td>297</td>
<td>325</td>
<td>6</td>
</tr>
<tr>
<td>Other greases &amp; fats, inedible</td>
<td>lb.</td>
<td>...</td>
<td>577</td>
<td>117</td>
<td>28</td>
</tr>
<tr>
<td>Total, oils, fats &amp; greases</td>
<td>lb.</td>
<td>...</td>
<td>91,107</td>
<td>27,166</td>
<td>1,112</td>
</tr>
<tr>
<td>Hides and Skins:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calf skins</td>
<td>no.</td>
<td>1,713</td>
<td>7,347</td>
<td>14,122</td>
<td>242</td>
</tr>
<tr>
<td>Cattle skins</td>
<td>no.</td>
<td>7,119</td>
<td>62,785</td>
<td>2,166</td>
<td>232</td>
</tr>
<tr>
<td>Kip skins</td>
<td>no.</td>
<td>343</td>
<td>3,125</td>
<td>1,564</td>
<td>21</td>
</tr>
<tr>
<td>Total hides and skins</td>
<td>no.</td>
<td>9,175</td>
<td>73,257</td>
<td>17,852</td>
<td>495</td>
</tr>
<tr>
<td>Commodity Exported</td>
<td>Unit</td>
<td>Quantity</td>
<td>Value</td>
<td>EEC</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>---------------------------</td>
<td>------</td>
<td>-----------</td>
<td>---------</td>
<td>------</td>
<td>----------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total World</td>
<td>Total World</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>thousands</td>
<td>1000 dollars</td>
<td></td>
<td>1000 dollars</td>
</tr>
<tr>
<td>Cattle, Ox and Calf Hair:</td>
<td>lb.</td>
<td>2,979</td>
<td>746</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Total Exports, Cattle &amp;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef Products:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Quantities and value of all items listed are from beef cattle sources only.

Three countries, New Zealand, Argentina and Australia accounted for over one-half of all world exports.

The United States, according to figures in Table 3 exported only one-half of one percent of total world exports of beef and veal. This is indeed an insignificant share, yet the United States does have a considerable export business in beef products.

Table 6 gives a summary of the principal cattle and beef cattle products exported from the United States in 1962. The two commodities which accounted for most United States imports of cattle and beef products, namely beef and veal and live cattle, are comparatively small export items.

As in Chapter III, it will be essential to consider each commodity exported separately, to determine its relative importance among cattle and beef cattle products exported and to discover its principal destinations. Only by so doing will it be possible to determine how much United States cattlemen will be affected by a policy change of such economic bloc as the Common Market. It should be pointed out that the quantities and values of all commodities discussed in this chapter, including variety meats, canned meats and oils, fats and greases, come only from beef sources. As in the preceding chapters, the study in this chapter will begin with cattle and calves.

United States Exports of Cattle and Calves

When it is considered that the United States in 1962 imported over 1,000,000 cattle and calves and that only 19,000 head of cattle
were exported in that same year, it must be concluded that for a country with the second largest number of cattle, imports were inordinately large, and exports singularly small. However, it should be remembered that cattle were imported mainly by farmers who wished to get light cattle so that they could be fed, fattened and then sold for beef. Opportunities for United States ranchers of selling their lean cattle to be fattened to foreign producers are few. What the United States does export then is cattle for breeding purposes. Foreign producers of beef are willing to import cattle from the United States to strengthen the quality of their cattle stocks.

Most exports of breeding cattle go to Mexico. In 1962, Mexico imported 10,856 of the 18,039 cattle exported for breeding purposes. In dollar terms, this amounted to $3,338,581 of the total $7,459,491 received by United States exporters of breeding cattle. Canada imported 1,512 head of cattle totaling almost a million dollars in sales, and Venezuela took 1,180 head of cattle amounting to slightly over one million dollars.\footnote{United States Department of Commerce, \textit{United States Exports of Domestic and Foreign Merchandise, 1962 Annual}, Washington D.C., 1963, p. 12.}

United States Exports of Beef and Veal

As is the case with cattle exports, so is it true that total exports of beef and veal, amounting to 27,000,000 pounds are dwarfed
by the 948,000,000 pounds product weight imported by the United States in 1962. In carcass weight equivalent, exports equaled 32,000,000 pounds. The 1962 figure, it will be remembered from Chapter III, was 16,311,000,000 pounds. This means that 0.19 percent of all United States production of beef and veal was exported. This hardly compares with imports of this commodity, which was estimated to equal 8.9 percent of domestic production in 1962.

Canada was the most important United States market for beef and veal. In 1962, Canada took 16,000,000 pounds, which is 62.4 percent of the total 27,000,000 pounds of beef and veal exported by the United States. Most of the other exports of beef and veal went to the Caribbean area. It should be noted that if Australia and New Zealand are forced out of the EEC market or lose much of their sales in Western Europe, they will certainly concentrate on the Canadian as well as the United States market. If this were the case, they might undersell the United States in its traditional markets, and thus adversely affect United States cattlemen, and also increase competition for United States producers by increasing exports to the United States. This, of course, is true for Argentina as well. If Argentine exports were kept out of Europe, it would look to its powerful Alliance for Progress partner to take increased purchases of Argentine beef and veal, and thereby help it out of a difficult economic situation.

1 Ibid., pp. 12-13.
Table 6 shows that $92,000 in beef and veal were exported to the Common Market. This equaled only 0.73 percent of all United States exports of this commodity. Exports to the United Kingdom amounted to $229,000 which was 1.8 percent of United States exports.

United States Exports of Variety Meats

United States variety meats, also known in world trade terms as "edible offals" do not find great demand in foreign countries. United States exports in the 1962 calendar year of variety meats totaled only $13,301,000. Variety meats include much of what in Chapter III was referred to as manufacturing meats, such as sausages, bologna and frankfurters. The most popular single variety meat item proved to be beef tongues. Exports of beef tongues in 1962 were valued at $8,956,000 and comprised approximately two-thirds of total variety meat exports.

Western Europe dominates the market for this category of exports. In 1962, of the 125,000,000 pounds exported, 116,700,000 pounds were taken by Western Europe, and 83,000,000 pounds by the Common Market alone. The EEC thus accounted for 66.4 percent of all United States exports of variety meats and Western Europe took 93.3 percent of United States variety meats exports. In terms of value, the Common

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Market's share, $8,553,000, amounted to 64.3 percent of United States exports and the United Kingdom's $3,678,000 equaled 27.7 percent. Thus the EEC and the United Kingdom together imported 92.0 percent of United States exports of variety meats. Within the EEC, Western Germany and the Netherlands were the most important importers. France also took a considerable amount of United States variety meats.

United States Exports of Oils, Fats and Greases

"Oils, fats and greases" is United States' most important cattle and beef cattle products export item. Exports of this consist almost entirely of inedible tallow. This category accounted for approximately 45 percent of all United States cattle and beef cattle products exported in 1962. The average yearly value of tallow and greases exports in the five year period 1935-39 was $1,108,000. By 1962, exports of inedible tallow alone amounted to $93,311,000, of which $88,151,000 was tallow from cattle sources. Tallow exports have increased so greatly for several reasons. First of all, there is a greater rate of cattle slaughter in the United States than ever before. This means that there is more tallow available and that the surplus production is larger. The more fundamental reason, however, is that the uses to which tallow had been put in the past in the United States have been replaced by cheaper substitutes. For example, tallow used in soaps has been greatly decreased because of the increasing popularity of synthetic detergents.
As a result, United States prices of tallow have fallen. Foreign buyers have taken advantage of this low price level for United States tallow, and because of this, United States exports have increased.

The European Economic Community has proven to be the largest United States Market for tallow exports. In the 1962 calendar year, imports by the EEC accounted for $17,852,000, or 30 percent of the United States exports of tallow. Italy and the Netherlands were the two most important EEC importers of United States tallow and together made up 77 percent of United States exports to the Community. The United Kingdom imported over one million dollars worth of United States tallow in 1962. Western Europe in 1962 took 44 percent of United States exports of tallow.

However, the United States faces competition from two countries in Western Europe in this commodity. One, the United Kingdom, as stated above, is a customer of the United States for this item, and the other, France, is a member of the EEC, which is the United States' best customer. Certainly, if the EEC and Western Europe attempt to increase their cattle production, and that is their aim, they will have increased amounts of tallow, and the United States will be cut out of a very lucrative market for its tallow.

Outside of Western Europe, Japan has been the United States' best customer. In 1962, Japan imported $13,276,000 in beef tallow from
the United States.\textsuperscript{1} This amounted to 9 percent of total United States tallow exports. Egypt, Pakistan, Turkey, Iran and other countries in the Middle and Far East, plus Canada and Latin American countries were other markets for United States exports of tallow and greases. It is expected that in the future, the United States will be able to develop expanded markets in many of these areas for its tallow exports.

United States Exports of Hides and Skins

Cattle hides and calf and kip skins were the second most important United States export commodity. Exports of hides and skins in 1962 totaled $73,257,000 in dollar terms. This equaled 36.4 percent of all United States exports of cattle and beef products. Total exports of hides and skins and tallow and greases amounted to 81 percent of United States exports of cattle and beef cattle products in 1962.

The United States and Argentina have traditionally dominated world exports of this commodity, and usually make up over 60 percent of total world exports.\textsuperscript{2} It is almost certain, however, that the future will bring greater exports from Australia, New Zealand, Canada and South Africa, and provide much stiffer competition for the "Big Two" in bovine hides and skins exports.

\textsuperscript{1}\textit{United States Exports of Domestic and Foreign Merchandise, 1962 Annual, op. cit., p. 33.}

An examination of the destinations of United States hides and skins exports is essential. This will show in which markets of the world the United States will face increased competition in the future. Table 6 shows that in terms of value, the EEC took $17,852,000 of the total $73,257,000 worth of United States hides and skins exported. The EEC thus imported 24.4 percent of United States exports of these products. The United Kingdom imported only $495,000 in hides and skins from the United States, a mere 0.7 percent of total United States exports. Switzerland, the only other Western European importer of United States hides and skins, took an even smaller sum in terms of value. Western Europe accounts for about one-quarter of United States exports of bovine hides and skins.

Japan is the most important among the other world importers of United States hides and skins. In 1962, Japan took 717,000 pieces, which was equal to 40.5 percent of United States exports of hides and skins. Other important markets for United States include Canada, which took approximately 10 percent and Mexico which took about 5 percent of United States exports of this commodity in 1962.¹

Effects of Exports of Cattle and Beef Cattle Products on the United States Beef Cattle Industry

Though exports of cattle and beef cattle products are not as great in value as are imports of these same commodities, yet the export

market is important to United States cattlemen and to the United States agricultural trade. Exports amounting to $201,551,000 are hardly insignificant, especially when it is considered that these exports are principally surplus items. These exports have undoubtedly acted to increase the domestic price of beef cattle, just as imports have tended to act as a depressant on domestic prices. To state which of the two, exports or imports, has a greater impact on United States beef cattle prices is at this point impossible. Such conclusions could not be reached without a very thorough and competent statistical study. It is simply the purpose here to indicate that exports as well as imports do affect the United States beef cattle prices. As has been shown in Chapters III and IV, the value of imports is greater than the value of United States exports of cattle and beef cattle products, but to conclude because of this that trade in these products hurts the United States beef cattle industry, and to make estimations of the amounts in dollar terms by which the industry is affected would be sheer folly.

Among the markets of the world for United States exports of cattle and beef cattle products, the EEC is very important. Its total imports of $53,303,000 were, in 1962, approximately 30 percent of total United States exports of these commodities. The United Kingdom, which took $5,919,000 in beef cattle products from the United States accounted for almost 3 percent of United States cattle and beef cattle products exports. Thus, while other European countries import very little beef or beef cattle products in terms of value or quantity from the United
States, Western Europe as a whole nevertheless imports over one-third of total United States exports of these commodities.

Outside of Europe, markets in Central and South America, Canada, Japan and other Asian countries are important for United States exports of cattle and beef cattle products. Increased competition for these products is expected. There is also the possibility of more protectionist policies in Western Europe, and the Common Market in particular. With increased self-sufficiency in these products in the Common Market and Western Europe, it will be of no little importance to United States cattlemen for United States governmental and private organizations to develop new markets in other areas of the world, and to remain competitive in export prices with other world exporters of cattle and beef cattle products.

Asian countries will undoubtedly assume increasing importance in the future. At the moment, Japan is far and away the most important market for United States beef products exports in Asia. There is good reason to believe that this market will continue to grow. Markets will be sought by United States exporters and by the United States Department of Agriculture (U.S.D.A.) representatives in other Asian countries as they proceed to progress in their economic development. Private exporting groups and producers are now working with the U.S.D.A. to advertise United States exports in countries throughout the world. These commodities are being promoted in Asia and Latin America as well as in Europe. Only by such vigorous salesmanship can the United States
Table 7. United States Exports of Feed Grains to Present and Potential Members of the EEC, Value by Country and Group, Calendar Years, 1957-61

<table>
<thead>
<tr>
<th>Group</th>
<th>Year</th>
<th>1957</th>
<th>1958</th>
<th>1959</th>
<th>1960</th>
<th>1961</th>
<th>Average of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present members</td>
<td></td>
<td>108.7</td>
<td>163.8</td>
<td>245.8</td>
<td>203.3</td>
<td>195.0</td>
<td>183.3</td>
</tr>
<tr>
<td>Potential members</td>
<td></td>
<td>115.1</td>
<td>136.6</td>
<td>192.3</td>
<td>174.0</td>
<td>144.4</td>
<td>152.5</td>
</tr>
<tr>
<td>Present &amp; potential</td>
<td></td>
<td>223.8</td>
<td>300.4</td>
<td>438.1</td>
<td>377.3</td>
<td>339.4</td>
<td>336.0</td>
</tr>
<tr>
<td>Other countries</td>
<td></td>
<td>124.2</td>
<td>164.4</td>
<td>115.5</td>
<td>136.5</td>
<td>177.1</td>
<td>143.5</td>
</tr>
<tr>
<td>All countries</td>
<td></td>
<td>348.0</td>
<td>464.8</td>
<td>553.6</td>
<td>513.8</td>
<td>516.5</td>
<td>475.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1957-61</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Million dollars</td>
<td></td>
<td>38.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>32.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>70.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>29.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100.0</td>
</tr>
</tbody>
</table>

1 Compiled from official records, U. S. Bureau of Census.
2 Present members include the Six plus Greece as associate.
3 Potential members include Denmark, Ireland, Norway, and the United Kingdom as full member applicants; Austria, Sweden and Switzerland as applicants for association only; and Spain and Turkey as applicants for association.


expect to retain, much less increase, its share of world exports of cattle and beef cattle products.

United States Exports of Feed Grains

It will be of value to briefly examine present exports of feed grains from the United States and the destinations of these feed grains. Table 7 gives a summary of United States exports of feed grains. It shows that the 1957-61 exports of feed grains by the United States averaged $475,300,000 annually. Of this amount, the EEC took 38.6
percent. Present and potential members, which include most of Western Europe, took $336,000,000 worth of United States feed grains. This was 70.7 percent of all United States feed grain exports. In quantity, of the four feed grains exported (corn, barley, sorghums and oats), corn is the most important, and accounted in 1961 for 66.9 percent of total bushels of United States feed grain exports.¹

Foreign sales of feed grains are very important to the farmers of the United States. They accounted for 29 percent of all 1961 feed grain sales by United States farmers. Further, United States exports of feed grains in 1961 were 53 percent of the feed grains exported by the nations of the world.²

These feed grain exports have expanded as livestock industries developed abroad. The Common Market farmers will in the future probably stress increased beef production, since demands for beef in the EEC is growing rapidly. If they are to be efficient in their beef production, they will have to get feed grains from the United States, for feed grains produced by the Common Market countries are much higher priced. However, it may be the policy of the Common Market to become more self-sufficient in feed grain production. This would mean that

¹Harry Hukins, Assistant Secretary, Burge Corporation, New York City, before the 11th National Agricultural Credit Conference Sponsored by the Agricultural Committee Of the American Bankers Association, Omaha, Nebraska, November 12, 1962, p. 5.

feed grains would be excluded from the Common Market, and since it is unlikely that the United States could build up in the near future any other world market for feed grains to take the place of the Common Market, surpluses of feed grains would accrue, and the inevitable fall in United States feed grain prices would result.

As explained before in this study, this would not necessarily be a good thing for cattlemen, for the cost of pork and poultry production which relies to a much greater degree on feed grains, would decrease relative to the cost of beef production, and these meats would become more competitive with beef.

At the same time, because of lower feed grain prices, many farmers would move out of feed grain production and into livestock production. Land formerly used for feed grains would be used as pasture land. Numbers of all livestock, including cattle, could be expected to increase, and this would tend to lower beef prices. Furthermore, if this same thing occurred in the major beef exporting countries, it might happen that the United States would find itself with more imported beef and veal than ever before. This would be another thing which would adversely affect the United States cattlemen.

Therefore, in the following chapters, close attention must be given to the future of United States trade, and especially on the effects that the various possible Common Market policies might have on United States exports of feed grains, and the subsequent effects on the beef cattle industry in the United States, and in South Dakota.
CHAPTER V

THE IMPORTANCE OF SOUTH DAKOTA BEEF CATTLE IN THE NATIONAL
BEEF CATTLE INDUSTRY, AND IN THE SOUTH DAKOTA ECONOMY

South Dakota can be split into two almost equal parts by the Missouri River, which flows from North Dakota in a southerly direction across the state. The land to the east of the river was covered by ice during the glacial period, while that to the west of the river was not. Because of this, soils in the two areas differ. Land east of the river is generally better than the more barren land to the west. Also, the area in South Dakota to the west of the Missouri River has less rainfall. Thus it is suited to cattle and other livestock grazing. The more fertile land to the east of the river, receives more rainfall and as a result is used primarily for grain and hay production for livestock feeding.

Because of the topography and climatic conditions in the state, the production of cattle for beef is common throughout South Dakota. Cattle ranches on which cattle graze freely most of the year are found in the western part of the state. These cattle are fed only during the very coldest part of the winter. In the eastern part of the state, cattle are bought and fed by farmers who have used their land to grow grains and hay to fatten these cattle and then to sell them for beef. Cattle feeding has become progressively more important. It is now
estimated that approximately 12,000 of the 56,000 farms in the state are engaged in cattle feeding.

It is the purpose of this chapter to come to a more precise knowledge of the magnitude of the role played by South Dakota beef cattle in the United States beef cattle industry. This will allow an estimate of the effects on South Dakota cattlemen, of policy changes in the Common Market which will affect the United States beef cattle industry.

