



State of the World's Beef Market 2007 & Beyond

*Lynn Heinze
Vice President Information
U.S. Meat Export Federation*

USMEF's Mission

To increase the value and profitability
of the U.S. beef, pork, and lamb industries
by enhancing demand for their products
in export markets through a dynamic
partnership of all stakeholders



USMEF Worldwide

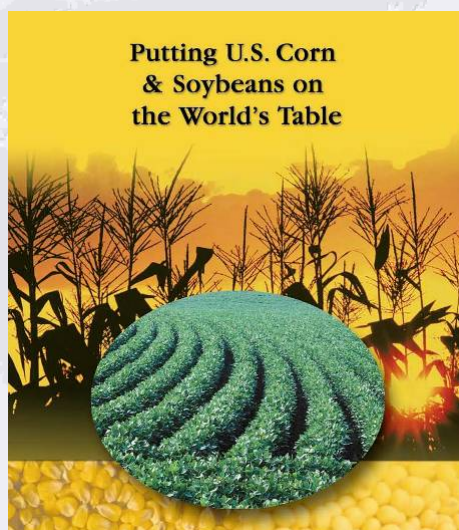
Putting U.S. Meat On The World's Table



3

USMEF Membership

- Packer/Processor & Purveyor Trader
- Beef/Veal Producing & Feeding
- Pork Producing & Feeding
- Lamb Producing & Feeding
- Feedgrain Producing
- Oilseed Producing
- Farm Organizations
- Agribusiness/Service Organizations



Topics

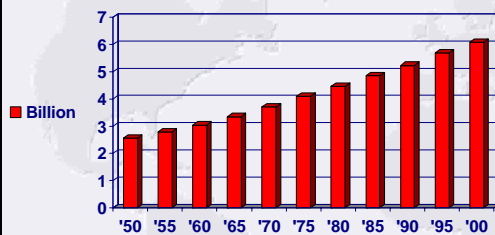
- Global Beef Production and Trade
- Ethanol and Grain Production Outlook
- Future Opportunities and Challenges



5

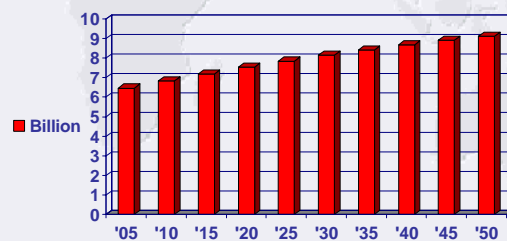
World Population Growth

Historical

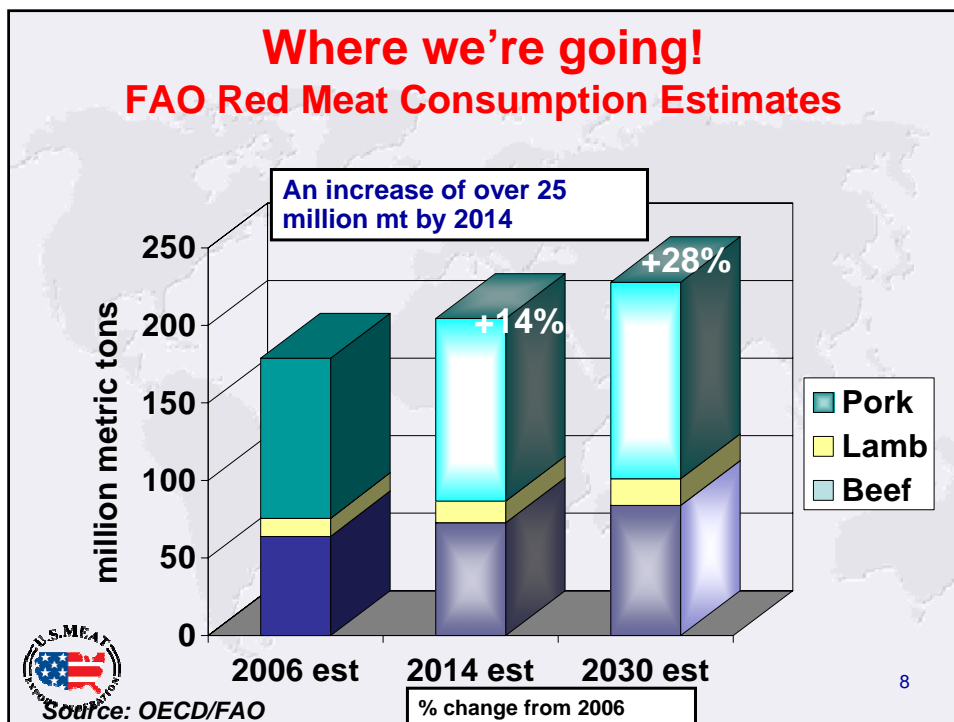
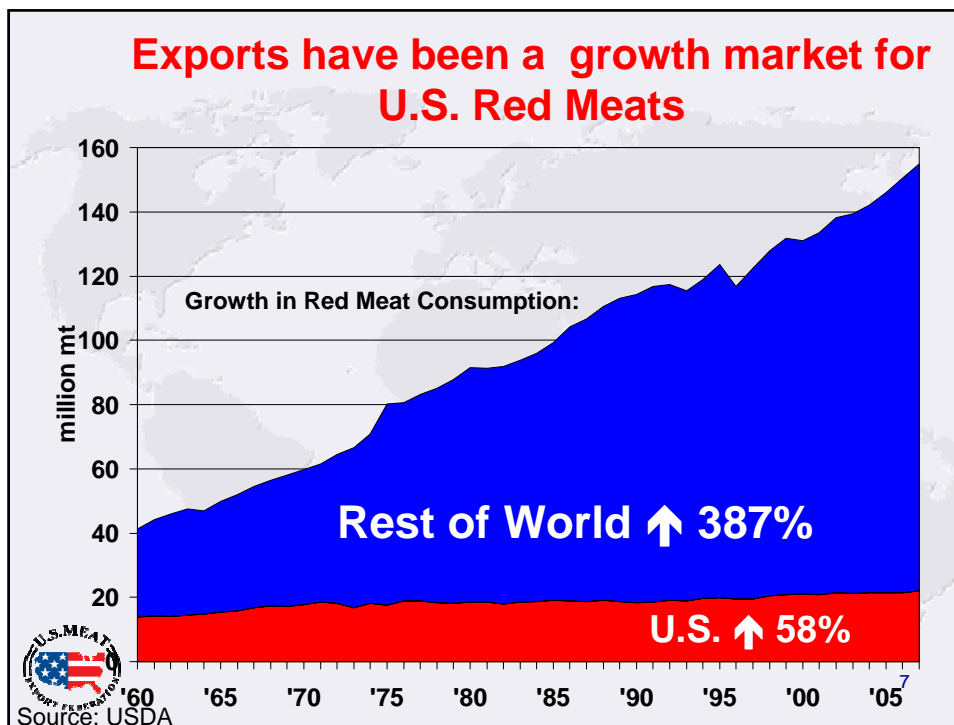


