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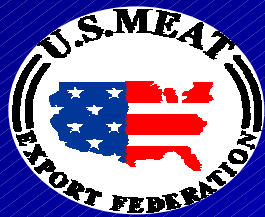
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U.S Department of Agriculture
Agricultural Outlook Forum 2002
February 21 & 22, 2002

THE MEAT SECTOR OUTLOOK IN UNCERTAIN TIMES

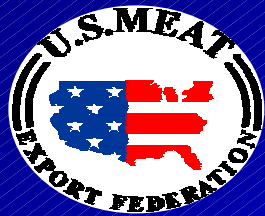
Richard Fritz
Vice President
Trade Development
U.S. Meat Export Federation



THE MEAT SECTOR OUTLOOK IN UNCERTAIN TIMES

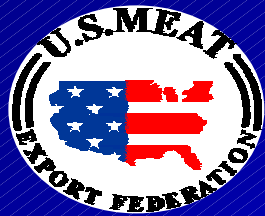
Richard Fritz

U.S. Meat Export Federation



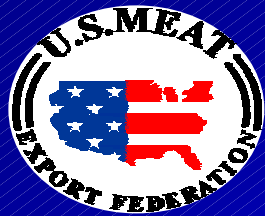
Presentation Outline

- U.S. Meat Export Federation (USMEF)
- Export History and Projections
- Strategic Priorities and Issues of Major Concern
- Marketing In Uncertain Times



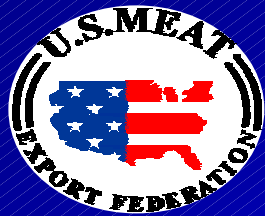
History and Mission

USMEF's mission has evolved over the years and is *"to increase the value and profitability of the U.S. beef, pork and lamb industries by enhancing demand for their products in targeted export markets through a dynamic partnership of all stakeholders"*.



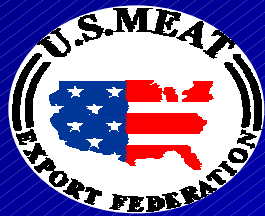
A True Federation

- USMEF has more than 200 dues-paying members including:
 - **National agri-organizations** (National Cattlemen's Beef Association, National Pork Board, United Soybean Board, National Corn Growers Association & American Farm Bureau Federation)
 - **Private Industry** (Excel, IBP, ConAgra, Smithfield, Simplot, Sara Lee, Johnsonville & John Morrell)
 - **State agri-organizations** (Nebraska Beef Council, Iowa Pork Producers Council, South Dakota Soybean Council & Kansas Grain Sorghum Commission)
 - **Supply & Service Organizations** (Elanco Animal Health, Chicago Mercantile Exchange, Illinois Department of Agriculture, Pioneer, a Dupont Company)



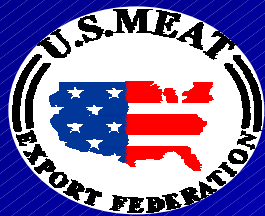
Fact Based Marketing

- Extensive network of offices and consultants overseas
- Gallup surveys of consumer attitudes
- Third party surveys to drill down to individual issues/concerns raised in the Gallup surveys
- Importer/Exporter surveys
- Market and competitor research
- Quantitative analysis
- Evaluations

