



ENJOY  
IT'S FROM  
EUROPE



# ANALYSIS OF THE MEAT MARKET IN THE UNITED STATES

October 2018



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



ENJOY  
IT'S FROM  
EUROPE



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.



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



## CONTENTS

1. Production and import from the EU.....	4
1.1. Pork.....	4
1.2. Beef.....	8
1.3. Meat preparations.....	10
2. The situation in the industry .....	13
2.1. Introduction – characteristics of the market.....	13
2.2. Situation on the red meat market in the U.S.....	16
2.3. Market situation for red processed meat/meat preparations in the U.S.....	20
2.4. Competition on the market for processors, producers and slaughterhouses.....	24
2.5. Competition on the retail market.....	26
2.6. Competition on the market of distribution and wholesale of pork and beef.....	27
2.7. Location of processors, producers and slaughterhouses .....	30
2.8. Location of sales centers.....	32
2.9. Location of THE distribution/wholesale industry .....	35
2.10. Barriers to entry for processors, producers and slaughterhouses in the U.S.....	38
2.11. Barriers to entry into the market for sales centers .....	39
2.12. Barriers to entry into the wholesale meat distribution market.....	40
2.13. Key determinants of market success .....	40
2.14. The future of the industry.....	41
3. Consumer trends and factors influencing the consumption of red meat and meat products.....	43
4. Distribution channels .....	46
5. What and where to export? .....	52
List of tables, drawings and maps .....	55



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



## 1. PRODUCTION AND IMPORT FROM THE EU

### 1.1. PORK

#### Production

The situation on the American pork market has been significantly influenced in recent years by the growing pig population. The pig population in the first quarter of 2018 in the U.S. increased by 3.1% (y/y) and reached a record 72.8 million pigs. At the same time, it is expected that the supply of hogs will increase by almost 4% by the end of 2018. The increase in the number of pigs in the U.S. reflects the increased slaughter capacity of slaughterhouses and the low cost of producing pig livestock. As a result, production efficiency has reached historically high levels<sup>1</sup>.

USDA experts predict a significant increase in pork production in the U.S. in 2018. Production is expected to increase by approximately 600,000 metric tonnes or 5.2% to a record level of 12.21 million tonnes.<sup>2</sup>

Customs duties imposed by China on pork from the U.S. are likely to result in the loss of this market. However, it is assumed that Americans will be able to partially compensate for the loss of the Chinese market by selling cheaper American pork to alternative Asian markets. In addition, Americans export more than 40% of their pork to the Mexican duty-free market. Therefore, maintaining the current NAFTA trade regime with Mexico is a critical element for the US industry.<sup>3</sup>

According to the U.S. Department of Agriculture (USDA), the increase in meat processing capacity in the U.S. will allow to increase pork production by 3% (y/y) in 2019. Taking into account the fact that the average prices of hogs in 2019 will remain at a low level of USD 1.22-1.30 per kg (HCW), it can be concluded that the high competitiveness of American pork in relation to other countries exporting to world markets will be maintained. In 2019, it will allow for the increase the

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

<sup>2</sup> <http://www.farmer.pl/agroskop/analizy-i-komentarze/coraz-wiecej-wieprzowiny-z-usa,77663.html>

<sup>3</sup> <https://www.agropolska.pl/produkcja-zwierzeczka/trzoda-chlewna/produkcja-wieprzowiny-w-usa-bije-rekordy,1383.html>



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



export of pork from the U.S. by 4% above the 2018 level. It is predicted that in 2019 the export of pork from the U.S. will represent 22% of the total production of this meat.<sup>4</sup>

### 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.

<sup>4</sup> <https://www.cenyrolnicze.pl/wiadomosci/rynki-rolne/trzoda-chlewna/12453-kzp-ptch-produkcja-wieprzowiny-w-usa-wzrosnie-o-3-1-w-2019-roku>



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



**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 data<sup>5</sup> 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,

<sup>5</sup> United States Department of Agriculture. Foreign Agriculture Service



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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



KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



## 1.2. BEEF

### Production

The United States is one of the world's leading beef producers. They produce more than 25 billion lbs. (more than 11.4 million tonnes) of this type of meat every year. According to Livestock Marking Information Center data from 2017, the states that make the greatest contribution to beef production in the U.S. are: Texas, Nebraska, Kansas, California and Oklahoma. Nevertheless, the US does not cover the demand of its over 300 million market. Due to the popularity of beef among Americans, the U.S. is obliged to import significant quantities of this product.<sup>6</sup>

Generally speaking, the price of beef sold in the U.S. falls every year. In 2016, the average price per pound (lb.) of beef was \$5.96, which means that it fell by \$0.33. The United States exported 1,187,050 metric tons of beef in 2016, which is an increase compared to 2015, when exports of this product amounted to 1,067,614 metric tons. The biggest recipients of American beef are (in the following order): Japan, Mexico, South Korea, Canada and Hong Kong.<sup>7</sup>

In 2016, the U.S. imported a total of 360,921 metric tons of fresh beef. The Table below shows the 4 largest suppliers of this product to the U.S. market in 2016.<sup>8</sup>

**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

<sup>6</sup> *Analysis of the American food and agricultural market – beef, pork and poultry meat – opportunities for Polish entrepreneurs*, Poland. Trade & Investment Section, Consulate General of Poland in New York, June 2017

<sup>7</sup> Ibid

<sup>8</sup> Ibid



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



The volume of beef production in the United States increased by almost 4% in 2016 due to higher supplies of cattle and carcasses of higher weight. This increase in production was also associated with strong domestic demand for beef.

It should be assumed that US beef exports will 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 result in a reduction in exports of this meat, thereby increasing demand for US beef on Asian markets, where these two exporters compete fiercely for market share. In addition, it can be assumed that a drop in wholesale beef prices will increase the competitiveness of American beef on world markets.

### Import from the EU

In 2017, the United States imported more than 1.3 thousand tonnes of beef from the EU at a value of more than EUR 8 million. More than 49% by volume and almost 41% by value of EU exports came from Ireland (see Table 4).

Over the period under review, EU beef exports to the US increased by 1,067% by volume and 423% by value.

Below is an overview of beef exports from the EU (in terms of volume 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



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



**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.<sup>9</sup> 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.

<sup>9</sup> 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.



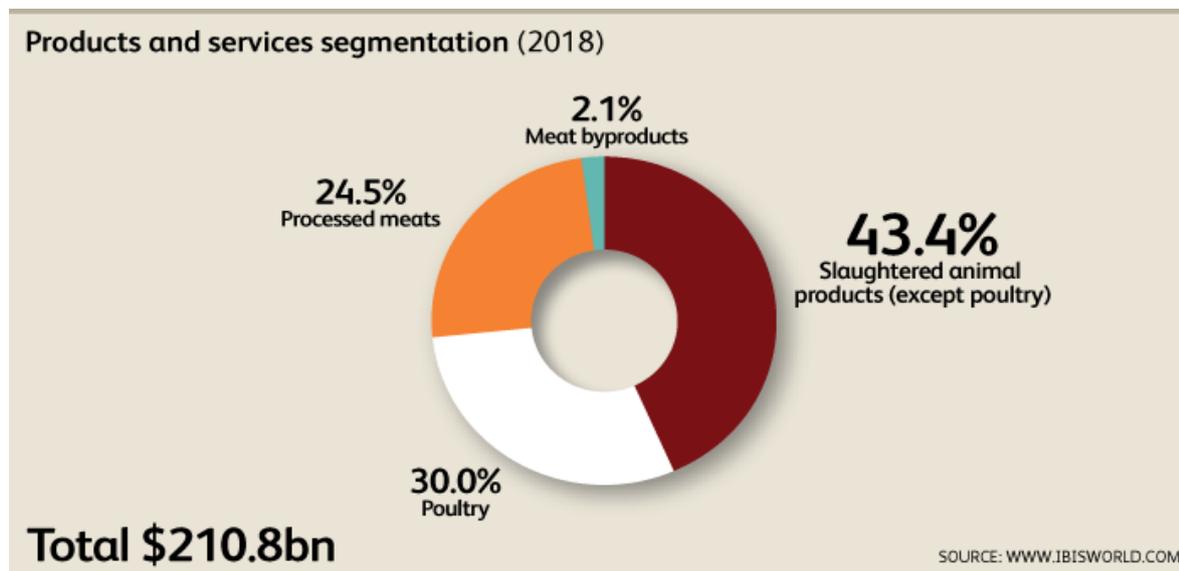
KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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.



KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



**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		-	



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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 US meat market grew by 2% overall in 2017, reaching 20.5 million tonnes.**
- **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.**
- **The meat market is expected to grow by 2% overall over the forecast period (2017 – 2022), reaching 22.3 million tonnes in 2022.**

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.

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**



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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.<sup>10</sup>

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 revenues in the industry will fall by 1.0% to USD 55.3 billion in 2018.**

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.

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.<sup>11</sup>**

**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.<sup>12</sup>**

---

<sup>10</sup> *Meat, Beef & Poultry Processing in the U.S.*, IBISWorld, [www.ibisworld.com](http://www.ibisworld.com)

<sup>11</sup> *Meat, Beef & Poultry Processing in the U.S.*, IBISWorld, [www.ibisworld.com](http://www.ibisworld.com)

<sup>12</sup> *Beef & Pork Wholesaling in the U.S.*, IBISWorld, [www.ibisworld.com](http://www.ibisworld.com)

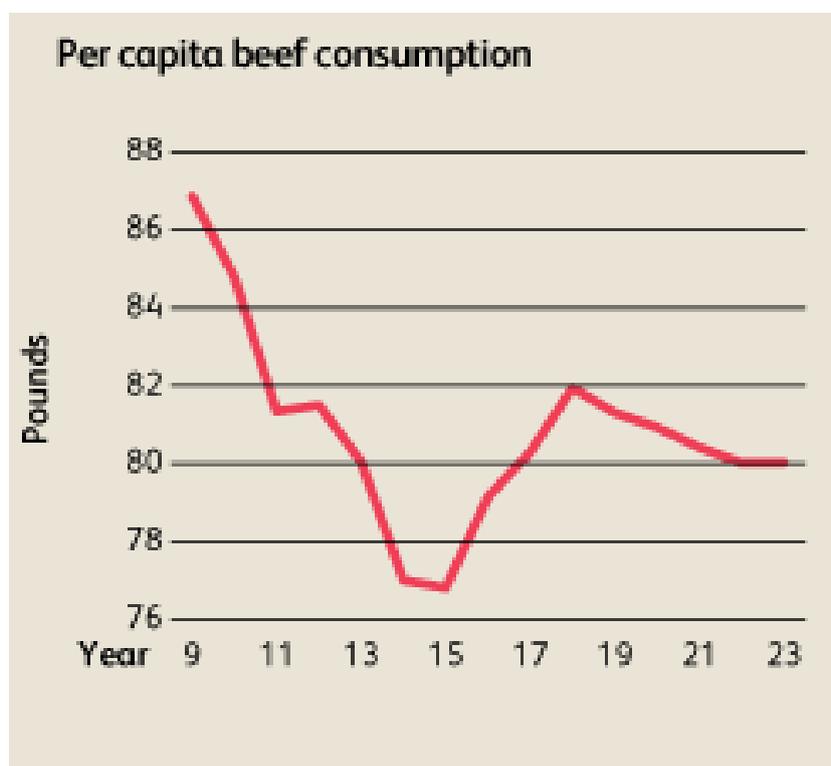




It is worth noting that beef is the largest segment in the "meat" category in the U.S., accounting for 37.8% of the total category revenue. The United States is the world's largest beef producer, and beef is the second largest type of meat consumed per capita per year, followed only by poultry meat.

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.

Drawing 1 Changes in the consumption of beef in pounds



Source: www.ibisworld.com

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.<sup>13</sup>

<sup>13</sup> Beef & Pork Wholesaling in the U.S., IBISworld, www.ibisworld.com



KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ

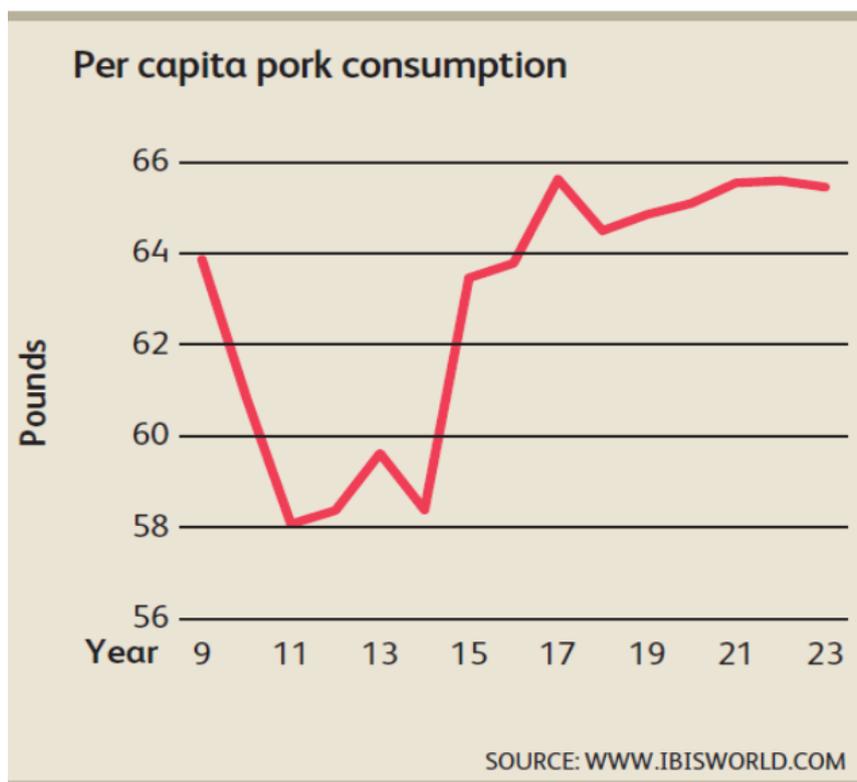


JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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.

Drawing 2 Changes in the consumption level of pork in pounds



Source: [www.ibisworld.com](http://www.ibisworld.com)

## 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 – 2017). 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.



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



**Table 8** Red meat sales in 2012 –2017

	2012	2013	2014	2015	2016	2017
	<b>Red meat sales – volume (in thousand tons)</b>					
<b>Beef and veal</b>	6,436.1	6,360.7	6,157.8	6,176.9	6,397.1	6,665.3
<b>Pork</b>	3,179.3	3,266.4	3,231.3	3,508.2	3,569.0	3,615.0
	<b>Retail sales of red meat – volume (in thousand tons)</b>					
<b>Beef and veal</b>	3,465.0	3,427.3	3,306.1	3,336.1	3,463.7	3,601.7
<b>Pork</b>	2,617.2	2,690.0	2,662.1	2,896.7	2,938.2	2,982.0
	<b>Retail sales of red meat – value (USD billion)</b>					
<b>Beef and veal</b>	29,931.6	30,232.5	29,597.9	30,358.1	29,580.2	30,362.2
<b>Pork</b>	17,912.4	18,800.6	18,882.2	20,885.1	20,332.6	19,919.4

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

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.

