

International Report

By Jim Rudbeck
Director, International Programs, National Renderers Association

Are EU's MBM Losses Becoming U.S. Export Gains?

The European Union (EU), which exported nearly 700,000 tons of meat and bone (MBM) in 2000, suspended animal feeding and exports of MBM January 1, 2001.* The ban is in place through the end of 2001, and could be extended beyond. These measures were taken to halt the spread of bovine spongiform encephalopathy (BSE), which has now been confirmed in 11 of the EU's 15 member states as well as in three neighboring countries. As the United States is the world's second largest exporter of MBM, nearly 445,000 tons in 2000, are U.S. exporters able to take advantage of what would appear to be a huge void in the world's animal protein market? The following are some observations based on early 2001 trade returns.

Basically, looking at Table 1, the EU and United States service two different geographic markets with just some overlap in the Middle East and Asia. EU exports were heavily concentrated to Poland, other Eastern European countries, and the Middle

East, whereas U.S. exports are primarily directed to Mexico, China, and other Asian markets. Following the unexpected spread of BSE into Germany in late 2000, Poland and most Eastern European countries adopted a so called "precautionary," although unscientifically supported, "approach" and halted MBM imports from all countries, whether they have had reported cases of BSE or not. This denied U.S. renderers access to markets that approached 400,000 tons annually. These countries are now substituting imported vegetable proteins in their feed formulas.

In the Middle East, a significant market for the EU, U.S. exporters are doing quite well in Egypt, the largest market. The National Renderers Association (NRA) laid the groundwork there before the recent EU export suspension. Following the 1998 dioxin feed contamination incident in Belgium, Neville Chandler, NRA director for Europe, the Middle East, and Africa, worked to convince

the Egyptians that North American renderers had in place measures to ensure safe products. The U.S. industry also adapted to local shipping requirements. However, Jordan and some other countries in the region, when halting MBM imports from the EU, also took the so-called "precautionary approach" and stopped imports from all countries, again denying U.S. exporters market opportunities.

Indonesia, on the other hand, has become a hotly contested market. This country, which imported over 300,000 tons of MBM in 2000, up from 200,000 in 1999, says it has little fears about MBM as it is fed to poultry and fish. This attitude is the exception rather than the rule. Table 1 indicates that the EU pushed large quantities towards Indonesia in late 2000. Since then, Australia and New Zealand have stepped up exports to this market.

Among other Asian markets, such as Japan, the Philippines, Thailand, and Malaysia, there has been market

Table 1. European Union and U.S.: Exports of Meat and Bone Meal - metric tons

	EU Exports			U.S. Exports			January - April	
	1998	1999	2000	1998	1999	2000	2000	2001
World Totals	541,543	562,131	691,638	312,622	381,493	444,905	149,685	142,570
Poland	300,878	244,408	278,787	0	0	0	0	0
Indonesia	4,391	38,621	115,941	22,017	80,897	55,267	26,520	24,512
Japan	4,608	30,166	50,371	11,467	4,761	8,648	1,843	1,549
Czech Republic	29,103	19,670	35,563	0	0	0	0	0
Thailand	10,178	29,053	35,204	17,805	22,042	23,023	9,043	9,887
Jordan	9,009	21,293	34,979	2,519	1,647	1,095	0	0
Egypt	95,792	38,804	23,536	3,101	15,325	38,173	14,813	14,164
Hungary	10,808	9,946	17,015	0	0	0	0	0
Vietnam	2,864	5,349	13,138	707	1,216	597	197	652
Russia	11,671	27,134	13,023	0	41	115	115	0
Belarus	3,597	4,631	11,363	0	0	0	0	0
Lithuania	9,237	18,351	10,652	0	0	0	0	0
Israel	4,626	6,770	5,988	220	9	0	0	28
Bangladesh	273	1,952	5,226	0	0	40	0	1,852
Malaysia	2,342	7,514	4,304	6,268	7,115	11,194	3,217	1,723
All others	42,166	58,469	36,548	248,518	248,440	306,753	93,937	88,203

