

Meating the Market



International Farm
Management Association
Campinas, Brazil
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FAO,
Commodity and
Trade Division



Issues of Concern to Meat Market Participants

Disease Outbreaks

Market Access

Protectionism

Policy Developments

Food Safety

Input Costs

Structural Change and Competitiveness

Liberalization

Exchange Rate Movements

Technical and Sanitary Standards

Long Term Market Prospects



An Overview of the Presentation

- Trends in the global livestock sector
- Factors Influencing the Global Meat Markets in 2004 and 2005
- Medium Term Outlook, issues/analysis
- Challenges for the Industry



World Meat Production,

a historical perspective, 1990-2005

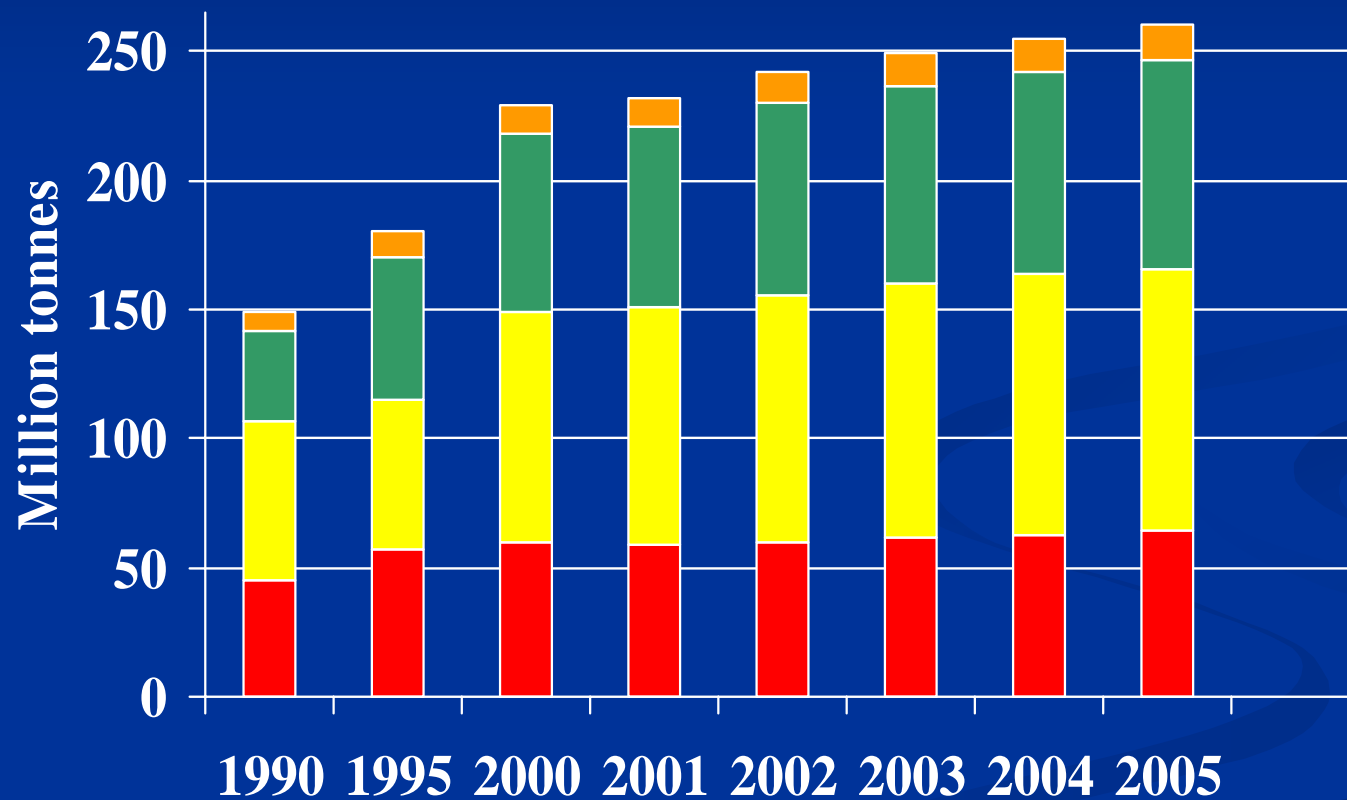
THE LIVESTOCK REVOLUTION?



World Meat Production,

a historical perspective, 1990-2005

Driven by Gains in Poultry/Pork Sectors



Beef Pigmeat Poultry Ovine

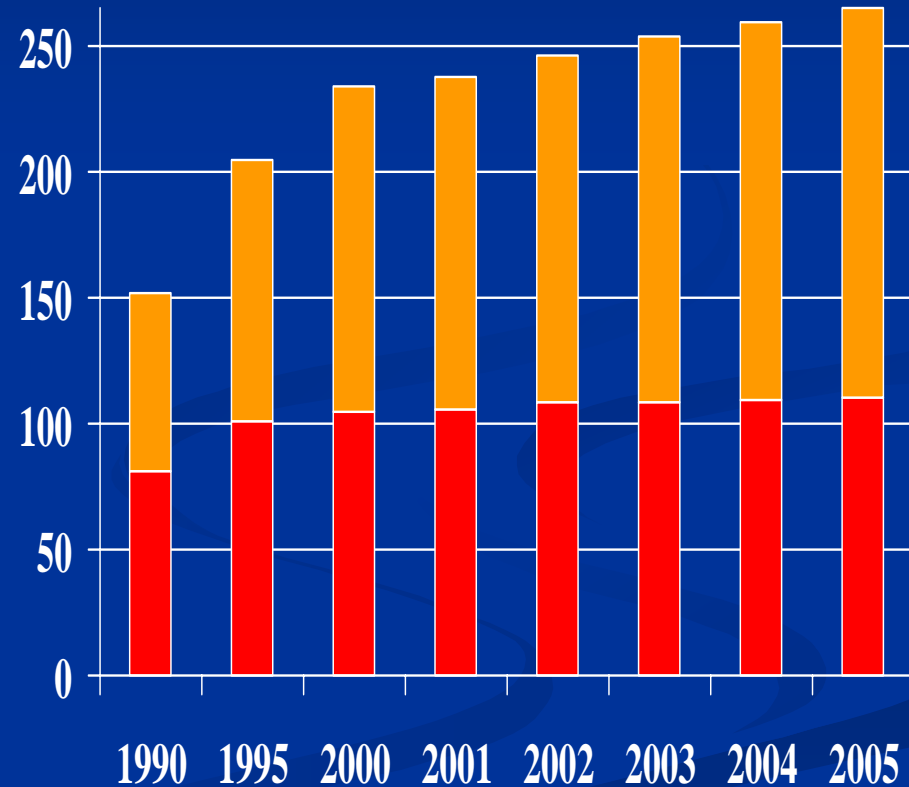
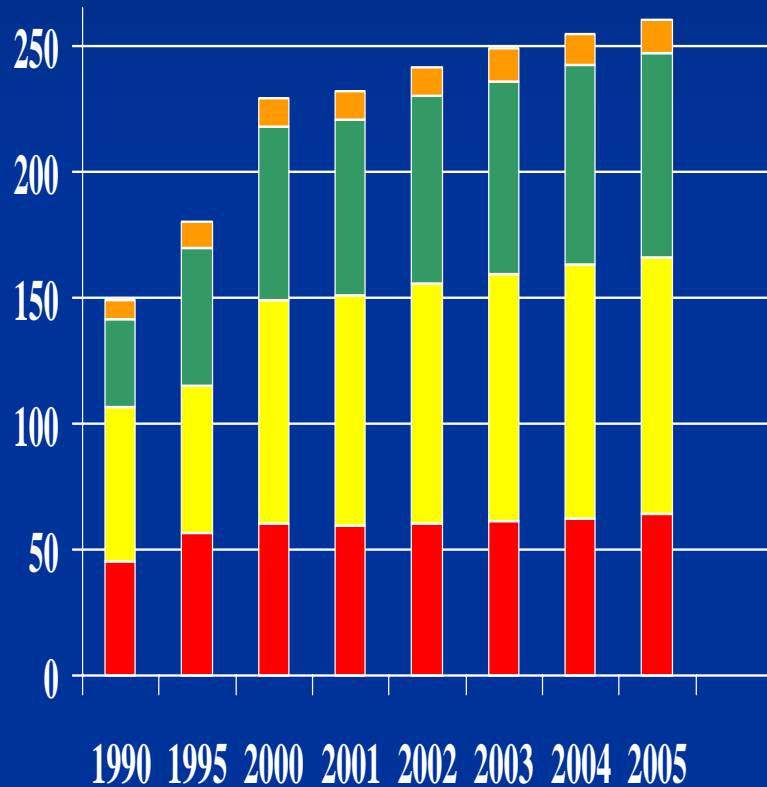


