



Meat and Meat products Price and Trade Update



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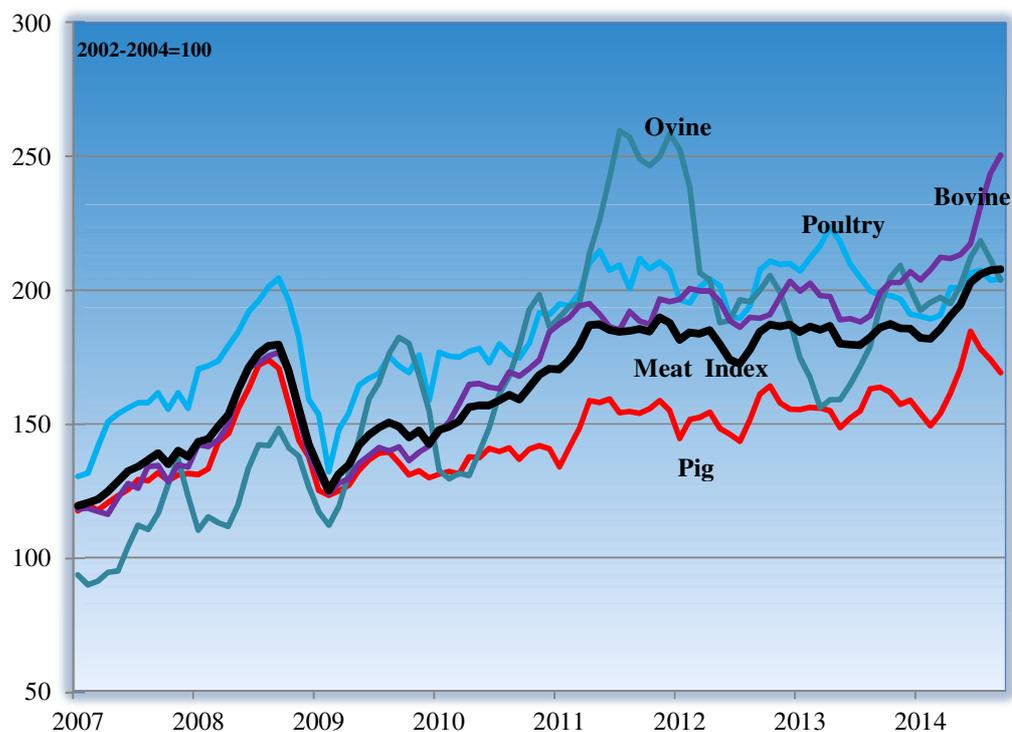
Price and Trade Update: October 2014¹

Export prices remain at historic highs

The **FAO Meat Price Index** averaged 207.8 points in September, only 0.3 point higher than its revised value for August, yet still 21.7 points (11.6 percent) above September last year. Overall, prices are currently at historic highs and the lack of an increase this month may indicate that, overall, they have reached a peak. While bovine meat prices remain strong, principally reflecting a rise in export prices in Australia, where herd rebuilding has reduced supplies, average quotations for poultry were stable, while those for ovine meat fell back somewhat. As for pigmeat, prices have weakened for each of the past three months, reflecting a recovery of production in several important producing and exporting countries, following outbreaks of porcine endemic diarrhoea (PED); additionally, the closure of the Russian Federation's market to meat products from a number of countries since August, has contributed to market uncertainty.

