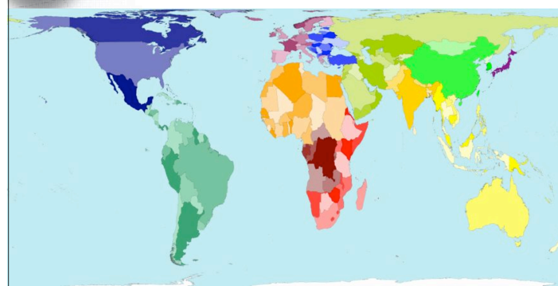
International Markets:
U.S. Beef Potential

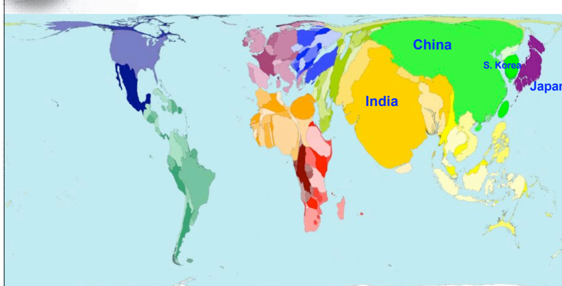
Range Beef Cow Symposium
December 11, 2007

Brett Stuart
Cattle-Fax

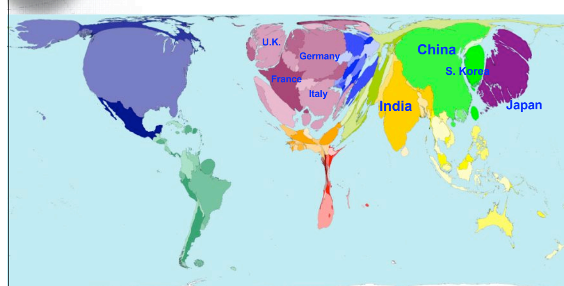
World



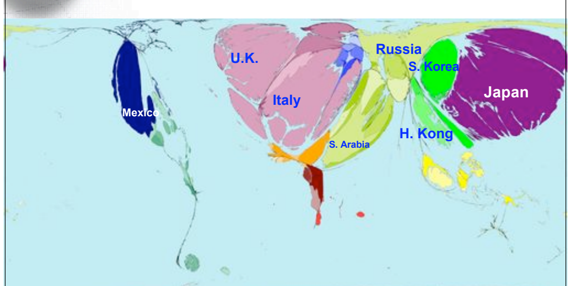
Current World Population



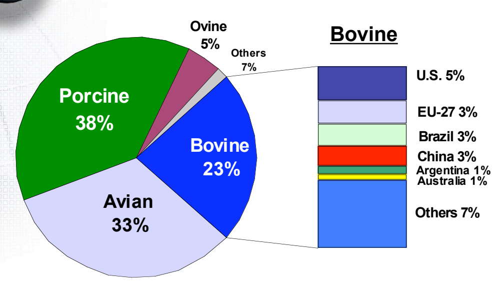
World Wealth - GDP



Net Meat Imports



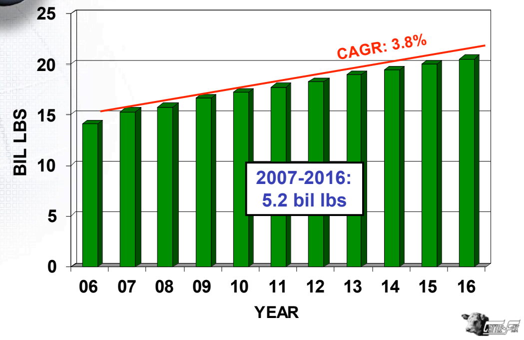
Global Meat Production: 606 bil lbs



Beef: 140.6 bil lbs
U.S. beef: 26.2 bil lbs

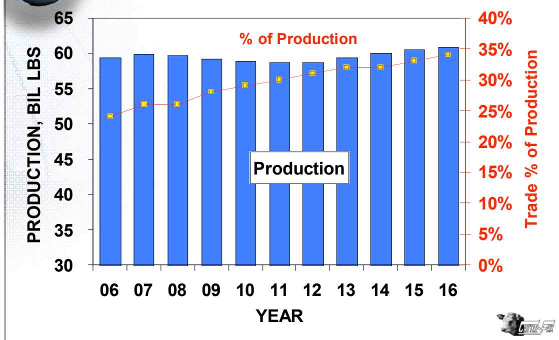
Source: FAO, 2006

Outlook: Global Beef Trade



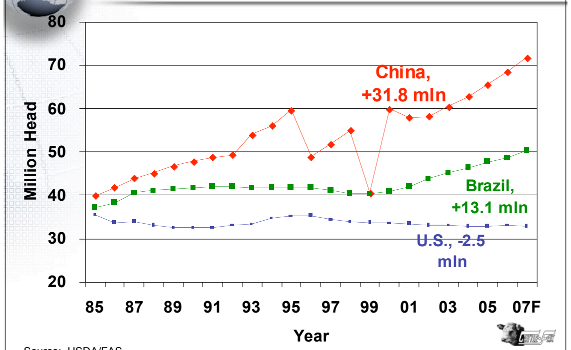
Source: OECD/FAO

Outlook: Production and Trade



