

Behind the Expo



The what, how and why of selling beef overseas.

by *Miranda Reiman*

To get beef products from a Midwestern packing plant to Dubai, in the United Arab Emirates, it takes about 50 days, and a lot more work and money.

There are added inspections, mounds of paperwork — like translating labels to Arabic and getting the right USDA documents — and then there's the actual travel time from an East Coast port to the Middle East.

"It's loaded on a boat and the first stop is Port Said in Egypt, then through the Suez Canal into the Red Sea, around the Arabian Peninsula, through the Strait of Hormuz and eventually into the Persian Gulf to the port city of Dubai," says Maggie O'Quinn, Certified Angus Beef LLC (CAB) executive account manager for Latin America and the Caribbean.

"The freight cost is about \$4,500 per container," she says. "Then there's the cost to legalize the documents, for those extra employees, the cost of the stickers, insurance, special storage and even extra financing costs."

Or take the case of the Caribbean island of St. Vincent, which is completely surrounded by the Grenadines.

"The only way to get there is by small boats or little ferries," says exporter Ralph Avila of Buckhead Beef-Florida. "None of those boats have refrigeration. Whatever you're sending to those islands is in the

box, open air, in the boat, racing to that island."

They invest in special Styrofoam containers to help transport meat to remote locations like this.

Some might wonder, "Why go to all that trouble?"



► **Left:** Last year, exports added a record \$153.09 per head to the value of each harvested beef animal, says CAB's Maggie O'Quinn.

Exports add value

The answer is, simply, economics. Last year, exports added a record \$153.09 per head to the value of each harvested beef animal, O'Quinn says.

"Export markets use products that aren't big sellers domestically," she says. "Who eats liver? My granny made liver-and-onions, and I personally don't like it; but, thanks to Egypt and Russia, livers add \$6 per head in value."

Erin Daley, economist with the U.S. Meat Export Federation (USMEF), says international markets have even changed traditional primal value relationships this year.

"If we look at the carcass breakdown, our chucks, rounds and short plates have accounted for more than 50% of the Choice cutout value, with middle meats accounting for less than 45%," she says. "That's basically a reversal of historic values."

The short plate primal has added \$18 per head more than last year's record prices. Short ribs are up more than \$20 per head, thanks to growth in exports to Korea.

So market access helps ensure more dollars back to cattle producers, but somebody still has to get all that product overseas.

That's where people like Avila come in.

"Every country has [its] own intricacies that you need to know about; otherwise, when your meat gets there, it gets returned and everybody loses," he says. "The most important thing is gaining the confidence of the people you're selling to, because they are far away."

That's especially critical in that most transactions require "cash up front." U.S.



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Port Scene



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companies are leery of extending credit to foreign entities until there’s an established relationship.

“I visit everybody I do business with before, during and after a sale,”

Avila says. “I spend time in their particular countries not only getting to know their company but their customers.”

That’s a big job. He covers the Bahamas, Central America, Columbia — even some business in the Middle East.

Logistics

Securing customers is only half of the challenge. Shipping beef isn’t as forgiving as shipping, say, cereal or canned goods.

“In the States, most of the business is done fresh. The resorts order today and get their cuts tomorrow,” Avila says. “But for export, the majority is done frozen.”

Either 20- or 40-foot (ft.) containers are loaded with eight or 18 pallets of beef [between 14,000 and 31,500 pounds (lb.) of meat] and sent to their final destination. But some customers are getting beef, produce and dairy products in the same shipment.

“You don’t want to freeze cheese, but at the same time you’re not going to take two containers,” he says. Instead they split a container with a plastic wall, which keeps items frozen on one side and little holes in the curtain allow for the other half to be refrigerated.

“The Bahamas are only a day away, but anything after that and we’re talking

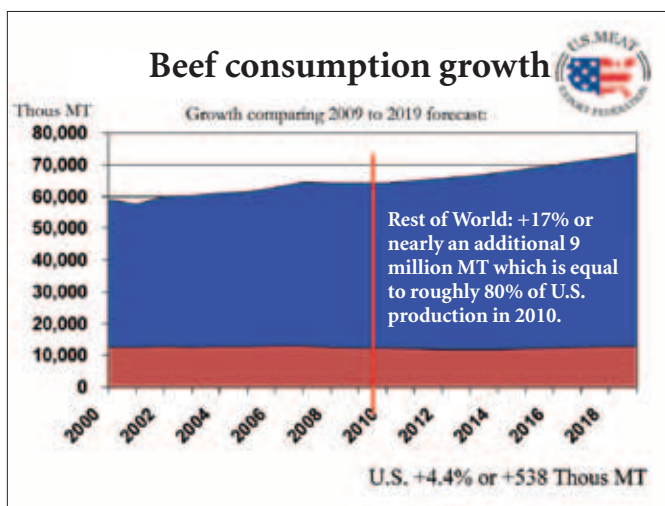
at least four to five days,” Avila says, noting that beef is easier to ship than produce. “It’s not so much the travel time inside the refrigerated container, but it’s the time it might sit at the dock when it gets there waiting for their inspectors.”

