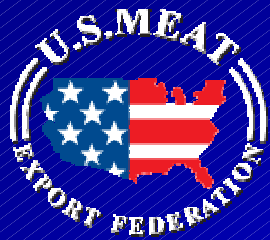


Richard Fritz

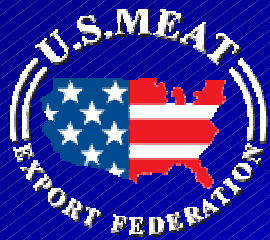
Trade Development, USMEF

May, 2003

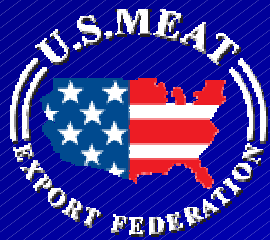


Presentation Overview

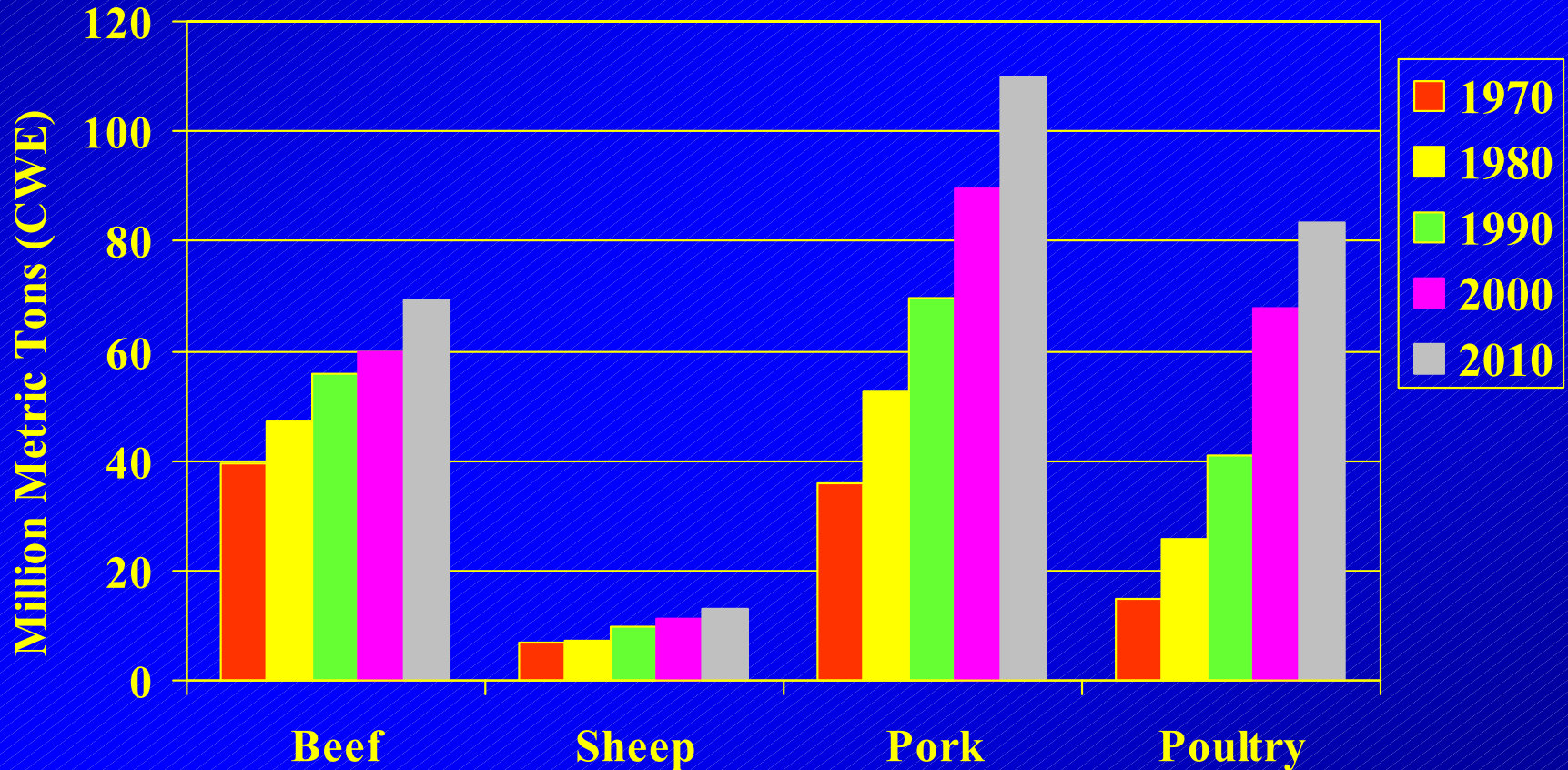
- Macro trends in the global meat sector
- Prospects for the WTO Negotiations
- New Trade Barriers
- Future Challenges



