



PRIME CUTS

AMIC PROCESSOR GROUP'S WEEKLY NEWSLETTER



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AMIC 2009 MEAT CONFERENCE
24-25 SEPTEMBER 2009
SHERATON MIRAGE RESORT,
GOLD COAST

ITEMS OF INTEREST THIS WEEK

- **Argentina** – Argentina's wheat crop this year will come in at around 45% below last year's level, the result of reduced prices, disastrous government policies and a protracted drought. Argentina's wheat future's market vanished in March of last year following the political battle between farmers and government over export taxes on grain. Local analysts suggest Argentina exported less beef than Uruguay for the first time in 2008. Shipments are up 4% in 2009, although the industry is still struggling to fill its 2008/2009 EU HQB quota which finishes on June 30 with estimates they will still need to airfreight 500 tonnes in order to achieve that goal.
- **Brazil** – It was announced last week that two of Brazil's largest poultry manufacturers, Perdigão and Sadia will merge to form a new mega company called "Brazil Foods". The merger was driven by the huge foreign exchange losses that Sadia incurred in the derivative markets, drying up their cash-flow which was then exacerbated by the global credit crunch and falling export sales. The new entity will have over 50 production facilities, employing an estimated 100,000 employees with an estimated 11 billion Real in sales. Both companies were in the beef business in the 1990s but now focus on pork and poultry. There is a theory that the Brazilian government is keen to encourage consolidation in every major agricultural industry including beef to establish 2 or 3 large companies in each so they can be more effective in competing globally in agricultural products.
- **Canada – Meat Inspection Debate** – The Meat Inspection Union in Canada is arguing there are too few federal inspectors to guarantee the safety of meat in Canada following a staffing survey in advance of a Canadian government parliamentary sub-committee investigating the country's meat inspection system. The investigation follows last year's fatal outbreak of *Listeriosis* traced to a Maple Leaf Foods plant in Toronto. Last month new rules were introduced requiring inspectors to conduct new product and environmental testing for *Listeria* and to review company-generated tests suggesting double shifts and multiple plant responsibilities to meet the new requirements.
- **BSE Policy** – In August 2005 the Japanese government eased the requirement from tests on all cattle, regardless of age, to cattle aged 21 months or older. The new standard was still the toughest in the world but was chosen because the youngest animal found infected with BSE was reportedly 21 months old. The World Organization for Animal Health (OIE) requires BSE testing for cattle aged 36 months or older. However this year, 15 EU nations eased the age restriction from 30 months old to 48 months or older arguing that cattle born after the ban on cattle feed containing meat and bonemeal were highly likely to be safe. In Japan meanwhile, BSE testing for all cattle is still being conducted at 77 individual testing facilities run by Japanese prefectural governments. This is still funded totally by the government. In December 2007, Japan proposed easing the age restriction on US beef from the current 20 months old or younger to cows younger than 30 months. The US however called for a complete removal of the age restrictions and discussions ended without agreement on any change. If Japan repeats the offer of a proposal of 30 months of age following this week's meeting of OIE where Japan's status was revised to "controlled risk", the same as the US, the Obama Administration may be more likely to accept it.
- **The OIE** – A total of 126 OIE member countries and territories participated in a study of the impacts of climate change on emerging and re-emerging animal disease. 71% stated they are extremely concerned at the expected impact of climate change on emerging disease; 58% identified at least one emerging/re-emerging disease on their territory they believed to be associated with climate change. Three animal diseases most frequently mentioned by the OIE members were blue tongue, Rift Valley fever and West Nile fever.
- **Korea** – Media reports this week that a number of Korean importers of US beef have closed following poor sales, the result of consumer insecurity towards US beef. High prices due to the exchange rate and the difficult financial difficulties, as a result of the credit crisis, a continuing negative consumer perception of US beef, combined with high prices and high exchange rates has proven a hurdle too far for some, at least in the short term. The Korean International Trade Association recently published figures suggesting beef imports from the US year to-date reached 16,887 tonnes. This compares to Australian exports over this period of around 40,000 tonnes.

