

Food Chain Disruptions & Trade

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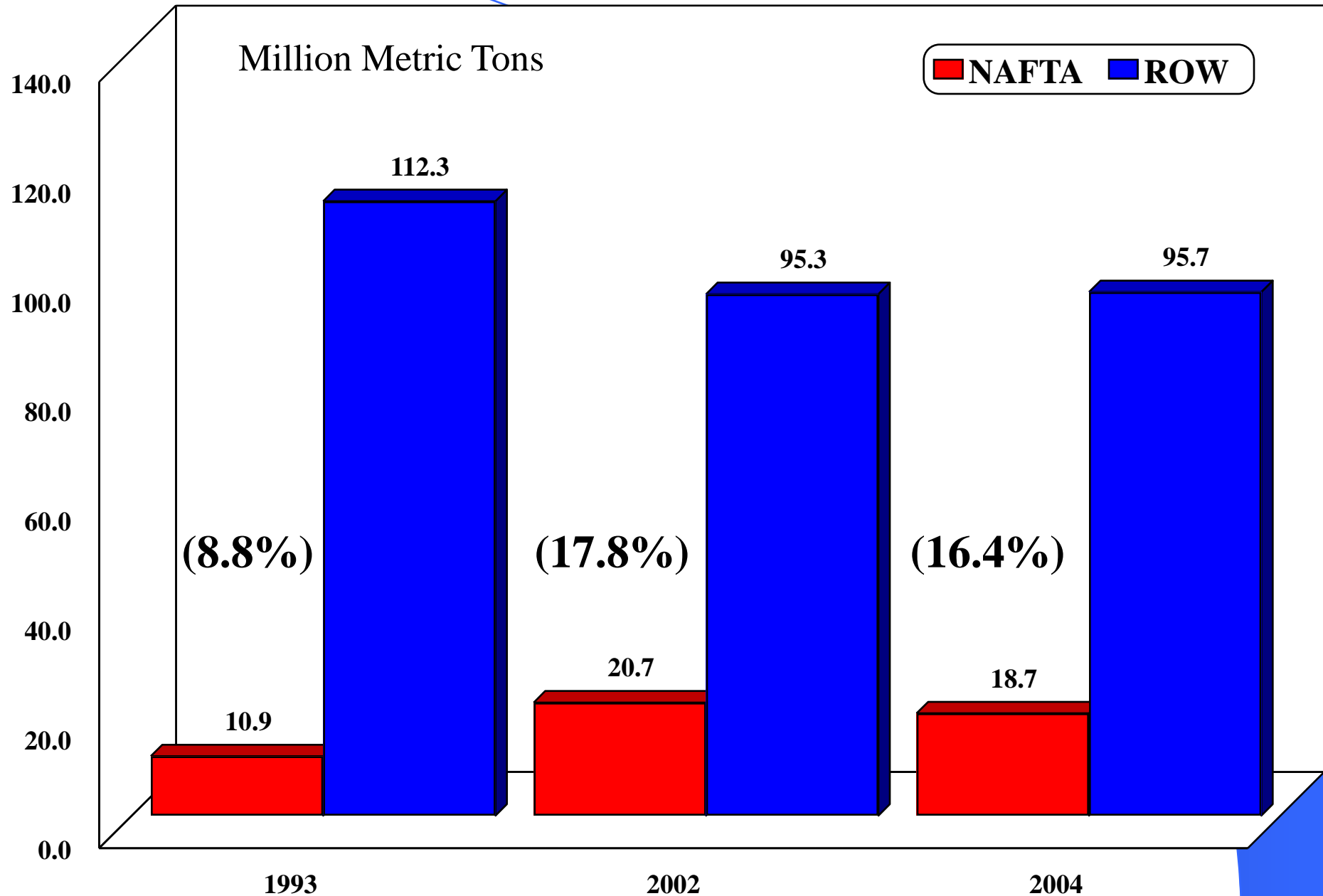


Background

- Since Mid 1980s, Market Integration in North America Has Accelerated
 - Exports/Imports
 - Investment
 - Just-in-Time Delivery Systems Developed
- Animals & Meat Among Fastest Growing Components of North American Agricultural Trade
- Increased Grain Trade Among NAFTA Countries
- BSE & Avian Flu Have Disrupted N.A. Trade in Recent Years
- International Rules on Regionalization Allow Trade to Resume, Under Certain Conditions

