International Customers and Competitors

JBS vice president explains the requirements of international trade and our competitors.

Story & photo by ***Kasey Miller***

Nearly 95% of beef is consumed outside of the United States, Mark Gustafson, vice president of international sales for JBS Swift & Co., told attendees of the 2012 International Livestock Congress in Denver, Colo., Jan. 10. This means that it is crucial to establish good export markets. JBS is the third-largest processor of beef and pork in the United States and the largest beef processor in Australia.

Knowing our customers

To establish markets, he said, you have to know the customer and know the market. Who is producing beef? Who is consuming beef? And who can pay for beef?

Per capita consumption is always higher in beef-producing countries, which also tend to be countries with higher gross domestic product (GDP), including the United States, Australia, Canada, Brazil and Mexico, Gustafson explained. Countries with lower GDP and lower beef consumption include China, Russia, Korea, Japan, Taiwan and the European Union (EU). As these economies improve, beef consumption is expected to increase, providing potential to expand exports to these destinations.

There are many requirements in international trade, many of which can be barriers if not understood, Gustafson said. Exporters need to consider the macro trade environment, country-specific requirements, market requirements, customer requirements, the supply chain, cut specifications and packaging.

"Customers may have all the want in the world to import high-quality beef, but we run into all of these different restrictions that we have to deal with," Gustafson says.

Gustafson outlined some of the U.S. beef industry's strengths, weaknesses, opportunities and threats, and offered suggestions as to how the industry could best match its strengths to market needs. Among its greatest strengths, he listed cost-effective, grain-fed taste and marbling, consistent product and supply, USDA grading and scale, volume at a competitive price, individual cuts and flexibility, and customer service due to increased technology.

"One thing that we have an advantage over any of the competing countries is that we produce the highest-quality grain-fed beef in the world," he added. "Our niche in the world market has become grain-fed, high-quality, marbled beef. We don't compete with grass-fed. We don't compete with lower-quality beef. We don't compete with manufactured beef."

Among the many restrictions was many countries' opposition to beta-agonists, or growth promotants. Gustafson suggested countering their fears by using all of the United States' regulatory oversight that beef has to meet as a merchandising tool. The meat industry, he said, "is the second most regulated industry after nuclear engineering."

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On a positive note, he said, the low value of the U.S. dollar has been helpful. Exchange rates are in our favor and have helped increase our exports by 27%.

Some of the biggest threats to the U.S. beef industry, Gustafson said, are lack of traceability, lingering concerns over bovine spongiform encephalopathy (BSE), its political image, slowness to change to meet customer demand, and hefty import duties.

Traceability is a large issue, he said. Consumers say they want traceability, but they don't know in what context. Many countries can't define traceability or to whom they want to trace the animals — the processing plant, the feedlot, the stocker or the cow-calf operation.

"The driver for traceability should be animal health, not for exports," he said.

Understanding the competition

Gustafson shared insights on several of the United States' strongest competitors in the beef market.

Australia has no market restrictions. It has a strong traceability policy, is disease-free, can market all ages of cattle, and doesn't use beta-agonists. It has both grain- and grass-fed cattle, though most cattle are grass-fed. It is an export-focused industry, so it has developed strong marketing techniques. Cattlemen there do have high grain-fed production costs.

South America has traceability systems in place, but it does have a disease challenge with foot-and-mouth disease (FMD). South America markets all ages of beef, and cattle are mostly grass-fed. It does not use beta-agonists. By selling mostly boxed beef by the cut and lean meats, it is competitive in price.

Canada, said Gustafson, is a love/hate relationship in that it is a competitor and a trade partner. The Canadians do have a traceability system, though still in the relatively early stages. He said that they have the animals ID'd, but they are still working on the information system. They do have a disease challenge with BSE. They must market calves fewer than 30 months and sell boxed beef by the cut. Their cattle are mostly grain-fed, and they do use beta-agonists.

Gustafson said that from a competitive standpoint, the biggest challenges for U.S. beef exports are lack of a traceability system; beta-agonist use for Taiwan, China and Russia; hormone use for the EU; and antibiotic residue limit differences among countries. A substantial example of residue restrictions, if Taiwan finds any trace of ractopamine, they send the meat right back, even though it's been approved through more stringent testing in the United States.

We have been closed out of countries because of requirements, and though we base our import requirements on sound science, unfortunately, there is no global organization to mediate non-science-based trade barriers. He mentioned that the World Trade Organization (WTO) tries to act as a global dispute-settlement organization. However, the United States won the hormone argument twice through WTO, but the EU still refuses to import our beef.

He mentioned that USDA policies are based on the domestic market, not on the export market, which puts the United States at a disadvantage for trade with other countries.

"We need to figure out how to entertain the export market," he said.

Gustafson mentioned that the United States' strides in efficiency and sustainability are not being translated to our international trade partners.

"We're not sitting down with them and making them understand that these are things that should be internationally approved," he said. "We're basically rolling out the carpet for them to put in every trade barrier that they can imagine."

He indicated that the United States won't have to change its production methods — using beta-agonists or hormones — until other countries start siding with the EU or Taiwan, until 60% or 70% of export markets refuse to buy our beef. Economics will decide whether U.S. production methods will have to change. We just need to figure out how to play the international game to make those countries with trade barriers see the sound science behind our production methods.

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