World Meat Production,

a historical perspective, 1990-2005

Driven by Gains in Poultry/Pork Sectors

Growth in Developing Countries

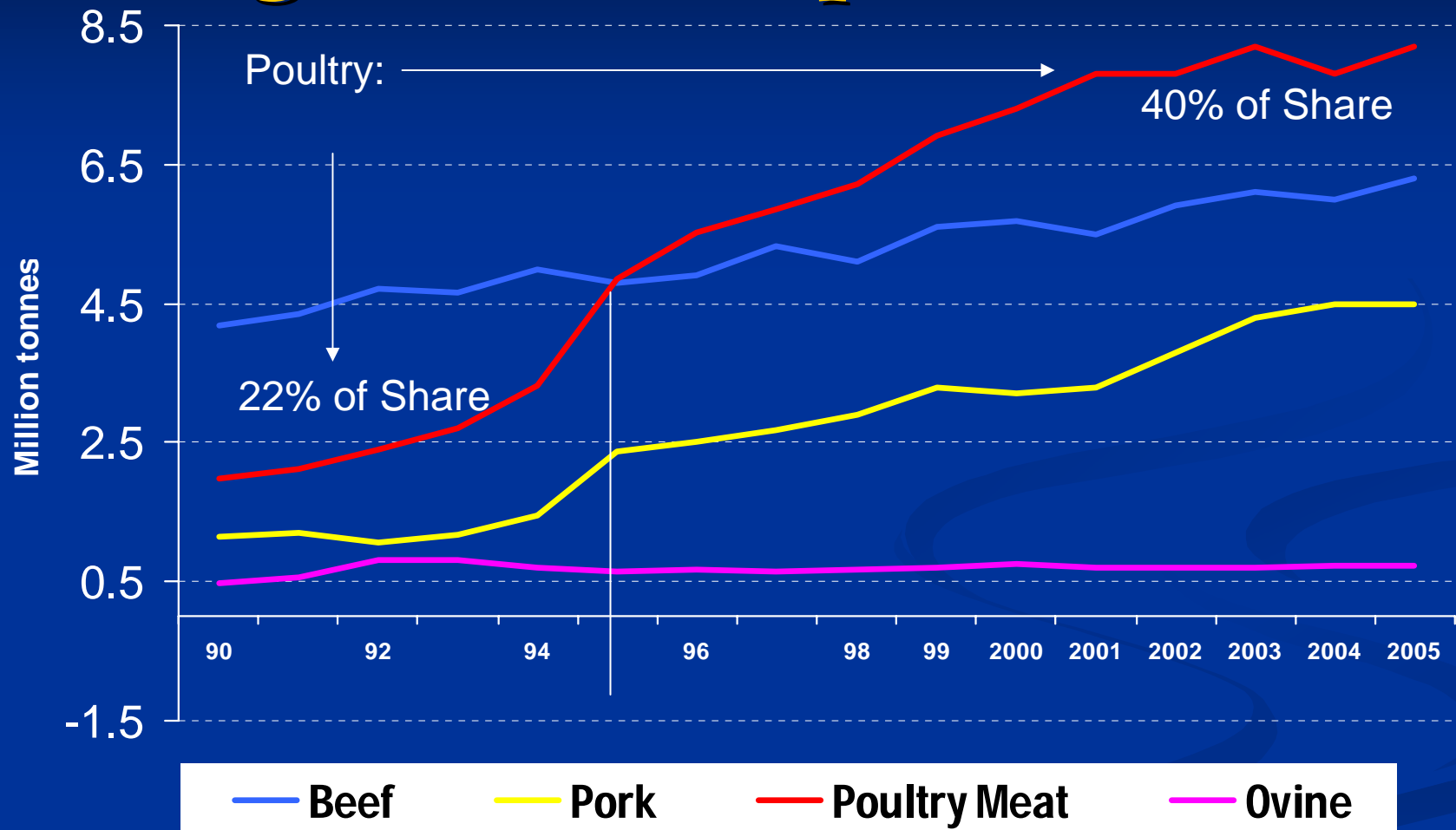


■ Beef ■ Pigmeat ■ Poultry ■ Ovine ■ Column 5

■ Developed ■ Devping



Strong consumption gains prompts trade gains.... composition shifts



Markets in 2004: The best of times, the worst of times

- Animal disease and food safety concerns
- BSE in Canada/US limit exports, AI throws markets into turmoil
- Share of exports from developed countries down 3 percent to 58% of global trade
- Global trade drops-first time since mid-1980s.
- Exchange rate/animal disease issues strengthen South American competitiveness



Poultry Markets in 2005: the Best of Times?

