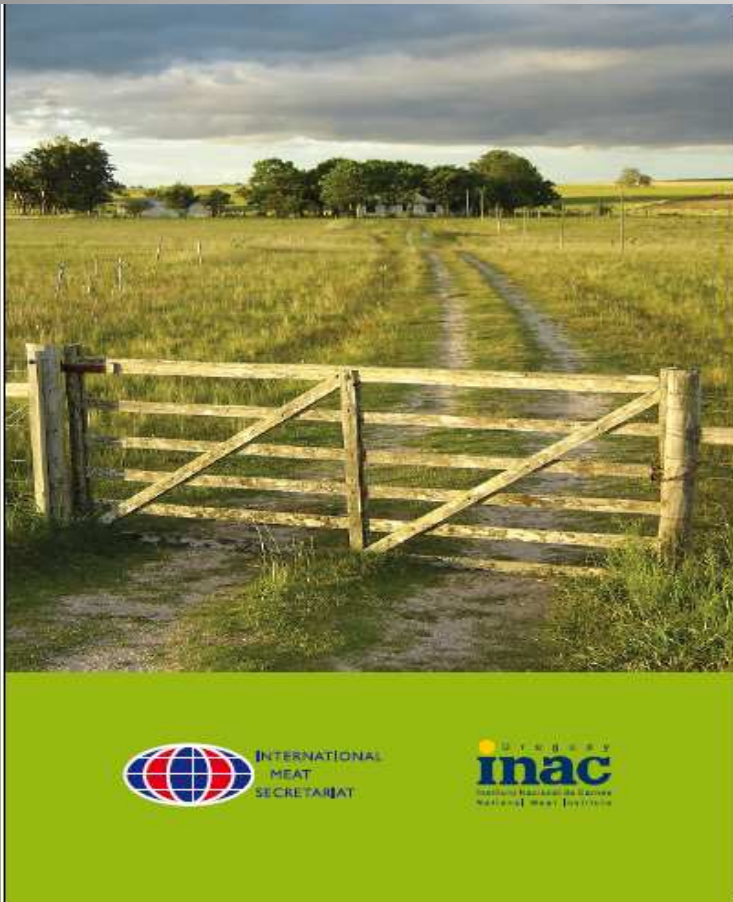# "Tackling *meat industry challenges* to achieve *sustainable growth*"

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Report of 2ⁿᵈ Economics Workshop IMS

Tackling

meat industry

challenges

to achieve

sustainable growth

BEEF AND SHEEPMEAT

- Overall World production stable or slightly decreasing in 2010

- Small growth in South America (not Argentina) and Australia, higher in India
  - stable in North America
  - declining in Europe

- Drought affecting different countries in the decade: first Australia, after South America, now Russia

- Profitability challenged by alternative use of land (in pasture based system) or cost of grains (in feedlot system)

- Animal disease featuring less, except FMD in Japan and South Korea

PIGMEAT

- Overall World production increasing in 2010

- Growth in Asia (not Japan) and South America
  - Stable in Europe
  - Decline in North America

- Profitability now challenged by feed price increases

- Animal disease featuring less-except FMD in Japan and South Korea

Structural change in the Animal Protein Market

- Brazilian companies leading the way with global presence – practically JBS and Marfrig. Covering all meat categories (multi-species). Critical supporting role of BNDES.

- Major U.S. and European packers also generally multi-species but mainly confined to domestic market

- Overseas investment helps with access to additional markets and spreads risk (animal disease, currency).

- Potential for South American countries (practically Brazil, Argentina, Uruguay, Paraguay) to dominate beef exports in future.

- But beef now less than 25% of World meat market – and even smaller % of Protein market (n.b. growth of aquaculture)

Forecast of Trade to 2020

- Forecasts indicate World consumption growth of 40 million tones (+14%) between 2010 and 2020. Growth in all regions – but strongest in China

- Major growth in poultry meat. Slower growth in red meat sectors due to challenge from poultry and fish/seafood sector

- Price rises in real terms but producer profitability squeezed by cost uses

Forecast of Trade to 2020   (cont)

• Middle East and North Africa emerges as largest importing region. Chinese imports to grow but consumption increase largely supplied by higher production. Russian imports to decline due to greater self-sufficiency in pig meat and poultry meat.

• US export growth to continue with weakening dollar. Slowdown in Brazilian export growth due to stronger Real.

• Many uncertainties due to animal disease, climate change impact, currencies, WTO deal, etc.

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World Meat Trade up to 2015

- Needs to be seen in context of growth in World population and meat consumption

- World trade in meat has risen more quickly than production up to 2008/09 economic slowdown – now growing again

- Doha Round stalled but opportunity for re-opening negotiations after US mid-term elections

- If agreement achieved – based on current framework agreement- substantial benefits to global economy (sometimes overstated)

- In absence of Doha Round agreement, proliferation of RTA's and Bilaterals (474 currently received by WTO)

- RTA's tend to favor major countries

- Growth of non-tariff barriers to trade

Environmental Challenges

- Important to consider climate change in the context of other environmental challenges

- Big difficulties in generalizing and drawing conclusions for the livestock sector because of continuing data gaps

- On mitigation, many actions can be taken to reduce GHG's – improved management etc.

- One third of agricultures technical mitigation potential by 2030 is in livestock systems – but economic potential lower

- On adaptation, need to identify changes to be made by farming sector to provide resilience. Action needed before "events" happen

- Meat consumption is in the spotlight in several countries partly due to activities of NGO's

- Role for economists, working with scientists, to challenge misleading claims with clear arguments based on good data. Effective communication important

- Global cooperation important on issues – Global Research Alliance a good start

Thank you very much