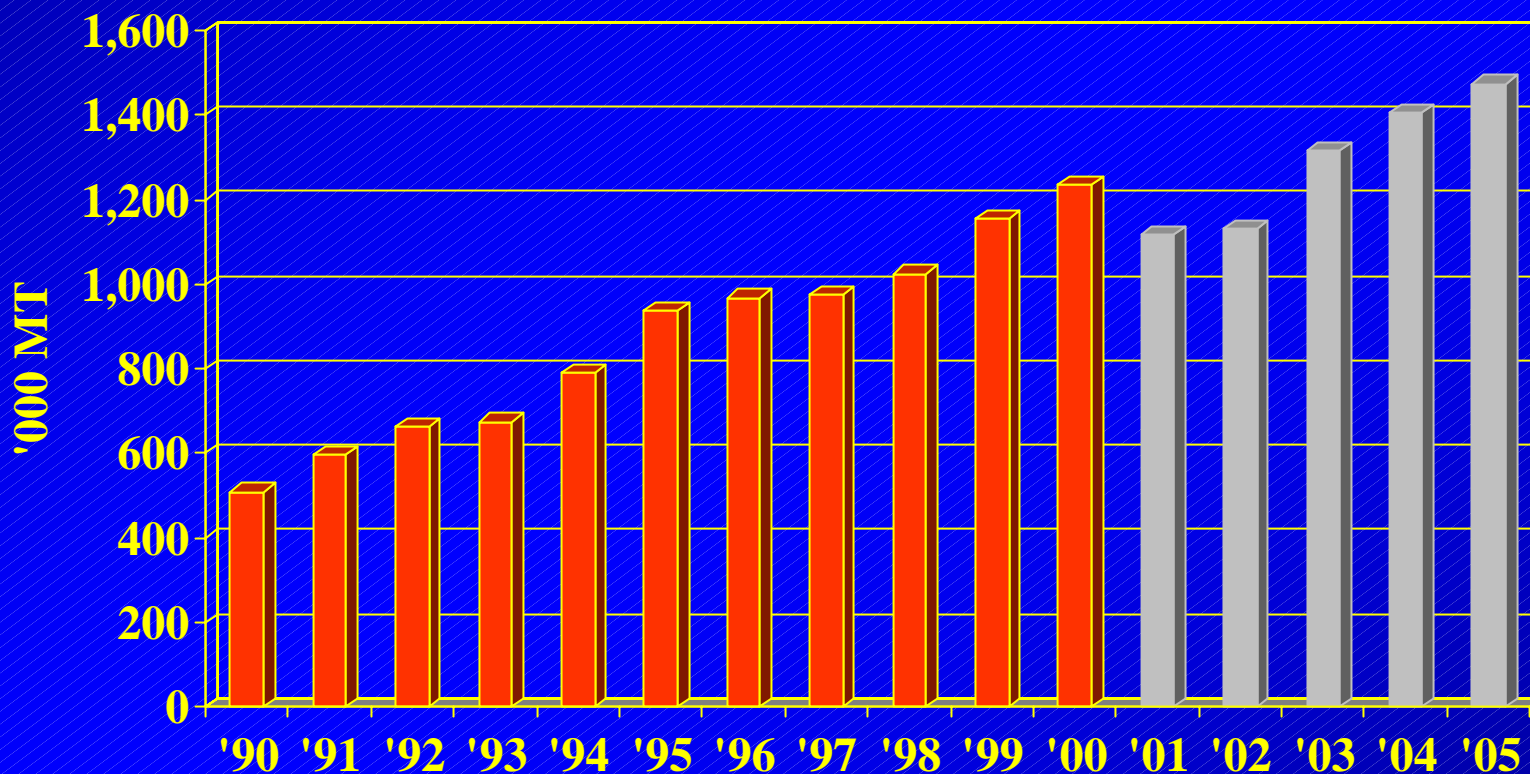


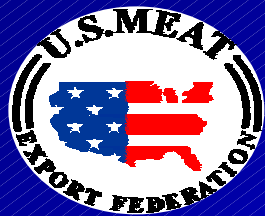
Export History and Projections

- Beef
- Pork
- Variety Meats

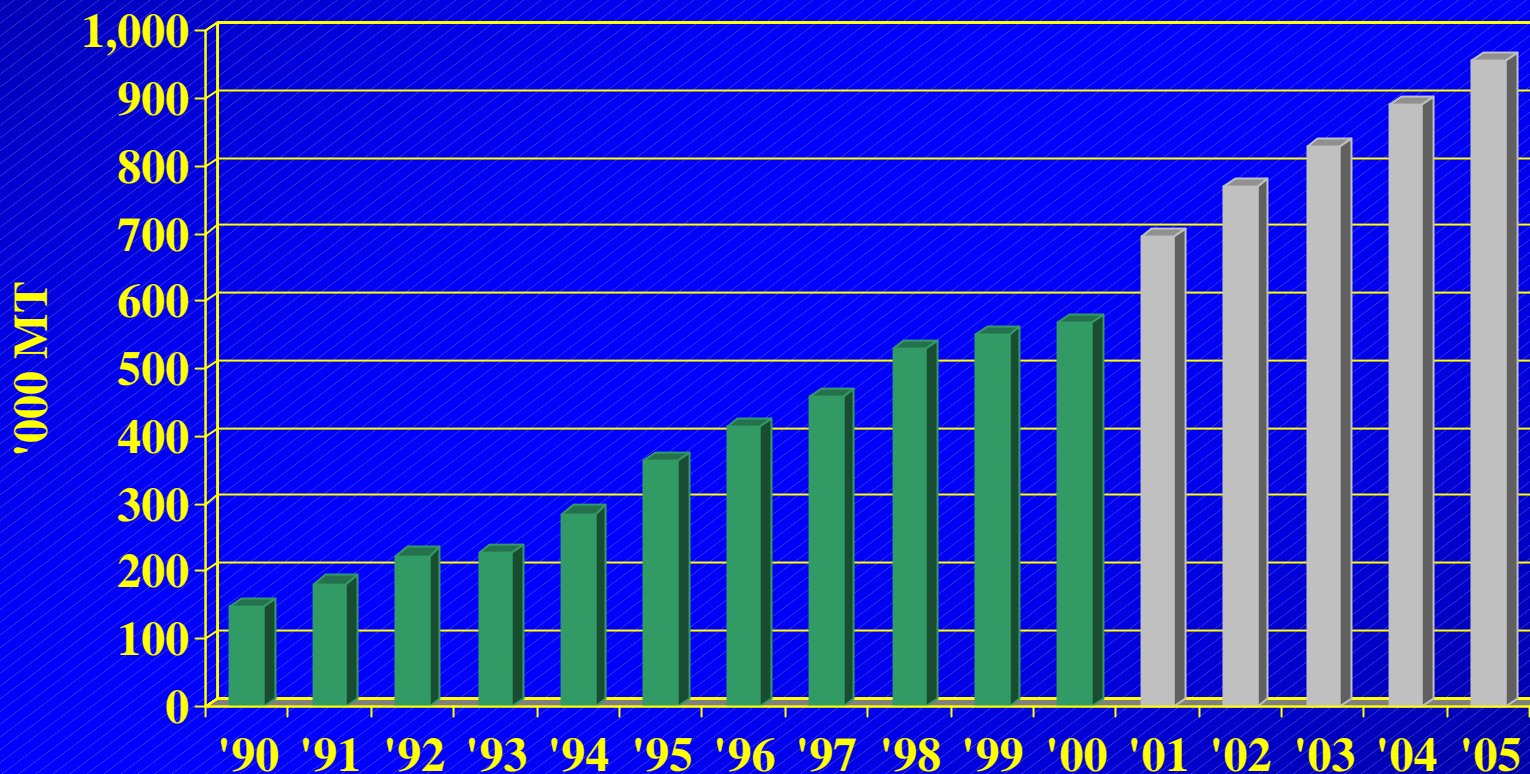


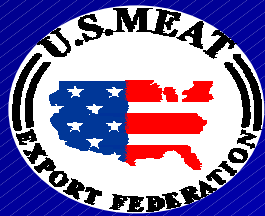
U.S. Exports of Beef and Variety Meats 1990-2005





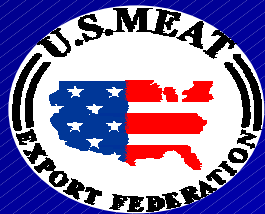
U.S. Exports of Pork and Variety Meats 1990-2005



