

GLOBAL



GOALS

**Beef trade is big business;
here's how the United States is staying competitive.**

by Kindra Gordon, field editor

With 7.4 billion people on the planet and 96% of those people living outside of the United States, an enormous opportunity exists to sell an abundance of American beef around the world.

Working diligently to help create those marketing opportunities is the U.S. Meat Export Federation (USMEF), which has 18 offices with staff working around the world. “Our mission is to increase value for U.S. beef, and we do that through partnerships with other countries. Our global network is key to understanding cultures and expanding markets,” explains Dan Halstrom, USMEF senior vice president of global marketing.

USMEF export efforts have paid off. In the 40 years since USMEF was established, the value of U.S. beef exports has grown significantly — most notably rebuilding in the last decade after the 2003

bovine spongiform encephalopathy (BSE) ban closed many international borders to U.S. beef. The value of U.S. beef exports grew from \$3 billion in 2009 to more than \$7 billion in 2014 — almost to the level they were at in 2002. Today, for every beef animal slaughtered, about \$280 per head is attributed to value from exports.

“We’re selling the right cut to the right market to maximize value ... and some markets are very important,” Halstrom says. He explains that many parts of the carcass that do not have domestic demand are valuable in other places around the world.

Currently, Mexico is the largest volume buyer of U.S. beef, with Japan second in volume. However, Japan represents the top market for U.S. beef based on value. Additionally, Korea, the Middle East, Hong Kong and Canada are also key markets.



Education and image

To develop these markets, Halstrom notes, “like any business, developing relationships is key.” This includes relationships with food distributors, importers, retailers and foreign governments.

Additionally, Halstrom says USMEF is “constantly in a state of education” with potential customers for American beef.

He explains, “In many cases our U.S. beef is generally higher priced than competing beef from other countries, but that’s not necessarily a bad thing. Our educational efforts aim to sell the value of U.S. beef — the high-quality, grain-fed tastiness compared to other beef that does not offer nearly as good of a taste experience.”

In markets that are more developed, such as Japan, Korea and Mexico, Halstrom says, USMEF is doing a lot of “imaging” — working to enhance the image of U.S. beef products and the U.S. beef industry.

Plus, marketing, relationship development and image building must be continual, he says. “There is a lot of value added through exports, but we (Americans) are not the only ones who have figured that out. Our competitors around the world are very well aware of this, including Australia, Brazil, Canada. So, it’s a fierce situation out there defending our share and trying to expand our share.”

Halstrom notes that it has been “a long, steady regaining of our [market] share that we used to have” since the 2003 BSE incident. However, he adds, “The good news is it’s been a steady upward trend.” He notes that exports fell some in 2015, but are back on an upward trend in 2016.

Driving the growth

Halstrom explains that beef export growth is being driven by several factors. Topping the list is the growing global population, which is adding about 78 million people to the planet annually. “Every year there are more mouths to feed,” he notes.

Additionally, economic growth in many countries and an expanding middle class means more people are willing and financially able to buy beef, which helps drive demand.

Halstrom says a third driver is the declining beef production ability in countries like Japan, Mexico and Korea. He explains that they can’t keep up with the demand growth, and they can’t supply enough grain-fed beef domestically, thus driving demand for imports.

Emerging and developing markets represent future opportunities to boost American beef exports. Halstrom notes many are not on the radar yet, and he cites Africa as an example. Their current population is 1

billion people, with projections to grow to 3 billion by 2070.

“At some point, they are going to demand higher-quality beef,” he says, “and that is something we need to plan for in the future.”

Lastly — but most importantly — to driving U.S. beef exports is the United States’ reputation, says Halstrom. “We have an ace in our hand compared to a lot of these other beef-producing countries. That is that our reputation is one of being the gold standard for safe, high-quality, tasty and reliable supplier of beef ... [Around the world] nobody questions the safety of U.S. beef, and that is something we are constantly marketing and leveraging.”

Looking to the next 10 years, Halstrom reports that a USDA report projects red meat consumption outside the United States is anticipated to grow 10% by the year 2024.

“There’s a lot of opportunity as we look out front,” he says.

Much of that growth is anticipated due to the growing middle class around the world, particularly in the Asian Pacific region, according to Halstrom.

Market messages

What is USMEF’s marketing strategy in these export markets? Halstrom notes that it differs by country depending on cultural and societal trends, as well as government relations.

As examples, a current campaign in Japan promotes “Think Beef, Think American,” which is designed to promote the image of high-quality American beef. He says foodservice, retail and convenience stores — which are 50,000 strong across the country, with 60-80 feet of refrigerated space in each of them — represent many options for American beef.

However, Halstrom explains that a challenge in Japan is the fact that American beef has an 11% higher import duty than Australia. In spite of that, he notes that the trend line shows that marketing efforts have helped increase American beef exports to Japan during the past decade, but with Japan importing about 50% of its beef — and the majority still coming from Australia, he says, “We still have a lot of opportunities to displace Australia.”

Halstrom notes that passage of the Trans-Pacific Partnership (TPP) would put duties with Japan to par in the future, leveling the playing field for future beef export opportunities.

In Korea, American beef is also gaining share quickly, which is exciting, says Halstrom. One promotion strategy with retailer eMart includes using Ricky Kim, a famous actor in the country, as a celebrity in ads for American beef.

TPP and trade

To maintain and gain access to countries for beef exports, Kent Bacus, director of international trade and market access for the National Cattlemen’s Beef Association (NCBA), emphasizes that working with other governments and the American government are essential to keeping the trade doors open. He also underscores the importance of passage of the Trans-Pacific Partnership (TPP), a trade agreement among 12 countries, including Japan.

With TPP, Bacus believes “beef will be one of [the] biggest winners in agriculture.” Conversely, he says, America’s future beef industry would be “less competitive without TPP.”

He explains that because of the high value of American beef compared to beef from other countries, reducing or removing tariffs is needed to equalize trade opportunities. “Leveling the tariff playing field would give leverage over other countries. If Congress fails to pass TPP, it essentially tells our trading partners we’re closed for business.”

Currently, Bacus says, “The problem is we don’t have the same access other countries do.”

Also in Asia, Halstrom notes that the e-commerce sector is growing dramatically. He reports that consumers like the convenience and high-quality products they can order at noon and have delivered to their door by 5 p.m. without having to deal with city traffic. Pork is already available via e-commerce, and, he says, once U.S. beef has access into China (which it gained in September), he anticipates it will grow very quickly.

From a demand marketing aspect, Halstrom notes that China is a key for the future. In comments made before American beef gained direct access, Halstrom said they were in planning mode for when access did come. “We’ll be ready. We are planning a high-end roll out when it does happen.”

Another region of the world where beef demand is growing is Central and South America. USMEF has had success there hosting a Latin American Showcase, which

brings beef buyers and sellers together to network, as well as attend seminars on beef production. Halstrom says the event, which has been hosted annually for six years, has been “one of the most successful things we’ve done.”

Of the future, Halstrom is excited for continued growth of beef export opportunities. He notes that access to South Africa was approved in spring 2016, which marks a milestone for future expansion into Africa as their economy and cold-storage infrastructure improve over the next decade. Access to Brazil for the first time since 2003 was announced on Aug. 1, 2016. They have a population of 200-million-plus and a growing middle class.



Editor’s Note: Kindra Gordon is a cattlewoman and freelance writer from Whitewood, S.D.

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