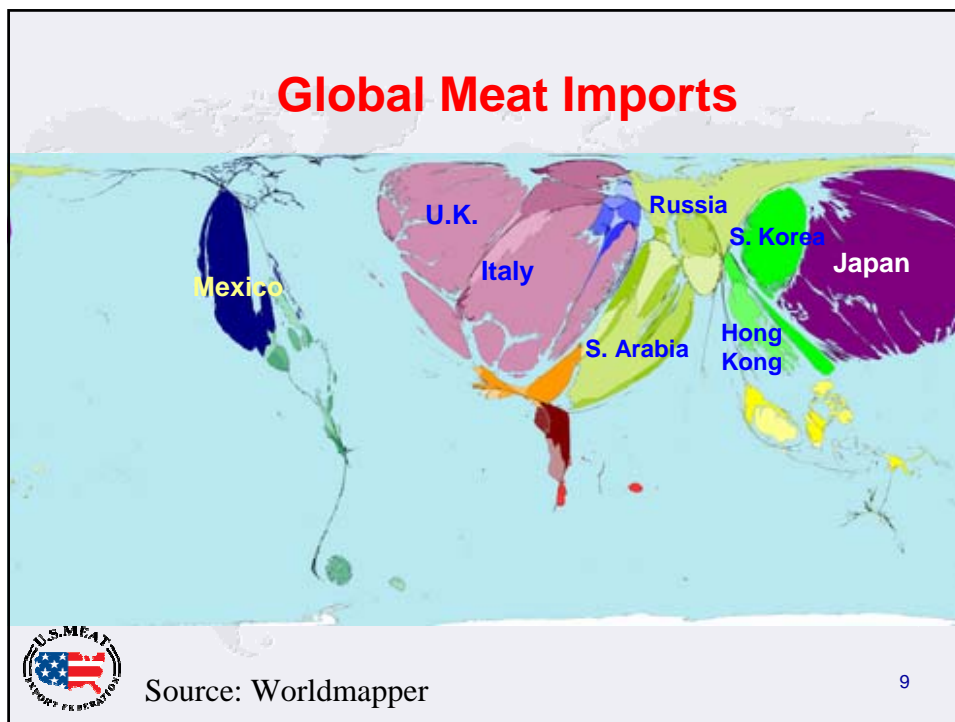
Double 1980 by 2050

Projected



6





Beef Globalization – Regional Shifts

Region	1990 Slaughter (million hd)	2006 Slaughter (million hd)	Hd change (million hd)	% change
EU	49.8	28.2	-21.6	-43%
N. America	47.3	44.9	-2.4	-5%
S. America	45.0	56.6	11.6	26%
Asia	38.4	82.3	44	114%
Russia	33.7	8.6	-25	-74%
Oceania	10.9	12.6	1.7	16%
TOTAL	225.3	242.9	+8	4%



Source: USDA/USMEF

11

World Beef Trends

- Increasing costs of production
- Growing focus on attributes of end product
- Consumer driven production and focus on niche marketing
- Small but growing demand for natural and organic beef
- Focus on food safety and animal disease prevention
 - Disease testing



12

2006 World Beef Production – Top 10

Rank	Country	Total Production million MT (CWE)
1	U.S.	11.9
2	Brazil	8.85
3	EU-25	7.88
4	China	7.5
5	Argentina	3.1
6	India	2.37
7	Mexico	2.17
8	Australia	2.15
9	Russia	1.46
10	Canada	1.37



Source: USDA

13

2006 World Beef Consumption – Top 10

Rank	Country	Total Consumption million MT (CWE)
1	U.S.	12.8
2	EU-25	8.22
3	China	7.4
4	Brazil	6.9
5	Argentina	2.6
6	Mexico	2.5
7	Russia	2.3
8	India	1.6
9	Japan	1.2
10	Canada	1.0



Source: USDA

14

2006 World Beef Exports – Top 10

Rank	Country	Exports 000 MT
1	Brazil	1,503
2	Australia	1,140
3	U.S.	656
4	Argentina	444
5	New Zealand	412
6	Canada	370
7	India	485
8	Uruguay	340
9	Paraguay	173
10	Nicaragua	52



