Global Beef Trade

The Challenges Facing U.S. Beef

Internationally, and at Home

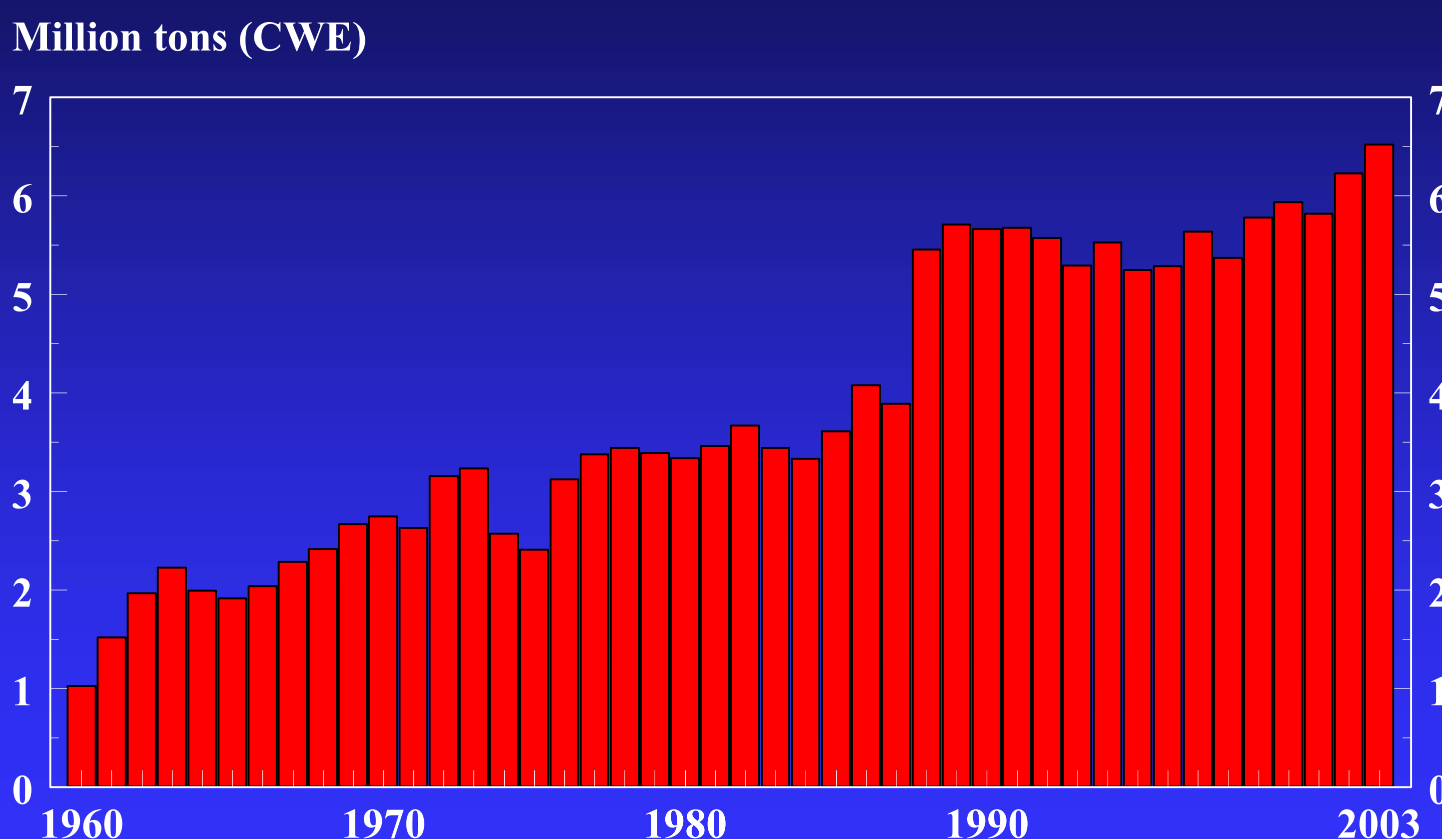
Global Beef Trade

Overview of International Trade

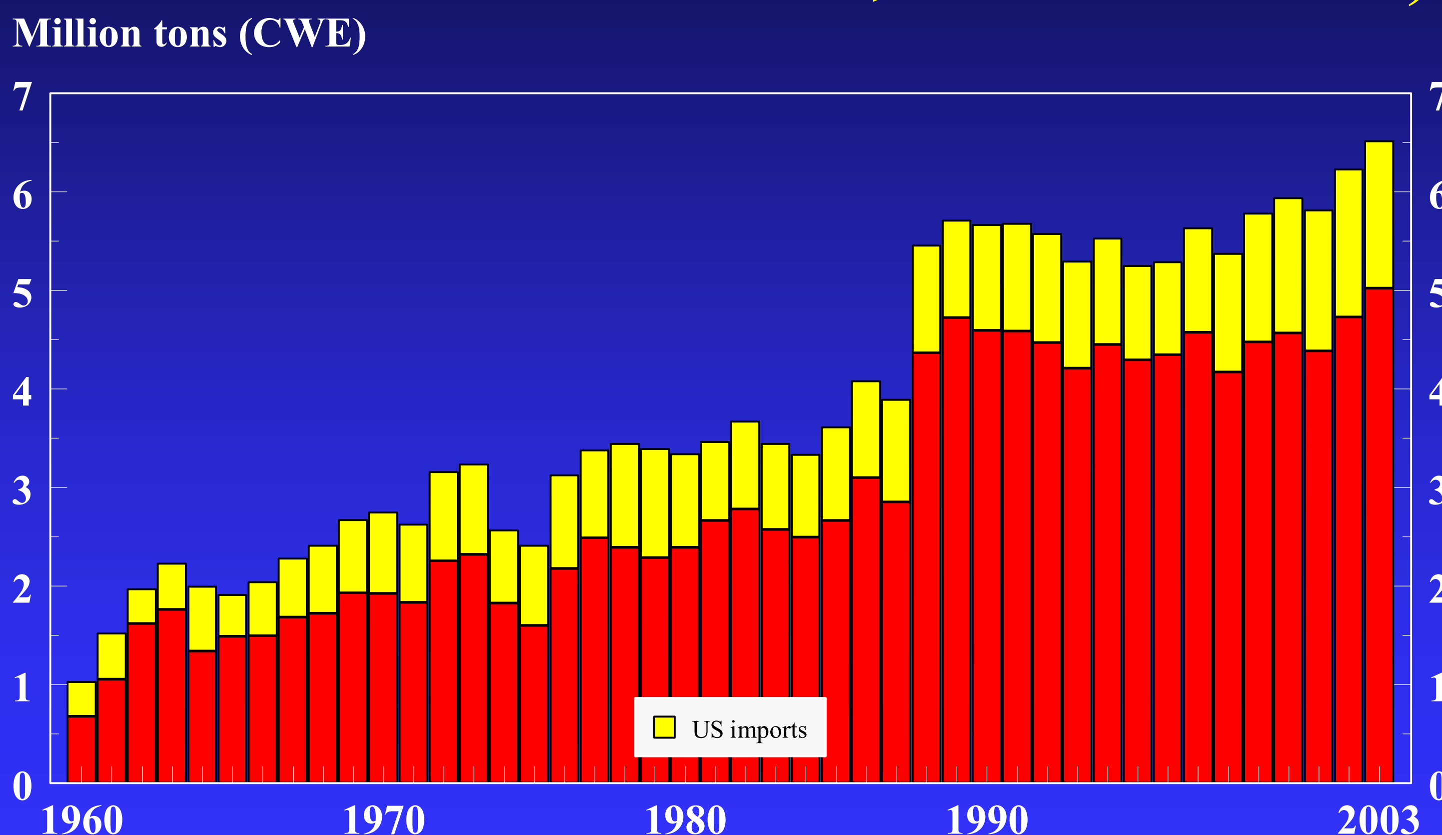
The U.S. as Importer and Exporter

The U.S. Supply/Balance Today

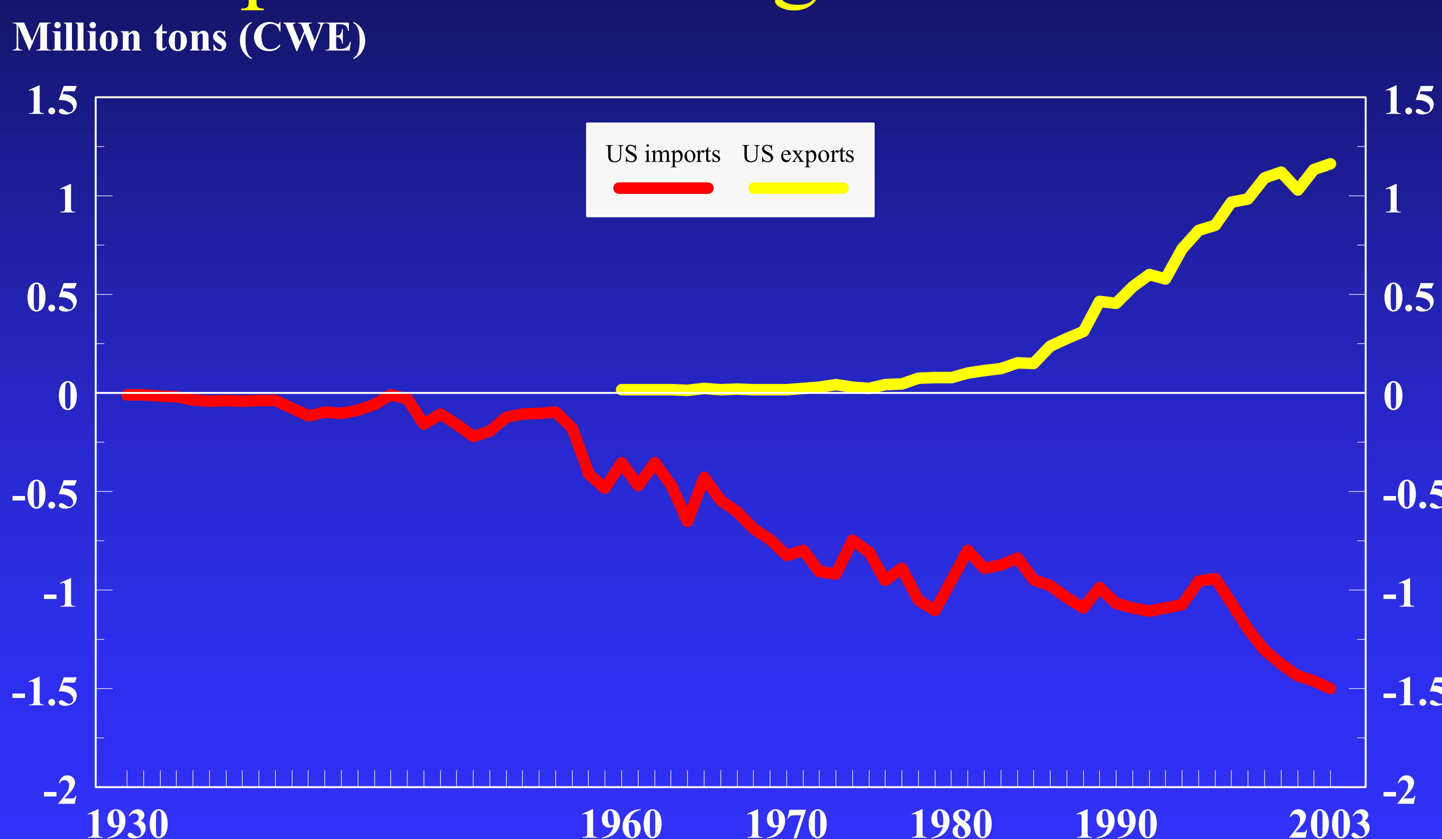
USDA Forecasts Global Beef Trade at Record Levels For 2002 and 2003…



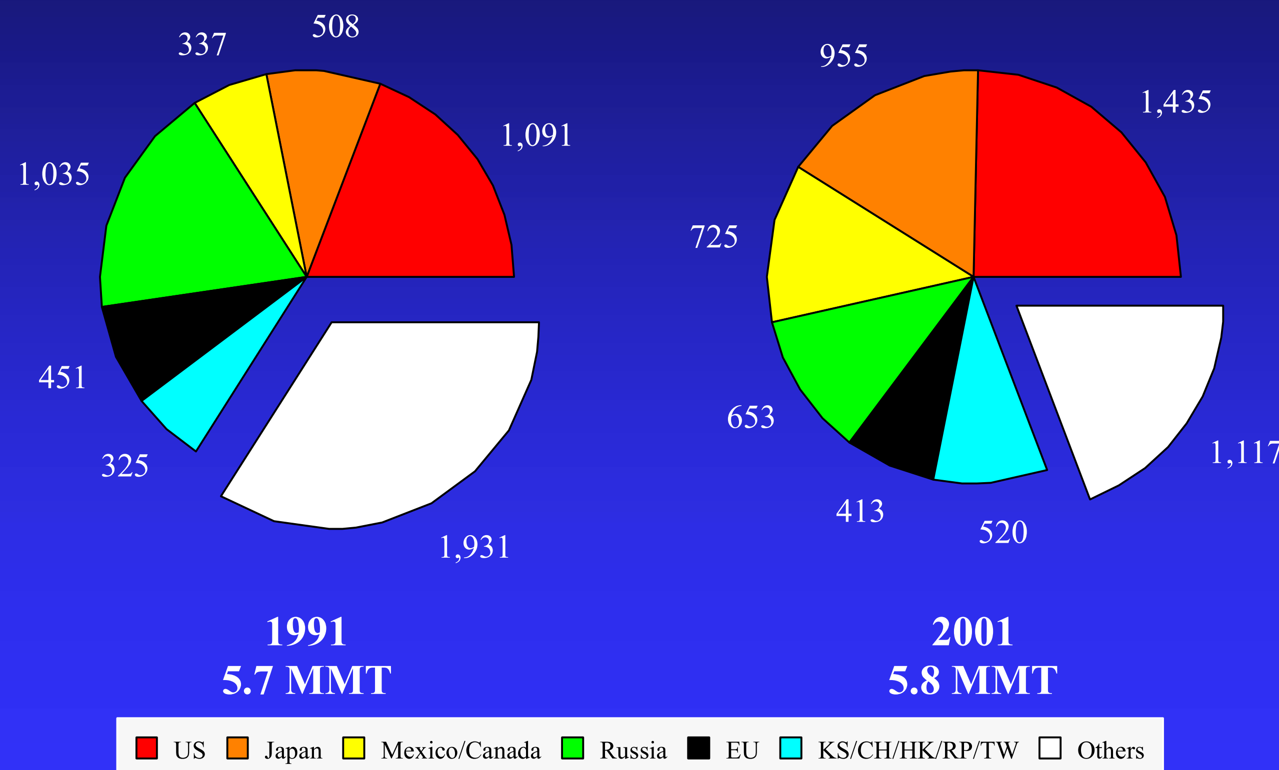
…U.S. Beef Imports are a Long-term Driver of Global Beef Import Demand (23% of 2003 total trade, 19% in 1990)



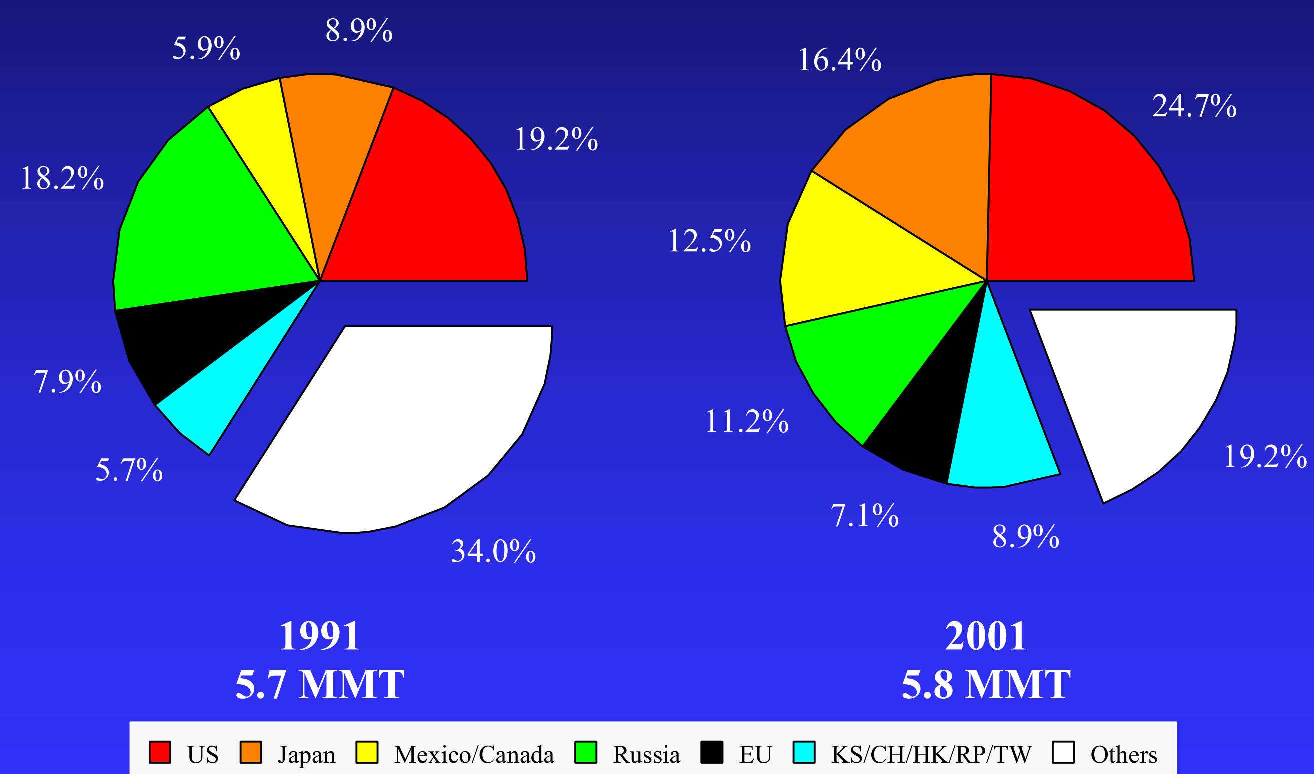
The U.S. has a Long History as a Beef Importer… is a More Recent Entrant into Beef Export Marketing



