U.S. Poultry Trade: Opportunities and Challenges

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USA Poultry & Egg Export Council
U.S. Poultry Trade: Opportunities and Challenges

Topics in today’s presentation:

- USAPEEC, IPC, UIPDP, and their Missions
- An Overview of U.S. Poultry Exports
- Challenges and opportunities facing U.S. poultry exports
USAPEEC, IPC, UIPDP, and their missions
USAPEEC and its Mission

The USA Poultry & Egg Export Council (USAPEEC) is a non-profit trade association whose members account for more than 95% of all U.S. poultry and egg exports.

USAPEEC exists for the purpose of increasing U.S. poultry & egg exports by protecting, opening and developing markets throughout the world and by serving as the industry’s voice on trade policy issues.
USAPEEC Locations

Based in Stone Mountain, Georgia, USAPEEC has 13 international offices in major export markets:

- Mexico City
- Monterrey
- Hong Kong
- Singapore
- Moscow
- Beijing
- Central Asia
- Shanghai
- Tokyo
- Seoul
- Middle East
- South Africa
- Europe
**USAPEEC Membership**

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processors</td>
<td>48</td>
</tr>
<tr>
<td>Trading Companies</td>
<td>89</td>
</tr>
<tr>
<td>Commodity Groups (corn, soybean groups)</td>
<td>15</td>
</tr>
<tr>
<td>Associate Members (shipping, cold storage, port authorities, etc.)</td>
<td>71</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>223</strong></td>
</tr>
</tbody>
</table>
The International Poultry Council

- IPC was formed in October 2005 to bring together poultry industry leaders from around the world to address issues of trade, science, and improved relations among nations.
- Recognized by OIE, FAO, and CODEX.

Address: 184, rue du Luxembourg
47-51 bte 2
1050 Brussels, Belgium
IPC Mission

To strengthen communication between countries, develop and implement policy for international organizations affecting the world’s poultry industry and to promote a common understanding of and confidence in poultry products throughout the world.
## IPC Current Membership

Currently 25 members, accounting for about 90 percent of world poultry production.

<table>
<thead>
<tr>
<th>Argentina*</th>
<th>Denmark</th>
<th>Nicaragua</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Egypt*</td>
<td>Nigeria</td>
</tr>
<tr>
<td>Brazil*</td>
<td>EU*</td>
<td>Panama</td>
</tr>
<tr>
<td>Canada*</td>
<td>Germany</td>
<td>Russia</td>
</tr>
<tr>
<td>Caribbean</td>
<td>Honduras</td>
<td>South Africa</td>
</tr>
<tr>
<td>Chile*</td>
<td>Italy</td>
<td>Thailand*</td>
</tr>
<tr>
<td>China*</td>
<td>Mexico*</td>
<td>Turkey *</td>
</tr>
<tr>
<td>Colombia</td>
<td>New Zealand</td>
<td>United Kingdom</td>
</tr>
</tbody>
</table>

* Founding charter members
IPC Member Benefits

- IPC provides a forum for countries to work together on common issues.
- IPC is the global poultry industry’s only voice before the OIE, FAS, WHO and CODEX.
- IPC promotes the benefits of free and open trade.
Utilizing proceeds of an industry-supported joint venture to keep the Russian market open, we have established a $20 million charitable foundation.
UIPDP Mission

UIPDP works with poultry and egg producers, processors and regulators in emerging nations to enhance food safety, sustainability and promote economic development and consumer acceptance of poultry products.
Healthy and safe poultry benefits the entire world’s poultry industry and promotes trade. We see opportunities through education in:

- Animal disease prevention
- Food safety standards
- Bio-security practices
- Best management practices

“A rising tide floats all boats.”
Current Focus of Activities

China
Ghana
India
Myanmar
Vietnam
Haiti
From Farm to Fork: Poultry Management in the 21st Century

2013 Sino-US Poultry Industry Forum

November 17-23, 2013, Beijing, China
An Overview of U.S. Poultry Exports
Total export value in 2013 was $5.9 billion, up 2.5% from 2012

Source: USDA/FAS
U.S. and Brazil: Top Broiler Exporters
(In 1,000 metric tons)

Brazil: 3,741
USA: 3,690
EU-27: 1,131
Thailand: 538
China: 411
Argentina: 330
Canada: 140
Chile: 93
ROW: 1,366

Source: Global Trade Atlas
About 2/3 of World Broiler Exports are from Brazil & USA

- Brazil: 33.4%
- USA: 31.9%
- EU-27: 9.8%
- Thailand: 4.3%
- China: 3.6%
- Argentina: 2.6%
- Chile: 0.8%
- Canada: 1.3%
- ROW: 12.3%

Average Share in 2010-2012

Source: Global Trade Atlas
Globalization of the Industry:
U.S. Broiler Production Share Decreasing

Nearly ¼ of U.S. broiler production now owned by foreign companies.