- Some recovery in consumption, particularly in Asia
- Increasing exportable supplies (supported by moderate grain prices in beginning of the year), leading to potential easing of meat prices,
- Trade forecast up 6 percent as stronger economic growth strengthening demand

Trade Outlook:

Meat: up 7 percent to 21 million tonnes

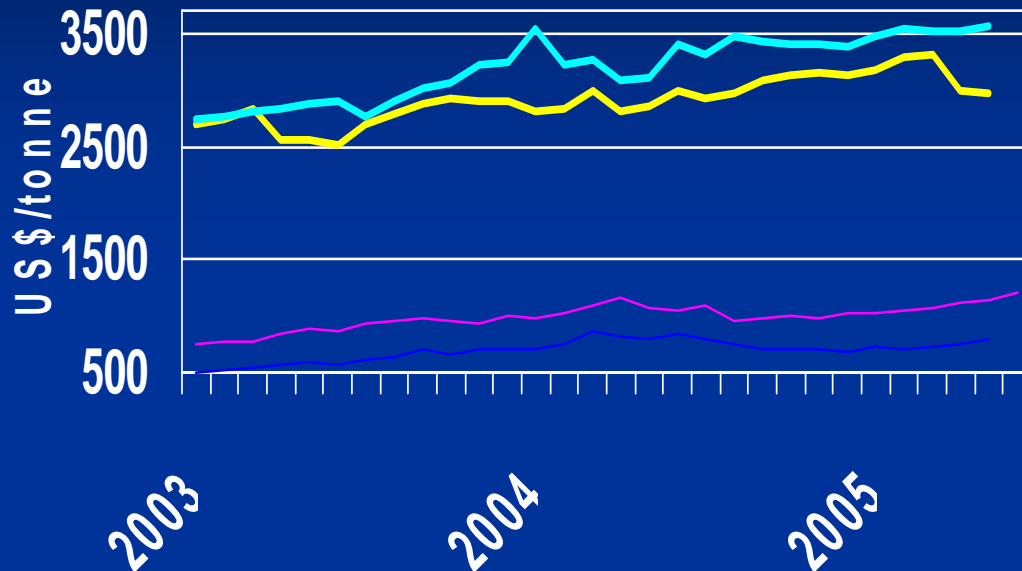
Beef: up 8 percent to 6.6 million tonnes

Poultry: up 10 percent to 8.3 million tonnes

Pigmeat: up 4 percent to 4.6 million tonnes



Meat Prices: Up or Down?



Price Movements in 2004:

Poultry up 22 percent

Beef up 14 percent

Pigmeat up 8 percent

Sheepmeat up 18 percent

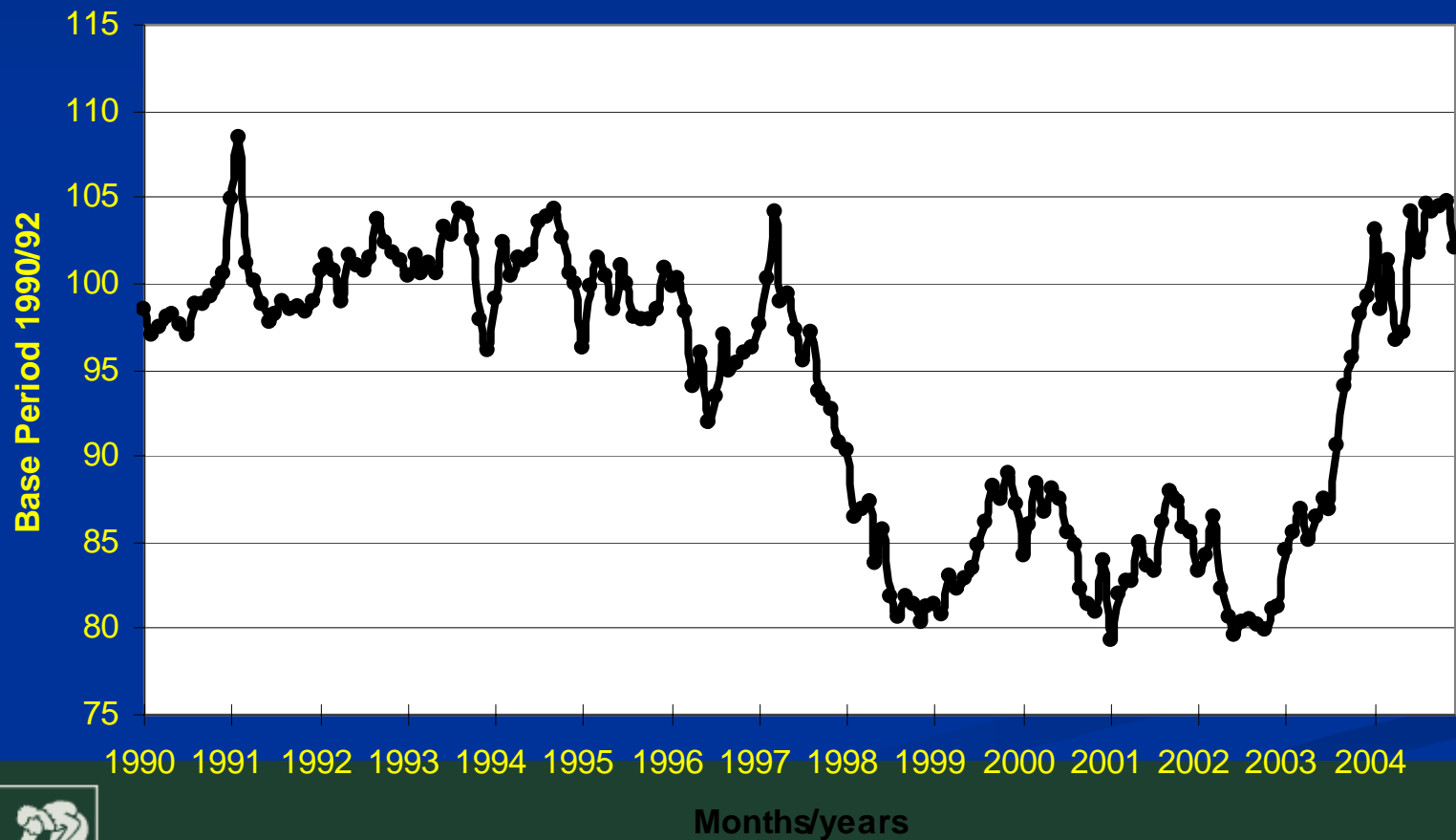
2005: High... Higher?

