



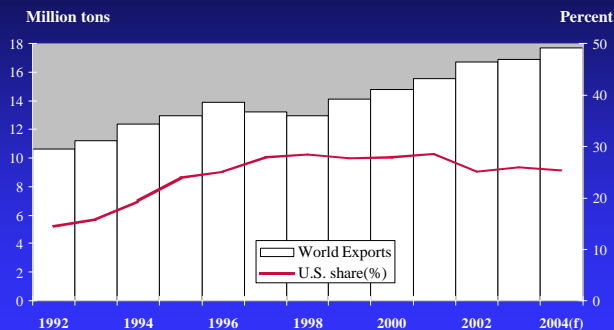
United States
Department of
Agriculture

Foreign
Agricultural
Service

Circular Series
DL&P 2-03
October 2003

Livestock and Poultry: World Markets and Trade

World Meat Exports in 2004 on the Rise; U.S. Market Share Expected to Remain Flat



In 2004 Meat Exports by Leading Suppliers Are Forecast to Rise

Total meat (beef, pork, and poultry) exports in 2004 by leading suppliers are forecast at a record 17.7 million tons, up 5 percent from the previous year. Anticipated strong exports from Brazil (beef and broilers), Canada (beef), the EU (broilers), and the United States (broilers) contribute to the growth in 2004.

U.S. total meat exports in 2004 are forecast at 4.5 million tons, up 3 percent from the previous year. The growth is primarily seen in broiler and

turkey exports, while gains in beef and pork exports are expected to be marginal. Despite the increase in export quantity, the U.S. share in the world market in 2004 is projected at 25 percent of total world exports, fractionally lower than the 2003 level, due mainly to increasing competition and restrictive import measures in key markets.

Beef exports for 2004 by leading suppliers are forecast to reach a record 6.9 million tons, an 8-percent increase from the 2003 level. Growth is seen primarily in Brazil and Canada. Brazil is expected to overtake Australia as the world's largest beef exporter, while Canada is expected to recover a portion of its export markets in the aftermath of Bovine Spongiform Encephalopathy (BSE). Selected Canadian beef products are now allowed for export to the United States and Mexico, key markets for Canadian beef.

Pork exports for 2004 by leading suppliers are estimated to reach 4 million tons, down 2 percent from the 2003 level, due mainly to lower exports from the EU. The decrease in EU pork exports is attributed to Japan's safeguard on pork imports and strong competition from Brazil in the Russian market. With the setback in EU exports, Canada is expected to become the world's leading pork exporter in 2004, although Canadian pork exports are forecast to remain near the 2003 level.

Broiler exports for 2004 by leading suppliers are forecast to reach about 6.2 million tons, up nearly 6 percent from the previous year. Strengthening exports from the EU, Brazil, and the United States contribute to the growth in 2004. EU broiler exports are projected to return to the 2002 level as the Netherlands recovers its production capacity after the Avian Influenza outbreak earlier this year. Brazil continues its expansion in broiler exports to key markets in the Middle East and the EU, while increasing its presence elsewhere offsetting losses in the Russian market. U.S. broiler exports to the world are estimated to rise nearly 4 percent from the previous year, supported by strong exports in key markets and growth in non-traditional markets throughout the world.

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Contents

Livestock and Poultry: World Markets and Trade

Note to Readers.....	4
Commodity and Market Analysis	
Cattle and Beef	
World Beef Trade Overview.....	5
Beef Summary Table.....	8
Swine and Pork	
World Pork Trade Overview.....	11
Pork Summary Table	15
Poultry	
World Broiler Trade Overview	17
Broiler Summary Table	21
Turkey Summary Table.....	23
One Case of BSE in Canada Causes Major Disruption in Trade	25
U.S. Broiler Exports Find Prospects in Non-traditional Markets.....	28

To view this information on the internet, please go to: <http://www.fas.usda.gov/dlp/dlp.html>

NOTE TO READERS

The *Livestock and Poultry: World Market and Trade* circular is designed to give the reader a snapshot picture of what is happening among the major players in world beef, pork, broiler meat, and turkey trade. Summary tables for meat production, imports, exports, and consumption are presented to provide an overview of the world situation. In addition, an explanation of significant changes in production, supply, and demand (PSD) is provided for major meat importing and exporting countries.

Beginning March 2004, the circular will be posted to the USDA and FAS website and transmitted electronically. The October 2003 circular represents the last printed version.

Japan's beef carcass conversion rate for 1995 onward was revised from 1.36 to 1.42 in accordance with the Japanese livestock industry. Processed beef is converted at 1.79.

Ukraine has increased its boneless beef exports since 1995. To more accurately measure the country's beef exports, the conversion rate of 1.36 is applied for 1995 onward for boneless beef exports. Historically, Ukraine's beef exports were mainly carcasses.

China's broiler production series has been revised for 1987-2001 to more accurately measure the size of production in the country. Previously, the production series only included western breeds for commercial production. The revision includes not only western breeds, but also domestic breeds as production of domestic breeds has reportedly grown to meet consumer taste. The revised production series is available on PSD Online at <http://www.fas.usda.gov/psd>.

World Totals

Only those countries that make up USDA's official PSD database are reported. This means world totals do not encompass all production, consumption, and trade, but rather the sum of those countries reported in USDA's database, which represent the most important players in the world meat PSD situation. In an attempt to capture these major players, the list of countries reported changes periodically.

PSD Online

The entire USDA PSD database is available electronically on PSD Online. Users can use this system to generate the full set of PSD data for those countries reporting. PSD Online can be reached through <http://www.fas.usda.gov/psd>.

In addition, please refer to the USDA/FAS Dairy, Livestock and Poultry (DLP) website at: <http://www.fas.usda.gov/dlp/dlp.html> for additional data and analysis, such as *International Agricultural Trade Reports*, *Trade at a Glance* and *Country Pages*. These reports are posted regularly on the homepage covering analysis on current issues and topics, new trade data, and market competition.

World Beef Trade Overview

Total Beef Trade Forecast at Record Level for 2004; U.S. Export Growth Gaining on Previous Year

World Trade: Total beef exports for major exporting countries are forecast at 6.9 million tons for 2004, up 8 percent from the 2003 estimate. Beef exports are forecast at record setting levels for several major exporters in 2004. Brazil will surpass Australia as the top world exporter of beef with exports expected to approach a record 1.4 million tons. Brazil has made outstanding strides in production, which is forecast to grow 4 percent in 2004. With its price-competitive beef entering new markets, Brazil accounts for much of the increased world competition. In 2004, the United States will move to third place behind Australia and Brazil, with U.S. beef exports expected to increase to a record 1.2 million tons. Canadian exports are forecast to rise 45 percent in 2004, as Canada recovers from trade bans imposed in May 2003 after one cow tested positive for BSE. Japan is forecast to further recover from BSE, increasing imports by 7 percent, in spite of the chilled beef safeguard currently in effect through March 2004. Korea is expected to again import record volumes of beef in 2004, while U.S. beef imports will grow to 1.6 million tons. In 2002, the EU became a net importer for the first time.

Key Exporters:

- **United States:** Beef exports for 2004 are forecast to set another record at 1.2 million tons, up 1 percent from the 2003 estimate. Exports are forecast to expand, reaching a record 10 percent of production. The United States is the primary high quality beef supplier to the world, producing high value grain fed beef, versus the non-fed beef produced in Australia and South America. However, U.S. beef production is forecast to fall 5 percent to 11.6 million tons in 2004 as cattle supplies continue to tighten resulting from herd liquidation since 1996 and drought in many areas. Assuming a return to normal pasture conditions, higher cow and heifer retention for herd rebuilding during 2004 will mean reduced slaughter of female animals. This will in turn reduce domestic consumption, which is forecast to fall for the second year in a row to nearly 12 million tons in 2004.
- **Brazil:** Brazil is forecast to take the lead in 2004 for beef exports after a decade of expanding beef production. This strong growth in the beef sector will lead to record beef exports, forecast at nearly 1.4 million tons in 2004. Exporting only 464,000 tons in 1999, Brazil has doubled the number of countries it exports to in recent years. Acceptance of its regional FMD free status by many countries in 2002 allowed Brazil to moderately expand its presence in several markets. The Brazilian livestock industry has benefited from a number of currency devaluations, low production costs and recent investment to expand production capacity. Brazil's expanded beef output, expected to reach a record 7.8 million tons in 2004, is due to improved genetics, better management, a more stable exchange rate, and higher profitability in cattle production.

