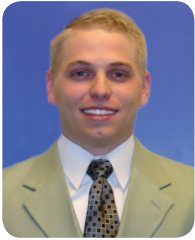


U.S. Beef Exports Climbing Back Slowly but Surely

By Tod Kalous

U.S. beef exports continue to increase as we regain access to key export markets and continue to increase shipments to many already existing markets. So far in 2007, U.S. beef exports are up 26 percent



compared to last year. By year's end, U.S. beef export volumes are forecast to be over 50 percent of the total volume moved in 2003 prior to BSE. U.S. beef exports are forecast to total 1.45 billion pounds in 2007 compared to 1.15 billion pounds in 2006 and 2.5 billion pounds in 2003.

Currently, our largest beef export market is Mexico, which has taken in 45 percent of our total beef export volume so far in 2007. However, compared to last year, Mexico's share has decreased as other beef export markets continue to pick up the pace. Last year Mexico accounted for nearly 60 percent of total U.S. beef exports. Prior to BSE in 2003, Mexico accounted for less than 25 percent of the total U.S. beef export volume. At that time, Japan was our largest market with 36 percent of the market. Also in 2003, South Korea was a major market for U.S. beef receiving over 20 percent of the total export volume.

Regaining access to the key Asian markets of South Korea and Japan has been somewhat slow, mostly due to the Korean boneless beef policy and the 20 months of age limit being imposed by Japan. Year-to-date, volumes to Japan have

totaled just 14 percent of 2003 levels and to South Korea just 12 percent of 2003 levels. Progress continues to be made, as the most recent monthly shipment to Japan was about double the monthly shipments made in January and February of this year. Monthly shipments to South Korea also continue to rise and in July were 62 percent of the July 2003 shipment.

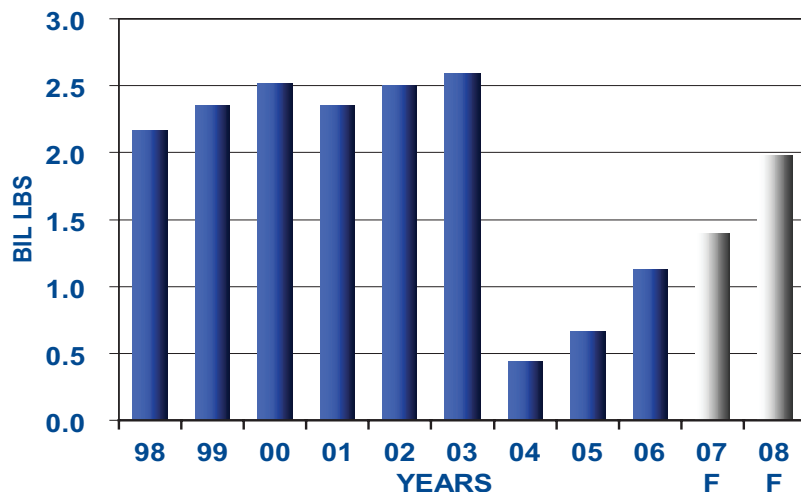
The progress in Japan can mainly be attributed to the Japanese government's departure from box-by-box inspection, which allowed only a limited amount of beef to pass through the customs area. In South Korea, a few hiccups with shipments containing pieces of bone and one with vertebral column, which violate the boneless beef agreement and by Korean definition the vertebral column is a specific risk material (SRM), have caused temporary border closures. South Korea has implemented a policy to only ban beef from the specific U.S. plants which

have shipped product with bone, rather than a full ban on all U.S. beef.

Bottom Line: The two major hurdles with U.S. beef exports: 1) Japan raising the maximum age of eligibility from 20 to 30 months of age, and 2) Korea allowing bone-in beef. Until these hurdles are crossed, beef volume will be limited to both countries. Both of these issues are expected to be resolved by early 2008.

To the U.S. cattlemen, regaining access to these key beef export markets does have a significant impact on price and profitability. For example, in May and June, short rib prices rallied due to increased export demand to South Korea. The price increase added roughly \$16 per head to the value of fed cattle (10 pounds per head x \$1.60/lb price increase). The total value of beef exports is about 60 percent of the 2003 level and on a per pound basis export values are already 20 percent higher than in 2003.

U.S. Beef Export Forecasts



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