- Pigmeat
- Beef
- US chicken cuts export value
- Brazilian export price

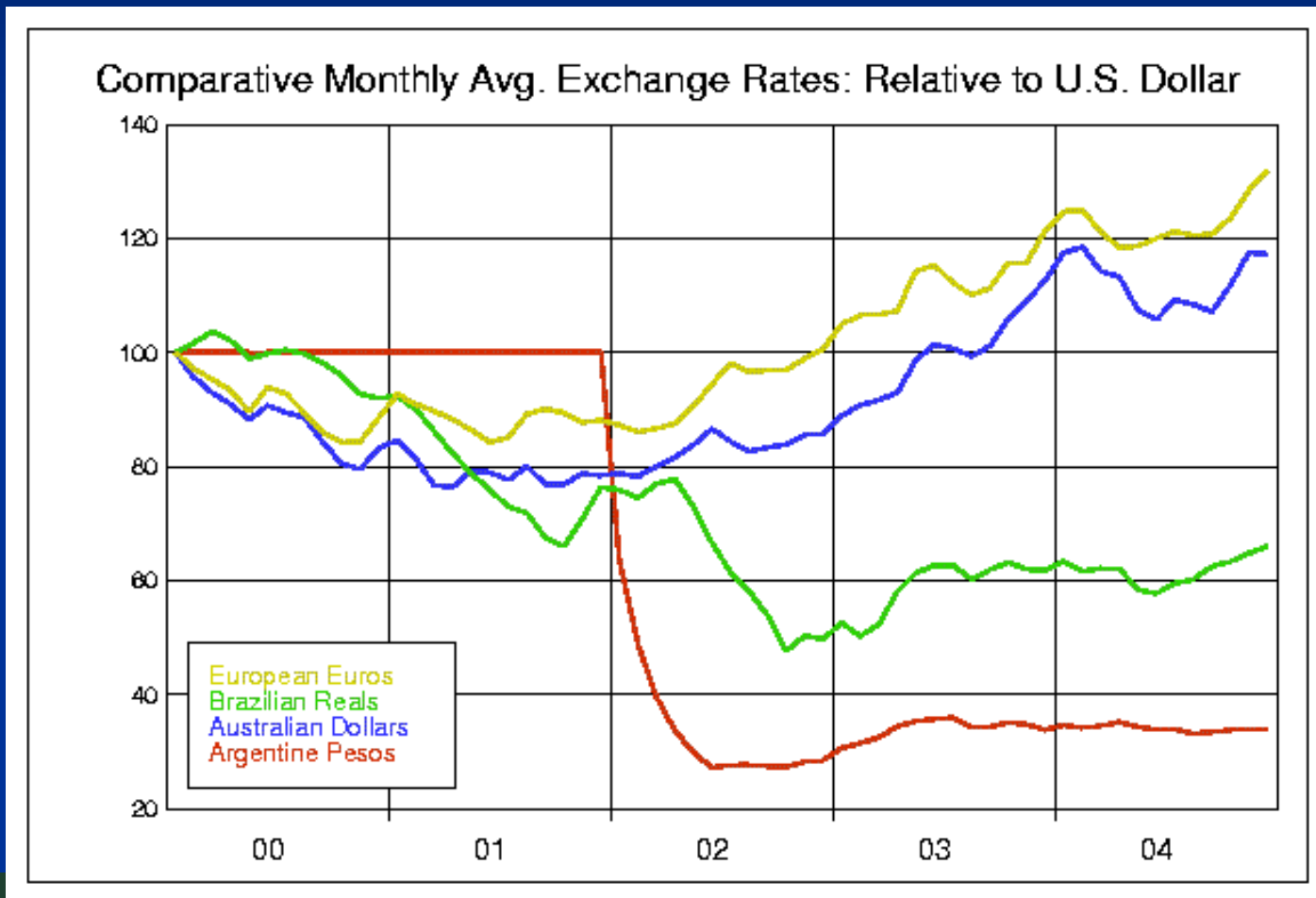


Animal disease increases price volatility

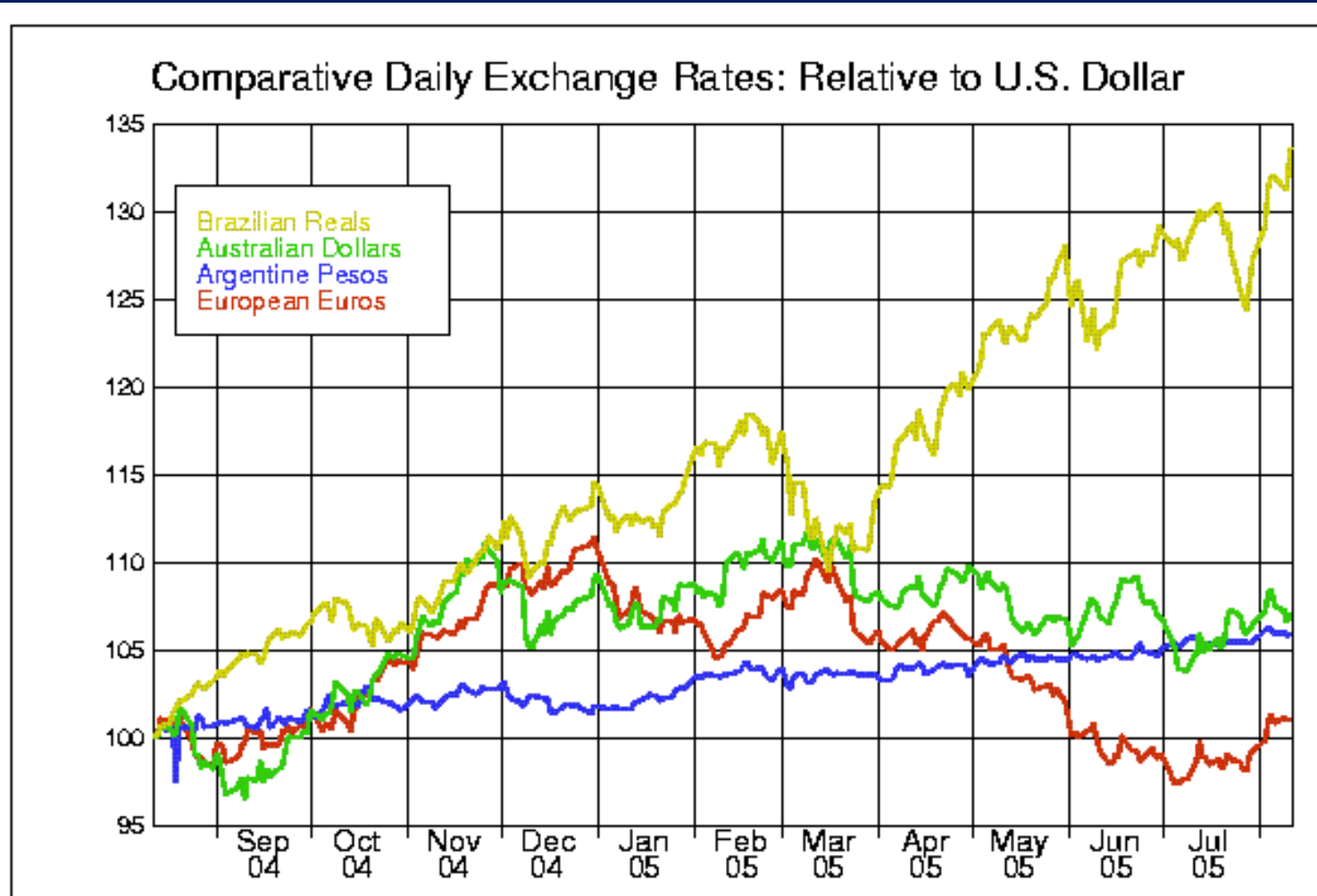
Monthly Indices of International Prices of Selected Meat Products (US \$)- Export Trade Value Weights for the World



