

Smithfield

Virginia Farm Bureau
International Trade Workshop for Producers,
Processors and Policy Makers

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Topics of Discussion

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Pork is, by far, the largest meat protein produced and consumed in the world.

2008 Production vs. Consumption

	Production billion pounds	Consumption billion pounds	Production minus Consumption	
United States	23.5	19.0	4.5	
EU-27	49.2	46.1	3.1	Exporters
Canada	4.1	2.2	1.9	
Brazil	6.7	5.2	1.5	
Chile	1.1	0.9	0.2	
TOTAL	85	73	11	
Japan	2.7	5.5	-2.8	
Russia	4.5	6.6	-2.1	Importers
China/HK	98.6	100.0	-1.4	
Mexico	2.5	3.5	-1.0	
South Korea	2.3	3.3	-1.0	
Ukraine	1.3	1.6	-0.3	
Australia	0.8	1.0	-0.2	
Philippines	2.6	2.7	-0.1	
Vietnam	4.1	4.2	-0.1	
Taiwan	2.0	2.0	0.0	
TOTAL	121	131	-9	

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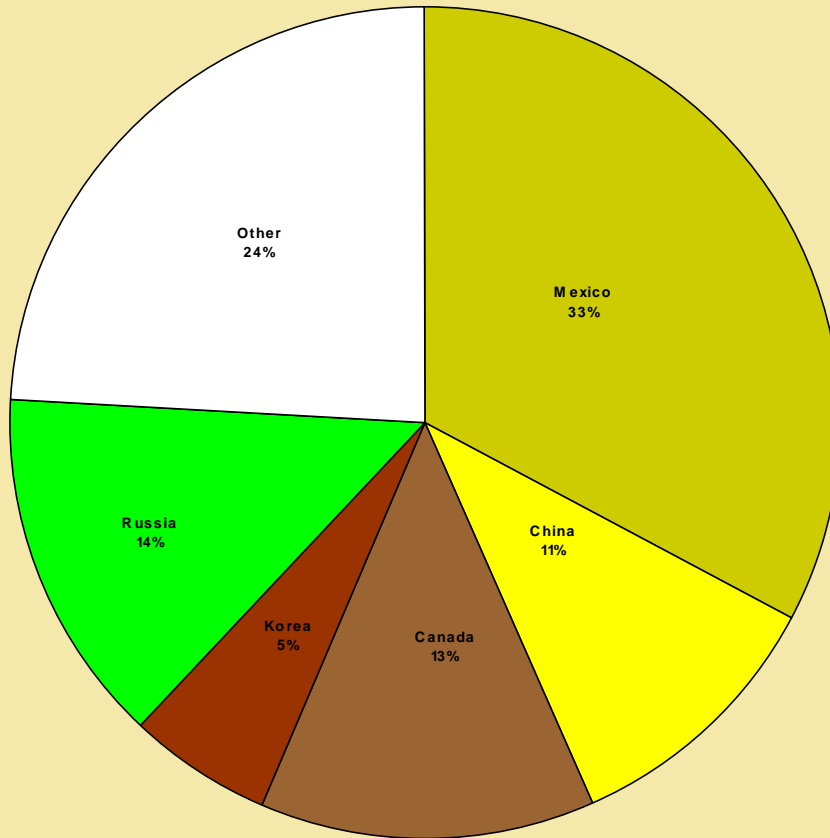
2008 World Hog & Pork Production

	Million Head	Billion Pounds	% of Total
China/HK	588.5	98.6	47.9%
EU-27	251.9	49.2	23.9%
United States	117.4	23.5	11.4%
Brazil	33.9	6.7	3.3%
Russia	37.2	4.5	2.2%
Vietnam	24.0	4.1	2.0%
Canada	20.7	4.1	2.0%
Japan	16.2	2.7	1.3%
Philippines	15.4	2.6	1.3%
Mexico	15.4	2.5	1.2%
South Korea	13.6	2.3	1.1%
Taiwan	11.9	2.0	1.0%
Ukraine	7.0	1.3	0.6%
Chile	5.0	1.1	0.5%
Australia	5.1	0.8	0.4%
TOTAL	1,163	206	

