International Meat Secretariat

www.meat-ims.org | 644 | November 2022

CONTENTS

- Global Beef Demand Remaining Strong although Climatic Factors and Higher Costs Constraining Production Growth – Part 1 of the IMS Economics Workshop
- The Dublin Declaration: the call from the scientific community for an evidence-based debate on meat
- What Inflation? Premium Certified Angus Beef Continues to Post Strong Results

I.M.S.
5 rue Lespagnol
75020 Paris
FRANCE
Tel:
33 (0)1 44 93 60 20
Fax:
33 (0)1 44 93 60 01

Editor: Hsin Huang
© I.M.S. All rights reserved

No part of this publication may be reproduced in any form or by any means without the prior permission of I.M.S.

www.meat-ims.org

Global Beef Demand Remaining Strong although Climatic Factors and Higher Costs Constraining Production Growth – Part 1 of the IMS Economics Workshop

The 8th IMS Economics Workshop was held in Paris on 18 and 19 October.

The event took place at the headquarters of the IMS during the latter stages of the SIAL Food Exhibition. Delegates were really pleased to be meeting again in person for the first time in three years, although they had much appreciated the seventeen Economics Webinars that had been organised since the last Workshop in Buenos Aires in November 2019.

The current workshop was attended by over forty representatives from the following countries: Argentina, Australia, Brazil, Canada, Colombia, Denmark, France, Germany, Ireland, Japan, Netherlands, New Zealand (by video link), Mexico, United Kingdom (including Scotland and Northern Ireland), United States and Uruguay. A Russian economist contributed a virtual presentation but did not take part in the Workshop. In addition, there were contributions and participation from the Bunge agribusiness and food company, the World Organization for Animal Health (WOAH), Euromonitor, GIRA, Agribenchmark and Rabobank.

On the first day, delegates were welcomed by Guillaume Roué, IMS President, Erin Borror, Chair of the IMS Economics Committee and Hsin Huang, IMS Secretary General. The Workshop opened with presentations on the livestock situation in the host country, France, by Ilona Blanquet from IDELE and Elisa Husson from IFIP. After that there were another twenty-two country presentations covering the latest market situation as well as issues of importance for their beef, pigmeat and sheepmeat industries over the next two years.

This first report will summarise some of the factors emerging from the beef market reports on the opening day.

Overview of World Beef Trends

Worldwide **supplies** of beef have been limited in recent years with latest estimates from both FAO and USDA indicating small increases of 1 - 2% in 2022. However, global production is forecast to fall in 2023 for the first time in several years and production has remained below the 2019 peak; a variety of factors account for this. The serious droughts in key areas of North America; geopolitical developments linked to the war in Ukraine creating planning uncertainty and accentuating major cost of production increases; consequential lack of profitability for specialist beef producers; finally, consumer reaction in some countries to criticism of beef consumption on environmental, animal welfare and dietary grounds.

Global **trade** in beef, which has increased significantly in the past decade, is also forecast to decline in 2023, partly due to a predicted drop in imports into China but also because of lower production levels in some major exporting countries. Two major exporting countries, Australia and Brazil however, are both forecasting higher export volumes.

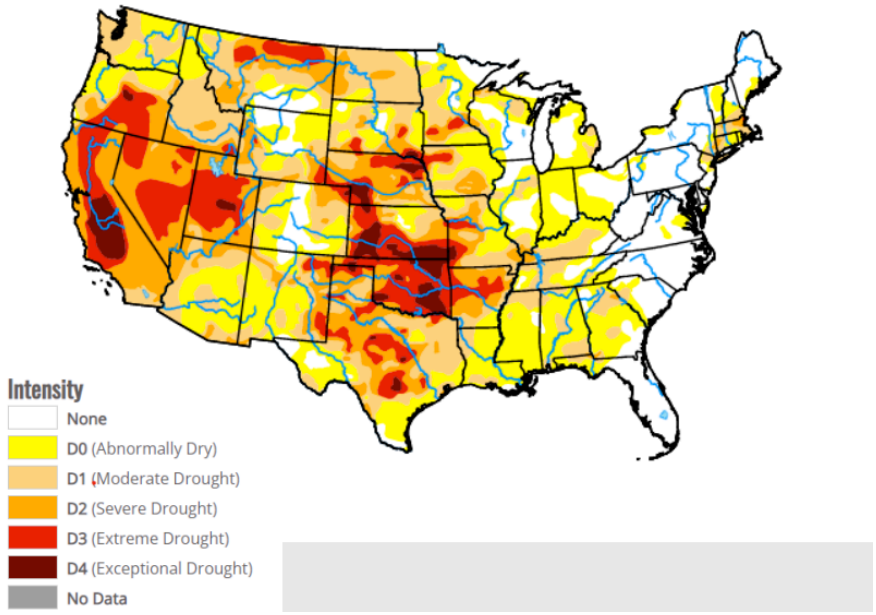
Although the FAO's world beef price index has eased in recent months, **prices** remain significantly higher than a year ago and have risen in recent years at a faster rate than other major meat categories. This suggests that the lower production and trade forecasts in 2023 are less likely to reflect a lower demand for beef worldwide than a shortage of supplies.

