

USMEF Beef Export Forecast

by **JIM HERLIHY**

Following the Feb. 12 release of the U.S. Department of Agriculture's (USDA's) beef and pork trade outlook forecasts for 2008, the U.S. Meat Export Federation (USMEF) will examine key statistics and

trends in four primary areas, including beef and pork exports and beef and pork imports.

We begin with an analysis of the global beef export market with a view of

the U.S. position in the marketplace and the changing status of our primary competitors.

Largest increase in exports

The biggest percentage increase in beef exports throughout the coming decade is expected to come from the United States, with 2017 exports totaling 2.64 billion pounds (lb.), an 88% increase equal to an additional 1.26 billion lb. comparing 2017 exports to 2007 exports.

Brazil is forecast to increase exports 27%, which equals an additional 1.43 billion lb. during the next 10 years, with exports totaling more than 6.7 billion lb. in 2017.

According to Erin Daley, USMEF manager of research and analysis, the bulk of the increase in U.S. exports is expected to come from the anticipated reopening of the beef market in South

The USDA also forecasts a 4.9-lb. (retail weight) per capita decline in U.S. beef consumption from 2007 to 2017, with a 1.3-lb. per capita decline during 2008.

Korea and expanded access to the market in Japan.

USMEF's forecast for U.S. beef exports remains 20% higher than USDA estimates for 2008, and 35% to 55% higher during the 10-year outlook period, based on the anticipated effect of the changes in the status of the South Korean and Japanese beef markets during the first half of 2008. USMEF anticipates a quick recovery of market share in Asia due to strong beef demand and high beef prices in South Korea and Japan.

Although USDA's export projections are not published by market, it appears that USDA projections assume a more gradual rebuilding of U.S. beef exports to these two key markets, which were the No. 1 and No. 3 beef-export markets for the United States prior to the bovine spongiform encephalopathy (BSE) incident in December 2003.

For comparison, USMEF anticipates a recovery of 2003 export volume by 2010, while USDA does not anticipate exports will approach the 2003 level until 2017.

Largest decrease in exports

USDA's forecasts for Australia's and New Zealand's beef exports are reduced for each year of the outlook period, with the largest reduction of 487 million lb. in 2009 attributed partially to weather-

related challenges and heifer retention for rebuilding herds.

Australia remains the second-largest beef exporter in the world, behind Brazil, but it is not expected to recover 2007 export levels during the coming 10 years. Exports from Australia are projected to drop 5%-6% in 2008 and 2009, and then remain relatively flat through 2017.

According to Daley, these forecasts reflect a slow recovery of U.S. and Canadian exports to Japan and South Korea. The decline in Australian beef exports to Asia should be partially offset by an increase in grass-fed beef exports to the United States. However, USDA projects a 5% increase in U.S. beef imports (from all suppliers) in 2008, followed by a minimal 1% annual increase in subsequent years.

Brazil

As the largest beef exporter in the world, Brazil merits its own category. Russia remains Brazil's top export market, and Brazil enjoyed a 50% increase in exports to Russia in 2007. Brazil's exports during 2007 already exceeded USDA's projections for exports in the year 2016, so those projections have been revised to show a 10% increase in 2008 and 1%-2% increases per year through 2017.

According to Daley, factors that could affect Brazil's export performance include the continued strengthening of the Brazilian currency, the real, which combined with strong domestic and global demand drove Brazilian prices to parity with Australian beef prices at the end of 2007. Other factors would be any change in Brazil's foot-and-mouth disease (FMD) status and challenges to their traceability program as seen in the current European Union (EU) ban on Brazilian beef shipments.

According to Daley, Brazil should continue to fill the growing demand for beef in Russia, the Middle East and the EU, and to a lesser extent in Hong Kong and the Philippines. In general, grain-fed beef from the U.S. does not compete with Brazilian grass-fed beef in these markets, and Brazil is not expected to gain access to key U.S. export markets (Japan, South Korea and Mexico) in the coming decade.

The USDA also forecasts a 4.9-lb. (retail weight) per capita decline in U.S. beef consumption from 2007 to 2017, with a 1.3-lb. per capita decline during 2008. These estimates reflect tight beef supplies going forward, and also indicate that a supply constraint was used in USDA's export forecast.

USMEF (www.usmef.org) is the trade association responsible for developing international markets for the U.S. red-meat industry and is funded by USDA, exporting companies, and the beef, pork, corn, sorghum and soybean checkoff programs.



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