

International Market Development Activities For U.S. Beef

Third Quarter FY10
April 1 – June 30, 2010



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USMEF activities described in this report are funded through the Beef Checkoff Program as well as various USDA market development programs and the national and state soybean and corn checkoff programs.

ASIAN MARKETS LEAD THIRD QUARTER EXPORT SURGE

Beef export results for April and May show strong momentum for U.S. beef in almost every international market. Through May, CY2010 beef muscle cut and beef variety meat (beef/bvm) exports have increased 11 percent in volume (to 398,879 mt) and 19 percent in value (to \$1.45 billion) over CY2009. In each month of CY2010, exports have exceeded year-ago levels in both volume and value. But this trend has grown decidedly stronger as the year has progressed, with April and May results being particularly encouraging. In fact, beef/bvm export value in each of these months exceeded the 2003 level by more than 10 percent. This was the first time since August-September 2008 – before the global economic crisis curtailed global beef demand – that monthly beef/bvm export value exceeded the level achieved in 2003.

The only major export market to be down in the third quarter of FY2010 is Mexico, which is discussed in more detail on page 6. Mexico is still the No. 1 destination for beef/bvm exports, but results in both April and May were well below 2009 levels. Exports to Mexico have been particularly hard-hit by slow demand for variety meat, though muscle cut exports are also down slightly from a year ago.

Across the rest of the globe, the export picture is extremely bright. Key Asian markets such as South Korea, Japan, Taiwan, Hong Kong and the ASEAN region have been very strong performers, but impressive gains were also achieved in Russia, the Middle East, Europe and the Caribbean.

The rebound in Korea has been especially encouraging. Korea has overtaken Japan and Egypt to become the No. 3 volume market for U.S. beef, increasing 66 percent over last year's pace. Korea is fourth-largest in terms of value (behind Mexico, Canada and Japan), increasing 94 percent over last year. In the first two months of this quarter, beef/bvm exports to Korea reached more than three times the volume and more than four times the value achieved in April-May 2009.

Japan's performance also has been impressive, with both volume and value in CY2010 exceeding last year's pace by more than 25 percent. April was a particularly strong month for Japan, though exports in May also exceed year-ago levels.

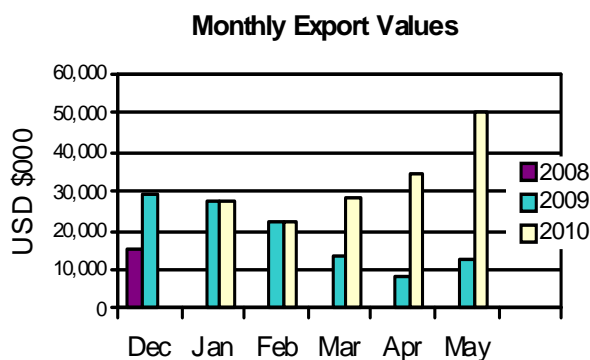
Export growth in Asia has been achieved despite lingering market restrictions, including Japan's 20-month age limit on eligible cattle, product restrictions in Hong Kong and lack of direct access to China. Some progress has been made in expanding the range of products eligible for Taiwan, though the trade protocol agreed to in late 2009 is still not fully implemented. Access to Korea has been reliable for most products derived from cattle under 30 months of age, but high tariffs remain a concern due to slow progress on ratification of the U.S.-Korea free trade agreement. These issues are discussed in more detail in the individual market highlights to follow.

Beef variety meat exports in both April and May were below 2009 levels, as they have been in each month of CY 2010. Most of this decline, however, is attributable to sluggish bvm demand in Mexico. Among other major variety meat markets, only Vietnam has suffered a decrease when compared to CY2009. Variety meat exports to other leading markets such as Egypt, Russia, Japan, Korea, Peru and Jamaica are trending higher.

KOREA CLIMBS EXPORT RANKINGS AS REMARKABLE REBOUND CONTINUES

Market Developments

The rebound in exports to South Korea that began late in 2009 gained even greater traction in April and May 2010. By the end of May, Korea had climbed to third place in terms of beef/bvm export volume (37,177 mt) for CY2010 and fourth place in terms of value (\$162.8 million). These totals represent an increase of 66 percent in volume and 94 percent in value over last year's pace.



Based on weekly USDA/FAS export data for June, Korea's strong performance is expected to continue through the end of the quarter. In fact, net sales to Korea averaged about 3,000 mt per week in June – about the same level as Mexico, the No. 1 volume destination for U.S. beef.

Strong demand from Korea, as well as competition from other active Asian markets, has had a dramatic impact on beef short rib prices. Prices have stabilized at about \$3.75 per pound, compared to about \$2.00 per pound a year ago. The increase in this one cut alone has boosted steer and heifer slaughter value by \$15 to \$20 per head.

Global Trade Atlas data show that the business climate for all beef exporters is improving in Korea, with imports from all sources rising by 23 percent in volume and 37 percent in value. But U.S. beef has fared particularly well, raising its market share to 33 percent in terms of value and 29 percent by volume. Australia remains the market share leader in Korea, but its share has declined from about 75 percent in 2008 to 53 percent in 2010.

Korea's high tariffs (40 percent) on imported beef remain a concern for the U.S. beef industry. However, in an encouraging late-June announcement by U.S. Trade Representative Ron Kirk, the Obama administration pledged to move forward with Congressional ratification of the U.S.-Korea Free Trade Agreement in time for the G-20 meeting in Seoul in November 2010. The agreement would phase out tariffs on U.S. beef exports to Korea over the course of 15 years. Progress on the agreement has taken on a renewed sense of urgency since Korea recently completed its fifth round of FTA negotiations with Australia.

"As Australia moves ever closer to implementing an FTA with Korea, the urgency of the U.S.-Korea agreement becomes all the more pronounced," says USMEF President and CEO Philip Seng. "Korea's high tariffs already impact demand by artificially raising the cost for consumers. But the situation will become even more difficult if our primary competitor in the market gets a running head start on the tariff reduction process."

Seng said Australia gaining a price advantage would be especially unfortunate now that U.S. beef is regaining market share and finding renewed success in Korea.

"We have come so far since U.S. beef returned to Korea in 2008," Seng said. "U.S. beef is back in Korea's major retail stores and restaurant chains, and is gaining greater consumer acceptance every day. Ratification of the FTA would allow us to build further on this momentum."

Third Quarter Activity Highlight

US Beef Showcased at Korea’s Largest Food Show

High-quality cuts of chilled U.S. beef commanded a high level of interest at *Seoul Food & Hotel 2010*, Korea’s largest food exhibition held in Ilsan, a suburb of Seoul. The May 12-15 trade show featured nearly 1,100 exhibitors from 32 countries and 43,000 industry and consumer guests. USMEF’s presence was made possible through support from the Beef Checkoff Program.