Sources: For EU, World Trade Atlas; for the U.S., Foreign Agriculture Service

uncertainty as governments decide future policies with respect to MBM import. As a result, Dr. Ross Hamilton, Darling International, along with NRA's Regional Director Dr. Yu Yu and a representative of the U.S. Department of Agriculture's Animal and Plant Health Inspection Services (APHIS), visited the Philippines twice on behalf of the North American rendering industry to assure local and regional authorities that the United States has instituted adequate BSE safeguards. In addition, NRA has been

working through APHIS and the U.S. embassies to assure the governments of Korea, Japan, Thailand, and Malaysia that U.S. MBM is free from possible BSE contamination.

One market, albeit a small one, where buyers have turned to U.S. product is Bangladesh. Here, Chandler has matched trade inquiries to potential U.S. exporters with some early successes.

China is today the largest market for U.S. MBM, but a market where the EU was not a significant factor

because of China's long-held fears about BSE. However, in China too there has been some slowdown in MBM imports in early 2001. George Congleton, Baker Commodities, Dr. Yu, and representatives of APHIS and the U.S. embassy recently met with Chinese animal health and quarantine officials. They reassured them that in protecting North America from BSE, we are protecting our customers as well.

The bottom line is that U.S. exporters have thus far not been able to take advantage of the void in world markets created by the EU's MBM export suspension. First, significant markets like Poland and Eastern Europe, and growth markets like Jordan, have banned MBM imports from all countries; they have adopted a scientifically unjustified "precautionary approach." Second, the continued spread of BSE in the EU, combined with past EU exports to over 100 countries, has heightened fears and fostered uncertainties in many markets. And finally, it would appear that Australia has more materials to export. Both Australia and New

Zealand have expanded their respective ruminant-to-ruminant feed bans to also prohibit the feeding of all animal proteins, including poultry and fish, to ruminants as a means to enhance the image of their beef in world markets.

In this world of instant communications, North American animal proteins have unfortunately become "guilty by association" as a result of the developments in Europe. Thus, the NRA needs to continue to differentiate the United States' BSE free status and to stress the programs in place to keep it that way. In this effort, the industry requires continued market-by-market support from APHIS and U.S. embassies. As the year progresses and markets settle, hopefully increased opportunities will unfold for U.S. exporters. ❖

*In this article, the term "meat and bone meal (MBM)" is used generically to include all animal protein meals including poultry by-product and porcine meals. Neither U.S. nor EU trade statistics differentiate "MBM" by species although both countries export significant quantities of non-ruminant materials. This lack of product differentiation compounds the BSE related fears created by past EU exports.

Table 2. Indonesia: Imports of Meat and Bone Meal and Feather Meal - metric tons

	January - February 2000 2001		% change
Total Imports	44,632	54,008	21.0
United States	18,559	17,538	-5.5
Italy	13,719	11,122	-18.9
Australia	2,692	11,146	314.1
New Zealand	5,908	11,970	102.6
United Kingdom	2,398	1,130	-52.9
Canada	478	422	-11.8
All others	878	680	-22.6

Source: World Trade Atlas

Table 3. China: Imports of Meat and Bone Meal - metric tons

	January - May 2000 2001		% change
Total Imports	79,579	52,099	-34.5
United States	49,617	42,349	-14.7
Australia	14,023	5,161	-63.2
Hong Kong	1,903	2,225	17.0
Canada	1,285	2,202	71.4
Netherlands	2,748	0	-100.0
Argentina	7,521	0	-100.0
All others	2,482	162	-93.5

Source: World Trade Atlas

Table 4. United States, Australia, New Zealand, and Canada: Exports of Meat and Bone Meal - metric tons

	January - April 2000 2001		% change
Total Exports	283,770	288,206	1.6
United States	149,685	142,570	-4.8
Australia	53,819	73,522	36.7
New Zealand	61,983	51,793	-16.4
Canada	18,283	20,321	1.1

Sources: U.S. from Foreign Agriculture Services; others from World Trade Atlas