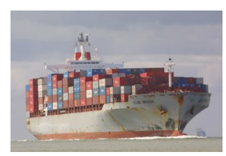
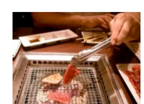
Source: OECD/FAO

Beef Cow Expansion?



Source: USDA/FAS

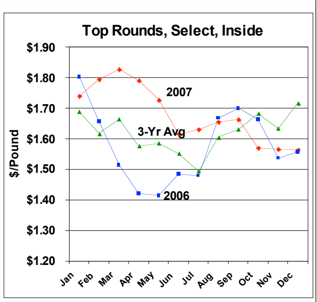
Potential Markets for Growth

"TIER I" Markets

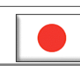
- **Japan:** Most $ and volume potential
- **Mexico:** Slow YTD, very good LT potential
- **Canada:** Continued, consistent growth, up 38% YTD
- **S. Korea:** Strong potential: FTA, GDP, Fx rates

These markets have more short and medium-term growth potential than anywhere else



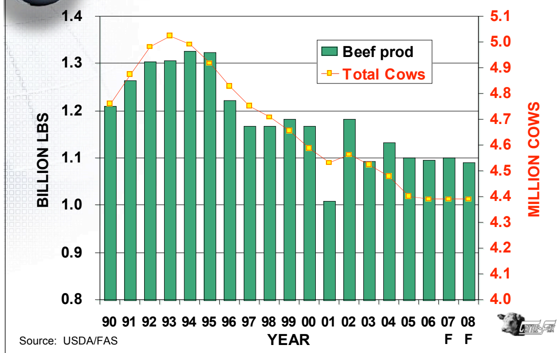
Source: USDA

Japan



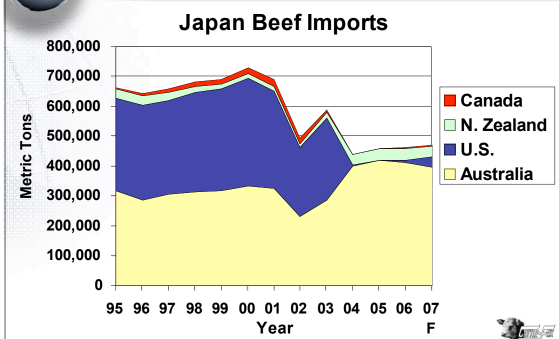
- Potential to expand
  - Domestic
  - Other Suppliers

