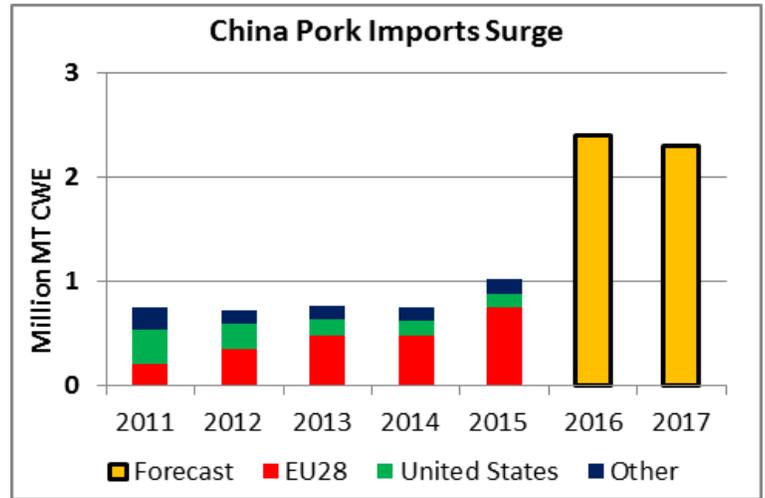
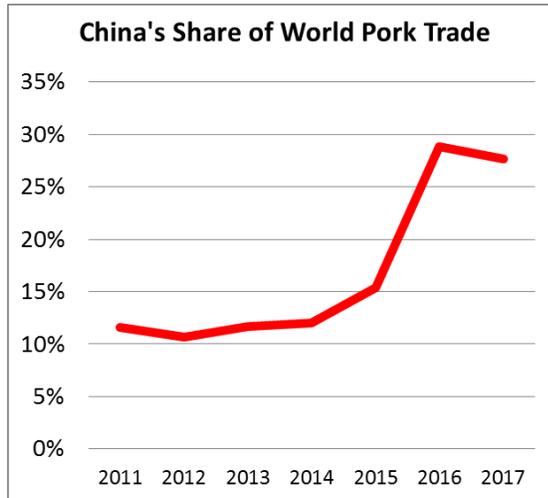




# Livestock and Poultry: World Markets and Trade

## China's Influence on World Pork Trade Has Become Significant



Already the world's largest pork producer and consumer, China has now achieved the position of world's leading pork importer, forecast to account for over a quarter of global trade in 2017.

The majority of trade gains have been captured by the EU which retains a 70 percent market share. Ample exportable supplies, low prices, and an advantageous exchange rate have enabled the EU to expand shipments.

Although only accounting for 17 percent of China's total pork imports, it remains an important market for U.S. exporters. During January-August 2016, China grew to account for 12 percent of total U.S. shipments compared to only 6 percent during the same period 2015.

The recent rise in Chinese hog and pork prices will stimulate herd recovery and thus production expansion will be initiated in 2017. This slight increase in domestic supplies will marginally depress import demand.

Both the EU and the United States will be faced with slightly lower shipments to China in 2017. These slight losses will be offset by increases in shipments to other key markets – Japan, Korea and the Philippines for both as well as Mexico for the United States.

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# Beef and Veal

## Global Production

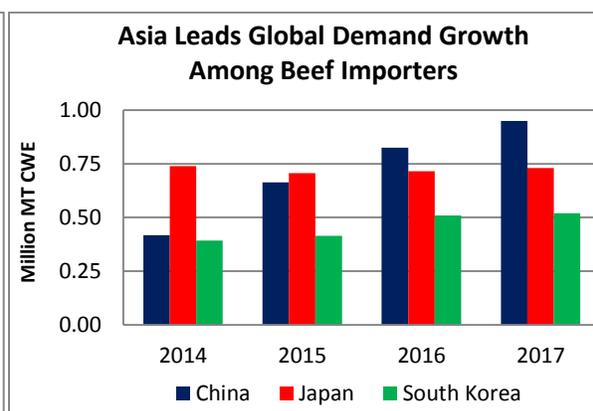
Global production is expanding among major traders as cattle supplies increase in the United States and South America. Brazilian production will rise due to robust export demand, supported by a relatively weak *real* and market access improvements in China, Saudi Arabia, and the United States. Argentine production will grow modestly as liberalization of the currency regime and removal of export taxes encourage producers to rebuild herds and increase carcass weights. Production will fall by the greatest margin in Australia as a rainy 2016 has renewed drought-stricken pastures and encouraged producers to retain stock for breeding.

## Global Trade

Exports by major traders are forecast 3 percent higher to 9.7 million tons on gains in shipments to Asia. China remains the fastest growing market for beef, reflecting the reopening of its market to Argentina and Brazil. Although per capita beef consumption is far lower than pork and poultry, stable domestic production and a preference for imported product continues to incentivize imports from South America and Oceania. Growth to China enables Brazil to become the top global exporter. Import demand is also strong in South Korea and to a lesser extent Japan, as demographic changes and domestic policies have resulted in declining domestic production. Other top importers, including Russia and Egypt remain stable in 2017 as economic growth remains sluggish and weak currencies prevent a rise in imports.

## U.S. Production and Trade

U.S. production is forecast up nearly 4 percent on larger cattle supplies and higher carcass weights. Exports will grow for a second year, buoyed by increased shipments to South Korea, Japan, and Mexico. Lower production in Australia will reduce exportable supplies and thus increase demand for U.S. beef in Asian markets where the two exporters compete fiercely for market share. Although the relative strength of the dollar remains a headwind in some markets, declining wholesale beef prices will increase competitiveness of U.S. beef.



Note: Beef and veal estimates include meat of other bovines for certain countries. In particular, Indian estimates include carabeef (water buffalo).

**Beef and Veal Selected Countries Summary**  
**1,000 Metric Tons (Carcass Weight Equivalent)**

	2012	2013	2014	2015	2016	2017 Oct
<b>Production</b>						
Brazil	9,307	9,675	9,723	9,425	9,284	9,470
European Union	7,708	7,388	7,443	7,691	7,850	7,850
China	6,623	6,730	6,890	6,700	6,900	6,950
India	3,491	3,800	4,100	4,100	4,250	4,350
Argentina	2,620	2,850	2,700	2,720	2,600	2,700
Australia	2,152	2,359	2,595	2,547	2,075	2,015
Mexico	1,821	1,807	1,827	1,850	1,880	1,910
Pakistan	1,587	1,630	1,675	1,710	1,750	1,780
Turkey	1,121	1,217	1,245	1,423	1,587	1,630
Russia	1,380	1,385	1,375	1,355	1,340	1,315
Others	10,055	10,193	10,445	9,684	9,581	9,540
<b>Total Foreign</b>	<b>47,865</b>	<b>49,034</b>	<b>50,018</b>	<b>49,205</b>	<b>49,097</b>	<b>49,510</b>
<b>United States</b>	<b>11,848</b>	<b>11,751</b>	<b>11,075</b>	<b>10,817</b>	<b>11,389</b>	<b>11,808</b>
<b>Total</b>	<b>59,713</b>	<b>60,785</b>	<b>61,093</b>	<b>60,022</b>	<b>60,486</b>	<b>61,318</b>
<b>Total Dom. Consumption</b>						
China	6,667	7,112	7,277	7,339	7,673	7,890
European Union	7,760	7,520	7,514	7,751	7,890	7,875
Brazil	7,845	7,885	7,896	7,781	7,499	7,585
Argentina	2,458	2,664	2,503	2,534	2,390	2,465
India	2,080	2,035	2,018	2,294	2,400	2,425
Russia	2,398	2,398	2,294	1,966	1,915	1,890
Mexico	1,836	1,873	1,839	1,797	1,805	1,825
Pakistan	1,538	1,576	1,617	1,636	1,666	1,681
Turkey	1,153	1,221	1,250	1,457	1,620	1,650
Japan	1,255	1,232	1,225	1,186	1,200	1,200
Others	11,543	11,998	12,350	11,147	11,006	11,070
<b>Total Foreign</b>	<b>46,533</b>	<b>47,514</b>	<b>47,783</b>	<b>46,888</b>	<b>47,064</b>	<b>47,556</b>
<b>United States</b>	<b>11,739</b>	<b>11,608</b>	<b>11,241</b>	<b>11,276</b>	<b>11,664</b>	<b>11,845</b>
<b>Total</b>	<b>58,272</b>	<b>59,122</b>	<b>59,024</b>	<b>58,164</b>	<b>58,728</b>	<b>59,401</b>

Notes: Includes meat of other bovines for certain countries. India includes carabeef (water buffalo). From 2015, the following countries are excluded: Albania, Azerbaijan, Cote d'Ivoire, Georgia, Ghana, Jamaica, Senegal and Uzbekistan. The notation of a month beneath a year conveys the month in which the forecast for that year was released.

**Beef and Veal Selected Countries Summary**  
**1,000 Metric Tons (Carcass Weight Equivalent)**

	2012	2013	2014	2015	2016	2017 Oct
<b>Total Imports</b>						
China	86	412	417	663	825	950
Japan	737	760	739	707	715	730
Russia	1,027	1,023	929	621	585	585
Korea, South	370	375	392	414	510	520
European Union	348	376	372	363	370	375
Hong Kong	241	473	646	339	375	375
Egypt	250	195	270	360	340	340
Canada	301	295	284	280	260	265
Chile	187	210	210	213	240	255
Malaysia	174	194	205	237	240	245
Others	1,987	2,115	2,080	1,921	1,836	1,907
<b>Total Foreign</b>	<b>5,708</b>	<b>6,428</b>	<b>6,544</b>	<b>6,118</b>	<b>6,296</b>	<b>6,547</b>
<b>United States</b>	<b>1,007</b>	<b>1,020</b>	<b>1,337</b>	<b>1,529</b>	<b>1,370</b>	<b>1,216</b>
<b>Total</b>	<b>6,715</b>	<b>7,448</b>	<b>7,881</b>	<b>7,647</b>	<b>7,666</b>	<b>7,763</b>
<b>Total Exports</b>						
Brazil	1,524	1,849	1,909	1,705	1,850	1,950
India	1,411	1,765	2,082	1,806	1,850	1,925
Australia	1,407	1,593	1,851	1,854	1,385	1,325
New Zealand	517	529	579	639	580	550
Canada	335	332	378	390	430	445
Paraguay	251	326	389	381	390	395
Uruguay	360	340	350	373	385	385
European Union	296	244	301	303	330	350
Mexico	200	166	194	228	255	275
Argentina	164	186	197	186	210	235
Others	554	618	595	644	654	668
<b>Total Foreign</b>	<b>7,019</b>	<b>7,948</b>	<b>8,825</b>	<b>8,509</b>	<b>8,319</b>	<b>8,503</b>
<b>United States</b>	<b>1,112</b>	<b>1,174</b>	<b>1,167</b>	<b>1,028</b>	<b>1,120</b>	<b>1,193</b>
<b>Total</b>	<b>8,131</b>	<b>9,122</b>	<b>9,992</b>	<b>9,537</b>	<b>9,439</b>	<b>9,696</b>

Notes: Includes meat of other bovines for certain countries. Indian exports are carabeef (water buffalo). From 2015, the following countries are excluded: Albania, Azerbaijan, Cote d'Ivoire, Georgia, Ghana, Jamaica, Senegal and Uzbekistan. The notation of a month beneath a year conveys the month in which the forecast for that year was released.

