

HERE'S THE BEEF

Beef Exports Gaining Momentum

The United States is in a uniquely favorable position to build on recently strong beef export sales, according to Dan Halstrom with the U.S. Meat Export Federation (USMEF) and Kent Bacus of NCBA. The trade specialists summarized U.S. beef's current status in world markets for the "Industry Hot Topics" session at Cattlemen's College Feb. 1, as part of the 2017 Cattle Industry Convention & NCBA Trade Show in Nashville, Tenn.

Momentum had November 2016 beef exports accounting for \$294 worth of carcass value, a monthly high that could give way to December when the tallying is done, said Halstrom, USMEF senior vice president for global marketing. The annual record eclipsed \$300 per head in 2014.

With nearly \$300 per head in carcass value on the line, trade specialists share insights on the current trade issues.

With multilateral trade deals canceled, on hold or subject to renegotiation this winter, Halstrom said U.S. beef owes much of its current strength in Asian markets to higher quality than the Australian alternative. Moreover, that competitor's mostly grass-fed product has been rising in price because drought recovery after four years has triggered expansion Down Under.

It's a fortunate matter of timing that the United States began expansion nearly two years earlier.

"Our export sales to Japan [for the first 11 months of 2016] were up 24%, 38% in Korea, partly by displacing the Australians," Halstrom said. "In a year and a half or two years, it will look different because they will have more beef to sell at 10% to 11% tariff advantage in Japan, but now is our window to get aggressive and take market share. We're doing that."

He alluded to the Trans-Pacific Partnership (TPP), which would have provided equal tariff footing in Japan. The United States recently quit that deal in hopes of pursuing a bilateral agreement, such as it already has in Korea.



► Trade specialists Kent Bacus (left), NCBA, and Dan Halstrom, USMEF, summarized U.S. beef's current status in world markets during a Feb. 1 Cattlemen's College session in Nashville.

Halstrom detailed what's at stake in Japan, where U.S. beef debuted 40 years ago and commanded two-thirds of the market before bovine spongiform encephalopathy (BSE) in a U.S. cow in late 2003 closed trade for years.

"Now we have one-third of a larger market, so that's a big opportunity," he noted of what has again risen to become the top-value U.S. beef market. Local beef such as Kobe and Wagyu are "much more highly marbled than Prime and very expensive." Dairy beef is relatively plentiful, but lower in quality.

"There's no fed beef, no Choice or Prime equivalent, so we are sitting perfectly to fill that void," Halstrom said.

Positioned to sell

USMEF has offices in 18 world markets where three-fourths of its staff work, 70 of them nationals in those countries. They know the language, culture and competition, which varies widely, of course. The Federation's approach, however, is similar in each market, Halstrom said, working up from importing distributors to foodservice to retail and then consumers.

Yakiniku Korean-style barbecue beef is a \$5 billion market across Asia that grew to 30,000 restaurants by 2004, mostly in Japan, he said. Nearly half of those shut down after first trying to replace U.S. Choice beef with Australian grass-fed.

"Now they are back," Halstrom said, noting 22,000 such restaurants are now open.

Convenience stores, led by U.S.-based 7-Eleven represent an even larger market of 55,000 stores where fresh, high-quality beef sandwiches move off the shelves in three

or four waves each day. They average just 2 ounces (oz.), but add up quickly, he said.

To contrast a bit, Halstrom said the Korean beef scene is more influenced by "foodies," who have lately brought on a U.S.-inspired steak and burger craze.

Retail is well-developed in both markets, with 1,800 Aeon stores leading in Japan, while U.S.-based Costco just opened a 15th warehouse in Korea, of 800 worldwide. However, Halstrom said, Costco's Seoul supermarket features its highest volume meatcase anywhere and, as of Feb. 14, it is all U.S. beef — representing 10,000 metric tons per year.

Mexico is still the highest-volume market, with a young demographic and fast-growing retail sector. China is the "behemoth" with huge opportunity, and the African market of a billion people could triple by 2070.