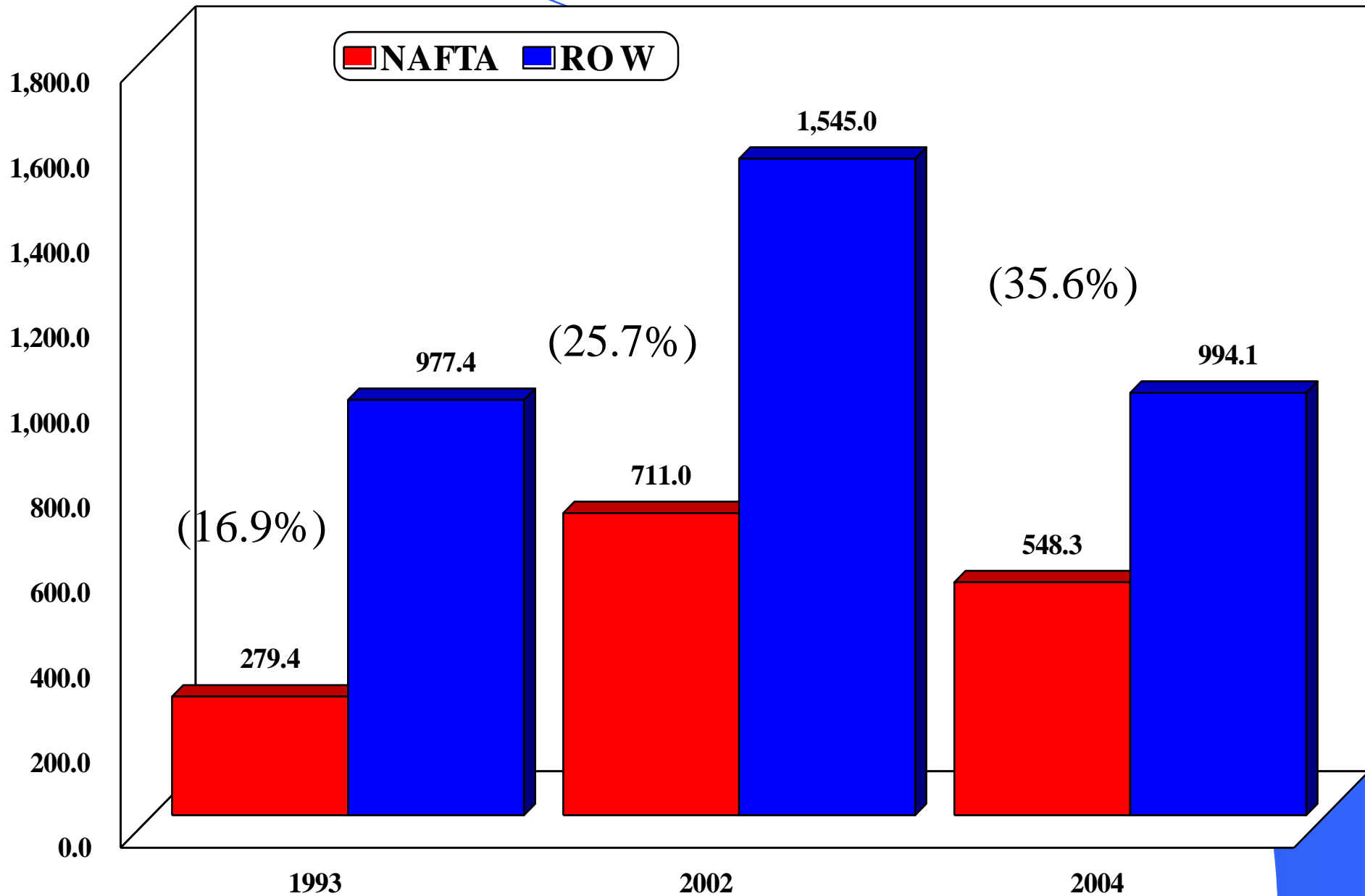


Intra-NAFTA Grain Trade



Source: USDA/FAS and Ag and Food Canada. Percents are share of total NAFTA grain trade.

