DEVELOPMENTS IN INTERNATIONAL MEAT MARKETS

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US chicken feet in Hong Kong, Danish smoked ham on US supermarket shelves, rising sales of Brazilian beef tenderloin in Europe, escalating cross-border investment in poultry operations in Latin America. These are all reflective of the real face of globalisation in international meat markets which are increasingly characterized by closer integration of economies through trade, finance, knowledge, technology, ideas and people.

As growing demand for animal protein products has been matched by continuing specialization and advances in meat production management and processing technologies, the global meat market has witnessed a transformation over the past 15 years, with gains in both consumption and trade growth exceeding that of most all other agricultural commodities. Nowhere has this been more evident than in developing countries where per capita meat consumption (carcass wt) has virtually doubled from 1980, rising from 14 kg/caput to an estimated 30 kg/caput by 2005.

Nearly three-quarters of the growth in global meat production and consumption over the past decade has been housed in developing countries. Since 1980 the contribution of developing countries to global meat production has grown from 33 percent, surpassing that of developed countries in 1994 to rise to an estimated 58 percent of global production by 2005. The strongest production and consumption growth has been in Asia, in particular East and South East Asia, where strong income growth and traditional preferences have stimulated meat consumption gains of 6 percent over the past two decades. [2]

The success story behind rapidly rising meat trade

Rising incomes, changes in industry structure which have effectively lowered meat prices, revolutionary developments in transportation, cold chain, and packaging technology, all have combined with a changing international policy environment to spur a rapid growth in meat trade over the 1990s. Increasing market access provisions under the WTO, as well as bilateral and regional trade agreements, have also served as a catalyst to international trade which grew by 7 percent annually over the past 15 years, more than double global consumption gains. As meat production costs fall and a broader selection of diverse types of meat cuts is available at differential prices, trade as a share of global consumption has increased from 2 percent in the early 1980s to almost 9 percent in 2004. The poultry sector has been a major beneficiary of growing demand for meat as health and economic factors, such as lower relative prices, have increased the poultry market share of global meat trade from 22 percent in 1990 to over 41 percent by 2004.

While the degree of market concentration in the global meat market is high, with 5 major exporters accounting for nearly three quarters of global exports (table 1), an increasing share of meat trade is being provided by developing countries. Driven by growth in poultry exports from South America, Thailand, and China, developing countries currently supply more than one third of global meat exports, with nearly 44 percent of poultry originating from developing countries. In addition to the gains for some of leading developing country exporters, investment in production and processing infrastructure in many of the middle-income developing countries, such as Mexico, Chile, Philippines and Argentina, are supporting export gains, albeit from a small base. Supporting this development are the plethora of bilateral and regional trading agreements which facilitate exports by non-traditional meat exporters.

However, the challenges facing meat producers, processors, traders and policy makers have escalated with the growth in demand for meat products, whether produced domestically or imported. In particular, global meat markets have been characterised since 2001 by the pervasive and disruptive effects of animal health crises, including Foot and Mouth disease, Bovine Spongiform Encephalopathy (BSE) and Avian Influenza (AI). Response by governments and consumers to food safety concerns have pushed up prices of meat from disease-free markets and of alternative protein sources. Trade disruptions resulting from import bans reinforce this market segmentation, resulting in diverging meat prices within and between countries, and among products. The increasing complexity of global markets, the uncertain nature of consumer demand, and the often prolonged and capricious imposition of market access conditions make it difficult to assess the duration and magnitude of a short term market shock.

Livestock markets: The best of times or the worst of times?

2004 was a good year for some markets, devastating for others. Early year price pressure resulted from animal disease and food safety concerns which limited exportable supplies from some of the major Asian markets,

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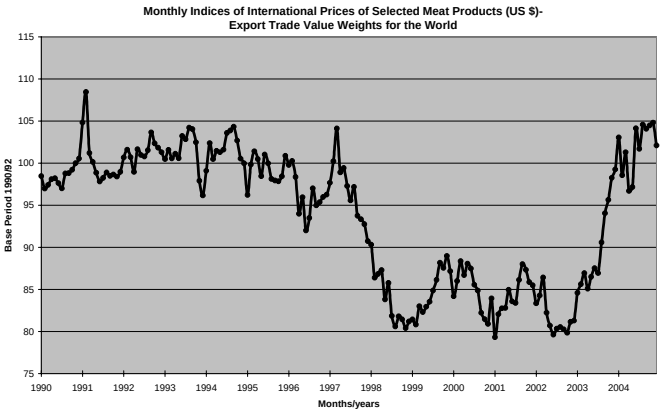
[2] These gains have been highly influences by China which accounts for two thirds of the region's meat consumption. Chinese meat production data in the 1980s and 1990s has been reported by many sources to have been overstated.

affected by Avian Influenza (AI), and North America in the wake of both AI outbreaks and reports of Bovine Spongiform Encephalopathy (BSE). As markets gradually opened over the course of the year, international meat prices, particularly for poultry and beef, witnessed some price easing; however, the 2004 average poultry and beef prices were up 22 and 14 percent respectively from their levels of a year ago.

