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TEXAS CATTLE FEEDERS ASSOCIATION

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Falloff In Beef Demand Is Industry's Top Concern, Analyst Tells Cattlemen At TCFA Convention In Amarillo

The decline in beef demand is the biggest challenge facing the industry, Cattle-Fax Executive Vice President Randy Blach said at the TCFA Annual Convention. "We've averaged \$83 to \$84 on fed cattle this year. If we had the same demand we had a year ago, our market would be averaging \$94 to \$95 per hundredweight."

Blach said a 2-3% drop in beef demand was expected this year due to the global economic woes. Instead the falloff has been much more dramatic, especially in the wholesale sector where year-to-year demand was down 10% to 15% over the period from July through September. Blach cited industry sources who say total food service industry traffic is at its lowest point in about three decades.

The downturn in high end restaurants and casual dining establishment began in the second quarter of 2007 - prior to the recession - and reflects consumer efforts to save money on food purchases. "We've been able to sell ground beef. We've been able to sell premium grinds, chuck grind, round grinds - those kinds of things - at some pretty good price levels. The problem we've had as an industry is being able to generate as much value out of our middle meats because of this loss in demand in restaurants." "Restoring export markets is critical to overcoming the demand challenge", Blach said.

"I don't want to sound like a broken record. I've said this for the last several years, but I still think this (exports) is an area where we're really missing the boat as an industry", Blach said, adding that beef producers need to work harder to get "the right people's attention and get some of these markets opened up. It would have a tremendous impact on what we're able to merchandise cattle for."

"We still aren't back to the same levels of beef exports that we were pre-BSE. We were exporting 2.5 billion lbs. in 2003. We're going to be lucky to be at 1.8 to 1.9 billion lbs. this year," Blach said. According to Blach, if U.S. beef was operating under the same trade protocols with Japan as it is with South Korea, "it would be worth another \$60 to \$70 per head across our fed cattle market." Getting into China also needs to be a priority.

On a brighter note, Blach said that because supply levels are well in check, a significant increase in fed cattle prices could come as the economy recovers, possibly toward the end of 2010. He expects the national herd size to level off because the recent moisture situation has been good. According to Blach, the drought situation for the U.S. as a whole is probably the best it's been in 30 years, despite areas of concern such as South Texas. "We've got good grazing conditions. We've built a mountain of hay around the country. I think we're going to see this cow herd start to stabilize - not grow - but stabilize from this point forward."

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