Intra-NAFTA and ROW Beef Trade



Source: USDA/FAS and CanFax

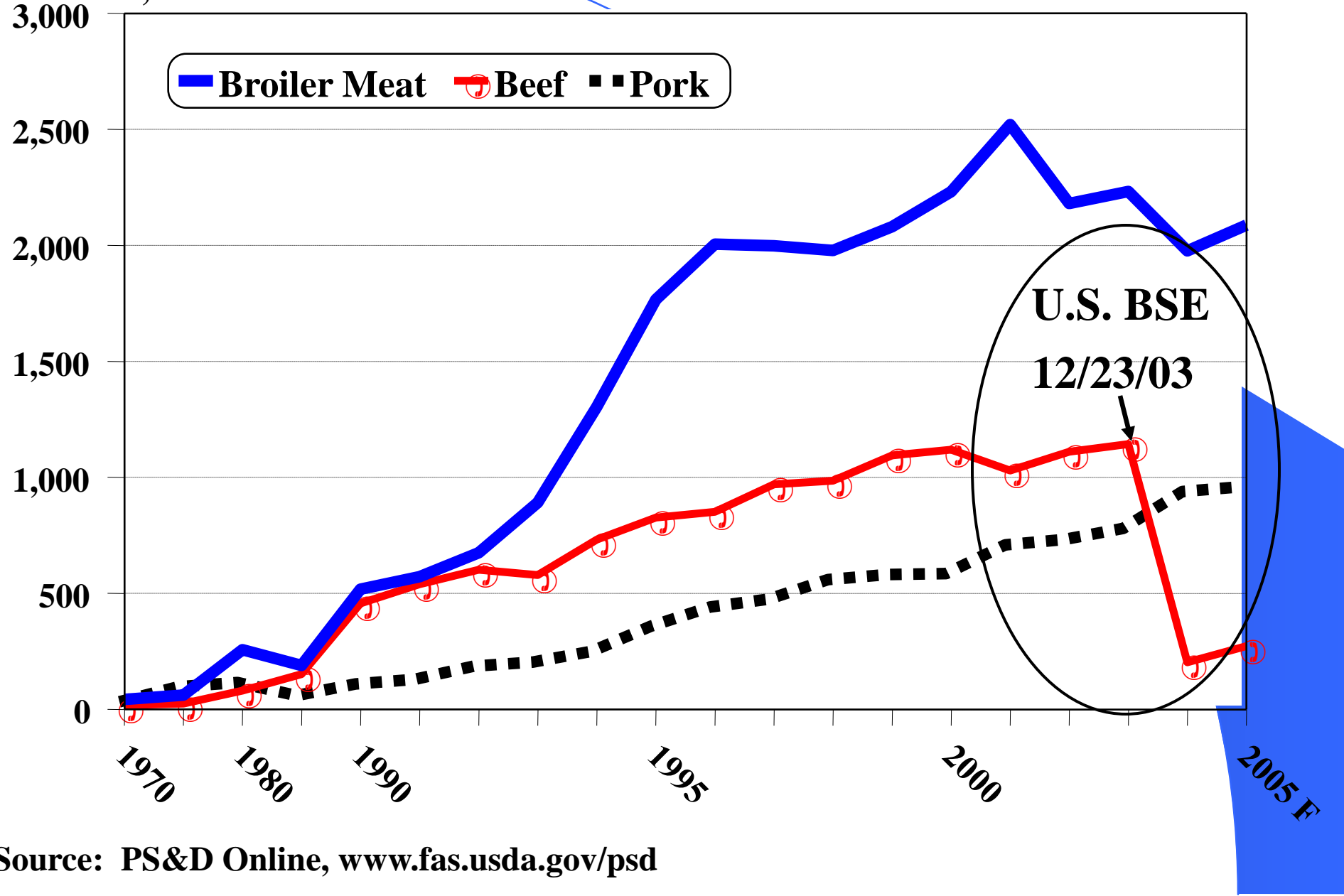
Implications of Food Chain Disruptions

- Often ADOs Are Economic Events, Not Food Safety (FMD, HPAI)
- Trade Likely Restricted or Banned
- Market & Price Impacts, Severe in Some Cases
- More Competition Among Countries & Products
- Market Integration Often Be Disrupted
- *Food Chain Event Management* Takes on Added Importance



U.S. Meat Exports, 1970-2005 Forecast

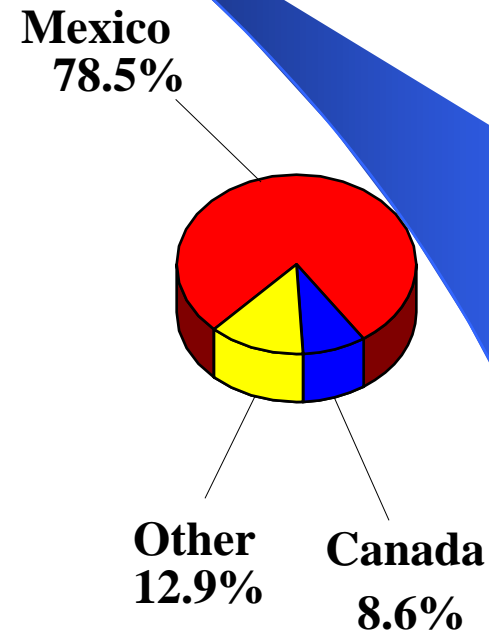
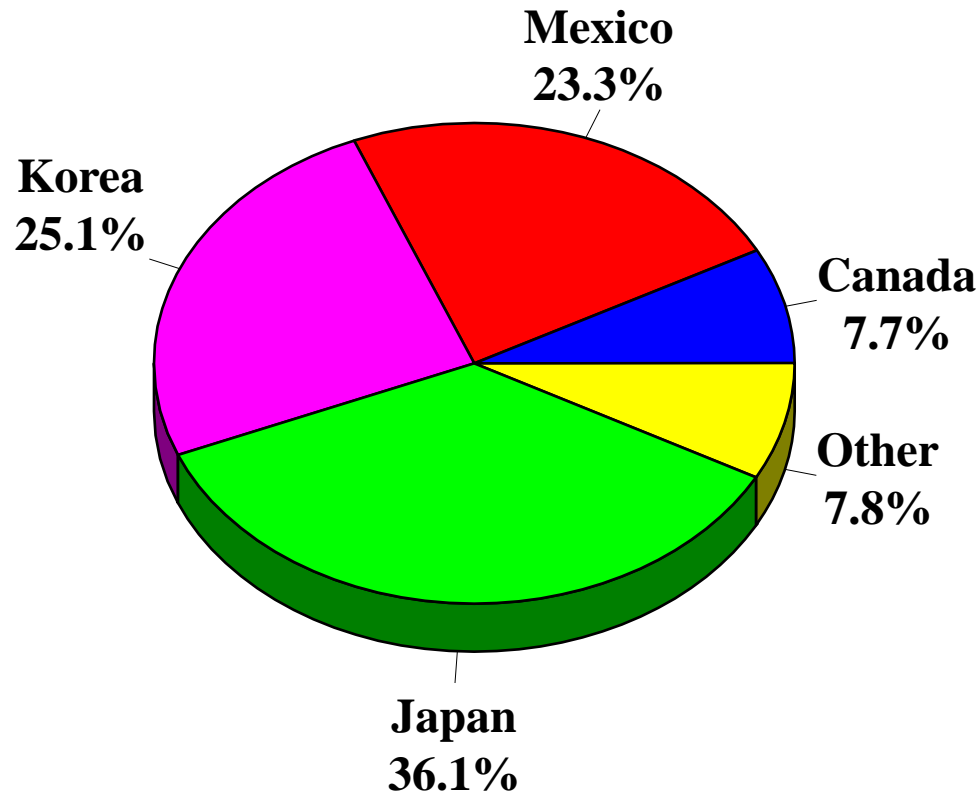
1,000 Metric Tons



