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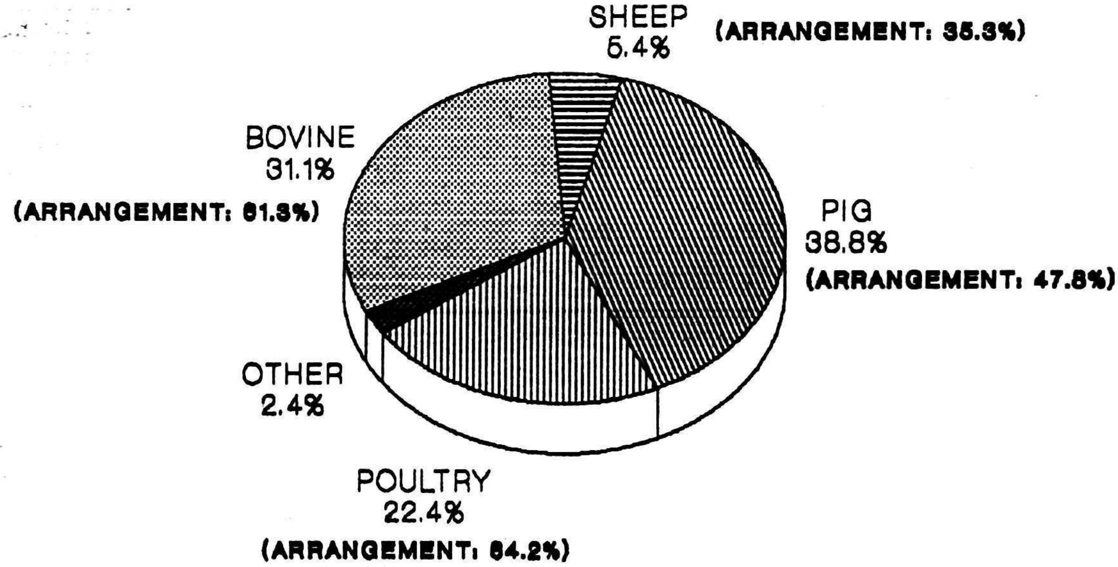
SITUATION AND OUTLOOK IN THE INTERNATIONAL MEAT MARKETS

Note by the Secretariat

Addendum

This addendum includes summaries of the situation and outlook for pigmeat, poultry meat and sheepmeat.

1988 WORLD MEAT PRODUCTION
SHARES OF DIFFERENT TYPES OF MEAT



Based on FAO estimates

89-0783

PIGMEAT SITUATION IN SELECTED COUNTRIES[1/]

PRODUCTION

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
CHINA	17,800.0	18,200.0	2.2	18,400.0	1.1
EC	12,748.0	13,308.0	4.4	12,763.0	-4.1
UNITED STATES	6,520.0	7,110.0	9.0	7,036.0	-1.0
USSR	5,950.0	6,120.0	2.9	6,300.0	2.9
JAPAN	1,582.0	1,578.0	-0.3	1,635.0	3.6

CONSUMPTION

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
CHINA	17,600.0	17,995.0	2.2	18,190.0	1.1
EC	12,509.0	12,823.0	2.5	12,542.0	-2.2
UNITED STATES	6,968.0	7,549.0	8.3	7,692.0	1.9
USSR	6,636.0	6,794.0	2.4	6,994.0	2.9
JAPAN	1,981.0	2,022.0	2.1	...	...

EXPORTS

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
EC	407.0	561.0	37.8	440.0	-21.6
GERMANY, D.R.	299.0	313.0	4.7	331.0	5.8
CANADA	234.1	259.8	11.0	233.8	-10.0
CHINA	200.0	205.0	2.5	210.0	2.4
TAIWAN	194.0	180.0	-7.2	190.0	5.6

IMPORTS

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
UNITED STATES	542.0	516.0	-4.8	499.0	-3.3
JAPAN	400.0	461.0	15.3	460.0	-0.2
USSR	318.0	300.0	-5.7	300.0	0.0
HONG KONG	202.0	192.0	-5.0	200.0	4.2
EC	92.0	102.0	10.9	78.0	-23.5

[1/] '000 tons carcass weight, includes fresh, frozen and canned product but excludes live animals.