NCBA's Kent Bacus, director of international trade and market access, said he hopes the Trump administration will quickly engage with Japan in seeking a trade deal to replace TPP. If talks begin now, he said, history suggests the payoff will be at least two years farther down the road.

"We'll see," he said. "The president is a true deal maker."

Bacus noted the U.S. herd (all cattle) has recovered from its 90-million head low a few years ago to 93.6 million head Jan. 1.

"The herd is growing again, and we are producing more beef," he said. "We only export 10% to 15% of our annual production, so most of it is for the U.S. market that we supply very well, but Americans don't prefer every cut that we

produce. Some of those I call 'Fear Factor foods,' like tongue and tripe."

Tongue sold in Japan at \$5.70 per pound sells for \$2 or less in the United States, making up \$11 of that near \$300 export advantage, the trade specialists said.

Bacus said business with the largest-volume markets, Mexico and Canada, was "a bit limited because of the U.S. dollar's strength," but made gains in value-added products.

Other than regaining market share in Japan on the price/value advantage, most gains come from policy, he said, citing South Korea, where U.S. beef is now "the largest imported share, capitalizing on our 8% tariff advantage because we struck a deal before the Australians could."

Working from an office in Washington, D.C., Bacus said, "We engage with Capitol Hill — Congress and the White House, they represent us to the world — it's our job to educate them."

As a result, in 2016 China is now open to U.S. beef, but awaiting clearance by "their equivalent of the Food Safety Inspection Service," Bacus said. "We are working to educate the Chinese government on our product."

Meanwhile, he allowed, global politics and rhetoric may open or close other doors.

"There are always opportunities," Bacus said. "We may not agree with all the policies, but we will focus on the opportunities, and the stakes are huge. With volatile cattle prices, we need that export share of value to grow beyond \$300 per head.

"I encourage you to research these things,"

he added. "Ask questions. Diversify your sources, find out for yourself and get involved with your associations. If you don't like the policies or rules, speak up. You can help change them."

— Story & photos by Steve Suther, Certified Angus Beef LLC

25 Years of NBQA

"Without data, you're just another person with an opinion."

A pioneer in the world of business process reengineering, W. Edwards Deming conceptualized the notion. The National Beef Quality Audits (NBQA) and the National Market Cow and Bull Beef Quality Audits (NMCBBQA) applied it.

Attendees of the 2017 Cattle Industry Convention & NCBA Trade Show in Nashville, Tenn., Feb. 1-3, had the chance to take in an overview. That data and implications for what's to come from new research were presented during the Cattlemen's College session, "25 Years of National Beef Quality Audit Impact."

Audit information shows patterns of consistency, areas to improve.

"If we could implement Dr. Deming's philosophies and recapture all or part of the opportunity lost, we could make the beef production system more profitable," said

Keith Belk, professor of meat safety and quality at Colorado State University, of the motivation that kick-started the program in 1991.

Research conducted in 1990 revealed the beef industry was losing nearly \$12 billion per year due to defects. At the time, demand was steady, yet beef market share had declined. At a loss of \$458 per head, there were inefficiencies to be regained.

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► Panelists (from left) Deb VanOverbeke, Oklahoma State University; Keith Belk, Colorado State University; and Jeff Savell, Texas A&M University, shared history, current status and what's in store for the National Beef Quality Audit.

The goal was simple: cease dependence on inspection to achieve quality. Instead of a reactive approach that found and attempted to eliminate effects after they were produced, the audit brought to light how beef producers could avoid such defects in the first place.

Committed to the formula that “demand equals price over satisfaction,” Belk said, “The idea was you would implement these process controls and you would improve the quality and efficiency of the production system.”

That goal exists today, along with 25 years of data that support it.

“It’s been a great learning opportunity for us to understand what we’re producing in the United States,” said Jeff Savell, distinguished professor of meat science at Texas A&M University.

Savell, who has worked on the audit since its 1991 inception, walked the audience through the three phases of data collection:

Phase 1: Face-to-face interviews that target open-ended discussion.

Phase 2: In-plant assessments looking for live physical indicators such as lameness, cancer eye and other live defects, as well as carcass characteristics like bruising and injection-site lesions.