International meat prices remain strong in the early months of 2005, supported most likely by sluggish production gains and continued import restrictions on beef products from some markets. The FAO meat price index (which is calculated using trade-weighted indicative international meat prices) rose to 109 points in early 2005, surpassing the previous record of 108 in February 1991. While the poultry market appears to have stabilized (weighted prices down 2 percent in 2005) , price gains are still be recorded for other meats with pigmeat, bovine meat and sheepmeat prices up seven, four and five percent respectively.

While the per unit export value of US chicken cuts in 2005 are down slightly from 2004 averages (US$726/tonne from US$757), similar prices for Brazilian chicken (including whole birds) are increasing (from US$1033 to US$1066). These prices increase most likely reflect the higher cost of production because of adverse weather affecting the crop outlook and the nearly 15 percent appreciation of the Brazilian Real over the past year (from 3.1 reals/$ last June it has declined to 2.4 this June).

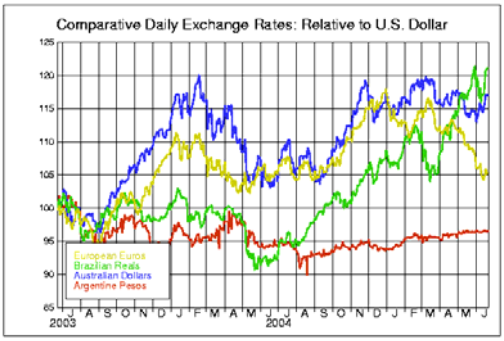


Meanwhile beef prices remain robust with average US per unit export values reaching US$ 4,232 in April while the US cif price for Australian mfgr grade beef was recorded at US$2,678 in May, down slightly from last year. Meanwhile, US pork export values continue to be very strong, fetching US$2,327/tonne in April compared to US$1,706 early 2004, most likely due to the BSE factor and strong exports to Japan.

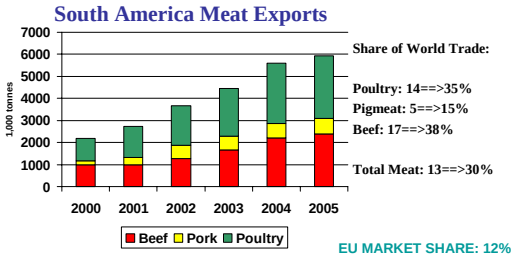
Meat market to recover in 2005 but uncertainties persist

In 2004, global meat markets were characterized by considerable instability, as animal disease outbreaks led governments to adopt policies to protect their livestock sectors, including import bans, tighter sanitary border control measures, and stronger domestic regulations. While global production grew 2 percent, the wide extent of market closures led to an estimated 1 percent drop in global meat trade, the first decline since the mid-1980s. Animal disease outbreaks, combined with exchange rate movements, prompted a significant shifting in trading patterns which have favoured increasing meat trade from South America. Meanwhile, food safety concerns led to shifts in product composition of trade with countries with Avian Influenza, increasing their exports of cooked product to avoid trade bans on fresh/chilled meat.

Exchange Rates Continue Diverging in 2005



Animal Disease/exchange rate movements ==> increased competition from South America



e In 2005,

Some recovery in meat consumption is expected, as markets open and exportable meat supplies increase, leading to a potential easing of some meat prices. However, the meat market outlook for 2005 will still be heavily influenced by the status of food safety concerns in the wake of Asian human fatalities due to AI and BSE, the animal disease status of many countries, shifting exchange rates, and production and trade policy developments. In particular, the trade outlook will depend on the satisfactory resolution of some current trade impasses which include: quota administration in the Russian Federation; the US BSE minimal risk regulations, which will influence US-Canada cross border cattle trade; the US trade action which ruled again the imposition of anti-dumping duties against Canadian hogs; and the regulatory framework for resuming beef trade between the United States and Japan. In

addition, poultry trade will be influenced by the WTO ruling on EU duties for salted chicken imports which were raised from 15.4 percent to 75 percent in 2003.

Higher meat production forecast, following high prices and easing food safety concerns

Supported by strong meat prices and weak feed prices, which are more than 20 percent lower than levels in early 2004, global meat production is estimated to rise by 2.8 percent in 2005 to 264.7 million tonnes. While meat supplies are projected to grow in both developed and developing countries, nearly 80 percent of the 7 200 tonne increase in production in 2005 is expected to be realized in developing countries, mainly concentrated in Asia, which accounts for more than 40 percent of global meat production. The developing countries' share of global meat output is expected to increase, reaching 58 percent, up from 43 in the early 1990s.

Bovine meat is expected to witness the strongest output gains in 2005, up 3.1 percent to 63.5 million tonnes. This increase after stagnant growth in 2004, is expected despite record low cattle inventories for developed countries. While cattle numbers remain constrained in North America and Australia, strong prices are expected to prompt a slight recovery in their beef slaughter and output, while output in the EU is expected to decline due to CAP reform that has lowered payments to producers. This, however, could be partially compensated by the EU's proposed phasing out of the Over Thirty Month Scheme (OTMS)5/ in the United Kingdom which could expand overall production by more than 185 000 tonnes.

