

What's Ahead for U.S. Beef Exports?

The new USMEF chairman offers his thoughts.

by Barb Baylor Anderson

The year ahead presents both challenges and opportunities for the U.S. beef industry and beef producers. We asked new U.S. Meat Export Federation (USMEF) chairman Randy Sims, a grain producer and cow-calf operator from Liberty, Ill., and a representative of Illinois Farm Bureau, to offer his perspective.

Q What are the key issues for beef exports in the year ahead, and what challenges and opportunities do they present?

 After more than a decade of steady growth in U.S. beef exports, foreign sales in 2001 were slightly lower due to two primary factors: strong domestic prices for most of the year and a strong U.S. dollar that made U.S. beef prices seem higher than the competition. Despite these disadvantages, the United States should export more than 1.09 million metric tons of beef and beef variety meats, valued at more than \$3 billion, this year.

Although the United States is officially in a recession now, the price-dollar value scenario from 2001 is not expected to change dramatically in 2002, which is a potentially negative factor for beef sales. In addition, many of our leading customer nations — especially those in Asia — also are in a recession.

Another factor likely to have a negative impact on U.S. beef exports in 2002 is the aftereffects of the discovery of bovine spongiform encephalopathy (BSE) in Japan, our top customer. Since the September 2001 announcement of a confirmed case, the Japanese beef market has been devastated with a 50%-60% cut in consumption.

Nearly 70% of the beef consumed in Japan is imported, and nearly all comes from the United States, Australia, New Zealand and Canada — all BSE-free nations.

While USMEF has been working hard since September to help Japanese



Randy Sims

consumers understand the safety of our products, there is still the potential for a huge market impact. With help from beef producers through the checkoff, private industry and the U.S. Department of Agriculture (USDA), USMEF has launched a multi-million-dollar promotional effort to drive home U.S. safety, value and nutrition.

We also continue to face the political barrier in the European Union (EU) — the so-called “hormone ban” that prevents us from making major strides in that part of the world. On the other hand, BSE in much of the EU continues to make markets available to us that once were dominated by EU nations.

On the plus side of the export equation for beef producers, Mexico remains a large and growing market and is one of the few with a strong currency and purchasing power. In addition, China further opens to U.S. trade during 2002, the markets of Eastern and Central Europe appear ready for further growth and the Middle East may also become a growing market for U.S. producers.

Q What plans does USMEF have to address these issues in 2002?



For more than 25 years, USMEF has had one primary goal: “Putting U.S.

meat on the world's table.” This is accomplished through a unique and strategic approach to the market in every nation, and USMEF currently has programs in more than 80 nations. Details about our programs in individual countries are on our Web site, www.usmef.org, but here are a couple of examples to illustrate how

USMEF is working overseas in 2002.

First, with regard to the crisis situation in Japan, USMEF

immediately reallocated more than \$1.7 million from other programs to deliver the message to Japanese consumers that U.S. beef is safe and wholesome. From past experience we know that, left

alone, Japanese consumers would return to beef in a year or two, but that's too long. With the kind of sales drops we saw in the first couple of months after the crisis was announced, a long-term return to beef would come at a cost to the U.S. industry of as much as \$1 billion per year.

With more than \$6 million in special funding, USMEF will communicate directly to Japanese consumers in 2002 with a promotional effort that involves paid advertising in magazines and television, information at point-of-purchase, displays at retail or in restaurants

and other tactical elements. In the United States' No. 2 beef export market,

Mexico, USMEF will continue to work with other industry



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organizations to keep export channels open and beef flowing into the country. A number of "border issues" have come up in the past year or so that could have been devastating to U.S. producers had it not been for the combined efforts of USMEF and other organizations. Most of USMEF's marketing work will be done within the trade, directly with beef traders, retailers and restaurateurs to get U.S. product in front of Mexican consumers.