- Australia:** Total beef exports are forecast to increase to 1.3 million tons in 2004. Export growth of beef and cattle is anticipated to remain strong in the United States and Asian markets. Growth in frozen beef exports in 2003 to the United States is anticipated since Canada, which Australia has been losing market share to in recent years, is recovering from an incidence of BSE. Australia's beef production is forecast slightly down from 2003 at 1.9 million tons, but is still at a historically high level.
- Canada:** Canada suffered a major trade disruption with the discovery of one case of BSE in May 2003. Canada's exports are expected to only reach 425,000 tons in 2003 after it was shut out of most export markets in the second quarter of the year. In September, Canada resumed exporting boneless beef products from cattle less than 30 months of age to the United States, but has not reached pre-BSE trade levels of the first half of the year. Live cattle are still prohibited for export to the United States, but the rule making process for handling the resumption of cattle trade between Canada and the United States is ongoing. At the same time, the Office of International Epizootics (OIE) has initiated an international dialogue on BSE and the safe trade in animals and animal products, which was requested by the United States, Canada and Mexico to address possible future outbreaks of BSE. Exports are expected to reach 615,000 tons in 2004 with trade flowing primarily to the United States and Mexico.
- New Zealand:** Export growth is anticipated to be stagnant for 2004, with no forecast increase from the 2003 preliminary number, 535,000 tons. Export price margins are being pressured as the New Zealand dollar grows stronger and as global market conditions grow more uncertain. Meanwhile, opportunities are developing in North Asia for New Zealand to capture more market share from Australia. Production will show only small growth in 2004, while New Zealand's cattle herd is expected to decline by one percent.
- India:** Despite only moderate growth in the cattle and buffalo population, exports are forecast to grow 12 percent to 520,000 tons in 2004. This growth is attributed to exports to emerging markets and growing demand in traditional markets for India's buffalo meat (carabeef). Major export markets for India include Malaysia, Philippines, the Middle East and some African countries. Concerns about BSE have shifted some of the Commonwealth of Independent States (CIS) countries' demand to India from the EU. Production is forecast to increase 6 percent in 2004 due to improved fodder availability for buffalo and higher prices for meat.
- European Union:** Beef exports for 2004 are forecast at 440,000 tons, down 4 percent from the 2003 estimate. Competitively priced imports from South America have edged into some of the EU's traditional markets while the EU continues to recover from BSE. Furthermore, lower stocks will reduce the need to offer restitutions. Beef production in 2004 in the EU is expected to be unchanged following declines in 2003 production.

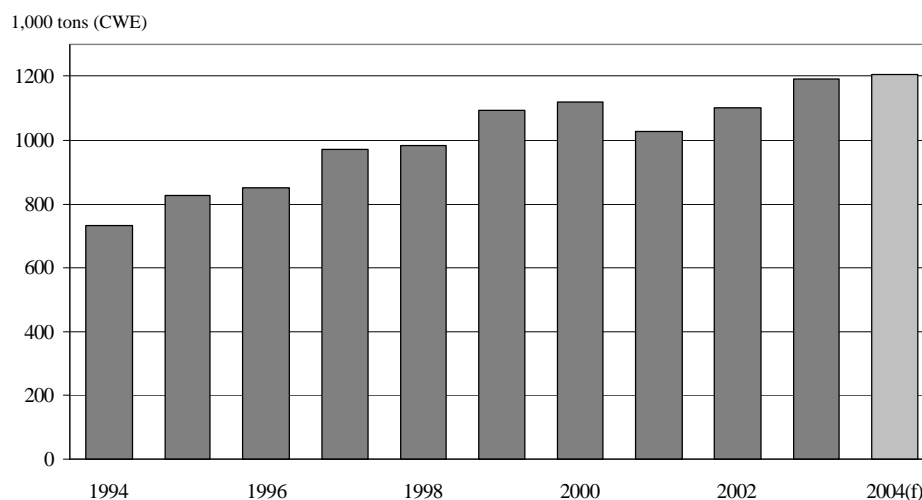
Key Importers:

- **United States:** Beef imports for 2004 are forecast slightly higher at a record 1.6 million tons. Imports in 2003 have been greatly impacted by BSE in Canada, which immediately shut down U.S. imports from one of its major suppliers of fresh/chilled beef and live cattle in May 2003. Canada's exports, now limited to boneless beef less than 30 months of age, began to slowly re-enter the market in September 2003 and are expected to gradually return to pre-BSE levels. However, the lack of Canadian beef and cattle imports, in conjunction with already tight U.S. supplies and strong demand, has driven up both beef and cattle prices dramatically. Imports of live cattle from Mexico are forecast to increase in light of these attractive prices.
- **Japan:** In 2003, Japan's demand for beef made a significant recovery from the BSE crisis. Much higher beef imports in the first quarter of the Japanese fiscal year compared with the greatly reduced level of a year earlier triggered the safeguard mechanism for chilled beef, which raised the tariff level to 50 percent. Japanese importers have seen higher prices since the implementation of the safeguard tariff, but demand remains strong for chilled product. The safeguard will remain in effect through Japan's fiscal year 2003, which ends on March 31, 2004. Nevertheless, imports are expected to climb even higher in 2004 to 885,000 tons, a 7-percent increase over the 2003 preliminary import number, yet still remain below pre-BSE levels. Consumption is forecast at a 2-percent increase for 2004 as domestic production continues to contract.
- **Russia:** Beef imports for 2004 are forecast at 705,000 tons, up only 5,000 tons from 2003. Previously, imports consisted largely of low-grade, frozen beef for further processing into sausage. However, recent Ukrainian exports show that boneless beef shipments have increased to about 50 percent of Ukrainian beef exports. The CIS, which supplies 25 percent of Russian imports of frozen beef, is excluded from Russia's tariff-rate quota (TRQ). However, the United States and Russia have been negotiating a new framework for allocating the TRQ. Russian production of beef is forecast to decline again to 1.6 million tons in 2004, a 4 percent decrease from the 2003 projection.
- **European Union:** Beef imports for 2004 are forecast at a record 530,000 tons, up 10,000 tons from 2003. The EU became a net beef importer for the first time in 2002 with a 6,000-ton gap between exports and imports. Argentina, Brazil and Poland are the top exporters to the EU and the greatest beneficiaries of expanding EU demand due to the price-competitive beef they have recently been able to offer. Consumption in almost all EU countries has returned to pre-BSE levels. U.S. exports to the EU continue to be limited to non-hormone treated beef. EU beef production is forecast to decline slightly in 2004. EU Expansion of 10 additional countries is effective May 1, 2004. However, these accession countries are expected to take a few years to transition fully into the EU agriculture system. Consolidated EU-25 reporting will

not begin until the 2005 forecast next October. EU cattle imports are expected to increase in 2003, with most supply coming from Poland.

- **Mexico:** In 2004, beef imports are forecast up at 510,000 tons. Mexico's cattle herd is anticipated to further decline to 19.5 million head on January 1, 2004, 35 percent below a decade earlier. Dry conditions in northern Mexico in 2003 have resulted in liquidation of Mexico's cattle herd, both through domestic slaughter and feeder calf export to the United States. However, with rising disposable incomes in urban areas and only small growth in beef production, Mexico is increasingly looking to imports to meet consumer demand. The United States will continue to be Mexico's top supplier, but Canada will be very price competitive in this market after being shut out of its export markets for three and a half months. The United States and Mexico are the major destinations for Canadian beef products at this time, and with current high prices in the United States, Canadian beef will be very attractive to Mexican importers.
- **Korea:** Beef imports for 2004 are forecast at a record 435,000 tons. The size of Korea's cattle herd declined slightly between 2003 and 2004 at 1.9 million head. However, there has been increased demand from high-income consumers and government programs have continued to support the production of domestic beef, although production is still falling. Korea's sluggish economy is expected to recover in 2004, further supporting imports of chilled beef and consumption of the more expensive, domestically produced beef. The outbreak of BSE in Canada stopped Korean imports of Canadian beef in May 2003. In response to the Korean government's concerns about Canadian beef spilling into U.S. beef exports to Korea, the U.S. and Korean governments have worked together to successfully modify health certificates to address Korea's concerns.

