

Pork Exports and Imports Increase in 2002

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The United States exported 1.6 billion pounds of pork in 2002, an increase of 3.5 percent over the previous year. Exports last year thus accounted for 8 percent of 2002 U.S. pork production, and represented the 11th consecutive year-over-year export quantity increase. The top three major foreign markets for U.S. pork products in 2002 were Japan (48 percent), Mexico (19 percent), and Canada (12 percent). Taken together, these three markets comprised 79 percent of U.S. exports last year. The United States is expected to increase exports of pork products in 2003 by 2 percent.

Japan imported 5-percent more U.S. pork products last year than in 2001. Japanese demand for U.S. pork products increased despite lackluster economic growth and higher minimum import prices imposed by Japan's Safeguard. Domestic pork production was lower, however, suggesting that imported products contributed to maintaining established consumption levels. U.S. exports to Japan in 2003 are expected to be slightly higher than in 2002.

Small increases in Mexican pork production may also explain the small decline in pork imports from the United States, but weaker economic growth and a weaker peso are likely factors as well. U.S. exports to Mexico in 2003 remain uncertain with the ongoing antidumping investigation by the Mexican Government against imported U.S. pork products.

The small increase in Canadian demand for U.S. pork products last year likely reflects ongoing integration of U.S. and Canadian pork industries. The United States is expected to increase pork exports to Canada in 2003, along the same order of magnitude as last year.

Two smaller Asian markets--South Korea and Taiwan--accounted for a larger share of U.S. exports last year, than in 2001. The South Korean market represented almost 5 percent of U.S. exports last year (versus 2.5 percent in 2001). The U.S. agricultural attaché in South Korea, attributes increased Korean demand for imported meat products to several factors, the most important of

which include the changing "...dietary pattern from grain/vegetable based, to a more meat-based diet. The appreciation of the Korean won against the U.S. dollar is also playing a favorable role in enhancing meat imports."

Taiwan accounted for 3-percent of U.S. exports in 2002, as compared with 1.6 percent in 2001. Taiwan's imports of pork products increased as its hog inventory continued to contract, following the 1997 FMD outbreak, and WTO accession last year. Taiwan's current system of TRQs for pork bellies and variety meats will be liberalized and subject to tariffs only, in 2005. Increases in U.S. exports to both South Korea and Taiwan in 2003 are likely, but are contingent on the ability of U.S. products to compete favorably in South Korea against Canadian and European products; in Taiwan, imported U.S. pork products compete mainly with those of Canadian origin. USDA will release *Livestock and Poultry: World Markets and Trade*, on March 20, 2003.

Russia's share of total U.S. pork exports declined to 2.6 percent in 2002, from a 5.3-percent share of U.S. exports in 2001. The largest foreign suppliers of pork products to Russia in 2002 were Brazil (with a 60-percent share of total Russian pork imports), the EU (18 percent), and China (11 percent). Canada accounted for 4 percent of Russian pork imports last year.

It is likely that Russian demand for U.S. pork products will continue to lag in 2003, due to a new set of meat import policies currently being implemented by the Russian Government. On January 23, 2003, the Russian Commission on Protective Measures in External Trade and Customs and Tariff Policy published three decrees announcing the implementation of an import quota for poultry and TRQs for beef and pork. The Commission introduced a 450,000 metric tons (MT) TRQ for pork under HS 0203 (fresh and frozen pork). The in-quota duty for pork will be 15 percent, but not less than 1.06 euros/kg. The over-quota duty for pork will rise to 80 percent. The beef and pork TRQs will be implemented on April 1, 2003, with 90 percent of the TRQ volume allocated on a pro-rated basis to importers based on historical imports during the period 2000-2002.

There is no country allocation for either commodity. The remaining 10 percent of the quotas for beef and pork will be allocated by auction. For pork, 33,750 tons will be divided into 33 lots of 1,000 tons and one lot of 750 tons. The auction will be conducted in May 2003, one month after implementation of the TRQs. For 2003, the 9-month pro-rated TRQs are 337,500 MT for pork. Former Soviet Union countries (i.e. Ukraine) are exempted from the TRQ. Officially, the TRQ system could remain in place until 2010.

In 2002, the United States imported 1.1 billion pounds of pork products, an increase of almost 13 percent over 2001. Most of the increase came from Canada, whose exports to the United States increased 15 percent. Denmark's exports to the United States in 2002 increased 2 percent over 2001. U.S. pork imports in 2003 are expected to increase, but at a slower rate than in 2002 given expectations for a lower exchange rate for the U.S. dollar. Increased U.S. imports from Canada

represent the growing irrelevance of the U.S.-Canada (geographic) border, with respect to pork trade. Large U.S. imports are an ongoing indication that purchasing agents in the United States, whose objective is to secure pork products for sale and distribution in North American retail and foodservice outlets, are willing to source products wherever in North America pork product costs are minimized.

The United States imported 5.7 million hogs last year, most of which were of Canadian origin, and 65 percent of which were feeder pigs. Live hog imports in 2003 are expected to be about the same as last year, given slower hog sector expansion in Canada (i.e., Canadian hog producers reported 14.7 million head on farms, as of January 1, 2003, 2.5 percent higher than last year, but hog inventory growth has averaged 5 percent over the past 5 years). Also, Canadian producers have concerns about the implementation of the U.S. Country of Origin Labeling law in 2004.

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