One thing that does stand out, however, is the growing disparity between trends in Europe and those in the rest of the world. Evidence for this comes from trends in production and consumption in the past five years using figures from the October 2022 Livestock and Poultry report from USDA, which include the forecasts for 2023. European production and consumption figures are declining by 5% and 4% respectively compared with increases of 4% and 6% for the rest of the world.

Droughts Affecting Beef Production in North America

The drought situation in key beef breeding areas of the **United States** has had a significant impact on US

Figure 1. Drought and Beef Cow Slaughter



Source: droughtmonitor.unl.edu

breeding cow numbers. According to USDA, 49% of the US cattle population are in areas of 'severe to exceptional drought conditions' and beef cow slaughter in the first nine months of 2022 were 13% higher than in January-September 2021. Although beef production levels in 2022 as a whole are expected to be slightly higher than last year's record level, a drop of 6% is forecast for 2023. This decline, coupled with the strong US$, is likely to result in a major reduction in US beef exports next year. US beef imports, on the other hand, are forecast to increase in 2023.

In **Canada**, the drought and high feed and forage costs have also caused a decline in beef cow numbers. Despite the balance of net exports of feeder cattle from Canada to the US moving from surplus to deficit in more recent months, total beef production is expected to drop by 1% in 2022 and by a further 4% next year. Strong demand, however, has resulted in beef exports increasing significantly in both volume and value in both 2021 and 2022. A consequence of this has been a sharp decline in Canadian beef consumption from the recent peak in 2020 although the Canadian demand index for beef remains at high levels.

Mainly Positive Outlook Reports from Latin American Countries

Mexico has risen to being the world's 7th largest beef producer and has experienced a steady increase in its cattle herd in recent years despite a drought in some of its northern regions. It has a growing beef export industry with over 85% going to the US. Consumption levels are relatively stable although currently there is a growing demand for cheaper cuts. The beef industry is also under pressure from the Government to keep prices at stable levels for Mexican consumers.

The cattle herd in **Argentina** has remained relatively stable although beef production levels have shown a slight increase. Beef exports in the first eight months of 2022 are 9% higher than last year with over three quarters of these going to China. Other key markets have been the EU and Israel. Overall inflation remains high (over 80%) and the Government is therefore continuing its policy of limiting beef export volumes.

Cattle numbers in **Uruguay** are also relatively stable although beef production in 2022 is estimated to be lower than the peak levels of 2021. The number of grain-finished cattle continues to rise to 15% of total slaughterings. Exports are at reduced levels with a growing proportion (65%) going to China; export prices have been 19% up on last year.

Brazil is the world's second largest beef producer after the US and its production in 2022 is likely to be 1% up on the recent low point of 2021. A further rise of 3% is expected in 2023. Consumption continued to fall in 2022 but a small increase is forecast for 2023. Brazil is also the world's largest beef exporter and is predicting exports in 2023 to rise by a further 5% to 3.13 million tonnes. Exports have grown by 36% in the past five years largely thanks to higher beef demand from China, which currently accounts for 42% of Brazil's beef export revenues.

In 2022, US is emerging as Brazil's second most important market. The Brazilian grain crop is expected to increase by 15% in 2022 and the higher world grain prices are incentivising the greater use of land for cropping rather than pasture grazing.