I. SITUATION AND OUTLOOK IN THE INTERNATIONAL PIGMEAT SECTOR

1. In 1988, pigmeat production in countries participating in the Arrangement Regarding Bovine Meat rose slightly to about 30.06 million tons (+3.4 per cent). Production in those countries which are major signatories to the Arrangement also increased in 1988, except in Brazil and Japan. For the first time since 1984, Japanese production fell slightly in 1988 (-0.25 per cent), probably reflecting producers' reluctance to sell pigmeat while the domestic support price is low (both because of the desire to stimulate competition with imports and the continued fall in feed costs). In the People's Republic of China, pigmeat production is expected to have expanded by 2.2 per cent in 1988 after a contraction in 1987. Since September 1988, pig slaughter in China has been rising as higher feedgrain prices made it unprofitable to keep pigs, and stocks have attained their highest level since 1980 (5.41 million head at end 1988).

2. Consumption of pigmeat in 1988 in countries members of the Arrangement totalled 29.30 million tons, up by 3.0 per cent on year earlier. In China, where pigmeat prices have fallen as record stocks were attained, over-supply is expected to be absorbed by June, and prices should rise again in the second half of the year.

3. In 1988, exports of pigmeat in countries participating in the Arrangement were, at 1.44 million tons, up by 21.5 per cent as compared to 1987, mostly due to higher EC exports. The highest import increases came from Bulgaria (+950.0 per cent) and Yugoslavia (202.9 per cent). Japanese imports were up by 15.3 per cent in 1988, and for the first time in the last few years, Taiwanese exports to Japan have decreased (-8.4 per cent), as excessive levels of drugs have reportedly been detected in its pork. Consequently, Denmark - which was Japan's major supplier until 1985 - found its exports to Japan up by 28.6 per cent, and was the second major supplier of Japan with only 4,000 tons less than Taiwan.

POULTRY MEAT SITUATION IN SELECTED COUNTRIES[1/]

PRODUCTION

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
UNITED STATES	9,105.0	9,394.0	3.2	9,730.0	3.6
EC	5,784.0	5,990.0	3.6	5,950.0	-0.7
USSR	3,100.0	3,200.0	3.2	3,300.0	3.1
BRAZIL	1,970.0	1,950.0	-1.0	2,100.0	7.7
JAPAN	1,432.0	1,443.0	0.8	1,495.0	3.6

CONSUMPTION

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
UNITED STATES	8,683.0	9,123.4	5.1	9,434.0	3.4
EC	5,445.0	5,700.0	4.7	5,740.0	0.7
USSR	3,294.0	3,369.0	2.3	3,469.0	3.0
BRAZIL	1,755.0	1,733.0	-1.3	1,800.0	3.9
JAPAN	1,627.0	1,703.0	4.7	...	...

EXPORTS

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
UNITED STATES	362.8	382.0	5.3	344.0	-9.9
EC	374.0	350.0	-6.4	350.0	0.0
HUNGARY	196.0	240.6	22.8	180.0	-25.2
BRAZIL	215.0	217.0	0.9	300.0	38.2
ROMANIA	110.0	100.0	-9.1	110.0	10.0

IMPORTS

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
JAPAN	195.0	261.0	33.8	...	...
UNITED ARAB EMIR.	184.0	193.0	4.9	193.0	0.0
USSR	169.0	170.0	0.6	170.0	0.0
HONG KONG	148.0	162.0	9.5	167.0	3.1
EC	82.0	100.0	22.0	90.0	-10.0

1/ '000 tons, ready-to-cook basis.

II. SITUATION AND OUTLOOK IN THE INTERNATIONAL POULTRY MEAT SECTOR

4. Poultry meat production in 1988 in the countries signatories of the Arrangement Regarding Bovine Meat reached 23.30 million tons, up by 2.9 per cent on year earlier. Production was up in all these countries, except in Brazil, Romania and Sweden. In Japan, poultry meat production rose slightly (+0.8 per cent) in 1988, denoting a slowdown in the growth (in the last few years it was around 3 to 4 per cent). Middle Eastern production continued its upward trend in 1988, and Saudi Arabian production is expected to have reached 325,000 tons. In the USSR, production carried on rising, and it should continue to do so, as last year the government introduced some regulations encouraging private households to produce poultry.

5. Consumption of poultry meat in 1988 in the member countries was, at 22.46 million tons, up by 3.5 per cent as compared to 1987. In Japan, consumption was up by 4.7 per cent, and most of this increase came from fast food catering outlets. In Saudi Arabia, higher domestic production is not yet sufficient to meet consumption, which is supposed to have reached 36.5 kg. per capita in 1988.