Source: Global Trade Atlas and USMEF estimates

15

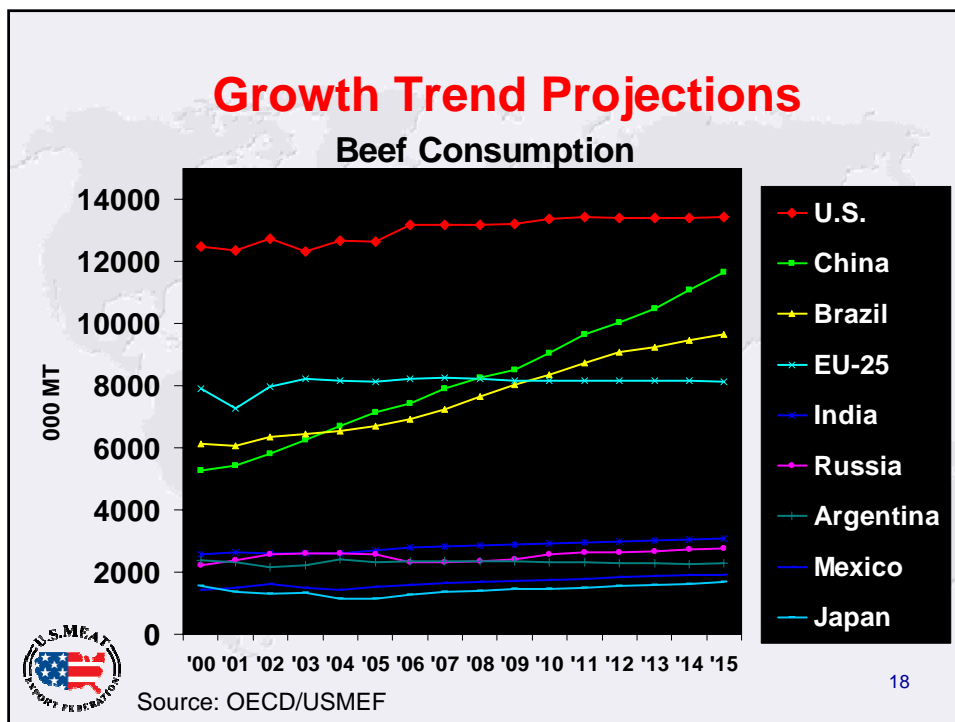
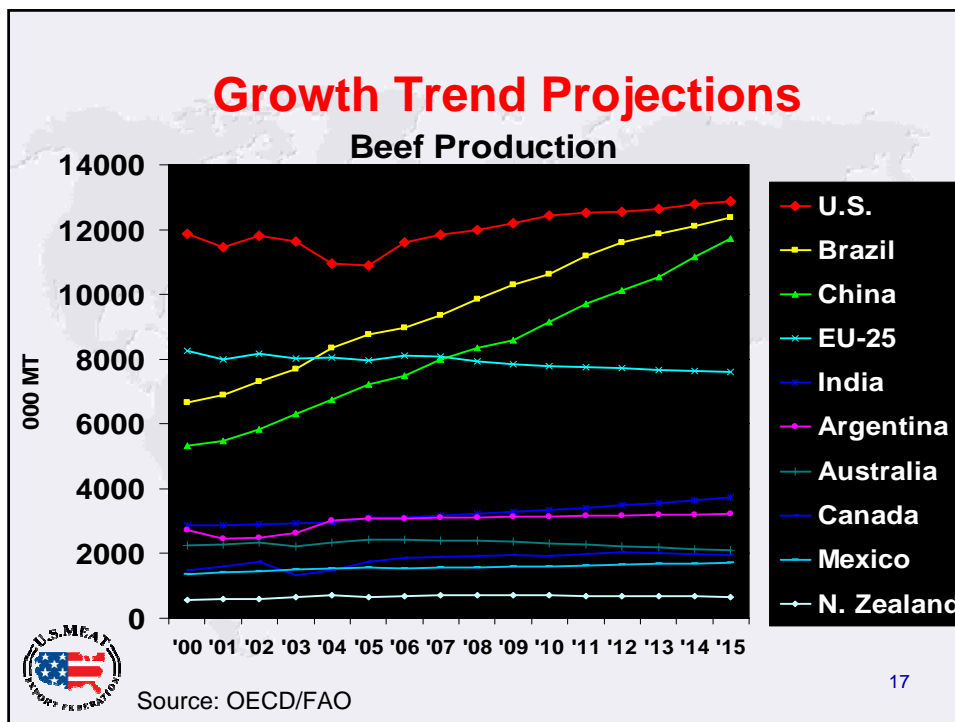
2006 World Beef Imports- Top 10

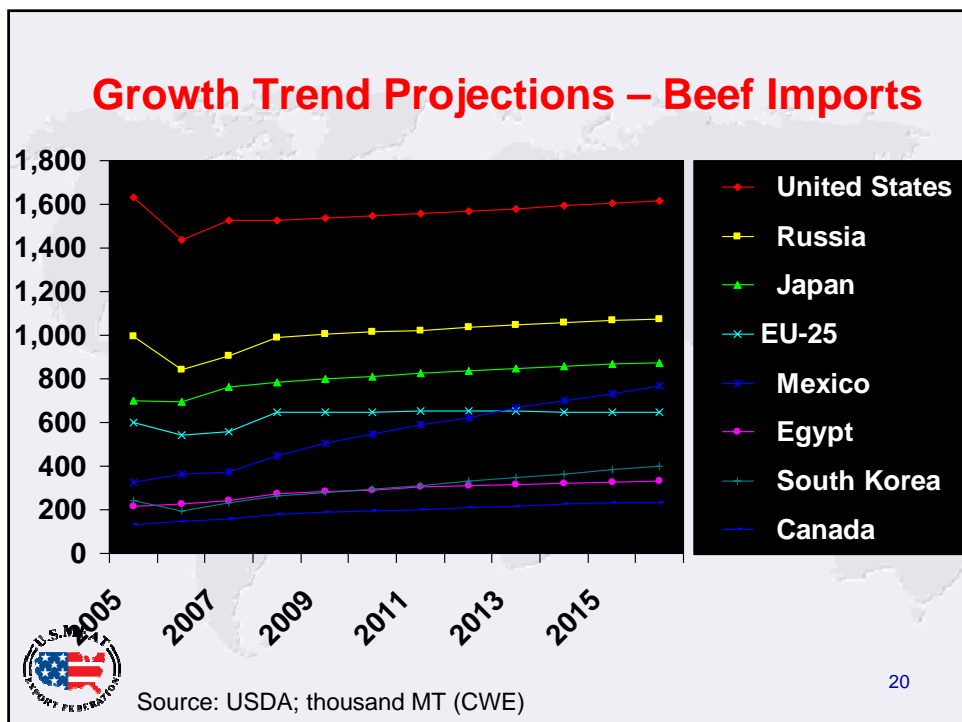
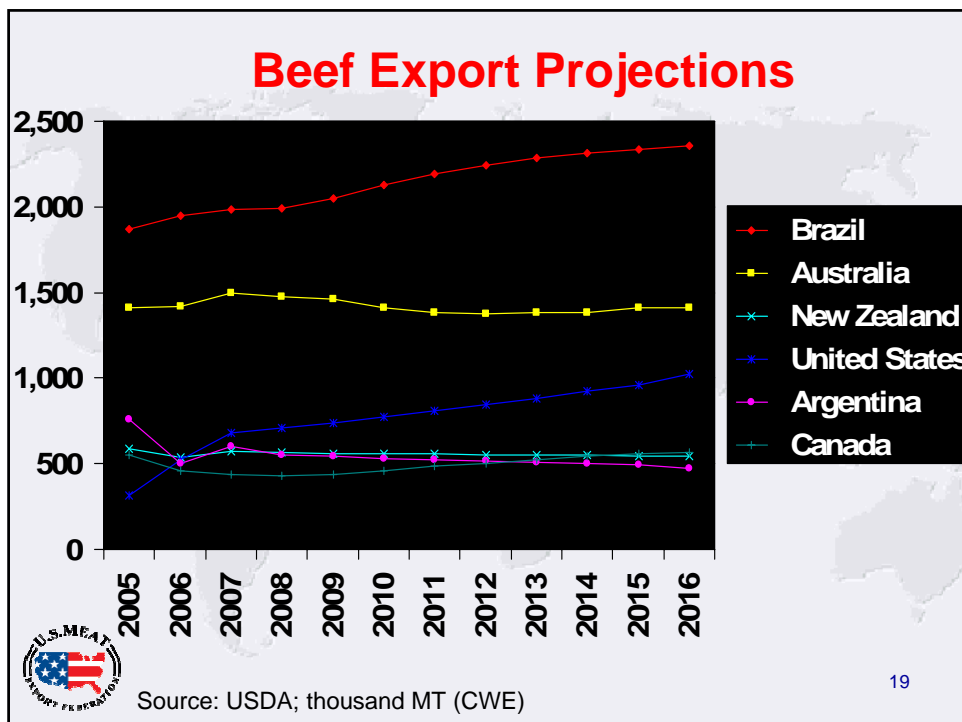
Rank	Country	Imports 000 MT
1	U.S.	1,440
2	Russia	840
3	Japan	690
4	EU-25	540
5	Mexico	365
6	Egypt	225
7	S. Korea	190
8	Canada	150
9	Philippines	140
10	Taiwan	98



