Expanded U.S. beef variety meat access could cause market shifts

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Summary

Historically, Asian markets dominated U.S. beef variety meat sales; today, the major markets for U.S. beef variety meats are limited to Mexico and the Middle East and only two Asian markets are open to these products. However, U.S. beef variety meat made up 53 percent of the export total through September 2006, and sales have shifted to capture growth in new markets, such as Egypt, Peru and Colombia.

Background

Potential remains in Asian markets

Prior to the December 2003 discovery of bovine spongiform encephalopathy (BSE) in the United States, the Asian region was the largest export destination for U.S. beef variety meat. According to U.S. Department of Agriculture (USDA) statistics, the United States shipped $336 million in beef variety meat to Asia in 2003, accounting for 47 percent of all beef variety meat exports. Japan and South Korea accounted for 67 percent of this value, with other significant destinations including China, Indonesia, Hong Kong and Taiwan.

The domestic wholesale price of tongues, without Asian access, hovers in the $2-per-pound range. However, in Japan, chilled imported beef tongues from the United States have reached $9 to $11 per pound. Importers have been willing to pay up to $12 or $13 per pound for U.S. beef tongues, more than the price of Choice-grade U.S. beef tenderloins.

Other popular variety meat items prior to the BSE-related trade bans, included: U.S. beef omassum (bible tripe) and aorta for China; U.S. beef hearts for Indonesian Bakso or meatballs; small intestines for Korean BBQ, as well as feet and tendons; and, although not technically a variety meat, Korea imported a significant amount of U.S. beef femur bones.

Japan and Vietnam are the only markets currently open to a fuller range of U.S. beef variety meat products. However, The United States cannot meet Japan’s demand for U.S beef variety meat because only a limited supply of product is eligible for export under Japan’s requirement that it come from cattle 20 months of age or younger.

Now there is more competition in Asian markets to sell beef variety meats. Brazil, for example, has steadily increased exports to Hong Kong, which also serves as a conduit to China. India is exporting more beef variety meat to Vietnam. Nevertheless, the United States remains well positioned to fill the significant Asian demand for variety meats because the larger U.S. cattle harvest provides ample supply.

U.S. beef liver exports to Egypt grow

The Middle East is a sizeable market for U.S. beef variety meat. The region is experiencing an economic boom due to continuing high oil prices. Population growth and expansion in the foodservice and retail industries all have created large-scale spending on food.

Over the years, the U.S. Meat Export Federation (USMEF) has positioned U.S. beef livers and other variety meats as staple items in the Egyptian diet. Prior to December 2003, the United States was the primary supplier of beef livers to Egypt so when the country lifted its BSE-related ban on U.S. beef products in September 2005, beef liver sales bounced back. This success can be attributed, in part, to an educational campaign using scientific messages to reinforce the safety and high-quality of U.S. beef products with trade and government officials as well as consumers. In addition, imported beef livers remain an affordable protein choice in the face of low domestic beef supplies and rising meat prices.

Approximately 40 percent of Egypt’s imported livers are consumed at home while 60 percent are used by traditional restaurants and street vendors for sandwiches. New market segments for U.S. beef livers are still unfolding. Traditionally, distribution took place solely in “wet markets,” but now U.S. beef livers are selling in wholesale outlets and in the growing retail sector.

Last May, Egypt changed shelf-life requirements for hearts and kidneys from four months to seven months, removed requirements that a product had to reach the country with 50 percent of its shelf life remaining and that it had to be shipped within two months of production.

The change was partially due to an 18-month research project by USMEF and Colorado State University. The research, funded by The Beef Checkoff and the USDA Market Access Program, determined that livers, hearts and
kidneys could be stored up to 320 days, or almost 10 months, without negative effects. Egyptian customers are ordering significantly more variety meats now that they have more time to distribute the product. Through September, U.S. beef and beef variety meat exports to Egypt were 57,129 mt. valued at $64.5 million. This level already exceeds 2003 year-end totals of 30,915 mt. and $29.9 million.

Variety meat a strong seller in Mexico

Variety meat is in high demand in Mexico because it is an inexpensive protein source, and buyers can choose the specific products they want. When buying domestic variety meat, Mexican buyers must purchase all variety meat items. Approximately 70 percent of variety meat sold in Mexico is at wholesale and butcher stores and 30 percent is marketed through retail stores.

Through the first nine months of this year, Mexico was the primary destination for U.S. beef variety meat, increasing 19 percent from the same time last year to total 113,176 mt. valued at $279 million. Despite this growth, volume may shift to Japan, South Korea and China/Hong Kong when the United States regains market access for variety meats in these markets.

Tripe soup or “menudo” is a popular and traditional dish in Mexico driving demand for Honeycomb and mountain chain tripe right now. However, importers may no longer be able to profitably supply those items when Asian countries start importing them. Tongues are another delicacy in Mexico that may be unavailable once Asian imports drive up demand for the product.

Increasing access in Peru and Colombia

Colombia recently lifted its BSE-related ban of nearly three years on U.S. beef and beef products. U.S. beef exports to Colombia currently face an 80 percent tariff, making it difficult for exporters, but when the free trade agreement between the United States and Colombia is signed and implemented that tariff will be reduced.

Peru expanded access to include beef from cattle older than 30 months in age on Nov. 3, 2006. Hearts and livers are among some of the most important meat items in the Peruvian diet, which has created strong demand.

Key Points

• Prior to the December 2003 discovery of BSE in the United States, the Asian region was the largest export destination for U.S. beef variety meat. Mexico has become the primary market for U.S. beef variety meat, but volumes may shift to Japan, South Korea and China/Hong Kong as market access for variety meat is regained.

• Now there is more competition in Asian markets to sell beef variety meats. Brazil has steadily increased exports to Hong Kong and India is exporting more beef variety meat to Vietnam. Nevertheless, the United States remains well positioned to meet significant Asian demand.

• The Middle East is a sizeable market for U.S. beef variety meat. The highest growth area has been in Egypt, where a shortage in domestic beef supply and rising meat prices have created greater demand for imported beef livers since they are affordable.