U.S. Beef Exports Forecast to Increase Marginally, Setting a New Record in 2004



Beef and Veal Summary Selected Countries

1,000 Metric Tons (Carcass Weight Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Production						
Brazil	6,270	6,520	6,895	7,240	7,530	7,850
European Union 3/	7,569	7,462	6,896	7,456	7,360	7,330
China, Peoples Republic of	5,054	5,328	5,488	5,846	6,020	6,260
Argentina	2,840	2,880	2,640	2,700	2,650	2,750
India 2/	1,660	1,700	1,770	1,810	1,960	2,070
Mexico	1,900	1,900	1,925	1,930	1,950	1,960
Australia	1,956	1,988	2,049	2,089	1,946	1,935
Russian Federation	1,900	1,840	1,760	1,740	1,700	1,640
Canada	1,238	1,246	1,250	1,295	1,210	1,430
South Africa	584	630	665	645	643	654
Others 1/	6,517	6,293	5,637	5,855	4,594	4,521
Total Foreign	37,488	37,787	36,975	38,606	37,563	38,400
United States	12,124	12,298	11,983	12,427	12,226	11,647
World Total	49,612	50,085	48,958	51,033	49,789	50,047

Consumption						
European Union 3/	7,435	7,329	6,824	7,507	7,598	7,450
Brazil	5,863	6,102	6,191	6,437	6,460	6,560
China, Peoples Republic of	5,010	5,290	5,448	5,830	6,007	6,252
Mexico	2,250	2,309	2,341	2,409	2,438	2,460
Argentina	2,501	2,543	2,515	2,361	2,332	2,408
Russian Federation	2,734	2,309	2,404	2,369	2,391	2,336
India 2/	1,438	1,335	1,400	1,394	1,495	1,550
Japan	1,516	1,577	1,413	1,312	1,355	1,385
Canada	994	992	968	992	1,047	1,070
Australia	722	645	654	704	717	669
Others 1/	6,634	6,391	5,785	5,898	4,538	4,532
Total Foreign	37,097	36,822	35,943	37,213	36,378	36,672
United States	12,325	12,503	12,351	12,738	12,422	11,962
World Total	49,422	49,325	48,294	49,951	48,800	48,634

Source: Counselor and attache reports, official statistics, and results of office research.

Note: 1/ For 2003, Colombia, Costa Rica, Dominican Republic, El Salvador, Honduras, Nicaragua and Venezuela are dropped from the database. 2/Includes buffalo

3/ The 2004 forecast only represents EU-15.

(p) preliminary; (f) forecast

Beef and Veal Summary Selected Countries

1,000 Metric Tons (Carcass Weight Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Imports						
Japan	1,000	1,059	997	707	825	885
Russian Federation	838	478	650	638	700	705
European Union 3/	457	450	413	518	520	530
Mexico	358	420	426	489	500	510
Korea, South	242	324	246	430	430	435
Canada	254	263	299	307	280	250
Philippines	99	118	104	126	120	125
Egypt	218	236	136	162	100	100
Taiwan	94	83	78	89	93	97
Brazil	54	72	44	78	70	80
Others 1/	318	244	216	224	202	189
Total Foreign	3,932	3,747	3,609	3,768	3,840	3,906
United States	1,303	1,375	1,435	1,460	1,311	1,556
World Total	5,235	5,122	5,044	5,228	5,151	5,462
Exports						
Brazil	464	492	748	881	1,140	1,370
Australia	1,270	1,338	1,398	1,365	1,250	1,300
Canada	492	523	575	610	425	615
New Zealand	462	505	516	503	535	535
India 2/	222	365	370	416	465	520
European Union 3/	994	644	575	512	456	440
Argentina	359	357	168	348	330	350
Uruguay	189	236	145	259	314	330
Ukraine	151	157	98	146	150	155
China, Peoples Republic of	57	54	60	44	40	38
Others 1/	126	128	131	192	103	74
Total Foreign	4,786	4,799	4,784	5,276	5,208	5,727
United States	1,094	1,119	1,029	1,110	1,192	1,207
World Total	5,880	5,918	5,813	6,386	6,400	6,934

Source: Counselor and attache reports, official statistics, and results of office research.

Note: 1/ For 2003, Colombia, Costa Rica, Dominican Republic, El Salvador, Honduras, Nicaragua and Venezuela are dropped from the database. 2/ Includes buffalo.

3/ The 2004 forecast only represents EU-15.

(p) preliminary; **(f)** forecast

World Pork Overview

U.S. Imports and Exports Are Forecast to Reach New Records in 2004.

World Summary: With the continuing uncertainties in international trade policy, global pork trade is forecast to decline slightly in 2004. World pork exports, projected to reach a record 4 million tons in 2003, are forecast to decrease by almost 2 percent next year. The anticipated growth in the North American market in 2004 is unlikely to offset weakening import demand in Japan, Russia and the EU. Competition among major exporters is expected to intensify, particularly in Japan where excess supplies of frozen pork appear likely. Brazilian exports meanwhile continue to grow. While Brazil has yet to negotiate full entry into the Japanese market, its sanitary concerns regarding outbreaks of pseudorabies have so far been contained. Most significantly, Brazilian efforts to reduce dependence on the Russian market appear to be gaining momentum. The possibility of a new framework within the Russian tariff-rate quota (TRQ) system could boost the outlook for U.S. pork exports. With the outcome of Mexico's anti-dumping investigation on U.S. pork is still pending, U.S. exports to the world are forecast to grow by less than 1 percent in 2004, a 14th year of consecutive growth.

Key Exporters:

- **United States:** U.S. pork production is forecast to increase by one half of 1 percent in 2004. Potential for growth in the U.S. herd will be augmented by imports of Canadian slaughter animals. The mandatory Country-of-Origin-Labeling (COOL) provision, under the U.S. Farm Security and Rural Investment Act of 2002, remains a complicating factor with its scheduled implementation date of September 30, 2004. Additionally, U.S. exporters are increasingly driven toward developing full traceability programs to satisfy market concerns about food safety. Mexico's anti-dumping investigation on U.S. pork continues to cast its large shadow on U.S. exports. While still the second largest market for U.S. pork, exports to Mexico declined by 7 percent during the first eight months of 2003. Japan continues to be the most significant importer of U.S. pork. While Japanese demand for U.S. fresh/chilled pork has fallen, U.S. exports of frozen pork, propelled by a favorable exchange rate relative to other suppliers, have sustained the recent U.S. growth in the Japanese market.
- **Canada:** The Canadian hog and pork sector has been hit by multiple incidents, affecting demand. Earlier in the year, an outbreak of the Sudden Acute Respiratory Syndrome (SARS) severely injured the Hotel and Restaurant Industry (HRI) in two of Canada's most populous cities. This was followed by the BSE situation, which suspended cattle and beef trade in May of 2003. Weakening consumer demand, due to falling beef prices, led to a decrease in Canadian slaughter and a diversion of slaughter hogs south to the United States. Canadian consumer demand for pork is expected to grow slowly in 2004. With the anticipated modest increase in herd size, 2004 pork production is forecast to increase by almost 2 percent. Canadian pork exports, which now account for about one half of total production, are estimated to reach almost 1 million tons in 2004, making Canada the world's largest pork exporter. The U.S. continues to be the major market for Canadian pork, absorbing

over half of Canada's pork exports. Elsewhere, growth in Canadian exports will be conditioned by Canada's continued competitiveness vis-à-vis other major exporters.

