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NEWS

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Ready for the world?

Beef producers must set the stage for Asian beef trade boom

Producers can't wait for profit to knock on the door; they must seek it out, and according to one economist, that means now.

"It's time," Dan Basse says. "It's time that the beef producer think globally and sell his very-high-quality product overseas." The president of AgResource Company, Chicago, says failing to act in the near term will literally cost a fortune.

"Producers need to be acutely aware of the export opportunities and the real economic might those carry," he says, projecting an 8% boost in trade volume would raise cattle prices by \$9 to \$13 per hundredweight (cwt.).

Basse says beef consumption in the U.S. is at its lowest level in 12 years, but demand around the world is increasing with population and wealth, from India to China. Until 1998, the average Chinese person made less than \$1,000 a year. Today, it's \$3,900 and rising.

"When you go from dirt poor to a little better than just poor, you want more diet diversity," notes Alex Avery, director of research at the Hudson Institute. "That means grain diversity, fried foods, then meat, milk and eggs. Dietary improvement is a consistent relationship with rising affluence."

The two trade analysts were speakers at the November Feeding Quality Forums, co-sponsored by Certified Angus Beef LLC (CAB), Pfizer Animal Health, Land O' Lakes Purina Feed LLC and Feedlot magazine at Garden City, Kan., and South Sioux City, Neb.

CAB international director Geof Bednar shares that optimism while noting several obstacles. "Global trade is probably the biggest opportunity for the beef industry," he says. "But the really difficult part of that equation is gaining the access we need to get into those markets."

Although China's borders are currently closed to U.S. meat, Bednar says it's an important border for producers and beef marketers to watch along with other Asian trade doors.

"As soon as China opens up, it will be a very significant market for the beef industry and for CAB," he says.

The world's largest branded beef company has found its way into other Asian markets. South Korean sales set a record in 2009 at 6 million pounds, and although sales to Japan are slowly rebounding from the 2003 trade disruptions, CAB didn't waste time finding other markets to fill the gaps. By expanding efforts in Taiwan, Vietnam and Hong Kong, the brand has reached countries that are open and hungry for high-quality beef.

"Our brand is able to withstand more turmoil from an economic standpoint verses commodity beef," Bednar says. "That's because of the relationships we build through licensing and the way we go to the market, let alone the quality level."

CAB-licensed distributors sell product in more than 60 countries, through a growing network of licensed partners in foodservice and retail. New licensee Wilson International is a leading meat distributor in Hong Kong, which, although part of China for more than a decade, has remained a free trade zone.

"Hong Kong has been gaining considerable momentum in our markets," Bednar says. "But a key fact there is that Wilson International also has five business units in five major other Chinese cities. So that's positioning us well, ready if China's markets ever open up, too."

Meat demand in Hong Kong has risen more quickly than in other Chinese districts, Avery says.

"Hong Kong is very wealthy in comparison to the whole of China," he points out. "Compared to their mainland contemporaries, the average Hong Kong person eats twice as much pork, four times as much poultry and four times as much beef."

Demand is about more than numbers, of course.

"As we think about global marketing, we also have to start thinking about the customers and their position in being from a country that is not a 'net food producer.' That makes them much more interested in where food comes," Bednar says.

Asian consumers in particular are more interested in a "story" behind their food, something that Bednar says the *Certified Angus Beef*[®] (CAB[®]) brand provides. "Japan and Korea imagine the U.S. beef industry as a factory industry. They just can't image the rancher back in Iowa or wherever it might be," he says. "To get the most out of these markets, we have to tell our production story. That's an advantage we have over commodity."

Basse says it will take a focus on opening the doors, followed by intense consumer marketing campaigns to fully realize the economic potential of international trade.

"We must have people thinking globally and talking about the advantages we have relative to other countries that are trying to sell beef," he says. "We have to tell the world's consumers about the safety and quality of U.S. beef."

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