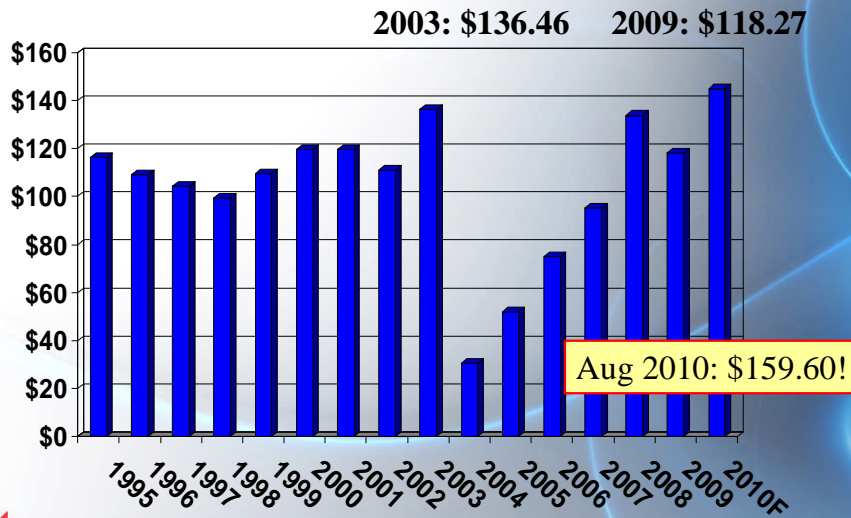




Thank you. I'm pleased to be here today to talk on the subject of traceability and international markets for U.S. beef exports. It's an interesting issue because traceability is an important issue for the domestic beef industry, but it has implications for the export market as well.

Value of Exports per Head Slaughtered

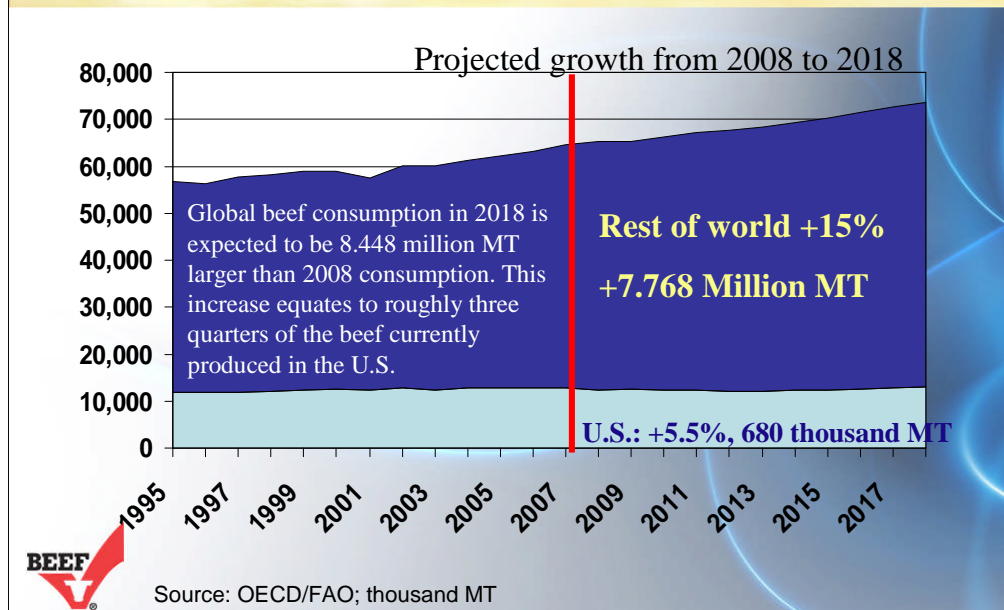


Source: USDA/USMEF, steer & heifer slaughter

Why are we talking about traceability and the export markets? This slide illustrates how much the beef export market means to U.S. producers.