- **Brazil:** Brazilian pork production is forecast to increase by more than 2 percent in 2004. Feed costs, which can typically account for about 75 percent of total production costs, are projected to increase only very moderately, as the 2003/04 Crop Plan will continue to subsidize corn production. The potential of domestic pork consumption remains notoriously underdeveloped. Brazilians in the wealthier South consume more than 18 kg. of pork per person annually; their poorer cousins to the North consume about two-thirds less. Approximately 70 percent of Brazilian pork consumption is in processed form, which is more expensive, and puts pork at a price disadvantage relative to beef and poultry. Since 2000, Brazilian exports have grown 300 percent, from about 8 percent of total production to an anticipated 25 percent of production in 2004. Low production costs and extremely competitive exchange rates have favored Brazilian exports, particularly in the Russian market. After trade disruptions in early 2003, due to reported outbreaks of pseudorabies (Aujeszky's Disease), Brazilian exporters managed to regionalize disease status to the municipal level. Continuing efforts to insulate major exporting areas from repeated disruptions have enabled pork shipments to continue. Indeed, Brazil is again proving its ability to export not only to Russia, but also to other markets as well. During the first 6 months of 2003, Brazilian pork exports to Bulgaria, Hong Kong and Singapore have been particularly strong. Import demand from Argentina is also returning to pre-2002 levels.
- **European Union:** Lower beginning stocks and reduced sow numbers affect the outlook for 2004 production. Effects of the 2003 drought, particularly evident in France, prompted numerous producers to request assistance from the EU Commission. In several countries, pig numbers continue to decline, especially in Germany and the Netherlands where environmental constraints and animal welfare restrictions appear to discourage large-scale expansion. Nevertheless, sow productivity is expected to increase, pushing 2004 EU pork production up fractionally. Denmark, which currently accounts for more than half of all EU exports, continues to be a world leader in swine genetics, and is making significant large-scale investments in modernizing its processing capacity. After a projected decline of 16 percent in 2003, EU pork exports are forecast to decline further by 4 percent in 2004. The relative appreciation of the Euro, and a Russian TRQ system that has largely favored Brazil, places European exports at a clear disadvantage. Expansion of the EU, set for May 1, 2004, will add 10 countries and about 100 million people to the existing institutional framework. Over the long run, only two of the accession countries, Poland and Hungary, are expected to maintain a significant capacity for pork exports.

Key Importers:

- **United States:** During the first eight months of 2003, the United States imported over 335,000 tons of pork, an increase of over 15 percent from 2002. In 2004, U.S. pork imports are expected to follow this trend, growing by almost 10 percent to reach

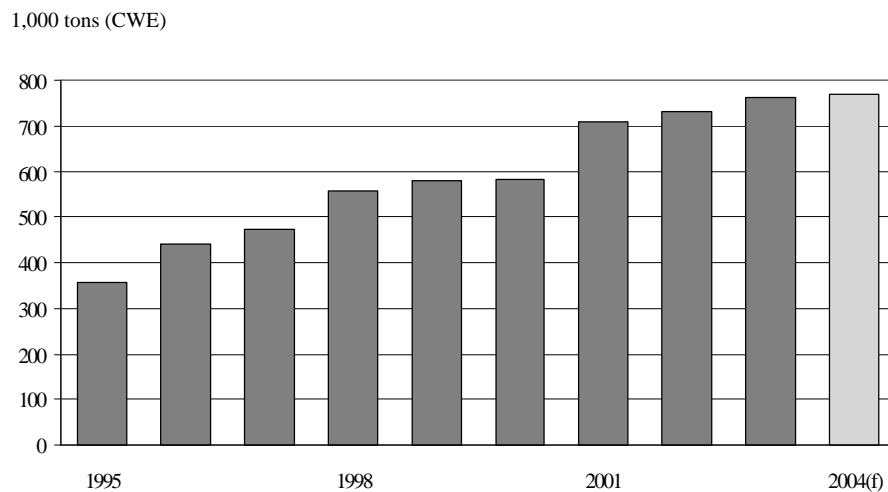
an estimated 624,000 tons. U.S. consumer demand for pork loins, ribs and bellies remains strong, especially in light of higher beef prices. Imports from the EU, and especially from Canada, are increasing. However, U.S. imports will need to comply with COOL regulations as they take effect at the end of the third quarter of 2004. For further information on COOL, please refer to the following internet website: <http://www.ams.usda.gov/cool/>.

Japan: Japanese pork production continues to decline as retiring farmers leave the industry. During the last decade, pork production declined by about 10 percent, while the number of hog producers fell by a third. At the same time, Japan's total pork consumption grew by almost 9 percent, making Japan the world's largest pork importer. Although overall import demand remains relatively strong, Japan continues to protect its domestic pork market with a gate price system, which includes a special safeguard provision designed to trigger when quarterly imports exceed the average of the three previous corresponding quarters by 19 percent or more. On August 1, 2003, Japan imposed a safeguard duty on pork imports, which will remain in effect through March 31, 2004, the end of the Japanese fiscal year. The measure raises the gate price for carcass imports from 409 Yen to 510 Yen per kg (\$1.54 per lb to \$1.92 per lb), and the gate price for pork meat cuts from 546 to 681 Yen per kg (\$2.05 per lb to \$2.56 per lb). For 2004, Japanese pork imports are expected to remain at the 2003 level, as Japan consumes existing supplies of frozen pork. Anticipated lower prices for fresh/chilled domestic pork will further disadvantage imports.

- **Hong Kong:** Despite the disruptions related to the SARS outbreak in early 2003, Hong Kong's pork imports are expected to increase this year, and are projected remain strong. In 2004, pork imports are forecast at a record 283,000 tons, up about 1 percent from the projected 2003 level. Escalating beef prices could further boost pork demand, especially as consumers in Hong Kong have become more receptive to frozen products available in retail supermarkets. Imports from China continue to increase, particularly now that the Chinese government allows more than one agent to market its meat in Hong Kong. Brazil has emerged as the second largest supplier, and now accounts for about 20 percent of the import market. The USDA forecast for Hong Kong does not include re-exports. It is currently estimated that 19 percent of Hong Kong's reported pork imports are re-exported, primarily to China. The re-export trade however appears to be declining, as more and more shipments are going directly into northern China instead of through Hong Kong.
- **Mexico:** Pork imports for 2004 are forecast at a record 345,000 tons, up 3 percent from the estimated 2003 level. Although NAFTA provisions have eliminated import tariffs and TRQs on pork, the Mexican pork industry continues to express its concerns regarding ham imports from the U.S. Meanwhile, pork imports from Canada appear to be on the rise. During the first six months of 2003, Mexican pork imports from Canada were 55 percent higher compared to a year earlier. Fueled by increasing incomes, growth in Mexican pork consumption is expected to continue in 2004.
- **Russia:** With the TRQ system covering pork under HS code 0203 (fresh and frozen pork), Russian imports are projected to decline by 25 percent in 2003. This trend is expected to continue in 2004, as the Russian pork industry works to rebuild domestic

production. Russian imports for 2004 are forecast at 530,000 tons. In the last three years, Brazilian pork has managed to capture the lion's share of the Russian market. Brazil, which now accounts for almost 54 percent of Russian pork imports, has maintained its competitiveness through lower production costs, effective marketing, and a very favorable exchange rate. China's share of the Russian market has also been increasing. The proximity of major Chinese pork producing areas, with easy access to ports in Jiangsu, ensures a steady trade to the Russian Far East. Other major pork exporters are keenly interested in the future direction of the Russian TRQ system. The possibility of insufficient domestic production, coupled with adjustments in the trading relationship with new EU accession countries, could spark significant increases in price.