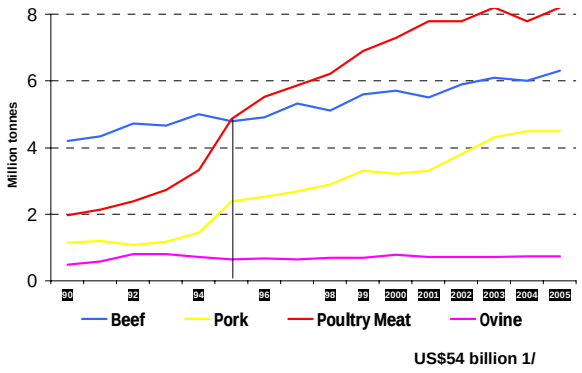
WORLD MEAT STATISTICS

	2002	2003	2004 estim.	2005 prelim.
	..... million tons - cwe			
WORLD MEAT PRODUCTION	**247.4**	**253.3**	**257.6**	**264.7**
Poultry meat	74.4	76.2	77.8	80.0
Pig meat	95.3	98.5	100.8	103.4
Bovine meat	60.9	61.5	61.5	63.5
Sheep meat and goat meat	11.8	12.2	12.4	12.8
Other meat	5.0	5.0	5.1	5.1
WORLD MEAT EXPORT 1/	**18.5**	**19.5**	**19.3**	**20.1**
Poultry meat	7.8	8.2	7.8	8.2
Pig meat	3.8	4.2	4.5	4.5
Bovine meat	5.9	6.1	6.0	6.3
Sheep meat and goat meat	0.7	0.7	0.7	0.8
Other meat	0.2	0.2	0.2	0.2
	..... kg - head			
WORLD MEAT P/C CONSUMPTION	**39.9**	**40.3**	**40.5**	**41.7**
Poultry meat	11.9	12.2	12.2	12.6
Pig meat	15.4	15.7	15.9	16.3
Bovine meat	9.8	9.8	9.7	10.0
Sheep meat and goat meat	1.9	1.9	2.0	2.0
Other meat	0.8	0.8	0.8	0.8

1/ Includes meat (fresh, chilled, frozen prepared and canned) in carcass weight equivalent; excludes live animals, offals and EC(15) intra-trade.

Poultry production is also expected to increase significantly in 2005, but Avian Influenza still persists in Asia. Global poultry production in 2005 is expected up 2.8 percent. Poultry meat consumption in Asia, which registered an unprecedented drop in 2004 to 27.2 million tons, is expected to recover in 2005, pushing up regional per capita intake to 2003's pre-Avian Influenza level of 7.4 kg per caput. However, persistent outbreaks of N5N1 Avian Influenza, which spreads more rapidly in cooler weather, continues to be problematic in several of the 8 Asian countries that have officially reported outbreaks to the World Organization for Animal Health (OIE) since late 2003. Over 140 million birds in the region, (or an estimated 20-25 percent of inventories in Viet Nam and Thailand), have died or been culled since early 2004, resulting in a decline of 3 percent in Asian production. Meanwhile, human health issues continue to cause global concern as the virus has killed at least 47 people since first erupting in Asia at the end of 2003.

Meat trade to resume growth in 2005



Pigmeat output is forecast to increase 2.6 percent to 103.4 million tonnes. The global market will be supported by a robust Asian economic outlook prompting 3-4 percent output increases in China, Japan, the Philippines and Viet Nam. In developed countries, the output is expected to remain stable with an increase in North America offset by lower European production. Meanwhile, global sheep meat production is likely to increase also by 3.3 percent, supported by strong gains in developing countries that account for nearly three-quarters of global supplies.

After two years of limited growth, per caput meat consumption may reach 41.7 kg per caput in 2005 supported by relatively strong economic growth and recovering consumer confidence, particularly in developing countries. However, there is considerable uncertainty related to Asian meat consumption prospects due to Japan's confirmation of its first case of the human variant of mad cow disease (variant Creutzfeldt-Jakob disease - the human manifestation of Bovine Spongiform Encephalopathy).

Trade to recover after the first decline in 25 years in 2004

Prospects for a recovery in meat consumption, combined with increased market access as some countries gradually reopen borders to both North American beef and some Asian heat treated products, are expected to support global meat trade in 2005. Meat trade is forecast to grow by 4 percent to 20.1 million tonnes after a decline

of 1 percent in 2004. In general, the pervasive market impact of animal diseases will continue to accelerate the shift in exporter market shares toward South American products. In particular, the continuing market suspension of beef products from the United States and Canada (due to BSE) and of poultry products from AI-affected Asian countries will support continued market diversion.

The global market share for South American meat exports in 2004, after expanding to 29 percent (37 percent for beef and 35 percent for poultry), is expected to rise an additional percentage point. Brazil, accounting for 24 percent of global meat exports in 2004, will likely maintain its position as the largest meat exporter, taking the lead in the beef sector and competing with the United States as the largest poultry exporter.

Despite tight supplies in developed countries and expectations of a continued Japanese ban on imported **beef** from the United States and Canada, exports in 2005 are projected up 5 percent to 6.3 million tonnes. Stronger demand is expected from the EU, Mexico, the Republic of Korea and the United States. The United States is the world's largest and fastest growing beef importer, accounting for almost half of the more than 1.3 million tonnes increase in imports since the mid-1990s. While they account for a quarter of global imports in 2004 and 2005, they are traditionally also the second largest exporter, though their exports in 2005 will stay at near record lows in the absence of an agreement with Japan on the provision of cattle birth records for beef exported from the United States.

