



ANALYSIS OF THE MEAT MARKET IN THE UNITED STATES

October 2019



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This report is primarily based on:

- IBISWorld,
- Euromonitor International,
- Eurostat,
- United States International Trade Commission (USITC),
- United States Department of Agriculture (USDA),
- ReferenceUSA,
- Economic Research Service.

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1. PRODUCTION AND IMPORT FROM THE EU

1.1. PORK

Production

In recent years, the market situation of pork in the United States has been significantly affected by the growing population of pigs. The increase in the number of pigs in the US last year was a reflection of the increase in slaughtering capacity and low production costs of pork livestock. As a result, production efficiency reached a historically high level¹. It was predicted that in 2019 world pork production could increase by 1.4% to 114.6 million tons (according to the US Department of Agriculture's forecast from November 2018), which was to be a result of the increase in pork production by, among others, the two largest producers, i.e. China (by 1.2% to 54.8 million tons) and the USA (by 5.2% to 12.6 million tons)².

In 2019, the world pork market is still mainly affected by the situation on the Chinese market due to the spread of African swine fever (ASF). The virus is now also a threat in South-East Asia and Europe, resulting in reduced production. In addition, it affects the level of trade and prices on a global scale. Since early 2019, cases of ASF have been reported in China, Vietnam, Cambodia, Tibet, Laos, Mongolia, North Korea, Belgium, Romania, Poland, Bulgaria, Hungary and Ukraine³.

Apart from the ASF (African swine fever) situation, trade negotiations between the USA and China have been a very important factor for the world pork market this year. China's retaliatory customs on US pork stood at 62% compared to 12% applicable to other suppliers. It was feared that the duties imposed by China on US pork would result in the loss of this market. However, given the spread of ASF in China, US pork is proving to be indispensable to meet the demand on the Chinese market, even in the absence of a trade agreement and China maintaining high retaliatory duties.

¹ <https://www.agropolska.pl/produkcja-zwierzaca/trzoda-chlewna/produkcja-wieprzowiny-w-usa-bije-rekordy,1383.html>

² http://www.kowr.gov.pl/uploads/pliki/analizy/prog_cen_rynk/Sytuacja%20pod%C3%A1zowo-popytowa%20i%20cenowa%20na%20podstawowych%20rynkach%20rolnych.pdf

³ FAO-OECD cit.: Global red meat market Q2 2019. BNP PARIBAS, FOOD&AGRO, p. 2.





Already in April and May this year, shipments of American pork to China increased⁴. In addition, it is assumed that the US will be able to partially compensate for the loss of the Chinese market by selling cheaper US pork to alternative Asian markets⁵.

Pork producers in the European Union have benefited from the trade war between the United States and China. China immediately imposed a 25% customs duty on 128 American goods, including pork. Since the customs duty was imposed on pork originating from the United States, meat exporters were put in a difficult situation. The increase of customs duty to 25% for American pork had an impact on its competitiveness, particularly in relation to pork from EU Member States⁶. However, the Chinese administration, due to problems with the supply of pork, withdrew the customs restrictions on pork originating from the USA. **Increasing supplies of American pork meat to the Chinese market may intensify competition with more expensive pork imported from the EU⁷.**

The announcement by the US government of a new 10% duty on Chinese products from 1 September 2019 and the information on Chinese retaliation suspending imports of all agricultural products originating from the USA resulted in a drop in pork prices on the Chicago Stock Exchange. The price of pig carcasses fell in contracts for October 2019 and will decrease additionally in contracts for December 2019⁸. China is currently the fifth largest market for pork from the USA and the first recipient of pork offal, ahead of the current shopping leader, Mexico⁹. In May this year, Mexico abolished 20% of its retaliatory duties on US pork, which creates hopes for an increase in shipments to the country later this year¹⁰. Americans export more than 40% of their pork to the Mexican market. Therefore, maintaining the current trade regime with Mexico under NAFTA is a critical aspect for the US industry¹¹.

At the end of June this year, the EU signed trade agreements with Mercosur (Argentina, Brazil, Paraguay and Uruguay) and with Vietnam. Under these agreements, duties on agricultural products, including pork, will be reduced or eliminated, which will contribute to increasing future trade volumes. The Mercosur agreement will be implemented within 3 years, with provisions for customs

⁴ FAO-OECD cit.: Global red meat market Q2 2019. BNP PARIBAS, FOOD&AGRO, p. 4.

⁵ <https://www.agropolska.pl/produkcia-zwierzeca/trzoda-chlewna/produkcia-wieprzowiny-w-usa-bije-rekordy,1383.html>

⁶ <https://www.agropolska.pl/produkcia-zwierzeca/trzoda-chlewna/chiny-nalozyly-clo-na-wieprzowine-z-usa-skorzysta-natym-ue,1355.html>

⁷ <https://www.cenyrolnicze.pl/wiadomosci/rynki-rolne/trzoda-chlewna/17176-zaklad-y-miesne-narzekaja-na-wysokie-ceny-zywca-wieprzowego>

⁸ <https://www.cenyrolnicze.pl/wiadomosci/rynki-rolne/trzoda-chlewna/16641-w-najblizszym-czasie-mozemy-spodziewac-sie-wzrostu-cen-zywca-wieprzowego-na-rynku-unijnym>

⁹ FAO-OECD...,op. cit., p. 11.

¹⁰ Ibidem, s. 5.

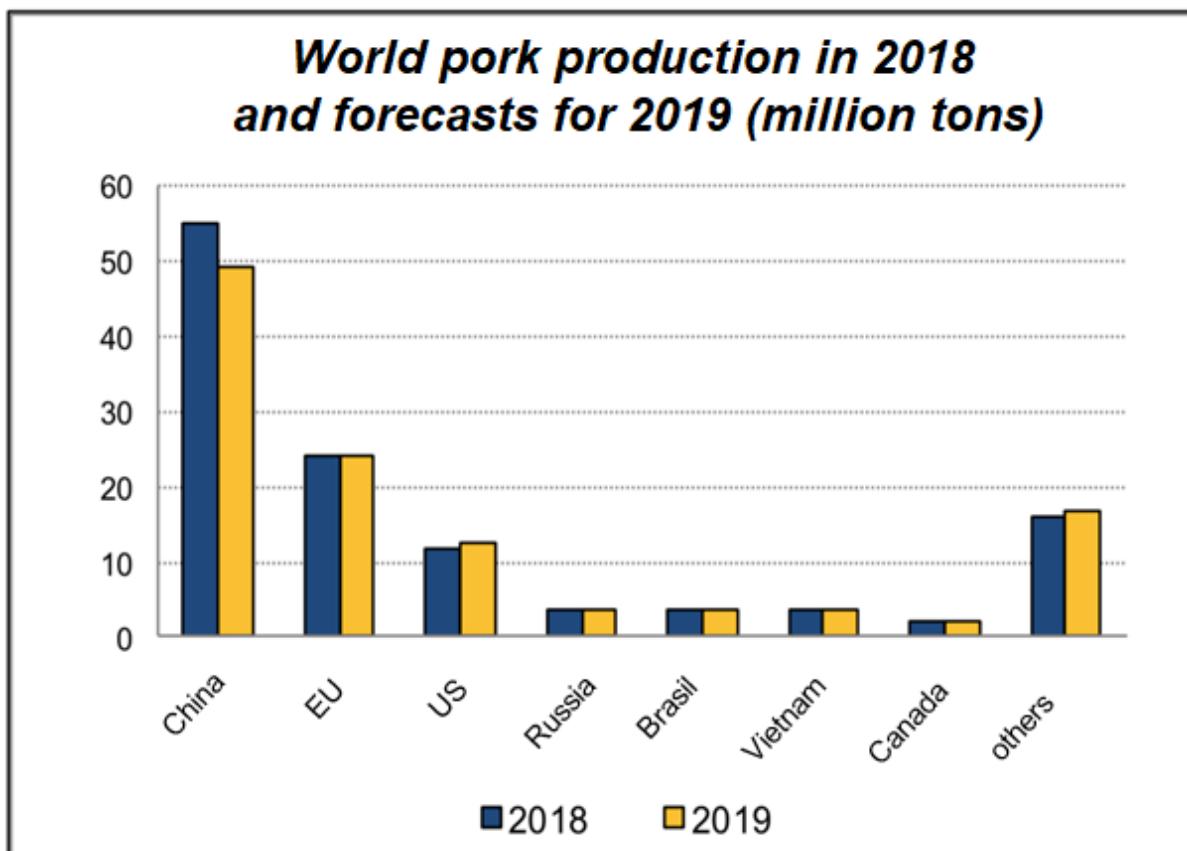
¹¹ <https://www.agropolska.pl/produkcia-zwierzeca/trzoda-chlewna/produkcia-wieprzowiny-w-usa-bije-rekordy,1383.html>





reduction or elimination being introduced in stages. Russia has extended the embargo on food from, among others, the EU, the USA, Australia, Canada, Norway and Ukraine until 31 December 2020¹².

Figure 1. World pork production in 2018 and forecasts for 2019 (million tons)



Source: FAO-OECD cyt. za: *Globalny rynek mięsa czerwonego II kwartał 2019. BNP PARIBAS, FOOD&AGRO*, p. 3.

According to the Food and Agriculture Organization of the United Nations' (FAO) forecasts from May this year, in 2019 world pork production will decrease by about 4% to 115.6 million tons. In April, the USDA predicted a similar decrease in production to 108.5 million tons. The reason for this reduction is a sharp decrease in Chinese pork production caused by ASF. The epidemic has contributed to a significant decline in the domestic pig nucleus herd. The USDA predicted a 10% decrease in this year's pork production in China, while the FAO predicted an 11% decrease to 49.1 million tonnes. Other analysts predicted an even more severe reduction of 25-35%¹³.

¹² FAO-OECD..., op. cit., p. 2.

¹³ FAO-OECD..., op. cit., p. 3.



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In 2019, Brazilian pork production will probably recover by 6% to 3.8mn tons after last year's decline due to the loss of the Russian market. A 3% expansion of pork production in Russia to 3.3-3.8 million tons is also expected this year due to large-scale investments in large-scale production farms and processing plants. Growth will also be supported by increasing import demand from China, while low domestic prices and high production costs will hamper further development of the sector. In the first five months of this year, Russian pork production increased by 6% to 1.7 million tons. Pork production in Vietnam may decrease this year by about 2% to 3.8 million tons due to the ASF epidemic, which has already contributed to compulsory slaughter of about 3 million pigs (10% of the herd). Rabobank analysts predict even 15-20% decline in Vietnamese production. In Mexico, production could increase by 4% to 1.6 million tons due to the expansion of the pig herd, attractive producer prices and the prospect of a new trade agreement with the US and Canada – USMCA – which has replaced the former NAFTA agreement¹⁴.

In 2019 the EU may slightly reduce the level of pork production to 24.1 million tons, mainly due to a decrease in livestock prices in 2018 and higher feed costs, resulting in lower profitability of production and depletion of nucleus herd stock. However, promising prospects for exports to China may encourage producers to rebuild their livestock at the end of the year. **According to FAO and USDA data, in 2019 pork production in the USA will increase by 3.8% to 12.4 million tons, thanks to an increase in the number of pigs, productivity of sows and strong domestic and export demand, despite trade distortions caused by the retaliatory duties imposed by China and Mexico.** The population of pigs in the USA as on 1 June 2019 amounted to 75,5 million and was 4% higher than the year earlier and 1% higher than in the first quarter of this year. It was the highest number of pigs in the USA since 1964. It increased mainly in the slaughter herd (+4% to 69.1 million animals), while the nucleus herd increased by 1% to 6.41 million animals. **In the period from March to May this year, livestock production increased by 4% to 32.2 million tons and was the highest for that period since 1970.** The average number of piglets produced by one sow - 11 - was record high. In the remainder of the year, productivity of sows and livestock production will continue to grow. From January to May this year American pork production increased by 3.4% to 5.1 million tons. In the second half of this year, a 5.5% increase in the level of production is expected¹⁵.

¹⁴ Ibid.

¹⁵ FAO-OECD...,op. cit., p. 11.





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The consumption of pork in the USA in 2019 may increase by about 3% to 10.3 million tons or up to 30 kg per capita to the highest level since 2004 and much higher than the average level of 27 kg between 2010-2014. Domestic prices of pigs increased significantly in April and May of this year and were 45% and 28% higher than last year's prices. The increase in prices was facilitated by increasing demand from the processing industry¹⁶.

Exports from the USA

The USDA and FAO forecast record dynamics of growth in global pork exports for 2019 - by about 8% to over 9 million tons. This will be supported by the growing demand from China and the stable economic growth of most of the other significant importers. In 2019, Brazilian pork exports should recover by 23-26% to around 1 million tons, mainly due to increased purchases from China and Hong Kong due to the increase in Chinese customs duties on US meat and Russia lifting the ban on Brazilian pork imports. Brazil has also gained new markets - the Philippines, South Korea, Vietnam and South Africa. Russia should increase its pork exports by 11% to 72,000 tons. From January to May this year, Russian pork exports (excluding offal) increased by 5% to 15,000 tons. China is expected to import 1.4 million tons of pork from abroad this year - 26% more than last year. This will represent around 27% of total imports worldwide. A significant decline in domestic production of this type of meat as a result of the ASF epidemic will contribute to an increase in purchasing. However, the actual level of imports will also depend on the price relationship between domestic and imported¹⁷ meat.

In 2019, the European Union will remain the world's largest exporter of pork. The USDA, FAO and the European Commission forecast a high 10-12% increase in shipments from this group to 3.0-3.3 million tons, mainly to Asian markets (China, Japan, South Korea and the Philippines)¹⁸.

¹⁶ Ibid.

¹⁷ FAO-OECD..., op. cit., p. 4.

¹⁸ Ibid.



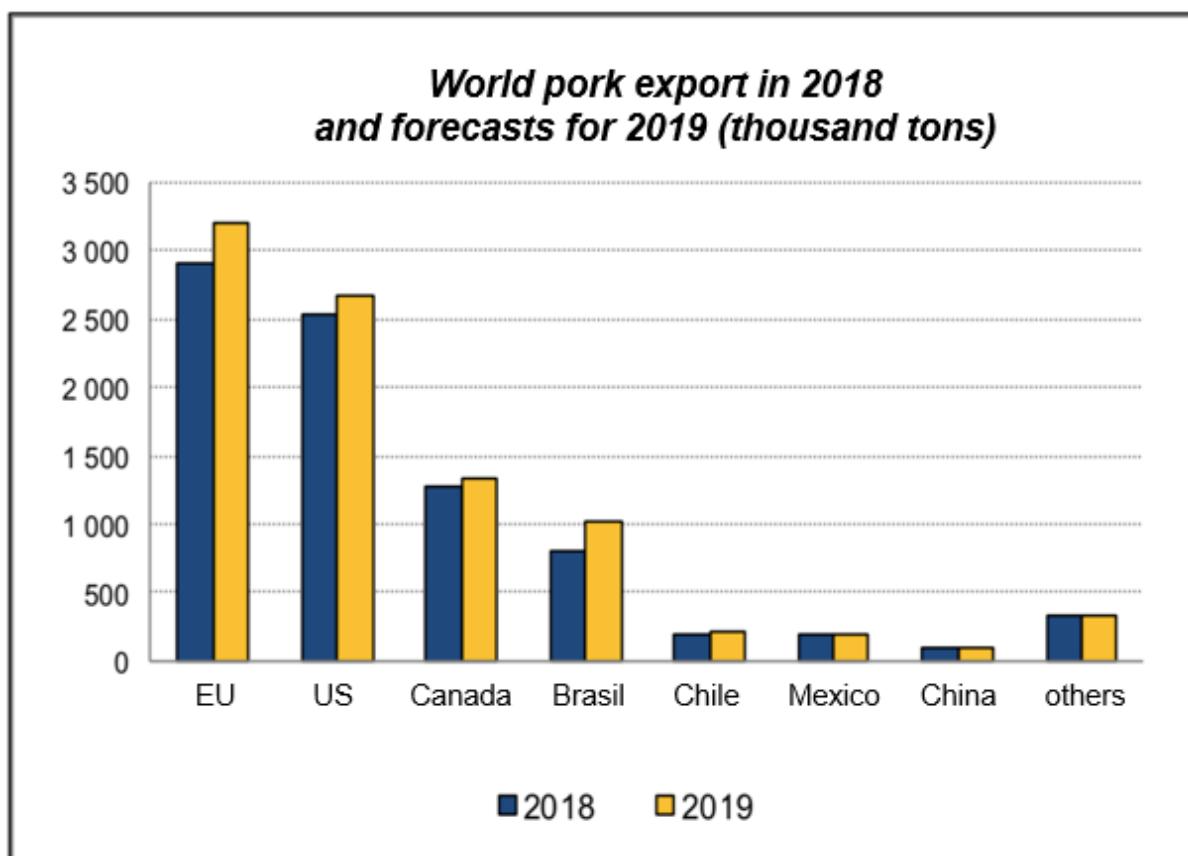
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Figure 2. World pork export in 2018 and forecasts for 2019 (thousand tons)



Source: FAO-OECD cyt. za: *Globalny rynek mięsa czerwonego II kwartał 2019. BNP PARIBAS, FOOD&AGRO, p. 4.*

Increased exports will be encouraged by high production, competitive meat prices and increased demand from traditional outlets. High economic growth favours exports from the US to Latin America, the Philippines and Oceania. Given that average prices of pigs for fattening in 2019 will remain at a low level of USD 1.22-1.30 per kg (wbc), it can be concluded that the high competitiveness of American pork in relation to other exporting countries on world markets will be maintained. In 2019, exports of pork from the USA are expected to account for 22% of total pork production¹⁹.

¹⁹<https://www.cenyrolnicze.pl/wiadomosci/rynki-rolne/trzoda-chlewna/12453-kzp-ptch-produkcja-wieprzowiny-w-usa-wzrosnie-o-3-1-w-2019-roku>



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In the first six months of this year, American export of pork and offal decreased by 2.1% per annum to 1,248,000 tons. The value of exports was 6% lower and amounted to over USD 3.3 billion. Exports to the main market - Mexico decreased by 17% to 345 thousand tons, while in value terms, they were 21% lower and amounted to USD 574 million, which reflects a reduction in unit prices in exports due to the introduction of 20% retaliatory duties. In the discussed period of this year, export of American pork to Japan decreased by 4% to 191 thousand tons, and in value terms, it decreased by 6% to USD 773 million. On the Japanese market, Americans face increasing competition from Canadian, EU and Mexican exporters on account of lower tariffs for these suppliers guaranteed by trade agreements. The Americans have not yet signed a free trade agreement with Japan, although negotiations on this issue are already ongoing. An agreement is expected to be signed by the end of 2019. From January to June this year China purchased 177 thousand tons of pork and offal from the USA - 23% more than in the previous year, while the value of imports was 3% higher and amounted to USD 353 million. In the first six months of this year, exports to South Korea decreased by 11% due to the country's high pork stocks following last year's high imports. Exports to Hong Kong, especially of pork offal, also declined significantly. In the discussed period of the year, shipments of American pork and offal to South and Middle America increased, among others to Colombia, Chile, Peru, Guatemala and Panama, as well as to Canada and Oceania²⁰.

According to USDA and FAO forecasts, in 2019 the Americans may ship 2.7-2.8 million tons of pork to foreign markets - 5.2% more than in 2018. Increased exports will be encouraged by high production, competitive meat prices and increased demand from traditional outlets. In May this year, the USA decided to eliminate customs duties on imports of steel and aluminium from Canada and Mexico. Customs duties were a major obstacle to ratification of the US-Mexico-Canada Free Trade Agreement (USMCA i.e. the new NAFTA). In June this year, Mexico had already ratified the agreement, while the USA and Canada began work on ratification. In May this year, Mexico abolished restrictions on US pork, which creates hopes for an increase in shipments to the country later this year²¹.

Imports into the USA

After record-high pork imports in 2018, this year South Korea may reduce its imports by 7% to 700,000 tons due to high stocks and growing competition from domestic production. **In the first half of the year, supplies from foreign markets decreased by 2% to 287.8 thousand tons, while the US remained the main supplier.** South Korea is also increasing its production because of fears that the ASF virus will enter the country from neighbouring North Korea. In 2018, Russia reduced its foreign pork purchases by 77% to the lowest level in the last decade. The drop in imports was caused by

²⁰ FAO-OECD..., op. cit., p. 12.

