Value and Mechanics of Meat Exports

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AGENDA

- Red Meat Exports in 2018
- Export Supply Chain
- Export Considerations
- What to Expect in 2019
2018 Beef and BVM Exports

13.5%

Beef and BVM Exports as a Percent of Production

$323.14

Export Value Per Fed Beef Cattle Slaughtered
U.S. Beef Cut and Variety Meat Utilization

- 35% Chuck Rolls, Clods
- 5-10% Ribeye, Short Ribs, Short Plate
- 5-10% Shortloin, Top Butt
- >70% Goosenecks, 10-20% Rounds

**Northern Asia**
- Mexico, C/S America
- 90% Rib Finger, Skirt Hanging Tenders

**Worldwide**
- Canada, Mexico

**Japan**
- >90% Tongues
- >90% Liver, Heart, Kidney
- >75% Stomach, Intestine

**Middle East, South America, South Africa**
- Mexico, Hong Kong
Meat Export Supply Chain

- Farm/Producer
- Packer/Processor
- Trader/Exporter
- Export Market
Farm-Level Export Considerations

- Increase in "program cattle"
- Premium largely tied to exports
- Foreign opinion toward production technologies?
- Science-based adoption of technology vs. Precautionary principle
CATTLE TRACEABILITY

What export markets require traceability?

Impacts of a foreign animal disease outbreak?

Will it add value to U.S. beef exports?

What are export competitors doing?
Packer/Processor Export Considerations

- Value of export programs
  - Export verification programs
  - Additional carcass/product sorts
  - Specialized labeling

- "Upgrading" products for export

- Direct vs. trader
Export Market Factors

**Tariff Barriers**
Ability to compete in countries w/ agreements vs. falling behind competitors

**SPS/Non-Tariff**
What barriers impact U.S. ability to supply and compete?

**Economic Factors**
Price sensitivity, ability to buy high quality beef. Where are the growth markets?

**Product Mix**
What products does the market demand and can we supply it better than our competitors?
What will drive U.S. exports in 2019?

- African Swine Fever
- China Agreement
- Japan Agreements
- USMCA
Marketing U.S. Beef Abroad

- Non-science based standards
- Price vs. grass-fed
- U.S. agriculture image

Grain fed, high quality
Low cost *grain fed* supplier
U.S. agriculture image
What to Expect?

Trade Dispute Head Winds
Trade negotiations/issues will play major role in U.S. exports for 2019 and beyond in our largest, most critical markets

Unique Quality Attributes
High quality U.S. beef will continue to differentiate itself vis-à-vis export competition (Australia, Brazil, etc.)

New Opportunities
Income growth and change consumer preferences will drive global protein exports to grow developing markets

U.S. Supply Advantage
Export driven growth in supply, resource and scale advantages
Thank You!
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ASF Impacts on Global Pork Trade

Assuming 20% drop in China/Vietnam pork production
-9% in global production, back to 2009 production levels

62% tariff limiting factor for U.S. competitiveness
Difficult for U.S. to substantially grow exports to China without tariff relief

Would leave 10.8 MMT gap in Chinese pork production
Global pork trade was 8.2 MMT in 2018

Opportunity for growth in other protein consumption
Consumers replacing pork for poultry, beef, mutton