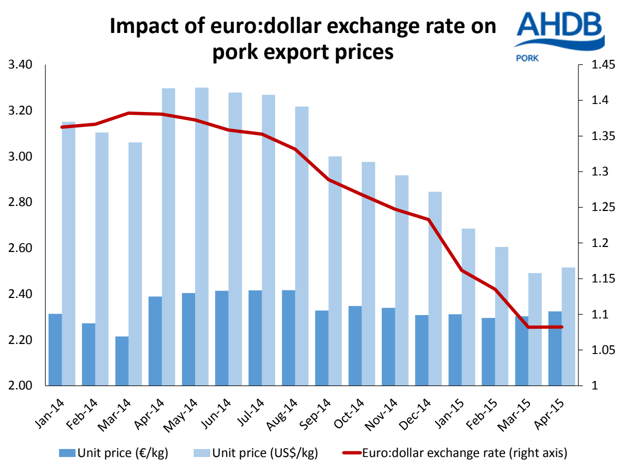
Smaller markets remain important to EU exports

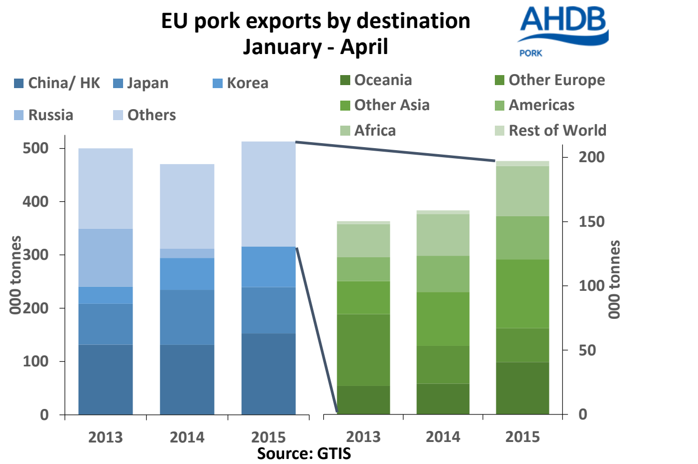
It is now a year and a half since Russia implemented the ban on imports of pork from the EU following the discovery of African Swine Fever in Poland and the Baltic states. This has had a huge effect on the EU pork market, with new markets needing to be found for products previously destined for Russia. Despite this, exports fared relatively well after the loss of the Russian market in 2014, with the exception of some by-products such as fats. Total fresh and frozen pork exports from the EU were down just 2% compared to the previous year and were actually above levels seen in 2012. Much of this excess went to well established markets in the Far East. However, increased volumes going to smaller, non-traditional markets were also a significant factor in maintaining the volumes shipped.

In December last year, we wrote about the increasing exports to these smaller destinations and questioned their long-term sustainability. We forecast a more difficult export environment for the EU in 2015 as shipments from the US were set to increase following its recovery form PEDv. In addition, production in some importing countries was also forecast to rebound following their own cases of PEDv or other diseases, reducing demand for imports.

However currency factors have been going in favour of exports from the EU. The current weakness of the euro and strength of the US dollar are increasing the competitiveness of products from the EU over those from the US. At the same time, industrial action at west coast ports in the US slowed exports to Asia and Oceania, causing a backlog which is still to be sorted despite the industrial action coming to an end.



As a result, despite the apparently bleak outlook for exports at the start of the year, shipments from the EU in the first four months of 2015 have actually increased by 9% to 513,000 tonnes. This is even higher than exports in 2013, when the EU was still shipping pork to Russia. This increase was in no small part down to the ongoing strength of exports to non-traditional markets, especially as volumes going to Japan, traditionally one of the EUs largest pork markets fell by 16% during this period.



Source: GTIS

One of the largest areas of growth for EU exports in 2014 was smaller markets in Asia, outside the established markets of China/Hong Kong, Japan and Korea. The largest of these were the Philippines, Singapore and Taiwan, all of which traditionally imported most of their pork from North America. These should have been the sort of markets at risk as the impact of PEDv declined. However, EU exports to all three increased in the first four months of 2015. Volumes going to the Philippines rose by 5% to 22,500, making it the seventh largest market for EU pork. Shipments to Taiwan almost doubled, reaching 11,400 tonnes, and those to Singapore were up by 19% at 9,600 tonnes.

The largest non-traditional growth market for EU exports in the first four months of 2015 was Australia, where 30,800 tonnes were exported, 60% more than the same period in 2014. This made it the fourth largest market for pork from the EU, up from seventh in 2014. Large increases were also seen in shipments going to New Zealand and South Africa, where volumes were up by 100% and 75% respectively.

Pork exports from the UK were actually down in this period but the majority of this fall came from intra-EU trade or established markets like Greater China. Volumes going to many of the smaller emerging markets actually increased, showing their potential importance to UK exporters as well.

The picture for the EU contrasts to that seen in the US. Despite there being increased volumes of pork on the market, its exports in the first four months of the year were back 8% year on year. Excluding the leading market, Mexico, which took more US pork, volumes were down 15%. US traders will, of course, be keen to win back some of these sales when conditions allow. However, if the dollar remains strong this could prove challenging. Nevertheless, EU exporters will need to build strong relationships in these new markets to ensure that they continue to provide good export opportunities in the longer-term.