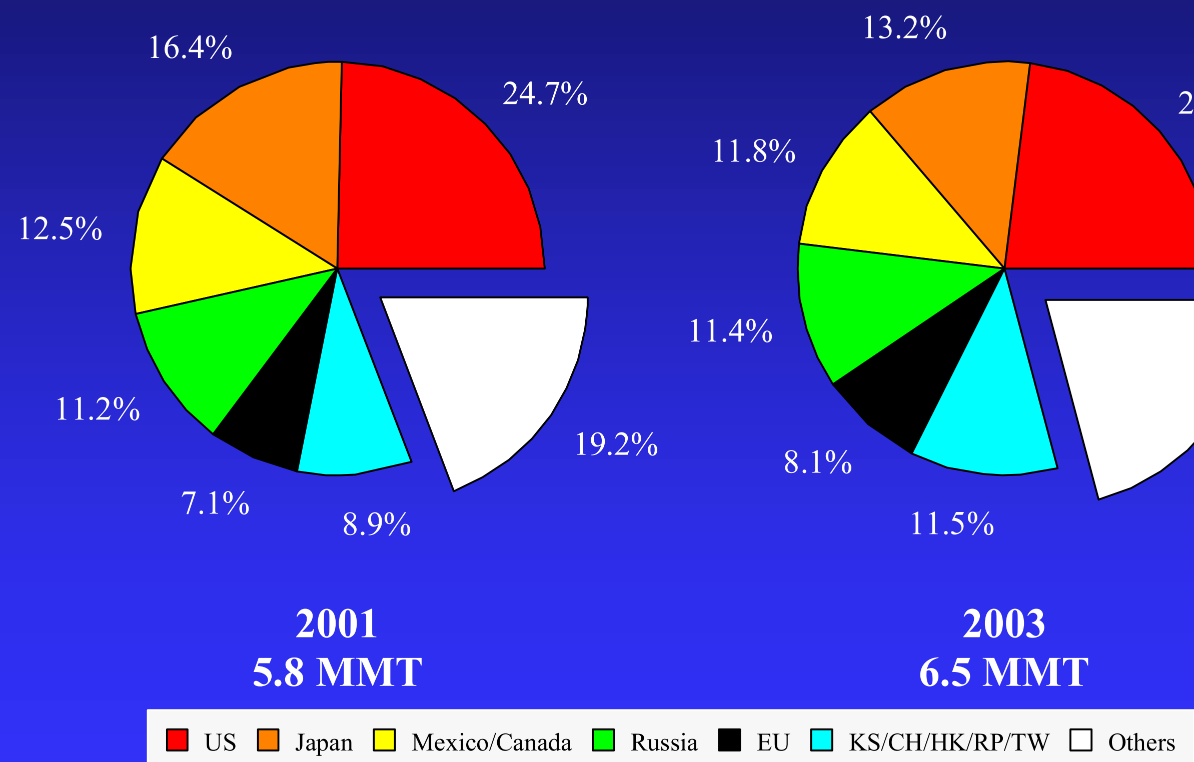
Beef Import Markets: Slow Growth, More Concentrated Then a Decade Ago, Shrinking Outside 10 Core Markets



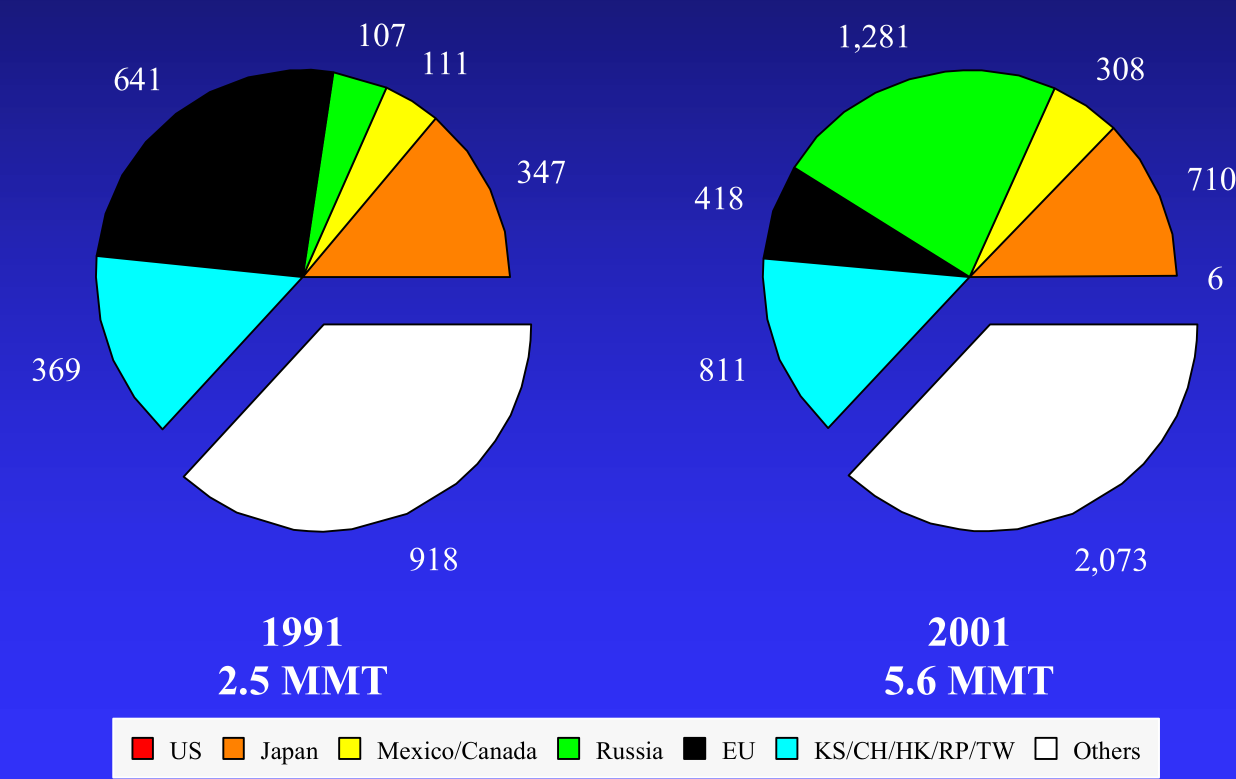
Beef Import Markets: US up 1/3, Japan Doubles, Mexico/Canada > Double, Russia Shrinks, Other Asia +2/3



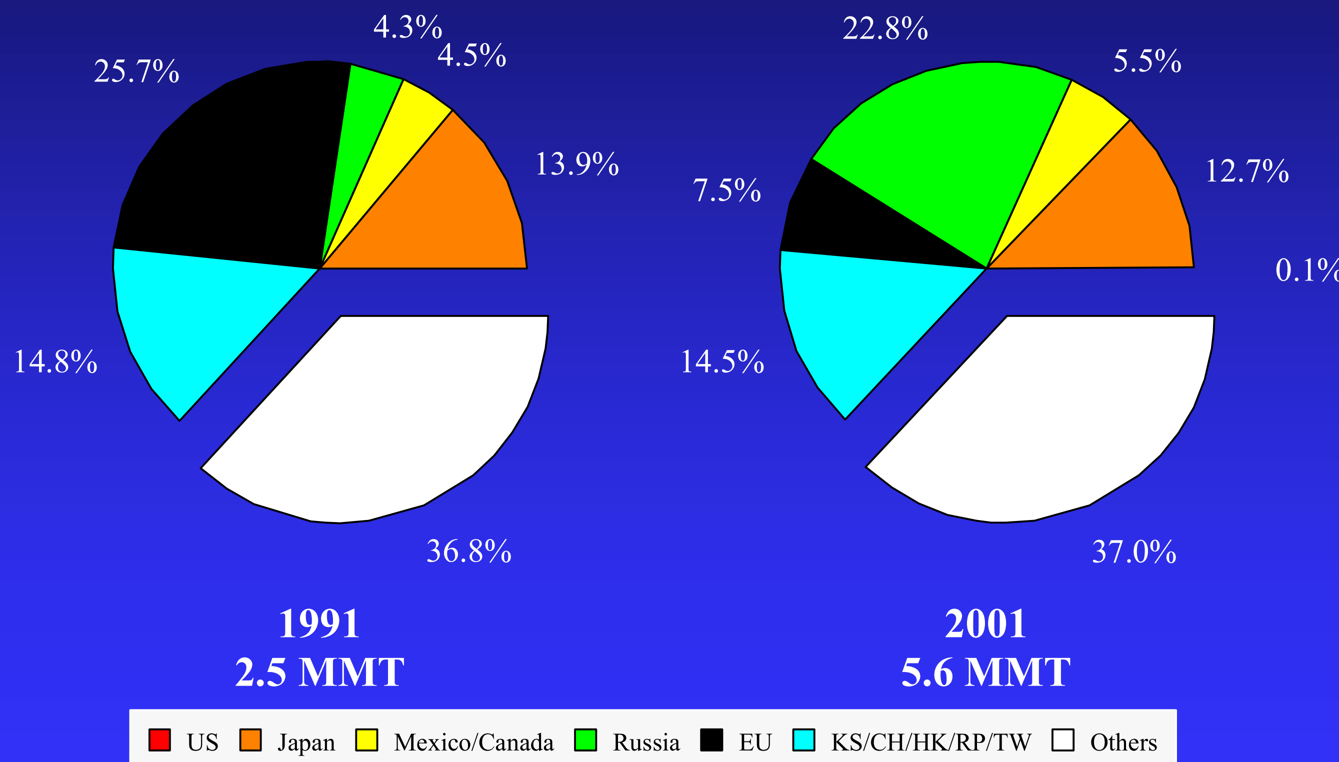
…Growth Forecast for 2003, But the Market Concentration Trend of the Past Decade Holds



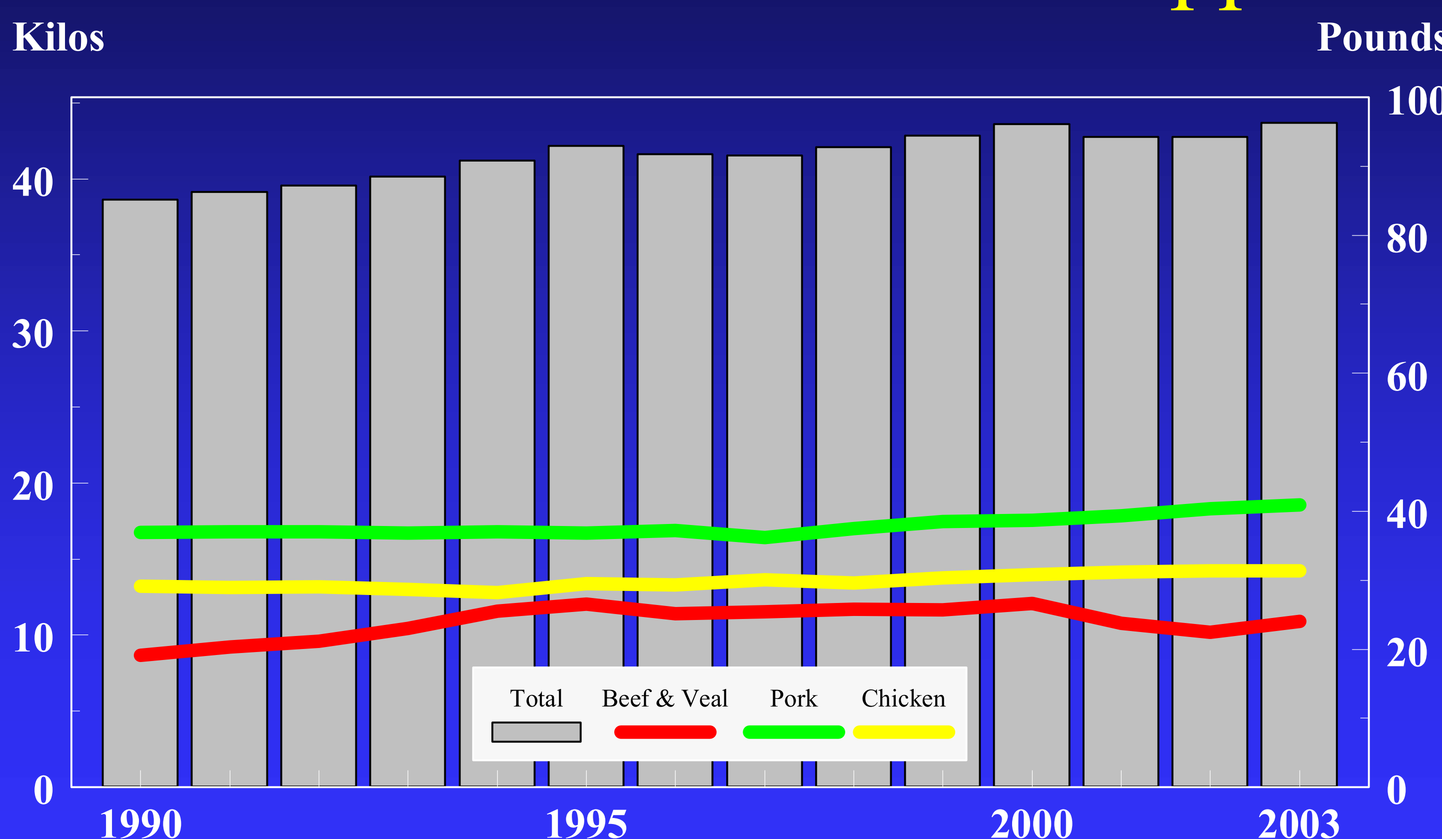
Contrast Global Beef Imports With Broilers…More Than Doubled (125%), Equal Growth Outside 10 Country Core



