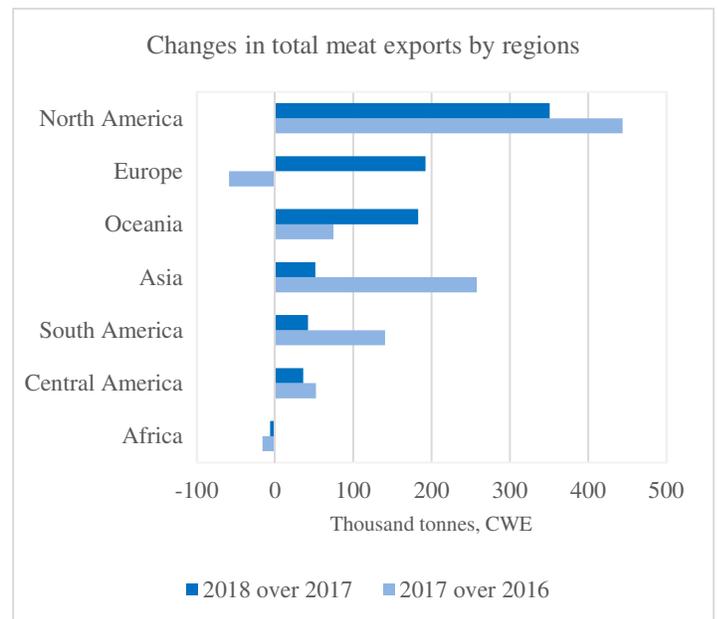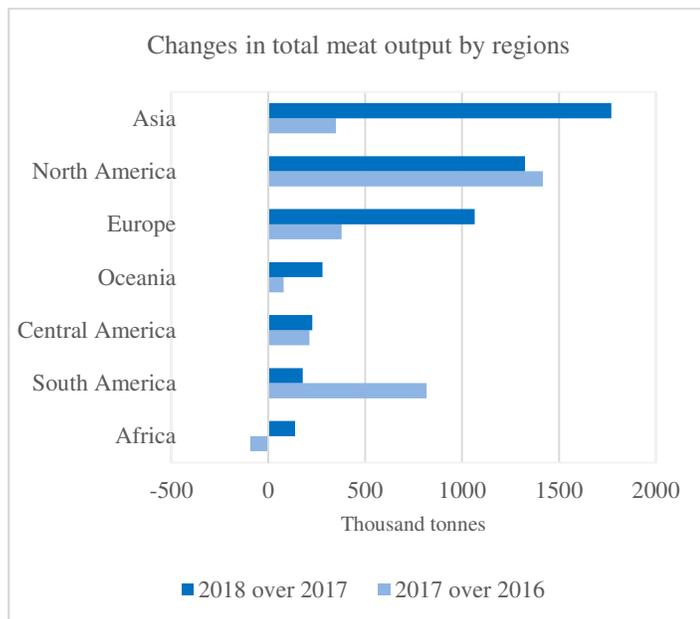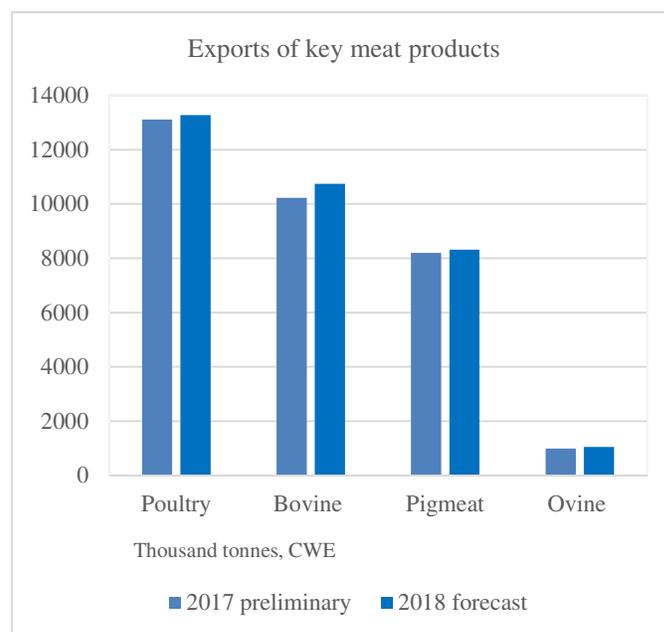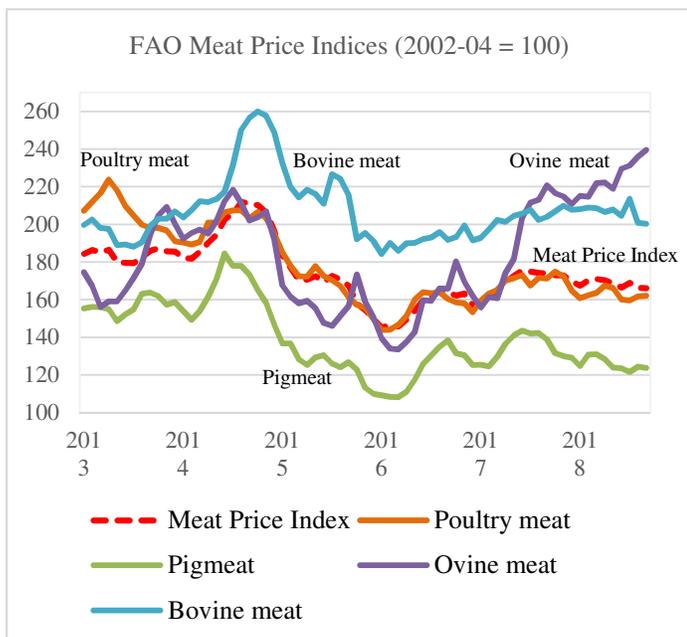# MEAT MARKET REVIEW