The continued absence of competition from the United States in key beef markets in 2005 will likely strengthen exports from Australia, South America and smaller exporters such as India, Nicaragua, Mexico and Chile. Meanwhile, high beef prices in the EU, combined with a strong currency and restricted quotas into the Russian Federation, their major market, will not only preclude any recovery in their exports but expand their position as a net importer.

After falling by 4 percent in 2004, overall **poultry** trade is expected to increase by 5 percent in 2005, to 8.2 million tonnes, as the dominant exporting countries, such as the United States and Brazil, strengthen production and exports in response to robust domestic demand and relatively high international prices. In addition, non-traditional exporters, such as Chile, Malaysia and the Philippines will continue to ship poultry to high priced Asian markets, such as Japan, the Republic of Korea and Singapore, which are refusing fresh/chilled product from the their major suppliers, Thailand and China.

Importer bans will likely constrain the Asian region's exports to less than 1 million tonnes, slightly above exports in 2004, but still nearly 50 percent below the 1.8 million tonnes shipped in 2002. Meanwhile, Asian imports, after dropping by an estimated 17 percent in 2004, are expected to recover to 3.3 million tonnes, which is less than the pre-AI outbreak level in 2003. Additional global import demand is also expected from the Central America and Caribbean region, where Mexico is positioned as the fourth largest poultry importer, and enhanced market access into Cuba.

As demand recovers for beef and poultry meat, the relatively strong trade gains witnessed by the **pigmeat** sector in 2004 are expected to erode. Global pigmeat trade is expected to remain virtually unchanged, rising by less than 1 percent in 2005 to reach 4.5 million tonnes. Indications that the Japanese safeguard for pigmeat will not be triggered will support the market; however, overall Asian import demand, after rising 13 percent in 2004, is expected to fall in response to stronger regional production prospects. While modest growth is expected for North American exports, shipments by others will likely be constrained by low quotas in the Russian Federation and rising prices.

Trade in **sheep** meat products is expected to reach 750 000 tonnes, up 4 percent, as robust demand in North America and Asia is matched by increased supplies in Oceania as a result of higher lamb numbers and increased carcass weights. Imports into the United States, however, may be limited by a weaker US dollar and a slight recovery in flock numbers.

The Medium Term Outlook for the Global Meat Sector[3]

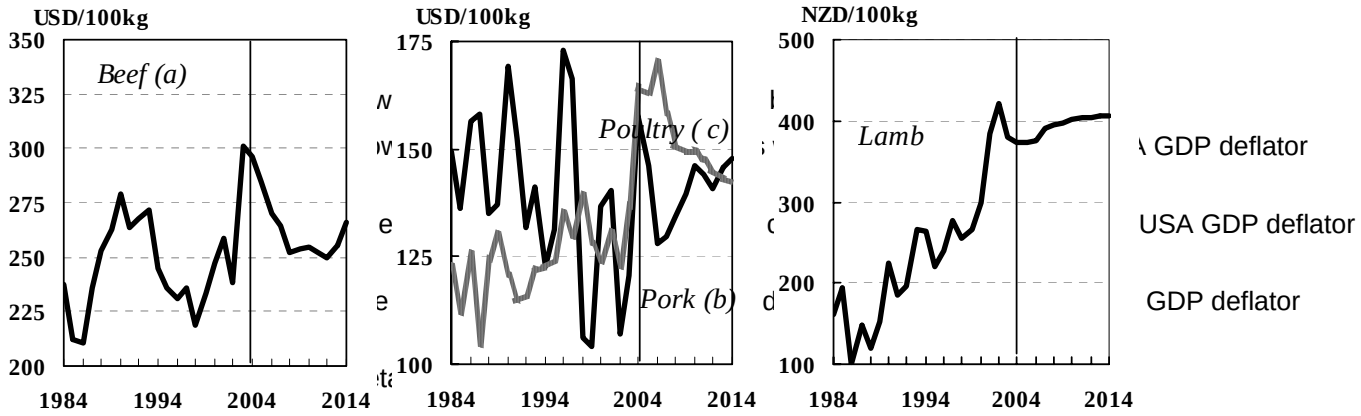
Meat demand in developing countries will continue to be driven over the medium term by income and population growth, strengthened by demographic trends including urbanisation, changing dietary preferences, and eating habits. A base scenario of continued strong economic growth in developing countries will maintain this steady shift towards higher protein content in national diets, and thus, a higher level of meat consumption. Therefore, driven by this trend in developing countries, the Outlook projects further, but moderating, growth in world meat consumption, production and trade over the period to 2014, resulting in a generally buoyant meat market.

[3] Outlook as presented in the recently released OECD/FAO Agricultural Outlook, 2005-2014.

The main assumptions conditioning these meat projections include the easing by 2006 of the various Asian trade bans imposed on North American beef, a continuation of the Russian Tariff Rate Quota's (TRQ's) for meat until the year 2010, and a continued weak US dollar exchange rate against other major currencies that will keep US meat export prices competitive. Other assumptions supporting the meat outlook are a relatively stable macroeconomic environment, an unchanging policy setting, average weather conditions that result in improved pasture and relatively low feed prices. Finally, higher oil and energy prices have not specifically been taken into account in the projections.