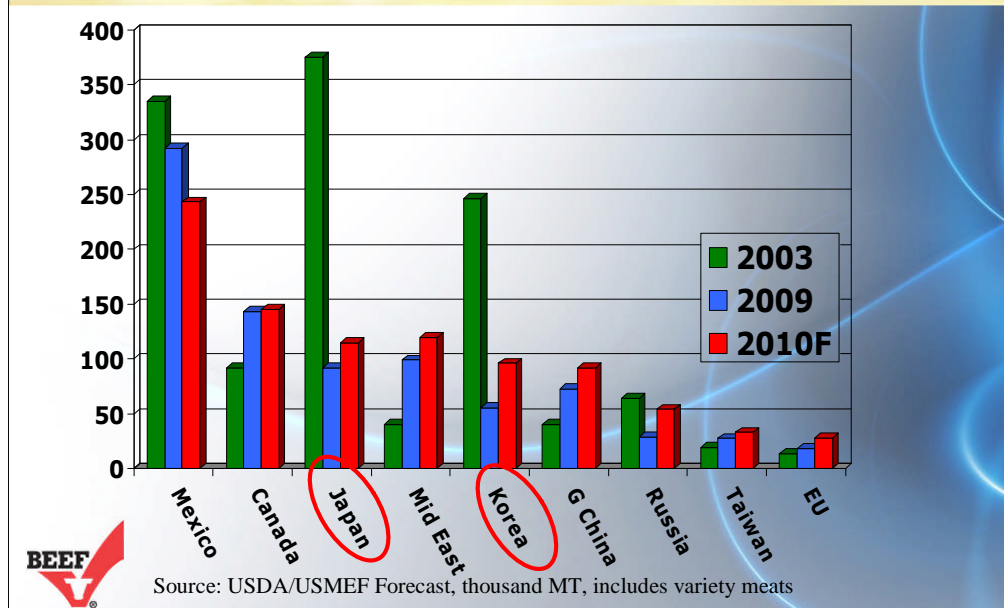
The value of exports per head peaked at more than \$136 in 2003 – just before the discovery of BSE in the United States. They fell to less than \$31 the next year when we lost access to most of our key export markets. This year, as you can see, our beef exports are returning almost \$160 per head for every steer and heifer slaughtered in the United States. There's no question that the export market is a key revenue source for American beef producers.

Growth in Beef Consumption



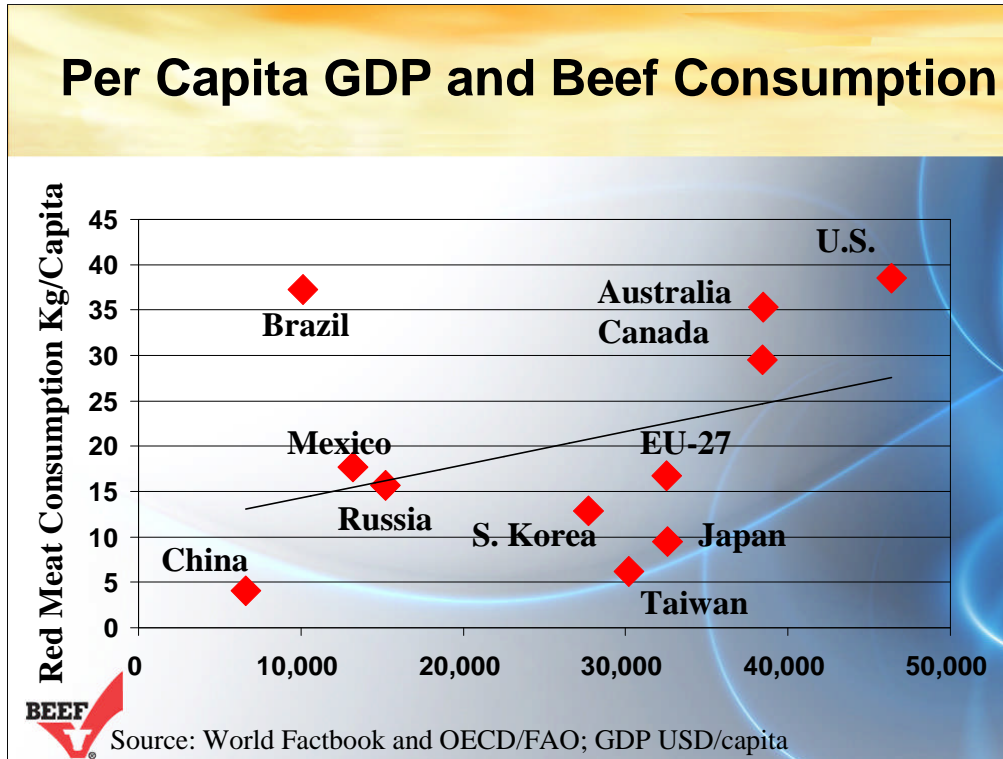
Here's the projected growth for global beef consumption. Domestic consumption of beef is projected to be relatively flat, and may even decline in the next 2-3 years. The rest of the world is where the action is. Over the coming 8-10 years, global beef consumption is projected to jump 15 percent – or the equivalent of 75% of current U.S. beef production. Thankfully, U.S. beef production continues to improve. Between 1980 and 2008, we saw the U.S. cattle supply drop nearly 14% while beef production rose almost 24%. That equates to a 42% jump in production per animal. That's the kind of progress we're going to need to see globally if we're going to feed two extra Chinas in 2050.

