

Briefs

Livestock, Dairy, & Poultry**U.S. Red Meat & Poultry Exports May Hit Record Levels in 2003**

Total U.S. meat exports are expected to increase nearly 9 percent in 2003 from weak 2002 levels, and may reach record levels for individual meats as well as in total. Likely bolstering the 2003 increase will be a resolution of recent food safety issues and a stronger world economy. In contrast, total meat exports in 2002 will likely decline 8-9 percent from the record 2001 level as a result of the strong dollar, slow world economic growth, and, perhaps most importantly, unexpected worldwide animal disease and food safety concerns. The 2002 decline will come from drops in pork and poultry exports, with beef exports expected to remain near the 2001 level.

Disease Concerns Have Affected Trade

The expected 8-9-percent decline in U.S. meat exports in 2002 follows an 8-percent increase in 2001 that was at least partially induced by the outbreak of foot and mouth disease (FMD) in the European Union (EU) early in 2001. With EU pork and beef banned in many countries during parts of 2001, the U.S. was able to increase its share in many world pork markets, notably Japan. U.S. poultry meat also substituted for banned EU pork on the Russian market. Russia did import increased amounts of heavily subsidized EU boneless beef, however. U.S. pork and poultry exports to all destinations increased by 21 percent and 12 percent, respectively, in 2001, more than offsetting an 8-percent decline in beef. EU meat exports resumed towards the end of 2001 as FMD was brought under control. Thus, lower U.S. exports in 2002 are at least partially the result of the EU regaining some of its pork markets.

In addition to the comeback of EU meat exports, food safety concerns in 2002 are also harming U.S. exports. The discovery of 4 bovine spongiform encephalopathy (BSE)-infected cows in Japan since September 2001 has led to a sharp drop in

Japanese beef consumption and imports. U.S. beef has also suffered because of the strong U.S. dollar. BSE concerns were compounded by a rapid deterioration in Japan's economic outlook, and November-December U.S. beef exports to Japan dropped by one-third compared to a year earlier. Beef exports to Japan are not expected to return to normal levels until at least late 2003, as BSE concerns recede and Japanese economic growth resumes.

U.S. Meat Exports Up in 2003

U.S. beef exports are expected to increase 4-6 percent in 2003, after likely rising marginally in 2002, and could reach a near-record 2.4 billion pounds and a record 9.6 percent of beef production. Demand in Japan is expected to gradually return to near-normal levels over the next 12-18 months after being weak in 2002. With Korea's liquidation of beef stocks in preparation for complete market liberalization now accomplished and the Korean economy growing rapidly, U.S. beef exports to Korea should hit record levels both in 2002 and 2003.

U.S. pork exports are expected to increase 5 percent in 2003, after dropping 6 percent in 2002 as a result of static market growth in Japan and increased competition in a number of markets. The increased competition comes from Denmark—which can export pork again now that the EU is free of FMD—as well as Canada and Brazil. Canadian pork has become increasingly competitive with the U.S. in the Mexican market, particularly because of the strong U.S. dollar, but also because Canada is focusing heavily on exports. Meanwhile, Brazil has begun exporting pork to Russia. Even with this increased competition, continued economic recovery and growth in the three most important U.S. export markets—Japan, Mexico, and Canada—are expected to drive U.S. pork exports 5 percent higher in 2003, to a near-record 1.55 billion

pounds. Korea's problems with FMD continue to keep it from competing in the Japanese market.

U.S. poultry exports continue to be influenced by food safety concerns. In 2002, Ukraine banned imports of U.S. poultry products, citing the use of antibiotics in U.S. broiler production and antimicrobial rinses in U.S. processing plants. Russia followed suit, claiming that some U.S. processing plants were not meeting inspection protocols and had tested positive for salmonella. Finally, both Mexico and Japan banned the import of poultry products from selected U.S. states that had outbreaks of avian influenza.

Negotiations are currently under way to resolve the Russian health concerns, with the goal of reaching agreement on new health certificates by August 1. Without such certificates, no U.S. poultry meat will be allowed entrance into Russia after August 1. Assuming an agreement is reached with this key importer, U.S. broiler exports in 2002 are projected to total 4.8 billion pounds, down more than 13 percent from a year ago, while turkey exports are forecast at 489 million pounds, marginally above 2001. The outlook is brighter for 2003 because of the expected removal of the Russian import ban. U.S. Broiler exports should total about 5.45 billion pounds, up 13 percent over 2002. Turkey exports in 2003 are forecast to be virtually unchanged at 490 million pounds.