Despite many national regulatory reforms initiated in response to recent animal health crises, the baseline projections assume no increase in relative costs of production. Some of these standards include regulations on animal transport, implementation and administration of national traceability and labelling systems, BSE-related technologies introduced to eliminate specified risk materials, and complicated and expensive feed safety regulations. While short-term market disruptions have affected meat prices, the underlying livestock cycles that reflect past investment decisions are assumed to persist.

Graph : Cyclical movements in nominal world prices for meat



Animal diseases rock global meat markets

The pervasive effects of animal diseases are increasingly affecting global meat supplies and prices. Since late 2003, BSE concerns have restricted North American beef exports and outbreaks of AI have blocked trade from the 10 Asian-afflicted countries, as well as from the United States and Canada. While constrained export supplies in 2004 put upward pressure on meat prices, the long-term ability of some of these countries to access key meat markets remains uncertain. This effect is likely to linger through the initial part of the projection period.

As a result of the the discovery, 18-24 month ago, of one-BSE-infected cow in both the United States and Canada, the major high value Asian beef markets has remain closed to Canadian and US exports. The resumption of Canadian and US beef exports to these markets hinges on progress being made on a scientific-based system of documentation, to show that exported beef comes from animals less than 21 months of age. The projections assume that North American shipments to Asian markets will resume in 2006. Nevertheless, despite a relatively weak US dollar exchange rate, high domestic US prices and inroads made by competitors, such as Australia, would preclude an immediate recovery in trade and market share. Despite preferences in many Asian markets for grain-fed beef, North American exports are only expected to reach pre-BSE levels by 2008. Canada should regain access to its major beef export market, the United States, in 2005. This is a direct benefit from a new rule allowing Canada to export cattle under thirty months of age to the United States. However, implementation of the rule has been recently delayed by a US federal court ruling.

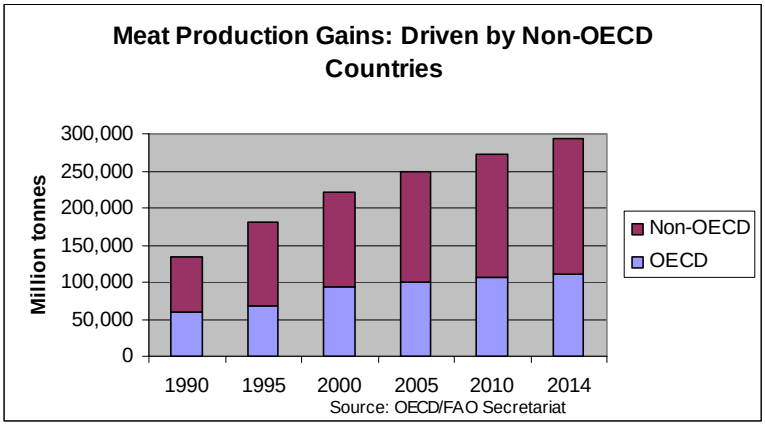
In poultry markets, the endemic nature of AI in Asia will likely preclude a quick recovery in Asian exports, prompting a composition shift in global trading patterns to more heat-treated product. However, a recovery in poultry consumption in 2005 will stimulate a return to a faster growing demand for poultry meat imports, particularly in the short term context of tight global beef supplies. Price competition from poultry will put additional pressure on the pigmeat sector which benefited over the 2003-2005 period from strong export demand and a relatively disease free status.

It is clear that animal disease outbreaks, as well as food safety and exchange rate issues will continue to drive trade diversion in global meat industries. It is expected that in this context South American shares of global meat markets will further grow in the short and medium term, supporting the net meat trade position of developing countries. Long-term export prospects for individual exporting countries and their corresponding market share, however, will depend on how the persistent market penetration by disease free supplies over the short term translates into long-term trading relationships and changing consumer preferences.

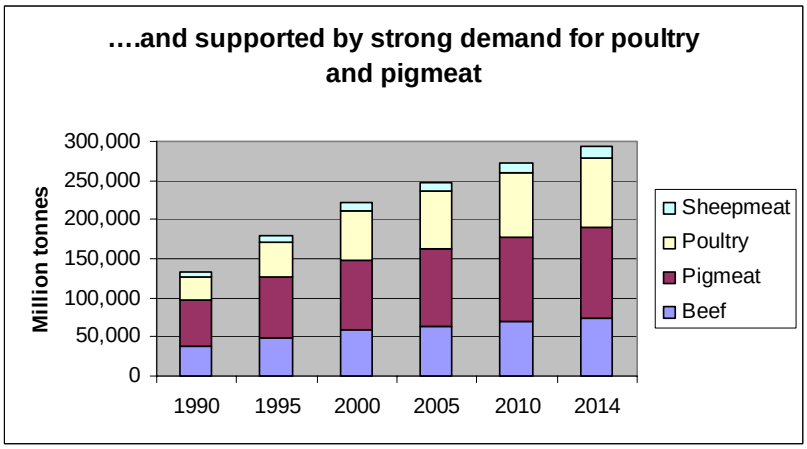
Meat output grows mostly in developing countries