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U.S. Pork Export Markets

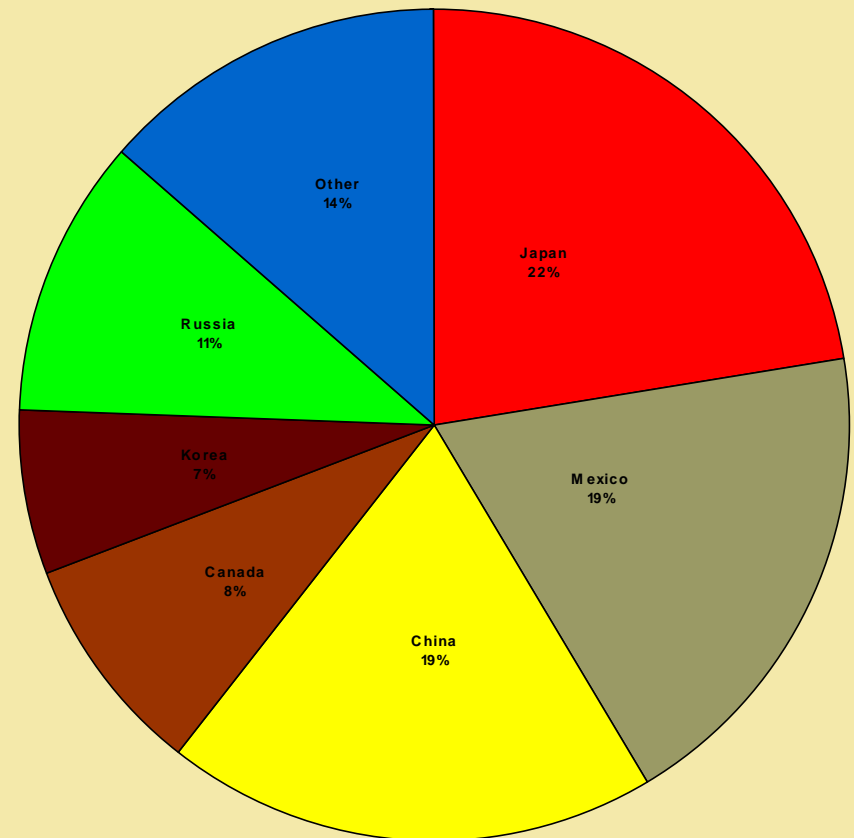
Volume up 265% since 1999



1999: 1.2 Billion Pounds

7 million Hogs; 7% of U.S. Production

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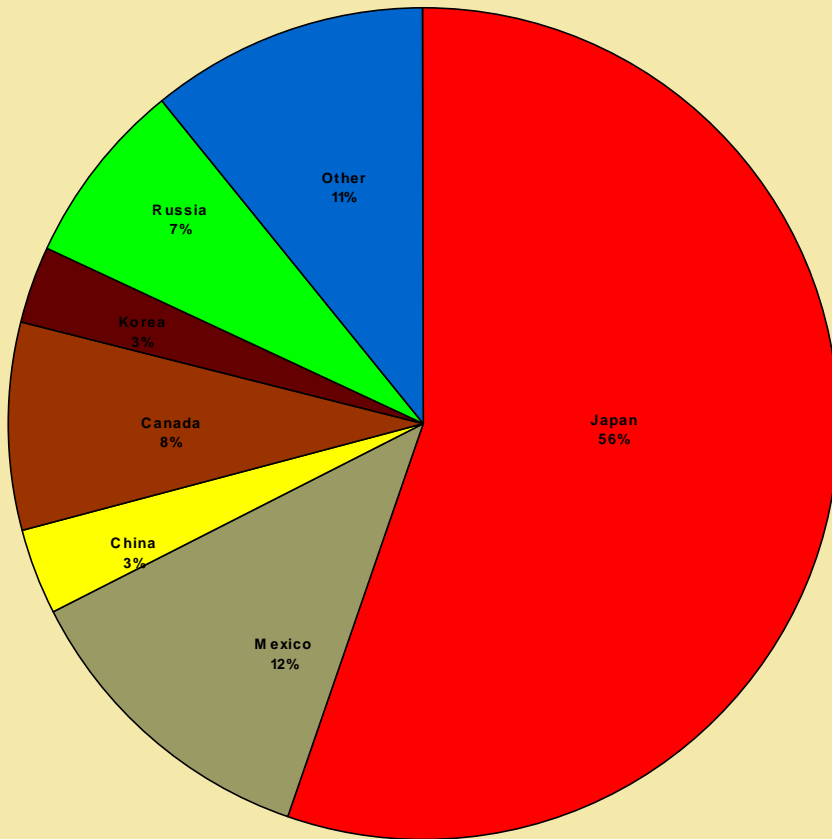


