

# [Overview of the red meat and livestock industry](https://assignbuster.com/overview-of-the-red-meat-and-livestock-industry/)

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The red meat and livestock industry involves the production of beef, veal, pork, lamb, mutton, and many other types of meats. The industry includes fresh, frozen, canned, smoked, and deli meats. I decided to choose this industry due to the fact that it involves many of the different aspects of business we spoke about in class and that it can be found throughout the world. The red meat and livestock industry is rather large in Canada and in other nations around the world. In 2017, the Canadian industry alone had shipments worth $20. 9 billion CAD1.

Australia, another big nation in the industry, had shipments amounted to $17 billion USD2. The US is the biggest country when it comes to the red meat and livestock industry. The ripple effect caused by the industry generated $864. 2 billion USD or around 6% of the nation’s GDP in 20173. As mentioned before, the US is the leading nation when it comes to the red meat industry so it is no surprise that many of the big companies in the industry are based there. Tyson Foods, the second largest red meat exporter in the world, processes up to 175000 cattle a week with their operations. So far in 2018, Tyson Foods’ revenue is listed at $38. 360 billion USD.

Another major company in the industry is Cargill, another US based organization. This company is the largest privately held corporation in the US in terms of revenue with its revenue already at $114. 695 billion USD for 2018. JBS S. A. is a Brazil based company and is also the largest (by sales) meat processing company in the world. They have plants located in the words four largest beef producing nations: Brazil, Argentina, the United States, and Australia. Currently in 2018, their revenue is listed at $51. 5 billion USD4.

This industry has many consumers and producers and as a result, is active all over the world. In terms of red meat consumption per capita, Australia tops the list with 205 lbs of meat consumed per person annually. Contrary to what you would assume, USA did not take the first spot but did come in second with the average person consuming 201 lbs a year. Next is Israel where the average person eats about 190 lbs of meat each year. Coming in fourth is Argentina where the average person eats about 187 lbs of red meat a year. Lastly, the average person from Uruguay eats around 183 lbs of red meat per year5. When it comes to countries that are the producers in the industry, there are a lot less similarities than you would think. It’s no surprise that the USA leads the world in red meat production with their nation producing 19. 63% of the world’s meat. The amount of meat the nation produces has benefitted both its GDP and the people of the nation who are employed by some of the production companies.

Next on the list for red meat producers is Brazil who produces 15. 43 % of the world’s meat. The country’s large amount of beef and mutton export has made it one of the staples of the nation’s economy. The next largest red meat producer is not actually a country but is the entire European Union which produced 12. 79 % of the world’s meat.

4% of the EU’s total agricultural exports comes from sheep and goat meat and 9% comes from pig meat exports6. From this list, it becomes clear that although a country may eat a lot of meat, it does not necessarily mean they have the resources to sustain their own meat consumption. In the cases of Australia, Uruguay, and Israel, since they consume a lot of meat but do not produce enough for them, they must import their meat from countries such as the US in order to meet the demand their nation has.

Major companies like Tyson Foods source their inputs as raw materials. Many companies have various deals with independent farms in the country where they operate (farms in the US for Tyson Foods) so that they are able to receive the animals they need. Since they have this direct deal with the farmers, the companies of the industry are able to ensure that the animals they are receiving are fed properly and as a result, are up to standard. Additionally, the companies are able to directly work with the feedlots so that the animals they take grow to the appropriate age and weight for consumption. The slaughtering process is actually handled entirely by the major companies along with the rest of the operations involving meat production. In terms of how the industry handles global operations, most of the major companies in a way, utilize strategic alliances along with wholly owned subsidiaries. As mentioned before, the companies that are producing red meat almost never actually raise the animals that are made into product. In foreign countries, what they do instead is make a deal with the local farmers that own the land so that the farmers can raise the animals for them and the companies can buy the animals once they have reached their proper size for production instead of having to ship them from elsewhere. This type of operation is beneficial for the companies as they do not have to worry about having the time and resources to raise and ship the animals themselves and only have to worry about buying the animals and ensuring the animals are up to standard.