A special exhibit helps Seoul Food & Hotel visitors separate myth from fact about U.S. beef production

USMEF offered an information booth for consumers called “U.S. Beef Production at a Glance.” The exhibit explained how U.S. cattle are raised and fed, and gave visitors an up-close view of life on an American ranch. USMEF also unveiled two new consumer activities – a quiz allowing consumers to separate myths from facts regarding U.S. beef and a puzzle in the shape of the “To Trust” logo used in a highly successful USMEF imaging campaign.

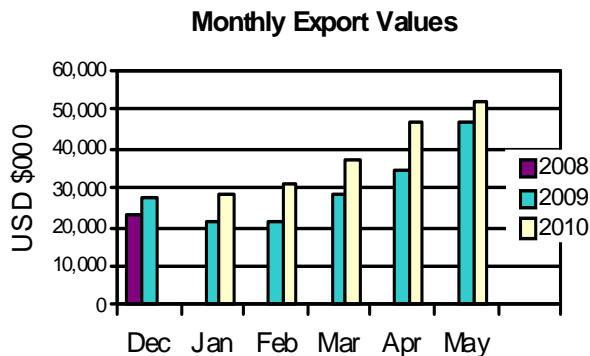
“We received very positive consumer feedback during the course of the week,” said Min Park, USMEF-Korea senior public relations manager. “With Korean consumers much more accepting of U.S. products, we have more opportunities to implement aggressive consumer activities for U.S. beef.”

JAPAN SIZZLING DESPITE LIMITED MARKET ACCESS

Market Developments

Despite Japan’s continued restriction of U.S. exports to beef from cattle 20 months of age and younger, the market continues to perform extremely well in CY2010. Through May, U.S. beef/bvm exports to Japan reached 36,698 mt valued at about \$193.3 million – an increase of 26 percent in volume and 27 percent in value over the same period in 2009.

Discussions between the United States and Japan regarding expanded access for U.S. beef were dealt a setback as Japanese officials were forced to deal with a serious outbreak of foot-and-mouth disease (FMD). U.S. officials, however, have pledged to press forward in an effort to gain relief from Japan’s 20-month age restriction and to expand access for U.S. beef in a manner that is technically and economically viable. Fortunately, extensive news coverage of the FMD outbreak does not appear to have negatively impacted consumer demand for beef. While it is too early to gauge the long-term impact of FMD on Japan’s production capacity, it may have contributed to a recent spike in Japan’s beef imports. In CY2009,



Japan's beef imports declined about 8 percent in value from 2008, falling to their lowest level since 2006. In the first two months of CY2010, total beef imports were down about 10 percent compared to 2009. But by the end of May, Japan's beef imports had pulled even with last year's pace in volume and about 12 percent higher in terms of value.

Global Trade Atlas data show a steady gain in U.S. market share in Japan, with the United States capturing 19 percent of the total value CY2010, compared to 12 percent in 2008 and 16 percent last year. Australia is still the market share leader with 68 percent, while New Zealand ranks a distance third with just under 5 percent market share.

Third Quarter Activity Highlight

US Steak Promotions a Big Hit at Japan's Family Restaurant Chains

As in most countries, families in Japan are watching their budgets carefully and dining out less frequently. When they do treat themselves to a meal out, they are looking for excellent value. With this in mind, family restaurant chain Gusto – operated by Skylark Company – rolled out a very successful steak promotion. At more than 900 locations, Gusto featured the “Sticking-Out-Large Beef Steak” using a U.S. chuck eye roll.

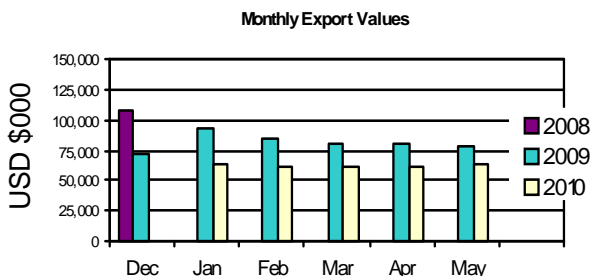


Japan's Red Lobster restaurants entice customers with a U.S. chuck eye steak promotion

One of the keys to this promotion's success was Skylark's intense preparation. Last summer and fall, the company's buyers visited U.S. beef plants to conduct product research. To minimize costs, Skylark directly purchased about 500 metric tons (1.1 million pounds) of chuck eye roll specifically for this menu promotion. At one point, Gusto actually had to suspend the promotion for 30 days because sales far outpaced the company's expectations. The success of Gusto's steak promotion isn't lost on Japan's other large family restaurant chains. Denny's is also running a major promotion, adding U.S. sirloin steak as a new menu item at all of its 430 locations throughout Japan. This is the first usage of U.S. beef for Denny's since Japan's resumption of U.S. beef imports. Red Lobster, which operates 25 restaurants in Japan, also rolled out a six-month promotion featuring a 400-gram (about 14 ounces) U.S. chuck eye steak. In a trial promotion at several outlets, Red Lobster recorded the highest sales of any steak ever featured on its menu.

MEXICO REMAINS NO. 1 MARKET, BUT TRAILS LAST YEAR

Market Developments



Through May, U.S. beef/bvm exports to Mexico were 95,802 mt valued at \$310 million. While Mexico is still the leading volume and value destination for U.S. beef exports, these totals represent a 26 percent decline in both volume and value compared to January-May 2009.

Much of the overall decline in exports to Mexico is attributable to the sluggish demand for variety meat. While muscle cut exports are trailing their 2009 pace by only 9 percent in volume and 7 percent in value, bvm

exports are down by 45 percent and 60 percent, respectively. One factor in this decline could be that beef variety meat is commanding a higher price domestically and in other global markets, making export to Mexico less cost-effective. Some analysts have also pointed to an increase in poultry products exported to Mexico during a time when some other key export markets have been closed to U.S. poultry.

Anti-dumping duties, a longstanding barrier that has raised the cost of entry for about half of the U.S. beef muscle cuts exported to Mexico, may be removed later this year. The duties, which have been in place since 2000, range from 3 cents to 29 cents per pound. While these rates are low compared to tariffs assessed in some other global markets, the duties have had a significant impact and have caused some U.S. companies to exit the market. The duties are scheduled to sunset every five years, but Mexico's Ministry of the Economy can continue to impose them if a request to do so is filed by an interested party. The only such request filed this year has been withdrawn, which improves the prospects for a positive outcome. The case is not yet decided, but a decision by the Ministry is expected by late summer of 2010.

Exports to the Dominican Republic, which is in the same marketing region as Mexico, continue to post strong results in CY2010. Through May, U.S. beef/bvm exports to the Dominican Republic reached 1,712 mt valued at \$9.2 million – an increase of 46 percent in volume and 55 percent in value over last year's pace.

