

Meats

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THE OUTLOOK OF IMPORTED BEEF, PORK AND CHICKEN IN 2012

Beef Market

Estimating from the trade statistics of the released data as of November 2011, the volume of imported beef in 2011 is a 3% increase from the previous year to 516,000 tons, exceeding the 500,000 ton mark. By adding 4400 tons of cow offal, it is estimated to be an increase of year on year 4% to 560,000 tons.

Australian beef, which accounts for 70% of the volume of imported beef, had a high cost



throughout the year because of the strong Australian dollar and high price of the cows itself. In addition to this, due to the competition with US beef in the domestic market, the import volume dropped 3% to 339,000 tons from the previous year. On the other hand, the imported volume of US beef in 2011 is estimated to increase 31% from 2010 to reach 119,000 tons. There are two factors behind the expansion of the US beef within the Japanese market. One is the strengthened price appeal due to the strong yen while the Australian dollar was getting stronger, and the other is effect of the large-scale flood in Australia from 2 years ago.

Looking at the import trend in 2011 by the different parts of beef, the increase of boned ribs is significant. According to the trade statistics until November 2011, the import volume of boned ribs adding both chilled and frozen together increased 13% from the previous year to 163,694 tons. Sirloins increased 1% to 33,974 tons, "others" that is mainly composed of ground meat increased 2% to 124,884 tons, shoulder, arm, and thigh dropped 2% to 147,496 tons. Imports of US beef expanded not only to use for beef bowls, but also because of the concentrated demand for cheap boned ribs, reflecting the consumer's demand for cheaper prices.

Last December, there was a meeting held to submit inquires to the food safety commission on reviewing BSE measures within Japan including the import conditions for beef. As a result, deregulation of North American beef began to hold a sense of reality. Depending on the timing of this deregulation, the supply and demand for North American beef in 2012 will be largely affected. If the proposal is approved by the end of April, and the importing conditions change from "less than 20 months old" to "less than 30 months old" it will be on time for shipping for the great demand during the summer season after June. This creates a possibility for imports

to start on a full-scale during the first half of the year. If this happens, the import volume of beef in 2012 is estimated to increase 6% from 2011 to 547,000 tons. The import of US beef will be 163,000 tons (36% increase from 2011) throughout the first year, and Canadian beef is also estimated to expand to 12,000 tons (18% increase from 2011). The industry predicts that imports of US chilled beef will especially expand an average of 5,086 tons per month in 2011 to around 8,000 tons. On the other hand, if the deregulation is not approved this year, US beef will rise a little because of the strong yen and weak dollar while Australian beef will have a slight drop from the previous year.

How would the deregulation of imported North American beef affect the Japanese market? Raising the age of cows will strengthen the price merits of the products, and the consumer can not only "choose," but there are wider variety of choices regarding the quality such as "prime", "top choice", and "select." It will especially affect North American cow tongue since it used to take 80% of the market share for all tongue imports before the BSE incident. There will be more stores handling cow tongues in the restaurant industry including cow tongue specialty restaurants, Korean BBQ restaurants, and Japanese-style bars. There are high hopes for the recovery of the Korean BBQ industry, which has been stagnating ever since the issue of BSE broke out.

After the BSE became a problem in Japan in 2001, the consumption of expensive beef was hanging low as the individual consumption dropped as a result of the recession. Starting from the foot and mouth disease 2 years ago, Japan suffered a great earthquake last March and food poisoning of yukhoe (Korean dish of seasoned raw beef topped with an egg yolk). In addition to that, there were issues of pollution caused by cesium radiation and series of large earth quakes, the beef market experienced an even larger slump. Deregulating importing conditions of North American beef will not simply end with a fight over market shares, but act as a motivator for consumption and it will hopefully elevate the "lost" beef demand of the past 10 years.

Pork Market

The pork market increased intensely in 2011 due to the series of problems that affected the beef market such as mouth and foot disease, food poisoning of yukhoe, and radioactive cesium pollution, creating an alternative demand for beef. The imported pork in 2011 went under 60,000 tons in January during the off-demand



season, but it went largely over 60,000 tons after February. Since the large volume of orders was placed for the disaster-stricken areas by the March 11th earthquake, the volume increased to 67,000 tons in March and 72,000 tons in April. Chilled pork was especially imported in large amounts reaching 24,000 tons in March and 23,000 tons in April. Chilled pork continued to stay around 20,000 tons, and it rose to 22,000 tons as a result of the alternative demand for beef even after August where the domestic market started recovering. As a result, the imported volume of chilled pork rose 13% to 233,000 tons during January to November in 2011. The imports of chilled pork had the largest effect out of all the different products that expanded as an alternative for beef. It is expected to increase about 10% annually to 255,000 tons. The top sellers at store counters are mainly cheap end pieces. Arm, thigh, and rib meat is selling well, but there are some difficulties with sirloin. Also, imports for frozen meat is expected to increase 3% annually to around 536,000 tons.

The pork consumption that took off a good start in 2011 is expected to continue for a while in 2012, but since beef consumption will also recover, the amount of pork consumption will drop during the later half of this year compared to last year. Demand for chilled pork is also said to drop slightly, but specialists say that the number will be much lower than the previous year at around 245,000 tons.

Chicken Meat

Due to the bird flu that broke out in Miyazaki prefecture, the domestic production of chicken dropped until February in 2011. It dropped 10% in February and March. In addition to that, the March 11th earthquake caused a big fall in production of 16% in April, and it stayed lower than the previous year until July. On the other hand, regarding the drop of domestic production, the imported



volume increased 27% to 37,000 tons in January. In April, it rose to 40,000 tons, which is the same as it was in 2010, and rose 30% to 43,000 tons in May. The large volume imports continued in June with a 9% increase to 45,000 tons, a 14% increase to 42,000 tons in July, and a 30% increase in August to 48,000 tons. To cover the falling domestic production and predicting that the local price will hike up in Brazil, many contract agreements were signed. As a result, the imported volume from January to November in

2011 rose 10% to 426,000 tons, and it is expected to grow 12% during the January-December period to around 471,000 tons. Currently, at the end of November 2011, the stocked volume of imported products reached 115,000 tons. While the amount circulating in the market is increasing 3.5 times to around 33,000 tons per month, if the amount of imports continues to exceed 40,000 tons, the amount in storage will expand intensively that there will be a restraint with the amount imported from March of 2012.