U.S. Beef Exports, 2003 & 2004

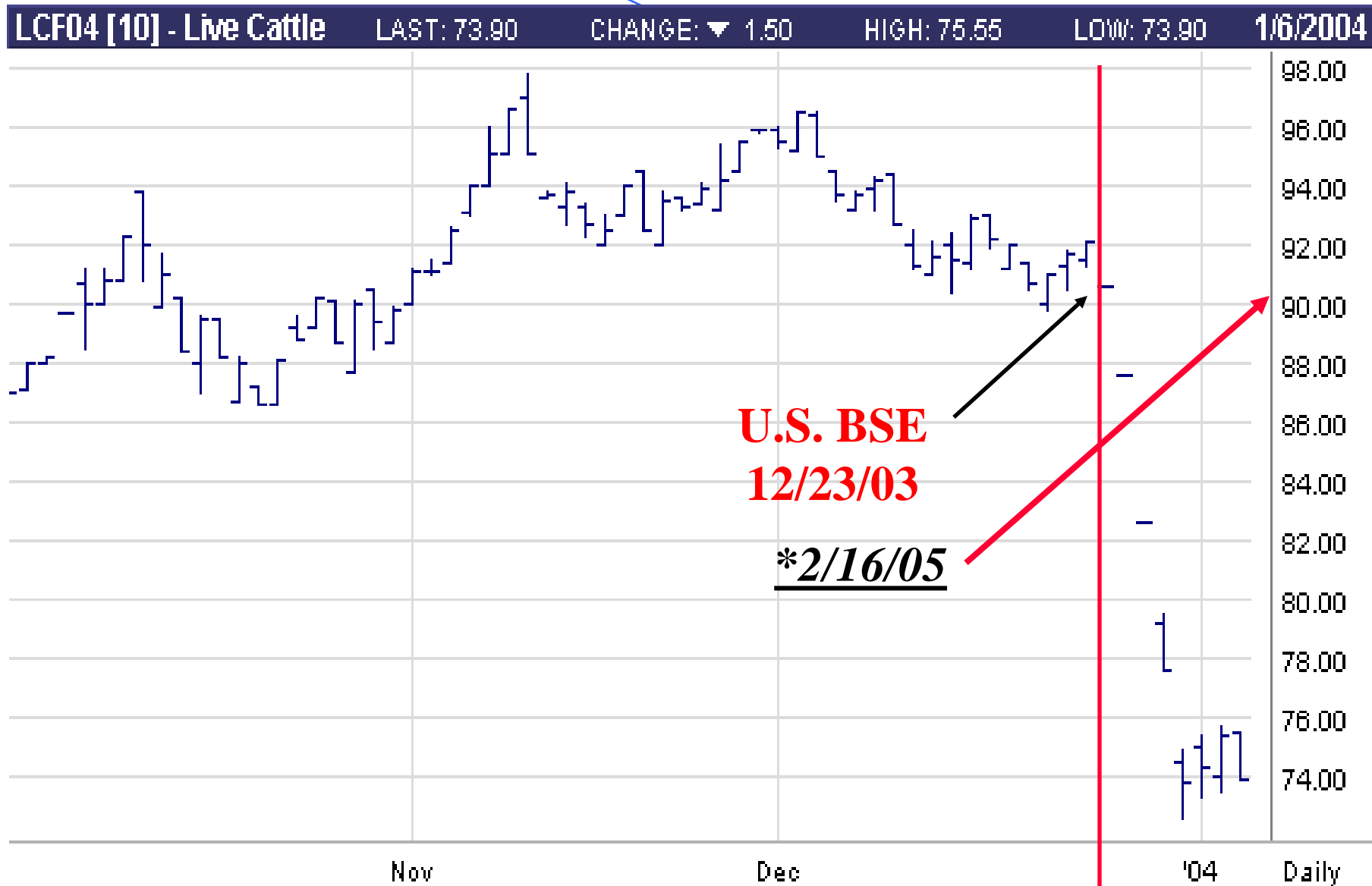
2003 Total: 820.6 TMT

2004 Total: 135.6 TMT

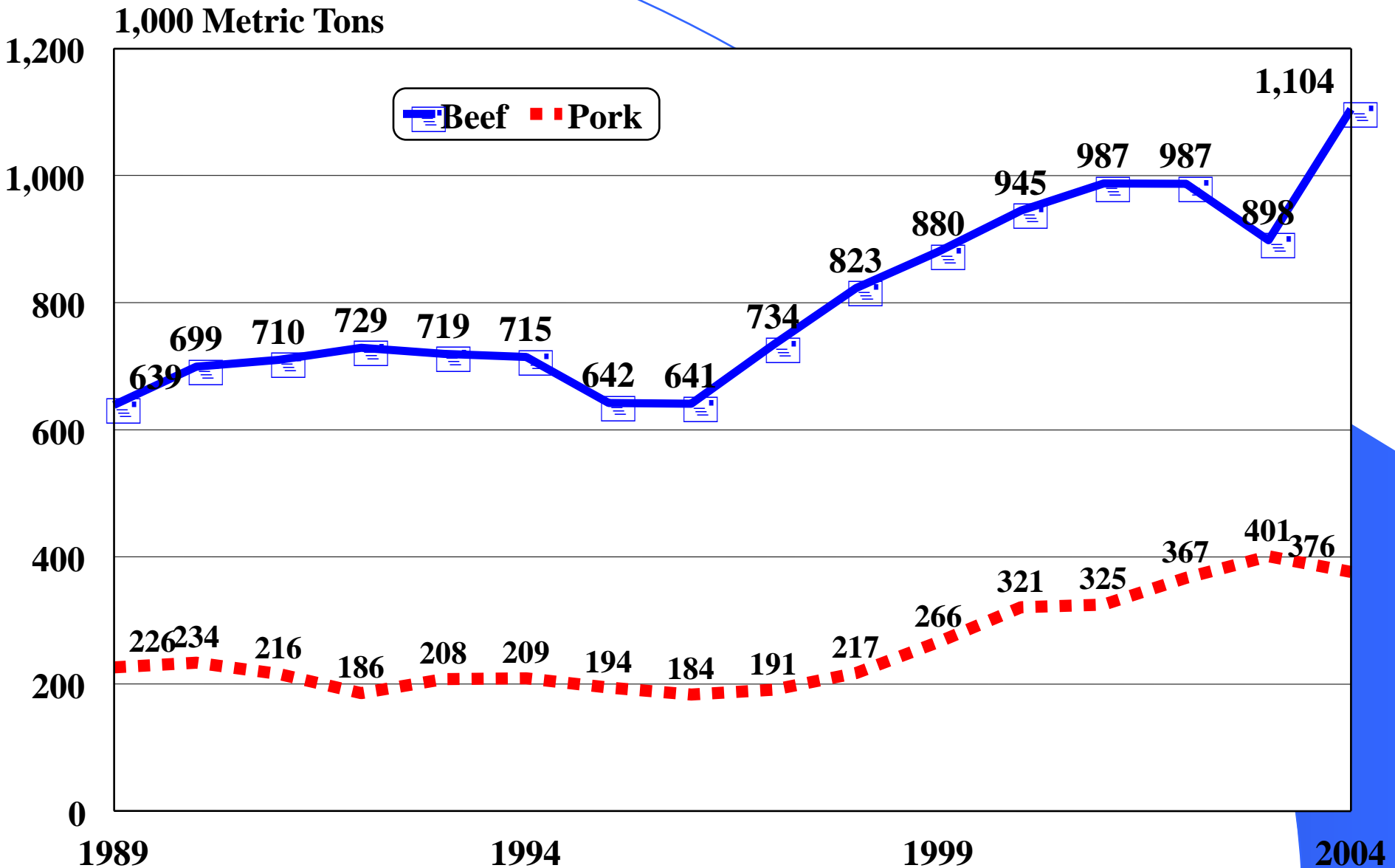


Source: U.S. Trade Internet System, www.fas.usda.gov/ustrade

