



*Livers, tongues, hearts, oh my! Edible variety meats are a valuable, but often overlooked, contributor to the U.S. beef export market.*

*by Kindra Gordon, field editor*

In American culture, steaks, burgers and roasts tend to dominate consumers' preferred beef choices. But internationally, consumers' palates are much more diverse. Japanese consumers enjoy beef tongue; the Mexican market has a penchant for tripe; and in Egypt, consumers have an affinity for beef liver.

As the saying goes — variety is the spice of life. And, these varying consumer preferences help boost the dollar value returned to cattle producers. Specifically, according to the U.S. Meat Export Federation (USMEF) edible variety meats were valued at \$890 million in 2018 or \$34.50 per head. And, this is just part of the total export picture.

Together, U.S. beef and variety meat exports were record-large last year, valued at \$8.33 billion, according to USMEF. This total is up 15% or a billion-dollar increase compared to 2017. On a per-head basis, exports averaged \$322.91 for every head of fed cattle processed last year. (These totals do not include hides, tallow or other inedible products.)

While news reports regularly provide data on mainstream beef exports, let's take a closer look

at better understanding the edible variety meat market. USMEF economist Erin Borrer provides these insights:

## **Q** WHICH COUNTRIES ARE MOST ACTIVE WITH THE U.S. IN VARIETY MEAT TRADE?

**A:** Japan on a value basis; Mexico and Egypt on a volume basis. Other top markets for U.S. beef variety meats include: China and Hong Kong, Korea, Indonesia, Philippines, South America, Canada, Africa, the Caribbean and Central America.

## **Q** WHICH VARIETY MEATS ARE MOST IN DEMAND OR MOST VALUABLE?

**A:** It depends on the market, but tongues are generally the most valuable, due largely to Japan's strong demand for it. There are various Japanese dishes or cooking styles for tongue, but we often see them at *yakiniku*, or Japanese BBQ restaurants.

Last year Japan bought \$343 million worth of U.S. beef variety meats, which represents the top-value market for U.S. beef variety meats. Of this, Japan's imports of U.S. beef tongues were nearly \$300 million and this averaged \$11.60 for every head of fed slaughter.

Now that Japan has expanded access for U.S. beef from cattle more than 30 months of age, we expect even further growth in exports of U.S. beef tongue, as well as other variety meats like mountain chain tripe, only harvested from cows. This unique product is currently going for \$7 per pound (lb.).

Japan also buys a lot of U.S. skirt meat, which they consider a variety meat and it therefore has a lower tariff — 12.8% vs. 38.5% charged on muscle cuts. Japan is also the top market for U.S. beef intestines at \$10 million, followed by Mexico at \$8 million in 2018.

Mexico is also the top market for beef tripe, valued at \$86 million last year.

Other top variety meat export products include: lips (\$35 million), hearts (\$34 million), sweetbreads (\$10 million) and kidneys (\$6 million).

Mexico is the top market for lips, hearts and sweetbreads. Hong Kong, Egypt and Indonesia are also big markets for hearts. Kidneys go primarily to Egypt and South Africa.

## Q WHICH VARIETY MEAT PRODUCT COMPRISES THE MOST VOLUME?

A: Livers make up the biggest volume of U.S. exports at nearly \$81 million; and although prices are relatively affordable, exports are critical because

there is not another use/market for livers and they are a high-yield (heavy) product. Egypt is the dominant market for U.S. beef livers and this has been the case since Russia closed to U.S. beef back in late 2012. South Africa, Peru, Colombia, Angola and Mexico follow as other top liver markets.

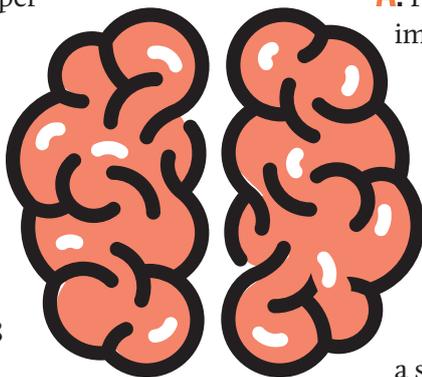
## Q HOW HAVE THE CURRENT TRADE NEGOTIATIONS AFFECTED THE VARIETY BEEF MARKET?

