

Pork: 2006 Forecast Overview

- **Note on PSD database: Chile added**

The FAS Production, Supply and Distribution (PS&D) database now includes Chile for swine and pork. Data is available for 2001-2006. If it were not for the inclusion of Chile, 2006 pork exports by major traders would show a decline from 2005 to 2006 in the current forecast. Chile ranks 6th among major pork exporters.

- **2006: Production and trade among selected countries to climb**

Preliminary estimates increase pork production among selected countries in 2005 and 2006 compared to the November 2005 forecast for 2006. Thus, pork production among selected countries will increase 3 percent to 97.2 million tons in 2006. Pork exports by major traders will basically be stagnant (36,000 ton difference) at nearly 5.1 million tons in 2006 compared to slightly above 5.0 million tons in 2005. This is largely due to the fact that most of the larger production increases are being consumed in the producing countries themselves. For example, gains in Chinese, EU and U.S. production are largely being consumed domestically. The return of U.S. beef to Japan is resulting in decreased forecasted pork imports in 2006 for Japan.

- **China's domination grows**

China now accounts for more than half (53.5 percent) of the production of pork among selected countries. Thus, small changes in Chinese production and consumption have a significant impact on the total of selected countries. The current forecast increases Chinese pork production by 2 percent from the November 2005 forecast to a record 52 million tons. With this upward revision, China will increase pork production by almost 5 percent from 2005 to 2006 due to a

variety of factors including its popularity in the Chinese diet, continued higher disposable incomes, strong profitability in the pork sector, increased investment in swine and pork operations, and increased pork consumption due to AI. However, due to strong domestic demand, the current forecast sharply drops Chinese pork exports from 415,000 tons in the November 2005 forecast to 300,000 tons.

- **EU pork production continues expansion**

EU pork production has been revised upward to 21.5 million tons largely due to gains in Germany and Poland. A variety of factors will impact EU pork production in 2006 including substitution for poultry due to AI concerns and beneficial production conditions such as lower feed costs in the New Member States. Thus, in addition to production estimates, EU pork consumption has been raised accordingly. While EU pork to Japan will weaken as it is not as price competitive as U.S. pork and will compete with the return of U.S. beef to the markets, EU pork exports to Russia could expand. Thus, EU pork exports in 2006 are forecast to increase 5 percent to nearly 1.5 million tons, which is unchanged from the November 2005 forecast.

- **Historic high for U.S. pork exports**

U.S. pork exports are still expected to be nearly 1.3 million tons in 2006. As U.S. pork production is increasingly export driven, accounting now for 12.9 percent of production, the current low valued U.S. dollar is helping make U.S. pork attractive to overseas buyers. U.S. pork exports to Russia will continue to grow particularly with Brazil unable to ship to the key market due to FMD-related restrictions which limit shipments from key production areas.