As the dietary shifts from grains to meat loose some of their initial momentum in many developing countries and growth in OECD meat consumption slows, growth in global meat production is expected to moderate, from 3.7% to less than 2% per year. In line with historical trends, growth in global meat production and consumption will continue to be driven by rising pigmeat and poultry output in developing countries. With non-OECD countries accounting for 77 of global output gains over the projection period, their share of global output is set to expand to 62%, up from 59% in the base period. The corresponding gradual reduction in the OECD share of meat production is in direct contrast to projected growth in Brazil and China, which are expected to account for 10 and 33% of global meat output gains. In the OECD region, North America, which accounts for 15% of global meat production, is expected to contribute nearly 60% of total OECD growth in meat output.

Graph ____: Meat production gains to be driven by non-OECD countries....



Graph____:.....and supported by strong demand for poultry and pigmeat



Main market developments

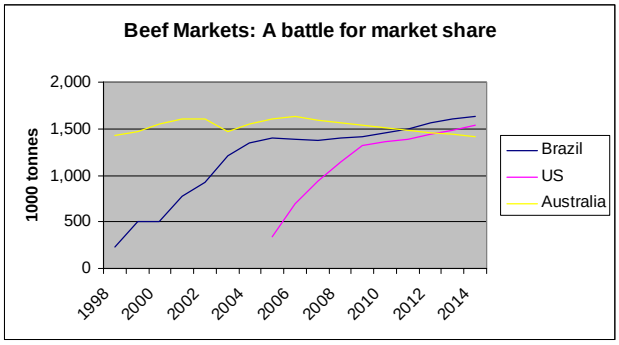
A declining OECD share in global beef production and trade

Increasing competition in global markets and the emergence of exporting countries outside the OECD has resulted in a declining (though still significant) OECD share of world bovine meat production. Investment decisions, the traditional cattle cycle and policy developments, particularly in the EU, will limit growth in OECD production of beef and veal to less than 3 % over the projection period. Despite animal disease-related market disruptions which have pushed up Pacific beef prices, US beef supply and prices will likely remain cyclical. Prices have peaked in 2004, but a gradual recovery in US output will trigger a downward trend in Pacific beef prices in the following years.

While global beef and veal trade is expected to recover in the context of higher consumption in Japan and Korea, two factors are expected to influence the net export position of the OECD region. First, a growing net import position is likely to develop in the EU as structural changes in dairy cattle numbers and policy driven production

declines lead to higher beef imports[4] and lower exports; and second, the recovery in beef export shares by the United States and Canada are hampered due to BSE-concerns. In the short term, and against a background of high North American beef prices, exports from Australia and New Zealand should benefit from the sluggish recovery in beef exports by the United States and Canada. A short-term slow down in Japanese beef imports could result from the imposition of safeguard measures on beef in Japan, which, if imposed, would raise tariffs from 38% to 50%. Support for US exports of high quality beef will originate from Mexico, in the context of a strong economic outlook and a growing population.

Developing countries, supported by expected large exports from South America, will retain, and possibly even further increase, their net export position in global markets over the projection period. Favourable beef prices, the OIE (World Organisation for Animal Health) recognition in January 2005 of Argentina as FMD-free without vaccination, and continued industry investment in Brazil, will maintain the competitive position of South American beef exporters in world markets and lead, over the years to 2014, to considerable competition in global beef markets. Meanwhile, strong regional import demand in Asian markets, particularly in Chinese Taipei, Korea, Indonesia, Malaysia and the Philippines will also support growth in India's exports of buffalo meat. Growing demand for Indian product is also expected from Saudi Arabia, Egypt and other North African countries.



The pigmeat sector to face strong competition

Benefiting from reduced export supplies of beef and poultry early on in the projection period, pork consumption profited from the substitution effect that BSE and AI initially triggered on Asian countries. Pork prices in 2004 were supported by strong demand from the Pacific market. This triggered an increase in pork production in 2005-2006, followed by a cyclical decline in pork prices. Strong competition from beef and poultry will likely preclude major consumption and trade gains over the projection period. Trade growth will come from income fuelled-demand from Mexico, and to a lesser extent Asian markets. Despite increased competition in pigmeat markets, this will help to keep the projected Pacific pork prices about USD 20/100 kg cwe on average above the 1999-2003 average of USD 122/100 kg cwe. Environmental constraints in Japan will prevent a dramatic recovery in the local industry, so imports will continue to play an important role in the domestic market.

The OECD region will maintain its position as a significant net exporter of pork. Aided by a weak US dollar throughout the projection period, the United States will increase its net exports of pigmeat by 2014. However, the imposition of anti-dumping duties by the United States on Canadian hogs may influence this outlook. A slowdown in the long term increase in the Canadian hog industry is expected, with the growth of Canadian pork exports set to decrease. This is due to a relative decline in hog slaughter margins in the US when compared to those in Canada, reflecting a relatively stronger increase in wages in the former country. In the EU 25, low costs of production as a result of growing industry concentration and cross-border investment in accession countries will allow the Union to increase its exports and maintain its position as the largest exporting region. This outlook is supported by expected strong pork prices, reduced feed costs as well as the allocation of half (236 kt) of the announced Russian TRQ on pigmeat to the EU.