Third Quarter Activity Highlight

Meat Consultants Help Bolster US Beef Sales in Mexico

USMEF's meat consultants program has made important contributions to the success of U.S. beef in Mexico. Created with support from the Beef Checkoff Program, its objective is to penetrate new segments of Mexico's beef market by working with selected importers, distributors and processors to recommend better yielding processes, boost profitability and ultimately increase U.S. beef sales.

The program was founded in 2008 when consultants began visiting butcher shops and wholesale outlets to talk with owners and employees about the attributes of U.S. beef. That first year, six meat consultants visited 1,050 butcher shops and meat boutiques in Monterrey. In 2010, USMEF has three consultants in the Monterrey area working with seven importers and 140 of their customers. A Guadalajara consultant is working with three importers and 20 of their customers. USMEF is also developing a new meat brochure to be published every other month for distribution by the meat consultants. The first edition focused on food safety, to be followed by a merchandising edition.



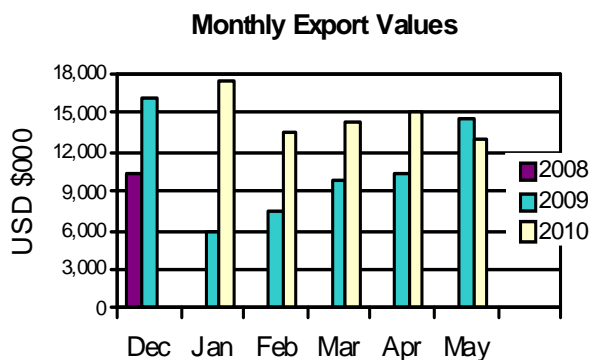
USMEF's Gerardo Rodriguez addresses customers at a recent seminar in Guadalajara

“The program is producing very positive results in Mexico by allowing us to build our network of key industry contacts,” said USMEF Trade and New Businesses Director Gerardo Rodriguez. “In turn, this allows us to reach out to a wider range of customers and deliver the products that interest them most.”

GROWTH SLOWS IN TAIWAN, BUT EXPORTS STILL ON RECORD PACE

Market Developments

After a blazing start to CY2010, U.S. beef exports to Taiwan slowed slightly in May. However, exports of 14,139 mt valued at just under \$73 million still placed Taiwan 43 percent ahead of last year's pace in terms of volume and 52 percent higher in value. This made Taiwan the sixth-largest value market for U.S. beef and eighth-largest in terms of volume. Since reopening to U.S. beef in 2005, Taiwan has set a new value record every year. Based on the first five months of CY2010, another new record seems likely.



In late 2009, U.S.-Taiwan beef trade became the subject of significant controversy when Taiwan announced an expansion of eligible U.S. beef items. The new trade protocol allowed beef and beef variety meat from cattle of all ages, though U.S. exporters agreed to voluntarily limit shipments to beef from cattle less than 30 months of age during a transition period. Despite these voluntary measures, Taiwan's legislature passed an amendment to its food sanitation law that bans the import of ground beef and offals from the United States.

But the action taken by the Taiwan legislature did not stop the addition of bone-in muscle cuts from under-30-month cattle, and demand for these items has been strong in CY2010. Taiwan has also approved a limited range of additional U.S. beef items for import, including beef skirts and hanging tenders. These economical cuts have proven to be quite successful in Asian markets and should provide additional momentum for U.S. beef in Taiwan.

Third Quarter Activity Highlight

Nebraska Beef, Corn Producers Help Showcase US Beef in Taipei

To create more opportunities for U.S. beef in Taiwan's foodservice sector, USMEF collaborated with the Ambassador Hotel for the "Nebraska Beef Gourmet Festival" held June 3 in Taipei. The event, made possible through checkoff support from the Nebraska Beef Council and Nebraska Corn Board, featured a diverse range of items showcasing the quality and versatility of U.S. beef. A team of chefs from Western-style and Chinese restaurants prepared more than 20 mouth-watering dishes using tenderloin, striploin, ribeye, rib fingers, chuck eye roll, heel muscle and bone-in short ribs.

The program began with a video outlining the storied history of Nebraska's corn-fed beef industry, including footage of the farmers, ranchers and cattle feeders who work together to produce some of the world's finest beef cuts. Interest was also bolstered by a unique consumer contest, which offered an opportunity to win a free night at in one of the Ambassador Hotel's luxury rooms. Contestants shot a video in which they identified their favorite U.S. beef dish and explained the reasons behind their choice. Then they uploaded the video to YouTube and placed the link on the Ambassador Hotel's Facebook page.



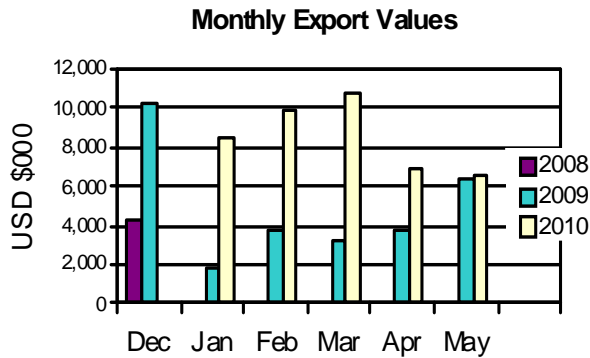
The Nebraska Beef Gourmet Festival in Taipei showcased a wide variety of beef dishes

“Taiwan has become a very important market for Nebraska beef producers, and even more so now that we have gained access for a wider range of cuts,” said Ann Marie Bosshamer, executive director of the Nebraska Beef Council. “So we see this event as a great way to build further momentum in Taiwan.”

HONG KONG THRIVES BUT DIRECT ACCESS TO CHINA STILL ON HOLD

Market Developments

Despite having no direct access to China, U.S. beef is performing extremely well in the China/Hong Kong region in CY2010. Through May, U.S. beef/bvm exports to the region totaled 10,731 mt valued at \$42.1 million – an increase of 93 percent in volume and 122 percent in value over the same period in 2009. Muscle cut exports are growing at an even faster pace, increasing 121 percent in volume and 139 percent in value. In May, muscle cut exports were actually down slightly in volume from a year ago, but still exceeded last year’s value by an impressive 17 percent.



Resumption of U.S. beef exports remains a major topic of discussion between the governments of the United States and China. The issue came under increased scrutiny when China announced plans to resume a limited range of beef imports from Canada – a country with the same BSE risk classification as the

United States and a larger number of confirmed BSE cases. Reports indicate that the Canada/China agreement will be a staged process starting with access for beef from cattle under 30 months of age as well as beef tallow for industrial use. Final details of the Canada/China agreement will be of great interest to the U.S. industry. USMEF estimates that the value of the China market for U.S. beef exports could be upwards of \$200 million per year.

