

## **Beef: 2006 Forecast Overview**

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- **Trade restrictions impacting trade in an environment of tight supply**

With already limited trade in the world beef market due to bovine spongiform encephalopathy (BSE) and foot and mouth disease (FMD)-related trade restrictions, the 6-month beef export ban announced by the Argentine government in March 2006 will also have a noticeable impact on world trade. While the November 2005 forecast anticipated a nearly 3 percent increase in beef exports by major traders in 2006, the current forecast projects exports 2 percent lower in 2006 than in 2005 as increased exports by the United States, and New Zealand will not be enough to offset decreases by Brazil and Argentina.

- **2006: Selected countries to experience production and consumption growth**

Positive macroeconomic growth in 2006 will continue to encourage investment in the livestock sector and increase consumer demand. As a result, beef production and consumption in selected countries will continue to increase in 2006 by almost 3 percent each. The current forecast projects beef production gains in 2006 for Brazil (almost 3 percent), the European Union (EU) (less than 1 percent), and China (6 percent). The United States is forecast to increase beef production to nearly 12 million tons, a 5 percent increase over 2005, due as the herd expands and cattle are slaughtered at heavy weights. New Zealand beef production will expand in 2006 enabling them to serve Asian markets closed to the United States and Canada as well as continue sales to the United States and Canada. Exceptions to the generalization of world production growth are declines in Argentina (3 percent) due to constraints of exporting, Russia (nearly 4 percent) which lacks investment as other agricultural

enterprises are more profitable, and Canada. Australian beef production will continue to be constrained by reduced slaughter.

- **Argentina set to ban beef exports**

The November 2005 forecast projected an increase in Argentine beef exports in 2006 due to increased exports to Russia and Chile as a result of the absence of Brazil in these markets. The current forecast anticipates that Argentine beef exports will decrease by 34 percent from 759,000 tons in 2005 to 500,000 tons in 2006. The current forecast took into account exports during the first two months of 2006, continued sales to the EU under the Hilton quota and to Venezuela under a bilateral agreement, shipments of processed/cooked beef, and assumes and eventual resumption in world sales after the 6-month ban is lifted.

- **Brazil's exports stable despite FMD**

Brazil's 2005 and 2006 beef exports were forecast to remain stable at 1.8 million tons in November 2005. In the current forecast, the preliminary estimate for 2005 projected Brazilian beef exports was increased while the 2006 beef export forecast was kept stable. As a result, Brazilian beef exports will decline nearly 4 percent from 2005 to 2006 as FMD-related restrictions will affect sales to its major buyers, such as Russia. Russia is Brazil's most important market accounting for 27 percent of Brazilian fresh/chilled/frozen beef exports in 2005. It is anticipated that Brazilian exporters will continue to focus sales on smaller markets which continue to be open to Brazilian beef and shift to exporting from regions which are not impacted by FMD-related trade restrictions as many countries, such as the EU and Russia, have regionalized their bans on Brazilian product. However, it is unlikely that there will be a dramatic expansion in FMD-free regions to permit exports to expand.