With the exception of Brazil and China, most developing countries are net pigmeat importers. Despite lower tariffs in China resulting from WTO accession and importer concerns about the reliability of animal disease surveillance, the Outlook assumes that China, the producer of 40 % of global pigmeat, will retain a net export position as a result of higher world prices. Brazil's share of global markets is expected to continue to increase, supported by steady feed prices and an expanding and competitive industry. Improvement in product quality and the signing of bilateral trade agreements[5] will support gains made by selected non-traditional developing country exporters, such as Chile and Mexico. Increased investment in the hog industry in Vietnam, strengthened by higher pork prices in the wake of AI, should also underpin growing exports to Asian markets.

[4] Most of these imports are expected to originate from South America which have been able, as a result of exchange rate differentials, to enter at full duties (see Analysis of Beef Imports by the European Union, OECD Agricultural Outlook 2004-2013)

[5] The Japan-Mexico trade agreement, which went into effect January 2005, allows Mexico to export 80,000 tonnes of pork to Japan per year. In anticipation of an agreement with Japan, supported by recent plant approvals, Chilean pigmeat exporters have increased their shipments to this market as well.

Poultry markets to recover from AI-related food safety concerns

Supported by moderate feed prices and continued industry integration and concentration, global poultry production is set to expand 2.5% annually over the project period. As poultry prices decline relative to other meats, poultry is expected to become the most consumed meat in OECD countries, accounting for 37% of all meat consumed by 2014. Similarly, in developing countries, poultry will account for nearly 30% of meat consumption gains.

Traditional importing countries, such as Japan and increasing the EU, will continue to be the major markets for imported poultry and, despite concerns about tariff rate quotas and import certification issues, import gains by China, Mexico and Russia will largely contribute to the growth in trade of poultry cuts over the projection period. The majority of export supplies will originate from the United States and Brazil. In addition, despite limited export restitutions and strong competition from Brazil in its major export markets of Russia and the Middle East, the European Union is expected to maintain its shipments. In view of the endemic AI in Asia, the shift in global trading patterns to more cooked and processed poultry product, particularly from Thailand and China, should allow imports of these products to continue to grow over the projection period.

The Russian TRQ on poultry, set in response to a safeguard investigation that claims injury to domestic production development from imports, has been renegotiated; however, bilateral agreements between countries, such as that between the United States and Russia on meat trade raise uncertainty about the allocation of meat quotas. Meanwhile, in Mexico, the elimination of TRQs on leg quarters in 2007 is expected to stimulate a stronger import pace. Developing countries will become net poultry importers of growing importance as world prices decline and local industries struggle to compete against low priced imported chicken cuts. Any developments related to market access for Brazilian chicken to the Unites States would have major implications in global poultry markets, even if only frozen cuts, such as frozen wings and breasts, are destined for foodservice markets.

Key issues and uncertainties

The pervasiveness and magnitude of animal disease outbreaks has shaped the long-term outlook for global meat markets, and will likely continue to do so over the medium term. The market impacts of disease outbreaks depend in particular on the ability of disease-affected exporting countries to apply risk-based regulatory measures which effectively address the meat safety concerns of importing countries. The harmonisation of Japanese-US testing requirements for cattle remains an outstanding issue, as is the ability of developing countries, such as Thailand, to address the endemic nature of AI through regulatory measures. The increased imposition of anti-dumping measures in OECD countries, in the NAFTA region in particular, combined with trade sanctions on live animal movements (particularly in North America) have long-term implications for investments in the livestock sector.

Issues of competitiveness, partly due to exchange rate movements, industry integration and innovation and policy developments, will also shape agricultural investment decisions; and their impacts may vary across different agricultural industries over the long term. In Europe, the implementation of the CAP in accession countries may influence production decisions and affect both intra-EU trade and meat trade with third countries. In South America, increased investment in livestock production and processing, combined with growth in domestic demand, will support long-term production prospects, product diversification, and export growth.

Increased imports from Latin America, especially of beef and poultry meat, are posing a challenge to EU meat producers. The negotiations for the creation of the largest free trade area in the world between the EU and the MERCOSUR began in 1999, and if they are successfully concluded, it should boost EU farm trade with the MERCOSUR region, especially Brazil. However, the attribution of greater quotas, particularly for meats, should also make it easier for Latin American products to access the EU market. No agreement has yet been signed, but the negotiations are expected to resume in 2005.

The timing and outcome of the ongoing WTO multilateral agricultural trade negotiations remain uncertain. While no assumptions have been made in this respect, agricultural policy reforms arising from these negotiations could have important implications for the outlook for meat trade and prices over the projection period.

