Briefs

Livestock, Dairy, & Poultry

U.S. Red Meat & Poultry Exports Plateau

U.S. red meat and poultry exports, after growing at double-digit rates since 1986, advanced only 1 percent in 1998, reaching 8.95 billion pounds. The level of exports may increase another 1-2 percent in 1999 due in part to food aid to Russia, but will likely decline about 2 percent in 2000. This would be the first drop since 1985. Three factors are contributing to the slowdown: the collapse of the Russian economy (affecting poultry and pork), the downturn and slow recovery of Asian economies, and currency devaluations for both importers and competitors.

U.S. ***pork*** exports will likely total 1.2 billion pounds in 2000, down slightly from the 1998 level and the 1999 forecast. The core U.S. markets— Japan, Canada, and Mexico—are each expected to register smaller gains in 2000 than in 1999. Secondary markets, such as Korea, Taiwan, and Hong Kong, likely will grow this year and remain steady in 2000 as U.S. pork prices rise. Export prospects have dampened from the rapid gains of recent years, because Japanese demand for U.S. pork appears to have leveled off, and Russia has largely dropped out of the commercial market.

U.S. imports of pork products are expected to rise about 11 percent in 1999, about the same as last year, leveling off in 2000. While a double-digit increase during a period of very plentiful domestic supplies and low prices seems paradoxical, it is explained by a strong dollar relative to the Canadian dollar (Canada accounts for 70 percent of U.S. imports) and high European Union export restitutions (Denmark accounts for 19 percent of U.S. imports). In addition, as the Canadian pork industry restructures, it is becoming more competitive with the U.S. In contrast to the U.S., Canadian producers continue to boost hog production, with January-March sow farrowings up 6 percent from a year ago and intentions for April-June up 4 percent.

U.S. ***broiler*** exports are expected to total 4.6 billion pounds in 2000, down about 1 percent from the 1999 forecast level. Exports to the Baltic States are expected to decline from this year's exceptional growth. After growing rapidly since the late 1980's, broiler exports have hovered between 4.5 and 4.7 billion pounds since 1997 and the collapse of the Russian market.

U.S. ***turkey*** exports are forecast at 400 million pounds in 2000, about even with the 1999 forecast. Gains in sales to Mexico and some Asian countries, chiefly South Korea, are expected to offset reduced shipments to Russia and other Eastern European countries. Because Mexico is the leading buyer of U.S. turkey (56 percent of exports in 1998), its economy will largely determine the level of U.S. turkey exports. Mexico's Gross Domestic Product is forecast to grow a relatively healthy 2-3 percent in both 1999 and 2000. U.S. exports to Korea, which was a major market for U.S. turkey before economic adversity struck in 1998, could rebound sharply if the Korean economy continues to improve in 1999 and into 2000 (see ***World Agriculture and Trade***). Export prospects to South Korea are better for turkey than for pork—domestic turkey production is limited, and turkey imports are rebounding from the sharp declines in 1996 and 1997.

U.S. ***beef*** exports are projected at 2.3 billion pounds in 2000, down 6 percent from the 1999 forecast. The expected drop in U.S. beef production next year will be greater than the decline in domestic

U.S. Livestock and Poultry Products—Market Outlook

		Beginning stocks	Production	Imports	Total supply	Exports	Ending stocks	Consumption Total	Consumption Per capita	Primary market price
		Million lbs.							Lbs.	$/cwt
Beef	1999	393	25,978	2,705	29,079	2,449	370	26,260	67.4	63-65
	2000	370	24,206	2,800	27,376	2,300	365	24,711	62.8	70-76
Pork	1999	586	19,280	780	20,646	1,247	575	18,824	53.5	30-32
	2000	575	18,655	775	20,005	1,200	525	18,280	50.8	34-37
										¢/lb.
Broilers	1999	711	29,323	4	30,038	4,612	800	24,627	77.5	57-59
	2000	800	30,709	4	31,513	4,575	800	26,138	81.6	54-58
Turkeys	1999	304	5,214	1	5,519	400	250	4,874	17.9	67-69
	2000	250	5,332	0	5,582	400	300	4,882	17.7	61-67
		Million doz.							No.	¢/doz.
Eggs*	1999	8.4	6,866.3	5.0	6,879.7	181.8	5.0	5,729.4	251.9	68-70
	2000	5.0	7,030.0	4.0	7,039.0	200.0	5.0	5,824.0	253.9	63-68

Based on July 12, 1999 *World Agricultural Supply and Demand Estimates.*
*Total consumption does not include eggs used for hatching.
See appendix tables 10 and 11 for complete definition of terms.