Key trends in 2018

Global meat output is forecast to hover around 335 million tonnes in 2018, up 1.5 percent from 2017, the fastest pace of growth since 2014. The regained momentum coincides with expectations of a strong recovery of the meat sector in China, after three years of contraction, and of sizeable increases in the United States and the EU. At the regional level, the outlook is generally positive, with all regions expected to produce more meat this year. Distinguishing across the various meat sub-sectors, bovine meat output is likely to grow at the fastest rate, followed by pigmeat, poultry, and ovine, but in terms of volume, pigmeat output is rising the most, followed by poultry, bovine and ovine meat.

World meat exports in 2018 are forecast to set a new record of 33.6 million tonnes, up 2.6 percent from 2017. This comes in the wake of a continued increase in shipments from the United States amid a retreat by India, Brazil and South Africa. Australia, Argentina, Thailand and the EU are also expected to expand exports. Amid changes in production, consumer demand and policies, meat imports are likely to rise in some major importing countries, in particular China, Japan, Mexico and the Republic of Korea, while they may fall in the Russian Federation, Saudi Arabia, Egypt and Singapore. Import demand is rising faster for bovine and ovine meat than for pigmeat and poultry.

The FAO Meat Price Index reached 166.2 points in September, stable compared to January 2018, but 4.5 percent below the corresponding month in 2017. Since January 2018, international prices of bovine meat have weakened by 3.8 percent, reflecting the availability of ample export supplies. Pigmeat prices came under downward pressure, underpinned by limited import demand. Poultry meat prices fluctuated moderately, without deviating much from the average value, reflecting short-term supply-demand imbalances. In contrast, ovine meat prices increased by 11.3 percent from January to September, principally sustained by a strong import demand from China and a host of other countries, amidst Oceania's limited capacity to expand shipments.

Changes in total meat output by regions

Changes in total meat exports by regions

FAO Meat Price Indices (2002-04 = 100)

Exports of key meat products

Thousand tonnes, CWE

■ 2017 preliminary ■ 2018 forecast

Poultry meat

World poultry meat output

In 2018, global poultry output is anticipated to rise by 1.4 percent to 121.6 million tonnes, underpinned by expansions in the **United States**, the **EU**, **India**, **China** and **Mexico**. A significant decline in output is forecast for **Brazil**.

Higher inventory of birds with heavier weights are expected to lift production of poultry meat in the **United States** by 2.2 percent in 2018 to 22.5 million tonnes. In the **EU**, containment of the highly pathogenic avian influenza (HPAI) outbreaks and a price recovery have provided the basis for a 2.2 percent recovery this year. **India**'s poultry meat production is continuing to grow at rates above 4 percent per annum, driven by rising domestic demand, fuelled by urbanization, shift in food habits and higher incomes. In the process, the share of production of commercial farms has risen with a parallel drop among household / backyard sector. Poultry meat production in **China** – the 2nd largest world producer – is expected to rebound by 0.7 percent this year to 17.6 million tonnes, after incurring a decline of 6.6 percent in 2017 due to HPAI outbreaks. Since then, the government has taken steps to strengthen its grandparent stock by importing genetic materials, especially from New Zealand, and developing indigenous breeding operations. **Mexico** is continuing its poultry production expansion, supported by robust domestic demand, lower feed-corn prices and the implementation of modern farm management practices. Production growth in the **Russian Federation** –the 5th largest world producer - is likely to be limited to about 1.4 percent in 2018, far below the 7.6 percent recorded last year, as consumer demand is not keeping pace

with production growth, contributing to a weakening of domestic prices. In contrast, poultry output in **Brazil** is likely to fall by as much as 3 percent in 2018. Its export businesses suffered due to trade restrictions imposed by key importing partners on account of quality standards. In addition, the introduction of stringent halal meat requirement by Saudi Arabia has led to a loss of market share for Brazil this year.