**Cattle Selected Countries Summary**  
(in 1,000 head)

	2012	2013	2014	2015	2016	2017 Oct
<b>Total Cattle Beg. Stks</b>						
India	300,000	299,606	300,600	301,100	302,600	303,350
Brazil	197,550	203,273	207,959	213,035	219,180	226,037
China	103,605	103,434	103,000	100,450	100,275	100,085
European Union	87,054	87,106	87,619	88,406	89,152	89,250
Argentina	49,597	51,095	51,545	51,545	52,565	53,515
Australia	28,506	28,418	29,291	29,102	27,413	27,750
Russia	20,134	19,930	19,564	19,152	18,838	18,430
Mexico	20,090	18,521	17,760	17,120	16,615	16,500
Turkey	12,483	14,022	14,532	14,345	14,127	14,047
Canada	12,245	12,305	12,220	11,925	11,995	12,100
Others	79,296	77,485	75,955	44,316	43,851	43,749
<b>Total Foreign</b>	910,560	915,195	920,045	890,496	896,611	904,813
<b>United States</b>	91,160	90,095	88,526	89,143	91,988	93,500
<b>Total</b>	1,001,720	1,005,290	1,008,571	979,639	988,599	998,313
<b>Production (Calf Crop)</b>						
India	63,500	65,000	66,000	67,000	67,500	68,500
China	48,000	48,800	47,900	49,000	50,000	50,500
Brazil	49,690	50,185	49,600	48,220	48,250	48,350
European Union	29,800	29,050	29,280	29,900	30,150	30,100
Argentina	13,700	14,000	13,300	14,200	13,500	14,100
Australia	8,539	10,783	11,063	9,394	9,350	9,475
Mexico	6,800	6,700	6,750	6,850	7,000	7,100
Russia	6,920	6,820	6,670	6,600	6,520	6,360
New Zealand	4,926	4,923	5,440	5,040	4,850	4,822
Canada	4,462	4,516	4,606	4,298	4,410	4,475
Others	18,663	18,684	17,932	13,758	13,710	13,730
<b>Total Foreign</b>	255,000	259,461	258,541	254,260	255,240	257,512
<b>United States</b>	34,469	33,730	33,522	34,302	34,700	35,100
<b>Total</b>	289,469	293,191	292,063	288,562	289,940	292,612

Notes: May contain other bovines. From 2015, Colombia and Venezuela are excluded. The notation of a month beneath a year conveys the month in which the forecast for that year was released.

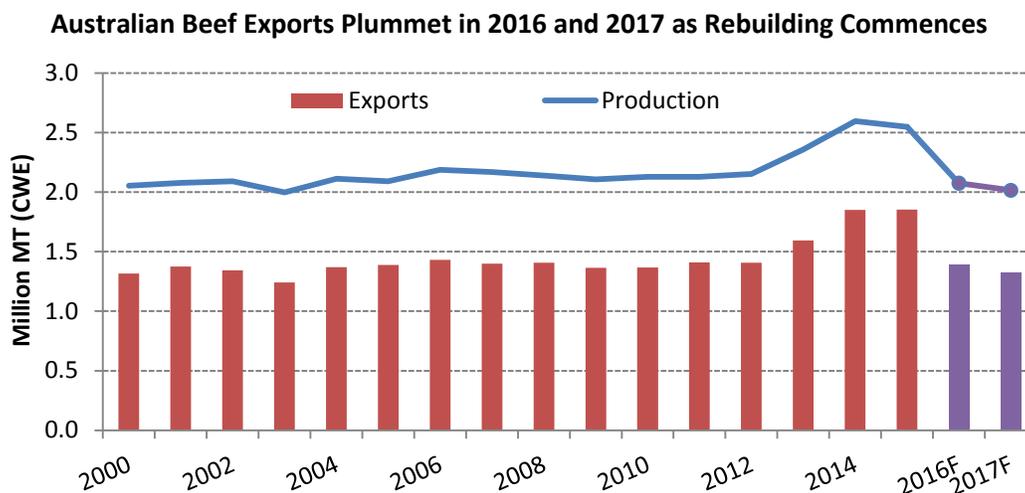
**Cattle Selected Countries Summary**  
(in 1,000 head)

	2012	2013	2014	2015	2016	2017 Oct
<b>Total Imports</b>						
Turkey	472	193	49	203	400	490
Egypt	95	100	200	120	300	300
China	117	98	230	129	150	160
Russia	143	97	74	144	65	90
Canada	56	48	45	36	25	25
Mexico	10	30	28	23	25	25
Japan	14	12	11	9	5	10
Brazil	0	0	10	2	2	3
Ukraine	3	3	1	1	2	2
Belarus	2	1	1	2	1	1
Others	616	712	565	0	0	0
<b>Total Foreign</b>	1,528	1,294	1,214	669	975	1,106
<b>United States</b>	2,283	2,033	2,358	1,984	1,750	1,750
<b>Total</b>	3,811	3,327	3,572	2,653	2,725	2,856
<b>Total Exports</b>						
European Union	678	504	499	810	1,000	1,100
Australia	620	851	1,297	1,336	1,125	1,000
Mexico	1,539	1,045	1,176	1,213	1,050	1,000
Canada	821	1,044	1,245	832	760	800
Brazil	512	689	649	212	300	420
Uruguay	78	41	140	217	200	150
Ukraine	2	11	27	45	40	40
New Zealand	42	33	79	21	25	25
Russia	9	14	27	25	15	20
China	26	19	20	12	10	10
Others	302	236	86	7	7	4
<b>Total Foreign</b>	4,629	4,487	5,245	4,730	4,532	4,569
<b>United States</b>	191	161	108	73	65	80
<b>Total</b>	4,820	4,648	5,353	4,803	4,597	4,649

Notes: May contain other bovines. From 2015, Colombia and Venezuela are excluded. The notation of a month beneath a year conveys the month in which the forecast for that year was released.

# The Grass Isn't Always Greener on the Other Side: Herd Rebuilding Down Under Creates Opportunity for U.S. Exports

Lindsay Kuberka, Agricultural Economist



Source: USDA/FAS/PSD

Reduced export competition from Australia will benefit U.S. beef exports in 2017. Australia was the world's top beef exporter in 2015, with shipments totaling 1.9 million tons. Export growth was a result of a significant liquidation of cattle stocks as severe drought halted pasture growth and slashed feed supplies. Producers are now reducing cattle turnoff and focusing on rebuilding their herds, driving beef production and exports lower. As Australia continues rebuilding in 2017, the U.S. cattle herd is expanding from its own cyclical low with a second straight year of rising production and exports expected.

## 2017 Outlook - Cattle slaughter



4 % AU



2% U.S.

- **Australia:** Cattle slaughter will decline for a third consecutive year due to tight supplies of slaughter-ready cattle. The greatest reduction will come from cows and heifers as female animals are diverted from meat production to breeding.
- **United States:** On the heels of a 5-year decline, U.S. cattle slaughter is forecast to increase for a second year as herd expansion buoys availability of cattle.

## 2017 Outlook - Live cattle exports



11 % AU



23 % U.S.

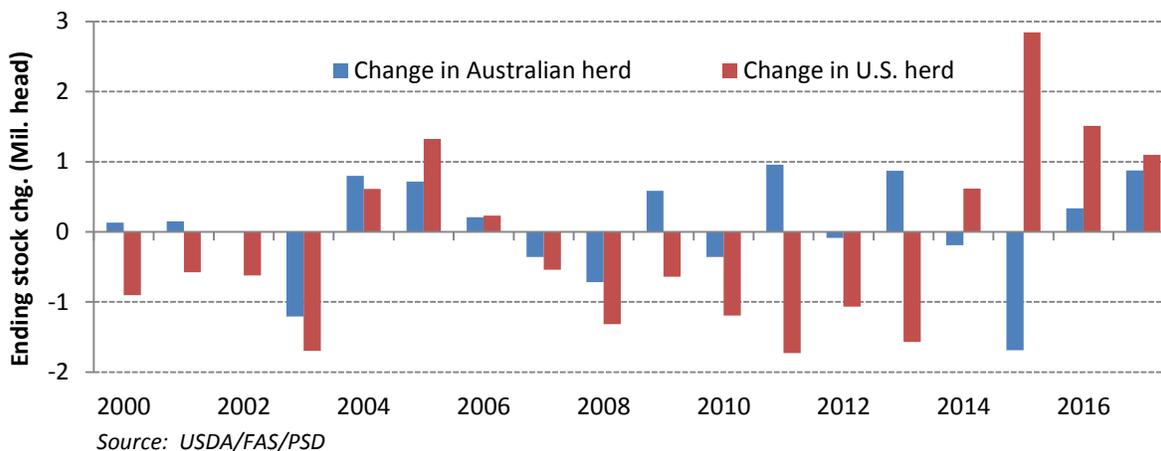
- **Australia:** Cattle exports are likely to weaken, but remain above historical average at 1.0 million head. Beef demand remains strong in Indonesia, the top market, encouraging continued imports of live animals. China approved imports of Australian feeder cattle in 2015, adding to demand.
- **United States:** Cattle exports are forecast up in 2017. U.S. exports of live cattle are almost entirely breeding animals and account for a fractional percentage of total supplies.

## Australian Cattle Supply: The Start of a New Herd Cycle

Beef production in the United States and Australia is categorized by herd cycles, defined as a period of expansion in cattle stocks followed by a period of contraction. Expansion begins as producers increase their herds in response to positive market signals and liquidation commences in the face of reduced

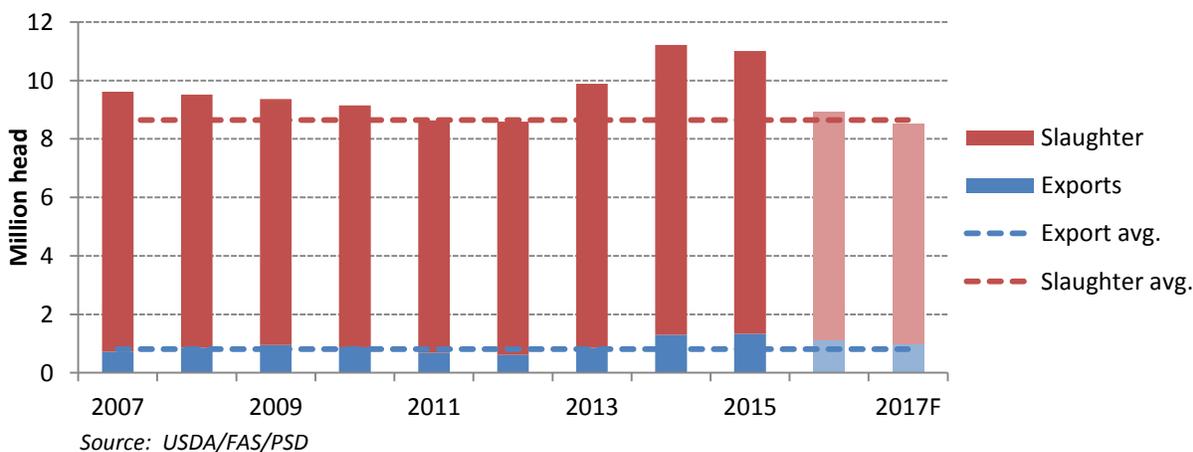
profitability. Drought and its impact on feed supplies has been the culprit in the most recent contractions in both countries. The recent drought in Australia led to a decline of nearly 2 million head in the span of just 2 years. Rebuilding is usually a longer and slower process given the biological constraint of cattle reproduction and herd recovery in Australia could take until the end of the decade.