2008: 4.4 Billion Pounds

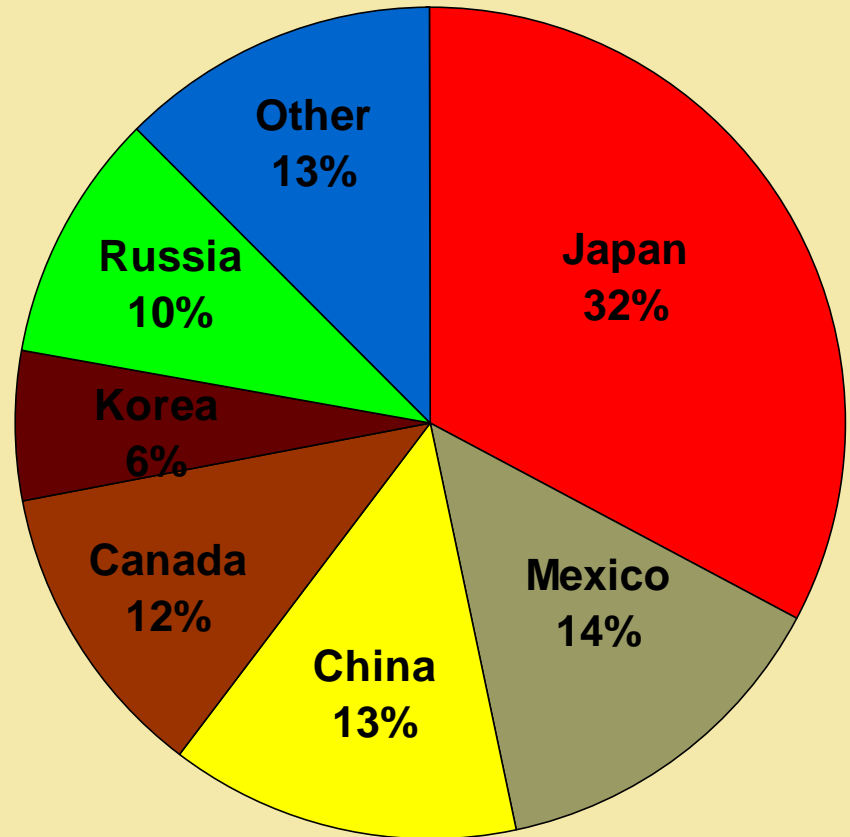
23 million Hogs; 20% of U.S. Production

U.S. Pork Export \$Value

Dollars up 292% since 1999



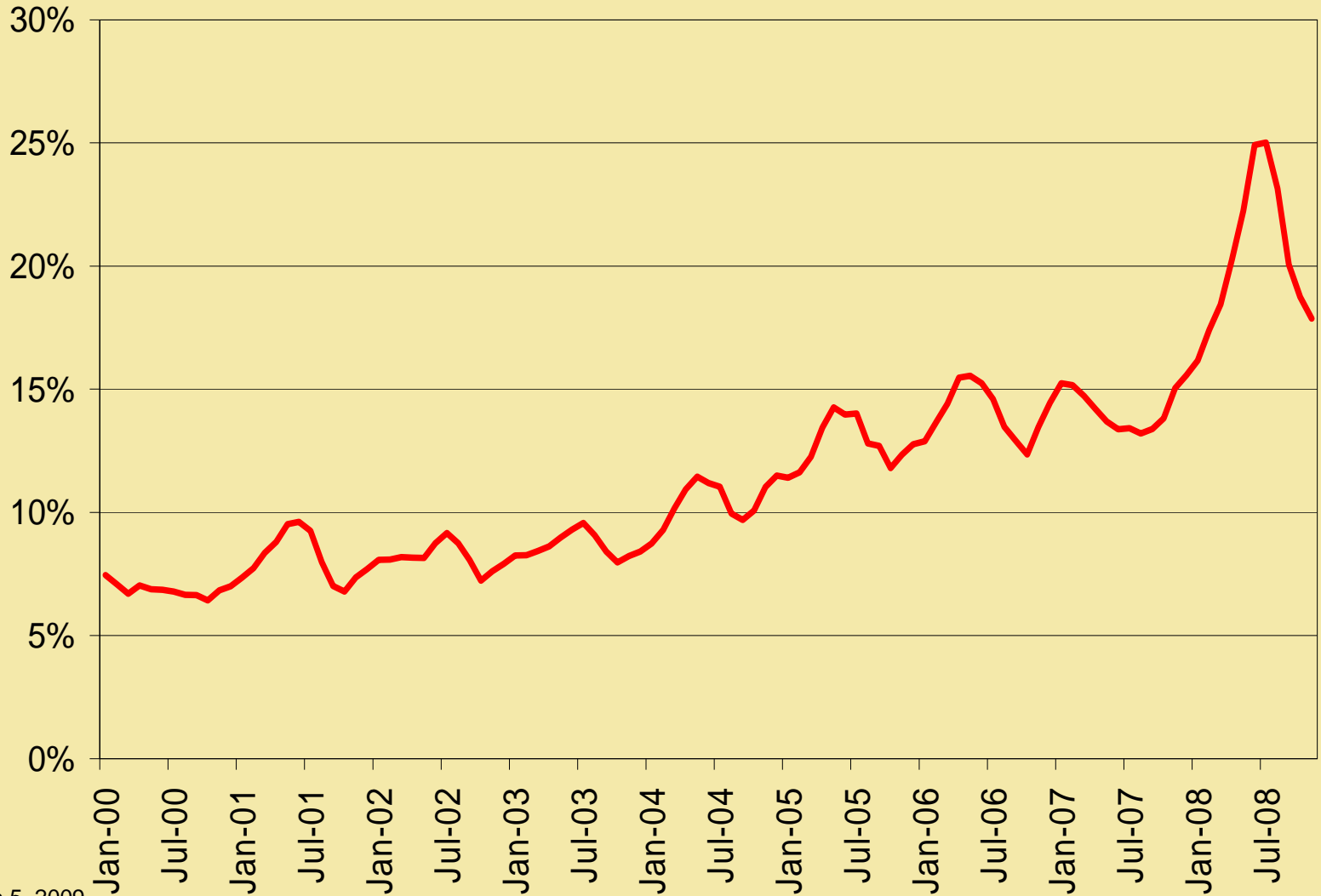
1999: \$1.19 Billion