**Table 9** Red meat sales in 2012 – 2017 – changes in the value of sales (in %)

	2017/2016	2012 - 2017 CAGR	2017/2012
	<b>Red meat sales – in thousand tons</b>		
<b>Beef and veal</b>	4.2	0.7	<b>3.6</b>
<b>Pork</b>	1.3	2.6	<b>13.7</b>
	<b>Retail sales of red meat – in thousand tons</b>		
<b>Beef and veal</b>	4.0	0.8	<b>3.9</b>
<b>Pork</b>	1.5	2.6	<b>13.9</b>
	<b>Retail sales of red meat – USD billion</b>		
<b>Beef and veal</b>	2.6	0.3	<b>1.4</b>
<b>Pork</b>	-2.0	2.1	<b>11.2</b>

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



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



In the years 2012 – 2017 sales of red meat increased. The growth was particularly noticeable on the pork market. In total volume, the increase was 13.7%; in retail sales it was also 13.7%. On the other hand, valuable sales of pork in this period increased by 11.2%.<sup>14</sup>

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

	2012	2013	2014	2015	2016	2017
	<b>Retail sales of organic meat – volume (in thousands tons)</b>					
<b>Organic meat</b>	446.1	481.4	527.6	592.9	632.7	667.9
	<b>Organic meat retail sales – value (billion USD)</b>					
<b>Organic meat</b>	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.

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

	2017/2016	2012 - 2017 CAGR	2017/2012
	<b>Retail sales of organic meat – in thousand tons</b>		
<b>Organic meat</b>	5.6	8.4	49.7
	<b>Retail sale of organic meat – USD billion</b>		
<b>Organic meat</b>	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%.

<sup>14</sup> Meat in the U.S., Euromonitor International, Passport, April 2018



KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



**Table 12** Forecast of red meat sales in 2017 – 2022

	2017	2018	2019	2020	2021	2022
<b>Forecast of red meat sales – volume (in thousand tons)</b>						
<b>Beef and veal</b>	6,665.3	6,781.4	6,865.6	6,924.9	6,983.6	7,047.5
<b>Pork</b>	3,615.0	3,700.2	3,760.0	3,823.4	3,872.3	3,910.3
<b>Forecast of retail sales of red meat – volume (in thousand tons)</b>						
<b>Beef and veal</b>	3,601.7	3,683.7	3,757.8	3,834.9	3,876.3	3,907.4
<b>Pork</b>	2,982.0	3,054.0	3,126.7	3,178.1	3,219.6	3,259.4
<b>Forecast of retail sales of red meat – value (USD billion)</b>						
<b>Beef and veal</b>	30,362.2	31,053.8	31,678.5	32,328.1	32,677.0	32,939.6
<b>Pork</b>	19,919.4	20,400.4	20,886.1	21,229.6	21,507.2	21,772.5

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

Based on Euromonitor International data, it is worth noting that in 2017 – 2022 it is expected that the sale of red meat, both beef and veal, as well as pork, will be subject to constant stable growth.

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

	2018/2017	2017 - 2022 CAGR	2022/2017
<b>Forecast of red meat sales – in thousand tons</b>			
<b>Beef and veal</b>	1.7	1.1	5.7
<b>Pork</b>	2.4	1.6	8.2
<b>Forecast of retail sales of red meat – in thousand tons</b>			
<b>Beef and veal</b>	2.3	1.6	8.5
<b>Pork</b>	2.4	1.8	9.3
<b>Forecast of retail sales of red meat – USD billion</b>			
<b>Beef and veal</b>	2.3	1.6	8.5
<b>Pork</b>	2.4	1.8	9.3

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



KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



Retail sales of both beef, veal and pork in the analyzed period will grow at a faster rate than the total volume of red meat sales.

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

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

### 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 2017 is shown in the Table below.

**Table 15 Sales of processed red meat by category in 2012 – 2017**

	2012	2013	2014	2015	2016	2017
<b>Product categories</b>	<b>Sales of processed meat by category: volume (in thousand tons)</b>					
<b>Shelf-Stable Processed Red Meat<sup>15</sup></b>	263.1	255.2	252.7	245.1	237.3	234.6
<b>Chilled Processed Red Meat</b>	2,613.5	2,679.3	2,590.9	2,461.4	2,432.8	2,406.2

<sup>15</sup> 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.



KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



<b>Frozen Processed Red Meat</b>	189.6	192.2	195.1	191.1	196.4	190.8
<b>Product categories</b>	<b>Sales of processed meat by category: value (USD million)</b>					
<b>Shelf-Stable Processed Red Meat</b>	1,268.4	1,265.1	1,271.4	1,257.4	1,236.5	1,251.5
<b>Chilled Processed Red Meat</b>	14,606.8	15,434.1	16,064.7	16,096.8	15,800.6	15,696.3
<b>Frozen Processed Red Meat</b>	2,090.9	2,153.5	2,224.6	2,280.2	2,253.6	2,238.5

Source: Processed meat and seafood in the U.S., Euromonitor International, Passport, December 2017

The sales volume of Shelf-Stable Processed Red Meat from 2012 and Chilled Processed Red Meat from 2014 decreased in the analyzed period. The volume of sales of Frozen Processed Red Meat is subject to fluctuations in the analyzed period.

Sales of Chilled Processed Red Meat and Frozen Processed Red Meat increased until 2015 and then started to decline. In the Shelf-Stable Processed Red Meat category, on the other hand, there was a drop in sales value between 2015 and 2016 and an increase in 2017.

The Table below presents sales forecasts for processed red meat in 2017 – 2022.

**Table 16 Forecast of sales of processed red meat by category in 2017 – 2022**

	2017	2018	2019	2020	2021	2022
<b>Product categories</b>	<b>volume (in thousand tons)</b>					
<b>Shelf-Stable Processed Red Meat</b>	234.6	231.9	229.6	228.0	227.2	226.7
<b>Chilled Processed Red Meat</b>	2,406.2	2,400.4	2,411.8	2,432.2	2,457.4	2,491.6
<b>Frozen Processed Red Meat</b>	190.8	189.2	189.8	191.0	192.8	195.3
<b>Product categories</b>	<b>value (USD million)</b>					
<b>Shelf-Stable Processed Red Meat</b>	1,251.5	1,234.4	1,218.7	1,206.4	1,196.7	1,190.1
<b>Chilled Processed Red Meat</b>	15,696.3	15,595.3	15,627.3	15,764.5	15,944.7	16,181.6
<b>Frozen Processed Red Meat</b>	2,238.5	2,210.1	2,214.5	2,232.3	2,256.2	2,290.8

Source: Processed meat and seafood in the U.S., Euromonitor International, Passport, December 2017

According to Euromonitor International, the value and sales volume of Shelf-Stable Processed Red Meat is expected to decline further between 2017 and 2022.

In addition, sales of Chilled Processed Red Meat and Frozen Processed Red Meat are projected to increase slightly.



