

# Export Economics

Big opportunities exist around the globe for U.S. cattle genetics, says this exporter.

by **Kindra Gordon**, field editor

**E**xports of U.S. agricultural products during the last 10 years have seen phenomenal increases — and have been a boon to the U.S. economy. Total agricultural products had an export value of \$60 billion in the U.S. economy in 2004. By fiscal year (FY) 2013, U.S. ag exports grew to a value of \$140.9 billion. Additionally, for every billion dollars of agricultural goods that are exported from the United States, approximately 8,400 jobs are created.

Tony Clayton likes to share these statistics so that others recognize the importance and value that exports offer. Clayton is currently president of the Livestock Exporters Association of the USA, and he is involved in exporting all species of livestock to many countries around the world through his Jefferson City, Mo.-based company, Clayton Agri-Marketing Inc.

Clayton recognizes that when most people think of America's beef exports, boxed beef comes to mind. However, during the past 10-15 years, Clayton reports that interest in America's livestock genetics — from beef and dairy cattle to swine, horses, sheep and goats — has reached an unprecedented level. His company is shipping livestock exports several times a month, which is helping add value to the U.S. livestock sector.

What's prompting this export growth? Clayton says foreign governments are realizing that the ability to produce at least some of their own food is integral to their national security — and this is becoming ever more important as the global population expands.

## Food security sought

Clayton says, "Many of the elderly leaders in countries know and recognize that hungry people are dangerous people," Clayton says. "They want to produce a certain amount of their own food regardless of the cost of production — and knowing that they could import food at a lesser cost."

He adds that some foreign governments are offering subsidies to help encourage producers to import livestock genetics. As examples, the Russian government is offering \$1,000-\$1,400 per head to producers who import cattle that are three-quarter-blood or higher-percentage breeding; Kazakhstan is offering a similar subsidy, but cattle must be registered purebreds.

Clayton notes that there is demand for all breeds of beef cattle, and there is growing interest in expected progeny differences (EPDs) and efficient genetics, for which the United States is recognized as a leader.

"International producers want to adopt our genetic systems," he says. "When feed got expensive, they realized they've got to make animals efficient. When our corn was high, theirs was higher."

He continues, "They are trying to develop breeding systems and breed associations. They want to raise fast-growing, efficient animals that make them money and feed their people."

In the years ahead, there are going to be ample people to feed. Clayton points out that the world's population continues to grow by nearly 100 million people per year.

Additionally, by 2015, nearly half (48%) of the world's population will live in cities, a trend that is expected to continue to grow.

Foreign economies are also growing, which means as people around the globe make more money, they will spend more money. Clayton says this means they will be able to afford a diet higher in protein, which helps drive the demand for beef and other proteins.

## Biggest potential

Over the next three to five years, Clayton projects the three countries with the most potential for exports will be Russia and Turkey for beef and dairy cattle, and Kazakhstan for beef cattle. He reports that Kazakhstan has already imported 12,000 head of cattle and reportedly is interested in 35,000 more.

Interestingly, Turkey has already been importing 300- and 400-pound (lb.) feeder cattle because it has the feed and slaughter facilities. Clayton says he expects that to continue and other countries to possibly do the same.

Clayton says as governments stabilize, he anticipates Egypt and Libya will also be growing markets for U.S. beef and dairy cattle, as well as feeders. He shares that Egypt had to destroy 100,000 head of cattle because of a foot-and-mouth disease (FMD) outbreak, so they will need to repopulate their cattle herd.

After extensive drought the last several years in Mexico, Clayton anticipates Mexico will be a big market for U.S. beef and dairy cattle exports. "Their government has announced a repopulation program that will start this spring and summer."

Iraq's market is open for beef and dairy cattle, and Clayton expects to see some movement there. He reports that their government is requiring oil companies to build dairies to help create jobs and produce food.

Jordan and Vietnam are also emerging markets for livestock, particularly dairy. Clayton says, "The government in Vietnam has said it wants 'every child to have a cup of milk every day.'"

The Ukraine is the newest market for beef and dairy cattle, according to Clayton. It opened in the fall of 2013 after seven years of negotiating.