U.S. Beef Exports to Top Markets



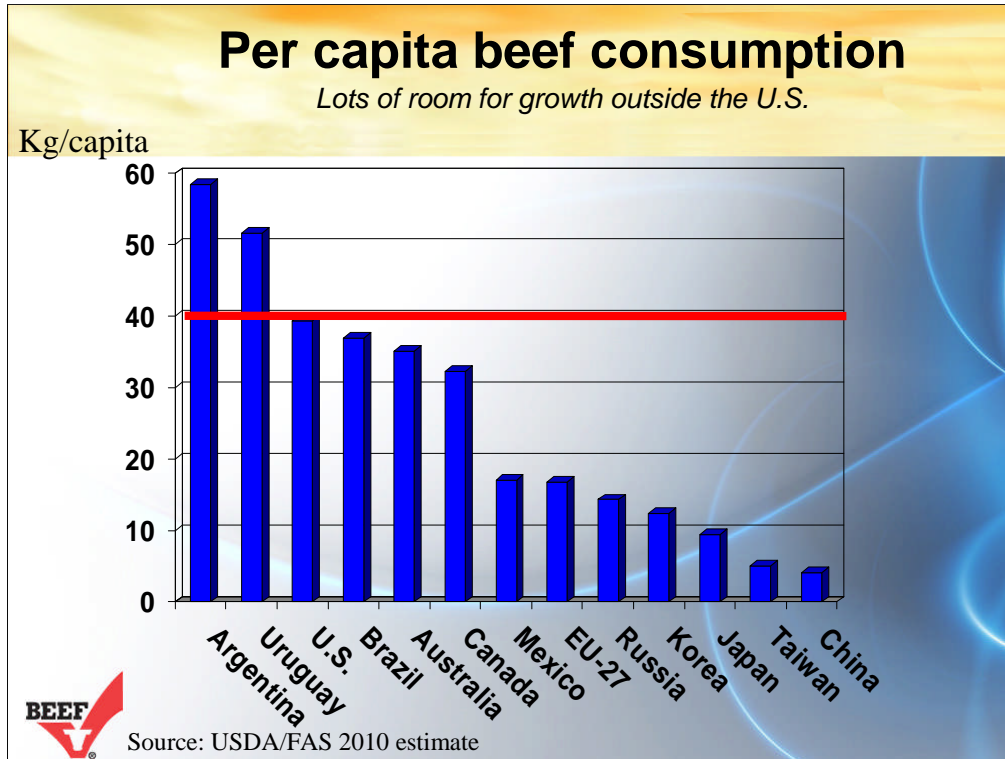
This slide shows the top U.S. beef export markets for this year, last year, and in 2003. You can see that Japan and South Korea were our No. 1 and No. 3 beef export markets in 2003. Even though they have declined significantly since then, they continue to be significant markets, and they have huge potential for growth. They are markets that enjoy high-quality beef and have shown in the past that they enjoy U.S. beef

Market access is a key for both Japan and Korea. We are still limited in Japan to beef from cattle 20 months of age and younger, which restricts our export opportunities there. In Korea, we are still recovering from protests there when U.S. beef reentered the market in the summer of 2008. I'll tell you more about that later, and explain why these two markets are critical to the issue of traceability.

