# EFFECTS OF NAFTA ON THE BEEF INDUSTRY

__Summary__. NAFTA will increase trade in both live cattle and beef between the United States and Mexico. The U.S. Meat Import Law will no longer apply to Mexican beef exports to the United States. Due to the size of Mexican imports and exports relative to the U.S. market, NAFTA will have small effects on total U.S. cattle production and prices. By the end of the transition period, U.S. cattle prices will rise $0.50 to $1.00 per hundredweight (about 1 percent) which will create an added $200 to $400 million in revenue for the industry.

__Current Policies and Proposed Changes__. Mexico has no duties on live cattle and fresh, chilled, and frozen beef and veal. Mexico's 20 percent tariff on edible beef offal for the United States (and Canada) will be phased out over 10 years.

The United States applies a 2-cents per pound tariff and restricts the total volume of certain types of meat (mainly beef) under the Meat Import Law. Under the NAFTA, the United States will immediately eliminate its tariffs. Imports of beef from Mexico will no longer be covered by the U.S. Meat Import Law, and will receive similar tariff treatment as beef from Canada under the U.S.-Canada Free Trade Agreement.

__Current Trade Patterns and NAFTA Effects__. The Mexican and U.S. cattle industries are in many ways complementary. Mexico is a primary foreign source of feeder calves for U.S. feedlots, while the United States has an advantage in cattle feeding due to lower feed costs. The United States imports around 1 million feeder calves per year from Mexico, while shipping about 140,000 head of mostly slaughter cattle to Mexico. The United States exported 64,000 tons of beef to Mexico in 1991, while importing less than 1,000 tons from Mexico.

Under NAFTA, U.S.-Mexican cattle trade will likely increase in both directions. More young cattle will leave Mexico to be fed in the United States and more U.S. slaughter cattle will be shipped to Mexico. U.S. cattle exports, currently small, may well grow to over 1 million head per year. Mexican packers are most likely to buy culled cows and other lower cost animals, which will help U.S. producer profits, especially in border regions.

Beef exports to Mexico will also expand to more than 200,000 metric tons by the end of the transition period. U.S. beef producers will increase their Mexican sales of lower-valued cuts and variety meats. Because of the small size of Mexican trade relative to total U.S. production, this expansion in U.S./Mexican trade will have little over all effect on total U.S. production and prices. By the end of the transition period, U.S. prices for cattle and beef will likely increase by about 1 percent ($0.50 to $1.00 per hundred weight) and industry revenues will increase by $200-$400 million compared to no NAFTA.

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