U.S. Pork Exports Are Forecast to Reach New Record Level in 2004



Pork Summary Selected Countries

1,000 Metric Tons (Carcass Weight Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Production						
China, Peoples Republic of	40,056	40,314	41,845	43,266	44,100	44,938
European Union 1/	18,059	17,585	17,419	17,825	17,850	17,900
Brazil	1,835	2,010	2,230	2,565	2,600	2,670
Canada	1,550	1,638	1,729	1,854	1,910	1,940
Russian Federation	1,490	1,500	1,560	1,630	1,705	1,760
Poland	1,675	1,620	1,550	1,640	1,740	1,660
Japan	1,277	1,269	1,245	1,236	1,260	1,255
Korea, South	950	1,004	1,077	1,153	1,153	1,200
Philippines	973	1,008	1,064	1,095	1,145	1,175
Mexico	994	1,035	1,065	1,085	1,100	1,110
Others	4,128	3,806	3,683	3,752	3,710	3,715
Total Foreign	72,987	72,789	74,467	77,101	78,273	79,323
United States	8,758	8,597	8,691	8,929	8,931	8,980
World Total	81,745	81,386	83,158	86,030	87,204	88,303

Consumption						
China, Peoples Republic of	40,024	40,291	41,764	43,101	43,856	44,708
European Union 1/	16,723	16,169	16,239	16,666	16,940	17,000
Japan	2,212	2,228	2,268	2,377	2,380	2,435
Russian Federation	2,321	2,019	2,119	2,429	2,304	2,289
Brazil	1,727	1,826	1,919	1,975	1,980	2,020
Poland	1,484	1,544	1,487	1,587	1,640	1,660
Mexico	1,131	1,252	1,299	1,349	1,375	1,395
Korea, Republic of	984	1,059	1,159	1,200	1,255	1,300
Philippines	997	1,032	1,073	1,116	1,155	1,185
Canada	1,063	1,047	1,081	1,073	1,026	1,035
Others	4,456	4,093	3,988	4,082	4,088	4,042
Total Foreign	73,122	72,560	74,396	76,955	77,999	79,069
United States	8,596	8,457	8,388	8,684	8,733	8,835
World Total	81,718	81,017	82,784	85,639	86,732	87,904

Source: Counselor and attache reports, official statistics, and results of office research.

Note: 1/ The 2004 forecast only represents EU-15.

(p) preliminary; **(f)** forecast

Pork Summary Selected Countries

1,000 Metric Tons (Carcass Weight Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Imports						
Japan	919	995	1,068	1,162	1,150	1,150
Russian Federation	832	520	560	800	600	530
Mexico	190	276	294	325	335	345
Hong Kong	217	247	260	275	280	283
Korea, South	156	174	123	155	155	160
Canada	65	68	91	91	77	80
Australia	28	45	38	55	70	75
China, Peoples Republic of	43	50	58	60	56	70
European Union 1/	54	54	55	65	60	60
Taiwan	86	54	14	31	45	40
Others	195	200	201	248	196	167
Total Foreign	2,785	2,683	2,762	3,267	3,024	2,960
United States	375	439	431	485	567	624
World Total	3,160	3,122	3,193	3,752	3,591	3,584
Exports						
Canada	554	658	727	863	975	980
European Union 1/	1,390	1,470	1,235	1,194	1,000	960
Brazil	109	163	337	590	620	650
China, Peoples Republic of	75	73	139	225	300	300
Australia	37	49	66	78	75	80
Hungary	131	143	118	125	90	80
Mexico	53	59	60	61	60	60
Poland	235	160	88	93	120	60
Czech Republic	10	8	14	29	34	27
Korea, South	113	30	41	15	14	20
Others	23	14	6	4	11	16
Total Foreign	2,730	2,827	2,831	3,277	3,299	3,233
United States	580	584	708	731	762	769
World Total	3,310	3,411	3,539	4,008	4,061	4,002

Source: Counselor and attache reports, official statistics, and results of office research.

Note: 1/ The 2004 forecast only represents EU-15.

(p) preliminary; (f) forecast

World Broiler Overview

Total Broiler Meat Trade Forecast to Increase 6 Percent in 2004

World Trade: Total broiler meat exports in 2004 for major exporting countries are forecast at a record level of 6.2 million tons, a 6-percent increase from the 2003 estimate. The top four exporting countries, the United States, Brazil, the EU, and Thailand, are expected to dominate export markets due mainly to price competitiveness and availability of supplies. For 2004, broiler meat imports for major countries are forecast at 4.1 million tons, a 4-percent decrease from the 2003 estimate. The decrease is largely due to reduced access in Russia under an import quota of 1.05 million tons of poultry meat. China, the EU, Japan, Mexico, Russia, and Saudi Arabia are expected to account for more than 70 percent of imports among the major importers, but imports by other countries are expected to increase (See page 28 for a discussion of growth in U.S. broiler exports to non-traditional markets).

Key Exporters:

- **United States:** Broiler meat exports for 2004 are forecast at 2.3 million tons, a 4-percent increase from the 2003 estimate, and just 8-percent down from the 2001 record level. The expected increase in exports is largely attributed to growth in exports to small, emerging markets throughout the world. By year-end 2002, broiler exports were up more than 50 percent to the Caribbean, 50 percent to Africa, and 68 percent to the Middle East. This trend has continued through 2003 and is expected to continue into 2004. Export growth to Russia will remain limited under Russia's poultry import quota. In addition, exports to Mexico are forecast to grow in 2004 as demand for raw materials in the food-processing sector continues to be strong. Although the safeguard agreement on chicken leg quarters with Mexico allows for only 1-percent growth, overall growth in exports to Mexico is expected to increase. The United States is the largest supplier of broiler meat to Mexico.
- **Brazil:** Broiler meat exports for 2004 are forecast at 1.8 million tons, a 4-percent increase from the 2003 estimate. The increase in exports is mainly attributed to growth in non-traditional markets. Like the United States, Brazil has benefited from the emergence of new export markets such as Bulgaria, South Africa, and Hong Kong. Export growth will be fueled by production growth in 2004. Broiler production is expected to grow 4 percent in 2004 as a result of strong demand in export markets as well as increased domestic demand. Domestic demand for broiler meat should strengthen in 2004 among Brazil's large base of middle to lower income consumers.
- **European Union:** Broiler meat exports for 2004 are forecast at 800,000 tons, nearly a 14-percent increase from the 2003 estimate. Exports declined in 2003 as the Netherlands suffered an outbreak of Avian Influenza, but should rebound in 2004 as they recover. The Netherlands is the fifth largest producer of poultry meat in the European Union. In addition, EU broiler exports to Middle East are expected to

remain strong through 2004, supported by export refunds to the region. The EU has proposed a 16-percent increase to their export refunds on poultry for 2004, increasing them to 106 million Euros (\$121 million). Export refunds have been key in maintaining EU export competitiveness for whole birds as well as parts in the Middle East and Russia, and Independent States of the Former Soviet Union.

- **Thailand:** Broiler meat exports for 2004 are forecast to increase 6 percent from the estimated 2003 level to 530,000 tons, due mainly to diversification of Thai broiler meat. Historically, Thai broiler exports consisted of basic boneless parts, however the Thai broiler industry has shifted focus in recent years towards high quality processed products. Currently, Thailand supplies primarily value-added parts (semi-cooked and cooked products) to Japan, while it exports frozen parts to the EU. Since the EU's detection of a veterinary drug (nitrofurans) in frozen products in March 2002, the Thai government has continued to implement strict production guidelines regulating on farm drug use and monitoring of residue levels. The Thai government and producers have fought to modernize their broiler sector and improve the quality of their broiler meat, which should maintain the competitiveness of Thai broiler exports.
- **China:** Broiler meat exports for 2004 are forecast at 440,000 tons, a 5-percent increase over the 2003 estimate. China's broiler exports in 2004 will be boosted by resumed access in Japan, China's largest broiler export market. Approximately 70 percent of China's broiler exports have historically been to Japan. Much of China's broiler exports are actually product of the U.S. and have been processed or de-boned and re-exported as Chinese product. However, in 2002 Japan banned the importation of fresh and frozen Chinese broiler meat because of Avian Influenza concerns, but allowed the importation of cooked product. These restrictions were lifted in August 2003, allowing China to resume shipments of fresh and frozen broiler meat. Broiler production in 2004 is forecast to increase 3 percent to 10 million tons, and will likely move into domestic consumption before exports.

