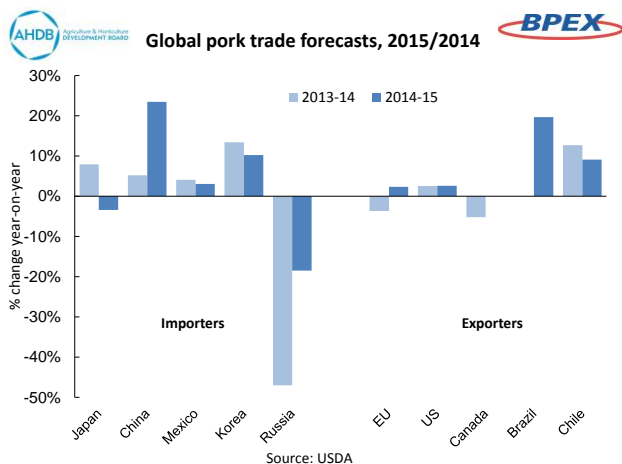


Global pork exports likely to recover in 2015

According to the latest forecasts published by the United States Department of Agriculture (USDA), global pork trade is likely to recover in 2015, after declining for two consecutive years. Forecasts suggest a 4% increase in shipments from the main global exporters next year.

The increased trade is expected to be largely driven by a greater import requirement from China. Its pork purchases are expected to increase by 23% in 2015, to around 1 million tonnes. This could provide opportunities for UK exporters, given that they currently supply around 5% of Chinese pork imports. Despite higher pig prices of late, Chinese farmers have been unable to make positive returns, as local feed costs have reached their highest level since August 2006. As a result, liquidation of breeding sows over the last year will slow production growth. Pork consumption in China is forecast to increase by 2% in 2015, to 58.2 million tonnes.



The US is a key exporter of pork and USDA forecasts suggest a 3% increase in shipments, to 2.4 million tonnes. This is on the back of the expectation of a 5% increase in US production to 10.9 million tonnes, despite PEDv-related disturbances. Higher farrowings and a gradual recovery in productivity, combined with heavier carcass weights have contributed to the expectation of higher domestic production. The rise in the breeding herd has been encouraged by high prices, driven by increased demand for exports from Asia and Mexico. There is some uncertainty about the impact of PEDv this winter, however, although recent vaccine launches may help reduce PEDv related losses in 2015, compared with this year.

The Mexican pig industry has suffered hugely this year on the back of the PEDv outbreak. Some estimates suggest that throughputs in Mexico are likely to decline by 11% in 2014. With such damage to the Mexican pig industry, coupled with a 2% increase in consumption, imports into Mexico are likely to rise by 3% in 2015, following a similar rise this year.

Asian markets are also attracting increased volumes of pork. Along with China, imports are set to increase in South Korea, Hong Kong and the Philippines, among others. In Korea, the PEDv outbreak has reduced production levels this year and, with the sow herd smaller than a year earlier, supplies next year are likely to remain subdued. As such, the import requirement of South Korea in 2015 is likely to increase by 10% year on year. Japan is the only key market within Asia where import forecasts indicate a slowdown for 2015, by 3% year on year. This is based on the assumptions that pork consumption will edge down, combined with recovering domestic production and, with little signs of the yen strengthening in the near future, more expensive imports.

The European Union is another key exporter of pork to the global market. Export forecasts for 2015 indicate a 2% year-on-year rise, to 2.2 million tonnes, despite a predicted slowdown in production, following poor returns in 2014. Stronger exports are largely driven by diversification into Asian markets to offset of the loss of EU's largest market, Russia. Russia imposed import restrictions on EU pork in February 2014 when ASF cases were detected in Poland and Lithuania. It accounted for a quarter of the EU's pork exports and this raised supply levels on the continent. Competition on global export markets intensified when Russia also placed restrictions on the US and Canada. However, in contrast to the US, EU pig prices have been under pressure from the extra supplies, making EU pork more attractive for importers.

As a result of the Russian bans, Brazil has gained massively and Russia now represents half of Brazil's pork export value. With restrictions imposed on all the other major exporters, industry reports suggest that Russia is strengthening trade with Brazil. This trend is likely to continue into next year and Brazilian production and exports are forecast to increase in 2015. Despite this growth, Russian imports are forecast to decline by a further 19% next year, having dropped by nearly half in 2014. While this will be partly offset by a forecast 18% rise in production across the two years, Russian pork consumption is still set to decline.