22% owned by Brazilian companies (Pilgrim’s Pride and Keystone)

Source: USDA/FAS
Broiler exports in Jan-Oct 2013 up slightly year over year. In 2009, top two markets comprised over 40% of total exports; now the top 4 markets comprise less than 40%
Share of U.S. Broiler Production Exported

Source: USDA/FAS
### Percentage of Production Exported

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2000</th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broiler</td>
<td>6.0%</td>
<td>17.3%</td>
<td>19.8%</td>
<td>20.8%</td>
</tr>
<tr>
<td>Turkey</td>
<td>1.6%</td>
<td>8.4%</td>
<td>10.5%</td>
<td>13.1%</td>
</tr>
<tr>
<td>Eggs</td>
<td>1.5%</td>
<td>2.5%</td>
<td>3.1%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>
An equivalent of 330 million bushels of corn and over 160 million bushels of soybean in 2013, greater than corn production in Michigan and soybean production in South Dakota, respectively.
U.S. Broiler Export Markets:
Developing vs Developed Economies

1,000 metric tons

Developing Economies
Developed Economies
U.S. Broiler Export Markets by Region
(In 1,000 metric tons)

Source: USDA/FAS
U.S. Consumption: Broiler vs. Beef and Pork

Source: USDA/FAS
Top U.S. Broiler Export Markets
(In 1,000 metric tons)

Source: USDA/FAS
USA and China: Top Chicken Consumers (2013)

<table>
<thead>
<tr>
<th>Country</th>
<th>Chicken Consumption (million tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>13.7</td>
</tr>
<tr>
<td>China</td>
<td>13.4</td>
</tr>
<tr>
<td>EU</td>
<td>9.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.4</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.0</td>
</tr>
<tr>
<td>Russia</td>
<td>2.0</td>
</tr>
<tr>
<td>India</td>
<td>4.0</td>
</tr>
<tr>
<td>Japan</td>
<td>6.0</td>
</tr>
<tr>
<td>South Africa</td>
<td>8.0</td>
</tr>
<tr>
<td>Argentina</td>
<td>10.0</td>
</tr>
<tr>
<td>Indonesia</td>
<td>12.0</td>
</tr>
<tr>
<td>Turkey</td>
<td>14.0</td>
</tr>
</tbody>
</table>

Source: USDA/FAS
Opportunities for Increased per capita Broiler Consumption (2013)

Note: USA has highest per capita poultry consumption (including turkey).

Source: USDA
USA & EU: Top Turkey Producers

Average in 2011 - 2013

USA: 48.7%
EU-27: 36.7%
Brazil: 9.4%
Canada: 3.0%
ROW: 2.3%

Source: USDA/FAS
USA is Top Turkey Exporter in the World

Source: Global Trade Atlas
An average annual growth of 6.2% in volume and 9.7% in value in the past decade ending in 2013.

Source: USDA/FAS
Share of Turkey Production Exported

Source: USDA/FAS
Top U.S. Turkey Export Markets

(share of export quantity)

Source: USDA/FAS
Challenges and opportunities facing U.S. poultry Exports
USAPEEC’s Focus Has Changed Over Time

- In 1990, USAPEEC’s primary function was promoting US poultry and eggs around the world.
- Today, our major focus is addressing unfair trade restrictions around the world.
- While many are protectionist in nature; we see a growing number targeting poultry in retaliation for US government policies.
Major Issues Addressed - 2013

- **Mexico**: AI crisis, MSP, anti-dumping case
- **China**: AD/CVD Duty issue, delisted status
- **Russia**: actopamine issue, Plant audits
- **Canada**: TPP
- **Central America**: Purge issue with leg quarters, random Salmonella testing
- **South Africa**: Antidumping (AD) Case
- **Philippines**: high safeguard duties
- **Saudi Arabia**: all-vegetable feed certification
- **EU**: anti-microbial treatments
- **Egypt**: Halal, chicken Parts not allowed
- **Malaysia**: Halal
- **China AD/CVD Duty**: issue, delisted status
- **Australia/New Zealand**: Limited access
- **Saudi Arabia**: all-vegetable feed certification
- **Australia/New Zealand**: Limited access

