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Approved by:

Richard Battaglai

U.S. Embassy, Japan

Prepared by:

Kakuyu Obara

Report Highlights:

Recovery of Japan's beef market from BSE is expected to continue in 2003. However, the possible implementation of Japan's beef safeguard could disrupt the beef market and stall the recovery in consumption. Compared to 2002, the outlook for Japan's pork market is less than stellar, characterized by weak demand and low prices. Pork imports are expected to drop by 10%. Unlike previous years, Japan's pork safeguard is not expected to trigger during the first quarter of the 2003 fiscal year due to the weak market situation.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Beef Section

Japanese Beef Market Outlook 2003

Looming Safeguard Could Disrupt Recovery of Japan's Beef Market in 2003

The outlook for Japan's beef market in 2003 is promising as overall consumption continues to recover from the detection of BSE in Japan in 2001. Industry sources expect consumption to reach 90 - 95% of pre-BSE levels by the end of 2003, supported by improving household consumption and food service utilization. The recent detection of the sixth and seventh cases of BSE in Japan in January 2003 had no impact on the beef market.

Looming over the promising 2003 market outlook however, is the possible imposition of Japan's beef safeguard, which would boost the tariff to 50% from 38.5%. The safeguard would likely hamper imports, slow the overall recovery in demand, and disrupt Japan's beef market.

Because beef imports dropped considerably during the first quarter of Japan's 2002 fiscal year (April - June), the trigger level for the safeguard will be relatively low since it is based on the previous year's imports. If imports recover to "normal" levels this year as consumption continues to rebound, the safeguard will be triggered and a 50% duty assessed on beef imports until the end of the fiscal year (March 31, 2004).

Imposition of the Safeguard Expected to Disrupt Japan's Beef Market; Imports of Chilled Beef Would Drop, Imports of Frozen Beef Would Rise, Japanese Beef Prices Would Rise

Post's PS&D figures assume the safeguard will be triggered in 2003. As described in JA2040, Post assumes that the safeguard will go into effect during the second quarter of Japan's 2003 fiscal year and remain in place until March 31, 2004.

The expected rebound in imports projected for 2003 reflects increased imports of frozen beef prior to the safeguard (April - June), as importers move avoid the higher duty. Once triggered, imports of chilled beef would likely drop, causing upward pressure on domestic beef prices. Higher prices could slow demand, and stifle the overall consumption recovery.

Compounding the impact of a 50% safeguard duty on Japanese beef prices is the specter of higher export prices for U.S. Australian, Canadian and New Zealand beef supplies due to drought conditions.

2002 Market Situation Update

Slower Consumption Recovery Pace in 2002 Pressures Imports

Based on January - November trade data, Japan's beef imports are forecast to drop by 27% in 2002 to 700,000 MT (490,000 MT customs clearance basis) due to a weaker than anticipated

recovery of beef consumption. Mislabeling scandals, recessionary economic conditions, and a weak Yen, also hampered beef consumption and imports during 2002. Imports of U.S. beef are expected down by 27% (to 226,000 - 228,000 MT customs clearance basis) in 2002, with a market share of 46%, compared to market share of 47% for Australia.

Pork Section

Japan's Pork Market Outlook 2003

Weaker Consumption and Stagnant Import Demand in Store for Japan's Pork Market in 2003

Compared to 2002, the outlook for Japan's pork market in 2003 is less than stellar. Demand is expected to weaken as beef consumption recovers, eroding strong BSE-related demand for pork. Consequently, pork imports are forecast to fall by 10% to 993,000 MT.

Imported chilled pork is expected to face stiff competition from cheaper domestic table pork. Demand for frozen raw material pork (for processing) is forecast to remain relatively unchanged in 2003. However, import demand for frozen pork will remain stagnant due to large stocks that have been accumulating since August 2002.

Late in 2002, there was speculation that large volumes of frozen pork from the European Union would enter the Japanese market once the current safeguard is lifted in April, 2003, again triggering the pork safeguard. However, trade sources now believe that weaker demand, low prices, and large stocks, will prevent such an influx. In fact, industry sources think the weakening market outlook will prevent Japan's pork safeguard from triggering during the first quarter of JFY 2003 (April-June), unlike in 2002 and 2001 when the safeguard did trigger.

Stiffening Competition for Branded Pork in 2003 Due to Adoption of Traceability and Certification Programs in the Retail Sector

Branded pork products are expected to increase in 2003 as retailers adopt voluntary traceability and certification systems in response to consumer concerns about food safety and mislabeling. Domestic producer groups and associations are reportedly considering these programs as a way to increase demand for their products.