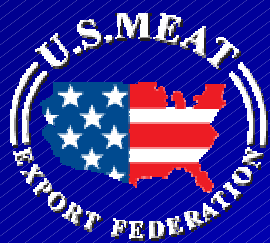
World Meat Market Situation and Outlook



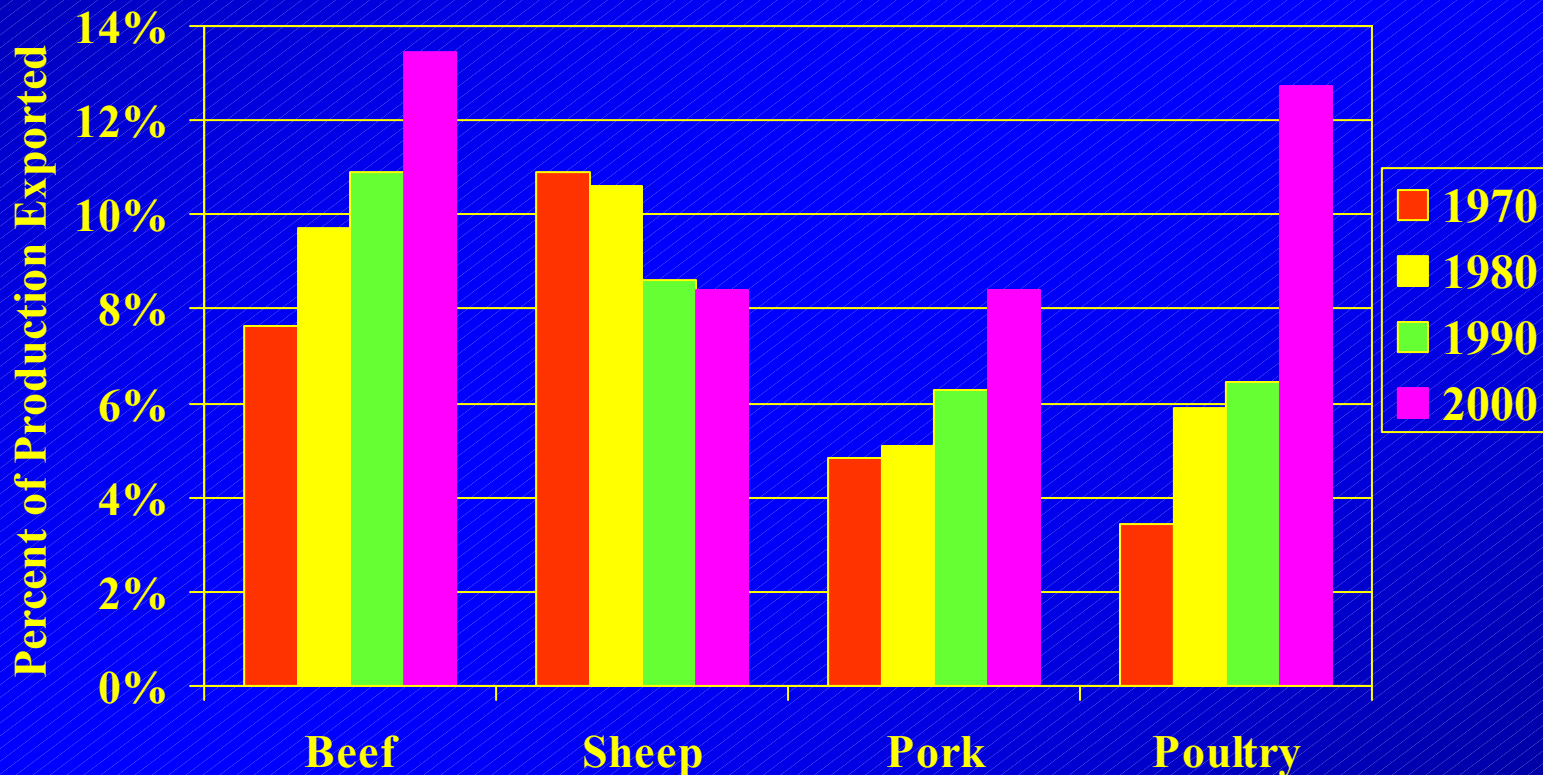
World Meat Production

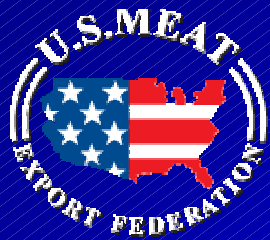


Source: FAO

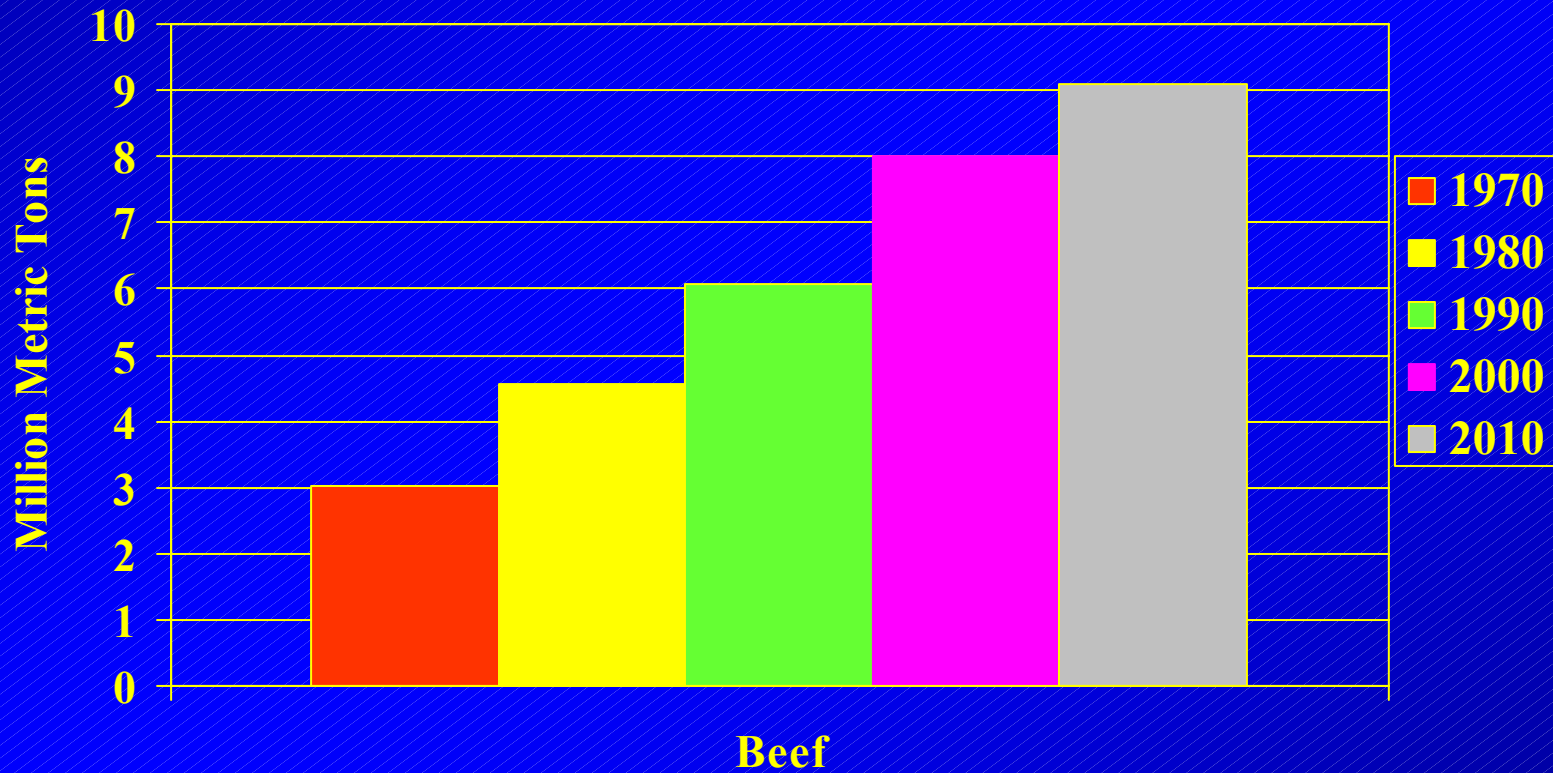


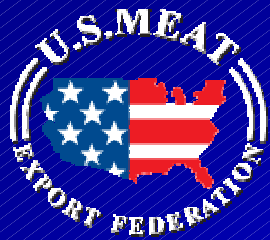
World Trade in Meat as a Percent of Production