Elsewhere in South America, **Colombia** is experiencing a further period of growth in cattle numbers. Its current main export markets are Russia, Chile and Egypt but it is forecasting further growth in the coming decade with ambitions to gain access for exporting to other major beef importing countries including China, US and the EU.

Strong Growth in Australian Beef Production

The **Australian** beef industry is in the latter stages of recovering from the drought in 2018/19 and is experiencing a strong build-up in cattle numbers - further incentivised by high prices. Although they are having wet weather and some flooding at present, there is likely to be an expansion in cattle numbers to at least 2024 and beyond. Production in 2022 is expected to amount to 1.98 million tonnes, 5% higher than the low point in 2021 and is projected to rise by a further 17% by 2024. Similar trends are expected in exports although wet weather, logistical factors and labour shortages are currently being experienced. Japan, the US, China and Korea continue to be their main export destinations.

There is a major concern about

the threat of Foot and Mouth disease (FMD) following the outbreak in Indonesia. However, major precautions and severe bio-security measures have been taken to minimise the risk of it entering Australia. Meat and Livestock Australia (MLA) is addressing sustainability challenges with its framework for tackling all four pillars of a fully sustainable beef chain.

The **New Zealand** beef herd has increased in the past 4 years after a period of decline. High world beef prices have encouraged this with exports accounting for 90% of total beef production. New Zealand livestock producers are facing significant challenges from increased production costs as well as the Government's proposed environmental and climate change policies.

Record-breaking Beef Imports into China in 2022

Chinese beef consumption has increased significantly in the past ten years with much of the growth coming from higher quantities of imported beef. An acceleration in beef imports has been taking place since 2018, partly due to the sharp drop in Chinese pork production due to the African Swine Fever outbreak. Imports could reach as much as 2.7 million tonnes in 2022, compared to just over one million tonnes in 2018. Although beef imports are likely to decline in 2023 due to low economic growth and a recovery in domestic pork consumption, they are expected to remain above 2.5 million tonnes and are projected to increase to over three million tonnes by the end of the decade. Beef is popular in barbecue and high-end restaurants and the steadily rising number of Chinese households with disposable incomes over US $25,000 suggests that beef consumption will continue to rise.

Growing Beef Demand in ASEAN Markets

ASEAN beef imports have been increasing steadily since the low point in 2020. The major volume markets have been **Indonesia, Philippines, Vietnam and Malaysia**. Main suppliers to these markets are India, Australia, Brazil and the US. The potential growing import demand is significant, not least because of the predicted growth over the next four years in ASEAN consumers' disposable incomes.

Figure 2. Australian Beef Sustainability Framework



Japan imports about 60% of its beef supplies principally from Australia and the US; import volumes have remained relatively stable in recent years. It also imports over 40,000 tonnes of beef tongues. There is a big premium for the Wagyu beef produced in Japan; the export market for this very high-quality product is still very small but growing rapidly. South Korea is another major import market for beef; currently, its imports account for around 65% of total beef consumption.

India, whose human population now exceeds China's, is reported to have a bovine population of over three hundred million head (including cattle, buffaloes, mithuns and yaks). It is a major beef and buffalo meat exporter although its animal health status means that it is not able to export beef to many major importing countries. It now has seventy-four export approved abattoirs, all approved for halal slaughter. It currently exports over 1.5 million tonnes with the main market destinations being Egypt, various countries in the Middle East and Southeast Asia. USDA forecast data show Indian beef and buffalo meat exports growing to over 1.8 million tonnes by 2031.

Middle East Beef Imports Forecast to Rise

The population has been rising by 2% per annum in the **Middle East and North Africa (MENA)** between 2010 and 2022, with further growth at a similar rate

