

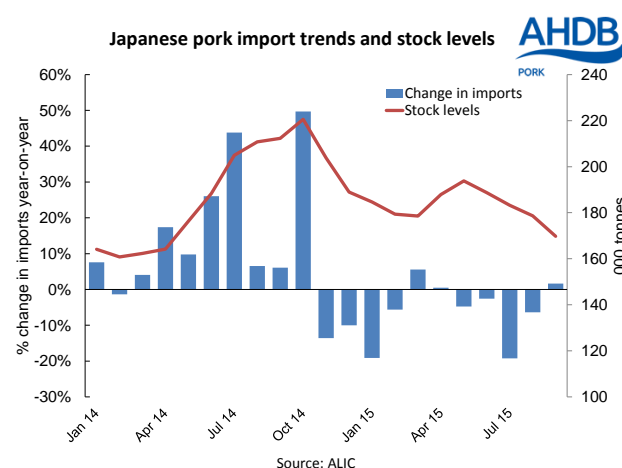
Contrasting trends in Japanese and Korean pig industries

Asia is a dominant region in the global pig industry, with major markets China, Japan and Korea showing growth in recent years. Outbreaks of disease have had a significant impact on the dynamics of these markets, with imports becoming more important, as domestic demand needed to be met. All three have, therefore, become key markets for EU exporters, along with the counterparts in the US and Canada, particularly since the closure of the Russian market last year. Whilst China is often covered in detail, it is also worth a look at the other two countries to see how they have developed during 2015 and what the future holds.

During the last year, contrasting trends have been apparent in Japan and Korea, with pork imports and consumption moving in different directions. The somewhat subdued economy in Japan has hindered growth within its pork industry, unlike Korea, where demand continues to grow.

Throughout 2015, signs of recovery have been present in Japan's domestic pig industry, as the country moves forward from the outbreaks of PEDv which first occurred towards the end of 2013. With the disease peaking slightly later than in the US, regrowth in Japan's pork industry took a little longer, with the impact on production at its maximum in late 2014.

Therefore, high volumes of pork needed to be imported through most of last year, peaking in October. However, as the recovery continued, the demand for pork remained subdued and stock levels built up. As a result, for the first nine months of 2015, imports were running 6% lower year on year, allowing stocks to return to more normal levels.

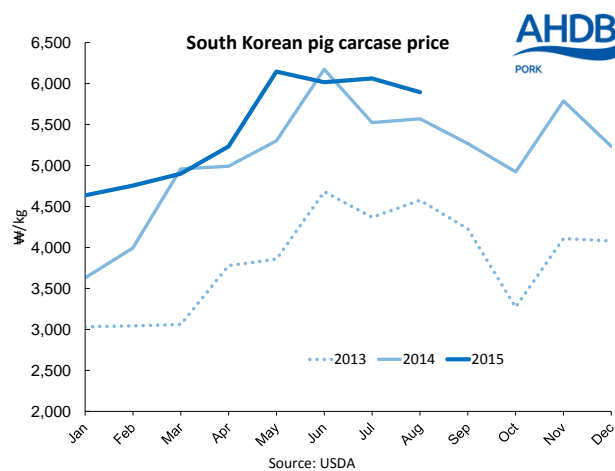


High pig prices have been observed in Japan throughout the last two years but are expected to drop off slightly as production picks up once again. In October, the wholesale carcass price in Tokyo, measured by the excellent grade, stood at ¥461/kg, the lowest monthly price since January 2014. This is ¥72 behind the corresponding price last year, hinting that prices could come under pressure in the months

to come. However, the price for the first ten months of 2015 is still averaging higher on the year.

In contrast to the story in Japan, the pork industry in Korea shows more positivity. With the backdrop of a strong economy and high levels of consumer demand, the industry has shown signs of growth recently. Sow numbers have increased since the end of 2013 as high prices incentivised farmers to grow their herd. As at June 2015, the breeding herd totalled 948,000 sows, the highest since June 2013. Total slaughter levels also recorded an increase year on year.

In 2013, profit margins for Korean pig farmers suffered, when carcass prices dropped below the breakeven point of ₩4,000/kg. Since then, prices have been rising year on year, standing at ₩5,895/kg for August 2015, ahead by ₩324 compared to the same month in 2014. As stated earlier, these high prices are likely to encourage farmers to increase their herd sizes further, which could have the potential to reduce prices in the future, as supply and demand is pivotal.



Despite rising domestic production, imports of pork into Korea have grown during the first half of 2015, with volumes ahead by 35% compared to 2014. This emphasises the strength of consumer demand for pork, aided by outbreaks of Avian Influenza, which have encouraged consumers to switch from poultry meat to pork. Alongside this, a range of promotional campaigns within Korea have helped increase consumption.

Looking ahead into 2016, USDA forecasts that imports will continue to decrease for Japan, as domestic production picks up slightly and consumer demand is expected to stay subdued. For Korea, high inventory levels are projected to lead to a further increase in total pork production in 2016. With consumption also forecast to rise, Korean imports are expected to edge up in 2016 but growth will be much slower than in 2015. In combination, it seems that these two key importers will not need any more pork next year. This means exporters may need to look elsewhere to find homes for any increase in pig meat supplies.