

BEYOND THE BORDERS: INTERNATIONAL MARKETING DEVELOPMENTS
AND THE EFFECTS ON CATTLE PRODUCERS

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The international market for U.S. beef has grown dramatically in the past decade to the benefit of beef producers. In 1990 U.S. beef and beef variety meat exports amounted to 508,109 metric tons worth \$1.88 billion. By 2000 U.S. beef and beef variety exports grew to 1,237,000 metric tons worth \$3.6 billion.

Why is the international market important to beef producers? There are several examples that demonstrate the importance of the export market to U.S. beef producers. U.S. beef exports represented 13% of production in 2000. This is equivalent to 2.7 billion pounds. 2000 was also the first year the U.S. became the largest beef and beef variety meat exporting country in the world, surpassing Australia. Without the export market the domestic market would have to absorb this product into our marketing channels.

There is a perception that the export market is primarily an outlet for U.S. middle meats, which could be easily consumed domestically. This perception is false. The export market is an outlet for beef products that are not readily consumed in the U.S. When dividing the carcass into rounds and chucks, middle meats, thin meats (briskets, short plate, short ribs and flanks), and variety meats, thin meats and variety meats make up the largest exports by volume, 31% each. Middle meats, such as ribeyes, strip loins, and tenderloins only make up 11%. Rounds and chucks make up the remaining 27%.

So what is the most commonly exported cut? Reason would suggest that it is a variety meat or a thin meat since these categories make up the largest percentage of exports. This assumption is correct. The most commonly exported cut of U.S. beef is short plate. In fact, approximately 18% of total U.S. beef and beef variety meat exports are short plate. The second most commonly exported cut is liver with just over 8% of total exports. Cuts from the chuck, round and other variety meats round out the top ten most commonly exported cuts. Why is this important to beef producers? Because the cuts that make up the majority of U.S. exports are cuts that are not in demand in the U.S. How are short plates consumed in the U.S.? They are typically ground into hamburger. How are livers consumed in the U.S.? They are not consumed very often. International outlets for these cuts allow them to receive a higher price than what the domestic market would bear. What does this mean to U.S. beef producers? Higher prices for their cattle than what the domestic market alone could provide.

U.S. beef exports have many destinations around the world. Japan is our largest market, receiving 44% of total exports on a volume basis and over 50% on a value basis in 2000. Mexico, Korea and Canada are the next most important markets for U.S. beef. Smaller markets such as Taiwan, Hong Kong, China, Europe, Russia, the Caribbean, South and

Central America and the Middle East are important as well. While these markets are not purchasing U.S. beef in large volumes, they have the potential to grow and they also have unique needs for various cuts. For example, Argentina is a large beef producing country, however it also is the largest sweetbread importer in the world. Russia and Egypt are our largest liver customers. China has the potential to be one of our largest export markets, but it will take time for it to develop the infrastructure to handle and distribute large volumes of perishable commodities.

Do food safety issues affect the international markets? Absolutely they do. Last year at this time news was coming out of Europe that BSE, or mad cow disease, was found in France, then Germany and other countries throughout the continent. Consumers stopped eating beef and soon the European Union was banned from exporting beef to almost all its trading partners. In addition, in the spring, an outbreak of foot and mouth disease occurred in Britain, which again raised concerns world-wide about the safety of beef, even though foot and mouth disease is not harmful to humans. Because of these food safety scares, consumers around the globe are more conscious of food safety concerns related to beef than they were. Many consumers have indicated that they intend to eat less beef in future. This is very apparent in Japan, our largest export customer.

In September of this year, Japan had its first confirmed case of BSE. The effect this caused on beef consumption in the country is dramatic. Consumers decreased their consumption of beef by 50%. U.S. suppliers' beef sales to Japan decreased by as much as 60-70% even though the U.S. has not had a case of BSE. This will have a dampening effect on our export sales the remainder of the year and into 2002. Developments in the BSE situation change on a daily basis. A summary and update of the situation and U.S. efforts to improve the marketing environment for U.S. beef in Japan will be provided at the meeting.