

Trade & Economic Impacts of Animal Disease Outbreaks

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Animal Disease Implications

- Disruption of Trade Flows
- Impacts on Prices, Markets
- Impacts on Market Integration



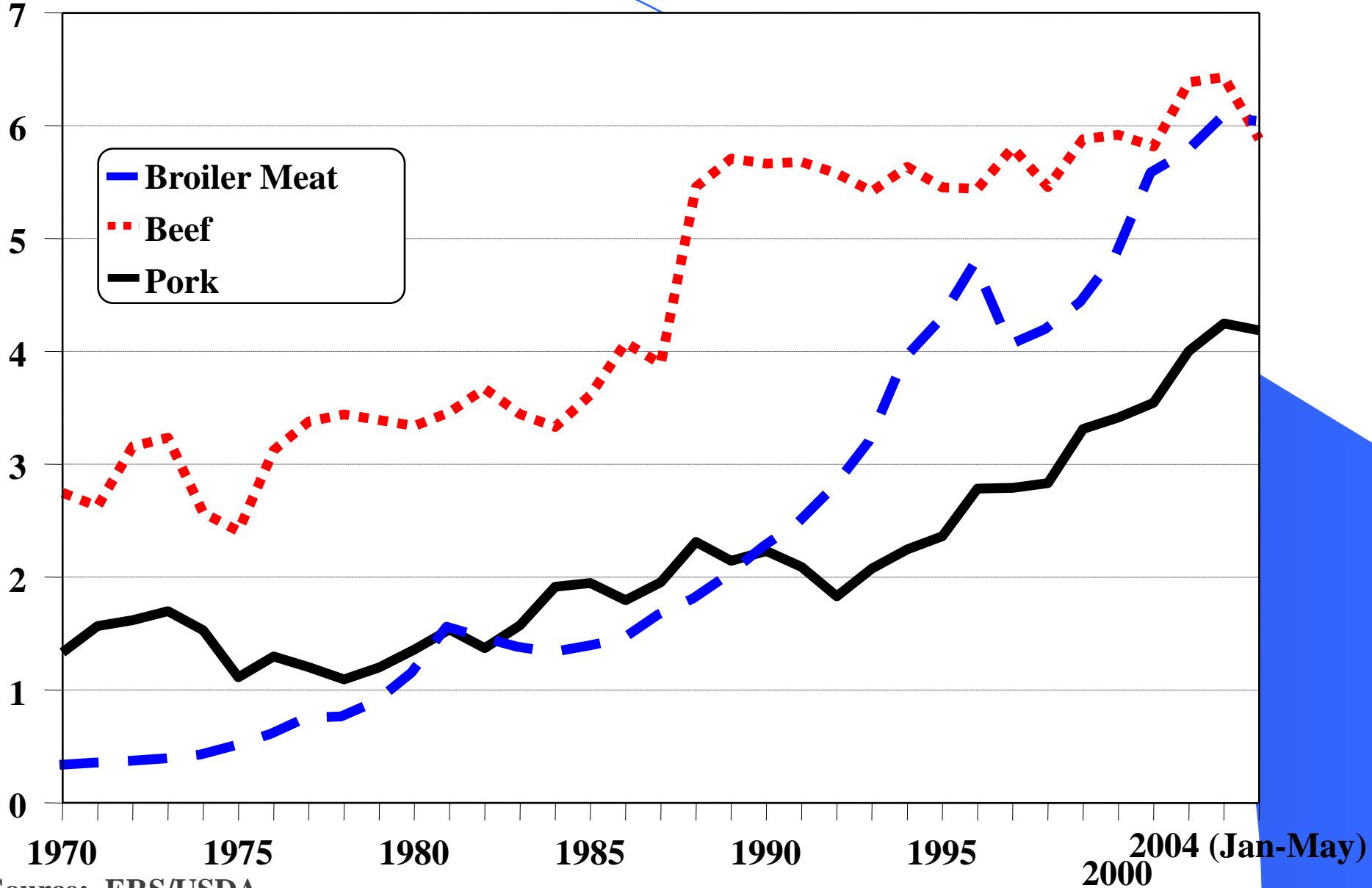
Background

- Since Mid 1980s, Market Integration in North America Has Accelerated
 - Exports/Imports
 - Foreign Direct Investment
- Animals & Meat Trade Among Fastest Growing Components
- Discovery of BSE, FMD, Exotic Newcastle, Avian Flu Have All Disrupted Trade
- Market Integration Has Outpaced Regulatory Integration
- Regionalization Allows Trade to Resume



World Meat Trade

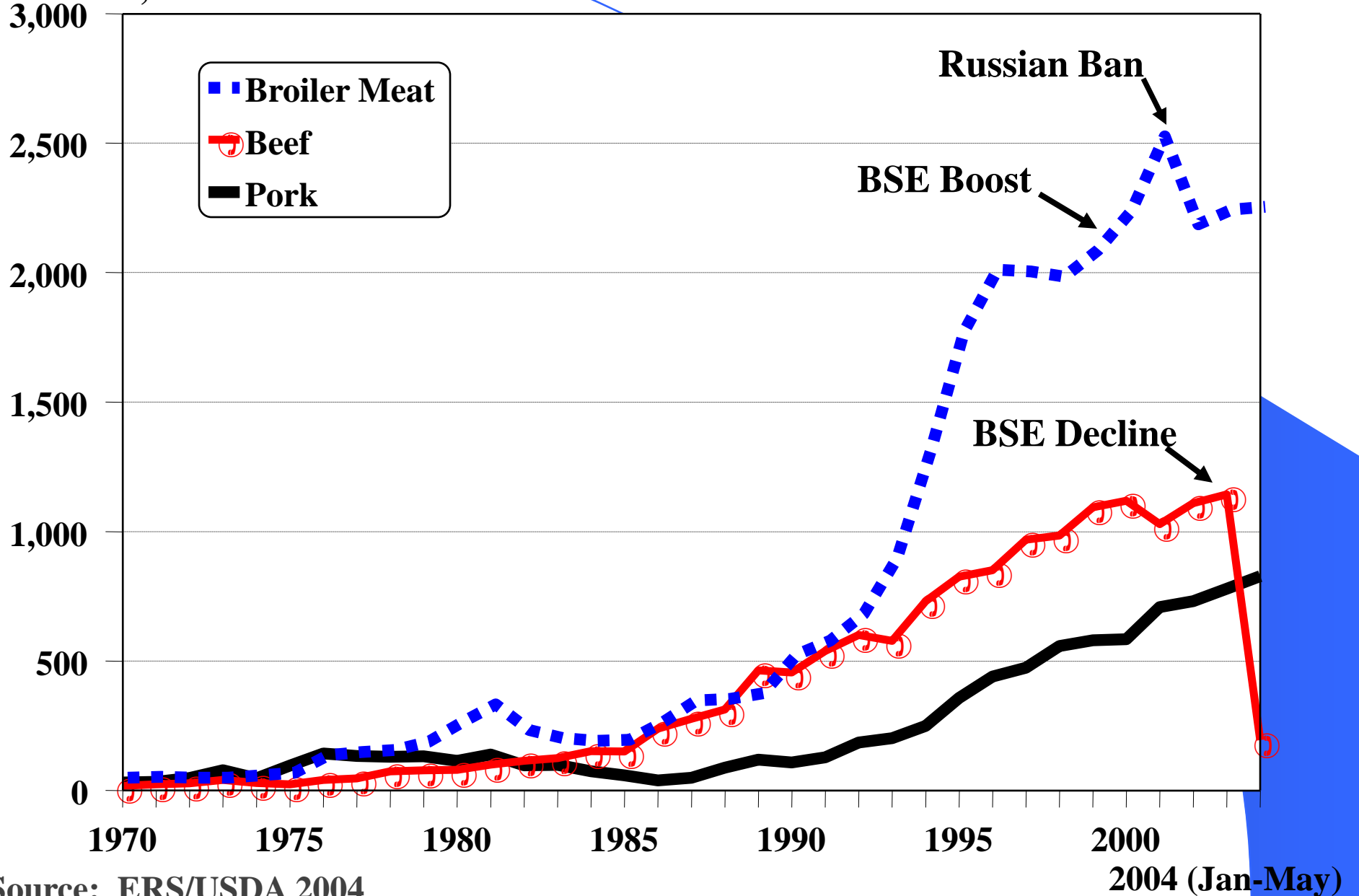
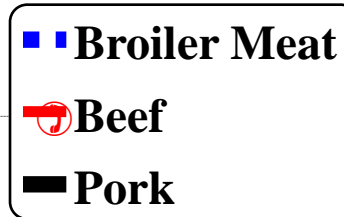
Million Metric Tons