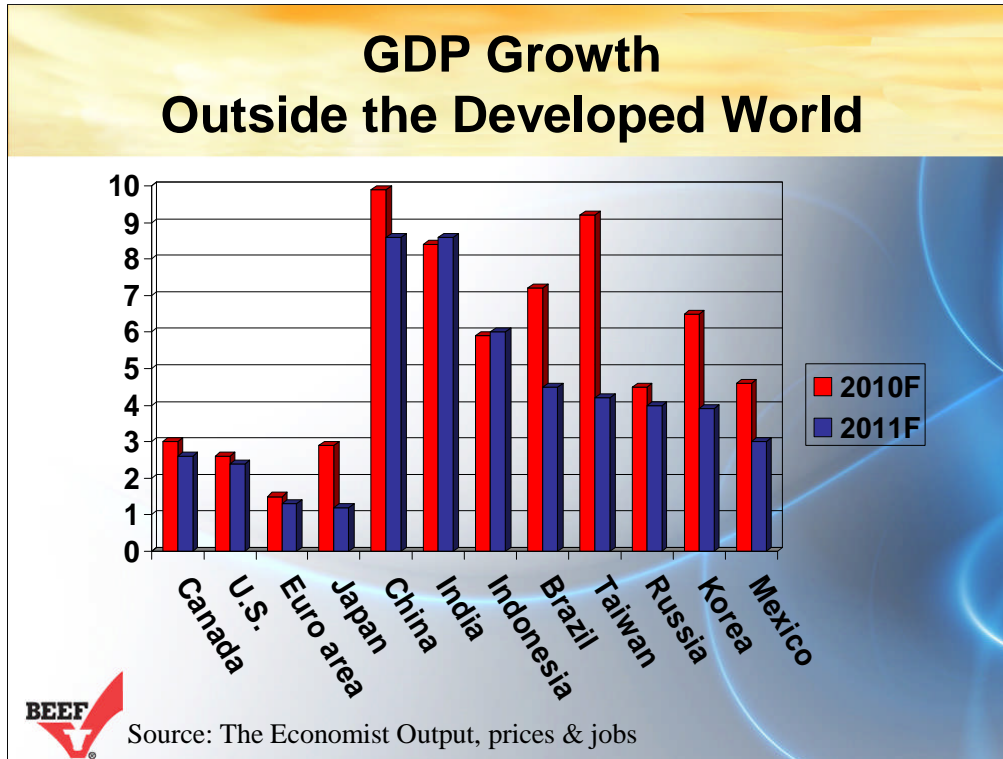


Here we see the general correlation between per capita GDP income and beef consumption. The United States is at the top of both charts, followed by Australia and Canada. Brazil is an exception to the rule because it is such a large beef producing country even with a low GDP.

These are among the key countries that we are focusing on. Japan, South Korea and Taiwan are key markets for high-value U.S. beef exports. Mexico is our No. 1 market for volume of beef exports, including variety meat and offals. The European Union is a growing market for high-quality beef, although access is limited by their ban on hormone-treated cattle. Of course, Russia and China are both key prospects because of their size and growing wealth – which will ultimately lead to more beef and protein consumption.



Here's another view of some of the largest beef-consuming countries of the world. Argentina, Uruguay, Brazil and Australia are not key targets for us since they are all large beef-producing countries as well. Our primary targets are on the right side of the slide. These are high population countries that are either affluent now or have growing GDPs. These are countries where there is huge growth potential for U.S. beef. And these are countries that do not produce enough beef to supply their own needs.



A minute ago we look at GDP and how it relates to beef consumption. This chart clearly shows where the GDP growth is coming from. GDP growth in the U.S., Canada, EU and even Japan is expected to be fairly low in the coming year. South Korea, Mexico, Russia, Taiwan and Indonesia are all key U.S. beef markets.

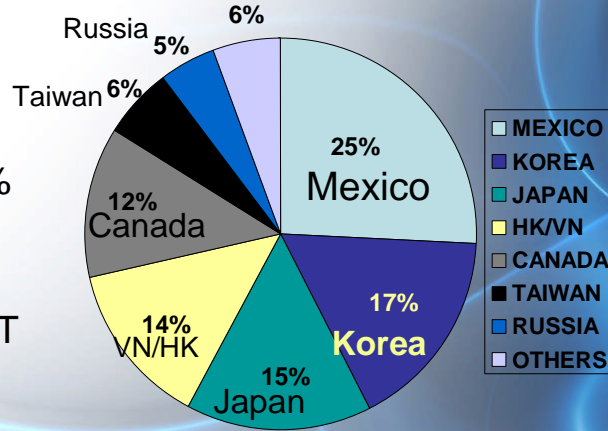
And, as you can see for China, it will be a prime target for us when we're able to gain access. Right now we're not able to export to China.

Exports are up this year...

Weekly U.S. beef exports through Nov. 4

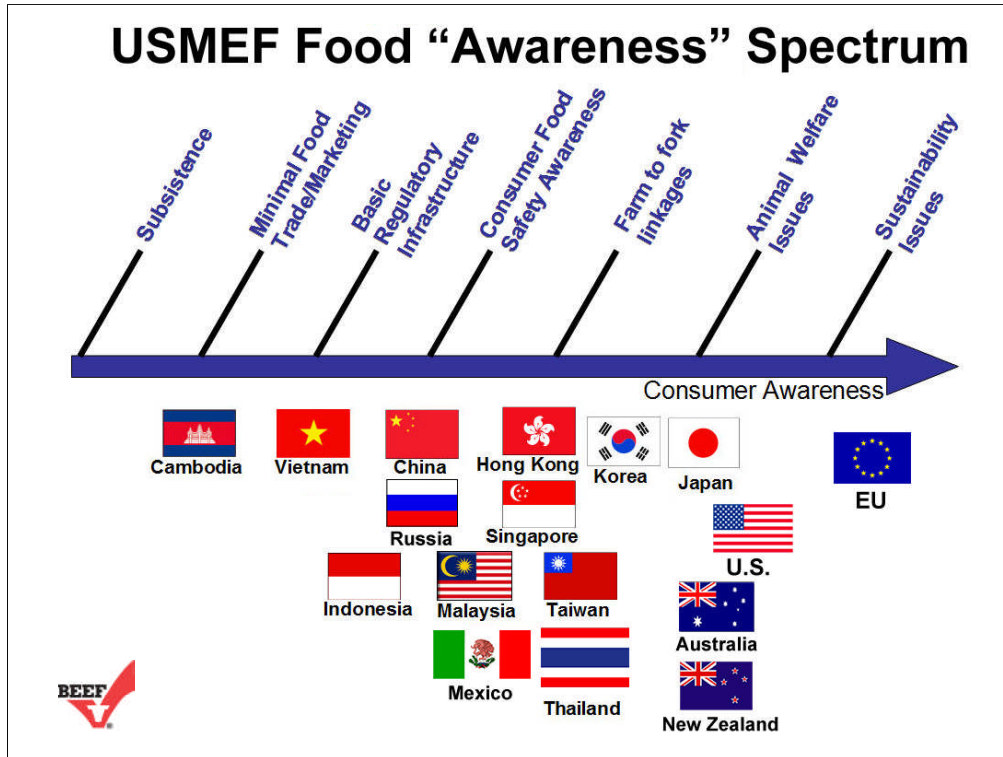
1. Mexico -5%
2. Korea +118%
3. Japan +33%
4. Vietnam/HK +23%
5. Canada 6%
6. Taiwan +43%
7. Russia: 23,410 MT
(a new annual record)

