Food Chain Disruptions & Trade

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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

Million Metric Tons

1993: 10.9 Million Metric Tons (8.8%)
2002: 20.7 Million Metric Tons (17.8%)
2004: 18.7 Million Metric Tons (16.4%)

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

1,000 Metric Tons

- **Broiler Meat**
- **Beef**
- **Pork**

Source: PS&D Online, www.fas.usda.gov/psd
U.S. Beef Exports, 2003 & 2004

2003 Total: 820.6 TMT
- Korea: 25.1%
- Mexico: 23.3%
- Canada: 7.7%
- Japan: 36.1%
- Other: 7.8%

2004 Total: 135.6 TMT
- Mexico: 78.5%
- Canada: 8.6%
- Other: 12.9%

U.S. Imports of Beef and Pork

1,000 Metric Tons

Composition of U.S. Beef Imports, 2004

Source & Type

<table>
<thead>
<tr>
<th>Source</th>
<th>Type</th>
<th>Thousand Metric Tons</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Frozen Boneless, Note 3</td>
<td>347.1</td>
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<tr>
<td></td>
<td>Fresh/Chill Boneless, Note 3</td>
<td>298.0</td>
</tr>
<tr>
<td></td>
<td>Other Frozen Boneless</td>
<td>206.4</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>99.0</td>
</tr>
</tbody>
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Australia: 24.2 Thousand Metric Tons

Canada: 24.1 Thousand Metric Tons

New Zealand: 32.6 Thousand Metric Tons

Uruguay: 14.6 Thousand Metric Tons

Central America: 21.8 Thousand Metric Tons

Note 3 refers to beef entering under the TRQ, Other Frozen Boneless indicates over-quota beef.

Source: USDA/FAS.
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

Source: Alberta Agriculture, Food and Rural Development, www.agric.gov.ab.ca
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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