Both of these markets serve as examples of less obvious export benefits as well. Japan and Mexico import more than 200,000 metric tons of variety meats from the United States annually, including tongue and intestine, which have virtually no consumer market in the United States and little value. In Japan and Mexico alone, variety meats produce a value of more than \$380 million for the United States, which provides added value to every animal we sell.

Q Should beef producers play a role in addressing such issues, particularly with regard to food safety?

 The devastating impact of foot-and-mouth disease (FMD) and BSE on beef markets was well-demonstrated in 2001. The discovery of BSE in herds in Japan and EU nations caused consumption in those regions to drop 60%-80%; the outbreak of FMD in Europe caused their beef and pork to be pulled from world markets.

It is imperative that the United States remain free of both diseases, which will take the dedication and vigilance of every producer, as well as a coordinated effort from industry and the government. U.S. beef is seen in many world markets as the "gold standard" when it comes to safety and wholesomeness. U.S. producers and the beef industry have worked hard to achieve this recognition, and we can't afford to let down our guard.

Q How can beef producers assist with building export markets?

 Beef producers are already working to build export markets through investment in the national checkoff program. Each year, the Cattlemen's Beef Board and National Cattlemen's Beef Association (NCBA) invest

\$7 million-\$8 million in export development programs.

A unique aspect of USMEF is that other groups can invest in its beef programs. The USDA Foreign Agricultural Service (FAS), for example, invests \$6 million in our beef export programs. International traders, retailers and restaurateurs who roll out U.S. programs invest another \$2 million-\$3 million. As a result, each industry dollar invested in USMEF buys the equivalent of \$2 worth of international education and promotion.

Beef producers can get involved with other agricultural organizations and learn more about meat exports and how exports contribute to the well-being of beef, grain and soybean producers.

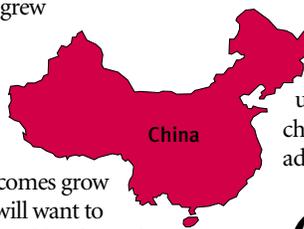
Q What do you see as some of the greatest international export opportunities for beef in the future?

 We all have to understand there are both emerging markets, which offer opportunity, and emerging competition, which offers challenges as we work to grow markets. On the demand side, world red meat consumption grew by more than 1.4 million metric tons in 2000. Less than 1% of that growth occurred in the United States. As incomes grow worldwide, people will want to improve their diets, and beef can play an important role in achieving that goal.

China and other emerging Asian markets, countries in Eastern and Central Europe and the Middle East probably provide the greatest opportunity for U.S. beef exports. But we will have to compete for these markets against Australia and, when the industries are healthy, against Argentina and Brazil.

We must also focus on Japan and Mexico, which account for nearly 70%

of our current beef exports. A 1% change in either of these markets would be significant and extremely important to our overall export success. Since



neither country has the domestic production to match growing consumer demand, both have huge export growth opportunities.

Q Where do you project beef exports to be in the future?

 USMEF expects a dip in exports when the year-end statistics become available for 2001, but long-term we estimate that beef and beef variety meat exports will grow steadily by more than 40% to nearly 1.7 million metric tons by the end of 2007.

Q What changes need to be made for the industry to accommodate such plans?

 Obviously, long-term growth of such magnitude depends on sufficient domestic production to make another half-million metric tons of product available. But since more than a third of our exports are in the form of variety meats that aren't generally consumed in the United States, these exports don't "compete" with domestic consumption. Also, a big share of our current exports are cuts underutilized in this country, including chucks and rounds, and are a good way to add value to U.S. cattle.

Q What other information would you share with Angus producers?

 Exports now account for nearly 13% of the beef we produce in the United States. To raise that beef for export, we use more than 200 million bushels (bu.) of corn and another 9 million bu. of soybeans. As a result, beef exports benefit much of agriculture and many communities in rural America.

We need to remember that exports are a two-way affair and trade negotiation and export development are complicated propositions that require the cooperative effort of trade associations, the industry, the government and USMEF to produce success. By working together we can get things done.