Source: USDA

16





Major Beef Markets- Grass Fed & Corn Fed

- Outside the U.S., the majority of global beef production is grass fed
- Argentina
 - Growing corn-fed production and exports
- Brazil
 - Growing grain-fed production and exports
- Australia
 - Annual fed growth: 10%
 - Feedlot capacity >1 mil head
- Europe
 - Small percent of production; Consumed domestically
- China
 - Small percent of production; Consumed domestically



21

Major Beef Markets- Grass Fed & Corn Fed

- Preference for grain-fed in Asia and North America
- Rest of the world prefers lean grass-fed beef
- Grass-fed beef is a growing niche market in the U.S.



22

Changing Costs of Production

- Challenges and tradeoffs between biofuels and feed markets
- Over the past 10 years, U.S. cost of beef production (at the feedlot) averaged \$0.52/pound of gain
- Projected 2007 cost of gain: \$0.68-\$0.76
 - An increase of over \$75/head in production costs (at the feedlot)

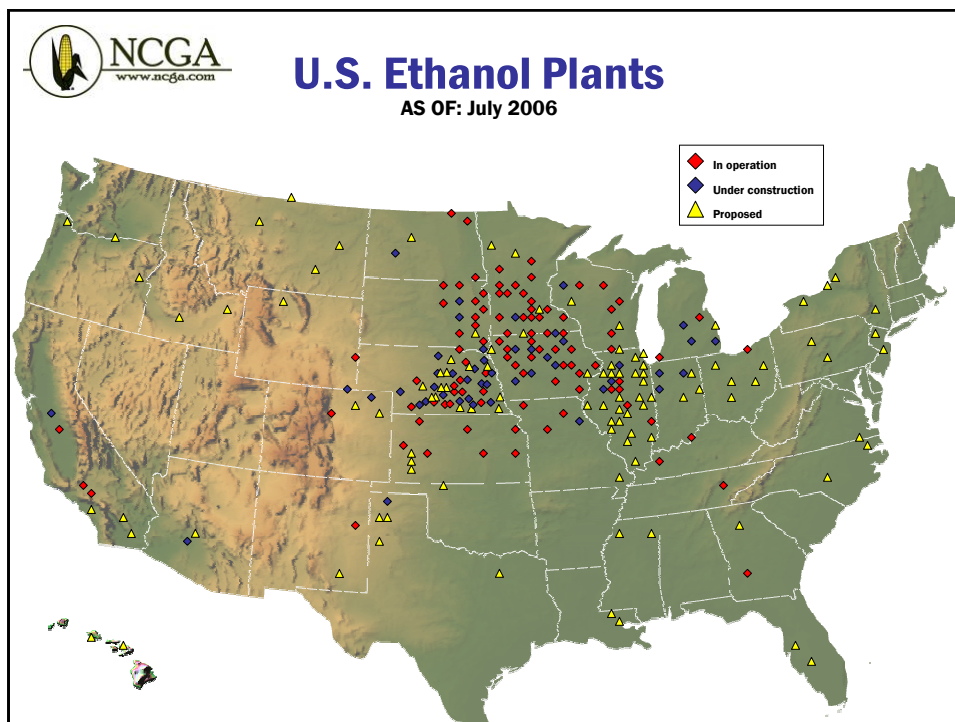


23

Grain & Ethanol Outlook



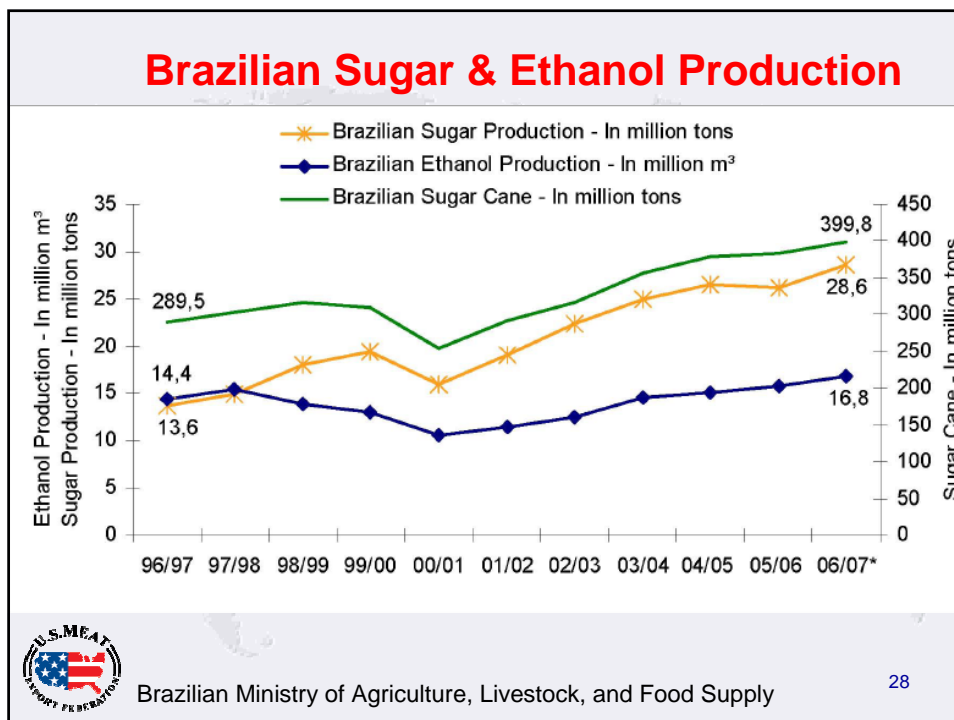
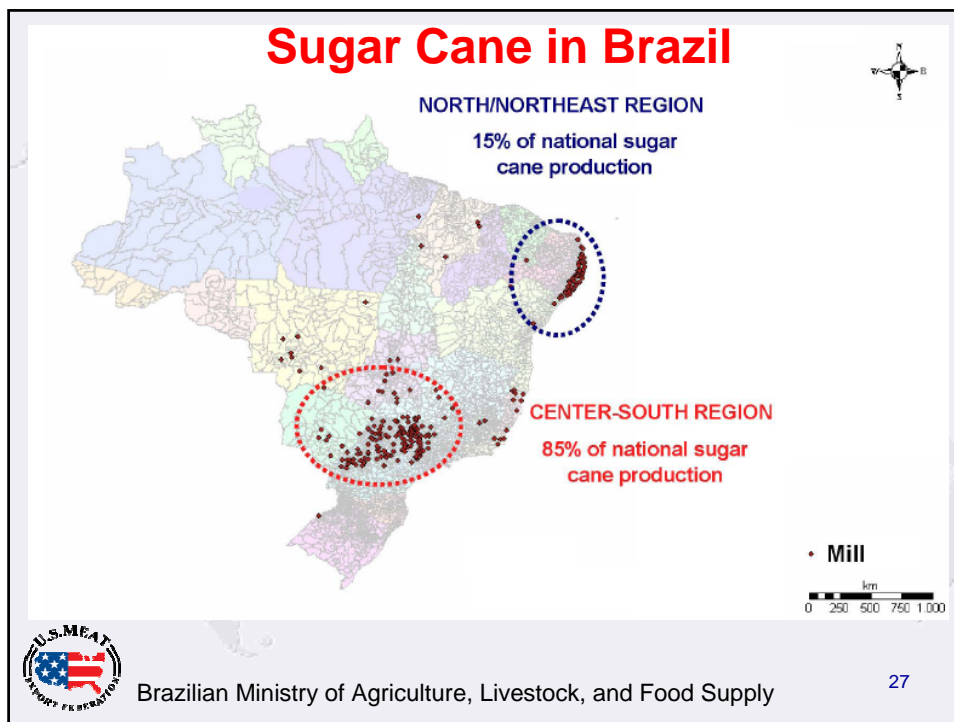
24



Ethanol and Corn Statistics

- 111 Current ethanol plants in the U.S.
- 78 Planned ethanol plants
- Currently produce 5.5 billion gallons/year, adding planned plants will double production
- 54.6 million MT and 20% of 2006/07 U.S. corn crop will be used for ethanol
- 8% of 2006/07 world corn crop used for U.S. ethanol production
- Nearly 70% of 2006/07 world corn crop used for feed





Global Biofuels Production

- Brazil: #1 producer of ethanol- from sugar cane > 4.5 billion gallons
- China: growing production of ethanol from corn
 - 2007 production capacity: 1.66 million mt
- EU-25: energy policy encourages growth in biodiesel production; primarily from rapeseed
 - current biodiesel production: 3.18 million mt
 - Ethanol, primarily from cereals: 0.73 million mt
- Many other countries adopting renewable fuel energy policies
 - Australia
 - India
 - Japan
 - Malaysia
 - New Zealand
 - The Philippines
 - Thailand

