



The Role of the Meat Trader



Introduction

Whilst meat producers have expertise in slaughtering, preparation cutting and packing, at the opposite end of the supply chain caterers and retailers are focussed on delivering what their customers require.

The “reputable” trader i.e. a person or persons that can Import, Export, Distribute and Manage the supply chain bring a required expertise and service when dealing with non-EU countries. The trader provides a wealth of knowledge in relation to the world meat market, technical knowledge of product, suppliers, EU policy and the logistics required to transport product around the world to the door of processors, manufacturers, wholesalers, retailers and caterers.

One of the major characteristics of the meat sector is that it disassembles its product rather than assembles. Thus the key is to maximise the return for each part of the animal. The trader on import and export provides a major role in achieving this.

It has emerged that many are unaware of exactly what role this section of the meat trade performs. Traders have been depicted as unreliable, opportunistic buyers and sellers of meat, who do not provide any added service within the supply chain.

There are, however, numerous bona fide traders who belong to Trade Associations such as IMTA and provide a number of services in providing added value in managing the supply chain.

As part of this many trading companies now employ technical staff to visit supplying plants, check product before shipment as well as handle any audits required by the customer. More and more business is conducted with customer specific product, as opposed to a commodity type trade where product is bought and sold with no particular market in mind.

This paper aims to illustrate the role of traders in the meat chain and what assurances they can offer to those up and down the chain and in Government.

The trading company shoulders the risk of the supply chain between the supplier and the customer.

Without a trader the customer or producer would have to take on responsibility for:

Specific Expertise

- Using a trading company allows the meat establishment, manufacturer, retailer, catering supplier/caterer to benefit from a wealth of expertise which would not necessarily be cost effective for them to provide independently and leaves them free to concentrate on running their core business.

Financing the Product

- Without a trader the customer would have to assume this role and negotiate terms of payment which are likely to require on import an earlier settlement and on export a later settlement than would otherwise be the case.

Smoothing of Supplies

- Using a trading company enables customers in the EU to adopt a “just in time” strategy and thus minimising storage requirements and costs. It provides a guarantee of supply without having to invest in large strategic stocks to iron out peaks and troughs in demand.

Economies of Scale

- The trading company enables smaller businesses to be able to access product. Some customers may only want a pallet load of product as opposed to a full container. By using a trader they may benefit from cost discounts based on volume.

Connecting Producer and End User

- The trading company provides the supplier both exporting to the EU and meat establishments within the EU with access to more potential customers. This therefore increases the opportunity for connecting producer and end user to secure product for the supply chain and ultimate consumer.

Services Traders perform as Importers, Exporters, Distributors and Managers of the Supply Chain:

There is a wide scope of services that traders may offer:

- Buying and selling product already in circulation in the EU,
- Sourcing product in overseas markets, importing and selling to customers in the EU,
- Sourcing product in the EU and selling to customers overseas.
- Sourcing non-EU product and selling to non-EU customers overseas.

Each IMTA member will cover one or more of these activities and within these areas traders will need to demonstrate the following skills and expertise:-

Knowledge of the Market

Import trading companies have to know which countries and plants are approved to export to the European Union. Each supplying country has its own characteristics and knowledge of market trends and developments is essential to ensure a competitive supply.

Export traders need to know which products are required in each export market and the conditions under which product is allowed to be imported into that market. They need to be aware of global and local market price trends and have a comprehensive customer portfolio.

Specification and Sourcing of the Product

The trader whether importing or exporting must determine what the customer wants and ensure that the producer will supply the type of cut and specification required. Based on long term established relationships, the trader can enable access to a variety of sources both with respect to country and plant. Trading companies invest in people and a considerable percentage of the business is done on personal relationships which have been in existence for many years.

In support of these relationships trading companies employ technical staff to provide assurance with respect to consistency of product and compliance with customers' requirements with regard to hygiene, animal welfare, environmental, ethical concerns and traceability. Additional auditing may be arranged to confirm adherence to these standards.

Knowledge of Import Duties and Quotas

The majority of meat imported into the EU comes in under a concessionary import quota. The trading company has to be fully aware of the meat quotas available for the particular product his customer requires to evaluate the viability of any particular business. The company must also have access to the quota – otherwise competitively priced meat will not be available.