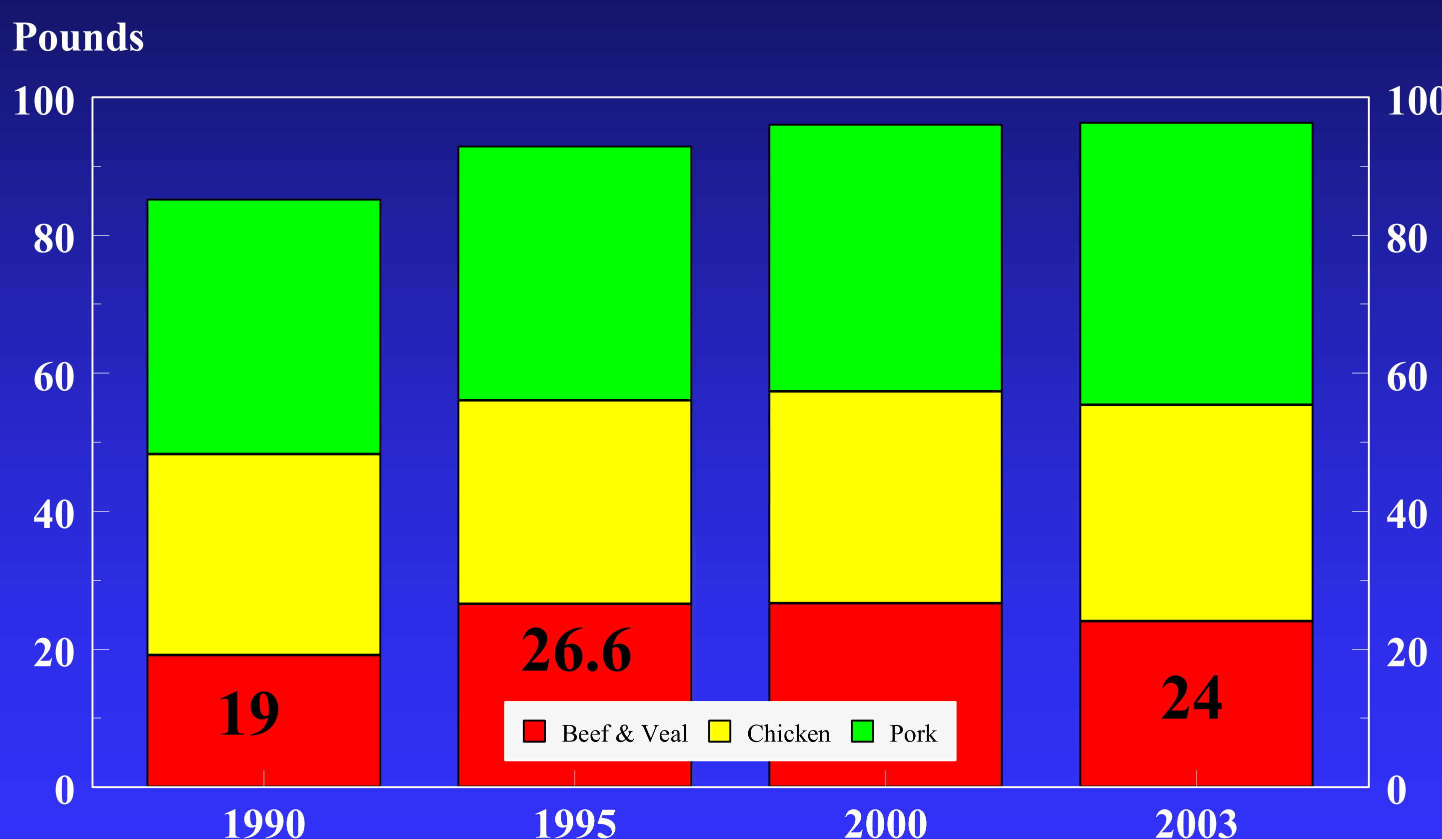
Contrast Beef Imports With Broiler Growth: Japan x 2, Mexico/Canada x 3, Russia x 12, Other Asia x 2



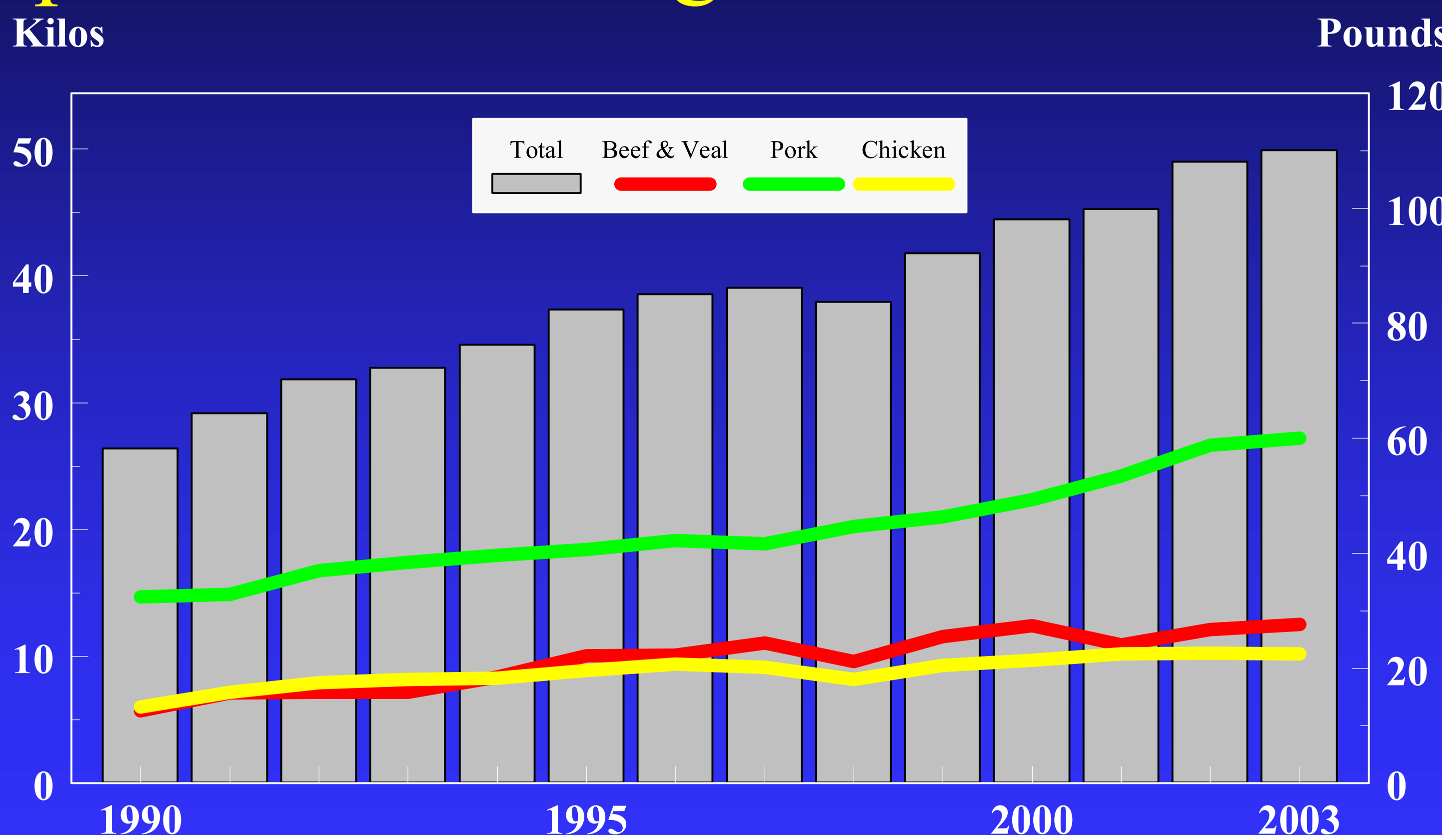
Japan’s Flat Per Capita Meat Use Trend Leads to a Dual Market Share Fight, Between Meats and Between Suppliers



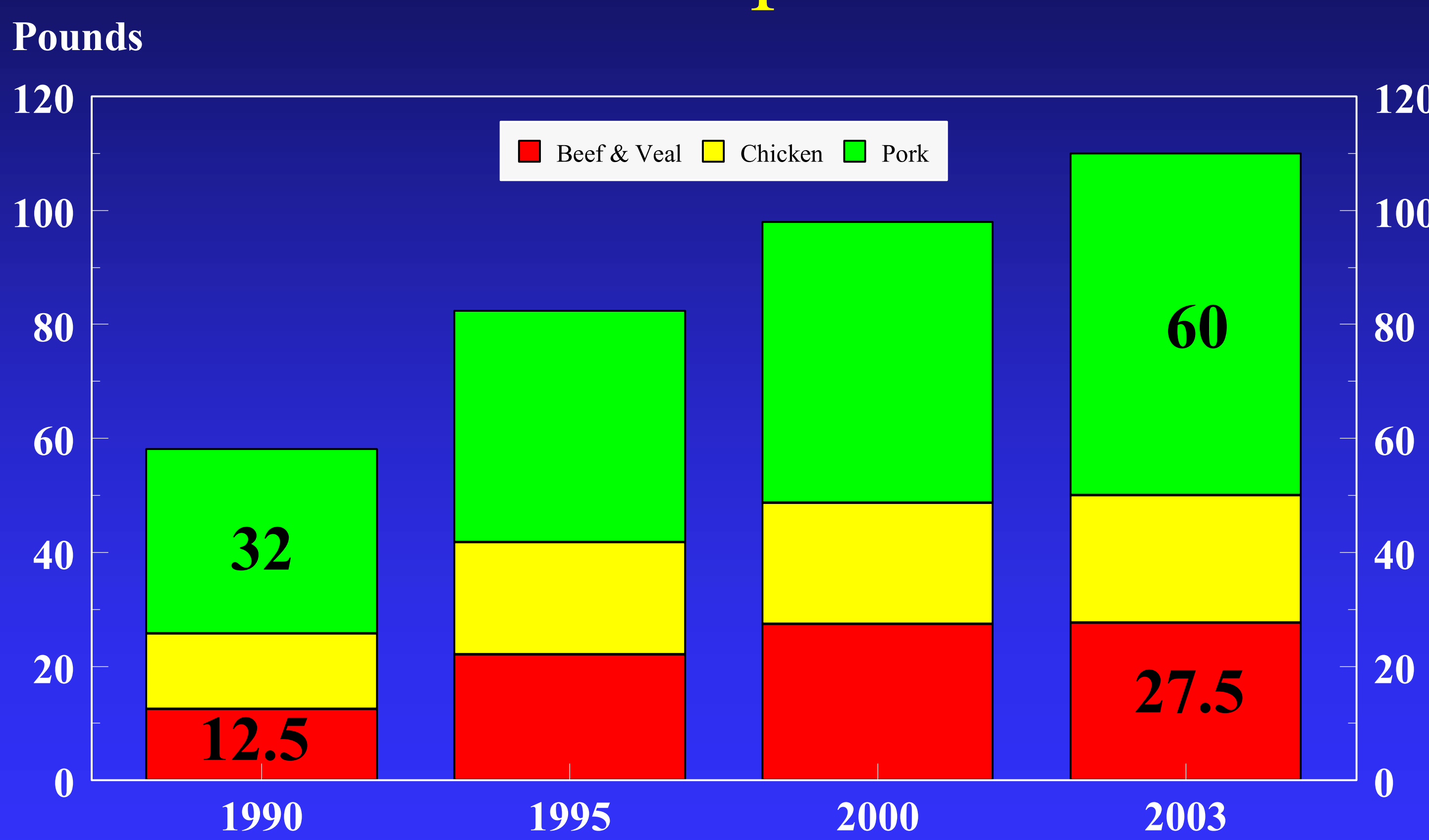
Japan's Post-BSE Beef Use Struggles Back Toward (?) 1995 Levels



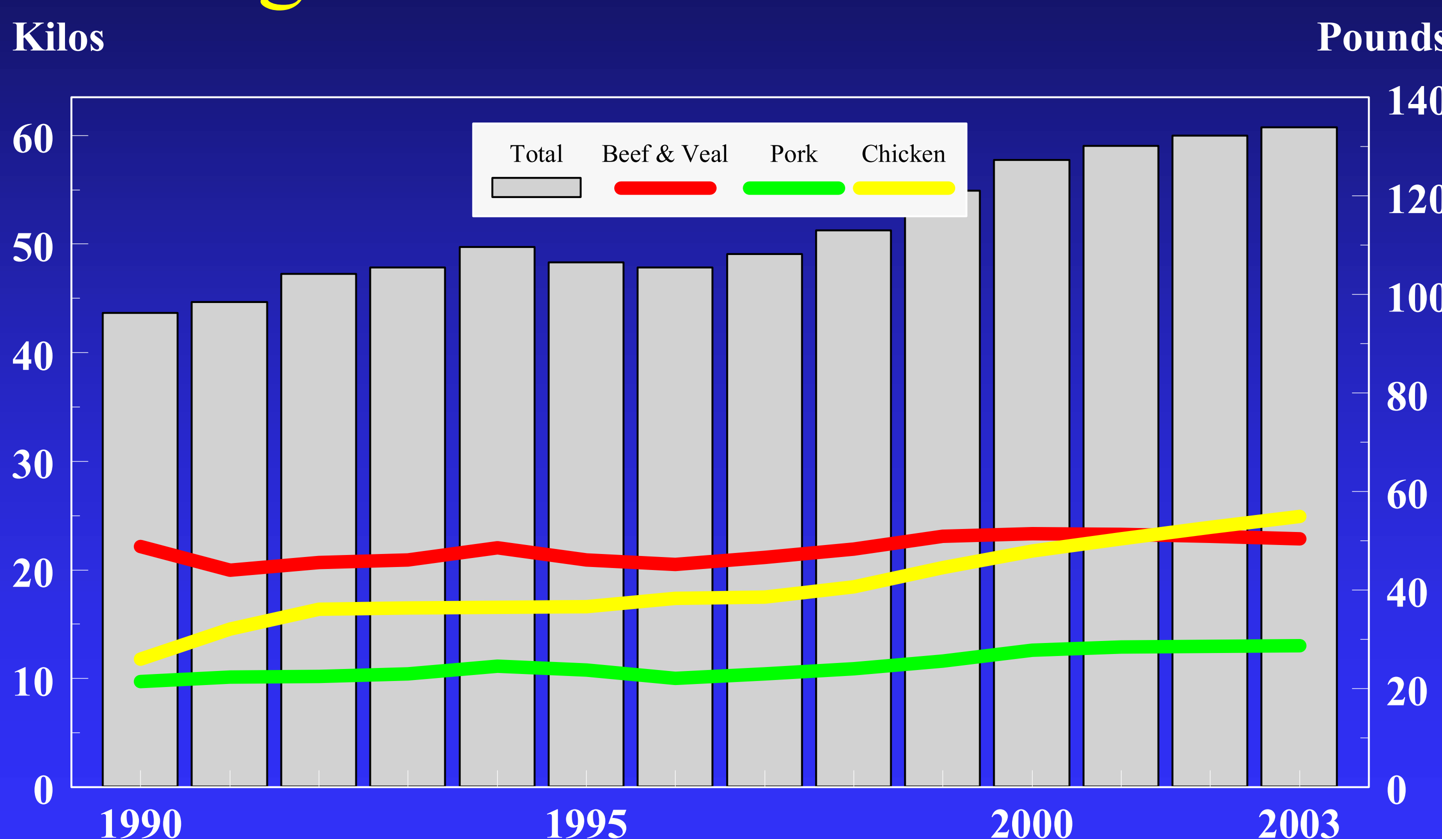
Korea's Per Capita Meat Consumption Still Growing…Led by Pork…Beef Imports Set a Strong 2002 Record



Korea's Per Capita Use Still Growing, Lost Pork Exports Push Domestic Use, Record 2002 Beef Imports



Mexico's Per Capita Meat Consumption Growth Steady, Led by Chicken… Beef Stagnates