Total: +30%



Source: USDA/FAS Weekly Export Report

Now let's look at how U.S. beef exports are doing this year. Through Nov. 4, we're up about 30 percent in the value of our beef exports compared to last year. Mexico is the only major beef export market that is down from last year – and that's because Mexico is still slowly recovering from the global economic crisis of 2009.



All of that is leading up to our discussion of traceability. When we talk about the international marketplace, we’re not talking about a homogeneous group of consumers. This graphic was developed with input from USMEF’s international staff looking at how issues related to food safety, animal welfare, traceability and sustainability are viewed in those countries. We’ve listed a few here to give you a sense for the diversity.

On the left side of the scale, you have countries that are not focused on basic subsistence-level activities. There may be an awareness of the need for food safety and traceability, but no one’s talking about animal welfare or carbon impact. They are focused on putting food on the table. As Saint Thomas Aquinas once said, “He who is dying of ***hunger*** must be fed rather than taught.”

On the right side of the scale are those countries where hunger is less of an issue. Consumers have choices, and they are increasingly using factors like sustainability, traceability and animal welfare to drive those choices. Some of this is change comes from governments, but we are seeing more non-governmental organizations, or NGOs, getting actively involved to convince and coerce corporations to adopt private standards that not only affect what and how we can purchase, but they can lead to changes in international trade.

Japan: In-store Beef Traceability Kiosks

国内産牛肉
安心確認システム

安心への取り組み

生産地からお店まで
「履歴」がわかる
イオンのトレーサビリティ

イオンは、お客さまが安心して
牛肉をお買い求めいただけるよう、
「どこで生まれ、どこの、だれが、
どんな飼料を与えて育てた牛なのか」を
確認できるシステムに取り組んでいます。

履歴検索画面へ

イオンのトレーサビリティの仕組み

トレーサビリティとは、英語の「トレース」(足跡を追う)と、「アビリティー」(できること)を合わせた言葉で、「追跡可能性」(追跡ができること)と訳されます。イオンで取り扱う国内産牛肉は、全て生産から店頭までの履歴を追跡可能な牛肉ばかり。「国内産牛肉の安心確認システム」では、お客さまのご自宅からお買い求めいただいた牛肉の生産履歴をインターネットで検索いただけるサービスへの取り組みを行っています。

BEEF

If you travel to Japan, you'll see evidence of this in the stores. Consumers want to know where their food comes from. They want to feel that they can trust the people who produce and supply their food.

You may remember not too long ago how there were food safety scares in Japan – mainly related to food imported from China. Since Japan imports about half the food it produces, it must trust that the products it imports are safe.

There is no mandatory traceability requirement in Japan right now, but consumers clearly value the information and use it to guide their purchases.

The shopper in this picture is using a computer and scanner in the grocery store to check on the source of meat she wants to purchase, and to see information about the producer. You will see “story beef” and “story pork” and even “story tomatoes” with information on the producers. More and more, retailers in Japan are showing pictures of producers on the packages of products to give consumers the feeling that they're buying food raised by someone they know.

Our Competition...