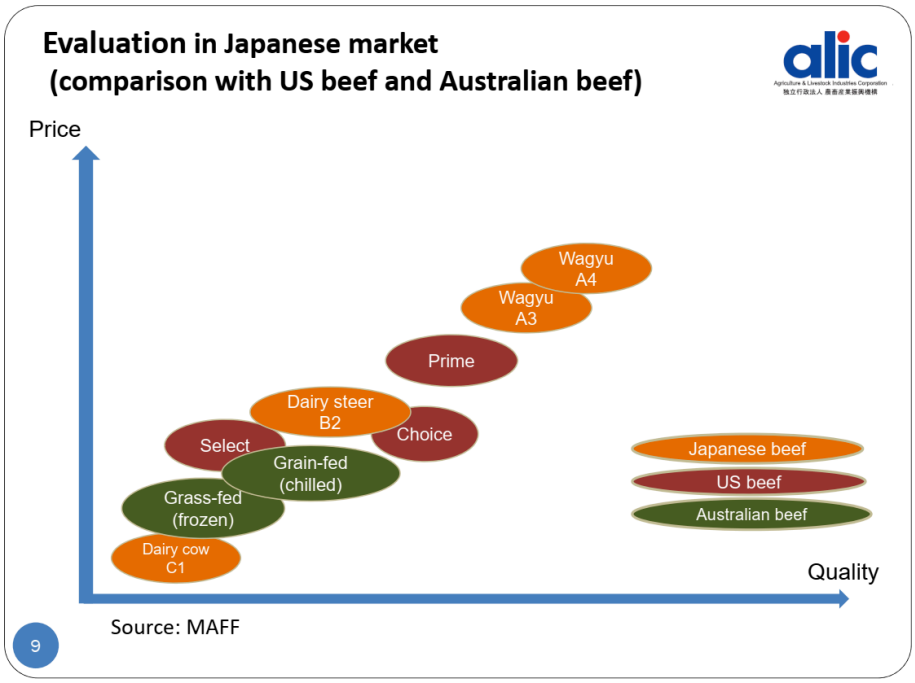
Figure 3. China as reported by the Economist



- Covid zero
- Demographics
- "Common Prosperity"
- Housing
- Banking
- Geopolitics
- CHIPS
- Rule setter

- Top importer, market power
- Demand for meat
- Purchasing power

Figure 4. Beef in the Japanese Market



expected between 2022 and 2026. MENA's population includes many countries whose wealth is very dependent on oil revenues. It currently imports over 1.3 million tonnes of beef and this is forecast to grow to around 1.6 million tonnes by 2026. Imports had reduced in 2020 due to the reduction in the number of tourists but beef demand has been steadily increasing over the past two years. Major markets are **Egypt, Saudi Arabia, the United Arab Emirates (UAE) and Israel.**

Contrasting Trends in European Countries

An explanation was given of the background to the EU policy proposals on the **Green Deal and Farm to Fork (F2F) strategy**. The need to tackle Climate Change had been a priority focus in EU Commission thinking for some years but the twin challenges of COVID and the Russian war with Ukraine had brought new elements to EU policy formulation; in particular, the need for greater **resilience** and **strategic autonomy** (i.e., the capacity to act autonomously in strategically important policy areas).

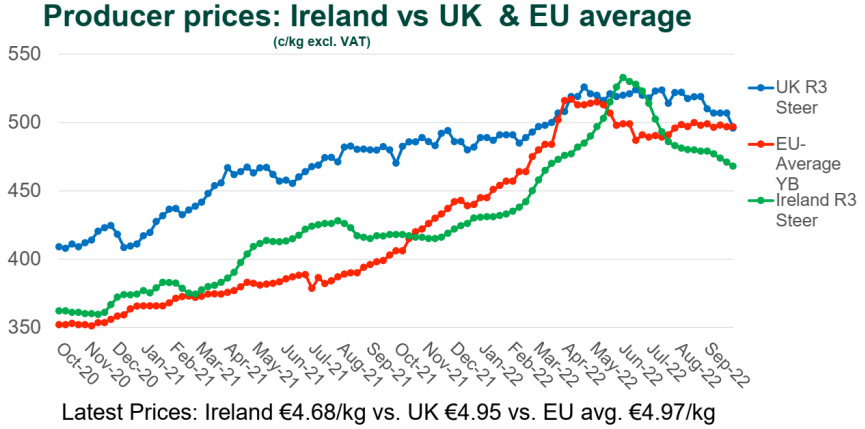
The F2F strategy has different objectives to agri-food policies in many other countries but is intended to encapsulate the European priorities for the future of agriculture and the environment. Many European farmers and meat industry companies are unhappy with some of the proposals set out, but nonetheless there is a strong groundswell of support for them amongst the EU public, particularly in Northern European countries. Having said this, it is highly possible that some of the current F2F proposals may have to be dropped in the interests of greater food security following recent events.

