

Meat Exporting in the 80's

Harold T. Sanden*
Howard Wetzel
Robert Reimenschneider

If you were to reach back in your textbooks on animal husbandry in the 40's, I'm sure you would read of how our cow calf operations in the West furnished stocker cattle for the high plains and Western corn belt, and finally feeder cattle for the traditional corn belt states for finishing. These finished cattle would then go to the "River" markets to be slaughtered, and the carcasses shipped by rail to high-population Eastern cities where the meat was cut and distributed to neighborhood butcher shops, meat markets and restaurants.

That has now changed — cattle are grown, fed and processed in the same general area — such as the Texas panhandle — and the cuts are made into primals, subprimals, and even into portion cuts for the supermarket trade, restaurants, hotels, ship suppliers and now for the export market as well.

There was a day when the average meat packer would just stare at you when you mentioned the export market — he couldn't be bothered or care less. His only thought of exporting came when his freezer was bulging with livers, tongues and other offal items. His trimming, packaging, boxing and freezing were for a surplus unknown market, and the product looked just as shoddy as you would imagine that practice would produce.

Changes in Exporting

That kind of thinking no longer is tolerated in the export trade. That packer whom I described as a "River" packer now looks beyond his domestic market and is producing specifically for a customer abroad. Specially packed livers, special trimmed beef tongues, cuts of beef for the Western European market must be right or we do not get the business. Let me show you how export meat markets have grown in the past 15 years.

Beef and Veal Exports

You can readily see from Figure 1 that, while we are the largest importer of beef and veal, our exports have grown tremendously since 1970. Our largest single exports have gone to Japan.

*H. T. Sanden, Deputy Director for Marketing, Dairy, Livestock, Poultry Division, FAS, USDA, Washington, D.C.

Reciprocal Meat Conference Proceedings, Volume 36, 1983.

Figure 1

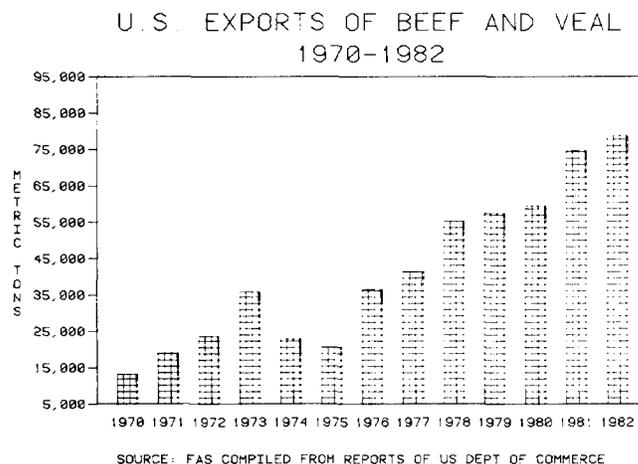


Figure 2

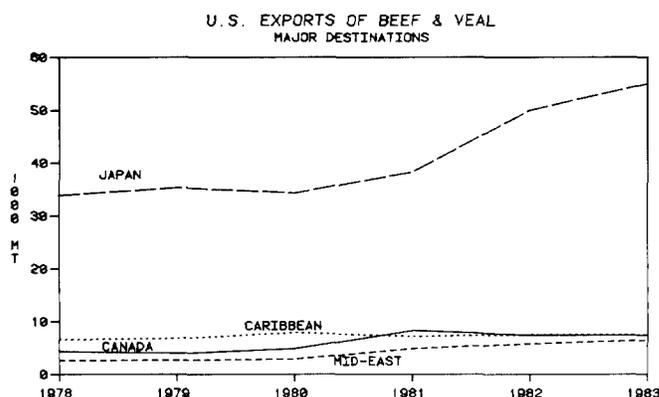


Figure 2 shows the major destinations of U.S. beef exports since we started promoting beef in 1978.

It's easy to see why we have concentrated our major efforts to Japan — Japan has gone from a per capita consumption of 1 pound to over 8 pounds since 1968. Imagine, if you will, the potential of a country of 117 million people — every pound per capita increase in consumption of beef means 53,000 metric tons more! Japan consumes 8 pounds — we consume 90 pounds — what if Japanese consumption of beef were to increase 10 pounds per capita

in the next five years? This would amount to an increase in consumption of 530,000 metric tons! We hope this would come from increased imports.

I realize that anyone can play with "what if" and per capita statistics, but we believe that because of Japanese government policies which restrict imports of beef thru GATT, illegal quotas, prices remain exorbitantly high in Japan, thus discouraging increased consumption. This is a major non-tariff barrier and all branches of our government are actively fighting this problem from a *trade policy* standpoint. We have recently met with the Japanese and nothing of a substantial relaxation of quotas is evident at this time. Our position is that we will insist on complete elimination of quotas, albeit phased out over a period of time. So far, the Japanese are stonewalling this position.

