

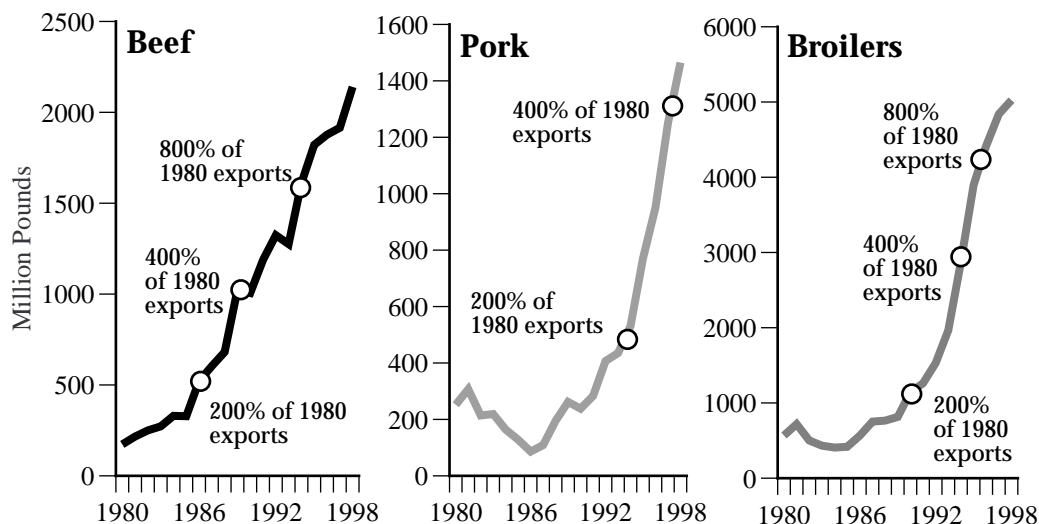
## Growth in Meat Exports Feeding Crop Demand

In our last issue, we discussed limitations which underlie some of the optimistic predictions we've seen this year about China's future demand for U.S. grains (especially corn).

Although the actual nature of China's emergence as an economic superpower will be unknown for some time, it is safe to say that China will be a major factor in determining export demand for years to come. Some of the demographic changes we outlined last time (for example,

increasing GDP and per-capita income) are indeed under way.

Will China (a) accelerate its investments in agriculture and infrastructure to meet increased food demand, (b) import 40 to 60 million metric tons of corn in ten years or so or (c) strive to be self-sufficient in cereals and import additional livestock products as needed? We don't know, but the latter of these alternatives would provide the United States with the biggest bang per export buck. Livestock producers, processors,



### U.S. Meat Exports Have Risen Steeply Since 1986

grain producers, and input suppliers – plus a host of others – would benefit if China goes this route.

Actually, we already export significant quantities of grain via meat exports. Meat exports began to pick up steam in the 1980s and have risen sharply in recent years (see figures on page 1).

For Tennessee livestock producers, the rise in exports and concurrent increase in demand for their production generally is good news. Pork production has been declining, though that has been due as much to industry factors as demand.

Increased meat exports also are good news for Tennessee corn and soybean farmers. Generally, crop farmers view exports as just that – crop commodities leaving the country bound for export customers – without considering that corn and soybeans also leave the country in the form of meat.

Looking at data for 1995-96 and USDA forecasts for 1997-98, we've attempted to estimate the grain used to produce exported meat. The analysis considers three categories of meat – beef, pork, and broilers – and the two crops most often fed to livestock – corn and soybeans.

A series of feed and other conversion factors were used to complete the analysis. For a complete description of the methodology used for this analysis as well as

the calculations, visit our home page at <http://apacweb.ag.utk.edu/apac>.

The results (table below) show corn exported as meat rising 83.3 million bushels over 1995-98, reaching 315.6 million bushels in 1998. Soybeans exported as meat rise 25.6 million bushels over the same time to reach 101.7 million bushels in 1998.