²¹ Ibid, p. 11.





restrictions on Brazilian products introduced in December 2017, growing domestic production and the drop in value of the rouble. However, in November 2018 Russia lifted the ban on imports from Brazil, and in 2019 it is expected that imports will increase by 45% to 162,000 tons. The USDA expects that in 2019 Mexico will import 4% more pork - about 1 million tons. The retaliatory duties and the increase in world prices as a result of the ASF have contributed to a sharp increase in the price of pork on the market. Latin American countries are an increasingly important import market for pork and offal, as favourable prices and changes in preferences are conducive to increased consumption. According to FAO data, import of pork through Vietnam will increase this year by 47% to 116 thousand tons due to a decrease in domestic production due to ASF. The main suppliers will be the USA, Canada and the EU. World pork prices are recovering in 2019 from last year's significant drop in world production and trade distortions (China's retaliatory custom duties, Russian ban on imports from Brazil). In Q2 2019, the average pork price index according to FAO amounted to 134 pts and was 13.6% higher than in Q1 2019 and 6.9% higher than in Q2 2018. Since the beginning of the year, the index has increased by 17% to 137 points, which was the highest level since September 2017. The reason for the increase in prices in the first six months of this year was increased import demand from China caused by ASF's outbreak in the country²².

In the second quarter of 2019, average export prices from the EU and Brazil increased and US pork export prices decreased. The highest increase in relation to the first quarter of this year was seen in the case of EU pork - by 25%, due to lower production and an increase in exports, especially to China. Brazilian prices increased by 11% also due to increased exports to the Chinese market. US prices fell by 1% due to increasing production and disruptions in exports to China and Mexico. In view of the situation on the Chinese market, world pork prices are likely to further increase in 2019. On the other hand, feed prices (especially soya) may fall due to the expected lower production of pork in China and lower demand for feed. Cereal prices on the world market have been rising in recent months, mainly due to delays in the sowing of maize and soya in the USA²³.

An increase in pork imports by 3% to 1.5 million tons will probably be recorded this year in Japan due to the high demand for red meat. In 2019 Japan may increase purchasing of Canadian and Mexican pork in particular due to lower customs duties resulting from the entry into force of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (from 30.12.2018). Customs duties on certain EU pig products have been reduced since April 2019 by a bilateral trade agreement. In the first quarter of 2019, Japanese imports of pork and offal decreased by 6% per annum to 269 thousand tons. Deliveries from the US and the EU fell (by around 10% each), while imports from Canada (+2%) and Mexico (+1%) increased based on the CPTPP²⁴ preferences.

²² FAO-OECD..., *op. cit.*, p. 5.

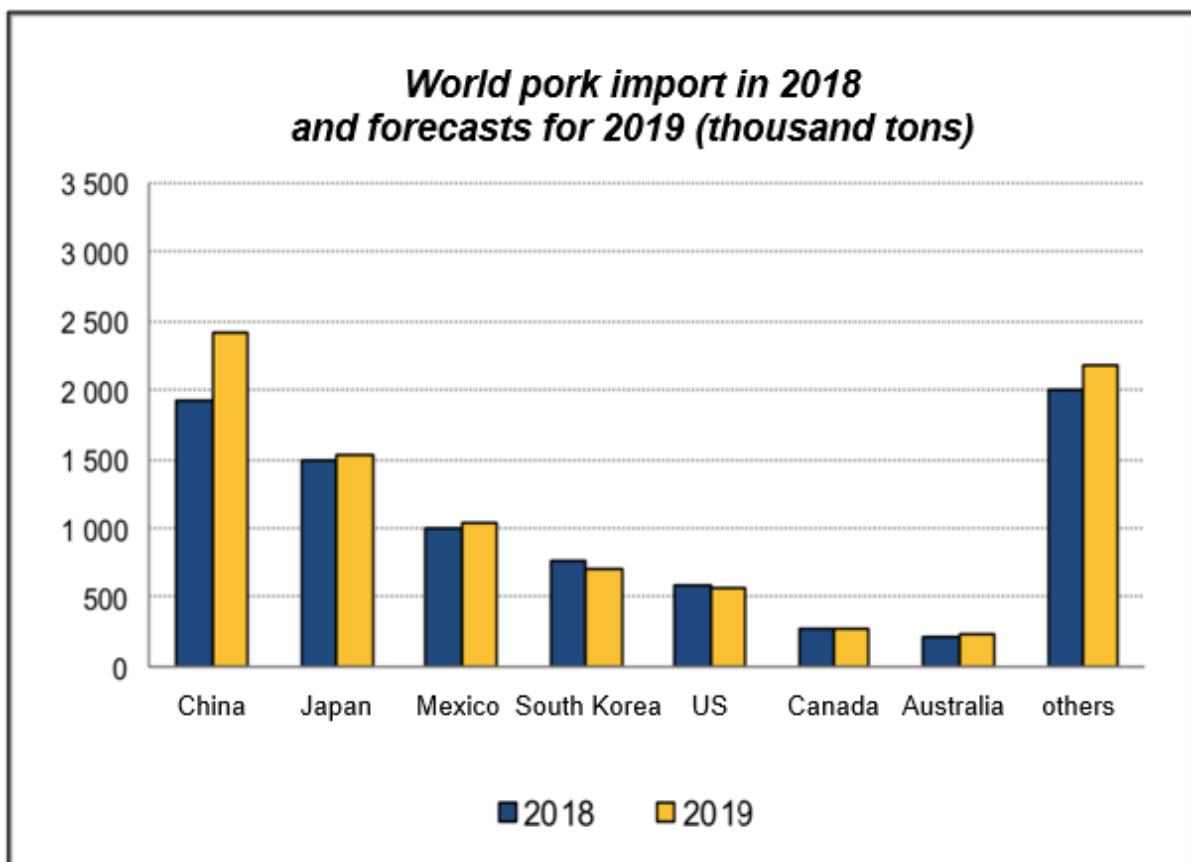
²³ *Ibid.*, p. 6.

²⁴ FAO-OECD..., *op. cit.*, p. 5.





Figure 3. World pork import in 2018 and forecasts for 2019 (thousand tons)



Source: FAO-OECD cyt. za: *Globalny rynek mięsa czerwonego II kwartał 2019. BNP PARIBAS, FOOD&AGRO, s. 5.*

Import from the EU

In 2017, the United States imported more than 107,000 tonnes of pork from the EU at a value of almost EUR 370 million; almost 55% by volume and over 48% by value of EU exports came from Poland.

During the period under review, EU pork exports to the US increased by 157% by volume and 128% by value. Poland in particular recorded impressive results, with growth rates of almost 1,400% and 1,100% respectively (see Table 1).

Below is an overview of EU pork exports from the EU to the U.S. (in terms of volume and value) in 2013 – 2017.



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Table 1. Exports of pork (code 0203) from the EU to the U.S. in 2013 – 2017 (in kg)

COUNTRY	2013	2014	2015	2016	2017	change 2017/2013 (2013 = 100%)	change 2017/2016 (2016 = 100%)
EU28	41670100	66346600	71662900	82356900	107268400	157%	30%
Poland	3906100	18880600	24161100	30007700	58555700	1399%	95%
Denmark	23981900	28877900	25747500	23821200	23826600	-1%	0%
Spain	1250500	2783700	3226100	5354900	8540400	583%	59%
United Kingdom	3112100	3266900	5997500	8177100	7711000	148%	-6%
Ireland	3900600	6280300	6826600	6359000	4812100	23%	-24%
Netherlands	4655700	5151200	4922900	8040100	3126100	-33%	-61%
Finland	758900	760600	598900	474700	477900	-37%	1%
Italy	27200	164600	84700	74000	144500	431%	95%
Portugal			600		48300		
Germany	2100	7000	23900	19700	19700	838%	0%
France	51000	124200	73100	27400	6100	-88%	-78%
Austria		400				-	
Belgium		49200				-	
Hungary				1100		-	-100%
Sweden	24000			0		-	

Source: own study based on EUROSTAT data

Analyzing USDA FAS data²⁵ for the years 2013 – 2017, it should be noted that pork imports account for a small share in consumption on the US market. The main sources of imports are primarily Canada and the leading pork producers in the EU and Mexico. Canada is by far the largest source of pork import to the US, although its position is weakening. According to the USDA FAS data, in 2013 imports from Canada covered 82% of pork imports to the United States in terms of volume,

²⁵ United States Department of Agriculture. Foreign Agriculture Service



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down to 66% in 2017. For example, at the same time the share of Poland increased from about 3% to over 14%. Imports into the United States often depend on transport costs and production distances from central urban areas. Most of the goods imported from the EU are frozen pork (HS 0203 29) as well as pork products, which are usually specialties of a specific region. A large part of the pork imports from the EU to the US, and in particular from Denmark, are the popular baby back ribs.

Table 2. Exports of pork (code 0203) from the EU to the U.S. in 2013 – 2017 (in EUR)

COUNTRY	2013	2014	2015	2016	2017	Change 2017/2013 (2013=100%)	Change 2017/2016 (2016=100%)
EU28	161200306	243600845	268046300	293906995	367855741	128%	25%
Poland	14833182	53807517	64167231	81965323	177458634	1096%	117%
Denmark	91413070	100314803	104898781	103148514	101013416	11%	-2%
Spain	5502050	13111509	14070898	21333150	32991382	500%	55%
United Kingdom	12868900	12754407	24451793	28264939	27103938	111%	-4%
Ireland	13759110	21182531	27464809	25414312	18869088	37%	-26%
Netherlands	19395128	38627887	29472603	30832784	7207326	-63%	-77%
Finland	3075777	2722198	2651066	2198084	2110896	-31%	-4%
Italy	148236	736169	621184	533631	829812	460%	56%
Portugal			14733		148874		
Germany	6221	20229	68389	50830	65771	957%	29%
France	107754	238616	164813	147376	56604	-47%	-62%
Croatia	785						
Hungary				18048			
Sweden	90093			4			
Austria		3200					
Belgium		81779					

Source: own study based on EUROSTAT data



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Trade between Poland and the USA

After a fairly dynamic growth in the first three months of 2018, from July to the end of September exports of EU pork to the USA decreased by 9.1% to 11.1%. To a large extent, the decrease is caused by lower deliveries from Poland. Lower demand for EC meat in the USA is due to problems in export experienced by the country to, among others, China. In the third quarter, export of pork from the United States to China decreased by 26% due to the increase in customs duties established by Beijing. US exports are also burdened by additional duties imposed by Mexico in 2018. It is possible that in the current quarter the decrease in supplies from the EU to the US will continue. The confusion over the temporary suspension of US imports from Poland in October will not help the statistics²⁶.

In the general trade in agricultural and food products between Poland and the USA, pork takes the first place and accounts for 28% of all products shipped overseas. Among the third countries to which Poland exports pork, the USA is the main recipient, we about 12% of pork from Poland is shipped. Currently, 17 Polish plants are approved to export pork and pork products to the US market²⁷.

In recent years, the United States has grown into a serious consumer of Polish pork, accounting in 2017 for 60 thousand tons of pork exported from Poland, out of 485.5 thousand tons. In 2018, the importance of the country as a destination increased further, according to MRIRW data, in the first eight months of 2018. The USA imported 43 thousand tons of meat from Poland, which accounted for 13.5% of our pork exports. In terms of value, its significance is even greater - in the analysed period, the value of sales to the USA amounted to EUR 108 million, i.e. 19% of the total value of pork exports. At the same time, exports to the USA in January-August 2018 accounted for about 3% of meat produced in Poland and 2.8% of the quantity of pork traded. According to the Central Statistical Office (GUS), the domestic pork production in the first 8 months increased by almost 7% as compared to the corresponding period of 2017. It should be stressed, however, that Poland is a net importer of pork - in the first eight months of 2018 the deficit reached 179 thousand tons.²⁸.

According to data from the Ministry of Agriculture and Rural Development in 2018 Poland exported 60,849 t of pork worth over 148 million EUR (approx. 631 million PLN) to the USA. The Americans are very serious about the possibility of transmitting the ASF virus to their country. This is confirmed by the latest information about the cancellation of the international conference

²⁶ <https://www.agropolska.pl/produkcia-zwierzeca/trzoda-chlewna/eksport-wieprzowiny-idzie-w-gore,1701.html>

²⁷ <https://www.farmer.pl/produkcia-zwierzeca/trzoda-chlewna/amerykanie-rozwazaja-wstrzymanie-importu-wieprzowiny-z-polski,85263.html>

²⁸ <https://www.cenyrolnicze.pl/wiadomosci/rynki-rolne/trzoda-chlewna/13943-co-po-amerykanskim-embargu-na-wieprzowine>





on pork production, World Pork Expo, which every year, over three days of meetings, gathered over 20 thousand people from all over the world, including China, which currently is unable to stop the ASF epidemic²⁹.

1.2. BEEF

Production

According to the November 2018 forecast of the US Department of Agriculture, global beef production in 2019 may increase by 1% to 63.6 million tons. The increase in production is expected in, among others, the world's largest producers, i.e. the USA (by 3.6%, to 12.7 million tons), Brazil (by 3.0%, to 10.2 million tons) and China (by 1.0%, to 7.4 million tons)³⁰. **According to FAO data from May this year, in 2019 world beef production will increase by only 0.7% to 71.6 million tons. The USDA forecasts an even slower rate of growth of global beef production - by 0.5% to 62.6 million tons³¹.**

Increases in production levels are expected mainly in Brazil, the USA and China, as well as India, Mexico, Pakistan, Russia and South Africa. The EU, Australia, Argentina, Uruguay and New Zealand will produce less beef than last year. Brazilian production will increase by 3% to 10.2 million tons due to stable domestic demand, improved economic conditions, falling feed prices and strong export growth to Asian markets, in particular China and Hong Kong. China's production expansion by 1.5% to 6.6 million tons will be achieved due to growing demand for beef and other types of meat in response to the decline in pork production caused by ASF. Production growth in Mexico, India and Russia will be driven by export demand. The drought in 2018 in Australia and significant losses in livestock caused by the floods in February this year will result in a decrease in domestic beef production in 2019, probably by 4.6% to 2.2 million tons. Last year's drought and the drop in the number of breeding cattle will result in a reduction of this year's beef production in the EU by over 1% to approx. 8 million tons. After last year's increase, Argentinian production will fall by 1% to 3 million tons this year due to limited availability of minimum slaughter weight cattle³².

²⁹ <https://www.farmer.pl/produkcia-zwierzeca/trzoda-chlewna/amerykanie-rozwazaja-wstrzymanie-importu-wieprzowiny-z-polski,85263.html>

³⁰ http://www.kowr.gov.pl/uploads/pliki/analizy/prog_cen_rynk/Sytuacja%20pod%C3%A1zowo-popytowa%20i%20cenowa%20na%20podstawowych%20rynkach%20rolnych.pdf

³¹ FAO-OECD..., op. cit., p. 17.

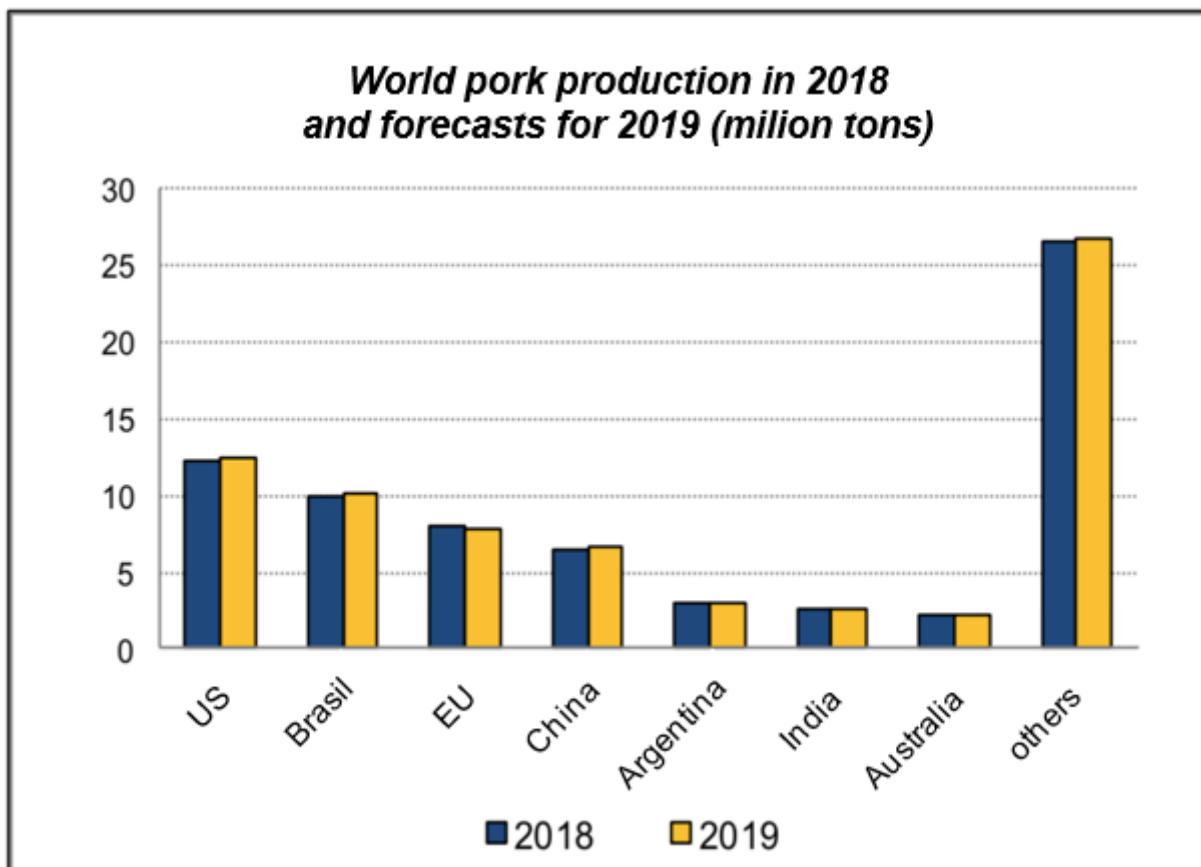
³² FAO-OECD..., op. cit., p. 17.





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Figure 4. World pork production in 2018 and forecasts for 2019 (million tons)



Source: FAO-OECD cyt. za: *Globalny rynek mięsa czerwonego II kwartał 2019. BNP PARIBAS, FOOD&AGRO, p. 18*

The United States is one of the world's leading beef producers. It produces over £25 billion (over 11.4 million tons) of this type of meat annually. According to the Livestock Marketing Information Center's data from 2017, the states that make the greatest contribution to beef production in the USA are: Texas, Nebraska, Kansas, California and Oklahoma. Despite this, the USA does not meet the needs of the market consisting of more than 300 million people. Due to the popularity of beef among the Americans, the USA is forced to import large quantities of this product³³.

³³ Analysis of the American food and agricultural market - beef, pork, poultry - opportunities for Polish entrepreneurs, Poland. Trade & Investment Section, Consulate General of Poland in New York, June 2017



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According to FAO and USDA forecasts, in 2019 American beef production will increase by 1.5% to a record 12.4 million tons, mainly due to higher post-slaughter weight of cattle. This will be the fifth consecutive year of the expansion of the cattle herd in the USA. There will be a slight increase in beef production in this country, year on year, by 1% or 2%. This would be the lowest percentage increase since 2015³⁴. Beef consumption on the American market in 2019 will increase by about 1% to over 12 million tons. However, domestic market competition from pork has intensified due to the retaliatory customs on US meat introduced by China and Mexico, which has contributed to its greater supply on the domestic market. From January to May this year American beef production increased by 1% year on year³⁵.

Disturbances in the global meat trade could weaken the demand for beef and, therefore, for cattle. In the first quarter of 2019, cattle feed prices may be lower in the US than in 2018. It is expected that in subsequent quarters prices will be similar to those of the previous year. A normal 2019 maize harvest in the Midwest would prepare a foundation for moderately higher prices for horned and calf cattle in the second half of 2019 compared to the corresponding quarters in 2018. If recent trends in the slaughter of cows and heifers continue, 2020 could mark the end of the current stockpiling of cattle in the US. Initial forecasts ensure that beef production remains unchanged in 2020 and increases by 2% year on year. **If the US economy continues to grow in 2020 and export markets do not deteriorate, a moderate price increase is expected this year compared to last year**³⁶.

Exports from the USA

US beef exports should be expected to grow in the coming years, supported by increased supplies to South Korea, Japan and Mexico. It is likely that lower beef production in Australia will lead to a reduction in exports of this meat and thus increase demand for beef from the USA in Asian markets, where these two exporters compete fiercely for market share. Furthermore, it can be assumed that the fall in wholesale beef prices will increase the competitiveness of US beef on world markets.