Similarly the export trader must be aware of tariffs and quotas operated in export markets, as well as local customs and practices.

Financing between supplier and end customer

The trader invariably enables the supplier to be paid promptly and the customer to pay later. With the high value of full loads of meat and poultry (anything up to and in excess of £100,000 per container) that prompt payment to the supplier is of great value. It enables him to maintain a healthy financial position to reinvest into production activities. The periods that the trading company need to finance these transactions can be immense and run into a number of months.

In addition the trading company will manage all foreign exchange risk, often buying in US dollars and selling in euros or other local currency. He therefore needs to evaluate the risk of exchange rate movements and cover currency risks as appropriate.

Knowledgeable export traders are a useful outlet for producers of the cuts of meat and offal not required on the EU market. The trader enables the meat establishment to be paid promptly often prior to shipment leaving the trader to use his expertise in taking on credit and foreign exchange risk.

Language Skills

Whilst some have English as their first language, there are significant suppliers and major export markets where this is not the case and trading companies employ staff with native language skills and with knowledge of the culture of the country.

Logistics

Traders need to manage the supply chain as comprehensively as possible to ensure the satisfactory completion of a contract at lowest cost and therefore maximum profit. The import trading company will manage the movement of the goods from the country of origin, entry into the EU and delivery onward to the customer's choice of destination. The logistics department is one of the most crucial elements of a trading company for any mistake can result in non-delivery and a frustrated customer and/or significant loss.

Apart from arranging shipping and insurance, the necessary documents must be provided – veterinary certificate, bill of lading, suppliers invoice etc. For entry into the EU a valid import licence is often required to enable participation in a quota. All these documents have to be correct otherwise entry is denied. The trader must have the expertise to check that all documents required are in place and correct before they are submitted to the relevant authority.

Payment of the goods needs to be arranged, in many cases ensuring that the right documents have been lodged with the banks.

Once arrived at the port progress through border veterinary inspection and customs has to be monitored so that any potential delay can be dealt with as quickly as possible. Transport onwards from the port has to be arranged to correspond with clearance at the port. Storage may also need to be arranged if the customer is not requiring delivery straight from port.

For exports much depends on the terms of sale by the trader, but export will involve the arrangement of the relevant documentation – veterinary certificate, bill of lading, invoice etc as well as any individual certification required by particular export markets. Product has to be produced, packaged and labelled in conformity with export market's specific rules, transport arranged and payment obtained. Close links with banks and other service providers such as shipping lines, freight forwarders, customs agents, transporters and cold stores are essential to the trader.

Rejection of Goods

On some occasions imported product may be rejected by the EU border vets. This requires a decision on the part of the importer as to whether the goods should be destroyed or shipped back to the supplying country. It will also require discussion with the supplier as to who bears the cost. Financing arrangements often result in the importer paying for the goods before the product has been cleared by the veterinary inspectors at the port. In the case of a rejection it is notoriously difficult to reclaim money from companies based overseas, therefore the trader retains the risk and not the ultimate customer.

Export consignments may be held up on arrival at the port of destination with veterinary or customs queries. In the event of a rejection the trader will have to decide on the best loss mitigating option. In particular an animal disease outbreak in the UK, or a sudden political risk/import ban in the receiving country causes severe disruption to trade for product already bought in the UK, consignments on the sea and consignments uncleared in the port of destination. A trader may need to bear the practical and financial risks of these sudden unexpected changes in trade and the Traders importance in these issues cannot be underestimated.