Third Quarter Activity Highlight

Hong Kong Seminars Promote Economical Cuts of US Beef

With global demand steadily improving, prices for beef are on the rise. While this is good news for the U.S. meat industry, it can also create price-point challenges in certain overseas markets. To help ensure continued momentum for U.S. beef demand in southern Asia, USMEF conducted two days of seminars in Hong Kong focused on economical, often-underutilized cuts of U.S. beef. According to Joel Haggard, USMEF senior vice president for the Asia Pacific region, it is important to educate buyers and importers about the quality and value delivered by these cuts. During a period of rising prices, this can be a critical strategy for retaining them as customers of U.S. beef products.



Joel Haggard and Sabrina Yin conduct a cutting demonstration in Hong Kong

“One of our key strategies right now is to expose the trade in this region to some new-to-market cuts of beef,” Haggard explained. “With rising prices, it’s a very opportune time to remind the trade of some of the great, alternative items we have available where the runup in prices has not been as sharp.”

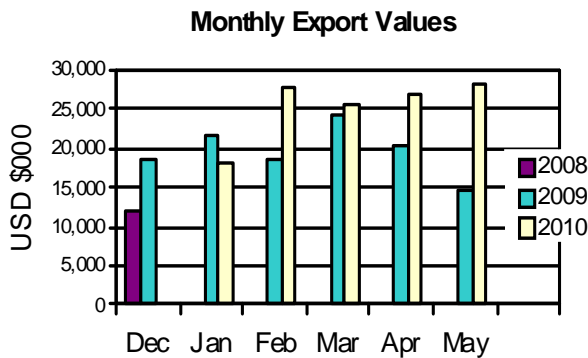
The event consisted of back-to-back afternoon seminars in which several U.S. beef cuts were displayed and sampled by more than 75 local importers, wholesalers, retailers, chefs, restaurant owner-operators and catering companies. It was held at Domani, an upscale Italian restaurant well-known for its fine-dining menu. Featured beef items included chuck flap tail, chuck eye roll, flank steak, knuckle, chuck tender, brisket and top sirloin butt. Merchandising and preparation ideas ranged from U.S. beef chuck tender carpaccio to simple items such as top sirloin butt cap meat grilled and thinly sliced.

Product demonstrations were provided by USMEF ASEAN Director Sabrina Yin, a trained chef, and by Domani chefs Michele Bernacchia and Cosimo Taddel. Executive Chef John Wingertsahn, a Culinary Institute of America graduate and corporate chef for El Grande Holding Company, provided new recipe ideas and guidance on effective merchandising concepts.

SMALLER ASEAN MARKETS DRIVE GROWTH; VIETNAM ALSO HIGHER

Market Developments

Through May, U.S. beef/bvm CY2010 exports to the ASEAN region were 37,426 mt valued at \$126.1 million. This represents a 21 percent increase in volume and a 27 percent increase in value compared to the same period in 2009. May was a particularly strong month for the region as exports exceeded the previous year’s level by 57 percent in volume and 90 percent in value.



Exports to Vietnam, the ASEAN’s largest market, totaled 29,122 mt valued at \$104.5 million – a solid increase of 6 percent in volume and 18 percent in value over the same period in 2009. However, smaller markets in the region recorded much faster rates of growth. In the Philippines, the No. 2 market in the region, demand for U.S. beef has shown a dramatic upturn in CY2010. U.S. beef/bvm exports to the Philippines are more than 70 percent above the year-ago level in volume and 55 percent higher in value. In Indonesia, the region’s third-largest

market, exports are running at six times the pace of a year ago. While both markets are showing a growing demand for muscle cuts, they remain excellent destinations for variety meat. Variety meat makes up about 60 percent of the beef/bvm volume exported to the Philippines and about 30 percent of the value. In Indonesia, bvm makes up about 70 percent of the export volume and about 35 percent in value.

Third Quarter Activity Highlight

Chefs from Filipino Tourism Hotbed Attend USMEF Culinary Seminar

USMEF-ASEAN recently hosted eight chefs from Cebu, Philippines, for an educational seminar on U.S. beef at its Singapore Culinary Training Center. The seminar was made possible through support from the Beef Checkoff Program.

Cebu is one of the country’s most developed provinces and tourism plays a large role in the local economy. In 2009, its reputation as a hot tourist destination gained further momentum when it was named by Condé Nast Traveler magazine as the seventh-best Asia-Pacific island destination. With more than 400,000 visitors per year, hotels and restaurants are sprouting in Cebu at a rapid pace to accommodate its thriving tourism industry. This has generated a rising demand for high-quality beef and created an excellent marketing opportunity for USMEF.



Sabrina Yin trains chefs from Cebu, Philippines, on preparation of U.S. beef

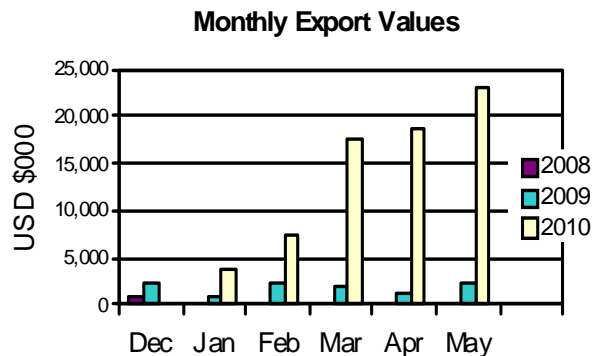
At the training seminar, USMEF-ASEAN Director Sabrina Yin showed how to prepare six beef cuts: hanging tender, short plate, chuck short ribs, chuck tender, rib finger and top blade muscle. The participants also learned innovative cooking methods for the chuck primal, which can yield extremely tender beef cuts.

“The available supply of high-end beef in Cebu is very limited,” said Jose Mike Lontoc, owner and chef at Clandestino restaurant in Cebu. “So our introduction to these quality U.S. secondary cuts will be very valuable, allowing us to expand our menu offerings.”

RUSSIA WELL ON ITS WAY TO NEW RECORD

Market Developments

Russia’s re-emergence as a major market for U.S. beef exports continued to gain momentum in April and May. U.S. beef/bvm CY2009 exports to Russia through May were 26,048 mt valued at more than \$70.4 million. This represents a dramatic increase of 171 percent in volume and 669 percent in value over January-May 2009. In fact, strong June results would push Russia very close to the all-time, full-year record value total of \$95.3 million achieved in 2008.



Russia will almost certainly set a new record for muscle cut value by the end of June. The total reached \$49.7 million by the end of May – just 10 percent short of the 2008 record of \$55.2 million. But while exports of beef muscle cuts to Russia are surging, beef variety meat exports to Russia have also remained strong – climbing 49 percent in volume (13,704 mt) and nearly tripling in value over January-

May 2009. Russia is third-largest market (behind only Mexico and Egypt) for U.S. beef variety meat in terms of both volume and value.