³⁴ <https://www.cenyrolnicze.pl/wiadomosci/rynki-rolne/bydlo/13587-produkcja-wolowiny-w-usa-wyhamuje>

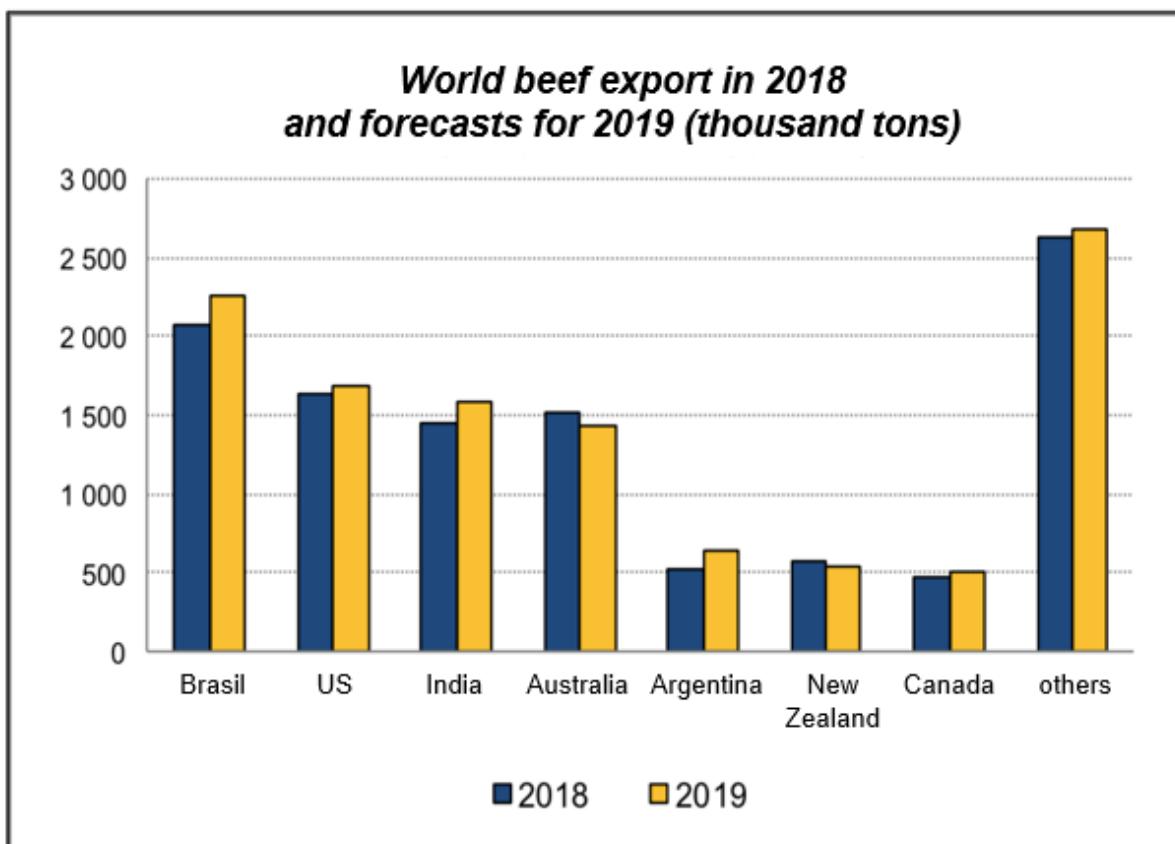
³⁵ FAO-OECD..., op. cit., p. 21.

³⁶ <https://www.cenyrolnicze.pl/wiadomosci/rynki-rolne/bydlo/13587-produkcja-wolowiny-w-usa-wyhamuje>





Figure 5. World beef export in 2018 and forecasts for 2019 (thousand tons)



Source: FAO-OECD cyt. za: *Globalny rynek mięsa czerwonego II kwartał 2019. BNP PARIBAS, FOOD&AGRO, p. 19.*

The USDA predicted that in 2019, global beef exports would increase less than in the previous year - by 2.7% to 10.8 million tons. The FAO forecasts a 4% increase in global exports to 11.3 million tons. In 2018, a 6% expansion of beef production was recorded in the world. Increased export from Brazil, India, USA, Argentina, Canada, the EU and Mexico will compensate for the fall in exports from Australia, New Zealand, Uruguay and Paraguay. African swine fever (ASF), which continues to spread in China, is increasing the country's demand for meat other than pork. FAO predicts that Brazilian exports will probably increase by 10% to 2.3 million tons this year, mainly to China and the Middle East. Russia's lifting of sanctions against Brazilian meat in November 2018 will also contribute to an increase in exports. Argentine beef exports could increase by 21% in 2019 due to the increasing demand for high-quality beef, mainly from China, but also from the USA under the newly gained



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access to Argentinian premium chilled cuts from grass-fed cattle. Brazil and Argentina are likely to remain the main suppliers of beef to the Chinese market³⁷.

According to the USDA data, during the first six months of 2019 the export of American beef and veal amounted to about 674 thousand tons and was 3% lower than in the same period of 2018. Japan was still the largest recipient of American beef, and shipments to the country decreased by 5.8% to 184 thousand tons. In Japan, the Americans had to accept with Australia's growing advantage resulting from the customs tariff. Other competitors on the Japanese market are Canada and New Zealand (customs duties of 26.6%). The volume of exports to South Korea increased by 12% due to the growing consumption of American beef, especially steaks. In addition to strong demand, exports were also supported by lower duties under the bilateral Free Trade Agreement (KORUS FTA). Thanks to the agreement, customs duties on American beef were reduced from 40% to 18.7%, and in 2026 will fall to zero. Americans compete in South Korea mainly with Australia, but they have a quota twice as high as Australia under protective measures, and their customs duties are also much more favourable. The volume of American beef exports to Mexico increased by 4% during the year. Mexico is the largest recipient of beef offal from the USA. On the other hand, shipments to Canada and the EU decreased by 15%, shipments to Hong Kong decreased by 37% and shipments to China increased by 5%. In June 2017 the US regained access to the Chinese beef market, but it still represents a small share of total exports (0.8%)³⁸.

According to the FAO, US beef exports will increase by 3% to 1.7 million tons this year. The US will increase its market share in Japan and South Korea as its main competitor Australia will reduce its exports due to last year's drought and floods in February this year. The supply of beef from the US to Mexico will also increase as a result of the abolition of retaliatory duties. In 2019, Australian beef exports may decrease by 5% to 1.4 million tons due to a decrease in production. In 2019, i.e. after the entry into force of the CPTPP Agreement (on 30.12.2018), Australian beef is more competitive, among others, on the Japanese market due to lower customs duties. Exports from India could recover this year by 9% after last year's decline. The abundant supply, competitive prices and a reduction in Australian production will be conducive to increasing shipments to the most important markets - Japan, South Korea and Mexico. However, the entry into force of the CPTPP agreement means for the USA less competitiveness on the Japanese market in relation to beef from Australia, Canada, New Zealand and Mexico. Japanese customs duties on beef components from these countries were reduced from 27.5% to 26.6% from 1 April 2012, and will be reduced to 9% within 9 years. Customs duties on American beef and veal remained at 38.5%. The US is currently

³⁷ FAO-OECD...,op. cit., p. 18, 19.

³⁸ Ibid, p. 22.



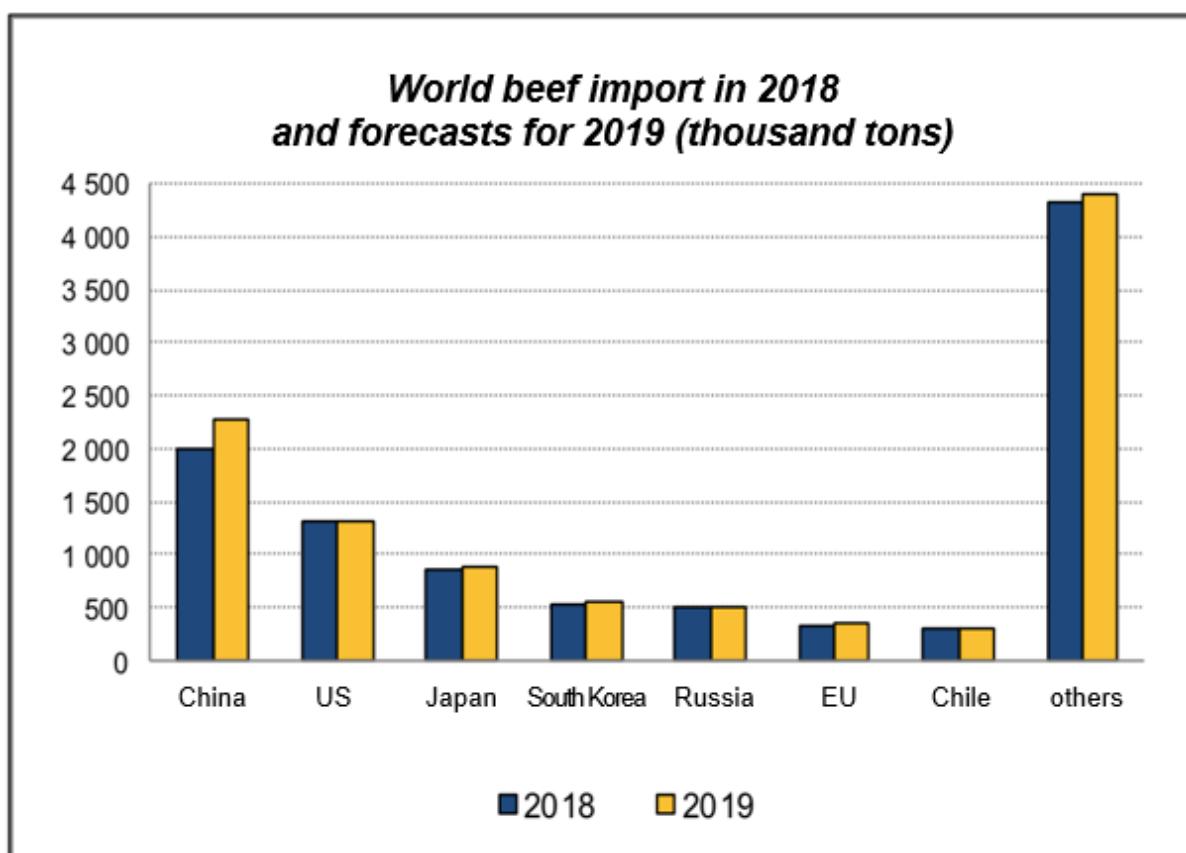


negotiating a bilateral FTA with Japan. The agreement would make it possible to increase the competitiveness of US beef on the Japanese market³⁹.

Imports into the USA

In 2019 USDA and FAO predict an increase in global beef imports of over 4% to 9.0-10.6 million tons. This increase will continue to be driven mainly by China, Japan and South Korea and to a lesser extent by other importers.

Figure 6. World beef import in 2018 and forecasts for 2019 (thousand tons)



Source: FAO-OECD cyt. za: *Globalny rynek mięsa czerwonego II kwartał 2019. BNP PARIBAS, FOOD&AGRO, p. 20.*

³⁹ FAO-OECD..., op. cit., p. 19, 21, 22.



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China is likely to increase beef purchases on foreign markets by 15% to around 2.3 million tons, which is equivalent to one-fifth of total global imports. The increase in imports is due to the ASF epidemic in the country, which contributes to a decline in pork consumption and an increase in beef demand. In 2017 China overtook the previous leader in purchasing - the USA, becoming the world's largest importer of beef⁴⁰.

In general, the price of beef sold in the USA is falling every year. In 2016, the average price per pound (lb) of beef was USD 5.96, which means that it decreased by USD 0.33. The United States exported 1,187,050 metric tons of beef in 2016, which is an increase as compared to 1,067,614 metric tons in 2015. The largest recipients of American beef are (in order): Japan, Mexico, South Korea, Canada and Hong Kong⁴¹. The US imported a total of 360,921 metric tons of fresh beef in 2016. The table below shows the 4 largest suppliers of this product to the American market in 2016⁴².

Table 3. Main exporters of fresh beef to the U.S. in 2016

Country	The volume of import in metric tonnes
Canada	90,757
Australia	80,987
New Zealand	77,521
Mexico	71,075

Source: *Analysis of the American food and agricultural market – beef, pork, poultry – opportunities for Polish entrepreneurs*, Poland. Trade & Investment Section, Consulate General of Poland in New York, June 2017

FAO and USDA forecast that in 2019 American imports of beef and veal will be stable - they will increase marginally to about 1.32-1.37 million tons. In the first half of this year, beef imports to the USA increased by 3.2% to approx. 714 thousand tons, especially of lean meat. Deliveries from Canada, Australia, Mexico, Nicaragua, Brazil, Uruguay and other countries increased, while imports from New Zealand and Costa Rica decreased. In December 2018, Argentina regained access to the American beef market, but so far exports have been small. In the second quarter of 2019, the average unit value of exports of frozen beef from the USA increased by 1.9% to 6571.3 USD/t compared to the first quarter of 2011, and on a yearly basis it was 1.5% higher. The increase in prices was a consequence of a decrease in the pace of production growth⁴³.

⁴⁰ FAO-OECD..., op. cit., p. 19.

⁴¹ *Analysis of the American food and agricultural market...*, op. cit.

⁴² Ibid.

⁴³ FAO-OECD..., op. cit., p. 22, 23.





At the end of June this year, the EU signed trade agreements with Mercosur (Argentina, Brazil, Paraguay and Uruguay) and with Vietnam. Under these agreements, duties on agricultural products, including pork, will be reduced or eliminated, which will contribute to increasing future trade volumes. The Mercosur agreement will be implemented within 3 years, with provisions for customs reduction or elimination being introduced in stages. In the second quarter of 2019, the average beef price index according to FAO amounted to 211.3 pts and was 3.6% higher than in the first quarter of this year. The reason for the price increase was increased import demand from Asia, mainly from China. Compared to the second quarter of 2018, the index increased by 2.4%. Later in the year, beef prices on the global market will remain stable or may even decrease due to the increase in supplies from the USA, South America and India⁴⁴.

Import from the EU

Between 2013 and 2017, EU beef exports to the United States increased by 1067% in volume terms and by 423% in value terms. The figure below presents the development of beef exports from the EU (in terms of quantity and value) in 2013-2017.

Table 4. Exports of beef (code 0202) from the EU to the U.S. in 2013 – 2017 (in kg)

COUNTRY	2013	2014	2015	2016	2017	Change 2017/2013 (2013 = 100%)	Change 2017/2016 (2016 = 100%)
EU28	113700	126400	1069500	1505300	1326800	1067%	-12%
Ireland			520500	1001300	654000	-	20%
Netherlands			700	137100	398900	-	-23%
United Kingdom	108500	115400	497000	325200	249900	130%	
Germany	5200	11000	26200	20000	24000	362%	-35%
Greece				500		-	
Italy			25100	21200		-	191%

Source: own study based on EUROSTAT data

In 2017, the United States imported over 1.3 thousand tons of beef from the EU for the value of over EUR 8 million. Over 49% in volume terms and almost 41% in value terms of EU exports came from Ireland (see Table 4).

⁴⁴ Ibid, p. 20.





Table 5. Exports of beef (code 0202) from the EU to the U.S. in 2013 – 2017 (in EUR)

COUNTRY	2013	2014	2015	2016	2017	change 2017/2013 (2013=100%)	change 2017/2016 (2016=100%)
EU28	1525737	1187157	5967894	8095626	8121322	432%	0%
Netherlands	1888		4530	637336	3559034	188408%	168%
Ireland			2972339	5697270	3292624		-36%
Germany	32548	69708	135784	102445	274210	742%	
United Kingdom	1491301	1117449	2746836	1556411	995454	-33%	-42%
Greece				1320			
Italy			108405	100844			458%

Source: own study based on EUROSTAT data

1.3. MEAT PREPARATIONS

Production

Data on the production of meat preparations are very dispersed, making it practically impossible to determine the level of production of this category of products.⁴⁵ Taking into account the segmentation of the meat market presented in the Figure below, it is only possible to estimate the value of *processed meats production* in the United States in 2018, which amounted to USD 53.75 billion.

⁴⁵ It was not possible to obtain statistical data on the production of meat preparations. American statistics classify meat products under the "[Meat processed from carcasses](#)" category (North American Industry Classification System code: 311612). The products in this category are derived from the processing of beef and pig carcasses. The "[Meat processed from carcasses](#)" category contains products such as: Bacon, slab and sliced. Beef stew. Beef, primal and sub-primal cuts. Bologna. Boxed beef. Boxed meat. Collagen sausage. Cooked meats. Corned meats. Cured meats (e.g., brined, dried and salted). Dried meats. Frozen meat pies (i.e., tourtires). Hams, canned. Hams, preserved. Hot dogs. Lamb, primal and sub-primal cuts. Luncheon meat. Meat canning. Meat extracts. Meat products canning. Meats cured or smoked. Meats, fresh or chilled, frozen. Pastrami. Pig's feet, cooked and pickled. Pork, primal and sub-primal cuts. Potted meats. Processed meats. Salted meats. Sandwich spreads, meat. Sausage and similar cased products. Sausage casings, collagen. Smoked meats. Variety meats, edible organs. Veal, primal and sub-primal cuts, made from purchased carcasses.



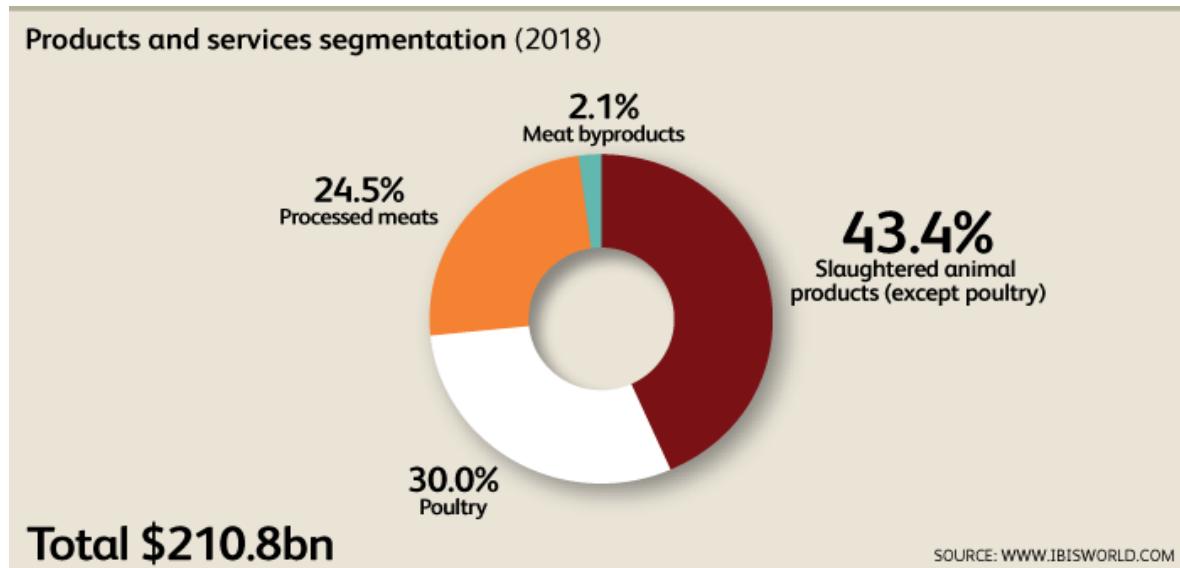
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Drawing 1. U.S. meat market segmentation



Source: www.ibisworld.com

The '*Processed meats*' product category refers to processed meat products (except poultry), including frozen products and cooked hams and sausages. The share of this segment in the total market revenue has remained unchanged over the last five years. These products constitute a low-cost, basic nutritional base in the diets of consumers. Although meat preparations are seen as less healthy than self-prepared food made from raw meat, low prices are expected to ensure a stable market share for this product category.

Import from the EU

In 2017, the United States imported more than 9.3 thousand tons of meat products from the EU for a value of more than EUR 114 million. Almost 77% by volume and almost 83% by value of EU exports came from Italy (see Table 6).

Over the period under review, EU exports of meat preparations to the U.S. increased by 50% by volume and 44% by value.

The Table below presents how EU exports of meat products (in terms of volume and value) took place in 2013 – 2017.



