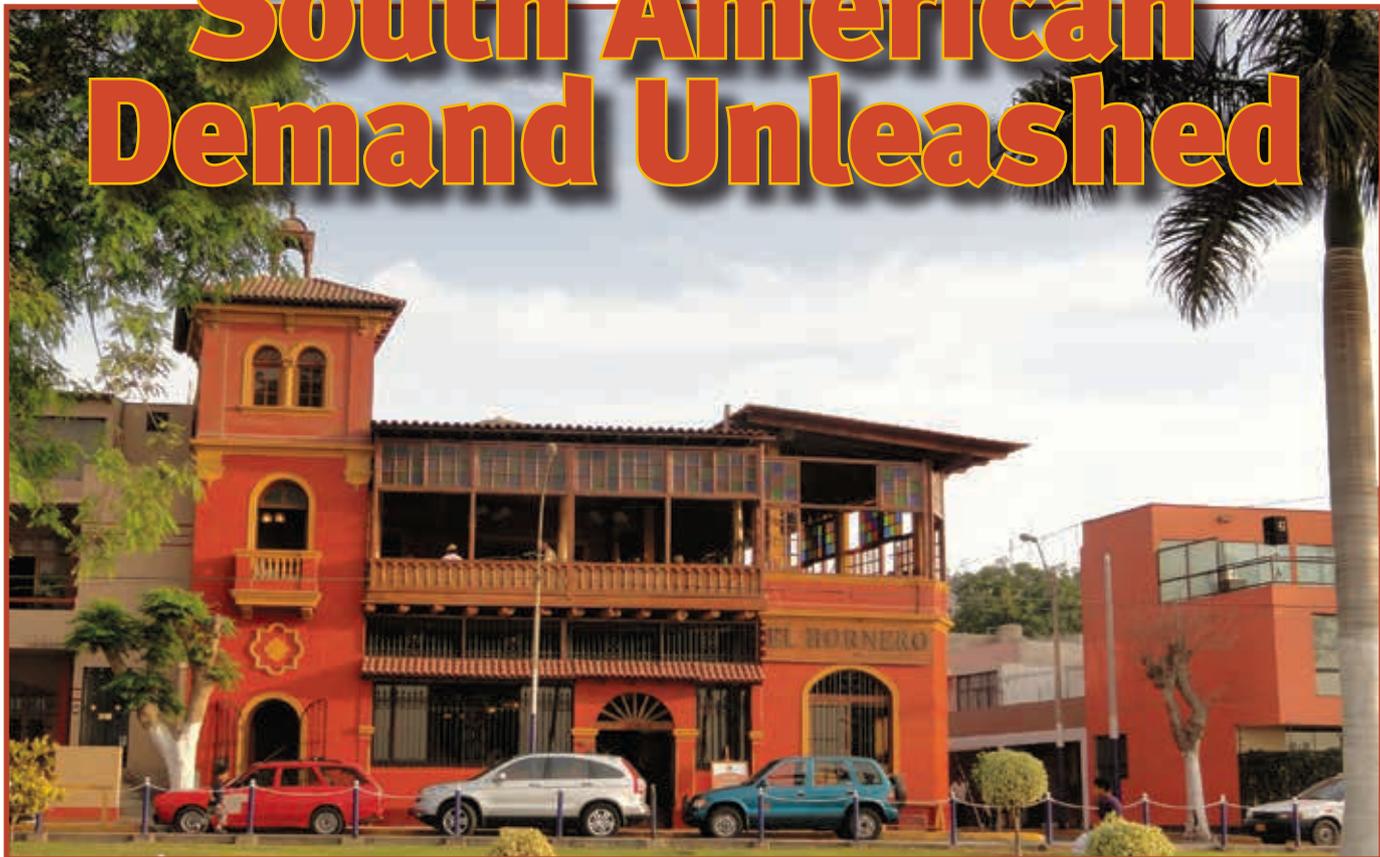


South American Demand Unleashed



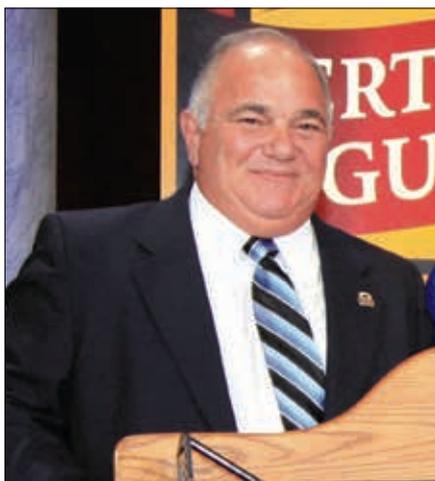
CAB leads the way as U.S. beef heads way south.

by **Miranda Reiman**, *Certified Angus Beef LLC*

► **Above:** El Hornero, with four locations that each have the capacity to seat 1,000, is the largest licensed CAB steakhouse chain in Peru.