Currency Changes Affect Meat Trading Patterns

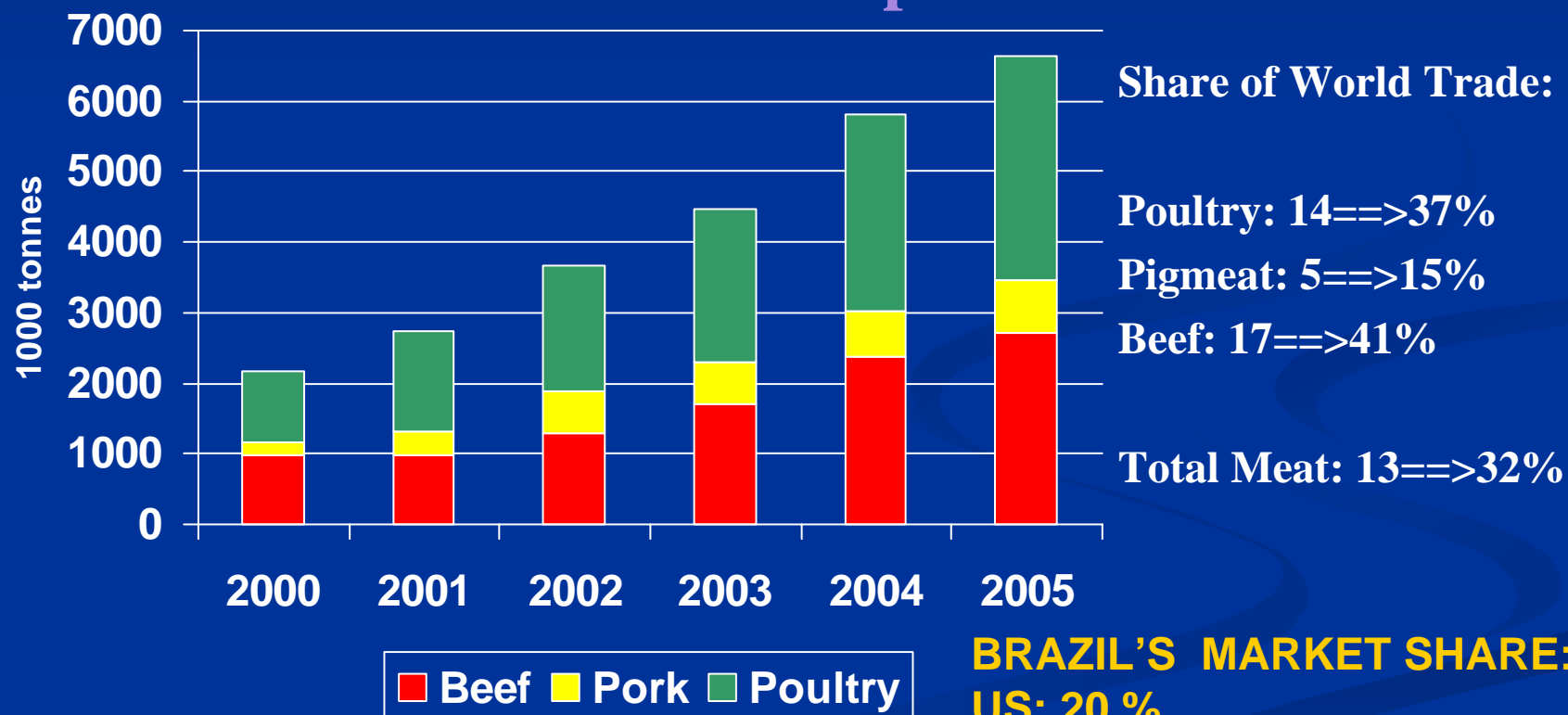


But things change, don't they?



Animal disease/exchange rates movement influence trading patterns.....

South America Meat Exports

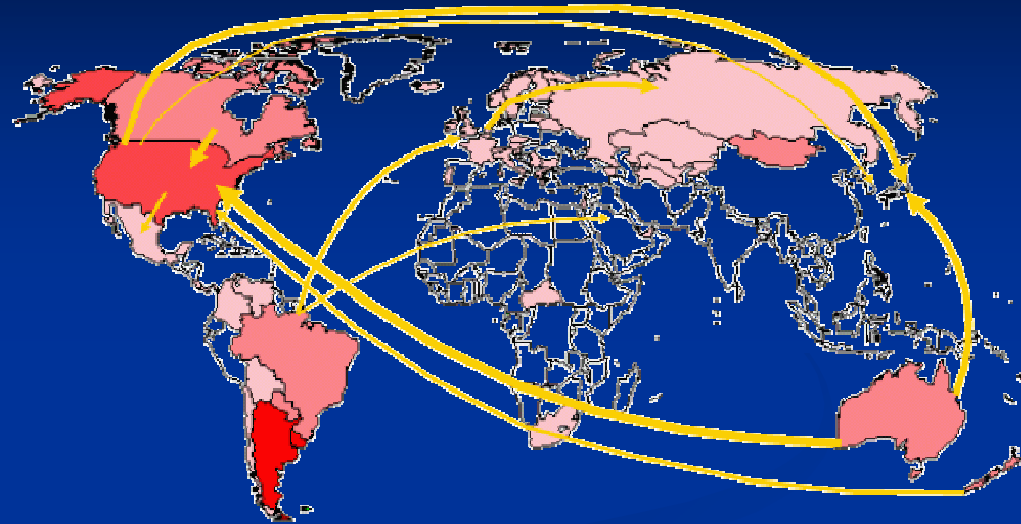


BRAZIL'S MARKET SHARE: 24%
US: 20 %
EU: 12%



Policies shaping the 2005 outlook

- *Impact of CAP Reform and Accession*
- *US BSE minimal risk regulations (Canada)*
- *Quota Administration in Russia*
- *Regulatory Framework (Japan-US)*
- *WTO ruling on higher EU tariffs on salted chicken*



Other issues:

Exchange Rate Movements

Freight Rates

(bulk freight down 70%)



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Protectionism: Some Facts of Interest—in the OECD

- Total Value of Production (at farm gate)=822 billion
- Total Support Estimates: 378 billion (PSE 279)
- Estimated Support to Livestock Sector: 102 billion
 - Beef/Veal: 34 billion
 - Sheepmeat: 4.9 billion
 - Pigmeat: 13 billion
 - Poultry: 9.4 billion
 - Milk: 39 billion