US Fed Cattle Futures, Nov 03-Feb 05



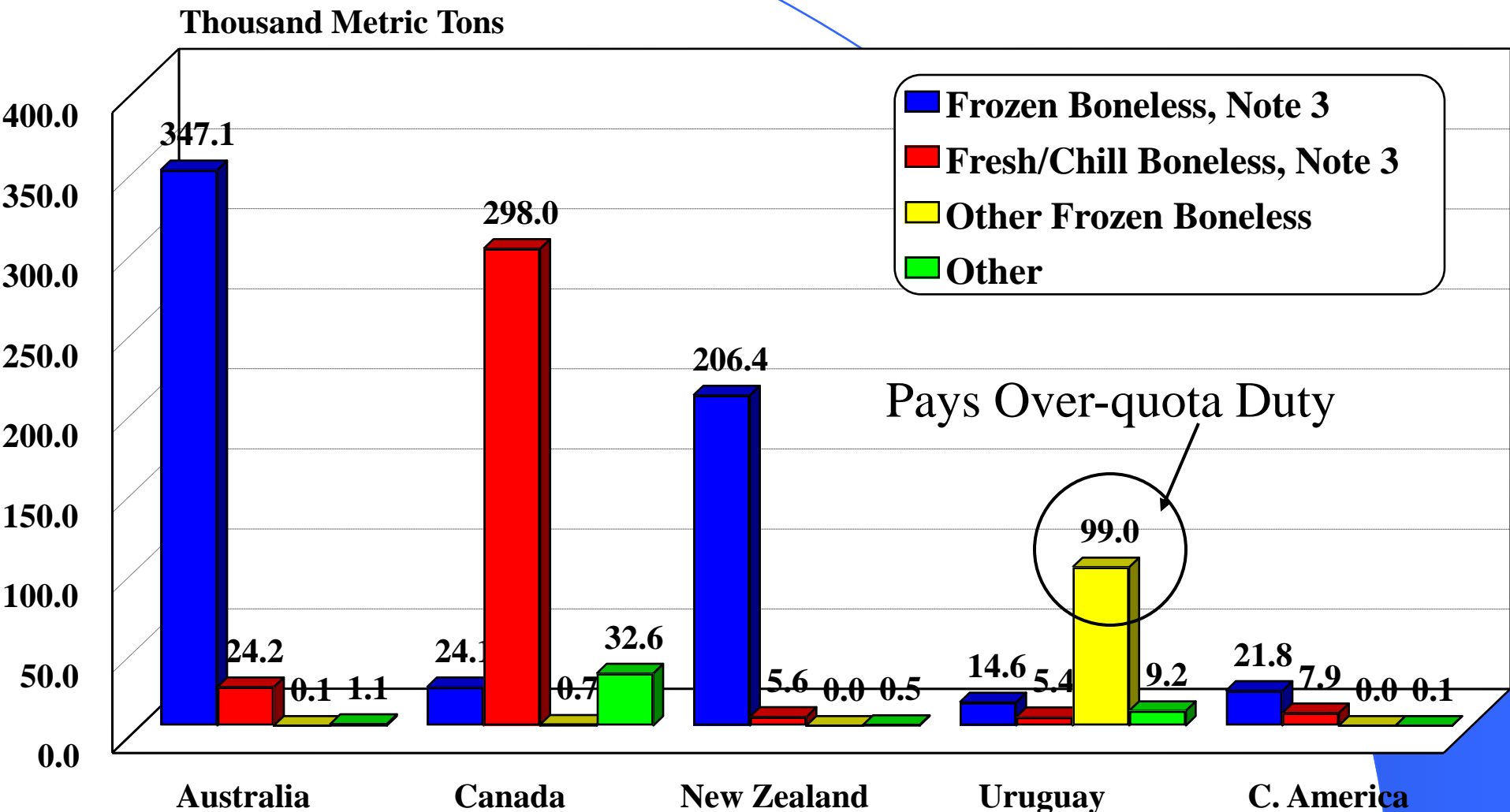
U.S. Imports of Beef and Pork



Source: U.S. Trade Internet System, www.fas.usda.gov/ustrade

