

# Regaining export markets is crucial

by **TROY SMITH**

With the announcement that the Japanese market will reopen to U.S. beef, Cattle-Fax Executive Vice President

Randy Blach told attendees of the December 2005 Range Beef Cow Symposium that U.S. cattlemen have cause to celebrate. The veteran market analyst claimed regaining export market

share for U.S. beef is critical because U.S. beef production is growing significantly.

An expected increase in cattle supplies will result from expansion of the nation's breeding herd. Approximately 900,000

heifers were added this year, he noted. As beef cow numbers climb, so will beef production. Blach said he expects next year's steer and heifer harvest to increase by more than 600,000 head. Beef production is likely to increase by 700 to 800 million pounds (lb.).

"We need to regain our export market share," Blach stated. "But it will take until the end of the decade to get back to the 2.5-billion-pound export capability of two years ago (when Japan closed its borders to U.S. beef)."

Even without access to important export markets, U.S. producers have been profitable during recent years. Many cattlemen realized record profitability. The reason, Blach explained, is domestic beef demand. Actually, he said, per capita consumption (of beef) has been relatively flat, at 66-67 lb. That's about the same as 15 years ago. However, it now sells at prices that are 25% higher.

"That's a good deal. It's why the market has been so good," Blach stated. "It adds about \$210 per head on the value of steer and heifer calves. Some bring another \$30, \$40 or \$50 premium in differentiated markets."

Blach said he believes the new and higher retail price levels are here to stay. He insists it is a good thing, allowing the industry to set cutout values at \$125-\$126, instead of \$95.

However, Blach emphasized the importance of recovering and building export markets so increased production does not oversupply the domestic market.

The analyst's market forecast put average feeder-cattle prices at \$105-\$107 in 2006, with 550-lb. steer calves averaging about \$120. He predicted fed-cattle prices to be a couple dollars lower than in 2005, with an expected average of \$84. With record-high breakevens, cattle feeders will face narrow margins.

Blach also predicted continued increases in brand-name beef products, more value differentiation and development of more consumer-friendly products during coming years.

## **More symposium coverage to come**

More than 500 producers braved the snow and cold to attend Range Beef Cow Symposium XIX in Rapid City, S.D., Dec. 6-8, 2005. Conducted every other year, the symposium is sponsored by the Cooperative Extension Services and the animal science departments of South Dakota State University, Colorado State University, the University of Wyoming and the University of Nebraska.

Extensive coverage will be published in upcoming issues of the *Angus Beef Bulletin* and the *Angus Journal*. Angus Productions Inc. (API) also provided real-time coverage of the event at [www.rangebeefcow.com](http://www.rangebeefcow.com). Summaries of the presentations are available on the newsroom page of that site.