An examination of what would be the result on the South Dakota economy as a whole of changes in the fortunes of South Dakota cattlemen will be another goal of this chapter. In order to be in a position to make such an evaluation, it will be essential to determine the importance of South Dakota beef cattle production to the South Dakota economy. Such an analysis will reflect the influence of changing world trade in cattle and beef cattle products on the entire population of the state of South Dakota rather than on just one segment of the state's population, the cattlemen.

The Importance of South Dakota Beef Cattle in the Beef Cattle Industry of the United States

The number of beef cattle in the state of South Dakota, as is true of the United States as a whole, has been growing rapidly due to

1 A Century of South Dakota Livestock, op. cit., pp. 6 and 55.
the growing population in the country and the ever increasing demand for beef. However, the rate of increase in beef cattle numbers in South Dakota has been even greater than that in the country. This increase in South Dakota has been especially noticeable since the end of the Second World War.

In 1945, of the total 2,610,000 cattle on South Dakota farms, 1,746,000 were beef cattle (cattle not for milk) and 864,000 were cattle which were kept for milk production. However, by January 1, 1962, only 413,000 of the 3,460,000 cattle and calves in the state were dairy cattle, while 3,047,000 were beef cattle and calves.1

On January 1, 1963, of the 3,738,000 cattle and calves recorded on South Dakota farms, beef cattle and calf numbers had grown to 3,347,000 and dairy cattle numbers had dropped to 391,000. Numbers of beef cattle in the state rose from January 1, 1962 to January 1, 1963 by 9.8 percent.2

South Dakota has traditionally ranked high among states in production of beef cattle. In total numbers of beef cattle and calves, South Dakota ranked sixth in 1963, behind Texas, Iowa, Nebraska, Kansas and Oklahoma, with the aforementioned number of 3,347,000. Considering

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1A Century of South Dakota Livestock, op. cit., p. 13.
2South Dakota Agriculture 1962, op. cit., p. 28.
beef cows two years and over, South Dakota ranked fifth among states in the union with 1,399,000.¹

On January 1, 1963, according to statistics compiled by the U.S.D.A., there were 103,800,000 head of cattle in the United States. This record number was four percent higher than the 1962 figure of 99,500,000 head of cattle and calves. As in South Dakota, the number in the United States kept for milk production dropped from the 1962 figure of 29,300,000 head to the figure of 28,000,000 head in 1963, a reduction of 2.7 percent. The number kept for beef, on the other hand, increased by six percent to 74,800,000 head of cattle from the 1962 figure of 70,500,000. The number of cattle kept for beef in the United States has increased since 1958 by 26 percent.²

On January 1, 1963, therefore, South Dakota had 4.5 percent of the nation's total number of beef cattle. In the 1956-60 period, it claimed only 4.1 percent of the nation's total beef cattle numbers. It is estimated by Dr. Rex Helfinstine of the Economics Department, South Dakota State College, that by 1970, South Dakota will have at least 4.5 percent of the nation's beef cattle numbers, and possibly more.³

¹Livestock and Meat Situation, LMS-129, op. cit., p. 25.
²Ibid., p. 1.
³In a private discussion with Dr. Rex D. Helfinstine, Professor, Economics Department, South Dakota State College, October, 1963.
While it is true that about 4.5 percent of the nation's numbers of beef cattle and calves are found in South Dakota, this does not give a fully realistic estimate of the importance of South Dakota to the nation's beef cattle industry. The reason for this is that a disproportionate number of the state's total beef cattle are grazing cattle found on ranches. These cattle are lighter in weight than are cattle on feed, and are often sold to feeders for fattening before being slaughtered. Thus the amount of cash income for each one of these animals is not as great as is that derived from the heavier fed cattle. The importance of South Dakota in the nation's beef cattle industry is not as great as the 4.5 percentage figure would suggest. It will therefore be necessary to compute a more exact figure, and this can be done by finding the proportion of total national cash income from the sale of beef cattle and calves which is made up by South Dakota beef cattle and calf sales.

The average yearly gross cash income figure for the four year period 1958-61 in South Dakota from the sale of beef cattle and calves was $280,662,000.\(^1\) The average yearly gross income for the sale of beef cattle and calves in the nation in this same time period was $7,525,000,000.\(^2\) Therefore, South Dakota's proportion of the national

1\textit{South Dakota Agriculture 1962, op. cit.}, p. 47.
income from beef cattle and calf sales was about 3.7 percent. It is to be expected that, because of the anticipated faster rate of growth in cattle numbers in the state of South Dakota than in the nation, and the increased popularity in this state of feeding cattle, the receipts from sales of South Dakota beef cattle and calves in the year 1970 will equal approximately 4.0 percent of national sales.

Based on expected increases in cattle numbers, the value of beef cattle and calves in the nation for the 1970 period can be computed in present United States dollars. Then, on the assumption that South Dakota will have a 4.0 percent share of national cash receipts for the sale of beef cattle and calves, the value of beef cattle sales in South Dakota can be estimated.

According to this line of reasoning, and by using a logarithmic method of computation, it was computed that national cash receipts for cattle and calves will increase from the 1958-62 five year average of $7,649,000,000 to approximately $11,266,000,000 in 1970. If South Dakota cattlemen take 4.0 percent of the national receipts for the sale of beef cattle and calves, they will get in 1970, an approximate gross figure of $450,640,000 from these sales.\(^1\) Considering that the 1958-61 average gross income for cattle and calves in South Dakota was $280,662,750, the projected figure appears to be quite reasonable.

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\(^1\)This assumes continued inflation, and the fact that more farmers will be in the cattle feeding business by 1970. It cannot therefore be expected that all these increases will go to present ranchers and feeders of their heirs.
Future Production and Consumption of Beef and Veal

The demand for beef has increased in the past for various reasons. One obvious reason is the yearly increase in population. As the numbers of consumers increase, it is to be expected that consumption of beef will increase. Population trends of the past in the United States are expected to continue, though at perhaps a slightly decreased rate, to 1970. Another important factor influencing consumption of beef and veal is the level of personal incomes. The trend in incomes has been upward since the end of the Second World War, and it is expected to continue, as is shown in Table 2, in this same upward direction in the future.

Per capita civilian consumption of beef and veal in the 1947-49 period was 75.3 pounds. By the 1957-59 period, it had increased to 89.2 pounds. Per capita consumption in 1963 jumped to 96.2 pounds.1 According to projections of the U.S.D.A., and also by the author, consumption of beef and veal in 1970 will be approximately 108.4 pounds.2 The population of the United States in the year 1970, according to one study made by the Population Reference Bureau, will be 210,140,000.3

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1 South Dakota Agriculture 1962, op. cit., p. 38.
This assumes an annual growth rate of 1.56 percent. Projected 1970 consumption of beef and veal therefore is 22,779,176,000 pounds. Production in 1970 is expected to be around 20,000,000,000 pounds. Thus import requirements will be larger than the 1,445,000,000 pounds imported in 1962, but it may be expected that increased requirements will be easily met by the anticipated growth in production in the major beef exporting nations of the world.

The Importance of Beef Cattle in the South Dakota Economy

There are several possible ways of determining the importance of beef cattle to South Dakota. The percentage of the working population of the state involved in beef cattle production could be computed. However, this would not give nearly as accurate an estimate of the part played by beef cattle in the economy of South Dakota as would a measure of the cash farm incomes from the sales of cattle and calves relative to the total personal cash incomes in the state. This latter method will therefore be used.

A computation of the importance of beef cattle to the South Dakota economy is necessary so that the effect on the South Dakota economy resulting from changes in the international patterns of trade in cattle and beef cattle products can later be measured. It can be

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1In a private discussion with Dr. Donald Erickson, Assistant Professor, Economics Department, South Dakota State College.
Table 8. Personal Incomes in South Dakota by Major Sources, 1951-55 Average, 1956-60 Average, 1961, and Projections to 1970

<table>
<thead>
<tr>
<th>Source</th>
<th>1951-55 Average</th>
<th>1956-60 Average</th>
<th>1961</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal incomes</td>
<td>876</td>
<td>1,092</td>
<td>1,294</td>
<td>1,850</td>
</tr>
<tr>
<td>Wages &amp; salary disbursements</td>
<td>409</td>
<td>520</td>
<td>646</td>
<td></td>
</tr>
<tr>
<td>Farms</td>
<td>27</td>
<td>23</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Mining</td>
<td>9</td>
<td>12</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Contract construction</td>
<td>31</td>
<td>45</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>36</td>
<td>53</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Wholesale &amp; retail price</td>
<td>100</td>
<td>100</td>
<td>144</td>
<td></td>
</tr>
<tr>
<td>Finance, ins. &amp; real estate</td>
<td>15</td>
<td>21</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>22</td>
<td>27</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>Comms. &amp; pub. utilities</td>
<td>14</td>
<td>22</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>42</td>
<td>53</td>
<td>65</td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>110</td>
<td>243</td>
<td>165</td>
<td></td>
</tr>
<tr>
<td>Other industries</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Other labor income</td>
<td>8</td>
<td>15</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Proprietors income</td>
<td>334</td>
<td>369</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>Farm</td>
<td>235</td>
<td>238</td>
<td>238</td>
<td>245</td>
</tr>
<tr>
<td>Non-farm</td>
<td>96</td>
<td>131</td>
<td>162</td>
<td></td>
</tr>
<tr>
<td>Property income</td>
<td>90</td>
<td>137</td>
<td>164</td>
<td></td>
</tr>
<tr>
<td>Transfer payments</td>
<td>45</td>
<td>75</td>
<td>99</td>
<td></td>
</tr>
<tr>
<td>Less: personal contributions</td>
<td>111</td>
<td>23</td>
<td>34</td>
<td></td>
</tr>
<tr>
<td>for social insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net farm income</td>
<td>226.83</td>
<td>21.79</td>
<td>18.79</td>
<td>13.25</td>
</tr>
</tbody>
</table>

There has been considerable variation in farm income in South Dakota since the end of World War II so that it is extremely difficult to make a farm income projection to 1970 with any great degree of certainty.

noted in Table 8, that although personal incomes in the state rose considerably between the 1951-55 and 1956-60 average periods, farm incomes rose only slightly. The rise in personal incomes in the state was about 25 percent, while the rise in the farmers' incomes rose little more than one percent. Assuming that conditions in the future will continue as they have in the past, the trend for net farm incomes as a percentage of total personal net incomes in the state will continue downward. By use of logarithmic equations, it was projected that in the year 1970, total state personal, net incomes will equal $1,850,000,000. Net farm incomes were projected to be approximately $245,000,000 in 1970, which is 13.25 percent of the total projected state income.

Table 9. South Dakota Cash Farm Incomes in Percent by Commodities, 1951-55 Average, 1956-60 Average, 1961, and Projections to 1970

<table>
<thead>
<tr>
<th></th>
<th>1951-55 Average</th>
<th>1956-60 Average</th>
<th>1961</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feed grains</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corn</td>
<td>8.2</td>
<td>5.9</td>
<td>6.4</td>
<td></td>
</tr>
<tr>
<td>Oats</td>
<td>3.9</td>
<td>2.4</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>Barley</td>
<td>1.2</td>
<td>0.9</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Sorghum grains</td>
<td>1.3</td>
<td>1.3</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Total feed grains</td>
<td>14.6</td>
<td>11.9</td>
<td>11.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Cattle and calves</td>
<td>33.6</td>
<td>42.8</td>
<td>41.8</td>
<td>50.0</td>
</tr>
</tbody>
</table>

1Projections for 1970 are based on estimates made by Dr. Rex Helfinstine, Economics Department, South Dakota State College.

Now it is necessary to consider the importance of beef cattle in South Dakota agriculture. This is shown in Table 9. According to Table 9, the role played by cattle and calves in the South Dakota agricultural economy increased from 33.6 percent in the 1951-55 period to 42.8 percent of cash farm incomes in South Dakota in the 1956-60 period. The importance of cattle and calves in the agricultural economy of South Dakota has therefore been definitely on the increase. It has been estimated that by 1970, cattle and calves will account for approximately 50 percent of the farm cash incomes in the state.

By using the data from Tables 8 and 9 further computations can be made. In the 1951-55 period, 26.03 percent of the total personal incomes in South Dakota were farm incomes. At the same time, 33.6 percent of cash farm incomes in the state came from cattle and calves. Therefore, it can be concluded that the sale of cattle and calves accounted for nine percent of total personal net incomes in the state, in the 1951-55 period. In this same manner, it is computed that in the 1956-60 period, cash farm incomes from the sale of cattle and calves accounted for 9.3 percent of total personal incomes in South Dakota, and in the year 1961, it made up 7.7 percent of total personal incomes in the state. According to the 1970 projection figures, the sale of cattle and calves will make up approximately 6.7 percent of total personal net incomes in the state which will amount to approximately $1,050,000,000 in 1970. Under these conditions cattle sales would amount to about $124,000,000 net income in 1970.
Thus it may be concluded that beef cattle are really important to the South Dakota economy. It does not take a great deal of perspicacity to recognize that if the beef cattle industry of South Dakota is adversely affected by changing trade patterns, the economy of South Dakota as a whole would suffer as well, both directly and indirectly.

In this same manner, the importance of feed grains in the state economy can be computed. In the 1951-55 period, feed grains comprised 3.9 percent of total personal incomes. In 1956-60, they accounted for 2.6 percent, and in 1961, they made up 2.0 percent of total personal incomes in the state. In the year 1970, based on projections made, incomes from the sale of feed grains will comprise 1.33 percent of total personal incomes in South Dakota. Of course, this shows that the sale of feed grains is not nearly as important to the economy of South Dakota as are cattle and calves, but nevertheless, attention must be given to them because, as previously mentioned, the future Common Market policy could affect United States exports of feed grains greatly, and this in turn would have corresponding effects on the price of cattle, and thus on the incomes of United States cattlemen.

The Relationship Between Feed Grains and Beef

South Dakota, in the 1956-60 period, produced 2.9 percent of the nation's output of corn, 7.1 percent of the nation's oats, and 3.5 percent of the United States' barley. Corn production is expected to increase from the 1956-60 level of 3,862,000,000 bushels to 4,554,000,000
bushels in 1970. National production of oats is projected to decrease slightly from the 1,220,000,000 bushels to 1,132,415,000 bushels in 1970, while production of barley, it is projected, will remain at approximately the same level as that of 1956-60 when 425,956,000 bushels were produced. Since South Dakota will continue to produce approximately the same percentage of national production of each of these feed grains, according to studies made by the Economics Department, South Dakota State College, it may be concluded that by 1970 South Dakota will have sufficient feed grain production, as well as ample hay production, to feed a significant increase in state cattle numbers.

Feed grains are quite widely used for feeding cattle, and because of this, affect the price of cattle and beef. However, it should be noted that feed grains play a much more important role in the production of hogs and poultry than they do in beef cattle production. When the prices of feed grains rise, the costs of hog and poultry production become relatively higher than those of beef cattle. Thus, if the expansion of hogs and poultry is checked by increasing feed grain prices, this will usually have a favorable impact on beef cattle producers, for competition from these other red meats and poultry will be lessened. If the supply of these meats whose production requires much

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1Rex D. Helfinstine, Trends in Farm Production, (unnumbered mimeographed pamphlet), Economics Department, South Dakota State College, September 1963, pp. 6-21.
feed grains is decreased, it follows that the demand for beef, which
does not require so much feed grain inputs, will be increased. Thus,
while higher feed grain prices increase the price of beef somewhat, the
increase is not nearly as great relatively as the increase in the price
of the most important competing meats, and as a result, the demand for
beef will increase and beef producers will profit. It should be noted
as well that the price of cattle on feed will rise relative to the price
of grazing cattle.

Therefore, it is to the advantage of beef producers to have no
surplus of feed grains in the country, so that a relatively high price
for feed grains will prevail. If feed grain exports were limited, and
prices fell as a result of the increasing surpluses, the beef cattle
producers would be adversely affected. Under such circumstances, some
feed grain producers would cease to use their fields for feed grain
production and instead would open them up for pasture. The supply of
meat, including beef and veal, pork, mutton and poultry would be in-
creased. As a result, prices would fall. The elasticity of demand for
beef has been estimated by Dr. George Mehren of the University of
California at -.8, which means that an increase in supply of .8 percent
would be accompanied by one percent decline in price.¹ Since cheaper
feed grains would have much more of an inducement for increased pork

and poultry production that it would for beef, their prices would fall more than those of beef, and cattle producers would be hurt. At the farm level, the cross-elasticity of hogs to beef has been estimated by Dr. G. E. Brandow to be -.28. This means that a change of one percent in quantity of pork will cause an inverse change in the price of beef of .28 percent. As the quantity of pork increases, its price will fall.

South Dakota, and United States Exports and Imports of Cattle and Beef Cattle Products

Now it is possible to see of what importance imports and exports are to the South Dakota cattlemen, and to the South Dakota economy. It has been determined that South Dakota accounted for 3.7 percent of total national farm cash incomes from beef cattle and calves, and that it will make up approximately four percent in the year 1970. It follows then, that South Dakota's share of total exports of cattle and beef products in the 1958-61 period was 3.73 percent and that it was at least that amount in 1962. Since total exports of cattle and beef products in 1962 amounted to $201,551,000, it may be concluded that South Dakota's share of total exports of cattle and beef cattle products is approximately $7,518,000. Over seven and one-half million dollars

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1 G. E. Brandow, Interrelations Among Demands for Farm Products and Implications for Control of Market Supply, the Pennsylvania State University, College of Agriculture, Agricultural Experiment Station, University Park, Pennsylvania, Interregional Publication for the State Agricultural Experiment Stations, Bulletin 680, August 1961, p. 65.
came to South Dakota cattlemen because of the exportation of what otherwise would have been surplus products.

Since cash receipts by cattlemen in South Dakota in this same 1956-60 period averaged $280,662,000, the computed South Dakota share, $7,517,000.00 equaled 2.7 percent of all receipts by cattlemen in the state for cattle and calves sales.

Net cash income for the sale of cattle in the 1956-60 period made up 9.3 percent of total personal incomes in South Dakota, so as a percentage of total state income, the exportation of cattle and beef cattle products accounted for 0.25 percent of the total personal incomes in the state.

This would perhaps lead to the conclusion that any change in exports of cattle and beef products will have little direct effect on the South Dakota economy, though a serious curtailment of United States exports of these commodities could have a definite and adverse effect on the South Dakota cattlemen.