### U.S. Cattle Inventories Expand Ahead of Australian Herd Rebuilding



During Australia’s recent drought, herd liquidation came in two forms: increased slaughter and live animal exports. Slaughter reached 9.9 million head in 2014 – the highest level since the 1970s – and was nearly as strong in 2015, totaling 9.7 million head. Both years were well above the 10-year average (2004-2013) of 8.5 million head per year. Now that pasture conditions have improved, cattle slaughter has slackened and is forecast to decline to 7.8 million, a 19 percent-decline from 2015. Cow and heifer slaughter have fallen more than bulls and steers as producers hold onto female animals for breeding. In 2017, cattle slaughter is expected to recede further, bringing the total to 7.5 million head.

### Cattle Slaughter and Live Exports Were Well Above the 10-Year Average in Drought Years



Live cattle exports also accelerated during the drought, reaching a record 1.3 million head in both 2014 and 2015. Australia exports mostly feeder cattle to its largest market – Indonesia – as well as to

countries in Southeast Asia and the Middle East. In the 5 years before the drought (2009-2013), over 75 percent of live exports originated from the Northern Territory and Western Australia, despite holding less than 15 percent of the country's cattle. During the drought, cattle exports from Queensland ports accelerated rapidly due to significant stock liquidation in interior Queensland. This area was affected most acutely by the lack of rains.

Despite reductions in cattle supplies, live exports should remain relatively strong in 2017. Indonesia will remain the top buyer as its cattle herd continues to decline and producers increasingly depend on live imports for their supply. Restrictive import policies for beef incentivize trade in live animals and Australia remains the only country eligible to provide live cattle to Indonesia. As large-scale declines in imports from Australia would significantly reduce Indonesian beef supply, its shipments to Indonesia should remain robust. However, prices for live cattle exports have risen significantly during 2016 and will reduce demand from many buyers, including the Middle East and Southeast Asia. Despite high prices, exports are expected to rise to other markets, notably China which approved Australian feeder cattle in 2015.

## Australian Beef Production: From Grass to Grain

With a plethora of natural pastures, nearly two-thirds of Australian beef is grass-finished. However, production of grain-fed beef continues to grow in response to strong demand for grain-fed beef in Asia. Despite expansion in the feedlot industry, Australia's comparative advantage in grass-fed production will ensure that most cattle remain on pasture.

### 2017 Outlook - Beef Production



3 % AU



4 % U.S.

- **Australian beef production** will decline as cattle slaughter contracts for a third year. Sharply lower cattle supplies will be the main factor, but will be partially offset by an increase in average slaughter weights.
- **U.S. beef production** is expected to expand by 3 percent on continued recovery in the U.S. cattle herd and strong domestic demand for beef.

### 2017 Outlook - Grainfed Beef Production

- **Australian fed cattle placements** will decline as high prices of replacement cattle reduce feedlot profitability. Grain-fed beef production and exports are likely to fall.
- **U.S. fed cattle placements** are expected to rise as robust supplies of cattle outside feedlots and relatively low grain prices spur higher placements.

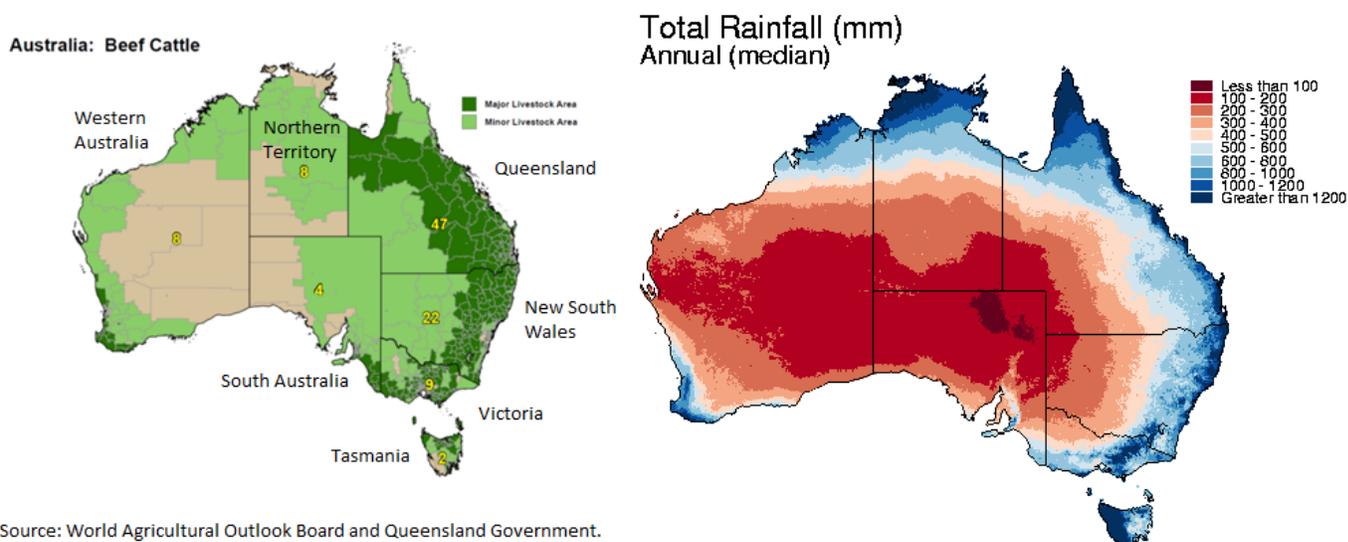
### *Grass-Finishing*

Australia operates primarily under a pasture system, in which cattle are raised on grass with minimal supplemental feeding of grain and forages. A major advantage of a grass system is the cost advantage of pasture over purchased feed. Large inland areas unsuitable for crop production offer abundant grazing, but depend on rainfall. As average annual rainfall declines with distance from the coast, further inland properties can stock fewer cattle per hectare (see map). Based on the region of production – North or South – beef cattle production has significant differences in production practices (see box).

Grass-finished cattle supply both the live export market and domestic packing plants. Grass-fed cattle produce beef with little to no marbling, providing plentiful supplies of lean beef for export. The United

States has long been the dominant buyer of this beef, which is blended with fat trimmings to make hamburger. However, lean beef demand is also rising from Asia and the Middle East, where lean beef is often preferred.

### Nearly Half of Australia's Cattle Herd Resides in Queensland, followed by New South Wales<sup>1</sup>



Source: World Agricultural Outlook Board and Queensland Government.

### BOX – Cattle Production in the North and South -----

**North** – Production in Northern states is characterized by large properties (cattle stations) of native pasture with low stocking rates. Brahman cross-breeds are standard in the tropical climate and perform better in hot and dry weather. Rainfall is monsoonal – highly concentrated during the summer months (December-March). The amount of summer rainfall largely determines forage volume and quality and thus the speed at which cattle grow. Cattle on relatively poor pasture may struggle to gain 100 kg. per year, while cattle on high-quality pasture can gain over 200 kg. in a year. While stocking rates vary considerably between regions and properties, they are significantly lower than in the South, averaging 35 cows/1,000 ha. in the Northern Territory, 29 cows/1,000 ha. in Western Australia, and nearly 94 cows/1,000 ha. in Queensland<sup>2</sup>.

Cattle in remote areas of Queensland, the Northern Territory, and Western Australia are typically raised for live export to Indonesia. No slaughter facilities are currently located in the Northern Territory and only a small processing industry focused on local consumption exists in Western Australia. Shipping cattle to Indonesia from the Ports of Darwin and Fremantle (near Perth) is geographically closer and more profitable than transporting to processing facilities in Queensland. However, some northern feeder cattle are shipped to Southern Queensland and Northern New South Wales to supply Australian feedlots.

**South** – In Australia's southern states, production is also pasture-driven, but breeds and grazing practices differ due to a temperate rather than tropical climate. Coastal areas in the Southern states

<sup>1</sup> Yellow numbers represent the percentage of the beef cattle herd residing in each state.

<sup>2</sup> Stocking density is calculated based on surveyed grazing area and cattle inventory by state (Australian Bureau of Statistics, 2008/2009).

(Victoria, New South Wales) receive more consistent rainfall year-round, peaking during the winter months. Improved pasture and forage crops are common, enabling much higher stocking rates of 581 cows/1,000 ha. in Victoria and 129 cows/1,000 ha. in New South Wales. Continental beef breeds are the norm, with heavy use of Hereford, Angus, and Shorthorn. Grass-finished cattle are processed for both domestic and export markets, while some southern cattle are grain-finished in lots. The Australian dairy industry is also concentrated in the South as relatively abundant rainfall and viability of irrigated pasture ensures stable forage. Culled dairy cows provide further supplies of lean product for export.

	North	South
<b>Stocking density</b>	Low, avg. 63 cows/1,000 ha.	High, avg. 150 cows/1,000 ha.
<b>Breeds</b>	<i>Bos Indicus</i> - tropical breeds	<i>Bos Taurus</i> - continental breeds
<b>Rainfall</b>	Summer monsoon	Higher in winter, but more consistent through the year
<b>Live export</b>	Important, mainly feeder and slaughter cattle to Indonesia, Vietnam, and China.	Less important, feeder and breeding cattle to Asia and Middle East.
<b>Beef markets</b>	Lean beef to the United States and elsewhere.	Domestic market, exports to Asia, Europe, and Middle East.

### **Grain-Finishing**

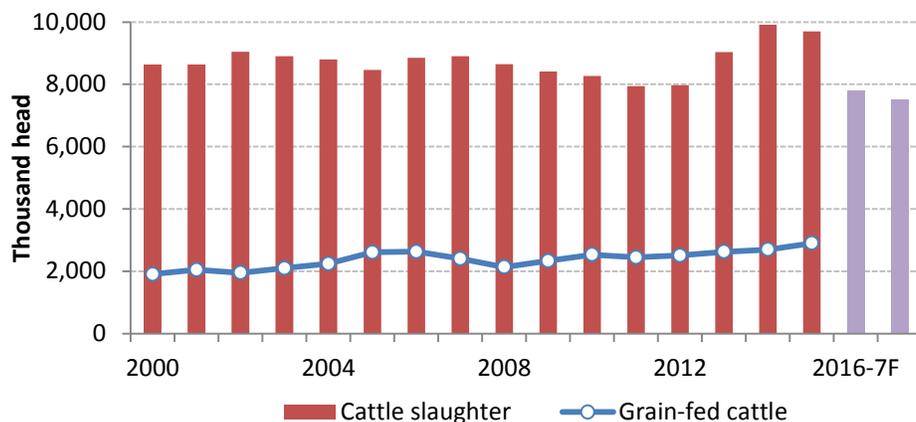
The majority of U.S. cattle have been grain-finished for decades, but grain-feeding was slower to grab a foothold in Australia. Beginning in the 1970s and 1980s, feedlots developed in southern Queensland and northern New South Wales, close to feed supplies and processing facilities. In 2015, there were over 400 feedlots with a total capacity of over 1.2 million head. Grain-fed cattle marketings have gained steadily over time, reaching a record 2.9 million head in 2015. Fed cattle accounted for 30 percent of slaughter that year, up from 20 percent in 2000 (see figure). Despite capacity improvements, the supply of Australian grain-fed beef remains small in comparison to the United States; U.S. steer and heifer slaughter totaled about 23 million head in 2015, of which 85 percent were marketed from large feedlots.