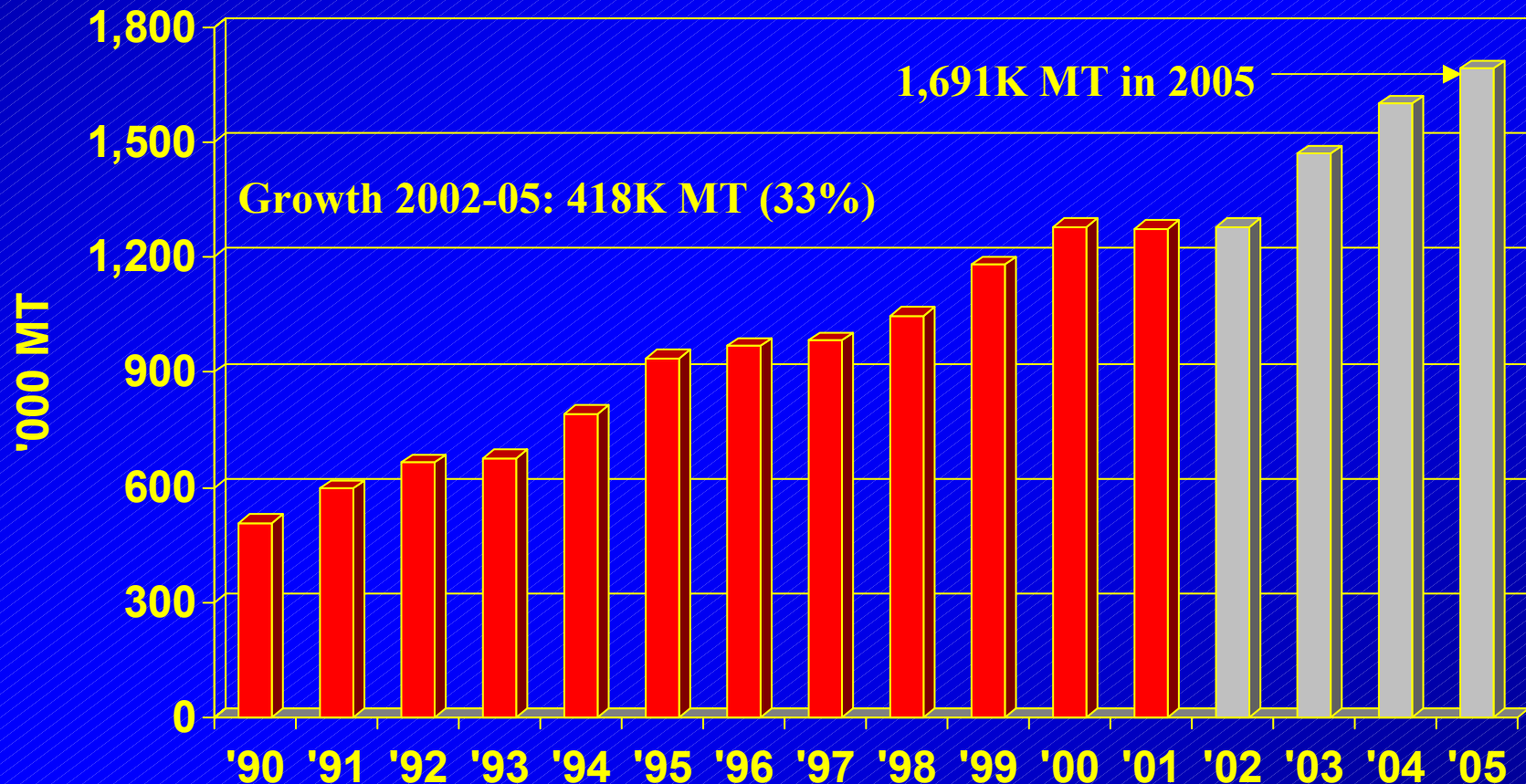


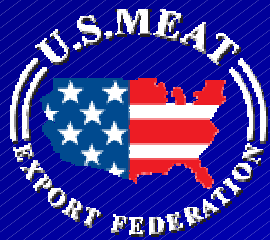
World Beef Trade



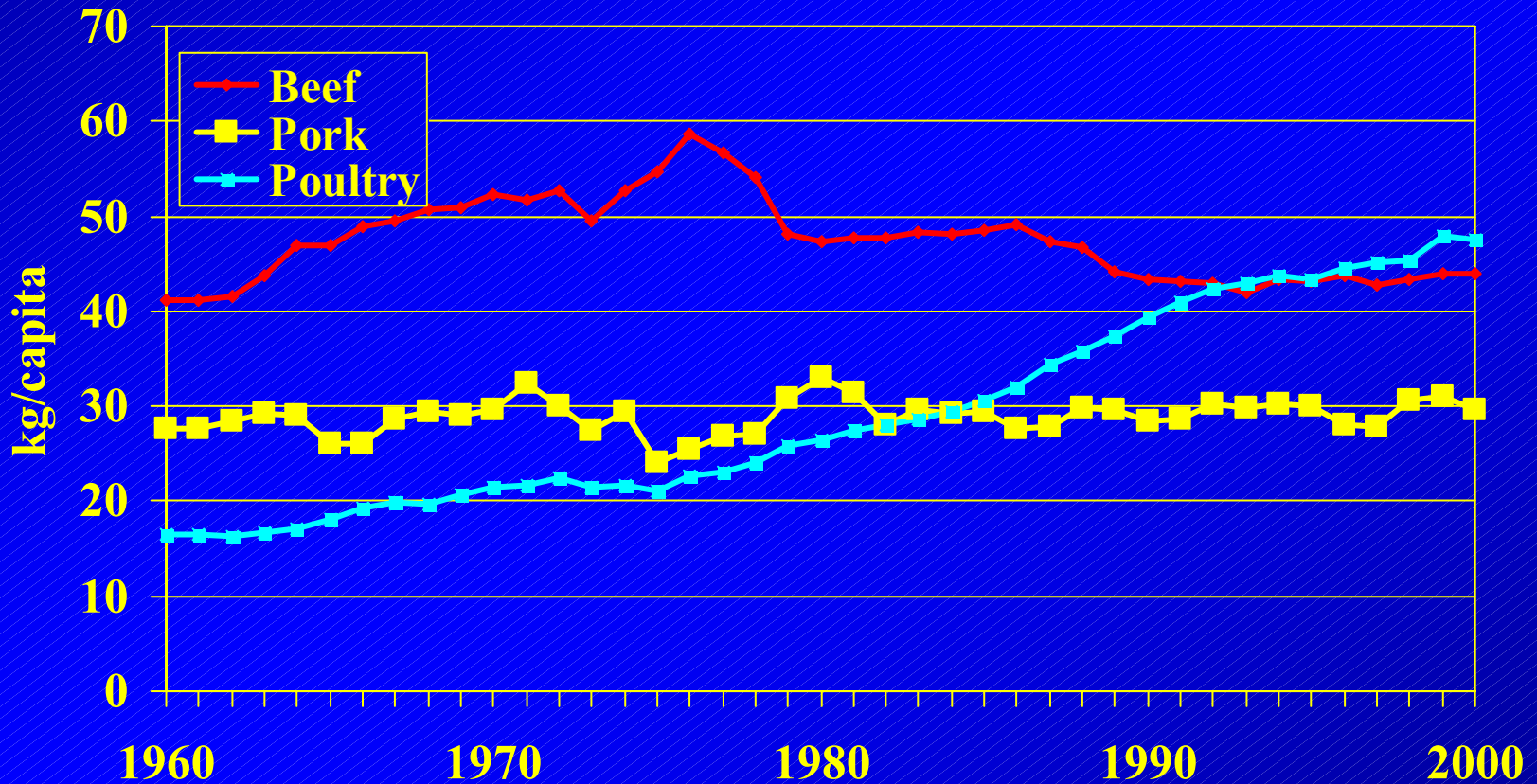


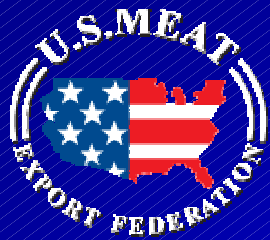
Beef/BVM Export Forecasts



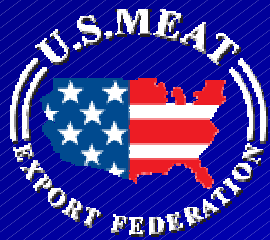


U.S. Meat Consumption



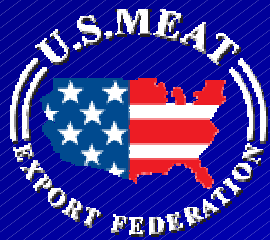


Prospects For The WTO

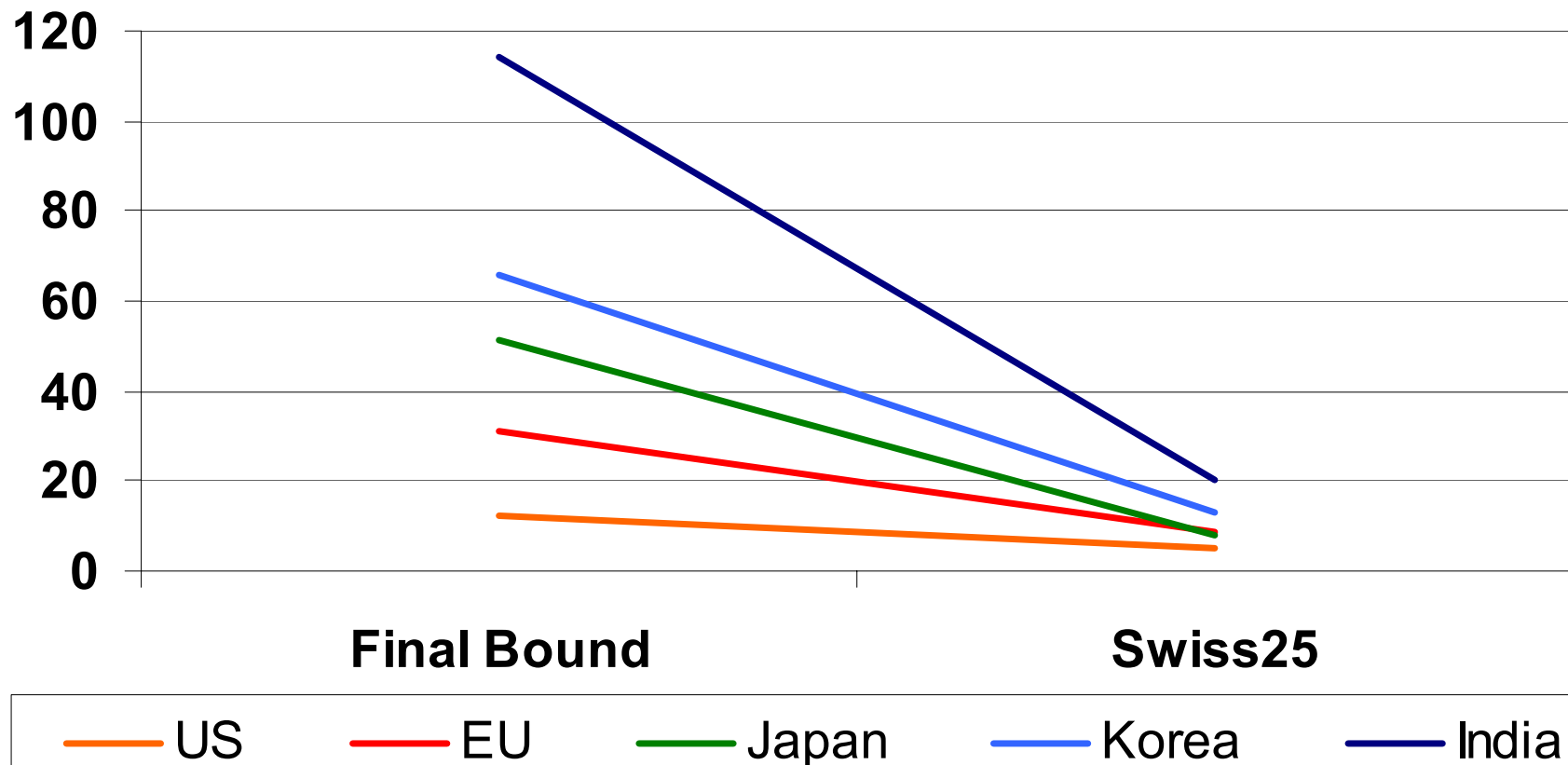


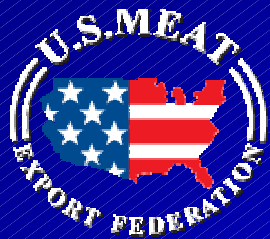
WTO Negotiations: US Proposal

- **Export Competition**
 - Eliminate export subsidies and STE
- **Market Access**
 - Reduce average agricultural tariff to 15% with no tariff exceeding 25%
 - Increase Tariff Rate Quotas by 20%
- **Domestic Support**
 - Limit trade-distorting support to 5% of the value of agriculture production