Key Importers:

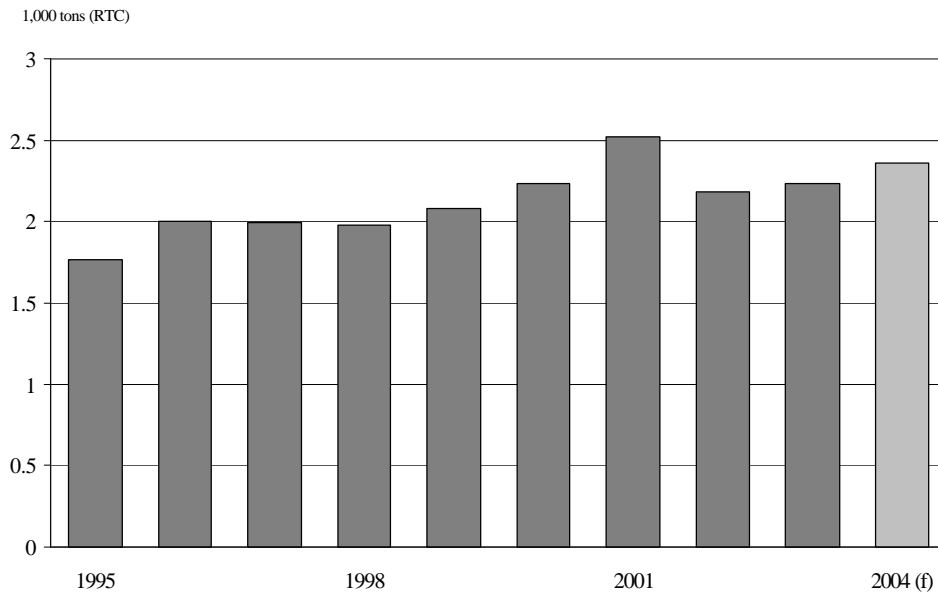
- **China:** Broiler meat imports for 2004 are expected to decrease 4 percent from the 2003 estimate to 400,000 tons, due to the implementation of new, stricter quarantine and sanitary requirements. Under this new standard, a zero tolerance for Salmonella and E. coli are required for raw poultry meat for processing. Given the nature of this product, a zero tolerance for Salmonella and E. coli is unnecessarily burdensome and is potentially trade restrictive.

NOTE: This forecast excludes China's imports of chicken paws/feet. Chicken paws/feet imports were removed from the supply and distribution data series (1997 to date) to more accurately measure the size of muscle meat demand. China's broiler meat and paw imports are attached to the China Country Page. The page can be accessed at <http://www.fas.usda.gov/dlp/countrypages/china.html>.

- **European Union:** Broiler meat imports for 2004 are expected to fall 17 percent from the 2003 estimate to 350,000 tons, due to a production recovery from Avian Influenza in the Netherlands. In addition, the EU passed legislation that changed tariff regulations on salted poultry, effective August 2003. The EU reclassified a lightly salted poultry product from a salted product to simply a frozen product. This change closed a loophole that allowed foreign suppliers to ship broiler meat under the salted category where the salted tariff was half the frozen tariff. The change is expected to reduce imports from Brazil and Thailand, who supply nearly 80 percent of EU broiler imports.
- **Japan:** Broiler meat imports for 2004 are forecast at 745,000 tons, up 6 percent from the 2003 level due mainly to resumption in imports from China, growth in the food service sector, and stagnant domestic production. Japan recently removed Avian Influenza restrictions on China, which allowed Chinese broiler meat to enter Japan as of August 2003. China is the leading supplier of broiler meat to Japan, with a 35-percent market share in 2002. In addition to the removal of restrictions on Chinese broiler products, domestic demand for broiler meat is expected to increase by anticipated growth in the food service sector of Japan, and a slight decrease in production in 2004. Broiler demand growth in the food service sector is based on expected high beef prices in 2004. Production is forecast to decrease 1 percent in 2004 due to expected softening in market prices. China's increased access in 2004 likely will put additional downward pressure on market prices.
- **Mexico:** Broiler meat imports in 2004 are expected to increase 5 percent from the revised 2003 import level to 295,000 tons, primarily as a result of strong demand in the processed foods sector. The proliferation of large hypermarkets, such as Soriana, H.E.B. and Wal-Mart super stores has boosted demand for raw materials used in processed meat products. The U.S.-Mexico safeguard on chicken leg quarters allows for duty free access of 100,000 tons in 2003, and continues through 2007 with one percent growth each calendar year. An over quota duty of 98.8 percent is applied in 2003, with a 20 percentage point reduction occurring annually through 2007. Although the safeguard will limit growth of leg quarter imports to 1 percent annually, overall demand for other chicken products will maintain broiler import demand by Mexico.
- **Russia:** Broiler meat imports in 2004 are forecast at 990,000 tons, down 16 percent from the revised 2003 level due to quota restrictions. Imports in 2003 remained strong, despite a prorated annual quota amount of 744,000 tons, as restrictions did not enter into effect until May 2003. Heavy investment in the domestic broiler industry is expected to continue to expand production capacity and increase efficiency through vertical integration, but these efforts may not be able to meet expected demand for broiler meat in 2004. In 2004, production is forecast at 640,000 tons, a 10-percent increase over the revised 2003 estimate, but consumption is forecast to fall nearly 6 percent. In 2002, private ending stocks swelled to 130,000 tons in anticipation of tight supplies under the import quota. However, strong domestic demand and tight supplies should reduce these private stocks of broiler meat to zero by the end of 2004.

- **Saudi Arabia:** Broiler meat imports in 2004 are forecast to increase 1 percent to 395,000 tons. Heavy financial, technical, and other assistance by the government should facilitate a 2-percent expansion in production in 2004 through lowered production costs. Regardless of government assistance, imports are expected to remain relatively constant due to competitive prices compared to domestically produced products.

U.S. Broiler Exports Forecast to Rebound in 2004



Broiler Summary Selected Countries

1,000 Metric Tons (Ready to Cook Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Production						
China, Peoples Republic of	8,550	9,269	9,278	9,558	9,844	10,129
Brazil	5,526	5,980	6,567	7,449	7,560	7,825
European Union 2/	6,614	6,654	6,822	5,950	5,700	5,900
Mexico	1,784	1,936	2,067	2,157	2,297	2,412
India	820	1,080	1,250	1,400	1,600	1,800
Thailand	980	1,070	1,230	1,205	1,290	1,360
Japan	1,078	1,091	1,074	1,107	1,120	1,110
Canada	847	877	927	932	915	930
Malaysia	684	786	813	784	810	833
South Africa	681	707	730	760	790	805
Others 1/	6,631	6,866	6,904	7,056	6,297	6,630
Total Foreign	34,195	36,316	37,662	38,358	38,223	39,734
United States	13,367	13,703	14,033	14,467	14,610	14,920
World Total	47,562	50,019	51,695	52,825	52,833	54,654

Consumption						
China, Peoples Republic of	8,766	9,413	9,262	9,555	9,839	10,089
Brazil	4,776	5,087	5,326	5,859	5,837	6,025
European Union 2/	6,048	6,191	6,522	5,506	5,420	5,450
Mexico	1,972	2,158	2,308	2,422	2,576	2,706
Japan	1,742	1,772	1,797	1,830	1,835	1,850
India	820	1,080	1,250	1,400	1,600	1,799
Russian Federation	1,279	1,320	1,588	1,697	1,809	1,709
Canada	866	891	924	915	918	931
Saudi Arabia	718	722	803	870	890	905
Malaysia	705	812	846	821	850	874
Others 1/	8,040	8,177	8,218	8,133	7,362	7,685
Total Foreign	35,732	37,623	38,844	39,008	38,936	40,023
United States	11,251	11,474	11,558	12,269	12,415	12,635
World Total	46,983	49,097	50,402	51,277	51,351	52,658

Source: Counselor and attache reports, official statistics, and results of office research.

Note: 1/ For 2003, Colombia and Egypt are dropped from the database.

2/ The 2004 forecast only represents EU-15.

