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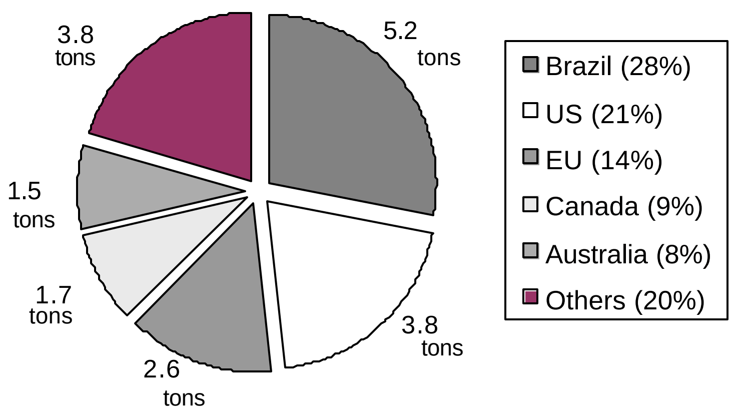
Livestock and Poultry: World Markets and Trade

Total World Meat Exports Forecast to Achieve Historical Highs in 2005

The 2005 forecast for total meat (beef, pork, broiler meat and turkey) exports of leading world suppliers has been revised upward to a record 18.6 million tons, a 5 percent increase from 2004. Both pork and broiler meat are forecast to reach historical high levels of production, consumption, and exports. Record beef and turkey export quantities are also anticipated. Liberalization of trade, improved production efficiency, economic development, and population growth are the key drivers behind the global meat industry's sustained growth in recent years. Currency exchange rates, high meat prices, and strong grain and oilseed harvests benefited key meat exporters in 2004. Trade restrictions due to avian influenza (AI) and bovine spongiform encephalopathy (BSE) will continue to limit supplies resulting in higher prices.

2005 (f) World's Meat Exporters:
Quantities (tons) & Market Shares (%)

Note: Meat includes beef, pork, & poultry



Source: Production, Supply, and Distribution Database, FAS

Despite tariffs, quotas, and safeguards in key import markets such as Japan and Russia, world meat exports continue to grow. Preferences for selected products (offals, white/dark poultry meat, certain cuts, organic, hormone-free) have created opportunities for the principal exporters. For example, in spite of growing broiler meat production, China imports chicken feet and paws to satisfy unmet consumer demand for those products. International meat trade is growing faster for pork and beef cuts than whole carcasses as suppliers aim to efficiently meet the specific needs of various markets.

Major meat producers like Brazil are expanding production because of efficiency gains due to improved breeds, technology, and the availability of capital and a positive investment climate. In some regions such as the United States, production is characterized by a trend toward larger operations and consolidation. In others such as the Asia-Pacific region, horizontal and vertical integration has impacted the livestock industry. The global meat industry is increasingly dominated by large multinational companies that achieve efficiencies often through cross-border investment in production operations and slaughter facilities. However, environmental regulations constrain production expansion in certain countries.

In South America, competitive advantages through lower costs of production (feed, labor, capital) have driven new export industry growth, particularly in Brazil. Brazil's access to large areas of cropland and pasture as well as low-cost labor and a sizable domestic market have led it to raise beef production and to become the new global leader in exports. However, resource availability does not alone determine an exporter's potential. For example, Argentina's livestock and meat production potential has been challenged by foot and mouth disease (FMD), economic uncertainty, high interest rates, and lack of investment.

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(FMD), economic uncertainty, high interest rates, and lack of investment.

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To view this information on the internet, please go to: http://www.fas.usda.gov/dlp/dlp.html.

NOTE TO READERS

The *Livestock and Poultry: World Markets and Trade* circular is designed to give a snapshot of what is happening among the major players in world beef, pork, broiler meat, and turkey trade. Summary tables for meat production, imports, exports, and consumption provide an overview of the world situation. In addition, an explanation of significant changes in production, supply, and demand (PSD) is provided for major meat importing and exporting countries.

Assumptions and Data Modifications

Due to uncertainties as to the length of the bans on trade in ruminants and ruminant products because of the discovery of BSE in the United States and Canada, forecasts for 2005 assume a continuation of policies currently in place among U.S. trading partners. The delay in the implementation of the U.S. minimal-risk rule to allow imports of Canadian cattle is assumed to be temporary. Forecasts of 2004 and 2005 poultry trade reflect policies currently in place as a result of outbreaks of avian influenza. Subsequent forecasts will reflect any announced changes. U.S. and Canadian trade forecasts do not reflect the April 6th determination by the U.S. International Trade Commission (USITC) of non-injury from imports of hogs from Canada.

The PSD data series for the European Union (EU) was modified in November 2004 to account for 10 new members. The European Union-15 (EU-15) data series was discontinued. All data and references in the text that refer to the "European Union" or "EU" imply all 25 member states (EU-25) unless it is specified as "EU-15" and "New Member States" (NMS). For additional details, please refer to Notes on European Union Data (http://www.fas.usda.gov/dlp/circular/2004/04-10LP/EUDataNotes.html) and European Union Consolidated PSD Tables (http://www.fas.usda.gov/dlp/circular/2004/04-10LP/EUDatatables.pdf) from the October 2004 edition of *Livestock and Poultry: World Markets and Trade*.

All quantities (beef and pork) noted are in Carcass Weight Equivalent (CWE) unless otherwise noted as Product Weight Equivalent (PWE). CWE is the weight of an animal after slaughter and removal of most internal organs, head, and skin. PWE is the actual weight of the meat product exported.

World Totals

Only those countries that make up USDA's official PSD database are reported. This means world totals do not encompass all production, consumption, and trade, but rather the sum of those countries reported in USDA's database, which represent the most important players in the world meat PSD situation. In an attempt to capture these major players, the list of countries reported changes periodically. Nevertheless, by capturing the PSDs for all major meat importers and exporters, it is possible to forecast world trends, which are reflected in the text.

PSD Online

The entire USDA PSD database is available electronically on PSD Online. Users can use this system to generate the full set of PSD data for those countries reporting. PSD Online can be reached through http://www.fas.usda.gov/psd.

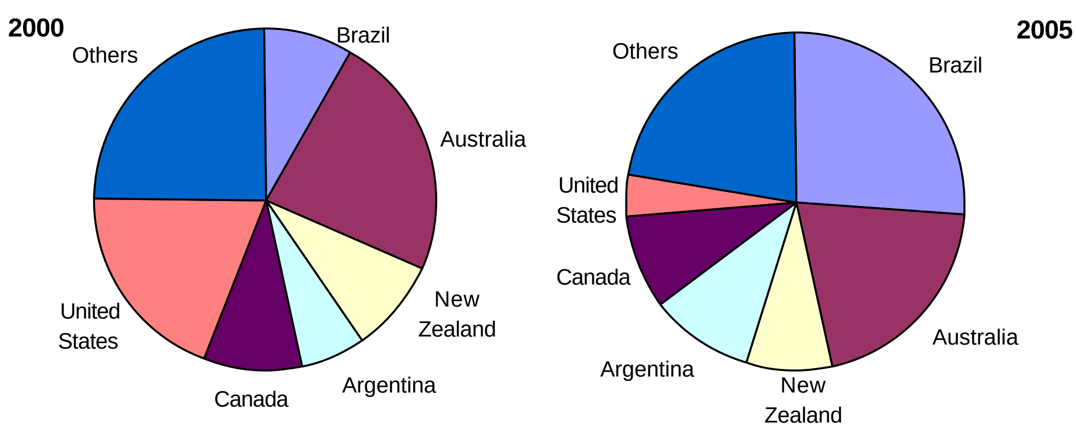
In addition, please refer to the USDA-FAS Dairy, Livestock and Poultry (DLP) website at: http://www.fas.usda.gov/dlp/dlp.html for additional data and analysis, such as *International Agricultural Trade Reports*, *Trade at a Glance* and *Country Pages*. These reports are posted regularly on the homepage covering analysis on current issues and topics, new trade data, and market competition.

World Beef Overview

Beef Exports Will Increase to a Record 7 million tons in 2005; Imports Will Increase to 4.9 million tons, but Remain Below 2002 Highs

Beef exports by major beef exporting countries are forecast to increase 8 percent to almost 7 million tons in 2005. Changes in status of major beef exporters due to animal diseases, such as bovine spongiform encephalopathy (BSE) and foot and mouth disease (FMD), have shifted beef trading patterns in the last few years and those patterns are expected to continue in 2005. Due to BSE-related import restrictions on U.S. beef, the United States fell to the ninth overall beef exporter in 2004 and will remain there in 2005. At the same time, despite three cases of BSE, Canada is forecast to export a record amount of beef in 2005, because of continued strong beef exports to the United States and Mexico. FMD-related restrictions on beef from Mercosur countries limited beef exports in the past. However, some countries have lifted those restrictions, which will boost beef exports from Mercosur countries as will international or domestic shortfalls in some importing countries, in 2005. Beef from Mercosur countries will help overcome shortfalls experienced in the European Union and in secondary markets historically supplied by Australia and New Zealand as these latter countries shift a larger percentage of their exports to Japan and South Korea to partially substitute for U.S beef. In 2005, Brazil will continue as the largest and Argentina will remain the third-largest beef exporter.

World Market Share of Major Beef Exporters 2000 and 2005



Source: Production, Supply, and Distribution Database, FAS

Consumption in major beef importing countries is forecast to increase less than 2 percent in 2005 to 50.4 million tons, slightly above the 2002 record of 50.3 million tons, while beef imports will increase 4 percent to 4.9 million tons. Many major beef importers will decrease consumption in 2005 because of reduced supplies in many of these markets while demand remains strong. As a result, higher prices are expected to ration supplies. Beef production in the European Union, Mexico, and Russia will decrease in 2005. Supplies in Japan, South Korea, and other Asian markets will be reduced because of BSE-related import bans on U.S. beef. The United States, with the largest total beef consumption in the world, is projected to increase consumption by 4 percent in 2005.