6. Poultry meat exports in 1988 of countries participating in the Arrangement continued their upward trend and reached 1.40 million tons (+6.3 per cent). After the big increase of 1987 (+26 per cent on year earlier), Thai exports dropped in 1988 to 80,000 tons, as high levels of drugs were detected in frozen broilers destined for Japan. However, a recovery is expected in 1989, especially due to the probability of higher exports to the EC. As regards Japan, imports of poultry meat in 1988 increased by 33.8 per cent, and the cut in tariffs on all chicken meat (except boned legs) that took place last 1 April is expected to encourage imports.

SHEEPMEAT SITUATION IN SELECTED COUNTRIES[1/]

PRODUCTION

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
EC	1,016.0	1,050.0	3.3	1,080.0	2.9
USSR	905.0	910.0	0.6	915.0	0.5
CHINA	690.0	800.0	15.9	880.0	10.0
NEW ZEALAND	616.5	602.5	-2.3	562.0	-6.7
AUSTRALIA	600.7	546.7	-9.0	558.7	2.2

CONSUMPTION

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
EC	1,235.0	1,255.0	1.6	1,268.0	1.0
USSR	939.0	944.0	0.5	949.0	0.5
CHINA	690.0	800.0	15.9	880.0	10.0
INDIA	473.0	517.0	9.3	520.0	0.6
TURKEY	355.0	365.0	2.8	370.0	1.4

EXPORTS

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
NEW ZEALAND	518.5	480.0	-7.4	450.0	-6.3
AUSTRALIA	215.4	200.1	-7.1	200.2	0.0
ROMANIA	45.0	45.0	0.0	45.0	0.0
TURKEY	22.0	20.0	-9.1	15.0	-25.0
KOREA, Rep. of	16.0	18.0	12.5	19.0	5.6

IMPORTS

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
EC	259.0	248.0	-4.2	248.0	0.0
JAPAN	153.0	128.0	-16.3	...	...
USSR	35.0	35.0	0.0	35.0	0.0
UNITED STATES	20.0	23.0	15.0	23.0	0.0
KOREA, Rep. of	16.0	18.0	12.5	19.0	5.6

[1/] '000 tons carcass weight, includes fresh, frozen and canned product but excludes live animals.

III. SITUATION AND OUTLOOK IN THE INTERNATIONAL SHEEPMEAT SECTOR

7. Production in 1988 in the twenty-one countries participating in the Arrangement Regarding Bovine Meat, for which information is available, totalled 3.09 million tons, -1.4 per cent on year earlier. This decrease can be explained by the drop in production in both Australia and New Zealand. In the latter, sheep numbers showed a slight increase in June 1988 for the first time since 1983, but the breeding flock continued to decrease as the move from meat production to wool continued. As a result, 1988 sheepmeat production declined by 2.3 per cent on year earlier to 602,500 tons and for 1989 a new decrease of 6.7 per cent is expected, while the current forecast for 1990 shows that production should attain the same level as in 1989. In China, production is expected to have reached 800,000 tons (+15.9 per cent), and the sheep sector is forecast to continue expanding rapidly.

8. Total consumption in 1988 in member countries was down by 1.9 per cent on year earlier to 2.61 million tons. However, in New Zealand, per capita consumption increased by 10.4 per cent in 1988 to 42.3 kg., but it has not attained the record level of 1986 (46.3 kg. per capita).