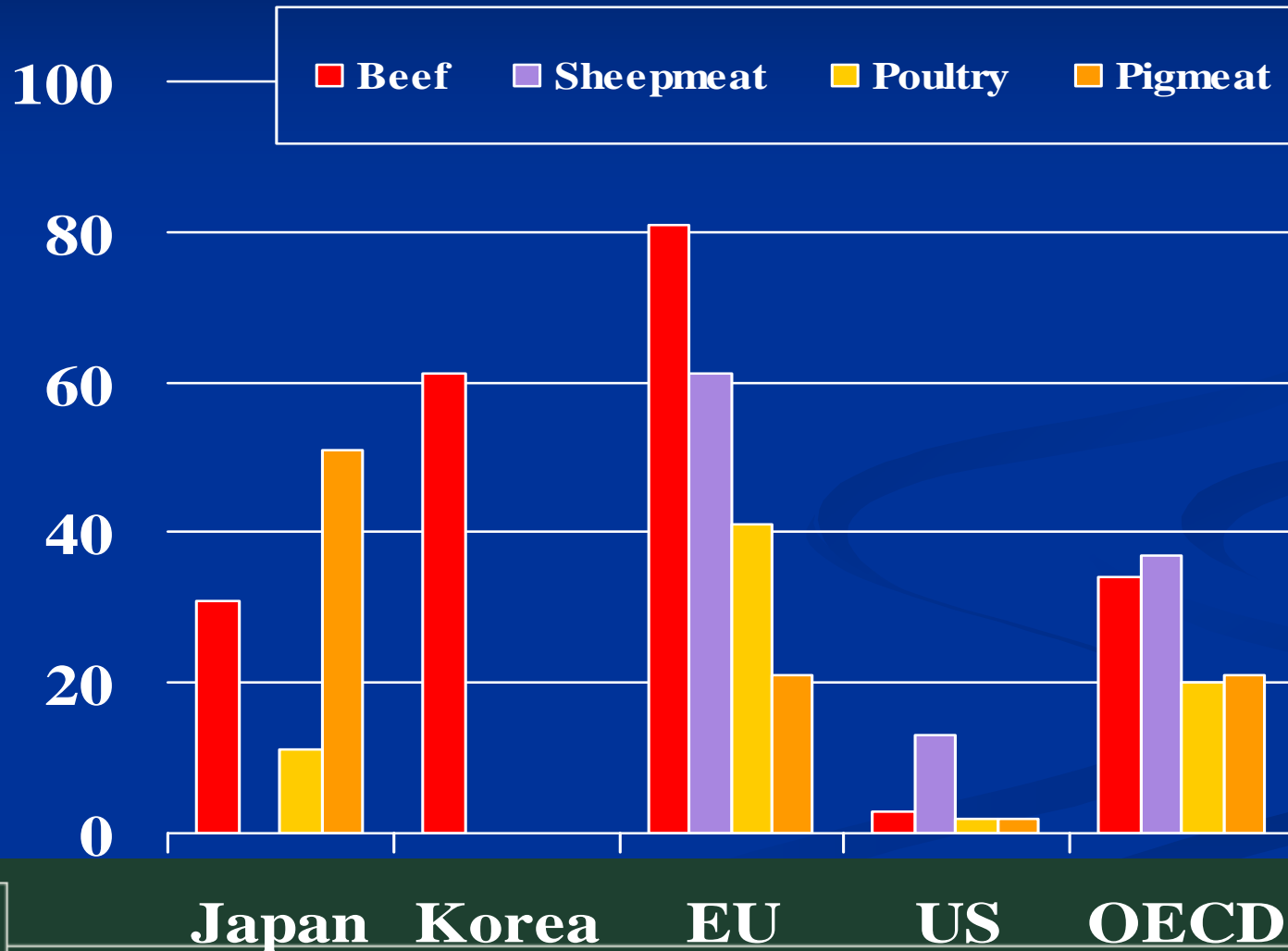


2004 estimates



Livestock Sectors: Heavily Protected

Producer Support estimates 1999-2001 (%)



Export Subsidies for Meat

Metric tonnes	Bovine Meat		Pigmeat		Poultry Meat		Sheepmeat		Aggregate	
	Initial	Final	Initial	Final	Initial	Final	Initial	Final	Initial	Final
<i>Western Europe</i>	1,231,136	892,623	556,339	452,588	444,768	294,581	22,548	19,539	2,254,791	1,659,331
<i>C/Eastern Europe</i>	130,500	106,200	129,200	105,800	225,000	186,300	5,580	4,150	490,280	402,450
<i>North America</i>	21,486	17,589	483	395	34,196	27,994	0	0	56,165	45,978
<i>Centra/S America</i>	114,875	100,209	0	0	96,566	84,226	0	0	211,441	184,435
<i>Asia</i>	0	0	0	0	0	0	0	0	0	0
<i>Oceania</i>	0	0	0	0	0	0	0	0	0	0
<i>Africa</i>	15,349	12,639	1,930	1,580	15,597	1,307	167	137	33,043	15,663
Total	1,513,346	1,129,260	687,952	560,363	816,127	594,408	28,295	23,826	3,045,720	2,307,857



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Agricultural Trade Policy Simulation Model

- Comparative static, Partial equilibrium and deterministic model
- 161 countries – EU 15 is treated as one country
- 48 policy setting countries
- Covers 36 commodities (includes tropical products)
- Policies instruments included in the model
 - market support, border measures (export subsidies, TRQs)
- Simulates changes in within-quota and out-of-quota tariffs, quota level and market support—exports subsidies and domestic subsidies



Title Scenarios Country Groups Commodity Groups Results Help

ATPSM



Title Scenarios Country Groups Commodity Groups Results Help

Scenario definition

Load a scenario definition

Save this scenario definition

Name: Meat Liberalisation

Description: Total liberalisation for meat products

Coverage		Parameters							
Country code	Commodity code	Rate cut (%)				Import quota change (%)	Swiss coefficient	Applied or bound rate	C
		Out-of-quota tariff	Within-quota tariff	Export subsidy	Domestic support				
[*] All Countries	[*ME] Meat	100		100	100			Applied	0
								Bound	10
[Bound	10
[Bound	50
								Bound	0

Insert

Preference Arrangements

Importer	Exporter	Commodity	Preference Code
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Insert

Trade Liberalization: Meat Markets

Indicators	Change in World Price	Change in Exports	Major Beneficiaries
Beef	12%		
Poultry	11%		
Pigmeat	8%		
Sheepmeat	16%		



Trade Liberalization: Meat Markets

Indicators	Change in World Price	Change in Exports	Major Beneficiaries
Beef	12%	23%	
Poultry	11%	40%	
Pigmeat	8%	17%	
Sheepmeat	16%	38%	



Trade Liberalization: Meat Markets

Indicators	Change in World Price	Change in Exports	Major Beneficiaries
Beef	12%	23%	Dvped: 2% Dvping: 74%
Poultry	11%	40%	Dvped: 35% Dvping: 52%
Pigmeat	8%	17%	Dvped: 2% Dvping: 53%
Sheepmeat	16%	38%	Dvped: 2% Dvping: 74%