World poultry meat exports are forecast to increase by 1.3 percent in 2018, registering expansions for the third consecutive year, to 13.3 million tonnes. While exports from **Thailand**, **Turkey**, the **Russian Federation** and the **EU** are forecast to rise, a significant drop is anticipated in **Brazil**. On the demand side, the recovery in trade is expected to be fuelled by rising imports by **Japan**, **Viet Nam**, **China** and **Mexico**, offsetting sharp reductions in **Egypt**, **Saudi Arabia** and the **EU**.

Thailand is foreseen to boost poultry exports by over 12 percent this year, sustained by a robust demand in Asia, and the full utilization of tariff rate quotas offered by trading partners such as the EU. This global outreach reflects the increased recognition of Thai poultry meat quality, efforts to meet global antimicrobial standards and improve animal welfare. Rising production of poultry meat is helping **Turkey** to expand exports to Middle Eastern countries, especially to Iraq, Libya and the United Arab Emirates. Poultry exports by the **Russian Federation** are forecast to increase by nearly 25 percent in 2018, to 217 000 tonnes, with substantial expansions of sales to Viet Nam, Ukraine and Central Asian countries. The **EU**'s poultry exports are rising this year, pushed by rising import demand and abundant availability of export supplies, especially

2

to Ghana, Ukraine and the Philippines, notwithstanding a likely contraction of shipments to important destinations, including Hong Kong (China, SAR), Benin, Saudi Arabia and South Africa. In contrast, **Brazil** may face a 4.7 percent reduction of pigmeat exports in 2018, largely attributed to trade restrictions and the strict halal requirement implemented by Saudi Arabia.

In **Japan**, while poultry meat production is continuing to grow, imports are also rising, reflecting a strong domestic demand, as food habits have been shifting in favour of poultry, at the expense of alternative animal protein. In **Ghana**, imports are forecast to rise, originating mainly from the EU and Brazil, to fill a gap between local production and consumption, as high feed costs and inefficiencies in farm management practices limit production growth. Bolstered by low international prices, **Viet Nam** is experiencing a sharp increase in poultry meat imports in 2018, especially from Hong Kong (China SAR), the United States, the EU and the Russian Federation.

Poultry meat Brazil exports

Thousand tonnes, CWE

■ Saudi Arabia
■ Rest of the World
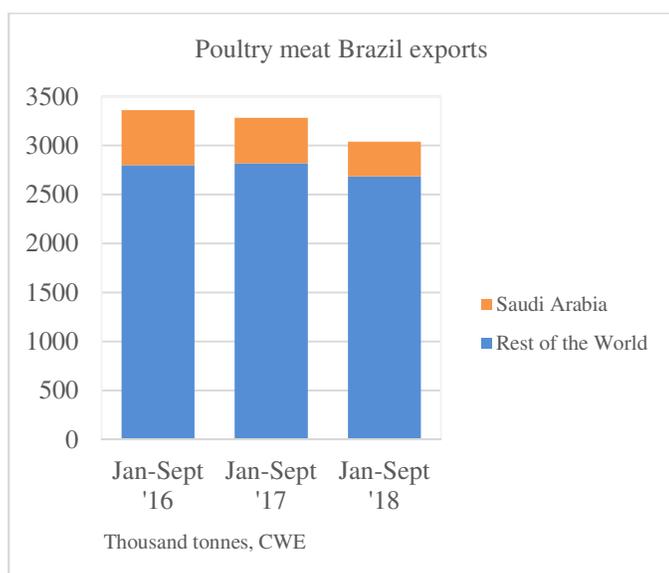
Bovine meat

World bovine meat output is forecast to rise to 72.2 million tonnes in 2018, up 2 percent from 2017. Much of this year's expansion would stem from increased slaughter, as drought conditions forced increased cattle culling in some major producing countries. Across countries, **Brazil**, the **United States**, **Australia**, the **EU** and **Argentina** are anticipated to be the main contributors to this expansion, with contributions also coming from several others among the top-20 producers, including **China**, **South Africa, Canada** and **Mexico. Paraguay** is likely to be an exception, as the country is anticipated to record a contraction this year.

