



Outside the Box

► by **Tom Field**, director of producer education, National Cattlemen's Beef Association

Grabbing the tiger by the tail

Buck Owens' country hit "I've Got a Tiger by the Tail" could be the theme song for the global economy. The first two verses of his lyrics do a great job describing the predicament that faces contemporary business leaders —

*I've got a tiger by the tail it's plain to see,
I won't be much when you've got through
with me,
Well I'm losing weight and I'm turning
mighty pale,
Looks like I've got a tiger by the tail.*

*Well, I thought the day I met you — you
were meek as a lamb,
Just the kind to fit my dreams and plans,
Now the pace we're living takes the wind
from my sails,
And it looks like I've got a tiger by the tail.*

Taming the tiger

As we complete the first quarter of 2010, it is debatable as to whether we have made any progress in taming the economic tiger. Economic history illustrates that in previous downturns, the robust industrial and financial might of the Western developed world was largely responsible for the rebounds and bull runs that restored consumer confidence and gross domestic product (GDP) growth. However, global recovery this time is stimulated by the emerging economies of the world — specifically the Asian nations of China, Japan, South Korea, India and Taiwan.

The overall global climb out of the recession is tenuous, and there are many opportunities for missteps that could stall recovery. The U.S. and the European Union (EU) are lagging because they started the game with their financial institutions over-leveraged as compared to their Asian counterparts; their manufacturing capacity had been diminished during the past 40 years, making job creation more difficult; and their consumers had overspent and under-saved. Rising unemployment and the fragility of the U.S. dollar has heightened the climb for the American economy. The most optimistic analysts suggest that the U.S. will experience limited GDP growth well into 2010 and that it may be another 20-36 months before the economy experiences growth in the 4%-6% realm. Both Western and Eastern Europe will

likely experience a haltingly slow process of recovery as consumer confidence is projected to be slow to build as will economic recovery in the former Soviet bloc.

Japan emerges from the recession with what appears to be a sustainable rate of economic growth. China overtook the United States as the largest export market for Japanese goods beginning in the second quarter of 2009. This trend should not go unnoticed, as it may well indicate a strategic shift in Japan's trading focus.

South Korea experienced dramatic declines in growth in 2008, but it has since been on a sensational path to recovery, with significant gains achieved in exports, investment into business infrastructure and consumer expenditures. South Korea has ridden demand for automobiles, electronics and shipping capacity as industrial production growth has exceeded the expectations of most observers. Unemployment levels are minimal in light of the overall global situation.

Taiwan should approach 5% GDP growth in 2010 based on significant growth in exports and industrial output. Consumer spending also appears to be on a sustainable rise, which strengthens the overall economic outlook.

China starts 2010 with the benefit of a banking industry that continued to lend money in 2009 and 2010 as the result of not carrying the weight of the sub-prime mortgage mess and by virtue of having avoided the leverage problem faced by banks in the western world. The Chinese economy appears to be on a very sustainable expansionary phase. Interestingly, India has maintained a relatively strong position

compared to the rest of the world, to the point that interest rates may soon begin to rise to assure a more restrained pattern of growth. Consumer spending, as evidenced by double-digit growth in domestic automobile purchases in 2009 as compared to 2008, and export growth are fueling their recovery.

How it affects us

So why does the momentum of the

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Asian recovery matter to beef producers in the United States? Quite simply, consumer spending will accelerate and sustain itself more quickly outside our borders than within. Thus assuring access for U.S. beef products into these growing economies is essential. In 2003, Japan and South Korea were the leading markets for U.S. beef, but this situation was terminated with the closing of borders due to the discovery of a single dairy cow with bovine spongiform encephalopathy (BSE). Since

2004, Mexico has become the leading market for exported U.S. beef, with Canada holding down the second position.

Regaining consumer trust in the Asian markets will not happen overnight and will require that U.S. suppliers develop a more culturally appropriate approach to building long-term relationships with trading partners. Furthermore, recapturing market share depends on the ability of U.S. beef industry leaders to successfully craft both an effective message and to listen intently to the desires of each nation and to then earnestly put into place processes and procedures that fulfill those expressed needs.

Owens was right — we have a tiger by the tail, and hanging on to the tail of the Asian tiger may well help us emerge from the specter of harsh economic conditions.

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