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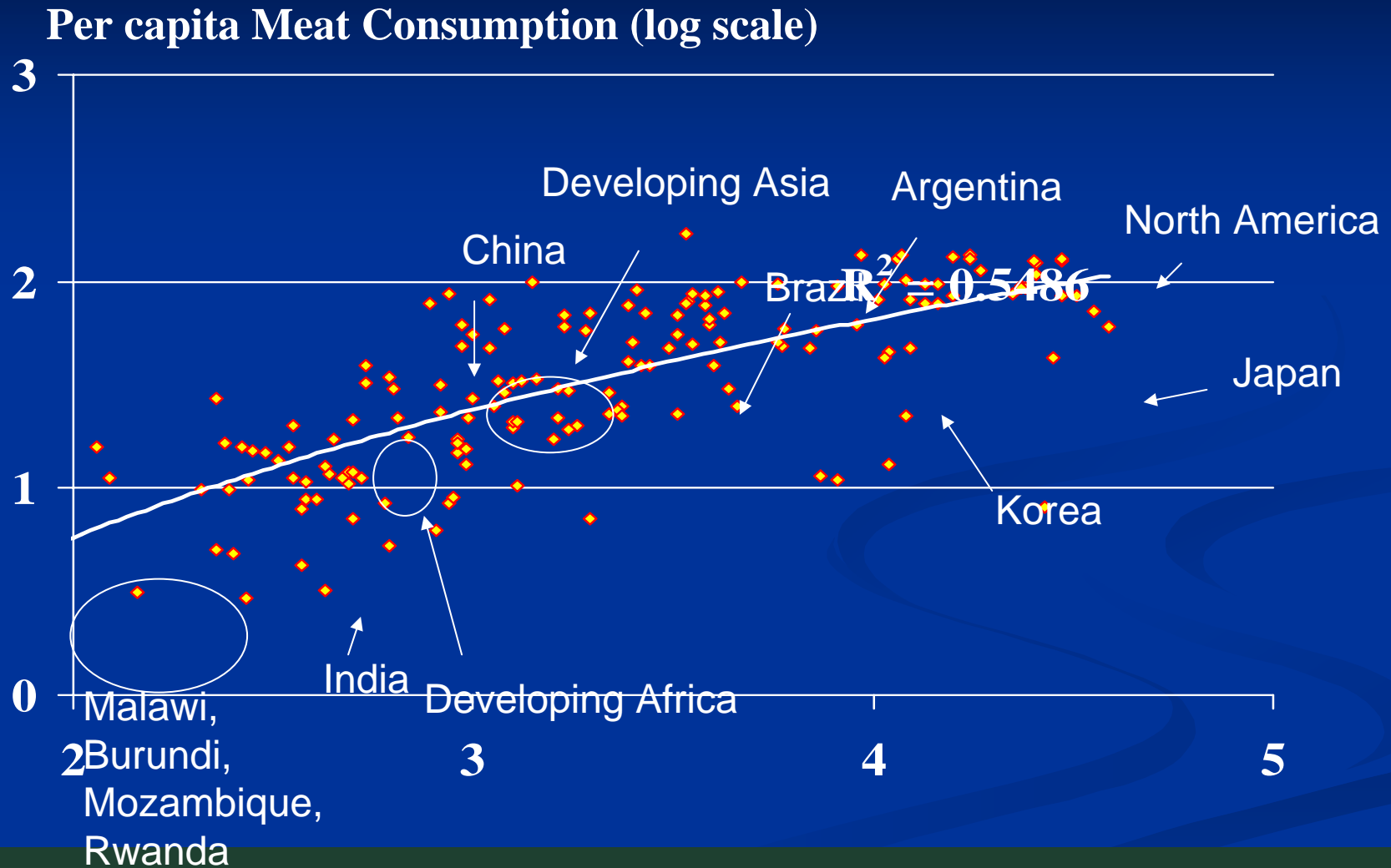
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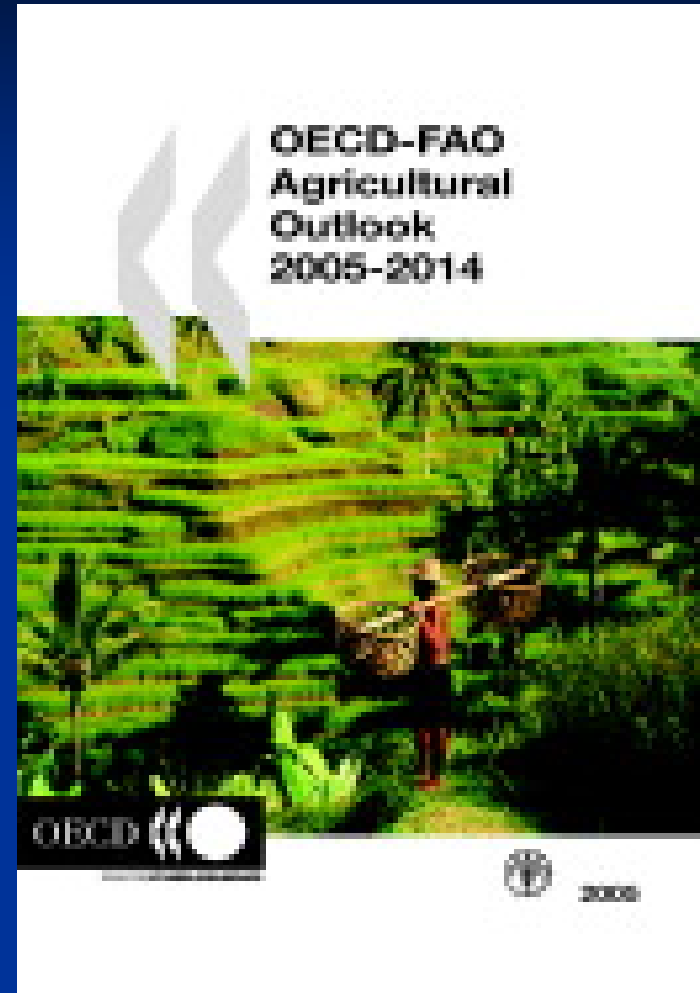
Per Capita Meat Consumption Increases with Income