Brazil is heading to expand bovine meat output by 3.8 percent in 2018, to 9.9 million tonnes. Both domestic as well as import demand drive the country's bovine meat production. On account of the severe impact of the truck drivers' transport

strike which paralysed the country in May 2018, some meat processors have begun relocating their plants closer to cattle rearing regions, along with efforts to increase feeding efficiency. The **United States** is forecast to produce a record level of 12.3 million tonnes of bovine meat, up 3.8 percent from 2017. The expansion this year would rest on increased slaughter numbers, partly induced by dry conditions in key producing regions and a rise in the average carcass weight. In **Australia**, following an 11.3 percent decline in output 2016 and a small recovery last year, bovine meat output is projected to increase by 7.4 percent in 2018 to 2.5 million tonnes. Dry weather conditions appear to have induced farmers to cull more cattle than they would have done under normal conditions, boosting production in the short run. In the **EU**, bovine meat production is now forecast to rise by 1.6 percent, as drought conditions fostered slaughtering, leading to significant drops in herd numbers in some member states. **Argentina**'s meat output is forecast to expand to 2.9 million tonnes, up 3.9 percent from 2017. Like in the previous countries, part of the increase can be attributed to the drought that severely affected Argentina from November 2017 to March 2018, which induced ranchers to slaughter more animals. In contrast, bovine meat output in the **Russian Federation** is forecast to be stable in 2018 and remain around 1.6 million tonnes. The volume of meat output of the large, modernized cattle farms has increased, but not enough to offset the decline of output of small-scale farmers. In addition, incentive for producing more meat has been negatively affected by a rise in raw materials costs amid nearly flat beef retail prices.

World bovine meat exports are forecast to increase by 5.0 percent to 10.7 million tonnes, the second year to register 5 percent growth rate. This year expansions are led by **Brazil, Argentina**, the **United States** and **Australia**, while exports of **India** and the **EU** are expected to decline.

Brazil is forecast to expand bovine meat exports by 9.7 percent in 2018, despite facing the imposition of import restrictions by a number of trading partners. Indeed, shipments of Brazilian meat to some key markets have expanded, mainly in China, Egypt and Chile, enabling Brazil to more than compensate for lost markets elsewhere. **Argentina** is expanding bovine meat exports this year, supported by higher purchases, especially by China. An increase in export availabilities, competitive pricing and acceptance of the national sanitary standards by importing countries have all sustained exports this year. The **United States** continues to benefit from high global demand, especially from Japan, Mexico and the Republic of Korea. **Australia**'s bovine meat exports are anticipated to rise by 8.2 percent in 2018, underpinned by increased export availabilities, competitive pricing and trade agreements. Shipments from the country to the United States are foreseen to remain stable, but to expand to Japan, the Republic of Korea, China and Indonesia.

On the other hand, **India**'s exports in 2018 are likely to be curtailed, mainly resulting from the closure of slaughterhouses in Uttar Pradesh, a key meat processing state, and difficulties in transporting animals for slaughter.

China continues to fuel global meat trade, as imports by the country are anticipated to rise by nearly 25 percent to a record level of 1.9 million tonnes. **Egypt**, **Republic of Korea** and the **United States** are also expected to expand bovine meat imports. In contrast, the **Russian Federation**, **Viet Nam**, **Angola** and **Indonesia** may cut down imports.