Key Exporters

- **United States:** U.S. beef exports are forecast to increase 39 percent to 290,000 tons in 2005, but will remain well below pre-BSE levels. When BSE was discovered in the United States, many countries that were once major export markets banned U.S. beef due to BSE. After Mexico and Canada lifted most of their major import restrictions on U.S. beef, they became the largest destinations for the United States, accounting for 87 percent of U.S. beef exports in 2004. Beginning 2005 cattle inventories increased 1 percent, signaling a move toward increasing cattle inventories, following one of the longest periods of liquidation. In 2005, producers are forecast to continue rebuilding herd inventories. However, the increase in inventory will not mean a significant increase in slaughter during 2005 because of biological lags in the cattle sector. Cattle slaughter was reduced in 2004 by 8 percent due to declining inventories and low calf crops in 2002 and 2003. With continued tight cattle supplies and increased beef consumption in 2005, U.S. beef prices are expected to remain relatively strong throughout the year, even after Canadian cattle imports are resumed. When beef exports to major Asian markets are able to resume, higher prices and the length of time away from the market will likely impact the ability of U.S. beef to regain market share. (The current forecast assumes BSE import bans will continue in 2005.) U.S. cattle exports will remain steady at 30,000 head in 2005 and will not approach pre-BSE levels until cattle inventories decline in Canada, which is unlikely to occur until the U.S. border opens to imports of live animals from Canada.

- **Brazil:** Brazil is forecast to export almost 1.9 million tons of beef, thus remaining the world's largest exporter in 2005. Beef exports will grow almost 14 percent, which is lower than the 39-percent growth seen in 2004 because unfavorable exchange rate movements will limit sales opportunities. In 2004, Brazil increased beef exports to major markets such as Egypt, the European Union, Russia, and the United States, as well as to secondary markets, such as Algeria, Bulgaria, Iran, and Philippines. The composition of beef exports is changing. In 1999, 48 percent of beef exports were processed beef, but in 2004, 15 percent of beef exports were processed beef. In 2005, beef export growth will be slowed in part by a less competitive exchange rate but helped by a 6-percent increase in beef production to almost 8.5 million tons, domestic policies, production techniques, and aggressive marketing in the European Union and secondary markets. In 2000, less than 8 percent of beef produced was exported. In 2005, almost 22 percent of beef production is forecast to be exported. Beef production will also be spurred on by increases in domestic consumption. Favorable economic conditions will help improve consumption in 2005 as inflation and unemployment rates decrease, thus increasing consumer confidence and purchasing power, and demand for beef. Slaughter weights are improving because of genetics, improved feed management techniques, and improved pasture conditions due to higher rainfall.

- **Australia:** In 2005, world demand for Australian beef exports will compete with Australia's need to increase cattle inventories. Due to bans on U.S. and Canadian beef, Australia is the primary beef supplier to many major import markets in Asia. High prices in these markets make exporting beef appealing. On the other hand, high cattle prices and improving weather conditions are strong incentives for increasing cattle inventories. The increase in cattle retention will be helped by lower mortality rates due to improving weather conditions that began in the latter half of 2004. As a result, the calf crop is forecast to be almost 5 percent higher in 2005. The strong world demand for Australian beef is expected to drive an increase in cattle slaughter rather than cattle exports, which will allow beef production to increase. The beef produced from cattle normally exported will help meet record consumption in Australia. Additionally, slaughter weights are expected to increase due to improved weather conditions and growth in short-fed beef production. The increased number of cattle on feed and willingness of Japanese consumers to pay high prices resulted in an increase in exports of beef from grain-fed cattle to 44 percent of total Australian beef exports to Japan in 2004. In 2004, Australian beef exports to Japan were up 44 percent, which brought Australia's market share from 49 percent to almost 90 percent of total Japanese beef imports. The trend is likely to continue as long as Japan remains closed to U.S. beef. Australian shipments to the United States initially fell when BSE was detected as Australia redirected beef to the more lucrative Japanese market as a partial substitute for U.S. beef.

- **New Zealand:** In 2005, exports are forecast to decrease nearly 7 percent to 565,000 tons. Beef exports to Japan, South Korea, and other Asian markets increased in 2004, but will not increase in 2005 because of production declines. In addition, some markets found beef from grass-fed cattle an imperfect substitute for higher-quality beef from grain-fed cattle when imports from the United States were banned. However, exports to New Zealand's largest market, the United States, are expected to stay at the same level because U.S. demand for lean beef remains strong. During 2004, the number of beef cows declined due to higher cow slaughter rates in the previous two years and more favorable profits in sheep and dairy farming. A 6-percent decrease in beef production to 675,000 tons is forecast as a result of smaller cattle inventories at the beginning of 2005. Due to improved weather conditions, slaughter weights remain high relative to weights during the drought in 2002 and 2003, but not enough to offset reduced beef production due to the expected fall in number of cattle slaughtered in 2005.

- **Argentina:** In 2005, beef exports will reach levels not seen in over 25 years. Strong worldwide beef demand and export markets that opened to Argentine beef in 2004 will boost exports. The World Organization for Animal Health (OIE) identified Argentina as a country with an FMD-free zone where vaccination is not practiced and several countries lifted their bans on Argentine fresh beef in 2004. Also, Argentine beef exporters are forecast to take advantage of decreases in production within the European Union. However, price advantages will be limited by increasing production and processing costs. Though beef production is expected to decline by 4 percent in 2005, it will be 5 percent higher than 2003. Cattle liquidation due to drought conditions caused high beef production in 2004. In addition, land area devoted to cattle has decreased in Argentina, so more ranchers fed out their cattle with corn, which helped moderate forage problems. Use of corn in cattle finishing is expected to continue in 2005. High world beef demand and prices will draw Argentine beef into export markets instead of Argentine hands, thus beef consumption is forecast to decrease 9 percent in 2005.

- **Canada:** In 2005, beef exports are forecast to be a record 625,000 tons, in large part because of restrictions on cattle trade due to the discovery of BSE in Canada. In 2004, about 98 percent of Canada's beef exports were to the United States and Mexico as most other countries banned Canadian beef. Beef has partially offset the lack of cattle exports to the United States and Canadian processors will continue to focus on exporting beef as long as the United States restricts Canadian cattle. Beef export opportunities to Mexico will remain strong as long as Canadian beef remains price competitive with U.S beef, which is likely to continue until U.S restrictions on the import of live Canadian cattle are eased and supplies of cattle less than 30 months decline. Two markets open to Canadian beef, but not U.S. beef, are Macao and Hong Kong. Though Canada did not export beef to Macao in 2002, Canadian beef exports to Macao were over 6,000 tons PWE in 2004. Hong Kong recently reopened to Canadian beef ahead of U.S. beef, which places Canadian exporters in a prime position to gain a stronghold in that market. Canada's cattle inventory reached a historical high of almost 15.1 million head at the beginning of 2005, representing a 3-percent increase over 2004. Cattle inventories increased following U.S. bans on Canadian cattle imports due to the detection of BSE in 2003. As a result of increased inventories and delays by the United States in allowing imports of live Canadian cattle, Canada increased its slaughter capacity and is forecast to export record levels of beef in 2005. In 2005, the number of cattle slaughtered is expected to be 6 percent higher than 2004, which was 13 percent higher than the previous high in 1999. Inventories are expected to begin declining in 2005 due to the increase in slaughter and the expected reopening of the U.S. border. Ending Canadian cattle inventory is forecast to be 3 percent less than 2004 ending inventory. The United States had planned to permit cattle imports from Canada beginning March 7, 2005 under its minimal risk rule. However, legal action has delayed reopening the border. The uncertainty surrounding the U.S. border reopening has prompted the Canadian government to fund activities designed to support increases in slaughter capacity and reduce dependency on the United States as an export market.

Key Importers

- **United States:** The United States will maintain its position as the world's largest beef importer in 2005. Consumption increased nearly 3 percent in 2004 and is forecast to increase another 4 percent in 2005 over 2004. Production is also forecast to increase by 4 percent, but will remain almost 3 percent below 2003 levels. In 2004, beef imports increased by 22 percent over 2003. Most of the increase came from Canada and Uruguay, whose market share rose from less than 1 percent in 2002 to 11 percent in 2004 after FMD-related import restrictions on Uruguayan fresh beef were removed. The United States traditionally imports lean beef to mix with trimmings from grain-fed animals produced in the United States. Imported lean beef substitutes for lean beef from culled breeding and dairy cattle. In 2005, the slaughter of cows, bulls, and stags will be at lows not seen since 1963 as low inventories reduced the number of cattle for slaughter and improving forage conditions make it favorable to retain cows for herd expansion. Thus, beef imports will increase by almost 2 percent in 2005 largely because of low culled cattle slaughter and increased production of beef trimmings from fed cattle. Furthermore, until the border opens to Canadian cattle imports, imports of Canadian beef will continue to partially replace cattle imports that would have been slaughtered in the United States. With imports of live cattle for Canada resuming later this year, U.S. cattle imports from all sources are forecast to be just under 2.7 million head in 2005.