- **Russia** – The head of Russia's veterinary authority, Rosselkhoznadzor, has said it will not yield to US attempts to make it lift its current health related import bans on poultry, pork and beef from a number of US states because of the H1N1 (Swine flu). The USTR is arguing that these are non-tariff trade barriers. Russia is the largest export market for the \$55 billion US poultry industry. It is also a major importer of pork and beef. The US exported over 840,000 tonnes of poultry meat to Russia in 2008. In addition, US pork exports were around 160,000 tonnes and beef around 18,500 tonnes. Russia is investing heavily in lifting its own pork and poultry production and is therefore watchful of import competition. Not all bad news for the US this week with suggestions that on the sidelines of the OIE meeting in Paris, that agreement was reportedly reached that Russia would not delist a US plant until completing a 90 day investigative period in which Moscow could verify test results and take corrective action. AQIS advice is that this derives from the agreement between the US and Russia allowing the US to list and relist establishments for Russia, which Australia does not have. We have asked AQIS to follow up on this. The Russian report on their January audit of Australian plants is due shortly. This should provide some clarity on the relisting of Australian plants.
- **U.S. – Dairy Subsidies Attract Derision** – The Obama Administration's decision to reintroduce export subsidies for US dairy product has attracted criticism and derision from around the world. The decision in the US comes in the wake of the EU decision to pay similar subsidies to its dairy exporters. With the world price for dairy products falling and the American industry already in a state of liquidation seeking to reduce production, the US subsidies are to help US dairy exporters meet falling world prices and encourage exports where they are not competitive. In New Zealand however there has been flurry of investment in the dairy industry in recent years with farmers moving out of lamb production into dairying. This decision has the potential to damage a world dairy market that is already fragile.
- **Global Container Trade Battles with Volume Drop** – Container volumes through Hong Kong showed a slight month on month recovery in April, according to *Lloyds List* but throughput was still down more than 20% compared with a year earlier, according to the latest figures. Los Angeles and Long Beach in California continued to reflect similar trends with Los Angeles reporting a 15% drop in import containers compared with April 2008 and Long Beach even worse with a 23% decline. About 40% of total US containerised imports are received through the southern California port complex that includes Los Angeles and Long Beach. Import figures from them provide a snapshot of the drop in US consumer demand. For the year to-date, Los Angeles and Long Beach remains 16% and 29% behind respectively on total containers handled. The present global economic downturn has severely impacted the global Liner industry, requiring everyone to restructure and reposition for the future.-

IMPORT / EXPORT / MARKET ACCESS

THAILAND

AQIS advise Thailand has lifted their ban on pork offal out of Australia but will require AQIS to put a disclaimer on the Health Certificate that Australian pork is free of Swine flu. Given pork products are free of Swine flu the purpose of the endorsement is unclear but underlines the vagaries sometimes of market access.

AUSTRALIA-GULF CO-OPERATION COUNCIL (GCC) FTA NEGOTIATIONS

The 4th round of Free Trade Agreement (FTA) negotiations with the Gulf Co-operation Council (GCC) began May 31 to June 2 in Muscat, Oman. The GCC includes the 6 major Arab Gulf countries – Saudi Arabia, Oman, Bahrain, the United Arab Emirates, Kuwait and Qatar. Unfortunately the GCC are unable to provide Australia with a goods market access offer in time for this round. This means a number of the issues specifically raised by AMIC on shelf-life and import tariffs will not be on the table this time. We continue to reiterate the need for a comprehensive Goods offer.

INDONESIA

We have received a number of queries from members over the last 2 days over delays at port of entry in Indonesia with what appears to be a new port of entry testing regime. Enquiries through AQIS and the Embassy in Jakarta suggest that at this point in time all containers entering Tianjin Priok port are being tested including some that have left the port precinct and are at importers premises. AQIS cannot confirm what they are being tested for but advice to-date is that it may be for swine influenza H1N1 and that the testing may take up to 2 weeks for the results. This is affecting meat from all species. The Australian Embassy in Jakarta has raised it with the head of Quarantine, the Ministry for Agriculture and other government officials. There is also some suggestion that commercial influences are also at work here. The Indonesian Importers Association are also working on the issue and some clarity on the issue is expected shortly.