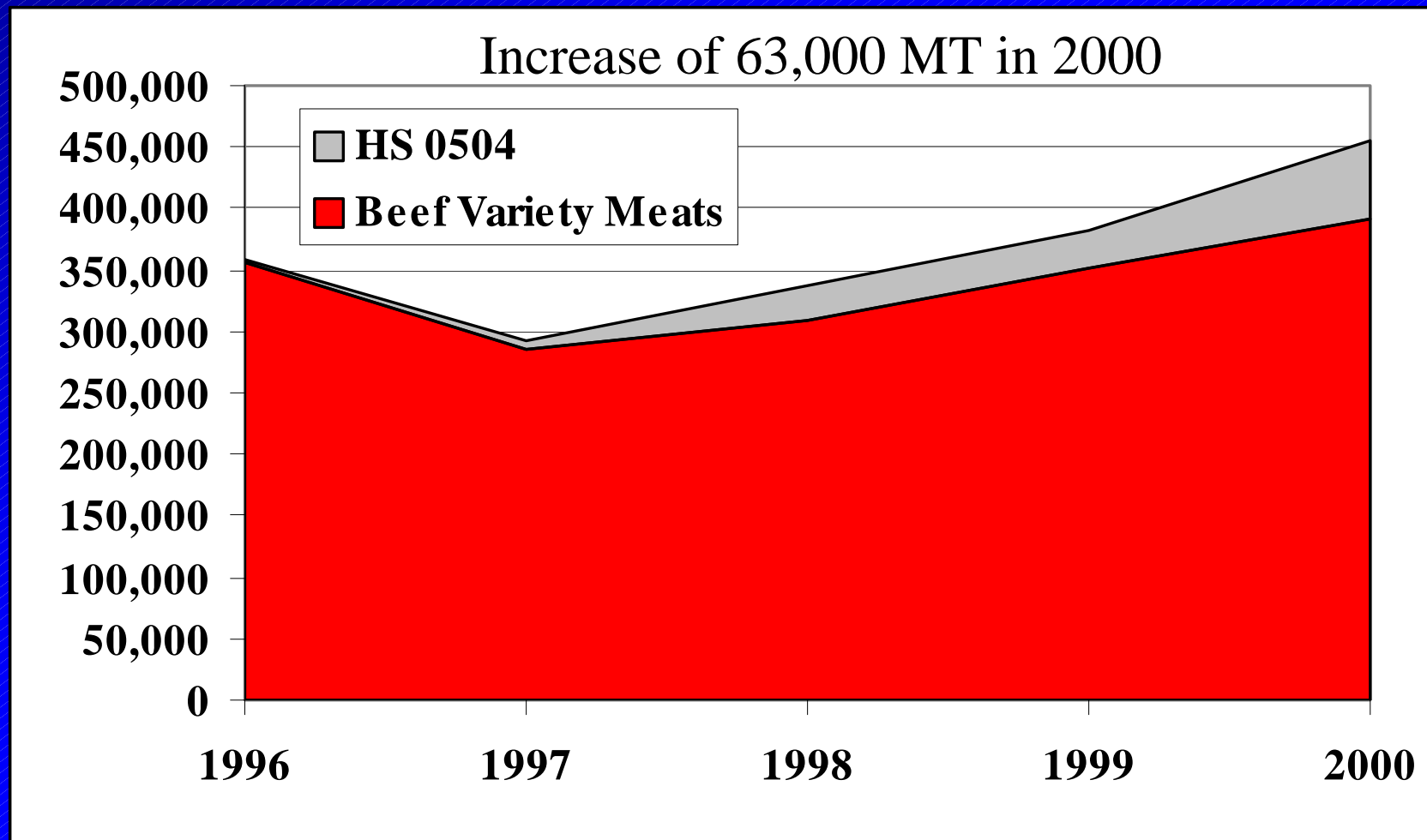


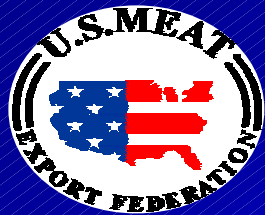
How HS Codes Work

- Harmonized System codes (HS codes)
- Meat: 02, Frozen Boneless Beef: 020230
- U.S. Exports of Beef and BVM
 - 0201: fresh beef
 - 0202: frozen beef
 - 0206: offal
 - 1602: processed
- HS codes “harmonized” globally at 6-digits
- 0504: “Guts, etc. not of fish”
 - Stomach, intestines

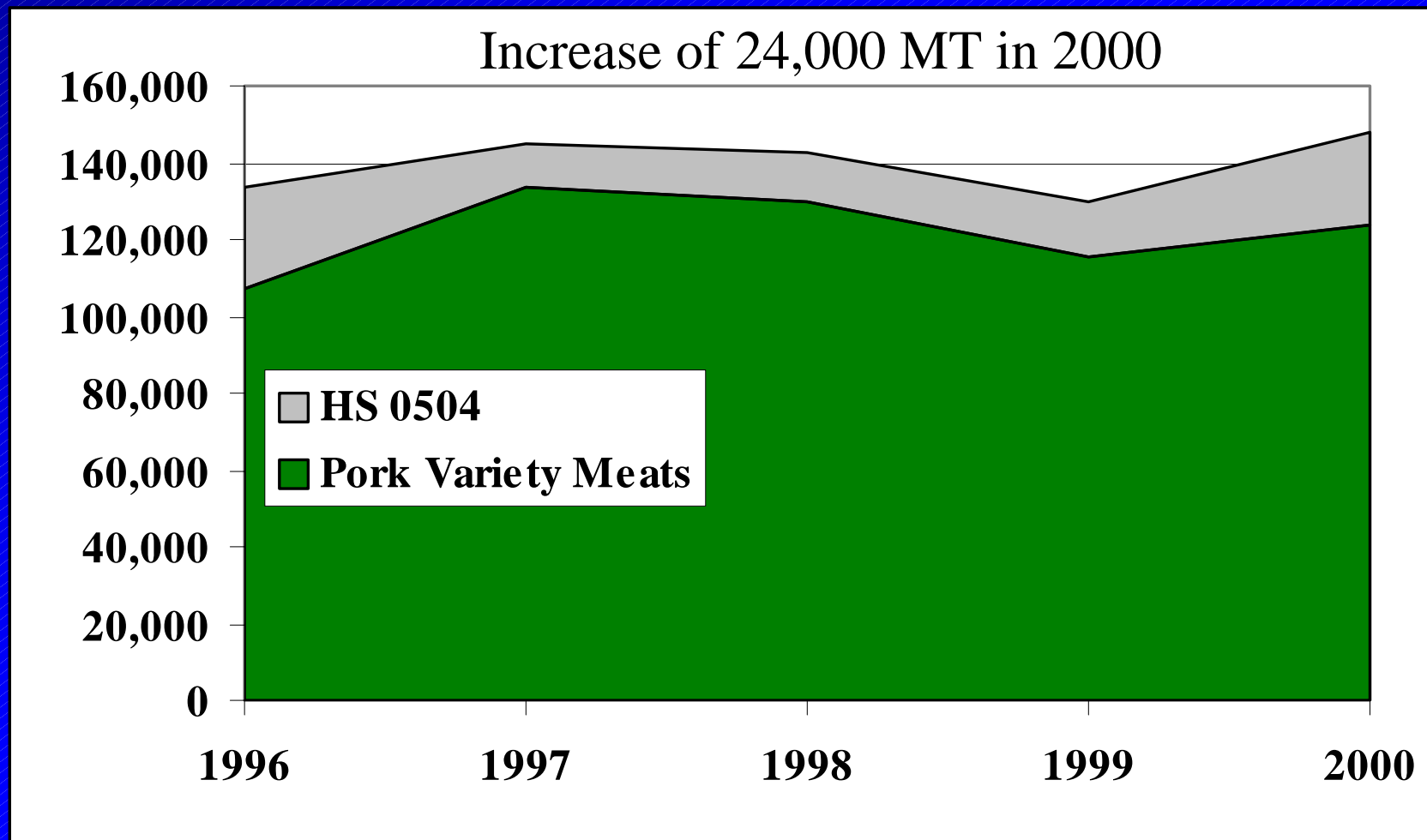


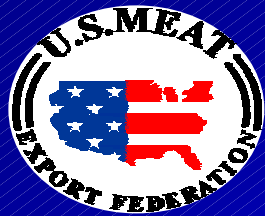
Adding HS 0504 to BVM Exports





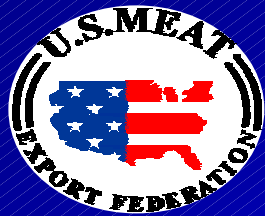
Adding HS 0504 to PVM Exports





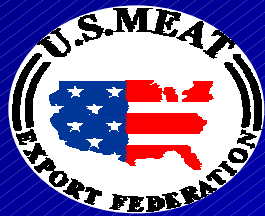
Revisions to Major Markets

- China PVM: +11,000 MT
- Mexico PVM: +7,000 MT
- Mexico BVM: +32,000 MT
- Japan BVM: +22,000 MT
- *Mexico Pork Skin: +42,000*