- **Russia:** Beef imports are forecast to increase by almost 3 percent to 750,000 tons in 2005 due to decreased production and increased consumption. Cattle numbers have been decreasing for 10 years and are expected to continue decreasing due to high feed prices, poor feeding conditions, and strong demand of cattle for slaughter. High beef prices have encouraged slaughter at lower weights, which also reduced production. Beef consumption will increase marginally as incomes increase, but will be limited by high beef prices. In 2004, imported beef prices increased by 48 percent and domestic beef by 39 percent. Difficulties with Russian tariff rate quota (TRQ) import licensing and high over-quota tariffs have changed importer decisions and therefore the makeup of imports. Under the TRQ system, importers prefer higher-valued boneless cuts in order to take full advantage of their quotas. Where bone-in beef accounted for 63 percent of bone-in and boneless beef imports in 2000, it fell to 21 percent in 2004. In 2005, beef from Brazil and Argentina will offset reduced imports from the Ukraine, where supplies available for export are reduced due to declines in production.

- **European Union:** The European Union will continue to be a net beef importer in 2005. Whereas beef imports are forecast to grow 13 percent to 550,000 tons, beef exports will decrease 14 percent to 300,000 tons. Beef exports are expected to decrease due to lower production and lower sales to Russia, a traditional major market of the European Union. Russian certification requirements and competition with Brazil and Argentina have been limiting sales. In 2004, the New Member States (NMS) benefited from accession to the European Union, in particular Hungary and Poland, which previously supplied beef to the EU-15. Sales from NMS to EU-15 member states increased until beef prices reached similar levels as prices in the EU-15. Reforms in the agriculture policy among member states attempt to separate payments to farmers from production decisions. However, differences in policy and when the changes in policy are implemented are causing uneven changes in production levels as producers try to adapt to the new system and take advantage of payments before reforms are implemented in their member state. In 2005, most countries are expected to produce the same or less beef than in 2004, with the exception of Italy, Portugal, and Spain. Overall, beef production is expected to decline almost 2 percent to slightly below 8 million tons. With decreasing production, the European Union is expected to increase beef imports, especially from Mercosur countries that have intensified their marketing efforts. Though the European Union does not ban U.S. beef due to BSE, beef imports from the United States are limited by bans on growth-promoting hormones.

- **Japan:** Beef imports are forecast to increase by 1 percent in 2005, but will be 23 percent lower than imports in 2003 due to bans on U.S. beef, thus reducing beef supplies and increasing beef prices. Beef imports from Australia have increased, but conditions in Australia and differences between Australian and U.S. beef will not support an expansion of imports to levels seen prior to the ban on U.S. beef. Prior to the ban, one-third of beef consumption in Japan was beef from the United States. As a result of the ban, Japanese owned meat packers and trading firms are desperately seeking alternatives and feeding operations in Australia are expanding. As a result, the Japan Koren Barbeque Restaurant Association reports that 2,000 members suffered from restaurant closures due to the ban. The

Japanese government has attempted to address consumer concerns over beef safety by implementing a program to trace domestically produced beef. As of December 1, 2004, beef must be traceable from farm to retailer and many establishments are reportedly displaying information for consumers. The Japanese fiscal year (JFY) will begin in April 2005 and JFY 2005 safeguard trigger levels will be close to the trigger levels seen in JFY 2003, the last time the safeguard was implemented. There are industry concerns that if U.S. beef exports resume in JFY 2005, the trigger levels will be exceeded and the safeguard implemented for the remainder of the fiscal year. (The current forecast assumes no imports from the United States because Japan has not completed the regulatory process required to allow beef imports from the United States to resume.)

- **Mexico:** In 2005, beef imports are forecast to increase over 11 percent to 320,000 tons, but remain below levels imported prior to the discovery of BSE in North America. Mexico has resumed imports of boneless beef from the United States and Canada. In 2004, Mexico imported 27 percent more beef from Canada and 59 percent less beef from the United States than in 2002, the last year of trade uninterrupted by BSE. Canadian beef is price competitive with U.S. beef because of the excess supply of cattle in Canada due to the U.S. restriction on Canadian cattle imports. Consumption will decrease 2 percent in 2005, in part because beef has faced stiff competition from poultry and pork. However as incomes continue to rise, per capita meat consumption is expected to increase.

- **South Korea:** In 2005, beef imports are expected to grow almost 6 percent, but remain at 52 percent below 2003 pre-BSE levels despite attempts by Australia and New Zealand to fill the shortfall left by the ban on U.S. beef. In 2004, beef imports from Australia increased 29 percent and beef imports from New Zealand increased 72 percent. Prior to the ban on U.S. beef, imports of U.S. beef accounted for about 50 percent of Korean beef consumption. In 2005, the bans on U.S. beef and reduced demand for beef are expected to lead to an 8-percent decline in consumption. Locally produced Hanwoo beef is filling part of the sudden shortfall in beef supply caused by import bans. However, Hanwoo beef prices are higher than imported beef, reportedly three and four times higher than the price of imported Australian beef, despite lowered cattle prices. As a result, consumers who formerly preferred high quality, reasonably priced imported beef have switched to other proteins such as pork and fish. Interestingly, feeder cattle imported from the United States prior to BSE-related import bans are now being slaughtered and the initial response to this “domestic beef” is positive. In order to increase consumer confidence, the South Korean government is implementing a trial traceability program, which will include imported beef in 2005.

Beef and Veal Summary Selected Countries

1,000 Metric Tons (Carcass Weight Equivalent)

	2000	2001	2002	2003	2004 (p)	2005 (f)
Production						
Brazil	6,520	6,895	7,240	7,385	7,975	8,455
European Union 3/	8,224	8,084	8,145	8,061	8,077	7,950
China, Peoples Republic of	5,328	5,488	5,846	6,305	6,683	7,110
Argentina	2,880	2,640	2,700	2,800	3,080	2,950
India 2/	1,700	1,770	1,810	1,960	2,130	2,230
Australia	1,988	2,049	2,089	2,073	2,100	2,170
Mexico	1,900	1,925	1,930	1,950	2,150	2,070
Canada	1,246	1,250	1,294	1,190	1,460	1,570
Russian Federation	1,840	1,760	1,740	1,670	1,590	1,550
New Zealand	575	609	589	693	720	675
Others 1/	5,812	5,193	5,431	3,969	3,965	3,990
Total Foreign	**38,013**	**37,663**	**38,814**	**38,056**	**39,930**	**40,720**
United States	**12,298**	**11,983**	**12,427**	**12,039**	**11,261**	**11,740**
World Total	**50,311**	**49,646**	**51,241**	**50,095**	**51,191**	**52,460**
Consumption						
European Union 3/	8,106	7,658	8,187	8,315	8,271	8,200
China, Peoples Republic of	5,284	5,434	5,818	6,274	6,627	7,053
Brazil	6,102	6,191	6,437	6,273	6,400	6,655
Mexico	2,309	2,341	2,409	2,308	2,419	2,365
Russian Federation	2,246	2,400	2,450	2,378	2,315	2,295
Argentina	2,543	2,514	2,362	2,426	2,468	2,252
India 2/	1,351	1,400	1,393	1,521	1,590	1,605
Japan	1,585	1,419	1,319	1,325	1,150	1,131
Canada	992	969	990	1,066	1,020	1,040
Australia	645	653	696	786	755	794
Others 1/	5,900	5,378	5,518	4,061	3,905	3,875
Total Foreign	**37,063**	**36,357**	**37,579**	**36,733**	**36,920**	**37,265**
United States	**12,502**	**12,351**	**12,738**	**12,339**	**12,667**	**13,174**
World Total	**49,565**	**48,708**	**50,317**	**49,072**	**49,587**	**50,439**

Source: Counselor and attache reports, offical statistics, and results of office research.
Note: 1/ From 2003 to 2005, Colombia, Costa Rica, Dominican Republic, El Salvador, Honduras, Nicaragua and Venezuela are dropped from the database. 2/Includes buffalo.

3/ The data series represents EU-25 member states.

(p) preliminary; **(f)** forecast

Beef and Veal Summary Selected Countries

1,000 Metric Tons (Carcass Weight Equivalent)

	2000	2001	2002	2003	2004 (p)	2005 (f)
Imports						
Russian Federation	415	648	719	720	730	750
Japan	1,067	1,002	712	810	617	625
European Union 3/	368	358	461	463	485	550
Mexico	420	426	489	370	287	320
Korea,South	324	246	430	444	218	230
Egypt	236	136	162	93	150	155
Philippines	118	104	126	120	125	130
Canada	263	300	308	274	111	100
Hong Kong	71	71	71	80	81	80
Taiwan	83	78	89	98	80	80
Others 1/	233	170	212	226	200	202
Total Foreign	**3,598**	**3,539**	**3,779**	**3,698**	**3,084**	**3,222**
United States	**1,375**	**1,435**	**1,460**	**1,363**	**1,669**	**1,696**
World Total	**4,973**	**4,974**	**5,239**	**5,061**	**4,753**	**4,918**
Exports						
Brazil	492	748	881	1,175	1,628	1,850
Australia	1,338	1,399	1,366	1,264	1,395	1,400
Argentina	357	169	348	386	617	700
Canada	523	575	610	384	559	625
India 2/	349	370	417	439	540	625
New Zealand	485	496	486	558	606	565
Uruguay	236	145	259	320	400	440
European Union 3/	545	502	485	388	350	300
Ukraine	157	98	146	168	100	90
China, Peoples Republic of	54	60	44	43	61	72
Others 1/	99	83	79	31	34	42
Total Foreign	**4,635**	**4,645**	**5,121**	**5,156**	**6,290**	**6,709**
United States	**1,120**	**1,029**	**1,110**	**1,143**	**209**	**290**
World Total	**5,755**	**5,674**	**6,231**	**6,299**	**6,499**	**6,999**

Source: Counselor and attache reports, offical statistics, and results of office research.
Note: 1/ From 2003 to 2005, Colombia, Costa Rica, Dominican Republic, El Salvador, Honduras, Nicaragua and Venezuela are dropped from the database. 2/Includes buffalo.
3/ The data series represents EU-25 member states.
(p) preliminary; **(f)** forecast

