

Comparison of New Zealand and the United States Meat Industry Exporting and Marketing Practices

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The paper is a comparative analysis of selected beef and sheep meat exporting practices. These two particular types of meat were selected as these are the two major export products from New Zealand. The United States also is a major beef exporter, but exports little sheep meat. There is a major difference between the two countries in their overall approach to the export market. New Zealand utilizes a coordinated industry strategy while the United States does not have a coordinated strategy as individual companies aggressively pursue their own individual interests without much consideration of the overall implications for the total industry. The paper initially considers beef and sheep meat production, exports and imports, and the critical issues pertaining to exports. Then there is consideration of the two countries' approaches to export markets and future opportunities, and the differences in industry strategies.

Sheep Meat Production and Exports

World sheep numbers decreased 10.8 percent over the five year period from 1989 to 1994 from 949,359,000 to 846,406,000. There was an even greater decline in the United States (16.4%), New Zealand (19.1%), and Australia (19.1%). Other major decreases in this time period were South America (12.3%), the former U.S.S.R. (20%), and Eastern Europe (39.2%). European Union sheep numbers, however, increased 29 percent from 1989 to 1994, and there were significant increases in several Asian countries.

The largest exporters of sheep meat in 1994 were New Zealand (451,000 tons) and Australia (307,000 tons). New Zealand exports 82 percent of their total production and Australia 47 percent of production. New Zealand accounts for almost half of all the sheep meat exported in the world. The United States only exported 4,000 tons which is 2.7 percent of production, and imports considerable more sheep meat than it exports. The majority of the other sheep meat producing countries and regions consume most of their own production and therefore export only limited quantities.

Beef Production, Exports and Imports

World cattle and buffalo numbers were about the same in 1994 (1,161,277,000) as in 1989 (1,152,409,000). There were significant changes in some countries as there was a decline in cattle numbers in the European Union (8.2%) and the former U.S.S.R. (14.6%), but increases in the United States (3.8%), Brazil (10.6%), New Zealand (10.8%), Australia (11.9%), North Asia (15.6%), and Pakistan (16.8%).

The largest exporter of beef in 1994 was Australia with 1,155,000 tons and the European Union was second with 1,073,000 tons (excludes intra-country trade). The United States exported 790,452 tons, Brazil 450,000 tons and New Zealand was fifth with 445,000 tons. New Zealand exported 84.6 percent of their total production, Australia 63.5 percent and the United States only 6.2 percent of its production. New Zealand beef exports make up approximately 15 percent of all the beef exported in the world. The United States has increased their exports by 322 percent during the past ten years, and during this time period Canada and Australia doubled their beef exports. The beef exports from the United States increased 17 percent in 1994, and the major growth markets for United States beef in 1994 were increases in South Korea (52%), Mexico (47%), Hong Kong (25%), Canada (15%), and Japan (5%). Many of the beef producing countries consume a substan-

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tial portion of their own beef production, and are not extensively involved in exporting.

The United States was the world's largest producer of beef (11,000,000 metric tons) and also the world's largest beef importer (1,460,000 metric tons) as a country. Other large importers of beef in 1994 were the European Union countries (2,460,000 metric tons), Japan (850,000 metric tons), Canada (almost 300,000 metric tons), Egypt (260,000 metric tons), and South Korea (over 100,000 metric tons). It should be noted for the European Union that 79% of the imports are intra-trade between the countries.

During the past ten years the largest increases in beef imports have been Japan (208%), South Korea (176%), and the United States (44.5%). The United States, Japan, and South Korean import markets will continue to grow in the future. The Japanese market for example is expected to reach 1,000,000 metric tons by the year 2000. Also some of the other Asian countries, such as Taiwan and China, will become major importers. It should be noted that apart from the United States, the world's largest importers of beef have limited capacity to increase their own production of beef.

Critical Issues for New Zealand Pertaining to Exports

One of the major issues is market access. The European Union and the U.S. are the two most important meat markets for New Zealand, but subsidies, quotas, tariffs, nontariff barriers, and other restrictions such as certification systems are causing market access problems in these two markets and other markets in the world. Market distortion mechanisms could disrupt New Zealand's sheep meat and beef exports, and this would be serious for New Zealand's overall economy as these two commodities constitute more than half of the country's total export earnings. The policies of GATT should bring about a gradual reduction in restrictions.

Another issue is market development. Presently, New Zealand exports to 85 countries and this work is carried out by more than 80 exporters. The largest growth markets are the European Union and the Middle East (sheep meat), and North America and Asia (beef). A major problem

with the Asian market is that New Zealand does not have the right type of beef for the affluent segment of the target market. However, beef consumption is increasing in the lower economic segments in Asia, and New Zealand can compete in these particular market segments with their grass fattened beef. Other important factors relevant to foreign market development are developing the distribution system, promotional activities, service, guarantees of quality and supply of the type of products demanded, and food safety.