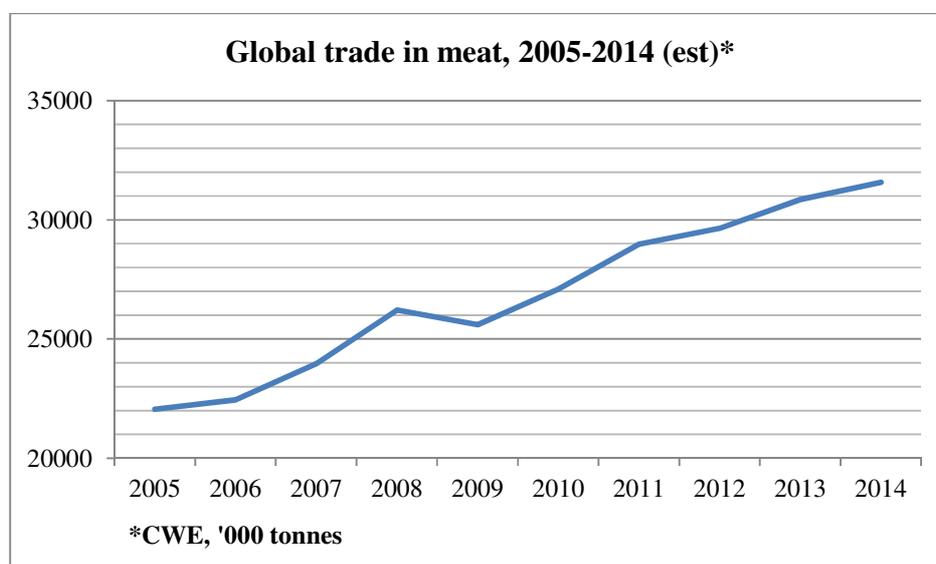
¹ The *Meat and Meat Products: Price and Trade Update* is prepared by the meat and dairy section of the Trade and Markets Division, FAO. The present issue covers developments up to the end of **September 2014**.

FAO Price Indices: Meat Products



Trade Outlook: Overview

Global meat trade is forecast to expand at a moderate rate of 2.3 percent in 2014, to 31.6 million tonnes. The anticipated growth would be less than the average for recent years, due to a variety of causes, including production constraints in some of the principal exporting countries, animal health concerns and trade restrictions. There are diverging expected changes of trade for the various types of meat in 2014, with growth forecast for bovine, pigmeat and poultry, and a decline forecast for ovine meat. Poultry remains the main product traded, representing 43 percent of the total, followed by bovine, pig and ovine meat, respectively.



Bovine Meat

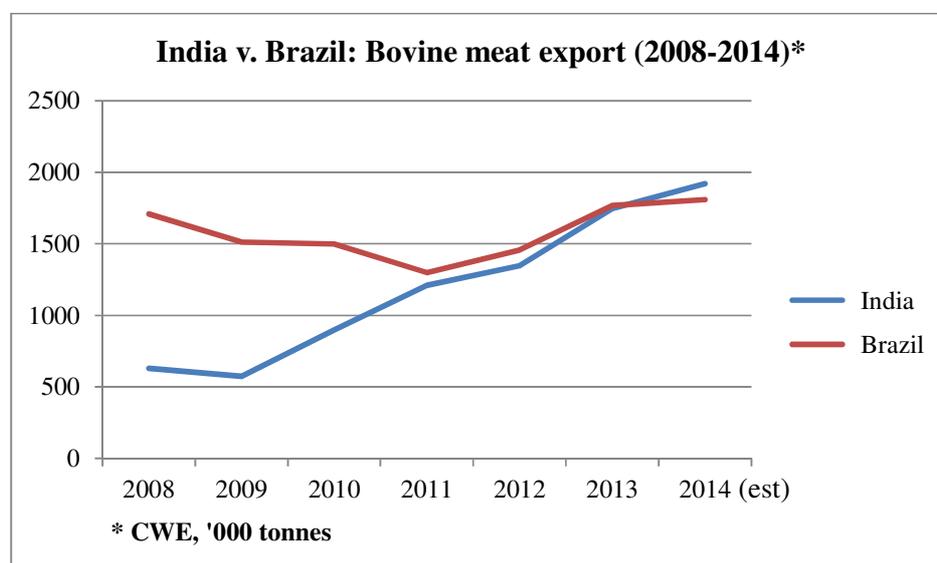
World trade in bovine meat is anticipated to grow by 3.4 percent, to 9.3 million tonnes, despite international prices being at their historic maximum. Consumer demand, rising incomes and a shortage of domestic supplies in some countries are important contributors to trade expansion.