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Table 6. Exports of meat preparations (code 0210) from the EU to the U.S. in 2013 – 2017 (in kg)

COUNTRY	2013	2014	2015	2016	2017	change 2017/2013 (2013 = 100%)	change 2017/2016 (2016 = 100%)
EU28	6237300	7551000	9222600	8822300	9363600	50%	6%
Italy	5259300	6370700	7899000	7029800	7182100	37%	2%
Spain	559600	538300	631900	812400	1126900	101%	39%
Sweden	0	274800	322700	578800	590600	-	2%
Germany	316600	277700	197100	178600	221700	-30%	24%
Poland	22900	46000	63500	37300	115100	403%	209%
Denmark	8700	5900	82000	165200	111600	1183%	-32%
France	18400	0	2300	15600	13800	-25%	-12%
United Kingdom	42400	37600	16500	3500	1800	-96%	-49%
Austria			7600	0		-	
Netherlands	9400			11		-	-100%

Source: own study based on EUROSTAT data

Table 7. Exports of meat preparations (code 0210) from the EU to the U.S. in 2013 – 2017 (in EUR)

COUNTRY	2013	2014	2015	2016	2017	change 2017/2013 (2013 = 100%)	change 2017/2016 (2016 = 100%)
EU28	79257952	92233614	115011638	110447415	114092214	44%	3%
Italy	67246584	81112733	101122286	92074611	94661308	41%	3%
Spain	8468611	7579263	10466671	14529673	15044238	78%	4%
Germany	3130856	2909206	2400398	2268809	2901338	-7%	28%
Sweden	326	273535	326674	612740	623272	191088%	2%
Denmark	30482	20352	271735	542332	361393	1086%	-33%
Poland	91286	174552	242684	154650	307211	237%	99%
France	8846	30	29795	202571	185302	1995%	-9%
United Kingdom	175232	163943	51082	44969	8146	-95%	-82%
Netherlands	101894			16663	6	-100%	-100%
Croatia	3835					-	
Ireland				24		-	



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Portugal			681	128		-	
Austria			99632	245		-	

Source: own study based on EUROSTAT data

2. THE SITUATION IN THE INDUSTRY

2.1. INTRODUCTION - CHARACTERISTICS OF THE MARKET

- The meat market continues to benefit from consumer demand for higher protein intake.
- Beef and veal is the most dynamic category, with an overall increase of 4% in 2017, reaching 6.7 million tonnes.
- Pork is the most dynamic category with a total volume increase of 2% in 2018⁴⁶.
- The US meat market grew by 2% overall in 2018 to 20.8 million tons⁴⁷.
- The meat market is expected to grow by 1% overall (CAGR⁴⁸) over the forecasted period (2018-2023), reaching 21.9 million tons in 2023⁴⁹ [SEP]

The US meat industry, including meat producers and retailers, sells a variety of fresh, frozen and cured meat mainly to households and other markets. In recent years, growth in the meat market sector has become increasingly difficult. Competition on the part of traditional and non-traditional retailers has limited the development of meat markets and butcher shops. In addition, the traditional dynamics of links between food retailers, wholesalers and producers are changing, making the food retail market more competitive in general.

Companies operating on the meat market have faced increasing competition from supermarkets, grocery stores and large retail stores in recent years. Each of these retail channels provides a wide range of products, while benefiting from economies of scale.

⁴⁶ Meat in US, Euromonitor International, Passport, April 2018, p. 1.

⁴⁷ Ibid.

⁴⁸ Compound Annual Growth Rate

⁴⁹ Meat in US..., op. cit., p. 1.



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Competition is expected to continue to further reduce the number of operators by 2023. The price of red meat is expected to fall during this period, while the price of poultry is expected to rise. Competition from supermarkets is expected to intensify as alternative retail channels diversify selected products to attract more consumers. In addition, per capita meat consumption is expected to increase only slightly, despite the rise in consumer incomes. **In general, the revenues of the meat industry are expected to remain under strong pressure and stagnation. Industry revenues are projected to increase by 0.2% per annum to USD 6.9 billion over the five years to 2023.**⁵⁰

The wholesale trade in beef and pork is also experiencing difficult operating conditions. The industry – which was supposed to be an intermediary between beef and pork producers and retailers – will slow down when red meat prices fall and consumers will prefer substitutes. Scientific studies linking the consumption of beef and pork to heart disease have placed representatives of the meat industry (beef and pork) in a difficult situation, as the health problems associated with red meat consumption have strongly influenced consumer tastes. While demand for red meat has been falling, but not as originally expected, alternative sources of protein, such as poultry and seafood, recorded a relatively higher increase in demand. Moreover, the fall in prices of red meat, resulting from increased supplies from livestock farms, have hindered the prospects of income growth. **As a result, IBISWorld estimates that industry revenue will fall by 1.6% per annum to \$55.0 billion over the next five years, given the 0.5% decline in 2019**⁵¹.

The wholesale sector is undergoing major structural changes due to a growing trend among manufacturing companies, which are turning into wholesalers. **Both large and small retailers are increasingly buying directly from food producers, allowing these players to avoid wholesale costs and high margins.** This development has led to a general consolidation of the industry. Independent wholesalers compete for a smaller pool of contracts or join new entrants through mergers.

⁵⁰ Meat, Beef & Poultry Processing in the U.S., IBISWorld, www.ibisworld.com

⁵¹ Beef & Pork Wholesaling in the US, IBISWorld, www.ibisworld.com, p. 5.





Drawing 2. The USA's value and volume share in the global and North American meat sector, 2018-2023



Source: *Country Profile: Meat in the US, GlobalData, February 2019, p. 15.*



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The American meat industry is expected to grow from 182.2 billion USD in 2018 to 201.8 billion USD by 2023, with CAGR⁵² of 2.1%. In terms of volume, the sector is expected to grow from 17,617.3 million kg in 2018 to 18,577.6 million kg by 2023, with CAGR of 1.1%. US per capita meat consumption was 53.5 kg in 2018 and is expected to increase to 54.3 kg by 2023. It is higher than the global level (16.7 kg) and the regional level (52.1 kg) in 2018. Expenditure per capita in the US amounted to USD 553 in 2018, which was higher than global (USD 180.1) and lower than regional (USD 557.6) averages⁵³.

The USA's value share in the global meat sector will decrease from 19.3% in 2018 to 17.7% by 2023. Similarly, the country's share on the regional level is expected to decrease from 89.2% in 2018 to 87.2% by 2023. The USA's share in the global meat sector was 20.1% in 2018 and is expected to fall to 19.6% in 2023. Similarly, the country's share on the regional level is expected to decrease from 92.3% in 2018 to 92.1% by 2023⁵⁴.

Demand for red meat is expected to increase slightly over the five years to 2023, as sales divisions and producer offices (DSBOs) are becoming increasingly important in the industry. The structure of DSBO will continue to stabilize, and DSBO will benefit from economies of scale and increased operational efficiency. In addition, expected increases in household disposable income will keep demand for beef and pork products at a stable level. It is also expected that the fall in red meat prices will decrease over this period.

As a result, industry revenue is expected to grow at an average rate of 0.4% to USD 56.3 billion over the five years to 2023.⁵⁵

Pork and beef are the categories that generate the highest revenue for the entire meat sector in the United States, accounting for 14% and 26.3% of the total revenue of the meat sector respectively.⁵⁶

It is worth noting that beef is the largest segment in the "meat" category in the U.S., accounting for 37.8% of the total category revenue. The United States is the world's largest beef producer, and beef is the second largest type of meat consumed per capita per year, followed only by poultry meat.

⁵² Compound Annual Growth Rate

⁵³ Country Profile: Meat in the US, GlobalData, February 2019, p. 12.

⁵⁴ Ibid, p. 15.

⁵⁵ Meat, Beef & Poultry Processing in the U.S., IBISWorld, www.ibisworld.com

⁵⁶ Beef & Pork Wholesaling in the US, IBISWorld, www.ibisworld.com





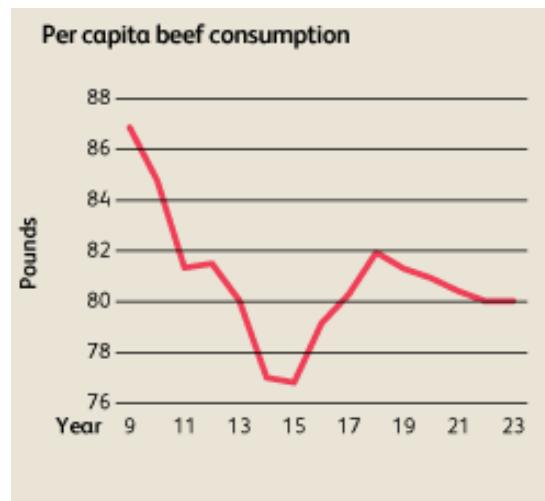
Over the last five years, however, consumers have started to move towards a healthier lifestyle and increased consumption of alternative sources of protein such as poultry and fish, resulting in a fall in per capita beef consumption. As a result, beef consumption may continue to fall.

The price of red meat depends on the quality and quantity of deliveries. High livestock prices increase retail prices and generate higher revenues for wholesalers in the industry. However, excessive price increases may also reduce demand. The price of red meat is expected to fall in 2019. However, diseases do not only affect the supply of livestock; they also have a negative impact on consumer trust. Negative publicity discourages consumers from buying products. In 2013 and 2014 there was an outbreak of porcine epidemic diarrhoea (PEDv) epidemic, which is fatal to pigs but has since been stopped. Outbreak sites are difficult to predict and therefore the effects is difficult to mitigate, potentially putting the industry at risk⁵⁷.

US per capita meat consumption increased from 52.1 kg in 2013 to 53.5 kg in 2018, which was higher than the global (16.7 kg) and regional (52.1 kg) levels. Consumption per capita in the United States is expected to increase to 54.3 kg by 2023.

US per capita meat spending increased from USD 533.1 in 2013 to USD 553.5 in 2018, which was lower than the regional average (USD 557.6) but higher than the global average (USD 180.1). US per capita spending is expected to increase further and reach USD 589.6 by 2023⁵⁸.

Drawing 3. Changes in the consumption of beef in pounds



Source: www.ibisworld.com

⁵⁷ Beef & Pork Wholesaling in the US, op. cit., p. 6.

⁵⁸ Country Profile: Meat in the US, op. cit., p. 17.



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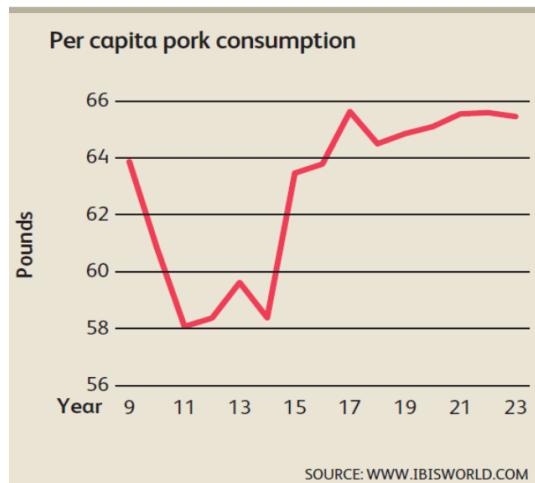
Pork, on the other hand, is the second largest segment in the "meat – wholesale distribution" category in the United States with over 20% share of revenue in the market in 2018. The increase in pork production contributed to an increase in sales of pork products. Moreover, over the period 2013 – 2018, there was a 1.6% increase in the consumption of pork per capita.⁵⁹

As in the case of beef, consumers are also worried about pork for health reasons, looking to alternative sources of protein. However, per capita consumption of pork is expected to increase in 2018, which represents a potential opportunity for industry and European exporters.

Consumers are afraid of eating beef for health reasons. They see solutions in alternative sources of protein, such as poultry and fish. Per capita beef consumption is expected to decline slightly in 2019. In addition, it will be affected by the price of beef, which may rise faster than the price of other protein sources⁶⁰.

Due to the impact on health, consumers of pork are also switching to alternative protein sources. However, per capita pork consumption is expected to increase in 2019, representing a potential opportunity for the industry and European exporters⁶¹.

Drawing 4. Changes in the consumption level of pork in pounds



Source: www.ibisworld.com

⁵⁹ Beef & Pork Wholesaling in the U.S., IBISworld, www.ibisworld.com

⁶⁰ Beef & Pork Wholesaling in the US, op. cit., p. 5.

⁶¹ Ibid.



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2.2. SITUATION ON THE RED MEAT MARKET IN THE U.S.

Americans are increasingly eating meat, choosing more frequent and often larger portions of products such as chicken, **beef and pork** in their daily meals. As a result, the American meat industry recorded a relatively steady growth in the analyzed period (2012 – 2018). In response, farmers and breeders have increased the size of their farms to meet the growing demand for protein. At the same time, many retailers and operators have sought new, creative uses for meat. It is worth noting that protein consumption remains a priority for many Americans, so the meat industry has good conditions for sustainable growth in the coming years.

Table 8. Red meat sales in 2012 – 2018

	2012	2013	2014	2015	2016	2017	2018
Red meat sales – volume (in thousand tons)							
Beef and veal	6 436,1	6 360,7	6 157,8	6 176,9	6 397,1	6 602,5	6,703,8
Pork	3 179,3	3 266,4	3 231,3	3 508,2	3 569,0	3 594,5	3,677,4
Retail sales of red meat – volume (in thousand tons)							
Beef and veal	3 465,0	3 427,3	3 306,1	3 336,1	3 463,7	3 583,1	3 642,1
Pork	2 617,2	2 690,0	2 662,1	2 896,7	2 938,2	2 876,5	2 909,7
Retail sales of red meat – value (USD billion)							
Beef and veal	29 931,6	30 232,5	29 597,9	30 358,1	29 577,6	30 277,5	31 103,7
Pork	17 912,4	18 800,6	18 882,2	20 885,1	20 332,6	19 589,2	20 164,3

Source: Meat in the U.S., Euromonitor International, Passport, April 2019

The total volume of sales of beef and veal in 2012 – 2014 declines. It is only between 2015 and 2017 that an increase in sales of this type of meat can be observed. Sales of pork, on the other hand, decreased in 2014 and then gained in total sales volume from 2015 onwards. Retail sales of red meat – both beef, veal and pork – have been increasing since 2015. The value of retail sales of red meat is subject to greater fluctuations due to price fluctuations on the meat market.

The total market value of the American meat market increased by 1.6% between 2013 (USD 168.6 billion) and 2018 (USD 182.2 billion). It is expected to reach the cumulative annual growth rate (CAGR) of 2.1% from 2018, reaching USD 201.8bn in 2023. The market recorded the highest growth rate in 2016, when the market grew by 2.21%. In terms of volume, the sector grew from 16,468 million kg in 2013 to 17,617.3 million kg by 2018, with CAGR of 1.4%.



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The sector is expected to grow further and reach 18,577.6 million kg by 2023, with CAGR of 1.1% between 2018-2023⁶².

Table 9. Red meat sales in 2012 – 2018 – changes in the value of sales (in %)

	2018/2017	2013-2018 CAGR	2018/2013
Red meat sales – in thousand tons			
Beef and veal	1,5	1,1	5,4
Pork	2,3	2,4	12,6
Retail sales of red meat – in thousand tons			
Beef and veal	1,6	1,2	6,3
Pork	1,2	1,6	8,2
Retail sales of red meat – USD billion			
Beef and veal	2,7	0,6	2,9
Pork	2,9	1,4	7,3

Source: Meat in the U.S., Euromonitor International, Passport, April 2018

Between 2013 and 2018, red meat sales increased. The increase was particularly noticeable on the pork market. In the total volume, the increase was 12.6%, while in retail sales it reached 8.2%. On the other hand, the value of pork sales in this period increased by 7.3%⁶³.

Table 10. Retail sales of organic meat in 2012 – 2017

	2012	2013	2014	2015	2016	2017
Retail sales of organic meat – volume (in thousands tons)						
Organic meat	446.1	481.4	527.6	592.9	632.7	667.9
Organic meat retail sales – value (billion USD)						
Organic meat	7,029.2	7,714.5	8,518.0	9,694.1	9,896.9	10,193.5

Source: Meat in the U.S., Euromonitor International, Passport, April 2018

The growth on the red meat market was particularly noticeable on the organic meat market, the volume and value of which increased year-on-year in the analyzed period.

⁶² Country Profile: Meat in the US, op. cit., p. 20.

⁶³ Meat in US, Euromonitor International, Passport, April 2019





Table 11. Retail sales of organic meat in 2012 – 2017 – changes in value of sales (in %)

	2017/2016	2012 - 2017 CAGR	2017/2012
Retail sales of organic meat – in thousand tons			
Organic meat	5.6	8.4	49.7
Retail sale of organic meat – USD billion			
Organic meat	3.0	7.7	45.0

Source: *Meat in the U.S.*, Euromonitor International, Passport, April 2018

The level of this increase is presented in the Table above. Analyses show that in 2017, compared to the base year (2012), the volume of organic meat retail sales increased by almost 50%, while the value of organic meat retail sales increased by 45%.

Table 12. Forecast of red meat sales in 2017 – 2023

	2017	2018	2019	2020	2021	2022	2023
Forecast of red meat sales – volume (in thousand tons)							
Beef and veal	6 665,3	6 703,8	6 797,2	6 883,3	6 950,4	7 002,6	7 042,9
Pork	3 615,0	3 677,4	3 754,5	3 826,1	3 886,8	3 938,3	3 981,7
Forecast of retail sales of red meat – volume (in thousand tons)							
Beef and veal	3 601,7	3 642,1	3 696,6	3 746,9	3 786,1	3 816,6	3 840,2
Pork	2 982,0	2 909,7	2 940,2	2 968,2	2 991,8	3 011,6	2 028,2
Forecast of retail sales of red meat – value (USD billion)							
Beef and veal	30 362,2	31 103,7	31 569,1	31 998,6	32 333,4	32 593,7	32 795,5
Pork	19 919,4	20 164,3	20 375,6	20 569,8	20 733,2	20 870,4	20 985,5

Source: *Meat in the U.S.*, Euromonitor International, Passport, April 2019

Based on Euromonitor International data, it is worth noting that in 2017 – 2023 it is expected that the sale of red meat, both beef and veal, as well as pork, will be subject to constant stable growth.



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Table 13. Forecast of red meat sales in 2017 – 2022 – changes in the value of sales (in %)

	2019/2018	2018-2023 CAGR	2023/2018
Forecast of red meat sales – in thousand tons			
Beef and veal	1,4	1	5,1
Pork	2,1	1,6	8,3
Forecast of retail sales of red meat – in thousand tons			
Beef and veal	1,5	1,1	5,4
Pork	1	0,8	4,1
Forecast of retail sales of red meat – USD billion			
Beef and veal	1,5	1,1	5,4
Pork	1	0,8	4,1

Source: Meat in the U.S., Euromonitor International, Passport, April 2019

The total volume of pork sales will increase at a faster pace than retail sales. On the other hand, retail sales of beef and veal in the analysed period will grow at a faster pace than the total sales volume.

Table 14. Meat distribution by distribution channel in 2012 – 2017 (% of total volume)

	2012	2013	2014	2015	2016	2017
Retailers	60.5	60.6	60.6	60.7	60.7	60.7
Operators	34.4	34.3	33.9	34.1	34.4	34.1
Institutions/Organizations	5.1	5.1	5.5	5.2	4.9	5.2
Altogether	100.0	100.0	100.0	100.0	100.0	100.0

Source: Meat in the U.S., Euromonitor International, Passport, April 2018

Meat is sold through distribution through three channels: retailers, operators and institutions/organizations. The share of these distribution channels in the analyzed period is subject to slight fluctuations. The share of individual channels is also an indication for European exporters in which distribution channel to look for business partners and markets for exported meat.



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2.3. MARKET SITUATION FOR RED PROCESSED MEAT/MEAT PREPARATIONS IN THE U.S.

Growing demand for meat did not translate into demand for meat products in the U.S., which has been subject to turbulence in recent years, mainly due to growing health awareness among consumers. The growing trend of health awareness causes consumers to put the consumption of fresh and natural ingredients and the least processed food in the first place. After several decades of falling sales, meat products are projected to return to modest but positive growth in 2017 – 2022.

The evolution of sales of processed red meat between 2012 and 2018 is shown in the Table below.

Table 15. Sales of processed red meat by category in 2012 – 2018

	2012	2013	2014	2015	2016	2017	2018
Product categories	Sales of processed meat by category: volume (in thousand tons)						
Shelf-Stable Processed Red Meat ⁶⁴	263,1	255,2	252,7	245,1	237,3	234,9	230,1
Chilled Processed Red Meat	2 613,5	2 679,3	2 590,9	2 461,4	2 432,8	2 420,9	2 372,8
Frozen Processed Red Meat	189,6	192,2	195,1	191,1	196,4	199,9	200,2
Product categories	Sales of processed meat by category: value (USD million)						
Shelf-Stable Processed Red Meat	1 268,4	1 265,1	1 271,4	1 257,4	1 236,5	1 240,7	1 234,7
Chilled Processed Red Meat	14 606,8	15 434,1	16 064,7	16 096,8	15 800,6	16 314,1	16 499,9
Frozen Processed Red Meat	2 090,9	2 153,5	2 224,6	2 280,2	2 253,6	2 238,0	2 271,7

Source: Processed meat and seafood in the U.S., Euromonitor International, Passport, November 2018

The sales volume of shelf stable processed red meat and chilled processed red meat fell in the analysed period. On the other hand, the sales volume of frozen processed red meat is gradually increasing.

⁶⁴ Food that can be safely stored at room temperature in a closed container. This includes foods that would normally be stored chilled but have been processed in such a way that they can be safely stored at room temperature or ambient temperature for a long shelf-life.