Japan Beef and Cattle



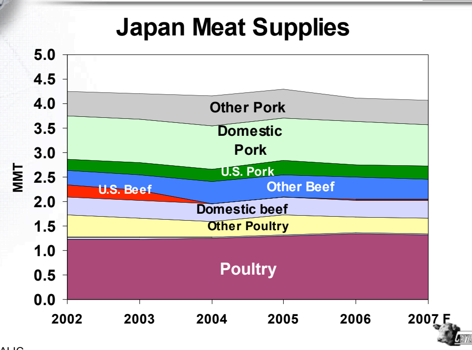
Source: USDA/FAS

Japan



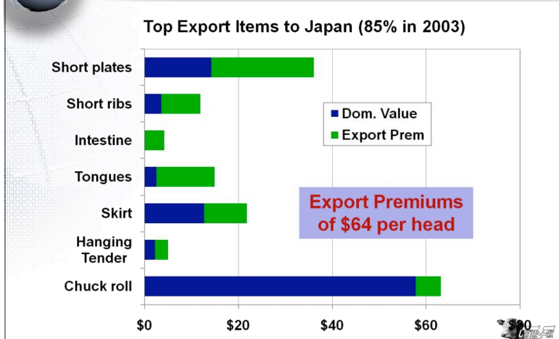
Source: Global AgriTrends, includes variety meats and processed beef

U.S. Beef Potential in Japan



Source: ALIC

Value of Exports to Japan



Source: USMEF, Cattle Fax, USDA

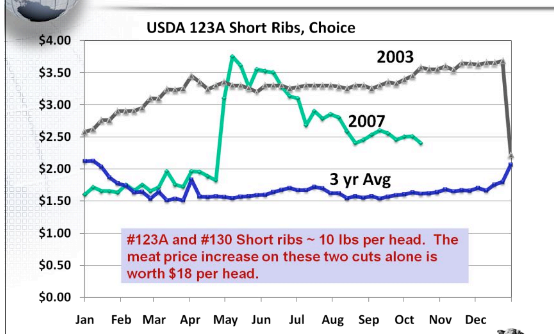
S. Korea

- Added Value from <u>Short Rib</u> exports: $10~18 / hd
- 20 mil lbs per month Jul-Sep

<u>**Since December 2003:**</u>

- Korean currency adds **22%** buying power – U.S. beef
- Korean per capita income increases **19%**
- Korean beef prices declared highest on the planet