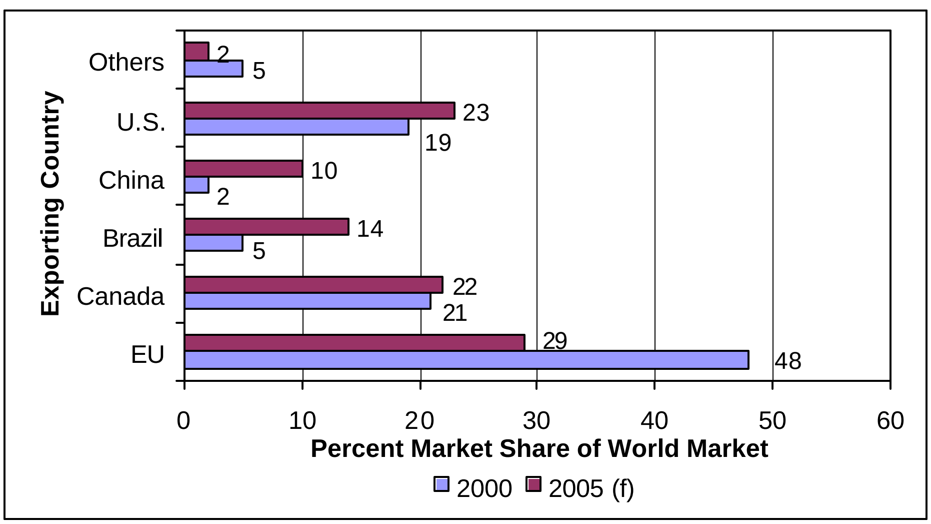
World Pork Meat and Swine Trade Overview

World Pork Exports to Reach a Record 4.6 million tons

World pork exports by major exporting countries are expected to increase by just over 2 percent in 2005 to a record 4.6 million tons. The largest exporter, the European Union, will see a slight decrease in total exports from nearly 1.4 million tons in 2004 to 1.3 million in 2005. The United States remains the second largest exporter in 2005 as exports reach a high of just over 1 million tons in 2005. As overall world demand for pork increases, Brazil, Canada, China and the United States are expected to reach record production and export levels in 2005. Pork production in China, the European Union, and the United States is expected to be slightly more than 80 million tons in 2005. These three nations will compromise 86 percent of production in major producing countries, which is projected to be nearly 94 million tons.

World imports will also rise in 2005 to 4 million tons, up nearly 6 percent from 2004. Japan's pork imports, which reached record levels in 2004, will increase slightly in 2005. Russia is expected to remain a major consumer of pork in 2005. Problems with Russia's administration of tariff rate quotas (TRQ) may result in slower growth in pork imports in 2005. Hong Kong is expected to have only a 1 percent growth in pork imports in 2005 following 10 percent growth in 2004. Recent efforts by China to combat smuggling will likely curb Hong Kong's transshipments to China. Mexico is also expected to increase imports of pork by 8 percent in 2005.

World Market Share of Major Pork Exporters: 2000 and 2005



A number of factors have contributed to increasing trade in pork worldwide. The weak U.S. dollar, which is expected to persist at least through 2005, is likely to continue making U.S. pork products an attractive buy abroad. Disease-related closures—avian influenza (AI) for poultry, and bovine spongiform encephalopathy (BSE) for beef—in important Asian markets will also undoubtedly provide continued export strength this year. In North America, the North American

Free Trade Agreement (NAFTA) has facilitated continued integration in pork production and trade across Canada, Mexico and the United States. However, with increasing trade and integration of the NAFTA pork market, several trade issues have emerged between the partners. Mexico is currently conducting an anti-dumping (AD) investigation on U.S. hams. U.S. and Canadian trade forecasts do not reflect the April 6th determination by the U.S. International Trade Commission (USITC) of non-injury from imports of hogs from Canada.

Key Exporters

- **United States:** In 2005, U.S. pork exports are expected to rise slightly to just over 1 million tons. Pork production marginally increases to 9.4 million tons in 2005. The majority of U.S. pork exports in 2004 were sent to Japan, 418,000 tons and Mexico, 243,000 tons. Lesser quantities were sent to Canada, Russia, and Taiwan. Mexico's domestic pork industry continues to seek protection against the increasing quantities of U.S. pork entering the market. Mexico is currently conducting an AD investigation on U.S. hog leg quarters (ham) that could result in extra duties on U.S. ham exports. In addition, Mexico is considering whether to implement legislation that would require increased inspection fees on meat imports. Both issues, if implemented, could make U.S. pork less competitive.

  The United States is forecast to export 220,000 live hogs to the world in 2005, which is up 25 percent from 2004, when exports totaled 175,000 head. Mexico is the largest market for U.S. live swine (80 percent market share in 2004) and Mexico's demand for imports has continued to increase with development of its processing capacity and growth in pork exports.

- **Canada:** Canada's total pork exports for 2004 were 970,000 tons. Pork exports are expected to increase by 2 percent in 2005 to 985,000 tons. In 2004, Canada's top pork export markets were the United States and Japan, at 504,000 tons and 231,000 tons respectively. Prospects for increased Canadian pork exports to Japan are limited due to high Japanese inventories of frozen pork and competition from the United States and European Union. Canadian pork exports to the United States will remain strong in 2005 as the value of the U.S. dollar is expected to remain low against the Canadian dollar. Canadian live hog exports are expected to be 8 million head in 2005. U.S. and Canadian trade forecasts do not reflect the April 6th determination by the U.S. International Trade Commission (USITC) of non-injury from imports of hogs from Canada.

- **Brazil:** Brazil continues to develop as a major producer and exporter of pork and 2005 will be no exception with exports estimated at 640,000 tons. Brazilian pork production is forecast to increase by about 3 percent in 2005 to nearly 2.7 million tons. Domestic consumption is also expected to increase by 3 percent. Brazil's production has benefited from increased investment and Brazil is currently funding market activities aimed at developing potential export markets for its pork. Brazil has increasingly shifted exports to higher-valued pork cuts and these products now compromise 75 percent of exports. However, exports are being affected by the strengthening of the Brazilian Real. Brazil's top markets for pork are Russia and Hong Kong to which it exported 359,000 tons and 65,000 tons respectively in 2004. During the same period, Brazil's exports of pork to the world totaled 621,000 tons. Despite administrative problems with import permits and TRQ in 2004, Russia remained Brazil's largest market.

- **European Union:** In 2004, EU pork production increased marginally while pork exports increased from 1.2 million tons to 1.4 million tons. Exports in 2005 are projected to decline to 1.3 million tons. Pork production and consumption are expected to decline slightly with increased shipments between the new and old member states. Export growth in 2004 was due to increased exports to Romania, Russia, and Asia, mostly Japan and Hong Kong. Increased exports to Asia followed in the wake of AI and BSE concerns. With the overall price for EU pork rising and the strengthening of the Euro, EU pork exports are expected to be less competitive in the world market. EU pork exports face uncertainties associated with Russia's administration of TRQ allocations and are likely to face increased competition in the Asian markets.

- **China:** China is the world's largest pork producer and consumer. In 2005, Chinese pork production is expected to reach a record 49.7 million tons. China's pork industry is gradually shifting from backyard farming to commercial production with increased foreign investment and the movement of the rural population to urban areas, which drives consumption. Pork prices have remained high along with consumption and demand is largely filled with domestic production. China is the world's fifth largest pork exporter with the majority of its products sent to other Asian markets. Exports have increased from 73,000 tons in 2000 to 383,000 tons in 2004, and are forecast to reach 450,000 tons in 2005.

Key Importers

- **United States:** In 2004, the United States imported 499,000 tons of pork, a 7 percent decrease from 2003. The decrease in imports was due largely to the lower value of the U.S. dollar. Pork imports for 2005 are expected to reach 542,000 tons, the majority of which is from Canada and the European Union to meet consumer demand for particular cuts. Live swine imports are forecast to be almost 6 percent lower than last year, with the reduction attributable to required deposits/bonds, equal to dumping penalties, imposed on imported Canadian hogs and feeder pigs by the U.S. government in October 2004. U.S. and Canadian hog trade forecasts do not reflect the April 6^{th} determination by the U.S. International Trade Commission (USITC) of non-injury from imports of hogs from Canada.

- **Japan:** In 2005, Japan is expected to remain the world's largest pork importer, importing a record 1.3 million tons, slightly above the previous year. The top five suppliers of pork to Japan in 2004 were Canada, Chile, China, Denmark, and the United States. In 2004, imports of beef and poultry were restricted by BSE and AI import bans resulting in increased pork imports to meet consumer demand for animal protein. However, in 2005 a high carry over of frozen pork stocks is likely to dampen imports. In the past, Japan has restricted imports of pork through its special safeguard and gate price system. However, the chances that Japan's special safeguard provision would be applied in Japanese fiscal year (JFY) 2005, which runs from April 2005 to March 2006, are remote, due to the relatively high trigger level for the first quarter of the JFY. In 2004, Japan signed a Free Trade Agreement (FTA) with Mexico, which will be implemented starting in April 2005. Japan established special TRQs for Mexican pork that is expected to result in an increase in Japanese pork imports from Mexico. The TRQ agreement cuts the tariff on pork imports from 4.3 percent to 2.2 percent for Mexico and does not count in-quota imports against the safeguard trigger level calculation.