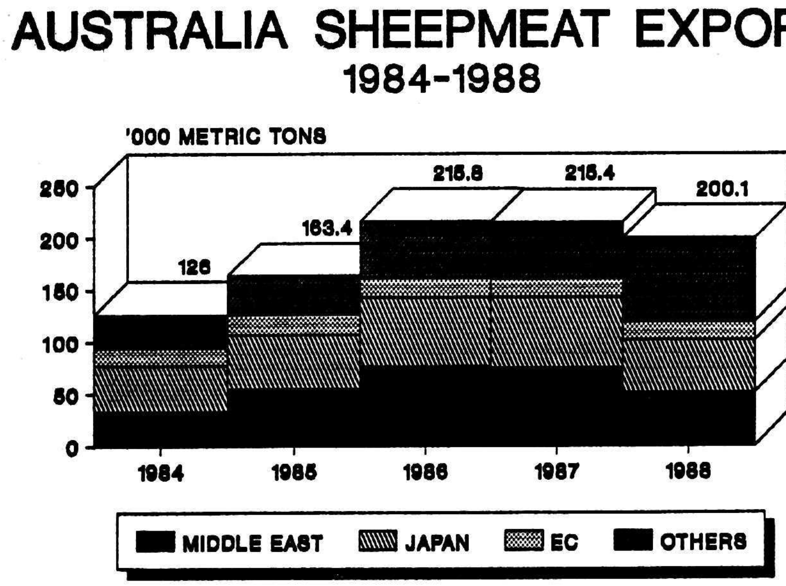
9. Total exports of participating countries were, at 786,500 tons, down by 5.8 per cent on 1987, as both Australian and New Zealand exports fell by some 7.5 per cent. As regards New Zealand lamb exports to the EC, a new agreement should be signed between the two countries concerning the period 1989-1992. New Zealand is expected to reduce its deliveries of lamb to 205,000 tons - slightly above deliveries from the original agreement - but as a compensation, the import levy (10 per cent ad valorem) could be abolished. New Zealand chilled lamb exports to the EC should be limited to 6,000 tons for 1989, but they will increase by 1,500 tons a year for the three following years. As this new agreement had not yet been signed, the Commission decided to extend the current import arrangements for three months (until March 1989).

IV. SITUATION AND OUTLOOK IN THE INTERNATIONAL PIGMEAT, POULTRY MEAT AND SHEEPMEAT SECTORS IN SELECTED COUNTRIES

Australia

10. In 1988, the pigmeat sector in Australia continued its development; as compared to 1982, production, at 298,800 tons, was up by 30 per cent, and per capita consumption passed from 15 kg. to 17.3 kg. Forecasts for 1989 show, however, that this situation should change; production, consumption and exports are expected to decrease by some 5 to 7 per cent. A recovery in production is currently foreseen for 1991. As regards poultry meat, production and consumption in 1988 continued their upward trend, the former reaching 406,700 tons and the latter 405,200 tons. Forecasts for the next few years show that this increase should continue, but at a slower rate than in the past (2 to 4 per cent against 4 to 6 per cent).

11. After the slowdown of the sheep flock rebuilding in 1986 and 1987, continued higher wool prices led sheep producers to rapidly increase their flocks, and by March 1988, they were up by 3.5 per cent on 1987. Sheep slaughterings in 1988 reached 13.9 million head (-7.3 per cent). As a result, sheepmeat production attained only 546,700 tons (-9 per cent on year earlier), the lowest level since 1984, and lamb production suffered less than mutton. Per capita consumption fell from 23.2 kg. in 1987 to 20.7 kg. in 1988, and even if a recovery is expected for the next few years, the 1991 forecast (22.8 kg.) for per capita consumption is still smaller than the 1987 one. Sheepmeat exports in 1988 dropped by 7.1 per cent to 200,100 tons, due mainly to high domestic prices and a stronger Australian dollar. Exports to the Middle East and Japan fell, while exports to the EC increased slightly.



Brazil

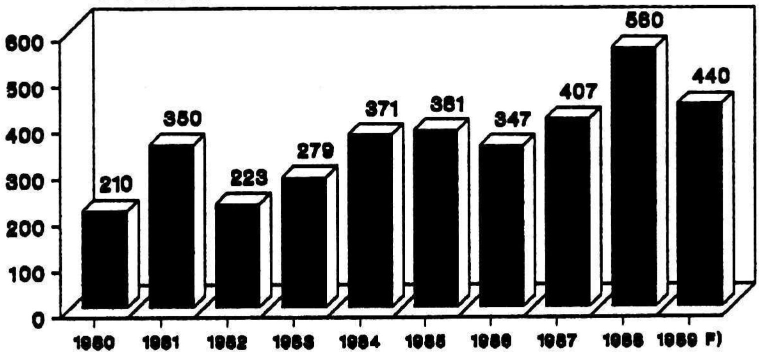
12. Pigmeat production in 1988 decreased by 8.3 per cent on year earlier, reaching 1.1 million tons, as low pigmeat prices and high feedgrain prices resulted in low profitability. However, a recovery is foreseen for 1989, when production should attain 1.15 million tons. As a consequence, per capita consumption should be marginally higher in 1989 if compared to 1988, but it will not yet be higher than the 1987 one. Pigmeat imports dropped from 35,000 tons in 1987 to 2,000 tons in 1988 as the domestic bovine meat market seems to have overcome the crisis period of 1986-1987. Exports are likely to have been the same as in 1987.