**Feed supplies** are locally-grown in coastal regions that have better soils, rainfall, and increased use of irrigation compared to inland cattle grazing areas. Wheat makes up the largest part of the feed ration (as opposed to corn used in the United States), while sorghum, barley, cottonseed, and silage also feature prominently in rations.

**Feeding duration** varies based on the intended market, but generally fall into two categories:

- **Short-fed** (60-100 days): Cattle for the domestic market are fed for a shorter period, about 100 days on average, resulting in a leaner meat.
- **Long-fed** (>100 days): Beef for the export market is typically long-fed, but duration is determined by marbling preference. Beef for the Korean market averages around 180 days on feed (similar to U.S. fed-cattle). Cattle fed for Japanese consumers are kept on feed the longest duration of 300 days, producing a highly-marbled product.

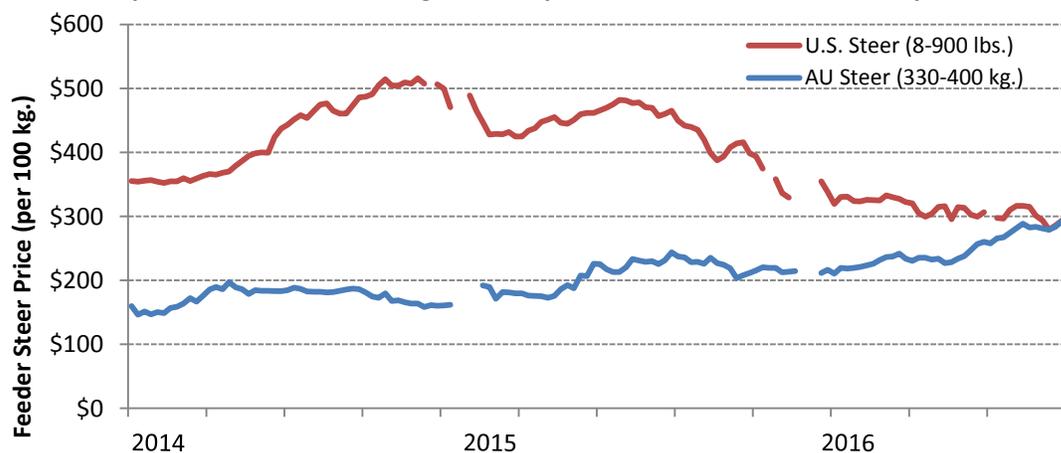
## Grain-fed account for a growing percentage of cattle slaughter, reaching 30 percent in 2015



Sources: USDA/FAS/PSD and Meat & Livestock Australia

**Constraints** on expansion in Australian grain-fed beef production exist in the long-term – chiefly profitability. The principal costs for feedlots are cattle for placement and feed. Wheat, the most common Australian feed grain, is primarily exported for food use and is relatively expensive compared to corn. Despite elevated grain prices, feedlots made record profits during the drought years when cattle prices were low. Average margins for 100-day fed cattle reached a record of nearly \$60 per head during the fall of 2014 and stayed positive through most of 2015, leading to record grain-fed beef production. However, margins turned negative as the price of placement cattle escalated to record levels in 2016, averaging over 70 percent higher in Australian dollars through September relative to the same period in 2014 (prices were 40 higher in U.S. dollars). Estimated losses topped \$100 per head on new placements during the first quarter of 2016 and cattle on feed fell 5 percent by June 2016. Even with lower grain prices, higher cattle prices are expected to drive down the number of cattle placed on feed during 2016 and 2017.

## Feeder cattle prices in Australia have gained 40 percent since 2014, while U.S. prices continue to fall



Sources: Meat & Livestock Australia (Trade Steer 330-440kg) and USDA/AMS/Market News Oklahoma City Med. frame No. 1 feeder steers (8-900 lb. cwt converted to kg.)

## Australian Beef Exports on Downward Slide

Australia's beef industry is reliant on exports – the domestic market consumes only about one-third of the beef it produces. By comparison, U.S. exports typically account for 10-13 percent of production.

When the recent drought caused a surge in Australian production, robust international beef demand absorbed most of the uptick in supplies. The United States remained the top buyer of Australian beef in 2014-2015 as U.S. demand for imports rose in response to reduced domestic production. Australian exports to traditional Asian markets – Japan and Korea – also gained significantly while a new market emerged in China due to increased preference for beef coupled with falling domestic cattle supplies. In the long-term, the industry’s focus on export markets is likely to intensify as stable per capita beef consumption will limit expansion in the domestic market.

**Australian beef exports** ↓ 4 %

- Despite robust world beef demand, lower production will limit Australian beef exports to 1.3 million tons, well below the record set in 2015.

**U.S. beef exports** ↑ 7 %

- U.S. beef exports are forecast to continue to rebound, totaling 1.2 million tons. Growth in supplies will pressure prices, boosting demand for U.S. beef overseas.

While Australian exports accelerated during 2014-2015, U.S. exports weakened. Prices and exchange rates both played a role, beginning with a rise in U.S. wholesale beef prices in 2014 as production contracted. The run-up in prices was exacerbated by the appreciation of the U.S. dollar against most other currencies in 2015. During the same period, exports from Australia benefitted from both a weak Australian dollar and relatively low prices. Many of these trends began to shift in 2016 as output declined from Australia and rose from the United States. Changes in market access and implementation of regional trade agreements also affect the potential for exports.

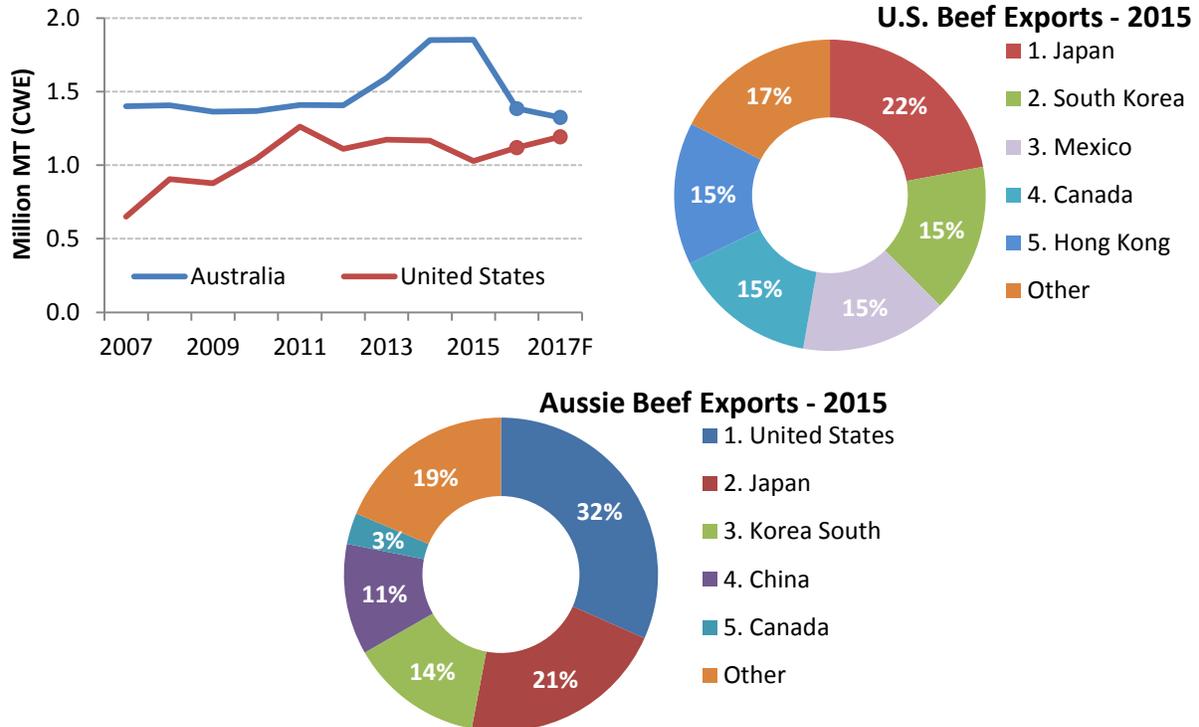
**Aussie and U.S. Export Competition in 2017: Positive and Negative Market Factors**

Factors	Australia	United States
Beef prices	-	+
Exchange rates	+	-
Market share		
China	-	-
North America	-	+
South Korea	-	+
Japan	neutral	+

**Beef prices** in the United States and Australia have reversed trend. With the rebound in U.S. production, wholesale prices began to fall in the latter half of 2015 and are forecast to decline through 2017. Australian beef prices have risen rapidly as reduced cattle slaughter drive beef production lower. Prices are unlikely to fall until supplies recover, increasing the competitiveness of U.S. product.

**Exchange rates** will also play a role. The U.S. dollar is expected to remain strong through 2017 and thus continue to be a headwind for exports. On the contrary, the Australian dollar (AUD) has lost value since 2015, improving the competitiveness of its exports. Despite appreciation during 2016, the AUD remains well below its 5-year average and expected to remain weak through 2017.

## U.S. Beef Exports Will Expand in 2017, Narrowing Gap with Australia



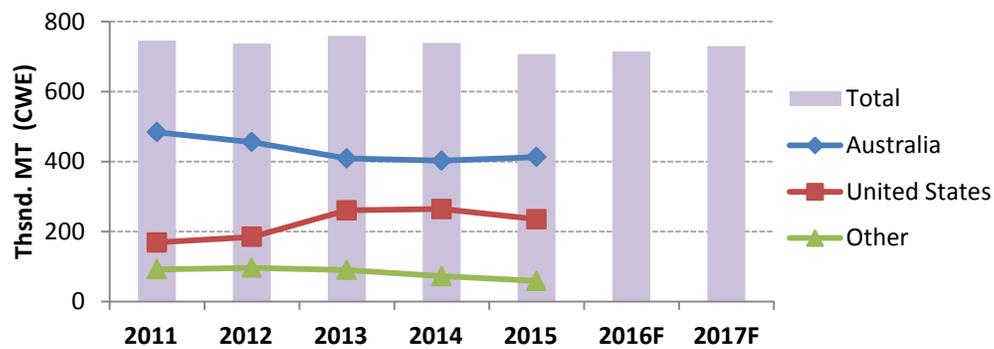
Sources: USDA/FAS/PSD and IHS Markit – Global Trade Atlas

**Growing and maintaining markets** will also impact trade expansion for the two countries. Both the United States and Australia depend on 4 or 5 markets for over 80 percent of their exports. Market dominance is often facilitated by a free trade agreement (FTA) offering preferential market access. For example, U.S. beef has unlimited duty-free access in Canada and Mexico and accounts for 60 and 80 percent of each country's imports respectively. Australia has aggressively pursued FTAs, including a 2014 agreement with Japan which conferred tariff advantages for beef. The presence of preferential FTA access generally reduces competition in the market.

