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**Contact:** Jim Herlihy 303-623-6328 [jherlihy@usmef.org](mailto:jherlihy@usmef.org)  
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### Outlook for Major Beef Importing Countries

#### Introduction

Following is the final in a four-part series from the U.S. Meat Export Federation (USMEF) that examines key statistics and trends from the U.S. Department of Agriculture's beef and pork trade outlook forecast for 2008 through 2017, which was developed in November 2007 and released last week. The USDA 10-year outlook is a scenario based on what would be expected to happen under a continuation of current farm legislation and specific assumptions about external conditions. It is not a forecast. USDA data is based on carcass weight equivalence (CWE) and does not include variety meats.

#### Highlights

The USDA's 10-year outlook for the beef market offers this projection for the landscape of major beef-importing countries in the year 2017:

##### Top beef importers in 2017

- **United States** – U.S. imports are projected to grow to 1,748,000 metric tons (3.85 billion pounds), an increase of 277,000 metric tons (610.6 million pounds) or 19 percent over 10 years.
- **Russia** – imports grow to 1,398,000 metric tons (3.08 billion pounds), an increase of 348,000 metric tons (767.2 million pounds) or 33 percent over 10 years.
- **Japan** – imports in 2017 total 851,000 metric tons (1.87 billion pounds), an increase of 136,000 metric tons (299.8 million pounds) or a 19 percent increase.
- **Mexico** – 765,000 metric tons (1.68 billion pounds) imported in 2017, reflecting a 365,000 metric ton (804.6 million pounds) or a 91 percent increase. A mild increase of 2 percent in 2008 is followed by a 15 percent increase in 2009 and then 5 percent to 7 percent annual growth over the remainder of the outlook period.
- **European Union** – EU imports projected at 709,000 metric tons (1.56 billion pounds) in 2017, a decrease of 16,000 metric tons (35.2 million pounds) from the 2007 import estimate. According to Erin Daley, USMEF manager of research and analysis, factors leading to the projected decrease likely include lackluster EU consumption, limited beef supplies, high consumer prices and heavy reliance on South America, which contribute to market uncertainty.
- **South Korea** – projection of 430,000 metric tons (947.9 million pounds) imported in 2017, an additional 115,000 metric tons (253.5 million pounds) over 2007 levels.
- **Egypt and Canada** – each country projected to import about 332,000 metric tons (731.9 million pounds) in 2017 with Egypt's imports growing from 250,000 metric tons (551.1 million pounds) and Canada's imports growing from 225,000 metric tons (496 million pounds) in 2007.

According to Daley, the most significant revisions from USDA's 2007 estimates to its new 10-year projection are increased imports forecast for Russia (reflecting strong demand and declining domestic production) and Canada (exchange rate implications; high feed and labor costs).

#### Major beef importing countries

*Note: The following import data is from the Global Trade Atlas in product weight equivalence.*

- **United States** – Beef imports fell 1 percent in 2007 to 933,330 metric tons (2.05 billion pounds). The top suppliers were Australia (30 percent), Canada (27 percent), New Zealand (17 percent), Uruguay (11.5 percent) and Brazil (7 percent – all prepared/preserved). The United States imported more than 11 percent of its beef consumption in 2007, and more than 12 percent of beef is expected to come from imports in 2008. Daley notes that this change will result from an expected slight reduction in production, an increase in exports, and a slight increase in beef imports. The weak dollar and relatively tight global beef supplies are expected to limit U.S. beef imports this year. Continued strong cow slaughter could also limit the demand for foreign manufacturing beef.
- **Russia** – Through September 2007, Russia imported 23 percent more beef than during the same period in 2006, driven by 137 percent growth in imports from Brazil (64 percent of total imports), which more than offset declines from its other major suppliers, including Argentina (15 percent market share), Paraguay (8 percent) and the EU (5 percent). Russia renewed access to imports from Ukraine in 2007, and import volumes from that country are currently similar to those from the EU (about 5 percent of the total). In 2007, more than 43 percent of beef consumed in Russia was imported. Imports are expected to account for nearly 45 percent of total consumption in 2008 as domestic production declines slightly while imports increase to meet

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growing domestic consumption. Rising demand from booming HRI and retail sectors, which domestic production cannot satisfy, coupled with growing quality expectations from consumers ensure that Russia will import more beef in 2008. The challenge for U.S. beef is to reestablish its presence after a four-year ban and a successful positioning of Australian and Argentinean beef products in the Russian market. For beef loins and round cuts, price will be the key element in capturing a significant market share. U.S. beef is reentering the Russian market at a time when prices in Brazil have reached record highs and the Brazilian real continues to strengthen against the U.S. dollar. With the continuing weakness of the dollar, these factors combine to make U.S. beef an attractive proposition for Russian importers.

The first shipments of high quality U.S. beef — tenderloins, striploins and ribeyes — since late 2003 delighted importers by selling well. Beef offal is expected to do well, too. In 2003, the United States exported 60,752 metric tons (133.9 million pounds) of beef variety meat to Russia.

The return of U.S. beef made USMEF's presence at Moscow's prestigious Prodexpo Trade show (Feb. 11-15), the biggest annual food show in Russia, a great opportunity for U.S. beef suppliers to meet with customers from Kaliningrad to Vladivostok, as well as from Ukraine, Tajikistan and Armenia.

USMEF hosted a reception on February 13 attended by more than 200 guests including Allan Mustard, minister counsellor for agricultural affairs, and a USMEF delegation led by Thad Lively, senior vice president of policy planning and research. The delegation had an opportunity to meet with both U.S. suppliers and Russian traders and to be among the first people in Russia to taste top quality U.S. beef cuts since the lifting of the ban on U.S. beef (Oct. 2007). The success of the reception and the presence of leading Russian meat companies confirmed the high demand for U.S. beef in Russia. The Russian meat trade is becoming more regularized as companies specializing in meat imports replace more opportunistic traders. This evolution contributes to creating more transparent and predictable relationships for U.S. exporters.