Source: ERS/USDA

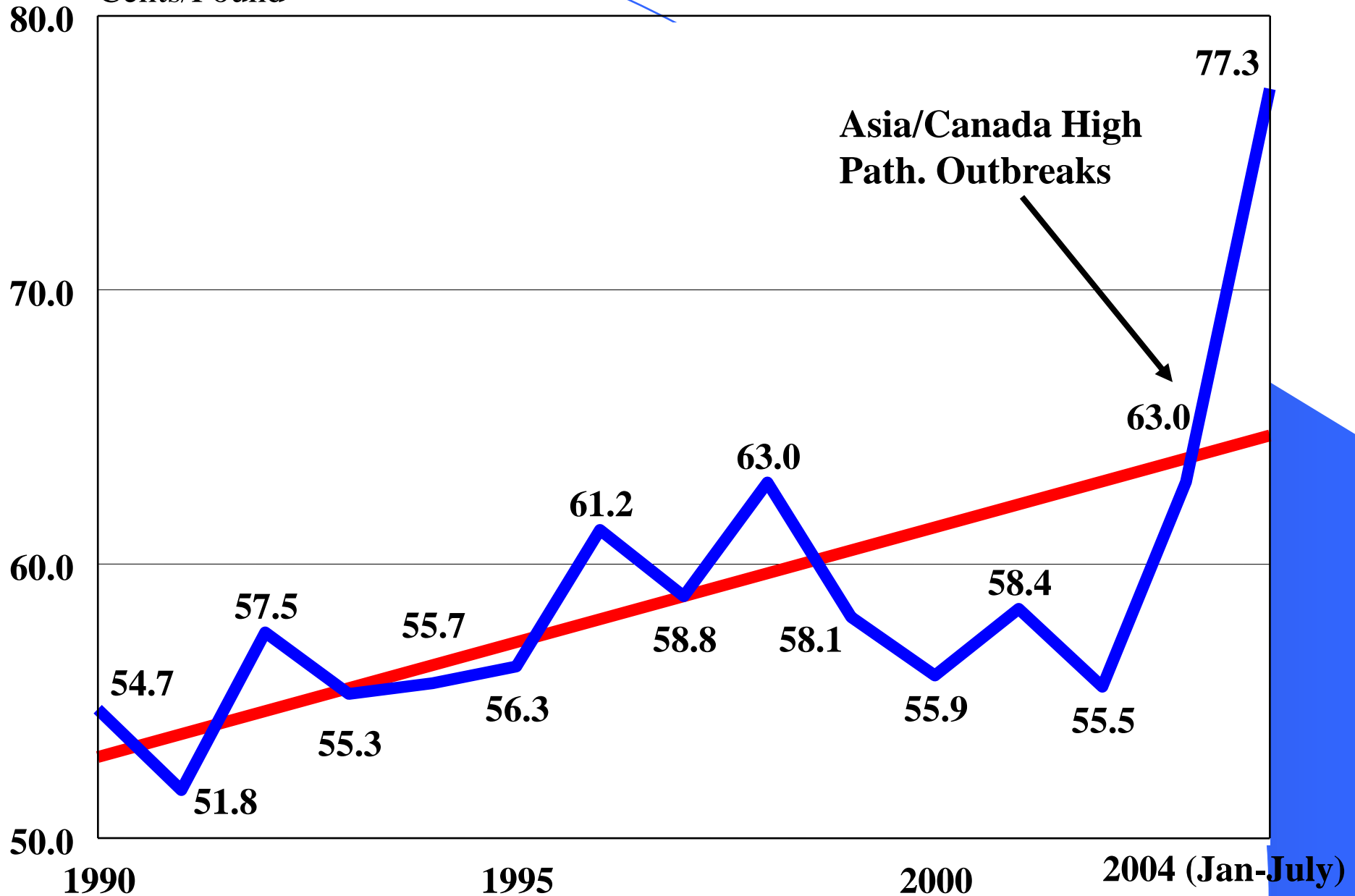
U.S. Meat Exports, 1970-May 2004

1,000 Metric Tons

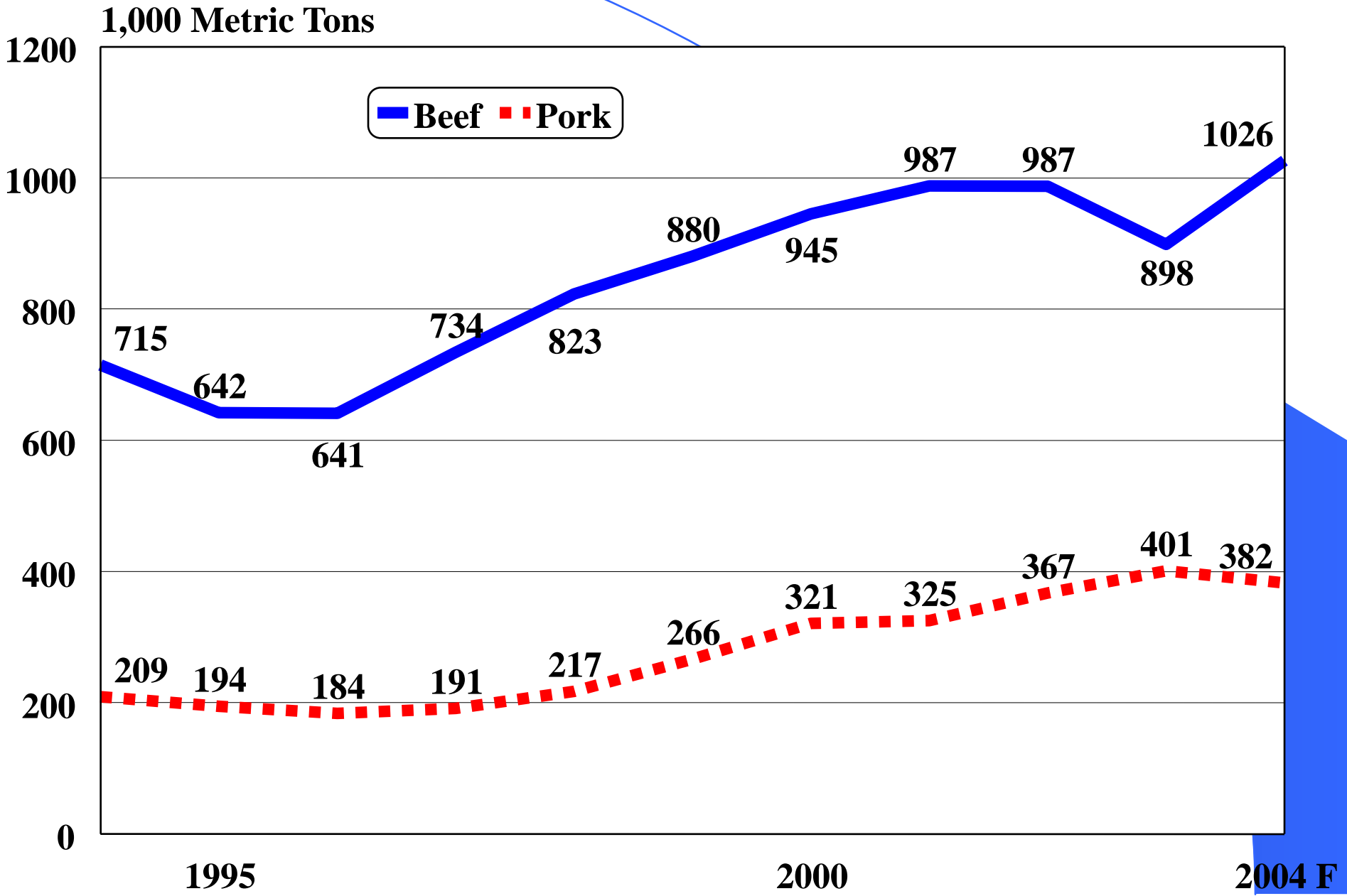


U.S. Broiler Prices, 12 Market Avg.

