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Strong Export Growth in “Other” Markets for U.S. Pork

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U.S. pork exports have nearly tripled during the past 10 years, reaching 907,000 metric tons in 2005. Exports now account for 13 percent of U.S. pork production. Japan, Mexico, and Canada have underpinned U.S. exports since 2000, when Canada replaced Russia as the third-largest importer of U.S. pork. But U.S. exports to other markets also have made sizeable contributions toward U.S. export success (see Figure 1). Although the individual markets that make up these “other” importers are much smaller than the top three, cumulative exports to these markets have grown quickly. The five markets shown in Figure 2 showed especially strong growth from 2003 to 2005.

South Korea
As shown in Figure 2, South Korea is the largest of the “other markets.” U.S. exports to South Korea increased seven-fold between 1996 and 2005, more than doubling between 2003 and 2005 alone. Whereas exports gradually increased as a result of scheduled Korean market liberalization and strong demand between 1997 and 2004, recent growth is largely attributable to consumer substitution of pork in place of beef and poultry due to the 2003 ban on U.S. beef because of bovine spongiform encephalopathy (BSE) and consumer concern over avian influenza. Growth has remained strong through the first half of 2006, but future imports will depend in part on how long it takes for U.S. beef to begin flowing into the market now that the ban has been lifted, and on how rapidly Korean pig producers downsize their inventories if pork demand (and price) weakens.

China
In December 2001, China joined the World Trade Organization. Also during 2001, China imported 6,250 metric tons of pork for the year. Four years later, China imported 37,340 metric tons and was the fifth-largest market for U.S. pork. Some of this growth has come at the expense of exports to Hong Kong, as more pork is being shipped directly to China rather than transshipped through Hong Kong, but cumulative exports show net growth. Some of the recent growth can be attributable to increased demand due to substitution of pork for poultry because of avian influenza outbreaks in China. Although this market should have long-term potential for U.S. pork products, export levels will be sensitive to China’s sanitary and inspection requirements and to changes in domestic production as the Chinese pork sector gradually modernizes.

Russian Federation
As shown in Figure 2, the Russian Federation has been an erratic market for U.S. pork. Although U.S. exports increased by almost 480 percent during the 2003-05 period, some of this growth offsets a large decline in exports in 2000 following the devaluation of the ruble. Since 2000, sanitary issues, foot-and-mouth disease outbreaks in Brazil, annual tariff-rate quotas on meats, concerns about avian influenza and BSE, and policies directed at improving domestic production are among the factors that have both driven and limited opportunities in this market.

Romania
Growth in U.S. pork exports to Romania has been rapid and dramatic, with exports increasing from zero in 2001 to 25,380 metric tons in 2005. Pork was Romania’s top agricultural import in 2004 and 2005. The United States became the third-largest supplier of pork cuts to Romania, and Romania became the seventh-largest importer of U.S. pork. However, Romania will join the European Union in January 2007, and implementation of E.U. animal health and certification requirements was scheduled to begin October 1, 2006. These changes will limit future U.S. export opportunities.

Australia
Australia, the fifth market shown in Figure 2, was opened to U.S. pork on January 1, 2005, as a result of a free trade agreement. The agreement created an immediate market for U.S. pork, although Australian pork industry challenges to the new regulations temporarily disrupted the ramp-up in imports. Given that the challenges were unsuccessful, imports from the United States should become more stable and export growth will level off and become responsive to changes in Australian production and demand.

Changing Market Conditions
As noted, reasons for recent strong demand for U.S. pork vary among countries. Whereas trade agreements can establish policy frameworks for long-term, stable trade patterns, factors such as animal and poultry diseases, government policy in importing countries, and shifts in currency valuations and exchange rates can create greater market volatility. This volatility makes export growth more vulnerable to changing market conditions.
Figure 1. Total U.S. pork exports, 1996-2005, and percent growth for 2003-05

Source: USDA Foreign Agricultural Service Online (http://www.fas.usda.gov/ustrade/).

Figure 2. U.S. pork exports to selected pork markets, 1996-2005, and percent increase for 2003-05

Source: USDA Foreign Agricultural Service Online (http://www.fas.usda.gov/ustrade/).