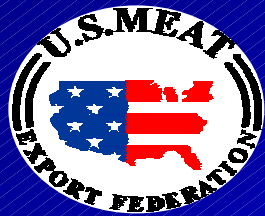
What to do Going Forward

- USMEF will revise historical data and forecasts to account for HS 0504
- USMEF will develop classification guidelines for exporters and freight forwarders
- Explore changes to the HS code system



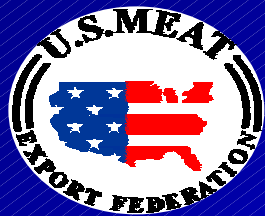
Strategic Priorities and Issues of Major Concern

- Consumer Concerns
- Trade Concerns
- Additional Programs

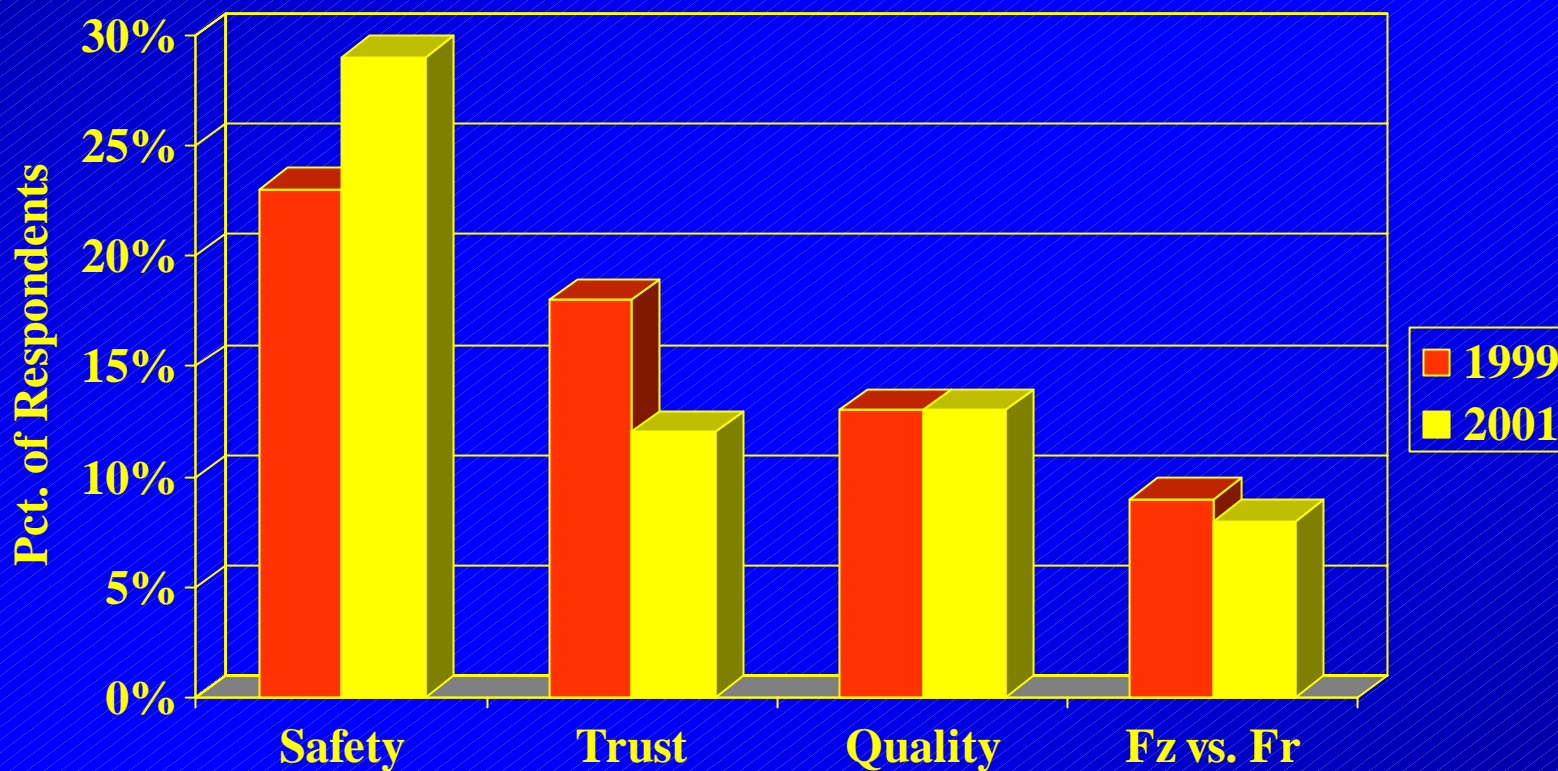


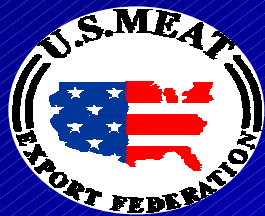
Consumer Concerns

- Lack of trust of imported product
- Product Safety
- Fresh vs. frozen product
- Quality and Taste
- Labeling?