(p) preliminary; (f) forecast

Broiler Summary Selected Countries

1,000 Metric Tons (Ready to Cook Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Imports 1/						
Russian Federation	930	943	1,281	1,208	1,180	990
Japan	667	721	710	744	700	745
China, Peoples Republic of	591	608	473	435	415	400
Saudi Arabia	364	348	399	380	390	395
European Union 3/	198	299	418	397	420	350
Mexico	190	223	242	265	280	295
Hong Kong	275	168	183	164	170	175
United Arab Emirates	117	111	123	136	145	140
Korea, South	47	67	83	94	90	97
Canada	62	69	73	77	85	90
Romania	19	30	58	77	83	85
Others 2/	437	388	334	307	321	332
Total Foreign	3,897	3,975	4,377	4,284	4,279	4,094
World Total	3,897	3,975	4,377	4,284	4,279	4,094

Exports 1/						
Brazil	750	893	1,241	1,590	1,723	1,800
European Union 3/	764	762	718	841	700	800
Thailand	288	328	425	465	500	530
China, Peoples Republic of	375	464	489	438	420	440
Canada	47	55	69	92	85	90
Argentina	3	5	6	18	30	45
United Arab Emirates	19	20	20	37	45	40
Hungary	32	29	28	27	30	30
Poland	20	12	13	23	25	25
Australia	12	14	21	17	19	20
Others 2/	59	49	49	52	54	59
Total Foreign	2,369	2,631	3,079	3,600	3,631	3,879
United States	2,080	2,231	2,520	2,180	2,230	2,313
World Total	4,449	4,862	5,599	5,780	5,861	6,192

Source: Counselor and attache reports, official statistics, and results of office research.

Note: 1/ As of 1997, chicken feet / paws are not included in trade data.

2/ For 2003, Colombia and Egypt are dropped from the database.

3/ The 2004 forecast only represents EU-15.

(p) preliminary; (f) forecast

Turkey Summary Selected Countries

1,000 Metric Tons (Ready to Cook Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Production						
European Union 2/	1,830	1,740	1,777	1,755	1,705	1,690
Brazil	115	137	165	182	191	210
Poland	92	115	150	165	170	175
Canada	139	152	149	147	145	147
Hungary	73	78	84	88	90	93
Mexico	12	12	13	13	14	14
Russian Federation	8	7	7	9	12	12
South Africa	2	3	4	3	4	5
Taiwan	2	5	5	5	4	4
Others 1/	89	90	3	0	0	0
Total Foreign	2,362	2,339	2,357	2,367	2,335	2,350
United States	2,372	2,419	2,490	2,557	2,559	2,592
World Total	4,734	4,758	4,847	4,924	4,894	4,942
Consumption						
European Union 2/	1,640	1,553	1,605	1,571	1,583	1,570
Poland	85	112	154	167	172	177
Mexico	142	152	161	154	164	172
Canada	136	137	135	143	143	141
Brazil	89	93	96	92	97	100
Russian Federation	169	170	171	169	92	72
Hungary	53	57	66	68	63	64
South Africa	21	24	19	16	19	20
Taiwan	21	20	13	16	20	20
Others 1/	121	122	36	16	0	0
Total Foreign	2,477	2,440	2,456	2,412	2,353	2,336
United States	2,223	2,223	2,269	2,316	2,346	2,381
World Total	4,700	4,663	4,725	4,728	4,699	4,717

Note: 1/ For 2003, Hong Kong, Korea, Malaysia, and Taiwan are dropped from the database.

2/ The 2004 forecast only represents EU-15.

(p) preliminary; (f) forecast

Turkey Summary Selected Countries

1,000 Metric Tons (Ready to Cook Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Imports						
Mexico	134	148	156	147	155	163
European Union 2/	44	61	86	88	108	110
Russian Federation	161	163	164	160	80	60
Taiwan	19	15	8	11	16	16
Poland	8	10	16	17	15	15
South Africa	19	21	15	13	15	15
Canada	5	4	5	7	8	8
Hungary	3	3	9	7	5	5
Others 1/	47	37	26	16	0	0
Total Foreign	440	462	485	466	402	392
World Total	440	462	485	466	402	392
Exports						
European Union 2/	234	248	258	272	230	230
Brazil	26	44	69	90	94	110
Hungary	23	24	27	27	32	34
Canada	10	14	14	16	14	14
Poland	15	13	12	15	13	13
Mexico	4	8	8	6	5	5
Others 1/	6	7	1	0	0	0
Total Foreign	318	358	389	426	388	406
United States	172	202	221	199	205	211
World Total	490	560	610	625	593	617

Source: Counselor and attache reports, official statistics, and results of office research.

Note: 1/ For 2003, Hong Kong, Korea, Malaysia, and Taiwan are dropped from the database.

2/ The 2004 forecast only represents EU-15.

(p) preliminary; (f) forecast

One Confirmed Case of BSE in Canada Causes Major Disruption in Trade

On May 20, 2003 a single case of BSE in Canada prompted the United States to close the border to Canadian ruminant products and, at the same time, Japan and Korea threatened to impose restrictions on U.S. beef exports. Later, USDA successfully negotiated continued market access in a number of the United States' top export markets and has re-opened the border for trade through a partial resumption of certain beef imports from Canada. The uncertainties resulting from the BSE case contributed to record high U.S. prices for beef and live cattle in the latter part of 2003. U.S. cattle supplies were already tight as liquidation continued due to drought and poor forage conditions in parts of the country. This, in conjunction with the lack of imports of live cattle for slaughter and beef imports from Canada, has dramatically driven up prices. Live cattle, boxed beef and retail prices have reached record highs during this period.

In response to the May 20 Canadian government announcement of a detection of BSE, the United States and other countries banned all beef and cattle imports from Canada. Japan, the United States' largest beef export market at over \$1 billion in 2002, further indicated that it would impose new restrictions on beef imports, including those from the United States. Following intensive negotiations, USDA and Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF), came to an understanding on the requirements that Japan would apply to U.S. exports of beef and beef products. In late August, the Agricultural Marketing Service in USDA implemented the Beef Export Verification (BEV) program, which provides participating U.S. beef packers and processors the means to satisfy the new requirements. Korea and a handful of other countries that had expressed concerns similar to Japan have been satisfied with modifications to FSIS' export certificate and have not required BEV program participation.

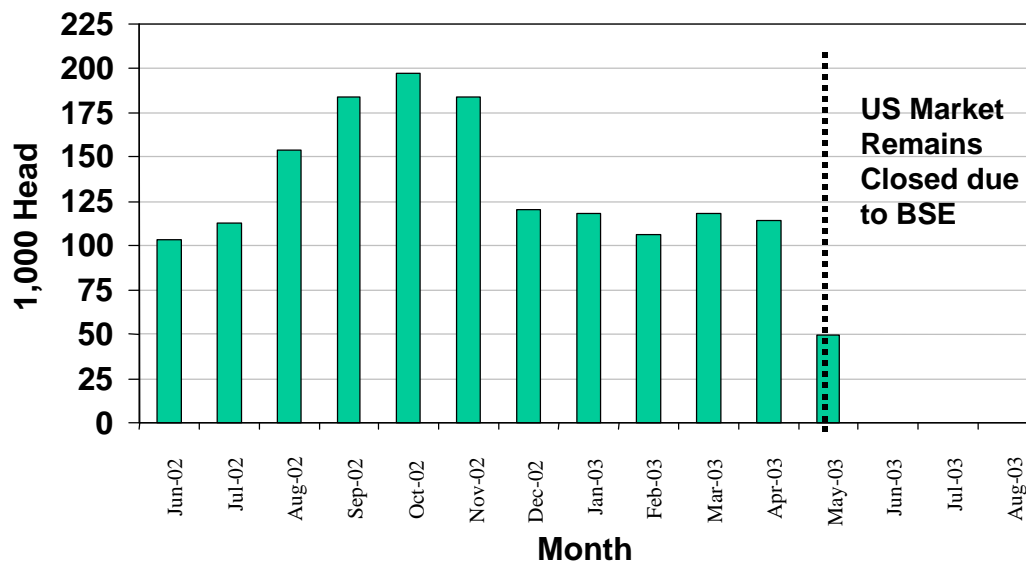
In early September 2003, the first shipments of Canadian beef entered the United States under the import permit system established by APHIS. In August and September, APHIS issued 299 import permits only for certain ruminant products: boneless beef from cattle younger than 30 months, veal and liver (to see a list of all products go to: http://www.aphis.usda.gov/lpa/issues/bse/bse-canada_memo.html). As of October 1, imports from Canada for these products are below pre-BSE levels, however, imports are slowly increasing as Canadian slaughter plants separate processing of cattle older and younger than 30 months for export. In 2002, the total U.S. imports of Canadian beef, bovine products and live cattle were valued at \$1.2 billion.

