

Thinking Outside the Border

The U.S. Meat Export Federation continues to strive toward putting U.S. meat on the world's table.

by Kindra Gordon

The U.S. Meat Export Federation (USMEF) marked its 30th anniversary in 2006 — and the organization's goal remains unchanged from when it was founded.

“Our number one focus is getting market access internationally for U.S. meat,” says Tom Lipetzky, vice president of program planning and development for USMEF. He adds, “Without meaningful access, the best promotions in the world won't make a difference.”

But despite its history and the inroads the organization has made in marketing U.S. beef and pork around the globe, the organization still gets the question here at home, “Why do exports matter?”

Lipetzky shares this insight.

Global growth

Foremost, he says, the global market offers tremendous growth opportunity, whereas our domestic growth is limited.

He explains that American consumers eat 300 pounds (lb.) of beef, pork, poultry and seafood annually per every man, woman and child, which is likely the peak for domestic meat consumption. “One protein may replace another in consumers' diets, but total annual meat consumption per U.S. consumer isn't expected to grow much above 300 pounds,” Lipetzky says.

Red meat exports benefit crop industries, too

Red meat exports not only increase revenue to the beef and pork industry, but add value to the corn and soybean sectors, too.

As exports allow for more demand and more red meat to be marketed, it means there is also more demand for corn and soybeans to be fed to cattle and hogs.

As a result, Cattle-Fax estimates beef and pork exports contribute 10¢-15¢ per bushel to corn prices.



Comparatively, Japanese consumers eat about 225 lb. of meat annually — about 75% of what Americans consume. Russians consume about 135 lb. of meat annually, which is 45% of American consumption. The same can be said for numerous other countries, such as China. Thus, Lipetzky says, there is opportunity for global growth of red meat.

Additionally, the world population now equals 6.5 billion people. Only 5% — 300 million — of those people live in the United States. Lipetzky says, “That means 95% of the world's consumers are outside U.S. borders. Can we ignore them?”

Also, many of these countries are poised for economic growth, which equates to income growth for their consumers. For instance, the 2007 forecasted economic growth is 10% or more in China and 5%-10% in India, Russia, Egypt and Southeast Asia. Mexico, Korea and Central America are predicted to have 3%-5% growth.

“As incomes rise, we see an increase in red meat consumption,” explains Lipetzky, who says this represents a positive opportunity for marketing more U.S. meat and growing global demand. According to the population and economic trend predictions, he says global beef consumption is poised to grow by as much as 13 million metric tons in the next 15 years. Looked at differently, this

would equate to adding another market the size of the U.S.

Overall, U.S. beef and pork exports are equal to about 2 million metric tons, which is valued at \$5 billion and equates to about 10% of U.S. beef and pork production. (Note: These numbers are based on levels achieved prior to the U.S. incidence of BSE in 2003 and represent USMEF projections for the U.S. in the next couple years.)

Other benefits

Another reason that exports are an important part of a profitable industry is that they provide an outlet for many meat cuts that are not in demand by U.S. consumers, Lipetzky explains.

“Exports help diversify the market portfolio and reduce risk. We gain diversity by having different cuts go to different markets, which results in better value back to the industry,” he says. Ultimately, it's a way to find buyers for all parts of the carcass.

As an example, short plates are valued at about \$23 per head in the U.S., but in Japan where this cut is more popular, they have a value of \$70 per head. The same is true for tripe, tongue and skirt meat, which have a higher international value because there is demand among global consumers.

Lipetzky cites that almost 50% of all U.S. variety meats are exported — among them 90,000 metric tons of beef livers.

In total, he says, exports also reduce domestic supplies, further helping increase prices. U.S. export levels are the equivalent of roughly 65,000 head of cattle per week and 50,000 hogs per day.

That said, the question is always asked, “With free trade and exports, don't we also end up with a lot more imports?”

In response, Lipetzky says, “We can't want to trade everywhere and not open our own market. For instance, the U.S. does import beef from Australia, but it is primarily lean trimmings for the fast-food industry.”

The bottom line is staying competitive and producing the best U.S. beef so it is in demand domestically and with global

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consumers, Lipetzky says. That is how the U.S. can remain a net exporter.

A key to remaining a net exporter is to build a positive image for U.S. beef. As an example, in 2007 Korea will require that all meat sold in restaurants must be identified as to the country of origin. "We think that will have a positive impact for U.S. beef exports because Korean consumers will know which product is from the U.S.," Lipetzky says.

He concludes, "Exports require global competitiveness, and we need to be aggressive. Other countries also see these opportunities for red meat and are gearing up as well. The competition is fierce."

Strategies ahead

With the potential value that red meat exports represent in the decades ahead, what does USMEF have planned to capture more market access for the U.S.?