When an 80% tariff drops to zero, big things happen.

That's the case in many South American countries where this decade's free-trade agreements ushered in a new trading dynamic.



► “A lot of the South American economies are doing really well. They haven't experienced the slowdown we've had in the United States,” says Ralph Avila of Sysco South Florida, a licensed *Certified Angus Beef*® (CAB®) brand exporter since 2004 and 2012 CAB Export Marketer of the Year.

“We started doing the groundwork a few years ago. We had visited the end users that would need the beef,” says Ralph Avila of Sysco South Florida, a licensed *Certified Angus Beef*® (CAB®) brand exporter since 2004 and 2012 CAB Export Marketer of the Year. “A lot of the South American economies are doing really well. They haven't experienced the slowdown we've had in the United States.”

Take Peru, for example, with a gross domestic product (GDP) for the last five years at 7.2%, and restaurant sales up 9.2% in 2011. A 2009 U.S.-Peru free-trade agreement opened those doors. Exporters were eager to service this growing region, especially since it's already known for its carnivorous ways.

“In South America, there's a meat culture,” he says. Colombia's per capita beef consumption is expected to hit 66 pounds (lb.) per person this year, for example.

“They like their beef, but they never had

beef like U.S. beef,” he says. “Once they've tried it, they're amazed at the difference.”

That is in part because most of it is USDA Choice and higher, respecting the higher tariffs on Select grade or lower.

“They figure the higher-end beef is not competing with their local production,” says Avila, noting that most herds are Brahman-influenced. “Most of it's grass-fed, so the taste profile is much different. We don't

compete head-to-head because it's two totally different products.”

Demand for U.S. beef

Jessica Julca, a native Peruvian and South America regional manager with the U.S. Meat Export Federation (USMEF), says Choice beef is “highly regarded” in South America. “If you want to compete there, you have to talk a lot about high quality.”

CAB has worked with partners like Avila

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to tap into those far southern markets. CAB launched in Peru, Colombia and Chile in 2012.

Maggie O'Quinn, executive account manager for Latin America, says it really is introducing a new product, referencing a recent tasting in Colombia as an example.

"They were asking me, 'Is it always this good?'" she says, noting there were many comments of how "suave," or tender, and flavorful it was.

Every market on the continent is unique, with different quirks and reasons it works, but unlike most of the Caribbean targets, CAB's success further south is not driven entirely by tourism.

"In Colombia, they just love beef, period," says O'Quinn. Yet each of the three major markets offers different access at the restaurant level. In Medellin, local businessmen enjoy the new option. "We're seen as the prestigious, luxury brand," she says.

Across the continent, Julca says there is strong Argentina-style barbecue influence.

"When you talk about high-quality cuts, you are thinking strip loin or ribeye for barbecuing on the grill with only a little salt," she says.

"Chile is a tremendous opportunity," Avila says.

U.S. beef tripled its market share, from 2% to 6% in the past year, partly due to a Paraguayan beef ban, but clearly filling the quality niche.

Jumbo, one of the largest upscale supermarket chains there, licensed with CAB in 2012. Juan Staudt, assistant director of marketing with the chain, says it was a natural fit.

"Protein in Chile has a deep penetration," he says. "It is our tradition to have protein in every meal, and eggs are not considered

protein by the common people. Of all of them, beef is the most expensive one. That's why it's been losing its position against chicken."

Yet he stocks the premium-priced CAB choices in his coolers.

"U.S. beef has a good image with Chilean consumers and a good relationship of quality to price," Staudt says. Having that option alongside others like Wagyu and Natural Chile Beef in the case is an important strategy.

"We do have customers who are willing to pay more for a differentiated product," he

"In Colombia, they just love beef, period,"
— Maggie O'Quinn



says. "If you want to buy something special, Jumbo is the place."

In Peru, the culinary scene is turned on to this new beef selection.

Argentina used to supply Peru with a large share of its beef, but the Argentines have curtailed exporting in an effort to keep domestic prices down, so U.S. beef has gained the upper hand, says Julca.

"Chefs there are really progressive, even though they mainly do seafood. They're up-to-date on everything, and so we've had the most success with U.S. beef, especially *Certified Angus Beef*, in Peru," Avila says.

There the brand is not only at the most exclusive steakhouses, but available to the native middle class when they want to celebrate, too.

"In Peru, we're not at retail yet, but our sales volume is driven by many local restaurants," O'Quinn says.