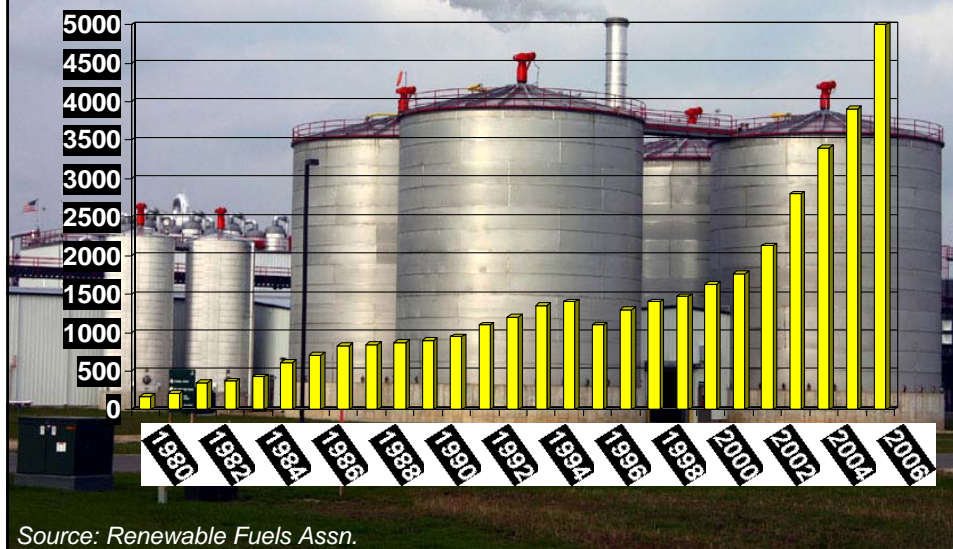


Competing land uses

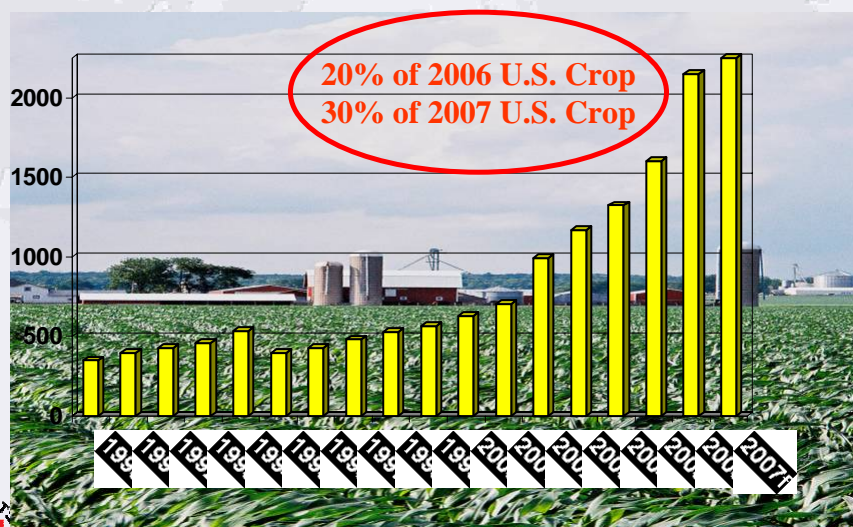
- Corn, oilseed crops, sugar cane, grasslands, crops for cellulosic ethanol

29

U.S. Ethanol Production (million gallons)