Traceability you can trust.
オージーは、安心と満足をお届けします。

官民一体のトレーサビリティ・システム

農場から目的地まで、牛の履歴を追跡できるトレーサビリティシステムは、万が一問題が起きた場合、その原因も特定し、迅速に対処するための重要なシステムです。オーストラリアは1960年代から、世界に先駆けてトレーサビリティ・システムを導入し、食の安全・安心を実現してきました。

POINT 1
農場ごとに与えられた番号で識別できます。
農場は、牛の飼育から出荷までの全過程を記録し、政府が管理するデータベースに記録します。オーストラリアの牛肉は、農場ごとに与えられた番号で識別できます。この番号は、牛の飼育から出荷までの全過程を追跡するための重要なシステムです。

POINT 2
電子タグで情報も集約、牛の移動履歴を一貫管理。
牛の移動履歴を記録し、政府が管理するデータベースに記録します。オーストラリアの牛肉は、農場ごとに与えられた番号で識別できます。この番号は、牛の飼育から出荷までの全過程を追跡するための重要なシステムです。

BEEF

When BSE was discovered in the United States, Australia jumped into the market with both feet. The truth is that Australian beef was already present in Japan, but the issues surrounding U.S. beef caused Australia to change it's approach to marketing there.

You may have seen Australia's green "Clean and Safe" ads. Well, they've stepped up the pressure in the past year by promoting their traceability program. Now that U.S. beef is gaining more traction in Japan and sales are rising, this is one way they can differentiate themselves from U.S. beef. Traceability is not mandatory in Japan at this time, but if it ever becomes a requirement, Australia's beef industry won't skip a beat.

大自然の贈り物、カナダビーフ。
 すんだ空気。清らかな水。肥沃な大地。美味しいビーフは、カナダから。

CANADIAN CATTLE IDENTIFICATION PROGRAM
 The Canadian Cattle Identification Program (CCIA) is the industry's first and only national program for the identification and traceability of all beef cattle in Canada. For more information contact: Canadian Cattle Identification Agency (CCIA), 1-877-WAG-8989 (0330), www.cciainc.ca

◆カナダビーフは**個体識別システム**によって管理されています
 ◆カナダの牛は輸入されたすべてのビーフは**100%肉専用種**です
 ◆カナダビーフは**個体識別システム**によって**品質の信頼性**を確保しています
 ◆カナダは世界有数の**牛肉輸出大国**です

BEEF

Canada Beef カナダビーフ輸出連合会 〒104-0061 東京都中央区銀座6丁目13番16号 銀座ウォールレジデンス509号
 TEL:03-3546-6691 FAX:03-3546-6690 <http://www.cbef.jp> E-mail: jaew@cbef.com

Australia's not alone in promoting traceability.

Canada is actively promoting its traceability program in Japan. You and I know that Canada has had more confirmed cases of BSE than the United States, but Canada is moving aggressively on traceability. That message is resonating with some Asian nations. Canada right now is in the final stages of negotiating beef access with China, and already has an access agreement in place with Hong Kong.

Korea Beef Traceability System (www.mtrace.go.kr): April 2009

1) 소 및 쇠고기 이력시스템 메인 홈페이지(<http://www.mtrace.go.kr>)
홈페이지 주소를 입력하여 쇠고기 이력제 홈페이지에 들어옵니다

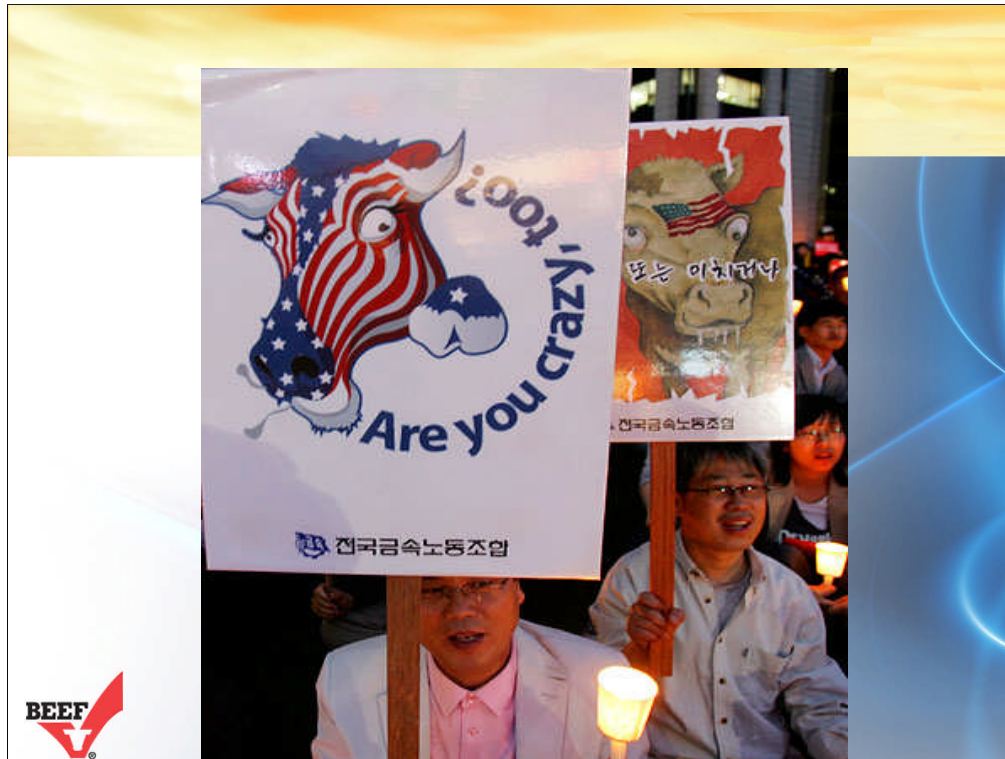
2) 12자리 숫자를 띄어쓰기없이 입력하십시오
쇠고기 이력제 적용 판매장에서 이력추적제 적용 쇠고기인 경우 12자리 숫자로 되어있는 개체식별번호를 홈페이지 메인 개체식별번호 입력화면(2)에 입력 후 버튼을 누릅니다