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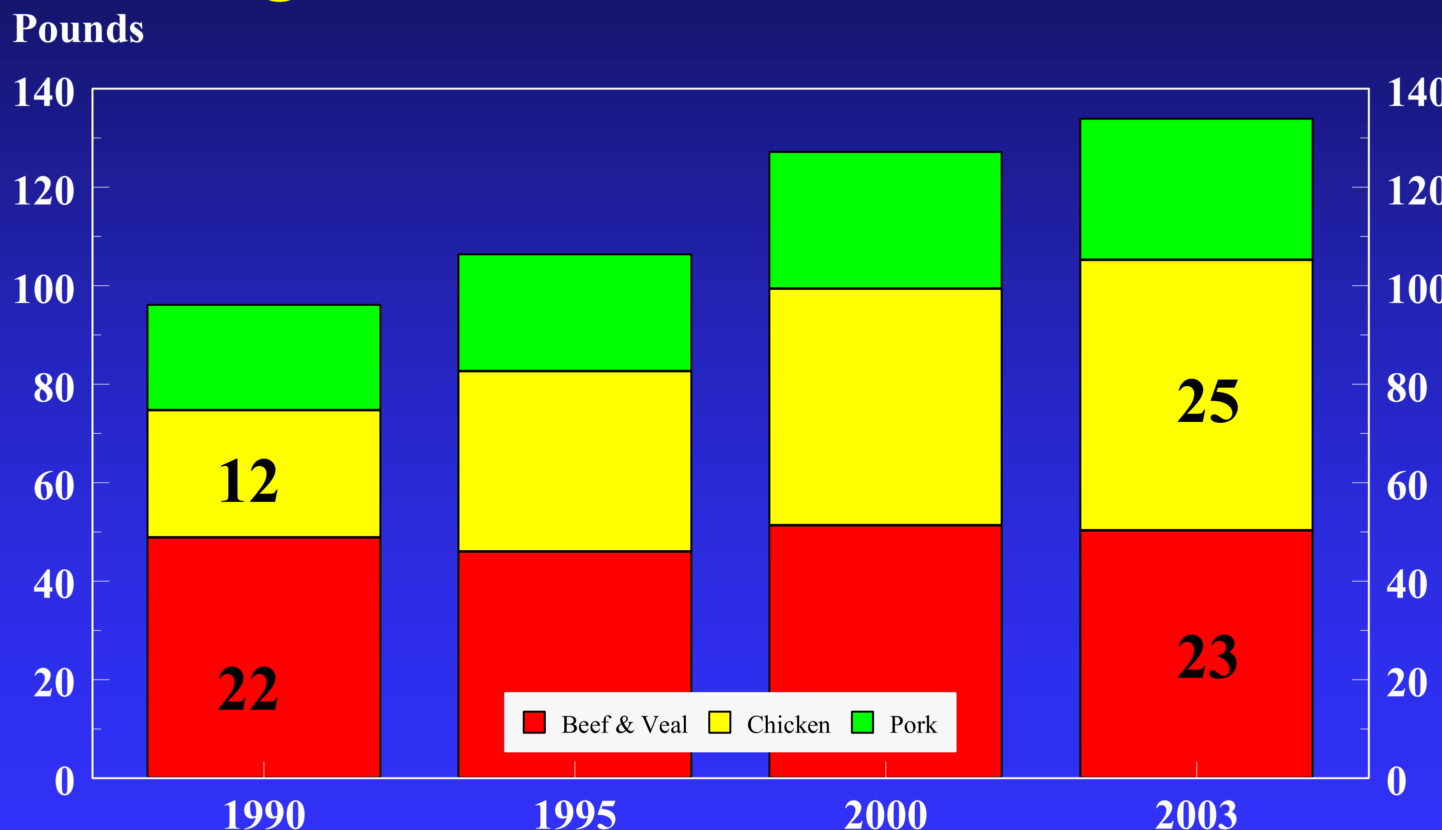
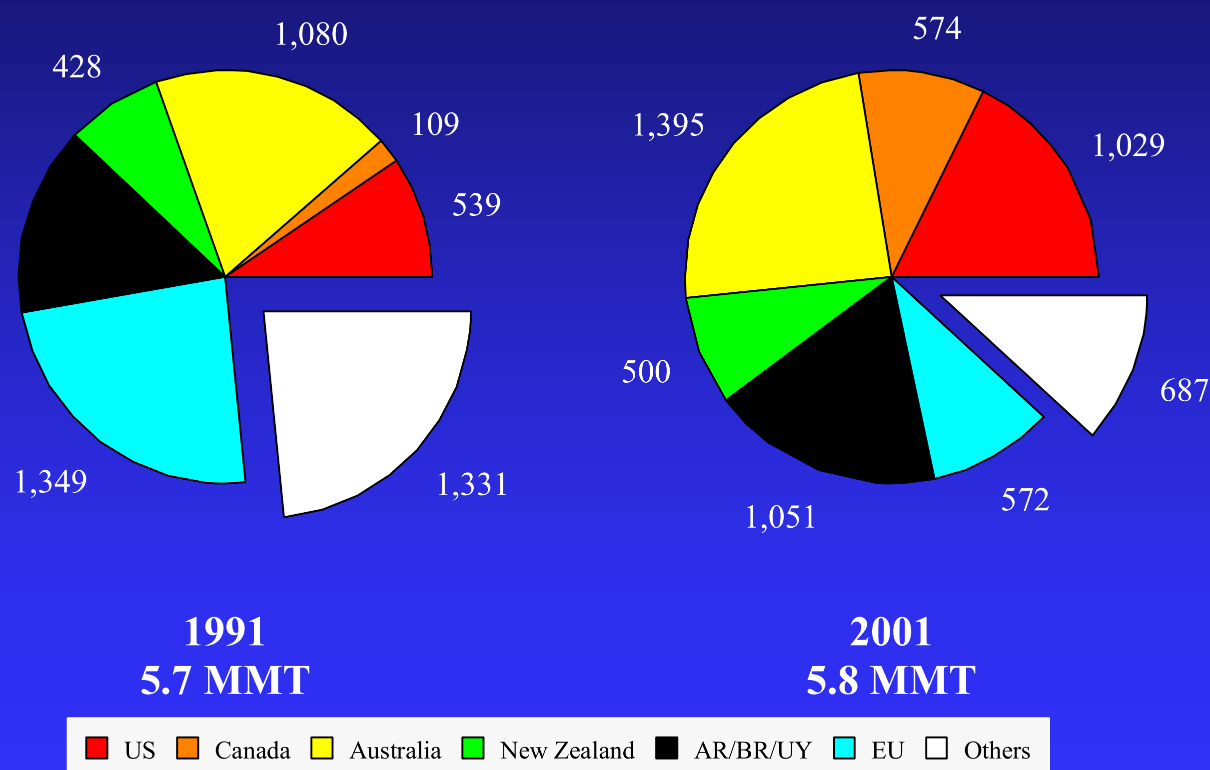
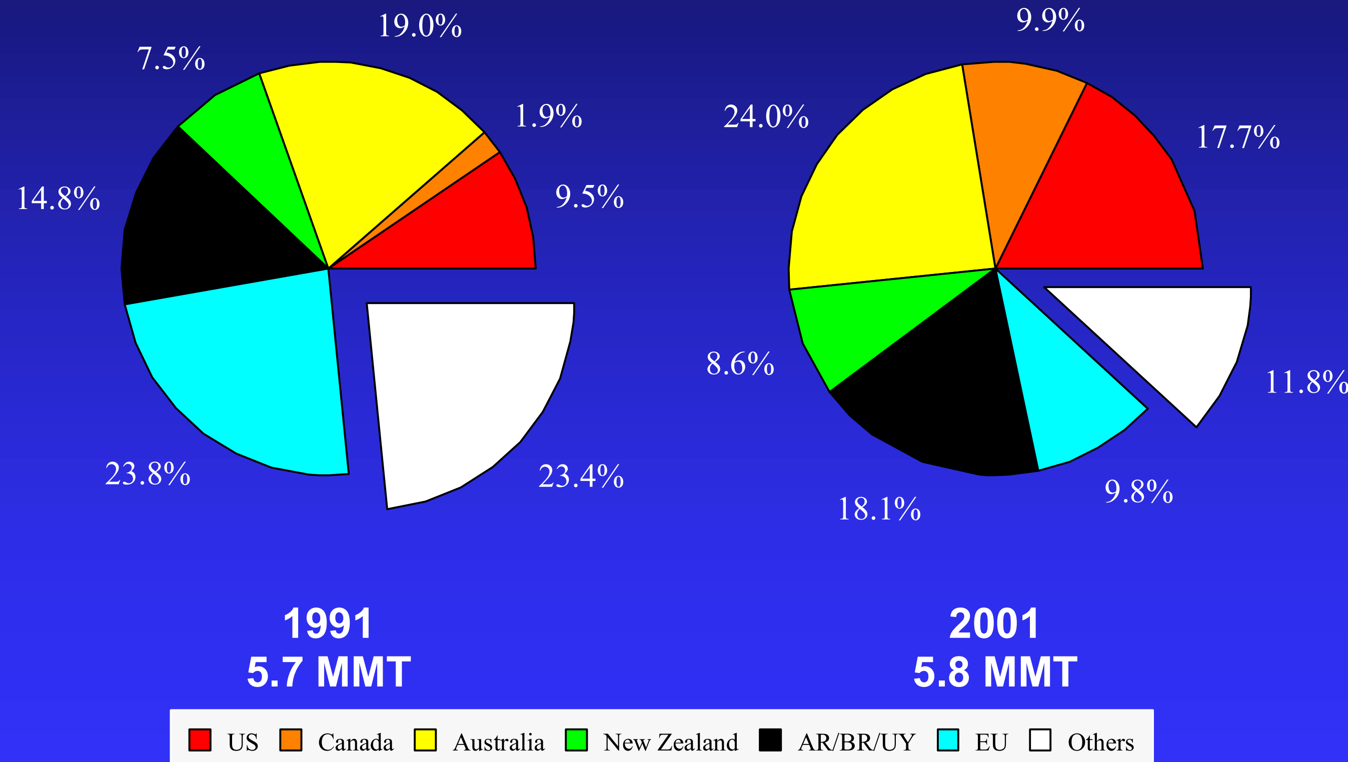


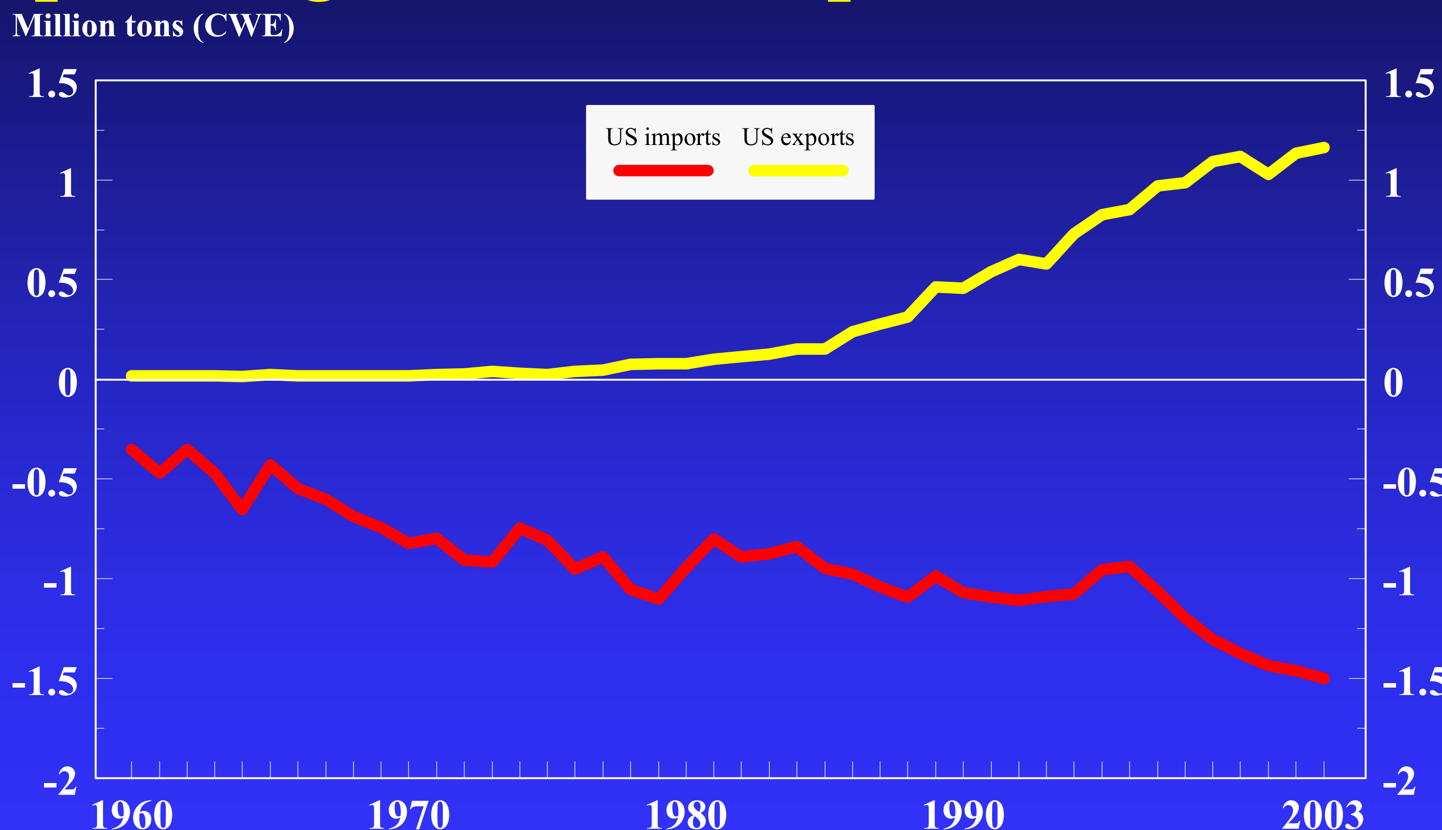
Eight Noteworthy Exporters, Key Players Have Offset EU Reductions and More…



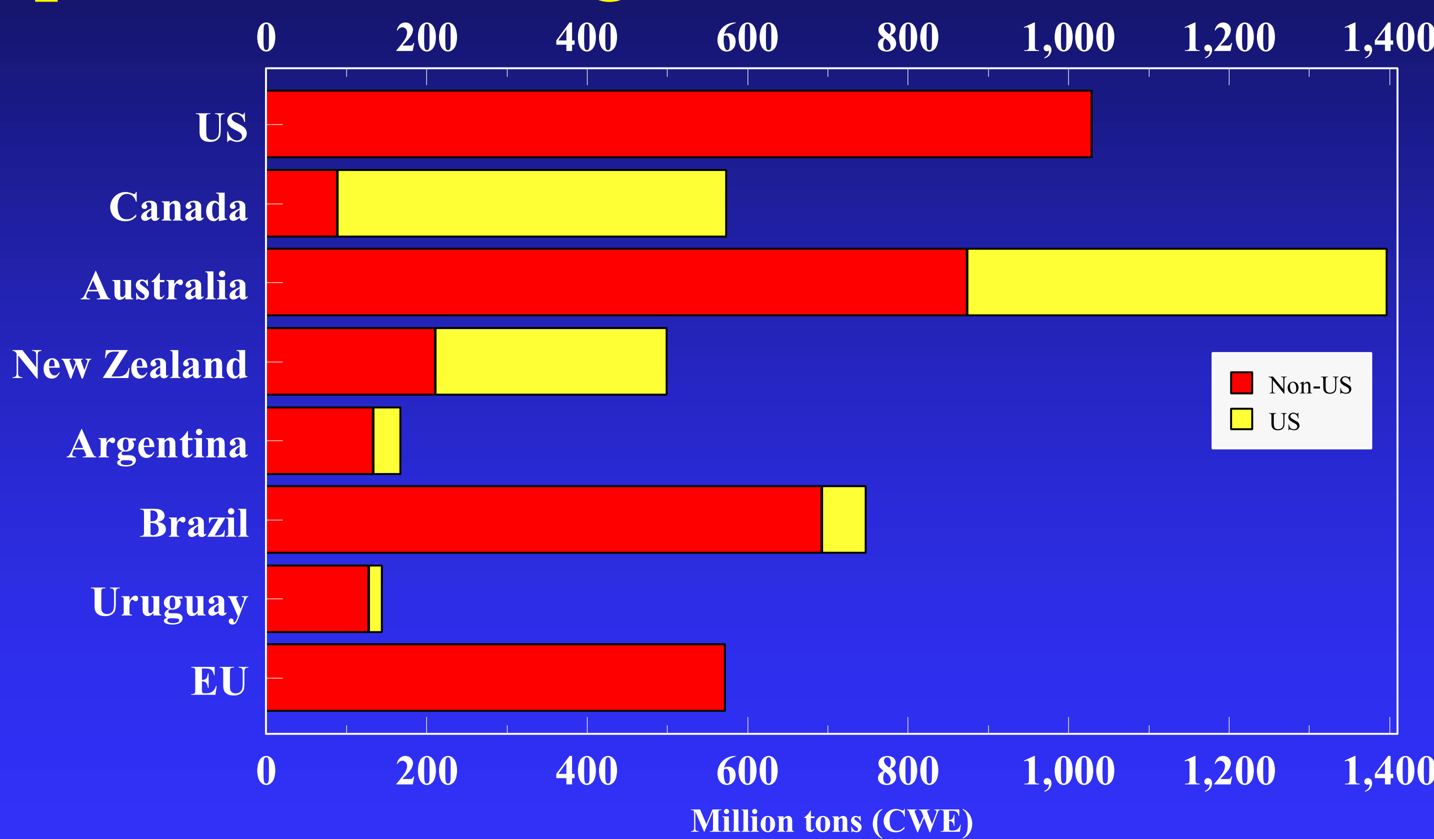
Eight Noteworthy Exporters, US x 2, Canada x 5, Australia + 30%, New Zealand + 17%, S America + 25%



A Destination of Choice For Several Competitors Growth is the Generally Expanding US Beef Import Market…



…The US Market is Key to Success of 3 Beef Exporters: South American Exporters Seeking Increased Access



What do we Know About the Global Beef Trade Situation and the US Role ?