Sales of shelf stable processed red meat declined, only seeing an increase in 2014 and 2017. The value of sales of chilled processed red meat reached its highest value since the beginning of the analysed period in 2018, amounting to USD 16,499.9 million. On the other hand, in the category of frozen processed red meat the value was increasing until 2015 and then began to decrease, before increasing again in 2018. The table below presents the sales forecasts for processed red meat in 2017-2023.

Table 16. Forecast of sales of processed red meat by category in 2017 – 2023

	2017	2018	2019	2020	2021	2022	2023
Product categories	volume (in thousand tons)						
Shelf Stable Processed Red Meat	234,6	230,1	225,2	221,0	217,1	213,6	210,4
Chilled Processed Red Meat	2 406,2	2 372,8	2 332,0	2 297,7	2 270,0	2 254,4	2 242,3
Frozen Processed Red Meat	190,8	200,2	202,0	204,4	207,3	210,4	213,6
Product categories	value (USD million)						
Shelf Stable Processed Red Meat	1 251,5	1 234,7	1 200,1	1 170,1	1 143,4	1 120,1	1 099,0
Chilled Processed Red Meat	15 696,3	16 499,9	16 347,3	16 190,1	16 040,9	15 945,7	15 876,9
Frozen Processed Red Meat	2 238,5	2 271,7	2 290,2	2 319,9	2 355,5	2 396,5	2 438,7

Source: Processed meat and seafood in the U.S., Euromonitor International, Passport, November 2018

According to Euromonitor International, the value and volume of shelf stable processed red meat and chilled processed red meat is expected to decline further between 2017 and 2023. An increase in sales of frozen processed red meat is forecast.



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Table 17. Forecast of sales of processed red meat by category in 2017 – 2022 - changes in sales volume and value (in %)

	2019/2018	2018-2023 CAGR	2023/2018
Product categories	volume		
Shelf-Stable Processed Red Meat	-2,2	-1,8	-8,6
Chilled Processed Red Meat	-1,7	-1,1	-5,5
Frozen Processed Red Meat	0,9	1,3	6,7
Product categories	value		
Shelf-Stable Processed Red Meat stored at room temperature	-2,8	-2,3	-11,0
Chilled Processed Red Meat	-0,9	-0,8	-3,8
Frozen Processed Red Meat	0,8	1,4	7,4

Source: Processed meat and seafood in the U.S., Euromonitor International, Passport, November 2018

The sales value and volume of shelf stable processed red meat will continue to fall by 11% and 8.6% respectively and of chilled processed red meat by 3.8% and 5.5% respectively in the forecasted period. The last category, i.e. sales of frozen processed red meat, will see an increase of 7.4% in terms of value and 6.7% in terms of volume.

The following Figure shows the distribution channels for red processed meat/meat preparations in the U.S.



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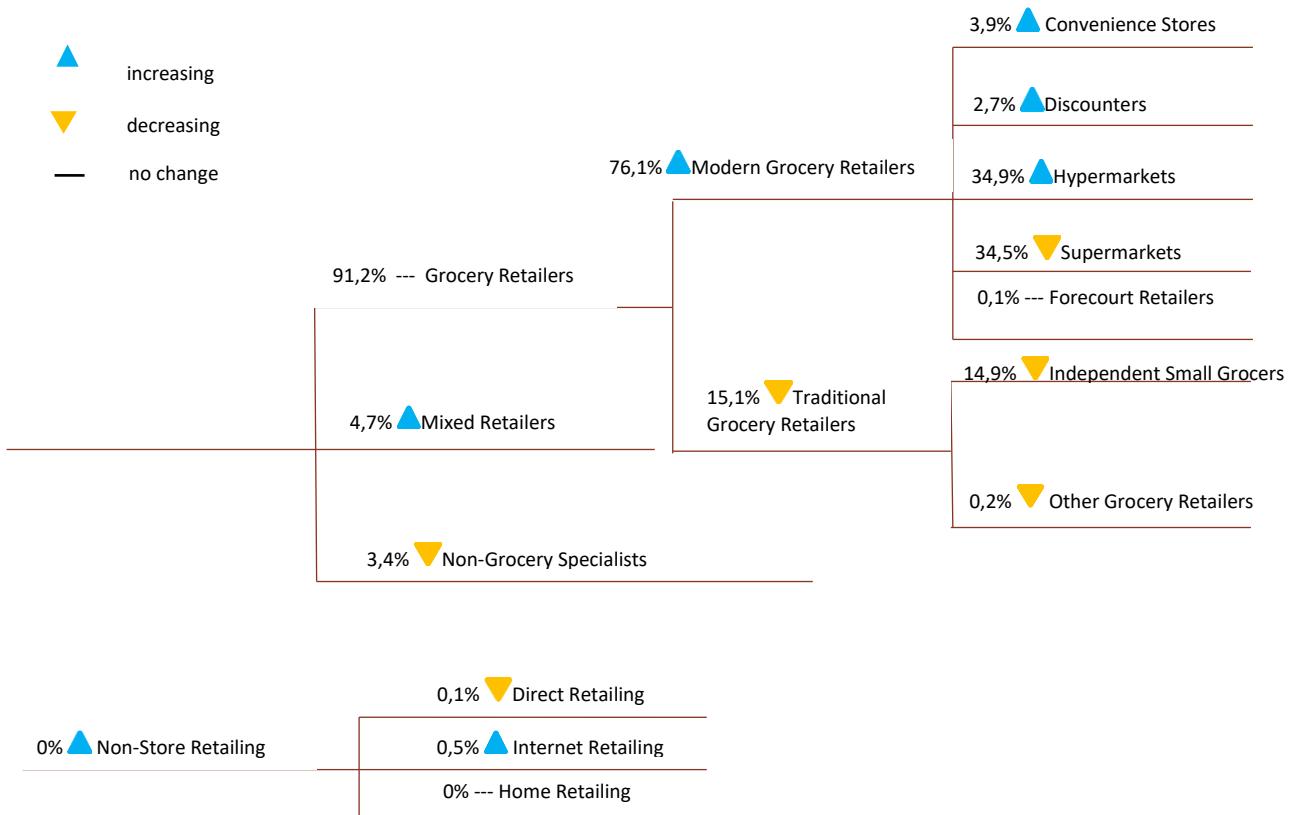


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Drawing 5. Red meat/meat preparations distribution channels in the U.S.



The analysis of the information in the Figure above shows that retail store sales (99.3%) remain the dominant distribution channel for processed red meat / meat preparations in the United States, although their share is declining.

The three main distribution channels included in retail sales (shares in 2017) are:

- hypermarkets (34.9%) – increase
- supermarkets (34.5%) – decrease
- independent small grocery stores (14.9%) – decrease

It is worth noting that in the years 2012 – 2017 an increase in online sales was noted.



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Similarly, according to the Meat in the United States, MarketLine report, hypermarkets and supermarkets are the leading distribution channel in the American meat market with a 83.1% share of the total market value. On the other hand, speciality food and beverage stores constitute another 10.5% of the market⁶⁵.

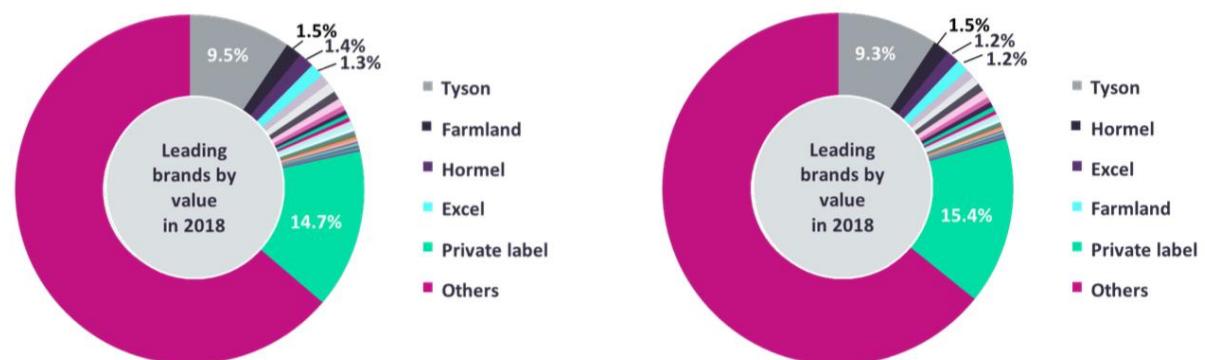
Table 18. Distribution on the US meat market: percentage, by value, 2018

Distribution	Share in %
Hypermarkets and supermarkets	83,1%
Food and beverages specialized stores	10,5%
Grocery stores	4,7%
Web retailers	1,0%
Other channels	0,8%
Total	100,0%

Source: *Meat in the United States*, April 2019, s. 13.

2.4. COMPETITION IN THE MEAT INDUSTRY

Figure 12. Leading brands (in terms of value and size) in the meat sector, 2018



Source: *Country Profile: Meat in the US*, GlobalData, February 2019, s. 46.

Tyson is a leading brand in terms of value and size in the American meat sector⁶⁶.

⁶⁵ *Meat in the United States*, April 2019, p. 13.

⁶⁶ *Country Profile: Meat in the US*, op. cit., p. 46.





TYSON - MARKET SHARE 9.5 %

Tyson, owned by "Tyson Foods, Inc.", had a 9.5% share in terms of sales value and a 9.3% share in terms of sales volume in 2018⁶⁷. Tyson Foods Inc. (Tyson) was founded in 1935 as the world's second largest processor and wholesaler of chicken, beef and pork. Beef represents the largest (about 38.3%) percentage of company sales. Next is pork, with 13.7%. In 2018, the company's total revenue amounted to USD 40.1 billion.

The company, through its distribution centres, supplies products to retail and wholesale chains, military institutions, restaurant chains, schools and hospitals. An important recipient of the company's products is Walmart, responsible for over 10% of sales. In June 2014, Tyson Foods Inc. acquired the meat processor Hillshire Brands Company, a producer of well-known brands on the US market: Hillshire Farm, Ball Park, Jimmy Dean and Aidells. The transaction cost was estimated at \$8.6 billion. In 2017, the company made further purchases totalling \$155 million by acquiring Advance Pierre and San Diego Prepared Foods. The company's revenue in 2013 - 2018 increased by 0.4%⁶⁸.

Below you can find the characteristics of three companies whose market shares exceed 2%.

FARMLAND - MARKET SHARE 1.5%

Farmland, owned by "WH Group", held a 1.5% share in value and a 1.2% share in the sales volume in 2018. The brand sells products in the category of chilled raw packaged meat (processed and cooked meat).

HORMEL - MARKET SHARE 1.4%

Hormel, owned by "Hormel Foods Corporation", held a 1.4% share in value and a 1.5% share in the sales volume in 2018. The brand sells products made of surrounding meat cuts, chilled packaged meat (processed and cooked meat).

⁶⁷ Ibid.

⁶⁸ Beef & Pork Wholesaling in the US, op. cit., p. 27.





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EXCEL - MARKET SHARE 1.3%

Excel, owned by “Cargill Inc”, held a 1.3% share in value and a 1.2% share in the sales volume in 2018. It offers products in the fresh meat category.

In 2018, private labels accounted for 14.7% of the value share and 15.4% of the volume in the American meat sector⁶⁹.

Own brands accounted for 30.5% of the value in the entire American meat sector. Of all categories, fresh meat recorded the highest penetration of private label products with a 34.7% share in value in 2018, followed by cooked meat with a 34.5% share. However, private labels recorded the lowest penetration in the category of packaged cold cuts with a share of 17.1% in the same year⁷⁰.

Figure 13. Private label penetration by category (in value terms), 2018



Source: *Country Profile: Meat in the US, GlobalData, February 2019, p. 51.*

⁶⁹ *Country Profile: Meat in the US, GlobalData, February 2019, p. 46.*

⁷⁰ *Country Profile: Meat in the US, GlobalData, February 2019, p. 51.*



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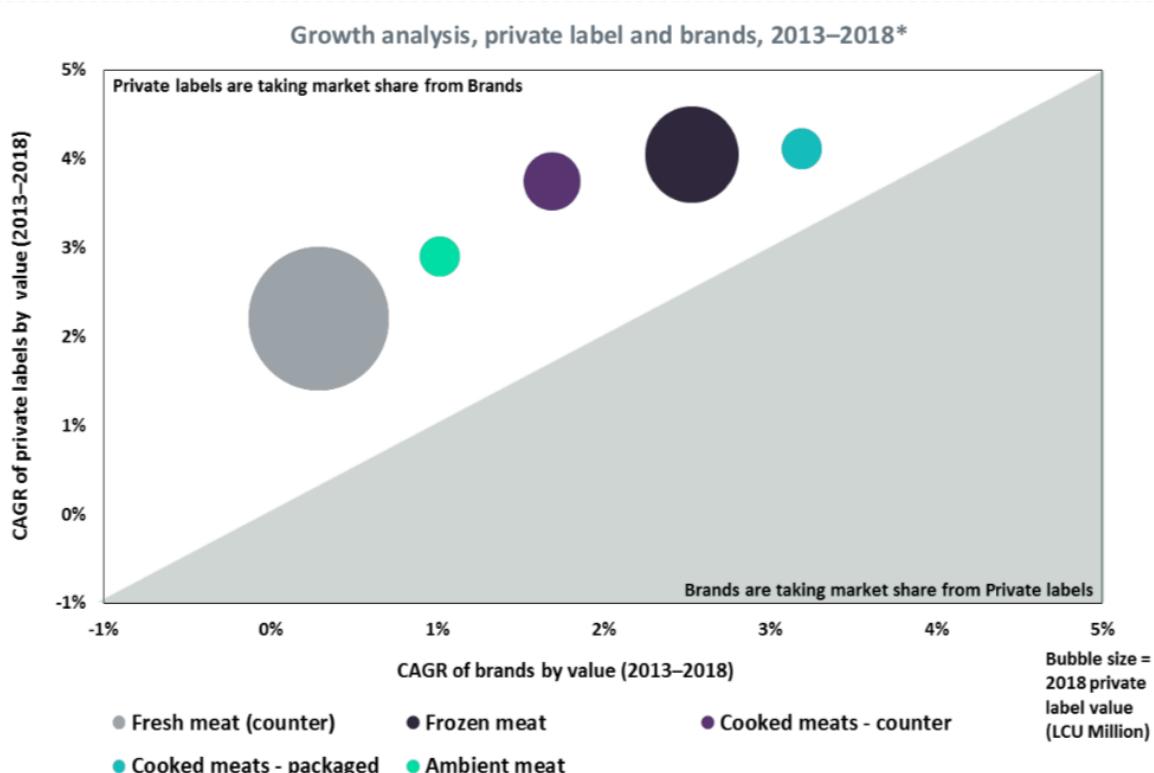


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The Compound Annual Growth Rate (CAGR) for private labels increased by 2.9% between 2013 and 2018, while for producer brands it stood at 1.4%. Cooked meat in packaging recorded the highest growth of private label products with a cumulative annual growth rate of 4.1% between 2013 and 2018, followed by frozen meat with CAGR 4%. In addition, private brands recorded the lowest growth of fresh meat of 2.2%⁷¹.

Figure 14. Growth analysis, private labels and producer brands, 2013–2018



Source: *Country Profile: Meat in the US, GlobalData, February 2019, s. 52.*

⁷¹ *Country Profile: Meat in the US, GlobalData, February 2019, p. 52.*



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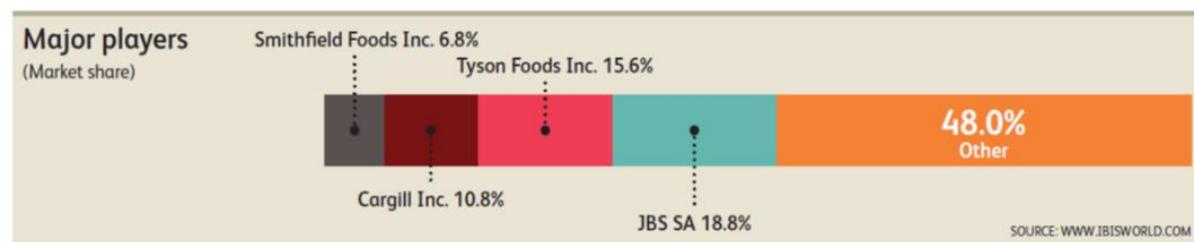
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2.5. COMPETITION ON THE MARKET FOR PROCESSORS, PRODUCERS AND SLAUGHTERHOUSES

Processors operating on the market are well-established companies. **The dominant trend is market consolidation** aimed at gaining a competitive advantage in a mature environment. **Instead of developing their product offer, companies take over smaller players**, which is defined by the "big can more" policy among operators. As a consequence of market acquisitions, economies of scale are strengthened, where more of the same products are produced at lower unit costs.

The four largest companies in the sector account for 52% of the total market. Two companies, Tyson and Smithfield, leaders in pork and poultry processing, took over the beef and turkey processing facilities. One of the acquisitions that was temporarily stopped by the Antitrust Court is the transaction of JBS S.A., which wanted to buy out National Beef Packing Company LLC. If the takeover had taken place, JBS would have had more than 80% of the beef processing market.



Source: www.ibisworld.com

Company characteristics: Tyson Foods Inc., has already been described under "Competition in the Meat Industry".

JBS USA HOLDING - MARKET SHARE 18.8%

JBS USA Holdings is a branch of the Brazilian JBS S.A. JBS USA Holdings is the third largest beef and pork processor on the market. The company was established in 2007 when JBS S.A. entered the US market and took over Swift & Company. Through the two main companies – Swift Beef and Swift Pork – the company serves the wholesale market with 9 distribution centers throughout the country. In 2017, the total revenue of JBS S.A. amounted to USD 27.9 billion. In 2008, the company purchased its own transport fleet of 150 large refrigerated trucks. Currently, the company's fleet is 700 vehicles of this type operating under the JBS Carriers brand. In the U.S., the company employs over 60 thousand people. In its portfolio of brands JBS has a number of well-known market brands in the U.S. such as Aspen Ridge, 5star and 1855. Experts indicate that the revenue level of JBS USA Holdings increased annually by 5.4% between 2013 and 2018. In 2009, the company acquired Pilgrim's Pride and Cargill.



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TYSON FOODS, INC. - MARKET SHARE 15.6%

Tyson Foods, Inc. is a company founded in 1935, which is the second largest global processor and wholesaler of pork, beef, poultry and processed products. Beef represents the largest (about 38.8) percentage of the companies' sales. Pork is in second place with a 13.7% share. In 2017, the company's total revenue was USD 38.3 billion. Tyson Foods, Inc. through its distribution centers supplies retail chains, wholesalers, the army, restaurants, schools and hospitals. An important recipient of the company's products is Walmart, to which over 10% of sales is directed. In June 2014, Tyson Foods Inc. acquired the meat processor Hillshire Brands Company, a producer of well-known brands in the U.S. market: Hillshire Farm, Ball Park, Jimmy Dean and Aidells. The transaction cost was estimated at USD 8.6 billion. In 2017, the company made further purchases totaling USD 155 million, taking over Advance Pierre and San Diego Prepared Foods. The company's revenue in 2013 – 2018 increased by 0.4%.

CARGILL, INC. - MARKET SHARE 10.8%

Cargill, Inc. is a company founded in 1865, which is an international food processor and distributor. The company employs 155 thousand people in 70 countries. Cargill, Inc. processes over 8 million beef carcasses annually, supplying distribution networks and grocery stores. The company produces, processes and sells mainly poultry. It sells turkeys and turkey parts under the Honeysuckle White and Riverside brands at turkey processing plants in the United States. The company also processes meat in Central America, Asia and Europe. In October 2015, Cargill, Inc. sold its pork business, including two pork processing plants in Illinois and Iowa, to JBS USA for USD 1.5 billion.

SMITHFIELD FOODS, INC. - MARKET SHARE 6.8%

Smithfield Foods, Inc. is a company founded in 1936. Since 2013 it has been part of the WH Group Limited. The company is known and appreciated for its hams and meat products. With the acquisition of more than 40 companies, Smithfield Foods, Inc. has become one of the world's largest pork producers. The company currently employs over 52,000 employees. WH Group Limited generated USD 22.4 billion of total revenue in 2017. The company owns more than 200 product brands, the most famous of which are: Smithfield, Eckrich, Farmland, Cooks, Nathan's Famous and Healthy Ones Brands. All pork products are processed and packed in the U.S. and some of them are distributed to Canada, Japan, Mexico, Russia and China. The company's income is closely related to the health of pigs. In 2014, the company experienced the PEDV epidemic, which significantly reduced production and triggered a public discussion on the safety of pork. Since 2014, the company's revenue has fallen by 2.4% per annum.

