



Experts weigh in on global beef demand

January 21, 2008

The position of the U.S. in the global beef trade was a hot topic at the 2008 International Livestock Congress held in conjunction with the National Western Stock Show in Denver, CO. A number of industry experts from around the world gave their analysis on the current state of U.S. beef trade, as well as the goals and requirements for the future. What the U.S. can do to meet the demands of its global beef consumers was an important part of the trade picture.

One theme which was pervasive among all the demand analysis was traceability. While animal ID is a sore topic among many in the U.S. cattle industry, it served as the common thread for nearly all of the recommendations regarding how the U.S. should recapture its global market share.

John Brook, regional director of Europe, Russia and the Middle East for the U.S. Meat Export Federation (USMEF), outlined some of the requirements currently imposed on farmers in the European Union (EU) for producing beef.

"Every animal in Europe must be tagged at birth and will be tracked throughout its life using a system of passports and paperwork which is systematically checked by local veterinarians," explained Brook, who emphasized that the U.S. must produce beef under similar circumstances to be considered for export to the EU.

"Traceability has been the bedrock on which we reassure consumers," said Brook. "If an animal health emergency occurs, it is possible within just a few hours to check which animals it has been in

contact with, and when."

Beef consumers and producers would likely be shocked at the labels used in the EU which provide a large amount of information including the animal's history and origin, and even a picture of the farmer with a description of his/her operation.

Brook explained that "animal welfare is a big issue in Europe," and the EU will likely create a compulsory label for animal welfare, as well.

Due to the high quality of U.S. product and the acceptable nature of the production standards used, Brook said he believes there is a large amount of demand for U.S. beef, should the partners ever reach a trade agreement.

"The demand for U.S. beef is there, and it is increasing," said Brook. "Despite an expected decrease in consumption, beef production in the EU is expected to fall at a much faster rate, leaving an ever widening gap between production and consumption. Because of the health, animal welfare and slaughter standards the EU imposes, it's crucial that [the EU] does business with the country closest to it in expertise and animal health. The U.S. is that country."

Russia's growing economy and its role as an energy supplier is encouraging to Brook, who says the market for quality muscle cuts is growing rapidly.

"Increasing energy prices are creating more wealth all the way around as there is a trickling down of money from the wealthiest Russians," Brook said. "This is creating a burgeoning middle and upper class in Russia and the potential for high quality product consumption is skyrocketing."

When asked about the cost of EU's labeling programs, Brook said it is different in every country, but that "it's a cost which is just there. It's overlooked because it's part of what everyone must do." Brook answered questions about whether there would ever be beef sold in Europe which is produced with hormones.

"I think we may see beef produced with hormones in the EU, but probably not in my lifetime," said Brook. "Although the World Trade Organization has ruled that meat produced with added hormones is safe, I'm not sure that the science really matters to most Europeans. When you have a label that is three times the size of the warning label on a pack of cigarettes saying the beef was produced with hormones, it isn't likely to sell very well. In fact, having a product labeled that way may severely harm the industry as a whole."

Homero Recio, president of Agri-West International, Inc., placed emphasis on capturing a greater share of trade to Mexico, which he said should be a priority for the U.S. in the future.

"Who fills the gap between production and consumption in Mexico?" asked Recio. "The U.S. fills 80 percent of the gap, while all remaining countries fill the other 20 percent. The remaining countries accounting for the 20 percent didn't used to exist-the U.S. almost exclusively supplied Mexico."

Recio said that although the beef industry in Mexico is gaining efficiency, it likely won't be able to keep pace with demand as it increases due to population growth.

"Mexico will likely need at least 390,000 metric tons more beef in 2025 than it needs now. Mexico will be able to produce some of the difference, but it won't be able to produce it all," Recio explained. "Mexico is definitely gaining some efficiency in their production as they have moved away from all grass fed beef in the south. They're increasing their total production even as their cat-

tle numbers fall. Today, some 94 percent of the beef in Mexico is fed some type of grain before slaughter."

Although the country's beef industry continues to develop and gain efficiency, and despite a doubling in poultry production in the last 16 years, Recio believes population growth and a fairly steady demand for beef of all cuts will keep Mexico in place as a large beef trading partner.

"The one good thing about Mexico from a market standpoint is that it's a good one-stop-shop. From the head to the tail and all the parts inside, people in Mexico will use virtually every part of the animal. Some have said that they would buy the 'moo' if you could box it," joked Recio.

As the senior vice president of the Asia-Pacific division for USMEF, Joel Haggard is greatly familiar with the demands of Asian beef consumers as well as the potential for increased U.S. trade.

"If we were running on all cylinders in the Asian and Pacific Rim markets, it's safe to say that our market here would be much stronger," said Haggard. "Despite our image as a steak and hamburger culture, what we export to most of these countries are not steaks and hamburgers. Asian retailers are often willing to pay premiums for Choice and higher grain fed beef, but the largest portion of their beef consumption is in the form of ribs."

Haggard said that because of the country's strong economy and the affluence of its citizens, Japan represents an excellent market.

"The Japanese are wealthy, and because they can afford a portion of their diet to come from protein, the average consumer in Japan can certainly afford U.S. beef," Haggard said. "One of the things USMEF has placed particular emphasis on is putting a human face with U.S. beef. We're trying to regain the confidence of the consumer in the wake of the 2003 bovine spongiform encephalopathy discovery. Japanese consumers like to know where their beef comes from and USMEF's 'We Care' beef marketing strategy has done a good job of conveying that information."

Haggard said China is the market with the largest upside potential, though it will take more time to develop high volume trade as compared to South Korea and Japan.

"Despite China's conspicuous consumption, the vast majority of Chinese are still very poor. The country's poor and rural populations can't afford beef, but there are still some 500 million people in China who are moving into the middle class. It's the growing per capita income and the growing infrastructure which makes China look quite attractive as an outlet for U.S. beef in the future." - Tait Berlier, WLJ Editor

Crow Publications - Any reprint of WLJ stories, except for personal use, without permission, written consent and appropriate attribution is prohibited.

©1996-2006 Crow Publications. All rights reserved.