



*CAB Corner on Quality*  
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## **World trade key to future**

*By Mark Polzer, CAB Vice President for Business Development*

On the ranch, it costs more to produce beef now than just a couple of years ago. In the store and on the menu, it also costs more for consumers to buy beef.

Will higher prices reduce beef demand, especially with a slowing economy? That remains to be seen, but the return of a significant beef export market helps counter the concern.

Australian beef supplies have fallen short of meeting all the demand in reopening Pacific Rim markets. Moreover, the U.S. dollar has fallen against the currencies of most beef-importing nations worldwide, adding to their buying power here. As a result, U.S. beef exports have rebounded to their highest level in four years.

As an example of weaker demand among U.S. consumers for the most expensive cuts of beef, consider the trend for whole tenderloins. If they brought \$12 per pound (lb.) in early 2007, they sold for \$8/lb. this summer – a 33% drop – while overall carcass values rose by more than 10%. The value has been shifted to the chuck and round cuts, which can better absorb price increases at the consumer level.

That's where the international market becomes a strong partner in the market, because it offers targeted demand. Exports support higher overall beef prices by shifting values to prevent consumer demand erosion.

Higher fuel and grain prices affect everyone in the world, stimulating more demand for the chuck and round over the traditionally more expensive "middle meats" of the rib and loin eye muscles. The stage is set for the quality advantage.

The Certified Angus Beef LLC (CAB) international team has been able to capitalize on the brand's high marbling specifications to support a unique and growing utilization of chuck and round cuts. Asian markets enjoy multiple uses of the chuck roll, chuck short plate and short ribs, items that carry a much lower value stateside. Taiwan and Hong Kong sales accounted for more than 5 million pounds in 2008, and the renewed Korean market more than doubled to 1.7 million pounds.

The growing Mexican market has recognized the CAB quality specs for chuck rolls and round cuts. As sliced meat for "arachera," beef is a staple in Mexican restaurants and homes. CAB exports to Mexico were up 20% last year and another 20% this year, as our second highest volume international market accounted for 18 million pounds.

Our top world market, Canada, is growing even faster. Unique in its strong demand for those middle meats, Canada saw 25% growth in 2008 after a huge 51% jump the previous year. Its 23 million pounds make up 40% of the 59 million pounds in total export sales.

By working to build our export trade, we will create more carcass value. That should allow higher carcass prices paid to producers while helping the domestic consumer afford their favorite middle meats in the restaurants and grocery stores.

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