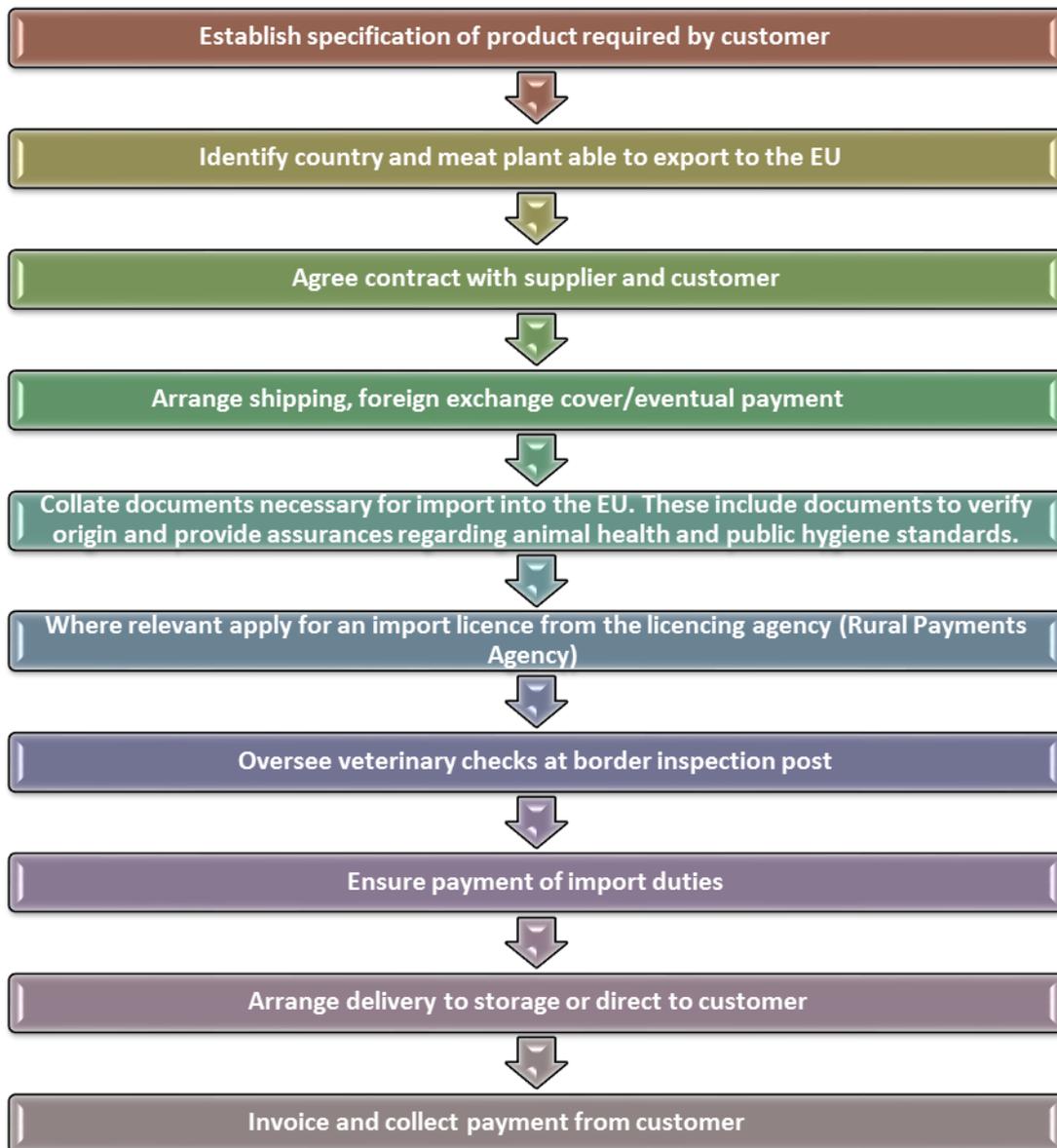
IMTA's Conditions of Sale

For many years members have used IMTA's conditions of sale as a basis for trade, a copy of which may be found on IMTA's website www.imta-uk.org. To further support this, IMTA offers an arbitration service.