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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

	2018/2017	2017 - 2022 CAGR	2022/2017
<b>Product categories</b>	<b>volume</b>		
Shelf-Stable Processed Red Meat	-1.1	-0.7	-3.4
Chilled Processed Red Meat	-0.2	0.7	3.5
Frozen Processed Red Meat	-0.9	0.5	2.3
<b>Product categories</b>	<b>value</b>		
Shelf-Stable Processed Red Meat stored at room temperature	-1.4	-1.0	-4.9
Chilled Processed Red Meat	-0.6	0.6	3.1
Frozen Processed Red Meat	-1.3	0.5	2.3

Source: Processed meat and seafood in the U.S., Euromonitor International, Passport, December 2017

During the forecast period, the value and sales volume of Shelf-Stable Processed Red Meat will further decrease by 3.4% and almost 5%, respectively. The other two categories, Chilled Processed Red Meat and Frozen Processed Red Meat, will show a slight increase.

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



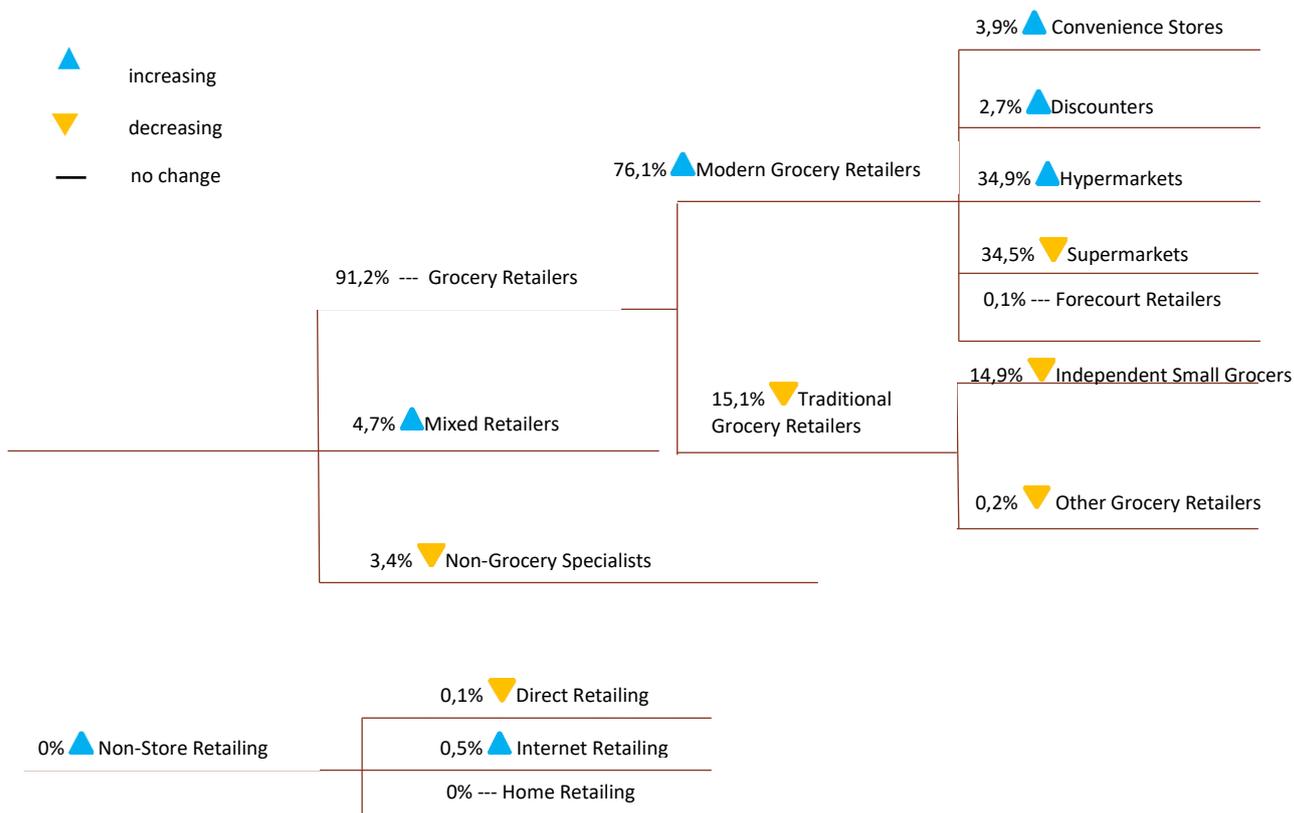
KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



### Drawing 3 Red meat/meat preparations distribution channels in the U.S.



Calculation based on sales value for 2017 according to retail prices

Percentage share in 2017

Changes in the percentage share for 2012 – 2017



KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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:

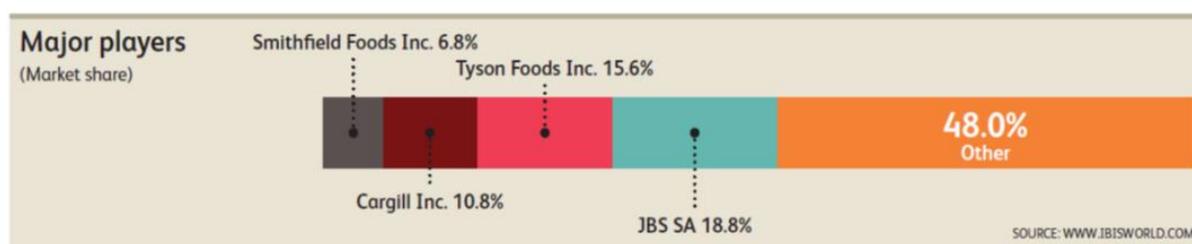
- hypermarkets (34.9%) – increase
- supermarkets (34.5%) – decrease
- independent small grocery stores (14.9%) – decrease

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

#### 2.4. 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](http://www.ibisworld.com)



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



ENJOY  
IT'S FROM  
EUROPE



### **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.

### **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



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



ENJOY  
IT'S FROM  
EUROPE



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.

## 2.5. COMPETITION ON THE RETAIL MARKET

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



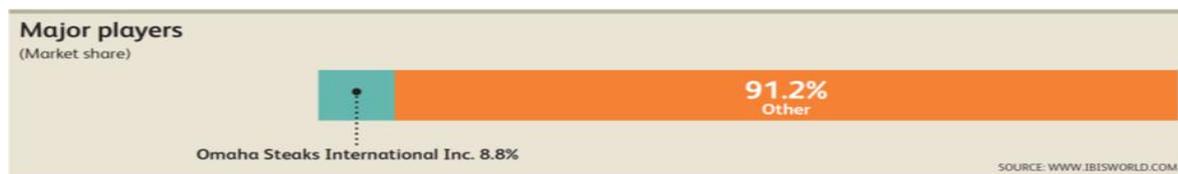
KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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.

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.

## 2.6. 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).

### 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



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



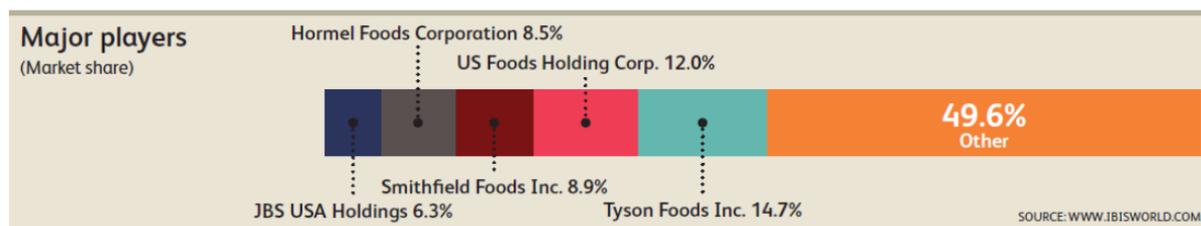
industry also competes with self-service retail outlets based primarily on location and operational costs associated with efficient transport. Moreover, most of the internal competition in the industry took place between Manufacturers Sales Branches and Offices (DSBO) and independent wholesalers.