- **Japan** – Japan's beef imports increased slightly (1.5 percent) in 2007, totaling 486,628 metric tons or 1.07 billion pounds. Australia maintained 82 percent market share despite a 3.35 percent decline in volume. Imports from New Zealand declined 10.6 percent, accounting for 7 percent of Japan's total imports. U.S. imports regained ground to reach 7 percent of Japan's total import market share while Mexico captured 1.5 percent of total imports. Nearly 60 percent of Japan's beef consumption is derived from imports.

Since last year, USMEF has conducted a "We Care" campaign to demonstrate the commitment of U.S. producers and industry to delivering a safe, wholesome and delicious product and to counter negative impressions of U.S. beef in the Japanese media. The campaign includes newspaper ads, an interactive [Web site](#), a U.S. beef industry virtual tour and media events. It also contains elements directed to the Japanese retail and foodservice trades to assure buyers that the product is safe and there is consumer demand. The strategy is supported by buyer teams, a "beef caravan" to conduct seminars in Japanese cities, a trade version of the virtual tour, promotions and point-of-sale materials.

- **Mexico** – Mexico reports a 7.6 percent increase in imports through October, totaling 241,868 metric tons (533.2 million pounds), with the United States accounting for 80 percent of total beef imports followed by Canada with 13 percent and newly-approved Uruguay captured 2 percent. About 16 percent of beef consumed in Mexico is imported. Daley believes Uruguay will likely take advantage of the EU ban on Brazilian beef exports in the near term and direct beef away from the United States and Mexico in search of higher premiums offered by the EU market. However, Uruguay could become a growing competitor in the Mexican market over the outlook period.

USMEF-Mexico has planned 56 seminars from February to December 2008 in an ongoing effort to better inform influencers of opinion about the nutritional benefits of including red meat in a balanced, healthy diet. The audience will be 75 percent health professionals — physicians, nurses, dieticians, nutritionists — and 25 percent homemakers and parents. A USMEF chef cooks samples and gives tips for cooking meat correctly. U.S. meat cuts are on display and printed materials are distributed along with reminders that U.S. beef can be purchased at the best supermarkets and restaurants.

USMEF has already held 17 "Eating Healthy" seminars to date, attended by more than 1,000 participants. Two seminars in October at the health ministry were attended by 250 doctors, nurses and administrators.

USMEF also is conducting merchandising seminars to better inform sales personnel from importers and distributors of the attributes of U.S. beef in an effort to "build informed and well-trained sales forces who will more effectively promote and market U.S. red meat to downstream customers," according to Chad Russell, USMEF regional director for Mexico and the Dominican Republic.

- **EU** – January through November 2007 imports were 10 percent below 2006 levels during the same period, with an 18 percent decrease from its dominant beef supplier, Brazil (which supplies 67 percent of total imports). Beef imports from Argentina increased by 10 percent and accounted for 17 percent of total imports, followed by Uruguay with 7 percent market share and Botswana with 2.65 percent. Imports from

the United States increased by 180 percent, but still only represent 0.5 percent of total EU beef imports.

USMEF sees opportunities for further growth in this market as EU requirements have been modified and expansion in the U.S. "natural" market could complement EU demand for non-hormone treated cattle. Nearly 9 percent of total EU beef consumption is expected to come from imports during 2008.

Even before the EU ban on Brazilian beef took effect Jan. 31, the EU bid Uruguayan beef away from the NAFTA countries. Just 13 percent of Uruguayan exports flowed to North America during January 2008 compared to 66 percent of export volume in January of last year. While Uruguay's total January export volumes only increased 2 percent, prices increased by 30 percent. Exports to the EU included both high end (loins) and round cuts with prices as high as \$32,000 per metric ton (\$14.51 per pound) for tenderloins, \$7,000 per metric ton (\$3.17 per pound) for inside cap (about double the price paid by Russia) and \$4,500 per metric ton (\$2.04 per pound) for outside flats. Russia is currently Uruguay's second largest market, purchasing trimmings at \$2,200 per metric ton (\$1 per pound) – an increase of about \$1,000 per metric ton compared to mid-2007 quotations.

- **South Korea** – January through November 2007 beef imports increased 4.4 percent to 201,563 metric tons (444.3 million pounds) with Australia maintaining 72 percent market share, followed by New Zealand with 19 percent, the United States with 7 percent and Mexico with 2 percent. Imports accounted for 61 percent of South Korean beef consumption in 2007, but this percentage is expected to fall to 59.4 in 2008 due to a 4.4 percent increase in domestic production (the inventory of Hanwoo cattle increased 10 percent in 2007) while imports are only expected to increase by 1.6 percent, according to USDA projections.

USDA does not assume access for U.S. beef exports to South Korea or the implementation of the South Korea/United States free trade agreement (KORUS FTA), said USMEF's Daley. The KORUS FTA would offer tremendous potential for U.S. beef as duties would be reduced to zero from 40 percent over 15 years for most products. If the U.S. regains access to South Korea, USMEF anticipates strong demand for U.S. beef at both the retail and foodservice levels. Due to the strong preference for grain-fed beef short ribs, used in Korean barbeque, more than 90 percent of U.S. short ribs could flow to Asian markets if we regain full access to South Korea as well as Japan and China.

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The U.S. Meat Export Federation ([www.USMEF.org](http://www.USMEF.org)) is the trade association responsible for developing international markets for the U.S. red meat industry and is funded by USDA, exporting companies, and the beef, pork, corn, sorghum and soybean checkoff programs.

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