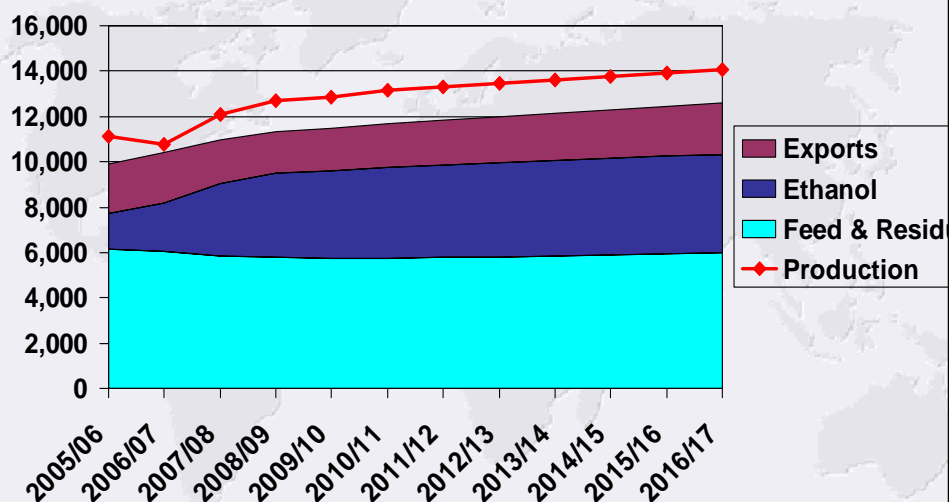
Corn Used in Ethanol Production



Source: USDA; million bushels

31

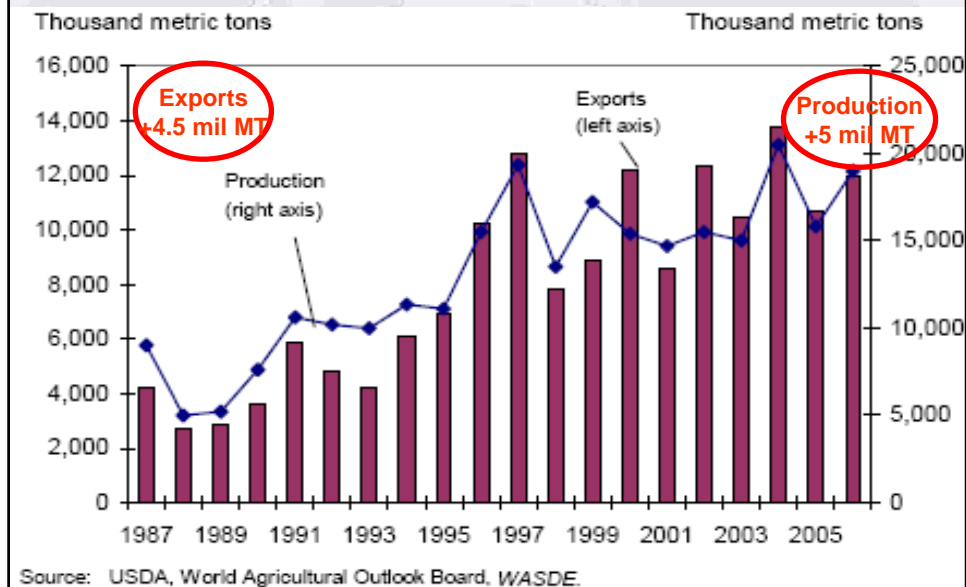
U.S. Corn Projections