Third Quarter Activity Highlight

US Beef, Veal Showcased at Southwest Russia Seminar

Sochi, Russia, host city of the next Winter Olympic Games in 2014, was the venue for a recent USMEF seminar highlighting the flavor, quality and convenience of U.S. beef and veal. The event was held at The Gallery restaurant with support from the Beef Checkoff Program, as well as area distributors Snow World (of Moscow) and Gourmet (of Sochi). It was attended by 36 chefs and food industry professionals from this beautiful resort community between the Black Sea and the Caucasus Mountains.



Russian Chef Elena Lyamina headlines a USMEF culinary seminar in Sochi

A major highlight of the seminar was a presentation by Chef Elena Lyamina of Moscow's Meat Club restaurant — one of 150 establishments owned by famous Moscow restaurateur Arcady Novikov. Chef Lyamina has extensive experience with high-quality cuts of U.S. beef. She offered gourmet cooking methods for bone-in ribeye, beef short ribs cooked with Narsharap sauce, roasted brisket rubbed with herbs and grilled top blade steaks. Chef Lyamina's demonstrations also featured milk-fed U.S. veal.

"This was a terrific opportunity to educate chefs in this region about a wide variety of U.S. beef and veal cuts," said Galina Kochubeeva, USMEF Moscow manager. "The excellent quality, versatility and value of U.S. products really shine through when demonstrated by one of Russia's best-known chefs."

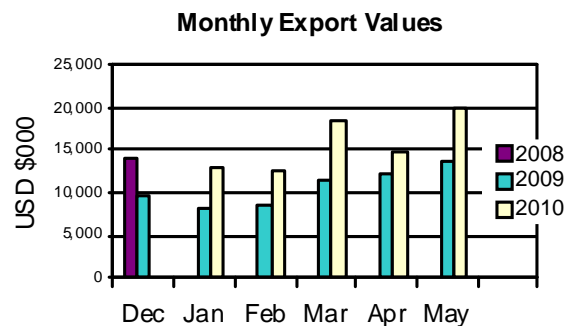
EGYPT LEADS MIDDLE EAST'S GROWING APPETITE FOR US MUSCLE CUTS

Market Developments

In the first five months of CY2010, exports of U.S. beef/bvm to the Middle East region were 45,028 mt valued at \$78.6 million, an increase of 25 percent in volume and 45 percent in value compared to the pace set in January-May 2009.

Variety meat has historically made up the bulk of U.S. beef/bvm exports to the Middle East, but the market is becoming much more diverse. While variety meat exports to the region are up slightly in volume (30,587), they are commanding a much better price than last year as bvm value has increased by more than 20 percent. But the sharpest area of growth in exports to the Middle East has been in muscle cuts, which have more than doubled in volume (14,441 mt) and increased more than 70 percent in value (\$45 million) over 2009.

Egypt is still the primary destination in the region for beef variety meat. But Egypt, the United Arab Emirates (UAE) and Saudi Arabia are all major contributors to the surge in muscle cut exports. In the first five months of CY2010, muscle cut exports to Egypt more than tripled in volume to 7,640 mt and increased 145 percent in value to \$13 million. Exports to the UAE were up 73 percent in volume to 2,635 mt and 46 percent in value to \$10.9 million. For Saudi Arabia, exports climbed 133 percent in volume to 1,556 mt and 111 percent in value to \$9.2 million.



As a result of these gains, beef muscle cuts have accounted for 57 percent of the value of all beef/bvm exports to the Middle East in CY2010. At this time last year the figure stood at 48 percent, and it was less than 38 percent in the first five months of 2008.

Third Quarter Activity Highlight

US Beef Shines at Middle East Junior Chef of the Year Competition

U.S. beef had a prominent role at the 13th annual Middle East Junior Chef of the Year competition, which was held recently at the Burjuman Center in Dubai, United Arab Emirates (UAE). For the second year in a row, the Beef Checkoff Program made it possible for USMEF to serve as a sponsor of the competition, which has become one of the Middle East's most prestigious culinary events. This year's competition was organized by the Emirates Culinary Guild in conjunction with the Dubai Summer Surprises shopping festival.

Nearly 100 young chefs from the region's finest restaurants and hotels engaged in a week of fierce competition judged by a respected team of seven international chefs. Six culinary classes featuring U.S. beef were held on each day of the event with participating chefs receiving checkoff-sponsored information kits, handbooks and cut charts. They also donned chef's hats and aprons that promoted U.S. beef throughout the week.



Winning chefs display their trophies at the Middle East Junior Chef of the Year competition in Dubai

Chef Ramesh Fernando of the Radisson Blu Hotel Dubai Deira Creek was crowned 2010 Junior Chef of the Year after capturing one gold and two silver medals in three cooking categories. Chef Fernando also captured a gold medal in a beef culinary class for a delicious dish featuring a maple-glazed U.S. beef roulade. USMEF also awarded trophies to three of the competition's top young chefs for their outstanding performance in these classes.

DUTY-FREE STATUS BOOSTS EXPORTS TO EUROPE

Market Developments

The European Union's recent opening of a new, zero-duty quota for high-quality beef has created expanded opportunities for producers and suppliers of U.S. beef. The quota, which came into force in August 2009, allows for 20,000 mt of high-quality beef at an in-quota tariff of zero. This is in addition to the existing 11,500 mt tariff rate quota, which carries an in-quota tariff of 20 percent.

Exports under the new "High-Quality Beef" (HQB) quota must meet this product definition: beef from cattle less than 30 months of age; on feed for at least 100 days with minimum energy and intake requirements; and carcasses must be quality graded.

USDA data show growth of 46 percent in volume and 69 percent in value over the first five months of last year. EU import data, which is considered a more reliable measurement of export activity to this unique market, also show growth in the range of 60 percent. The U.S. now accounts for 9 percent of the EU's chilled beef imports, which is up from only 5 percent in May 2009.

While U.S. beef caters to the higher end of the European market, the exchange rate between the euro and the U.S. dollar is still an important factor in the growth of exports. Economic instability in some EU countries contributed to a sharp drop in the euro's value in late May and early June. The euro hit a 2010 low of \$1.19 on June 8, down from more than \$1.50 in December 2009. By mid-July, however, the euro had recovered to about \$1.30.

Third Quarter Activity Highlight

USMEF, Nebraska Cattle Producers Host French TV Journalist

For an upcoming documentary on global meat production, French television reporter Anthony Orliange wanted to gather factual information about America's cattle feeding system. With assistance from USMEF, he found informative hosts in Tom and Cindy Williams, owner/operators of the Chappell Feedlot near Chappell, Neb.

"Tom was very open with us and did a thorough job of answering all of our questions," Orliange said. "We were able to get excellent footage of all aspects of the feedlot operation – a system that we don't really have in Europe. It provided a perspective on the advantages of a concentrated feeding system."