2.6. COMPETITION ON THE RETAIL MARKET



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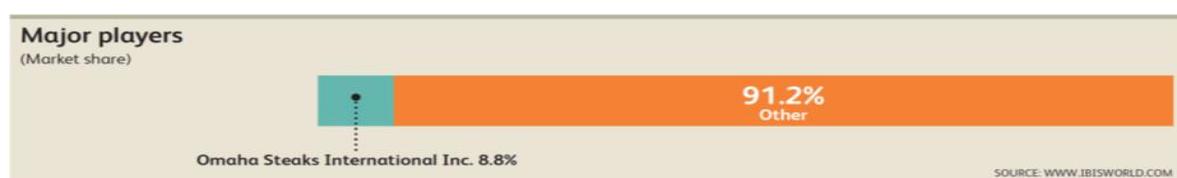


The level of competition on the U.S. meat retail market is relatively high. There is strong internal competition between retailers and external competition from a small number of large foreign retail chains and convenience stores. The two main players in the market generate 13% of the industry's revenue. For this reason, exporters wishing to enter the U.S. market may consider the areas in which they will compete with the entities (retailers) already operating on the market. The second, less risky, solution may be to decide to cooperate with a selected retailer(s) who knows the market and how it operates.

The main fields of competitiveness for European exporters may be:

- price,
- diversification of the product basket,
- product quality: freshness, color, taste,
- comprehensive and transparent product information,
- corporate social responsibility expressed in humane slaughter,
- showing the origin of the product – *organic/eco trend*,
- offering ready-to-eat meat meals, so-called ready-to-cook.

The meat sector in the United States is characterized by a low level of internationalization. This means that almost all operators are small American entities, quite fragmented, directing their sales exclusively to the American market, and this market is very often the most important for them. Even the Omaha Steaks industry magnate limits its sales to the U.S., Canada, Puerto Rico and the Virgin Islands (USA).



Source: www.ibisworld.com

Omaha Steaks International, Inc. is a family business established in 1917. Currently, the company with an 8.8% market share in retail sales sells high quality meat and processed meat products. It has two production plants, a distribution center and a complex of cold storehouses. Their offer includes over 400 products sold in about 80 company stores in the U.S. and via the Internet. It employs over 1,800 employees.



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The company's revenue in 2018 is estimated at approximately USD 601.8 million. The company is growing rapidly with an estimated annual revenue growth of 6%. By investing in *organic* and *eco* categories, it successfully adapts to the needs of consumers. The company's organizational structure, including processing, distribution and retail, also contributes to its leading position. Omaha Steaks International, Inc. controls the entire production and distribution chain.

The Honey Baked Ham Company is the second company with a significant share in the revenues of the industry. It was founded in 1957 in Detroit, Michigan. The company's revenues account for 4.6% of the industry's revenues. Currently, the company owns 400 franchise stores in the U.S. and sells through an online store. Estimated revenue for 2018 will amount to approximately USD 315 million.

2.7. COMPETITION ON THE MARKET OF DISTRIBUTION AND WHOLESALE OF PORK AND BEEF

The internationalization of the sector, as already mentioned, remains at a low level. Despite the fact that the majority of operators are national companies, a few of them are a part of global consortia such as Smithfields (Chinese) or representatives of foreign capital such as JBS S.A. (Brazilian). The globalization of the sector is expected to intensify in the coming years with the trend towards market consolidation and the growing importance of MSBO (Manufacturers Sales Branches and Offices). The wholesale beef and pork industry shows a low and moderate level of concentration in terms of market share. The top four players are expected to generate 30.8% of industry revenue in 2019. Vertical integration causes an increase in the number of sales offices and manufacturer branches (MSBOs), thus increasing the number of larger operators and displacing smaller ones. As beef and pork processing companies increasingly assume distribution and sales functions, the demand for smaller independent wholesalers is decreasing. In addition, the MSBO channel is beneficial for downstream customers as it avoids potential margins incurred when buying from a traditional wholesaler. Many meat processing companies combine their activities to cover all stages of the production, processing and distribution chain to generate all possible profits before retailing. The concentration of the industry is expected to increase over the next five years as major players seek to increase their market share through MSBO. As a result, third party wholesalers will face more pressure to retain their business partners and increase margins. Nevertheless, larger and more efficient companies are likely to attract most of the retail and food trade, and independent wholesalers will experience significant declines due to the growth of MSBO⁷².

⁷² Beef & Pork Wholesaling in the US, op. cit., p. 21.





Internal competition

Operators in the beef and pork sector compete primarily on price, assortment and services. Due to the variety of sizes of producers, the competition for beef and pork wholesalers is high. The industry also competes with self-service retail outlets based primarily on location and operational costs associated with efficient transport. Moreover, most of the internal competition in the industry took place between Manufacturers Sales Branches and Offices (DSBO) and independent wholesalers.

Wholesalers base their business on the proximity of their customers, as this saves on transport costs, which in turn allows the wholesalers to reduce their prices. **In addition, brands are increasingly important as branding allows operators to set higher prices for their products, thereby achieving higher profit margins.**

Technology is also rapidly becoming the basis of competition in this industry. This includes the integration of advanced logistics systems to effectively monitor inventory levels, sales trends and customer order management. **Plants/wholesalers are increasingly engaging in complementary retail services such as brand development, warehousing, retail store development and various financial and technical support services.**

External competition

There are wholesalers on the market offering frozen food products, including pre-packaged frozen meat and meat products, which are direct substitutes for fresh meat and meat products. For this reason, operators in the frozen food wholesale industry are the main competitors of fresh beef and pork wholesalers. Other key competitors include operators in the egg and poultry wholesalers and seafood wholesalers, which are wholesale alternative sources of protein. **Price, location, quality and perceived nutritional value of products are the main pillars of external competition in these industries.**

One of the main players in this industry is Sysco Corporation, a company that was founded in 1969 after a merger of nine US wholesalers. With the acquisition of more than 100 food wholesalers, Sysco has become the largest food distributor on the North American food service market. In fiscal year 2017, the company's total revenues are to reach USD 58.7 billion. Sysco threatens to take over customers and revenues from industry operators through brand recognition and size. It distributes food products through its multi-stream segment in downstream markets which are the same as those in the beef industry and wholesale.



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Source: www.ibisworld.com

Characteristics of company: **Tyson Foods, Inc.**, have already been described under "Competition on the market of processors, producers and slaughterhouses."

US Foods Holding Corp., founded in 1989, the company is a leading distributor of meat for catering companies. It employs over 25,000 people. It offers 350,000 products distributed to over 250,000 regular customers. The main products include meat, seafood and numerous food products. The company has numerous brands in various product categories. In the context of pork and beef distribution, the well-known trademarks are Cattleman's Selection, Patuxent Farms, Stock Yards and Metro Deli Brands. The company is a supplier of products for the institutional and restaurant segment as well as regional fast food outlets. US Foods currently concentrates its activity on the restaurant and health care market, which significantly influences the growth and development of the company. The company's annual revenue growth in 2013 – 2018 was at the level of 0.5%.

2.8. LOCATION OF PROCESSORS, PRODUCERS AND SLAUGHTERHOUSES

In view of the potential entry⁷³ of European exporters into the US meat market, the information presented in the following section is only complementary to the industry situation. It is also worth noting that the location of processors, producers and slaughterhouses largely coincides with the location of sales centers and the distribution/wholesale industry.

South-East Region: 22.1% of production and processing plants are located in this region. This number is related to the large number of poultry meat processing facilities in states such as Arkansas, Georgia and Alabama. As part of internal competition, these states compete strongly with big strong processing centers: California – 6.4% of the sector facilities and Texas – 7.6% of the sector facilities.

Region Plain: is the main breeding region for pigs and cows; this fact has a significant impact on the distribution of producer-processing plants, which significantly reduces transport costs. 18.5% of

⁷³ Mainly exports of beef and pork produced in the EU rather than production and slaughter in the U.S.



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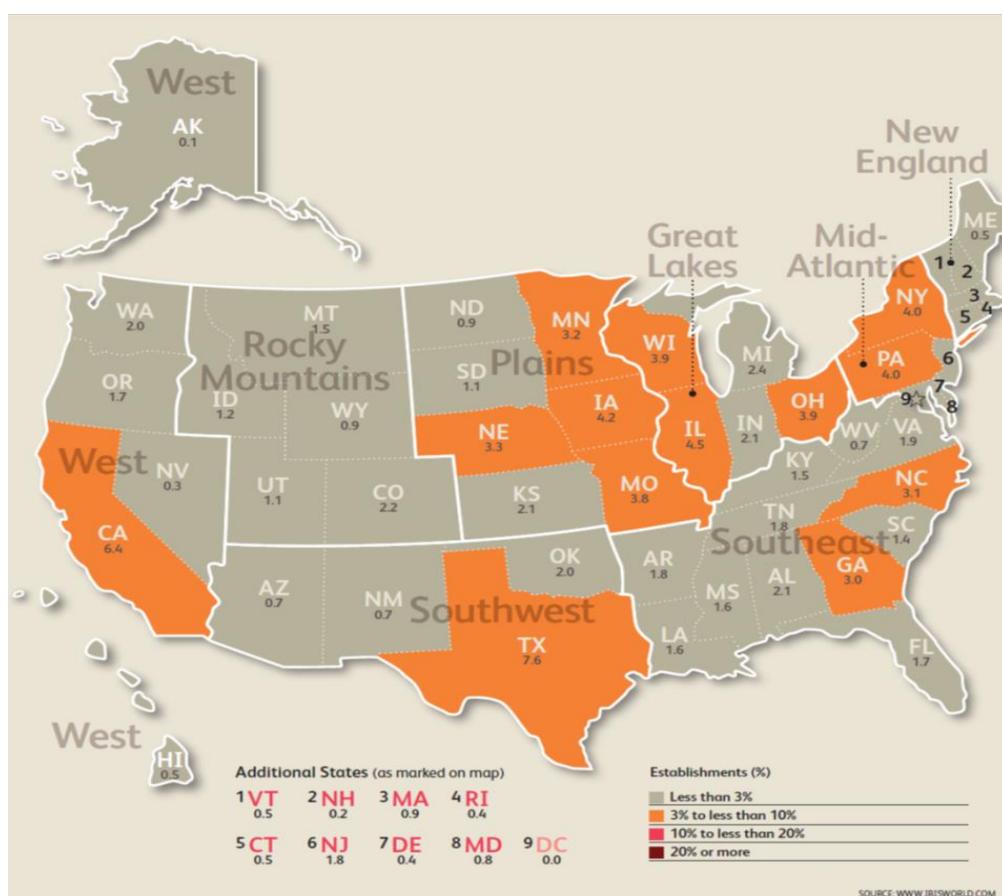
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the sector's facilities are located in the region despite the fact that the population in this region is much lower than the U.S. average.

Great Lakes Region: it is the third largest region of production and processing of pork, beef and poultry meat. 16% of production and processing facilities are located in the region. As in the Plain Region, the population of the Great Lakes Region is much lower than the U.S. average. The Great Lakes region is characterized by the highest concentration of plants producing finished meat products, hams and sausages. The States of Illinois and Wisconsin are third in the U.S. in terms of the concentration of meat processing plants. The region is regarded as a key hub in the meat processing sector because of its geographical location – between regions with low population density and a highly developed agricultural sector and regions with high population density and a large number of recipients of processed meat products.

Map 1. Location of processors, producers and slaughterhouses in the USA (data for 2018)



Source: IBISWorld



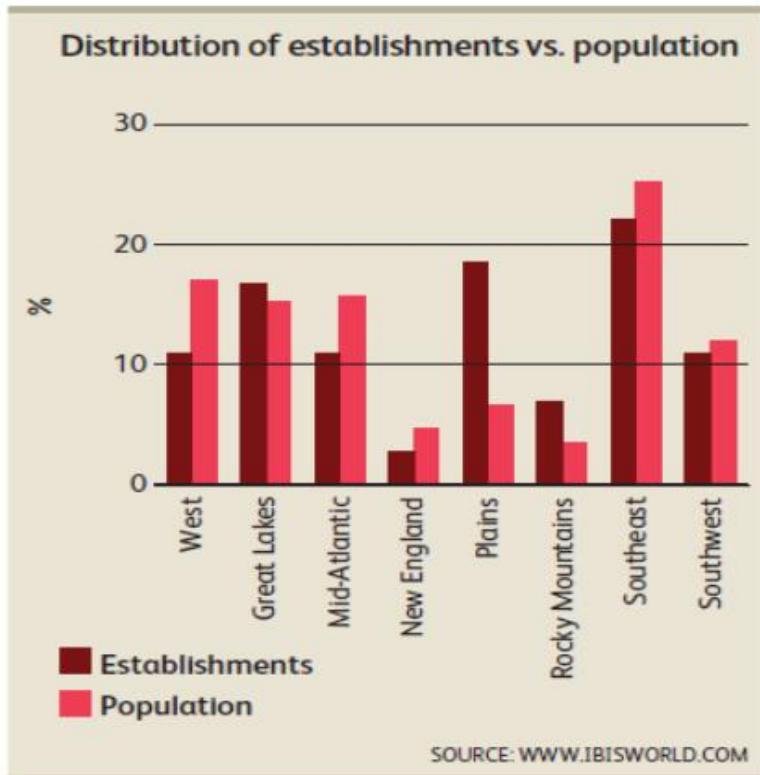
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Drawing 6. Number of facilities vs. population



Source: IBISWorld

2.9. LOCATION OF SALES CENTERS

The location of entities belonging to the meat industry is inseparably linked with population density, having the highest representation in the states with the highest population density. The largest number of economic operators is in the regions of the Mid-Atlantic, Great Lakes and South-East.

The largest area in terms of population density is the Mid-Atlantic, where 26.1% of businesses are located, with particular emphasis on cities: New York 13.2%, Pennsylvania 6.4%, New Jersey 4.6% and the District of Columbia.⁷⁴

⁷⁴ Beef & Pork Wholesaling in the U.S., IBISworld, www.ibisworld.com



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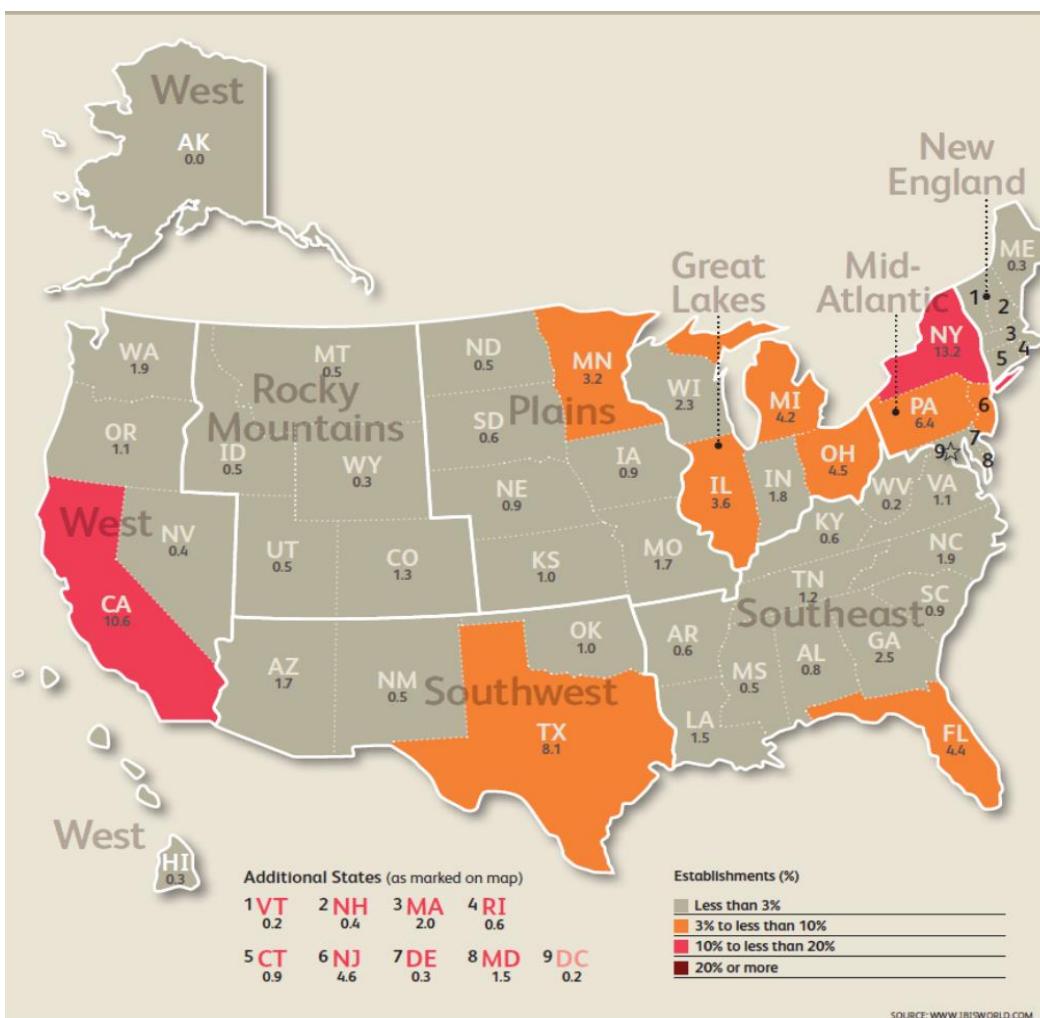


The Great Lakes Region is the second most densely populated area with the location of more than 16.3% of the business entities.

The South-East region is the third most densely populated area with around 16.1% of the meat market. The specificity of the region distinguishes it from the two above as its inhabitants buy meat more frequently in large supermarkets.

Since the location of meat sales centers is determined by population density, European beef and pork exporters should first look for future business partners/sales centers in these locations to ensure that the goods exported are disposed of and – given the degree of population – that demand is stable.

Map 2. Location of the main meat sales centers in the U.S. (data for 2018)



Source: www.ibisworld.com



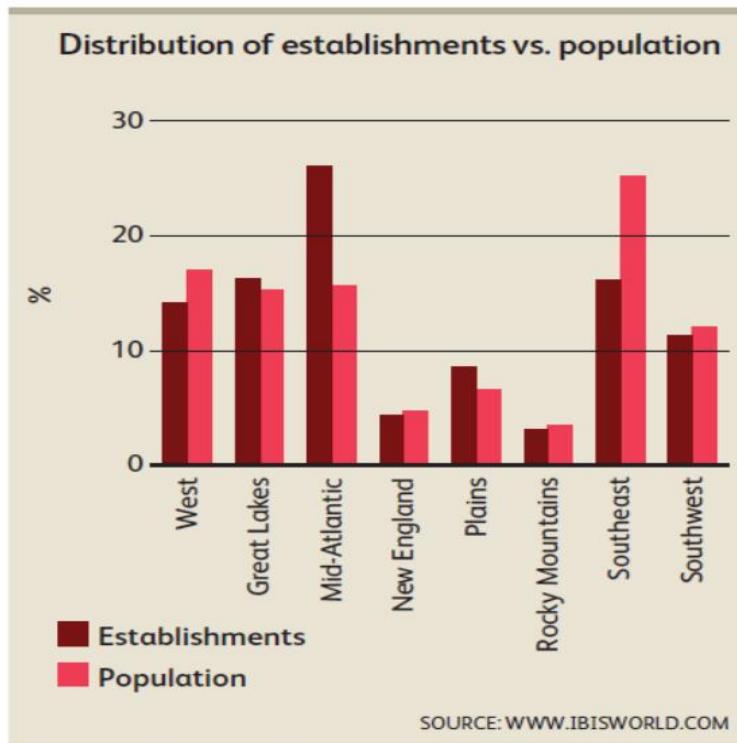
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Drawing 7. Number of sales points vs. population



Source: www.ibisworld.com

2.10. LOCATION OF THE DISTRIBUTION/WHOLESALE INDUSTRY

Representatives of the wholesale distribution sector are located in the regions where they have the largest number of their target customers. This arrangement of business facilitates and accelerates transport and reduces operating costs, as well as reduces the risks associated with a short product life cycle on store shelves. It seems that representatives of the wholesale distribution sector should be the first potential business partners for European exporters. As already indicated above, there is also a correlation between the number of retail outlets and the number and density of population.

The regions most concentrated in the industry in terms of number of plants are the Central Atlantic and Western regions⁷⁵.

⁷⁵ Beef & Pork Wholesaling in the US, IBISworld, www.ibisworld.com, p. 20.



