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# OPPORTUNITIES AND OBSTACLES FOR BREEDING CATTLE EXPORTS

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## INTRODUCTION

With the changing world of population growth, expanding economies and urbanization there is an increasing demand for meat, protein and milk by many developing countries around the world. Over the past few years, the United States has seen a tremendous growth in the export opportunities for live animals in the areas of beef cattle, dairy cattle and swine. Our strong customer base and many other countries have opened their borders to US livestock as we make progress to recover from the BSE detection in 2003. Many governments around the world have realized that "hungry people are dangerous people" and the amount of available food sometimes contributes to which governments stand while others fall.

The purpose of this paper is to point out some of the opportunities that producers might have to develop new markets for their livestock genetics because genetics are a "value added" product that many take for granted in the export market. Many of these existing markets and developing markets also come with the challenges of the export process. Obstacles to assist the buyers to maximize the genetic potential of the investment they make in genetic programs also come into focus because of the lack of experience in modern day management technology that are used in the USA and not developed in other countries.

## WHAT'S DRIVING THE DEMAND?

There are several reasons for the dramatic demand for meat and milk around the world, but it really comes down to a few factors that are the driving force. The world's population continues to grow by nearly 100 million people per year and some say we could head to nearly nine (9) billion people by the year 2050. The other driving forces are urbanization and expanding economies as people around the world are making more money. By the year 2015, over 48% of the world's population will live in cities and this is a number that continues to increase. Making more money has the same effect on a household in other countries as it does here in the United States. More disposable income means you buy a better car or in many cases their first car; better television or household goods; and you eat better with a higher protein diet, thus this driving the export demand for all agricultural products which are reflected in the US export sales over the past few years. When you review export sales over the last 10 years, we have seen total agricultural products grow from an export value of 60 billion dollars in 2004 to 160 billion dollar in 2012. The US enjoys a trade surplus of exports to agricultural imports and this continues to be a bright spot in the US economy.