Tom Williams of Chappell, Neb., explains the management practices of his feedlot to French TV journalist Anthony Orliange (far right)

Williams explained the environmental aspects of the operation, which are often misunderstood by those unfamiliar with feedlots. This included a discussion of how cattle are fed byproducts from local ethanol and sugar beet plants, the lagoon system that completely protects nearby properties and waterways from runoff, and how manure from the feedlot is composted and utilized as fertilizer by area farmers.

A section of Chappell Feedlot is dedicated to non-hormone treated cattle (NHTC), which are produced primarily for the European market. This is another of the operation's attributes that Orliange feels will be of interest to his viewers.

Williams viewed the film crew's visit as an opportunity to show overseas consumers the attention to detail required to produce high-quality beef, and to counter many common misperceptions about cattle feeding.

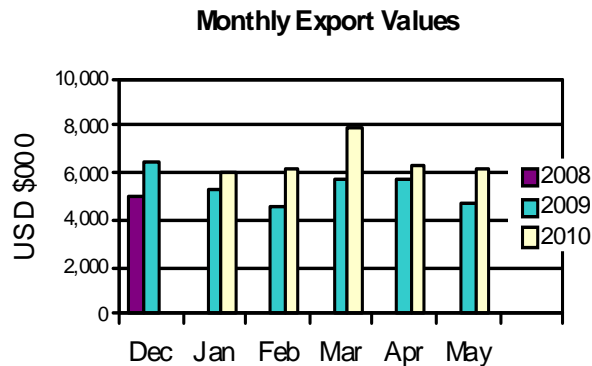
"Obviously if this visit helps promote beef overseas, that's a plus," Williams said. "And we want to be sure to get the correct story to consumers in Europe. We know that many times the information they are getting isn't correct, and that it's often based on perception rather than science. So if we can dispel some myths and set the record straight – that's why I'm willing to talk to Anthony and allow him to film here."

While in southwestern Nebraska, Orliange also spoke with John Widdowson of SandPoint Cattle Company near Lodgepole and Joe Van Newkirk of Van Newkirk Herefords near Oshkosh. Both explained the business relationship between seedstock producers, cow/calf operations and cattle feeders, noting how the expertise and efficiency of each sector would be impossible for a single producer to duplicate. Orliange also interviewed USMEF President and CEO Philip Seng on the role and mission of USMEF and the specifics of the EU-U.S. beef agreement. The documentary is scheduled to air on Canal+ – a Paris-based television network with a format similar to HBO – in December 2010.

CARIBBEAN POSTS SOLID GAINS

Market Developments

Through May, U.S. beef/bvm exports to the Caribbean region (excluding the Dominican Republic) in CY2010 were 8,869 mt valued at \$32.7 million - an increase of 27 percent in volume and 25 percent in value over the same period last year. Jamaica is the leading volume destination for combined U.S. beef/bvm exports, with the year-to-date total running 37 percent higher than last year. The Bahamas pulled into first place in the region in terms of value at \$7.9 million – a 15 percent increase over last year.



The Netherlands Antilles is a strong growth market for U.S. beef muscle cuts. At 991 mt (up 27 percent) valued at \$5.2 million (up 23 percent), this market is well ahead of last year's pace and trails only the Bahamas in muscle cut export volume and value. Jamaica is the largest market for beef variety meat, with Trinidad and Tobago a distant second.

Third Quarter Activity Highlight

Antigua Barbecue Team Competes in Puerto Rico

In January, the Beef Checkoff Program was one of the sponsors of the first-ever barbecue competition on the island of Antigua. The competition was held in conjunction with an annual food and beverage industry event conducted by the region's importers and distributors. The competition's Grand Champion award was captured by Colleen Simpson, executive chef for Antigua's National School Meals Program. As part of Simpson's Grand Champion prize, USMEF helped sponsor her registration fee for the Caribbean Barbecue Association's 2010 Caribbean Cook-off, held recently in San Juan, Puerto Rico.



The Antigua National School Meals Program barbecue team is interviewed by Food & Drink TV

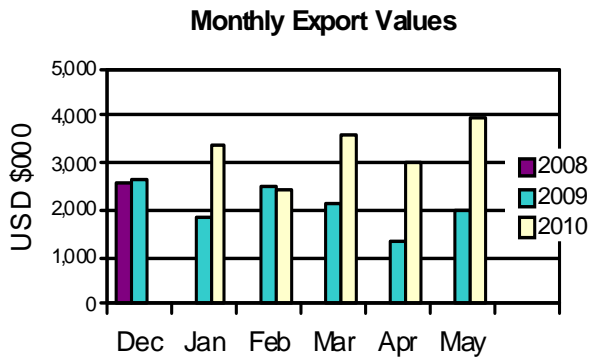
With Simpson serving as pit master, her National School Meals Program team captured fourth prize in the "Anything Goes" category and placed eighth overall out of 43 competing teams.

"Colleen and her National School Meals Program colleagues represented Antigua extremely well, beating out some of the best hotel chefs on the island," said Elizabeth Wunderlich, USMEF Caribbean representative.

SELECTED MARKETS SHOW PROMISE IN CENTRAL & SOUTH AMERICA

Market Developments

Through May, U.S. beef/bvm CY2010 exports to the Central/South America region were 6,939 mt valued at \$16.3 million – a 48 percent increase in volume and a 64 percent increase in value compared to the same period in 2009. Exports were particularly strong in May, surpassing May 2009 by 55 percent in volume and nearly doubling in value. Peru, a significant purchaser of beef livers and other variety meat, is the leading market with a total of 3,044 mt valued at \$4.7 million. Export volume to Peru has increased 61 percent over last year and export value is up by 119 percent.



Guatemala remains the leading market for beef muscle cuts with a total of 596 mt valued at \$3.3 million – an increase of 15 percent in volume and 29 percent in value over January-May 2009.

Chile and Costa Rica have emerged as promising muscle cut destinations this year, with exports to each market more than tripling in value over year-ago levels. In July 2009, Costa Rica removed age and product restrictions on its imports of U.S. beef, and is fully open to U.S. beef muscle cuts and variety meat in accordance with OIE guidelines. Chile reopened to U.S. beef in June 2008, but still limits imports to boneless beef from cattle under 30 months of age.

Third Quarter Activity Highlight

Sales Force Training Targets Growing Honduran Retail Sector

With producer support from the Beef Checkoff Program, USMEF recently conducted a sales force training seminar in San Pedro Sula, Honduras. Honduras has the second-largest population (to Guatemala) in Central America of nearly 8 million. About 20 percent of the nation's population lives in and around San Pedro Sula, considered the country's main economic and trade center.