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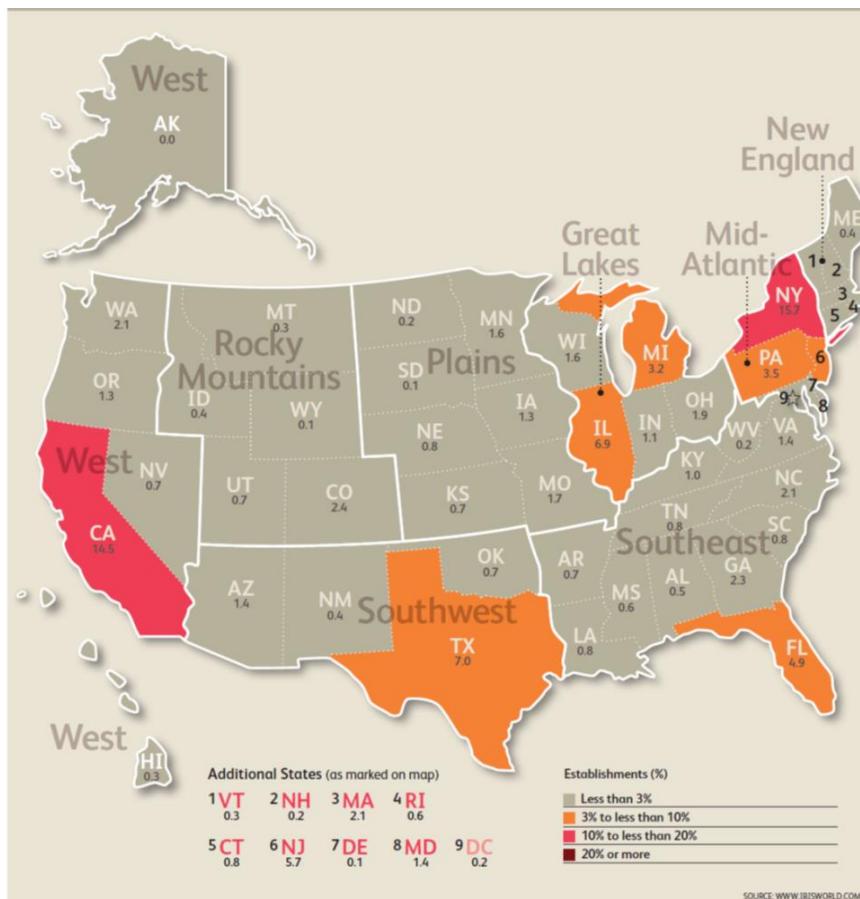
Mid-Atlantic is a region where 15.2% of the United States population lives. It is a region where 27% of economic operators are located, especially in the cities: New York 15.9% and New Jersey 6.2%. It is actually these cities that supply the eastern coast regions.

The **Western region** is the second most densely populated area with more than 18.8% of businesses. This is a region with more than 17.3% of the US population, with California as the dominant location for more than 14.4% of all businesses in the sector on US soil.

The **South East region** is another key area in terms of population density with about 15.9% of meat market operators. Florida with 4.9% of the operating entities plays a distinctive role in this region.

The Great Lakes Region is represented by 14.5% of the operators. All other regions have less than 10.0% of industrial plants.

Map 3. Location of meat wholesale distribution centers in the U.S. (data for 2018)



Source: www.ibisworld.com



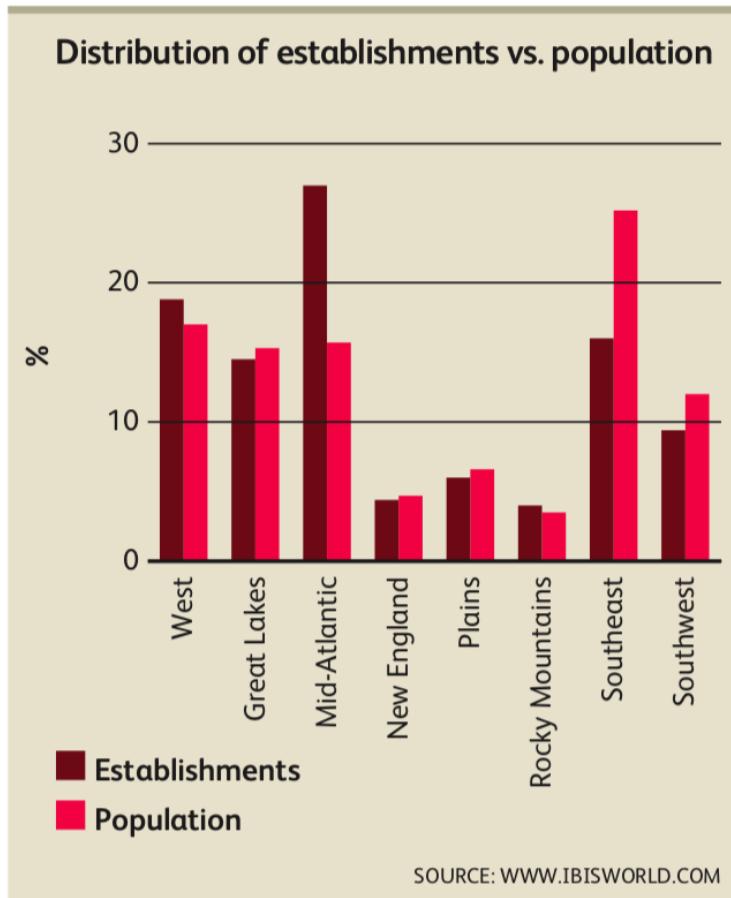
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Drawing 8. Number of operators vs. population



Source: www.ibisworld.com

2.11. BARRIERS TO ENTRY FOR PROCESSORS, PRODUCERS AND SLAUGHTERHOUSES IN THE U.S.

In view of the potential entry⁷⁶ of European exporters into the U.S. meat market, the information presented in the following section is only complementary to the industry situation.

Experts agree that the main barriers to entry are U.S. and federal regulations for the processing industry and the strict USDA (U.S. Department of Agriculture) and EPA (Environmental Protection Agency) regulations.

⁷⁶ Mainly exports of beef and pork produced in the EU rather than production and slaughter in the U.S.



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Another powerful barrier is the existing network of business relations and long-term contracts between companies that have been operating on the market for years. Within the developed structure, each party not only derives financial benefits, but also eliminates the risk associated with interruption of supply or changes in customer service. In this dimension, the effect of habituation and brand awareness plays an important role.

Table 199. Barriers to entry into the U.S. meat market

Competition	high
Concentration	average
Life cycle stage	mature
Capital intensity	average
Technological changes	average
Legal regulations	many
Industry support	high

Source: www.ibisworld.com

2.12. BARRIERS TO ENTRY INTO THE MARKET FOR SALES CENTERS

The market for meat sales centers in the United States poses relatively low barriers to entry for new entities. The main initial investments related to entering the market include: the required purchase of fiscal cash registers, equipment for storing and displaying meat and the lease of store space.

Due to the small diversity of the product range, there is a great potential for producers with niche and regional products, especially those of the *organic* and *eco type* or those with a darker color than the one traditionally found in the U.S.

It is worth noting, however, that this market is in decline, hence the support of the industry is not too high. On the other hand, companies competing in the meat sales centers market try to penetrate the market strongly in order to minimize losses, which results in a high level of competition. Considering the above, it can be concluded that the meat sales centers sector is not very attractive for a new entrant.



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Table 20. Barriers to entry into the U.S. meat sales centers market

Competition	high
Concentration	low
Life cycle stage	in decline
Capital intensity	average
Technological changes	average
Legal regulations	average
Industry support	low

Source: www.ibisworld.com

2.13. BARRIERS TO ENTRY INTO THE WHOLESALE MEAT DISTRIBUTION MARKET

The market for wholesale distribution of pork and beef has permanent and relatively high barriers to entry. The first barrier is strict federal and state regulations concerning the storage and transport of meat. Licenses are required that are not quick and easy to obtain. In addition, operators are obliged to invest in large cold stores. The cost of such an investment can be a deterrent for many companies. The level of development of the industry is also not conducive to new players due to the strong position of the existing operators who have been operating for many years. Costs related to competition with well-located operators are considered as one of the main barriers to entry.

Table 21. Barriers to entry into the U.S. meat wholesale distribution market

Competition	high
Concentration	average
Life cycle stage	mature
Capital intensity	low
Technological changes	average
Legal regulations	many
Industry support	low

Source: www.ibisworld.com



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2.14. KEY DETERMINANTS OF MARKET SUCCESS

The key factors which implementation may support exporters of meat and meat products from Europe in their entry into the American market should include:

- **Joint venture** as a form of reducing entry costs. Joint venture with an operator in the U.S. market should be treated as a factor mitigating the initial difficulties of operating in the new market.
- **Attractive image of products**, which allows for attracting consumers' attention, especially in markets with a highly saturated product offer.
- **An experienced team of industry professionals with knowledge of the market**, which contributes to the smooth movement on the new market, creates the so-called organizational experience and knowledge, which in the further stage translate into the reputation of the company.
- **Diversification of products**, which makes it possible to increase competitiveness in highly saturated consumer markets. A diversified offer creates opportunities to reach different recipients contributing to generating more revenue (in particular, *organic* and *eco products*).
- **Strong brand** – a large part of the companies operating on the meat market in the U.S. are entities with recognizable brands with a rich history and well-established reputation. The brand plays an increasingly important role in this market, which is why it is so important to use it in marketing activities.
- **Diversification of the recipient's portfolio** – i.e., the ability to deliver products to diverse customers in the largest area possible. European exporters should be guided by economies of scale and take into account the location of wholesalers/distributors in the United States.
- **Punctuality** – i.e., guaranteeing and maintaining constant and timely deliveries to customers.
- **Compliance with federal and state rules** – the "meat" product category is one of the most closely regulated sectors in the U.S. Wholesalers and distributors must adhere to strict rules and renew licenses (every two years) that allow them to do business in such a way as to avoid large fines and public criticism that could adversely affect brand reputation.
- **Network of contacts** – building strong and lasting ties with representatives of wholesale and retail chains in the US may be a key factor in the entry of exporters from Europe to the American market.





- **Ensuring freshness of products** – meat is a product with a short shelf life cycle. European exporters should invest in facilities for storing and transporting meat products so that customers located hundreds of thousands of miles away can be sure that they receive the highest quality products.

Additionally, there are **key determinants of market success on the wholesale meat distribution market:**

- An **ability to distribute industrial products in different locations** and geographical areas is key to development of wholesale business. Wholesalers must have permanent access to trucks and means of material transport to maximise their business opportunities.
- **Fast delivery of meat products to retailers** is the key to maintaining relationships with customers. Bigger players have the luxury of delivering supplies quickly, thus increasing the pressure on smaller wholesalers to deliver products to customers quickly and efficiently.
- **Control over meat distribution contracts with key retailers** - efficient distribution reduces costs and saves time for wholesalers and retailers. Larger players are now implementing inventory management software to ensure that the entire distribution is fast and the delivery trucks are running at full speed.
- And previously described: **Compliance with federal and state regulations, Network of contacts, Ensuring products are fresh.**

2.15. THE FUTURE OF THE INDUSTRY

In order to increase revenues, market participants (in particular producers and wholesalers) over the next five years will rely on new marketing strategies to compete with the convenience of shopping and the range offered by large supermarkets and grocery chains. Retailers are forced to target consumers with higher incomes and those interested in high-quality food, because such products are sold in butchers. It should also be noted that they are also more expensive. **The quality of meat products will be an increasingly important marketing tool. Industrial companies can also benefit from providing consumers with niche products that are used in popular ethnic kitchens.** Therefore, there is already a growing interest in mutton and lamb, which is popular among the growing Arab, African and Caribbean populations.

According to FreshLook Marketing Data, organic beef currently accounts for 6.6% of total U.S. beef sales, but its total share of revenue will increase in the coming years. **Specialization can help operators in the industry to take better advantage of this trend, but it also shows the growing**



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importance of a healthier lifestyle for consumer preferences. Specialist grocery stores such as Whole Foods will continue to gain market share at the expense of much smaller meat market operators. **In addition, some customers will continue to use alternative sources of protein, such as seafood and tofu.**

Further consolidation of the industry and branding of products will be noticeable.

Instead of increasing market share through the introduction of new products, companies will strive for a general consolidation of industrial plants, which will result in the acquisitions of smaller plants. Such acquisitions give the expected economies of scale, and at the same time more goods can be produced at lower unit costs.

The export situation is expected to change. It will grow over the next five years and emerging economies will constitute a growing segment of the market. As consumer disposable incomes are increasing in industrialized countries such as China, demand for meat products will also increase. In 2013, an agreement on trade in organic products with Japan was concluded and all certified organic products in Japan and the United States will be recognized in both countries. The U.S. Department of Agriculture estimates that exports of organic products to Japan will increase from USD 80.0 million to approximately USD 250.0 million in the next 10 years.

Overall, IBIS World expects a slight increase in exports at an average rate of 0.9% to USD 25.0 billion over the five years to 2023. Imports are also expected to fall by 3.5% to USD 9.5 billion over the next five years, still representing only 5.7% of domestic demand.

For many years, large supermarket and restaurant chains have been increasingly buying directly from beef and pork processors to take advantage of lower prices and to increase profit margins. This trend in the use of wholesalers by manufacturers' sales branches and offices (MSBOs) has concentrated higher revenues in the hands of a smaller number of industry players. Growing sales of MSBOs have compensated for the decrease in revenue resulting from the reduction in the number of smaller commercial wholesalers.

MSBOs provide a direct distribution link between industrial beef or pork processing plants and the downstream markets, which reduces the potential of the traditional wholesale trade as an intermediary between producers and retailers. In addition, new technologies that enable the entire distribution process to be handled and tracked electronically have contributed to this trend, making it easier for retailers and other customers to interact directly with meat processors, reducing demand for smaller independent wholesalers. These MSBOs are becoming increasingly important players in the industry. An increasing number of manufacturers have improved efficiency by introducing their own transport and handling activities in order to create MSBOs. By reducing the costs of a traditional wholesaler, these branches can sell meat products to retailers at lower prices.





Therefore, larger retailers and large catering companies are using MSBOs to lower their own costs and better compete with mass-market discount stores such as Walmart.

Thanks to the use of the scale effect, MSBOs have created a new industrial structure on a large scale for meat wholesalers. As a result, while many wholesalers left the industry because of a decreasing number of customers, others decided to merge or integrate vertically to compete in the changing industry. As a result, exit and consolidation is expected to reduce the number of companies by an annual rate of 1.2% to 1967 operators over the five years to 2019. However, consolidating companies are expected to retain a significant portion of the workforce from the company they buy. Total employment in the industry is expected to fall slightly to 44 093 workers. The success of an industrial operator depends largely on its ability to increase the value of both the production source and the retail channel. In particular, human work is required to receive and process orders, receive and send goods and manage all the different logistical aspects of the warehouse operation. The skills and knowledge of experienced workforce will encourage employers to retain employees in their newly consolidated operations. As these highly-skilled workers are likely to demand higher wages, average wages in the industry are expected to increase over this period. This consolidation will lead to the creation of larger, more resourceful wholesale divisions under the control of large meat processors. In addition, rising margins during this period will further encourage operators to provide higher salaries for key personnel⁷⁷.

Consumers are expected to buy larger quantities of higher quality meat products and the industry's performance is expected to increase due to several favourable conditions in the five years to 2024.

Pork consumption per capita is expected to increase slightly over the five-year period, albeit at a slower rate compared to the previous five-year period. In addition, as the US population grows and the level of household disposable income increases, consumers are expected to buy larger quantities of higher-quality meat products. These high quality meat products are expected to be sold at higher prices, as consumers are looking for healthy meat options. Companies can be expected to streamline their operations in terms of handling lean meat products and cuts by choice to meet the growing demand. In addition, as revenues increase, more customers will eat at restaurants, leading industry operators will focus on this market over the next five years.

As in the previous period, the price of red meat will have a major impact on the industry's performance. It is anticipated that in the five years to 2019 the prices of red meat will fall in per annum at 0.6%. Although it is still declining, this development represents a relative stabilisation of the key industry contribution. In the previous period, red meat prices experienced three separate year-on-year fluctuations of over 10.0%. This volatility is not expected to last for five years until 2024, which should give industry operators more strategic planning power. Companies are more effective

⁷⁷ Beef & Pork Wholesaling in the US, IBISworld, www.ibisworld.com, p. 7-8.





in passing on costs to consumers, helping to stabilise overall industry revenue. This strengthened managerial position should be further supported only by increased vertical integration and the presence of MSBOs, since these consolidated players improve efficiency due to economies of scale⁷⁸.

The wholesale sector is undergoing major structural changes due to an increasing trend of manufacturing companies transforming into their own wholesalers. Both large and small retailers are increasingly buying directly from food producers, allowing them to avoid wholesale costs and high margins. This development has led to widespread consolidation of the industry, as new operators seek higher efficiency and economies of scale. Independent wholesalers, on the other hand, either compete for a smaller pool of orders or join new industry players through mergers. Demand is expected to increase slightly over the five years to 2024, as MSBOs become more and more established in the industry. The MSBO structure will continue to solidify and should benefit from economies of scale and increased operational efficiency. However, the decline in demand for beef is likely to continue to hinder the development of the industry. The fall in red meat prices is expected to slow down during this period. The relative stability of the industry's key entry price will enable industry players to plan and pass on costs to consumers more effectively. Revenues are generally expected to stagnate at USD 55.0 billion over the five years to 2024⁷⁹.

3. CONSUMER TRENDS AND FACTORS INFLUENCING THE CONSUMPTION OF RED MEAT AND MEAT PRODUCTS

Analysis of data collected, among others, by Euromonitor International, IBISWorld, U.S., The Department of Agriculture (USDA) and the NPD Group shows that the meat market in the United States is facing the following trends and factors that will influence the consumption of red meat and red meat processing products⁸⁰:

- The increase in household income over the last years, on average by 2.4% per year until 2018, has contributed to considerable consumer optimism, which is expressed in the purchase of more and better quality goods. Consumers are more likely to go to butcher's shops and are willing to pay more for a good quality product. This fact contributed to the creation of gourmet meat shops mainly in cities such as Seattle, Chicago and New York.

⁷⁸ Beef & Pork Wholesaling in the US, IBISworld, www.ibisworld.com, p. 11.

⁷⁹ Beef & Pork Wholesaling in the US, IBISworld, www.ibisworld.com, p. 5.

⁸⁰ [https://www.euromonitor.com/](http://www.euromonitor.com/); [https://www.ibisworld.com/](http://www.ibisworld.com/); [https://www.usda.gov/](http://www.usda.gov/); [https://www.npd.com/wps/portal/npd/](http://www.npd.com/wps/portal/npd/)





- Economic growth will accelerate in 2018 – 2023 and will continue to drive meat consumption, but at an unstable pace. Moreover, it is not expected that high-protein and low-carbohydrate diets will continue to be popular, which will limit the increase in meat consumption. As a result, over the five years to 2023, meat consumption is expected to increase by 0.1% annually to reach 268.8 pounds (less than 122 kg) per person.
- Between 2018 and 2023, US beef consumption will fall to 80 pounds (less than 36.3 kg) per person in 2023.
- In 2018 – 2023 pork consumption per capita will remain relatively stable. The gradual transition from red meat to poultry to meet the demand for protein for health reasons will continue, though at a slower pace. As a result, it is estimated that pork consumption will increase at an average rate of 0.3% to 65.5 pounds (slightly more than 27.1 kg) per person in 2023.
- Total red meat consumption per person will exceed total poultry consumption per person in 2023 (however, chicken will maintain its dominant position in meat consumption). In addition, the supply of beef should begin to grow on the wholesale market, thus limiting the price spikes for red meat. Overall, the price of red meat is projected to fall by 2.3% annually between 2018 and 2023.
- The red meat market is saturated and increasingly difficult to grow. IBISWorld estimates that the share of the entire meat industry in the U.S. economy as a whole, measured by the industry's added value, will grow at an average rate of 0.8% by 2023. For comparison, US GDP growth is forecast at an average annual rate of 2.2% in the same period. The projected difference is partly an indication that the meat market has reached a high level of saturation and the meat industry is characterized by a stable product offering.
- As the meat industry is developing less well compared to the US economy, it can be assumed that the number of companies operating in this sector will start to decline as producers have difficulty in competing with larger grocery stores and other external competitors. Although there have been some innovations in meat products, most often in the form of ready-made or pre-marinated meats, these products have not increased the market reach of the industry. In addition, industrial products have reached the saturation point, and the range of products is largely the same in different plants. Some increases are due to the introduction of new niche products and advances in cutting and storage techniques, but even these factors are unlikely to stimulate the industry into a new growth cycle.



