

Trump & Trade - how might pork markets be affected?

Pork production is expected to grow by 5% in the US this year, and it is anticipated that exports will need to rise to absorb some of this surplus (for more about this, click [here](#)). However, since his inauguration last month, the new President, Donald Trump, has been reconsidering the US stance on global trade. Trump has been supporting a protectionist, anti-globalisation agenda which he believes will support the US manufacturing business. However, this stance could also damage the US export prospects, negatively impacting American pig farmers. As the number one global pork exporter, any changes to US trade agreements could have implications on the global pig meat market that impact other global exporters, including the UK.

The desired renegotiation of NAFTA (North American Free Trade Agreement) is particularly relevant to the global pork industry. NAFTA is an agreement between the US, Canada and Mexico which eliminates tariffs on most products traded between the three countries. Mexico is currently the primary market for US pork exports, accounting for 35% of the total, with the market worth over \$1 billion dollars in 2016. However, tariff-free access to this important outlet could be under threat by Trump's desire to negotiate a "fairer" deal with Mexico, which is overall a net exporter of products to the US. There are concerns that negotiations may lead to a "trade war" between the two nations, which could result in Mexico applying tariffs to US pork imports. This would make US pork less competitive in Mexico, depressing US prices and negatively impacting the volumes shipped there. More US pork would then need to find an outlet in alternative markets such as those in the Far East, which could increase competition with EU product.

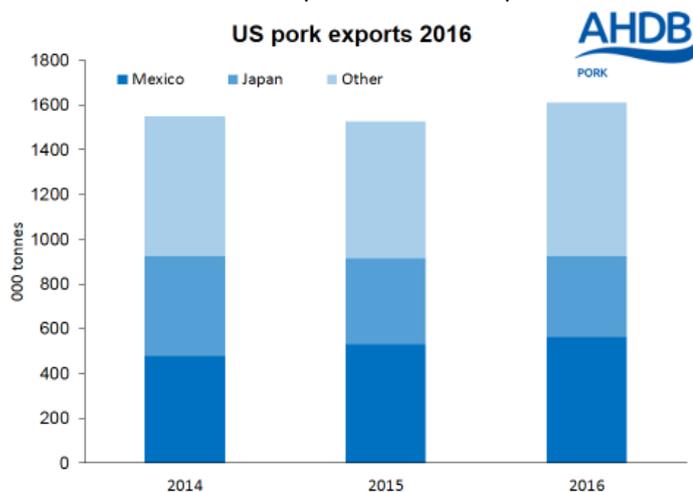
Canada is uncertain. As the US received around a third of Canada's total pork export volume in 2016 (over 320,000 tonnes), NAFTA negotiations could also have important implications for the Canadian pork industry and knock-on effects worldwide.

While NAFTA renegotiations could be a threat to the global pork market, they also offer opportunities. The EU and Mexico are planning to push ahead with FTA (free-trade agreement) negotiations this year. If this deal comes to fruition, disadvantageous tariffs on EU pork exported to Mexico will be removed. This could, ultimately, lead to EU pork having a competitive advantage in Mexico, versus neighbouring US product.

The Trans-Pacific Partnership (TPP) is another free trade deal impacted by the Trump Presidency. The deal intended to bring together countries around the Pacific Rim, but the President withdrew the US in January. This has been a disappointment for the US pork industry. Japan was the second largest destination for US pork exports in 2016 and the market was worth nearly \$1.5 billion. The US International Trade Commission estimated pork export value could have increased by \$387 million dollars if the TPP had been implemented, largely due to the elimination of tariffs on shipments to Japan. From an EU perspective, however, the risk of increasing competition from the US on this market has been reduced.

In addition, there has been interest from both parties in a closer UK-US trading relationship, in light of the impending Brexit. This has unsurprisingly been welcomed by the US National Pork Producer's Council (NPPC), though could prove a significant challenge for UK producers. The US pig sector has a lower cost of production, though the providence of UK product could provide some advantage. However, the details of any free-trade deal devised would be key to determining the impact for UK producers, but these cannot be finalised until after Brexit has occurred.

Overall, there is much uncertainty surrounding the future of global trade at present. Despite much talk from Trump, and a rise in nationalistic feelings across the Western world, it remains difficult to predict how the future will pan out. While some trade routes may be under threat by the Trump presidency, opportunities for US exports could also develop, for example, through bilateral trade agreements. With trade a vital factor determining the future of the global pork markets, it will be important to follow developments as they unfold over the coming months and even years.



Source: IHS Maritime & Trade- Global Trade Atlas®

While there has been less interest in altering the US-Canada relationship, the extent to which it would be possible to alter Mexican relations without including