

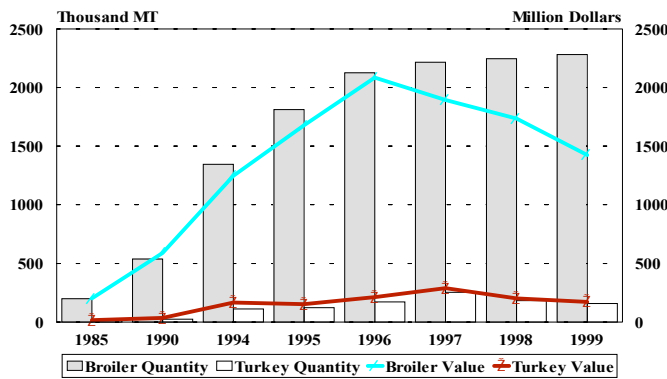
Leaflet 12. Poultry and the World Trade Organization

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Trade Situation and Outlook

U.S. exports of poultry products increased rapidly during the 1990s and now contribute substantially to the positive agricultural balance of trade. In 1999, the total value of poultry product exports was \$2.1 billion, while the value of all poultry imports was only \$210 million. The \$1.89 billion surplus from poultry exports accounted for 18.2 percent of the \$10.4 billion agricultural trade surplus. Exports of broiler meat account for most of the poultry meat exports, over 90 percent of the volume and approximately 68 percent of the value. Turkeys, eggs, and prepared meat products each account for about 6-7 percent of the value of exports, with live poultry, other poultry (ducks, geese, etc.), and feathers and down making smaller contributions. Feathers and down comprise about two thirds of the value of poultry imports, with live poultry, poultry meats, and eggs each contributing 10-15 percent to import values.

U.S. Poultry Exports



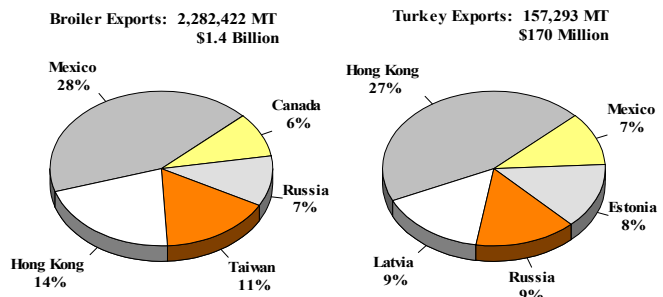
Source: FATUS

After rising in the early 1990s, poultry product exports slowed in 1998 and 1999 due to the economic crises in East Asia and Russia, two important markets for U.S. poultry products. While the volume of chicken exports, but not the value, continued to rise, turkey exports declined markedly in 1998 and 1999. A continuation of economic recovery in Asia will have positive effects on poultry exports, but the poor prospects for the Russian economy will result in a

continuation of relatively low poultry exports compared to the peak years, 1996 and 1997.

Top Markets. Russia, Hong Kong, Latvia, Mexico, Japan and Canada have been the most important importers of U.S. broilers in recent years. During the 1990s, Russia became the largest international market for U.S. broilers, with over 2 billion pounds imported in 1997. However, due to its severe economic crisis, Russian imports declined in 1998 and plummeted in 1999. During 1998, Russia imported 678

U.S. Poultry Exports, 1999



Source: FATUS

million MT of broilers, but only 243 million MT in 1999. The declines in Russia were offset by relatively large increases by Hong Kong and Latvia. In 1999 Hong Kong replaced Russia as the largest importer while Latvia became the second largest.

The most important markets for turkeys have been Mexico, Russia and Hong Kong, although exports to Russia also declined very drastically in 1999. Exports to Mexico, however, have continued to rise, largely as a result of NAFTA. Canada and South Korea also are important markets for U.S. turkey products.

Major Competitors. While the U.S. is the world's largest producer and exporter of poultry products, it faces competition from a number of countries including Brazil, the European Union, and Thailand. For broilers, Brazil is the major

competitor due to substantially lower costs of production, although Thailand also has relatively low costs. France is the world's largest exporter of turkey meat, although a large share of its exports go to other European countries where markets are protected by high tariffs. France, the Netherlands and some other European countries are large producers of poultry but their production costs are high compared to Brazil and the U.S.

Major Poultry Trade Issues

Major trade issues affecting poultry are tariffs, market access, export subsidies, domestic support programs, and sanitary/phytosanitary regulations.

Tariffs. Under the Uruguay round, the process of tariffication was used to convert many non-tariff trade barriers into tariffs; then the tariffs were to be reduced over the life of the agreement. In some countries, this process resulted in very high tariffs for poultry products, especially for chicken products. The European Union, Canada, Egypt, Honduras and South Africa are examples, with much higher tariffs for poultry than for many other products—as high 177.5 for chicken and 273 percent for turkeys. Thus, negotiations for a uniform percentage reduction in tariffs will not be effective without taking into consideration and lowering such peaks in the tariff process, i.e., without considering the need for both a low and uniform tariff regime.

Market Access. Market access was to be assured by allowing imports of a small percentage of domestic use of products at zero or very low tariffs. These tariff rate quotas (TRQ) have been implemented but often in ways that did not allow access by U.S. exporters. Most of those for European Union countries, for example, went to Eastern European producers. Furthermore there are problems in who was given the right to utilize the TRQ, i.e., who could import at the lower tariff. These often went to domestic producers who could then earn large profits by selling at the still protected high domestic price. Thus, both expanded market access and more transparency

in implementing the process are issues for the new round of negotiations.

Export Subsidies. Reductions in export subsidies are a cornerstone of the Uruguay round and their elimination is an important issue for the current round. While the U.S. subsidizes a small amount of its poultry exports under the Export Enhancement Program (EEP)—designed to offset subsidized exports by competitors—the European Union, as a high cost producer of poultry still uses export subsidies quite extensively.

Domestic Agricultural Supports. Reductions in trade distorting agricultural support programs are being carried out and are an issue in the current round, especially in light of the low levels of prices for many products in the last two years (1998 and 1999). Poultry production generally does not receive direct support, but is affected by programs for feed grains and protein meal products and in Canada, supply management. Thus, poultry producers have an interest and stake in the results of the domestic support program negotiations.

Sanitary/Phytosanitary Regulations. Poultry are affected by a number of diseases (avian influenza, Newcastles, etc.) and by organisms such as salmonella that can contaminate the processed product. Regulations that restrict trade for control of such sanitary issues are permitted under WTO rules if they are supported by science. Many countries impose restrictions on or even prohibit poultry imports based on sanitary provisions. Some of these, such as a zero tolerance for salmonella, are controversial from the standpoint of scientific support. An important issue in the new round is whether the current science based provisions will be maintained or weakened; the latter will allow imposition of more defensible import restrictions.