Most U.S. docks are equipped to keep food cool, but in other countries the facilities are limited.

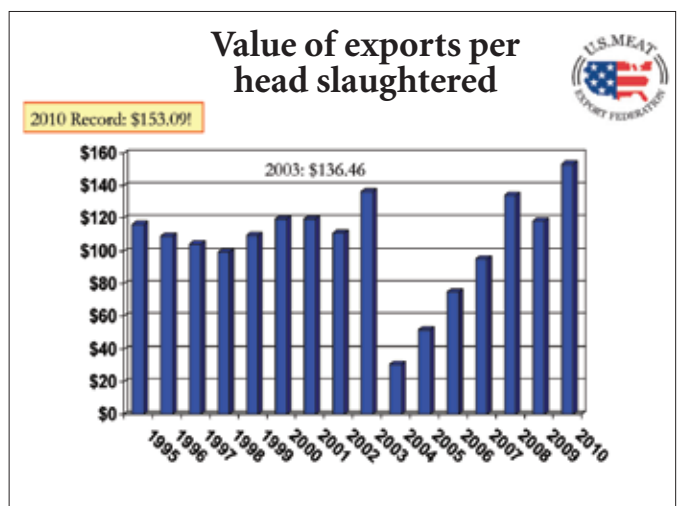
USMEF helps train chefs and end users on how to handle and prepare the product once they get it.

“They’re a great help,” Avila says. “When they go to a market, they do seminars and show all the different cuts. Many times I’ll go and do

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Source: OECD/FAO 2010 Ag Outlook, carcass wt. equivalent.



Source: USDA/USMEF, steer and heifer slaughter.

Behind the Export Scene

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the cuttings, and that gives me credibility somewhere I've arrived for the first time."

Quality edge

CAB also maintains a close relationship with the protein-exporter trade organization. O'Quinn, who currently serves on the USMEF executive board, says it's a natural partnership.

"We have to constantly ask ourselves, what is it that we're exporting? What is it that you want to be known for globally?" she says.

"Today, our unique selling point against Brazil, India or China (and they're all coming on strong, producing beef) is, loud and clear, that we're about quality."

USMEF promotes that image just as clearly.

"Our export data is very basic, but through our international offices we have a pretty good finger on the pulse of what type of beef is traded," Daley says. "We see a significant component being Choice chilled beef going into markets such as Japan, Korea and Taiwan — those all would be high-value markets.

"Angus is very well-known and the CAB brand is very well-recognized in all of these markets," she says.

What international customers demand depends on final use.

"In markets where we have retail presence and foodservice, then you're looking at demand for a high-quality product," Daley says. "It's usually country-of-origin identified, so we work hard to build the U.S. brand on grain-fed, high-quality, Choice and higher. In other markets where our beef loses its identity because it's a processing ingredient, price point is important, but we still educate buyers on the consistency and quality of U.S. beef."

CAB has worked hard to build demand and recognition overseas. Avila's Miami-

based, CAB-licensed distributor company and others like it make the brand successful internationally, O'Quinn says.

"If we have strong exporters who are supporting us, that's like having 15 extra Maggies running around the islands telling your story," she says. "I spend a lot of time on exporter education. They are on the road every week, and they can be huge champions who really move the needle in terms of our volume and our marketing."

CAB is marketed in 69 countries, and international sales represent more than 10% of the company's total tonnage, but staff members are still working to introduce other

places to high-quality U.S. beef. O'Quinn has helped get 15 markets off the ground and is currently working on Trinidad.

"Beef, in their minds, is this frozen, awful stew meat," she says. "It's a challenge to shift from that mentality to get an upscale presentation and correct merchandizing with refrigeration."

All the marketing efforts help drive sales for CAB, but O'Quinn says the marketing itself can't do much to gain initial interest. That's all up to U.S. cattlemen.

"You are the design engineers for the No. 1 thing that we export: quality," she says. "Quality is our unique selling proposition."

Avila says the U.S. typically doesn't beat competing nations in the price arena. "The advantage we have is that none of the other countries produce the quality of beef we produce," he says. "When it comes to the resort or fancy restaurant level, we have a stronghold on that."

But that's no reason for complacency.

"We've got to constantly work to stay ahead of these other countries because they're nimble, they're competitive and they want what we already have: our market share," O'Quinn says. "I think we'll stay ahead of them if we stay focused on quality."