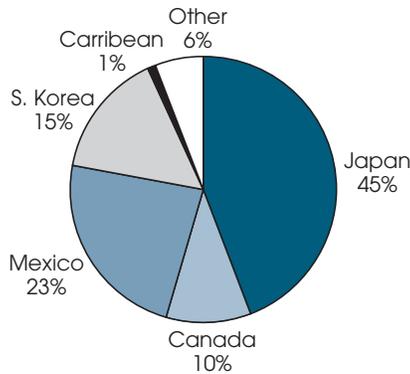
Cattle & Meat Imports Continue to Increase

U.S. live cattle imports are expected to increase and exports to decrease in both 2002 and 2003. Dryness and tighter feed grain supplies in Canada are expected to continue inducing movement of feeder cattle south to the U.S. At the same time, tight feed supplies in Canada have reduced demand for feeder cattle from the U.S. In 2003, sharply reduced U.S. supplies of beef and feeder cattle are expected to reduce cattle exports to Canada and to encourage imports of Canadian cattle.

Dry weather and financial stress among Mexican cattle producers will likely continue to encourage export of feeder cattle to the U.S. through 2003. U.S. imports of

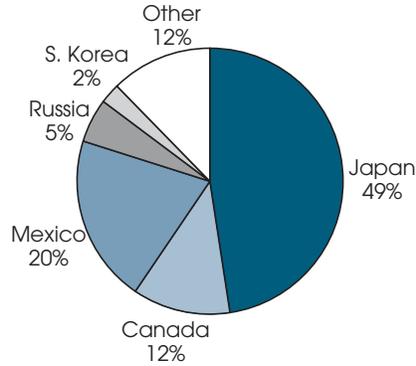
Which Countries Import the Most U.S. Meat and Poultry?

Beef: Japan, Mexico, South Korea



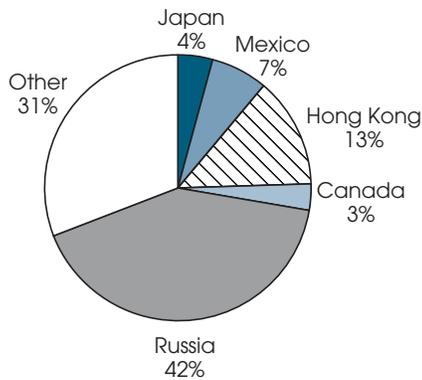
Based on U.S. exports of 2.3 billion pounds in 2001

Pork: Japan, Mexico, Canada



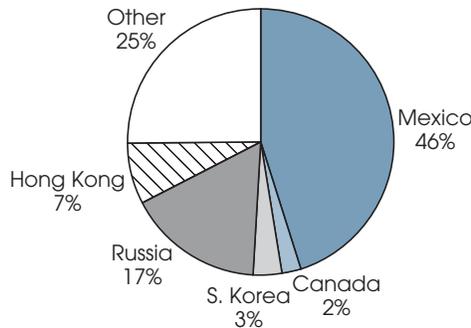
Based on U.S. exports of 1.6 billion pounds in 2001

Broiler Meat: Russia and Hong Kong



Based on U.S. exports of 5.5 billion pounds in 2001

Turkey Meat: Mexico and Russia



Based on U.S. exports of 488 million pounds in 2001

Economic Research Service, USDA

feeder cattle from Mexico have recently weakened because of improved pasture conditions in some parts of Mexico and lower feeder cattle prices in the U.S. However, imports should pick up again as feeder cattle prices turn higher in late 2002, and higher still in 2003, as the rebuilding phase of the U.S. cattle cycle begins. A possible limiting factor may be the imposition of more stringent U.S. standards on live cattle imports from regions of Mexico with a high incidence of tuberculosis as announced April 1, 2002.

U.S. hog imports should continue increasing with nearly 6 million live hogs—mostly feeder pigs—expected from Canada this year, and slightly more (6.1 million) in 2003. Hog movement to the U.S could expand further if expected increases in Canadian feedgrain supplies fail to materialize because of continued dry weather.

U.S. red meat imports are expected to increase 2-3 percent in 2002 and about 1 percent in 2003. Record beef imports in 2002 may grow even higher in 2003 as

U.S. cow slaughter declines. Both Australia and New Zealand are expected to meet their tariff rate quotas in 2002 and 2003. South American fresh/frozen beef is not allowed into the U.S. because of restrictions related to FMD. While some increased imports are expected from New Zealand, most will be fresh/chilled and frozen product from Canada (not subject to tariff rate quotas) and heat-treated product from South America.

U.S. pork imports in 2002 will likely reach 960 million pounds, about 1 percent higher than 2001. Imports in 2003 are expected to be about equal to 2002 levels. Canada is the source of almost 80 percent of U.S. pork imports, reflecting the growing integration of North American meat and livestock sectors.

Lamb and mutton imports from Australia and New Zealand are expected to increase about 19 percent in 2002 to 174 million pounds, and to drop 7-8 percent in 2003. Facilitating imports in 2002 are a relatively strong dollar and free access to the U.S. market. The expected import drop in 2003 will come primarily from increased domestic supplies of lamb.



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