However, such a conclusion would be very shallow. As discussed in this chapter, a change in the agricultural policy of the European Economic Community could seriously hamper exports of feed grains, and this in turn would not only have great effects on the South Dakota cattlemen, but the effects would be also keenly felt in the South Dakota economy. First of all, it might take away as much as seven and one half million dollars in exports from the South Dakota cattlemen. The multiplier effect would mean that much more than this amount would be lost
from the total incomes in the state. Furthermore, lower feed grain prices would mean that farmers would likely get smaller incomes, and thus would be able to spend less in South Dakota.

Also, it must not be forgotten that future Common Market agricultural policies could affect imports into the United States of beef and veal. A protectionist policy would undoubtedly adversely affect, especially if increased imports were of higher quality type, the price of and consequently the market for beef in the United States. If imports are restricted from the Common Market and redirected to the United States, then the increased supply would tend to lower prices, and South Dakota cattlemen would not likely get as much for their beef as was previously the case. It must be restated that as long as imports are filling a gap between domestic demand and production of beef and veal, it is unlikely that they have a very large adverse effect on domestic prices. However, if they increase to the point where they are directly competing with domestic beef for the consumer's dollar, then the adverse effects on the United States and South Dakota cattlemen could be severe.

All these considerations concerning both imports and exports must be taken into account before making any definite conclusions concerning any possible effects of the EEC on the South Dakota economy. In the following chapters, an attempt will be made to project Common

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1 For a definition of the "multiplier effect," see the Glossary of Terms, Appendix A.
Market feed grain and cattle and beef cattle products requirements in the future, and then to make an approximation of the effects on the United States beef cattle industry, the South Dakota cattlemen, and the South Dakota economy. Such conclusions cannot be perfectly accurate, but it is hoped that an approximation of the type of effects, and possibly the degree of effects may be projected.
CHAPTER VI

THE EUROPEAN ECONOMIC COMMUNITY

Prior to the Second World War, the great European nations played dominant roles in international affairs and events. Britain still ruled the waves, France's land forces were widely celebrated, and output of industrial goods for civilian and military uses in mighty Germany made the word "Nazi" feared if not respected in all corners of the world.

At the close of the Second World War, the economics of these formerly proud and powerful European nations were exhausted. Germany was vanquished. Britain and France, though technically victors, were in reality losers as well. France had been occupied for years, and its legal and legislative organs were in disarray. Britain, though never occupied by the enemy, had put an effort of such tremendous proportions into the war, that it had incurred crippling debts.

Hence it was that following World War II, two new super-powers, the United States and the Soviet Union, came to dominate international affairs, and dwarfed, by comparison, the prestige and the military and economic potence of the individual European states. It was fratricidal quarreling that had marred the histories and economic and social advancement and progress of the individual European nations. The effects that this war would have on the futures of these countries were uncertain. Surely another such war, with the inevitable refinement and
improvement of instruments of destruction would deal a fatal blow to Western European culture and civilization.

The war-weary leaders of the separate European states were as sensitive to this certainty as were the long-suffering individuals and families which populated the European continent. Thus it was that a speech delivered in Zurich, Switzerland, in 1946 by Winston Churchill, urging a kind of "United States of Europe" was welcomed and echoed by other prominent European personalities. Leaders in financial, labor and business, as well as governmental circles worked with determination to re-organize Europe so that the European nations would in the future work in cooperation for common ends, and abolish the threat of a suicidal war.

It took financial assistance mainly from the United States following the war through such programs as the Marshall Plan to rejuvenate the economies of the European states. Then in 1948, 16 countries of Western Europe together with the United States and Canada participated in the founding of the Organization for European Economic Cooperation (OEEC). Through this organization, the European countries could tackle their special problems with the advice and assistance of other members. This organization has recently been renamed the Organization for Economic Cooperation and Development (OECD).

This growing spirit of cooperation finally resulted, in 1950, in what is known as the Schuman Plan. Drafted mainly by the Frenchman, Jean Monnet, this plan envisaged the union of the coal and steel
industries of Western Europe. Six countries, including France and West Germany accepted membership and this new organization, named the European Coal and Steel Community (ECSC) went into operation in 1952. Other members were Italy and the three Benelux countries (the Netherlands, Belgium and Luxembourg). Success in terms of increased productivity and trade was almost immediate.

Encouraged by the results of such cooperation, it was decided that Europe should have a common defense community as well. However, this plan proved to be overly ambitious. The French, who had suffered defeat and humiliation from German forces since Napoleonic times believed that the German soldier, once again armed, would be a threat to European peace. As a result, the French National Assembly in 1955 failed to ratify the proposed defence community.

Yet internationally-minded leaders in Europe refused to be discouraged by this setback, and instead planned for an economic union for all of Europe, with eventual political union as well. Jean Monnet quit his position as president of the ECSC to devote his full time to this end. In June 1955, foreign ministers of the six ECSC countries along with representatives of other European nations attended a conference at Messina, Italy. These men know that no European nation could ever challenge in prestige or influence either of the two super-powers of the day. Only as a united Western European bloc could they hope to wield the influence in international affairs that they felt was rightly theirs. Only through such a union would standards of living in the
European countries be quickly raised and technical progress speedily accomplished. Such a huge new market would allow increased specialization, and with it, the economies of mass-production.

Not all the European nations, however, were so sure that such an idealistic union could be attained, and it was over the surrender of sovereignty in economic and political policy that the "Sixes" and "Sevens" began to split. Great Britain refused to be a party to such a scheme. The six members of the ECSC, on the other hand, proceeded with the plan, and on March 25, 1957, signed the "Treaty of Rome."

This treaty came into effect on January 1, 1958. The United Kingdom, in 1959, under the ostensible leadership of Sweden, formed the seven member "European Free Trade Association" (EFTA). The other five members are Denmark, Norway, Portugal, Switzerland and Austria. EFTA was designed to be not a customs union, but merely a free trade association in which barriers to trade in industrial goods among the members were to be lowered.\(^1\) There would be no common external tariff to third countries.

In 1960, the six countries which compose the Common Market had a population of 169,000,000, a working population of 74,000,000 and land area of 449,000 square miles. Sixteen million people, over 20 percent of the working population, were employed in agriculture. Approximately 30,000,000 people were employed in industry and 25,000,000 in

\(^1\) For a definition of "customs union" see the Glossary of Terms, Appendix A.
services. The associated counties in Africa and other places add 53,000,000 in population and 4,700,000 square miles in territory to the Community.\(^1\) Greece, on November 1, 1962, became the first European country to associate with the Community. Because it is relatively less developed than the other members, it could get association status only. This permits it to raise a tariff on EEC goods over a 12 to 22 year period, while applying the EEC common external tariff to third countries.

Also, by the end of 1962, four other countries, Britain, Ireland, Denmark and Norway had applied for full membership. Three others, Austria, Sweden and Switzerland, had applied for association only, in order to preserve their neutrality, and Spain and Turkey had applied for association much on the same basis as Greece, with the possibility of becoming full members at a later time.

The EEC has been the fastest growing major economic area in the Western World. Gross national product rose 53 percent in the 1953-61 period. This compares with 21 percent for the United States and 25 percent growth rate for the United Kingdom in this same period of time. The EEC is the world's largest importer and the second largest exporter.

Imports in 1961 totaled $20,453,000,000 and exports amounted to $20,424,000,000.¹

The Treaty of Rome

What are the aims and purposes of the Community? What are the conditions which a country must accept in order to be a member nation? Why could the EFTA nations not accept full membership immediately? To answer these questions and others, it will be necessary to make an examination of the Treaty of Rome.

Article 2 of the Treaty says,

It shall be the aim of the Community, by establishing a Common Market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increased stability, an accelerated raising of the standard of living and closer relations between its Member States.²

The conditions of the Community are stated in Article 3:

For the purposes set out in the preceding Article, the activities of the Community shall include, under the conditions and with the timing provided for in this Treaty:

a) the elimination, as between Member States, of customs duties and of quantitative restrictions in regard to the importation and exportation of goods, as well as of all other measures with equivalent effect;
b) the establishment of a common customs tariff and common commercial policy toward third countries;
c) the abolition, as between Member States, of the obstacles to the free movement of persons, services and capital;

¹The European Community at a Glance, op. cit., p. 5.
d) the inauguration of a common agricultural policy;  
e) the inauguration of a common transport policy;  
f) the establishment of a system ensuring that competition shall not be distorted in the Common Market;  
g) the application of procedures which shall make it possible to coordinate the economic policies of Member States and to remedy disqualibria in their balances of payments;  
h) the approximation of their respective municipal law to the extent necessary for the functioning of the Common Market;  
i) the creating of a European Social Fund in order to improve the possibilities of employment for workers and to contribute to the raising of their standard of living;  
j) the establishment of a European Investment Bank intended to facilitate the economic expansion of the Community through the creation of new resources; and  
k) the association of overseas countries and territories with the Community with a view to increasing trade and the pursuing jointly their effort towards economic and social development.¹

Further articles provide for such things as the coordination of economic policies to attain the objectives of the treaty, nondiscrimination of nationality, and establishment of the completed Common Market in the course of a transitional period of 12 years. The transitional period, it states, is to consist of three stages of four years each.

The common external tariff is to be the arithmetic mean of the 1957 external tariff levels in the four customs areas: France, West Germany, Italy and Benelux. Actually, the external tariff for industrial goods is ahead of schedule. The first step, a cut of 30 percent which was to be taken in 1962, was taken at the end of 1960, two years ahead of schedule.

A very striking feature of the Common Market is that it has established organs that speak on behalf of the Community as a whole

rather than for the individual countries. Responsibility of members of these organs is to the Community rather than to countries of which these members are citizens.

The most powerful of these supra-national organs is the Permanent Commission which is located in Brussels. It consists of nine members. No more than two of the nine members may be from any one country. The members are appointed by the national governments, but accept no orders from them. These members and the Commission staff, have come to be known as the "Eurocrats." The Commission formulates policies for the Community, and makes recommendations on matters concerning the treaty. On matters of great importance, it must secure the consent of the Council of Ministers.

The Council of Ministers consists of representatives of the various national governments. On matters submitted by the Commission, the Council must vote unanimously in order to pass them. Thus each country presently has a veto on matters of great importance. However, after the end of the second stage, January 1, 1966, decisions will be taken by the Council on a qualified majority. France, West Germany and Italy will have four votes each, Belgium and the Netherlands will have two votes apiece, and Luxembourg will have one vote. Twelve votes will be required to reach a decision.

The European Parliament is found at Strasbourg, France. One hundred and forty-two members, appointed by the various national governments meet there. At present, the Parliament has no legislative powers,
but it is envisaged that members will be elected in the future by direct universal suffrage, and that eventually, it will legislate in the name of the Common Market.

A Court of Justice meets to consider disputes that arise over the Treaty. It enforces rules of the Treaty, and supports the rulings of the Commission.

The Common Agricultural Policy

The Treaty of Rome states that there is to be a common agricultural policy. However, the treaty establishes only the objectives of such a policy, and does not state what that policy should be. Rather, it states only that a common policy for agriculture is to be worked out by the beginning of 1962.

The objectives of the common agricultural policy are found in Article 39 of the Treaty, and read as follows:

The common agricultural policy shall have as its objectives;

a) to increase agricultural productivity by developing technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production particularly labor;

b) to ensure thereby a fair standard of living for the agricultural population, particularly by the increasing of the individual earnings of persons engaged in agriculture;

c) to stabilize markets;

d) to guarantee regular supplies; and

e) to ensure reasonable prices in supplies to consumers.¹

In working out the common agricultural policy and the special methods which it may involve, due account shall be taken

of:
a) the particular character of agricultural activities, arising from the social structure of agriculture and from structural and natural disparities between the various agricultural regions;
b) the need to make the appropriate adjustments gradually; and
c) the fact that in Member States agriculture constitutes a sector which is closely linked with the economy as a whole.¹

The common agricultural policy (CAP) is to be established during the transitional period. Formulating a CAP has been the greatest problem which the member countries of the Community have until now faced. In June 1960, the Commission submitted a plan to the Council for consideration known as the "Mansholt Plan." It was decided that the Council should come to an agreement concerning this plan by the end of 1961. However, it took until the morning of January 14, 1962 for a weary and exhausted group of Council members to reach agreement on a common agricultural policy. This agreement truly cemented together permanently, the members of the six EEC nations and is probably the most significant step that has so far been taken by the Six toward an international form of government.

The primary reason for the great difficulty experienced by the members in coming to agreement on a CAP and the resulting rigidity of controls on international agricultural trade can be explained by the great degree of power wielded by the farmers in the six countries. The numbers of farmers are great in each country, and their conviction that their government had not acted in the farmers' best interests would

¹Ibid., p. 11.
almost certainly cause the party in power to lose a great deal of support in the next national elections.

It would be wise at this point to make an examination of the CAP as it was established on January 14, 1962, before going on to a consideration of the CAP established for cattle and beef cattle products.

The CAP will be liberal in its duties on commodities it does not produce at all or only in small quantities. This includes about 70 percent of United States exports to the Common Market. However, the other 30 percent of United States exports to the Community will be restricted in the future by what can possibly be very formidable barriers. It should be mentioned that many of the old protective measures such as tariffs, import quotas, direct cash payments, import subsidies, minimum price regulations, price supports and others were abolished as of July 30, 1962 with the inauguration of the new CAP, and others were to be done away with over a period of time. However, these restrictions have been replaced with others which may or may not be more protective, depending on the broad political policies followed by the six member nations.

Grain is the basis of the common agricultural policy. The CAP in 1962 called for the unification of grain support prices in the Community, elimination of barriers to intra-community trade of these commodities, and erection of minimum import prices enforced by variable levies and other measures on imports of grains from third countries.
In speaking of this new variable levy system, Mr. Coppock had this to say:

It constitutes a rigid, autarkic plan for the control of agriculture within the EEC. Unmodified, it may provide an enormous obstacle to further economic integration in the North Atlantic region.¹

Mr. Sicco Mansholt of the Commission, however, refers to the levy as "neutral." The levy, he says, in itself is neither good nor bad, but can be used to free international trade, just as it could possibly be used to create an autarkic Common Market.²

Now it will be essential to judge, in this chapter, what indeed will be the effects of the variable levy system. The CAP decrees that imports of grains from third countries are to be handled in the following manner. First of all, there are to be established target prices on grains. These target prices are the "hub" of the EEC price structure.

The common price level, that is, the final target prices for the various grains has not yet been agreed upon. However, each country has its own upper and lower limits for target prices of its own, and these national target prices are to be progressively brought together during the transition period. During the transition period, individual countries will determine their own target prices.

¹John O. Coppock, North Atlantic Policy, the Agricultural Gap, the Twentieth Century Fund, New York, 1963, p. 10.

²Sicco Mansholt, Vice President of the Commission of the EEC, Address to the National Press Club, Washington D. C., April 9, 1963.
Intervention prices, "support price at the wholesale level," are to be established at 90 to 95 percent of the designated target prices. The European Grain Office, which will be under control of the Commission, must buy all quantities of grain at intervention prices if they should fall below the intervention price.

Threshold prices are calculated as follows. From the final specified target price is subtracted marketing costs such as transportation and handling costs, from the port of entry to deficit center for which the target price is established, and to this is added a "lump sum," or "montant fortaitaire," plus or minus adjustments for quality standards. The use of the lump sum gives grain imports of member countries preference over third country grain. Increasing the lump sum would stimulate Community trade.

Now it is possible to consider the "variable import levy" regarding imports into the Common Market from third countries. The levy is equal to the EEC threshold price minus the "standardized c.i.f. price." This levy is the basic feature of the grain program in the Common Market. The "standardized c.i.f. price is derived by adding to or subtracting from the lowest world c.i.f. price the "equivalence coefficients" which reflect the difference in quality between the standard EEC grains and imported grains. For each principal variety of cereals, the lowest determined c.i.f. price is selected.

A system of intra-community levies is presently being used to equalize differences in price. However, this will be abolished entirely as the finalized CAP comes into effect.
Very recently, Mr. Mansholt made new proposals for the unification of EEC grain prices. He has suggested that unification of Common Market grain prices become effective for the 1964-65 crop instead of reaching the target prices through stages by 1970. The intervention price for wheat under this new proposal would be $93.69 a metric ton. This is an increase of about eight percent over present French prices, and if as is suggested that the French quantum system be eliminated, it would mean a 15 percent rise in French wheat prices, and a twenty percent rise in barley prices. West German prices would be reduced somewhat. However, this would be a great inducement for French farmers to increase their grain production.¹

The Council has ruled that in order for the Common Market to achieve its objectives in agriculture more easily, an European Agricultural Fund is to be made up of contributions from the six national governments and from money received from levies on imports of these commodities. The Fund will then be used to subsidize exports from the EEC to third countries, contribute to structural improvement programs in The Common Market and to buy up these commodities at intervention prices. Thus if the CAP proved to be restrictive and the variable levies excessive, surpluses would develop in the Common Market and thus subsidized Common Market feed grains would compete with United States exports on the world markets.

The Proposed Common Agricultural Policy for Cattle and Beef Cattle Products

As with all other agricultural commodities, it has proven difficult to reach agreement for a CAP on beef. The effective date for the regulations on beef and beef products has had to be postponed several times, but the Commission has submitted its recommendations and the Council has established the date of December 31, 1963 as the target approval of the CAP for beef and beef products. The CAP for these commodities is to become effective in the first quarter of 1964. Sixty percent alignment of the national tariffs to the common external tariff (CET) is to be reached by March 31, 1964, and then full CET will become effective by April 1, 1966.

The import restrictions placed on beef and beef products by commodities will now be considered. Table 10 shows the common external tariffs which will be placed on the various commodities.

For cattle, and calves there will be a 16 percent ad valorem tariff and for fresh and chilled beef there will be a 20 percent ad valorem tariff, about twice the 1961 tariff level. As was the case with feed grains, both of these commodities will be subjected to target prices, intervention prices and gate prices. The gate price is simply

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Table 10. Proposed Common External Tariffs of the European Economic Community on Cattle and Beef Products

<table>
<thead>
<tr>
<th>Common External Tariff</th>
<th>Gate Price</th>
<th>Import Certificates and Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>percent ad valorem</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cattle and calves</td>
<td>16</td>
<td>Yes</td>
</tr>
<tr>
<td>Beef and veal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fresh or chilled</td>
<td>20</td>
<td>Yes</td>
</tr>
<tr>
<td>Frozen</td>
<td>20</td>
<td>Yes</td>
</tr>
<tr>
<td>Variety meats (offal)</td>
<td>20</td>
<td>No</td>
</tr>
<tr>
<td>Tallow (inedible)</td>
<td>2</td>
<td>No</td>
</tr>
<tr>
<td>Canned beef</td>
<td>26</td>
<td>No</td>
</tr>
<tr>
<td>Beef sausage, etc.</td>
<td>21</td>
<td>No</td>
</tr>
<tr>
<td>Hides and skins</td>
<td>0</td>
<td>No</td>
</tr>
<tr>
<td>Casings</td>
<td>0</td>
<td>No</td>
</tr>
</tbody>
</table>


A minimum import price, whose objective it is to bring the value of beef and veal into line with the domestic price of these commodities.