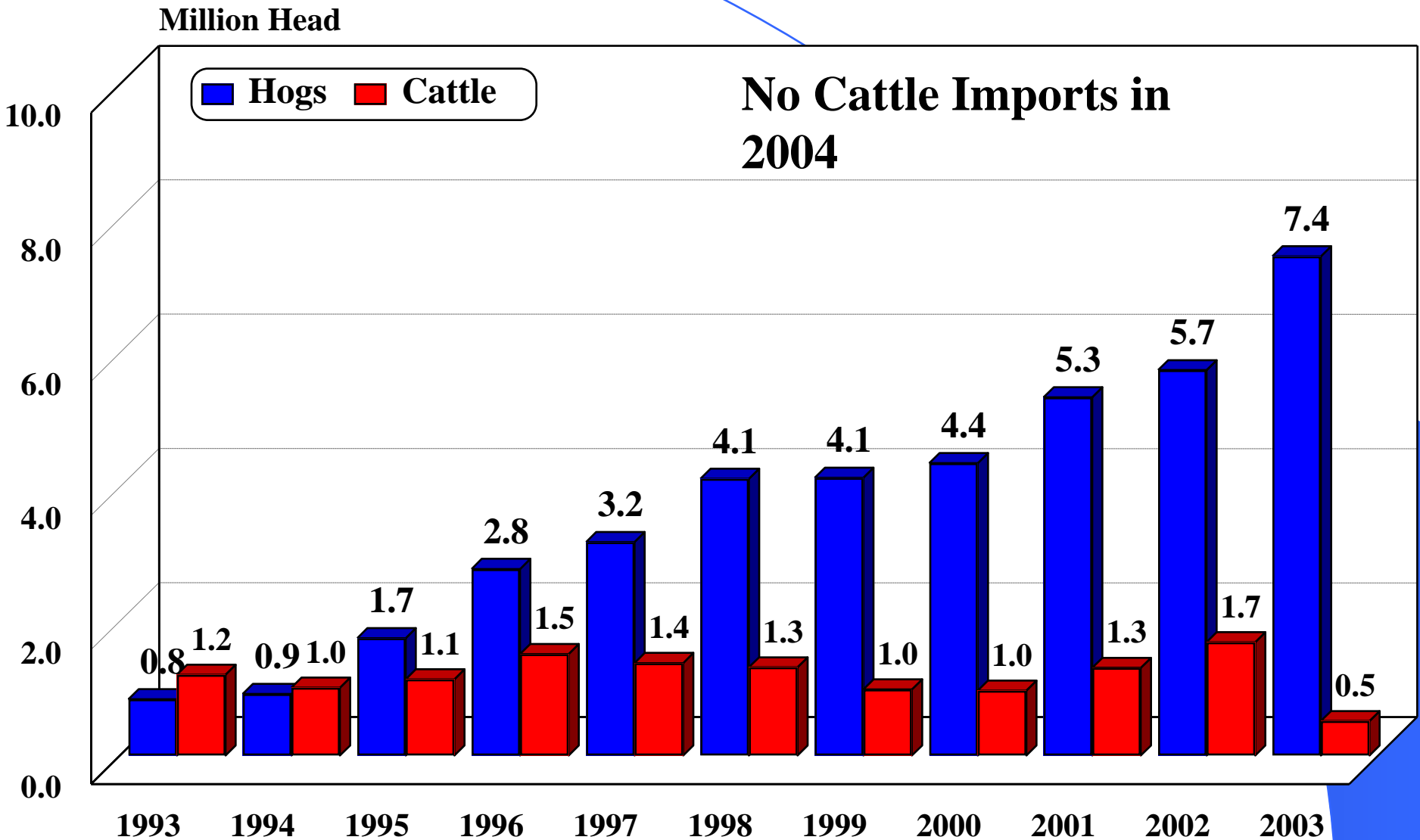
Cents/Pound



U.S. Imports of Beef and Pork

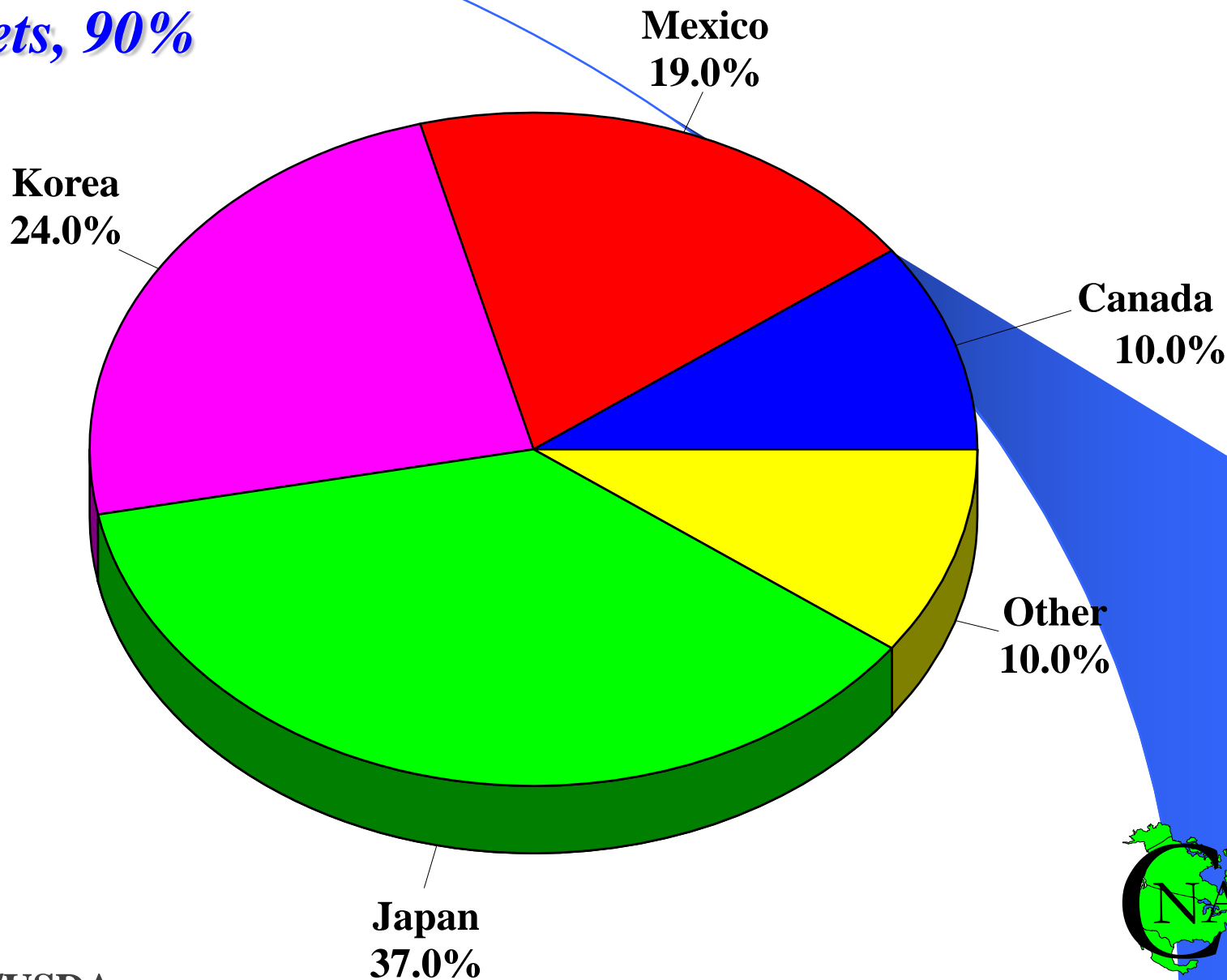


U.S. Cattle and Hog Imports from Canada



U.S. Beef Exports, 2003

4 Markets, 90%



U.S. Pork Exports, 2003

3 Markets, 84%

Japan
55.0%

Other
9.0%

Taiwan
2.0%

Canada
13.0%

Korea
5.0%

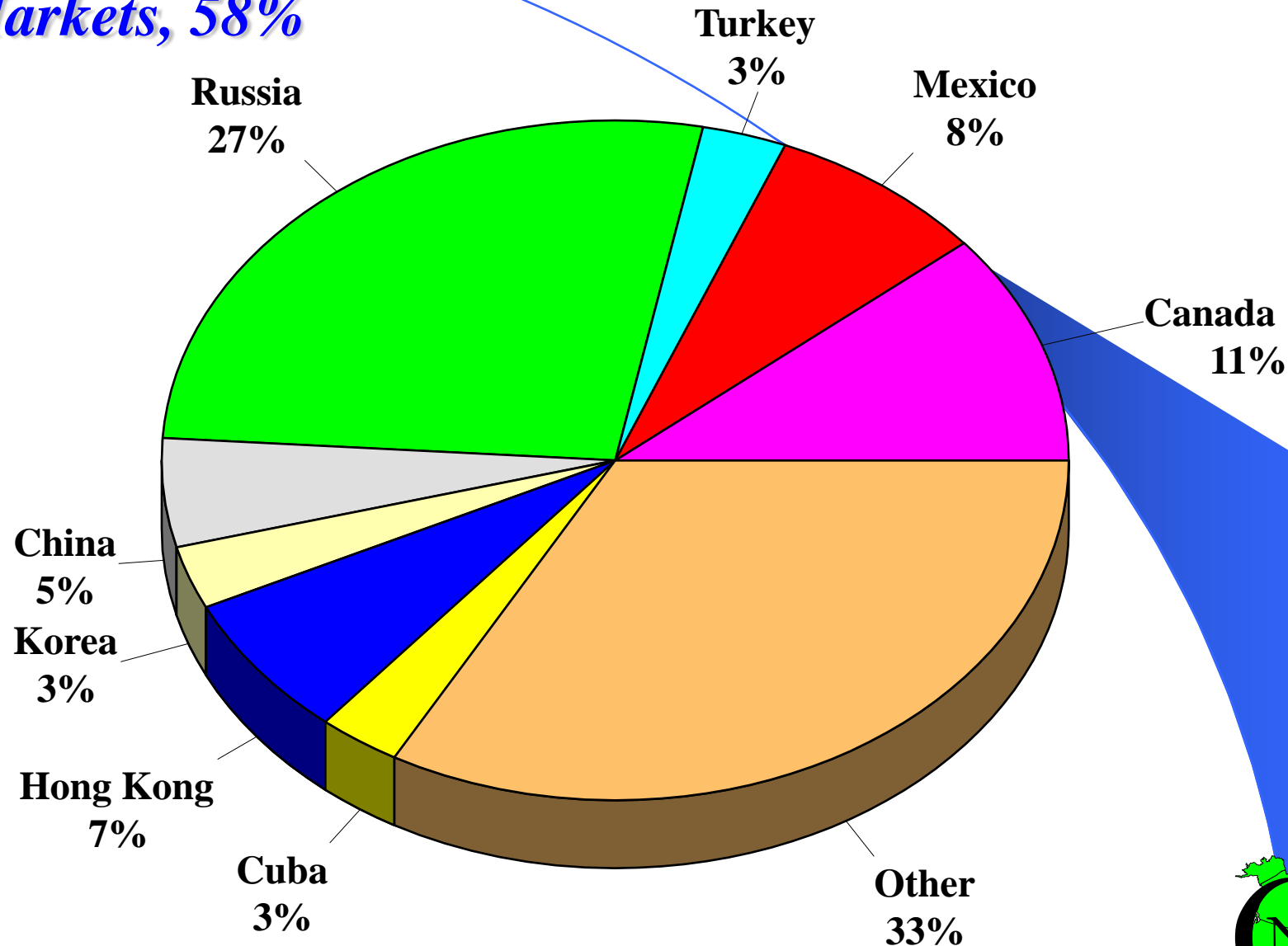
Mexico
16.0%



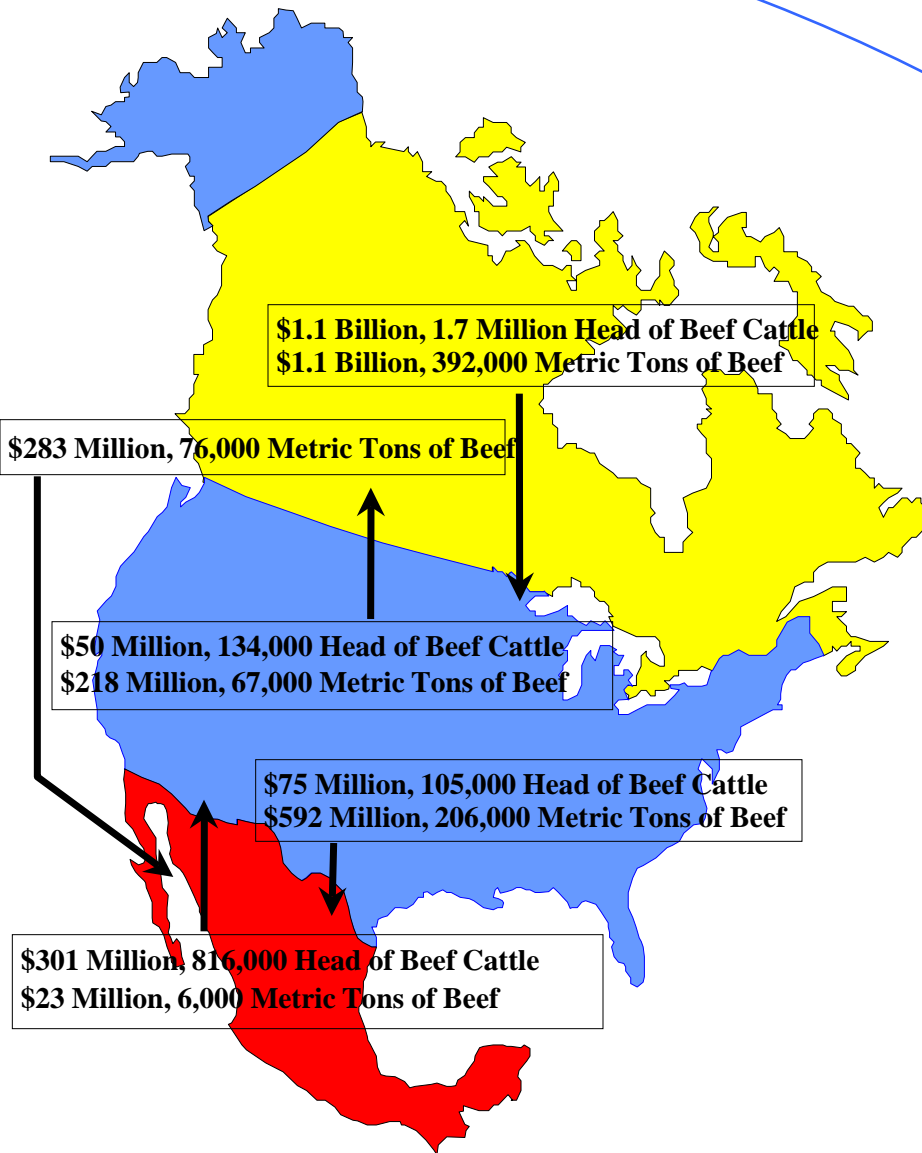
Source: ERS/USDA

U.S. Broiler Meat Exports, 2003