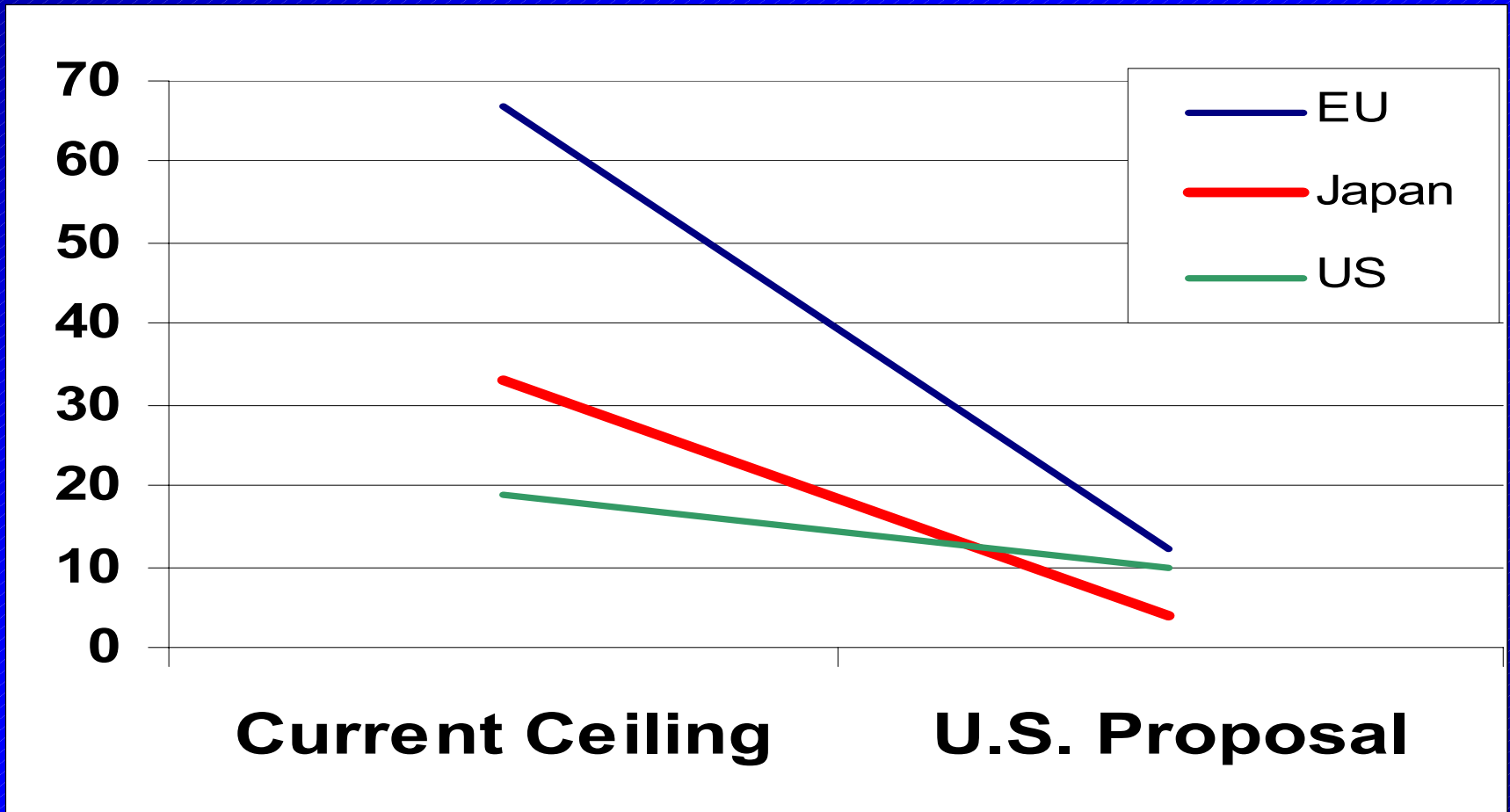


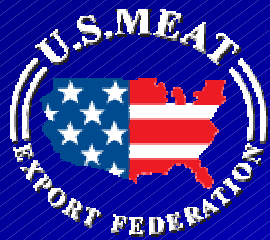
Proposed Tariff Reductions



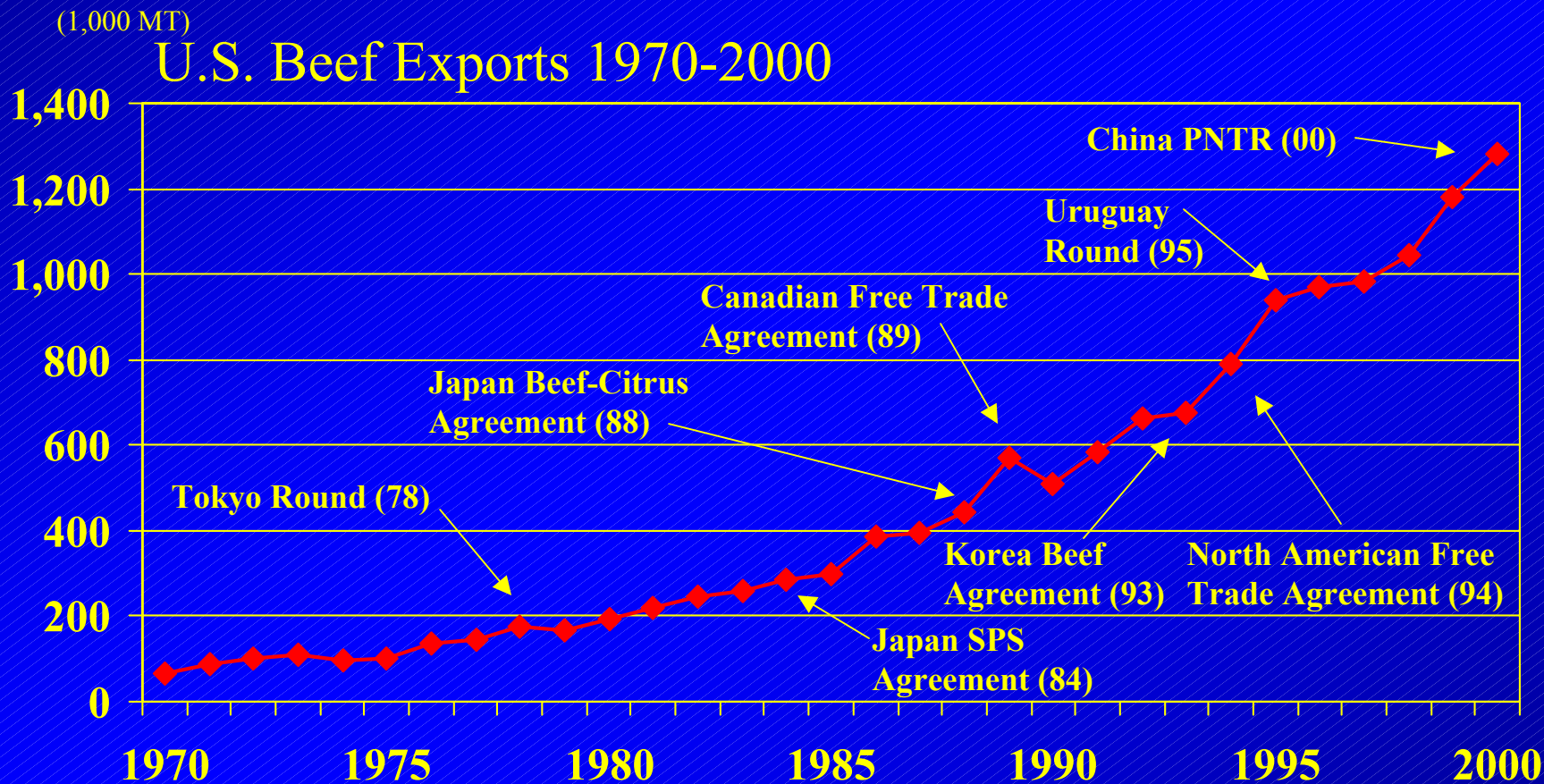


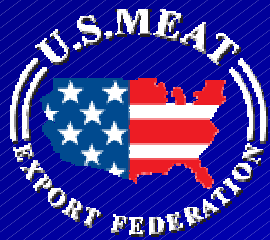
Proposed Domestic Support Reductions





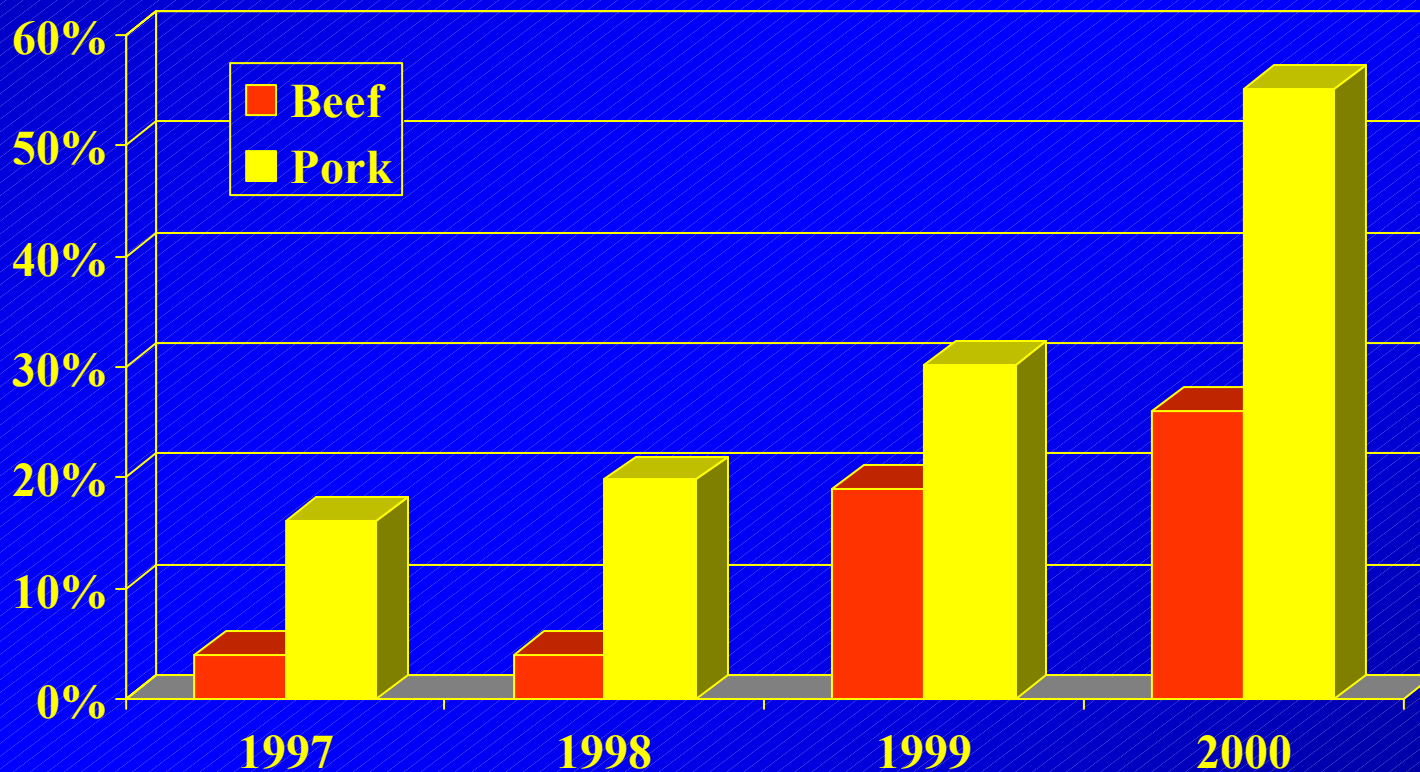
The Impact of Trade Liberalization

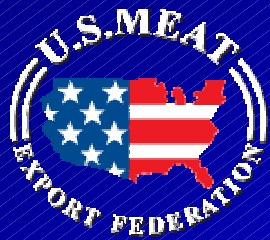




The Impact of EU Export Subsidies

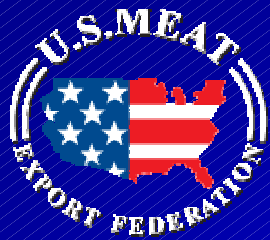
EU Market Share in the Philippines





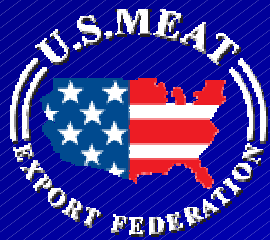
Tariffs Hinder Market Access

- Japan: Largest market for U.S. beef
 - Beef tariff equals 38.5%
 - Japan Safeguard will raise tariff to 50%
 - USMEF estimates that U.S. beef exports to Japan grew 3% for every 1% drop in the tariff (1995-2000)
- Korea: #3 Beef market
 - Beef tariff exceeds 40%