The Common Market Commission has proposed fixed target prices for each Member State on the basis of an arithmetic average of wholesale prices during the two years prior to the effective date of the regulations.

Annual reviews will bring the target prices of the separate countries into line by April 1, 1967 at the latest.

As with grains there is to be an intervention price for cattle and beef and veal. If domestic prices fall more than seven percent below target prices, Member States can intervene in the domestic market, and make purchases to keep the price up. The criteria for establishing
intervention prices has not yet been determined. Neither has the threshold price for imports been determined by the Council.

Gate prices will approximate the target prices minus the fixed CET. If selling prices at the frontier are lower than the gate price, the difference will be made up by a variable import levy. Thus, in other words, the world price plus the levy equals the gate price, and the gate price plus the common external tariff equals the target price within the Community.

A different method has been chosen to deal with frozen beef. It has the same common external tariff of 20 percent as have fresh and chilled beef and veal, but it also has a quota of 22,000 metric tons. Inter EEC tariff duties on trade in frozen beef are to be eliminated by April 1, 1967.

There will be no import gate prices or target prices for the following commodities to be discussed: variety meats, canned beef, tallow, and hides and skins. Variety meats have a 20 percent customs duty which is considerably higher than the previous national rates of 5 to 12 percent. Though variety meats have no target prices, they are subject to the issuance of "import certificates and deposits."

There are practically no barriers to imports of tallow. Tallow has a two percent ad valorem CET but will not be subject to a gate price or import certificates and deposits. Canned beef is subject to import certificates and deposits, as well as a high 26 percent ad
valorem CET. Beef sausage is also subject to import certificates and deposits and to the high CET of 21 percent.

There are no obstacles to the study of hides and skins or beef casings. There will be no CET, gate price nor system of import certificates and deposits. Variety meats of cattle and inedible tallow are isolated from further trade restrictions because of GATT agreements in 1962. To tighten controls of these commodities would require compensatory concessions to third countries hurt by this action.

Reaction to the Common Agricultural Policy

A GATT committee was established to examine the common agricultural policy, to determine the trade effects of this policy. It reported as follows:

While noting the view that the levy system was designed so as to maintain at least the same level of production which prevailed previously in the Member States, some members of the Committee were of the opinion that the regime contained certain elements which might well make it even more restrictive. These characteristics deserved, in their view, particular weight since potential new members of the Community, which operated hitherto under far less restrictive import systems, might well take part in the new regime.

Exporting countries of the Committee felt that the system constituted a complete insulation of the producers in the Community from effects of price competition from more effective external suppliers. External suppliers would obtain no benefit in the market of the Community from further increases in efficiency. As the members of the Committee saw it, the CAP for cereals gave domestic suppliers over protection against external suppliers during the transitional period by the amount of the 'montant forfaitaire.' It provided support arrangements extending to every form of cereals the producer cared to grow. It provided the assurance that an intervention agency was obligated
to pay a predetermined price for every ton produced which was not sold at a better price on the commercial market. It gave internal producers freedom from price competition from external suppliers. It gave producers a reserve safeguard that if all else failed to protect them, if for example purchases by the intervention authority should reach levels so as to become embarrassing, then quantitative restrictions could be applied to imports. ... Thus, these members suggested that as a system of protection, disregarding for the moment the level of prices, it was as watertight a system as could be developed.¹

The Committee concluded its report with this paragraph:

Exporting members of the Committee felt that a closed market system in which a high level of price supports exists, could not fail to generate increased levels of production which in turn were protected by the levy system allied to safeguard measures including a possible embargo on imports. Combined with the element of Community preference to promote a higher level of intra-Community trade, such a situation could only result in displacement of imports from third countries who could further be paralyzed by fiercer competition in price in non-EEC markets to the extent that the EEC exported its surpluses with the aid of the refund system. Efficient producers in third countries could not possibly protect themselves against these effects by lowering their own costs. This adverse impact on world trade assumed even greater importance if and as the Six became an enlarged Community. The very size of such a Community as an economic unit, could enable it to dictate the terms of trade in agricultural products to the outside world. The effects on third country producers could be alleviated by the adoption of a low price policy.

Alternative Policies for the Common Market

There are four distinct paths that the Common Market could follow in the future. It could remain its present size and allow no more

¹A. H. Turner, Director, Economics Division, Canada Department of Agriculture, Speech to Symposium on Food, People and Trade, Seattle, January 18, 1963.

²Ibid.
full members into the Community, or it could, on the other hand, enlarge into a Community embracing all of Western Europe. Already four countries, the United Kingdom, Ireland, Denmark and Norway have applied for full membership, and many other nations for association status. Also, the Community could take a so called "outward-looking" policy toward third countries, that is a liberal non-restrictive approach to trade, or it could be "inward-looking," and seek to become a self-sufficient third world super-power, independent of the United States and all other non-member nations. All these possibilities must be examined, for it is difficult now, while the EEC is still in its formative stages, to predict what road it will choose to follow. Any of these alternatives is a very distinct possibility, and cannot be neglected by a researcher who is about to make projections on future conditions within the Community, and their effects on trade. The alternatives will now be briefly examined.

The first alternative to be considered is that the Community will retain its present number and that this Six will be liberal in its outlook to trade, that it will seek to trade according to the laws of comparative advantage as much as is politically feasible. In the Common Market as presently constituted, there are several reasons for being optimistic about a relatively free trade policy. In the first place, it just makes good economic sense for the nations of Europe to

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1For a definition of "comparative advantage" see the Glossary of Terms, Appendix A.
specialize in the production of commodities in which they are most
efficient, to export the surpluses and to import those commodities in
which they are relatively inefficient. Europe is comparatively in-
efficient in the production of most agricultural products. The
principle of comparative advantage in this case would dictate that
the Community, in order to prosper, should import many agricultural
commodities and export industrial goods in which production is rela-
tively efficient.

Another reason supporting increased trade is that higher prices
resulting from protectionist agriculture would encourage farmers to
stay on the farms. This would retard progress in agricultural produc-
tivity and would make foods unnecessarily expensive.

Finally, it can be argued that a rise in the prices of agricul-
tural products would raise food prices and since expenditures for food
take up such a great portion of the average consumer's income, this
price rise would be inflationary. Inflationary pressures would raise
the wage scale and as a result industrial goods would become more ex-
pensive and therefore not as competitive on the world markets. It is
to be expected that for these reasons, the majority of industrialists
in the Community will work to bring about the outward-looking Community.

The United States would support such a policy. President Ken-
nedy, in his July 4, 1962 address, said that the United States would
be willing in the future to sign a "declaration of interdependence"
with such an Europe. Such a policy would enable the United States to
retain and perhaps even expand its already huge export surplus to the
Community. This would alleviate its much publicized balance of pay-
ment difficulties.

John O. Coppock said, in his book, "North Atlantic Policy, The
Agricultural Gap,"

If it is right to reshape the economic structure of the
North Atlantic region to make it more mutually interdependent
in the supply of many primary materials and manufactures, it is
surely proper to extend that independence to the production
of food. In fact unification of the market makes more sense
for agriculture than for many other sectors of the economy, for
there are greater potentialities in agriculture for economical
geographical specialization.1

But, as Mr. Coppock says, though the ex-farmer in a factory is
worth much more than a farmer in the field, "right now, the farmers,
in all their numbers, are in the field - a fact that receives wide-
spread political recognition."2

A second route the Six can follow is that of a protectionist
Community. It can use the variable import levy to raise insurmountable
barriers around the Community's external borders. It can attempt to
achieve self-sufficiency in agriculture. Surely, this would be econom-
ically unsound, but by so doing, it would need to rely on no nation
for assistance, and could feel secure in its sovereignty and independ-
ence. It would not be bound by economic and the usually resulting
military and political ties, and could be "master of its own house."

1 John O. Coppock, op. cit., p. 178.
2 Ibid., p. 21.
The United States has worked hard to eradicate this type of attitude, but there are powerful forces within the Community which believe that such a policy would be the most beneficial to them. Leaders such as General de Gaulle of France are the external manifestation of this type of thinking. De Gaulle has effectively shut the door to British entry, at least for the time being, and public opinion in his own country does not seem to be greatly adverse to him for doing so. De Gaulle envisages the renaissance of a united Europe as being possibly only under the strong leadership of one of the countries of the Community, namely France. It cannot be to him a purely cooperative effort. It has been De Gaulle's ambition to unite West Germany especially closely with France so that the two nations under French leadership may determine Common Market policies. One method of so doing was the Franco-German Treaty. Commenting on the Franco-German Treaty, Sicco Mansholt of the EEC Commission said:

The treaty requires the governments of both nations to consult each other in all matters concerning Common Market affairs and to strive for prior agreement. Looking ahead to January 1, 1966, these two major nations will have the voting strength to block every Community decision in the Common Market's Council of Ministers. Their prior consultations will deny the essential quality of our Community which is the mutual confidence and equality of all members.¹

Britain is the world's greatest importer of foodstuffs. Approximately half the foods consumed by its 53,000,000 population is imported. If the United Kingdom should be accepted as a full member

¹Sicco Mansholt, op. cit.
of the Common Market, along with the other applicants for membership, then the policy taken by the Community in the field of agricultural imports will be much more important to the United States and other exporting nations of agricultural products in the world. It is estimated that the United Kingdom and West Germany import approximately two-thirds of all foodstuffs traded within Western Europe, and about 60 percent of all foodstuffs imported from outside of Europe.

It is very likely that with the United Kingdom in the Community, policies toward agricultural trade would be liberal. The United Kingdom could not in good faith discard its traditional agricultural suppliers in order to promote self-sufficiency within the Community. Furthermore, British subjects would not tolerate the great increases in the prices of foods which would result. Besides, the Common Market exporting countries could not at their present rate of production or even at greatly increased rates hope to supply the United Kingdom with its gargantuan demand for imports of foods. Therefore, in considering the enlarged Community, it is necessary to give special attention to a fairly liberal trading bloc, without unduly high common external barriers to agricultural trade.

Also, Denmark, Norway and Ireland, the other countries that have applied for full membership, have important livestock industries that depend on low-cost imports of feed grains. They would therefore naturally fight any tendency toward autarky in the common agricultural policy.
However, more than token consideration must be made of the fourth and final alternative, that of a Western European Economic Community, with a protectionist CAP. Precisely because of the arguments stated above, it is unlikely that an EEC with the United Kingdom would move in the direction of autarky. Rather, it is to be expected that such a Community would seek greater specialization in all phases of production, and as a result, increase emphasis on imports of agricultural commodities. However, this alternative should not be overlooked. It may be that the government of Britain will deem entry into the Community of such paramount importance that it will accept a protectionist agriculture. Although unlikely, the opportunities for industrial exports within the Community may be deemed to outweigh the losses which would result from higher food prices. In this case, the Community would have a huge and adverse effect on world trade in agricultural commodities. Surpluses would build up in exporting countries, and world prices of agricultural commodities would fall. However, actual projections and estimations of such effects will be left for consideration in Chapter VII.
CHAPTER VII

PRESENT EEC IMPORTS OF CATTLE AND BEEF CATTLE PRODUCTS,
PROJECTIONS TO 1970, AND EFFECTS OF ALTERNATIVE
COMMON MARKET POLICIES ON THE UNITED STATES

Because of the sheer quantity of information assembled in this chapter, a brief summary is included at this point for purposes of orientation.

1. The first part of this chapter will deal with 1962 calendar year imports of cattle and beef cattle products by the EEC. This will indicate not only the importance of the Common Market as a market for world exports of these commodities, but also the chief suppliers of the EEC in cattle and beef cattle products. Cattle and beef cattle products will be discussed in the following order: a) EEC imports of cattle and calves; b) EEC imports of beef and veal; c) EEC imports of variety meats; d) EEC imports of tallow and greases; e) EEC imports of bovine hides and skins; and f) EEC imports of other beef cattle products.

2. Following this analysis a study will be made of present imports of feed grains by the European Economic Community. This study will be made primarily to determine the degree to which the EEC presently relies on the United States for its feed grain supplies, the possibilities of future EEC self-sufficiency in feed grains, and
finally, so that later estimates can be made of the effects on the United States of changes in the level of EEC imports from the United States.

3. Projections will then be made to 1970 for EEC feed grain import requirements under various conditions. Projections will be made on the assumption that there will be no change in the agricultural policies of the member nations. Then projected import requirements under alternative policies can be compared with the first projection, and conclusions may be reached concerning the kind and degree of effects from each of the various policies.

4. Projections will be made to 1970 for EEC beef and veal import requirements. It will be essential to this study to know what amounts of beef and veal will be imported by the EEC in 1970 if EEC policies continue into the future as they are now, and who will be the principal suppliers. This will allow a comparison for import requirements under the alternative agricultural policies that may be followed by the EEC.

5. Finally, effects of the various policies on EEC imports can be estimated in quantitative terms. Redirection of trade can be estimated, and the resulting effects of each of the possible future EEC agricultural policies on the United States beef cattle industry can be evaluated.
Present Imports of Cattle and Beef Cattle Products
by the European Economic Community

**EEC Imports of Live Cattle and Calves**

In Tables 1 and 2, Chapter II, it was shown that the EEC imported 876,100 head of cattle and calves in the 1961 calendar year, and exported only 273,100 head of cattle and calves. The net import balance then, of cattle numbers for the Common Market, was 603,000. The other great European importer was the United Kingdom. It had a net import balance of 502,900 head of cattle and calves in 1961.

However, if total Western Europe trade in cattle and calves is considered, it will be seen that exports of 1,804,000 almost equaled the imports of 1,829,000 head of cattle and calves. This would lead to the conclusion that trade in this commodity in Western Europe is almost entirely among Western European countries. Countries outside of Europe are not important as suppliers of live cattle to the Common Market, the United Kingdom, or other Western European countries.

Within the Community itself, France and the Netherlands are net exporters of cattle and calves. The Belgium-Luxembourg Economic Union (BLEU) is almost entirely self-sufficient in cattle and calf numbers. Germany and Italy account for all the EEC imports of live cattle and calves.

A more recent and complete summary of Common Market imports of live cattle and calves is given in Table 11. Imports of beef cattle and calves from all sources into the Common Market amounted to
Table II. Common Market Imports of Beef Cattle and Calves, and Sources of These Imports, Calendar Year 1962

<table>
<thead>
<tr>
<th></th>
<th>EEC</th>
<th>France</th>
<th>BLEU</th>
<th>Neths</th>
<th>Germ.</th>
<th>Italy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>m.t.1</td>
<td>$1000</td>
<td>$1000</td>
<td>$1000</td>
<td>$1000</td>
<td>$1000</td>
</tr>
<tr>
<td>World</td>
<td>345.1</td>
<td>143,827</td>
<td>5,009</td>
<td>1,089</td>
<td>8,767</td>
<td>75,173</td>
</tr>
<tr>
<td>EEC</td>
<td>36.0</td>
<td>19,373</td>
<td>3,863</td>
<td>340</td>
<td>812</td>
<td>3,332</td>
</tr>
<tr>
<td>France</td>
<td>17.5</td>
<td>7,814</td>
<td>---</td>
<td>22</td>
<td>1</td>
<td>1,829</td>
</tr>
<tr>
<td>Netherlands</td>
<td>12.8</td>
<td>9,480</td>
<td>3,647</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Assoc. couns. &amp; terrs.</td>
<td>--</td>
<td>13</td>
<td>13</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Third countries</td>
<td>309.1</td>
<td>124,441</td>
<td>1,133</td>
<td>749</td>
<td>7,955</td>
<td>71,841</td>
</tr>
<tr>
<td>EFTA</td>
<td>222.7</td>
<td>86,844</td>
<td>989</td>
<td>656</td>
<td>7,262</td>
<td>57,760</td>
</tr>
<tr>
<td>USA</td>
<td>--</td>
<td>89</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Commonwealth couns.</td>
<td>--</td>
<td>81</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>11.2</td>
<td>3,732</td>
<td>594</td>
<td>120</td>
<td>3,006</td>
<td>3</td>
</tr>
<tr>
<td>Ireland</td>
<td>7.9</td>
<td>3,754</td>
<td>26</td>
<td>91</td>
<td>366</td>
<td>3,301</td>
</tr>
<tr>
<td>Denmark</td>
<td>152.8</td>
<td>57,051</td>
<td>335</td>
<td>536</td>
<td>4,256</td>
<td>48,048</td>
</tr>
<tr>
<td>Austria</td>
<td>52.2</td>
<td>23,209</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>9,176</td>
</tr>
</tbody>
</table>

1 1000 metric tons


$143,827,000 in the 1962 calendar year. Trade among Community countries totaled only $19,373,000, while $124,441,000 came from third countries, of which $86,844,000 or 69.8 percent came from EFTA countries. Denmark and Austria were the two greatest EFTA exporters, and together sent $80,260,000 or 92.9 percent of EFTA exports of cattle and calves to the EEC. Associated territories and countries of the EEC are very insignificant as suppliers of live cattle and calves to the Common Market. West Germany and Italy together imported $128,962,000 in cattle and calves. This was 89.7 percent of EEC imports.
As previously stated, Ireland is an important exporter of live cattle and calves, but exports from Ireland go almost entirely to the United Kingdom as "feeders." Irish exports of cattle and calves to the Common Market are small. Table 11 shows that only $3,754,000 worth of cattle and calves went to the Common Market from Ireland in 1962.

Because trade in cattle and calves in Western Europe is almost entirely between the Western European nations, it is unlikely that any common agricultural policy of the EEC on this item will directly affect the United States cattlemen. The major exporters of cattle and beef products, such as Argentina, Australia and New Zealand, do not ship large numbers of cattle to the Common Market or to any Western European country, and they would be little affected by restrictive policies of the Common Market live cattle imports.

