

Opportunities Abroad

Strong first-half beef exports to Russia, European Union confirm beef industry leadership's findings.

Photo & story by **USMEF staff**

As export results for the first half of 2008 clearly indicate, Russia is emerging as one of the top destinations for U.S. beef. Closed to U.S. beef from late 2003 through almost all of 2007, Russia has quickly become the third-largest destination for U.S. beef variety meats and the seventh-largest market for overall exports of U.S. beef.

Beef exports to Russia in the first half of the year totaled 11,194 metric tons [24.7 million pounds (lb.)]. Outstanding sales of about 6,800 metric tons (nearly 15 million lb.) suggest the volume of beef exports will remain strong in the coming months as well.

Opportunities for growth

This strong performance confirms many positive market factors found by U.S. beef industry leaders who traveled to Russia and selected European Union (EU) nations earlier this summer, accompanied by senior staff members from the U.S. Meat Export Federation (USMEF). Lucinda Williams, a beef producer from Hatfield, Mass., who serves as vice chairman of the Cattlemen's Beef Board (CBB), was one of the participants.

"We found that Russia has excellent growth potential for U.S. beef," Williams said. "There is growing beef consumption and demand, with declining production. That's a perfect setup for us."

She said astonishing growth is occurring throughout Russia's food industry channels, and the U.S. beef industry's diverse marketing efforts are paying off.

"With USMEF's help, our beef checkoff dollars are making a real difference in Russia today," she said. "We're training everyone in Russia — from raw material buyers to processors, to restaurant managers and chefs — about the attributes of U.S. beef."

Williams noted that Russia's restaurant sector is experiencing particularly rapid growth, and is in constant need of more chefs. This has created an excellent training opportunity for USMEF, helping familiarize young chefs

with creative and innovative dishes featuring U.S. beef.

Though Russia's surging demand for high-quality beef cuts is a welcome addition for the U.S. beef industry, Russia remains a critical market for cuts that are underutilized in the domestic market. Once the top export market for U.S. beef liver, Russia is once again having an effect on liver demand and, in turn, carcass value. As Russian importers have begun bidding against their counterparts in Egypt for a limited supply of U.S. beef livers, liver prices have more than tripled compared to last year. For U.S. cattle producers, this has added roughly \$7 per head.

Russia's appetite for processed meats is also helping U.S. producers derive additional value. According to John Brook, USMEF's regional director for Europe, Russia and the Middle East, unexpectedly large sales of round cuts are being utilized in this sector.

"USMEF's objective is to transform this business — which is currently a price opportunity due in part to the exchange rate — into a more sustainable, recurring

business opportunity based on product satisfaction and buyer loyalty," Brook said.

Growing audience in Europe

As EU nations deal with extremely high production costs and loss of access to imports from other beef-exporting countries, Europe is also becoming a growing market for U.S. beef. So far this year, beef exports to EU member nations have more than tripled in volume and value compared to the same period in 2007. Outstanding sales are also strong, so the industry expects to see a strong performance from this market in the second half of the year as well.

This increase in activity comes despite a continued ban on beef from cattle produced with the use of hormone-based growth promotants — or even those lacking documentation that such promotants were not used. Dan Dierschke, a Texas beef producer who serves as secretary-treasurer of the CBB, says that based on his interaction with those involved in the beef industry in Europe, these restrictions are not going to be lifted anytime soon.

"While a lot of the people that we spoke to in Europe recognize this is not a health or safety issue, they also recognize that it's a big political issue," Dierschke said. "So it's not likely to go away in our lifetime."

But Dierschke says the restrictions imposed by EU nations needn't stop the U.S. beef industry from capitalizing on opportunities there. He says growing demand for source-verified, hormone-free beef in the United States may be the catalyst that prompts more cattle producers to raise beef that is eligible for export to the EU.

"I'm absolutely convinced that if we can get conformity in the requirements, so that you could follow one protocol in order to

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— **Dan Dierschke**



►CBB leaders tour a cattle operation in Russia. Members of the group include CBB Chairman Dave Bateman (far right), Secretary-Treasurer Dan Dierschke (far left), and CEO Tom Ramey (second from left). Also pictured is John Brook (center) USMEF regional director for Europe, Russia and the Middle East.

qualify for either domestic, hormone-free marketing or export to the EU, I think we can reach a critical mass that will work for our beef industry,” he said.

Dierschke said that simply capturing the top 1% of the beef market in the European Union could represent more than 130 million lb. of new, high-end exports per year, and make the EU one of the top destinations for U.S. beef. However, he cautioned that marketing opportunities for other beef cuts should not be overlooked. He drew a parallel with the current situation regarding exports to Japan, where the beef industry is now focused on marketing as

much product as possible from a limited supply of eligible U.S. cattle.

“One of the reasons people say they aren’t interested in feeding cattle for the European market is that not enough of the carcass has been marketed there,” Dierschke said. “We have the opportunity to change that — especially with such a shortage of beef in Europe and Russia, and our product being so competitively priced. We even saw significant amounts of U.S. beef being used to produce sausage.”

To maximize these opportunities, USMEF is accompanying importers and distributors in an ever-increasing number

of European countries and outlets. By the end of this year, USMEF will have facilitated promotional activities in Belgium, France, Germany, Greece, Italy, the Netherlands, Poland, Portugal, Spain, Sweden and the United Kingdom.

“The U.S. beef industry offers a product that is very difficult for anyone else to match, and yet with the exchange rate, it is relatively inexpensive,” Dierschke said. “So if we can get the word out to our producers, and simplify the process of being certified or verified, I think there’s tremendous potential — just tremendous potential.”