2008: \$4.68 Billion

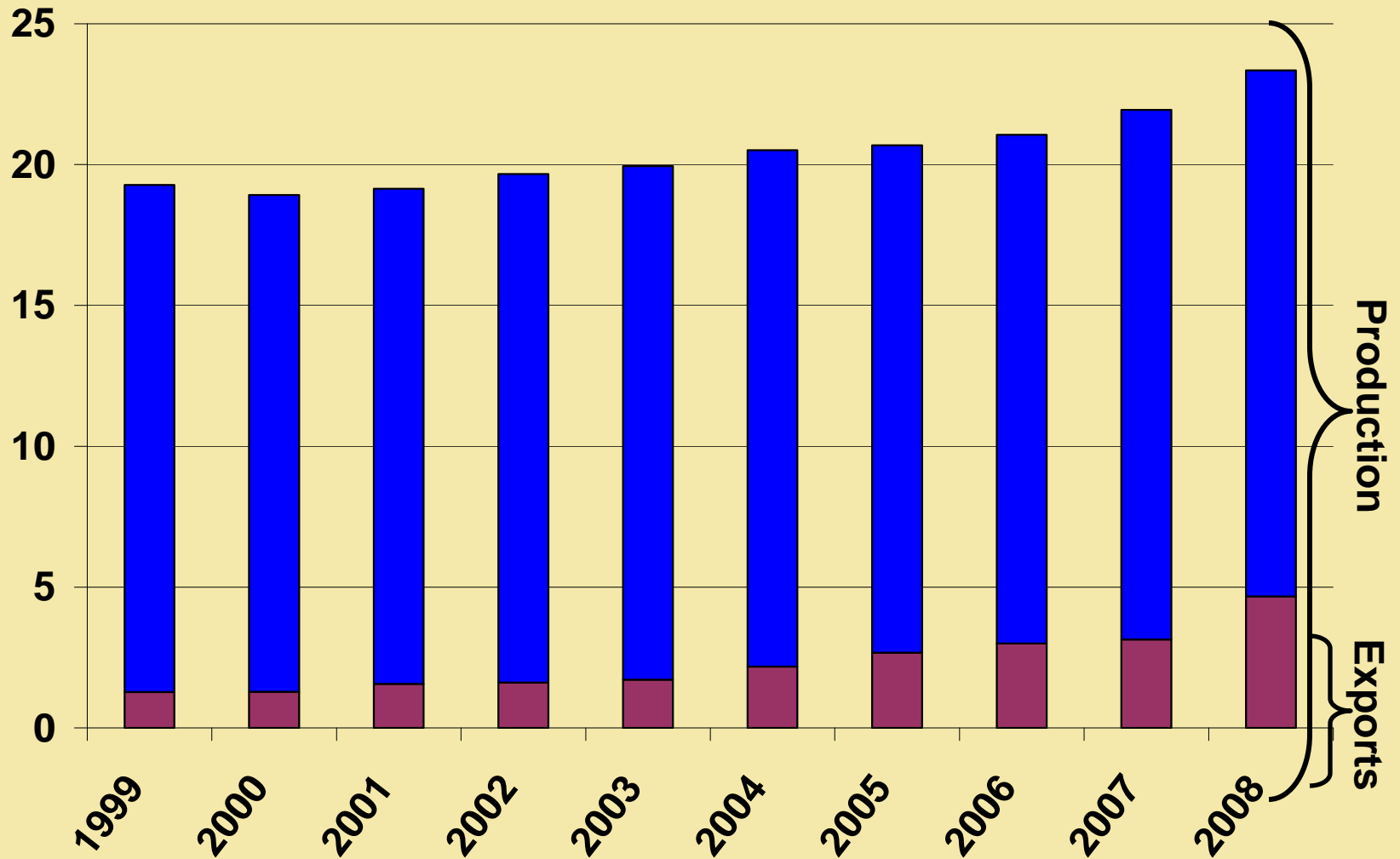
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Percent of US Pork Production Exported



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U.S. Pork Production and Exports