A third issue is research and development. Major advances have been made in improving the livestock genetics and breeding, developing new products, processing, packaging, and shipping. These developments have increased the value added processing as 70 percent of the lamb is currently further processed beyond the carcass stage as contrasted to only 18 percent in 1982. It will be necessary to continue research advances in the future if the New Zealand meat industry is to remain competitive in the world market.

An additional issue pertains to quality. Due to research and development advances, New Zealand in recent years has been able to ship fresh, chilled, high quality lamb all over the world as contrasted to the previous frozen product. Other factors pertaining to good eating quality are consistency and reliability. If New Zealand is to continue selling meat at a price equal to or at a higher price than competition in the world market, high quality and good service must be provided, and the products need to be differentiated from competitors' products.

Critical Issues For The U.S. Concerning Exports

The primary issues for the U.S. are basically the same as for New Zealand except New Zealand has a more coordinated industry approach to the market. One of the most important issues for the U.S. is market access which is concerned with the market distortion mechanisms in several importing countries and this was previously discussed. A second issue related to market access is market development and this pertains to developing the potential and successfully competing in the rapidly growing markets such as in Asia and also in the more mature markets elsewhere in the world.

Another issue involves research and development and this concerns several facets of the industry such as improving livestock genetics and breeding, increasing processing productivity and technology, developing new high quality products desired by consumers, creating new packaging and improving the distribution system.

A fourth issue concerns maintaining a consistent supply of competitively priced high quality products for the different target markets throughout the world. It may be difficult to maintain industry quality, consistency, reliability and reputation as there are many exporting firms. There is no particular organization monitoring and coordinating an overall industry approach to the market.

Future Opportunities For New Zealand and U. S. Beef and Sheep Meat Exports

Two regions of the world take about 77 percent by value of New Zealand's total meat exports and both areas have restrictions and trade barriers. These two regions are North American (mainly beef) and Europe (primarily sheep meat). New Zealand provides 75 percent of all sheep imports into the European Union, and this represents 15 percent of the Union's sheep meat consumption. Other leading markets for New Zealand are the Middle East (sheep meat) at 13 percent and Asia (beef) at 15 percent.

The GATT Uruguay Round settlement is providing a more stable environment for meat exports. For New Zealand the improved access arrangement to the European Union and the U.S. will mean greater sales. New Zealand's present pattern of meat exports is expected to continue with the U.S., European Union, Canada, Japan, South Korea and the Middle East being the most important markets in order by value. Exports of beef to Asia are expected to expand as there is a projected five percent annual growth. Also, lamb and mutton exports to the U.S., European Union countries, and the Middle East are expected to increase, but the largest growth market is expected to be the Middle East with a three to five percent annual growth rate.

United States sheep numbers are declining and furthermore the sheep industry is not competitive in export markets. Therefore, there is limited opportunity for future sheep meat exports

unless the industry makes major changes. However, there is an excellent opportunity for U.S. beef exports in the future. The U.S. currently is the world's largest producer of beef, and the third largest exporter of beef in the world. Beef exports have increased more than 300 percent during the past ten years and in 1994 increased 17 percent. Exports are projected to increase in the future to the European Union countries, Canada, Mexico, Japan, South Korea and other Asian countries.

Difference Between the New Zealand and the United States Approaches to Export Markets

The U.S. and New Zealand utilize different approaches to the export market. The firms that are involved in exporting in the U.S. act independently of one another and compete with each other in the world market. However, in New Zealand, the New Zealand Meat Producers Board coordinates the activities of 29 export meat processing companies that operate 38 plants processing export sheep meat, and 42 plants processing export beef (1993). In addition, the Meat Producers Board coordinates the activities of 55 licensed exporters, and another 29 exporters (1993). Also, the Board has representatives in each major international market that provide information, contacts, and other assistance to exporters. New Zealand has been very successful with their sheep meat exports and both countries successful with beef exporting activities. The meat export situation, however, is more critical for New Zealand as the meat industry (sheep meat and beef) is New Zealand's key export industry.

The New Zealand Meat Board coordinates what companies operate in particular parts of the world and how they operate. The key control factor for the Board and its relationship with the sheep and beef industry is the meat export licensing system. Meat in New Zealand cannot be slaughtered, processed or packaged for export without the relevant license. The Board issues licenses for the export of meat (MEL licenses) and these are held on a company basis, but they are issued for particular markets and for specific products. If a company wants to extend its area of operation in the world it must make application to the Meat Board for approval. The criteria for granting an MEL license is that the exporter is a

sound organization that will trade in a manner which will not detract from the reputation of New Zealand meat overseas, and the exporter must do something innovative in terms of product or customer services. All exporter performance is monitored by the Meat Board to ensure that no practices detrimental to the New Zealand meat industry are occurring. Most markets are open to market development, but the number of traders is restricted in some markets where there are special conditions such as single government purchasing in a number of Middle East countries or where the market is a "developing" one. The Ministry of Agriculture and Fisheries (MAF) is also involved in licensing for meat export, but their only concern is hygiene standards and procedures, and a quality assurance program to maintain these standards.