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.**



Characteristics of companies: **Tyson Foods, Inc., Smithfield Foods, Inc.** and **JBS USA Holdings** have already been described under "Competition on the market of processors, producers and slaughterhouses."

**Hornel Foods Corporation** is a company founded in 1891, which is currently mainly involved in the trade of pork and turkey meat. It is one of the leaders in the wholesale of pork meat and products based on it. It employs about 21,000 people. In 2017, the company's total revenue reached USD 9.1 billion. It owes its sales success to signed contracts with large retail chains – 11%



KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



of pork products are collected by Walmart. Hornel's 5 key customers are responsible for more than a quarter of the company's sales results. In 2017, the company acquired 3 other companies with a total value of USD 906 million. As Hornel's offer basket consists mainly of pork products, the company was hit hard by the outbreak of the swine diarrhea epidemic virus (PEDv) in 2014. It can be concluded that the situation is now completely under control and that the stock of livestock has been completely restored.

**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%.

**Performance Food Service** is a company with an estimated share of 3.5% of the sector's revenues. This entity mainly delivers its product to restaurant chains, hotels and resorts and other entities in the food service industry. It has over 150,000 corporate customers. With a wide network of 25 centers and 10 specialist distribution facilities, the company operates throughout the country. The company serves such restaurant giants as Burger King, Subway and Popeye's. The main meat supplier for Food Service is Tyson.

**McLane Company, Inc.**, the company with an estimated share in the sector revenue of 2.3%, initially belonged to Walmart. Then, in 2003, it was taken over by Warren Buffet's Berkshire Hathaway. It is one of the largest food distribution companies, serving over 110 thousand service outlets throughout the United States. Among the customers there are such well-known brands as: Pizza Hut, Taco Bell, KFC, 7-Eleven and Walmart. In 2017, more than 25% of the company's revenue was generated by Walmart. Experts from Ibisworld estimate the company's total revenue at the end of 2018 at USD 1.3 billion.

**Golden State Foods Corporation**, a company with an estimated market share of approximately 1.5%, is known to be a major supplier of products to the McDonald's network, supplying the network with more than 130 products. In addition, the company distributes its products to 25,000 other fast food outlets using 21 distribution centers throughout the United States. Currently, the company is expanding its clients' portfolio with the next fast foods restaurant chains such as Popey's and Arby's. Experts estimate the company's total revenue at the end of 2018 at USD 823 million.



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



## 2.7. LOCATION OF PROCESSORS, PRODUCERS AND SLAUGHTERHOUSES

In view of the potential entry<sup>16</sup> 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 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.

<sup>16</sup> Mainly exports of beef and pork produced in the EU rather than production and slaughter in the U.S.



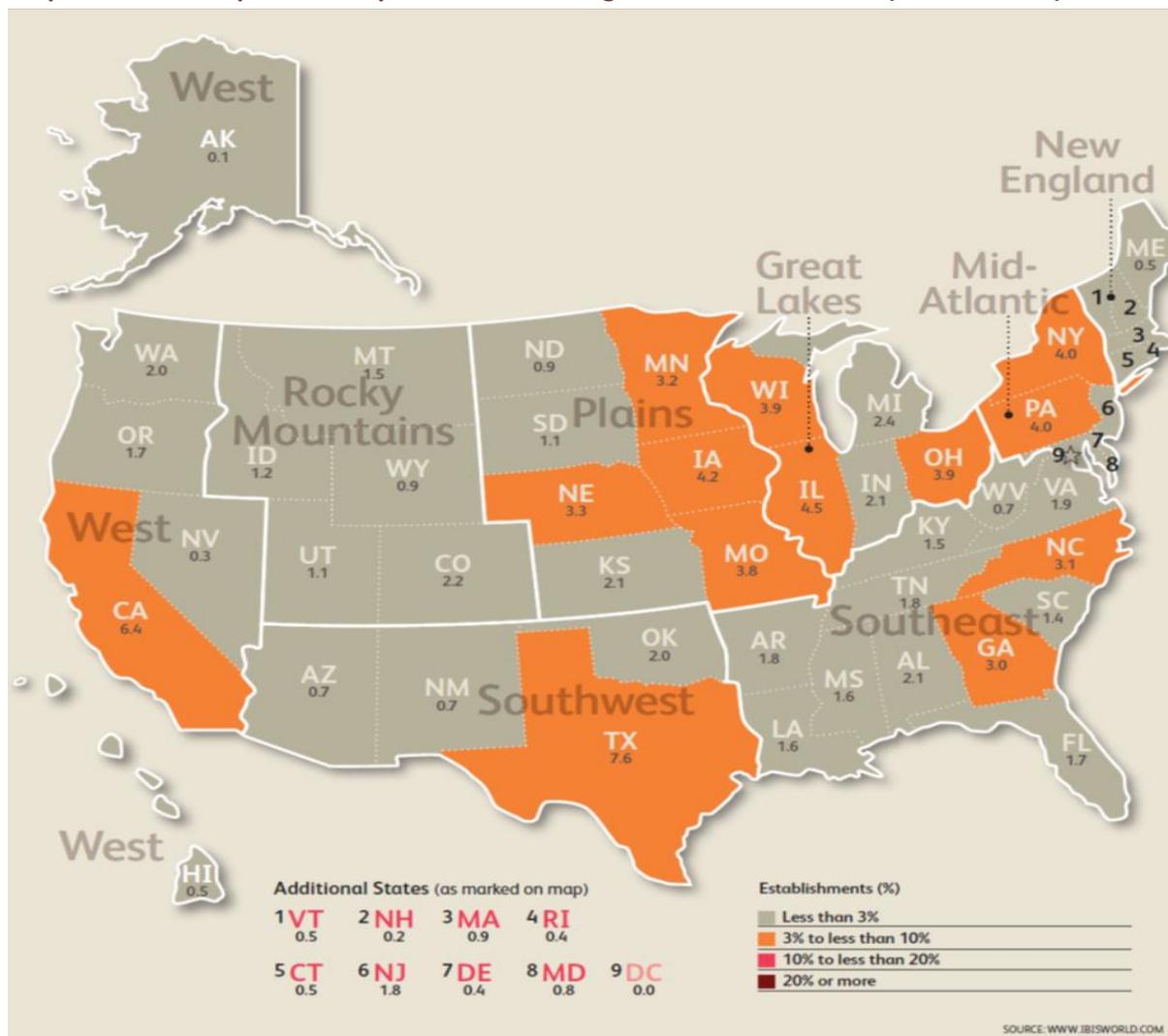
KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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