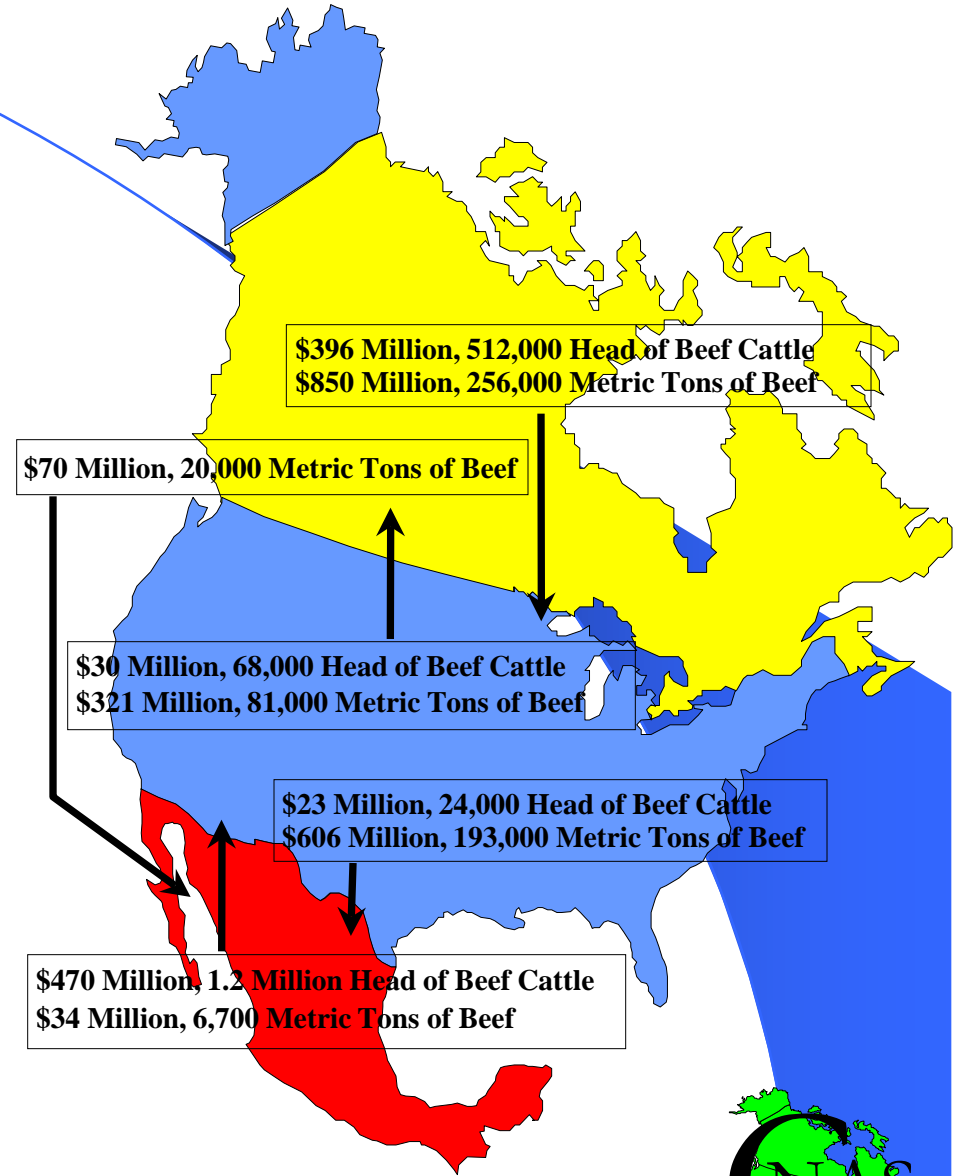
5 Markets, 58%



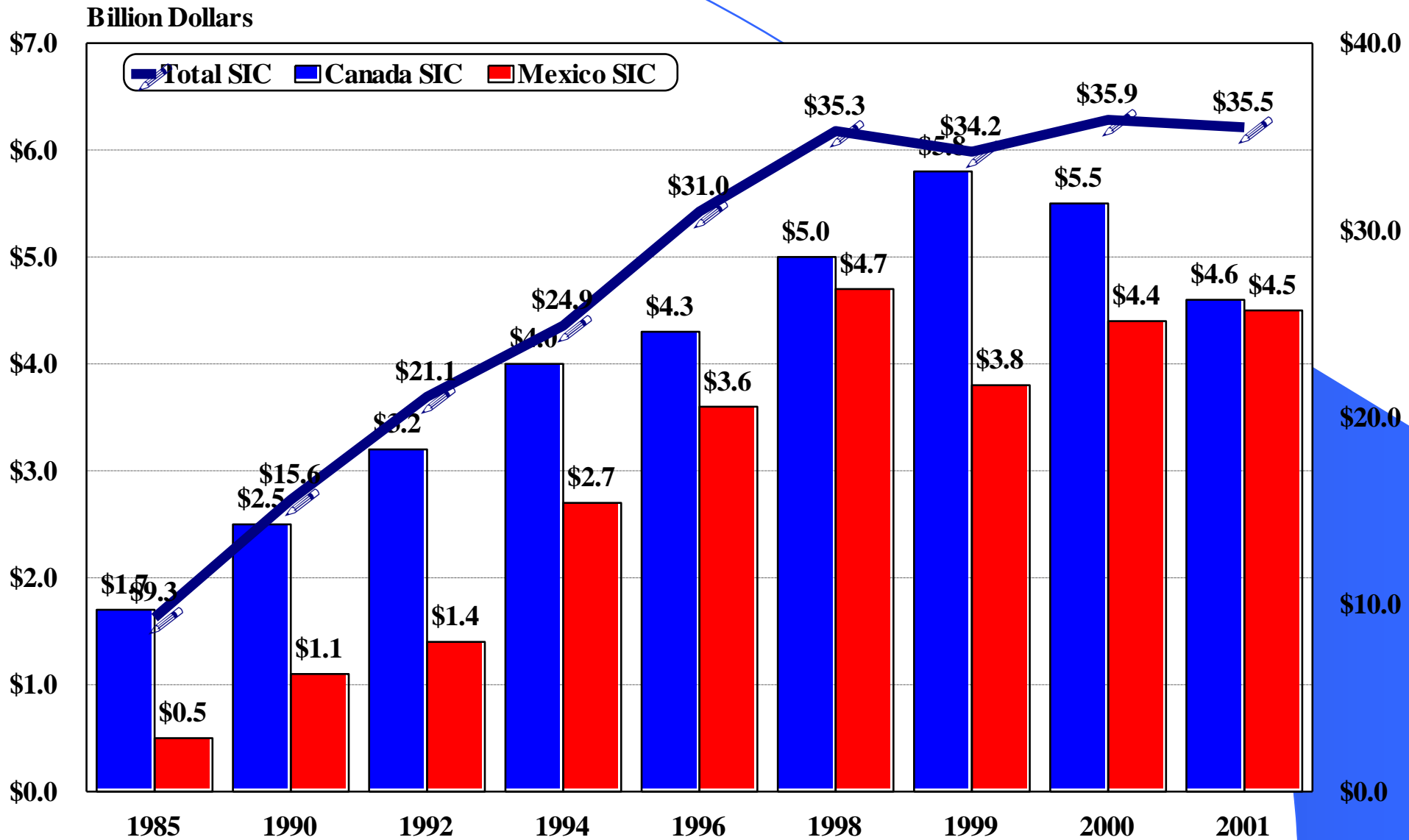
Integration in the North American Cattle and Beef Industry, 2002



Integration in the North American Cattle and Beef Industry, 2003



U.S. Food and Kindred Industry Investment in Canada, Mexico, and World Total



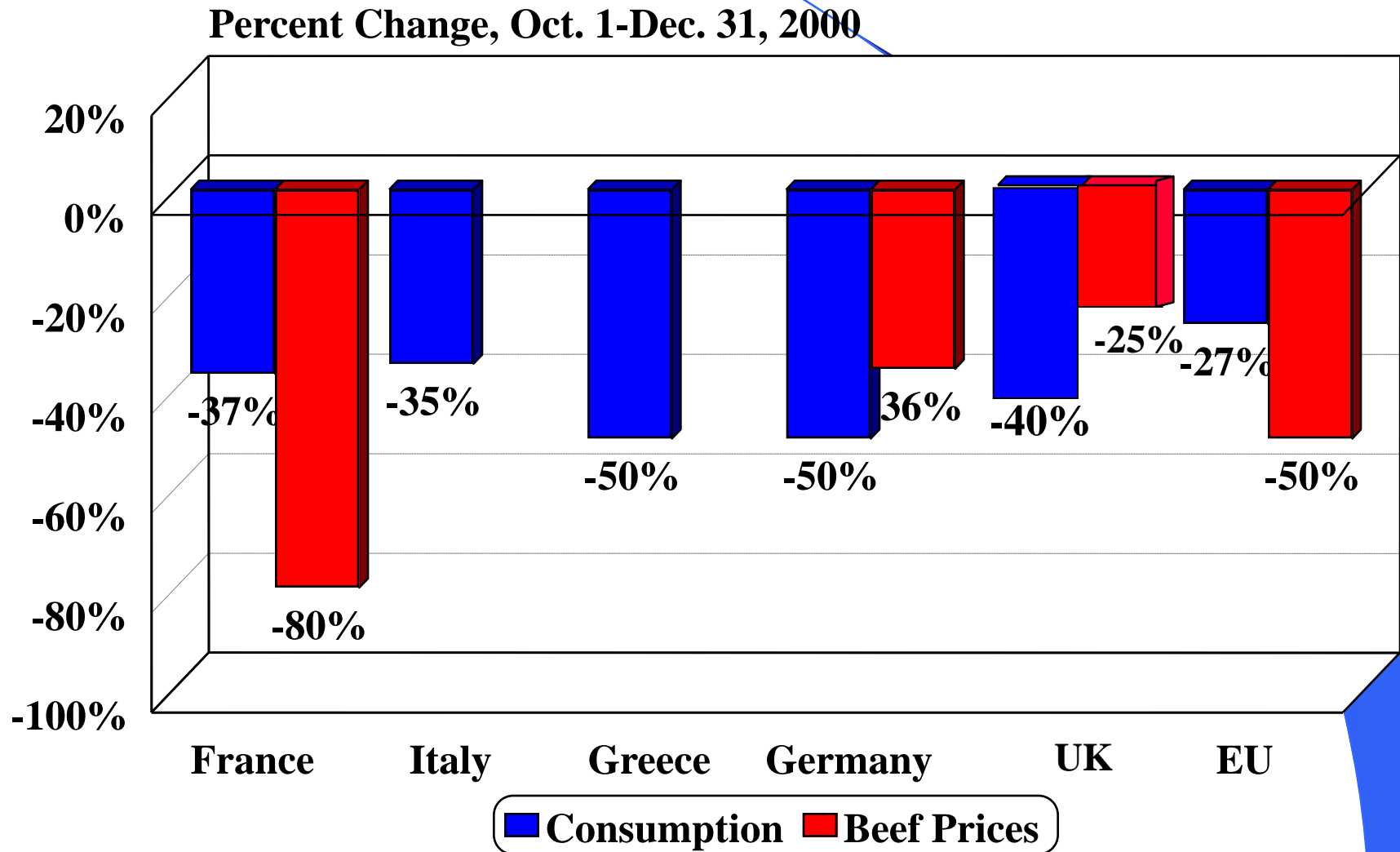
Source: Bureau of Economic Analysis, U.S. Department of Commerce



Mad Cows & Other Monsters!!