China is expected to record a significant increase in imports, although not to the same degree as in 2013, when they doubled. Total imports could exceed 1.1 million tonnes in 2014, 6 percent more than last year, confirming China's position as the main world market for bovine meat. Demand continues to be stimulated by rising incomes and growth in meals outside the home. Additionally, following outbreaks of avian influenza, some consumers have switched from poultry to other meats. Elsewhere in **Asia**, imports by the **Islamic Republic of Iran**, the **Republic of Korea** and **Malaysia** could increase, as domestic production is forecast to be either stable or decrease. The **United States**, the world's second largest importer, is also forecast to step up its purchases, to compensate for a short-fall in national production. By contrast, high international prices and increasing domestic production are expected to result in falling purchases of bovine meat by the **Russian Federation**. In the first four months of 2014, deliveries to the country were 23 percent down, year-on-year. The Federation's ban on bovine meat imports from a number of countries² introduced in August is not expected to have any

² In August 2014 the Russian Federation introduced a one-year ban on imports of meat and meat products from Australia, Canada, the European Union, Norway and the United States.

significant impact on world trade, as this group of countries collectively supplied less than 10 percent of the Federation's imports in 2013. Purchases by the EU may decline slightly, stemming from growth in domestic production. A number of other importers may see trade fall or stagnate in response to high international prices, including **Egypt, Canada and Mexico**.

Strong demand and elevated prices are projected to stimulate bovine meat exports, despite production constraints in some countries. Much of the expected expansion in trade is anticipated to be met by **India, Brazil, Australia and New Zealand**. India, in particular, may see a strong rise in its sales of buffalo meat (carabeef), in the order of 10 percent. As a consequence, for the first time, India would become the leading exporter of bovine meat, shipping 1.9 million tonnes, compared to second-placed Brazil's 1.8 million tonnes. India's main markets are Asia and North Africa. The popularity of carabeef rests on its price competitiveness – where quotations are 30 percent less than for beef - plus its low fat content, excellent processing characteristics and halal certification. The favourable market conditions for bovine meat are expected to stimulate exports from **Canada, the EU, Paraguay and Uruguay**. On the other hand, reduced domestic production is anticipated to depress exports by the **United States**. Sales by **Argentina** are also expected to fall, as government-imposed limitations on trade favour supplying the domestic market.



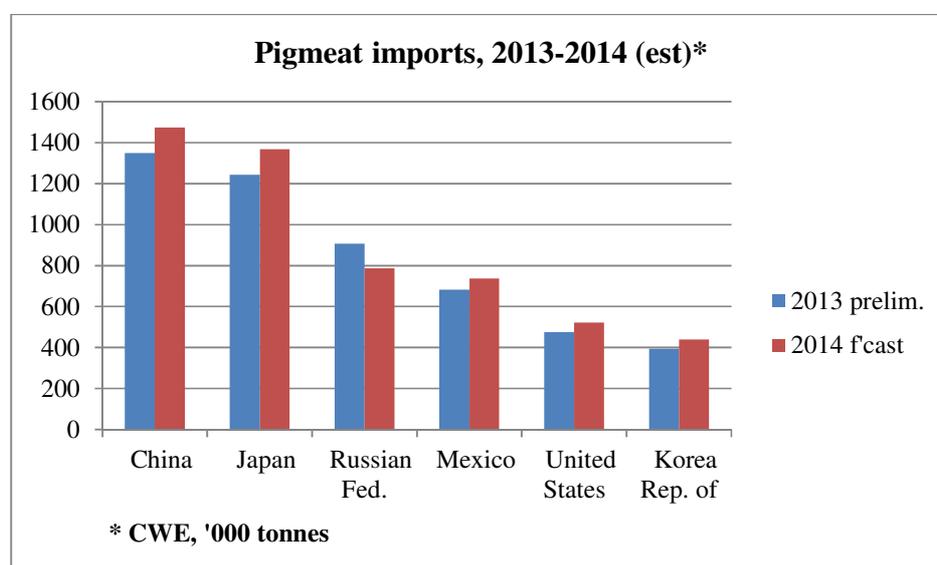
Imports: Bovine meat					Exports: Bovine meat				
	'000 tonnes (CWE)					'000 tonnes (CWE)			
	2012	2013	2014	Change 2014 over 2013 (%)		2012	2013	2014	Change 2014 over 2013 (%)
		<i>prelim.</i>	<i>f'cast</i>				<i>prelim.</i>	<i>f'cast</i>	
China	505	1051	1113	6.0	India	1346	1747	1920	9.9
United States	916	927	1030	11.1	Brazil	1458	1767	1808	2.3
Viet Nam	460	718	862	20.0	Australia	1282	1446	1485	2.7
Russia Fed.	915	857	774	-9.6	United States	1159	1226	1207	-1.6
Japan	739	758	760	0.3	New Zealand	472	483	520	7.8
Korea Rep. of	320	327	342	4.6	Canada	305	305	320	4.9
EU (28)	306	332	329	-0.9	Paraguay	233	302	314	4.0
Egypt	373	319	310	-2.8	Uruguay	324	322	335	3.9
Canada	284	281	278	-0.8	EU (28)	289	283	296	4.6
Mexico	228	247	238	-3.6	Argentina	185	204	196	-4.1
Venezuela	169	213	237	11.2	China	153	179	180	0.6
World	7452	8332	8698	4.4	World	7970	9029	9332	3.4