Meat Industry Future Exporting Strategy

There are a large number of participants involved in meat industry exporting and there is a need for the major exporting countries to have a national coordinated strategy. This is needed to cope with the many changes, resolve problems, provide direction, and move the industry forward in order to be successful in a very competitive international market.

There is a major difference between the United States and New Zealand concerning the development of a national meat industry exporting strategy. The United States has no coordinated strategy as the companies involved in exporting compete aggressively with each other in international markets and act alone to pursue their individual interests. However, there are some organizations such as the U.S. Meat Export Federation that provide exporters contacts, information and other types of assistance. New Zealand does have a coordinated meat industry strategy for the future.

"Vision For New Zealand's Meat Industry In 2000" was put together by the New Zealand Meat Producers Board working with the producers, processors, exporters and government agencies. The goal is to become "the preferred supplier of meat in selected markets," and this encompasses the principles of excellence, quality, client focus

and commitment, market leadership and profit. This will be delivered by policies of:

1. International cost/marketing/quality competitiveness.
2. Effective marketing backed by an efficient infrastructure.
3. Setting standards of excellence that competitors strive to follow.
4. Innovation and product development that will improve New Zealand's competitive edge.
5. Striving for continuous improvement.
6. Always exceeding customer expectations of service.
7. Providing accurate and timely information.
8. Cooperation, partnerships, joint ventures and team building.

The specific meat industry target for the year 2000 is to strengthen its position as New Zealand's number one export earner and be a \$5.5 billion (New Zealand dollars) export sector. The meat industry exported \$3.7 billion in 1992. Another important part of the target goal is sustainable profitability at all levels in the industry. It appears that New Zealand will not be able to significantly increase livestock numbers. Therefore, in order to achieve the meat industry target goal of a \$5.5 billion export sector by 2000, it will be necessary to have increased added value for the meat products exported.

When considering the "Vision for the United States Meat Industry In 2000" (beef, lamb and mutton), what company or organization is developing an industry strategy? Some particular group needs to provide the organization, vision, objectives, planning and coordination of an overall strategy. It appears that there is not an overall industry strategy as in New Zealand due to the many different vested interests on the part of producers, purebred associations, feeders, processors, exporters, wholesalers, retailers, various trade associations and governmental agencies. These organizations individually probably will not become a catalyst for major change as some of them have conflicting objectives. Changes will occur in the United States meat exporting industry, but not as rapidly as needed.

The New Zealand Meat Producers Board is a coordinating organization that works effectively

in New Zealand. Therefore, New Zealand has a coordinated, well developed future strategy which will provide the necessary direction for the meat industry export sector. Unfortunately, the United States does not have a coordinated strategy that will rapidly resolve problems, provide the needed direction and maximize the effectiveness of the meat industry in the export market. The United States will continue to be a major meat exporter, but could be more successful with a coordinated industry strategy.

Conclusion

Meat consumers in the international market will become more demanding and their needs increasingly complex. They will no longer purchase just meat, but what they will be purchasing is attractively packaged, easy to prepare, nutritious, generally low in fat, environmentally natural, "feel-good meals". This means new meat products must be developed. The level of marketing sophistication by the international meat industry also will have to increase substantially in order to be successful in the future. It appears that the market will become more specialized than in the past due to more consumer influence and increasing expectations, and a highly segmented market.

Companies will need to not only develop new products, but differentiate their products by branding and extensive promotion, and also patent new processes that are developed. Successful product differentiation will allow companies to be competitive and often charge a higher price for their quality products, and the brands will enable consumers to have confidence in the quality, consistency, and reliability of the product. It will be imperative that companies meet the specifications of the different buying groups throughout the world if they are to continue their success.

The production, processing and distribution system must continue to improve, and production, processing, shipping, and retailing costs need to be controlled in order that all parties involved can earn an adequate return on their investment. If producers cannot earn an adequate return they will shift their production to other types of products. Processors also must have sufficient earnings to technologically modernize their plants. In addition, retailers must obtain adequate markups

and a high sales volume to justify the shelf space allocation for various meat products.

There are export growth opportunities that can be developed in the future, but also many challenges such as strong competition from several countries for the beef and sheep meat market. Also, there is competition from meats such as pork and chicken, and other substitute products as beef and sheep meat have to compete with different sources of protein in the world market. This means meat must be viewed by the consumer as a modern, convenient to use, healthy, tasty, nutritious product. Therefore, the industry must have a high level of productivity, become more responsive to market demand, and ensure the integrity of the product and the consistency of supply in order to be successful in the future.

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