Pork Exports

Let's look at U.S. pork exports from 1970 to 1982 (Figure 3). Here again, you will readily see that our biggest customer for pork is Japan. And, true to form, we find fault with our best customer! Figure 4 shows exports by destination. This chart is for the years 1978 to 1983 — Japan does not have quotas

Figure 3

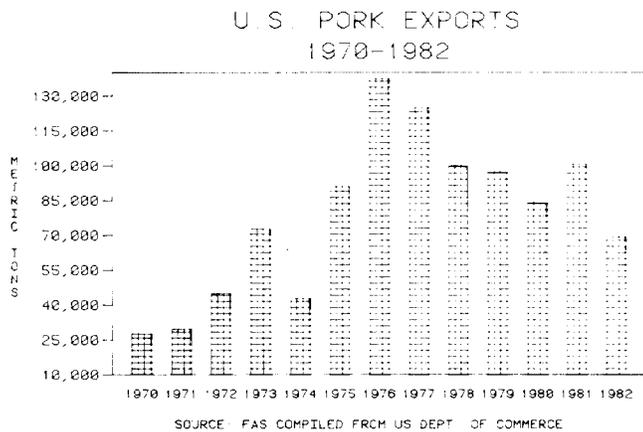
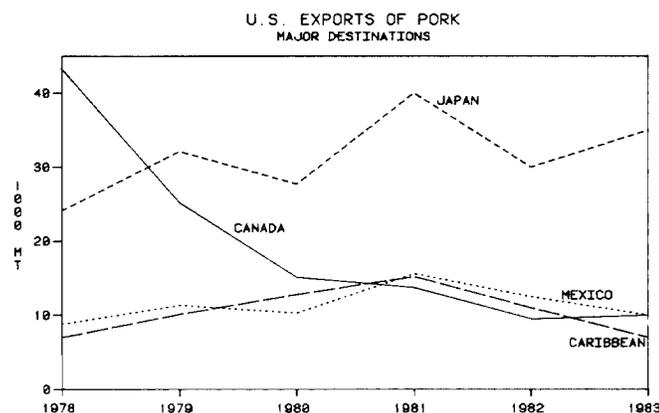


Figure 4



per se on pork imports. Instead, she gives the quasi-government organization Livestock Industry Promotion Corporation (LIPC) the job of stabilizing meat prices. Instead of quotas, LIPC establishes a basic floor price and a ceiling price for pork and manipulates supplies by buying domestic pork when prices fall below ceiling prices, and releasing frozen stocks and importing additional supplies when pork is above ceiling prices. This policy guarantees that all imported pork will sell at a price past the midpoint of the floor and ceiling prices by applying a variable levy or an ad valorem duty, whichever is higher, to the price of imported pork.

In extreme cases, where large quantities of imported pork are needed to stabilize prices, Japan will waive all duties on imported pork. At other times, when the government of Japan wants to discourage imports, the government will issue "administrative guidance" which in essence tells importers they can import pork but "had better not." Our trade policy is to protest these practices, so as to let market forces dictate the imports of pork on a free market basis. Japan could greatly increase its pork imports, but control of prices by the LIPC discourages consumption.

Figure 3 shows that there is a wide variation in pork exports from year to year. For instance, in 1974 there was a sharp drop. Japan and the common market closed their borders to beef imports and the recession in all economies was also reflected in pork exports. There was a steady growth in exports during the next years. This reflects the fact that the U.S. dollar was very weak and commodities reflected a certain stability. What has happened to exports since that time coincided with Denmark and Sweden being declared free of foot and mouth disease. Danish exports of pork are subsidized by the EC, consequently, U.S. pork finds it hard to compete. Denmark has foot and mouth problems once again, so it is currently out of the Japanese market. However, Canada, Sweden and Taiwan are filling that gap.