Composition of U.S. Beef Imports, 2004

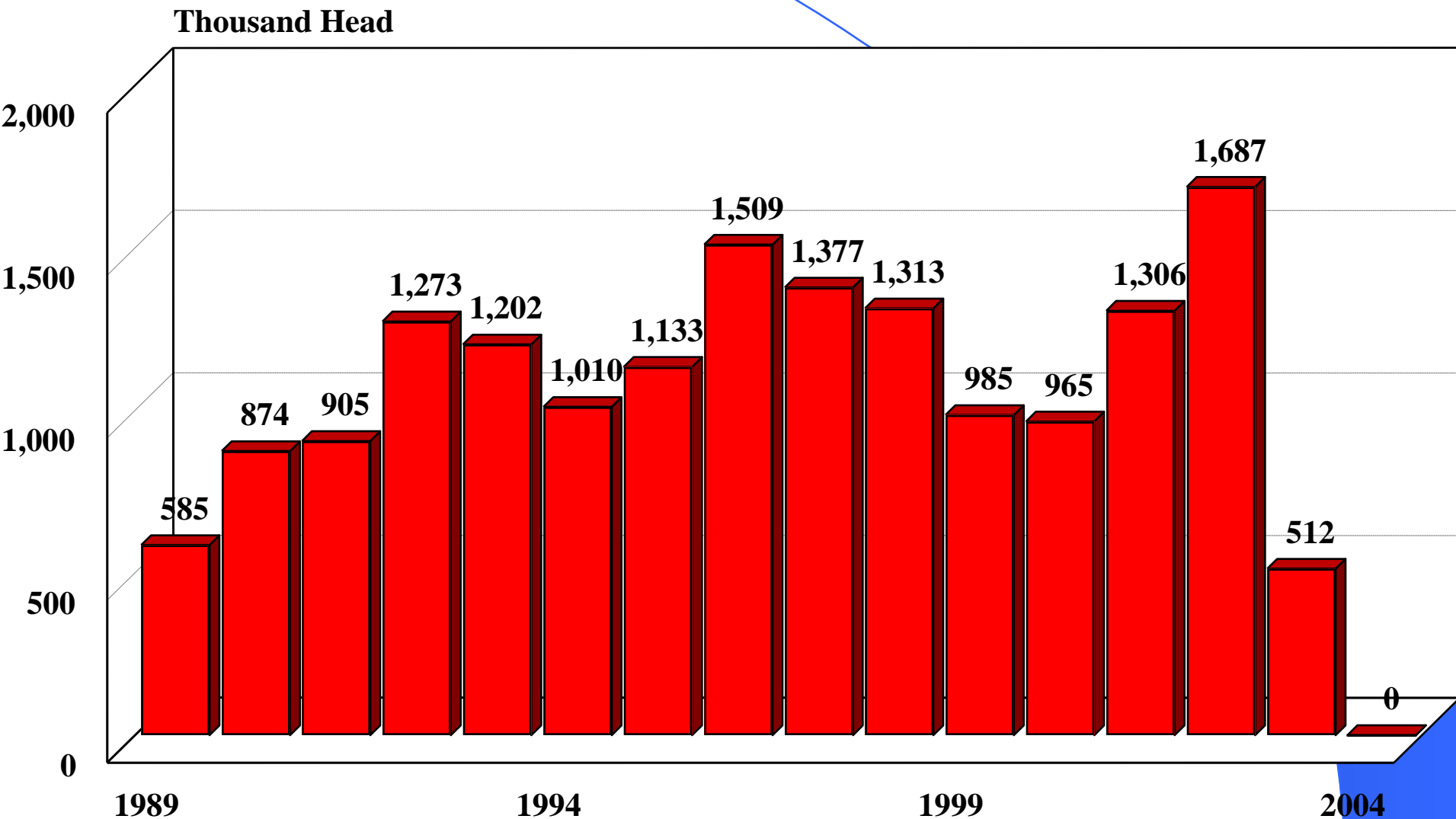
Source & Type



Source: USDA/FAS. *Note 3* refers to beef entering under the TRQ, *Other Frozen Boneless* indicates over-quota beef