Bovine meat exports of Argentina to key markets

Thousand tonnes, CWE
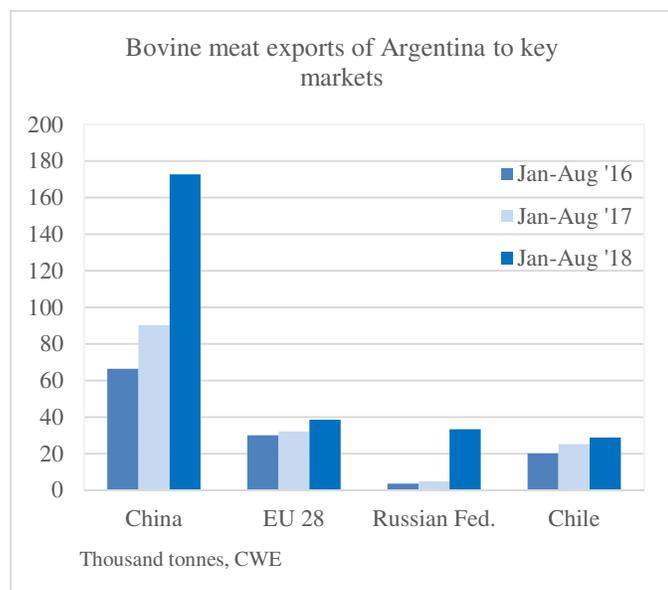
Pigmeat

World pigmeat output is forecast to reach 120.6 million tonnes in 2018, up 1.6 percent from 2017, supported by expansions in **China**, the **United States**, the **EU** and the **Russian Federation,** but also the **Republic of Korea, Mexico** and the **Philippines**. In contrast, pigmeat outputs are expected to fall slightly in **Viet Nam**, **Ukraine** and **Brazil**.

China is forecast to increase pigmeat production by 1.4 percent this year, to 55.1 million tonnes, reflecting rising productivity of the sector, benefitting from investments and modernization. Disruptions to production that led to a drop in production in 2016 appear to have come to an end. The outbreak of the African swine fever appears to be largely contained, and is not expected to lead to a significant loss of pig stocks. On the other hand, a possible escalation of feed costs associated with rising soybean prices is becoming a concern especially in view of the increased reliance on animal compound feeds under the new production model. In the **United States,** pigmeat output is forecast to rise by 3.3 percent to 12.0 million tonnes, supported by increased slaughter numbers on the back of an enlarged inventory, estimated at 75.5 million pigs as of 1 September – the largest inventory recorded since 2009. In the **EU**, following

a contraction last year, pigmeat output is anticipated to rebound by 1.5 percent to 23.8 million tonnes. This year's expansion reflects favourable domestic prices prevailed since mid-2016 that led to an increase in breeding-pig herd. Since the middle of this year, however, prices have weakened following a weaker external demand, which may foster a reduction of sow numbers. In the **Russian Federation**, production is seen expanding by 6.2 percent to 3.7 million tonnes in 2018, confirming the steady positive trend observed in recent years. Recent production growth is driven mainly by large-scale farms that are integrated with other farming activities. Although, Russian cereal output is expected to be about 18 percent lower than in 2017, which could result in higher feed costs, the impact on pigmeat output is likely to be limited as many producers grow their own cereals.

In contrast, production declines are anticipated in **Viet Nam**, **Ukraine** and **Brazil**. In Viet Nam –the world's 6th largest producer- pigmeat prices have fallen while the cost of production has increased, causing small- and medium-sized firms to cut sow numbers or quit the sector, only partially replaced by large-scale producers. **Ukraine**'s pigmeat sector is forecast to shrink for the third consecutive year, as it was heavily affected by the African swine fever, resulting reduced profit margins and loss of export opportunities. **Brazil**'s pigmeat production is forecast to contract somewhat in 2018, as the loss of some external markets has put downward pressure on domestic live pig prices.

World pigmeat exports are forecast to recover by 1.4 percent to 8.3 million tonnes. Market trends in recent months indicate possibility for pigmeat exports to rise in the **United States**, the **EU**, **Chile** and **Mexico**, but to decline in **Brazil**, **Viet Nam** as well as in **Belarus**. World trade expansion this year is expected to be fuelled mainly by increased imports by the **Republic of Korea**, **Mexico**, **China** and **Japan**, while a sharp reduction is likely in the **Russian Federation,** with more moderate reductions anticipated for the **United States** and **Singapore**.

The **United States** is expected to see its pigmeat sales abroad grow by 6 percent, about the same pace as last year. The increase would be supported by abundant supplies, competitive prices and strong import demand in several of its traditional markets, especially Mexico, Japan and the Republic of Korea, more than compensating for a weaker demand in some other destinations, in particular China and Canada. After an 8.4 percent decline in 2017, **EU**'s pigmeat exports are forecast to increase, underpinned by growing shipments to Japan, the Republic of Korea and the United States. In **Chile,** export destinations have been diversified with expansions to China, the Republic of Korea and the Russian Federation. In contrast, the export outlook looks less positive for **Brazil**, **Viet Nam** and **Belarus**. In the case of **Brazil**, the Russian import ban is having a profound impact, as it entailed a loss of an outlet of up to a

quarter million tonnes. However, Brazilian exports to China, Singapore, Argentina, Uruguay, Chile and Georgia have increased, partially offsetting declines elsewhere. The expected contraction of **Viet Nam's** pigmeat exports is seen as a result of reduced production, while for Belarus, it would rather reflect a reduced import demand.

