



Market Advisor

► by **Tim Petry**, livestock marketing economist, North Dakota State University

U.S. beef to Japan is great news

The announcement in mid-December that Japan would again accept U.S. beef was great news for cattle producers. The announcement's timing, prior to the holiday season, was especially good news. More than two long years ago, the ill-timed news that a case of bovine spongiform encephalopathy (BSE) was discovered in the U.S. certainly caused a stressful holiday season for many of us in the cattle business.

Historic export levels

Expectations have been high for more than a year that business would again resume, so the announcement erases the uncertainty that has affected the market for many months.

Prior to BSE surfacing in the U.S., Japan was our leading export market for beef and beef variety meats. In 2003, U.S. exports to Japan totaled about 900 million pounds (lb.) of beef and another 170 million lb. of beef variety meats for a total value at just less than \$1.5 billion. In 2003, U.S. beef exports had declined from peak levels of around 1.1 billion lb. in 1998, 1999 and 2000. The decline was due mainly to the discovery of BSE in Japan's domestic cattle herd, which caused a decline in consumer demand for all beef — including imported products.

Our other major export markets in 2003 were South Korea, Mexico and Canada. Beef exports to Mexico and Canada have resumed, but at levels lower than before. At press time, Korea still refused to import U.S. beef.

Trade terms

The actual amount of beef going to Japan will be low at first. Regaining the entire market will likely be a slow process, possibly taking several years.

Beef must be from cattle that are verified to be 20 months of age or younger when harvested. The U.S. Department of Agriculture (USDA) released a statement in December 2005 reporting that about 94% of U.S. ruminant and ruminant products can qualify for export to Japan. However, trade sources have said that only 10%-15% of cattle may have sufficient records and documentation to qualify for export.

The spring calving season will start very soon for some producers, and they are encouraged to consider an age-verifying program for calves when they are born. There is no guarantee that premiums will exist on a consistent basis next fall, but being prepared may pay dividends.

There are other reasons besides age verification why trade with Japan may be slower than some people in the beef industry would like. U.S. beef production is at a cyclical low after declines in cattle numbers from 1996 through 2004. The

build-up phase of the cycle has started, so fewer heifers are being fed and harvested.

Japanese consumers have switched to other meat sources in the last two years, including U.S. pork and some Australian beef. Some Japanese consumers have indicated a reluctance to quickly return to consuming U.S. beef. U.S. trade groups will actively promote beef in Japan, but only time will tell how consumers respond.

Looking ahead

The other good news about the opening of Japan to U.S. beef is that it may pave the way for resumption of trade with other countries. Agriculture Secretary Mike Johanns has indicated that the U.S. can now export beef and beef products to 67 countries, but 52 countries that received imports prior to 2004 still remain closed.

Several Asian markets in particular are important for U.S. beef and beef products. South Korea historically was the second leading importer of beef, and negotiations were still taking place for that market at press time. In addition, Taiwan, China and Singapore remained closed to U.S. beef at the time of this writing. It is hoped that these countries will adopt world standards and accept imported beef from cattle 30 months of age and less.

As beef production in the U.S. increases cyclically in the next several years, it will be even more important to have strong export markets.

Even though the Japanese market is now open, the cattle market will likely remain volatile as news becomes available about volumes of beef actually going to Japan and other important countries reopening their markets to U.S. beef and beef products.

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Editor's Note: *In between receiving this article and going to press, Hong Kong opened its borders, as Angus Productions Inc. (API) announced to Angus e-List participants Dec. 29, 2005. If you want to receive news like this quicker than our publication schedule allows, visit www.angusjournal.com to sign up for the Angus e-List.*