13. Brazilian poultry meat production in 1988 reached 1.95 million tons, showing a decrease of 1.0 per cent on year earlier for the first time since 1984, but in 1989 it should rise again by some 8 per cent. Per capita domestic consumption had consequently dropped reaching 12.0 kg. in 1988. Exports for the period January-November 1988 reached 217,000 tons and increased for the first time since 1982. The loss of some important markets such as Iraq and Egypt can explain this previous decrease, but Brazilian industry has been looking for new markets, the most recent ones being Cuba and probably the USSR. In 1989, exports should reach 300,000 tons.

European Community

14. Pig inventory in December 1988 dropped for the first time in the last few years (-2.4 per cent on year earlier). Even if pigmeat production in 1988 was up again (+4.4 per cent, to 13.3 million tons), the pig market crisis seems to have ended, as for several months the prices for all qualities of pigmeat have been rising significantly. Forecasts for 1989 confirm this situation, as production is expected to fall to 12.8 million tons. Per capita consumption in 1988 rose by 1 kg. to 39.6 kg. and in 1989 it should decrease as a consequence of higher prices. As regards 1988 exports, they have risen substantially (+37.8 per cent on 1987) and totalled 561,000 tons. Imports, at 102,000 tons, were 10.9 per cent higher than in 1987.

EC PIGMEAT EXPORTS
1985-1989



15. Poultry meat production in 1988 in the EC was up by 3.6 per cent on year earlier, denoting a slowdown in growth. The low prices of poultry meat, caused by a rapid rate of expansion in the last few years, are one of the major reasons for this situation. Per capita consumption in 1988 and 1989 is estimated to continue its upward trend, reaching some 17.6 kg. and 17.7 kg. respectively. Exports of poultry meat were down last year (-6.4 per cent) and for the first time since 1976 the EC lost its first place among world exporting countries. The increased use by the United States of its Export Enhancement Program (EEP) seems to partly explain this situation, and, in the EC, exporters are claiming that their refunds are no longer sufficient to allow them to compete in some markets.

16. The total sheep flock in December 1988 reached 108.2 million head, up by 5.2 per cent on year earlier. As a result, production in 1988 is estimated to have risen by 3.3 per cent, to 1,050,000 tons, but forecasts for 1989 show a slightly lower increase (around 3 per cent). Per capita consumption of sheepmeat in 1988 continued its upward trend and attained 3.9 kg. (+2.6 per cent on year earlier), and forecasts show that in 1989 it should remain stable. Imports should have fallen in 1988 to 248,000 tons.

United States

17. Pig numbers on 1 December were at 55.3 million head, 1.2 per cent higher than in 1987. After the reduction of producers' returns in 1988, it seems that they will increase during the current year, but in the fourth quarter net returns could be negative after all costs. While 1988 pigmeat production went up by 9 per cent on year earlier, it is expected that in 1989 it will drop by 1 per cent, most of the reduction probably occurring in the fourth quarter. In 1989, retail pork prices are expected to rise by 1 to 3 per cent, and per capita consumption should decrease by 1 per cent. United States imports in 1988 dropped to 516,000 tons, the biggest decreases coming from Hungary and Canada. As regards the complaint of the national Pork Producers Council of the United States that Canada unfairly subsidized fresh, chilled and frozen pigmeat to the United States - and that because of that, these products deserved a duty - no final decision has yet been taken.

18. Growth of poultry meat production slowed down in 1988 (3.2 per cent on 1987), but in 1989 it should be higher (+3.6 per cent), total production reaching 9.7 million tons. Broiler production is expected to rise by 5 per cent, following very favourable net returns in 1988. Per capita consumption of poultry meat is estimated to continue rising, as only small increases in prices during the current year are forecast. Exports of poultry meat in 1988 reached 382,000 tons (+5.3 per cent), and for the first time since 1976 the United States became the first world exporter of poultry meat. Exports of broiler meat under the EEP were responsible for only 4.2 per cent of that total, while in 1987 they reached 24.1 per cent. This situation is due mainly to much smaller sales in 1988 under the EEP, to Iraq and Egypt. Forecasts for 1989 show that exports should decrease to 344,000 tons, indicating that the 1988 level was a record.

UNITED STATES POULTRY MEAT EXPORTS