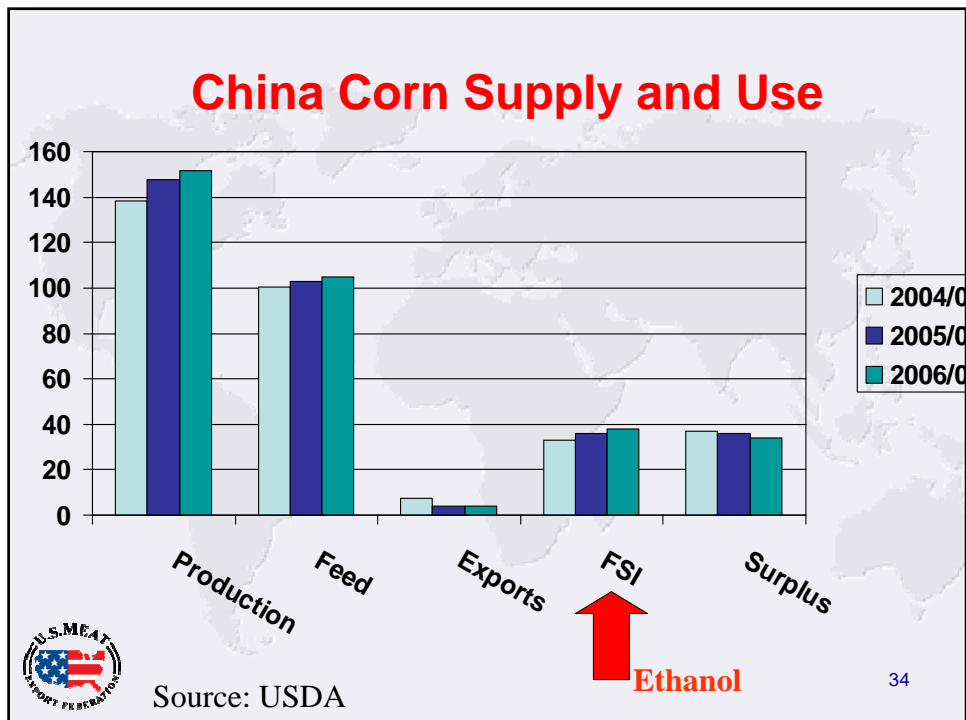
Source: USDA; million bushels

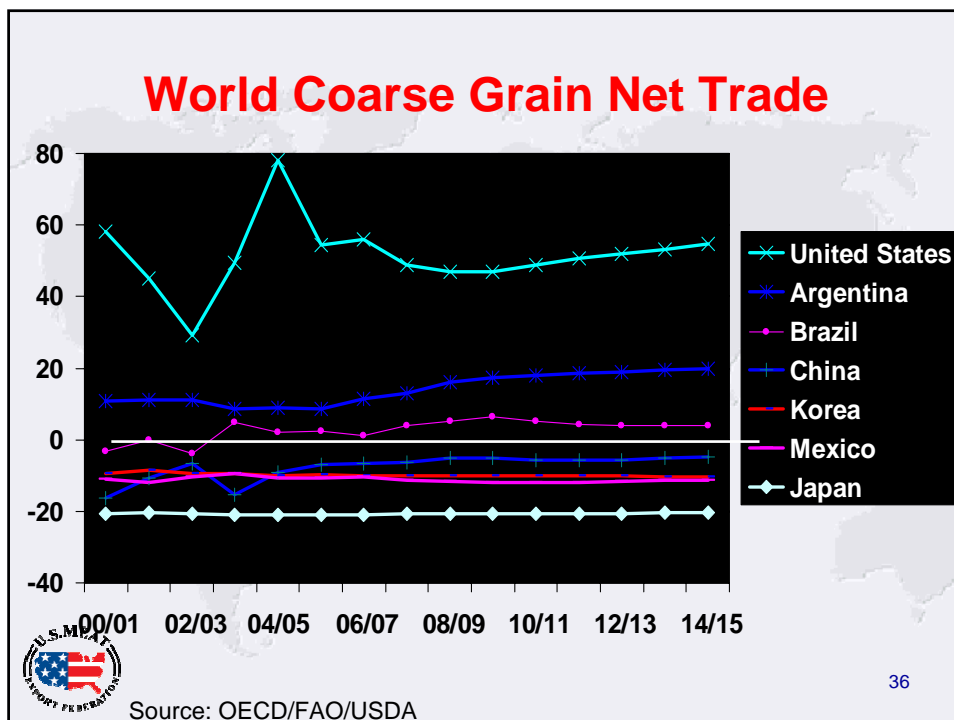
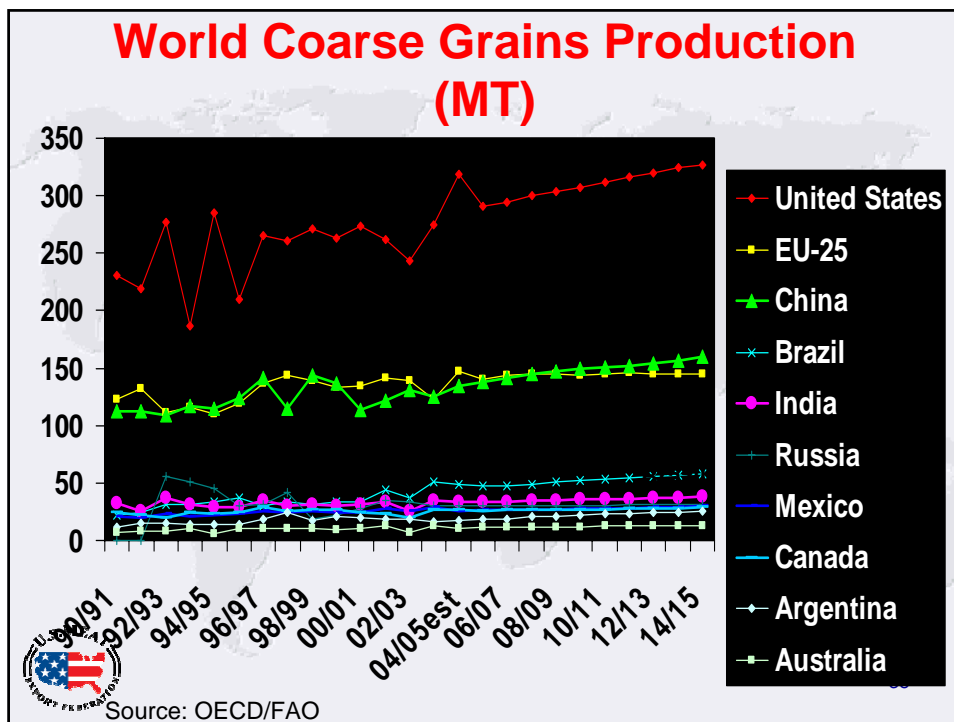
32