Imports of Canadian live cattle as well as ruminant products not specifically identified by APHIS remain prohibited. The rulemaking process to determine whether, when and under what conditions live cattle trade resumes is being developed, but no time frame for re-opening the border can be predicted. Prior to the BSE incident, approximately 120,000 live cattle per month crossed the border into the United States. In the long run, many Canadian animals will be ineligible for export either live or as beef. Canada is struggling with the backlog of cull cattle; producers contend that there are 350,000 such animals to be culled. Canada's earlier decision to suspend supplementary imports of non-

NAFTA beef has already helped increase the market for domestic cow beef. The Canadian Cattlemen's Association asked for additional direct aid, approximately \$146 million, which was subsequently denied by the Canadian government.

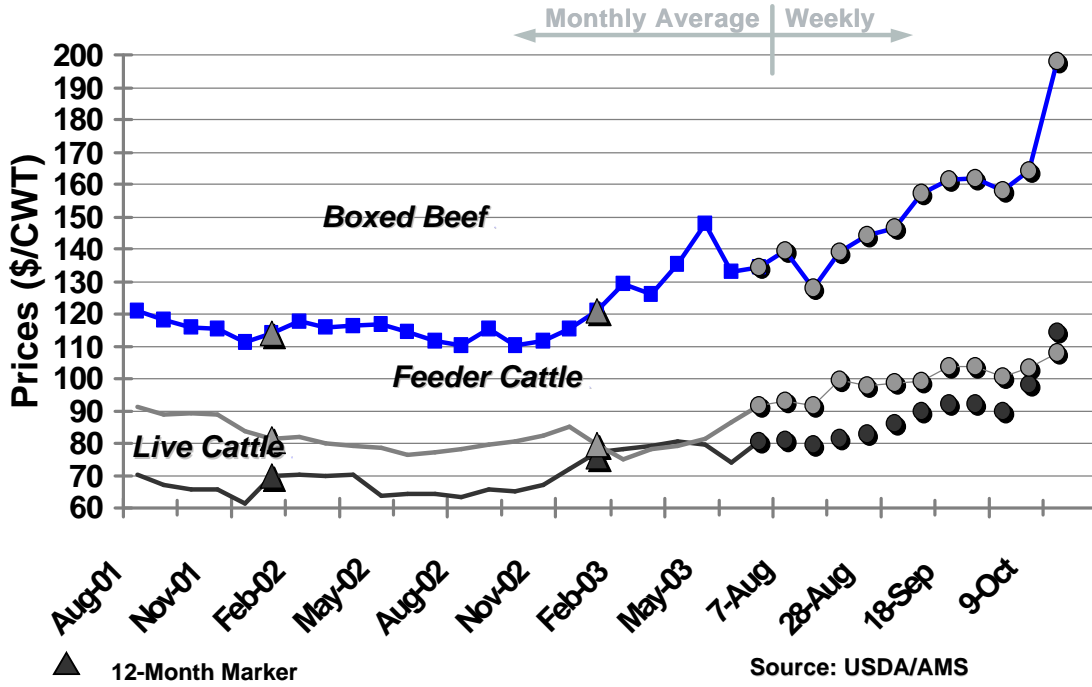
In September, the Office of International Epizootics (OIE), the international body for animal health, initiated a dialogue on BSE and the safe trade in animals and animal products. The United States, Canada and Mexico requested that the OIE sponsor this dialogue with a view to establishing science-based, risk mitigation measures so that countries will have the confidence to trade in animals and animal products in spite of the possibility of isolated cases of BSE in the future.

U.S. Imports of Canadian Live Cattle June 2002 to Date

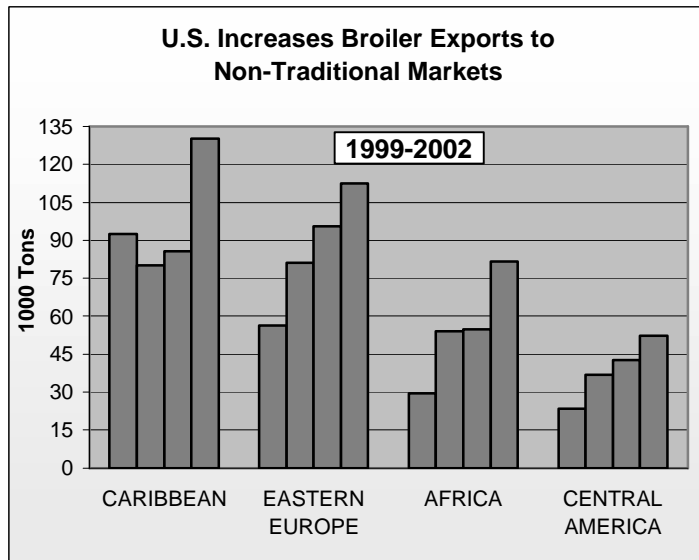


Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics.

U.S. Beef and Cattle Prices



U.S. Broiler Exports Find Prospects in Non-Traditional Markets



U.S. broiler exports to non-traditional markets have been increasing in recent years. For the period 1999-2002, U.S. broiler exports to the world averaged 2.25 million tons. Of this amount, on average, 12.3 percent was shipped to countries in the Caribbean, Eastern Europe, Africa and Central America. In 2002 alone, these regions accounted for 17 percent in volume and 27 percent in value of U.S. broiler exports, considerably up from 2001. For these regions, overall economic growth and gains in the food industry sector have allowed U.S. broiler meat exports to grow an average of 35 percent in

volume in 2002 from 2001, a noteworthy increase from the previous year's growth of 11 percent.

Caribbean: A flourishing market for the United States in recent years has been the Caribbean driven by growth in Cuba. In 2002, U.S. broiler meat exports were 52,000 tons, mostly leg quarters, valued at nearly \$23 million, which was 17 times higher than in 2001. Demand for leg quarters in Cuba is fueled by a thriving hotel and restaurant industry. Other Caribbean countries such as Haiti and Jamaica also contributed to increased exports sales with a combined volume of 40,140 tons valued at \$23 million in 2002. As tourism to Cuba expands, importers are expected to diversify and buy more value added broiler products.

Eastern Europe: U.S. broiler exports have also seen substantial growth in Eastern European markets, primarily in Romania. U.S. broiler exports to Romania totaled over 30,000 tons, mainly leg quarters in 2002, doubling the 2001 level. However, it is unclear how U.S. poultry shipments will be affected once Romania adopts EU standards for poultry imports. Romania is tentatively scheduled to join the European Union in 2007. The EU banned the importation of U.S. poultry meat over concerns of the use of anti-microbial treatments in poultry processing in 1997. In addition, U.S. trade statistics show nearly 27,000 tons, valued at \$12 million were shipped to Greece in 2002. This trade is presumably transshipped to the Balkans.

Africa: In 2002, U.S. broiler exports to Africa rose by 49 percent in volume compared to 2001 with Angola showing the strongest gain. U.S. broiler exports to Angola have been steadily increasing since 1999, from 7,222 tons to 47,493 tons in 2002 valued at \$23.3 million despite the recent civil war. Luanda is the central hub for incoming broiler shipments even though much of the infrastructure has been destroyed and land mines continue to pose threats to all ground vehicles. The United States primarily exports leg quarters to Angola. While Angola represents a significant growth market, continued growth will be constrained by its poor domestic infrastructure. U.S. exports to other African countries including Ghana, Gabon, the Gambia and Sierra Leone attributed an additional 21,309 tons valued at \$10 million.

Central America: Growth in U.S. broiler exports to Central America has historically revolved around exports to Guatemala. In 2002, U.S. broiler exports to Guatemala totaled 45,154 tons valued at \$28 million, a 25-percent increase from the 2001 level. Eighty-four percent of U.S. broiler exports to Guatemala in 2002 were chicken leg quarters valued at \$21.4 million. The expanding retail industry and growing demand for new and differentiated products by consumers create an exceptional opportunity for U.S. broiler exporters. Restrictive tariffs and other market access issues have historically kept U.S. broiler meat out of the rest of Central America. However, the United States remains the primary supplier of broiler meat to Guatemala, holding a 99 percent market share in 2002. The Central America Free Trade Agreement, CAFTA, should reduce tariffs and will likely promote growth of U.S. broiler meat exports to the rest of the region.