- **Imports**
  - **A decade of slow growth - for beef**
  - **Increased concentration in only 10 key markets**
  - **Increased trade competition from alternative meats (growth over the period: Beef 2%, Pork 71%, Broilers 125%**
- **Exports**
  - **8 key exporters fighting for market share**
  - **US market is key to 3 major competitors, emerging exporters seeking greater US market access**
- **Major US role in both exports and imports**
  - **Reduced access to US market could cut US exports**

The U.S.
Cattle and Beef Sector

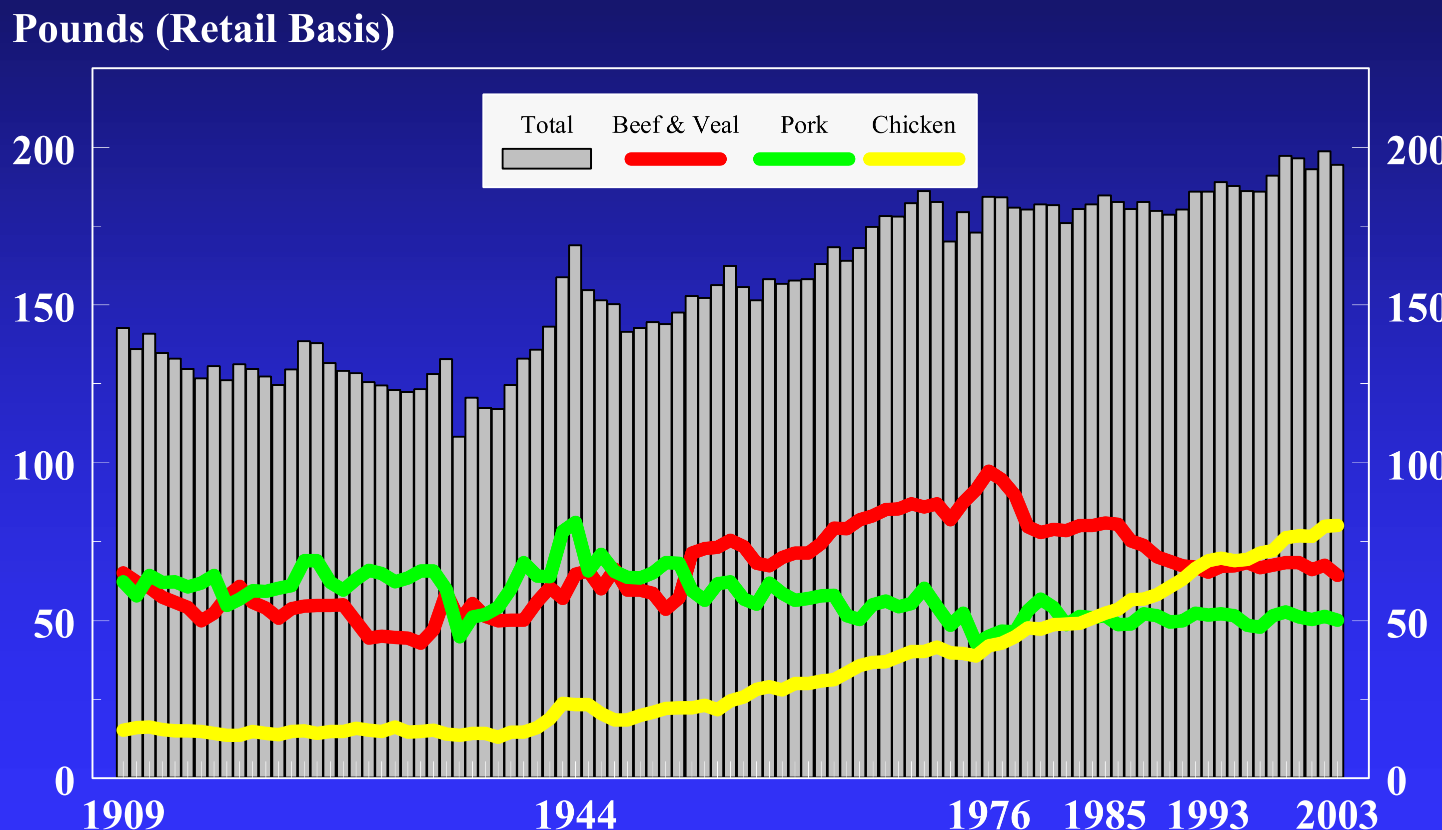
Meat Consumption Trends

The U.S. Supply/Balance Today

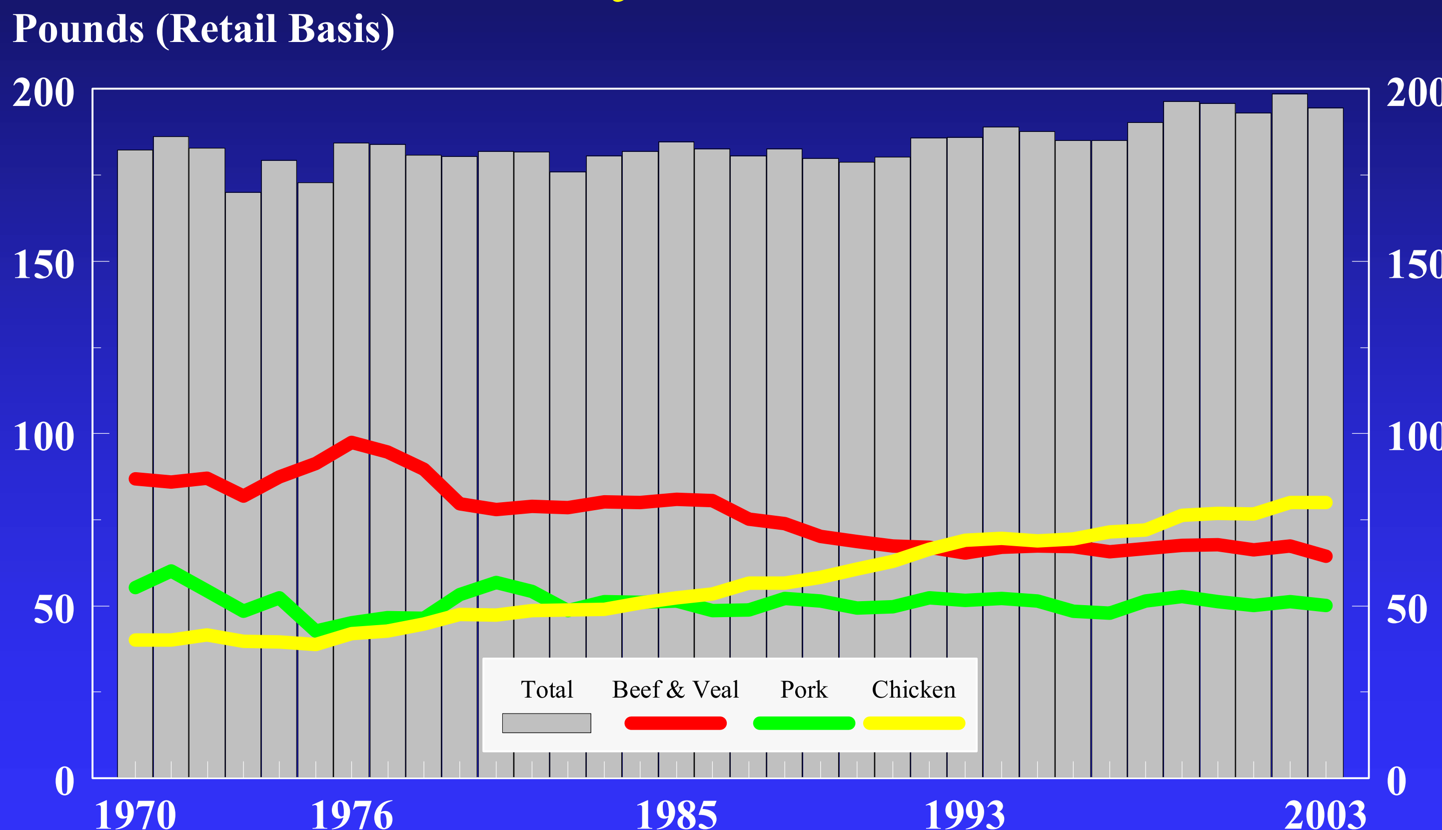
2001 Data to Frame Today's Discussion of Cattle and Beef...

- US slaughtered 35.5 million cattle
  - ✓ 2.4 million of those were imported (6.8% of slaughter total), valued at $1.5B
- US slaughter produced 11.9 million tons of beef (cw)
- US imported 1.1 million tons of beef (1.4 cw) valued at $2.6B
- A total of 13.3 million tons (cw) of beef was available and used
  - ✓ 1 million tons went into exports valued at $2.6 B
  - ✓ 12.3 million tons used for US domestic consumption

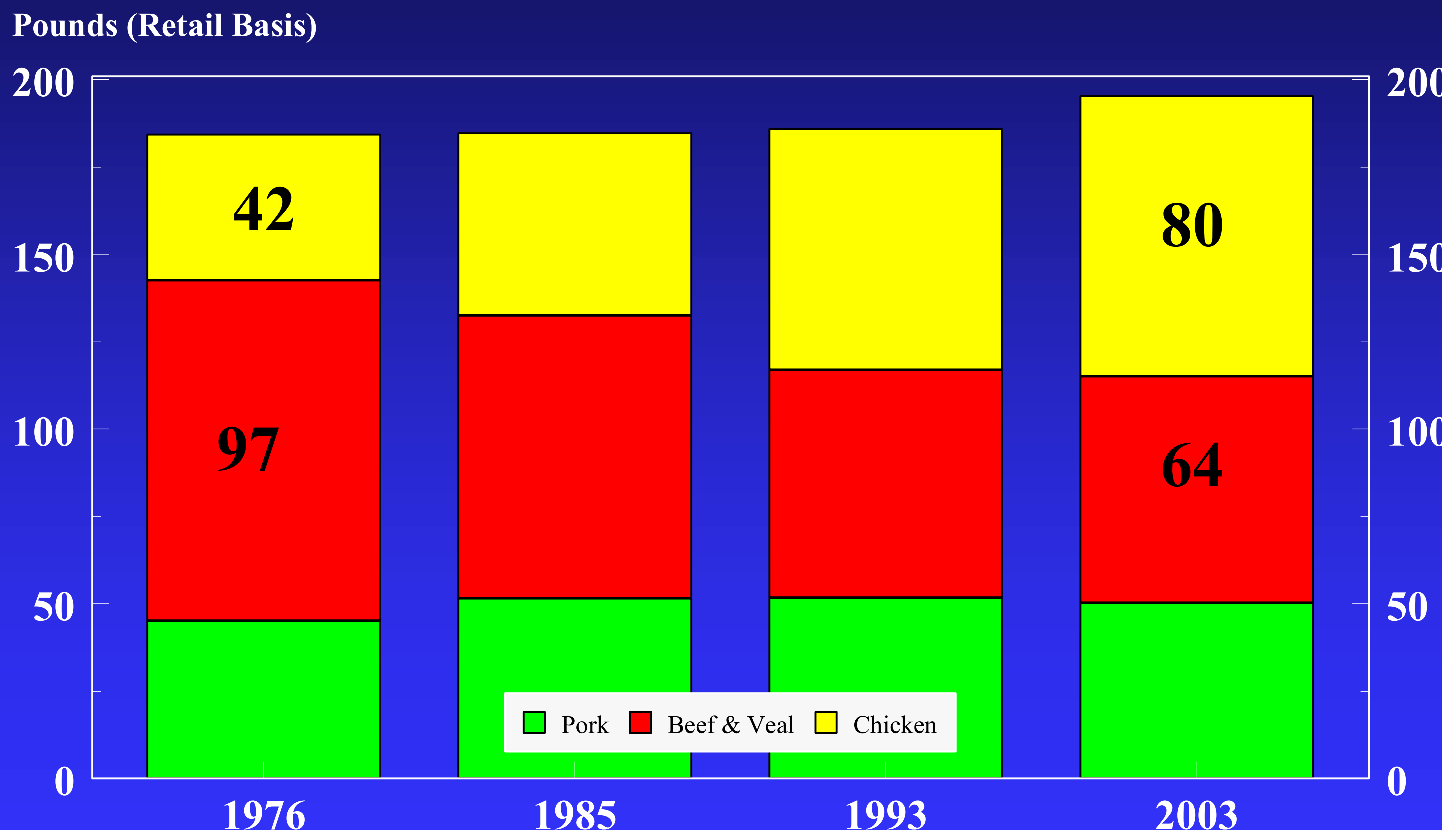
U.S. Per Capita Meat Use: Mid-Century Gains Slowed and Relationships Between Meats Shifted…



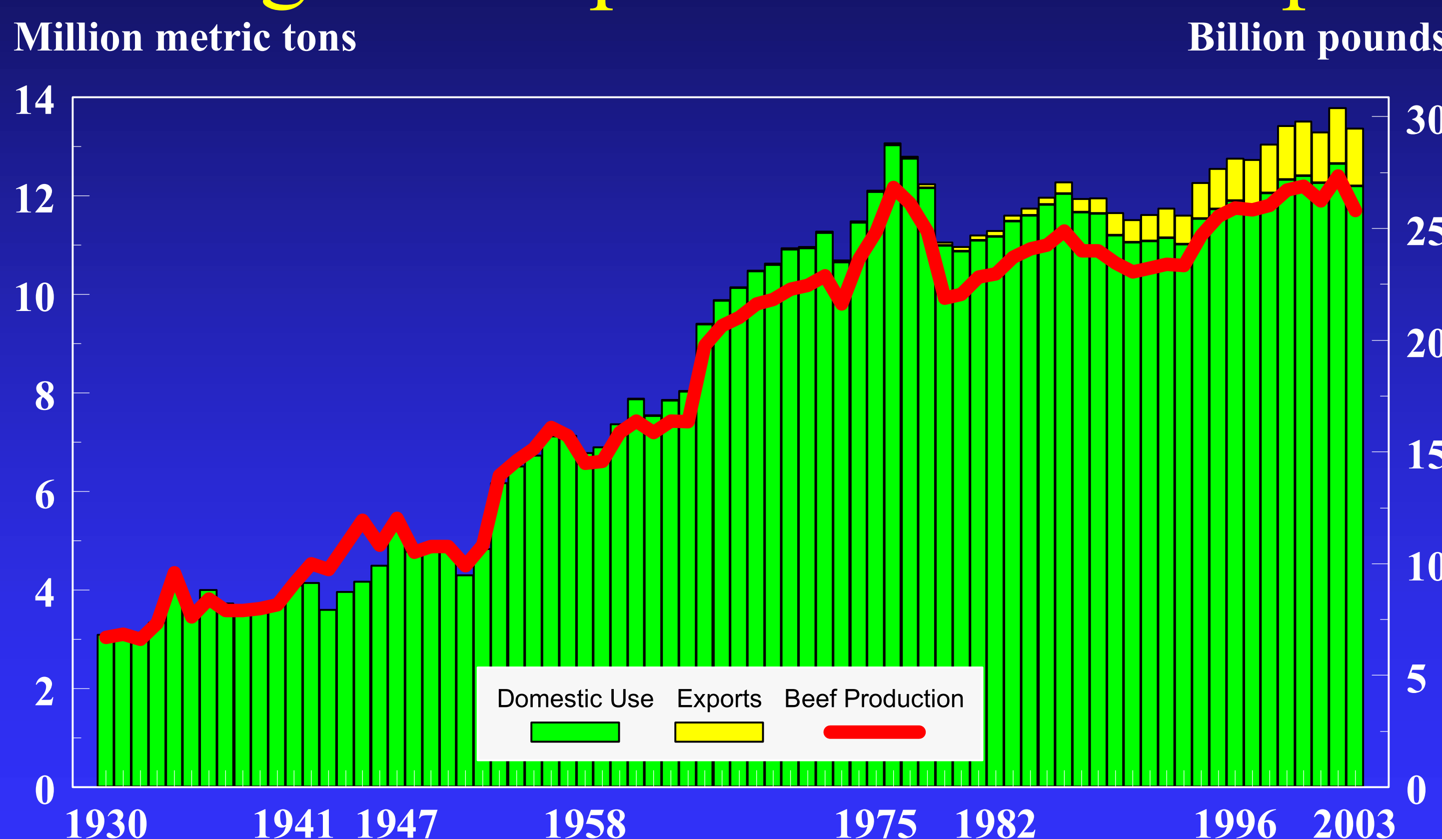
U.S. Per Capita Meat Use Never Higher: 1976 Peak for Beef, 1985 Poultry Passed Pork, 1993 Poultry Passed Beef