Table 1: Largest Meat Exporters: Average Volume
000 mt

Poultry								
	USA	*Brazil*	*EU-15*	*China/HK*	*Thailand*	*Developed*	*Developing*	*World*
1980-1990	353	260	384	18	64	820	401	1,221
1990-2000	1,808	533	750	385	228	2,933	1,522	4,456
2000-2004	2,846	1,745	1,011	559	467	4,344	3,462	7,806
Bovine Meat	*Australia*	*USA*	*EU-15*	*NZ*	*Brazil*	*Developed*	*Developing*	*World*
1980-1990	717	217	958	315	255	1,975	1,017	2,992
1990-2000	1,059	747	958	415	253	3,791	1,217	5,008
2000-2004	1,219	908	474	481	853	3,898	1,974	5,872
Pigmeat	*EU-15*	*Cananda*	*USA*	*China M*	*Brazil*	*Developed*	*Developing*	*World*
1980-1990	462	201	73	195	8	841	301	1,142
1990-2000	830	350	318	200	66	1,842	560	2,402
2000-2004	1,031	758	686	286	413	2,867	946	3,813
Total Meat	*USA*	*Brazil*	*EU-15*	*Australia*	*Cananda*	*Developed*	*Developing*	*World*
1980-1990	691	540	1,887	897	317	4,455	1,921	6,377
1990-2000	2,921	863	2,552	1,339	679	9,335	3,465	12,800
2000-2004	4,472	3,029	2,526	2,526	1,377	11,892	6,562	18,454

Meat Exporters: Share
%

Poultry								
	USA	*Brazil*	*EU-15*	*China/HK*	*Thailand*	*Main Exp/V*	*Developed*	*Developing*
1980-1990	29	21	31	1	5	88	67	33
1990-2000	41	12	17	9	5	83	66	34
2000-2004	36	22	13	7	6	85	56	44
Bovine Meat	*Australia*	*USA*	*EU-15*	*NZ*	*Brazil*	*Main Exp/V*	*Developed*	*Developing*
1980-1990	24	7	32	11	9	82	66	34
1990-2000	21	15	19	8	5	69	76	24
2000-2004	21	15	8	8	15	67	66	34
Pigmeat	*EU-15*	*Cananda*	*USA*	*China*	*Brazil*	*Main Exp/V*	*Developed*	*Developing*
1980-1990	40	18	6	17	1	82	74	26
1990-2000	35	15	13	8	3	73	77	23
2000-2004	27	20	18	8	11	83	75	25
Total Meat	*USA*	*Brazil*	*EU-15*	*Australia*	*Cananda*	*Main Exp/V*	*Developed*	*Developing*
1980-1990	11	8	30	14	5	68	70	30
1990-2000	23	7	20	10	5	65	73	27
2000-2004	24	16	14	14	7	75	64	36

Table 2: Largest Meat Importers: Average Volume
000 mt

Poultry	Russia	China/HK	Japan	China M	EU-15	Developed	Developing	World
1980-1990		90	170	15	131	329	426	756
1990-2000	897	636	561	456	254	2121	2292	4413
2000-2004	1261	849	790	625	640	3748	3955	7703

Bovine Mea	USA	Japan	Russia	EU-15	Mexico	Developed	Developing	World
1980-1990	890	275		375	16	1622	724	2346
1990-2000	1034	769	579	399	181	3276	1441	4717
2000-2004	1357	768	562	441	370	3719	2002	5721

Pigmeat	Japan	Russia	USA	China/HK	Mexico	Developed	Developing	World
1980-1990	240		362	75	15	716	202	918
1990-2000	658	459	329	144	109	1714	564	2278
2000-2004	1020	453	476	264	298	2632	1313	3944

Total Meat	Japan	USA	EU-15	Mexico	China/HK	Developed	Developing	World
1980-1990	830	1281	952	67	228	3055	1563	4619
1990-2000	2061	1410	1020	547	849	7643	4627	12270
2000-2004	2616	1948	1560	1177	1207	10736	7664	18400

Table 2: Largest Meat Importers: Share
%

Poultry	Russia	China/HK	Japan	China	EU-15	Main Imp/V	Developed	Developing
1980-1990		11.9	22.5	2.0	17.3	53.7	43.6	56.4
1990-2000	20.3	14.4	12.7	10.3	5.8	63.6	48.1	51.9
2000-2004	16.4	11.0	10.3	8.1	8.3	54.1	48.7	51.3

Bovine Mea	USA	Japan	Russia	EU-15	Mexico	Main Imp/V	Developed	Developing
1980-1990	37.9	11.7	0.0	16.0	0.7	66.4	69.1	30.9
1990-2000	21.9	16.3	12.3	8.5	3.8	62.8	69.5	30.5
2000-2004	23.7	13.4	9.8	7.7	6.5	61.2	65.0	35.0

Pigmeat	Japan	Russia	USA	China/HK	Mexico	Main Imp/V	Developed	Developing
1980-1990	26.2	0.0	39.5	8.1	1.6	75.5	78.0	22.0
1990-2000	28.9	20.1	14.5	6.3	4.8	74.5	75.2	24.8
2000-2004	25.9	11.5	12.1	6.7	7.6	63.7	66.7	33.3

Total Meat	Japan	USA	EU-15	Mexico	China/HK	Main Imp/V	Developed	Developing
1980-1990	18.0	27.7	20.6	1.4	4.9	72.7	66.2	33.8
1990-2000	16.8	11.5	8.3	4.5	6.9	48.0	62.3	37.7
2000-2004	14.2	10.6	8.5	6.4	6.6	46.2	58.3	41.7