European Commission Estimates of BSE Impacts on Beef Use & Prices

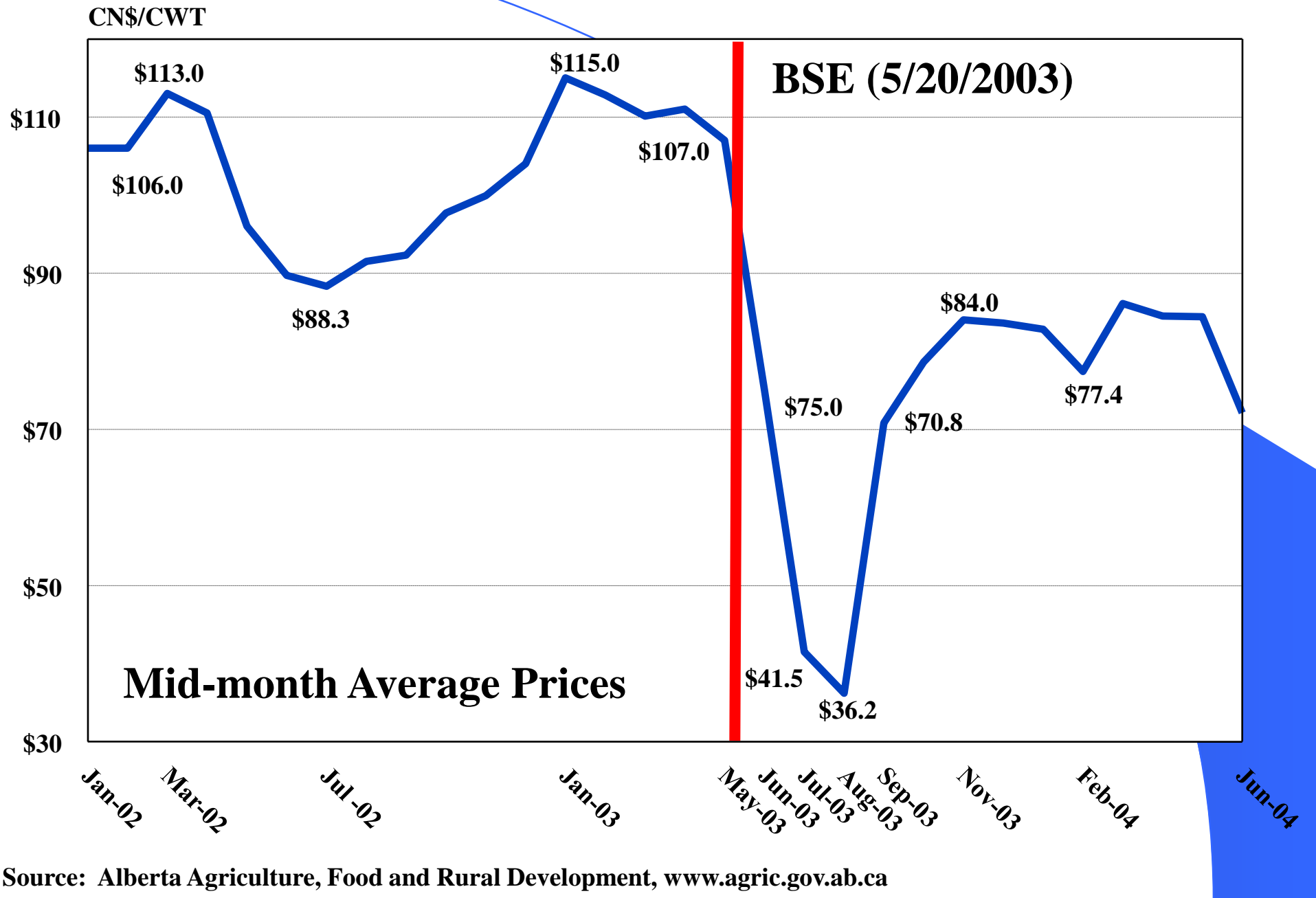


Canadian Beef/Cattle Trade Situation

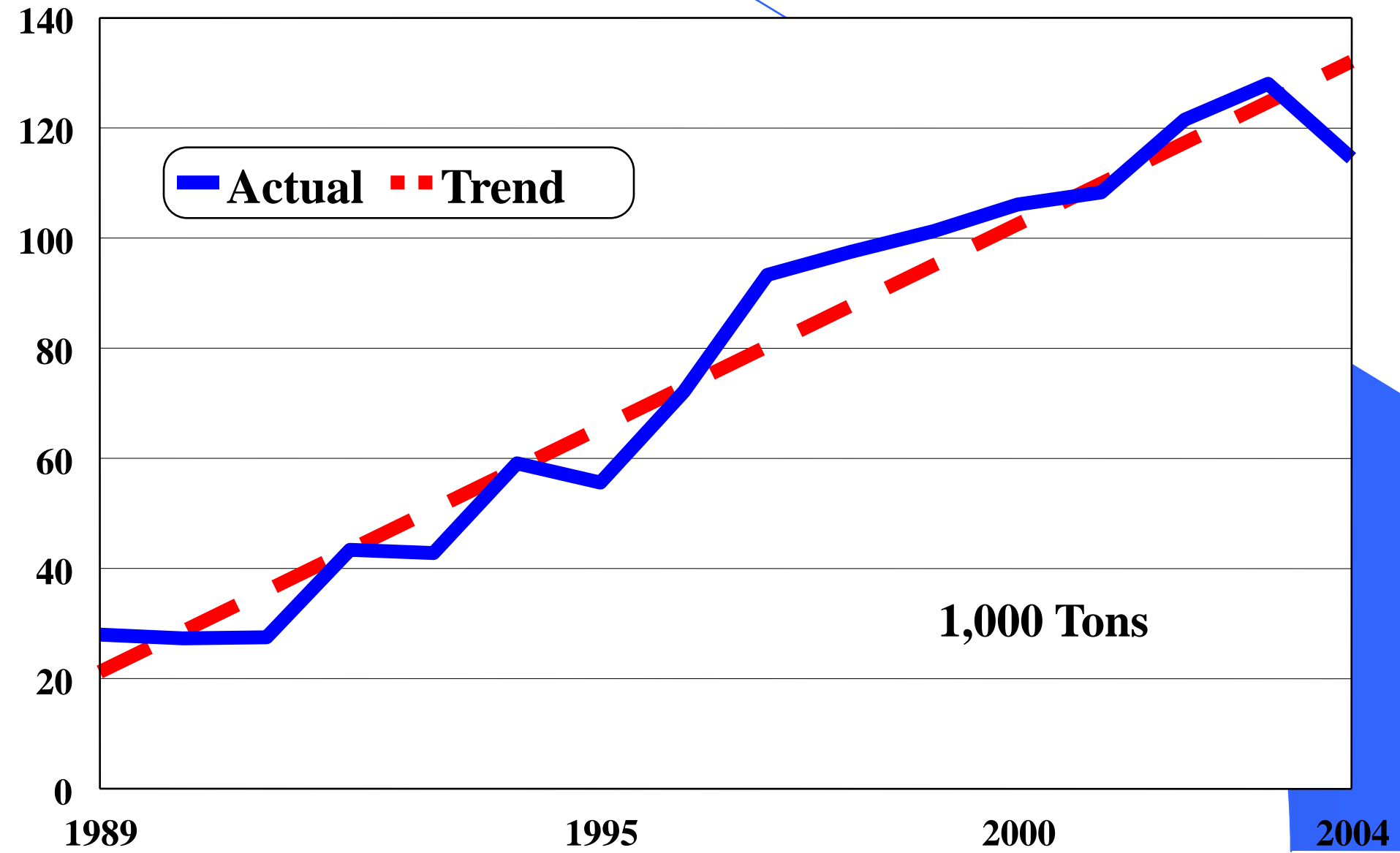
- 60-65% of Beef Production Exported
- 90-95% of Beef Exports to U.S. Market
- Nearly All Cattle Exports to U.S. Market
- Highly Export Dependent, Extremely Dependent on United States
- BSE Having Major Impacts on Canadian Beef/Cattle Industry



Alberta Direct Sale Steer Prices



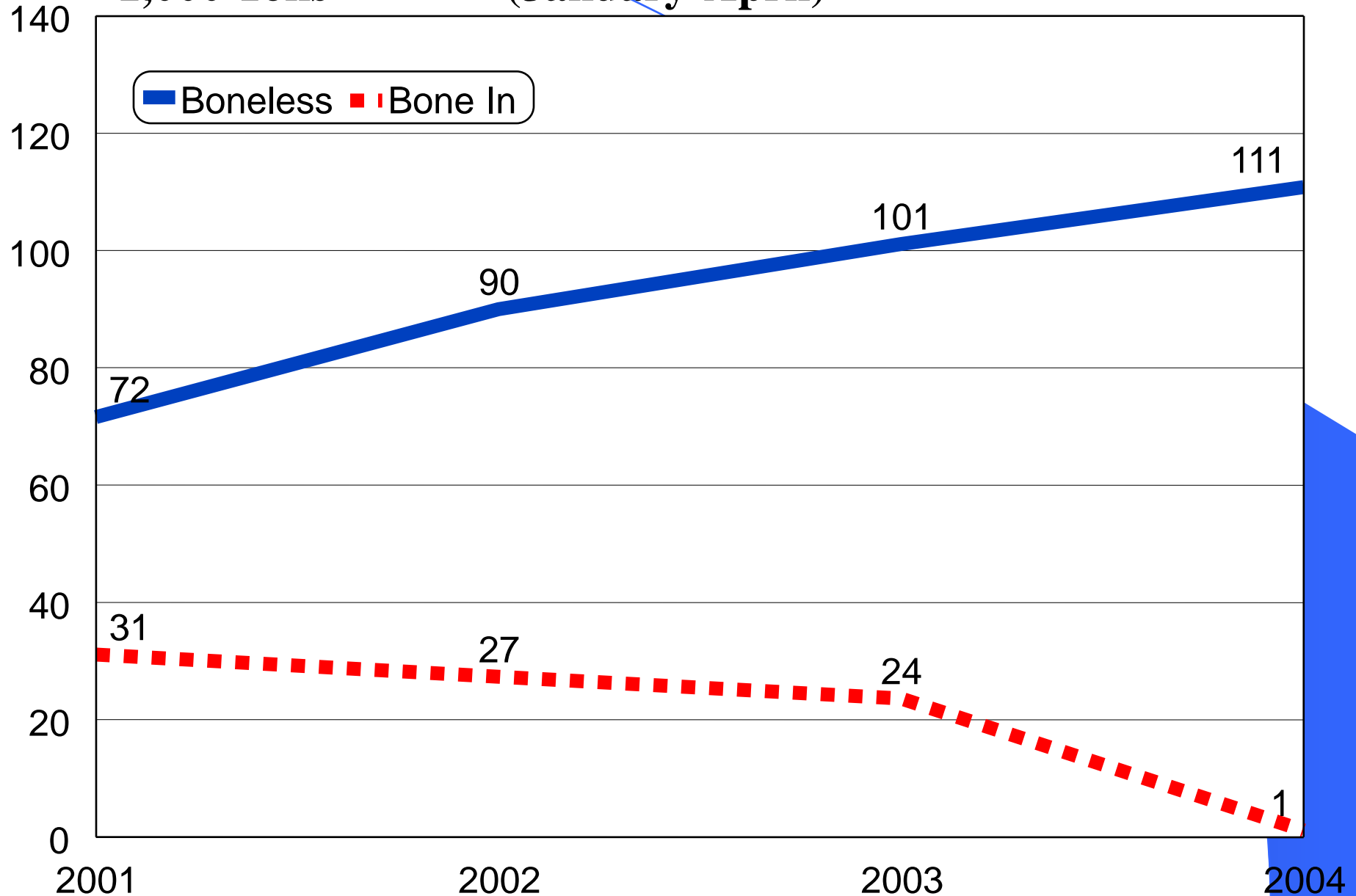
Canadian Beef Exports to US Market, Jan-Apr 1989-2004



