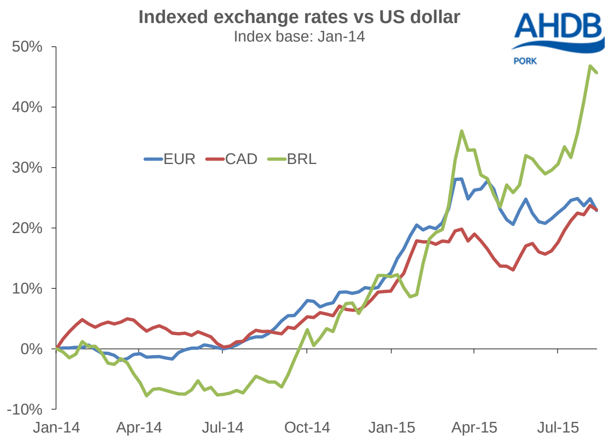
Trends in the global pork trade

2014 saw widespread disruption to the global pork market. This included Russia imposing sanctions on exports from many of the world's largest exporters and a series of disease outbreaks around the world. But has the first half of 2015 been more "normal" for the global pork trade?

The four most important exporters in the global pork market are the EU, the US, Canada and Brazil. Each has experienced different factors influencing its export trade in the first six months of 2015. Only the EU has seen an increase in shipments, with volumes up 7% at 765,600 tonnes. This has come as EU exports have recovered from the Russian ban imposed in January 2014, while the current weakness of the euro has made European exports more competitive.

Volumes being shipped from the US have fallen, despite a recovery from the PEDv that was affecting the industry this time last year leading to increased domestic production. Export volumes have declined by 5% to 764,200 tonnes, as the strength of the dollar has reduced the competitiveness of US pork on the world market.



Source: Pacific Exchange rate service

Canadian volumes were down by 6% at 415,100 tonnes, as the industry has been strongly affected by the Russian sanctions placed on Canadian pork exports in August 2014. In the first half of 2014, 18% of Canadian pork exports went to Russia and volumes have fallen to zero since the ban was imposed. With strong competition from the EU, Canada has struggled to find alternative markets for the surplus pork.

Brazilian shipments were down 4% at 193,600 tonnes, with much of the fall in shipments to secondary markets, while volumes going to its major buyers, notably Russia, were actually up on last year.

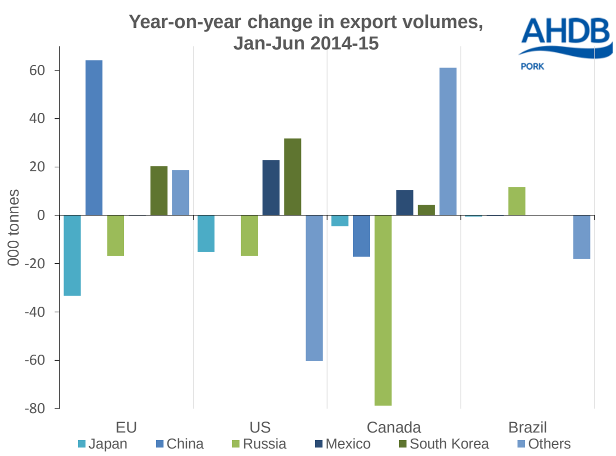
Volumes going to Japan, the world's largest importer (excluding intra-EU trade), fell in the first half of the year as domestic production continues to recover from PEDv, while stocks are reported to be high. This has led to a fall in volumes form the EU, the US and Canada.

In China, widespread culling of the Chinese herd in the past 18-months has led to a fall in domestic production and an increase in imports. Almost all of this increase came from the EU, from where volumes were almost 50% higher than in 2014. This came at the expense of pork from elsewhere, with volumes from the US down by almost half, while Canadian volumes were 43% lower. Brazil only shipped a small quantity to China as it has only recently received approval to resume exporting, so volumes could increase in future.

With Russia imposing bans or sanctions on three out of the four big exporters it is no surprise volumes from all three fell sharply in the first half of the year. Canada was the hardest hit by the sanctions, particularly as the EU was already excluded for most of the first half of 2014. Volumes going to Russia from Brazil were up in the period but fell well short of replacing the quantities previously sourced from elsewhere.

Mexican imports increased in the first half of the year, as it continued to suffer from PEDv. The majority of the higher volumes came from the US, the major supplier of pork to Mexico. Shipments from Canada to Mexico were also up in the period.

The effects of outbreaks of PEDv and FMD persist in South Korea, limiting domestic production. This led to a rise in volumes coming into the country from the EU, the US and Canada, with the US seeing the largest gain in volume.



Source: GTIS

Overall, it seems that global trade continues to be heavily affected by the events of last year, combined with the changing currency situation. This means other countries have been better able to compete with US prices, changing where pork is sourced from. However, with US export prices having fallen to be close to those from elsewhere, the dynamics of the global trade may switch again for the rest of this year. China is set to be the main growth market as other buyers recover from disease-related shortages, so much will depend on whether other suppliers can dent the EU's strong position there.