



Value Added Agriculture Program
Iowa State University

Written February 2003
Updated and Reviewed April 2006

Export Opportunities

by A. Severin Johnson, Value-added Agriculture Specialist
Iowa State University
Reviewed by Mary Holz-Clause
Iowa State University
mclause@iastate.edu

The purpose of this paper is outlining the opportunities for exports of pork and beef from small slaughterhouses and non-slaughter facilities (less than 2000 and 500 head per day respectively).

Slaughter Houses

Normally, smaller slaughter plants are at a cost disadvantage to the larger more industrialized units. This makes it very difficult to compete against the mega plants in exporting commodity primals and subprimals. Most of these larger slaughterhouses have economies of scale spread not only over one large plant, but several.

Additionally, these larger plants have a critical mass not only on the production front, but also in marketing when it comes to exporting their output. So how can these smaller slaughter plants fit into this almost foreboding scenario?

One way for the smaller plant to survive in the export scene is to market breed-specific products. For example, Berkshire breed of hogs are slaughtered for Japan. The Japanese market for these types of hogs is quite small and also somewhat fickle, so the major packers do not wish to enter into this market at the moment. However, Berkshire hogs produce a more highly marbled loin that is much to the liking of the Japanese. The Japanese buyers also prefer to deal with a smaller company "as someone they can trust." Perhaps the next niche to be explored will be with Duroc pigs, which exhibit traits similar to those of the Berkshire breed.

On the beef side, there are two plants that slaughter quantities just slightly more than 500 per day. However, each of these privately owned firms pays strict attention to consistency and quality for their demanding Japanese customers. These slaughter houses specialize in processing the very high end of USDA's Choice grade, as well as prime, exactly the well-marbled beef that

some foreign customers favor. These are very important attributes for their clientele. A few potential niche markets may include the double-muscled Belgian Blue or Angus crosses with some dairy breeds can hold some promise for these types of markets in the future.

Further Processed/Fabricated Items

It is in this arena where the most promise for additional business for smaller operations is most likely to originate. These plants offer the flexibility to make smaller production runs that are tailored towards the customers' demands. This is the most important aspect of this type of business. Lots of successful examples abound.

On the beef side of the equation, small companies are making such items as tongue crown roast, custom trimmed boneless short ribs, portion controlled steak items, well trimmed diaphragms and the list goes on. Perhaps one of the items that offers the most potential would be sliced raw beef, used for stir fry. Perhaps the beef outside round would work best in this situation. The common component in all these specially cut beef items is that the specifications are customer driven. Smaller quantities of these types of items are shipped to the Caribbean, Taiwan and Korea. Prior to the BSE incidents in the U.S., Japan was also a very significant market for small and medium sized packing houses. At this time, Japan is not taking U.S. exports.

While beef may have some well-established products being exported, pork probably represents the best opportunities for the future, especially to Japan where labor costs are high. Already jowls, single ribbed bellies, Japanese style pork sausage and rib pieces are being exported in significant quantities. Markets for these items barely existed a half dozen years ago.

Sliced pork for Japanese stir fry offers excellent opportunities. Meat from either the ham knuckle or outside muscle would lend itself very well to this application. Also there are several small marinated meat items, as well as some other sausage products, that the Japanese are interested in outsourcing.

Summary and Conclusion

While the U.S. as a whole exports only about 2 percent of its beef production, down from 9 percent in 2003 and 11 percent of its pork output, not all of that is controlled by the large mega packers. It is true that due to their very small size, which limits shipment size and also their generally inherent higher costs of throughput, the small slaughter houses have a difficult time entering these export markets. However, the smaller independent processor with a flexible attitude and resources has been very successful in the export area. In fact, some of these firms only produce for export.

New opportunities exist for additional entrants to this field who are will to be "export minded" and can produce meat items to the specifications of their customers.