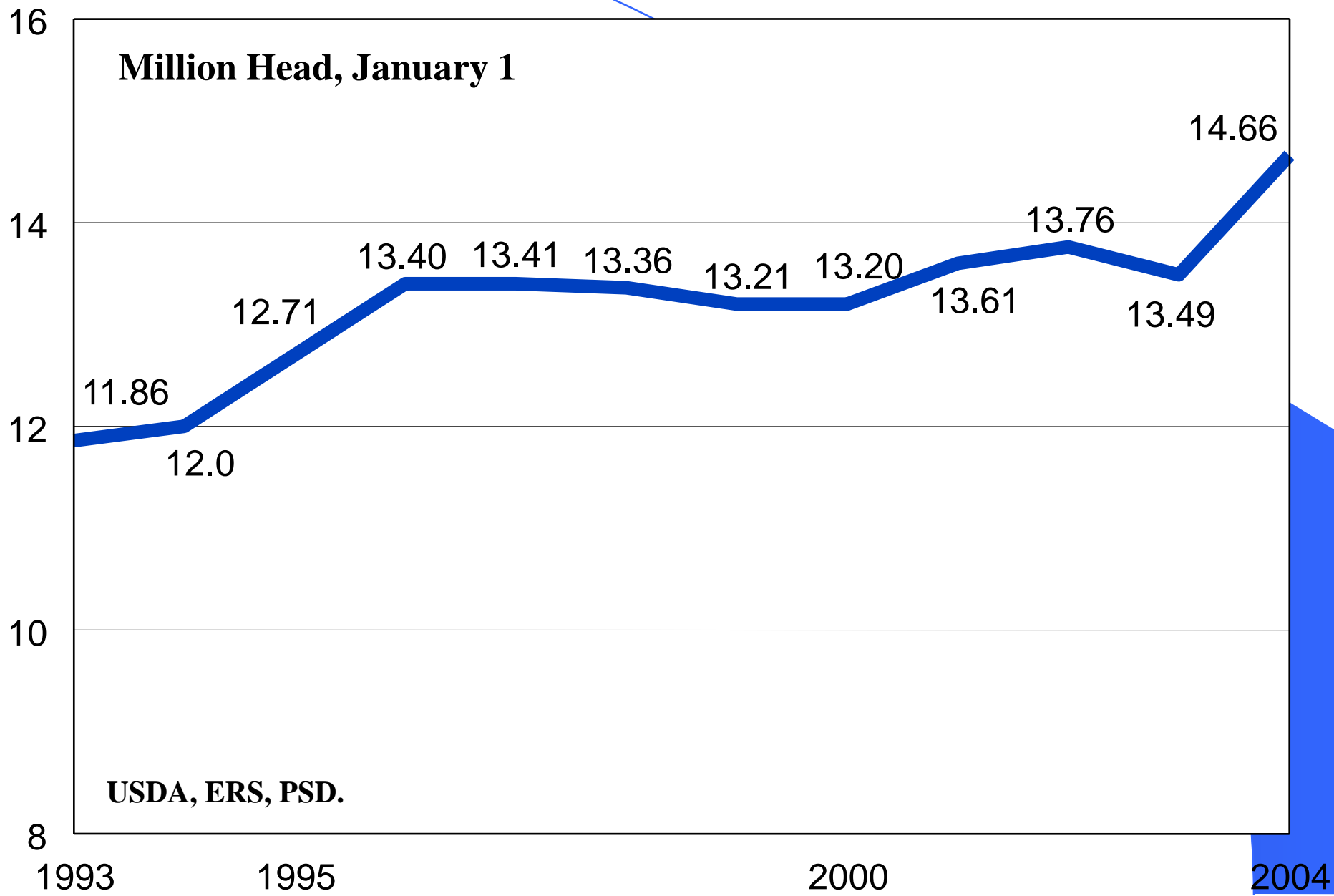
Canadian Beef Exports to US Market

1,000 Tons

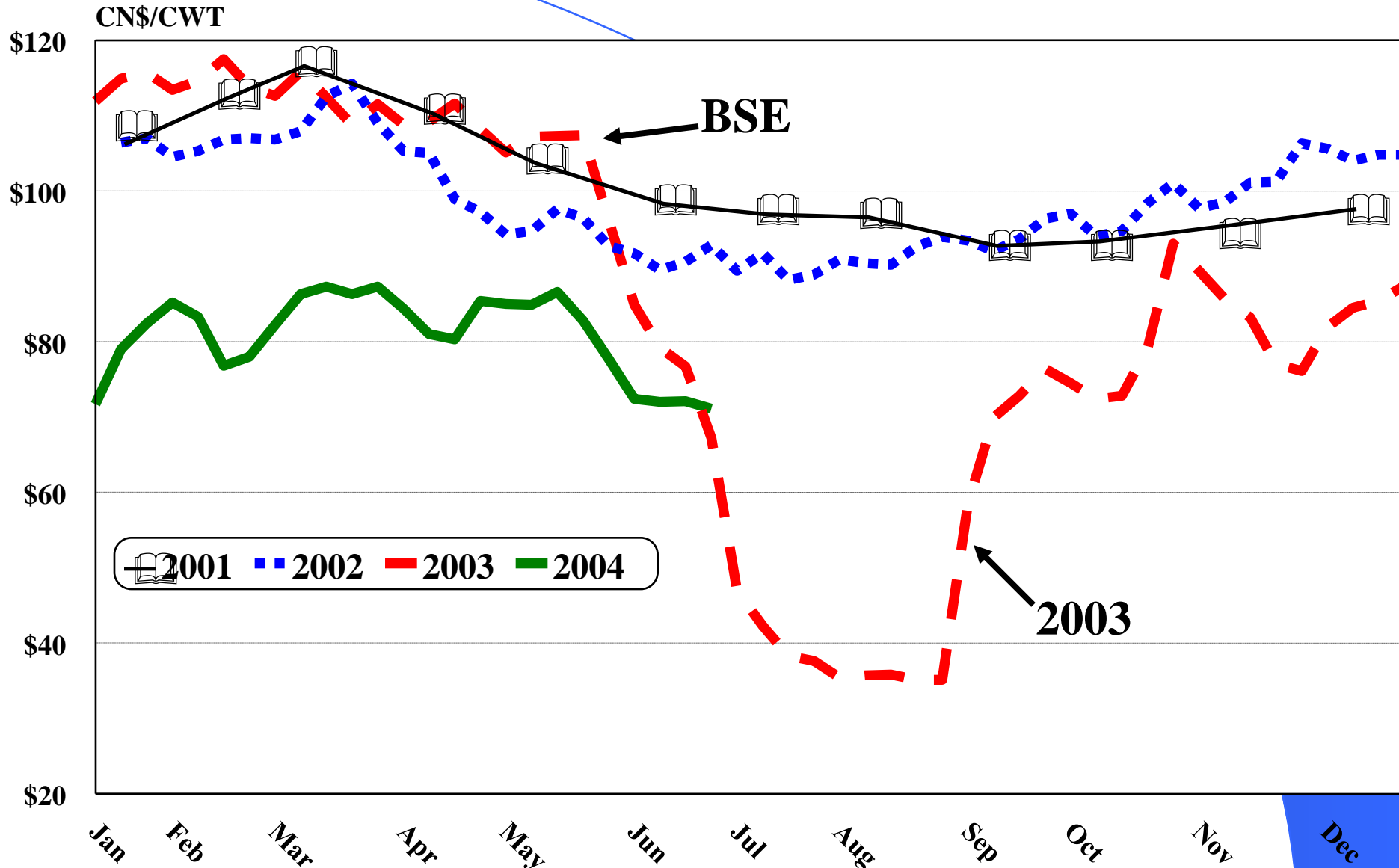
(January-April)



Canadian Cattle Inventory



Alberta Direct Sale Steer Prices



Source: Alberta Agriculture, Food and Rural Development, www.agric.gov.ab.ca
2001 prices are monthly averages, source CANFAX calculated by LMIC.

U.S. Trade Situation

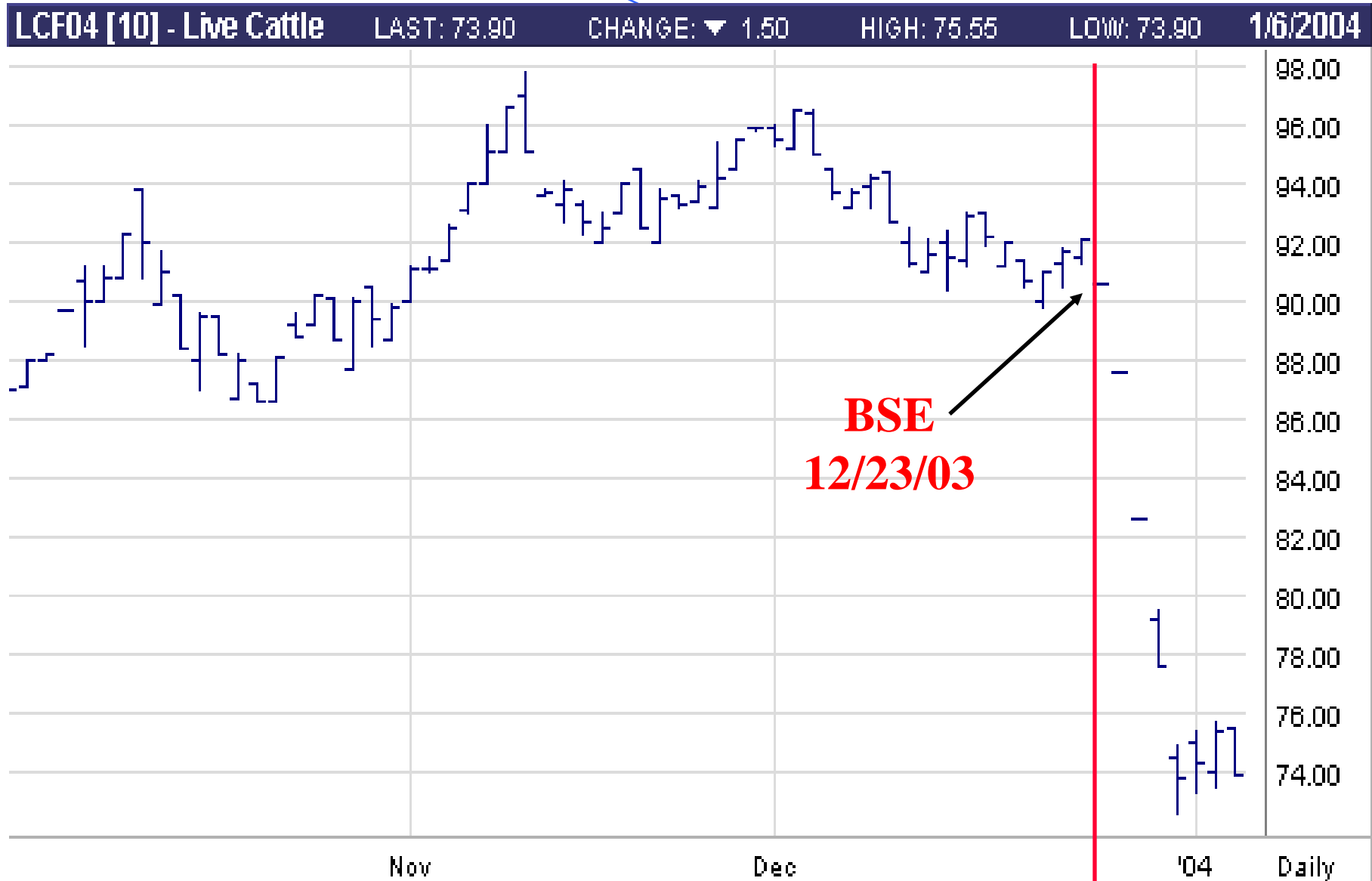
- Meat Trade Fairly Concentrated-Top 3-4 Markets Represent Large Share of Trade
 - < 10% of Beef, Pork Exported
 - 17% of Poultry Meat Exported
- Cattle Trade Limited to North America
- U.S. Imports Feeder Calves from Mexico and Fed Steers from Canada
- U.S. Exports Feeder Calves to Canada
- ***For Each 1% Decline in Beef Supply, U.S. Cattle Prices Rise 1.6%***