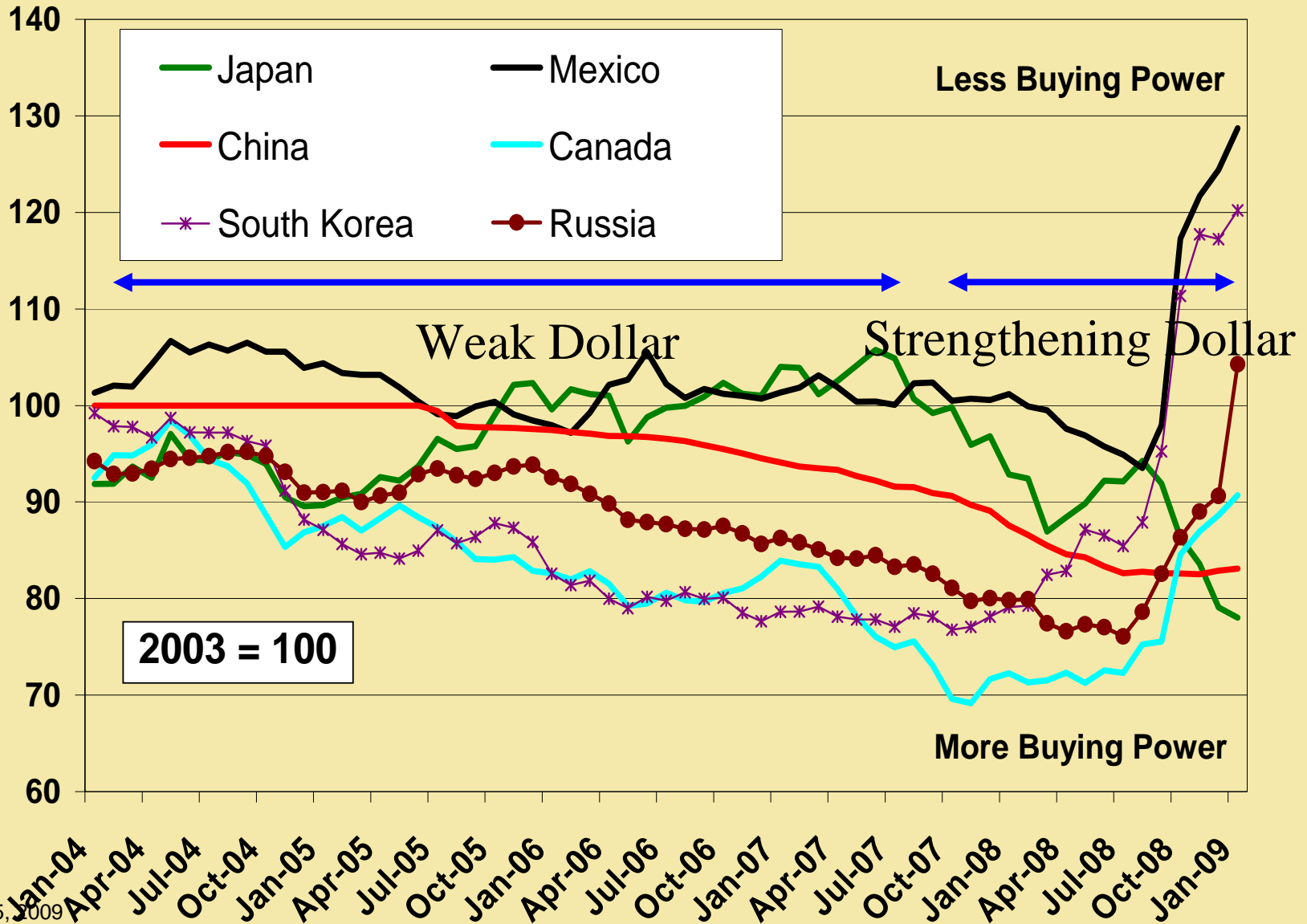


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Key Factors Affecting Exports

- ⇒ Credit market woes
- ⇒ Price
- ⇒ Relative exchange rates
- ⇒ Quality & dependability
- ⇒ Trade agreements

Comparative Exchange Rates



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CHALLENGES FACING PORK EXPORT

“There is Nothing Like True Free Trade.”

“Free trade is a relative term.”

“Too much reliance on exports could create very volatile and uncertain hog market in the US.”

Pork Trade

US

Freer

Mexico/Canada

Korea

Japan

China/Hong Kong

Russia

EU



Protected

US/Canada/Mexico

- ⇒ NAFTA beneficial to pork trade
- ⇒ Periodic trade disruption
 - Dumping issues
 - Plants de-listing
- ⇒ MCOOL: waiting to see the impact

Korea

- ⇒ Least protected
- ⇒ Duties are 22.5% for chilled, 25% for frozen cuts and 18% for offal
- ⇒ Price sensitive market
- ⇒ Beef & Pork are interchangeable
- ⇒ Chile pork has a much lower tariff vat due to free trade between Korea & Chile

Japan

- ⇒ Relationship based
- ⇒ Quality sensitive, chilled and frozen
- ⇒ Gate Price: to protect domestic livestock industry @ \$2.60/lb
