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# U.S. Pork Export and Trade Update

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## JANUARY - SEPTEMBER EXPORT STATISTICS

1.6 million MT of pork were exported for the first 9 months of 2011, which is 16% ahead of 2010. The value of exports was \$4.4 billion, which is 25% ahead of 2010. This puts the US on track to exceed \$5 billion in exports for the first time in history. Exports accounted for 27% of total US pork and pork variety meat production and export value was equal to \$54.44 per head. Top volume markets were: Mexico, Japan, HK/China, South Korea and Canada. Top value markets were: Japan, Mexico, Canada, HK/China and South Korea.

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## CLARIFICATION OF EXPORT DATA USAGE

There has been some confusion in the past about the difference in numbers when reporting the percent of pork that is exported. USMEF computes a number that includes variety meats. Steve

Meyer computes a number that only includes muscle cuts. Both numbers and computations are correct and used for different purposes; they just need to be defined clearly. In the future, if using a USMEF number, use it in this way: Exports account for 27% of US pork and pork variety meat production. If using a Steve Meyer number, use it in this way: Exports account for 22% of US pork production.

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## **JAPAN ASKS TO JOIN TPP TRADE TALKS**

Ahead of the Asia-Pacific Economic Cooperation (APEC) summit, which was hosted by President Obama in Honolulu, Japanese Prime Minister Yoshihiko Noda announced Japan is interested in joining the Trans-Pacific Partnership (TPP) Agreement, a trade pact (Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, US, Vietnam) that would expand American exports and save and create jobs in the US. In 2010, the US exported to Japan about 435,000 MT of pork products worth more than \$1.6 billion, making Japan the #1 value and #2 volume market. The US pork industry supports TPP and Japan's entry into the trade negotiations. Dermot Hayes at ISU is currently working on projections for market potential if Japan joins the TPP.

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## **PORK LEADERSHIP INSTITUTE TRAVELS TO MEXICO**

NPPC, USMEF and NPB's Pork Leadership Institute held the second of this group's three sessions in Mexico City in November. The three day event focused on understanding the importance of trade and international markets and US pork's in-country marketing efforts. While in Mexico City, the PLI group met with US and Mexican officials and others to discuss topics ranging from US trade policy to the political environment in Mexico. The group met with an influential member of the Mexican Senate and toured the newly built Senate building. The group also visited a local wet market, two processing plants that utilize US pork and two upscale retail chains which were featuring US pork.

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## **US OFFICIALS TRAVEL TO CHINA TO DISCUSS SPS ISSUES**

Officials with the Office of the US Trade Representative and USDA recently met with Chinese officials to discuss a USDA FSIS risk assessment on Chinese cooked poultry. NPPC and other meat groups sent a letter to Ag Secretary Tom Vilsack earlier this month to ask him to give high priority to completing the review on Chinese poultry. Resolution of this issue and other SPS issues, including a ban on ractopamine, is crucial to future market access for US pork products. China is a potentially enormous market, and is currently importing record levels of US pork; in September China imported nearly 87,000 MT of US pork products. While China is currently 98% self-sufficient in pork production, even a small increase in US exports would greatly benefit producers. If China decides to import just an additional 1% of its total pork consumption, it could mean an additional 500,000 MT of US pork exports, valued at \$1 billion, and the creation of 13,000 direct pork industry jobs, according to analysis by Dermot Hayes at ISU.

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## **RUSSIAN SPS BARRIERS UNRESOLVED AS IT MOVES TOWARDS WTO MEMBERSHIP**

The WTO Russia Working Party adopted Russia's WTO accession package which outlines Russia's terms of entry. After 18 years, Russia will be invited to join the WTO this December at the Ministerial Conference, and is expected to become a member by the summer of 2012. The country is the world's biggest economy that is not a member of the WTO, as well as a potentially large market for US pork products. Although Russia was the sixth most valuable export market for US pork in 2010, worth more than \$204 million, US pork sales have fallen nearly 60% since 2008. The decline has come mostly about because of Russia's SPS restrictions and the market is characterized by volatility and high risk. NPPC continues to work with the Administration in obtaining further SPS concessions from Russia, including a science based approach on tetracycline and recognizing the US plant inspection system as equivalent to its system. Under the accession package, Russia has set a global quota on pork of 400,000 MT with an in-quota rate of zero percent and an out-of-quota rate of 65%. In addition, the pork quota will be replaced by a flat 25% tariff on January 1, 2020.