China and **Japan** are currently the world's largest pigmeat importers. This year, China is forecast to increase its purchases, following 16 percent decline last year. **Japan** is anticipated to buy 1.9 percent more in 2018, after stepping them up by over 8 percent in 2017. In **the Republic Korea**, popularity of pigmeat is driving increases in both production and imports, mainly supplied by the United States, the EU and Canada. Imports by the **Russian Federation** are continuing to decline, this year plummeting to the lowest level in the current decade, the result of rising domestic production and import restrictions.

Pigmeat imports of the Russian Federation

Thousand tonnes, CWE
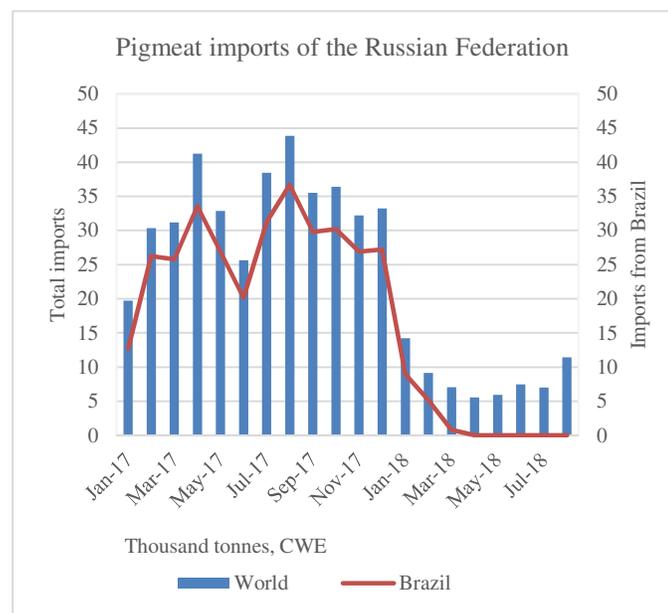
Ovine meat

World ovine meat output is forecast to reach almost 15 million tonnes in 2018, up 0.8 percent from 2017. This expansion would largely stem from gains in Australia and China, with some increases also expected in Pakistan, Algeria, Morocco and New Zealand. The **EU**, **Mongolia** and the **Islamic Republic of Iran** are likely to see production declines.

While initial ovine meat output projections for **Australia** anticipated only a marginal increase from last year, dryer conditions across many sheep rearing regions and high feed costs have prompted producers to increase slaughter as the year progresses. **New Zealand**'s output is likely to be stable amid a contraction in slaughtering, given a reduced sheep flock, which is likely to be compensated for by improved productivity and a small gain in carcase weight. **China**'s sheep and goat meat production is forecast to rise, owing to higher output of large-scale farms that use extensive feeding systems, which more than offset reductions in the household and small-scale sector. This year, drought conditions that affected northeastern parts of China could also contribute to a short-term surge in ovine meat production. Ovine meat output in the **EU** is forecast to decline as some member states suffered from erratic weather that went from cold and wet spring to hot and dry summer.

World ovine meat exports are forecast at 1 039 000 tonnes in 2018, an increase of 5.5 percent from 2017. This year's expansion is driven by a solid import demand in China, the Islamic Republic of Iran and Japan, which more than outdid a small decline in Saudi Arabia.

Nearly all the expanded volume of trade in 2018 is forecast to originate from Australia, as exports from New Zealand are anticipated to remain stable.

Ovine Meat exports

Thousand tonnes, CWE
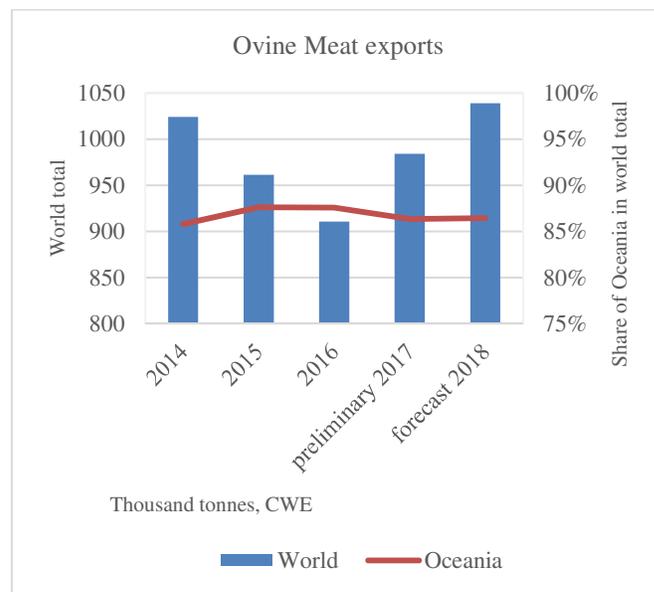
FAO Meat Price Indices