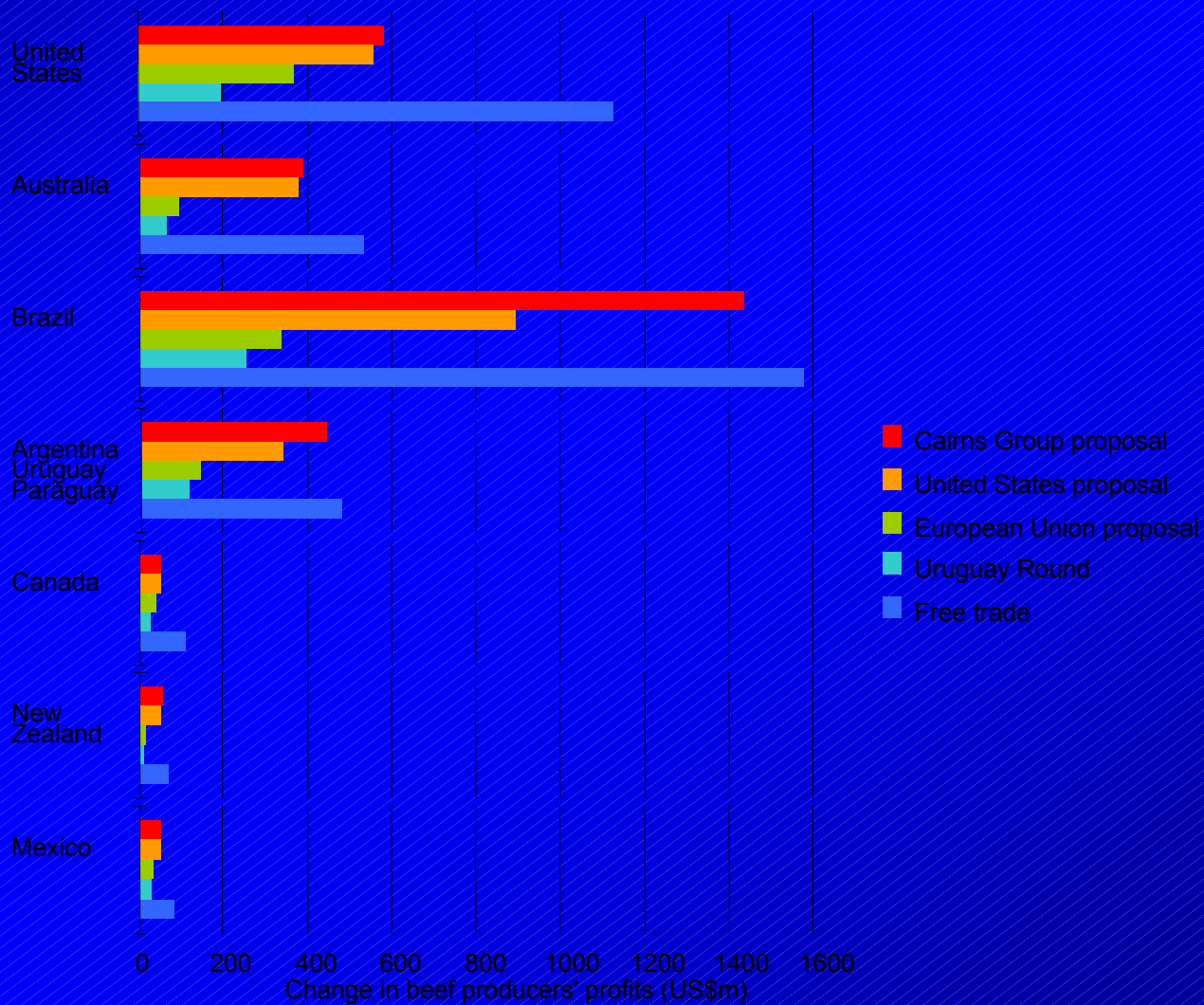
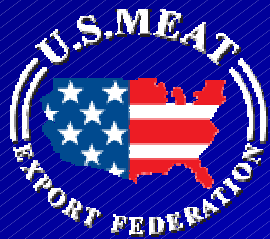
WTO Agriculture Chairman Harbinson's Proposal

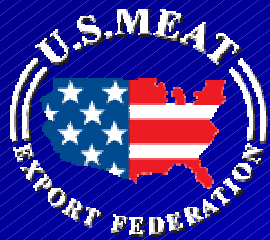
- **Export Competition**
 - Calls for the eventual elimination of export subsidies. Real debate is over how quickly
- **Market Access**
 - Calls for a minimum 45 percent cut for tariffs over 90 percent- far short of the US proposal
- **Domestic Support**
 - Fails to rectify the imbalance. It would bring total U.S. support down to just over \$12 billion while the EU would be allowed to spend at least \$32 billion



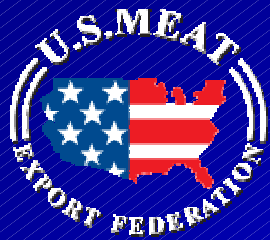
Magellan Project: The Gains from Beef Trade

- Estimates of Annual Producer Gains from Various Trade Scenarios
 - Free Trade: \$4 billion
 - Cairns Proposal: \$3 billion
 - US Proposal: \$2.3 billion
 - EU Proposal: \$1 billion



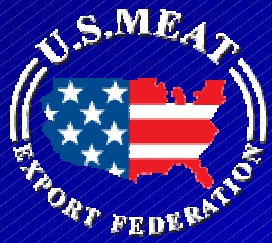


New Trade Barriers

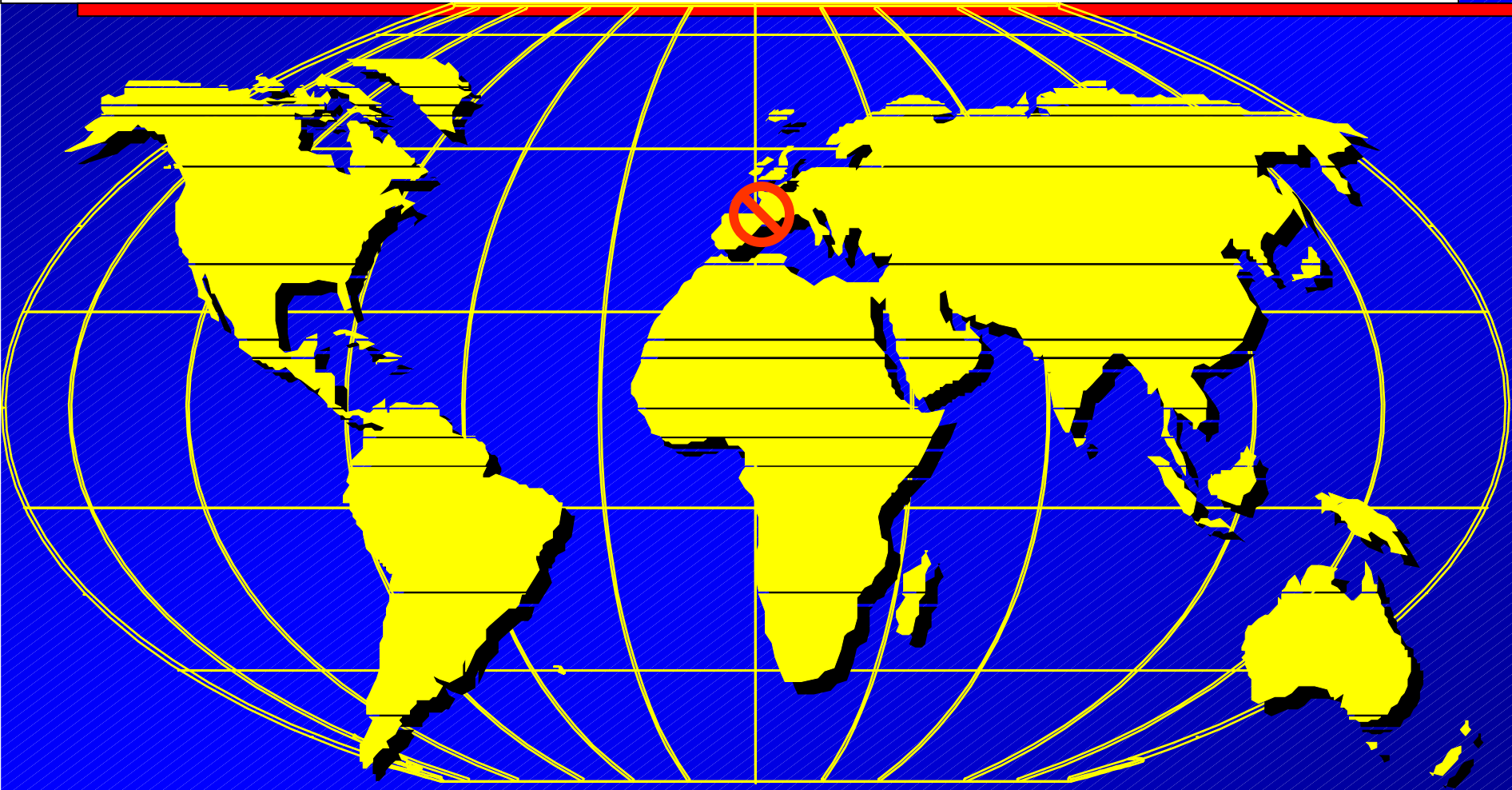


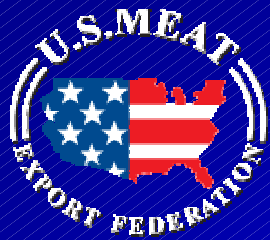
New Trade Barriers

- As traditional methods of protection fall, countries find other ways to protect their domestic industries
 - Unscientific sanitary standards
 - ▶ Hormone ban, disease restrictions, zero tolerance, residue testing