However, Russia's Veterinary and Phytosanitary Surveillance Service (VPSS) has announced that the final CIS (Commonwealth of Independent States) Customs Union certificates for red meat products will take effect on Jan. 1, 2013, instead of Jan. 1, 2012. This means current certificates will remain valid for at least the next 14+ months. The possibility exists for a further extension, but those negotiations are still ongoing. The CIS Customs Union currently consists of Russia, Belarus and Kazakhstan, and Kyrgyzstan is considering membership.

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## **WTO RULES AGAINST MCOOL**

On November 18, the WTO ruled that the US MCOOL law violates WTO trade obligations. MCOOL was implemented as part of the 2008 Farm Bill and requires retailers to notify customers of the country of origin of several covered commodities, including pork. NPPC opposed the MCOOL law when it was being debated in Congress, pointing out that the costs of it would far outweigh any benefits. WTO dispute panel decisions typically are appealed, but it remains to be seen whether the US will appeal the panel's MCOOL ruling. If the WTO decision stands, the United States needs to comply with it, otherwise it risks retaliation from and a trade war with Canada and Mexico, which brought the MCOOL case to the WTO.

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## **NPPC ATTENDS MEETINGS IN SWITZERLAND**

NPPC/APEX's Nick Giordano traveled to Geneva, Switzerland this month, with a small delegation of US food and agriculture representatives to meet with WTO representatives from multiple countries. The delegation presented evidence that a number of advanced developing nations are exceeding their WTO limits on agricultural subsidies.

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## **SOUTH KOREAN PRESIDENT SIGNS US-KOREA FTA INTO LAW**

South Korean President Lee Myung-bak signed a package of bills necessary to implement the US-South Korea's free trade agreement. Currently, US pork exports to South Korea are applied significant tariffs of 25% on frozen pork products and 22.5% on fresh or chilled pork products. Under the FTA, tariffs will be eliminated on all US frozen pork and some processed pork products by 2016 and fresh-chilled pork will be duty free 10 years after implementation with a safeguard. The FTA will create 9,100 direct US pork industry jobs, add \$10 to the price producers receive for each hog marketed and will be worth an additional \$786 million annually. Korea implemented a FTA with the EU on July 1, 2011, putting US pork at a disadvantage. NPPC is encouraging the Obama administration and the Korean government to implement the FTAs as soon as possible.

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## **OCCUPY GROUPS THREATEN WEST COAST PORTS**

Speculation is rampant that the people who shut down Port of Oakland terminals a week ago are planning to do this again, Dec. 12, for the entire Pacific Coast. From its Web postings, "Occupy Oakland" claims to be acting in solidarity with the International Longshore and Warehouse Union against "the 1%."

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## **USMEF-MEXICO UPDATES EXPORT GUIDELINES**

A comprehensive set of guidelines for managing and expediting the export of red meat products to Mexico has been updated by USMEF-Mexico. The 74-page booklet covers everything from paperwork done at the processing plant to documentation, SENASICA inspection, customs verification and answers to commonly asked questions. These recommendations were developed after many visits performed by USMEF technical staff to different agencies and groups engaged in transportation, freight forwarding, inspection, verification and customs clearance of red meat products along the U.S.-Mexico border.

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## **PHILIPPINES SITUATION IMPROVING BUT SLOW**

The situation in the Philippines regarding the issuance of import permits remains very fluid. The Philippine government is issuing permits but a very slow and inconsistent pace, with reports of permits being granted for requests made through Nov. 19. In addition, the Philippine government has reportedly issued another decree requiring that all imported shipments of red meat and poultry undergo a "test and hold" scenario beginning with shipments arriving Nov. 29. There are no specific details on the tests to be applied or how long the hold time will be but USDA is aware of this issue and is working to address it.

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## PANAMA EXPORT GUIDELINES

With the interest in Panama rising due to ratification of the US-Panama FTA, USMEF has now posted a new set of [Panama Export Guidelines](#) for exporters.

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