PERIOD	Sub-indices				FAO Meat Price Index
	Bovine meat	Ovine meat	Pig meat	Poultry meat	(2002-2004=100)
Annual					
(January/December)					
2010	165	158	138	179	158
2011	191	232	153	206	183
2012	195	205	153	201	182
2013	197	178	157	206	184
2014	231	202	164	200	198
2015	213	157	126	168	168
2016	191	154	123	156	156
2017	204	194	135	169	170
Monthly					
2018 – January	208	215	125	161	167
2018 – February	209	215	131	162	170
2018 – March	209	222	131	164	171
2018 – April	207	222	128	168	170
2018 – May	208	219	124	166	169
2018 – June	204	230	124	160	167
2018 – July	214	231	122	160	169
2018 – August	201	236	124	162	166
2018 – September	200	239	124	162	166

The FAO Meat Price Indices consist of 2 poultry meat product quotations (the average weighted by assumed fixed trade weights), 3 bovine meat product quotations (average weighted by assumed fixed trade weights), 3 pigmeat product quotations (average weighted by assumed fixed trade weights), 1 ovine meat product quotation (average weighted by assumed fixed trade weights): the four meat group average prices are weighted by world average export trade shares for 2002/2004.

Total Meat Production			
(thousand tonnes, CWE)			
	2017	2018	Change 2018 over 2017 (%)
	preliminary	*forecast*	
World	**329 988**	**335 048**	**1.5**
China	85 614	86 609	1.2
EU 28	47 810	48 597	1.6
United States	45 846	47 061	2.6
Brazil	27 079	26 984	-0.4
Russian Fed.	9 902	10 186	2.9
India	7 348	7 510	2.2
Mexico	6 801	6 980	2.6
Argentina	5 592	5 718	2.2

Total Meat Imports			
(thousand tonnes, CWE)			
	2017	2018	Change 2018 over 2017 (%)
	preliminary	*forecast*	
World	**31 580**	**32 404**	**2.6**
China	5 423	5 975	10.2
Japan	3 635	3 790	4.2
Mexico	2 167	2 300	6.2
United States	2 195	2 195	0.0
Viet Nam	1 440	1 492	3.6
Korea Rep. of	1 317	1 447	9.9
EU 28	1 286	1 286	0.0
Russian Fed.	1 290	1 049	-18.6

Total Meat Exports			
(thousand tonnes, CWE)			
	2017	2018	Change 2018 over 2017 (%)
	preliminary	*forecast*	
World	**32 774**	**33 621**	**2.6**
United States	7 718	8 045	4.2
Brazil	7 023	6 886	-2.0
EU 28	4 986	5 069	1.7
Australia	1 905	2 064	8.3
Canada	1 897	1 921	1.3
India	1 736	1 557	-10.3
Thailand	1 113	1 247	12.0
New Zealand	991	1 012	2.2

Poultry Meat Production

(thousand tonnes, CWE)

	2017	2018	Change 2018 over 2017 (%)
	preliminary	*forecast*	
World	**119 943**	**121 646**	**1.4**
United States	21 998	22 482	2.2
China	17 466	17 583	0.7
EU 28	14 587	14 907	2.2
Brazil	13 645	13 236	-3.0
Russian Fed.	4 456	4 518	1.4
India	3 591	3 752	4.5
Mexico	3 234	3 328	2.9
Japan	2 216	2 260	2.0

Poultry Meat Imports

(thousand tonnes, CWE)

	2017	2018	Change 2018 over 2017 (%)
	preliminary	*forecast*	
World	**12 316**	**12 481**	**1.3**
China	1 427	1 496	4.8
Japan	1 291	1 394	8.0
Mexico	978	1 027	5.0
EU 28	726	704	-3.0
Saudi Arabia	725	602	-17.0
South Africa	557	565	1.4
Iraq	473	454	-4.1
Viet Nam	373	448	20.1

Poultry Meat Exports

(thousand tonnes, CWE)

	2017	2018	Change 2018 over 2017 (%)
	preliminary	*forecast*	
World	**13 115**	**13 279**	**1.3**
Brazil	4 284	4 081	-4.7
United States	3 769	3 792	0.6
EU 28	1 537	1 575	2.5
Thailand	1 051	1 180	12.3
Turkey	437	498	14.0
China	426	447	5.0
Ukraine	274	306	11.8
Russian Fed.	174	217	24.5