Primary strategies include educating global consumers and building an image for U.S. meat products. The USMEF maintains a global presence with offices and staff around the world. "This allows us to monitor trends and global consumer demands," Lipetzky says.

Presently, the key focus is food safety. "Global consumers are increasingly concerned about the safety of their food supply. This means brands and traceability are becoming more important," he adds.

He says branding represents a promise of quality to consumers and lets the consumer know who stands behind the product. Lipetzky sees a real opportunity for "story beef," in that consumers want to know how the animal was raised and what it was fed.

As an example of the level of detail that consumers want, he says some Japanese grocery stores now provide a computer in the meat department that enables consumers to get information about the producer, the animal's date of birth, where it was raised, what it was fed, and its health record, including BSE testing. "We are told consumers don't use the computer so much at the store, but they are going to the web site at home and gain confidence in the safety of the product from just knowing that the information is available," he reports.

Lipetzky says examples like this are an indication that to stay competitive, the U.S. beef industry will need to continue working toward source verification and traceback programs.

Additionally, the U.S. needs to continue building its brand image in order to compete with other countries vying for export market share. Lipetzky says this is because many trade tariffs are beginning to be reduced on the international scene, which should give better market access and allow for longer-term trade agreements. But it also means more competition.

Lipetzky shares the following examples.

- ▶ Brazil, China, Mexico and Chile are ramping up their exports with help from some of the new trade agreements. Argentina is also a player since it has done a better job of addressing its animal health issues.
- ▶ Canada and Denmark have been able to tap into some additional export markets through promotion of their pristine and natural environment for raising livestock, and of a superior care of the animals.
- ▶ Australians have recently increased their beef checkoff to \$5 per head (equal to about \$3.80 in U.S. dollars), which will give them a bigger budget for promotion and research. Australia is also shifting from promoting grass-fed beef to touting their grain-fed beef to international consumers.

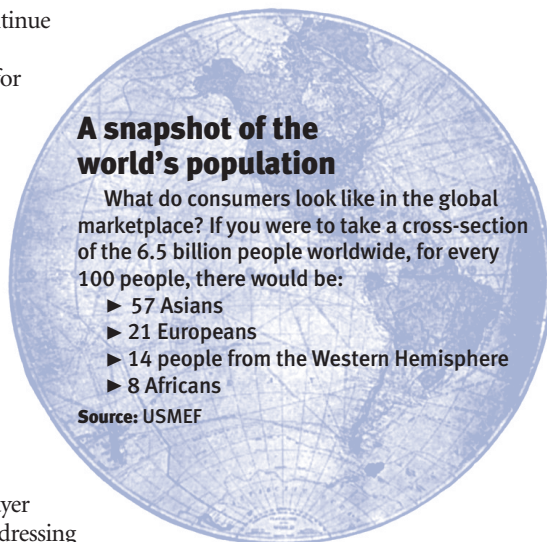
Of these tactics, Lipetzky says the U.S. needs to continue monitoring consumer trends and building the country's brand image internationally. "Grain-fed beef has been the U.S.'s niche, and we've got to fight for it," he says.

A final area that Lipetzky pegs as critical to the future success of U.S. meat marketing around the globe will be tapping into female consumers.

"Women figure prominently into meat marketing and what we do. Food purchasing decisions are primarily made by women around the globe. And they all want the same things for their family: Food that is healthy, nutritious and safe; a good value for the money; and convenient and easy to prepare," Lipetzky explains.

That said, many of the advertising and promotions developed by USMEF are designed to target women, and Lipetzky says that will continue.

Some examples of their efforts have included placing a well-known female chef on USMEF's staff in Singapore to help with



beef menu development and promotion for restaurants to build demand among Singapore consumers. Lipetzky equates Chef Sabrina to being USMEF's version of Rachel Ray in the U.S. He adds that female celebrities and athletes in other countries have also made great spokespersons to endorse U.S. beef and pork and distribute recipes and cookbooks.

In Mexico, where Mother's Day is celebrated much like Christmas, USMEF has sponsored special promotions with beef purchases that allow consumers to earn coupons to attend special Mother's Day events. Lipetzky says it has been very successful and is a way to tie U.S. beef to a family function.

In 2002 after Japan's first incident of BSE, American women from different sectors of the beef industry were tapped to talk to Japanese consumers and convey the message of the safety of U.S. beef.

"This was one of USMEF's most effective campaigns because we did our homework and knew that the Japanese wanted to hear from American women talking directly to them," Lipetzky says, indicating that women will continue to be the central focus of USMEF's future meat marketing efforts.

In conclusion, Lipetzky emphasizes that "trade is a good thing," and says all trends indicate global demand will continue to rise for red meat.

"USMEF is committed to putting U.S. meat on the world's table, but we can't do it alone," he says. "We need the support of producers and stakeholders across the industry. The world is our oyster, but we need to be aggressive."