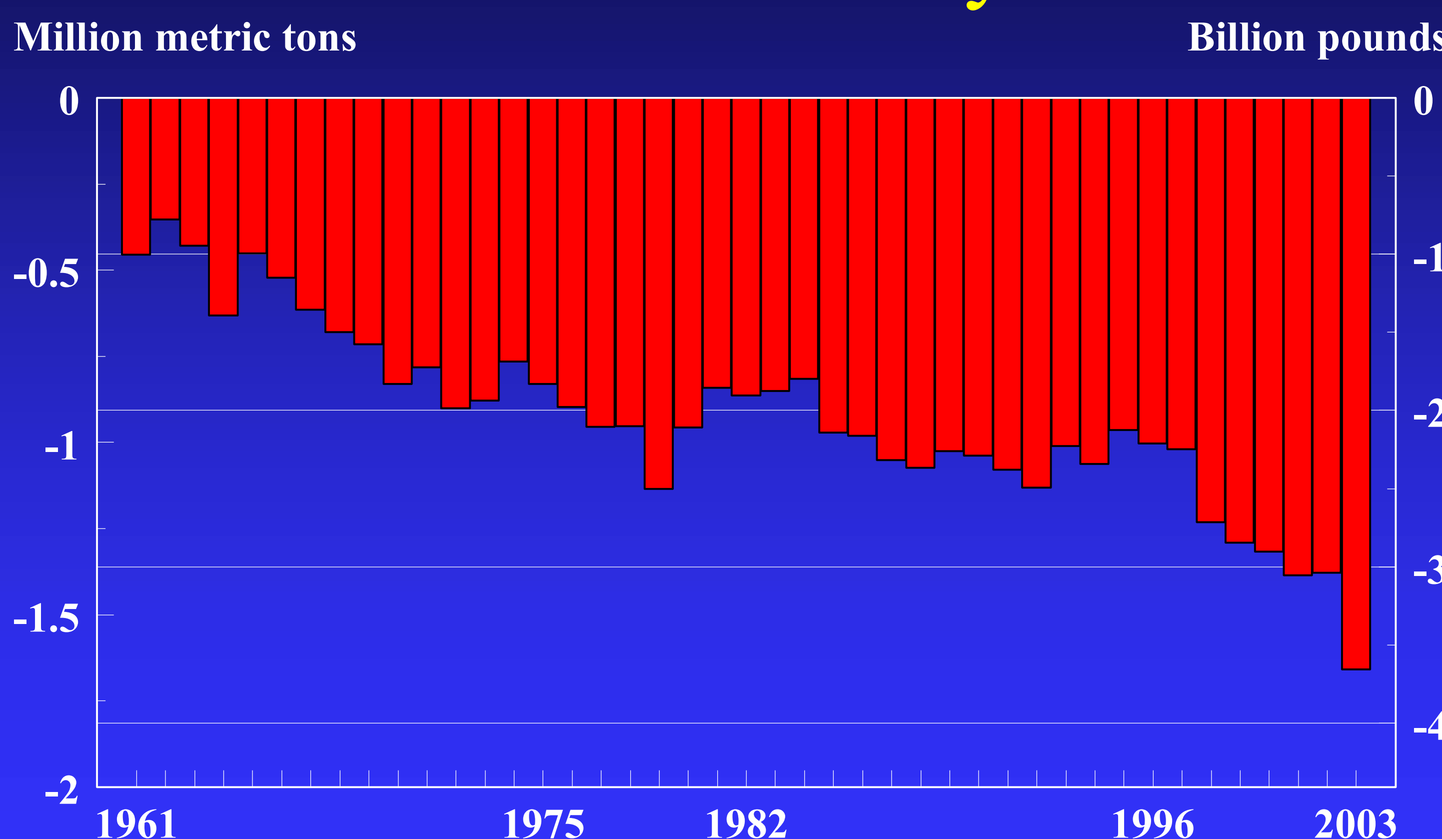
U.S. Per Capita Beef Consumption Over Time has Been the Loser, Primarily to Chicken



U.S. Beef Production Has Not Met Domestic Use Since 1958, Even with Declining Per Capita Beef Consumption



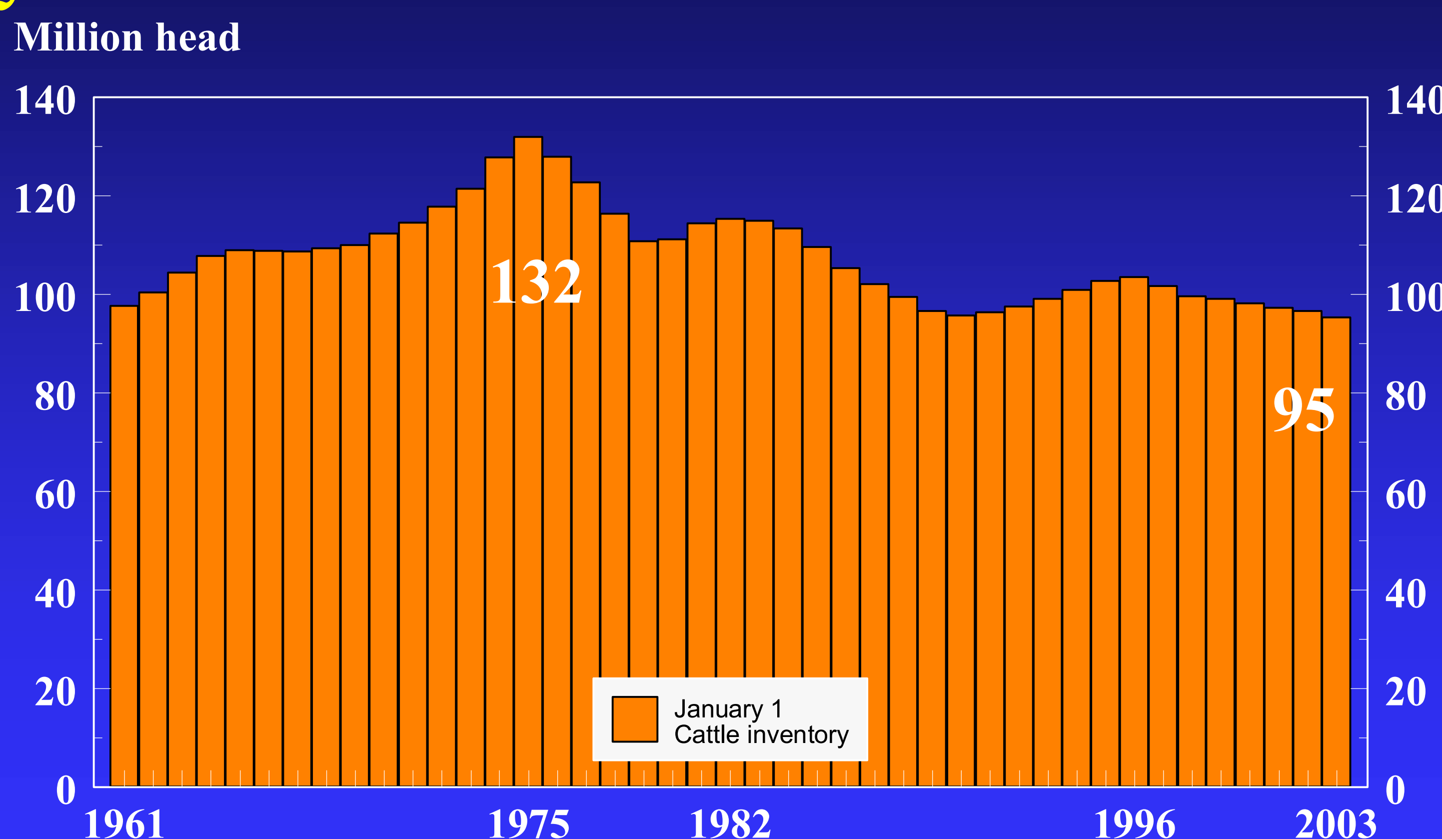
Annual U.S. Beef Deficit Hovered Near 2 Billion Pounds for 20 Years, Has Grown Since Last Cattle Cycle Peak



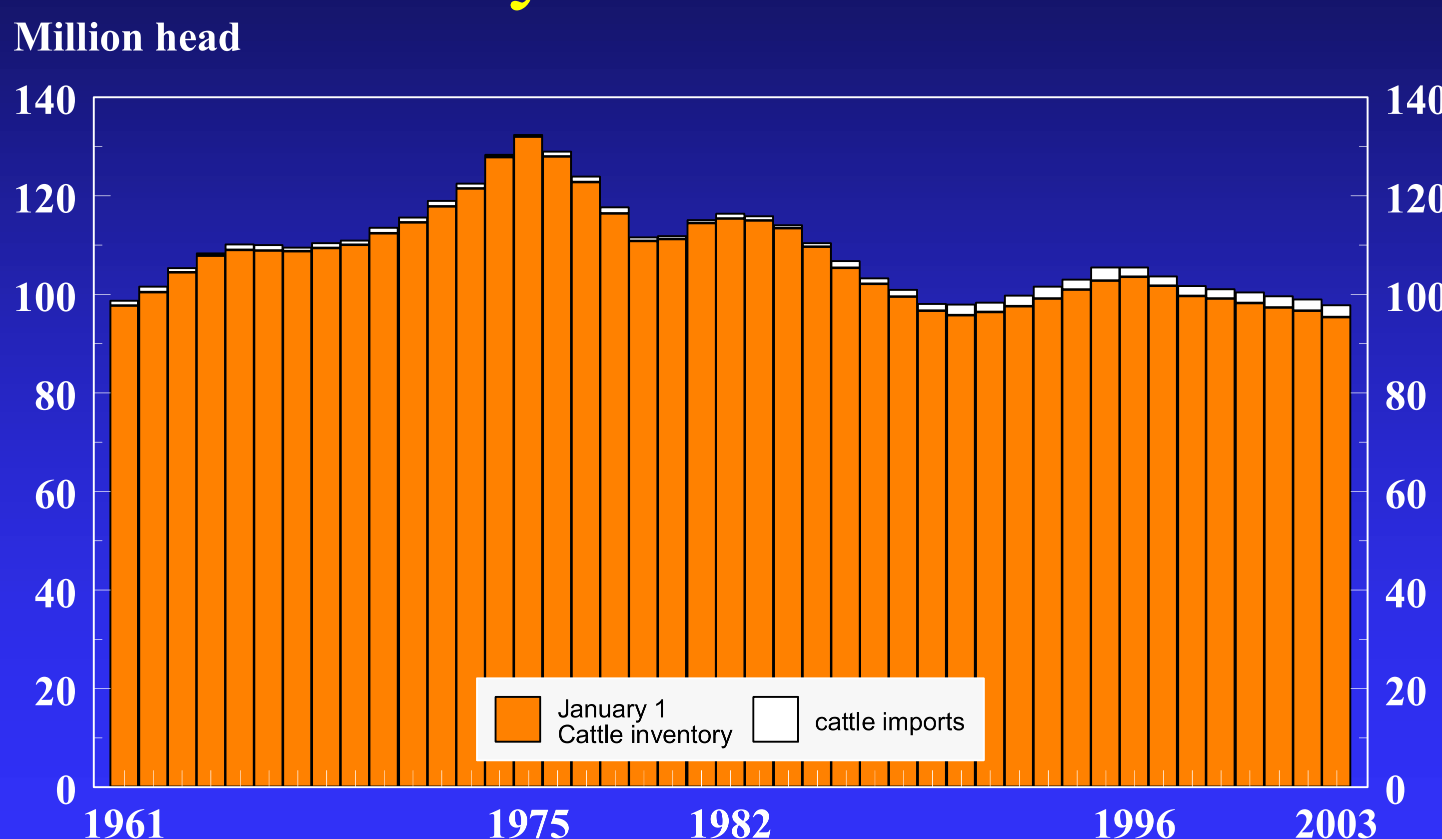
What Options are Available to Balance the Long-term U.S. Beef Deficit?

- Cut beef consumption
- Stop beef exports
- Import beef
- Produce more beef domestically
  - Maintain a larger US cattle herd
  - Import feeder or slaughter cattle

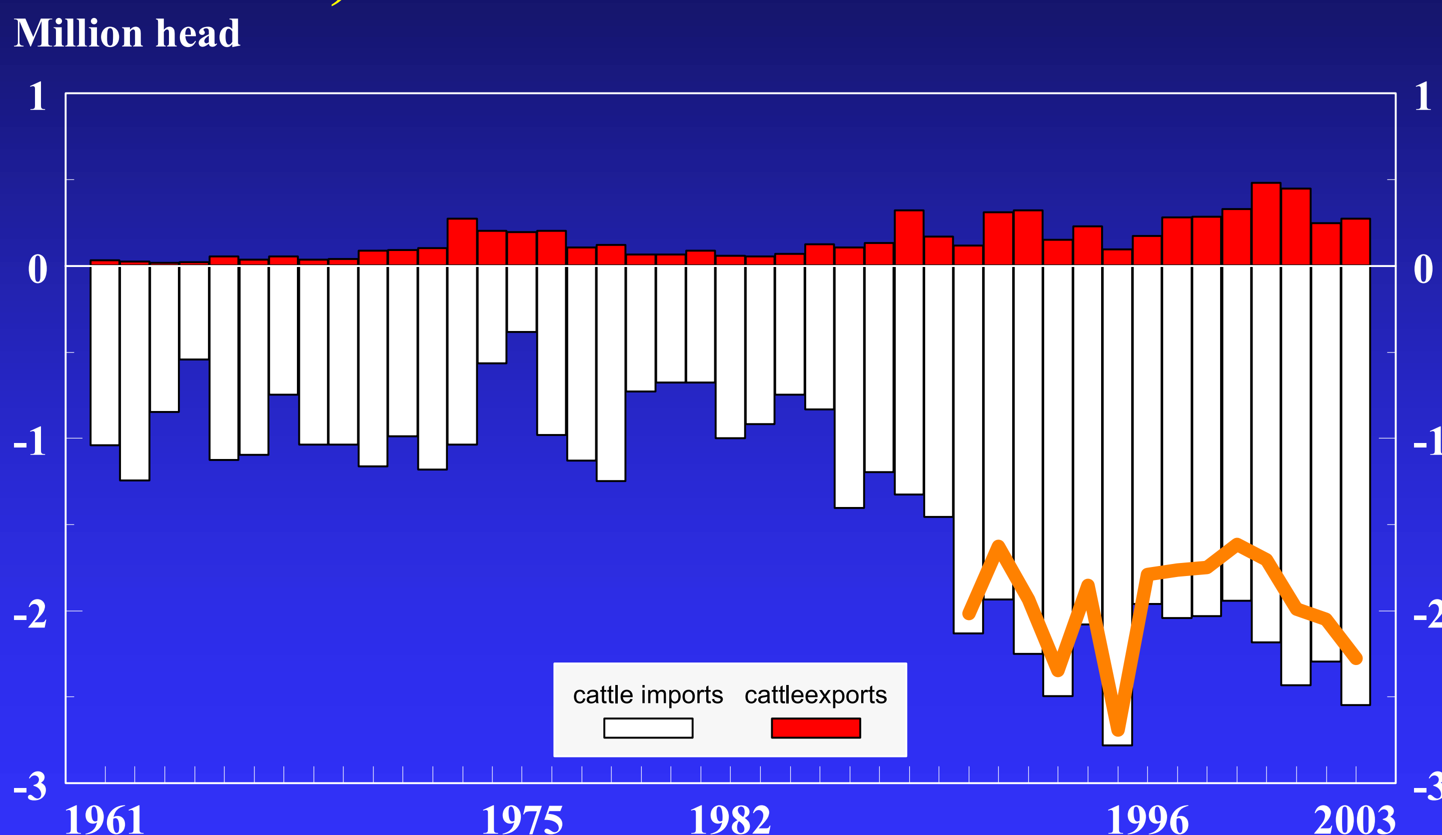
U.S. January 1 Cattle Inventory Numbers Have Been on an Extended, Downward, Cyclical Trend…



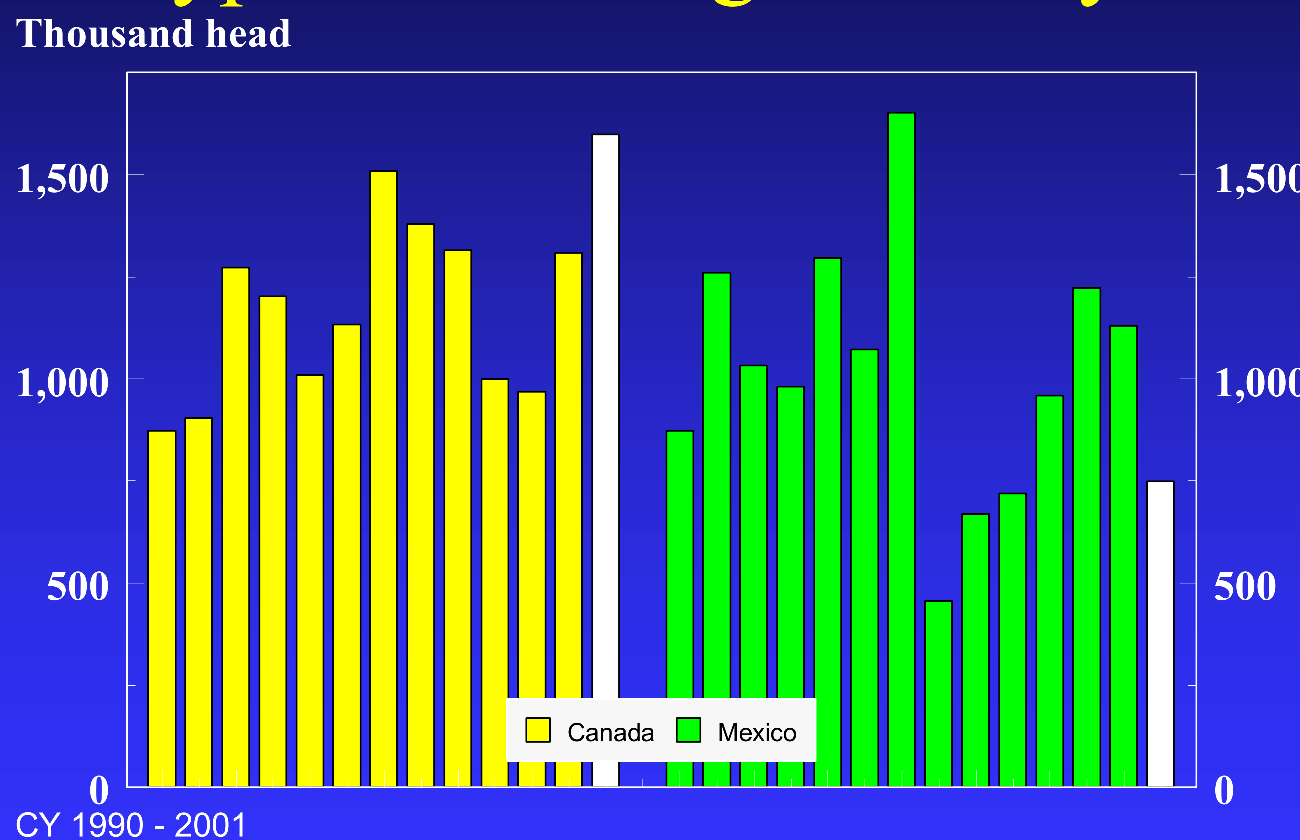
Cattle Imports Have Held a Position in the U.S. Situation Since the 1980's U.S. Cattle Inventory Decline…