Economic Research Service, USDA

consumption, leaving less beef available for export. At the same time, demand for high-quality hotel/restaurant beef is likely to increase in Asia, Mexico, and some other foreign markets. The gap between increased demand in these markets and the reduced U.S. supply is likely to be filled by pulling beef out of the U.S. retail market and increasing U.S. imports from Canada and Argentina. Argentina is building up its fed-beef sector to compete with the U.S. in the Asian markets. Australia is also a major beef producer, but it has a small fed-beef sector, and its size is limited by feed grain availability.

Healthy economic growth will increase demand for U.S. beef in Mexico this year, continuing a rebound from lows in the mid-1990's when peso devaluation depressed sales. Mexico's domestic beef production is limited by declining cattle inventories caused by drought conditions in 1998 and 1999. Also limiting Mexican beef production are high interest rates, the indebtedness of Mexican producers, and the weak peso, which makes imported breeding cattle more expensive and increases the export value of domestic cattle.

Exports to Japan, the largest U.S. beef export market, are expected to remain steady in 1999 after rising 6 percent last year. Last year's gain came despite weakness of the Japanese yen against the U.S. dollar and strength against the Australian dollar, resulting in lower-valued U.S. cuts (and larger quantities) being marketed in Japan. Now that the yen has appreciated against the U.S. dollar since third-quarter 1998, and has begun to fall against the Australian dollar, higher priced U.S. beef cuts may compete more favorably against lower valued Australian beef. The quantity of total U.S. exports to Japan will likely remain steady in 1999 as gains in sales of higher valued beef offset losses in sales of lower valued beef.

The most rapidly growing market is South Korea, whose first-quarter 1999 U.S. beef imports were more than double those of a year earlier. The country's cash and credit crunch, along with higher U.S. beef prices, reduced beef imports 40 percent in 1998, causing Korea to fail to meet its World Trade Organization commitments for minimum imports. However, the economic situation has improved, and the won has regained about half its value against the U.S. dollar, making U.S. beef imports attractive again. Imports are expected to rise while Korea begins to rebuild its domestic beef supplies this year; its cattle herd had dropped by more than 20 percent, to 2.2 million head on March 1, 1999.

U.S. beef imports are expected to increase 2-3 percent in 1999 and in 2000, after rising 13 percent last year. In 1998, reduced Asian demand, a strong U.S. economy, and drought-induced slaughter in Australia and New Zealand (which resulted in lower processed beef prices) meant increased U.S. imports from these two countries. Imports from New Zealand are expected to decline significantly this year as herd rebuilding tightens beef supplies there. However, more product from Australia, Canada, and Argentina will be shipped to the U.S. to substitute for largely cyclical shortfalls of U.S. beef for processing, as fewer cows are slaughtered and more are kept for breeding. Prices for imported beef are expected to be relatively high, reflecting a tight world supply of processing beef.

Several South American countries are rapidly emerging as suppliers to the U.S. market. Argentina—declared free of foot-and-mouth disease—is exporting less cooked product and more uncooked product, which is more lucrative. Both Argentina and Uruguay are likely to come close to reaching their 44-million-pound U.S. import quota of fresh, chilled, and frozen product this year. U.S. imports beyond the quota are allowed, but would face a high tariff.

Brazil is supplying the U.S. with increasing amounts of cooked product formerly purchased from Argentina. The Brazilian currency, while it has recouped about half its losses since the 40-percent January devaluation, remains relatively weak, making Brazilian beef exports more price-competitive in world markets. AO

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For updated forecasts of farm income,
Turn to tables 29-31 on pages 54 and 55

For the analysis behind the numbers,
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