EU SHEEPMET QUOTA FINALISED

Informal advice from DG Taxud in the EU was received this week that they had finally processed the original error in calculating Australian sheepmeat quota and had increased Australia's quota by 62.1 tonnes in 2009 to compensate for the errors. This means that the Quota Management Unit within DAFF can now finalise the quota allocations and make the final 30% interim allocation without further delay. Advice from DAFF is that the conversion factors are already on the web and advice to exporters of their company allocations will occur by mid-week. Any queries contact the Executive.

LIVESTOCK ISSUES

- **Queensland** - There has been a reported reduction in rail transport services for livestock provided by rail services in Queensland. In recent years there has been a reduction in the number of loading points from 300 to 17 and the number of rail wagons has been reduced from a reported 1000 to around 500. The planned closures of additional loading facilities proposed in 2008 would have seen an additional 3,800 decks of cattle (1200 b-doubles) pushed onto the road network in regional bottleneck areas and into Brisbane and other urban centres where processing facilities are located. The Northern Lines are crucial for transport of cattle for slaughter, ensuring that processing jobs in Central and South East Queensland are maintained and that supply and demand in the northern and southern cattle markets are balanced. Industry estimates suggest that there is the potential within the livestock sector to transport an additional 140,000 head of cattle by rail. The issue is currently being addressed under the QLD State Governments Integrated Transport Strategy (ITS).

INDUSTRIAL RELATIONS -NO REPORT

OCCUPATIONAL HEALTH & SAFETY (OH&S) NO REPORT

IN THE NEWS THIS WEEK

- **Tesco Expands Use of Carbon Label on Grocery Products** –
Tesco, the UK's largest supermarket chain, has announced it will continue expanding their carbon labelling project with the goal to eventually have a carbon label on all their private label products. Tesco now has 100 products with the label, which informs customers the amount of CO2 and other greenhouse gases produced during the lifetime of the product including use and disposal. Last year Tesco started carbon labelling everyday products to help consumers understand the environmental impact of products. The carbon labelling pilot kicked off in April last year on 20 Tesco products in 4 different categories: laundry detergent, orange juice, potatoes and light bulbs and is now on 100 Tesco lines across the 4 categories. It is also being added to toilet and kitchen roll products, the company said last Friday, with more products to be announced in coming months. The design and simple information as well as hints and tips on the simple steps consumers can take to tackle climate change has been well received by shoppers, according to Tesco. Customers have also relayed their views on sustainability in the trial, with:
 - Over two-thirds indicating a clear understanding of the term "carbon footprint";
 - Over 60% actively seeking out a product with a low carbon footprint if it's convenient and just as cheap to buy;
 - 95% of customers taking specific actions to reduce their carbon footprint; and
 - 85% of shoppers thinking about the environmental impact of the products they buy.
- **'Back in the Game' – Garnaut Praises Changes to Senate, US Committee Votes on Bill** - Weeks after describing whether to proceed with the CPRS as a "line-ball" call, Professor Ross Garnaut last week told a Senate trading bills inquiry that the Rudd Government's decision to put a 25% cut on the table meant Australia was "back in the game". "My assessment is that it would now be clearly a positive for this bill to be passed into law," Garnaut told the Senate inquiry (refer to http://www.aph.gov.au/senate/committee/economics_ctte/cprs_2_09/index.htm). Leaving open the option of a 25% cut by 2020 was "an important step" and would be consistent with a global effort to stabilise atmospheric levels of greenhouse gases at 450ppm, he said. Garnaut told the committee "most Australians would be surprised to see how much is being done" by developing countries, but all countries – including Australia – need to do more. AMIC participated in a Ministerial Roundtable with Minister Burke this week again taking the opportunity to convey the concerns of the red meat industry with the proposed scheme.
- **Cancer Link Debunked** – There is no link between eating meat and developing breast cancer according to a study by the National Institute of Health and the American Association of Retired Persons. The study published in the *International Journal of Cancer* followed 120,000 post-menopausal women who provided information about what they ate during 1995 and 1996, when the research took place. Over the next 8 years, 3,818 of the women developed breast cancer. The research concluded that their findings "*do not support the hypothesis that a high intake of meat, red meat, processed meat, meat cooked at high temperatures or meat mutagens is associated with increased risk of breast cancer*".