Variety Meat Exports

Figure 5 presents total variety meats exports from 1970-1982. Note that exports are growing steadily and have leveled off in the past 3 or 4 years. This is caused by the slump

Figure 5

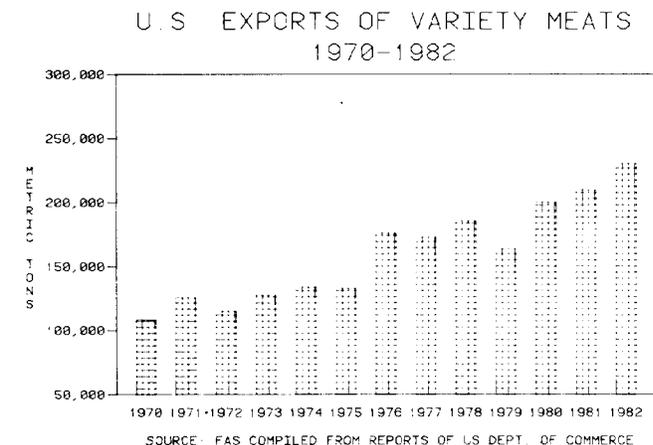
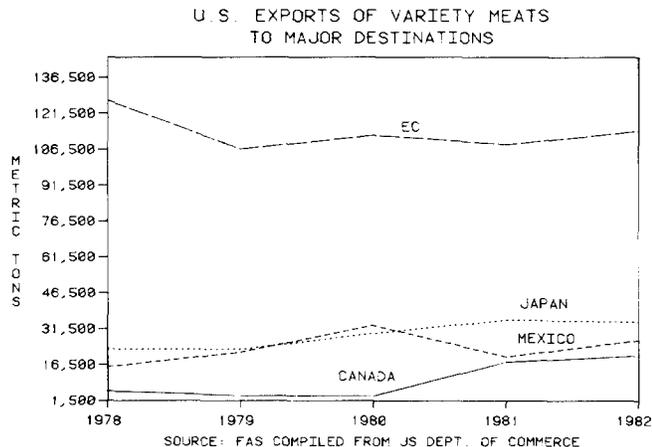


Figure 6



in cattle and swine slaughter in the U.S.

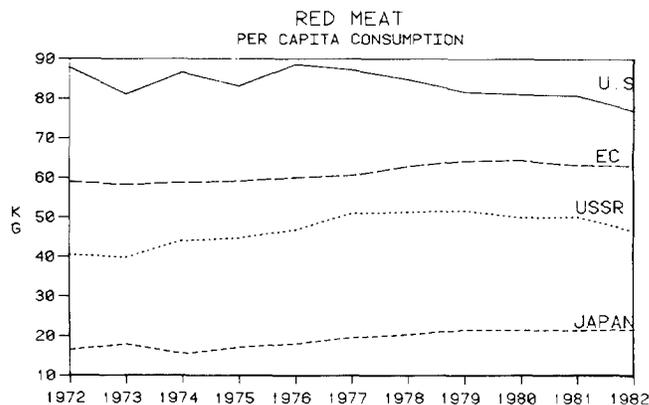
Figure 6 shows exports of variety meats by destinations and points out the strong showing of Japan in this category. Japan has climbed to near the top but we are not making an issue here. Our job is to be sure we have no constraints to access of variety meats and that our industry is actively promoting these meats in Japan.

What about exports to the rest of the world? Europe has been our best market for variety meats for a number of years. We recently won a 10,000 metric ton quota for high-quality beef to the EEC. We have done a rather poor job of selling in Europe for various reasons. I believe the initial problem is that Europeans as a whole are not yet accustomed to eating beef of U.S. quality — it is generally considered too fat for their preferences. It is up to us to educate them or to trim our beef to their specifications if we are to be successful. There are other problems, such as methods of issuing licenses, specifications of slaughter and cutting plants that U.S. industry must comply with, and the high price of the U.S. dollar.

We have done something with licensing — beginning this year, we have been able to get monthly licensing instead of quarterly licensing. We are talking with EEC inspection personnel about how our plants can qualify for export to Europe.

Our biggest problem in exporting high-quality beef really lies in our own lack of interest in exporting. We must get industry excited about selling high-quality beef if we are ever to fill the 10,000 metric ton quota. One plant of a major slaughterer could fill this quota if there were a commitment by

Figure 7



that packer to go after the market.

What about trade in meats in the rest of the world? Who is the next large consuming nation that we are not even contacting? The USSR!

Other Possibilities

Figure 7 shows the red meat per capita consumption of the major meat importing countries of the world. The USSR ranks next to the U.S. and EC as a consumer of red meats. U.S. government foreign policy has had a hand in trade policy with the USSR. Recently, we sent a trade survey team to the USSR and found that they would very much like to do business with the U.S. The team concluded that there was a market for mechanically separated meat and some variety meat products for the making of sausage. What is needed now is to follow up with trade contacts until someone is successful in a sale. Trade policy enters into the scene by assuring the customer that no embargos will be placed on these products.

In conclusion, U.S. trade policy in the meat trade will be geared to:

1. Removal of constraints
2. Easing of import duties
3. Bilateral discussions on animal health and hygiene regulations.
4. Elimination of quotas

In each of these areas we have a long way to go!