

International Report

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U.S. Tallow Struggles in World Markets

The United States' competitive position in world tallow markets continues to decline, from approximately 60 percent in 1998 to roughly 45 percent this year based on data in table 1. Despite continued competition from palm oil, other exporting countries are able to sustain or even increase their exports, yet U.S. shipments continue on a downward slide. What are the factors?

Table 1 shows that although U.S. tallow exports are off 19 percent for January-August 2001, those from New

Zealand are up 28 percent and from Australia and Canada, up eight percent each. In the case of New Zealand and Australia, their geographic proximity to the large Asian markets of China, Japan, Korea, and Taiwan provides a shipping advantage that magnifies as markets tighten. For example, New Zealand has displaced U.S. sales in a Korean market that is increased vis-à-vis a year ago. Australian shipments this year are mainly higher to China. Increased Canadian exports are to the United States. A sharp decline in

Argentine shipments shows as reduced Brazilian and South African imports. Last year, Argentina had a recurrence of foot and mouth disease (FMD) and markets have restricted imports from that country.

Turning to the markets, given the continued competition from palm oil, it is encouraging to see in table 2 that imports to date by China, Mexico, and Korea have been fairly steady. Turkey, a market dominated by the United States, is suffering from an economic slowdown and a 33 percent devaluation

of its currency that increases the cost of imports. Both Japan and Taiwan have slowed imports. Product safety was a concern in Japan before the recent BSE case, but cheap palm oil is probably a factor in both markets as well. The European Union (EU) is an anomaly, albeit a short-term one, as buyers earlier this year turned to the United States and Canada due to a lack of local product following the spread of bovine spongiform encephalopathy and FMD from England to the continent, and the imposition of new product safety rules. For the year, tallow imports are

Table 1. Tallow Exports By Major Suppliers

	1998	1999	2000		Year to date		Change
					2000	2001	
United States	1,162,177	1,032,520	915,879	Jan-Aug	606,758	492,905	-19%
Australia	351,517	374,873	384,073	Jan-Sept	292,712	317,340	8%
Canada	223,633	254,290	227,099	Jan-Aug	149,054	161,170	8%
New Zealand	122,586	115,454	117,416	Jan-Aug	79,239	99,755	26%
European Union	53,506	58,652	62,351	Jan-May	22,814	15,640	-31%
Argentina	11,655	22,747	35,240	Jan-Aug	26,576	5,034	-81%
Total	1,925,074	1,858,536	1,742,058		1,177,153	1,091,844	-7%

Note: Above countries represent 90 percent-plus of world exports of tallow. U.S. exports include inedible and edible tallow.
Source: World Trade Atlas

Table 2. Tallow Imports By Markets

	1998	1999	2000		Year to date		Change
					2000	2001	
China	147,001	255,642	341,672	Jan-Aug	238,406	237,526	0%
Mexico	320,207	295,877	294,881	Jan-July	156,371	151,523	-3%
European Union	213,082	182,856	164,777	Jan-May	66,893	94,456	41%
Korea	38,650	91,702	74,566	Jan-Sept	55,297	60,549	9%
Turkey	167,980	117,845	136,546	Jan-July	84,163	51,137	-39%
Japan	86,382	84,616	92,662	Jan-Aug	61,528	47,220	-23%
Russia	25,003	78,682	50,687	Jan-Aug	29,298	23,005	-21%
Taiwan	76,399	110,822	89,982	Jan-July	51,367	48,325	-6%
Colombia	57,935	60,747	22,192	Jan-Aug	15,186	17,307	14%
Brazil	29,723	27,794	55,842	Jan-Aug	40,524	13,464	-67%
Switzerland	5,764	4,226	8,199	Jan-Sept	6,129	7,552	23%
South Africa	37,834	28,866	18,365	Jan-Aug	12,929	6,142	-52%
Total	1,205,960	1,339,675	1,350,371		818,091	758,206	-7%

Note: Above countries represent approximately 60-70 percent of world imports of tallow.
Source: World Trade Atlas. This source reports trade data for about 40 countries that do not include Pakistan and Egypt, nor any of the Central American or Caribbean countries that are significant importers of tallow.

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expected to continue their downward trend. Russia is mainly an EU market, therefore the decline in imports so far in 2001, although U.S. sales to this market and Switzerland (another EU market) are higher this year. The recent upturn in Colombia's tallow imports is encouraging as this is mainly a U.S. market.

Thus the reasons for the continued slide in the United States' position in world tallow markets are due to continued competition from palm oil, losses in Asia to Australia and New Zealand, a drop in imports by Turkey, and, although not reflected in the accompanying tables, reduced imports by Central American countries where palm oil is also displacing U.S. tallow. An additional factor is that the United States is the only tallow exporting country with a significant home market. As a result, at times, domestic market factors override world market conditions thereby making U.S. prices less competitive than either competing products or countries. ❖