Source: IBISWorld



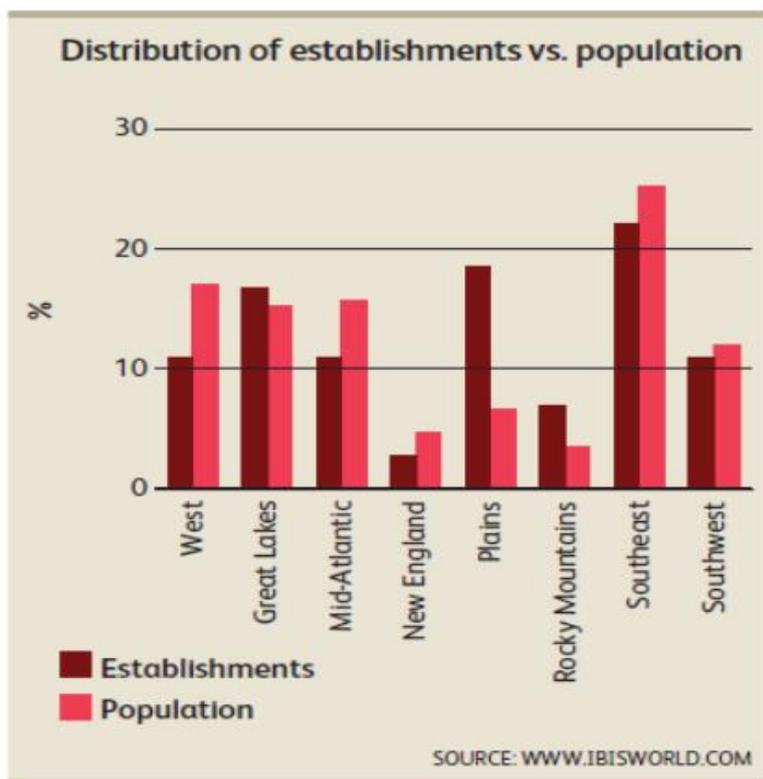
KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



Drawing 4 Number of facilities vs. population



Source: IBISWorld

## 2.8. 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.<sup>17</sup>

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

<sup>17</sup> Beef & Pork Wholesaling in the U.S., IBISworld, www.ibisworld.com



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



ENJOY  
IT'S FROM  
EUROPE



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.**



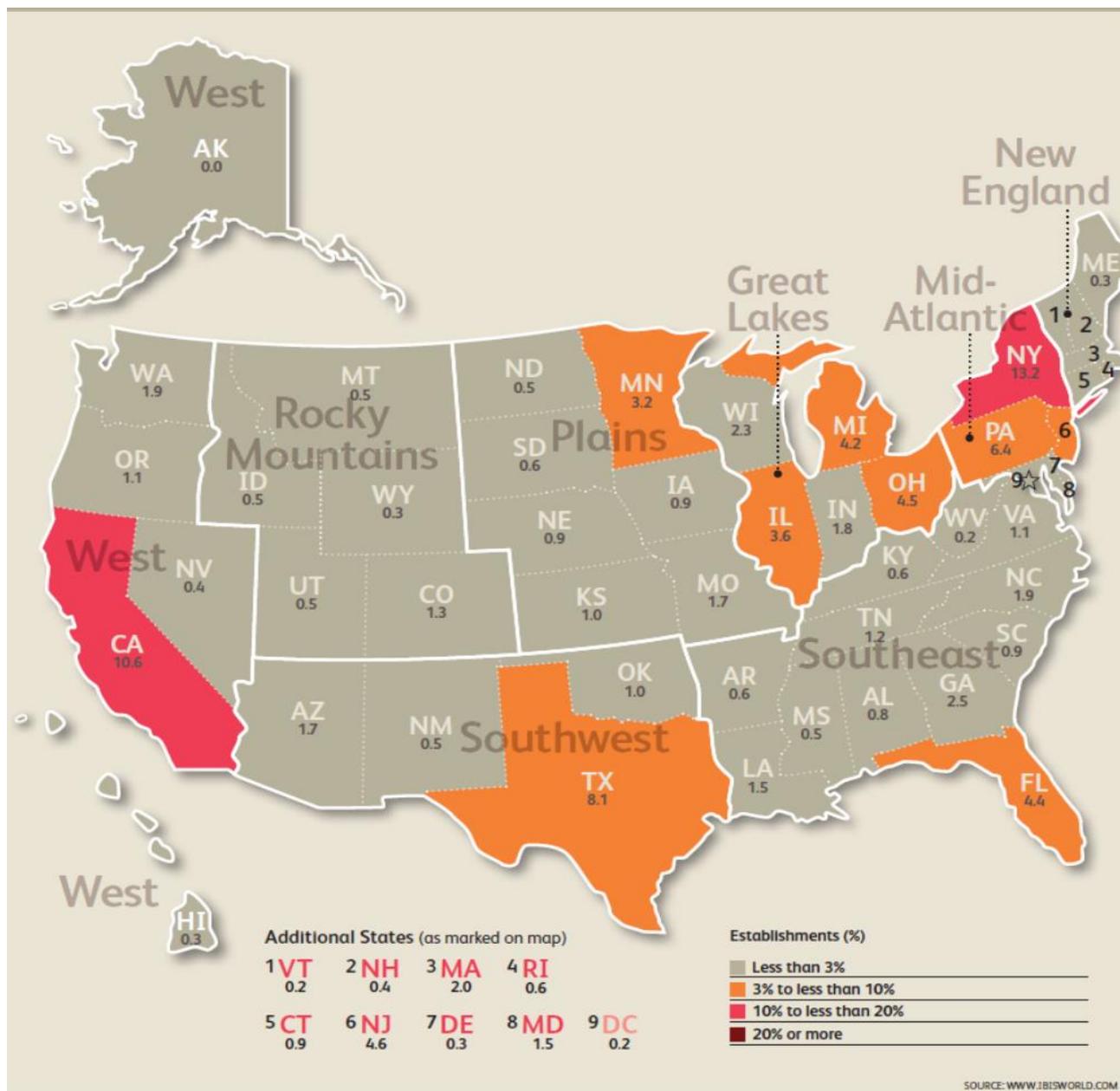
KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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



Source: www.ibisworld.com



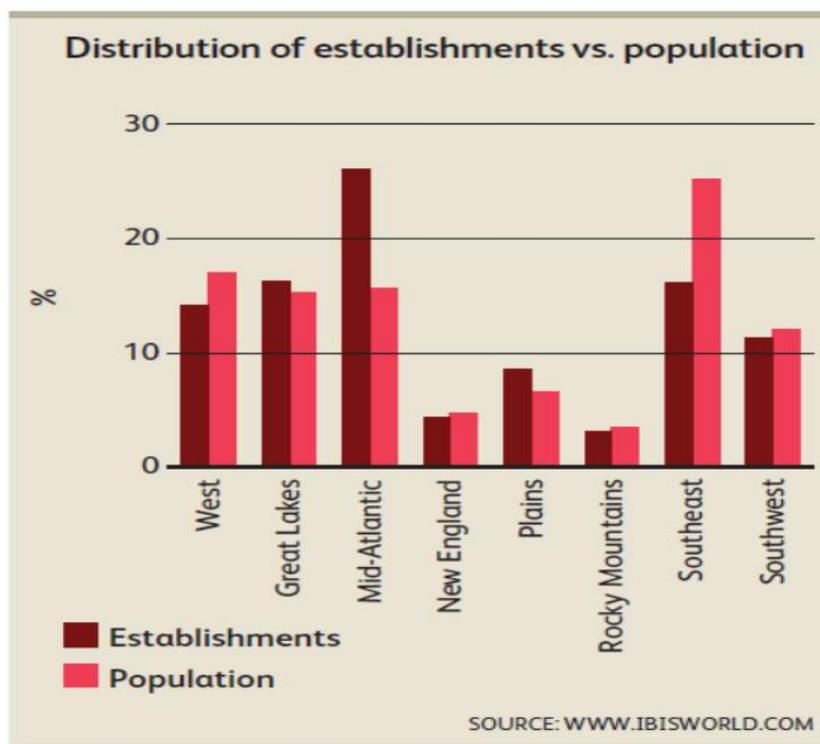
KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



Drawing 5 Number of sales points vs. population



Source: [www.ibisworld.com](http://www.ibisworld.com)

## 2.9. 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 largest area in terms of population density is the Mid-Atlantic, where 26.5% of businesses are located, with particular emphasis on the cities New York – 15.6%, and New Jersey – 5.7%. It is actually from these cities that the eastern coast regions are supplied.