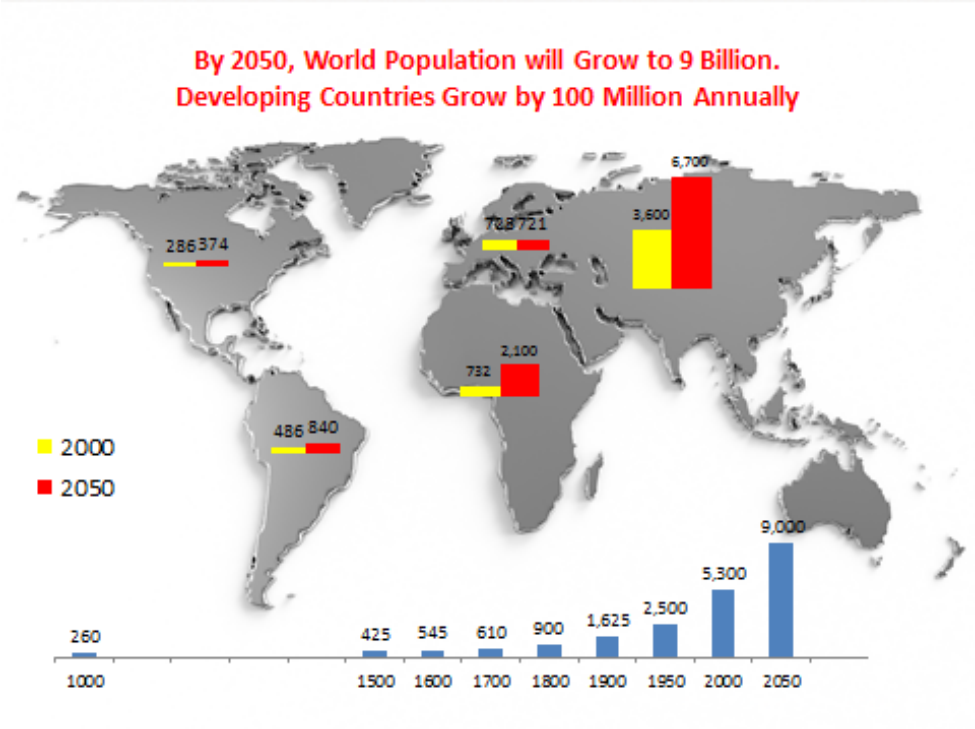


Figure 1: World's Population from the year 1000 to 2050

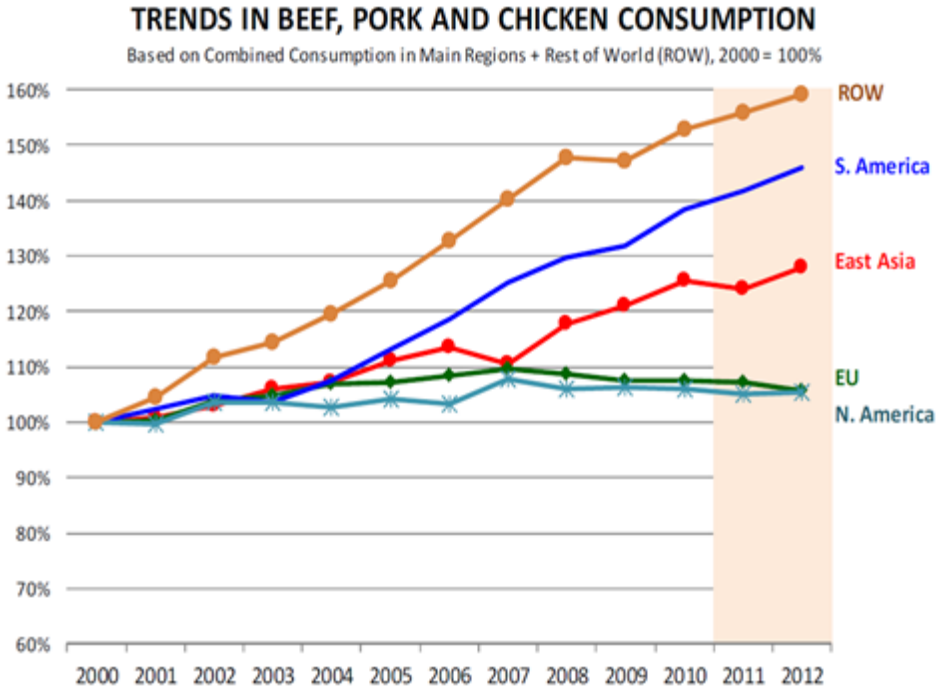


Figure 2: Trends in Meat Consumption from 2000 to 2012

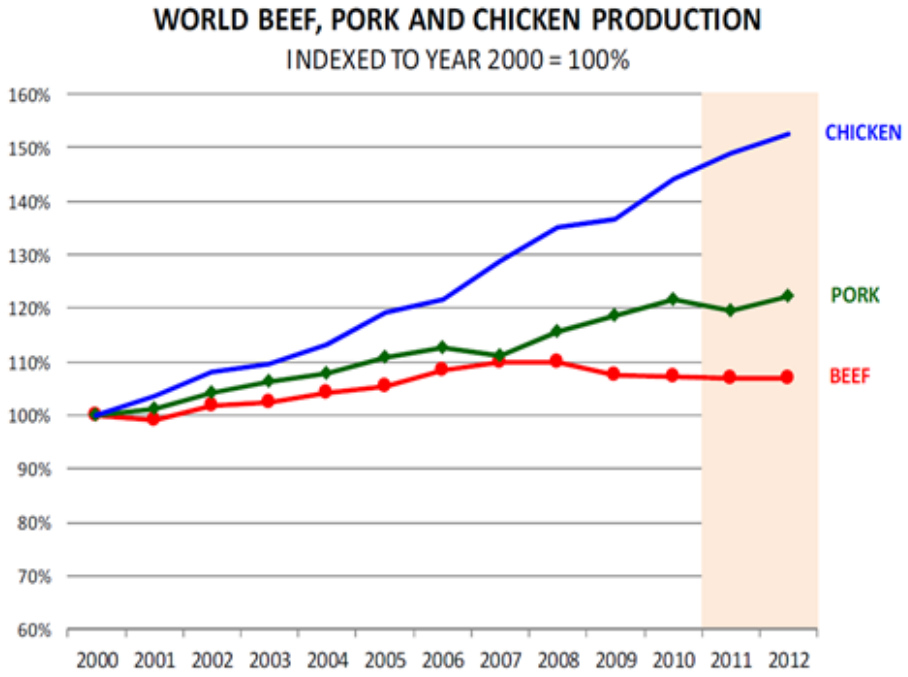


Figure 3: World Meat Production from 2000 to 2012

So as demand and consumption grow within the consumer population, the production also increases to meet the demand. The graphs in figure 2 and 3 show the growth in the world's demand for beef, pork and chicken from the year 2000 to 2012 and the increase in production.