- ⇒ Protected by Safeguard & tax
 - ⇒ Safeguard
 - triggers if imports reach 19% higher than the previous three year average
 - Gate price goes up by 23%
 - ⇒ Import tax 4.5%

China/Hong Kong

- Largest Producer and Consumer of Pork in the world
- Long term – huge demand potential
- Record pork imports in 2008, due to disease problems

China

Ractopamine free cuts, listeria/salmonella free certificate

Varying tax on pork, 12% pork import tariffs, 13% value added tax

EU:27

- ⇒ Highly protected
- ⇒ Certification needed for hogs and plants
- ⇒ Ractopamine free
- ⇒ Quarterly import quotas
- ⇒ Tariffs:
 - 268 Euro per ton or 12 cents per lbs (varying rate)
 - 7% value added tax

Russia

- ⇒ Quota & Tariffs
 - ⇒ Annual Quota – 100,000 MT (2009)
 - ⇒ Tariff with in the quota -15%
 - ⇒ Tariff: above quota tariff increases from 60% to 75%
- ⇒ Increased scrutiny of documentation, labeling, certification and bacteria & residue testing
- ⇒ Credit & payment problems
- ⇒ Weak Ruble

2009 – Outlook for Exports

- ⇒ USDA forecasting 10% down
- ⇒ Other economists are 10 to 15% down, significant reduction to China