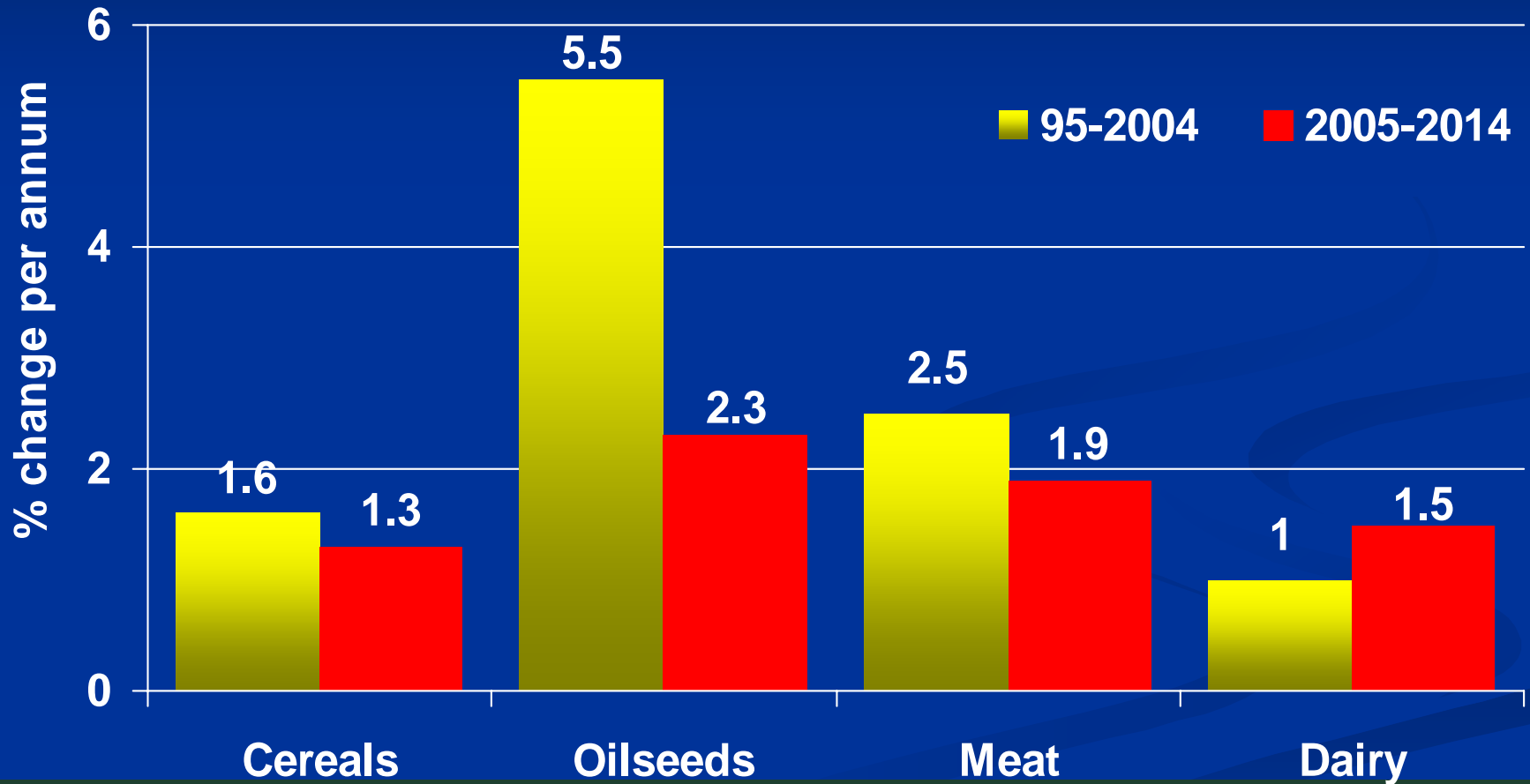
FAO's World Food Model



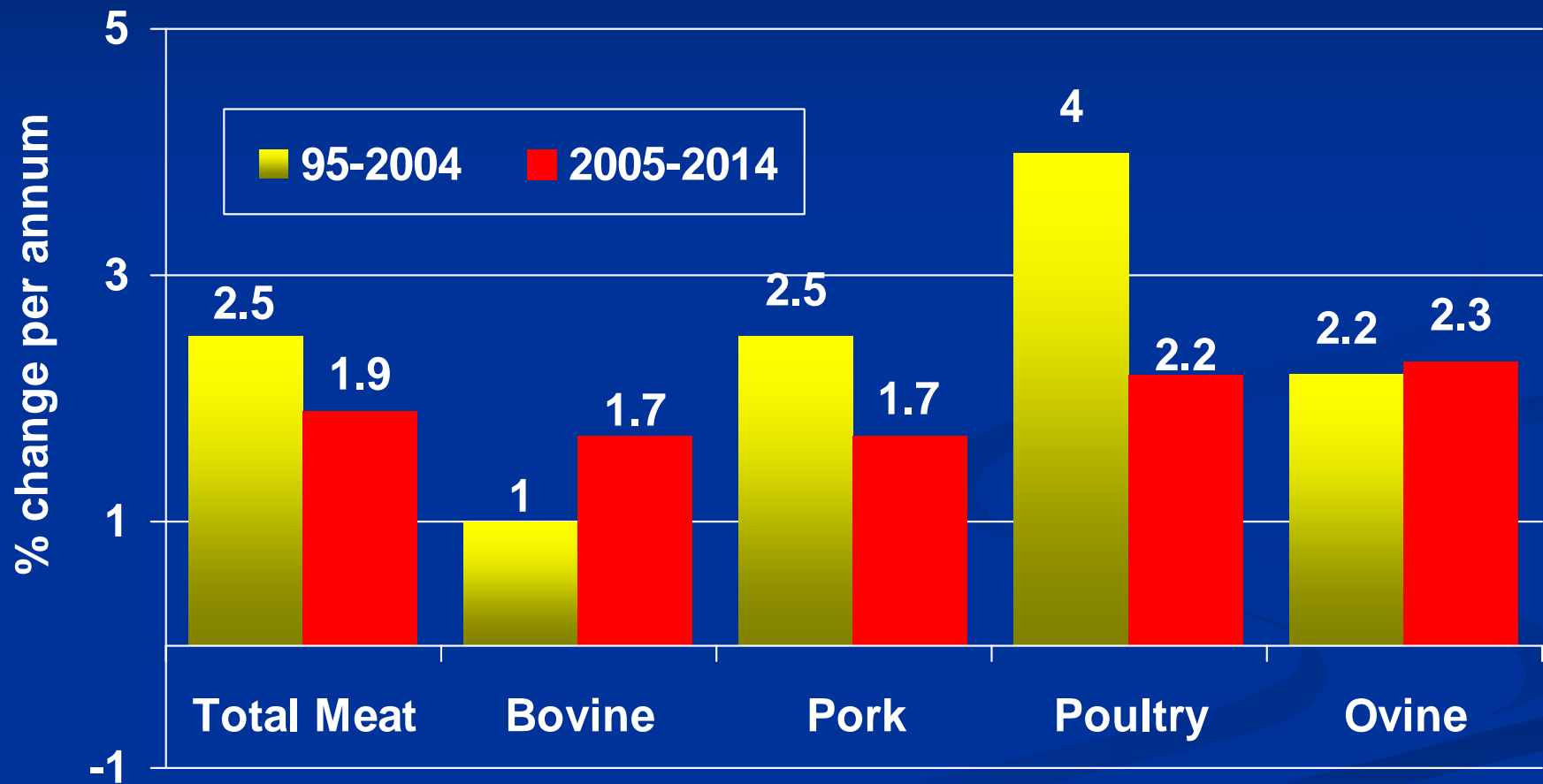
*COSIMO: FAO's
COMMODITY
SIMULATION
MODEL
plus
OECD AGLINK
MODEL*



Medium Term Outlook: Meat Demand Growth Slows



Poultry Outlook Robust but Consumption Gains Slow



Challenges for Global Meat Industry

- Animal diseases and food safety concerns
- SPS issues and barriers
- Health issue awareness (hormones, GMO's, Halal)
- Product quality and safety are passwords to success
- Growing number of exporters
- Competition globally between meats
- Traceability and labelling
- Social concerns: Environmental and animal welfare
- Exchange rates
- Development in trade liberalisation, Regional Trade



Thank You

Subscribe to the FAO Electronic Discussion Group on Meat Trade:



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