## COUNTRIES MOVE TO DEVELOP LIVESTOCK INDUSTRIES

Some foreign governments in the past few years have learned the hard way, "that hungry people are dangerous people" and some governments have changed for a combination of reasons and food sometimes plays a role. Other governments look at local food production as a part of their national security. With this mentality, they will produce a certain amount of their own food regardless of the cost of production knowing very well they could import food at a much lesser cost. These are a few reasons why some governments are encouraging producers to import livestock genetics by offering government subsidies in the amount of $1,000 to $1,400 per head for cattle that are a minimum of 75% registered in the case of Russia and 100% registered for imports into Kazakhstan. Much of the animal genetic expertise in developing Eastern European Countries are from University Professors from the old Soviet Union that lack the modern day training in developing livestock production and have mislead many producers into thinking that all cattle from the United States are

registered. Many of the younger generation producers are moving to learn our production systems and how to use various genetic technologies such as Expect Progeny Difference (EPD's).

## OPPORTUNITIES FROM DISEASE OUTBREAKS

The United States knows firsthand how quickly export doors close and how long they take to reopen from our experience of the Bovine Spongiform Encephalopathy (BSE) detection in December 2003. In some instances, it took several years before countries allowed US cattle and beef to be imported and in the case of China, US cattle are not allowed to be imported to this very day. In many countries dealing with Foot and Mouth Disease (FMD) is a common occurrence and in recent years, we have seen thousands of animals depopulated in many countries to control the disease. When this many cattle are destroyed and the disease is under control, governments move to repopulate the country as quickly as they can. Other diseases that have created opportunity for US cattle to be exported have been Tuberculosis and the newly discovered disease in Europe known as Schmallenburg Virus that was discovered in 2011. Because of this disease many countries like Russia, Turkey, Egypt and Jordan have banned cattle from Europe and this gives more opportunity to exporting countries like the United States, Australia, New Zealand and Canada for breeding cattle and Brazil for feeder and slaughter cattle.

## THE COUNTRIES WITH THE MOST OPPORTUNITY

In my opinion, the greatest opportunity for the next three (3) to five (5) years will be Russia for dairy and beef cattle, Kazakhstan for beef cattle and Turkey for dairy and beef cattle. New markets that have emerged this year have been Jordan and Iraq for dairy cattle and as governments stabilize, Egypt and Libya will also be markets for dairy cattle and even feeder cattle from the United States. Mexico has experienced drought like the United States for the past few years and recently the Mexican Government has announced programs for Mexican producers to finance purchases of livestock genetics.

## THE OBSTACLES IN EXPORTING-IT'S NOT AN EASY PROCESS

Regardless of how many times you hear the term "free trade" there is no such thing in the world of exports and this applies to the livestock export process as well. There are many obstacles and challenges along the way not only from our side as the exporting country, but also from the importing country. In our industry, we are now depending on negotiators on both sides of the process that are two (2) and maybe three (3) generations removed from the farm. Many of the negotiators lack the knowledge of what can and cannot be done in the export process especially in the blood testing and quarantine process. Our industry is seeing a reduction in export services that have been provided our own United States Department of Agriculture Animal Plant Health Inspection Service-Veterinary Services (USDA/APHIS/VS) because they are in the middle of a reorganization process. We are moving away from the

days of having an Area Veterinarian In-Charge for each state and will be moving to six (6) regions so we will have to do more with less general services while paying increasing User Fees and Overtime for the export process.