The story is similar in South Korea. In fact, Korea has implemented a traceability program for its domestic beef. While Korea does not now require traceability from farm to fork on its imported beef, it is not out of the realm of possibility that it could come in the future.

Does traceability guarantee food safety? No. But it does give consumers a measure of comfort. In markets like South Korea, giving consumers that reassurance is very important.



For those of you who don't remember, this was the scene in Seoul, South Korea, in the summer of 2008. When U.S. beef was brought back into the market, opponents of the South Korean government used the U.S. beef issue as a reason to protest in the streets. At times there were 100,000 or more candlelight protestors in downtown Seoul protesting that U.S. beef is unsafe. As you can see in this picture, the protests were pretty rough at times, but even the presence of thousands of riot police did not cause the protestors to back down.



These protests in Korea are a classic case of a country's private standard for food safety that rocked the U.S. beef industry.

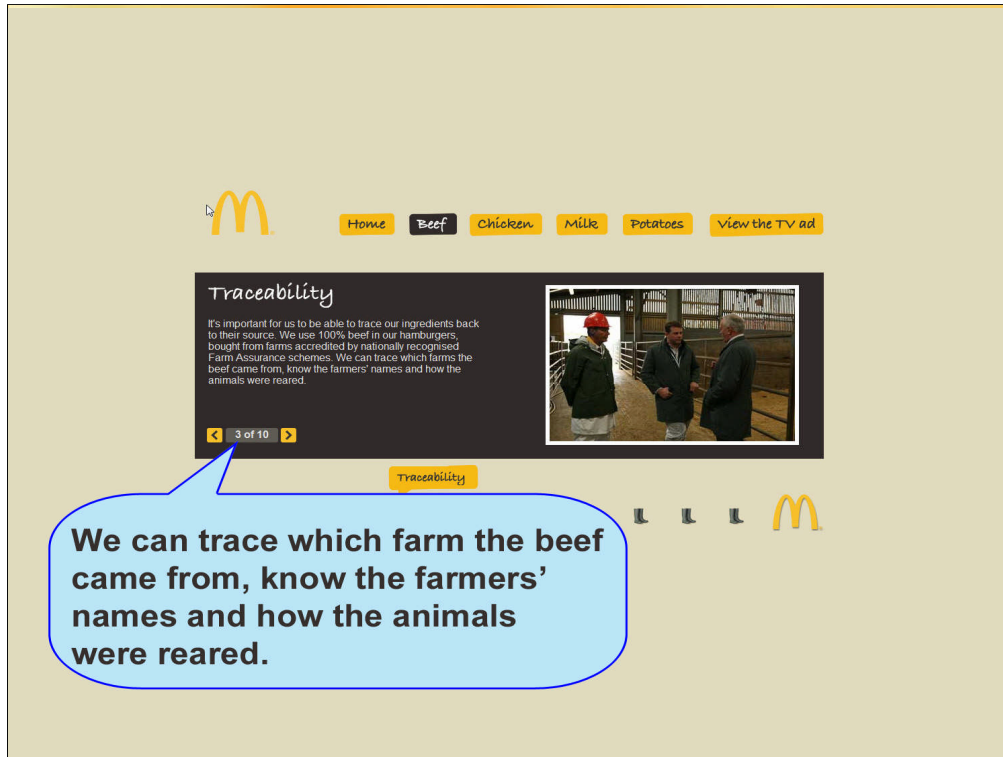
Now you and I know that U.S. beef is safe. We export the same beef we serve our own families. But a political battle in Korea led to the spread of misinformation to discredit the government of President Lee, who signed the beef deal with our President Bush. The media there took the issue and ran with it, and consumers in Korea – who cherish their right to protest – took to the streets in droves.