Sales personnel in Honduras receive hands-on cutting experience

About 80 percent of the meat consumed in Honduras is purchased at wet markets and butcher shops, but the retail sector is steadily evolving. For example, Walmart now operates about 80 supermarkets in Honduras. Participants in the training seminar were not only from the retail sector, but also represented foodservice companies and meat processors. The objective of the seminar was to present the sales force personnel with technical and trade knowledge that strengthens their ability to sell U.S. beef.

Leading Markets for U.S. Beef Exports

January - May 2010

Country/Region	Year-To-Date Quantity (Metric Tons)			Year-To-Date Value (US \$000)			May Quantity (Metric Tons)		May Value (US \$000)	
	1/09 - 5/09	1/10 - 5/10	% Change	1/09 - 5/09	1/10 - 5/10	% Change	2009	2010	2009	2010
Mexico	69,352	62,944	-9%	\$265,423	\$247,877	-7%	14,928	12,637	\$52,638	\$51,296
Canada	50,473	53,227	5%	\$234,773	\$256,217	9%	14,731	12,969	\$70,246	\$63,898
Korea, Republic of	20,769	33,655	62%	\$80,028	\$155,413	94%	2,506	9,947	\$10,838	\$48,751
Japan	25,838	32,003	24%	\$135,482	\$165,188	22%	8,154	8,961	\$41,604	\$45,573
ASEAN	26,824	30,132	12%	\$90,232	\$114,307	27%	3,790	6,132	\$11,914	\$25,220
Vietnam	24,886	26,927	8%	\$81,405	\$98,718	21%	3,401	5,524	\$10,448	\$22,539
Philippines	1,407	1,584	13%	\$5,782	\$7,645	32%	224	256	\$763	\$1,118
Indonesia	198	1,032	421%	\$848	\$4,564	438%	88	217	\$270	\$738
Middle East	6,100	14,441	137%	\$26,320	\$44,974	71%	1,506	3,703	\$6,770	\$12,304
Egypt	2,287	7,640	234%	\$5,326	\$13,053	145%	394	1,983	\$1,077	\$4,249
United Arab Emirates	1,525	2,635	73%	\$7,502	\$10,923	46%	284	713	\$1,254	\$2,513
Saudi Arabia	669	1,556	133%	\$4,345	\$9,188	111%	227	432	\$1,469	\$2,593
Taiwan	9,512	14,084	48%	\$46,992	\$72,750	55%	2,801	2,606	\$13,754	\$12,926
Russia	429	12,344	2777%	\$1,692	\$49,663	2835%	101	4,684	\$359	\$19,360
Hong Kong/China	4,636	10,226	121%	\$17,224	\$41,097	139%	1,810	1,562	\$5,465	\$6,365
Hong Kong	4,634	10,226	121%	\$17,201	\$41,097	139%	1,809	1,562	\$5,446	\$6,365
China	0	0	0%	\$0	\$0	0%	0	0	\$0	\$0
European Union	4,584	8,851	93%	\$29,756	\$49,962	68%	989	1,939	\$6,052	\$10,878
Netherlands	2,759	5,330	93%	\$18,801	\$28,977	54%	636	741	\$3,839	\$4,258
Italy	263	1,400	432%	\$1,658	\$7,345	343%	46	591	\$268	\$2,973
France	299	749	151%	\$2,275	\$5,059	122%	72	203	\$581	\$976
Caribbean	6,054	7,605	26%	\$29,626	\$38,391	30%	1,161	1,357	\$5,868	\$7,222
Dominican Republic	1,147	1,633	42%	\$5,923	\$8,974	52%	290	298	\$1,449	\$1,844
Bahamas, The	1,419	1,578	11%	\$6,402	\$7,631	19%	247	262	\$1,155	\$1,252
Netherlands Antilles	782	991	27%	\$4,225	\$5,193	23%	149	141	\$774	\$785
Central and South America	1,284	2,496	94%	\$6,150	\$10,534	71%	283	634	\$1,160	\$2,635
Guatemala	518	596	15%	\$2,567	\$3,310	29%	60	156	\$377	\$993
Chile	106	475	348%	\$506	\$1,691	234%	48	157	\$127	\$551
Costa Rica	101	338	235%	\$363	\$1,101	203%	57	16	\$177	\$136
Oceania	577	433	-25%	\$1,584	\$984	-38%	132	87	\$302	\$219
Australia	538	413	-23%	\$1,282	\$942	-27%	132	81	\$302	\$206
New Zealand	39	20	-49%	\$302	\$42	-86%	0	6	\$0	\$13
Eastern Europe	319	64	-80%	\$1,000	\$216	-78%	0	0	\$0	\$0
Bulgaria	0	0	0%	\$0	\$0	0%	0	0	\$0	\$0
Romania	0	0	0%	\$0	\$0	0%	0	0	\$0	\$0
Yugoslavia	0	0	0%	\$0	\$0	0%	0	0	\$0	\$0
WORLD TOTAL	227,397	283,463	25%	\$971,647	\$1,254,499	29%	52,987	67,534	\$227,909	\$308,566

Statistics Provided By USDA and Compiled by USMEF

(15)