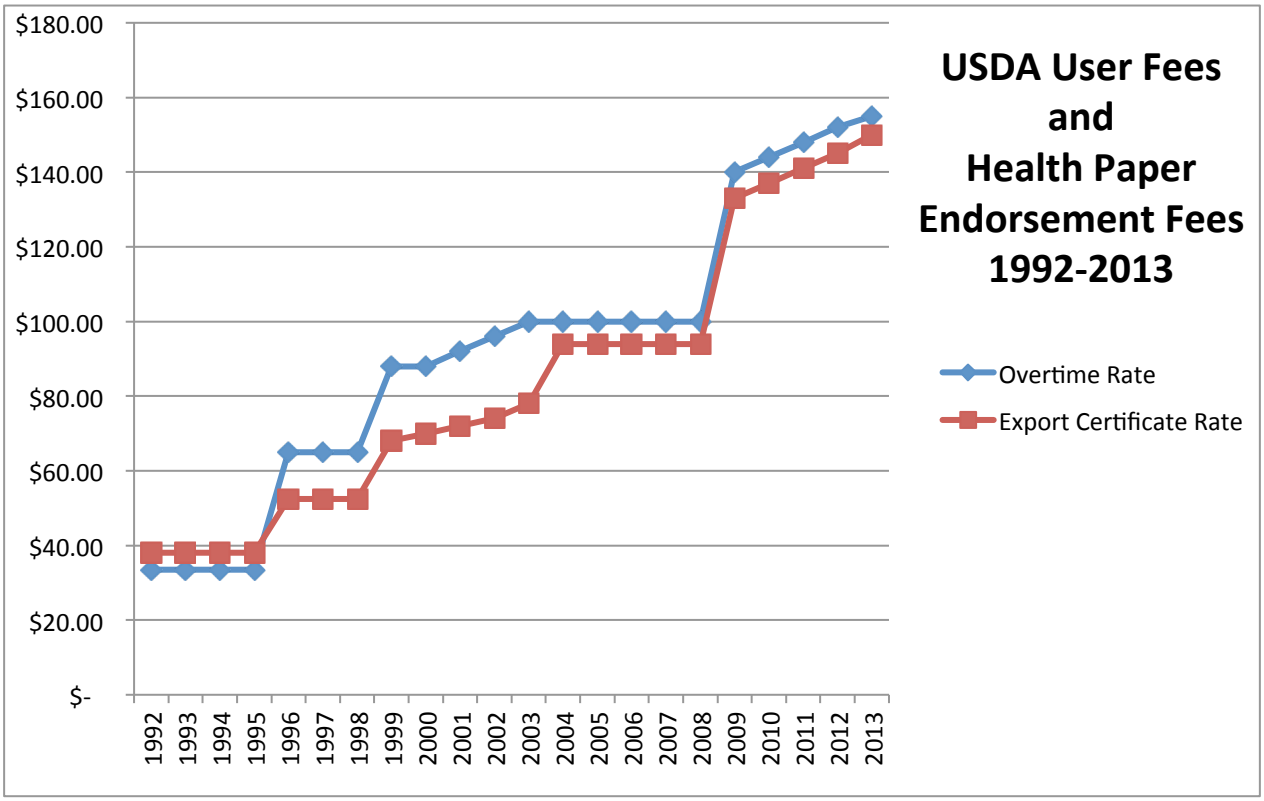


Figure 4: Rate of USDA/APHIS/VS User Fees and Overtime from 1992-2013

We have other obstacles that keep US cattle from accessing new markets because of transit issues related to diseases like Blue Tongue and efforts of the European Union (EU) from allowing our cattle to transit airports within the EU. Some of these negotiations between the USDA and EU are taking years to resolve. Our industry is also under the ever watchful eye of the animal welfare groups to make sure animals are handled in a humane manner during the export process for shipments made by truck, plane or ship.

## SUMMARY

During the past couple of years the livestock industry has become a billion dollar industry. For every billion dollars of agricultural goods that are exported from the United States approximately 8,400 jobs are created. Livestock genetics are certainly a valued added product that are manufactured in the United States and the dedication of many producers, universities and industry leaders to our genetics are the envy of many international buyers. The export industry of cattle has not only added value for the breeders, farmers and ranchers, but created opportunity for others in the export process such as veterinarians, testing laboratories, trucking companies, quarantine centers and the breed association of the livestock being exported.

**Resources:**

United Nations Population Fund, Population Growth

United States Department of Agriculture Foreign Agricultural Service Trade Data http://www.fas.usda.gov/trade.asp

World Organization for Animal Health (OIE). http://www.oie.int