There is the possibility, however, that a protectionist six-member EEC, restricting cattle imports from third countries such as Denmark and Austria, would increase slaughter in these countries, and would thereby increase world exports of fresh, chilled and frozen beef and veal. This would cause some increase in competition in Europe among major exporting nations, and might cause a redirection of some beef and veal to the United States. However, the tentative ad valorem tariff on live cattle and calves is 16 percent, without any other restrictions, and it is unlikely that this tariff will have any serious effect on the present volume of trade between the Community and other European nations. There is no variable levy on cattle imports, so the
effects of any Common Market policy on future EEC imports of live beef cattle will not likely affect the United States cattlemen.

**EEC Imports of Beef and Veal**

Demand for beef and veal has increased rapidly since the EEC came into being in 1958. Indeed, demand for beef has risen sharply throughout Europe in the 1950's because of increasing European incomes. Prices have risen, and as a result, production has been stimulated considerably, particularly in France and the Netherlands, both of whom are now net exporters of beef and veal.

Beef presently comes almost entirely from dual-purpose cattle. In other words, the cattle which are slaughtered for beef have been used for dairy purposes as well. One thing that increased cattle production in the EEC would tend to do, therefore, would be to increase the supply of dairy products. However, this would be undesirable to European and Common Market nations because a surplus of dairy products is already developing. Hence, if domestic production is to increase, European farmers will have to change from the traditional production of beef from dual-purpose cattle, and begin production of beef cattle. Such a change is possible, and highly desirable, since there is a good deal of grass and pasture land within the Common Market suited to this purpose. These cattle are not important grain consumers but will undoubtedly become so in the future.

Production of beef and veal in the past in the Community has increased steadily from the 1955-56 figure of 2,836,000 metric tons to
Table 12. Common Market Imports of Beef and Veal, and Sources of Imports, Calendar Year 1962.

<table>
<thead>
<tr>
<th></th>
<th>EEC</th>
<th>France BLEU</th>
<th>Neths</th>
<th>Germ.</th>
<th>Italy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1000 m.t.1</td>
<td>$1000</td>
<td>$1000</td>
<td>$1000</td>
<td>$1000</td>
</tr>
<tr>
<td>World</td>
<td>247.8</td>
<td>148,506</td>
<td>10,967</td>
<td>9,321</td>
<td>8,556</td>
</tr>
<tr>
<td>EEC</td>
<td>97.7</td>
<td>68,295</td>
<td>9,889</td>
<td>2,108</td>
<td>3,723</td>
</tr>
<tr>
<td>France</td>
<td>61.9</td>
<td>33,823</td>
<td>---</td>
<td>7</td>
<td>3,117</td>
</tr>
<tr>
<td>Netherlands</td>
<td>29.2</td>
<td>29,721</td>
<td>8,746</td>
<td>2,044</td>
<td>---</td>
</tr>
<tr>
<td>Assoc. couns. &amp; terrs.</td>
<td>.7</td>
<td>695</td>
<td>695</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Third countries</td>
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<td>79,303</td>
<td>382</td>
<td>7,213</td>
<td>4,832</td>
</tr>
<tr>
<td>EFTA</td>
<td>31.2</td>
<td>23,540</td>
<td>89</td>
<td>20</td>
<td>38</td>
</tr>
<tr>
<td>USA</td>
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<td>16</td>
<td>---</td>
<td>---</td>
<td>15</td>
</tr>
<tr>
<td>Commonwealth couns.</td>
<td>.1</td>
<td>367</td>
<td>1</td>
<td>---</td>
<td>2</td>
</tr>
<tr>
<td>New Zealand</td>
<td>.1</td>
<td>336</td>
<td>1</td>
<td>---</td>
<td>2</td>
</tr>
<tr>
<td>Argentina</td>
<td>87.7</td>
<td>38,371</td>
<td>7</td>
<td>5,249</td>
<td>4,729</td>
</tr>
<tr>
<td>Denmark</td>
<td>29.3</td>
<td>22,385</td>
<td>89</td>
<td>12</td>
<td>---</td>
</tr>
</tbody>
</table>

1 1000 metric tons
2 Less than 50 metric tons


3,423,000 metric tons in the 1960-61 fiscal year. Net imports of beef and veal, however, have remained fairly regular since the inception of the EEC, and in the 1957-58 to 1960-61 period, have averaged 242,000 metric tons.

According to Table 12, the Common Market imported 247,800 metric tons of beef and veal valued in 1962 at $148,506,000. Within the

Common Market, it appears that West Germany and Italy are the two most important importers of beef and veal. These two countries in the 1962 calendar year imported $119,662,000 worth of beef and veal. This was 80.6 percent of all Common Market imports of this commodity. France and the Netherlands, both net exporters of beef and veal, provided $63,544,000, or 93.0 percent of the EEC's total exports of $68,295,000 to the Common Market countries.

Argentina and Denmark dominated exports to the EEC from third countries. Argentina shipped $38,371,000 in beef and veal to the EEC in 1962, while Denmark exported $22,385,000 to the EEC. Their combined shipments of $60,756,000 accounted for 76.6 percent of total exports of $79,303,000 to the EEC from third countries. Danish exports constitute almost all exports from the EFTA. As was the case with imports of live cattle, imports from associated countries and territories, the Commonwealth and the United States were relatively small.

Total exclusion, at this time, of third countries from the Common Market, would therefore mean a loss in beef and veal exports of approximately $79,000,000 annually. However, such a drastic change is very unlikely, since domestic producers would be initially at least unable to fill the gap in demand between production and consumption. Consumer reaction to the resulting higher prices would be immediate and sharp. Yet it is not impossible that a good portion of these exports could be curtailed by the EEC countries within a period of time. It will, therefore, be considered later in this chapter, what would
Table 13. Net Imports of Beef and Veal by Applicants for Full Membership to the European Economic Community, 1962.

<table>
<thead>
<tr>
<th></th>
<th>United Kingdom</th>
<th>Denmark¹</th>
<th>Ireland¹</th>
<th>Norway²</th>
<th>The &quot;Ten&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1000 m.t.</td>
<td>$1000</td>
<td>$1000</td>
<td>$1000</td>
<td>1000 m.t.</td>
</tr>
<tr>
<td>Australia</td>
<td>35.5</td>
<td>19,396</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>New Zealand</td>
<td>7.6</td>
<td>3,684</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commonwealth</td>
<td>14.0</td>
<td>9,231</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Irish Republic</td>
<td>22.0</td>
<td>14,948</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3.7</td>
<td>5,395</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Uruguay</td>
<td>17.4</td>
<td>8,387</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Argentine</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Republic</td>
<td>183.9</td>
<td>87,761</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Others</td>
<td>48.2</td>
<td>25,624</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Total</td>
<td>332.3</td>
<td>176,422</td>
<td>-29,208</td>
<td>-43,514</td>
<td>103,700³</td>
</tr>
</tbody>
</table>

¹ Net exports in dollar terms for beef only. Value of veal exports not given.
² 1961 figures used.
³ Excludes net imports of Norway.
⁴ 1961 net import figures for Ireland used.
⁵ 1000 metric tons

be the effects of a protectionist policy on beef and veal exports to the EEC from third countries by the year 1970.

Now imports of beef and veal and their sources by the four countries which have applied for full membership to the Community must be examined. If these countries become full members by the year 1970, the Common Market agricultural policy will represent all ten members. The net import data for beef and veal are given in Table 13.

The United Kingdom is the only net importer among these four countries. In 1962, it imported 332,339 metric tons of beef and veal from foreign countries. The value of these exports amounted to $176,422,000. Thus, the United Kingdom imported more in quantity and value of beef and veal than the entire European Economic Community. Other prospective full members, Ireland, Denmark and Norway, are all net exporters of beef and veal. Unfortunately, 1962 figures were not available for Norway. However Tables 1 and 2 in Chapter II show that Norway was a net exporter of beef and veal in 1961 with a small favorable balance of trade in beef and veal amounting to 400 metric tons. Exports of beef and veal from Ireland, Denmark and Norway equaled approximately 152,100 metric tons in 1962, and net imports for the four applicants for full membership amounted to approximately 180,200 metric tons. The value of net imports shown in Table 14 is underestimated to the extent that exports of veal in dollar terms from Ireland and Denmark are not included. The value of total imports of the ten nations in beef and veal approximated $252,206,000.
Argentina was the most important exporter of beef and veal to the Ten as well as to the Six in 1962, accounting for 270,943 metric tons or $126,132,000 in exports. This was over one-half of the value of total exports of beef and veal to the ten nations. Denmark was second in importance. Almost all Danish exports of beef and veal to the other nine members go to West Germany and Italy. The United Kingdom is not an important market for Danish beef and veal. In 1962, Denmark exported 29,300 tons of beef and veal to the EEC valued at over $23,000,000. Australia exported 35,500 tons valued at almost $20,000,000. Uruguay, which exported 17,400 tons worth over $7,000,000 to the ten countries, and New Zealand, are also important suppliers.

While EEC imports from third countries equaled 149,000 tons, imports of the six nations from sources outside the Ten amounted to only 117,000 tons. Net imports of the four applicants for full membership totaled 176,500 tons from sources outside the ten countries. Therefore, net imports of beef and veal by the Ten from third countries amounted in 1962 to approximately 293,500 metric tons.

Other countries which must be taken into consideration are those which have applied for associate membership. FAO trade figures for 1961 show Spain, Turkey, Switzerland, Sweden and Austria to be net importers of beef and veal. In 1961, these five countries had net imports amounting to 41,900 metric tons.\(^1\)

\(^1\)Trade Yearbook 1962, op. cit., pp. 52-55.
Since the proposed ad valorem tariff on imports of beef and veal at 20 percent is almost twice that of the former average tariff of the four tariff zones, and since there is to be a potentially restrictive target price and a variable import levy established by the Community by the year 1970, it is conceivable that the EEC could, by that time, keep out, or at least nearly so, the 149,000 metric tons of beef and veal presently imported from third countries. If the four applicants to the EEC become members by 1970, the 293,500 metric tons imported from countries outside the Ten in 1962 could be affected seriously by protectionist EEC policies. However, import requirements will not be the same in 1970 and therefore estimates of the effects of alternative policies on imports from third countries will be made after projections for imports have been established.

The Six are presently only 91.5 percent self-sufficient in beef and veal production. With the addition of the United Kingdom to EEC membership, self-sufficiency in beef and veal would drop to 86.1 percent. However, if Denmark is added, self-sufficiency rises to 89.9 percent and with the addition of Norway and Ireland as well, the ten members would be 93.6 percent self-sufficient in the production of beef and veal.  

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EEC Imports of Variety Meats

Both the Common Market and the United Kingdom are large importers of variety meats (edible offals). With increased cattle slaughter in Europe, because of growing demand for beef, European production of variety meats will increase, whatever the EEC common agricultural policy. There is to be, according to the tentative Commission proposals for beef and veal and beef products, a 20 percent ad valorem tariff on variety meats throughout the Community by 1970. Also there are to be import certificates and deposits for imports of variety meats. It is obvious, then, that if the basic agricultural policy of the Community is to be protectionist, imports of variety meats can be largely eliminated. Similarly, if the EEC policy is liberal, the differences between EEC consumer demand and EEC production of variety meats will be much the same as would have been the case under a continuation of national policies, and will be readily filled by third country exporters.

Table 14 summarizes quantities and values of imports of variety meats and their sources for the EEC, the United Kingdom and the Ten. It shows that in 1962, the six EEC member nations imported 70,700 metric tons of variety meats from third countries valued at $36,648. Western Germany with imports of 44,542 metric tons valued at $19,265,000 and France with imports of 25,961 metric tons valued at $11,615,000 were the major EEC importers of variety meats. The Netherlands was the
Table 14. Imports of Variety Meats by the "Six", the United Kingdom, and the "Ten," Calendar Year 1962

<table>
<thead>
<tr>
<th></th>
<th>EEC $1000</th>
<th>1000 m.t.</th>
<th>United Kingdom 1000 m.t.</th>
<th>Denmark, Norway 1000 m.t.</th>
<th>The &quot;Ten&quot; 1000 m.t.</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>36,648</td>
<td>82.4</td>
<td></td>
<td></td>
<td>153.7</td>
</tr>
<tr>
<td>EEC</td>
<td>5,634</td>
<td>11.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>4,653</td>
<td>8.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assoc. couns.  &amp; terrs.</td>
<td>26</td>
<td>1/</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third countries</td>
<td>30,982</td>
<td>70.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EFTA</td>
<td>9,224</td>
<td>21.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>16,395</td>
<td>34.7</td>
<td>14.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commonwealth</td>
<td>891</td>
<td>1.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>8,704</td>
<td>20.4</td>
<td></td>
<td>13.2</td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>2,974</td>
<td>8.3</td>
<td>11.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>253</td>
<td>.4</td>
<td>15.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>256</td>
<td>.4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Less than 50 metric tons
2 1960 figures
3 FAO figures, 1961
4 1000 metric tons


principal exporting EEC nation. In 1962, its exports of $4,653,000 constituted the greatest share of total EEC exports.  

The most important third country supplier in 1962 was the United States. It shipped 34,700 of the total 82,400 metric tons imported.
by the EEC. United States exports to the EEC, worth $16,395,000 equaled, in quantitative terms, 42.1 percent of total EEC imports of variety meats. Other important suppliers to the EEC were Denmark and Argentina. Denmark exported 20,400 metric tons to the Common Market in 1962, or 24.8 percent of total EEC imports. These were valued at $8,704,000. Argentina exported 8,300 metric tons of variety meats to the Community. These exports, worth $2,974,000 accounted for 10.1 percent of total EEC imports, measured in quantitative terms.

If the four applicants for membership were to join the EEC, the net importation of variety meats by the Community would have been much greater. This would be wholly because of imports by the United Kingdom. The three other countries, Denmark, Ireland and Norway, are all net exporters of variety meats. It was shown in Chapter II that net exports of "offals, game and other meat" by these countries amounted to 38,700 metric tons. However, no more than approximately one-third of the items in this category would come from cattle sources, so a rough estimate of net exports of variety meats from beef sources would be 13,000 metric tons. The United Kingdom, however, imported 84,300 metric tons of variety meats in 1962. This figure is slightly larger than the total EEC import figure for variety meats. A ten member EEC would have imported a net amount of approximately 153,700 metric tons of variety meats in 1962.

Suppliers to the United Kingdom include Argentina, Australia, New Zealand and the United States. In 1960, Argentina exported 13,200
metric tons of variety meats to the United Kingdom. This was 15.7 percent of total EEC imports. Australian exports in 1962 to the United Kingdom of 11,900 metric tons accounted for 14.1 percent of the United Kingdom's imports. New Zealand's exports of 15,600 metric tons was 18.5 percent of exports to the United Kingdom, and exports of 14,600 metric tons by the United States equaled 17.3 percent of imports of variety meats by the United Kingdom.

Among important third country exporters to the "Ten" are Argentina, with approximately 21,500 metric tons exported annually, Australia with 12,300 metric tons, New Zealand with 16,000 metric tons, and the United States with 49,300 metric tons annually.

Because of increased cattle slaughter in the EEC and a trend for higher quality meats as a result of increasing incomes, it is not expected that import demand for variety meats will increase significantly by the year 1970. Therefore, if variety meats were to be excluded from the EEC, the United States would stand to lose approximately $16,000,000 in exports of variety meats. However, in Chapter IV it was estimated that of this, only half, or $8,553,000 come from cattle sources. About half this amount is shipped yearly to the United Kingdom, so approximately $12,000,000 worth of variety meats from beef sources exported from the United States to the Ten yearly could be lost by restrictionist policies of the enlarged Community. Exports of variety meats to European countries outside the Ten are practically negligible,
so that if the Common Market included all applicants for association as well, the figure cited above would still be approximately correct.

**EEC Imports of Tallow and Greases**

Inedible tallow is the most important single beef cattle commodity which the United States exports. In the 1962 calendar year, 1,370,018 pounds of inedible tallow from beef sources, valued at $88,151,000 were exported from the United States. Of this, $26,375,000 went to the EEC and $1,112,000 went to the United Kingdom. Within the Community, France is already a large exporter. Among prospective full member, the United Kingdom is a net exporter of tallow and greases.

The only proposed restriction to tallow imports by the Common Market is a two percent ad valorem tariff. There will be no variable levy and no import certificates or deposits required. Tallow and greases will therefore be virtually devoid of any trade restrictions. It is not to be expected that a two percent ad valorem tariff will seriously restrict imports. Furthermore, it has been agreed by the EEC in GATT negotiations that any further restrictions to tallow imports will be met by increased restrictions, by nations exporting tallow, on imports from the Common Market.

Therefore, in all probability, if tallow exports of the United States to the Common Market in the future are decreased, the reason

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1See Table 5, Chapter IV.
will almost certainly be increased Community supply of tallow, and increased use of substitutes which would have come about regardless of the common agricultural policy of the EEC, and not because of any new CAP restrictions.

It may be concluded, therefore, that the most important United States export item from cattle sources, tallow and greases, will in all likelihood not be adversely affected by the future Common Market policies. Trade in this very important United States export item, therefore, need not be given intensive attention in the remainder of this thesis.

The only way that the CAP can affect imports of tallow is by its emphasis on beef production in the Community itself. If it should promote greatly increased numbers of beef cattle, then the by-products, including tallow will be increased, and there will be a smaller demand for imports of these by-products, as a result. Indeed, as will be seen, a liberal trade policy will in all probability mean greater domestic cattle production than would a protective policy by the Common Market countries, and this will mean greater EEC tallow production.

**EEC Imports of Cattle and Calf Hides and Skins**

Production of hides and skins from bovine animals will increase with growth in Community production of cattle and calves. There will be absolutely no obstacles to future imports of hides and skins by the Common Market. There is to be no common external tariff for hides and
skins, no gate price and no important certificates or deposits required. Thus the second most important United States export item from beef cattle sources will be exempt from trade barriers by the new proposed common agricultural policy. Prospects are therefore favorable for the United States to continue at its present level of exports in this commodity, no matter which type of CAP the Community may choose to follow. Thus it appears that the two commodities which account for 81 percent of United States exports of cattle and beef cattle products, tallow and hides and skins, will be relatively unaffected by the forthcoming common agricultural policy of the EEC. Membership of the four applicants will likely not hurt United States exports either. The United Kingdom imports very few hides and skins, and Denmark, Ireland, and Norway, who are all net exporters of beef and veal are net exporters of cattle and calf hides and skins as well.