**Japan** - Competition between the United States and Australia is greatest in Japan where Australian and U.S. beef account for over 90 percent of imports. U.S. market share in Japan rose for several years (2011-2014) due to lessening of bovine spongiform encephalopathy (BSE) restrictions. U.S. exports fell in 2015, while Australian exports rose 10 percent due to high U.S. prices. In 2017, Japanese beef imports are forecast up 2 percent, but U.S. market share is likely to expand by a greater margin, especially for chilled beef. However, U.S. product remains disadvantaged by higher tariff rates. The Japan-Australia Economic Partnership Agreement (JAEPA) provides Australian beef with substantial tariff reductions on beef over a period of 15 years<sup>3</sup>. Implementation of the Trans Pacific Partnership (TPP) would level the playing field by conferring the same tariff reductions to both countries.

<sup>3</sup> JAEPA reduces the tariff on imports of Australian beef from a WTO tariff of 38.5 percent to 19.5 percent on frozen beef over 18 years and to 23.5 percent on chilled beef over 15 years.

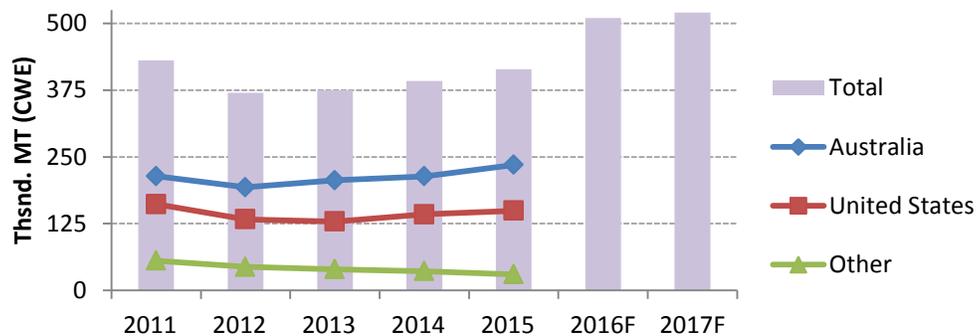
### While Japanese Beef Imports Are Stable, U.S. Market Share Expected to Grow



Sources: USDA/FAS/PSD and IHS Markit – Global Trade Atlas

**Korea** – Australian and U.S. beef also account for over 90 percent of South Korea’s imports. Robust beef demand and declining domestic production continue to drive imports, including 23-percent growth in 2016 and an additional 2 percent forecast in 2017. While Australia is still the top supplier, imports of U.S. beef have grown almost 50 percent in 2016, compared to just 13 percent for Australia through August. U.S. beef should increase its share in 2017. Beyond more competitive prices, U.S. beef enters at reduced tariff due to the Korea-U.S. FTA. While Australia has also signed an FTA with Korea in 2015, U.S. beef will have an advantage of 5.3 percent until full implementation of the Korea-Australia agreement in 2028. In 2017, Korean imports of U.S. beef face a tariff of 24 percent while Australian beef is subject to a tariff of 29.3 percent.

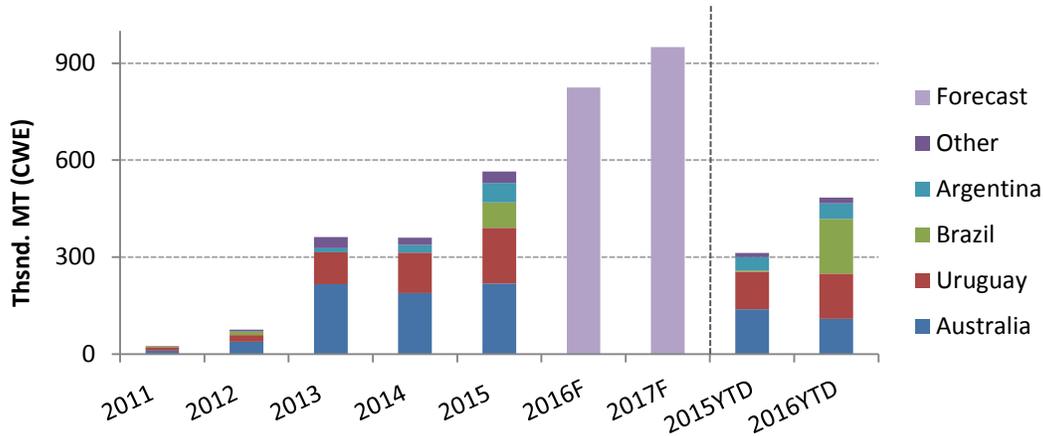
### South Korean Imports Continue to Gain, with U.S. Beef Increasing its Market Share



Sources: USDA/FAS/PSD and IHS Markit – Global Trade Atlas

**China** – In the span of 5 years, China became the world’s second largest beef importer. Chinese imports have risen rapidly since 2011 with Australia as its top supplier. However, after imports from Brazil and Argentina were approved in 2015, Australia began to lose market share. Through August of 2016, Chinese imports rose nearly 50 percent – almost entirely due to imports from Brazil which became the top supplying country. Chinese beef imports are forecast to expand an additional 15 percent in 2017. Aided by lower relative prices and weaker currencies, product from Brazil, Uruguay, and Argentina are well positioned to displace Australian beef.

## China's Beef Imports Surge, Imports from South America Benefit from New Market Access



Sources: USDA/FAS/PSD and IHS Markit – Global Trade Atlas; Year-to-date trade through August 2016.

### Conclusion

Cattle producing regions in Australia have benefitted from a relatively wet 2016, with rainfall the highest in several years. Better rains have led to renewed pasture growth and reduced turnoff, resulting in a 30-percent decline in cattle slaughter during the first half of the year. With lower slaughter and beef production, exports have fallen 21 percent through August 2016. The continuation of favorable pasture conditions will lead to further declines in slaughter and production is unlikely to expand until 2018 at the earliest. The opposite trends are in play for U.S. beef production and exports. On continued recovery in the cattle herd, exports are forecast up in 2017 as supply growth continues to push down prices. While the strong U.S. dollar remains a constraint, the competitiveness of U.S. beef will expand in most major markets and benefit from lower Australian supply in high-value markets like Japan and South Korea.



*The information in this report was collected in part during travel in Australia during March 2016. For more information contact:*

Lindsay Kuberka | [Lindsay.Kuberka@fas.usda.gov](mailto:Lindsay.Kuberka@fas.usda.gov), (202) 644- 4650, USDA-FAS, Office of Global Analysis, Global Commodity Analysis Division

# Pork

## Global Production

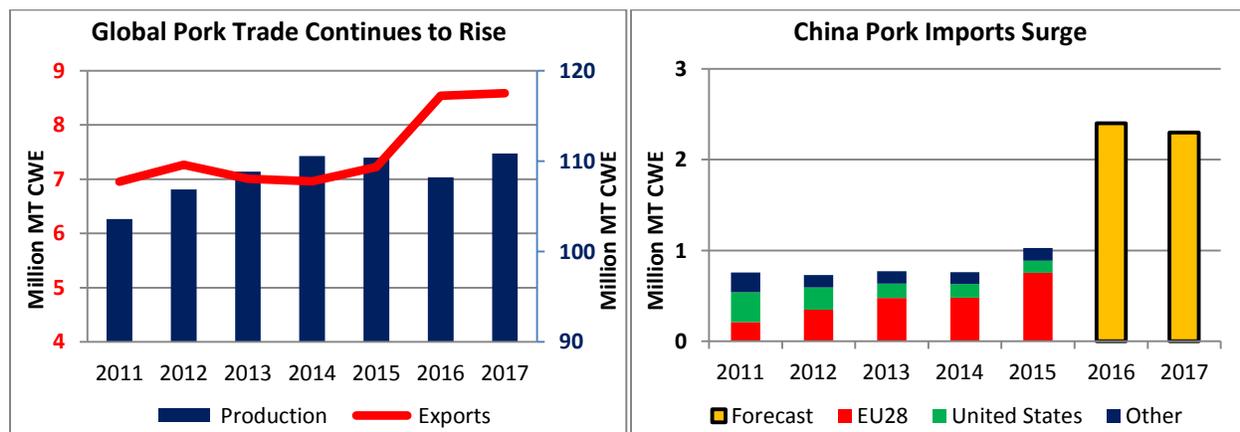
Global production is forecast up 3 percent to a record 111.0 million tons driven primarily by an increase in China but also supported by gains in the United States, Brazil and Russia. After two years of declining Chinese production, strong prices will stimulate herd recovery and initiate expansion in 2017. A recovering Brazilian economy will enable production to grow – driven by strong international demand. Russian production will continue its multi-year expansion due to improved industry efficiencies and investment although operations continue to struggle with outbreaks of African swine fever. As global supplies remain abundant in 2017, increasing demand from Asian markets, in particular China will continue to help ease the burden.

## Global Trade

Exports by major traders are forecast up 1 percent to a record 8.6 million tons. China has emerged as the leading global pork importer and is forecast to retain the position in 2017. Despite China’s herd recovery in 2017, continued elevated pork prices will buoy demand for supplies from the EU, the United States, and Canada. As a result of China’s increased imports, the EU has further expanded their position as the leading global pork exporter becoming a key supplier to China and other Asian markets.

## U.S. Production and Trade

**U.S. production** is forecast up nearly 4 percent to a record 11.7 million tons on continued moderate industry growth supported by increasing pigs per litter. **Exports** are forecast 4 percent higher to 2.4 million tons as increased supplies, lower prices, and a downward trend in exchange rates will spur demand by various markets.



**Pork Selected Countries Summary**  
**1,000 Metric Tons (Carcass Weight Equivalent)**

	2012	2013	2014	2015	2016	2017 Oct
<b>Production</b>						
China	53,427	54,930	56,710	54,870	51,850	53,750
European Union	22,526	22,359	22,540	23,290	23,350	23,350
Brazil	3,330	3,335	3,400	3,519	3,710	3,825
Russia	2,175	2,400	2,510	2,615	2,770	2,900
Vietnam	2,307	2,349	2,425	2,475	2,525	2,575
Canada	1,844	1,822	1,805	1,899	1,975	1,980
Philippines	1,310	1,340	1,353	1,370	1,440	1,500
Mexico	1,239	1,284	1,290	1,323	1,385	1,448
Japan	1,297	1,309	1,264	1,254	1,275	1,265
Korea, South	1,086	1,252	1,200	1,217	1,232	1,263
Others	5,778	5,923	5,701	5,423	5,382	5,416
<b>Total Foreign</b>	96,319	98,303	100,198	99,255	96,894	99,272
<b>United States</b>	10,554	10,525	10,368	11,121	11,307	11,739
<b>Total</b>	106,873	108,828	110,566	110,376	108,201	111,011
<b>Total Dom. Consumption</b>						
China	53,922	55,456	57,195	55,668	54,070	55,870
European Union	20,382	20,147	20,390	20,913	20,062	20,062
Russia	3,239	3,267	3,024	3,016	3,160	3,280
Brazil	2,670	2,751	2,845	2,893	2,811	2,886
Japan	2,557	2,549	2,543	2,568	2,590	2,585
Vietnam	2,279	2,333	2,408	2,456	2,506	2,556
Mexico	1,850	1,956	1,991	2,176	2,270	2,348
Korea, South	1,546	1,628	1,660	1,813	1,868	1,890
Philippines	1,446	1,511	1,551	1,544	1,659	1,750
Taiwan	906	892	875	930	897	897
Others	7,152	7,277	6,869	6,587	6,656	6,755
<b>Total Foreign</b>	97,949	99,767	101,351	100,564	98,549	100,879
<b>United States</b>	8,441	8,665	8,545	9,341	9,452	9,811
<b>Total</b>	106,390	108,432	109,896	109,905	108,001	110,690

Notes: 1/ From 2015, the following countries are excluded: Albania, Armenia, Congo (Brazzaville), Gabon, Georgia, Ghana, Jamaica, North Korea, Kyrgyzstan, Moldova, Switzerland and Trinidad and Tobago. From 2016, Venezuela is excluded. 2/ The notation of a month beneath a year conveys the month in which the forecast for that year was released.