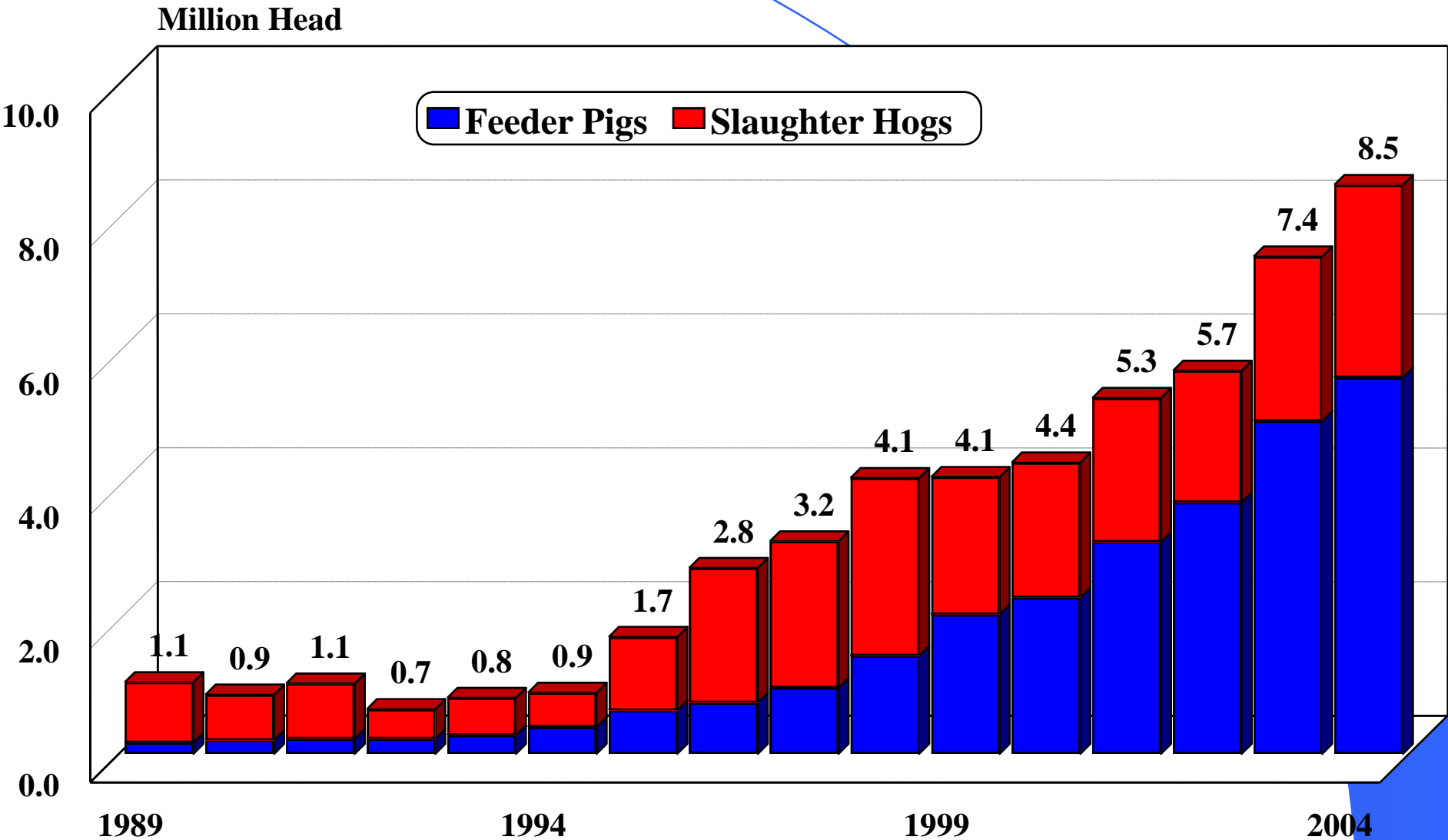
U.S. Cattle Imports from Canada

1989 - 2004



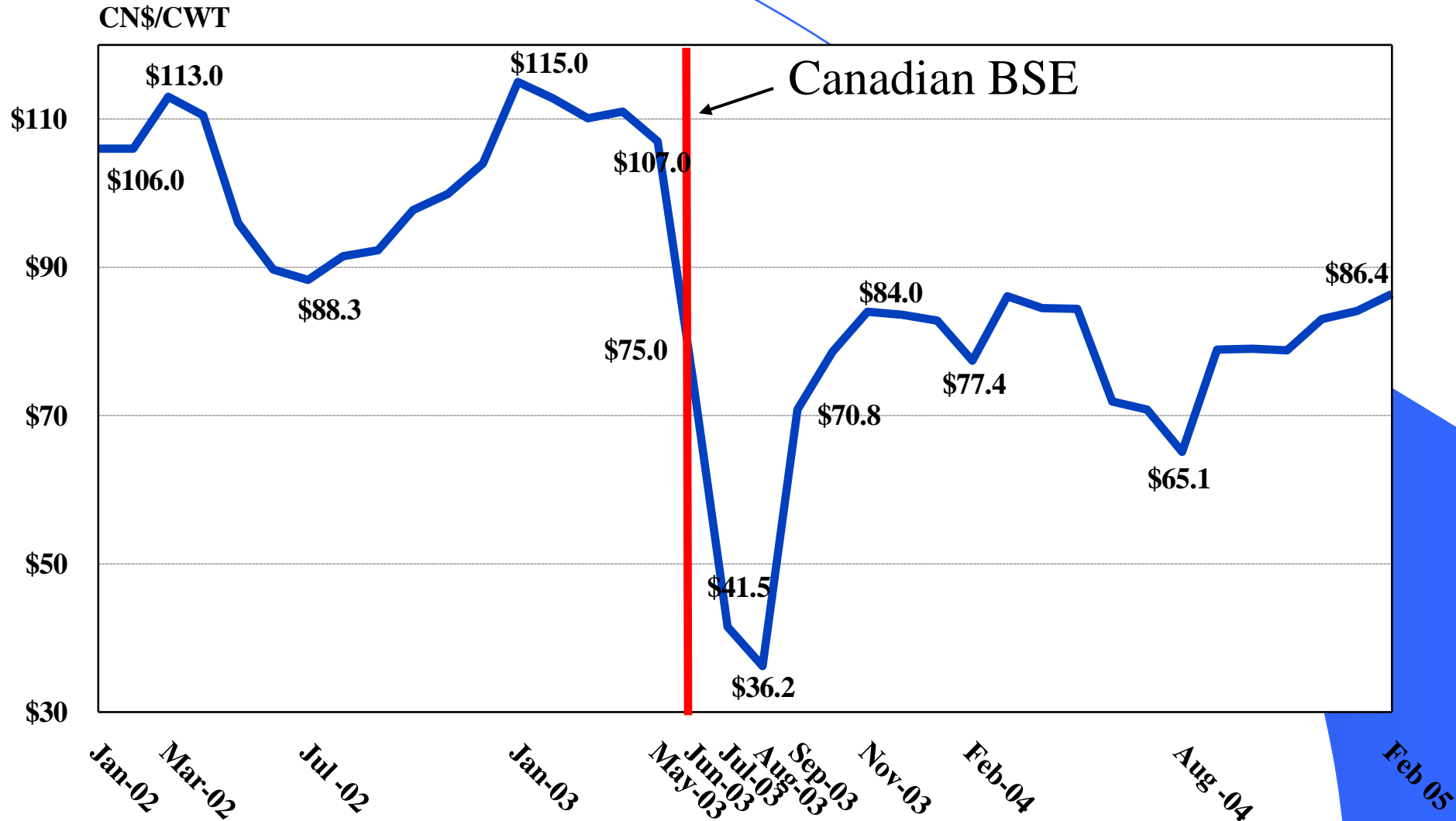
Source: USDA/FAS

U.S. Imports of Hogs from Canada, 1989 - 2004



Source: USDA/FAS

Alberta, Canada Direct Sale Steer Prices, Mid-month Mid-point, Jan 02 - Feb 05



Beef Cattle Sector-Short Run

Concentrate Trade in North America

- Canada:
 - Increased Specialization in Meat Packing
 - Switch to Boneless Beef Exports to US
 - Some Feedyards Failed
 - Import Less Corn from US
- United States:
 - Import More Beef to Blend w/Lean US Beef for Ground Meat
 - Uruguay Emerges as Major Supplier
 - Australia Captures Nearly Half of Japanese Beef Market
- Mexico:
 - Increases Exports of Live Cattle

Beef Cattle Sector-Long Run

Depends on Canada & Japan

● Canada:

- Specialization May Continue
- Increased Packing Capacity?
 - Feed lot Placements 22% Above 2003
 - January 2005, 254% Above January 2004
- Import More Corn from US
- Hog Exports to US Continue to Grow, Replacing Pork

● United States:

- Beef Imports Decline, Herd Rebuilds, Prices Fall
- Australia Remains Major Player in Japan
- Poultry & Pork Export Growth Surpasses Beef
- Diversifying Exports Likely Important

● Mexico:

- Rebuilds Herd & Increases Exports of Live Cattle
- May Begin to Feed More Cattle & Expand Packing

Food Chain Event Management

- Contingency Planning & Training
- Diversion Routes & Locations for Contaminated Cargo
- Evaluate Alternative Modes of Transportation
- Consider Food Chain Event ‘Gaming’ Similar to Military Exercises

Based partly on comments at Border Trade Alliance Conference, Washington, DC, February 15, 2005 by Bonnie Tischler, VP, Global Transportation & Supply Chain Security, Pinkerton.

Summary

- U.S. Meat Exports Concentrated
- Degree of Trade Dependence Determines Potential Severity of Animal & Plant Disease Impacts
- U.S. Pork Exports Gained As Beef & Poultry Exports Declined-*Next Time?*
- Maintaining Consumer Confidence *Crucial*



Thank You!

Center for North American Studies



“Informed Decisions for Global Change”

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