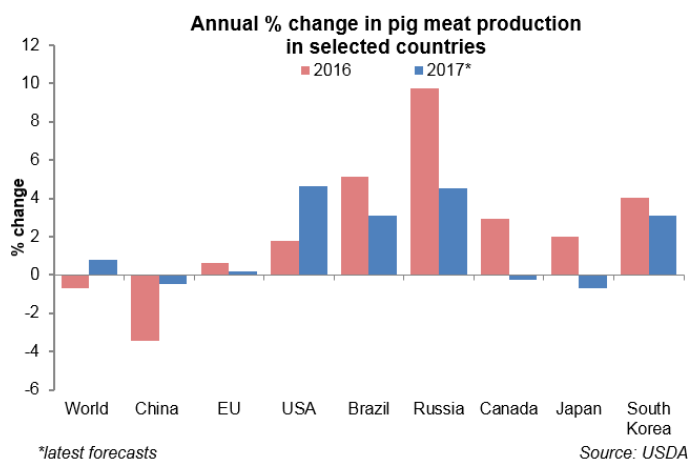


Recovery in global pork production to drive exports

Global pork production is expected to increase by 1% in 2017 according to the latest USDA global outlook report. This in turn will fuel export growth which is forecast to increase by 5%, although this represents a considerable slow down compared to the 15% rise of 2016. The majority of the expected production increase is driven by the US and Russia, more than offsetting a forecast decline in Chinese output.

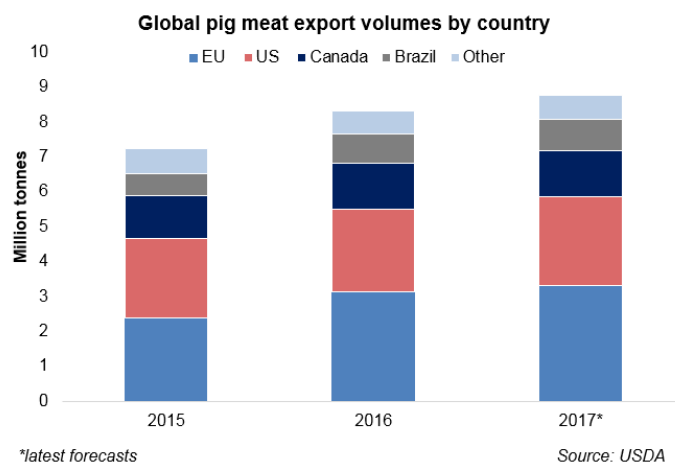


Global production is forecast at 110.7 million tonnes cwe and over half of the increase is coming from an expected 5% rise in US output. At 11.8 million tonnes, US pork production is forecast to hit a new record high this year. Despite a rise in output, it is also thought that finished pig prices in the US are expected to rise too in 2017, driven by a number of factors.

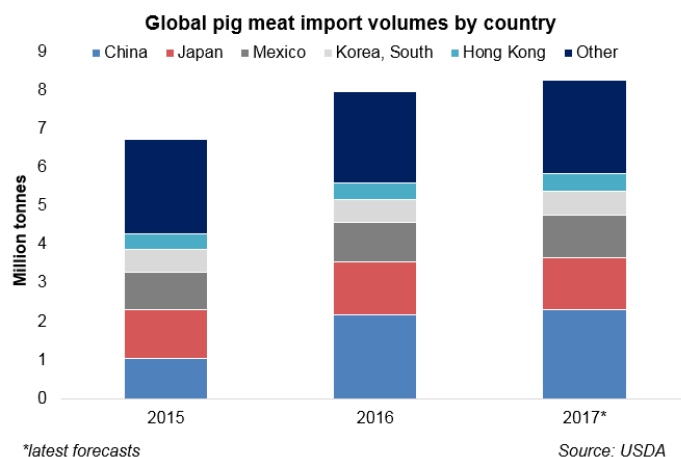
Firstly, domestic consumption is forecast to rise by 2% on the year, with more processing plants set to come on stream. Previously, limited processing capacity had been putting a brake on production expansion. Furthermore, the main input cost for producers, feed, is expected to remain relatively low this year and so the cost of production is expected to hit a multi-year low. The last factor, and arguably the most volatile, is an 8% increase in forecast pork exports such is the growth in production. In reality export growth could exceed the USDA forecast and already in the first two months of 2017, US pork shipments were up 20% on last year.

Exports of US pork to destinations such as Mexico, South Korea and Colombia are expected to rise this year, driven partly by relatively low prices. However, it is likely that the US will face stiff competition from the EU in terms of trade into Asian markets, especially China. Despite this, there are signs that the EU is starting to lose price competitiveness on some markets this year. The USDA forecasts indicate that EU pork output will remain relatively stable in 2017, at 23.5 million tonnes. Domestic consumption in the EU is expected to edge back while exports are forecast to rise by 6% to 3.3 million tonnes. This means that that the EU will remain the top global exporter of pork in 2017. Furthermore, the year on year rise in EU shipments is expected to be supported by ongoing

steady Chinese demand, although likely less strong than in 2016.



The latest figures indicate that China remains as the world's largest pig producer, however output in 2017 is now expected to fall marginally (0.5%) year on year whereas last October the USDA was expecting a small recovery. While productivity in China is set to rise, a contraction in the breeding herd, due to environmental regulations, is driving the overall decrease. The USDA though has not changed its pork import forecasts for China which indicate a volume of 2.3 million tonnes in 2017, an increase of 5% on 2016. This though is a marked change in developments compared with the more than doubling of trade in 2016.



Japan is the second largest global importer and volumes are forecast to be relatively unchanged in 2017. Of the other Far East markets a further modest increase in South Korean, Hong Kong and Philippines imports are anticipated.

All these last four markets are important for EU exporters, accounting for one third of the EU pork trade. China though is the key one- whose share went up to 43% of EU trade in 2016. Developments there this year will again be critical to the state of the EU pig meat market. This in turn has implications for the UK both directly, as the UK has a large trade with China in particular and indirectly in terms of how pig prices move over the rest of the year.