**Pork Selected Countries Summary**  
**1,000 Metric Tons (Carcass Weight Equivalent)**

	2012	2013	2014	2015	2016	2017 Oct
<b>Total Imports</b>						
China	730	770	761	1,029	2,400	2,300
Japan	1,259	1,223	1,332	1,270	1,320	1,320
Mexico	706	783	818	981	1,025	1,050
Korea, South	502	388	480	599	610	630
Hong Kong	414	399	347	397	485	475
Russia	1,077	868	515	408	410	400
Philippines	138	172	199	175	220	250
Canada	240	220	214	216	210	215
Australia	194	183	191	220	215	210
Singapore	105	98	117	116	110	112
Others	1,129	1,092	900	789	792	819
<b>Total Foreign</b>	6,494	6,196	5,874	6,200	7,797	7,781
<b>United States</b>	364	399	459	506	517	526
<b>Total</b>	6,858	6,595	6,333	6,706	8,314	8,307
<b>Total Exports</b>						
European Union	2,165	2,227	2,164	2,389	3,300	3,300
Canada	1,243	1,246	1,218	1,239	1,350	1,300
Brazil	661	585	556	627	900	940
China	235	244	276	231	180	180
Chile	180	164	163	178	175	170
Mexico	95	111	117	128	140	150
Australia	36	36	37	36	35	35
Vietnam	32	22	21	21	21	21
Russia	13	1	1	7	20	20
Belarus	104	74	25	5	15	15
Others	59	36	75	91	46	49
<b>Total Foreign</b>	4,823	4,746	4,653	4,952	6,182	6,180
<b>United States</b>	2,440	2,262	2,309	2,272	2,356	2,449
<b>Total</b>	7,263	7,008	6,962	7,224	8,538	8,629

Notes: 1/ From 2015, the following countries are excluded: Albania, Armenia, Congo (Brazzaville), Gabon, Georgia, Ghana, Jamaica, North Korea, Kyrgyzstan, Moldova, Switzerland and Trinidad and Tobago. From 2016, Venezuela is excluded. 2/ The notation of a month beneath a year conveys the month in which the forecast for that year was released.

**Swine Selected Countries Summary**  
(in 1,000 head)

	2012	2013	2014	2015	2016	2017 Oct
<b>Total Beginning Stocks</b>						
China	468,627	475,922	474,113	465,830	451,130	420,300
European Union	149,809	146,982	146,172	148,341	148,724	147,900
Brazil	38,336	38,577	38,844	39,395	39,422	38,900
Russia	17,258	18,816	19,081	19,405	21,267	22,300
Canada	12,625	12,610	12,940	13,150	13,240	13,410
Mexico	9,276	9,510	9,775	9,700	9,917	10,702
Korea, South	8,171	9,916	9,912	10,090	10,187	10,600
Japan	9,735	9,685	9,537	9,440	9,313	9,150
Ukraine	7,373	7,577	7,922	7,492	7,231	7,100
Belarus	3,989	4,243	3,267	2,925	3,205	3,300
Others	2,285	2,138	2,098	2,308	2,272	nr
<b>Total Foreign</b>	727,484	735,976	733,661	728,076	715,908	683,662
<b>United States</b>	66,259	66,224	64,775	67,776	68,919	69,925
<b>Total</b>	793,743	802,200	798,436	795,852	784,827	753,587
<b>Production (Pig Crop)</b>						
China	707,427	720,971	729,927	696,600	620,000	672,500
European Union	257,600	257,000	261,750	265,800	264,000	264,000
Russia	34,500	36,000	37,000	39,760	41,031	42,316
Brazil	37,700	37,900	38,470	39,050	40,000	40,750
Canada	28,347	27,376	27,078	28,623	29,100	29,400
Mexico	17,150	17,800	17,600	18,000	19,200	19,360
Korea, South	16,340	16,953	16,812	17,600	18,011	18,400
Japan	17,250	17,350	17,050	16,500	16,700	16,500
Ukraine	8,538	9,465	9,527	9,624	10,200	10,000
Belarus	5,775	5,325	4,850	5,200	5,350	5,450
Others	4,581	4,737	5,022	4,921	5,028	nr
<b>Total Foreign</b>	1,135,208	1,150,877	1,165,086	1,141,678	1,068,620	1,118,676
<b>United States</b>	116,655	115,135	114,856	121,411	123,503	125,595
<b>Total</b>	1,251,863	1,266,012	1,279,942	1,263,089	1,192,123	1,244,271

Notes: 1/ The notation of a month beneath a year conveys the month in which the forecast for that year was released. 2/ nr - represents "no reporting" countries (data sets excluded beginning in 2017). 3/ From 2017, the following country is excluded: Australia.

**Swine Selected Countries Summary**  
(in 1,000 head)

	2012	2013	2014	2015	2016	2017 Oct
<b>Total Imports</b>						
Mexico	31	10	14	42	20	25
Belarus	1	3	5	8	12	15
China	20	24	7	4	5	10
Russia	340	86	8	2	5	6
Canada	2	1	3	6	5	5
Ukraine	225	231	22	22	3	5
European Union	2	1	1	3	3	3
Korea, South	11	2	2	2	2	2
Japan	1	1	1	1	1	1
Brazil	1	1	0	1	0	0
Others	0	0	0	0	0	nr
<b>Subtotal</b>	634	360	63	91	56	72
<b>United States</b>	5,656	4,948	4,947	5,740	5,800	5,880
<b>World Total</b>	6,290	5,308	5,010	5,831	5,856	5,952
<b>Total Exports</b>						
Canada	5,676	4,784	4,960	5,776	5,850	5,900
China	1,643	1,684	1,750	1,696	1,500	1,500
European Union	741	569	567	435	400	400
Belarus	103	52	0	1	5	5
Ukraine	1	0	1	1	10	5
Brazil	2	4	3	4	2	2
Russia	0	0	0	2	3	2
Japan	0	0	0	0	0	0
Korea, South	0	0	0	0	0	0
Mexico	0	0	0	0	0	0
Others	0	0	0	0	0	nr
<b>Subtotal</b>	8,166	7,093	7,281	7,915	7,770	7,814
<b>United States</b>	56	34	19	41	36	36
<b>World Total</b>	8,222	7,127	7,300	7,956	7,806	7,850

Notes: 1/ The notation of a month beneath a year conveys the month in which the forecast for that year was released. 2/ nr - represents "no reporting" countries (data sets excluded beginning in 2017). 3/ From 2017, the following country is excluded: Australia.

# Broiler Meat

## Global Production

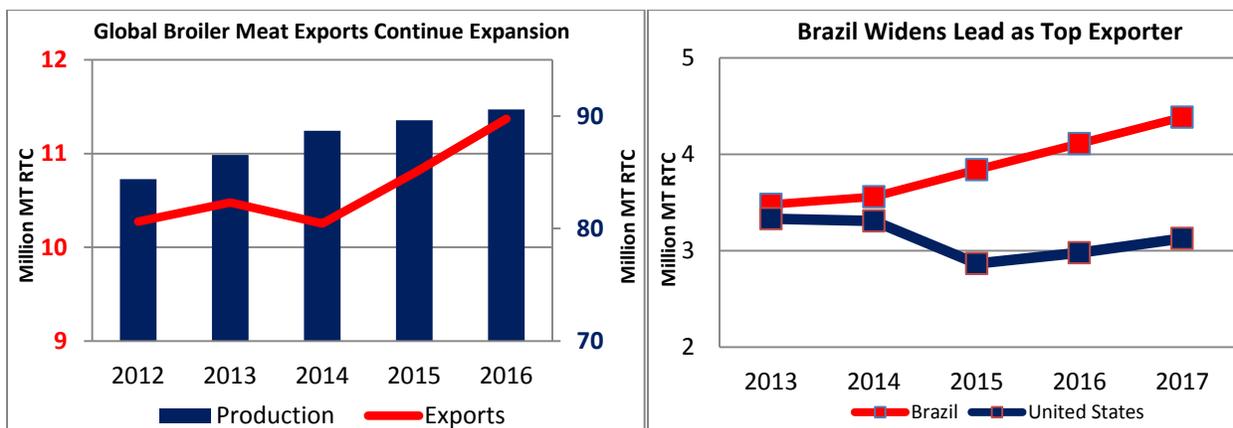
Global production is forecast to increase 1 percent to a record 90.4 million tons as expansion by the United States, Brazil, India, and the EU more than offset a significant decline by China. Robust foreign and domestic demand will bolster production for the United States and Brazil while increased domestic consumption will support gains by India and the EU. The 5-percent decline in Chinese production in 2016 on reduced supplies of imported breeding stock triggered by highly pathogenic avian influenza (HPAI)-related trade restrictions will accelerate to a 9 percent drop in 2017.

## Global Trade

Exports by major traders are forecast to climb 5 percent to a record 11.4 million tons. While shipments by both top two suppliers (Brazil and the United States) are forecast to grow, Brazil's increase will be higher because of its access to the Chinese market and its relatively weak Brazilian *real*. Although the Middle East remains a key destination for Brazilian shipments with Saudi Arabia ranked first, China is expected to be Brazil's leading growth market in 2017. Exports account for over 30 percent of Brazilian production, compared to only 16 percent for the United States and thus exports are critical to the vitality and growth of Brazil's poultry industry.

## U.S. Production and Trade

**U.S. production** is forecast to increase 2 percent to a record 18.7 million tons as lower feed prices spur expansion. **Exports** are expected to rise 5 percent to 3.1 million tons. While most countries have lifted HPAI-related restrictions against the United States, China has not, which dampens export potential. Further, a relatively strong dollar continues to dampen shipments.



**Broiler Meat Selected Countries Summary - Production and Consumption**  
**1,000 Metric Tons (Ready to Cook Equivalent)**

	2012	2013	2014	2015	2016	2017 Oct
<b>Production</b>						
Brazil	12,645	12,308	12,692	13,146	13,605	14,080
China	13,700	13,350	13,000	13,400	12,700	11,500
European Union	9,660	10,050	10,450	10,810	11,070	11,300
India	3,160	3,450	3,725	3,900	4,200	4,500
Russia	2,830	3,010	3,260	3,600	3,750	3,770
Mexico	2,958	2,907	3,025	3,175	3,270	3,335
Argentina	2,014	2,060	2,050	2,080	2,100	2,165
Turkey	1,723	1,758	1,894	1,909	1,900	1,960
Thailand	1,550	1,500	1,570	1,700	1,780	1,890
Indonesia	1,540	1,550	1,565	1,625	1,640	1,660
Others	14,866	15,480	16,018	15,378	15,250	15,598
<b>Total Foreign</b>	66,646	67,423	69,249	70,723	71,265	71,758
<b>United States</b>	16,621	16,976	17,306	17,971	18,283	18,690
<b>Total</b>	83,267	84,399	86,555	88,694	89,548	90,448
<b>Total Dom. Consumption</b>						
China	13,543	13,174	12,830	13,267	12,715	11,705
European Union	9,293	9,638	10,029	10,361	10,570	10,785
Brazil	9,139	8,829	9,137	9,309	9,497	9,697
India	3,156	3,445	3,716	3,892	4,194	4,495
Mexico	3,568	3,582	3,738	3,960	4,087	4,178
Russia	3,350	3,504	3,660	3,804	3,835	3,840
Japan	2,214	2,209	2,228	2,321	2,366	2,361
Argentina	1,723	1,729	1,773	1,894	1,955	1,979
South Africa	1,582	1,556	1,572	1,690	1,795	1,885
Indonesia	1,540	1,550	1,565	1,625	1,640	1,660
Others	19,170	19,976	20,654	19,739	19,605	20,164
<b>Total Foreign</b>	68,278	69,192	70,902	71,862	72,259	72,749
<b>United States</b>	13,346	13,691	14,043	15,094	15,379	15,661
<b>Total</b>	81,624	82,883	84,945	86,956	87,638	88,410

Notes: Chicken paws are excluded. From 2015, the following countries are excluded: Bahrain, Georgia, Iran, Jamaica and Moldova. From 2016, Venezuela is excluded. The notation of a month beneath a year conveys the month in which the forecast for that year was released.

**Broiler Meat Selected Countries Summary**  
**1,000 Metric Tons (Ready to Cook Equivalent)**

	2012	2013	2014	2015	2016	2017 Oct
<b>Total Imports</b>						
Japan	877	854	888	936	955	920
Mexico	616	682	722	790	820	850
Saudi Arabia	750	838	762	863	850	840
European Union	727	671	712	728	750	760
Iraq	610	673	698	625	670	695
South Africa	371	355	369	436	520	560
China	254	244	260	268	410	550
Hong Kong	300	272	299	312	325	335
United Arab Emirates	223	217	225	277	305	330
Philippines	150	148	199	205	260	280
Others	3,617	3,683	3,715	3,127	2,982	3,116
<b>Total Foreign</b>	<b>8,495</b>	<b>8,637</b>	<b>8,849</b>	<b>8,567</b>	<b>8,847</b>	<b>9,236</b>
<b>United States</b>	<b>51</b>	<b>55</b>	<b>53</b>	<b>59</b>	<b>59</b>	<b>60</b>
<b>Total</b>	<b>8,546</b>	<b>8,692</b>	<b>8,902</b>	<b>8,626</b>	<b>8,906</b>	<b>9,296</b>
<b>Total Exports</b>						
Brazil	3,508	3,482	3,558	3,841	4,110	4,385
European Union	1,094	1,083	1,133	1,177	1,250	1,275
Thailand	538	504	546	622	670	710
China	411	420	430	401	395	345
Turkey	284	337	378	321	280	320
Ukraine	75	141	167	159	215	240
Argentina	295	334	278	187	155	190
Russia	35	48	50	71	130	150
Canada	141	150	137	133	135	145
Belarus	105	105	113	135	135	135
Others	303	338	377	340	340	349
<b>Total Foreign</b>	<b>6,789</b>	<b>6,942</b>	<b>7,167</b>	<b>7,387</b>	<b>7,815</b>	<b>8,244</b>
<b>United States</b>	<b>3,299</b>	<b>3,332</b>	<b>3,310</b>	<b>2,867</b>	<b>2,978</b>	<b>3,128</b>
<b>Total</b>	<b>10,088</b>	<b>10,274</b>	<b>10,477</b>	<b>10,254</b>	<b>10,793</b>	<b>11,372</b>

Notes: Chicken paws are excluded. From 2015, the following countries are excluded: Bahrain, Georgia, Iran, Jamaica and Moldova. From 2016, Venezuela is excluded. The notation of a month beneath a year conveys the month in which the forecast for that year was released.

# Competition in One of the World's Largest Broiler Meat Markets: Gulf Cooperation Council (GCC)

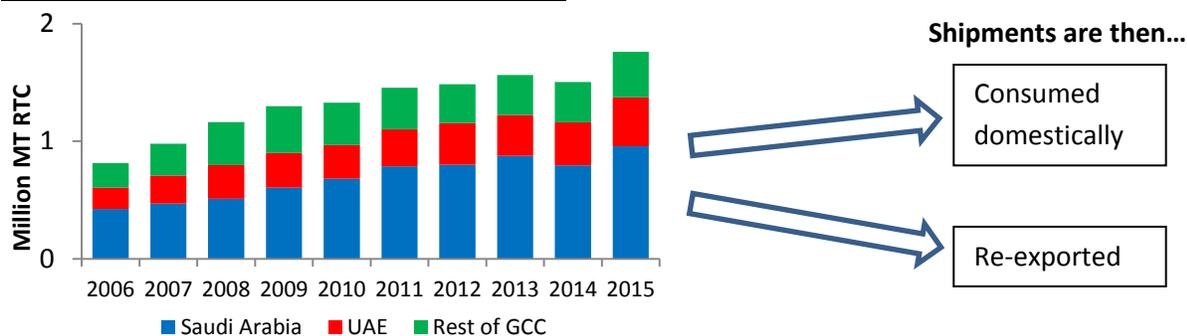
Joanna Hitchner, Agricultural Economist

The GCC was formed in 1981 as a political and economic alliance by six Middle Eastern countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). The region is a significant broiler meat market, a destination for over 15 percent of world exports in 2015 (\$2.9 billion). Despite regulations unique to the region that increase the cost to ship products, the outlook for U.S. broiler meat exports is positive. The GCC region is trending towards imports of broiler meat cuts, a segment in which the United States is a top competitor.

## Why does so much broiler meat go to GCC countries?

Broiler meat exports to GCC countries have more than doubled over the past decade. Over half of the shipments are sent to Saudi Arabia while nearly a quarter goes to the UAE. Demand for broiler meat imports is strong for three main reasons: low domestic production, high GDP, and re-exports.

## World Broiler Meat Exports Expand to the GCC



Source: IHS Markit - Global Trade Atlas

Production costs in the GCC region are high as farmers face arid climate conditions and scarce water supplies. This environment makes it expensive to regulate temperatures in chicken houses and provide water to flocks. Also, imported inputs, such as poultry vaccines, feed, and equipment, increase costs. The GCC governments have supported poultry production expansion, but competitively-priced imports fill the deficit in domestic supply and remain over half of total consumption.

Greater demand in the GCC region is primarily driven by high GDPs from large oil and gas revenues. Per capita broiler meat consumption in some GCC countries meets or exceeds U.S. levels. The region is also an economic hub for commodity transshipments to neighboring countries. Businesses will import broiler meat products and profit from re-exporting them to the rest of the Middle East, the Former Soviet Union, and Africa. The UAE, Oman, and Kuwait are major transshipment points, and higher shipments pass through these countries as demand grows in the region. Saudi Arabia is an exception: the majority of imports are consumed domestically.

Country	Imports: Percent of Consumption (2015)
Saudi Arabia	57%
Kuwait	65%
UAE	87%
Qatar	90%
Oman	95%

Source: USDA/FAS/PSD

## Who has the market share?

Brazil, the EU, and the United States are the top broiler meat exporters to the GCC region. Brazil is the largest supplier with 80 percent market share while the EU is second with 10 percent. The United States historically had less than 10 percent market share but factors in 2015, including the stronger dollar and highly pathogenic avian influenza (HPAI)-related trade restrictions, caused exports to decline further. However, shipments have regained momentum in 2016 and are expected to continue growing.

GCC Region Broiler Meat Export Market Shares			
Year	2010-2014 (Avg.)	2015	Jan-Jun 2016
Brazil	77%	80%	80%
EU	12%	10%	9%
U.S.	9%	6%	8%
Rest of World	2%	4%	3%

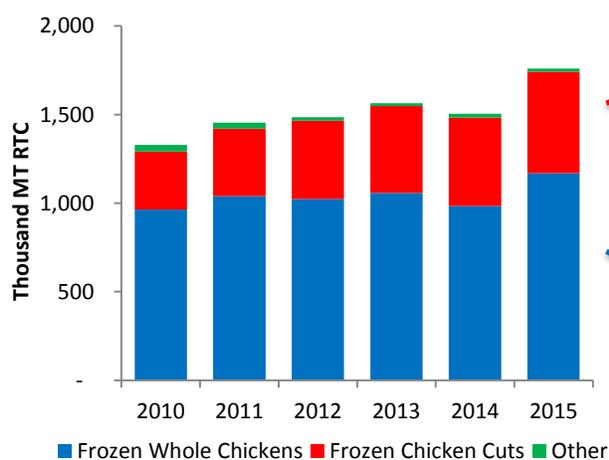
*Source: IHS Markit - Global Trade Atlas*

## What is being shipped?

GCC consumers have traditionally preferred shipments of whole chickens over cuts. Whole chickens remain over half of total exports but consumer preferences are changing. During 2010-2015, the growth in cuts (76 percent) greatly surpassed the growth in whole birds (21 percent). Greater demand for cuts in the GCC region is driven by the expansion of the food service sector, increased product variety in the growing number of hypermarkets and supermarkets, and rising consumption of ready-to-cook products. Given the distance to the market for many of the suppliers, nearly all products are shipped frozen.

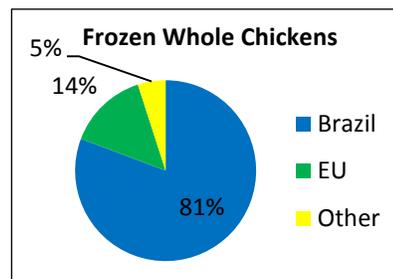
Brazil and the United States supply nearly all of the cuts to the GCC region and the EU has maintained a relatively consistent share of the whole bird market. As the market trends towards cuts, Brazil and the United States stand to gain market share in total shipments to the region. As seen in the chart below, the United States has recovered market share in cuts from the 2015 decline.

## Shipments of Broiler Cuts Increase to the GCC Region



*Source: IHS Markit - Global Trade Atlas*

Frozen Chicken Cuts			
Year	2010-2014 (Avg)	2015	Jan-Jun 2016
Brazil	70%	79%	71%
U.S.	27%	18%	25%
Rest of World	3%	3%	4%



## Variations in GCC Countries Import Procedures for U.S. Exporters

Changes in food-related regulations around the world frequently impact production and shipping processes, production costs, and an exporter's decision of where to ship products. Over the past decade, the GCC has proposed new regulations to minimize the differences in food export certificates and food inspection and clearance procedures between countries thereby facilitating the movement of products in and to the region.

The vision to harmonize regulations started in 2007 when the GCC Food Safety Committee, a technical committee under the GCC Secretariat, developed a *Guide for Food Import Procedures for the GCC Countries*. Recommendations in the guide overlap with regulations established under the GCC Standardization Organization (GSO), the body responsible for developing food and non-food standards for the GCC. The guide has gone through several iterations to become compliant with international standards and regulations.

In March 2015, the GCC Food Safety Committee issued an updated [GCC Guide for Control on Imported Foods](#). Saudi Arabia most closely follows the recommendations under the guide while other GCC countries continue to have slight variations in their import requirements for U.S. shipments as seen in the chart below.

### GCC COUNTRY REQUIREMENTS FOR U.S. EXPORTERS

Requirement	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE
<b>Certificate of Islamic (Halal) Slaughter issued by Muslim Organization:</b>	Recognized by Bahrain	Recognized by Kuwait	Recognized by Oman	Five approved organizations	Recognized by Saudi Arabia	Five approved organizations
<b>Halal Slaughter Certificate Endorsement</b>	Bahrain Consul	Kuwait Embassy or Consulate	Arabian-American Chamber of Commerce or Arabian Consul.	Qatar Consulate	Arab-American Chamber of Commerce or Saudi Arabia's Consul	United Arab Emirates Embassy or Consulate
<b>USDA FSIS Health Certificate (Meat and Poultry Certificate of Wholesomeness)</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Animal Protein-Free Poultry Feeding</b>	n/a	n/a	n/a	n/a	USDA Agricultural Marketing Service's Animal Protein Free Verification Program for Poultry	n/a

Source: [USDA FSIS Export Library](#), September 30, 2016

All of the GCC countries currently require two certificates: a USDA Food Safety Inspection Service (FSIS) Meat and Poultry Export Certificate of Wholesomeness (Form 9060-5) and a Certificate of Islamic (halal) Slaughter. The FSIS Form 9060-5 is the standard form used to export U.S. poultry products but, unlike other major U.S. poultry export destinations, these countries require halal slaughter certificates.

Halal is a term used to define products that are permissible and lawful to eat according to Islamic law. The products undergo certain slaughter procedures at the processing facility that must be overseen by a certifier recognized by the importing country. The certificate must then be endorsed by the Arabian-

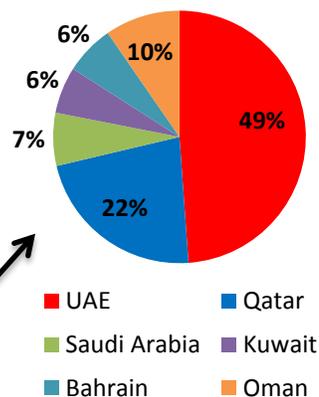
American Chamber of Commerce or the embassy or consulate of the respective country. Exporters face costs to certify and endorse halal products. Unlike other countries, the United States government does not oversee halal certification so fees are determined by the private sector.

Saudi Arabia, following the *GCC Guide for Control of Imported Foods*, has additional requirements for U.S. shipments. The most costly process, which Saudi Arabia has required for over a decade, is obtaining documentation showing that imported poultry meat is sourced from birds that are not fed products containing animal protein, fat, or remnants of animal origin. Poultry processors who ship products to Saudi Arabia have to take part in the [USDA Agricultural Marketing Service’s Animal Protein Free Verification Program for Poultry](#). Only ten [facilities](#) are currently under the program limiting supplies exported to Saudi Arabia.

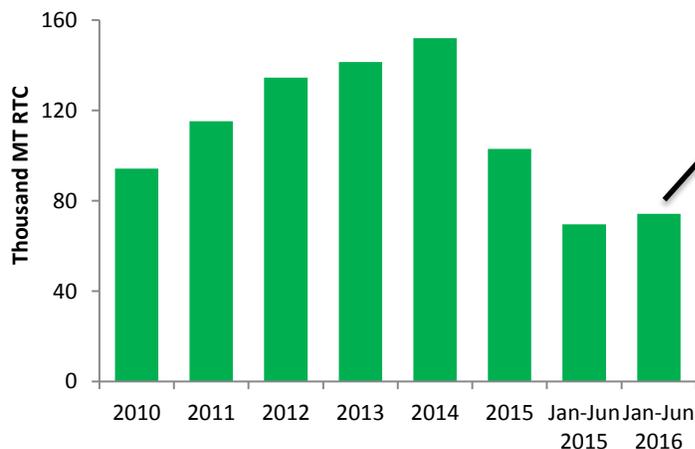
The GCC Food Safety Committee met in early 2016 to update the GCC Food Import Guide. The updated version does not have significant changes and still allows for country-specific regulations. However, in the future, if countries implement the recommendations in the guide, the U.S. industry will face similar requirements as they face when shipping to Saudi Arabia. Updates to export procedures may be seen on the [FSIS Export Library](#).

### Where are U.S. broiler meat shipments going in the GCC region?

The majority of U.S. exports to the GCC region are shipped to the UAE and Qatar. Although exports declined in 2015, they are higher in the first half of 2016 and are expected to regain pre-2015 market shares.



### U.S. Broiler Meat Exports to the GCC



Source: USDA/FAS/GATS

Country	2014	2015	Jan-Jun 2016
Qatar	28%	13%	28%
UAE	21%	14%	17%
Oman	15%	5%	13%
Bahrain	15%	13%	18%
Kuwait	10%	7%	6%
Saudi Arabia	2%	1%	1%

## 2017 Outlook Summary

### GCC Imports 2%

- GCC imports for domestic consumption are forecast to increase 2 percent to 1.2 million metric tons as increases in Kuwait, Oman and Qatar offset a marginal decline in Saudi Arabia.
- Imports of chicken cuts are expected to grow at a faster rate than whole birds. Brazil and the United States, the top suppliers of cuts, will gain market share offsetting market share losses by the EU.

### GCC Production 4%

- GCC production is forecast to increase 4 percent to 771,000 metric tons due to growth in Saudi Arabia driven by investment, lower feed costs and higher Brazilian prices.

### GCC Consumption 3%

- GCC consumption is forecast to increase 3 percent on rising incomes and population. Increased supplies are supported by both growth in production and imports.

## Notes to Readers

The *Livestock and Poultry: World Markets and Trade* circular is designed to give a snapshot of the current situation among the major players in world beef, pork, and broiler meat trade.

### PSDs Reinstated:

- Cattle and beef were added for Turkey for 2007-2017.

### PSDs Excluded Beginning in Year 2015:

- Cattle: Colombia and Venezuela.
- Beef: Albania, Azerbaijan, Cote d'Ivoire, Georgia, Ghana, Jamaica, Senegal, and Uzbekistan.
- Pork: Albania, Armenia, Congo (Brazzaville), Gabon, Georgia, Ghana, Jamaica, North Korea, Kyrgyzstan, Moldova, Switzerland, and Trinidad and Tobago.
- Broiler Meat: Bahrain, Georgia, Iran, Jamaica, and Moldova.

### PSDs Excluded Beginning in Year 2016:

- Pork: Venezuela.
- Broiler Meat: Venezuela.

### PSDs Excluded Beginning in Year 2017:

- Live Swine: Australia.

### Data Revisions in PSDs for Year Prior to 2014:

Revisions are made based on new and/or additional information.

Commodity/Attribute	Years	Countries
<b>Cattle</b>		
<i>Stocks</i>	2007-2014	Turkey
<b>Beef</b>		
<i>Production</i>	2000-2014	Colombia, Dominican Republic, El Salvador, Guatemala, Russia, South Africa, and Turkey
<i>Trade</i>	2003-2014	Chile, Dominican Republic, Honduras, Jordan, Saudi Arabia, and United Arab Emirates
<b>Swine</b>		
<i>Stocks</i>	2014	Belarus
<b>Pork</b>		
<i>Production</i>	2001-2014	Albania
<i>Trade</i>	2012-2014	El Salvador, Montenegro, and Vietnam.
<b>Broiler Meat</b>		
<i>Production</i>		NONE
<i>Trade</i>	2012-2014	Ghana, Iraq, Qatar, Turkey, UAE, and Vietnam.

### Assumptions

- **Diseases:** Forecast reflects disease (avian influenza, bovine spongiform encephalopathy, etc.) policies and restrictions in place as of October 12, 2016 and assumes their continuation.

## Conversion Rates

	<b>Beef &amp; Veal</b>	<b>Pork</b>
<b>Conversion Rate</b>	1.40	1.30
<b>HS Codes</b>	Fresh/Chilled: 0201 Frozen: 0202 Processed: 021020 & 160250	Fresh/Chilled: 020311, 020312, 020319 Frozen: 020321, 020322, 020329 Processed: 021011, 021012, 021019, 160241, 160242, 160249
	<b>Broiler Meat</b>	<b>Turkey Meat</b>
<b>Conversion Rate</b>	1	1
<b>HS Codes</b>	Fresh/Chilled: 0207.11, 0207.13 Frozen: 0207.12, 0207.14 Processed: 1602.32	Fresh/Chilled: 0207.24, 0207.26, 0207.32, 0207.34, 0207.35 Frozen: 0207.25, 0207.27, 0207.33, 0207.36 Processed: 1602.31

Note: There are several exceptions by country/product. In general, chicken paws are excluded. Also, beef and veal estimates include meat of other bovines for certain countries. In particular, Indian estimates include carabeef (water buffalo).

## Technical Notes

**CWE/PWE:** All quantities (beef and pork) noted are in Carcass Weight Equivalent (CWE) unless otherwise noted as Product Weight Equivalent (PWE). CWE is the weight of an animal after slaughter and removal of most internal organs, head, and skin. PWE is the actual weight of the meat product exported.

**RTC (Ready-to-Cook):** The weight of poultry certified wholesome by inspection after post-mortem condemnation pounds are removed. Ready-to-cook represents poultry meat ready for the marketing channel.

## FAS Reports from Overseas Offices

The *Livestock and Poultry: World Markets and Trade* circular is based on post reports submitted since June 2016 and on available secondary information. The individual country reports can be obtained on FAS Online at: <http://gain.fas.usda.gov/Pages/Default.aspx>.

## PSD Online

The entire USDA PSD database is available online at: <http://www.fas.usda.gov/psdonline>.

## Additional Resources

Please refer to the USDA-FAS Dairy, Livestock and Poultry website at: <http://www.fas.usda.gov/commodities/livestock-and-meats> for additional data and analysis.

Situation and outlook information on U.S. livestock and poultry can be obtained from the USDA-Economic Research Service at: <http://www.ers.usda.gov/publications/ldpm-livestock,-dairy,-and-poultry-outlook/>.

## Future Releases and Contact Information

Please visit <http://www.fas.usda.gov/data/livestock-and-poultry-world-markets-and-trade> to view archived and future releases. The next release of this circular will be in April 2017.

To receive the circular via email, go to:

<https://public.govdelivery.com/accounts/USDAFAS/subscriber/new>.

Questions may be directed to the following staff:

Lindsay Kuberka	(202) 644-4650	<a href="mailto:Lindsay.Kuberka@fas.usda.gov">Lindsay.Kuberka@fas.usda.gov</a>	Cattle and Beef
Tyler Cozzens	(202) 690-2993	<a href="mailto:Tyler.Cozzens@fas.usda.gov">Tyler.Cozzens@fas.usda.gov</a>	Swine and Pork
Claire Mezoughem	(202) 720-7715	<a href="mailto:Claire.Mezoughem@fas.usda.gov">Claire.Mezoughem@fas.usda.gov</a>	Poultry Meat