Competition now for the EEC market is between Argentina, who exported $18,576,000 of total EEC imports of $137,956,000, the United States, with exports of $15,089,000, Commonwealth countries, who exported $16,940,000 in hides and skins to the EEC in 1962, and Australia and New Zealand, whose combined exports totaled $7,147,000. EEC countries themselves supplied $53,291,000 of the total $137,956,000 imported by all EEC countries.¹

The United Kingdom has imported a steadily decreasing amount of hides and skins in recent years. Countries outside of Europe which compete for the United Kingdom's market include Argentina, Australia and New Zealand.

Thus, it may be concluded, that just as was the case with Community imports of tallow and greases, so is it true that imports of cattle hides and calf skins will likely decrease as cattle production within the Community and Europe increases. However, the United States has a good chance of being able to hold its own with other nations competing for the EEC market. It may well be that a liberal European policy, which would permit large imports of feed grains at low prices would have the most harmful effects on tallow and hides and skins exports to the EEC, for such a free-trade policy would make it economical for European Community farmers to feed cattle and increase cattle production, and thereby production of cattle by-products such as hides and skins and tallow.

**EEC Imports of Other Beef Cattle Products**

There will be no restrictions to the entry of beef casings into the Common Market from exporting nations. There will be no tariff, levy, nor import certificates or deposits. Future Common Market policy will therefore have little effect on the level of imports of beef casings. It is expected, however, that the European market for casings will decrease with the increased future popularity of artificial casings.
Canned beef, with a 26 percent ad valorem tariff and import certificate and deposit requirements, could be greatly restricted in the future if the Common Market countries should choose to make their policy restrictionist. In the 1962 calendar year, the Common Market imported prepared and canned meat valued at $26,814,000. The United States exported $1,363,000 of this total. However, canned beef exports to the EEC, according to Table 9 from the United States, amounted to only $26,000. Such a loss to the United States would be almost negligible.

Poland exported $4,939,000 worth of canned meat to the EEC, while Argentina exported $2,448,000. Exports of prepared and canned meats from Denmark amounted to $1,025,000.\(^1\) It is obvious that the Common Market could reduce these imports to practically nothing, if it chooses to foster beef and veal production within its own borders at the expense of present exporting nations.

Argentina is an important supplier of meat extracts and juices. In the 1962 calendar year, it exported meat extracts and juices valued at $7,471,000 to the EEC. This was 54.1 percent of the $13,821,000 worth of this commodity imported by the EEC in 1962. Argentina also supplied the major portion of dried, salted and smoked offals imported by the EEC in 1962. Its exports of $2,589,000 were 69.2 percent of total EEC imports of $3,739,000.\(^2\)


\(^2\)Ibid.
Imports of Feed Grains by the European Economic Community

As explained in Chapter VI, the European Economic Community's common agricultural policy is to be centered on grains. If the policy is to be liberal, then the target prices for grains will be relatively low, and the variable import levy will not be excessive. If the Common Market should decide to protect its farmers from foreign competition in grains, then it will have high target prices, nearer the present German price than those of the relatively low French price, and imports will be seriously restricted.

What happens to the price of feed grains will have a great impact on the Community's production of cattle. If prices for feed grains are high because of protectionist policies, then farmers will continue to use much of their land for feed grain production. Although cattle prices would be high with such a policy, the cost of feeding livestock would also increase, and cattle production would not be greatly expanded. This would cause relatively high beef prices which would naturally attract foreign exporters. However, with a protectionist policy, beef and veal imports by the Community would be seriously curtailed. The high prices for these commodities would reduce consumer demand for beef and veal, and the constant or slightly increased domestic production would be able to meet the reduced demand.

If the target prices of feed grains are set at a relatively low level, on the other hand, domestic producers will be discouraged from
continuing production of feed grains. They will use their land for hay and grasses for livestock feeding, and use the poorer land for grazing cattle. Imports of low priced feed grains from third countries will rise, and will make livestock production less expensive. Cattle feeding would no doubt continue to become more popular, as has been the trend in the past in the European nations.

Table 15 shows that the Community supplied only 78.1 percent of its feed grain requirements. It is 85.1 percent self-sufficient in total grains because of its great production of wheat. It is self-sufficient in soft wheats, and imports only quality hard wheats, mainly from Canada and the United States for milling purposes. If the United Kingdom were now to become a member, the Community would be only 74.0 percent self-sufficient in feed grain production. With the addition of Ireland, Denmark and Norway as well to the Community, the Ten would produce 74.4 percent of their needs, which is not quite three-quarters of their requirements. Therefore the Community as presently constituted, or with all applicants as members would still find it difficult to become entirely self-sufficient in feed grains.

However, feed grain yields per acre have been steadily increasing, and production has been rising throughout Europe. Average yields rose by approximately 37 percent between 1950-52 and 1960-62, with a 61 percent increase in French grain production alone. There is still much

Table 15. Imports of Grains by the Common Market and Prospective Members, 1959-60

<table>
<thead>
<tr>
<th></th>
<th>EEC</th>
<th>&quot;Seven&quot;</th>
<th>&quot;Eight&quot;</th>
<th>&quot;Ten&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coarse grains:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>27,220</td>
<td>33,817</td>
<td>37,586</td>
<td>38,935</td>
</tr>
<tr>
<td>Availability</td>
<td>34,871</td>
<td>45,678</td>
<td>50,597</td>
<td>52,347</td>
</tr>
<tr>
<td>Self-sufficiency, percent</td>
<td>78.1</td>
<td>74.0</td>
<td>74.3</td>
<td>74.4</td>
</tr>
<tr>
<td>Total grains:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>53,114</td>
<td>62,543</td>
<td>66,677</td>
<td>68,412</td>
</tr>
<tr>
<td>Availability</td>
<td>62,994</td>
<td>80,807</td>
<td>86,204</td>
<td>89,001</td>
</tr>
<tr>
<td>Self-sufficiency, percent</td>
<td>85.1</td>
<td>77.4</td>
<td>77.3</td>
<td>76.8</td>
</tr>
</tbody>
</table>


land in pasture that could be converted to feed grains if the need arose. A surplus in wheat production is expected. In the future, high price incentives could persuade European farmers to produce feed grains rather than producing a surplus of wheat. Thus it is feasible for the Common Market to become much more self-sufficient in the production of feed grains than it presently is. Nevertheless, this does not alter the fact that the relative physical capacities for feed grain production in present exporting nations such as the United States are much greater than those of the Common Market.

In the 1962 calendar year, the EEC nations imported 11,779,000 metric tons of feed grains from third countries, valued at $680,000. United States exports to the Common Market amounted to 5,928,000 tons, worth $331,216,000 and accounted for 45.4 percent of feed grain imports.
by the Six. Other important exporters to the Community included Argentina with 2,823,000 metric tons, Commonwealth countries with 1,389,000 tons and South Africa, with 708,000 tons of feed grain exports to the Six.¹

The United Kingdom in 1962 imported 5,689,000 tons of feed grains. The United States again was the largest feed grain supplier to the United Kingdom. United States exports totaled 3,143,000 metric tons worth $173,748,000². This was 55.3 percent of total feed grain imports by the United Kingdom. Other importers, though much less important included Canada, South Africa, Argentina and Australia.

Ireland, Denmark and Norway imported 1,012,000 metric tons of feed grains in the 1961 calendar year.³ Thus total feed grain imports by the Ten amounted to about 19,768,000 metric tons. Value of these imports was approximately $1,112,000. The other five applicants for associate membership had a net export balance of 902,800 metric tons in 1961 according to the 1962 FAO Yearbook.⁴


<table>
<thead>
<tr>
<th></th>
<th>Increase or Decrease from Projection Assuming Continuation of National Policies¹</th>
<th>II. EEC Policy</th>
<th>III. EEC Policy</th>
<th>IV. EEC Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Continuation of National Policies &amp; German Grain &amp; Av. Germ.-Fr. &amp; French Price Level</td>
<td>Price Level</td>
<td>Price Level</td>
<td>Price Level</td>
</tr>
<tr>
<td>Production</td>
<td>-4.5</td>
<td>-3.0</td>
<td>0</td>
<td>+0.9</td>
</tr>
<tr>
<td>Consumption</td>
<td>-0.9</td>
<td>0</td>
<td>+0.9</td>
<td></td>
</tr>
<tr>
<td>Net effect on EEC Imports²</td>
<td>-5.4</td>
<td>-3.0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>EEC Imports in 1970</td>
<td>11.2</td>
<td>5.8</td>
<td>8.0</td>
<td>11.2</td>
</tr>
</tbody>
</table>

¹Minus refers to effect of increased production or decreased consumption. Plus refers to effects of decreased production or increased consumption.

²If EEC exports are eliminated, gross imports would be reduced by an additional 2.1 million bushels.


The FAO made projections for EEC production, consumption and import requirements for 1970 under the assumption that population would grow at the rate of 0.7 percent per year, and that per capita income in the EEC would continue at the same rate of growth as in the past, which has been 4.7 percent. Also it was assumed that the national agricultural policies would remain essentially the same as in the base period, 1958.¹ The conclusions at which it arrived were that the

¹The "1958" period is the 1957-59 average.
import requirements would rise from the 1958 level of 7,400,000 metric tons to 11,200,000 metric tons in 1970. If the United Kingdom were to become a member of the Community before 1970, import requirements of coarse grains for the enlarged Community would be 15,700,000 metric tons.

However, this will not be the case if a common agricultural policy is followed. Table 16 shows that if the EEC assumes a protectionist policy for its farmers by establishing the target price at the German price level, which is the highest of any member country, that production within the Community will increase 4,500,000 metric tons, and that consumption of feed grains will decrease 900,000 metric tons because of the higher price. It is expected that all increases in feed grain production would come in France. West Germany, the Benelux countries and Italy are already producing the maximum amount possible. It is difficult for them to increase acreage, and so even though prices are higher they will be unable to produce more feed grains. France, on the other hand, still has up to five million acres in pasture and grassland and fallow, and if the German price became the Community price, the price increase would be great enough to induce French farmers to employ much of this idle land for feed grain production.

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Of course such a price increase throughout the Community would make livestock production more expensive. Land which had formerly been used for cattle grazing would be used to a considerable extent for feed grain production, and the cost of feeding cattle would be greater. This is true to an even greater extent for other livestock animals.

It was assumed by the FAO that grain costs represent 50 percent of total farm value of hogs, poultry and eggs and 10 percent of total value for cattle and milk. Thus a given percentage change in grain prices resulted in a percentage change in farm level prices half as great for the former commodities and one-tenth as great for the latter.¹

Of course, this means that the price of pork and poultry would rise relative to that for beef, so while the demand for meats as a whole would fall, it is to be expected that demand for beef would not fall as much.

If the average of the French and German price levels is to be used as the target price for feed grains by the EEC, then imports of feed grains will fall by 3,000,000 metric tons from the 1970 FAO projected level of imports. The average French-German threshold price would cause the same level of livestock product consumption as would a continuation of national policies. Yet, grain production would increase in the Community by the aforementioned total because the French-German average price is above that of the French and this would provide some incentive to French farmers to produce more feed grains. If the French level were to prevail, on the other hand, then neither production

¹Elmer W. Learn, op. cit., p. 17.
nor consumption would change at all from the FAO projection, because the price level in France would remain unchanged. The French level of price, even though it is well above the world c.i.f. price, nevertheless is the lowest price in the Community, and if the Common Market set its target price at the French level, this policy would have to be regarded, at least in contrast to a German price level, as liberal.

Now it is necessary to determine exactly how much the United States will be affected by these various policies. What was described above refers to effects on all exporting nations. However, it must be remembered that the United States is the most important supplier of feed grains to the EEC. Table 17 summarizes the effects of the various policies on the United States alone.

According to Table 17, prepared by the Economic Research Service of the USDA, imports of the EEC from the United States in 1970 would
rise from 2,900,000 tons in "1958" to 3,700,000 tons, under the condition that present agricultural policies in the individual nations were continued. If the French price is used instead, imports from the United States would be exactly the same in 1970 as they were in the "1958" period, though less than they were in 1962. If the German price level is used, however, imports from the United States would fall to 600,000 metric tons, which is 2,300,000 tons below the level of imports at the French price. A protectionist Common Market, it can be said, will cause the United States to lose over 2,000,000 metric tons of feed grain exports yearly. If the French-German average price is used, imports from the United States in 1970 would amount to 1,200,000 metric tons. This is 1,700,000 tons less than would be imported from the United States with French prices, yet it means that 600,000 tons more than at the German levels of price would be exported by the United States. Such an average price must be regarded as restrictionist, and the United States stands to lose a great deal if this price level is enforced by the CAP.

Concerning effects of American exports of feed grains under an enlarged protectionist Community, Dr. Learn said, "Until other details are known, it does seem reasonable to conclude that the enlargement of the Community will not alter the nature of the conclusions cited earlier."¹ In other words, exports to the six nations would still be approximately

¹Foreign Agricultural Trade of the United States, op. cit., p. 21.
the same under the various assumptions even though present applicants for membership joined the Community. However, a restrictionist policy would mean that production of feed grains in the four countries which have applied for membership would be greater and consumption of these grains would be less, and therefore they too would take less imports of feed grains from the United States.

Exactly what this would mean to the United States cattlemen cannot be definitely computed, but it is certain that if the United States lost 1,700,000 to 2,300,000 metric tons of feed grains to the six member nations annually, and upward of one-third of this in addition if the four applicants for full membership were admitted, tremendous surpluses would develop within the United States, and prices of feed grains in the United States would fall. Less land would be used for feed grain production in the United States and more land would be used for grazing. It is to be expected that this would induce cattlemen to produce more beef and veal. However, a fall in feed grain prices would mean that the consumer prices for competing meats such as pork and poultry would fall relatively more than that of beef. Thus demand for competing meats would increase relative to that for beef and veal. As will be later seen, such a policy would bring attempts by foreign exporters to develop greater markets for their beef and veal in the United States, and the United States cattlemen, with his increased production and lowered price would possibly have to face greater competition from foreign imports of beef and veal as well. Under such
circumstances, it appears certain that the cattlemen in the United States would be adversely affected. However, a much more thorough study would be required to come to definite conclusions concerning the degree and extent of such a situation. Such a study is beyond the scope of this thesis.

Projections to 1970 for Beef and Veal Imports by the European Economic Community

It was explained earlier in this chapter that the two main United States exports from beef cattle sources, tallow and greases and hides and skins, would be little affected by the Community's CAP for cattle and beef products because these commodities will enjoy almost perfect freedom of entry into the Common Market. The only export commodity from beef sources presently going to the Community from the United States which may be seriously curtailed in the future is variety meats. Even this is unlikely because of GATT agreements made by the United States with the EEC in 1962 which stipulated that increased restrictions on variety meats by the EEC could be met by retaliation by the exporters affected. Table 7 in Chapter IV showed that variety meats from beef sources were valued at $8,553,000 in 1962. Exports by the United States to the United Kingdom in 1962 of variety meats amounted to $3,678,000. Imports by these two areas from the United States made up almost all of United States exports of variety meats. It was also previously concluded that imports of variety meats by the
EEC or the United Kingdom would not increase significantly by 1970 even if present national policies were continued.

Exports by the United States of beef and veal to the Community in 1962 were almost negligible. These exports amounted in value to only $92,000. The loss of this market would have very little adverse effect on the United States beef cattle industry. Yet, although it would appear from what has been said above that any future common agricultural policy for beef and beef products will have very little if any hearing on United States cattlemen, such is not the case. It is true that United States exports of these commodities, outside of possibly variety meats, will not be seriously affected by the Community’s policy. The same cannot, however, be said for imports into the United States of these same products.

Although the United States exports very little beef and veal to the Six or Ten, these countries are important markets for the beef and veal exports of other major exporting nations. The most important United States livestock import commodity is beef and veal. In 1962, the United States imported 440,400 metric tons of beef and veal from foreign sources. If a protectionist CAP restricts future exports of beef and veal by these foreign exporters to the Community, there would be a concerted attempt on the part of these exporters to redirect much of the beef and veal exports which formerly went to the EEC, to the American market instead.
Since hides and skins and tallow and beef casings will be unaffected by the CAP, and since no country outside Europe exports live cattle in large numbers to the EEC, the only important trade item that may be affected by the CAP of the Common Market is beef and veal. Therefore, projections of beef and veal imports alone by the Community will be necessary. Projected production by the Community of beef and veal will, of course, indicate the level of beef cattle by-products that the Community can expect to produce by the year 1970.

Consumption has been growing faster than production in the Common Market countries in the 1950's. In the period 1950-51 to 1952-53, for example, the Community members were 95.5 percent self-sufficient in their production of beef and veal and imported only 105,000 metric tons from other countries.\(^1\) By "1958", however, these same six countries were only 92.3 percent self-sufficient in beef and veal production, and they imported 258,000 tons of beef and veal from other countries.

Among the six countries, the French and Dutch are presently net exporters of beef and veal. The Belgium-Luxembourg Union is pretty well self-sufficient in the production of bovine meats. Only West Germany and Italy are net importers of beef and veal. Table 13 showed that in 1962, these six countries imported 247,800 tons from other

countries, but only 149,000 from third countries, that is from non-member countries.

According to a study made by the EEC Commission, consumption by 1970 will increase by 44.2 percent if the rate of income growth is weak, and by 52.8 percent if the rate of income growth continues to be strong as it has been in the past. Production, on the other hand, will depend somewhat on the methods of production the farmers use in the future and on their incentives to increase beef production. If, for example, the aim of the farmers is to stabilize cattle numbers, to reduce slaughter of calves in favor of future increases, and to use new techniques, production of beef and veal will increase in the EEC by 54.4 percent to 70.8 percent by 1970. If, on the other hand, farmers are slow to take up new methods of beef production, and continue to slaughter many calves, the production is expected to increase by 55.2 percent.¹

Table 18 shows that under different assumptions, imports of beef and veal in 1970 could vary from 30,000 tons to 314,000 tons, depending on the growth in income. If income growth is weaker than in the past, that is, if the Community does not expand as it did in the past, then it will be almost self-sufficient in beef and veal production. Citizens of the Community would consume less than would have been the case.