- **Hong Kong:** Pork imports grew by 10 percent in 2004 and are forecast to grow by 1 percent in 2005 to 335,000 tons. Consumers substituted pork for poultry in their diets during Hong Kong's temporary ban on imports of Chinese chickens due to AI. Importers also increased inventories of pork in an effort to avoid paying more at a later date as prices continued to escalate. A ban on U.S. beef due to BSE has also led to increases in pork imports from the United States. In addition to pork imported for immediate consumption, shipments destined for China are often transshipped or smuggled through Hong Kong. However, China is now taking efforts to combat smuggling through Hong Kong, which could lead to a decrease in Hong Kong's pork imports as more shipments are sent directly to China. Currently, Hong Kong prohibits imports of fresh pork from China but is working on a protocol that would allow imports of Chinese chilled pork that could create greater competition with other pork suppliers.

- **Mexico:** Mexican pork production is expected to reach almost 1.2 million tons in 2005, an increase of about 2 percent from the 2004 level. Mexico's imports are expected to grow by more than 8 percent. Rising imports and Mexico's increases in pork production is a result of sustained growth in consumer demand. As the income of Mexican consumers has risen, demand for higher quality and more expensive cuts has also increased. In addition, in 2004 Mexico geared up its production with the culling of less productive sows and integration of swine producer associations in slaughtering and marketing activities. Mexico's development of its hog slaughtering capacity will contribute to growth in live swine imports for slaughter. Mexico is forecast to import 200,000 head in 2005. Mexico is also seeking to further expand exports, which will likely increase total demand for pork. For instance, Mexico recently completed negotiations on the Japan-Mexico FTA, creating a TRQ for Mexican pork imports. Mexico is also working with the United States to expand the area eligible to export pork to the United States.

- **Russia:** In 2005, domestic pork production is expected to grow by about 2 percent to 1.8 million tons. With demand for pork remaining strong, imports are expected to increase 5 percent in 2005 to 500,000 tons. In 2004, pork production grew slightly, limited by high feed costs and rising meat prices that resulted in slaughter at lower weights. Imports of pork decreased 23 percent in 2004 due to several factors: a temporary ban on Brazilian pork due to food and mouth disease problems (FMD), rising pork import prices, and problems with Russia's administration of its TRQ regime. The TRQ establishes country specific quotas for the European Union, Paraguay, the United States, and a general quota for all other countries. In 2004, difficulties with Russia's licensing administration kept quota allocations from being filled. Furthermore, the TRQ contributed to a general increase in meat prices. Similar problems with Russia's TRQ administration are expected again in 2005. Several changes in the composition of Russia's pork imports have come about as a result of the TRQ regime. Imports of processed pork have increased since the TRQ does not apply to those products. Importers have also shifted to more boneless meat in order to maximize the use of import licenses with higher value and more profitable cuts.

Pork Summary Selected Countries

1,000 Metric Tons (Carcass Weight Equivalent)

	2000	2001	2002	2003	2004 (p)	2005 (f)
Production						
China, Peoples Republic of	40,314	41,845	43,266	45,186	47,350	49,675
European Union 1/	20,717	20,427	20,938	21,150	21,200	21,100
Brazil	2,010	2,230	2,565	2,560	2,600	2,670
Canada	1,640	1,731	1,854	1,882	1,930	1,940
Russian Federation	1,500	1,560	1,630	1,710	1,725	1,760
Japan	1,269	1,245	1,236	1,260	1,271	1,260
Philippines	1,008	1,064	1,095	1,145	1,175	1,220
Mexico	1,035	1,065	1,085	1,100	1,150	1,175
Korea, South	1,004	1,077	1,153	1,149	1,100	1,080
Taiwan	921	962	935	893	895	895
Others	1,805	1,681	1,765	1,775	1,548	1,413
Total Foreign	**73,223**	**74,887**	**77,522**	**79,810**	**81,944**	**84,188**
United States	**8,596**	**8,691**	**8,929**	**9,056**	**9,312**	**9,364**
World Total	**81,819**	**83,578**	**86,451**	**88,866**	**91,256**	**93,552**
Consumption						
China, Peoples Republic of	40,378	41,800	43,195	45,053	47,038	49,325
European Union 1/	19,242	19,317	19,746	20,043	19,900	19,825
Japan	2,228	2,268	2,377	2,373	2,570	2,613
Russian Federation	2,019	2,119	2,429	2,329	2,199	2,259
Brazil	1,827	1,919	1,975	1,957	1,979	2,030
Mexico	1,252	1,298	1,349	1,423	1,556	1,615
Korea, South	1,058	1,158	1,199	1,294	1,333	1,359
Philippines	1,038	1,085	1,137	1,167	1,198	1,244
Canada	1,047	1,082	1,072	1,004	1,063	1,065
Taiwan	975	977	967	947	956	963
Others	2,134	2,046	2,165	2,240	2,033	1,907
Total Foreign	**73,198**	**75,069**	**77,611**	**79,830**	**81,825**	**84,205**
United States	**8,455**	**8,388**	**8,684**	**8,816**	**8,818**	**8,869**
World Total	**81,653**	**83,457**	**86,295**	**88,646**	**90,643**	**93,074**

Source: Counselor and attache reports, offical statistics, and results of office research.
Notes: 1/ The data series represents EU-25 member states.
(p) preliminary; **(f)** forecast

Pork Summary Selected Countries
1,000 Metric Tons (Carcass Weight Equivalent)

	2000	2001	2002	2003	2004 (p)	2005 (f)
Imports						
Japan	995	1,068	1,162	1,133	1,302	1,325
Russian Federation	520	560	800	620	475	500
Mexico	276	294	325	371	458	495
Hong Kong	247	260	275	302	332	335
Korea, South	174	123	155	153	220	260
Canada	68	91	91	91	105	100
China, Peoples Republic of	137	94	145	149	71	100
Romania	25	48	82	103	90	95
Australia	43	38	55	67	77	80
Taiwan	54	15	32	54	61	68
Others	91	108	108	121	104	104
Total Foreign	**2,630**	**2,699**	**3,230**	**3,164**	**3,295**	**3,462**
United States	**438**	**431**	**485**	**538**	**499**	**542**
World Total	**3,068**	**3,130**	**3,715**	**3,702**	**3,794**	**4,004**
Exports						
European Union 1/	1,522	1,135	1,158	1,234	1,350	1,300
Canada	660	728	864	975	970	985
Brazil	162	337	590	603	621	640
China, Peoples Republic of	73	139	216	282	383	450
Australia	49	67	78	74	59	65
Mexico	59	61	61	48	52	55
Korea, South	31	42	16	17	10	12
Ukraine	10	2	1	12	12	12
Russian Federation	1	1	1	1	1	1
Others	3	3	2	0	0	0
Total Foreign	**2,570**	**2,515**	**2,987**	**3,246**	**3,458**	**3,520**
United States	**584**	**708**	**731**	**779**	**988**	**1,036**
World Total	**3,154**	**3,223**	**3,718**	**4,025**	**4,446**	**4,556**

Source: Counselor and attache reports, offical statistics, and results of office research.
Notes: 1/ The data series represents EU-25 member states.
(p) preliminary; **(f)** forecast

World Broiler Meat Trade Overview

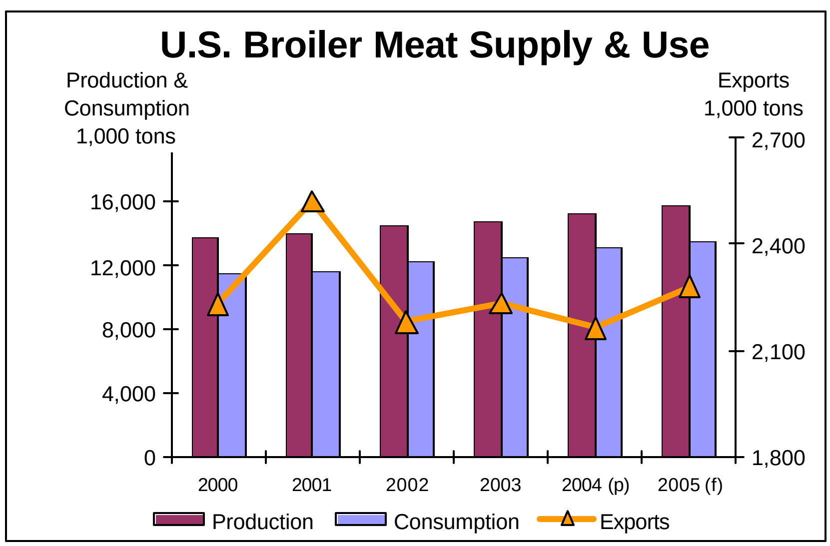
World Broiler Exports Expected to Increase 6 Percent in 2005; China's Imports Are Forecast to Rebound to 450,000 tons

Total 2005 broiler meat exports by major exporting countries are forecast at a record level of 6.5 million tons, an upward revision of 6 percent from the November 2004 forecast. The top exporting countries, Brazil and the United States are expected to dominate export markets but countries currently experiencing problems with avian influenza (AI) are expected to not export at pre-AI levels. Brazil maintains its lead with record-level broiler meat exports of 2.6 million tons in 2005, a 6-percent increase above the 2004 level which was 28 percent above the 2003 level. For 2005, broiler meat imports by major countries are forecast at 4.2 million tons, up 8 percent from the 2004. China, the European Union, Japan, Mexico, Russia, and Saudi Arabia are expected to account for about 75 percent of world broiler meat imports. In 2004, broiler meat exports to Africa and the Middle East accounted for 10 percent and 41 percent of the United States and Brazil's exports respectively.

Large increases in broiler meat exports for the world's largest suppliers, Brazil (6 percent) and the United States (5 percent) are forecast in 2005. In 2004, tariff barriers and sanitary issues shifted the broiler global market supply and demand. AI-related trade restrictions imposed by some major importing-countries on U.S. broiler meat did not significantly reduce U.S. broiler meat exports in 2004. For part of 2004, Brazilian exports benefited from higher prices due to tight world supplies and AI restrictions on other supplier countries.