Leading Markets for U.S. Beef Variety Meat Exports

January - May 2010

Country/Region	Year-To-Date Quantity (Metric Tons)			Year-To-Date Value (US \$000)			May Quantity (Metric Tons)		May Value (US \$000)	
	1/09 - 5/09	1/10 - 5/10	% Change	1/09 - 5/09	1/10 - 5/10	% Change	2009	2010	2009	2010
Mexico	59,523	32,858	-45%	\$153,717	\$62,096	-60%	10,705	6,138	\$26,165	\$11,766
Middle East	29,852	30,587	2%	\$27,887	\$33,634	21%	6,658	6,789	\$6,828	\$7,595
Egypt	28,658	29,428	3%	\$26,721	\$32,584	22%	6,253	6,332	\$6,358	\$7,198
Saudi Arabia	804	846	5%	\$655	\$698	7%	257	352	\$222	\$265
Bahrain	75	154	105%	\$61	\$145	138%	24	52	\$21	\$50
Russia	9,170	13,704	49%	\$7,462	\$20,733	178%	2,353	1,839	\$2,137	\$3,543
ASEAN	4,192	7,294	74%	\$8,867	\$11,765	33%	1,196	1,705	\$2,891	\$2,986
Indonesia	405	2,568	534%	\$319	\$2,667	736%	73	642	\$51	\$769
Philippines	949	2,442	157%	\$1,221	\$3,208	163%	295	543	\$381	\$749
Vietnam	2,634	2,195	-17%	\$7,065	\$5,755	-19%	817	520	\$2,409	\$1,469
Canada	6,046	6,528	8%	\$7,693	\$8,950	16%	1,356	1,223	\$1,586	\$1,912
Japan	3,360	4,695	40%	\$17,104	\$28,061	64%	1,130	997	\$5,049	\$5,930
Central and South America	3,396	4,443	31%	\$3,803	\$5,793	52%	700	887	\$853	\$1,292
Peru	1,820	2,719	49%	\$1,677	\$3,638	117%	298	555	\$307	\$779
Colombia	42	581	1283%	\$49	\$589	1102%	23	120	\$20	\$117
Guatemala	562	380	-32%	\$870	\$574	-34%	71	50	\$97	\$133
Korea, Republic of	1,591	3,462	118%	\$3,782	\$7,381	95%	869	849	\$1,856	\$1,696
Caribbean	2,119	2,976	40%	\$2,539	\$3,528	39%	326	718	\$343	\$849
Jamaica & Dep	1,257	1,851	47%	\$1,374	\$1,862	36%	203	360	\$144	\$384
Trinidad and Tobago	77	268	248%	\$81	\$293	262%	0	144	\$0	\$162
Bahamas, The	240	129	-46%	\$452	\$255	-44%	42	36	\$108	\$87
European Union	2,511	1,494	-41%	\$2,299	\$4,273	86%	91	231	\$159	\$638
Netherlands	91	1,063	1068%	\$143	\$3,170	2117%	40	224	\$81	\$628
Germany	56	347	520%	\$135	\$929	588%	0	0	\$6	\$0
Spain	9	30	233%	\$29	\$76	162%	0	0	\$3	\$0
Hong Kong/China	928	505	-46%	\$1,721	\$1,047	-39%	489	70	\$854	\$133
Hong Kong	860	505	-41%	\$1,587	\$1,047	-34%	465	70	\$814	\$133
China	0	0	0%	\$0	\$0	0%	0	0	\$0	\$0
Taiwan	355	55	-85%	\$908	\$195	-79%	235	0	\$690	\$0
Eastern Europe	27	28	4%	\$24	\$23	-4%	0	0	\$0	\$0
Bulgaria	0	0	0%	\$0	\$0	0%	0	0	\$0	\$0
Romania	0	0	0%	\$0	\$0	0%	0	0	\$0	\$0
Yugoslavia	0	0	0%	\$0	\$0	0%	0	0	\$0	\$0
WORLD TOTAL	130,793	115,416	-12%	\$244,386	\$194,250	-21%	28,184	23,396	\$51,157	\$40,433

Statistics Provided By USDA and Compiled by USMEF

(15)

Leading Markets for U.S. Beef Plus Beef Variety Meat Exports

January - May 2010

Country/Region	Year-To-Date Quantity (Metric Tons)			Year-To-Date Value (US \$000)			May Quantity (Metric Tons)		May Value (US \$000)	
	1/09 - 5/09	1/10 - 5/10	% Change	1/09 - 5/09	1/10 - 5/10	% Change	2009	2010	2009	2010
Mexico	128,875	95,802	-26%	\$419,140	\$309,973	-26%	25,633	18,775	\$78,802	\$63,062
Canada	56,519	59,755	6%	\$242,466	\$265,167	9%	16,087	14,192	\$71,833	\$65,810
Middle East	35,952	45,028	25%	\$54,206	\$78,608	45%	8,164	10,492	\$13,597	\$19,899
Egypt	30,945	37,068	20%	\$32,047	\$45,637	42%	6,647	8,315	\$7,435	\$11,447
United Arab Emirates	1,576	2,733	73%	\$7,559	\$11,037	46%	335	713	\$1,310	\$2,513
Saudi Arabia	1,473	2,402	63%	\$4,999	\$9,886	98%	484	784	\$1,692	\$2,858
ASEAN	31,016	37,426	21%	\$99,100	\$126,072	27%	4,986	7,837	\$14,805	\$28,206
Vietnam	27,520	29,122	6%	\$88,470	\$104,473	18%	4,218	6,044	\$12,858	\$24,008
Philippines	2,356	4,026	71%	\$7,003	\$10,853	55%	519	799	\$1,144	\$1,867
Indonesia	603	3,600	497%	\$1,167	\$7,232	520%	161	859	\$321	\$1,506
Korea, Republic of	22,360	37,117	66%	\$83,811	\$162,794	94%	3,375	10,796	\$12,695	\$50,447
Japan	29,198	36,698	26%	\$152,587	\$193,250	27%	9,284	9,958	\$46,653	\$51,503
Russia	9,599	26,048	171%	\$9,155	\$70,396	669%	2,454	6,523	\$2,497	\$22,903
Taiwan	9,867	14,139	43%	\$47,900	\$72,945	52%	3,036	2,606	\$14,444	\$12,926
Hong Kong/China	5,564	10,731	93%	\$18,944	\$42,144	122%	2,299	1,632	\$6,319	\$6,498
Hong Kong	5,494	10,731	95%	\$18,788	\$42,144	124%	2,274	1,632	\$6,260	\$6,498
Caribbean	8,173	10,581	29%	\$32,165	\$41,919	30%	1,487	2,075	\$6,211	\$8,071
Jamaica & Dep	2,022	2,772	37%	\$4,440	\$6,379	44%	338	562	\$766	\$1,442
Dominican Republic	1,173	1,712	46%	\$5,942	\$9,190	55%	290	303	\$1,449	\$1,869
Bahamas, The	1,659	1,707	3%	\$6,854	\$7,885	15%	289	298	\$1,263	\$1,339
European Union	7,095	10,345	46%	\$32,056	\$54,234	69%	1,080	2,170	\$6,211	\$11,516
Netherlands	2,850	6,393	124%	\$18,944	\$32,147	70%	676	965	\$3,920	\$4,886
Italy	272	1,413	419%	\$1,697	\$7,377	335%	48	591	\$281	\$2,973
Germany	506	1,008	99%	\$2,156	\$4,936	129%	77	231	\$370	\$1,551
Central and South America	4,680	6,939	48%	\$9,953	\$16,327	64%	983	1,521	\$2,014	\$3,927
Peru	1,888	3,044	61%	\$2,148	\$4,698	119%	312	659	\$407	\$1,063
Guatemala	1,080	976	-10%	\$3,436	\$3,884	13%	131	206	\$474	\$1,126
Colombia	47	628	1236%	\$83	\$773	831%	23	137	\$29	\$182
Oceania	583	433	-26%	\$1,593	\$984	-38%	132	87	\$302	\$219
Australia	538	413	-23%	\$1,282	\$942	-27%	132	81	\$302	\$206
New Zealand	45	20	-56%	\$311	\$42	-86%	0	6	\$0	\$13
Eastern Europe	346	92	-73%	\$1,024	\$239	-77%	0	0	\$0	\$0
WORLD TOTAL	358,190	398,879	11%	\$1,216,032	\$1,448,749	19%	81,171	90,930	\$279,066	\$348,999

Statistics Provided By USDA and Compiled by USMEF

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