Egg Products: Certificate for cooked products
Anti-Dumping Cases have been our industry’s biggest nightmare

- South Africa launched AD investigation against U.S. bone-in chicken cuts in 1999. Despite absence from market, every 5 yrs since, SA has renewed prohibitive margins. Challenging under AGOA.
- Because US didn’t challenge S. Africa, we feel all the other cases followed:
  - Ukraine brought AD case against US in March, 2009, at request of MHP. After USAPEEC visit, in Oct. 2010, Ukraine dropped the case.
  - China launched AD/CVD investigations in Sept. 2009. (Based primarily in retaliation for tires and cooked poultry access)
  - Mexico’s Bachoco brought case in February 2011. USAPEEC has appealed to NAFTA panel and is awaiting review.
WTO’s Ruling on China’s AD/CVD Case

- At our request, US took this case to WTO and in August, 2013, the WTO dispute settlement panel found in favor of our industry on nearly all U.S. claims.

- China is now conducting a re-investigation and has promised to render its disposition on July 9, 2014.

- While the decision will hopefully result in some reduction of the near-prohibitive duties, it may not totally eliminate the AD duties.

- WTO outcome against China should strongly influence the Mexican NAFTA panel. Subsidization.
U.S. Broiler Exports to China

Exports to China in 2009 accounted for 20% of U.S. total exports, but due to the AD/CVD duties, the share was 8% in 2013.

Source: USDA/FAS
In 2007, China imposed a ban on poultry imports from Virginia due to a finding of LPAI. Bans also exist for Arkansas, Wisconsin, and New York.

This ban, which also includes shipments of poultry transiting Virginia, has lingered for years and industry sources feel this is likely related to other trade issues between the two countries.

MOA requested samples of the AI virus for further analysis in China, but until recently USDA has been reluctant to share the samples.
USDA’s stance changed last year after China successfully battled several local incidents of AI. Subsequently, USDA did provide samples of the Virginia virus to MOA, but not until last fall after various complications.

In March 2012, USAPEEC and APHIS co-hosted a Chinese gov’t delegation to Virginia, in cooperation with Virginia Department of Agriculture and Consumer Services (VDACS).

Additionally, thru efforts of Virginia Poultry Assn., former Gov. McDonnel, VA congressional delegation, Secretary Haymore and many others have been fully engaged.

Unfortunately, no known action by US or state government entities can be counted on to expedite this process. The decision lies solely within the Chinese political process.
Numerous trade restrictions against US poultry

- U.S poultry not allowed to enter the European Union since 1996, due to use of antimicrobial treatments in processing.

- Russia has put in place numerous non-science based restrictions on US poultry through the years.

- Many countries ban imports based on zero tolerance policy for Salmonella and other pathogens.

- India bans US poultry due to Low Path AI while India has High Path AI

- Some countries, such as Indonesia, Egypt, Nigeria, don’t even use an excuse, they just don’t allow
When actually it’s the rest of the world with all the Food Safety Issues
Animal diseases such as AI impact trade

- While earlier AI consumer scares have subsided, incidents of HPAI are on the rise....Asia, Africa, India and Europe.
- U.S., South America, Australia remain free of HPAI.
- In Asia and Africa, the prevalence of backyard flocks and the inability of governments to implement appropriate control measures could spell a major production disaster.
- Even though OIE says trade should not be restricted on basis of LPAI ....many countries still restrict trade......China, Taiwan, Philippines, Kuwait, Cuba, Russia and India.......

HPAI Outbreaks in the last 12 Months
(from March 2013 to February 2014)

Source: FAO/Global Animal Disease Information System
Global HPAI outbreaks by region in the last 12 months

- Africa (89) 19.1%
- Americas (1) 0.2%
- Asia (375) 80.6%

Source: FAO/Global Animal Disease Information System
U.S. Trade Policy Has Certainly Benefited U.S. Poultry Exports

- NAFTA, CAFTA, Panama and Colombia FTA’s have been a major benefit.
- TTIP would be great, but with all the SPS issues, we have low expectations.
- TPP’s biggest benefit would be Canada.
- We have our concerns with TPA approval.
World poultry exports in the next decade are predicted to increase at an average annual growth rate of about 3 percent.
Positive Outlook for US Poultry Exports

- U.S. (and Brazil) is in key position to continue to dominate global exports.
- We have:
  - Lowest cost/ highest quality feed supply
  - Best Bio-Security practices
  - Most reputable government bodies
  - Growing global demand for low cost protein
  - A crop of well-educated and enthusiastic number of college graduates anxious to make a difference
Thank you