"We are optimistic about this market," said Clayton, who describes the country as having

## Additional issues

Livestock export specialist Tony Clayton notes that, in spite of the term *free trade*, exporting is "not an easy process."

As one example, he says an increasing challenge is simply a lack of knowledge about livestock, as well as blood-testing and quarantine-process protocols, by negotiators.

"We are now depending on negotiators on both sides of the process that are two, maybe three, generations removed from the farm," Clayton says.

Additionally, the USDA Animal and Plant Health Inspection Service (APHIS)-Veterinary Services (VS) reorganized Oct. 1, 2013, into six regions, which has reduced the number of staff and access to that staff, says Clayton.

He cites the paperwork requirements of importing governments for pedigree information as another cumbersome challenge, and says costs for health papers and other fees on the U.S. side have skyrocketed, increasing from an average of \$40 per head to \$144 per head.

Transportation and animal welfare are other emerging concerns with regard to exporting live animals.

"Airlines are pulling in the requirements on the number of animals we can put on a 747, and shipping animals on a boat takes about 17 to 25 days, so we've got to be careful of animal well-being," Clayton concludes.

“8 feet of topsoil.” He says, “They have the potential to be the bread basket for Eastern Europe.”

Although access to livestock or boxed-beef trade with China is still not in place, Clayton says it will be “big” when it happens.

### Factors to consider

While the export opportunities look optimistic, several factors will influence just how much the United States is able to capitalize on them. Clayton notes that disease outbreaks are a major concern.

“The U.S. knows firsthand how quickly export doors close and how long they take to reopen from their experience with BSE (bovine spongiform encephalopathy) detection in 2003,” he explains.

Clayton says for many countries, dealing with FMD has become a common occurrence, with thousands of animals depopulated to control the disease. Egypt is a recent example, and Clayton says Korea deals with FMD about every three years.

FMD has not been detected in the United States since 1929, and Clayton says, “We have to keep it out. We’ve got to do our due diligence. If it happens, it will shut down the opportunities for U.S. livestock exports.”

Clayton says incidences of tuberculosis, and the Schmallerberg virus that was

discovered in Europe in 2011, result in many countries banning cattle from countries [or states] where those concerns exist. For example, because of tuberculosis in California, they are not allowed to export live cattle to Russia. The Schmallerberg virus is preventing cattle from Europe from going to Russia, Egypt, Lebanon and other countries.

Clayton underscores how important it is to try to keep disease issues out of the United States so that export opportunities can continue.

Additional livestock diseases that he is monitoring include bluetongue, BSE, tuberculosis, avian influenza, West Nile virus, H1N1 (swine flu) and the newly identified porcine epidemic diarrhea virus (PEDv) in swine.

Because of these disease concerns, Clayton is a proponent of a national animal identification (ID) system in the United States.

“Animal ID is needed to get — and keep — the U.S. trading with some of these countries,” he concludes. “The U.S. needs to get their arms around it to take this cattle market to the next level.”

Looking ahead to the next three years, Clayton says the future for the U.S. beef industry will be “interesting” as it deals with the lowest cattle inventory in America since 1952.

“There have been many factors leading to this low inventory — mostly weather and severe droughts, but increased demand and expanding markets around the world, too,” Clayton says.

“It will be interesting,” he adds, “to see if importers around the world will be willing to move to the next plateau of cost for the quality genetics from the U.S. because of a lower supply, or if they will move to lower-cost cattle from Australia, Brazil, Romania and Uruguay.”

Clayton reports that China recently announced an agreement with Romania to purchase 500,000 head over the next few years.

Clayton points out, “Some facts are very clear; America’s detection of BSE in 2003 and today’s lower number of cattle have certainly elevated the profits of cattle producers from other countries. Australia certainly benefited when the U.S. was banned from many countries.”

However, he said he believes the United States still has many opportunities for livestock exports ahead and says, “There are only a certain number of countries that can export live cattle, and people will have to eat.”



**Editor’s Note:** *Kindra Gordon is a freelancer and cattlemaster from Whitewood, S.D.*