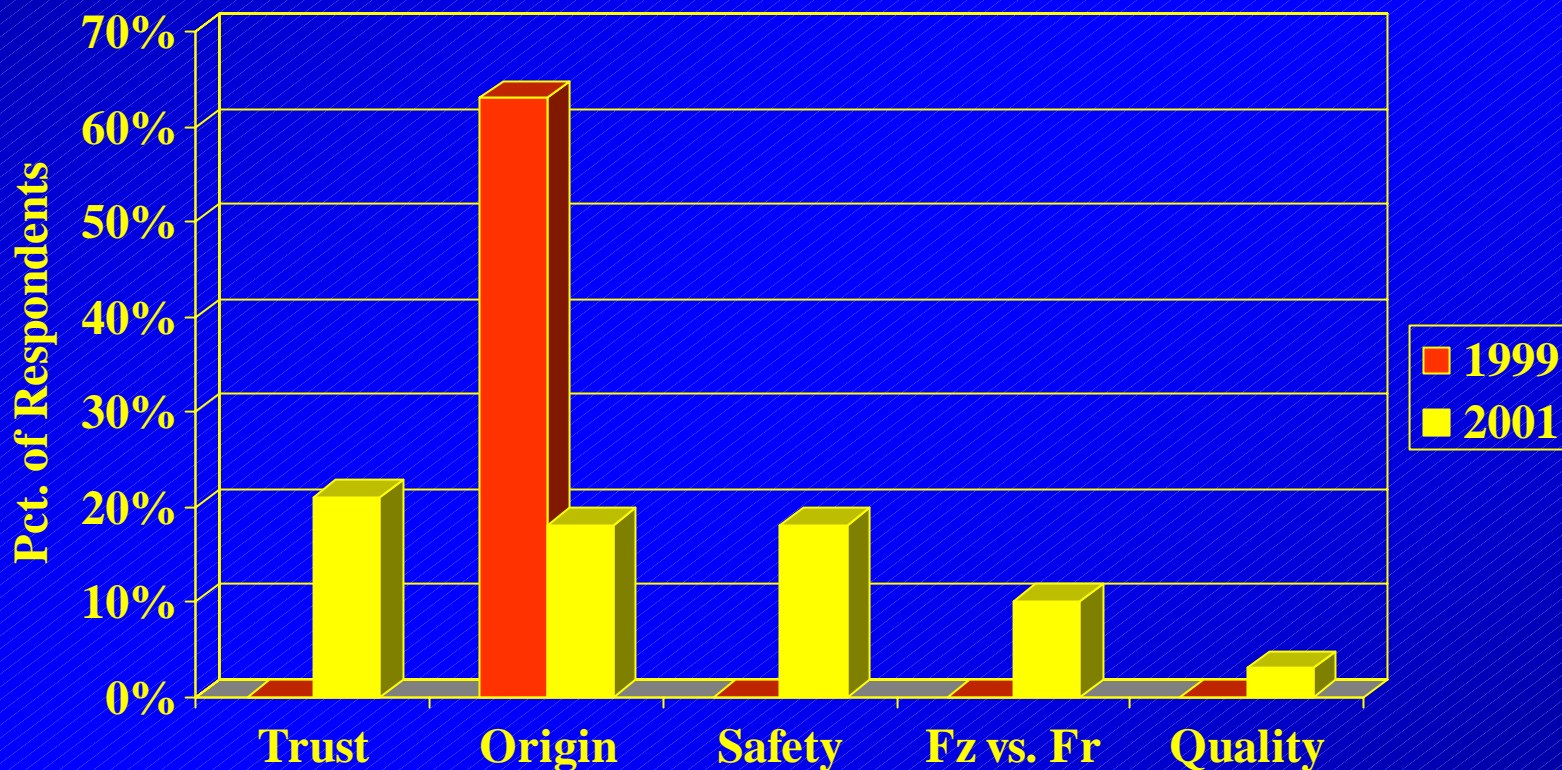


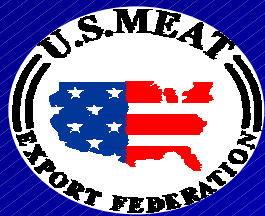
Why U.S. Beef not Considered



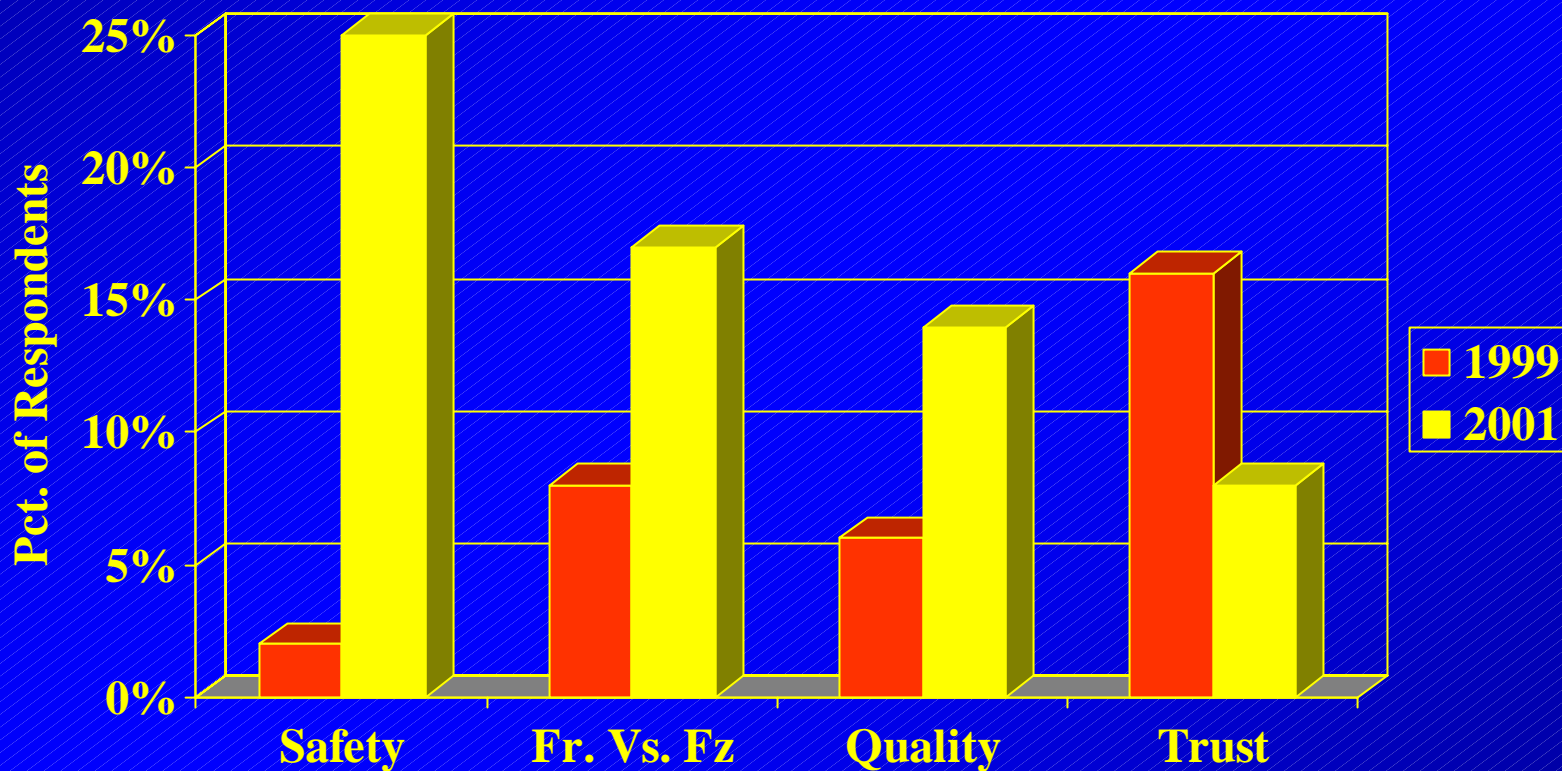


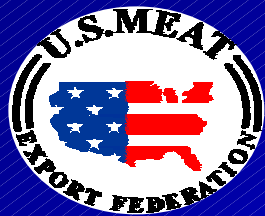
Why U.S. Beef not Purchased



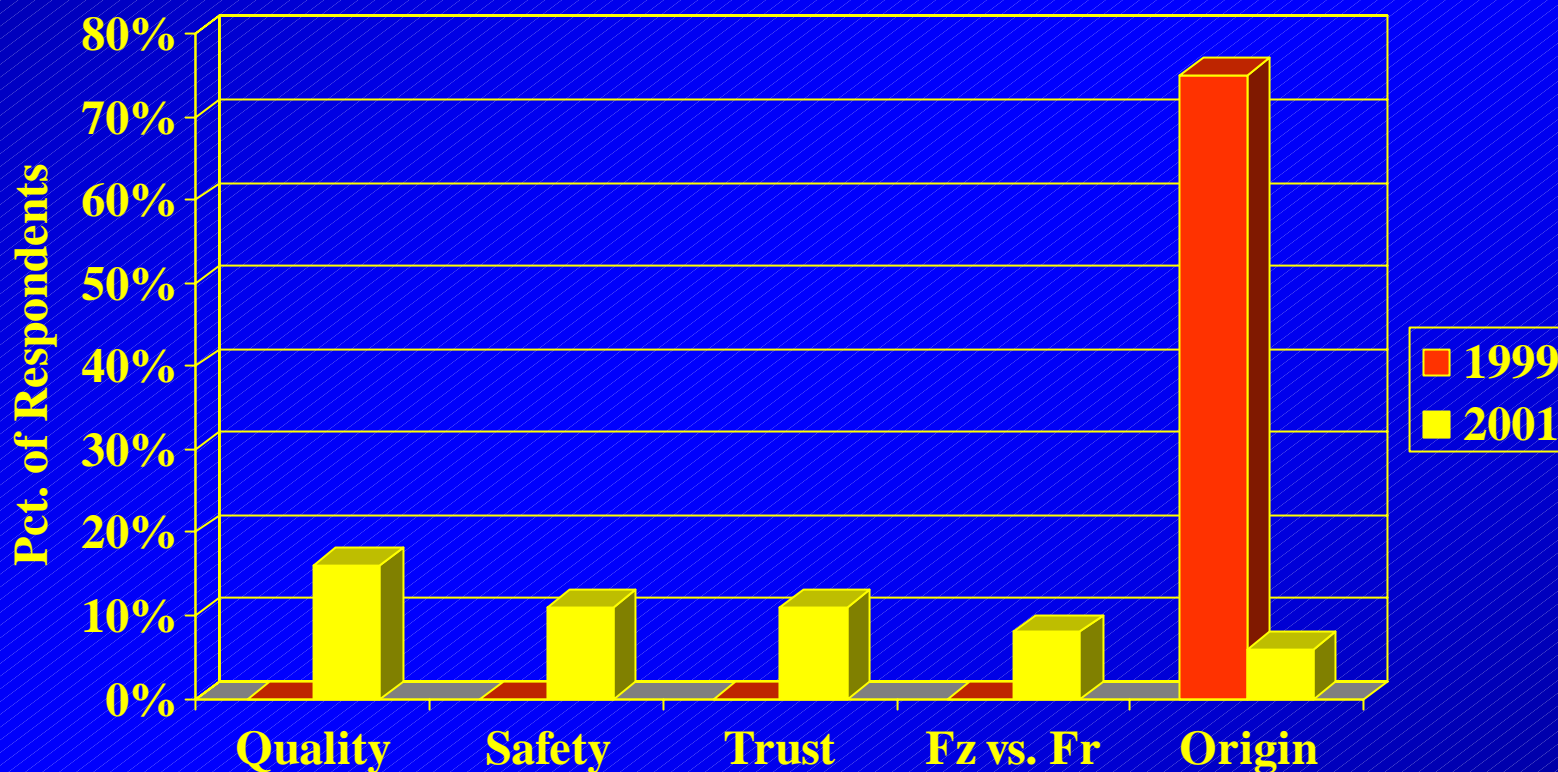


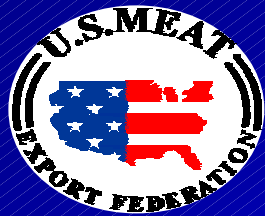
Why U.S. Pork not Considered





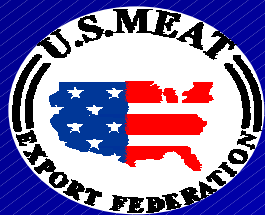
Why U.S. Pork not Purchased





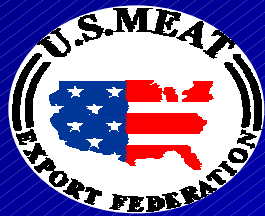
Lack of Trust / Safety

- Lack of trust of imported product leads to safety concerns
- Trust and Safety are now a top priority of consumers as compared to 1999
- USMEF established a Food Safety Bureau in Japan, June 2001
- USMEF is focusing on food safety issues in consumer and trade education activities (HACCP)
- Trace back. Is it viable for the beef and pork industry?
- Source and Process verified



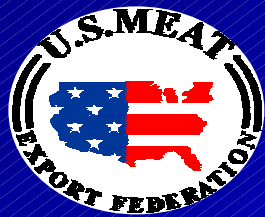
Producer Identification in Japan





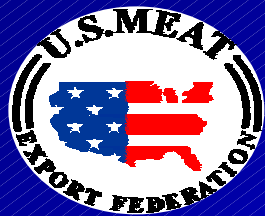
Quality and Taste

- Consumers continue to have concerns about quality and taste
- USMEF results shared with producer groups that look at new research toward quality improvement
- Training at USMEF “meat schools”
- Chef training, consumer promotions