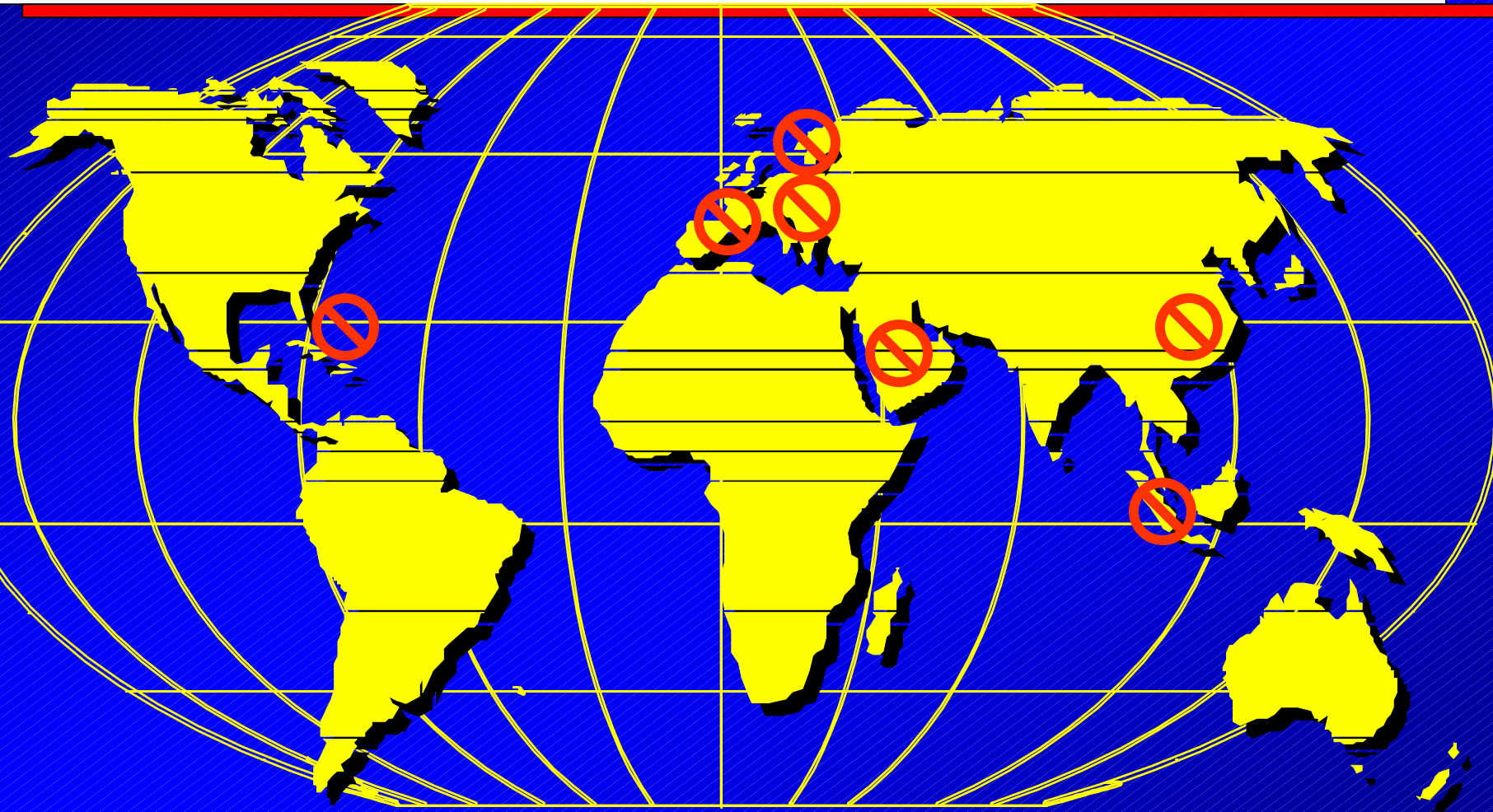


Hormone Bans in 1990

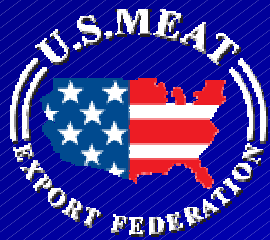




Hormone Bans in 2002: *In Place or Potential*

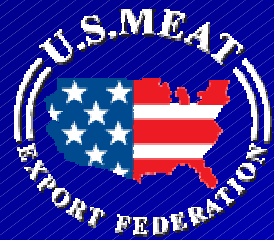


Countries represent 40% of global beef eating population 22



New Trade Barriers

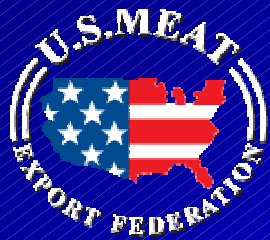
- Technical barriers
 - Burdensome paperwork, slow approvals, plant inspections, COOL
- Anti-dumping measures
 - Traditionally used by developed countries
 - Developing countries starting to use



New Trade Barriers

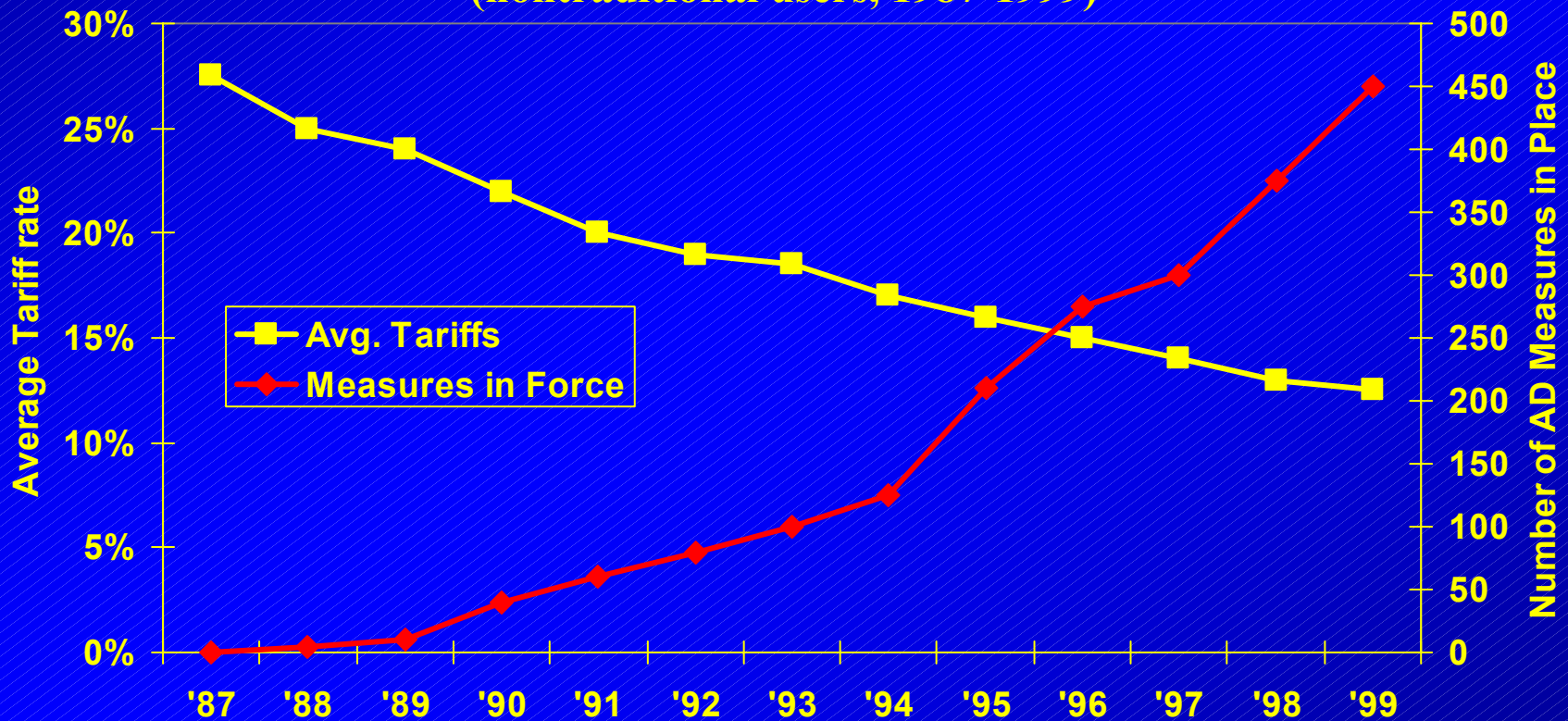
- “Positive” Discrimination
 - ▶ Capitalizing on food safety fears