USMEF has been actively educating media and key opinion leaders in Korea, and we ran an extensive imaging campaign there that continues today. I'm happy to say that U.S. beef sales in Korea area rapidly rebounding and we're taking market share away from Australia, but Korea's private standards have limited access to U.S. beef and kept us from regaining the No. 1 market share we enjoyed in 2003 before BSE.

Taiwan: Trial Traceability Coding



And Taiwan is another case. Taiwan has been a loyal customer of the U.S. beef industry, but when bone-in beef was set to be reintroduced there, we saw a miniature version of the reaction we got in Korea. The furor has died down, but a traceability program has been introduced to give consumers some of that same piece of mind that consumers in Japan and Korea are seeking.

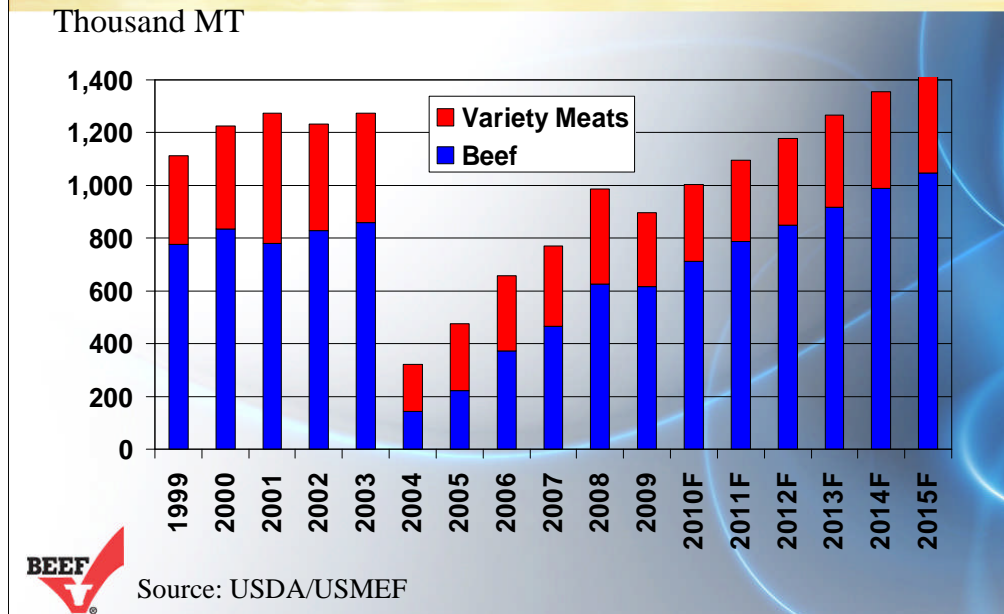


Traceability isn't just an issue with the countries we export to. Corporate private standards are another area that is putting pressure on the beef industry globally to implement traceability systems.

Here's a screen shot from the McDonald's website in the EU. This is a classic case of private standards. McDonald's is claiming to its customers that it holds its suppliers to a higher standard.

McDonald's loves to claim that it is first – first in traceability...first in animal welfare...first in recyclable packaging. The challenge becomes more interesting because of McDonald's global footprint.

U.S. Beef Exports Recovery



This slide shows what happened to U.S. beef exports after the discovery of BSE in our country in December of 2003. The recovery is happening, but I don't need to tell you how much those years of reduced exports hurt us as producers.

The issue of traceability is not the same as BSE. However, the one connection between these issues is that there is the potential for limitations on market access. If a key beef importing nation like Japan or South Korea were to implement mandatory traceability on imported beef, any nation without a traceability program would find itself on the outside looking in.

Lost beef export value due to BSE (2004-2010)

- Japan: \$8 billion
(-\$70 million/month currently)
- Korea: \$4.7 billion
- Others: >\$1 billion

Total: ~\$14 billion

(based on annual export value compared to 2003; estimated for 2004 through 2010)



Source: USDA/FAS data; USMEF estimates



This will give you an idea of the impact of BSE on the U.S. beef industry. Since 2004, USMEF estimates that our industry has lost about \$14 billion because of reduced access for our beef products overseas. In Japan alone – which was the No. 1 market for U.S. beef in 2003 – we estimate that our industry is still losing about \$70 million each and every month because we don't have full access.

It's important to note that U.S. beef does have access in Japan and most other markets right now, and we're enjoying near-record export levels. Maintaining that access is a key to ensuring that beef export levels remain high. Traceability isn't the only tool to ensure access, but it is one, and it's one that our competitors are using against us right now.



Thank you. I'll take any questions you may have.



Welcome – personalize to the audience.