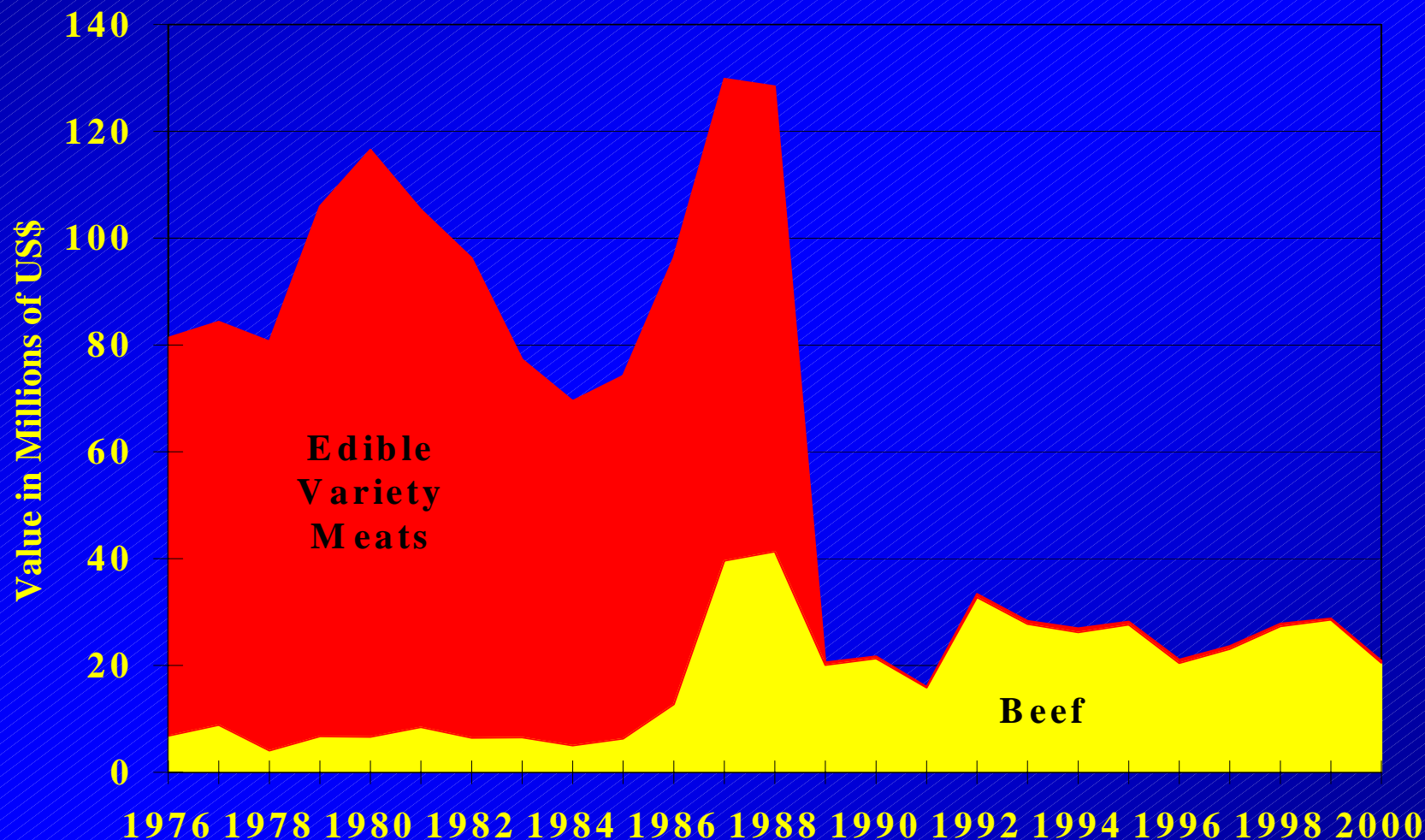


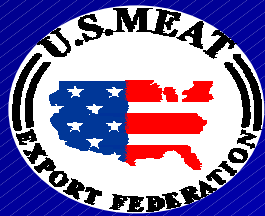
Labeling

- Consumers do not rate country of origin as the primary issue as they did in 1999.
- Consumers want to know what happened in the process, not where it happened
- USMEF supports the AMS certification programs (50+ in place today)
- Branding is a key, but difficult and can be expensive to achieve



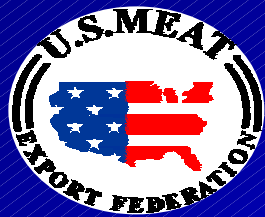
Trade Damages Example The EU Hormone Ban





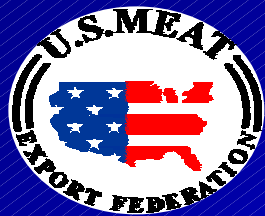
Trade Concerns

- Market Access
- Hormone/GMO Constraints
- Maintaining Animal Health
- Strong Dollar



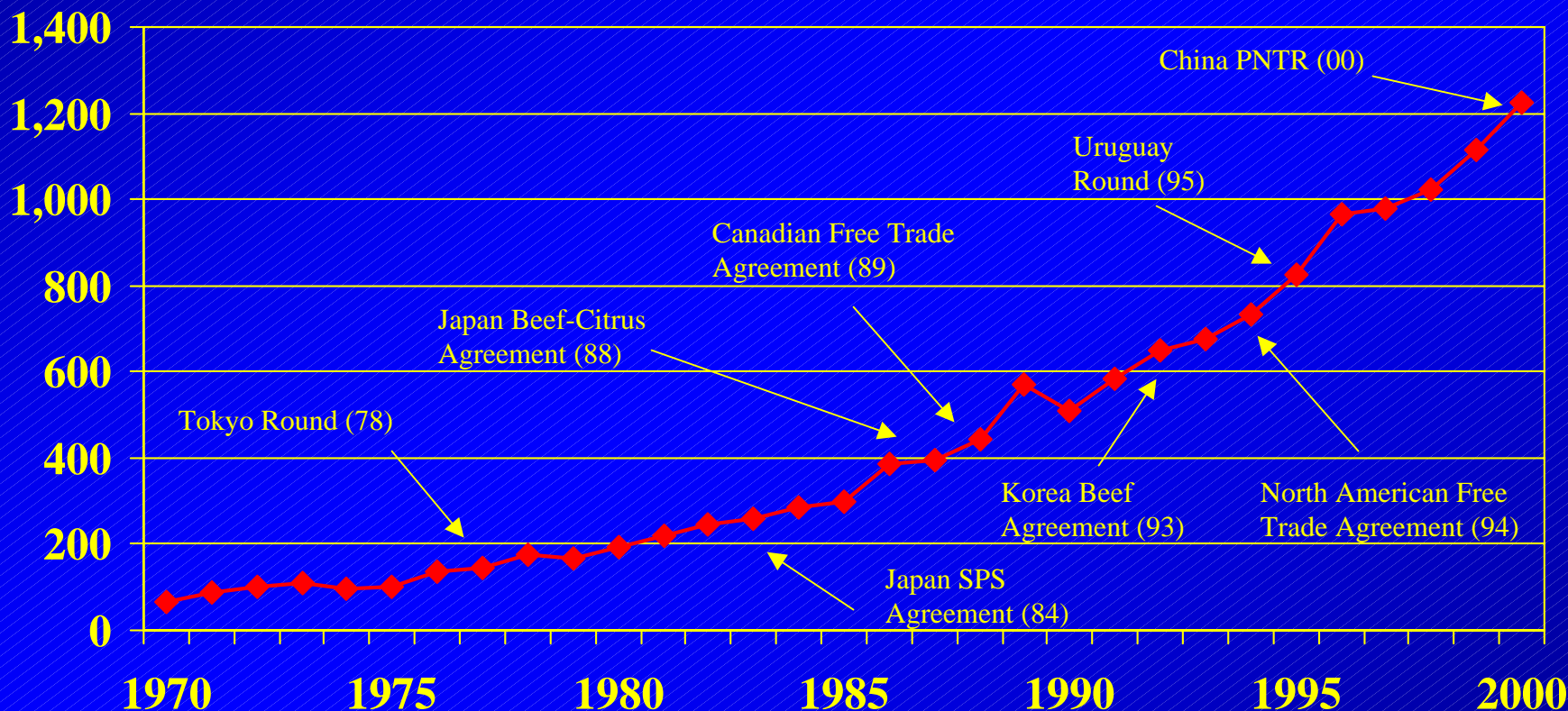
Market Access

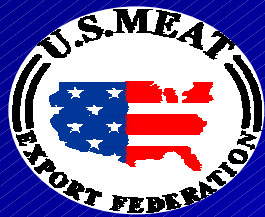
- Market Access is the key to future export growth
- NCBA and NPB are the industry voice on policy, USMEF works the technical issues
- WTO
- FTAs
- Bi-laterals
- SPS and TBT resolutions