There are varied trends for individual European countries. **French** beef production is on a major downward trend in view of the decline over the past 5 years in beef cows (- 9.5%) and dairy cows (-7%). This trend is likely to continue to the end of the decade. Profitability levels have been low; there have been some severe droughts and many farmers have retired without having any succession. Prices have been soaring but so have production costs. Beef exports have increased but imports have risen at a faster rate. The changed Common Agricultural Policy does not appear to provide encouragement to the beef sector.

There are similar developments in **Germany**, where prices are high but production declining; previously, Germany was a net beef exporter but is now a net importer. In Ireland, however, beef production has been rising so far this year despite the reduced carcase weights due to the high feed costs. Exports in the first seven months of the year have increased by 15% with growth in volumes sent to other EU countries as well as to the UK; exports to other third countries are well down, however.

UK cattle prices are at record high levels - but still remain competitive internationally because the GBP has depreciated significantly against the USD as well as against the EUR; production costs have also been rising significantly, however. With retail beef prices increasing and consumer budgets squeezed, there is a switch in demand for beef mince and cheaper beef cuts. Exports to the EU have been at increased

Figure 5. Producer Prices for Cattle



Latest Prices: Ireland €4.68/kg vs. UK €4.95 vs. EU avg. €4.97/kg

Source: Bord Bia - Agence irlandaise de promotion des produits irlandais

levels but import volumes have reduced. The industry is still very concerned about labour shortages in the supply chain.

Common themes emerging in the discussions:.

- There are pressures for many industries to take on board the need for more sustainable production systems and ESG policies. This is currently having a particularly strong impact in New Zealand and European countries.
- Increased grain finishing is taking place in Australia, Uruguay and Brazil. Analysts are asking how long this will last with feed prices at current levels.
- Major trading countries are keen to see further reductions in trade restrictions - particularly non-tariff barriers. There is also a desire for more Free Trade Agreements (FTAs)
- There is concern, particularly from South American beef exporters, about the longer-term trends for Chinese beef imports; will they decline in future years?
- Many countries reported the consumer trend towards purchasing cheaper cuts of beef, with implications for demand for more expensive cuts.
- There is a call in some countries for improved structures in supply chains. The primary producer seems to be worst placed, but beef packers are also feeling the squeeze in the middle.
- There were major concerns about future trends in feed and fertilizer prices
- Will the value of the US$ continue to get stronger?

IMS and Inaporc staff were excellent hosts for this Workshop and arranged for delegates to have dinner at the end of the first day at a restaurant near the Gare de Lyon. A report on the pork and sheepmeat discussions will be provided in the next Newsletter.

Bob Bansback
IMS Advisory Council

THE DUBLIN DECLARATION: THE CALL FROM THE SCIENTIFIC COMMUNITY FOR AN EVIDENCE-BASED DEBATE ON MEAT

On Wednesday, October 19, **Teagasc - The Irish Agriculture and Food Development Authority** - hosted an important international event in Dublin about meat production and consumption. **"The Societal Role of Meat - What the Science Says"** was the topic of the two-day summit. Several world-leading international experts gathered in the Irish capital to discuss the importance of meat in today's society and the various debates surrounding meat production and consumption.

All summit attendees with **academic and scientific credentials** were invited to endorse the **evidence base** presented by signing the 'Dublin declaration of scientists on the societal role of meat'. This declaration aims to give voice to the many **scientists worldwide** who research diligently, honestly and successfully to achieve a balanced approach to the future of **animal agriculture**.

For further information, please refer to this link at the European Livestock Voice.

What Inflation? Premium Certified Angus Beef Continues to Post Strong Results

Even as inflation pushes beef prices higher in general, premium Certified Angus Beef posted some of its best results for the program's most recent fiscal year.

With the holidays approaching, millions of American families are already thinking about the meals they'll be preparing for family, friends, and guests. A good many of those meals will feature, at the center of the plate, a piece of Certified Angus Beef (CAB). While inflation is causing many cooks to consider alternatives to high-priced traditional foods and meats, CAB continues to hold its place as the go-to beef brand when an occasion calls for quality.