The Western region is the second most densely populated area with more than 19.0% of



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



ENJOY  
IT'S FROM  
EUROPE



business entities. This is a region where more than 17.3% of the U.S. Population lives, with the dominant role of California, where more than 14.5% of all economic operators in this sector in the U.S. are located.

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

The Great Lakes Region is represented by 14.6% of the operating operators.



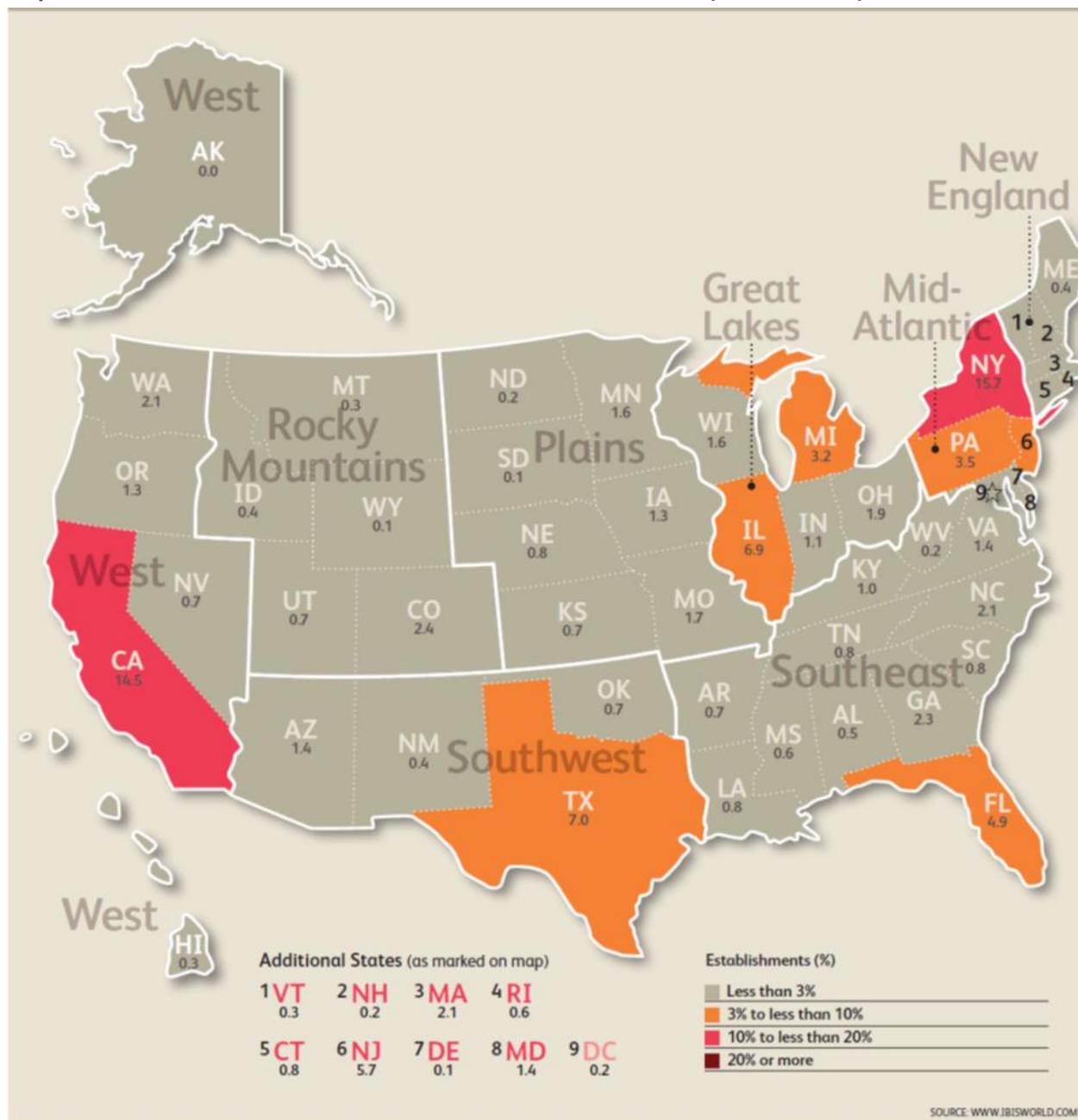
KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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



Source: www.ibisworld.com



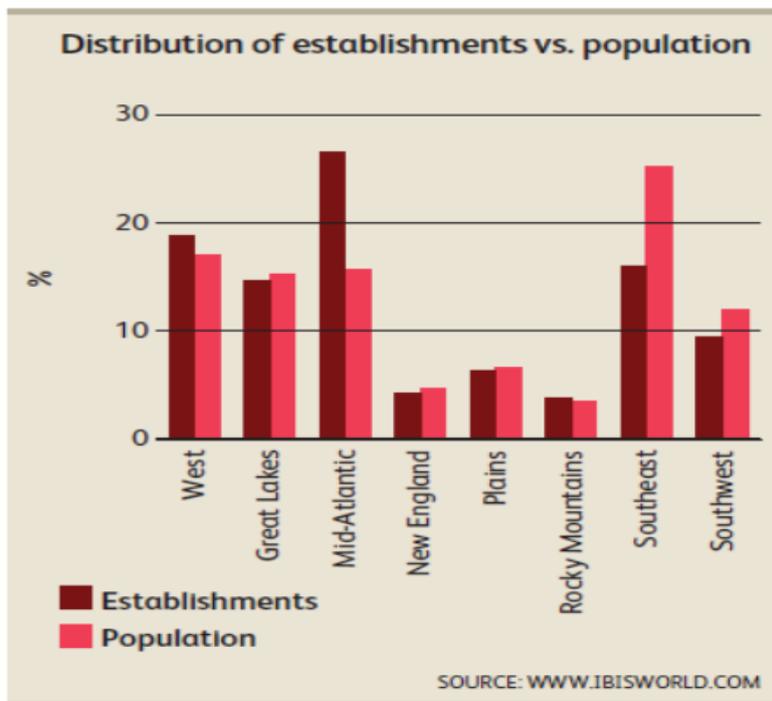
KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



Drawing 6 Number of operators vs. population



Source: www.ibisworld.com

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

In view of the potential entry<sup>18</sup> 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.

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.

<sup>18</sup> Mainly exports of beef and pork produced in the EU rather than production and slaughter in the U.S.



KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



**Table 18** 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](http://www.ibisworld.com)

### 2.11. 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.

**Table 19** 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](http://www.ibisworld.com)



KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



## 2.12. 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 20** 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

## 2.13. 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



KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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.

## 2.14. 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



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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 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.**



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



### 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 products<sup>19</sup>:

- The increase in household income over the last 5 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.
- 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,

<sup>19</sup> <https://www.euromonitor.com/>; <https://www.ibisworld.com/>; <https://www.usda.gov/>; <https://www.npd.com/wps/portal/npd/>



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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.
- 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



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



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 – 2022 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 2022. 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 (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.<sup>20</sup>

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 – 2107 and amounted to about 90%.