Japan's Pork Market Update 2002

Relatively Strong Demand for Pork Favored Imports from Denmark and Canada in 2002

Based on January - November trade data, 2002 pork imports are forecast to increase by 9% to 1.105 million MT (774,000 MT on customs clearance basis). Denmark and Canada are expected to make gains while imports from the United States should remain relatively unchanged at 240,000 - 245,000 MT (customs clearance basis), causing the U.S. market share to drop slightly. Despite imposition of the pork safeguard earlier in the year, frozen raw material imports

strengthened in 2002, benefitting Denmark and Canada. Japanese retailers also reportedly diversified suppliers of chilled pork in 2002, benefitting Canadian suppliers.

Japanese Live Cattle PS&D Table

PSD Table						
Country	Japan					
Commodity	Animal Numbers, Cattle					(1000 HEAD)
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Total Cattle Beg. Stks	4530	4530	4564	4564	4445	4430
Dairy Cows Beg. Stocks	971	971	966	966	955	955
Beef Cows Beg. Stocks	630	630	637	637	630	630
Production (Calf Crop)	1440	1440	1425	1430	1410	1430
Intra EC Imports	0	0	0	0	0	0
Other Imports	19	19	15	20	15	20
TOTAL Imports	19	19	15	20	15	20
TOTAL SUPPLY	5989	5989	6004	6014	5870	5880
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Cow Slaughter	511	511	570	580	565	570
Calf Slaughter	5	5	10	10	10	10
Other Slaughter	591	591	685	700	675	685
Total Slaughter	1107	1107	1265	1290	1250	1265
Loss	318	318	294	294	265	295
Ending Inventories	4564	4564	4445	4430	4355	4320
TOTAL DISTRIBUTION	5989	5989	6004	6014	5870	5880
Calendar Yr. Imp. from U.S.	313	313	300	300	300	300
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Note: Unit of Imp. from U.S. is indicated as Head, Not 1,000 Head.

Japanese Beef PS&D Table

PSD Table						
Country	Japan					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	1107	1107	1265	1290	1250	1265
Beginning Stocks	158	158	199	199	119	130
Production	458	458	520	536	515	525
Intra EC Imports	0	0	0	0	0	0
Other Imports	955	964	700	700	860	950
TOTAL Imports	955	964	700	700	860	950
TOTAL SUPPLY	1571	1580	1419	1435	1494	1605
Intra EC Exports	0	0	0	0	0	0
Other Exports	1	1	0	0	0	0
TOTAL Exports	1	1	0	0	0	0
Human Dom. Consumption	1371	1380	1284	1305	1394	1450
Other Use, Losses	0	0	16	0	0	0
TOTAL Dom. Consumption	1371	1380	1300	1305	1394	1450
Ending Stocks	199	199	119	130	100	155
TOTAL DISTRIBUTION	1571	1580	1419	1435	1494	1605
Calendar Yr. Imp. from U.S.	444	444	300	324	370	443
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Japanese Live Swine PS&D Table

PSD Table						
Country	Japan					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
TOTAL Beginning Stocks	9785	9785	9612	9612	9550	9550
Sow Beginning Stocks	921	921	916	916	910	910
Production (Pig Crop)	17300	17300	17000	17100	16900	17000
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	27085	27085	26612	26712	26450	26550
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	16346	16346	16000	16100	15900	16000
Total Slaughter	16346	16346	16000	16100	15900	16000
Loss	1127	1127	1062	1062	1090	1090
Ending Inventories	9612	9612	9550	9550	9460	9460
TOTAL DISTRIBUTION	27085	27085	26612	26712	26450	26550
Calendar Yr. Imp. from U.S.	118	118	120	120	120	120
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Note: Unit of Imp. from U.S. is indicated as Head, Not 1,000 Head.

Japanese Pork PS&D Table

PSD Table						
Country	Japan					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	16346	16329	16000	16100	15900	16000
Beginning Stocks	126	126	170	170	160	198
Production	1245	1242	1200	1228	1190	1210
Intra EC Imports	0	0	0	0	0	0
Other Imports	1068	1012	1125	1105	1150	993
TOTAL Imports	1068	1012	1125	1105	1150	993
TOTAL SUPPLY	2439	2380	2495	2503	2500	2401
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	1	0	0	0	0
TOTAL Exports	0	1	0	0	0	0
Human Dom. Consumption	2269	2209	2335	2305	2368	2240
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	2269	2209	2335	2305	2368	2240
Ending Stocks	170	170	160	198	132	161
TOTAL DISTRIBUTION	2439	2380	2495	2503	2500	2401
Calendar Yr. Imp. from U.S.	408	350	370	346	365	300
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0