<u>Key Exporters</u>

- **United States:** In 2005, broiler meat exports are forecast to increase 5 percent due to favorable exchange rates, coupled with a 3-percent increase in broiler meat production. All U.S. nationwide AI-related import bans were lifted in major markets, however, regionalized (state-based) bans remain in some markets. Import growth in price-sensitive emerging markets such as the Commonwealth of Independent States (CIS) and the Caribbean are likely to continue in 2005. In 2004, U.S. broiler meat exports decreased by 3 percent to 2.2 million tons amidst strong competition from Brazil and the European



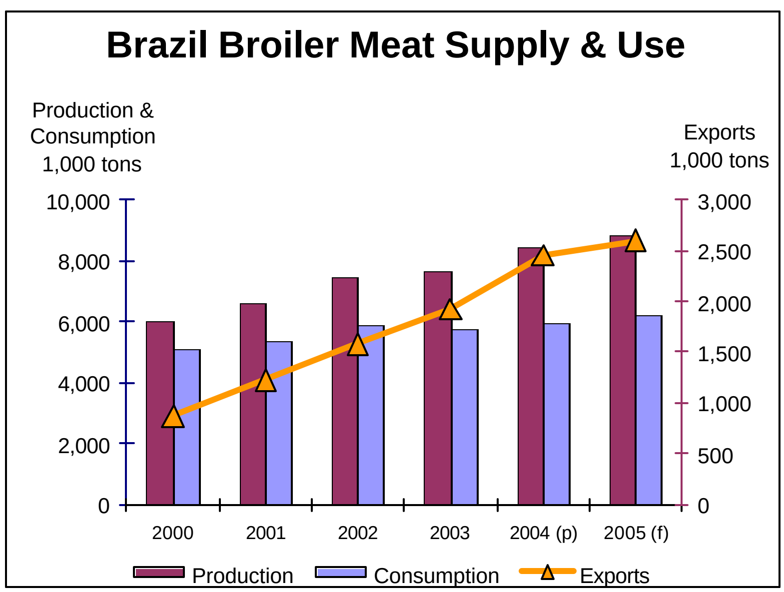
Source: Production, Supply & Distribution Database, FAS

Union as well as AI-related trade restrictions for part of the year. Russia, the largest destination for U.S. exports accounted for 30 percent of total U.S. broiler meat exports in 2004 and grew by 8 percent compared to 2003. Problems in the administration of import permits early in 2005 will likely constrain exports to Russia and may keep the United States from filling the 2005 quota allocation set at 771,900 tons. Strong demand for mechanically de-boned (MDM) broiler meat resulted in an 18 percent growth in exports to Mexico, which represents 13 percent of total U.S. broiler meat exports to the world. In 2004, Canadian import demand for U.S. broiler cuts and processed broiler meat grew by 16 and 12 percent respectively due to AI-related disruptions in Canada's domestic production. In 2005, U.S. broiler production is forecast to reach a record high 15.8 million tons.

Affordable, high-quality broiler products as well as convenient and case-ready products have contributed to continual increases in U.S. domestic broiler meat consumption. In 2005, per capita U.S. broiler meat consumption (ready to cook) is forecast at 45.5 kg. As beef prices remain high, broiler meat is a price competitive substitute for consumers. With record U.S. corn and soybean crops, the prices for corn and soybean meal have fallen from their 2004 highs. Strong demand combined with lower feed costs gives U.S. producers an incentive to increase production, but growth has been moderate. Chicken leg-quarter prices remained relatively high in the first quarter of 2005, 7 percent lower compared to 2004, but 53 percent higher than in 2003.

There is a growing trend for ready-to-eat broiler meat products marketed to health-conscious consumers. Additionally, high beef prices have prompted the fast food industry to add more selections containing broiler meat to their menus. Broiler meat is highly versatile as it can be processed (nuggets), fried, or charbroiled and eaten in a sandwich, on a salad or simply as strips.

- **Brazil:** In 2005, Brazilian broiler meat exports are forecast to increase by 6 percent to 2.6 million tons, a record high, fueled primarily by production expansion. As well a becoming the world's largest beef exporter in 2004, Brazil also became the world's largest broiler exporter. Production increases are due to export expansion and stronger domestic demand. The higher demand is made possible by lower inflation, drop in unemployment, and higher real-income per capita. Additionally, federal



Source: Production, Supply & Distribution Database, FAS funding for social welfare programs have included broiler meat, which is the lowest-priced source of animal protein in Brazil. Higher interest rates and the appreciation of the Brazilian Real (approximately 12 percent in 2004) will limit future investment and hence production increases.

As the world's largest broiler meat exporter in 2004, Brazil exported to 134 countries, an increase of 12 markets from 2003. Brazil's export strategy focuses on growth in high-value products such as specialized trimmings and other further processed products that capitalize on its low labor costs. For the last 3 years, Brazil's largest export market has been Saudi Arabia, which accounted for 14 percent of Brazil's total broiler meat exports to the world. In 2004, Japan grew most rapidly as an export market for Brazil, increasing 76 percent due to AI-related supply disruptions. On September 20, 2004, Russia implemented a ban on all Brazilian meat imports based on foot and mouth disease (FMD) outbreaks in the Amazon. However, the ban was partially regionalized without causing major trade disruptions.

- **China:** In 2005, China is projected to increase broiler meat exports by nearly 4 percent mainly due to Asian demand for its processed broiler meat. Japan remains China's largest export market, accounting for 57 percent of China's total broiler meat exports to the world. In 2004, Japan reduced the amount of Chinese broiler meat plants eligible to export from 35 to 11 due to strong pressure brought about by Japanese consumer groups. Since the AI outbreaks in 2003 and 2004, China implemented stringent broiler production measures to gain consumer confidence domestically and abroad. In 2004, the Chinese broiler industry adopted new food safety standards, disease control measures, environmental protection requirements for meat processing, animal waste handling norms and drug usage rules. China will rely on processed broiler exports as its post-AI strategy for market penetration. However, the weak demand for cooked broiler meat will limit China's export growth. China is awaiting U.S. equivalency inspection that would include it on the list of countries eligible to export cooked poultry products to the United States.

- **European Union:** Stiff competition and unfavorable exchange rates will weigh down EU broiler meat exports in 2005. In 2005, exports are forecast to increase by less than 1 percent driven by a modest increase in production principally in Belgium/Luxemburg, Poland and Spain. The European Union mostly exports low value cuts, as well as MDM. Polish MDM exports to mainly Russia experienced a 13-percent increase despite delays in the implementation of the European Union's Russian import quota allocation, which helped support overall EU broiler meat exports. Strong competition from Brazil reduced exports to Saudi Arabia and the United Arab Emirates, which traditionally are two of the European Union's main export markets. French broiler meat production will continue to decline due to higher costs and competitive pricing from exporting countries. The New Member States (NMS) producers will benefit from higher prices due to strong sales opportunities to EU-15 member states. Additionally in 2005, the decoupling of subsidy payments for cereals will likely increase the profitability of Hungarian and Polish broiler meat producers due to the availability of low-cost feed grains.

- **Thailand:** In 2005, Thai broiler meat exports are forecast to increase by nearly 26 percent largely because of growth in production of cooked products, but remain substantially below

2001-2003 levels. Despite the devastating effect AI outbreaks have had on the Thai broiler meat industry in 2004, Thai producers exported cooked product at competitive rates. Thai cooked broiler meat encountered fierce competition from China and Brazil in the Japanese market. In 2004, Japan represented 47 percent of Thailand's broiler meat export market. Markets for Thai cooked product include the European Union, Hong Kong, Japan, Singapore, and South Korea. Thai broiler meat production is export-driven as over the last 10 years 30 percent of Thai broiler meat production was annually exported. Having to limit broiler meat exports to only cooked product has placed a large strain on an already struggling industry. The Thai broiler industry is heavily in debt after making improvements in capacity and in machinery that enable them to shift production from fresh to cooked broiler meat products. Secondly, most small and medium-scale producers had never produced cooked products before the AI outbreaks, and they don't have the capacity to do so post-AI. Most importantly, demand for cooked product has not grown at the rate many analysts had speculated in early 2004. Processed products can be two to three times higher in value than fresh cuts. Consumer preferences play a significant role in cooked poultry production. For example, in 2004, Thailand successfully exported seasoned poultry meat to Hong Kong, Japan, and South Korea.

Key Importers

- **Russia**: Russia, the world's leading broiler meat import market, is expected to continue expanding its broiler production. In 2001-2004, Russia saw double digit gains in production and a 12 percent increase is forecast in 2005. This strong growth is the result of steady investment to facilities and processing plants. Strong consumer demand for animal protein is expected to drive competing meat prices up making broiler meat the most affordable. In 2005, Russian broiler meat imports are forecast to grow 3 percent from the 2004 level to 960,000 tons. On September 20, 2004, Russia implemented a ban on all Brazilian meat imports based on FMD outbreaks in the Amazon. However, the ban was partially regionalized and posed no major trade disruptions. The Russian poultry import quota allocation for 2005 is 1.05 million tons; the U.S. quota share is 771,900 tons. Delays in the administration of the import-quota licenses and failure to finalize the approved plant list for Russia could limit the amount of boiler meat imports during 2005. For the second consecutive year, the Russian poultry quota, which does not apply to CIS countries, is not expected to be filled.