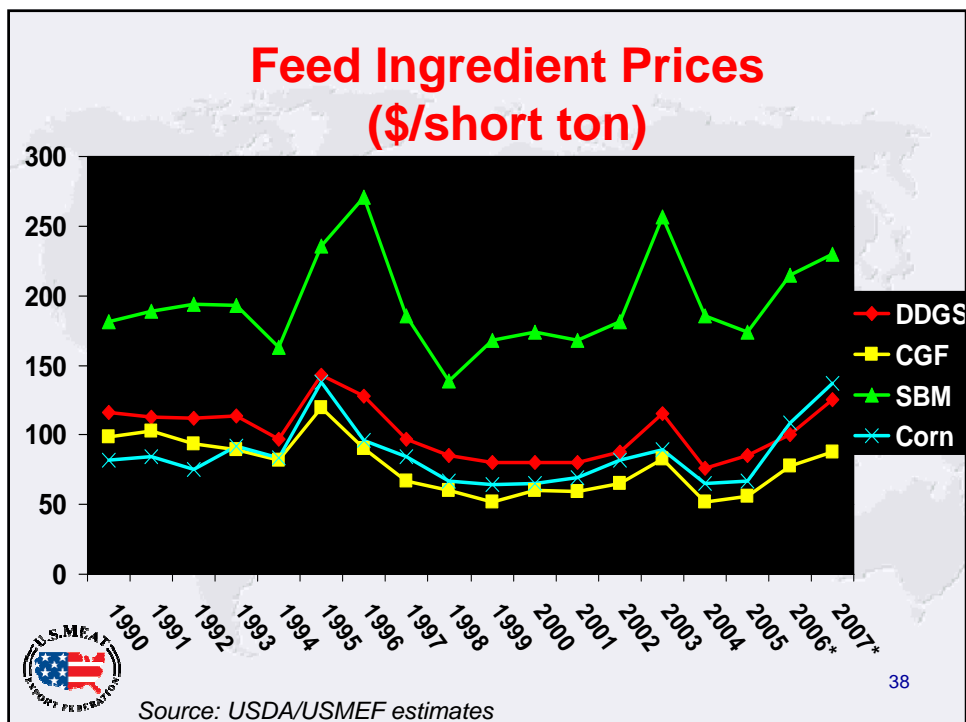
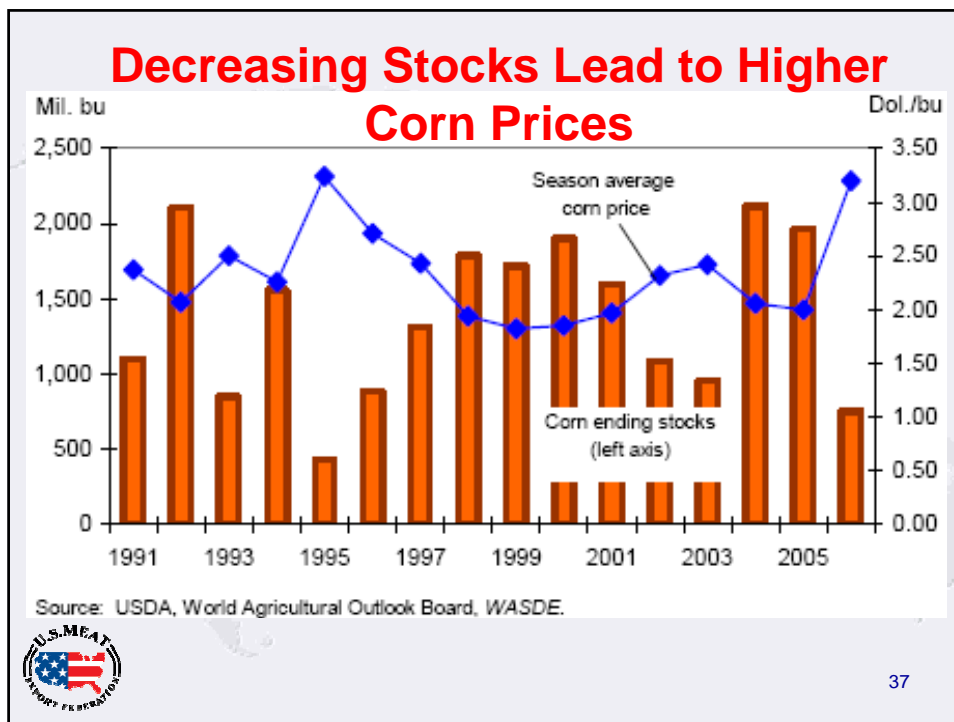
Response to increasing world corn prices: Argentina Corn Production & Exports



China Corn Supply and Use







Factors Affecting us Now and in the Future...

- **Animal disease**
 - FMD, BSE, AI
- **Policy: FTAs, DDA**
 - SPS issues and other barriers to trade
- **Nutrition**
 - Obesity and hunger
- **Industry consolidation**
- **Animal welfare**
- **Environmental issues**
- **International institutions**
 - IMS, CODEX, OIE, WHO



39

Consumers are in the driver's seat

- **Consumer trust**
- **Brands**
- **Sophisticated marketplace**
- **"Ethical brands" and "food with a face"**
 - Natural and organic production and standards
- **Food safety**
- **Nutritional value**
- **Industry image**



40

International Partnerships Require Great Citizenship

- Seminar sponsor to help educate Mexico consumers on managing diabetes and obesity
- Nutrition information presented to young athletes through sponsoring nutrition commercials on TV and major sporting events
- Sponsor of a major Mother's Day promotion encouraging consumers to purchase U.S. meat and attend a education seminar with cooking demonstrations and a nutrition message for 5,000 mothers
- Organize cooking workshops at stores throughout Mexico offering consumers the opportunity to cook and taste red meat in the stores



To be Competitive in a Changing World

- Focus on advantages:
 - Diversity, flexibility of programs, grain-fed, grass-fed, organic
- Aggressively pursue trade and competition
- Embrace trade enhancing policies
- “Export-minded” mentality



42

To be Competitive in a Changing World

- Deliver assurances of food safety to all consumers
- Respond to consumer demand for value-added specialty products



43

Summary

- We all have the opportunity to define both our future and the future of our industry.
- Adaptation is a key to survival.
- An industry that cannot be competitive internationally will not be competitive domestically.
- How well we cooperate will determine how well we compete!



Questions



For more information: www.usmef.org

45