Value of Exports to S. Korea

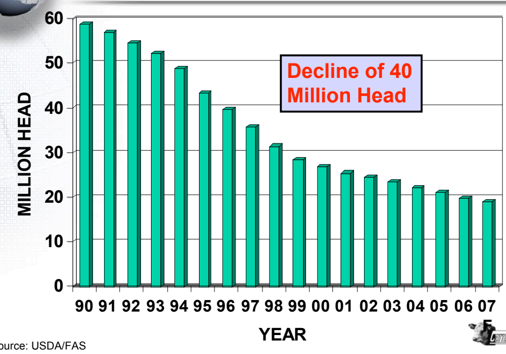


Source: USDA

"TIER II" Markets

- Russia
- China

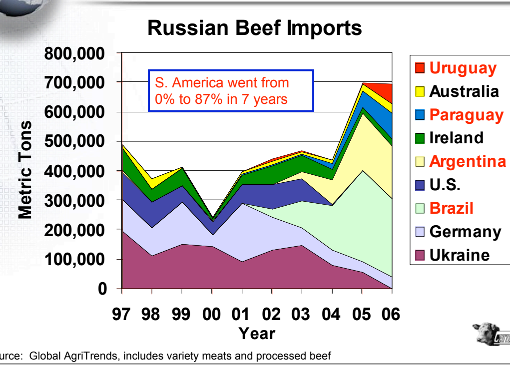
Russian Cow Herd



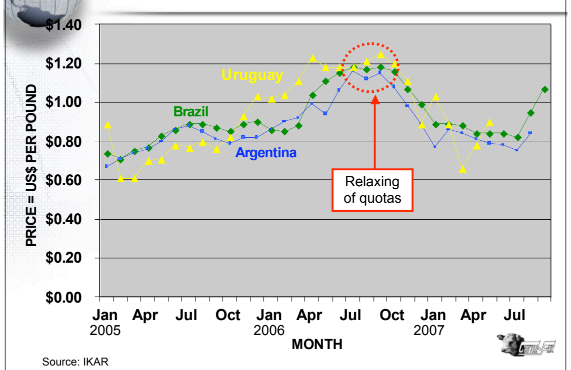
Russian Beef

- Beef production is expected to decrease -3% in 2007 (-6% in 2006)
  - Poor production practices
  - Negative financial returns continue to scare away potential investors
  - Capital-intensive investments are riskier in Russia
- U.S. beef shipments were historically 94% liver, however that business has shifted to Egypt and Russian beef prices are much higher than 2003.
- Cattle beginning stocks: -4% in 2007, will decline another -4% during 2007

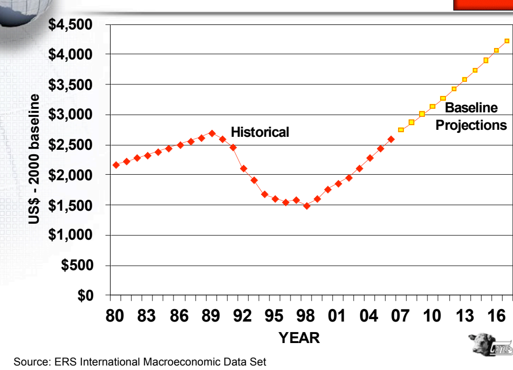
Russia



Russia: Suppliers' Frozen Export Prices



Russia: Per Capita Income



China

- Potential for Expansion
  - Hotels, Restaurants
  - Fast Food
  - Challenges

China: HRI

- Imported foods typically cost much more
  - Only a small percentage of China's 1.3 billion people can afford to eat in restaurants that use imports.
- Per capita income for China's 800 million rural residents was only $308 in 2003
- Urban income was $1,027 per capita, but that still leaves little for high-end meals

However

- The top 15% of China's city dwellers: $5,000 per year (150+ million)
- These consumers seek new tastes and foreign-styles

China: Hotels

- China has more than 10,000 star-rated hotels
- Many multinational hotel groups are looking into the use of value-added products,
  - **Although**, executive chefs and managers continue to be driven mostly by **price** in purchasing decisions.
- Imports traditionally make up 30-50 percent in value of foods purchased by internationally-managed five-star hotels

China: Fast Food

- Yum Brands and McDonald's are the largest fast-food chains in China
  - Yum: nearly tripled their outlets over the past four years, from 650 to 1,908
  - McDonald's: over 666 outlets and plans for an additional 100 new outlets annually
  - 1,758 KFCs, 150 Pizza Huts, and several Taco Bells and A&Ws
  - Burger King: first direct-managed outlet in Shanghai: June 2005
  - Starbucks operates 165 shops in 18 cities through franchisees; **the company predicts China will be its largest market**

  These companies import 5-10 percent of their foods. Often their suppliers are multinational manufacturers that have established their own standalone supply chains.

The U.S. is not a lead supplier for fast food hamburgers, however, specialty shops, such as Japanese beef bowls hold niche potential

China: Challenges

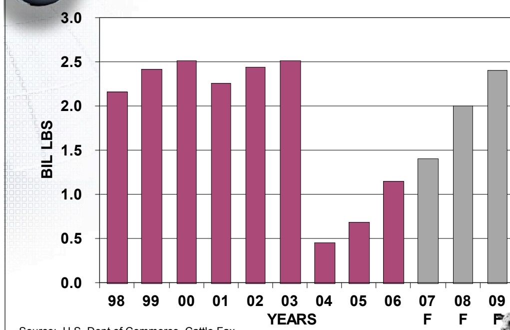
Countries reaching $5,000 PCI

Years Level Reached					
90-95	**96-00**	**01-05**	**06-10**	**11-15**	**16-20**
Uruguay	Mexico	Kuwait	Malaysia	S. Africa	Brazil
Czech R.	Chile	Croatia	Lithuania	Turkey	Dominica
Trinidad/ Tob	World avg	Poland	Slovakia	Macau	Kazakhstan
		Hungary	Costa Rica	St. Lucia	Mongolia
Russia and China will not make it by 2020 ($4,200 and $4,800)		Estonia	Grenada	Middle East Region	Tunisia
		E. Asia avg	Panama	Latin Am. Region	
		EU-10 Acc.		World avg (less US)	