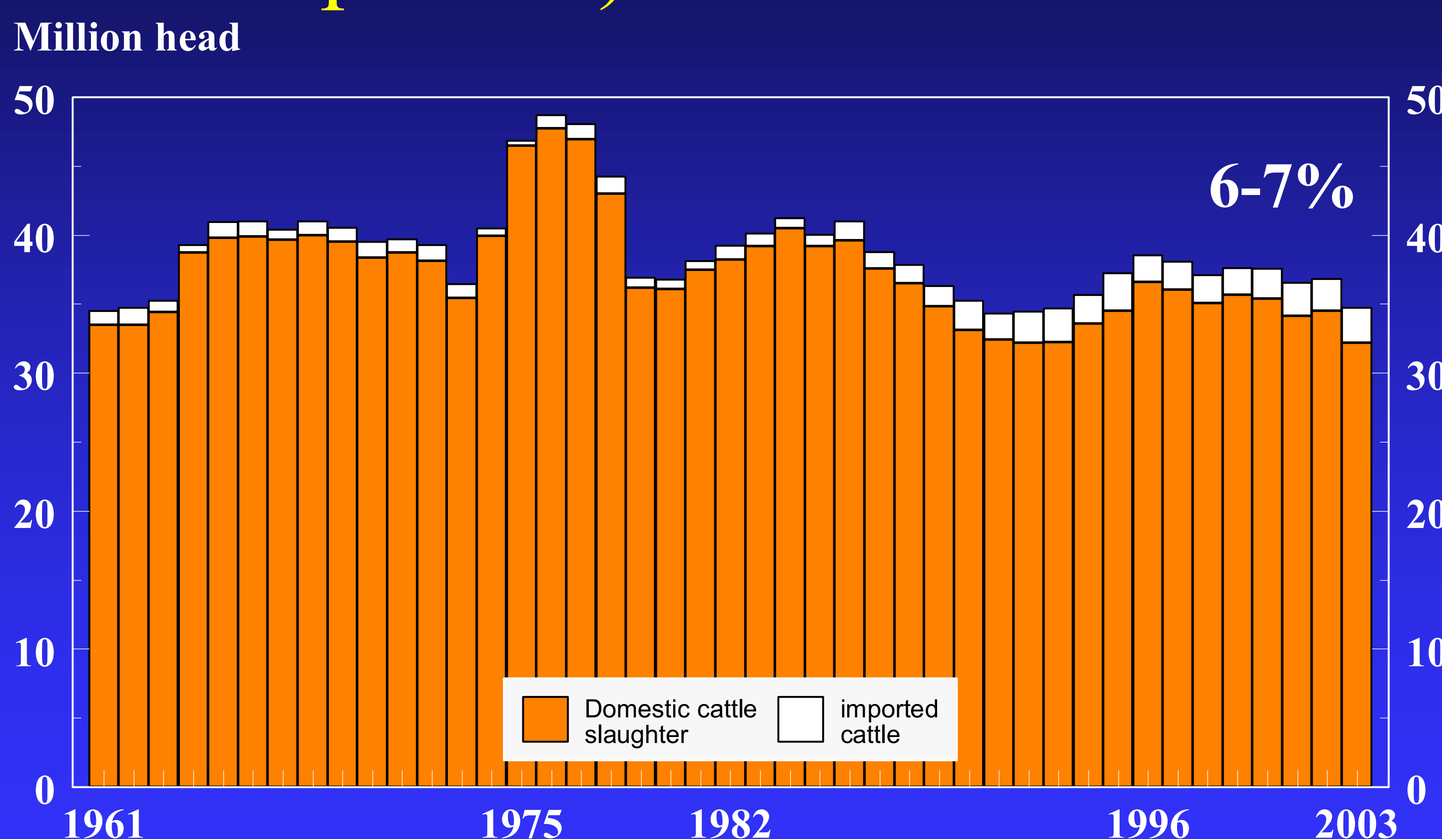
Cattle Import Numbers Have Fluctuated at Around 2 Million Head Annually (on a net basis) Since 1990



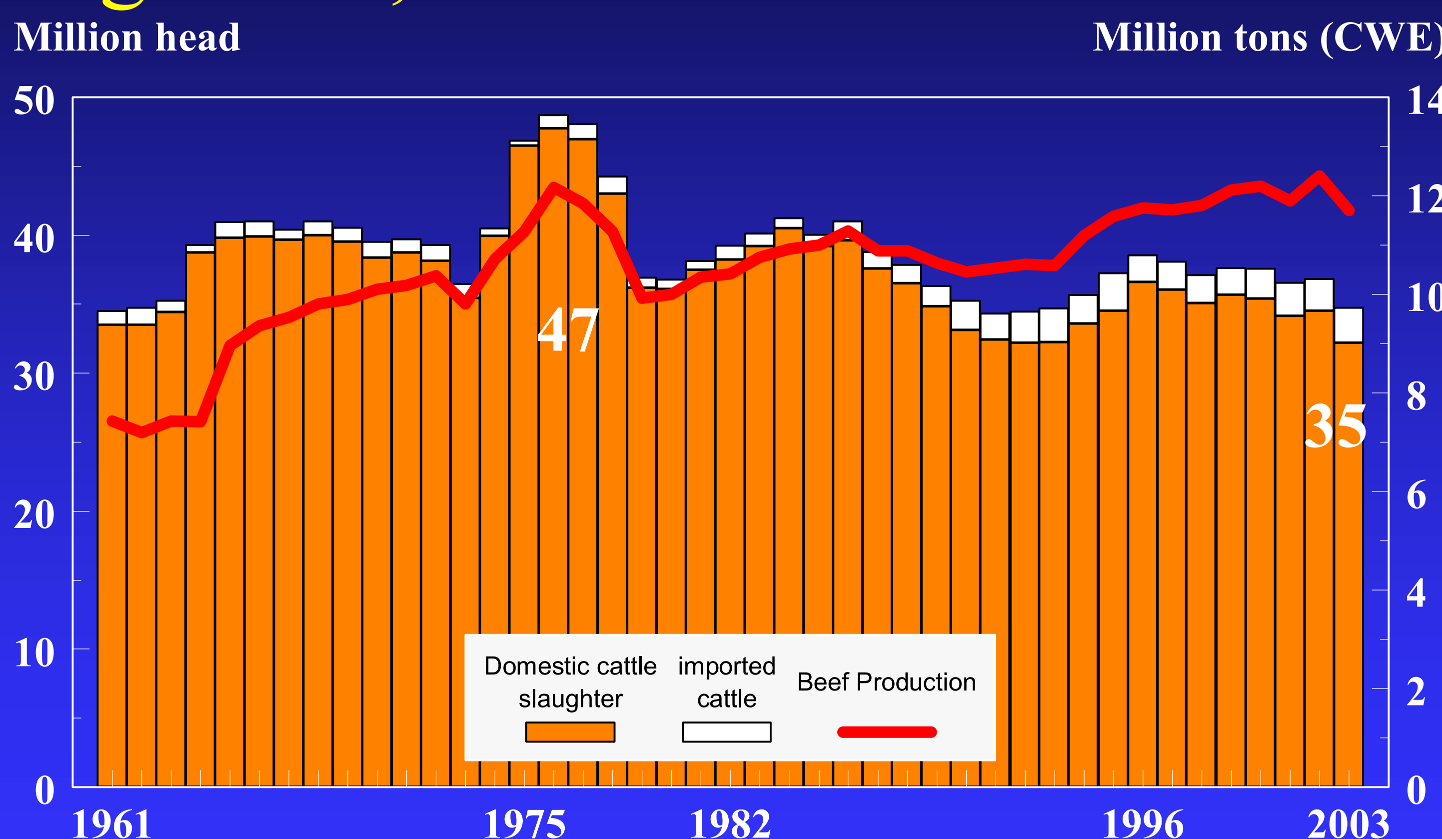
U.S. Cattle Imports are Split Relatively Evenly Between Mexico and Canada, Cattle Types Differ Significantly



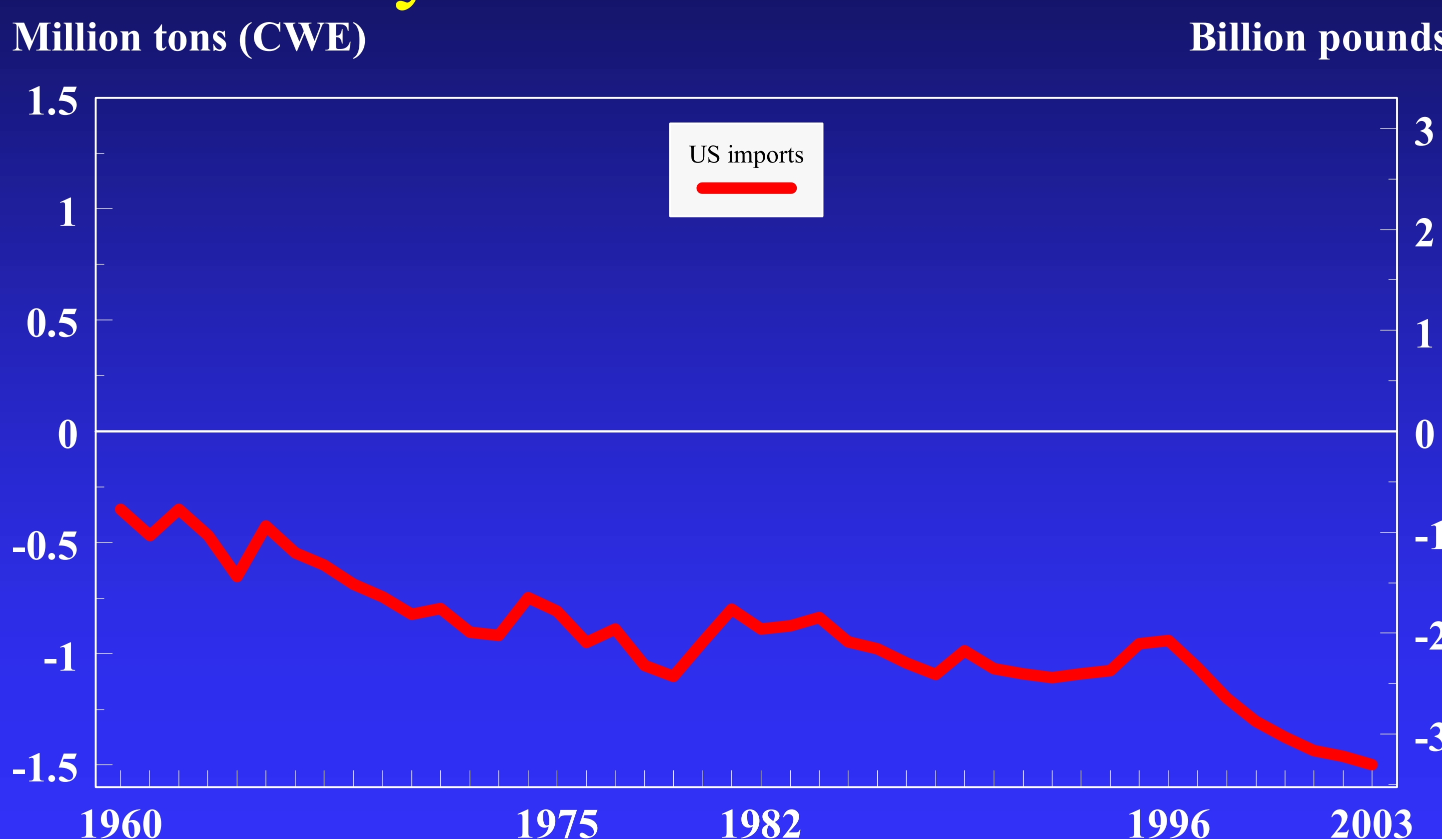
…Cattle Imports are More Significant vs. U.S. Cattle Slaughter Numbers (6-7% of total at present)…



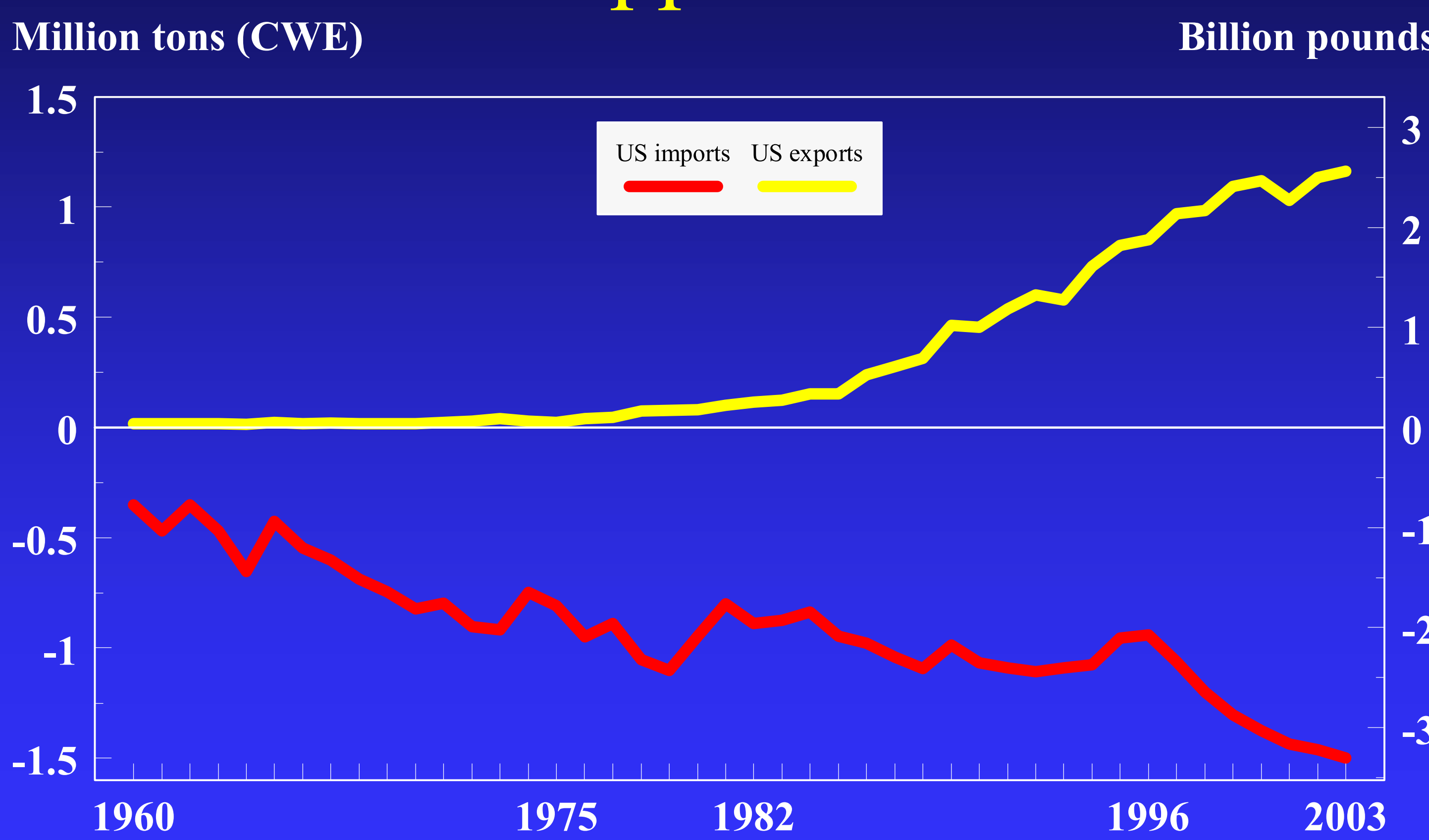
…Cattle Weights are Also Key to the U.S. Beef Situation, 25% Fewer Cattle Slaughtered, Record Production Levels