Pigmeat

Trade in pigmeat is expected to recover by 2.1 percent to 7.5 million tonnes in 2014, following a decrease in 2013. Three countries – the United States, the EU and Canada – account for three-quarters of the world pig meat exports. Adding Brazil and China to the group brings the total to more than 90 percent. Despite reduced production, high international prices are expected to boost sales by the **United States**, where exports for the first six months of the year were up by 7.4 percent. Also, in the case of the **EU**, strong sales to Asia – especially to China and Japan – are expected to largely counterbalance the lost trade with the Russian Federation, its main market in 2013. The Federation banned imports of EU pigmeat at the end of January, consequent on a small number of cases of African Swine Fever (ASF) in the wild-boar population in Lithuania and Poland. **Canada**, which in recent years has maintained a share of around 15 percent of world trade, is expect to keep sales at a similar level to last year. Largely unchanged deliveries are also foreseen for **Brazil**, where exports up to the end of July were the same as in the same period in 2013. While Brazil has increased its exports of pigmeat to the Russian Federation following the ban on imports from the EU, sales from March to July 2014 were a third higher than in the corresponding months in 2013 – there was a proportionate drop in sales to China (Hong Kong SAR).

Rising demand, in **China** and **Mexico**, and PED-reduced domestic production in **Japan**, the **United States** and the **Republic of Korea**, led five of the six main importing countries – which

account for three-fifths of world trade – to increase their purchases by an average of 10 percent during the first half of 2014. While this momentum may not be fully maintained for the remainder of the year, their combined demand is anticipated to be sufficient to compensate for a substantial fall in imports by the **Russian Federation**, following the ban imposed on imports by a group of countries which had collectively supplied 70 percent of its foreign purchases in 2013. Trade data up until April shows imports by the Federation were down by a third – reflecting in part improved domestic supplies. By way of context, growing domestic production meant that the Federation had already cut imports heavily, by 26 percent, in 2013. Imports by **Canada** are also expected to fall, as a result of a substantial price rise in the United States, its principal source of supply.

**Imports: Pigmeat meat**

'000 tonnes (CWE)

	2012	2013	2014	Change 2014 over 2013 (%)
		<i>prelim.</i>	<i>f'cast</i>	
China	1214	1349	1473	9.2
Japan	1283	1243	1367	10.0
Russian Fed.	1089	906	787	-13.1
Mexico	614	682	737	8.0
United States	434	475	523	9.9
Korea Rep. of	508	395	440	11.5
World	7252	7132	7254	1.7

Exports: Pigmeat meat

'000 tonnes (CWE)