"When tourists come to Peru, they want to taste seafood because we are of the sea — we're not American-style barbecue," Julca says. "However, the country has several dishes that include beef, such as *lomo saltado* (salted loin). That's why we are working to create awareness of U.S. beef as a high-quality ingredient for traditional recipes."

Until a year and a half ago, USMEF's South American business was conducted out of its Mexico and Central America office. When

Same problem, different continent

One of the perennial problems for the *Certified Angus Beef*® (CAB®) brand is keeping copycats from riding on its coattails.

That's no different as the brand ventures out into other markets, like the recent foray into South America.

"People have really caught onto the word *Angus*," says exporter and CAB specialist Ralph Avila. "If it's U.S. beef in the restaurant, they'll refer to it as *Angus*. So there's confusion between *Angus* and what is *Certified Angus Beef*, and if it's not explained, people think it's the same thing."

Avila helps spread the word.

"It's an educational process, and if you don't do the legwork, then you're just lumped in with everybody else," he says.

The U.S. Meat Export Federation (USMEF) works to help explain different U.S. beef options and correct the misconceptions, also helping as CAB launches new partners.

"When *Certified Angus Beef* enters the market, of course you increase consumption in other channels," says Jessica Julca with USMEF. "For different reasons, not everybody will sell CAB — it's expensive or it's not for their clients — but the presence of CAB encourages consumption of all U.S. beef."



► Until a year and a half ago, USMEF's South American business was conducted out of its Mexico and Central America office. When Jessica Julca was hired, she went to work meeting with importers on their turf, promoting U.S. beef and educating the masses.



► **Left and below:** Ralph Avila conducts CAB cutting demonstrations at Mariscos Atlantic's CAB launch in Bogota, Colombia, October 2012.



Julca was hired, she went to work meeting with importers on their turf, promoting U.S. beef and educating the masses.

"We're working to include U.S. beef in the traditional recipes. We want to provide high-quality ingredients for traditional dishes," she says.

Overcoming obstacles

They fight some of the same misconceptions that American beef marketers do.

"It's common for somebody to say, 'I prefer Argentinean beef because it's natural,'" says Julca. Further questioning reveals they think U.S. beef comes from animals exclusively fed grain for their entire lives, and they view a grass-fed animal as a more natural alternative.

"The media is very unfair," she says. "You have to explain that grain-fed is not totally grain-fed. You have to show them the farms and ranches where this product is raised."

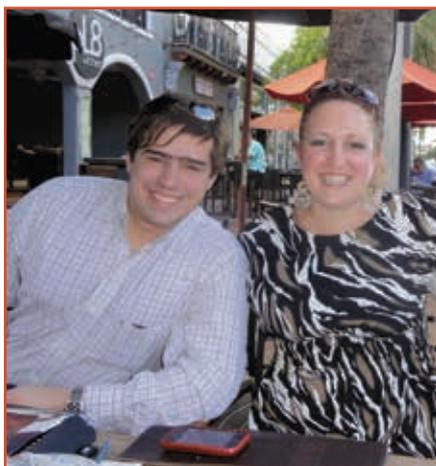
One-by-one they overcome obstacles, and demand for U.S. beef rises. Avila says the trickiest piece of the puzzle could be actually getting the product.

"The only thing that's holding us up right now is the drought that has made our supply so tight," he says. "If it wasn't for that, we'd be selling more. The prices right now are as high as they've ever been, and these countries are buying. Imagine if the prices weren't so high."

He recently sold CAB boneless short ribs for \$9 per pound, which is higher than stateside ribeyes.

"It is definitely going to give some value to those cuts that normally aren't sold for as much in the U.S.," Avila says.

Every South American country has its own regulations, with Colombia and Peru requiring Export Verification Certificates.



► **Juan Staudt**, assistant director of marketing with Jumbo, one of the largest upscale supermarket chains in Chile, says licensing with CAB in 2012 was a natural fit. He is pictured here with **Maggie O'Quinn**, CAB executive account manager for Latin America.

Some have other labeling rules that limit availability, too.

"Many packers see no need to ship to export because it's extra paperwork and extra work, period," Avila says.

The Jumbo stores are selling nine cuts, but sourcing them has been a challenge, Staudt says. Different fabrication styles make it hard to correctly label the beef.

"We had to select the cuts that were simpler to communicate," he says. As of November, only one packer was approved to supply Chile.

Yet, when exports do move into these markets, they add value for U.S. cattlemen. USMEF estimates that in 2012, exports added more than \$212 per head.

That's a record — and one that cattlemen should take note of, O'Quinn says.

"We are building more demand for high-quality beef and creating more of an economic signal than ever before to raise that kind of cattle," she says. "I'm very bullish on our future."



Editor's Note: *Miranda Reiman is assistant director of industry information for Certified Angus Beef LLC.*