The three key distribution channels with the largest share in sales generated by grocery stores in 2017 are as follows<sup>21</sup>:

- Supermarkets – 46.7% (2012 – 46.9%)

<sup>20</sup> *Retailing in the U.S.*, Euromonitor International, Passport, March 2018

<sup>21</sup> *Retailing in the U.S.*, Euromonitor International, Passport, March 2018





- Hypermarkets – 28.1% (2012 – 28.3%)
- Petrol station stores – 9.4% (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 21 Sales in grocery stores by channel in 2012 – 2017 (USD billion)**

Distribution channel	2012	2013	2014	2015	2016	2017
Modern Grocery Retailers)	869.6	884.7	917.0	950.3	976.9	991.0
Hypermarkets (Hypermarkets)	276.8	281.4	288.0	297.9	307.6	313.3
Supermarkets (Supermarkets)	458.5	466.9	488.9	505.9	516.9	521.2
Discount stores	18.8	19.9	20.6	21.6	23.4	26.0
Convenience Stores	20.6	21.5	22.6	24.0	25.1	25.4
Gas station stores (Forecourt Retailers)	94.9	95.0	96.9	100.9	103.9	105.1
Chained Forecourts	55.8	56.1	57.4	59.1	61.4	62.0
Independent Forecourts	39.1	38.9	39.5	41.8	42.6	43.1
Traditional Grocery Retailers	107.4	110.0	113.9	117.2	122.5	125.3
Food /Drink/Tobacco Specialists	68.6	70.4	73.9	76.9	79.9	82.2
Independent Small Grocers	33.4	34.1	34.5	34.7	36.9	37.2
Other Grocery Retailers	5.4	5.5	5.5	5.6	5.7	5.9
<b>Total</b>	<b>977.0</b>	<b>994.7</b>	<b>1030.9</b>	<b>1067.5</b>	<b>1099.4</b>	<b>1116.3</b>

Source: own study based on: Retailing in the U.S., Euromonitor International, Passport, March 2018

The analysis of data concerning changes in sales value in individual distribution channels in the years 2012 – 2017 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%



KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



- Convenience stores – 23.1%
- Specialist stores – 19.8%
- The largest increase in sales in 2017 as compared to 2016 was recorded by the following distribution channels:
  - Discounts stores – 11.4%
  - Specialist stores – 2.9%

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 – 6.7% p.a.
- Convenience stores – 4.3% p.a.
- Specialist stores – 3.7% p.a.

**Table 22** Sales in grocery stores by channels in 2012 – 2017 – changes in sales value (in %)

Distribution channel	2017/2016	2012 - 2017 CARG	2017/2012
Modern Grocery Retailers	1.4	2.6	13.9
Hypermarkets (Hypermarkets)	1.8	2.5	13.2
Supermarkets (Supermarkets)	0.8	2.6	13.7
Discount Stores	11.4	6.7	38.2
Convenience stores	1.4	4.3	23.1
Forecourt Retailers	1.1	2.1	10.8
Chained Forecourts	1.0	2.1	11.1
Independent Forecourts	1.2	2.0	10.3
Traditional Grocery Retailers	2.3	3.1	16.8
Food /Drink/Tobacco Specialists	2.9	3.7	19.8
Independent Small Grocers	0.9	2.2	11.7
Others (Other Grocery Retailers)	2.4	1.8	9.2
<b>Total</b>	<b>1.5</b>	<b>2.7</b>	<b>14.3</b>

Source: Retailing in the US, Euromonitor International, Passport, March 2018



KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



**Table 23** Forecast of changes in the value of sales in grocery stores by channels in 2017 – 2022 (in %)

Distribution channel	2018/2017	2017 - 2022 CARG	2022/2017
Modern Grocery Retailers	0.3	0.4	2.0
Hypermarkets (Hypermarkets)	0.2	0.4	2.2
Supermarkets (Supermarkets)	-0.4	-0.2	-0.9
Discount Stores	17.3	9.1	54.3
Convenience stores	1.3	1.6	8.3
Forecourt Retailers	-0.1	0.2	0.8
Chained Forecourts	0.1	0.3	1.5
Independent Forecourts	-0.3	0.0	-0.2
Traditional Grocery Retailers	0.8	1.0	5.1
Food /Drink/Tobacco Specialists	1.1	1.3	6.9
Independent Small Grocers	0.1	0.4	1.9
Others (Other Grocery Retailers)	-0.3	-0.1	-0.4
<b>Total</b>	<b>0.4</b>	<b>0.5</b>	<b>2.3</b>

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

On the other hand, the analysis of forecasted changes in the value of sales in grocery stores by distribution channels (Table 23) 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.



KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



- 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 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.



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



### 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%.

### 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.



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



## 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 – 2022 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.

### 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.



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



ENJOY  
IT'S FROM  
EUROPE



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).



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



## 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](http://www.paih.gov.pl)



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



## LIST OF TABLES, DRAWINGS AND MAPS

Table 1. Exports of pork (code 0203) from the EU to the U.S. in 2013 – 2017 (in kg) .....	6
Table 2. Exports of pork (code 0203) from the EU to the U.S. in 2013 – 2017 (in EUR) .....	7
Table 3. Main exporters of fresh beef to the U.S. in 2016 .....	8
Table 4. Exports of beef (code 0202) from the EU to the U.S. in 2013 – 2017 (in kg) .....	9
Table 5. Exports of beef (code 0202) from the EU to the U.S. in 2013 – 2017 (in EUR) .....	10
Table 6. Exports of meat preparations (code 0210) from the EU to the U.S. in 2013 – 2017 (in kg).....	12
Table 7. Exports of meat preparations (code 0210) from the EU to the U.S. in 2013 – 2017 (in EUR) .....	12
Table 8. Red meat sales in 2012 – 2017 .....	17
Table 9. Red meat sales in 2012 – 2017 – changes in the value of sales (in %) .....	17
Table 10. Retail sales of organic meat in 2012 – 2017 .....	18
Table 11. Retail sales of organic meat in 2012 – 2017 – changes in value of sales (in %) .....	18
Table 12. Forecast of red meat sales in 2017 – 2022.....	19
Table 13. Forecast of red meat sales in 2017 – 2022 - changes in the value of sales (in %).....	19
Table 14. Meat distribution by distribution channel in 2012 – 2017 (% of total volume) .....	20
Table 15. Sales of processed red meat by category in 2012 – 2017 .....	20
Table 16. Forecast of sales of processed red meat by category in 2017 – 2022 .....	21
Table 17. Forecast of sales of processed red meat by category in 2017 – 2022 – changes in sales volume and value (in %).....	22
Table 18. Barriers to entry into the U.S. meat market.....	39
Table 19. Barriers to entry into the U.S. meat sales centers market .....	39
Table 20. Barriers to entry into the U.S. meat wholesale distribution market .....	40
Table 21. Sales in grocery stores by channel in 2012 – 2017 (USD billion).....	47
Table 22. Sales in grocery stores by channels in 2012 – 2017 – changes in sales value (in %) .....	48



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO



Table 23. Forecast of changes in the value of sales in grocery stores by channels in 2017 – 2022 (in %)	49
Drawing 1 Changes in the consumption of beef in pounds	15
Drawing 2 Changes in the consumption level of pork in pounds	16
Drawing 3 Red meat/meat preparations distribution channels in the U.S.	23
Drawing 4 Number of facilities vs. population	32
Drawing 5 Number of sales points vs. population	35
Drawing 6 Number of operators vs. population	38
Map 1. Location of processors, producers and slaughterhouses in the U.S. (data for 2018)	31
Map 2. Location of the main meat sales centers in the U.S. (data for 2018)	34
Map 3. Location of meat wholesale distribution centers in the U.S. (data for 2018)	37



KAMPANIA FINANSOWANA PRZY  
WSPARCIU UNII EUROPEJSKIEJ



JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU  
PROMOCJI MIĘSA WIEPRZOWEGO  
I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO