

## **World Trade Impact of Avian Influenza Outbreaks in Asia and the United States:**

High pathogenic Avian Influenza (HPAI) has been found in twelve countries, all of which have been confirmed to have the disease: Cambodia, Canada, China, Indonesia, Japan, Laos, South Korea, Thailand, the United States and Vietnam. Less virulent low pathogenic strains were discovered in Taiwan and Pakistan. Test results concerning the limited outbreak of HPAI in Texas showed that it is a less virulent strain than seen in Asia and is different than the strain found in Canada. The Food and Agriculture Organization (FAO) of the United Nations estimates the massive slaughter or culling in affected countries to be over 100 million birds. The outbreak has encouraged a number of countries around the world to impose bans on poultry-meat imports from the affected countries. In addition, according to the World Health Organization (WHO), the outbreak of the contagious HPAI is also responsible for human deaths in Vietnam and Thailand. Avian influenza viruses do not usually directly infect humans or circulate among people. Bird flu is very common worldwide and most forms have not been found to infect people.

Two Asian countries affected by HPAI outbreaks are major exporters of poultry meat; Thailand is the world's fourth-largest broiler meat exporter and China is fifth largest. In 2003, Thailand exported 528,000 tons of broiler meat, approximately 9 percent of total world broiler meat exports, and China exported 388,000 tons of broiler meat, approximately 6 percent. In Thailand, broiler meat exports, primarily high-end quality cuts are a major source of foreign exchange. About 46 percent of Thailand's and 56 percent of China's broiler meat exports are destined to Japan. For Thailand, the EU is the next most important export destination. Hong Kong is the second most important destination for China's broiler meat.

In response to HPAI outbreaks, many countries including Japan and Korea have imposed import bans on uncooked poultry products from China, Thailand and the United States. These bans have left a deficit in poultry meat trade throughout the world. Based on historical actions it is expected that Japan and Korea will in time reduce the nation wide ban on U.S. products to products from Texas, which had a confirmed HPAI case. After lifting the month-long suspension on Thai cooked poultry, Japan is expected to shift imports to cooked product.

As world poultry meat supplies continue to tighten, prices can be expected to increase in all the major Asian markets that are highly reliant upon imports as a source of supply. Three Asian countries import a large portion of their total consumption; Japan imports on average 62 percent and Hong Kong 74 percent. In the absence of Thailand and China's exports to Asian markets, Brazil will be the likely supplier to increase exports; it is in the best position and is highly competitive in providing quality-poultry cuts and mechanically de-boned chicken meat. However, assuming bans on U.S. poultry products are reduced to only states confirmed with AI cases, in four markets--Japan, Hong Kong, China, and South Korea, the United States could benefit from the tight market situation. Singapore mainly imports from Brazil and the United States; however, currently imports are limited to fully cooked product. In Taiwan and South Korea, the United States does

not face competition from Brazil, where sanitary restrictions are in place on Brazilian product.