Phase 3: Workshops to assess Phase 1 and 2 findings and to develop strategies for improvement.

In tandem with USDA inspectors, researchers set out to determine why particular cattle were condemned. Historically they focused on liver, lung, head and tongue. More recently, “lung condemnation has been important for us to think about, given some of the issues with feedlot cattle and their health,” Savell said.

The 2011 addition of instrument and camera grading enabled the analysis of nearly 4.5 million carcasses.

Savell said today’s NBQA project has data from every week of the year and will start looking at month-to-month variation, then eventually day-to-day.

Deb VanOverbeke, Oklahoma State University meat scientist, spoke on details of the NMCBBQA audits conducted in 1994, 1999 and 2007 with similar strategies to the feeder-cattle model.

Quoting Tom Field in a 1999 workshop, VanOverbeke said, “Success is not doing one thing 100% better; it’s doing 100 things 1% better. You really can make a huge impact on the marketability of cattle.”

Improving quality, decreasing fat thickness, controlling weights — those are

some of the successes tied to the NBQA, including the emphasis placed on eliminating injection-site blemishes.

Results from the 2016 NBQA and NMCBBQA will be available at NCBA’s summer conference and the 2018 Cattle Industry Convention, respectively.

— *Story & photos by Laura Conaway, Certified Angus Beef LLC*

Training for a Taste Test

To passersby, it looked like people in a meeting room were taking shots of beef broth and pineapple juice. To those at the Cattlemen’s College session that was part of the 2017 Cattle Industry Convention & NCBA Trade Show in Nashville, Tenn., Feb. 1-3, the samples were just part of becoming “trained” taste testers.

“Consumers of your product have very high expectations,” said Bridget Wasser, executive director of meat science for NCBA. “That gives us a common goal to work toward.”

Beef flavor includes 38 attributes.

During the session, “Beef’s Taste Experience,” she walked through one of the three main drivers of beef-eating satisfaction.

“Beef flavor is very complex. It’s not one attribute, but many, many flavor notes,” Wasser said. “There are a lot of things that can go right and there are a lot of things that can potentially go wrong.”

Flavor is not as simple as a “pass/fail.” Instead, each consumer views it differently. “We have to make sure we find a way to give it to everyone, all the time, and so consistency of the product comes into play,” Wasser said.

The beef community has made marked improvements on tenderness in the past few decades, “so the good news is that it allows us to focus on some of these other eating attributes,” she said.

Lipids, carbohydrates and proteins that make up beef have the greatest influence on flavor. Lipids, or fats, are species-specific, differing in both amount and fatty-acid composition. That’s why beef doesn’t taste like pork or poultry.

“Marbling is something we hang our hat on as a beef industry,” the meat scientist said, noting it gives the protein its “buttery, beef

fat” notes. “That’s a very positive flavor. It’s something consumers respond very positively to and that’s why it has a lot of credence in our quality-grading system and the valuation



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of our beef carcasses.”

A beef checkoff project recently added a little more precision to sensory science by developing a beef lexicon, or a dictionary of foods, for 38 attributes.

“How can you pick them out if you don’t know what an individual flavor note is?” Wasser asked.

Researchers then train panels using this common terminology, and participants can be used as instruments in both discrimination and descriptive research.

Conference attendees experienced a crash course in taste-panel training. They got trays with six different samples ranging from beef broth representing “beef flavor” and little smokies to represent “beef fat” to canned pineapple juice that pointed out the “metallic” flavor.

After using many senses to evaluate each note, they tasted a final sample of a Choice strip steak.

“You would start by learning every one of those reference samples and really understanding their scale and intensity, and then you’d graduate to beef tasting,” Wasser said. “That’s kind of a ‘day in the life’ of a sensory panelist.

“Hopefully you got a little appreciation for beef flavor, beef sensory science and some of the work the beef checkoff is doing to work on this trait and make it more consistent and acceptable over time,” she said.

— *Story & photos by Miranda Reiman, Certified Angus Beef LLC*