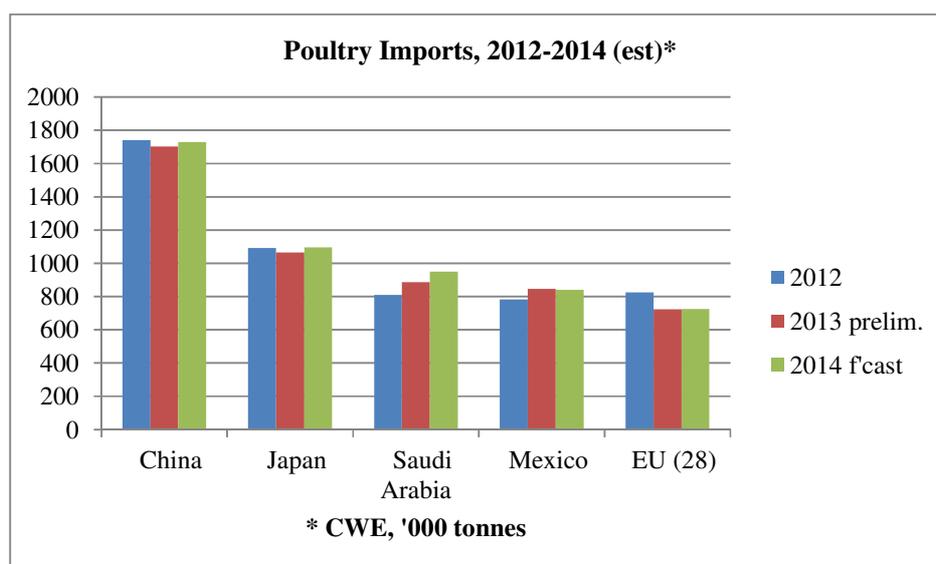
	2012	2013	2014	Change 2014 over 2013 (%)
		<i>prelim.</i>	<i>f'cast</i>	
United States	2333	2173	2334	7.4
EU (28)	2206	2288	2193	-4.1
Canada	1206	1205	1193	-0.9
Brazil	711	651	656	0.7
China	377	441	560	27.1
Chile	174	158	149	-5.6
Mexico	100	121	125	3.2
World	7534	7392	7548	2.1

Poultry

Poultry, the most traded meat category, accounts for almost 45 percent of total meat trade. Its popularity stems from its price competitiveness compared with other types of meat and its wide acceptance and adaptability to national cuisines. Although poultry trade volume has increased by 55 percent over the past decade, growth has slowed since 2012. This slower pace of growth, expected to continue in 2014, when exports could rise by 2.6 percent only, to 13.5 million tonnes, is mainly a reflection of augmented production in importing countries. The two major importing countries, **China** and **Japan**, are projected to maintain purchase levels similar to the previous year. In the case of China imports, a contraction to mainland China is anticipated to be counterbalanced by increases by Hong Kong SAR, in part a result of prohibitions of traffic in live birds from the mainland. Stable to positive growth in imports by other major markets, including **Mexico**, **Saudi Arabia**, the **EU** and **Vietnam**, is expected to contrast with a substantial fall in purchases by the **Russian Federation**. In the Federation, imports are provisionally estimated to dip by 30 percent, stemming from abundant domestic production, which led to a fall in prices, and the August 2014 ban on imports from certain countries. In **Africa**, imports as a whole are forecast to rise by 2.1 percent. Among the main destinations, **Angola**, **Ghana** and **Benin** are anticipated to purchase more, as income growth strengthens demand, while imports by **South Africa**, the major trade market in the region, are forecast to remain unchanged.

The four leading exporters, **Brazil**, the **United States**, **China** and the **EU**, which together account for almost three-quarters of global poultry exports, have seen little expansion in sales in recent years. This situation may change for China in 2014, when the country excess supplies and depressed prices associated with H7N9 are anticipated to stimulate its exports by as much as 10 percent. Also, sales by **Brazil** may receive a fillip from the opening up of opportunities in the Russian Federation. Leaving aside the current exceptional situation, the expansion in poultry exports has tended to rely on second-tier exporters, including **Thailand**, **Turkey** and **Argentina**, all of which are projected to record further growth in 2014. Interestingly, each has focused on a different region or market segment: **Thailand** mainly supplies Japan and the EU with boneless poultry cuts, including prepared dishes; **Turkey** has focussed on the export of halal-certified whole birds to the Middle East, in particular Iraq, where it enjoys a logistical advantage; **Argentina** has made inroads in the Venezuelan market and, more recently, widened its focus to include China and South Africa, among others. As the main area of rising demand is the Middle East, this has particularly favoured Turkey, where exports for the first half of the year were up by 13 percent, having risen by 220 percent between 2009 and 2013.