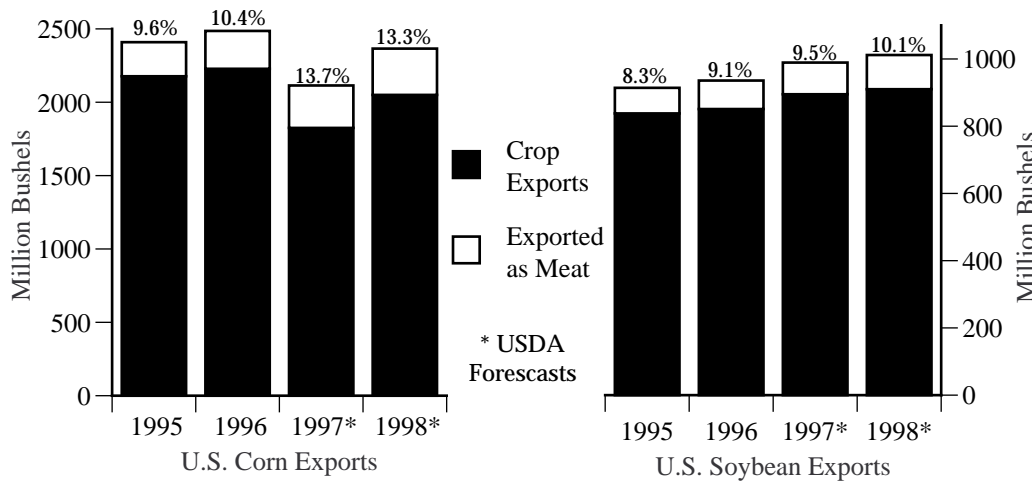
### Corn, Soybeans Used to Produce Meat Exports

	1995	1996	1997	1998
<b>Export Category (Mil. Lbs.)</b>				
Beef	1,821	1,877	1,910	2,140
Pork	770	951	1,355	1,580
Broilers	3,895	4,420	4,835	5,025
<b>Feed Used to Produce Meat (Mil. Bu.)</b>				
Corn	232.3	258.0	289.3	315.6
Soybeans	76.1	84.8	94.3	101.7

*Note:* Meat exports and forecasts are from USDA reports.

What does that mean in terms of the total export picture for corn and soybeans? The graphs on page 3 show that the meat component of corn exports ranges from a low of 9.6 percent in 1995 to a high of 13.7 percent this year. The meat component of soybeans reaches 10.1 percent by 1998.

While these estimates of crops exported as meat admittedly are rough and amount to no more than a few percentage points of total domestic corn and soybeans production, they're not to be dismissed lightly. There are several



### Meat is a Significant Source of U.S. Crop Exports

lessons to be gained here:

- The exported component of domestic corn and soybeans production actually is larger than we normally think it is.

- Corn and soybean prices may be buoyed somewhat by meat exports. If the trend continues, meat exports may play a minor price-stabilizing role for these crops. This could be important as the 1996 farm bill increases the potential for volatility.

- Since the demand for grain changes little as prices change, grain farmers' prosperity depends on increased realized demand – whether for grain itself or for grain-fed livestock arising from increased population, income, and market access.

- If meat exports are expanding – and the grain used to produce meat exports already accounts for 10 percent of our total corn and soybean exports –

then one way to increase the market for U.S. (and Tennessee) farm products is to take steps to improve livestock export markets.

That means trade agreements such as the North American Free Trade Agreement (NAFTA) may grow more important over time. Many farmers remain skeptical of the benefits of these agreements, but the basic foundation of these agreements is to let America produce and trade those products for which it has a competitive advantage.

What are those products for U.S. agriculture? At the moment, they appear to include meat products. In Tennessee, cattle and calves typically are the largest source of cash receipts for all agricultural commodities in the state, while soybeans rank third among Tennessee crops in cash receipts. Clearly, Tennessee has a stake in expanded exports.

## **We Welcome Your Letters**

Do you have policy questions you'd like us to answer?

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Include a daytime

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Either way, we'll be

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