



# International Agricultural Trade Report

July 13, 2000

## Weekly Market Report: Dairy, Livestock, & Poultry

Aussie pork is establishing in-roads in Southeast Asian markets.

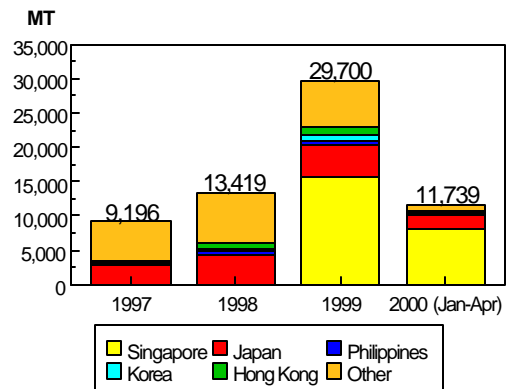
### Summary

The demand for pork in Singapore, Malaysia, Indonesia, and other Southeast Asian countries has been growing as their economies recover from the effects of the Asia financial crisis. While most pork exporters focus on the major Asian markets of Japan and Korea, Australia is taking advantage of its geographical proximity and market opportunities to actively develop the smaller markets in Southeast Asia. Whether Australia can build on this recent opportunity to become a more significant competitor in pork export markets will depend on whether its hog/pork sector can continue to improve its competitiveness and on economic conditions in Asia.

### Australia targets Singapore to increase pork exports...

Although not yet a major pork exporter, Australia has significantly increased exports in the last 3 years. Singapore has accounted for a major portion of that increase. Australia's pork exports increased from about 9,000 tons in 1997 to 29,700 tons in 1999, of which 50 percent went to Singapore. For the first 4 months of 2000, Australia's pork exports totaled 11,700 tons, of which 70 percent, 8,200 tons, landed in Singapore. Most of Australia's pork exports to Singapore are chilled carcasses. By way of contrast, during the same period, the United States exported a total of 248 tons of pork to Singapore. Two percent, 5 tons, were chilled carcasses, while the rest were frozen carcasses and variety meats. U.S. pork exports to Singapore remain small due to costly transportation and exchange rate differentials.

### Australia's pork exports



### ... taking advantage of a sudden opportunity

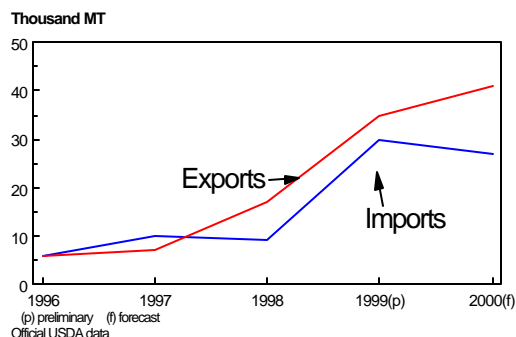
Pork is a major part of the diet in Singapore, where 75 percent of the population (3.5 million) is Chinese. With no swine production, Singapore imported slaughter hogs from neighboring Malaysia and Indonesia. Following the death of several Malaysian pig farmers and Singapore abattoir workers due to the Nipah virus, Singapore banned imports of all slaughter pigs and fresh pork in early 1999. The ban completely cut off the supply of warm pork (fresh pork), which was the preferred product for consumers. To fulfill the shortfall in fresh pork supplies, Singapore increased its chilled pork imports.

## Government programs provide timely support

The Australian pork market was protected from import competition until 1990, when Australian authorities determined that Canadian pork met Australia's rigid sanitary requirements and was allowed

entry. The market expanded slightly in 1997 when processed pork from countries that met the requirements was permitted entry. At this time, Canada and Denmark are the primary suppliers of pork to Australia.

### **Australia's pork trade (carcass weight equivalent)**



Imported pork accounted for only 3 percent of Australia's total pork supply in 1997, but was popularly perceived to be the main reason the domestic hog sector was facing difficulty. Through 1998 and into early 1999, hog prices remained low. In addition, competition from beef, chicken, and seafood, whose exports suffered from the economic downturn in the region, greatly pressured domestic pork consumption.

In 1998, the Australian government responded with an assistance package in an effort to restructure the pork sector in order to build competitiveness and ease pressure on domestic prices. Overall, the government allocated a total of A\$24 million to support the pork industry and promote exports. Of this, A\$8 million was allocated to improve efficiencies in the processing sector, A\$1 million for producer education, A\$6 million to support producers exiting the industry, and A\$9 million (US\$ 6 million) was allocated to improve international competitiveness and to develop export markets.

The Confederation of Australian Pork Exporters (CAPE), an export marketing group established with funding from the government assistance package, targeted Singapore as an export market. Taking advantage of Taiwan's exit from the pork market in 1997 and Singapore's ban on all slaughter hog and fresh pork imports from nearby Malaysia in early 1999, Australia successfully established markets for its chilled pork product in Singapore and strengthened its market share in the Philippines, Indonesia, Hong Kong, and Korea. Reportedly, Taiwan's quarantine and food safety experts recently approved Australia's national meat processing system, and, once a list of packing plants is assembled, any plant on that list will be eligible to supply meat to Taiwan. CAPE is aiming to increase exports to 20 percent of pork production by 2002. In 1998, Australia exported 4 percent of its pork production.

### Australia's future as a pork exporter

Aggressive exports provide a needed boost to Australia's pork industry. However, it remains to be seen if Australia can repeat the success it has achieved in Singapore in other markets, especially the more competitive markets of East Asia. The future direction of Australia's pork exports will depend on several factors, including Malaysia's ability to control the Nipah virus, the extent to which market forces and government programs lead to a more competitive Australian pork sector, and the effectiveness of Australia's export programs. As Australia becomes more competitive in global markets, it is also likely

that its restrictive import requirements will come under increasing scrutiny.

It is worth noting that Nippon Meat Packers Inc., one of Japan's leading meat processors, recently announced a pork production investment in Australia. In 1997, Denmark invested in Australian facilities that will process one million pigs a year, mainly for East Asian markets. These private sector investments and the government support programs reflect an interest in developing Australia's emerging role in the global pork market.

**DLP Contact: Yoonhee Macke/720-8252**