- **European Union:** EU broiler meat imports will remain the same in 2005 at 380,000 tons, as domestic production expansion is expected to satisfy the growth in domestic demand. In 2005, Poland and other NMS anticipate buying lower-quality broiler cuts from the EU-15 for further processing in NMS plants. The European Union broiler industry has lobbied strongly against increasing the import quota or offering greater market access to Mercosur countries, which have driven EU broiler prices down in the last 3 years. Consumers in the EU-15 countries have gradually shifted to breast meat and fillets as healthy alternatives to beef and pork. In 2004, stronger demand for and higher prices for breast meat led to more competitive prices for whole broiler imports. This trend is expected to continue throughout 2005. The NMS will account for most of the increases in the coming years, as broiler meat will become the least expensive animal protein after intra-EU trade and competitive advantages in production stabilize.

Thailand and Brazil brought a World Trade Organization (WTO) case against the European Union on salted poultry in 2003. Thailand and Brazil stated that the European Union has been misclassifying salted poultry as frozen (non-salted) poultry since July 2002. This action raised the duty rate and resulted in lost export revenue for Thailand and Brazil. The European Union claims that Thailand and Brazil are sprinkling salt on the poultry to avoid EU tariffs. A preliminary ruling by the WTO favored Brazil and Thailand. The final WTO decision has not yet been released but is not anticipated to be greatly different from the preliminary ruling.

- **Japan:** In 2005, broiler meat imports are forecast to reach 595,000 tons, only a 2-percent increase from 2004 as bans on imports of fresh poultry from China and Thailand continue. However, shifts from broiler meat to pork consumption are expected to limit consumer demand for broiler meat. A strong Yen is expected to favor imports from the United States and Brazil in 2005. In 2004, AI-related bans on Thailand, China and the United States caused imports to drop by 16 percent, and resulted in Brazil capturing 51 percent of the Japanese import market. There is no indication that Japan will lift AI-related restrictions on Chinese and Thai fresh broiler meat, but after negotiating new animal health protocols, Japan did agree to lift its bans on cooked poultry meat. Japanese consumers are slow to turn to cooked poultry products as consumers favor fresh broiler meat over processed or heat-treated poultry products. In 2005, Japan's broiler meat consumption is expected to drop by 2 percent, as consumers shift from broiler meat to pork. In 2004, Japanese broiler consumption dropped 7 percent, while pork consumption rose by 8 percent.

- **China:** In 2005, Chinese broiler meat imports are projected to increase to 450,000 tons, a 150-percent increase from the previous year due to the lifting of the AI-related ban on U.S. poultry meat. The United States is the only country that can sell poultry meat products for direct consumption in China's retail sector. China's growing food processing plants will increasingly rely on imported broiler meat in 2005. Large food processing companies are willing to invest in bone-in broiler meat cuts (primarily whole legs, leg quarters, drumsticks, and whole wings), which are suitable for de-boning and further processing. China's processed broiler meat sector is expanding with highly mechanized machinery due to investments. Processors have had much success importing broiler MDM for further processing. Chinese meat processors alternate beef, pork, chicken, and turkey as animal protein input for products like sausages, meatballs, patties, stovetop meals or microwave dinners based on relative price, availability and consumer demand. Processed product sales are growing as the number of two-income households have a higher disposable income and demonstrate the demand for ready-made meals. Increased manufacturing and the real-estate development boom of recent years has increased incomes and the demand for food consumption and retail sales. Consumers in mid to large sized cities in China now have higher spending potential. Additionally, low interest rates present better options for short-term investment and encourages consumer spending. Although the Government of China has implemented new policies to curb excessive growth, retail meat sales are expected to grow moderately in tandem with income.

- **Saudi Arabia:** In 2005, Saudi Arabia is forecast to import 443,000 tons of broiler meat, a 2-percent increase from 2004. Saudi Arabia primarily imports whole frozen broilers. Saudi Arabia relies on imports to satisfy 50 percent of its broiler meat consumption. Brazil is Saudi

Arabia's largest broiler meat supplier. In 2004, Brazil exported 333,000 tons of broiler meat to Saudi Arabia, a 15-percent increase from the previous year. France, the second largest broiler meat supplier experienced a 26-percent decline due in part to declines in French broiler production and the continued appreciation of the Euro compared to the Saudi Riyal, which is tied to the U.S. Dollar. Demand strengthens in Saudi Arabia during the Hajj season as the hotel and retail industry (HRI) stock up in broiler meat supplies in anticipation of over 2.5 million Muslim pilgrims who travel to Mecca every year. Foreign pilgrims, who account for 50 percent of total pilgrims, will spend an average of 2 weeks in Mecca, Jeddah and Madina before and after the Hajj rituals.

- **Mexico:** Mexico is forecast to increase imports by 10 percent in 2005, spurred by strong demand from the food processing industry for U.S. broiler MDM for further processing. Broiler MDM and broiler cuts are used by the sausage and lunchmeat industries. Chicken-leg-quarters (CLQ) and other cuts are popular in Mexico. Overall, Mexicans have a preference for dark poultry meat and favor whole broilers to cuts. Mexico's 6-percent projected growth in broiler consumption for 2005 is a result of higher demand for animal protein brought about by population growth, competitive prices, rising incomes and growth in consumer health concerns.

  On February 25, 2005, the Government of Mexico (GOM) published in the *Diario Official* (Federal Register) a reference price of $0.30 per lb on over-quota chicken-leg-quarter (CLQ) imports. The reference price was imposed to reduce alleged under-invoicing of over-quota CLQ shipments subject to an over-quota tariff. The reference price will be used by Mexican Customs to calculate the minimum *ad valorem* import duty for over quota U.S. CLQ. U.S. market prices for U.S. CLQ are currently high, which should limit the impact this measure will have on U.S. CLQ exports to Mexico. Border prices for U.S. CLQ (which include product, transportation, and fees) are well above $0.30 per lb. In 2005, the CLQ duty-free quota is 102,000 tons, with an over-quota rate of 59.3 percent.

Broiler Summary Selected Countries

1,000 Metric Tons (Ready to Cook Equivalent)

	2000	2001	2002	2003	2004 (p)	2005 (f)
Production						
China	9,269	9,278	9,558	9,898	9,860	9,990
Brazil	5,980	6,567	7,449	7,645	8,408	8,830
European Union 2/	7,606	7,883	7,788	7,439	7,640	7,720
Mexico	1,936	2,067	2,157	2,290	2,400	2,520
India	1,080	1,250	1,400	1,600	1,650	1,800
Japan	1,091	1,074	1,107	1,127	1,124	1,130
Argentina	870	870	640	750	900	990
Thailand	1,070	1,230	1,275	1,340	900	940
Canada	877	927	932	929	920	938
Malaysia	786	813	784	835	850	910
Others 1/	6,206	6,167	6,443	5,614	5,623	5,951
Total Foreign	**36,771**	**38,126**	**39,533**	**39,467**	**40,275**	**41,719**
United States	13,703	14,033	14,467	14,696	15,285	15,762
World Total	**50,474**	**52,159**	**54,000**	**54,163**	**55,560**	**57,481**
Consumption						
China	9,393	9,237	9,556	9,963	9,799	10,190
European Union 2/	6,934	7,309	7,108	7,086	7,196	7,270
Brazil	5,110	5,341	5,872	5,729	5,957	6,235
Mexico	2,163	2,311	2,423	2,627	2,724	2,879
India	1,080	1,250	1,400	1,600	1,650	1,800
Japan	1,772	1,797	1,830	1,841	1,708	1,734
Russian Federation	1,320	1,588	1,697	1,680	1,610	1,695
Canada	893	925	928	939	980	982
Malaysia	812	846	821	868	881	942
Saudi Arabia	815	804	815	873	890	913
Others 1/	7,594	7,630	7,562	6,755	6,774	7,155
Total Foreign	**37,886**	**39,038**	**40,012**	**39,961**	**40,169**	**41,795**
United States	**11,474**	**11,558**	**12,270**	**12,539**	**13,087**	**13,524**
World Total	**49,360**	**50,596**	**52,282**	**52,500**	**53,256**	**55,319**

Source: Counselor and attache reports, offical statistics, and results of office research.

Note: 1/ From 2003 to 2005, Colombia and Egypt are dropped from the database.

2/ The data series represents EU-25 member states.

(p) preliminary; **(f)** forecast

Broiler Summary Selected Countries

1,000 Metric Tons (Ready to Cook Equivalent)

	2000	2001	2002	2003	2004 (p)	2005 (f)
Imports 1/						
Russian Federation	943	1,281	1,208	1,081	930	960
Japan	721	710	744	695	582	595
China	588	448	436	453	180	450
Saudi Arabia	348	400	390	430	435	443
EU-25	177	190	197	407	380	380
Mexico	228	245	267	338	326	360
Hong Kong	168	183	164	154	244	200
United Arab Emirates	111	123	136	168	180	182
Ukraine	25	64	61	88	130	150
Canada	70	74	80	81	130	115
Others 2/	436	383	400	474	408	402
Total Foreign	**3,815**	**4,101**	**4,083**	**4,369**	**3,925**	**4,237**
World Total	**3,815**	**4,101**	**4,083**	**4,369**	**3,925**	**4,237**
Exports 1/						
Brazil	870	1,226	1,577	1,916	2,451	2,595
European Union 3/	849	764	877	760	824	830
Thailand	333	424	465	528	215	270
China	464	489	438	388	241	250
Argentina	11	13	23	39	75	90
Canada	54	69	84	76	70	75
United Arab Emirates	20	20	37	40	40	42
Saudi Arabia	16	20	20	25	25	25
Australia	13	19	15	15	16	15
Romania	1	1	4	5	7	10
Others 2/	32	28	31	27	21	26
Total Foreign	**2,663**	**3,073**	**3,571**	**3,819**	**3,985**	**4,228**
United States	**2,231**	**2,520**	**2,180**	**2,232**	**2,163**	**2,279**
World Total	**4,894**	**5,593**	**5,751**	**6,051**	**6,148**	**6,507**

Source: Counselor and attache reports, offical statistics, and results of office research.