Table 18. Projections to 1970 for EEC Production, Consumption and Net Import Requirements

<table>
<thead>
<tr>
<th></th>
<th>&quot;1958&quot;</th>
<th>&quot;1970&quot;</th>
<th>Constant Supply of Cattle</th>
<th>Increasing Supply of Cattle</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Weak</td>
<td>Strong</td>
</tr>
<tr>
<td>Production</td>
<td>3,025</td>
<td>4,682</td>
<td>4,682</td>
<td>4,707</td>
</tr>
<tr>
<td>Variation in</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>stocks</td>
<td>+5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net imports (-)</td>
<td>384</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net exports (-)</td>
<td>126</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>+258</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumption</td>
<td>3,285</td>
<td>+55</td>
<td>+339</td>
<td>+30</td>
</tr>
<tr>
<td>Degree of self-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sufficiency (%)</td>
<td>92.3</td>
<td>98.8</td>
<td>93.2</td>
<td>99.4</td>
</tr>
</tbody>
</table>

1Increase in number of grown calves compared to "1958", and production according to new methods.
2No increase in number of grown calves compared to 1958, and production according to traditional methods.


with increased strong growth in incomes, and farmers would be able to supply their needs. Only 30,000 to 55,000 tons of imports of beef and veal would be required. If incomes continue to increase at the same rate as has been true in the past (and it was assumed in dealing with feed grains that they would), the import requirements would be from 314,000 to 339,000 tons, depending on the methods of production the Community cattlemen employ.

A price increase in beef and veal can be assumed to have much the same effect as would a decrease in income. Therefore, it is
conceivable that with strong income growth in the EEC and a common agricultural policy agreed on by the EEC members for beef and veal to be very protectionist, the domestic price of beef and veal would be high enough so that production would be increased and demand would be decreased to such an extent that beef and veal imports from third countries would be virtually excluded. It is possible that 30,000 to 55,000 tons as shown in Table 18 would be imported. If the Community does not restrict imports to any greater degree than was true in the past, and if it favors no serious price increases, then the projections made by the EEC Commission for 1970 will likely be approximately correct. In that case, 314,000 to 339,000 tons of beef and veal will be imported by the EEC in 1970.

Effects of a Protectionist Six-Member EEC on the United States

A protectionist Common Market could, according to the discussion above, restrict approximately 284,000 metric tons of beef and veal from entering its ports in 1970. In other words, 284,000 metric tons of beef and veal that would have been exported to the Six, if national policies were continued as they are today, would be restricted entry by a protectionist CAP in the year 1970. This would mean surpluses of beef and veal in the exporting nations which presently supply the Six with their import requirements for beef and veal.
Table 13 showed that among third country exporters of beef and veal to the Six, imports from Argentina alone made up 58.9 percent of total imports. Danish exports constituted 19.7 percent of the Community's imports and Uruguay accounted for 6.2 percent of total Community imports. Brazil had 3.2 percent, Ireland had 1.2 percent and New Zealand had only 0.07 percent of exports of beef and veal to the Common Market in 1962. On the assumption that these countries will hold the same share of the EEC market in 1970 as they did in 1962, Argentina will stand to lose most by a protectionist policy. Of the 284,000 tons in losses, Argentina's share would be 167,276 tons. Denmark's would be 55,948 tons. Uruguay's 17,608 tons, Brazil's losses would be 9,088 metric tons, and Ireland's, 3,408 tons. Losses by New Zealand would be practically negligible.

Whether or not it would be possible, in such a situation, for these exporting nations to redirect any of their exports of beef and veal to the United States is a question which must be given careful consideration. As it now stands, none of these countries whose exports would be restricted by a protectionist CAP exports a significant amount of its total beef and veal exports to the United States, except for Ireland. Argentina accounts for only 4.7 percent of United States imports of beef and veal. Only salted beef is imported by the United States from Argentina. All other meat imports are prohibited because of hoof-and-mouth disease in Argentina. Denmark exports no beef and veal to the United States, according to Table 5, Chapter III. Beef and
veal imports from Uruguay totaled only 3.1 percent of total United States imports of this product in 1962. Thus, it would appear that since these exporting nations did not have markets in the United States in 1962, it would be difficult for them to develop large markets in the United States for their beef and veal exports by 1970, and they would have to look to other countries of the world to export their surpluses. Upon this reasoning, it could be concluded that just as was found to be the case with exports, so it would be true that imports of beef and veal would be adversely affected by the Common Market to a very small degree, if at all.

However, it is not true that Argentina and other Latin American exporters have not been traditional exporters of beef and veal to the United States. In the 1951-55 period, Argentina alone accounted for about half of the total exports of beef and veal to the United States. Imports from Argentina were then severely restricted by the United States because of hoof-and-mouth disease in Argentina, and Argentine exports dropped drastically. The Argentine government has now begun a very thorough program to vaccinate all beef cattle against this disease. The export inspection standards established are internationally recognized, so it is very likely that by 1970 all American objections to imports of beef and veal from Argentina, on grounds of sanitation at least, will be gone.

Furthermore, exports of beef and veal are very important to the economy of Argentina, and to a lesser extent, to the economies of
Uruguay and Brazil. Drastic declines in export markets because of a protectionist EEC policy would deal a serious blow to the economies of these Latin American countries. It is very likely that these countries would turn to their hemispheric "big brother" to get them out of their economic dilemma by importing some of their beef and veal surpluses. It is likely that for political reasons, the United States would agree to increase imports of beef and veal from these countries if their meat met United States import standards. United States' desire to foster closer hemispheric relations through the Organization of American States (OAS) would be an important factor, as would be the desire for success of the "Alliance for Progress" program. This is not to say that the United States would automatically step in and buy all Latin American surpluses, but rather, that it is likely that the United States would import beef and veal from Argentina and to a lesser degree, from Uruguay and Brazil, in greater quantities than has been true in the past. It would also mean that much high quality meat would be entering the United States at relatively low prices.

Denmark does not have a traditional market for beef and veal exports in the United States, and it is unlikely, should it be excluded from EEC trade in beef and veal, that it would attempt to develop a large market in the United States. Rather, in all likelihood, it would try to build up bigger markets in the other EFTA nations. The United Kingdom would be an especially attractive market. However, this would mean that it would be competing with such exporters to the United
Kingdom as Argentina, Australia, New Zealand and Ireland. Losses suffered by these latter countries because of Danish competition would also possibly be redirected to the attractive United States market.

Since the United States is the most important market for Irish exports of beef and veal, losses in the Community would naturally be attempted to be redirected to the United States. Increasing exports to the United States would almost certainly be one of the first steps Ireland would take to prevent adverse effects on its beef industry.

It is impossible to predict perfectly, the new international patterns of trade that would result from each of the various EEC agricultural trade policies. They can only be estimated, and there are many possible ways of estimating how much will be redirected from the Common Market and to where. One possible manner of determining the portion of the surpluses resulting from protectionist EEC policies which would be redirected to the United States, would be to assume that the United States' imports of these surpluses would be approximately the same as is the present United States share of world imports of beef and veal, exclusive of the six EEC member nations. Table 2, Chapter II shows that the United States in 1961 imported 36 percent of world imports of beef and veal, if the six Common Market nations are not taken into account. If the United States imported 36 percent of surplus exports resulting from Community protectionism, it would import 102,000 additional tons of beef and veal in 1970. Total United States imports in 1962 of beef and veal amounted to approximately 440,400 metric tons.
If 1962 United States values for beef and veal imports are used, the amount excluded from the Common Market would be approximately $200,000,000, and the value of beef and veal exported to the United States would be 36 percent of this or $71,000,000. Actually, this figure of 36 percent cannot be considered excessive because present United States imports of beef and veal account for over 50 percent of world trade.\(^1\) Thus, it could well be that more than 36 percent of the surplus exports would be sent to the United States.

**Effects of Protectionist Enlarged EEC on the United States**

According to a study by the Institute for Research of Oxford University, England, the United Kingdom will import 461,000 tons of beef and veal in 1970. Argentina and Australia will each supply 155,000 tons of beef and veal, and New Zealand will export 121,000 tons of beef and veal to the United Kingdom.\(^2\) Thus if the United Kingdom and the three other applicants for full membership are within the Community by 1970, effects of a protectionist policy will be much more severe for beef and veal exporting nations, and for United States

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\(^1\)Raymond A. Iones, Administrator, Foreign Agricultural Service, United States Department of Agriculture, Talk to 41st Annual Agricultural Outlook Conference, Washington D.C., November 18, 1963, p. 5.

cattlemen who will be submitted to increased competition from lower-priced foreign surpluses of beef and veal. If increased beef production within the Ten is fostered by high prices and restrictive levies, then production in Denmark, Ireland and Norway will be increased substantially. It is likely that Denmark especially, an important exporter, would find greater markets within the Community and especially in the United Kingdom, and would reduce exports to countries such as Spain and East Germany and concentrate on filling the production-consumption gap within the Community.

Such higher prices would reduce demand in the United Kingdom, just as it would provide incentive for increased production. Imports would not therefore be nearly as great as was projected by the Oxford study. Also imports would be filled to a much greater degree by countries such as Denmark. Thus it is very possible that the United Kingdom's level of beef and veal imports would be nearer the 1962 level of imports, which was 332,300 tons than the projected 1970 level of 468,000 tons. Such a situation would result in approximately 136,000 tons less in exports to the United Kingdom than was anticipated, and presumably that much less than exporting nations will be able to supply. In this case, countries such as Australia, New Zealand, and Argentina would need to seek new markets for these exports. According to projections by the governments of New Zealand and Australia, these Commonwealth countries will have increased supplies of beef and veal for exports by 1970. New Zealand expects beef and veal available for
exports in 1970 to be up 23 percent over the 1957-60 period.\(^1\) Australian exports will probably increase at an even faster rate. If the United Kingdom became a member of the Community, these two countries would lose the trade preferences which they enjoy under the Commonwealth system. The greater part of beef and veal exports from both these nations now goes to the United States. Any loss suffered by them in the British market would therefore be met by attempting to develop even greater markets in the United States.

Thus it would not be unrealistic to suppose again that the United States would import about 36 percent of these surpluses. If this were the case, then the United States imports would increase about 49,000 metric tons, because of protectionism. Adding this to the amount entering the United States because of decreased imports by the Six, it may be concluded that approximately 151,000 metric tons of beef and veal would enter the United States because of a restrictionist Common Market policy. Using 1962 United States import values, about $34,000,000 would be excluded by the United Kingdom and approximately $105,000,000 by the Ten.

Of course, if all nations that have applied for associate membership as well were to join the Common Market, a protectionist market would cause an even greater disruption, for increased production would be promoted in most Western European countries, and beef and veal demand

would not be as large as would otherwise be the case because of increased prices. Therefore, import requirements would be less.

It should be stated, however, that such a protectionist policy is not likely if the four applicants for membership are admitted into the Community. The United Kingdom has a tradition of low food prices and great imports of cheap feed grains and meats. It is unlikely that the consumers of the United Kingdom would tolerate for long a government that would condone great price increases in foods merely for the sake of self-sufficiency and the protection of other European farmers. It is almost certain, however, that if the United Kingdom were to join the Common Market, prices of beef and veal and feed grains would be greater in the United Kingdom than they have been in the past.

Effects of a Liberal Six-Member EEC on the United States

Under a liberal CAP, large amounts of feed grains would continue to be imported by the Common Market countries from the United States. Feed grain producers in the United States would not be at all adversely affected by the common agricultural policy. Indeed, this profitable export trade would continue to be the source of a good portion of their farm incomes. Prices in the United States would, therefore, not fall because of the CAP and it could well be that the American farmers could thank the free trading Community to a large extent for keeping prices up by importing so much of the United States' surplus feed grains. As
explained before, these relatively high feed grain prices would not hurt cattle producers in the United States.

In the EEC, cattle production would increase because a liberal CAP which would allow cheap feed grain imports to enter the Community. Demand, which would also be high because of the lower prices of beef and veal, would not be satisfied by domestic production, as explained in Table 18 and exports to the Community from third countries would continue at the same high level. As a matter of fact, if the EEC market looked especially good to exporters, countries such as Australia and New Zealand might be induced to increase exports to the area. This would shift some Oceanic exports from the United States to Europe, and United States cattlemen would have less competition within the United States.

It must therefore be concluded that if the Community has low target prices and a small import levy, the United States cattlemen will not be hurt by the CAP, but will in all probability be financially helped. The exact amount of benefits in either quantitative or value terms will not be estimated in this study. It will be enough to conclude that United States cattlemen will themselves profit by a healthy and strong demand for feed grains and cattle and beef products in the Community.

Effects of an Enlarged Liberal EEC on the United States

Much the same conclusions must be drawn if an enlarged Community follows a free-trading course in its relations with other nations.
Allowing feed grains, beef and beef products to enter the Community at low prices would increase European consumption, and imports. Cattlemen in the United States could not but look favorably on such a Community. This type of situation would be favorable to them, just as it would be to the United States economy, and indeed to the economies of the nations of the free world. To promote such an European Economic Community is the task of the United States beef cattle and agricultural interests, for an integrated North Atlantic agricultural community would be a great boon to the agricultural economy of the United States, just as it would be to the consumers of the Common Market.

In order, then, to foster liberalization of the CAP and to prevent market losses and increased competition because of restrictionist Common Market policies, the United States cattle interests must support the United States government in its negotiations for liberalizing agricultural as well as industrial trade with the Common Market in the GATT negotiations at Geneva. The United States trade negotiators are going to have to be firm in their demands for greater freedom of agricultural as well as industrial trade with the Community. Only by such hard bargaining can the United States cattlemen expect to find a liberal agricultural policy in the EEC by 1970 and the years thereafter.
CHAPTER VIII

THE EFFECTS OF THE ALTERNATIVE COMMON MARKET AGRICULTURAL POLICIES ON SOUTH DAKOTA

The effects of each one of the courses which it will be possible for the European Economic Community to follow in the future in its common agricultural policy, on the United States beef cattle industry, was estimated in Chapter VII. Now it is necessary to attempt to determine to what extent the effects on the United States beef cattle industry will affect the South Dakota cattlemen. As in Chapter VII, each of the alternatives will be considered separately.

The Effects on South Dakota of a Six-Member EEC with a Protectionist Common Agricultural Policy

If the members of the Community decide to develop a protectionist agricultural policy, the target prices and variable levies on beef and feed grains will be high, and exports will be restricted. What would this mean for South Dakota cattlemen? It would mean that in the United States, there would probably be hardly any adverse effects on United States exports, but that the import situation would be worse from the cattlemen's point of view. Outside of imports of cattle and calves from Canada and Mexico, beef and veal is the only really important cattle and beef product import item. Under a protectionist policy, about 102,000 metric tons of beef and veal valued at approximately $71,000,000 would be sent to the United States.
Since South Dakota sales of cattle and calves for beef purposes are expected to account for four percent of national sales, the South Dakota cattlemen's share of the effects of the competition of these imports would be approximately four percent. Therefore, the direct effects of these imports on beef and veal in South Dakota would be about $2,900,000.

The projected gross cash income for South Dakota cattlemen in 1970 was $450,640,000. Therefore, the increase in imports resulting from EEC protectionism would take away about two-thirds of one percent of the 1970 gross income of cattle ranchers and feeders in South Dakota. However, net incomes from cattle in 1961 were only $60,765,000, while gross incomes from cattle in the same year were $277,472,000.¹ This means that gross income was 4.6 times that of net income. Since the costs of cattle production for South Dakota cattlemen would not decrease, the percentage figure of two-thirds of one percent of losses in gross income would have to be multiplied by 4.6 to arrive at the percentage losses in net income. In other words, such a restrictionist policy could be expected to bring about a decrease in net income of approximately three percent.

An almost $3,000,000 loss in sales is serious, even though it appears to be small when spread out among all cattlemen in the state. It should be noted that this takes away about $3,000,000 in spending

power from the cattle ranchers and feeders, and a good part as much from other people in the state who otherwise would have received much of this $3,000,000 from the purchases of the cattlemen, and would have respent this again. Their incomes will be lower as well. This multiplier effect means that the loss of about $3,000,000 because of competition from imported beef would in reality amount to a considerably larger loss.\(^1\) Of course, if most of the reduction were in manufacturing meats, then the cattlemen would lose none of their market for quality meats, and they might be very little affected by this policy.

A protectionist six-member policy by the Common Market would mean that surpluses of feed grains would accrue in the United States. For reasons explained in earlier chapters, lower feed grain prices would benefit hog and poultry producers at the expense of cattlemen. Therefore, South Dakota cattlemen and the South Dakota economy would be adversely affected by lower feed grain prices, just as they would be hurt by increased imports.

Effects on South Dakota of an Enlarged EEC with a Protectionist Common Agricultural Policy

If the four applicants for full membership should become part of the Common Market by 1970, and if it is their decision to follow a protectionist policy, effects will be even more harmful to the South

\(^1\)For a definition of the "multiplier effect," see the Glossary of Terms, Appendix A.
Dakota cattlemen and economy than those discussed above. As before, exports of the United States would be relatively unaffected, but a protectionist ten-member Community would mean that even more beef and veal would be kept out of the EEC and redirected to the United States. Under these conditions, 151,000 metric tons of beef and veal worth $105,000,000 would be redirected to the United States. If, as before, it is assumed that South Dakota’s share of competition from these increased imports will be four percent, then this will mean that South Dakota cattlemen will be affected to the extent of $4,200,000. This is equal to 0.94 percent of 1970 gross cash incomes to cattlemen in the state. In other words, about one percent of gross cash incomes would be lost directly because of the restrictionist common agricultural policy. Approximately 4.3 percent of net incomes to South Dakota cattlemen would be lost.

Feed grain surpluses would be even larger than under a six-member protectionist agricultural policy, so South Dakota cattlemen and the South Dakota economy would be hurt even more by grain surpluses under the ten member protectionism than under the six-member protectionism.

Effects on South Dakota of a Six-Member EEC with a Liberal Common Agricultural Policy

If, on the other hand, the Common Market should become a community of the type envisaged by Jean Monnet, Robert Schuman, Paul Henri Spaak and others, then effects on the South Dakota cattlemen and
South Dakota economy would be entirely different. If it turns out that the Community becomes a six-member free trading bloc, eager to strengthen economic and military ties between the nations of the North Atlantic Community, trade will grow and exporters and consumers will prosper. The outlook in the Community for United States exports of tallow and hides and skins would be excellent. There would be no government-inspired redirection of EEC imports of beef and veal to the United States. It would appear reasonable to assume that such a Community would be more economically sound, more stable and more prosperous than would an isolated EEC. This huge market would therefore almost certainly be extremely attractive to world exporters of beef cattle products and feed grains. Such an EEC could not be at all blamed for any United States feed grain surpluses. These large grain exports would be to the South Dakota cattlemen's advantage.