A: Fortunately, beef has felt relatively minor impacts from the various trade skirmishes over the past 1.5 years, but the biggest lost opportunities continue to be in Japan and China. Without a U.S.-Japan trade deal, the U.S. remains at a significant tariff disadvantage versus all of our competitors. Australia's free trade agreement with Japan was implemented in 2015 so we have been at a steep and widening disadvantage versus our biggest competitor for several years.

Canada, Mexico and New Zealand joined Australia with the implementation of the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)* in December 2018 and that leaves the U.S. as the only major supplier without tariff reductions. The U.S. pays 12.8% on variety meats while they pay 5.7%; on cuts the U.S. pays 38.5% and they pay 26.6%. So it is a big disadvantage in our number-one market.

Fortunately, the Japanese customers value U.S. beef and its high-quality attributes, but we are certainly missing out on growth opportunities.

China is the biggest and fastest growing beef import market in the world, yet U.S. beef holds less than 1% market share due to various production requirements imposed by China on all imports and



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USMEF Economist Erin Borrer presenting in Shanghai.

also due to the 25% retaliatory tariff in place since June 2018. And just announced on August 23, China added another 10% retaliatory tariff on imports of U.S. beef, which started on Sept. 1.

For reference, China's beef imports in 2018 were a record \$4.9 billion (including \$63 million from the U.S.) and in the first half of 2019 China imported \$3.3 billion worth of beef, up 53% (imports of U.S. beef were \$29 million, down 20%). China's top suppliers on a value basis this year are: Australia, Brazil, Argentina, Uruguay and New Zealand. Australia and New Zealand have free trade agreements with China and benefit from reduced tariffs. New Zealand beef enters China duty-free and Australian beef has been paying 6% (Australia's above safeguard exports will pay 12%, effective from mid-August to the end of December). Meanwhile, U.S. beef was paying 37%, until Sept. 1 when it was raised to 47% (12% regular plus the 25% retaliatory duty plus 10% retaliatory duty effective Sept. 1).

## **Q** LOOKING AHEAD, WHAT OUTLOOK DOES USMEF HAVE FOR BEEF EXPORTS IN GENERAL AND THE VARIETY MEAT MARKET?

**A:** We remain very optimistic about U.S. beef exports in the coming years, but maximizing export growth will require a U.S.-Japan trade agreement and a resolution to the ongoing dispute with China, whereby access for U.S. beef is expanded and the

retaliatory tariffs are removed.

Many of the other major beef exporters are not growing their cow herds. Australia remains in a serious drought with its estimated cattle inventory down 7% from last year, and production and exports are expected to fall by double-digits next year. With our supply advantage and continued growth in international demand for U.S. beef, our forecasts are for close to \$8.7 billion this year and possibly hitting \$9 billion in 2020 — however, that may be optimistic given that

China-U.S. relations appear to remain strained and given the growing concerns for a global economic slowdown.

Korea, Taiwan, Mexico and Southeast Asia are leading the growth in U.S. beef and beef variety meat exports this year. And, with the exceptions of China/Hong Kong, Canada and a slight decrease to Japan, growth has been widespread. **AJ**

## **HIDES AND TALLOW**

Not to be forgotten, beef hides and tallow also have value from the carcass. These are tracked by the USDA with the current market price on Aug. 16, 2019, on regular weight Butt Branded Steer hide valued at \$36.50 fob/piece, which is much lower than average. Chicago edible tallow on July 12, 2019, was valued at \$35.00 fob/100 pounds (lb.) and Chicago packer bleachable tallow at \$31.00 fob/100 lb. Each 100 lb. of a live steer typically yields 4.68 lb. of usable hide, 1.20 lb. of edible tallow, and 4.5 lb. of packer bleachable tallow. Edible tallow may be used in feed, food, and in restaurants for cooking purposes. The bleachable tallow is used to make crayons, plastic, soap, makeup, and tires.



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