Bovine Meat Production			
(thousand tonnes, CWE)			
	2017	2018	Change 2018 over 2017 (%)
	preliminary	forecast	
World	**70 853**	**72 235**	**2.0**
United States	11 944	12 291	2.9
Brazil	9 553	9 914	3.8
EU 28	7 889	8 015	1.6
China	7 638	7 714	1.0
Argentina	2 834	2 945	3.9
Australia	2 387	2 564	7.4
India	2 553	2 557	0.2
Mexico	1 924	1 958	1.8

Bovine Meat Imports			
(thousand tonnes, CWE)			
	2017	2018	Change 2018 over 2017 (%)
	preliminary	forecast	
World	**9 816**	**10 309**	**5.0**
China	1 596	1 991	24.7
United States	1 314	1 334	1.5
Viet Nam	1 033	1 005	-2.7
Japan	824	844	2.4
Russian Fed.	623	581	-6.8
Korea Rep. of	488	518	6.2
EU 28	305	324	6.3
Canada	288	305	5.8

Bovine Meat Exports			
(thousand tonnes, CWE)			
	2017	2018	Change 2018 over 2017 (%)
	preliminary	forecast	
World	**10 225**	**10 741**	**5.0**
Brazil	1 858	2 038	9.7
United States	1 487	1 644	10.5
India	1 708	1 529	-10.5
Australia	1 357	1 468	8.2
New Zealand	540	558	3.3
Canada	445	474	6.4
Argentina	311	470	51.3
EU 28	492	470	-4.5

Pigmeat Production

(thousand tonnes, CWE)

	2017	2018	Change 2018 over 2017 (%)
	preliminary	forecast	
World	**118 781**	**120 636**	**1.6**
China	54 335	55 080	1.4
EU 28	23 405	23 757	1.5
United States	11 610	11 993	3.3
Russian Fed.	3 520	3 738	6.2
Brazil	3 725	3 677	-1.3
Viet Nam	3 720	3 631	-2.4
Canada	2 131	2 133	0.1
Philippines	1 817	1 861	2.4

Pigmeat Imports

(thousand tonnes, CWE)

	2017	2018	Change 2018 over 2017 (%)
	preliminary	forecast	
World	**8 191**	**8 304**	**1.4**
China	2 115	2 163	2.3
Japan	1 481	1 510	1.9
Mexico	916	988	7.9
Korea Rep. of	654	733	12.1
United States	613	585	-4.6
Canada	251	261	4.1
Russian Fed.	401	216	-46.1
Australia	168	166	-1.4

Pigmeat Exports

(thousand tonnes, CWE)

	2017	2018	Change 2018 over 2017 (%)
	preliminary	forecast	
World	**8 204**	**8 317**	**1.4**
EU28	2 845	2 916	2.5
United States	2 440	2 586	6.0
Canada	1 273	1 280	0.5
Brazil	856	742	-13.4
Mexico	177	188	6.3
Chile	162	180	10.9
China	107	98	-8.2
Russian Fed.	58	60	4.3

Ovine Meat Production

(thousand tonnes, CWE)

	2017	2018	Change 2018 over 2017 (%)
	preliminary	*forecast*	
World	**14 833**	**14 954**	**0.8**
China	4 691	4 748	1.2
EU 28	887	876	-1.2
United States	741	739	-0.3
United Arab Emirates	727	787	8.2
Saudi Arabia	471	473	0.4
Malaysia	469	473	0.9
Qatar	425	427	0.5
Iran Islamic Rep. of	395	392	-0.8

Ovine Meat Imports

(thousand tonnes, CWE)

	2017	2018	Change 2018 over 2017 (%)
	preliminary	*forecast*	
World	**973**	**1027**	**5.5**
China	279	319	14.5
EU 28	140	142	1.3
United States	122	122	-0.1
United Arab Emirates	58	58	1.0
Saudi Arabia	45	42	-6.9
Malaysia	39	38	-1.6
Qatar	28	29	6.1
Canada	25	24	-5.4

Ovine Meat Exports

(thousand tonnes, CWE)

	2017	2018	Change 2018 over 2017 (%)
	preliminary	*forecast*	
World	**984**	**1039**	**5.5**
Australia	454	499	9.9
New Zealand	396	399	0.9
EU 28	30	26	-12.9
India	23	21	-8.0
Ethiopia	16	16	-1.3
Uruguay	11	12	5.5
Pakistan	6	6	0.0
Kenya	6	6	3.4

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For comments and to subscribe, please contact:
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