Additionally, the major companies of the red meat and livestock industry employ wholly owned subsidiaries in different countries around the globe. For example, Cargill is an American based company but due to their success, have subsidiaries all over the globe. In Algeria, Cargill noticed that there was a high demand for meat and saw the opportunity for them to expand. Cargill proceeded to open up an office there to provide better customer support and offer more local services to the Algerian citizens. This subsidiary of the Cargill brand is able to reach a new market for the company while still using the resources of its parent. It also means that the company is able to oversee all of their operations overseas without the hassle of the leaders having to watch every branch of the brand. Furthermore, JBS has multiple wholly owned subsidiaries around the world. They noticed that the market for red meat was global and as a result, installed plants in Brazil, Argentina, the US, and Australia in order to export to some of the largest meat consuming nations in the world10. Some of the main factors that help support the industries global operations are the free trade agreements present. The US has free trade agreements with over 20 countries when it comes to the export of their red meat. These trade agreements have effectively reduced the trade barriers the US would normally face when exporting their products. As a result, more export opportunities without tariffs and quotas have been created for US companies and as a result, has contributed to their global success.

Although it may seem like everything is going well for the red meat industry now, it was not always that way. Back in 2003, there was a case of BSE (also known as mad-cow disease) in the United States which caused a lot of problems for their global operations. Many global markets decided to temporarily stop trade with the United States’ red meat industry and only partially open them up later on. Japan, one of the largest importers of US beef at the time, decided to ban all imports of US beef in 2003 causing slight problems for the US economy. Two years later in 2005, they decided to partially open their markets by saying they would only accept cattle younger than 20 months of age as BSE was prominent in older cattle. Still in 2013, although they brought the age up to 30 months, the BSE outbreak has changed the way the world trades beef with exporters from the United States. Similarly in 2003, a case of BSE was discovered in Canada resulting in an immediate worldwide ban of Canadian beef. Later in the year, the US along with a few other countries decided to allow imports of Canadian beef as long as the beef was boneless and was from animals younger than 30 months. However, near the end of the year, the United States reported that a cow tracing back to Alberta tested positive for BSE. All of the Canadian exports of beef plummeted and the value of the beef along with it. As a result, consumers did notice a decline in the price of their beef but that was around half of the decline of the actual value of the cattle. Only in July 2005 was the ban on Canadian cattle overturned thus reopening the US border to live Canadian cattle.

More recently in 2016, Canada has dealt with a similar situation but nowhere near to the same extent. After a cow near Edmonton was discovered to have BSE, South Korea, the sixth biggest importer of Canadian beef, along with Peru, Belarus, and Taiwan, placed restrictions on the import of Canadian beef. Many people were reminded of the fiasco of 2003 but luckily, the restrictions were only temporary and trade proceeded to continue as normal13. Situations such as these can cause huge problems for the Canadian economy due to the amount of money the red meat industry is able to generate for the nation. The Canadian red meat industry has many similarities and differences when compared to the industry in other nations.

When looking at Maple Leaf, the largest Canadian meat production company, they are partnered with multiple Canadian independent farms in order to see that the animals they receive are always up to their standard. The companies also use a tag system with most of the animals so that if you were to ask them, they would be able to track what farm the animal came from, how old it is, and where the animal was slaughtered before it was shipped to the production plant. Although its operations are not as big as the US, the Canadian meat industry exports to over 125 countries with shipments worth around $20. 9 billion CAD in 2017. Maple Leaf also uses many different wholly owned subsidiaries to handle both their domestic and global operations. For example, Maple Leaf has a vegetarian and vegan substitute named Lightlife Foods based in Massachusetts which operates under Maple Leaf guidance but handles their own operations. Additionally, to cater to the market available in the UK, a subsidiary named Maple Leaf Foods UK Ltd was opened and functions under the guidance of the parent company but is mostly independent.