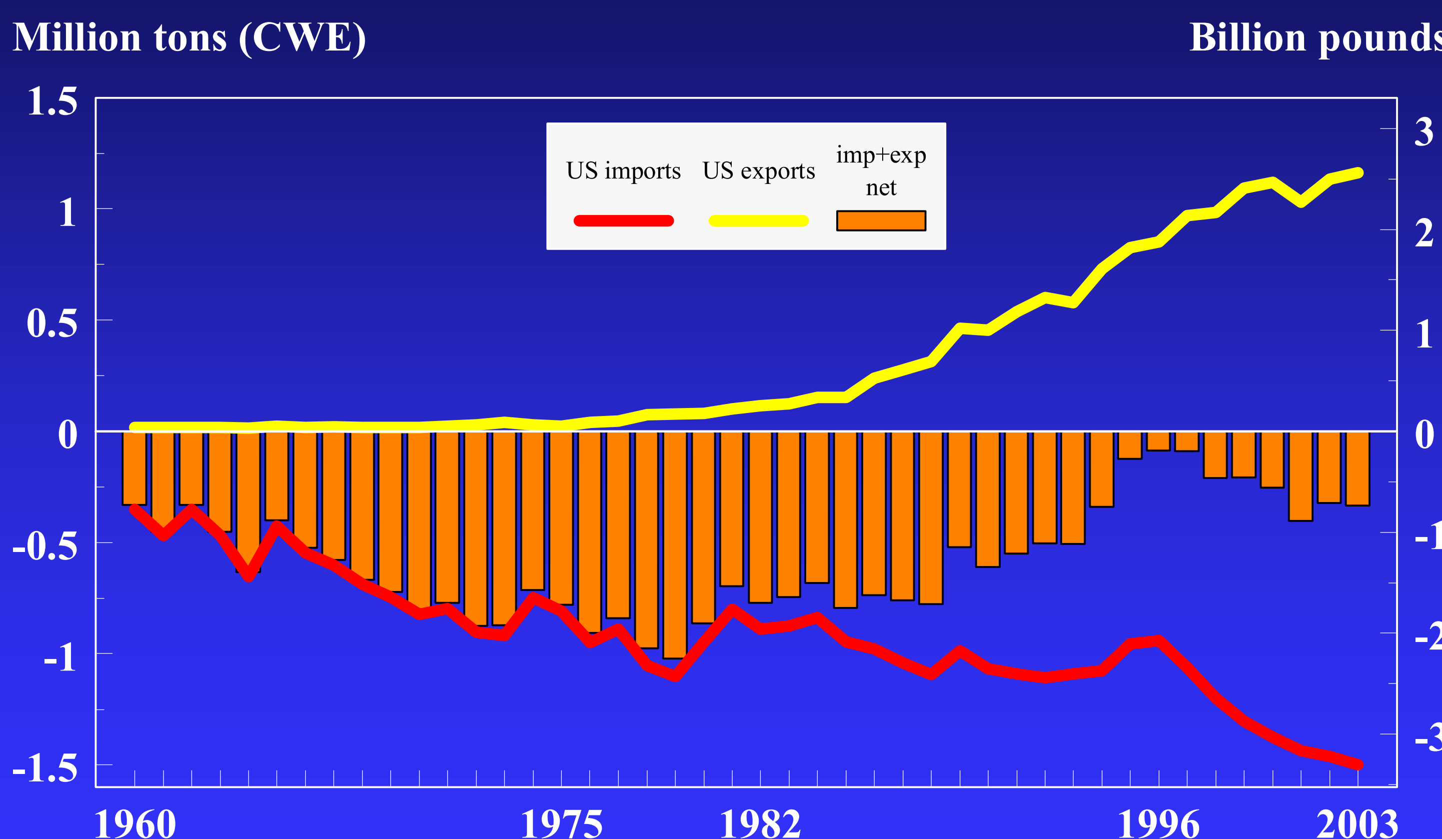
Beef Imports Also Help Balance the U.S. Situation and Have Grown With Each US Cattle Cycle Reduction…



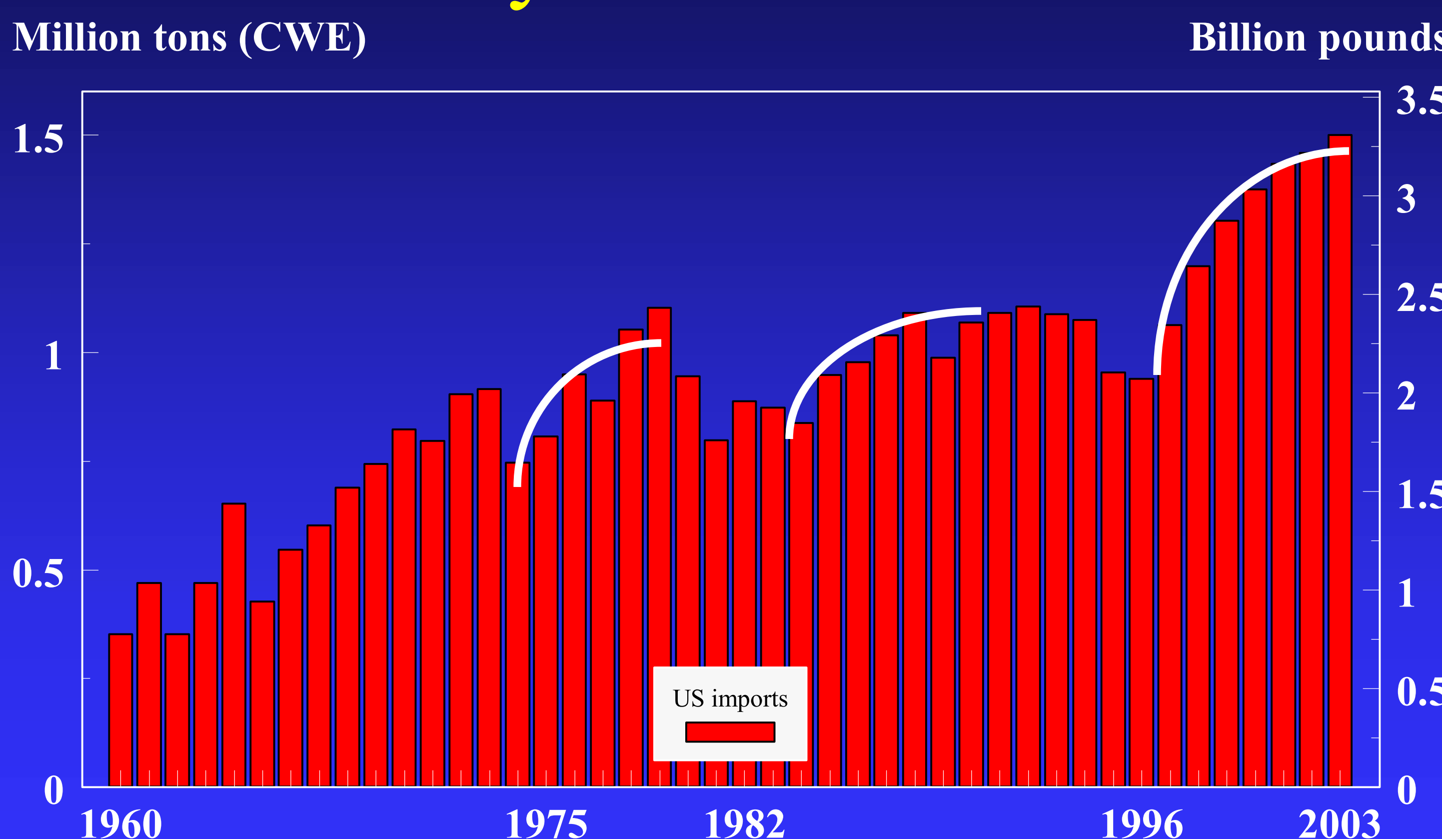
Since the Mid-1980's, Beef Exports Have Become an Added Demand Pull on U.S. Domestic Supplies…



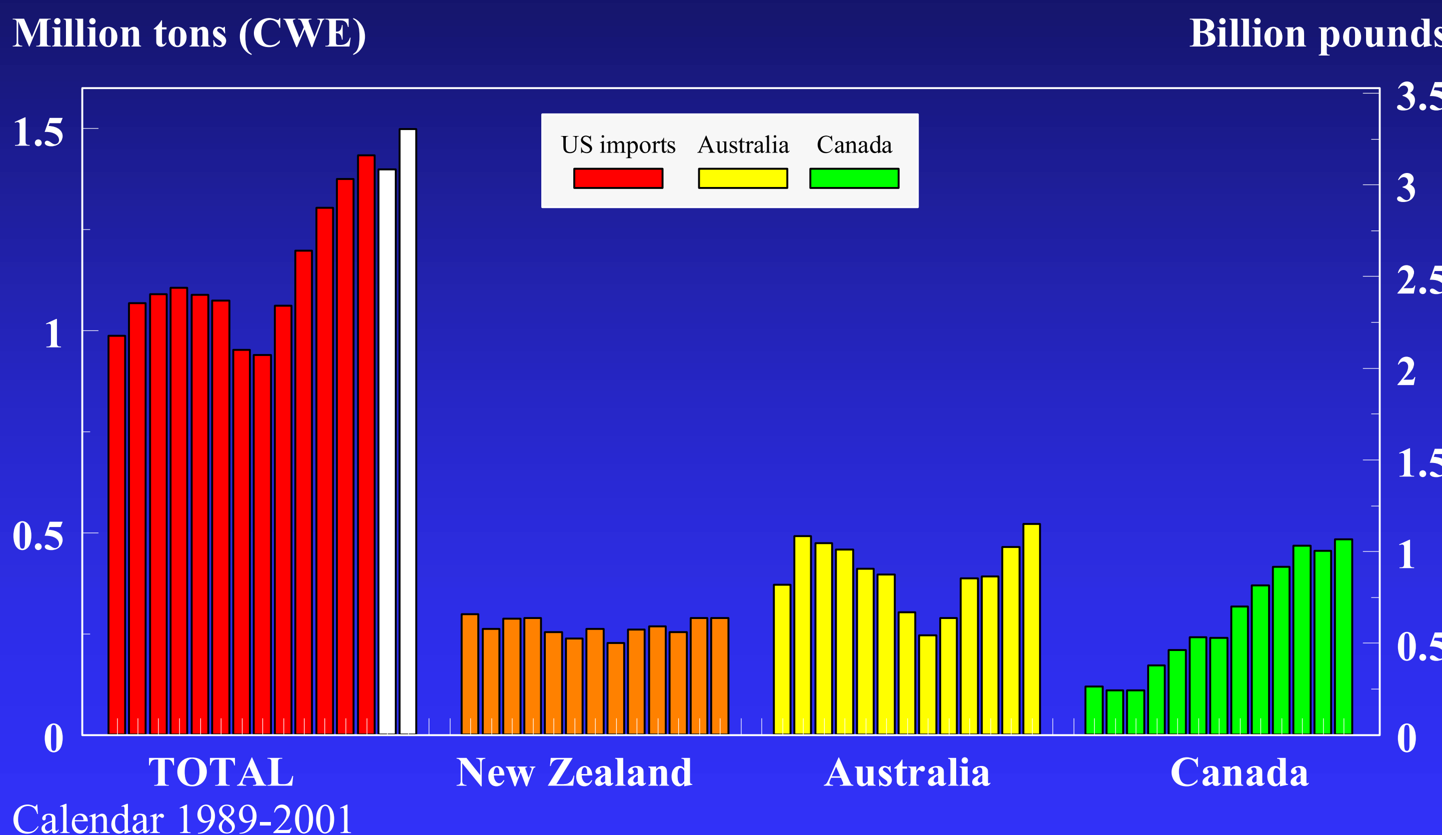
Beef Exports Have Also Reduced the Beef Trade Deficit to Near 40-Year Lows



Recent Growth in U.S. Beef Imports Exceeds the Patterns Following Previous Cattle Inventory Reductions

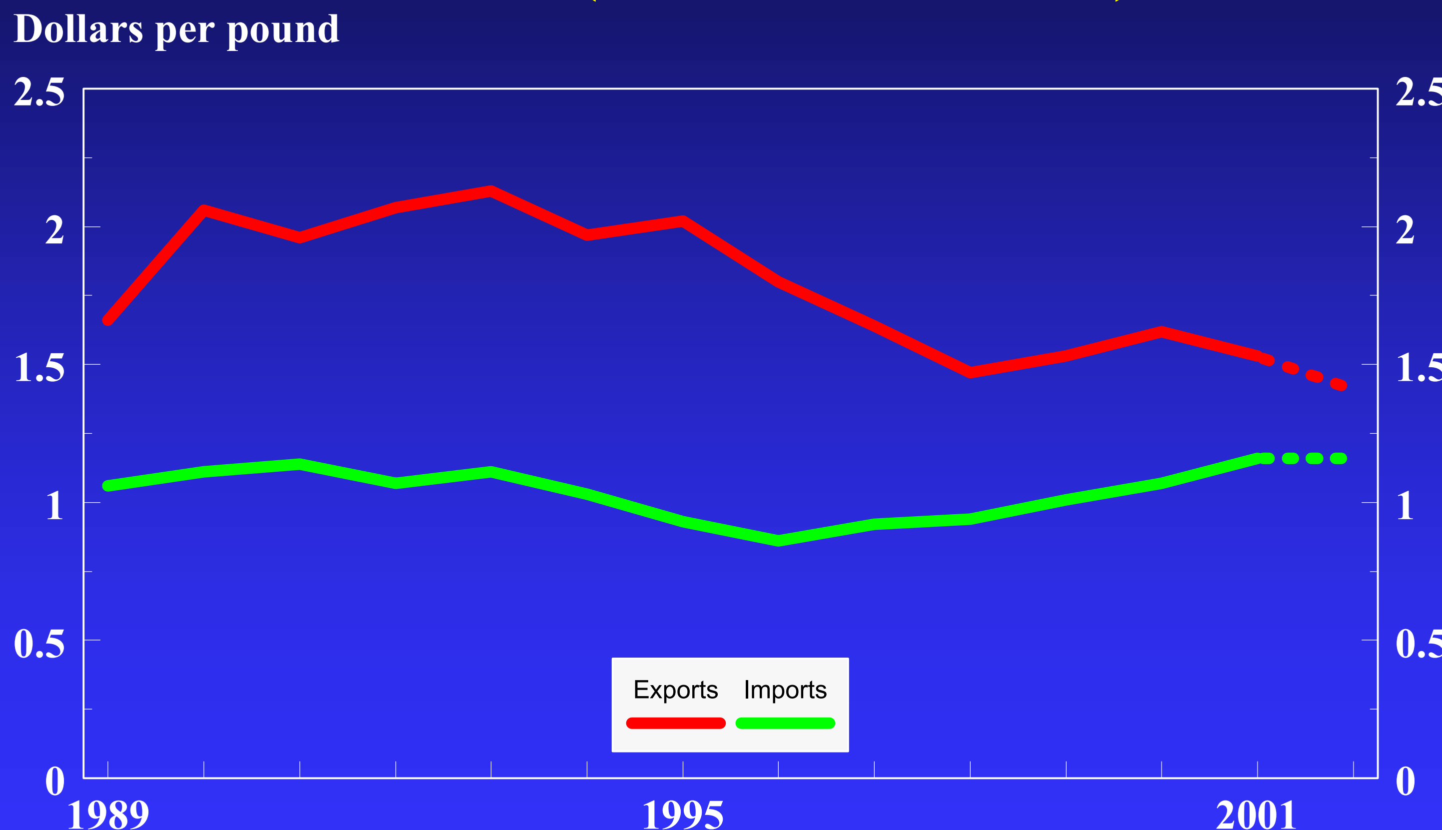


Imports From Australia Return to Historic Highs, Canada Captures the #2 Position in the U.S. Market



…Import Unit Values for Beef From Canada Probably Show a Quality Shift and More Market Integration

Competition for World Markets has Moved U.S. Export and Import Unit Values Closer…($ .25 Jan-Oct)



The Challenges Facing U.S. Beef Internationally and at Home

- **Concentrated, slow growth, foreign import demand**
- **Competing meats**
- **Established competitors vying for same key markets**
  - **Getting stronger**
- **South American suppliers expanding fresh and frozen beef exports**
  - **Lower cost competition**
  - **Expanding into new markets**
  - **Not yet in major US markets**
- **US beef production does not meet domestic use**
- **US market is a target for all competitors**