Effects on South Dakota of an Enlarged EEC with a Liberal Common Agricultural Policy

An enlarged free-trade orientated EEC would offer the same advantages to the South Dakota farmer and rancher as would a six-member liberal Common Market, but on a magnified scale. The huge United Kingdom market would be assured to traditional exporters of beef and veal and they would not have to look to the United States to take their surpluses of beef and veal. Prices would be high enough in the ten countries to lure a great deal of exports of beef and veal from the
exporting nations. This would possibly at least slightly lessen the level of exports of this commodity to the United States, and would tend to mitigate foreign competition for United States domestic producers.

The United Kingdom would also continue its high level of feed grain imports, thus keeping prices up within the United States, and tending to keep the prices of pork and poultry fairly high so that their competition with beef would be at a minimum.

Possible Areas for Further Study

This thesis has dealt with a very broad and general area of study. It has not been possible to deal with many of the problems raised in each of the chapters in full detail. There would be much to be gained by exploring these problems in the future in order to come to a better understanding of what effects changes in trade, and changes in the common agricultural policy of the EEC in particular, can have on an industry such as the United States beef cattle industry, or even on the people within a region of the country, such as South Dakota.

Some of the more obvious unanswered problems raised in this thesis are listed below.

1. What is the exact effect on the price of beef cattle, from imports of beef? In other words, how much is the price of beef lowered because of imports?
2. To what degree do present imports of manufacturing beef and veal compete with higher quality domestically produced beef?

3. To what degree would feed grain prices be affected by the various Common Market agricultural policies?

4. Exactly what effects do the prices of feed grains in the United States have on prices and production of the various meats, including beef?

5. What course of action or policy by the United States government for each of the various EEC common agricultural policies would most greatly benefit the people of the United States and the cattlemen of South Dakota?
CHAPTER IX

SUMMARY AND CONCLUSIONS

The purpose of this thesis was to estimate the extent to which selected EEC agricultural policy alternatives would affect United States imports and exports of cattle and beef products, and to hazard conclusions concerning the effects of the various EEC policies on the South Dakota cattlemen. The problem has been dealt with and conclusions have been reached. It is the objective of this closing chapter to briefly summarize this thesis and restate the conclusions arrived at.

It was first shown that the present and potential Common Market countries are significant net importers of cattle and beef products as well as of feed grains. An examination of the main world exporters of these commodities showed the United States to be a significant exporter of cattle and beef products, and a very large importer of items within this general category. However, it was left to Chapters III and IV to more thoroughly analyze United States trade in these commodities. In Chapter III, it was shown that the United States in 1962 imported cattle and beef products valued at $447,700,000. These imports consisted almost entirely of live cattle and calves from Mexico and Canada, and of beef and veal, principally from Australia, New Zealand and Ireland. While these imports, consisting mainly of manufacturing beef, do provide some competition for domestic beef producers, they also serve the useful purpose of stabilizing beef prices.
Exports in the 1962 calendar year amounted to $201,500,000. Thus exports of cattle and beef cattle products amounted to not quite one-half of the value of imports of these same commodities. However, these exports are very beneficial to domestic producers because they consist almost entirely of what otherwise would be surplus stocks which could only be sold at very low prices in the United States, if at all. The chief export items were tallow and hides and skins.

An examination of the South Dakota beef cattle industry showed that South Dakota cattlemen earned 3.7 percent of national cash incomes for the sale of cattle and calves for beef purposes in 1961, and that the South Dakota share would grow to four percent by 1970. The significance of the beef cattle industry to the South Dakota economy was shown by the fact that in 1962, incomes to cattle ranchers and feeders accounted for over 40 percent of farm cash incomes in the state, and 7.7 percent of total personal incomes in South Dakota. Therefore, anything that would seriously affect the cattlemen of South Dakota would also have a great effect on the state as a whole.

A background to the Common Market and a summary of its progress in development of its agricultural policy was then presented. A system of variable import levies is to be used to regulate imports of feed grains and beef and veal. This and other restrictions on beef products such as import certificates and deposits could severely limit present exports of these commodities to the Community.
According to the agricultural trade restrictions as proposed by the EEC Commission, the Common Market could follow a policy of autarky with regard to fresh, chilled and frozen beef and veal, variety meats, canned beef and beef sausage. However, EEC imports of tallow and greases, beef casings and hides and skins were found to be almost entirely unaffected by any of the policy alternatives considered. This means that most United States exports to the Community will not be hurt, even by a protectionist EEC policy.

The four distinct courses selected as possible for the EEC to follow in its agricultural policy were: 1) a protectionist six-member community; 2) an enlarged protectionist community; 3) a six member liberal-trading community; and 4) an enlarged liberal-trading community.

A study of present trade in cattle and beef products by the Common Market was made, and it was shown that while the EEC is a net importer of live cattle and calves, its imports come almost entirely from other European nations. Thus, the future policy followed by the EEC in this commodity will little affect the United States. The six nations import a large volume of beef and veal, but these imports come mainly from Argentina and Denmark. United Kingdom imports come from Australia, Argentina and New Zealand.

The EEC in 1962 proved to be an extremely important market for United States feed grain exports. Projections of continued United States exports to the Common Market under the various assumptions discussed above showed that the United States feed grain farmers would
lose a very large portion of their sales to the Community, if French farmers, who have the resources to increase production of feed grains considerably, were given the increased incentives of higher prices. A protectionist grain policy would not only hurt grain producers in the United States, but also would adversely affect United States and South Dakota cattlemen, for it would mean greater production of competing meats such as pork and poultry at lower prices, and probably increased domestic beef production at lower prices.

Consideration was then given to the effects of the alternative EEC policies on the United States cattlemen. It was shown that United States exports of cattle and beef cattle products would hardly be affected at all, whether the Common Market was protectionist or liberal in its trade. However, the United States import situation could be greatly changed by the common policy. A restrictionist policy by the six members would mean that about 284,000 metric tons of beef which would otherwise be sent to the Common Market would be excluded from entering the EEC. About 100,000 tons of this, valued at approximately $71,000,000 could be expected to be redirected to the United States. Since four percent of the nation's beef will be produced in South Dakota by 1970, it was concluded that approximately four percent of this $71,000,000 would directly compete with South Dakota's production, and South Dakota cattlemen could expect to lose almost $3,000,000 in gross cattle incomes because of this competition. This loss was computed to be about two-thirds of one percent of gross incomes and three percent
of the net income of South Dakota cattlemen. If the ten member Community became protectionist, approximately 150,000 tons valued at $105,000,000 would be sent to the United States instead of to the Common Market, and it could be expected that this would take away about $4,200,000 in sales of beef cattle from South Dakota ranchers and feeders. The loss was computed to be about one percent of the gross income of South Dakota beef cattlemen, and about 4.3 percent of their net income.

A liberal trading policy on the part of the Community is of great importance to United States cattlemen. If EEC restrictions to trade in these commodities between the Common Market and other nations in the free world can be kept to a minimum, then the Common Market can be expected to continue to be a large market for United States feed grains as well as cattle products. Such a situation would keep the United States feed grain prices relatively high, and this would be to the advantage of United States cattlemen. South Dakota cattlemen and consequently the South Dakota economy could not help but benefit by such an arrangement. Furthermore, a liberal trading Community would encourage large EEC imports of beef and veal, and exporters would look to the attractive EEC market as well as to the United States. This would take some of the competition away from United States beef producers.

International trade in cattle and beef cattle products is important to the United States beef cattle industry and consequently to
South Dakota cattle ranchers and feeders. It is in their best interests to help foster a free-trading Common Market. Cattlemen benefit from the exportation of their surpluses. Producers as well as consumers profit from the increased price stability afforded by imports. The cattlemen therefore, through their organizations and congressmen, should actively encourage a Common Market with low restrictions to trade. The United States government, in its dealings with the Common Market in the "Kennedy round" of GATT negotiations beginning May 4, 1964, must be firm in its demands for across-the-board reductions of trade barriers to agricultural as well as industrial products. Only by a vigorous stand can the United States hope to resist, with any degree of success, the movement toward agricultural protectionism in the European Economic Community. However, caution and skillful diplomacy must be exercised by United States trade negotiators in their dealings with trade representatives of the Common Market. An overly aggressive and vocal attack by United States government officials on protectionism in the Common Market might serve only to bolster the arguments of protectionists in the United States. Protectionists would use the government's attack to support their position and to persuade the United States public that the only course open is retaliation by increasing import barriers. To do otherwise, they would continue, would be to sacrifice the economic interests of the American people. This, of course, would defeat the government's original policy of reducing international trade barriers, and would tend to increase protectionism in the United States.
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APPENDICES

A  Glossary of Terms
B  Project Statement 397
GLOSSARY OF TERMS

General Terminology


2. Ad valorem duty: Measured in percent and levied in proportion to the value of the imported commodity.

3. Alliance for Progress: A development program for Latin America. Within a 10-year period, $20 billion is to be supplied from outside sources, mostly from the United States.

4. Balance of payments (BOP): An accounting statement setting forth economic transactions involving the exchange of goods, services, gold and capital claims between a country and foreign countries.

5. Balance of trade (BOT): The BOT is the difference in the value of exports and imports. The BOT is considered favorable when exports exceed imports in value, and unfavorable when imports exceed exports in value.

6. Benelux: An economic union established in 1947 by the Netherlands, Belgium and Luxembourg. The Benelux is now within the European Economic Community and is considered as a unit in most respects.

7. CAP: Common agricultural policy (see) of the European Economic Community.

8. Carcass weight equivalent: The equivalent in carcass weight of various meat cuts and products.

9. CET: Common external tariff (see) of the European Economic Community.

10. C.I.F.: Cost, insurance, freight. Means that the quoted price of a shipment of goods includes the cost of the goods, the insurance costs of shipping, and freight costs. The seller is responsible for all three of these.

11. Common Market: see European Economic Community.
12. **Comparative advantage principle:** Originated with Ricardo in 1817. Under free trade, a nation tends to import those goods which other countries can produce more efficiently than it and to export these goods which it can produce more efficiently than other countries.

13. **Customs union:** An association of countries that eliminates tariffs, quotas and other governmental restrictions on trade among the member countries and usually levies common tariffs on imports from non-member countries.

14. **EEC:** European Economic Community (see).

15. **Eurocrats:** Refers to the approximately 6,800 employees of the EEC.

16. **European Economic Community (EEC):** Also known as the Common Market, the Six and the Community. Established in 1958 by the Treaty of Rome, and to be finalized by 1970, the end of the transitional period. Present members are France, West Germany, Italy, the Netherlands, Belgium, and Luxembourg.

17. **European Free Trade Association (EFTA):** Also known as the "Outer Seven" or the "Seven". Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom are the members. Established in Stockholm in 1960 and provides for the gradual elimination of trade barriers between member nations. There is to be no common external tariff.

18. **FAO:** Food and Agricultural Organization of the United Nations (see).

19. **Favorable Balance of Trade:** See Balance of trade.

20. **F.o.b.:** Free on board. The seller takes all responsibilities of the shipment of goods from one country to another, including transportation costs, packing and insurance. The buyer takes over at a specified point in deliveries.

21. **Food and Agricultural Organization of the U. N. (FAO):** Works in the general field of agriculture. Much of its work is with underdeveloped countries, helping them to help themselves. Technical aid is presently given by the FAO to about 100 countries.

22. **Free trade association:** An association of countries that have eliminated most barriers to trade between members.
23. **General Agreement on Tariffs and Trade (GATT):** Established in 1947 with headquarters in Geneva, Switzerland to increase international trade by reducing tariffs and other barriers to trade. It now has 50 full members including the United States and accounts for about 80 percent of the world trade.

24. **Gross National Product (GNP):** The total value of all goods and services produced by a nation's economy in one year's time.

25. **Import Quota:** see Quantitative restrictions.

26. **Import tariff:** A rate of duty on articles of merchandise to be paid to the government for their importation.

27. "**Kennedy** round: The sixth round of tariff negotiations to be held in Geneva, Switzerland beginning May 4, 1964 under the auspices of GATT.

28. **Most Favored Nation principle (MFN):** The willingness of a country to grant the same favorable trade treatment to all countries that it grants to any one country.

29. **Multiplier principle:** The way in which an increase or decrease in capital formation can cause cumulative effects in the national income through consumer expenditures. The multiplier is the ratio between the increase or decrease in income (Y) and the increase or decrease in new capital information (I), i.e. \( \frac{Y}{I} \) = multiplier.

30. **Oceania:** A general term which refers to the islands of the Central and South Pacific Ocean. In this thesis, it is referred to as including only Australia and New Zealand.


32. **Organization for European Cooperation and Development (OECD):** An organization of 17 European countries plus Canada and the United States whose purpose it is to achieve a good European economy through economic cooperation. It was created in 1948 to implement the Marshall Plan for European recovery.

33. **Protectionism:** The tendency to shield agricultural production unduly from competition of imports.

34. **Quantum:** The price support system of France. It approximates the usual consumption plus usual export sales. It will be necessary for France to abolish the quantum system by 1970, the end of the EEC transitional period.
35. **Quantitative restrictions:** Limitations on the quantity or value of a product that may be imported into a country.

36. **Trade barrier:** Any obstacle to trade among nations. Some examples are fixed **tariffs**, variable import levies, import and export quotas, embargoes, licenses, exchange controls, state trading, bilateral trade agreements, **tariff preferences**, sanitary regulations, and buy-at-home legislation.

37. **Trade Expansion Act of 1962:** Provides broader authority for United States negotiators than was contained in the Reciprocal Trade Agreement Act of 1934. It allows across-the-board reductions on commodities rather than the former item-by-item method used.

**Common Market Terminology**

1. **CAP:** Common Agricultural Policy (see) of the European Economic Community.

2. **CET:** Common External Tariff (see) of the European Economic Community.

3. **Common Agricultural Fund:** A fund made up of contributions from the six governments and from money received from levies on imports of these commodities that will be used to subsidize exports from the EEC to third countries, to contribute to structural improvement programs in the Common Market and to buy up these commodities at intervention prices.

4. **Common Agricultural Policy (CAP):** An agricultural policy in which the EEC countries will change from their separate agricultural programs to a uniform program. The objectives of the CAP are to increase agricultural productivity, and ensure reasonable commodity prices to consumers.

5. **Common External Tariff (CET):** A tariff rate to be applied by the EEC by 1970 to imports from third countries.

6. **Equivalent Coefficients:** The difference in quality between the standard EEC grains and imported grains. For each principal variety of cereals, the lowest determined world c.i.f. price is selected.

7. **Gate price:** A minimum import price which approximates the target price minus the fixed CET. Any time the product to which it applies is offered at a price below the minimum, the difference is offset by a levy.
8. **Import certificate**: A certificate presented by the importer to customs officials showing the origin of the imported goods.

9. **Import deposits**: The importer must deposit with his government the price or part of the price of the imported goods. This covers duties on imports and is refunded after arrival of the imports.

10. **Intervention prices**: or "support prices at the wholesale level" are prices used by the EEC in administration of the variable levy system. This is the price at which the European Grain Office under the control of the Commission must buy all quantities of grain if they should fall below the intervention price.

11. **Lump sum**: see Montant forfaitaire.

12. **Montant forfaitaire**: A sum subtracted by one EEC country for the levy assessed on grain imported from another EEC country.

13. **Standardized c.i.f. price**: The lowest world c.i.f. price plus or minus equivalent coefficients.

14. **Target prices**: The target price reflects the Common Market's price objective in the wholesale markets.

15. **Threshold prices**: A minimum import price used by the EEC in establishing its variable levy system for grains and other commodities. It is the target price minus marketing costs (such as transportation and handling costs) from the port of entry to the deficit center for which the target price is to be established, plus the montant forfaitaire plus or minus adjustments for quality standards.

16. **Variable import levy**: The EEC threshold price minus a "standardized c.i.f. price."
APPENDIX B

Project Statement - 397
The Influence of International Agricultural Trade on Marketing of Agricultural Products and the Economy in South Dakota.

1. To evaluate the effects of international agricultural trade on the marketing of agricultural products and on the economy of South Dakota.

2. To derive therefrom the implications of this for improvements or adjustments in marketing and related fields.

We know that agricultural exports are important to U.S. agriculture. These annual exports are valued at about $5,130,000,000. The principal export products include wheat, feed grains, soybeans, and livestock products, all of which are important products of South Dakota agriculture. Agricultural imports include livestock and products which may be competitive. However, we lack accurate and meaningful information concerning the actual amounts, effects and meanings of international agricultural trade, and all foreign trade, on South Dakota.

In addition there is a growing interest in this subject among S. D. farmers and others. Extension Service specialists have indicated a need for information adapted to the South Dakota situation.

Phase I:

1. Assemble and evaluate available information from U. S. Department of Agriculture, U. S. Dept. of Commerce, Customs Service, and other sources, to determine in a preliminary way the importance and
effects of international Agricultural trade on South Dakota. Also, identify subject areas on which information is not available.

2. Obtain additional information if necessary, conduct correspondence and interviews to accomplish this.

3. Analyze this information quantitatively or qualitatively, as required, to define the situation, effects, and particularly the implications.

4. Prepare one or more reports on the above. (optional)

Phase II:

1. Choose one or more of the major implications from Phase I, and study this in more detail. It is quite probable that there will be important implications relating to:

   (a) The potential markets for farm products, and therefore the organization of S. D. farm businesses and choices of enterprises. (Example: Specific current and possible future exports and imports of livestock products such as beef and the meanings for S. D. ranchers and feeders)

   (b) U. S. Trade Policy as it affects U. S. and S. D. Agriculture.

   (c) The European Economic Community and its effects on U. S. and S. D. Agriculture Trade.

2. Conduct any necessary field work on selected topic(s).

3. Prepare one or more reports on this.

PREVIOUS WORK:

None at this station

Project Leader served as Administrator, Foreign Agricultural Service, USDA 1958-61 and gained practical experience with the information and activities in foreign trade.
Current Projects in other states:

**Arizona**  #499 Evaluation of Impact of U.S. Agricultural Export on Domestic Agriculture. (Hatch; IRM-I, Marketing - 1959)

**California**  #1705 International Marketing of Agricultural Products (Hatch; Marketing - 1956)

**Illinois**  #05-360 Export Market For U.S. and Illinois Agricultural Commodities. (Hatch; Marketing; 1957)

**Michigan**  #ES562 Foreign Markets For Farm Products (AMA; Marketing; 1960)

**EFFECTIVE DATE:** December 1, 1962

**DURATION:** Two years

**FINANCIAL BUDGET:** (Preliminary estimates for first full year)

**DEPARTMENT:** Economics Department

**PERSONNEL:** Max Myers, Project Leader; Graduate Assistant; Clerical Assistant; Consultants (if needed).