Like the US, Canada has free trade agreements that allows it to export its meat with reduced tariffs. Trade agreements such as CETA and NAFTA have allowed Canada to export meat to the EU and to the US and Mexico respectively. The industry’s operations in Canada are impacted by a number of different government policies and regulations. Especially in this industry, there are certain standards that have to be met before exporting or selling any meat. Canada’s meat industry overall is considered the most regulated sector of the Canadian food industry due to the fact that it is closely monitored by the Canada’s Meat Inspection Act and Regulations. Through the use of a standardized process known as Hazard Analysis Critical Control Points (HACCP), Canada is able to ensure its meat is up to global standards as this system of testing is used internationally. The goal of this process is for the meat manufacturers to identify certain stages in the production process where there may be potential problems with the meat and take extra precautions to ensure that these problems do not happen. In the case that some meat deemed unfit for consumption was sold, companies’ use recalls so that no one eats the bad meat that they produced.

Additionally, the Canadian Food Inspection Agency (CFIA) regularly visits major Canadian meat production companies in their plants to ensure that each plant partake in healthy practices. Similarly, the CFIA employs some veterinarians to visit the farms that major companies use to see that all of the animals being used for consumption are healthy. The combination of all of these factors is the main reason why the Canadian meat industry is one of the safest and cleanest in the world15. The Canadian industry is actually also influenced by some other factors such as lobby groups. The Canadian Cattlemen’s Association (CCA) is a lobby group established in 1932 that strives to improve sustainability, animal health and care, and grading/inspection specifically for the beef portion of the red meat industry. This association communicates the issues and concerns of beef farmers from 9 provinces to the federal government in order to better their practices. Groups such as the CCA have allowed for more development to be made in the Canadian red meat industry overall as some of the issues brought forward by this group can be can be addressed in other sectors of the Canadian food industry. The World Animal Protection group is one of Canada’s biggest lobby groups with part of their goal being to improve the lives of the animals held in farms. Due to their work, cage-free and free range products have been created. These products mean that the animals were able to roam freely during their lives before being put into the production process. Lobby groups with these sort of movements have been able to impact the entire meat industry to the point where the manufacturers of meat have to consider things such as cage-free meats and how if they do not employ that system, they may be viewed negatively by the public.

The red meat and livestock industry faces a multitude of challenges that can actually be turned into beneficial opportunities. One of the main challenges that comes to mind when talking about the industry is the cruelty animals are facing while they are being kept in their farms. Organizations such as PETA bring this issue to light quite often. Major companies in the industry have been able to react to said backlash by creating products that are free range or cage-free thus marketing more effectively to consumers against animal cruelty.

Another issue in the more long term picture is the fact that meat production requires many natural resources that we will not have forever. For this reason, companies such as Beyond Meat have been able to surface with their goal being to not use any animals in their products but creating something that tastes just as good. Other manufacturing companies have followed suit and have created subsidiaries that focus only in vegetarian or vegan “ meat” options. If these companies are not able to adapt to these upcoming challenges and offer potential solutions, they may lose their customers to their competitors that are willing to adjust to the demands of the market. Another different type of challenge the Canadian meat industry faces is with the impending NAFTA deal and the changes that could be made to it. 74% of Canadian beef exports went to the US in 2016 and if the US were to impose tariffs on said exports, the results could be devastating and entirely change the Canadian red meat industry.

One is able to see how clearly the red meat and livestock industry plays into the global market. As the industry is present in many different nations, there is room for trade opportunities and other global operations. Furthermore, with the large size of the industry comes the vast number of regulations imposed by governments and a number of movements initiated by lobby groups that could have devastating results on the industry if not adapted to.

Overall, the red meat and livestock industry is one that has many unique characteristics that are sure to change over the years with new additions such as vegan options to be considered. That being said, I am excited to see the direction the industry takes over the next several years to see how these other options compare to the regular meat we all know and love.