Note: 1/ Chicken feet (paws) are not included in trade data.

2/ From 2003 to 2005, Colombia and Egypt are dropped from the database.

3/ The data series represents EU-25 member states.

(p) preliminary; **(f)** forecast

Turkey Summary Selected Countries

1,000 Metric Tons (Ready to Cook Equivalent)

	2000	2001	2002	2003	2004 (p)	2005 (f)
Production						
European Union 2/	2,019	2,098	2,102	2,025	2,070	2,085
Brazil	137	165	182	200	226	246
Canada	152	149	147	148	147	147
Russian Federation	7	7	9	12	15	17
Mexico	12	13	13	14	14	14
South Africa	3	4	3	4	5	5
Taiwan	5	5	5	4	4	4
Others 1/	90	3	0	0	0	0
Total Foreign	**2,425**	**2,444**	**2,461**	**2,407**	**2,481**	**2,518**
United States	**2,419**	**2,490**	**2,557**	**2,529**	**2,441**	**2,496**
World Total	**4,844**	**4,934**	**5,018**	**4,936**	**4,922**	**5,014**
Consumption						
European Union 2/	1,818	1,931	1,910	1,912	1,960	1,980
Mexico	146	157	153	171	157	183
Canada	137	135	143	138	136	133
Russian Federation	170	171	174	126	106	115
Brazil	93	96	92	88	90	94
South Africa	24	19	16	32	30	27
Taiwan	20	13	16	20	20	22
Others 1/	122	36	16	0	0	0
Total Foreign	**2,530**	**2,558**	**2,520**	**2,487**	**2,499**	**2,554**
United States	**2,223**	**2,269**	**2,316**	**2,301**	**2,272**	**2,285**
World Total	**4,753**	**4,827**	**4,836**	**4,788**	**4,771**	**4,839**

Source: Counselor and attache reports, offical statistics, and results of office research.

Note: 1/ From 2003 to 2005, Hong Kong, Korea, Malaysia, and Taiwan are dropped from the database.

2/ The data series represents EU-25 member states.

(p) preliminary; **(f)** forecast

Turkey Summary Selected Countries

1,000 Metric Tons (Ready to Cook Equivalent)

	2000	2001	2002	2003	2004 (p)	2005 (f)
Imports						
Mexico	142	152	147	158	144	170
Russian Federation	163	164	165	114	91	98
European Union 2/	41	64	64	85	65	65
South Africa	21	15	13	28	25	22
Taiwan	15	8	11	16	16	18
Canada	4	5	7	8	7	9
Others 1/	37	26	16	0	0	0
Total Foreign	**423**	**434**	**423**	**409**	**348**	**382**
United States	**0**	**0**	**0**	**1**	**2**	**2**
World Total	**423**	**434**	**423**	**410**	**350**	**384**
Exports						
European Union 2/	242	231	256	198	175	170
Brazil	44	69	90	112	136	152
Canada	14	14	16	16	20	25
Mexico	8	8	7	1	1	1
Others 1/	7	1	0	0	0	0
Total Foreign	**315**	**323**	**369**	**327**	**332**	**348**
United States	**202**	**221**	**199**	**219**	**201**	**231**
World Total	**517**	**544**	**568**	**546**	**533**	**579**

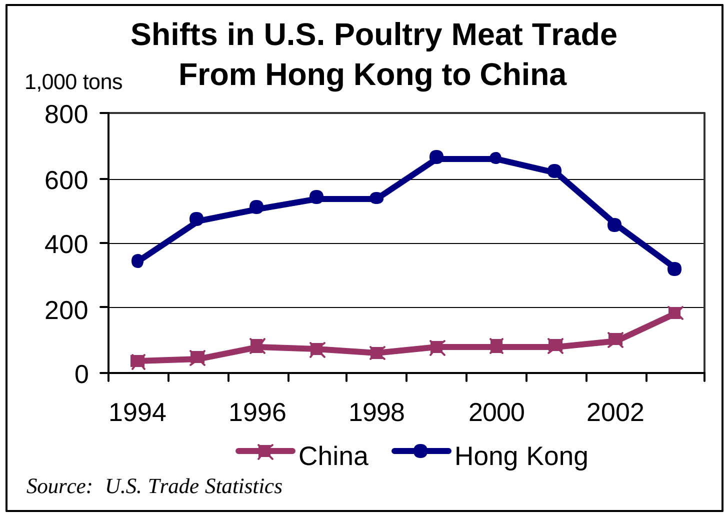
Source: Counselor and attache reports, offical statistics, and results of office research.

Note: 1/ From 2003 to 2005, Hong Kong, Korea, Malaysia, and Taiwan are dropped from the database.

2/ The data series represents EU-25 member states.

(p) preliminary; **(f)** forecast

The Changing Face of China's Poultry Meat Imports; More Competition and Shifts in Port Inventory



Over half of China's poultry meat imports are transshipped through Hong Kong. However, direct shipments to China's ports have been increasing since 2000 and are forecast to increase in 2005 due to stricter inspection requirements imposed by China to eliminate smuggling from Hong Kong. China's new import regulation (No.49) is expected to increase direct shipments to Mainland China. Effective November 1, 2004, all meat re-exported to China through Hong Kong's port is required to comply with a pre-inspection requirement by China Inspection Co. in Hong Kong. The extra layer of inspection is expected to eliminate the smuggling, the re-labeling or the re-packaging of product in efforts to improve China's quarantine and food safety system. However, the new measure involves a compulsory additional pre-inspection fee of HK$4,000 (US$514) per container to Hong Kong traders. The additional cost is expected to eventually shift more direct shipments to China rather than transship or re-export containers through Hong Kong's port.

New Chicken Feet Certification Requirements

In the last seven years, U.S. chicken feet exports over 50 percent of the total poultry meat export volume to Hong Kong. It is expected that U.S. chicken feet exports to Hong Kong will increase significantly before the new measure takes effect April 30, 2005 and following implementation will drastically decline. Hong Kong will require the U.S. Department of Agriculture's (USDA) Food Safety Inspection Service (FSIS) certificates accompanying chicken feet shipments to certify ante and post mortem inspection. It remains uncertain how many U.S. exporters are willing to modify their production to accommodate Hong Kong's new certification requirements.

Increased Competition from Argentina and Brazil

In 2004, after China banned broiler meat imports from Thailand, Canada and the United States, total Brazilian broiler meat exports to China grew by more than 400 percent to 60,000 tons. Similarly, Argentine broiler meat exports to China grew by 103 percent to nearly 18,000 tons. Although U.S. poultry meat has benefited from its high quality reputation with Chinese consumers, the strong presence of Brazilian and Argentine poultry meat presents challenges to U.S. exporters. Brazil and Argentina's aggressive marketing strategies and promotions helped to push sales higher in 2004. Their willingness to meet Chinese quarantine requirements ensures greater market access. In 2004, China signed meat quarantine protocols with Argentina and Brazil. Upon China's Animal Quarantine Inspection Service (AQSIQ) completion of plant inspections, these countries can export poultry meat for direct retail sales. Currently, the only poultry imports approved are from the United States.

Factors that Chinese Buyers Prefer	
Chinese wholesale buyers cite five determining factors when purchasing poultry meat: price, color, weight, water content and grading quality.	
1- Prices	Chinese buyers tend to have a preference for U.S. chicken-leg-quarters and can be price sensitive. Many Chinese buyers prefer to buy U.S. poultry meat because of steady prices and flexibility and attention that U.S. exporters give Chinese buyers. According to Chinese traders, South American exporters do not respond as promptly to their concerns as U.S. exporters. Personal attention and well-established relationships with Chinese importers have brought about greater success when negotiating prices and trade disputes.
2 - Color	Chinese importers also prefer poultry meat products that look fresh in appearance. Freezer burn can often change the color and texture of poultry meat and is unappealing to Chinese buyers.
3 - Weight	Chinese importers report that the actual weight of the poultry meat is often less than the stated weight on the label. Some importers maintain that underweight poultry meat shipments are common.
4 - Water Content	Hong Kong traders generally prefer Brazilian's soldier packaging method rather than the U.S. layer packing. Chinese importers claim that U.S. poultry meat packaging has approximately 12 percent more water/ice-content than packaging of South American competitors.
5 - Grading	Brazil and Thailand's certified system for grading certain poultry meat cuts, (i.e. feet and paws) offers buyers more options in how to market their product. For example: grade "A" Brazilian feet are select product that is uniform in size, has heavy meat content, and has specialized packaging. Grade "B" paws have lower quality and are inferior in size. The lack of grading in U.S. chicken paws causes Chinese buyers to question if U.S. paw imports are inferior relative to graded Brazilian paws.
Sources: USDA-FAS-Dairy, Livestock & Poultry Division, USDA-FAS Shanghai and Hong Kong ATOs	

Conclusion

Better cold chain infrastructure and development Shanghai port facilities have facilitated direct shipments. China's import tariff reductions on poultry products have increased trader profit margins on direct shipments, which will increasingly result in less volume being transshipped via Hong Kong. Another reason for shifts in exports to Mainland China from Hong Kong was China's inspection officials clearing more U.S. poultry product stock in Shanghai ports than those held in Hong Kong ports. Additionally, increased transportation costs in Shenzhen (Hong Kong/Mainland China border), the Hong Kong's new import regulations and chicken feet certification requirements have made re-export raising overall costs to Hong Kong comparable to direct shipments to Shanghai. China's pre-inspection fee alone is an important cost factor that encourages direct shipments that would otherwise have been re-exported from, or transshipped through Hong Kong.