U.S. Beef Exports 1970-2000

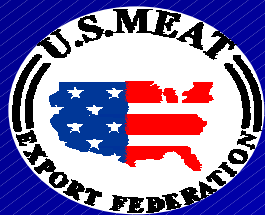
(1,000 MT)





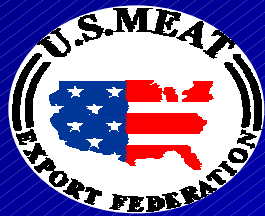
Fresh vs. Frozen

- Overseas consumers continue to call for “fresh” product
- Can an imported product ever be “fresh”?
- Does fresh product conflict with food safety and/or product integrity?
- Testing consumer attitudes directly against domestic product
- Intensive surveying and in-store tests



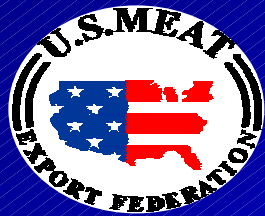
Market Access Grid

Country	Products	Issue	Trade Damage	Tariffs	Status
Australia	Pork	Ban on imports of uncooked pork from countries with PRRS, PRV, TGE)and Aujesky's Disease	\$2-3 million	Zero rate of duty on pork.	Ban remains in effect pending completion of risk assessments by Australian government. USDA has recently requested that a separate risk assessment for the U.S. be conducted on a faster track.
Barbados	Pork and Beef	Trade restrictive import duties	\$500,000-650,000	Pork: 207% - 210% Beef: 40%	Import market liberalized in April 2000, but duties were set at trade restrictive levels.
Brazil	Beef	Trade restrictive import requirements	\$15-20 million	Beef 13%	Bureaucratic requirements applied to importers are limiting import volumes.
Chile	Beef	Restrictive grading regulations	\$10-12 million	Beef 11%	Chile requires that all beef sold through commercial channels carry a Chilean grade. Talks between USDA and Chile have failed to reach agreement that Chile will recognize USDA grades as equivalent to Chilean grades.



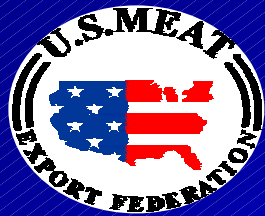
Approved Compound Use

- Does science rule in the mind of the consumer?
- Does science rule in the halls of foreign governments?
- USMEF is working more closely with the livestock and pharmaceutical industry
- Submit comments on MRLs to foreign governments



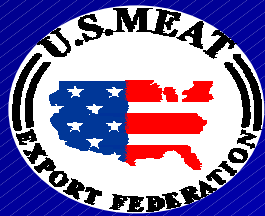
Maintaining Animal Health

- Maintaining herd health is a primary concern
- A health problem will hurt the domestic and international marketing efforts
- USMEF continues to work with importers to describe US animal care practices
- USMEF reminds consumers of industry standards (BSE free, etc)



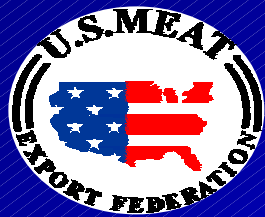
Strong Dollar

- The strong dollar does pose significant challenges
- Export credit seminars for our members
- Promotion of lower cost cuts
- Educate retail and HRI trade regarding dollar returns per cut (profit planner)
- Educate trade about select US cuts verses similar competitor products



Additional Programs

- Working with the competition to increase overall demand
- Market research identifying emerging markets



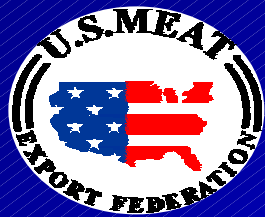
Co-opetition

Situation

- Concept of Co-opetition growing in importance.

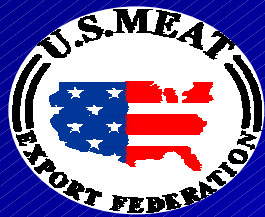
USMEF Response

- USMEF is working with competition in Japan, Taiwan and Mexico to develop joint campaigns that will benefit all participants.



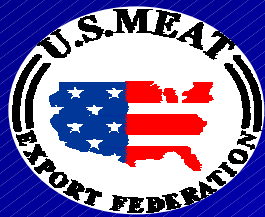
Market Research

- How does an organization identify new markets?
- Development of a “potential demand index”
- Greater mining of public data- domestic and foreign
- Cut-by-cut analysis
- Greater cooperation with packers and exporters



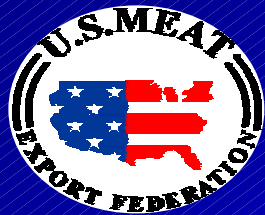
Marketing In Uncertain Times

- Increase the size of the market for all but fight for shelf space
- Build importer and processor loyalty
- Continually educate the consumer

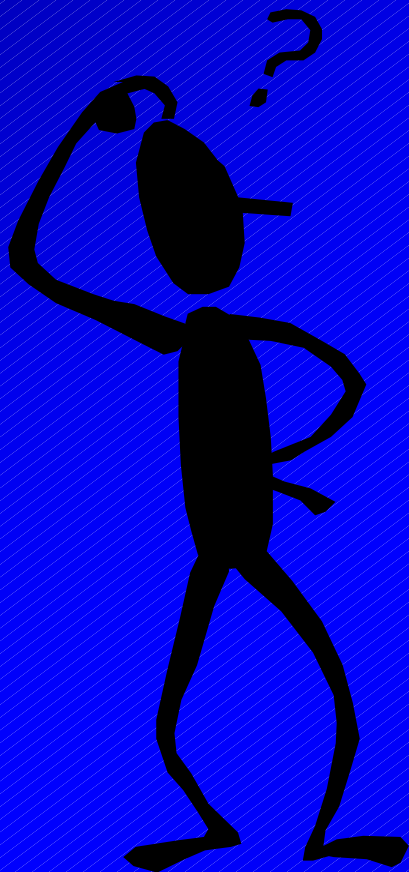


Marketing In Uncertain Times

- The U.S. industry is meeting the challenges
- Exports will continue to expand, but at a declining rate
- Market access is the key
- Inform the consumer about food safety
- Listen and meet other consumer demands (freshness, safety, nutrition, etc)
- Look for the market niche to offset price increases



Thank You



- Questions?

- Contact Richard Fritz
- 303-623-6328
- Visit usmef.org