

International Beef Trade: What Now?

Leaders in the international beef trade sector shed light on the global market.

by *Kayla M. Wilkins*

Trade has been a hot topic issue on the minds of many within the last year. Foreign relations in this sector have posed numerous questions across the United States and that holds true for the cattle industry, as well.

The current state of trade and policy is on the forefront of issues affecting today's beef industry. Beyond present day, the futuristic outlook of international beef trade is creating uncertainty among individuals active in the cattle industry from producers to congressmen. However, Kent Bacus, director of international trade and market access with the National

Cattlemen's Beef Association (NCBA), on Feb. 1 during the NCBA convention said the current situation has potential for a positive outcome within the industry.

"With uncertainty there is always opportunity," Bacus says. "I think it is important that while we may disagree with the president and we may disagree with some of these policies, we need to look at the opportunity to work with this administration and to work with our congress to make sure that any of those outdated issues that we still have can be addressed."

Today's global marketplace

Before looking too far ahead, Bacus says it is important to understand the current state of the market on an international scale. Currently, the United States exports only 10-15% of what is produced annually. From his perspective, it is clear the industry has successfully learned and provided what the American consumer wants.

"We dominate this market. We have developed a clientele over many years," Bacus says. "We know exactly what Americans want and we can deliver 365 days a year."

The domestic market is a vital piece to the puzzle when it comes to how the industry maximizes

profit; however, the export market is growing rapidly. For example, the Japan market alone was up 24% this year.

In response to the growing marketplace and need for U.S. beef by the consumer, as well as other environmental and policy variables, there has been expansion within the American beef herd. Currently, there are approximately 90 million head of cattle and just over 600,000 ranches nationwide producing more beef every year.

With the increase in production, there also must be a continued increase in demand. Dan Halstrom, U.S. Meat Export Federation (USMEF) senior vice president of global marketing, says identifying and acting upon needs of other

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countries is the niche for the USMEF. He reports, along with the dramatic growth in the Japanese market, Korea is up 38%, Taiwan is up 22% and Mexico is up 8%. This increase is not happening by coincidence.

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going and a lot of it has to do with product mix," Halstrom says.

Halstrom stresses the idea of putting the right cuts in the right markets to maximize value. Although a simple thought, he assures producers it is not. When

Export market expansion



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Mexico ↑ 8%

approaching markets, he says matching cuisine demand with availability is key.

For instance, while tongue sells domestically at \$2 per lb., it is selling in the Japanese market for \$5.70 per lb. The initiative to fit Japanese cuisine demand in an effort to add value to the beef carcass resulted in an \$11 per head incremental margin on beef tongue alone.

As the demand increases for various beef cuts in the food service sector in those countries, Halstrom says the demand translates into the retail sector, and the value opportunity increases even further. In the case of the Japanese markets, this idea has been illustrated perfectly. Because there is a void of Choice-grade beef produced in Japan, and it has a surplus of middle-class consumers, he says U.S. beef fills the void with ease.

While other players, like Australia, are holding cattle after liquidating several years ago during drought, Halstrom says the time is now for U.S. beef to create opportunity to be a mainstay in the international market.

“The time is now for us to get aggressive and really take share from these guys,” he expresses, “and we are doing that.”

Policy for the producer

Stepping back to analyze the trend of export value from 2006 to 2014, it is clear to see the significant gain — a 5.14 billion gain to be exact. The upward trend is exciting, and Bacus says it is up to the policymakers to determine if the progression will continue.

“If they are willing to open those doors and let us compete then I think we are going to see that number grow even more,” he says.

Today he notes approximately 79% of export value comes from the top five markets Halstrom mentioned. Those markets are vital, but identifying and fostering new markets is always on the radar. Lately, Hong Kong has proven to be a thriving marketplace for U.S. beef with the hope of expansion into China.

“We are hopeful that in the near future we will be able to transition that into the mainland and into China,” Bacus explains, “which represents a fifth of the world’s population and a middle class larger than the entire U.S. population.”

Although these ideas sound attractive in theory, Bacus does not forget the technical issues associated with expanding. In the China market, NCBA has been engaging with individuals on Capitol Hill and in the U.S. Department of Agriculture (USDA) extensively to open that specific door via policy.

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“It is our job to educate them,” he explains, “as well as these other parts of the government to make sure they know exactly what we want, what is beneficial to us and our producers, and how we can maximize those opportunities, and then they represent us to the rest of the world.”

In 2016 policy goals were simply stated by NCBA. Bacus says passing the Trans Pacific Partnership (TPP) and then restoring trade with China and improving access to the European Union were on the forefront. However, the election postponed these goals. He notes there was a lot of anti-trade rhetoric within both political parties, ultimately delaying the movement on TPP.

Even with the challenge facing the policy side of international trade, Bacus still maintains optimism for markets like China.

“We are optimistic,” Bacus says. “We have tried to answer as many of the questions and educate the Chinese government on our production standards and the safety and quality of our product. We are hopeful that when conditions are right and the decision is made it will be in that market.”

Moving forward

Bacus says it is clear things are changing rapidly since the new administration has stepped into office. One of those action items is the withdrawal from TPP, as well as the notice of action on the North American Free Trade Agreement (NAFTA) and the potential bilateral negotiations with trade partners.

Bacus says this trend will continue, as enforcement of policy will be the name of the game with the new administration. Specifically, sorting out challenges within trade tops the list in 2017.

He says there are a number of opportunities available for the beef industry to market internationally, but the question remains — will the government open doors to the opportunity and aid in expanding it?

Bacus advises producers to play an active role in the trade issues facing the industry. First, he stresses the importance of being engaged and educated. With an issue of this magnitude there are several outlets for obtaining information, so doing the work to find the most credible ones to form a personal opinion is a good place to start.

Getting involved is the biggest take-home message. Bacus invites interested producers to attend the NCBA legislative conference in March and to take part in other NCBA leadership opportunities. He says it is crucial for the producer to become engaged with Congress and the administration in today’s market environment.

“If we don’t engage then people will set policies for us that don’t necessarily have our best intentions,” he notes. “Let’s be honest, our numbers are not as big as they used to be. We have fewer people feeding our entire population, and so we have to engage with Congress. We have to engage with these lawmakers and make sure they don’t put policies in place that are bad for us.” **HW**