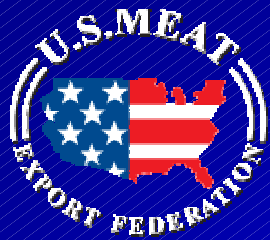
- Consumers tend to believe the worst about imported food
 - ▶ Competing on food safety harms all exporters



As Tariffs Fall...Other Measures Rise

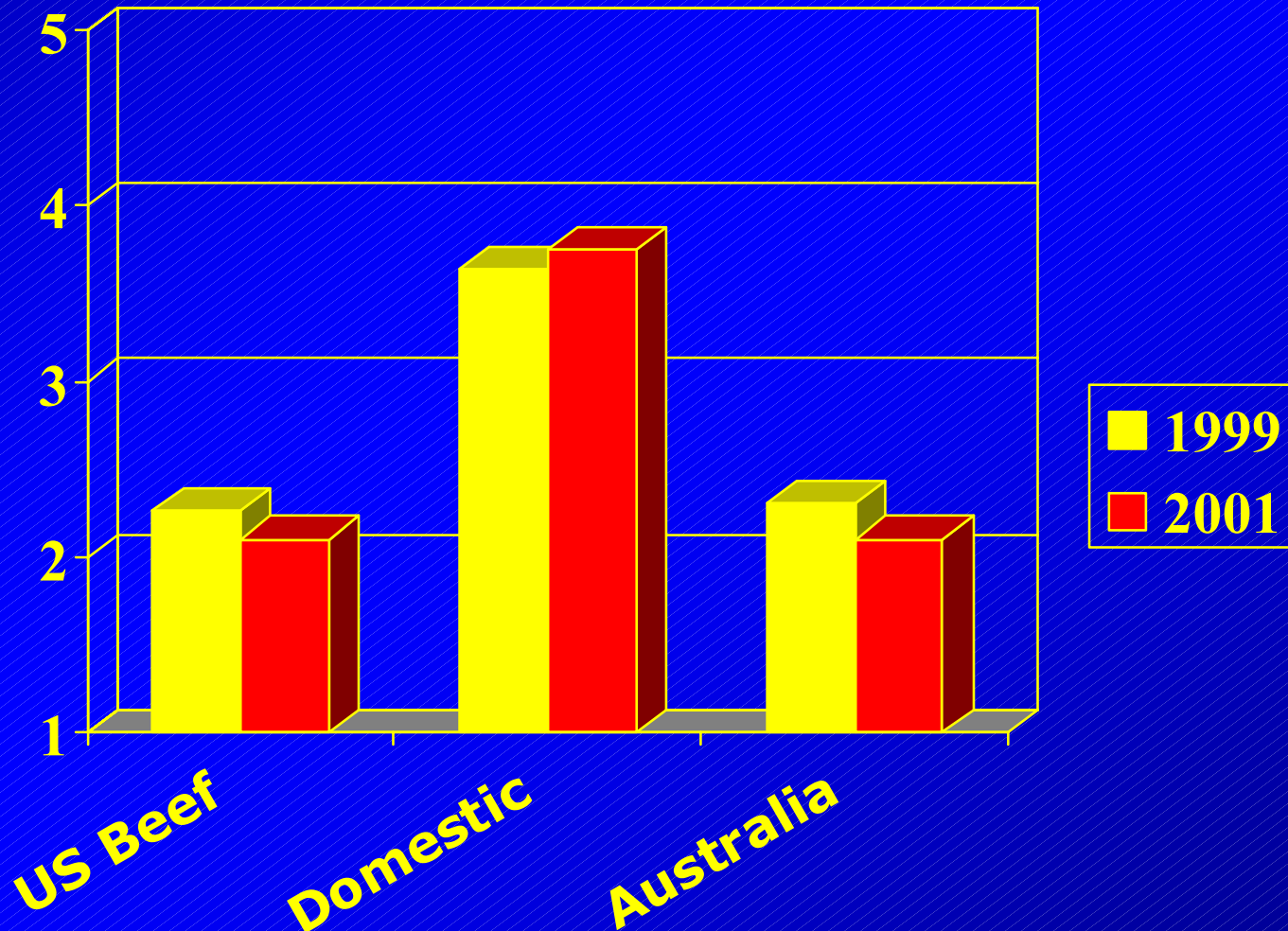
Average Tariffs and Antidumping Measures
(nontraditional users, 1987-1999)

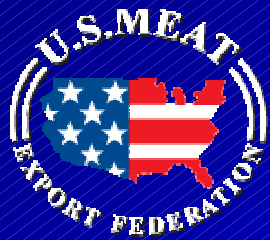




Korea: Beef "Safe-to-Eat" Ratings

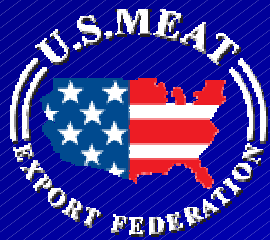
Scale is 1 to 5 with 5 being the highest





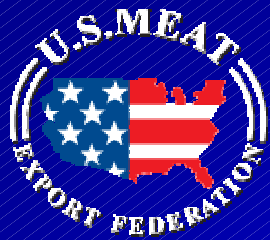
BSE Reaction in Japan

- According to a Fall 2002 survey of Japanese consumers, the primary consideration for purchasing beef is that it be domestic



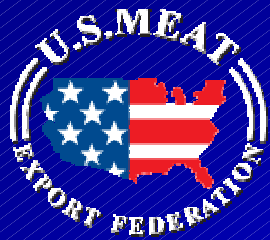
Future Challenges

- Market access
- Can we meet the competition?
 - Quality
 - Traceability
 - Price
 - TBT and SPS barriers



Competition

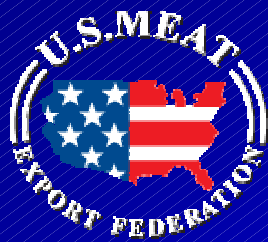




Brands

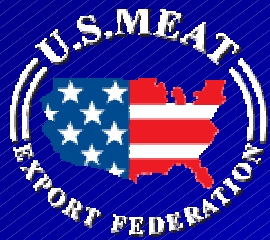
- Brands are becoming more prevalent – both store and company brands.
- Research in Japan has found that “brand” is one of the most important considerations when purchasing meat.
- USMEF offices around the world have all reported similar trends.





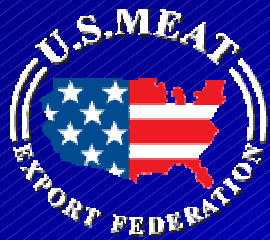
More Brands



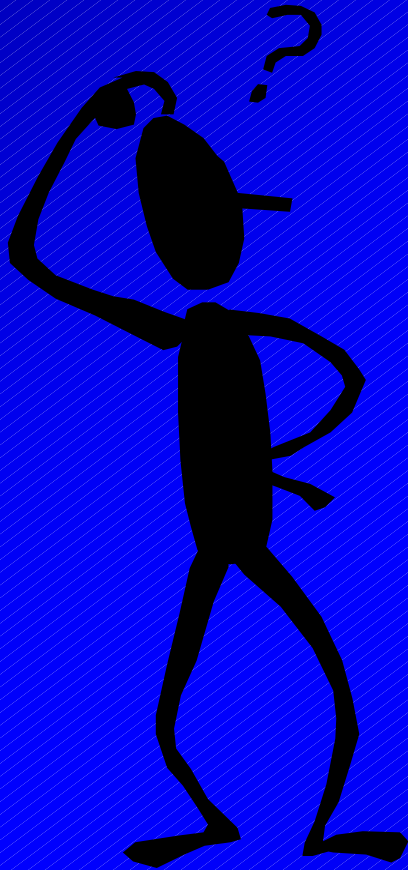


Aeon Department Store





Any Questions?



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- Trade Development
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 - ▶ rfritz@usmef.org
 - ▶ Visit usmef.org