Source: USDA/ERS Macroeconomic data set, real 2000 US$

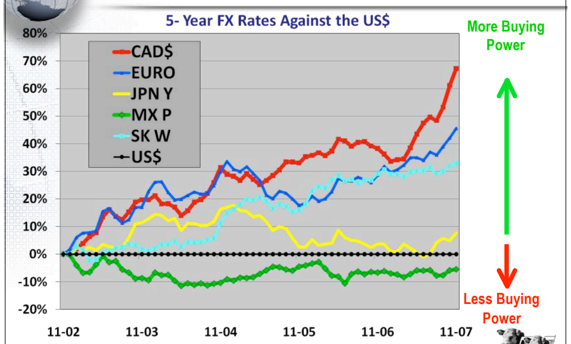
U.S. Beef Trade

U.S. Beef Export Forecasts



Source: U.S. Dept of Commerce, Cattle Fax

U.S. Beef Customers



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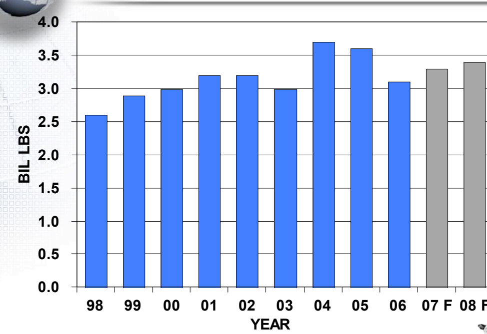
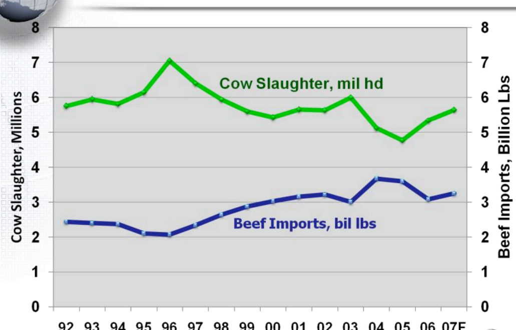
U.S. Beef Import Forecasts



Source: U.S. Dept of Commerce, Cattle Fax

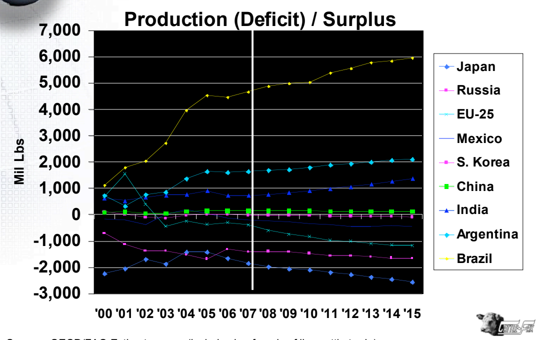
U.S. Beef Imports and Cow Slaughter



Source: U.S. Dept of Commerce, USDA, Cattle-Fax

In Summary

Global Beef Outlook



Source: OECD/FAO Estimates, cwe (includes beef equiv of live cattle trade)

In Summary

- Largest potential for growth is in TIER I markets
- Long-term opportunities exist in TIER II and Potential markets
- Expanding incomes and population will trump global meat trade
- Niche markets are growing globally
- Regain 2003 export levels by 2010?
- Speedbumps?
  - Protectionist agendas / policies
  - Declining production

Questions ?

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