



Beef Exports Gaining Momentum

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

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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 the National Cattlemen's Beef Association (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 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.

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.



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.

"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."

Editor's Note: Steve Suther is director of industry information for Certified Angus Beef LLC. This article was written as part of Angus Media's coverage of the 2017 Cattle Industry Convention. For further coverage, watch future issues of the Angus Journal or visit www.angus.media.