In fact, this year the CAB program posted some of its best sales results since the brand's founding in 1978. The month of March this year, for example, was the program's best-ever month, in terms of pounds sold, in CAB's history, with total sales for the month of 113.5 million pounds. For the year, CAB sales are expected to exceed 1.2 billion pounds, an increase of 1.6 per cent, or about 20 million pounds, over year-earlier totals. The year will be the second-best ever for the program, exceeding only by 2019.

"This last year, our licensed packers certified about 5,718,000 carcasses, plus or minus, into the brand, you know, slightly down

where we were a year ago, but still easily the second-largest supply that we've ever had in our brand's history," said John Stika, CAB president, speaking in September at CAB's annual sales conference closing out the program's fiscal year.

Foodservice Sales Rebound

The rebound of foodservice in the wake of the Covid-19 pandemic's decline is a major factor in CAB's recent success, as CAB is a featured menu item at thousands of steakhouses, brew pubs, and family restaurants across the U.S. As Stika noted at the conference, "Our sales mix returned to something more typical across foodservice, retail and international to what we would've seen prior to COVID. This past year, our sales growth was no doubt driven by foodservice building off their 13.5 per cent increase for last year. Our foodservice partners this year grew by another 11.2 per cent, or roughly 41 million pounds over the last 12 months, selling 406 million pounds of Certified Angus Beef and securing the second-best sales year for foodservice in the history of the brand."

At retail, sales declined somewhat over 2022 compared to 2021 and 2020, with a total of 551 million pounds sold this year. "In all honesty, we're optimistic about what lies ahead, because as we look at our top 25 volume retailers, as we look at their consolidated sales today, what we begin to see is that we're running three per cent over the prior year, starting back in July."

Stika noted that CAB's strong performance this year is occurring even while foodservice operators and retailers face high, even record high, prices on several CAB cuts. "This does not, by any means suggest that price is not important," he told the conference. "Rather, what it suggests – and it's a good reminder – that consumers do not buy Certified Angus Beef on price alone. Rather, what history has continued to teach us time and time again, is that a purchasing decision is based on the relationship between price and value and value in the eyes of the consumer continues to be strongly tethered to quality and taste – things that the Certified Angus Beef brand has continued to set the standard for."

What's the Secret?

Other breed-specific beef branding programs have been tried, and virtually every commercial beef breed has an association that regulates and monitors breed specifications – indeed, there are more than 70 certified beef breed programs, according to the U.S. Department of Agriculture (USDA), but none have come even close to CAB's market dominance at retail and in foodservice. Why?

According to research studies, the key to CAB's success is the certification that's granted by USDA based on inspections to ensure that a CAB-designated carcass meets 10 specifications for marbling, size, and uniformity. Moreover, beef that meets CAB requirements must be either USDA Prime or one of the top two levels of USDA Choice. These specifications and requirements guarantee a level of consistency that delivers on what Stika refers to as the "price-value relationship."

Interestingly, CAB doesn't necessarily have to come from a purebred Angus animal. They just need to be black in color and have a conformity that's more or less consistent with the Angus breed. In a note to cattle producers posted on CAB's website, the program states: "To be eligible for our brand, cattle must first pass visual appraisal to qualify as 'Angus type.' What's that mean, exactly? Each steer or heifer must have a predominantly black hide, with no other color behind the shoulder, above the flanks, or breaking the midline, excluding the tail."

An explanation to consumers from the website reads: "Angus cattle, which are known to produce higher quality beef, are typically black in color. This black hair trait is a strong indicator of Angus genetics and has become the USDA standard by which cattle are considered for all Angus brands and products. Beef that qualifies for any Angus brand, including ours, is determined not by pedigree, but rather by traits, like hair color, that are highly associated with the Angus breed."

CAB is seeing success in the export market as well, with the beef now exported to more than 50 overseas markets. Sales of Certified Angus Beef outside of the United States grew by 1.7 per cent to reach 176 million pounds last year, and CAB was "excited to see significant growth in three of our top five international markets with Canada, Mexico and Taiwan" experiencing growth of more than 24 per cent, Stika said at the conference.

"We were also excited to see the Middle East and Central America have their best years ever with the brand, and it's worth noting that both the Dominican Republic and Qatar had their best years ever and grew respectively by more than 50 and 70 per cent."

Steve Bjerklie, Contributing Editor, *Meat & Poultry* Magazine; correspondent, *The Economist*