What’s the North American Beef Market Look Like 20 Years from Now?

Glynn Tonsor & Ted Schroeder
Dept. of Agricultural Economics, Kansas State University

Comparative Advantages
• World trusts & places premium on N. American beef
• Grain-finished production
• Sound & effective infrastructure
  – Feed grain base, processing, safety, transportation
  – Genetics & meat quality expertise
  – Research discovery & outreach education
• Property rights encourage investment

Comparative DISadvantages
• Not lowest $/lb. producer
  – Research funding declining
• Partially effective communication, coordination, and signaling
• Fragmented support of increased
  – Traceability systems
  – Focus on current and future beef demand

Key Opportunities & Challenges
• Refining domestic consumer efforts
• Expanding foreign consumer focus

Domestic Consumers
• Continue to leverage size, wealth, and historic reliance on domestic consumers
• Key questions
  – Cultural mix and diverse food preferences
  – Ongoing shift from FAH to FAFH
  – Preparation time and cooking knowledge
  – Ground beef’s share of total beef volume

US Population by Age and Race, 2016
Source: US Census Bureau
US Population by Age and Race, 2036

<table>
<thead>
<tr>
<th>Age Group</th>
<th>White</th>
<th>Hispanic</th>
<th>Black</th>
<th>Asian 3+</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-10 yr</td>
<td>43%</td>
<td>32%</td>
<td>12%</td>
<td>4%</td>
</tr>
<tr>
<td>11-19 yr</td>
<td>46%</td>
<td>22%</td>
<td>13%</td>
<td>6%</td>
</tr>
<tr>
<td>20-34 yr</td>
<td>47%</td>
<td>22%</td>
<td>13%</td>
<td>6%</td>
</tr>
<tr>
<td>35-44 yr</td>
<td>56%</td>
<td>22%</td>
<td>13%</td>
<td>8%</td>
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<tr>
<td>45-64 yr</td>
<td>69%</td>
<td>13%</td>
<td>13%</td>
<td>6%</td>
</tr>
<tr>
<td>65+ yr</td>
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</tbody>
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Exports

- Arena of expected population and income growth = meat demand growth

Key questions/issues
- Identify “wealthiest top 10%” as target markets
- TPP & TTIP trade deals
- Global competitor adjustments
  - Mexico’s expanding infrastructure, Brazil’s move into grain-finishing, Ongoing India (buffalo meat) expansion

• 12 countries
• 830 million people
• Largest trade agreement
• 7 of 30 richest countries
• 37% World Beef Imports
• 54% US Beef Export value ($3.4 billion in 2015)
• Reduces Japan tariff US beef (38.5% to 9% over 15 years)

Abstract

Exports

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Broad Situation Summary

- Immense opportunity exists;

**BUT**
- Internal industry coordination must improve
  - International trade deals
  - National animal ID & traceability
  - Generic advertising
  - MCOOL …

Forecast for 2036

- Less animals & operations yet more beef
- Exports as share of production >11%
- Improved coordination & information flows
Forecast for 2036

• Meat quality signals will expand & diversify
  - Quality
    • Prime, Choice, Select, Standard
    • CAB, Dairy, Dark Cutter…
  - Yield Grade
    • <.1” fat thickness, ..., <.6” (3 score), ..., >1.2”
  - Weight
    • 4-500 lbs, ..., 6-900 lbs, ..., > 1,050 lbs

Key Question for 2036

Can specialization occur WITHOUT industry fragmentation?

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