Imports: Poultry meat					Exports: Poultry meat				
'000 tonnes (CWE)					'000 tonnes (CWE)				
	2012	2013	2014	Change 2014 over 2013 (%)		2012	2013	2014	Change 2014 over 2013 (%)
		<i>prelim.</i>	<i>f'cast</i>			<i>prelim.</i>	<i>f'cast</i>		
China	1741	1704	1729	1.5	Brazil	4029	3981	4150	4.3
Japan	1093	1066	1095	2.7	United States	4104	4150	4081	-1.7
Saudi Arabia	810	887	950	7.2	China	1263	1260	1350	7.1
Mexico	784	848	842	-0.7	EU (28)	1348	1331	1310	-1.6
EU (28)	826	725	727	0.3	Thailand	770	734	738	0.5
World	12679	12613	12721	0.9	Turkey	311	373	409	9.8
					Argentina	331	363	370	1.8
					Canada	178	190	175	-8.0
					Ukraine	81	146	164	12.7
					World	13042	13195	13532	2.6

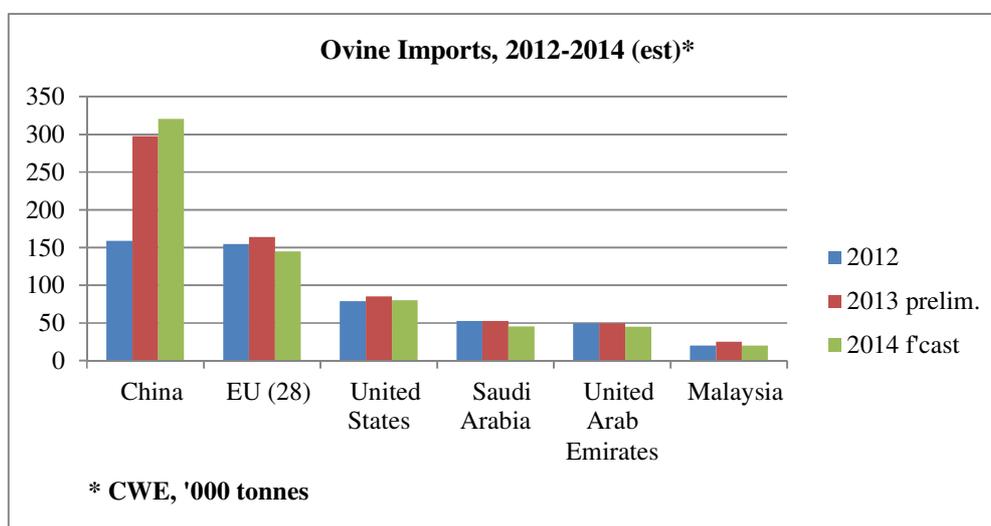


Ovine

With **Australia** and **New Zealand** accounting for almost 85 percent of world ovine meat exports, trade in ovine meat is set to fall as a result of restocking in New Zealand, following exceptionally high, drought-induced slaughter in 2013, and protracted dry-to-drought conditions in 2013/2014 in **Australia**. Overall, trade may drop by 1.8 percent to 959 000 tonnes. In dealing

with reduced availabilities, it is possible that Oceania exporters will maintain provision to the highest value markets, such as the **EU** and the **United States**, while seeking, to the extent possible, to meet the requirements of growing markets, albeit lower priced ones, including **China**, the **United Arab Emirates**, **Qatar** and **Malaysia**. Among the small-scale exporters, **India** is expected to see sales grow this year, mainly to the Middle East, especially the **United Arab Emirates** and **Saudi Arabia**. Likewise, exports by **Uruguay** are forecast to move higher, focusing on **China** and **Brazil**.

Imports: Ovine meat					Exports: Ovine meat				
	'000 tonnes (CWE)					'000 tonnes (CWE)			
	2012	2013	2014	Change		2012	2013	2014	Change
		<i>prelim.</i>	<i>f'cast</i>	2014 over 2013 (%)			<i>prelim.</i>	<i>f'cast</i>	2014 over 2013 (%)
China	159	298	320	7.6	Australia	342	434	430	-0.8
EU (28)	154	164	145	-11.6	New Zealand	350	399	371	-7.0
United States	79	85	80	-6.2	EU (28)	21	31	34	8.1
Saudi Arabia	53	53	45	-13.9	Uruguay	14	19	21	11.7
United Arab Emirates	50	49	45	-8.7	World	826	976	959	-1.8
Malaysia	20	25	20	-20.8					
World	783	925	910	-1.6					



For comments or queries please use the following email contact: Michael.Griffin@fao.org
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Trade and Markets Division
 Food and Agriculture Organization of the United Nations