Meat Importing

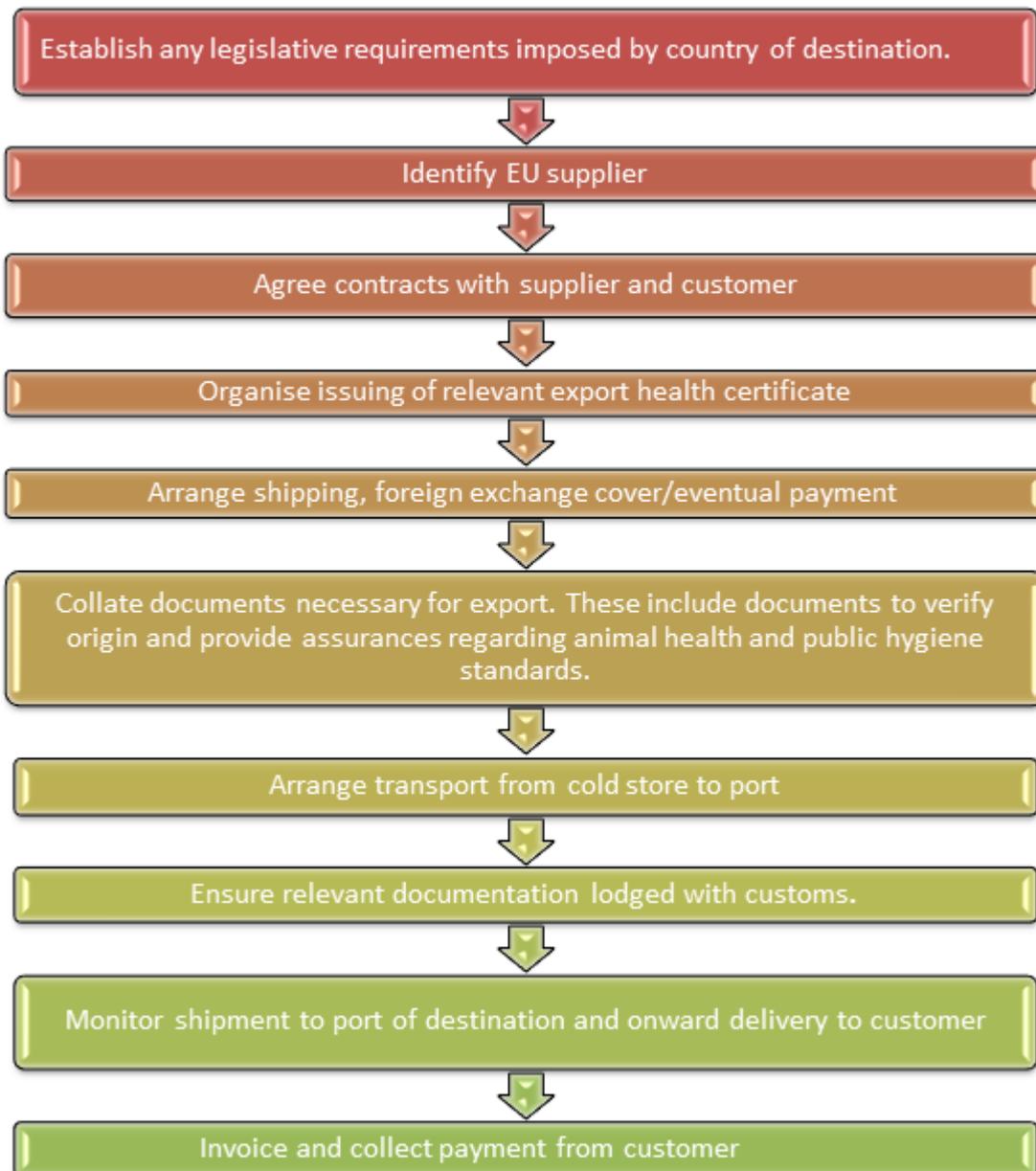
Importers/traders may not physically produce the product that they distribute but in today's world of 24/7 and just in time philosophy to satisfy the strict demands of customers they need to be able to deliver to the customer what they want and when they want it "just in time" and of the quality contracted.

The following flow chart illustrates the necessary steps to be taken in importing product from non-EU countries:



Meat Exporting

The following flow chart illustrates the necessary steps to be taken in exporting product to non-EU countries:



Meat Trading in EU.

Trading with EU member states is on a level playing field with regards to the same standards of animal Health and Hygiene being operated in each member state. The trader performs a similar function to the Importer and Exporter but with less bureaucratic red tape. The 'free trade' and open borders between EU Member States enables commercial activities to build to the benefit of consumers and business.