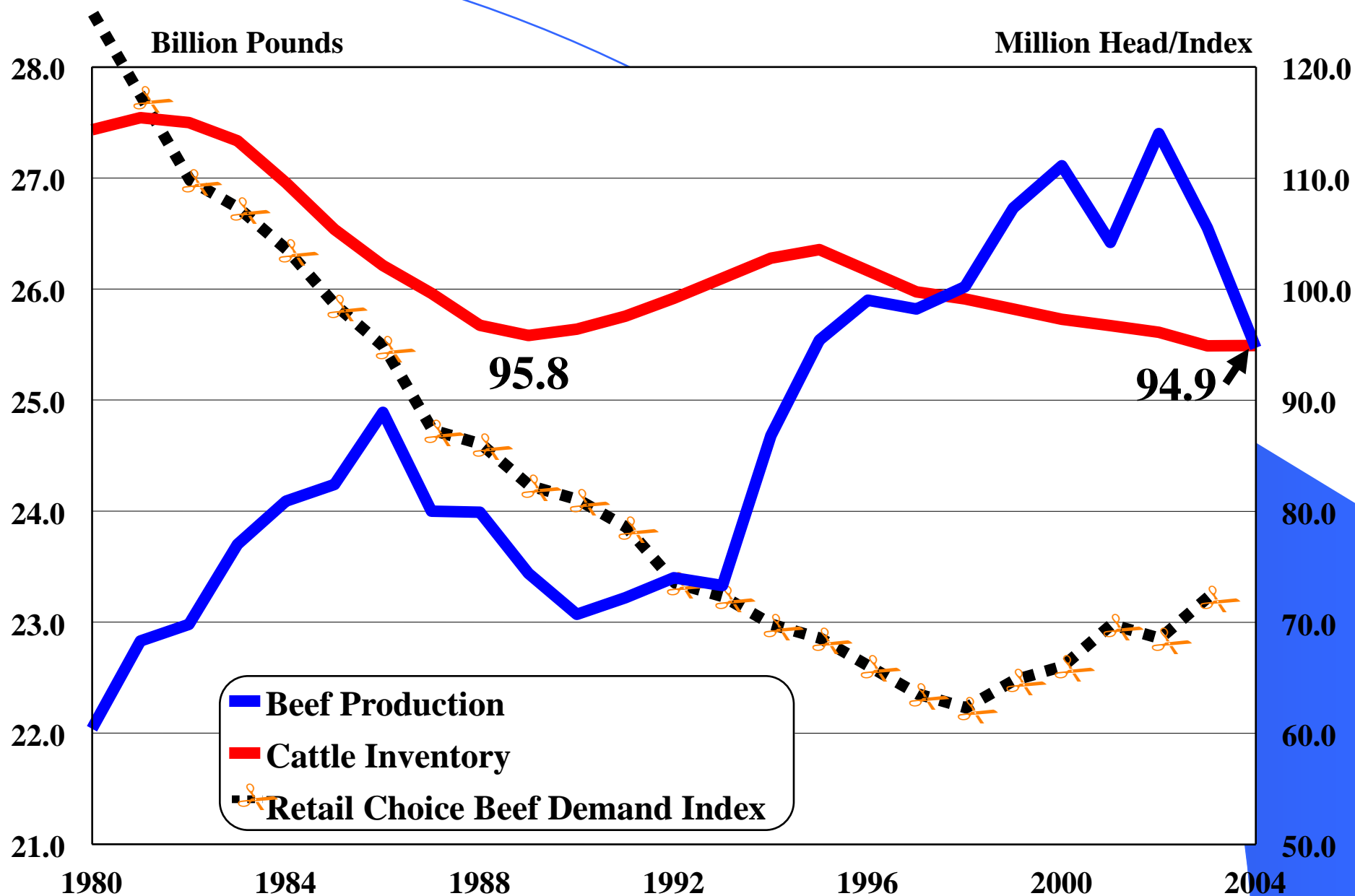
US Feeder Cattle Futures, Nov 03-Jan 04



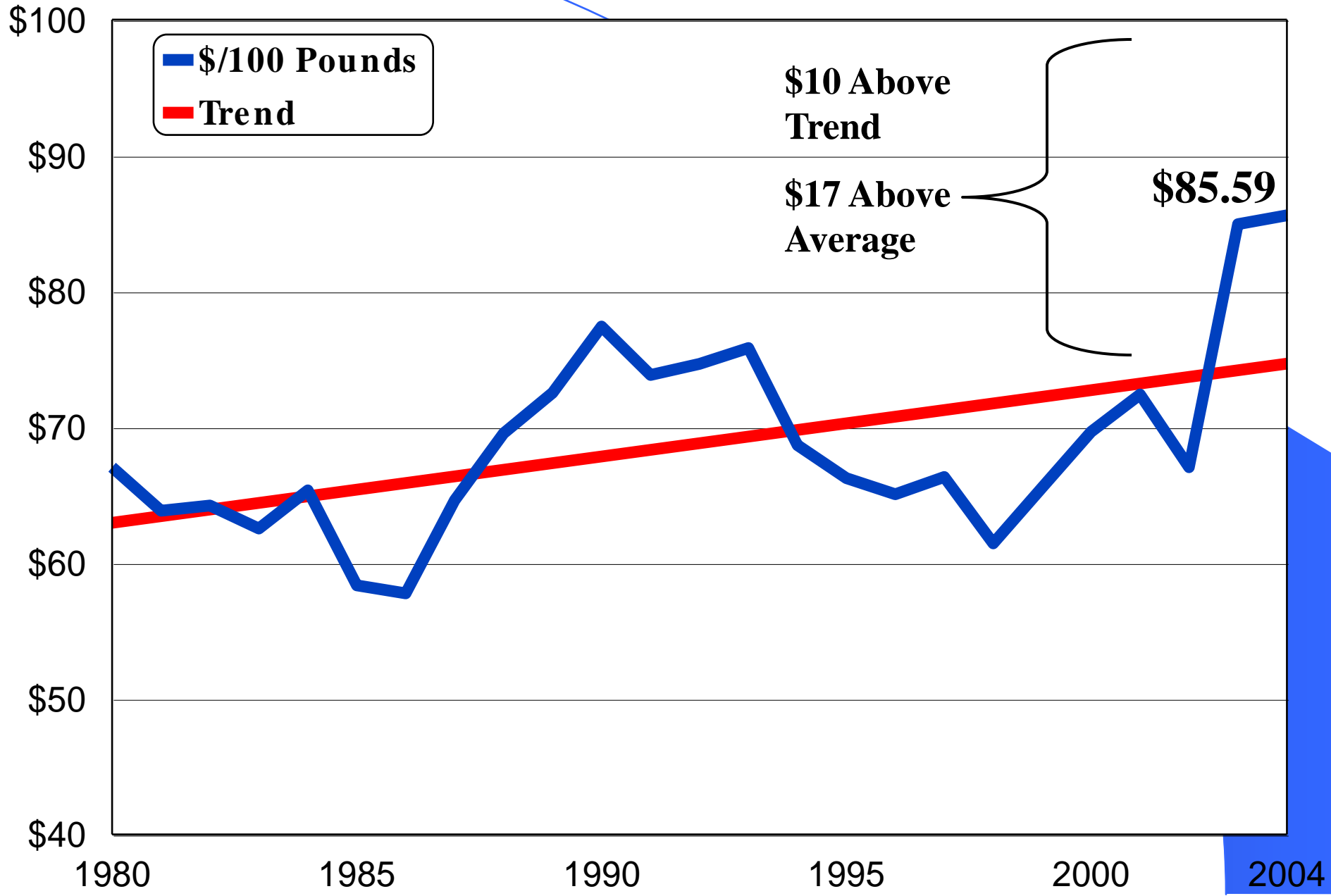
US Fed Cattle Futures, Nov 03-Jan 04



U.S. Beef Production & Demand Index

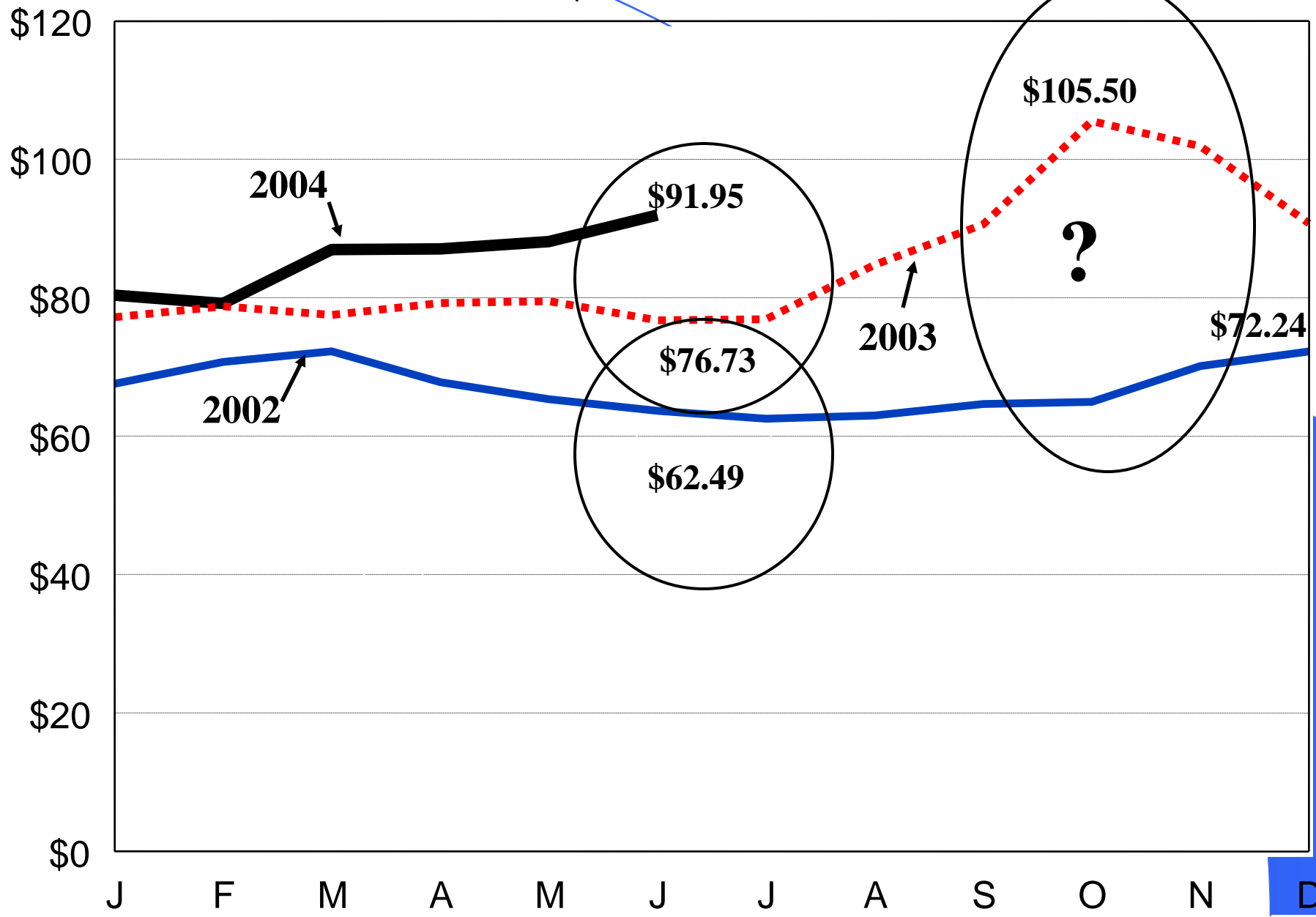


Omaha Choice Steer Prices

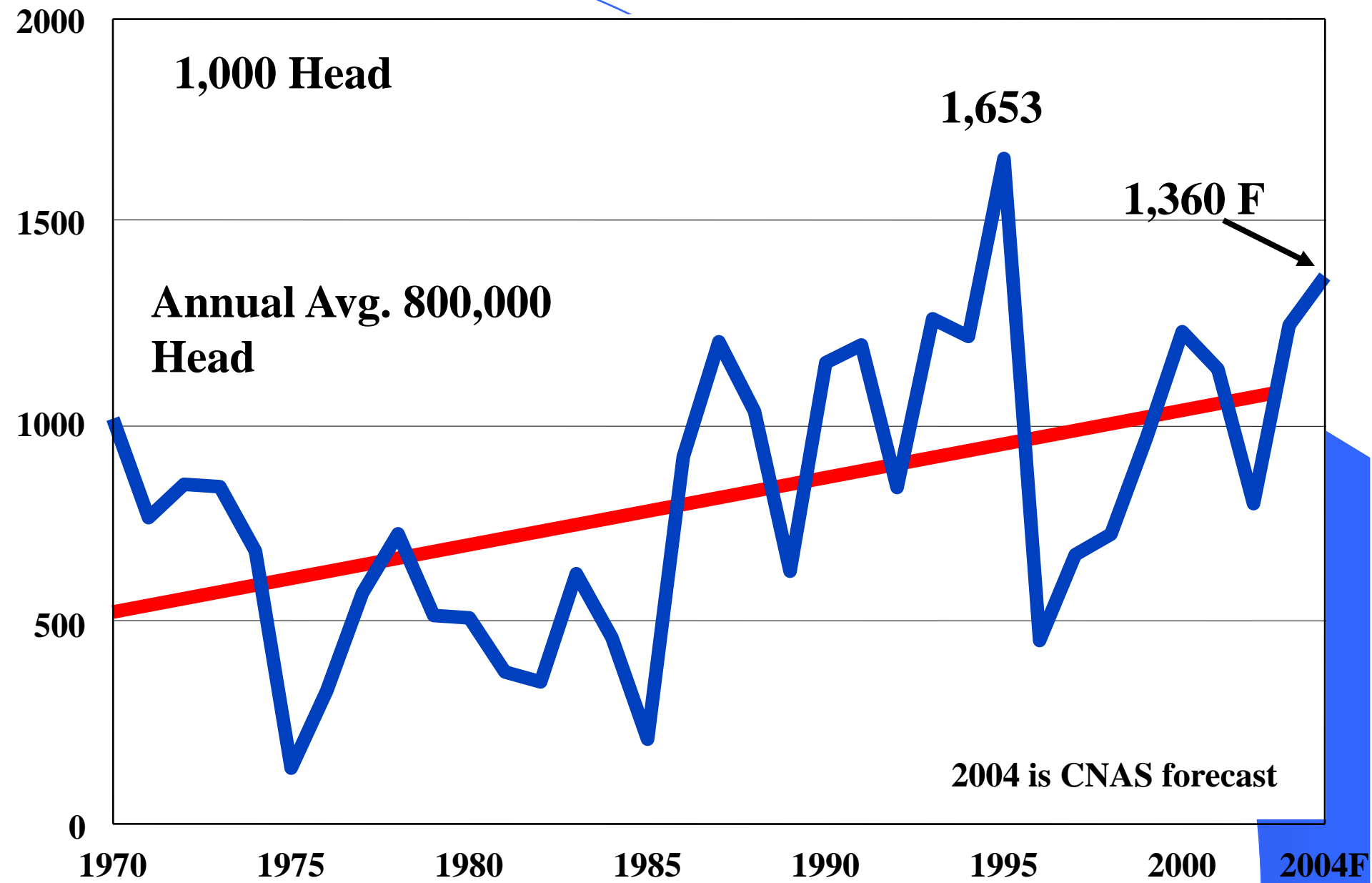


Monthly Omaha Choice Steer Prices

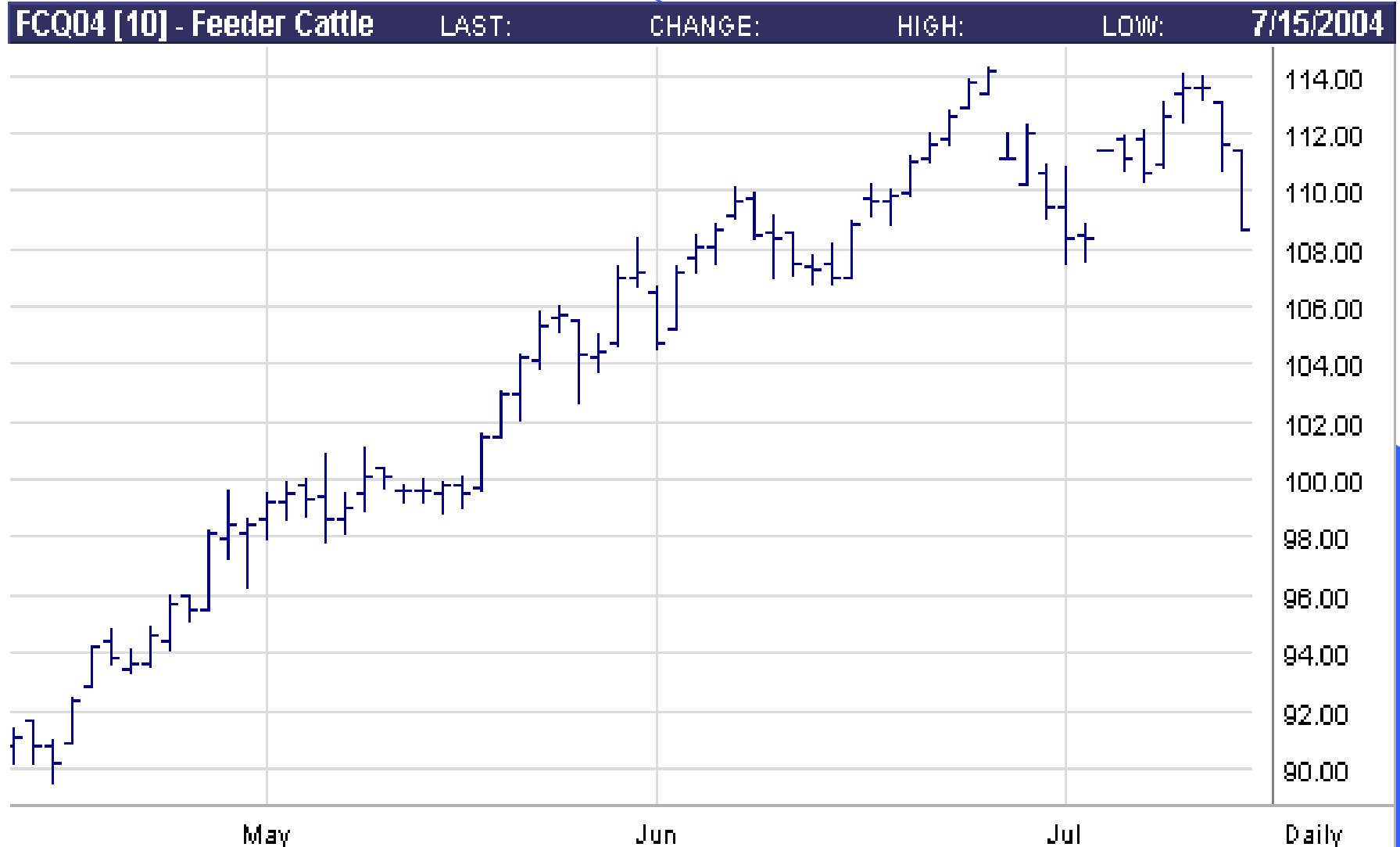
\$/100 Pounds



US Cattle Imports from Mexico



US Feeder Cattle Futures, May-Jul 04



US Fed Cattle Futures, May-Jul 04

LCN04 [10] - Live Cattle

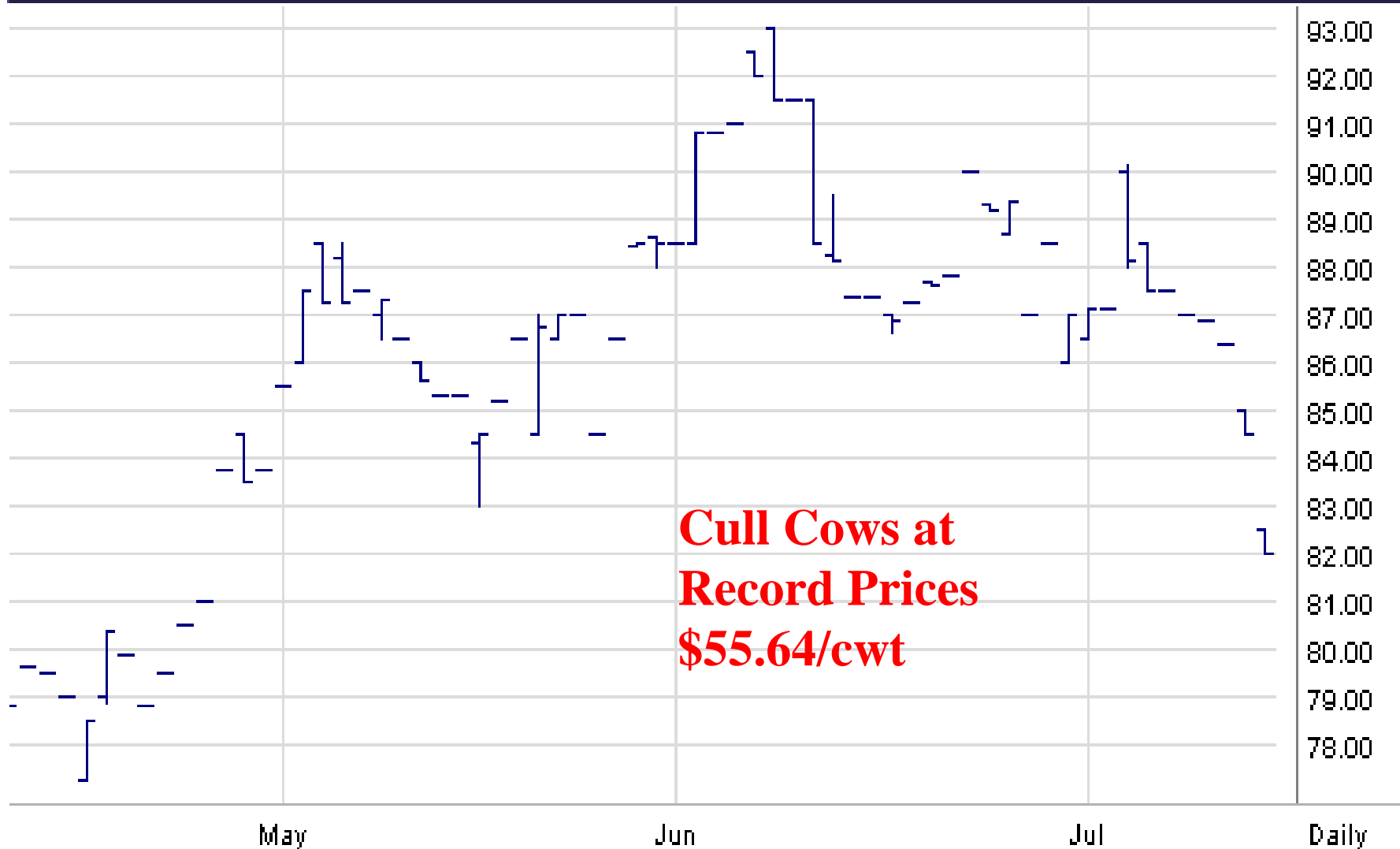
LAST:

CHANGE:

HIGH:

LOW:

7/15/2004



Summary

- U.S. Meat Exports Concentrated
- Strong U.S. Demand, Low Domestic Production, Limited Imports of Canadian Cattle
 - Record High U.S. Cattle Prices
- U.S. Pork Exports Have Gained As Beef & Poultry Exports Have Declined



Implications

- Degree of Trade Dependence Determines Potential Severity of Animal Disease Impacts
- Maintaining Consumer Confidence Important
- Strong U.S. Demand, Low Domestic Production, Limited Imports of Canadian Cattle
 - Record High U.S. Cattle Prices
- U.S. Pork Exports Have Gained As Beef & Poultry Exports Have Declined



Center for North American Studies



*“Informed Decisions for Global
Change”*

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