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- Frozen food producers are expected to continue to introduce new products made from fresh, nutrient-rich ingredients that contain less fat and sodium than traditional frozen meals. For example, the main player in the frozen food market, Schwan's Company, has committed to removing all artificial flavors and colors from its frozen food portfolio by the end of 2017. Frozen foods constitute an almost universal basis for American diets, and the market for these foods is at an almost saturated stage. Therefore, the introduction of new products is likely to be the main driving force of the industry in the coming years. It is also predicted that in the coming years frozen ready meals will experience greater competition from fresh substitutes available in grocery stores.
- Due to the healthy lifestyle of a growing group of Americans, sales of popular processed meat products such as bacon, sausage, hot dogs and chicken cuts is falling. Consumers who still want to eat meat are increasingly looking for healthy proteins and shop for fresh meat. This trend is likely to continue to drive growth for this product category.
- After Donald Trump came to power and the U.S. withdrew from the Trans-Pacific Partnership (TPP), meat producers lost access to the very valuable and rapidly growing Asian markets, which signaled a strong interest in importing American meat products. In addition, the lack of progress in the renegotiations with NAFTA has caused uncertainty about future access to Canadian and Mexican markets, to which the United States has exported its meat for decades. This type of behavior may result in an increase in supply on the internal meat market.
- An important trend is that the consumption of animal protein remains a priority for many Americans, so that the meat industry can count on relatively stable domestic demand in the coming years, with a possibility for slight growth. However, it is important to convince consumers of red meat and highlight its properties related to protein sources.
- The growth on the red meat market was particularly noticeable on the organic meat market, the volume and value of which increased in the years 2012 – 2017. A further increase in the volume and value of sales of this category of products is expected in the following years. Therefore, in the opinion of the authors of this report, it is worthwhile for European producers to consider focusing on organic meat, for which demand is growing and the market is developing significantly more dynamically than the market for "traditional" meat.
- It is worth noting that in 2017 – 2023 the sale of red meat, both beef and veal, as well as pork, will be subject to constant stable growth.
- Growing demand for meat has not translated into an increase in demand for meat preparations in the U.S., which has been subject to turbulence in recent years, mainly due





to growing health awareness among consumers. This growing health awareness puts the consumption of fresh and natural ingredients and the least processed food at the forefront. After several decades of falling sales, meat preparations are projected to return to modest but positive growth between 2017 and 2022.

- On average, Americans consume meat preparations 50.7 times a year. Of those who eat processed meat, 64.1% consume these products on average three times in two weeks. Children aged 6 – 12 years show the highest consumption rates, followed by adult men aged 65 years and older.
- The value and sales volume of Shelf-Stable Processed Red Meat is expected to decline further between 2017 and 2023. A slight increase will be visible in the sales of Chilled Processed Red Meat and Frozen Processed Red Meat.
- Brands are increasingly important on the meat market because branding allows producers to set higher prices for their products, thereby achieving higher profit margins. On the other hand, when making purchasing decisions, Americans are more often guided by factors such as convenience and taste of products than loyalty to a store or brand.
- Pork sausages, beef sausages and bacon are among the most popular cold meats in the USA. Flavor trends are also very popular, as the new types of sausages are characterized by the taste of e.g. dried tomatoes, basil or apples.
- Due to the small diversity of the product range, there is a great potential for producers with niche and regional products, especially those of the *organic* and *eco type* or those with a darker color than the one traditionally found in the U.S.
- In addition, emerging trends and fashions for meat products from different regions of the globe motivate consumers to look for types of meat that are unusual for them and cannot be bought in the large retail chains.

4. DISTRIBUTION CHANNELS

According to Euromonitor International, retail sales in the U.S. are largely based on store sales. The share of this distribution channel in the total retail sales value amounted to 82.2% in 2017. However, it should be stressed that in 2012 – 2017 the share of store sales decreased by almost 5 percentage points – from 87.1% in 2012 to the already mentioned 82.2% in 2017.

Store sales consist of distribution channels such as grocery stores, non-food stores, mixed stores, luxury stores and outlets. In 2017, grocery and non-food stores had a total of 86.3% share in the value of sales generated by store sales (compared to 84.5% in 2012). In 2012 – 2017, the share of both grocery and non-food stores increased by 1.2 percentage points respectively



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(from 42.5% in 2012 to 43.7% in 2017) for grocery stores, and 0.6 percentage points (from 42.0% in 2012 to 42.6% in 2017) for non-food stores.⁸¹

Retail sales carried out with the use of grocery stores include the following distribution channels: hypermarkets, supermarkets, discount stores, convenience stores, modern grocery stores, traditional grocery stores, petrol station stores, specialist stores, independent small grocery stores and other grocery retailers.

The Table below presents the value of sales through the distribution channels of grocery stores in the years 2012 – 2017.

Data analysis enables us to state that modern grocery stores have generated, in 2017, sales at the level of USD 991 billion, which accounted for 88.8% of the total value of sales. It should also be noted that the share of modern grocery stores in sales generated by grocery stores remained stable in the years 2012 – 2017 and amounted to about 90%.

The three key distribution channels with the largest share in sales generated by grocery stores in 2017 are as follows⁸²:

- Supermarkets – 46.0% (2012 – 46.9%)
- Hypermarkets – 28.5% (2012 – 28.3%)
- Petrol station stores – 9.5% (2012 – 9.7%)

It is also worth noting that in the category of traditional grocery stores, the share of specialist stores is growing – from 63.9% in 2012 to 65.6% in 2017.

Table 22. Sales in grocery stores by channel in 2012 – 2018 (USD billion)

Distribution channel	2012	2013	2014	2015	2016	2017	2018
(Modern Grocery Retailers)	869,6	884,7	917	950,3	976,9	994,1	1015,7
Hypermarkets	276,8	281,4	288	297,9	307,6	317,0	326,3
Supermarkets	458,5	466,9	488,9	505,9	516,4	519,8	526,3
Discounters	18,8	19,9	20,6	21,6	23,4	25,9	28,2
Convenience Stores	20,6	21,5	22,6	24	25,2	25,7	26,6
Forecourt Retailers	94,9	95	96,9	100,9	103,9	105,7	108,3
Chained Forecourts	55,8	56,1	57,4	59,1	61,4	62	Bd.
Independent Forecourts	39,1	38,9	39,5	41,8	42,6	43,1	Bd.
Traditional Grocery Retailers	107,4	110	113,9	117,2	120,2	123,8	128,2
Food/Drink/Tobacco Specialists	68,6	70,4	73,9	76,9	79,9	82,2	Bd.

⁸¹ Retailing in the U.S., Euromonitor International, Passport, March 2018

⁸² Retailing in the U.S., Euromonitor International, Passport, March 2018





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Independent Small Grocers	33,4	34,1	34,5	34,7	36,9	37,2	Bd.
Other Grocery Retailers	5,4	5,5	5,5	5,6	5,7	5,9	Bd.
Total	977	994,7	1030,9	1067,5	1097,1	1117,9	1143,9

Source: own study based on: Retailing in the U.S., Euromonitor International, Passport, January 2019

The analysis of data concerning changes in sales value in individual distribution channels

in the years 2013 – 2018 allows the following conclusions to be drawn:

- The largest increase in sales in the analyzed period was recorded in the following distribution channels:
 - Discounts stores – 32.8%
 - Convenience stores – 19,2%
 - Specialist stores – 14,4%
- The largest increase in sales in 2018 as compared to 2017 was recorded by the following distribution channels:
 - Discounts stores – 8.2%
 - Convenience stores – 3.4 %
 - Traditional grocery stores – 3.4%

On the other hand, the analysis of the CARG index shows that sales in the following sales channels developed best on an annual average in the analyzed period:

- Discount stores – 7.3% p.a.
- Convenience stores – 4.3% p.a.
- Traditional grocery stores – 3.1% p.a.
- Hypermarkets – 3.1%
- Modern grocery stores – 2.8%

Table 23. Sales in grocery stores by channels in 2012 – 2017 – changes in sales value (in %)

Distribution channel	2018/2017	2013-2018 CARG	2018/2013
Modern Grocery Retailers	2,1	2,8	14,8
Hypermarkets	2,9	3,0	16,0
Supermarkets	1,2	2,4	12,7
Discounters	9,2	7,3	42,0
Convenience Stores	3,4	4,3	23,4
Forecourt Retailers	2,4	2,7	14,0
Traditional Grocery Retailers	3,6	3,1	16,5

Source: Retailing in the US, Euromonitor International, Passport, January 2019



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Table 24. Forecast of changes in the value of sales in grocery stores by channels in 2018 – 2023 (in %)

Distribution channel	2019/2018	2018-2023 CARG	2023/2018
(Modern Grocery Retailers	0,0	0,3	1,6
Hypermarkets	0,8	1,0	5,2
Supermarket	-0,9	-0,6	-2,9
Discounters	7,2	6,7	38,5
Convenience Stores	1,3	1,6	8,0
Forecourt Retailers	0,1	0,3	1,5
Traditional Grocery Retailers	1,0	1,2	6,0

Source: own study: *Retailing in the US, Euromonitor International, Passport, January 2019*

On the other hand, the analysis of forecasted changes in the value of sales in grocery stores by distribution channels (Table 24) shows that the following trends can be expected in the forecast period (2017 – 2022):

- Significant strengthening of the position of discount stores – the value of sales generated by this distribution channel will increase by over 54% by 2022.
- Strengthening the position of convenience stores - the sales value generated by this distribution channel will increase by 8.3% by 2022.
- Strengthening the position of specialist stores – the value of sales generated by specialist stores will increase by 6.9% by 2022.
- A slight increase in the value of sales generated by hypermarkets – by 2.2% by 2022.
- A slight increase in the value of sales generated by independent small grocery stores – by 1.9% by 2022.
- A decrease in the value of sales generated by supermarkets, independent gas station stores and other food sellers.

The following is a brief description of the distribution channels for food products, including meat and meat products.

Large-format stores such as hypermarkets and supermarkets sell most of the packed food products in the U.S. Discount stores also deal with sale of this type of products. Smaller grocery



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stores include grocery shops, petrol station shops, self-service shops, large-format club wholesalers, drugstores and pharmacies.

In addition to thriving modern grocery stores, there are many small and independent retail chains in the United States. These include food specialists and other food sellers who focus on niche products and specialist products, including gourmet, premium products, organic and ethnic products. These traditional grocery stores increased their sales from USD 107.3 billion in 2012 to USD 125.3 billion in 2017, with the annual growth rate (CAGR) at the level of 3.1%.

Hypermarkets

Hypermarkets are very large stores, which usually are not located in urban areas. They offer a wide range of products and services. More importantly, hypermarkets use their bargaining power with producers to establish the best possible price, ensuring that the prices for their products will be lower than in the supermarkets. In 2017, the hypermarkets Walmart, Kroger, Albertsons, Ahold Delhaize and Publix represented the five largest food retailers in the US, with a 46.4% market share.

Supermarkets

Supermarkets offer a wide variety of food and beverages, but unlike hypermarkets they are located near the places where people live and work i.e. in urban, suburban and rural areas. American supermarkets offer customer loyalty programs as well as discounts and special offers to trusted customers. In addition, supermarkets offer both exclusive offers and discount products that can be used to suit different customers. In 2017, supermarkets generated sales worth USD 521.1 billion, holding the largest share (46.7%) in the sales generated by grocery stores. Some popular supermarkets include Aldi, Stater Bros and Superior Grocers. Although supermarkets are the strongest in terms of sales, they face competition from hypermarkets, discount stores and gas stations offering low prices and convenient products.

Discount stores

Discount stores offer basic customer service with a limited choice of products. Discount products are largely privately owned and prices are low to attract the attention of shoppers with a limited budget. They are located on the outskirts of cities, in districts distant from the central part of the city. Famous discount stores in the U.S. include Dollar General and Dollar Tree. Discount stores were the fastest growing sales channel in 2012 – 2017, with a 38.2% increase in sales value. Between 2012 and 2017, this distribution channel developed more than other retail channels, with a CAGR of 6.7%.



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Stores with basic necessities (convenience) and shops at gas stations

Stores with basic necessities and shops at gas service stations are located in places with heavy traffic and offer only a limited choice of food. The convenience stores are best known for quick shopping e.g. 7-Eleven, Circle K and Pantry are popular basic necessities stores in the U.S. Most of these stores are located next to gas stations. Convenience stores and gas station stores increased their sales in 2012 – 2017 by 23.1% and 10.8%, respectively. Entities of this type try to stimulate sales growth by introducing certain catering solutions, such as ready meals or easy-to-cook meals.

5. WHAT AND WHERE TO EXPORT?

What to export?

1. Consumers who still want to eat meat are increasingly looking for suitable proteins and shop for fresh meat. Moreover, the increase in the red meat market was particularly noticeable on the organic meat market. This trend is likely to continue to drive sales growth. **Therefore, one of the exported products should be *organic* and *eco* products.**
2. It is worth emphasizing the fact that in 2017 – 2023 sales of red meat, both beef and veal, as well as pork, will be subject to constant stable growth, therefore it is these types of unprocessed meat that should still be exported.
3. Due to the growing wealth of Americans, you should consider exporting premium products. The increase in household income causes consumers to buy more and better quality goods. Consumers are more likely to go to butcher's shops and are willing to pay more for a good quality product. This fact contributed to the creation of gourmet meat shops mainly in cities such as Seattle, Chicago and New York.
4. When deciding to export frozen products, it should be taken into account that in this product category, the sales driving trend will be the introduction of new products made from fresh, nutritious ingredients that contain less fat and sodium than traditional frozen meals. This should take into account the fact that in the coming years frozen ready meals will experience greater competition from fresh substitute products available in grocery stores.
5. Pork sausages, beef sausages and bacon are among the most popular cold meats in the U.S. Flavor trends are also very popular, as the new types of sausages are characterized by the taste of, for example, dried tomatoes, basil or apples. It is therefore worth considering exporting the aforementioned product categories.



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Where?

1. It should be exported to the largest population centers in the United States (New York, Chicago, Los Angeles). The largest and clearest area is New York, where both in the city, as well as in its vicinity, the density of meat selling points is the largest.

The concentration of the largest urban agglomerations is located on the east coast of the U.S., which is why this part of the country is observed to be much more densely populated with meat shops. There is no doubt that this is related to the increased demand for food due to the population. At the same time, it should be noted that within large cities there is also a greater need for finished products of meat origin.

Since the location of meat sales centers is determined by population density, European beef and pork exporters should first look for future business partners/sales centers in these locations to ensure that the goods exported are disposed of and – given the degree of population – that demand is stable.

2. When considering cooperation with specific distribution channels, it is necessary to consider hypermarkets and supermarkets (which guarantee high sales volumes), discount stores (the most dynamically developing distribution channel, but expecting lower prices) and specialist grocery stores (looking for high quality products with unique taste qualities).



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Who can help a Polish entrepreneur interested in entering the U.S. market?

1. It is recommended to hire an attorney in the U.S. Often one law firm will be able to give the Polish entrepreneur advice on the issues of both setting up the company in the U.S. and related requirements, as well as on immigration issues related to the type of visa needed to do business in the United States.

Recommended Polish-speaking legal firms:

- Miller Canfield: <https://www.millercanfield.com>
 - Capitol Immigration Law Group: <http://www.cilawgroup.com>
2. Consulting companies can also be a valuable source of information about the U.S. market.

They often serve as a representative of a Polish company in the United States. In addition, such companies are sometimes engaged in the direct search for business partners for Polish companies on the American market, which is a great help for European entrepreneurs.

Example: Green Gate Consulting, LLC: <http://www.ggcllc.net>

3. Polish-American chambers of commerce - organizations helpful in obtaining information about the American market, for example:
 - Polish-American Chamber of Commerce, with its registered office in Poland and the United States: <http://www.polamchamber.com>
 - Polish-American Chamber of Commerce in Florida: <http://www.polishamericanchamber.com>
 - American Chamber of Commerce (AmCham), with its registered office in Warsaw: <http://amcham.pl>
4. Institutions supporting European entrepreneurs on the American market:
 - Trade and Investment Promotion Section (TIPS) in Washington and New York: <https://usa.trade.gov.pl>
 - Polish Investment and Trade Agency – PAIH (formerly known as the Polish Information and Foreign Investment Agency – PAIZ): www.paih.gov.pl



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Exports to the US market

Here are some guidelines to consider when entering the US market⁸³:

1. Before goods are shipped to the US, customs duties should be determined using the US International Trade Commission database available online: <https://dataweb.usitc.gov>. USITC DataWeb provides data on US trade and tariffs through a user-friendly web interface⁸⁴.
2. Always obtain qualified legal advice before concluding a contract.
3. Some examples of commercial insurance that may be required are: general liability and product liability; business property; directors and officers liability; employer liability; intellectual property infringement; professional liability; employee compensation; personal insurance (e.g. medical, disability and life insurance).
4. An application for trade mark protection in the USA should be considered. You should check that the trade mark does not infringe any existing trade mark. In the United States, a company name is not the same as a trademark and provides only limited protection.
5. The American tax system is complex. Advice on tax rates from a certified accountant or tax lawyer may be required. Please note that there is no value added tax (VAT) in the United States, each state determines and collects sales tax individually.

The rules are quite restrictive for export of food products to the United States. As of 16 September 2016, "Final Provisions" provided by the "Food Safety Modernization Act" (FSMA) issued by the Food and Drug Administration (FDA), the U.S. Food and Drug Administration (important for those working in the country and those whom welfare). You need to add FDA registration, appointment of an FDA representative and the obligation of prior notification. The practical steps are, in order:

- to register all establishments that produce, process, package or store food for consumption on the FDA website (two-year validity). After registration, a "registration number" is allocated, which must be indicated on invoices and in any corporate communication with the FDA;
- registration of plants by an agent (natural or legal person) legally residing in the US (but not necessarily a US citizen) who will be the intermediary between the company and the FDA;

⁸³ <https://www.nibusinessinfo.co.uk/content/exporting-usa-five-top-tips>

⁸⁴ <https://dataweb.usitc.gov>



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The types of products requiring special practice are: cheese, meat, pasta, sausages, milk, fruit and vegetables, and chestnuts.

The US Customs and Border Protection (CBP) provides basic information on imports and exports. The guide, which contains information on the import process and import requirements, published by CBP, can be found online:

<https://www.cbp.gov/sites/default/files/documents/Importing%20into%20the%20U.S.pdf>

To avoid potential problems with clearance of goods, CBP strongly recommends that you read **CBP's policies and procedures** before actually exporting the goods. You should also be aware of any entry requirements specific to your particular export, including those of other federal agencies⁸⁵.

CBP does not require the importer to have a license or permit, but other agencies may require a license, permit or other certification, depending on the goods being imported. CBP acts in an administrative capacity for these other agencies and you can contact them directly for more information. Links to other government agencies and departments can be found at USA.gov⁸⁶.

Follow the checklist below to avoid problems when importing⁸⁷:

- **Check the requirements of federal agencies.** U.S. Customs and Border Protection (CBP) guidelines describe the types of items that may require a license or permit, including contact details for the relevant agency.

List available online: <https://www.export.gov/article?id=Export-Licenses>

- **Contact your local port of entry** to import goods to meet import requirements and other process information.

Location search engine available online: <https://www.cbp.gov/contact/ports>

The following checklist for imports of meat, poultry and processed egg products provides an overview of the steps to be taken to import meat, poultry or processed egg products into the United States.

1. Products must come from certified countries and plants eligible to export to the United States.

⁸⁵ <https://www.usa.gov/import-export>

⁸⁶ <https://www.cbp.gov/trade/basic-import-export/importer-exporter-tips>

⁸⁷ <https://www.usa.gov/import-export>



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2. The Animal and Plant Health Inspection Service (APHIS) restricts the introduction of certain products into the United States because of animal diseases in the country of origin. For information on animal disease related restrictions and information on APHIS, contact APHIS Veterinary Services, National Import and Export Centre.

3. Countries and plants become eligible after the FSIS has carried out a procedure of determining equivalence.

4. Imported products must meet the same labelling requirements as domestically produced products.

5. Once the necessary forms for U.S. customs and border protection have been completed and the APHIS animal disease requirements have been met, all imported meat, poultry and processed egg products must be presented for FSIS inspection at an official import facility⁸⁸.

The FSIS is responsible for ensuring that meat, poultry and processed egg products imported from the USA are safe, healthy, unadulterated and properly labelled and packaged⁸⁹.

The export of European products to the United States requires **submission of certain documents** within 15 days of arrival at the port of unloading, which is necessary both for post-clearance clearance of the goods and for calculation of duties. All these documents can be sent through the Automated Broker Interface (ABI). Import documents include:

- customs declaration or form 3461
- justification for the right of entry
- commercial (or pro forma) invoice in English
- accompanying note
- a waybill and a vehicle bill issued by a courier
- any licences and special permits for certain products

A wide range of regulations, procedures and practices which fall into three categories: (1) **regulations** that exporters must comply with in order to comply with US law; (2) **procedures** that exporters should follow to ensure a successful export transaction; and (3) **tax programmes**

⁸⁸ <https://www.fsis.usda.gov/wps/portal/fsis/topics/international-affairs/importing-products/import-checklist>

⁸⁹ <https://www.fsis.usda.gov/wps/portal/fsis/topics/international-affairs/importing-products>





and certain tax procedures that open new markets or provide financial benefits to exporters are available at⁹⁰: <https://fas.org/nuke/control/mtcr/docs/bgec11a.html>.

⁹⁰ <https://fas.org/nuke/control/mtcr/docs/bgec11a.htm>



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