



CONSUMPTION
OF BEEF
IN EUROPE
ROSE BY
2,5%

Meat, and a dash of humour

It's the evening of 12 September 2018. Suddenly the phone rings: it's René Maillard. Telling me that African Swine Fever (ASF) has been diagnosed in a number of wild boar. Where, in Germany? The Netherlands? No, near Arlon, in Belgium. In the ensuing silence, we both take stock of the possible implications of this unhappy news.

However, we both approach it from a different standpoint. René looking back on his long career in the meat sector. A career that started in 1985 with an outbreak of the same animal disease. From experience, he knows the far-reaching and long-lasting consequences that such an outbreak can have – for anyone ever confronted with it. I myself look forward, convinced that in Belgium we will be able to handle this problem adequately and quickly.

We're both right. The government and the sector take decisive action to eradicate the disease as fast as possible. That even leads to a lovely compliment from European Commissioner Phil Hogan. But also ... that it will take a while. Not least since the problem is occurring (exclusively) in a wild population that is difficult to control.

Our customers rightly have questions about how we handle the matter. You can read more about that in this newsletter. Additional information is also available on our own website and that of the FASFC (Federal Agency for the Safety of The Food Chain). We are determined to quickly eradicate this animal disease and definitely keep it out of our pigsties.

At the same time, looking at the events in China, we are concerned. The disease is reaching epidemic proportions and it seems that the entire production will be affected for a long time. China, which represents half the production and consumption of pork. René and I agree: as a result of this epidemic, the face of Chinese industry will look completely differently in time. You can read all about it on the next few pages.

René will start his well-earned retirement soon. Oh irony, start and finish ... with ASF. There's humour in there somewhere. Which is one thing René is never lacking. I'll miss that.

**'THE GOVERNMENT AND
THE SECTOR TAKE DECISIVE
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POSSIBLE.'**



Joris Coenen



Are our cows destroying the climate?

Meat has become a popular target during climate actions. Everyone is being urged to consume less meat to save the climate. The main argument for this is that meat production is an important, if not the most important, cause of greenhouse gases.

This misconception finds its origin in a study by the FAO (Food and Agricultural Organization of the United Nations) titled 'Livestock's Long Shadow'.

This study received a great deal of attention internationally and claimed that meat production was responsible for 18% of global greenhouse gas emissions. This would mean that meat production is more harmful for the environment than the transport sector. However, this comparison departed from different assumptions

A better calculation

When calculating the climate impact of meat production, after all, the entire chain was taken into account: from the emission for the production of fertilisers and growing the feed to the emissions of the animals themselves. For the transport sector, on the other hand, only the emission of the finished vehicles was calculated. In this case, the emission of the entire chain was not taken into account.

The FAO acknowledged this mistake but the rectification received a lot less attention than the original study. If the calculation for the agricultural sector were done in the same way as for the transport sector, then the agricultural sector is only responsible for 5% of the global emission of greenhouse gases. In 2016, the emission of greenhouse gases by the agricultural sector in Europe came to 10%.

'THE AGRICULTURAL SECTOR IS ONLY RESPONSIBLE FOR 5% OF THE DIRECT GLOBAL EMISSION OF GREENHOUSE GASES.'

Source: IPCC Sectorial approach

Forgotten positive aspects of meat

The positive aspects of meat are being snowed under by negative media coverage. For example, it is often forgotten that sometimes livestock is the only good use of the agricultural land since it is not possible to grow crops everywhere. What's more, livestock farming is the main source of income for a large part of the population in developing countries. Meat also contains a number of essential nutrients that plants do not contain at all or only in far lower concentrations (e.g. zinc, iron and vitamin B). And these are only a few examples.

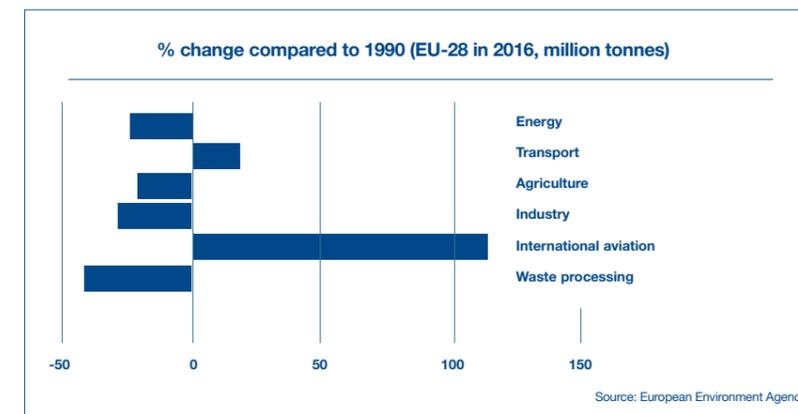
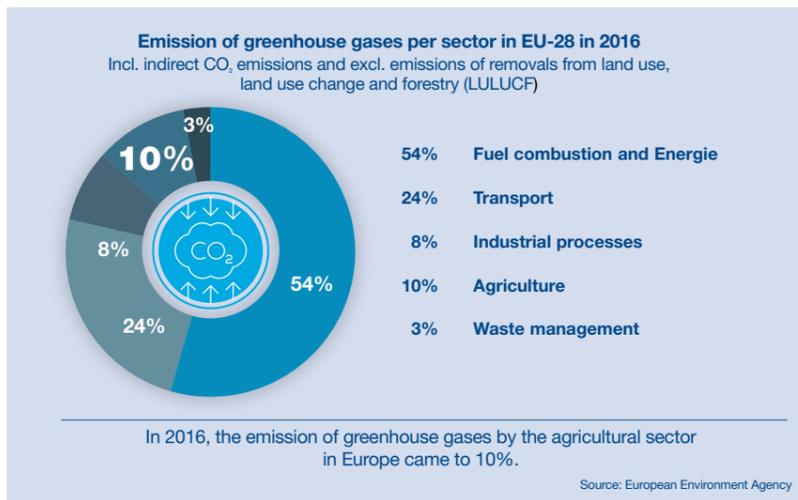
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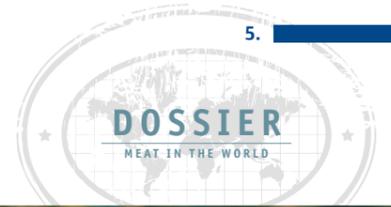
DETECTION OF AFRICAN SWINE FEVER IN BELGIUM

On 14 September 2018, the Federal Agency for the Safety of the Food Chain (FASFC) communicated the diagnosis of Africa Swine Fever (ASF virus) in two boars in the south of the Belgian province of Luxembourg. The region has very few domesticated pigs (the majority of the domesticated pigs are in the northern part of Belgium). It is a very contagious viral disease that affects only pigs and boars.



Follow the latest developments of the ASF via our new site www.belgianmeat.com where you can access the official reports by the Belgian Food Agency directly.





Meat in the world

PRODUCTION
-
TRADE
-
CONSUMPTION

Increase of the global production

In 2018, the global demand for meat was strong despite the increasing headwind in developed countries. Favourable feed prices as a result of a record cereal harvest were a boost for the producers of monogastric animals.

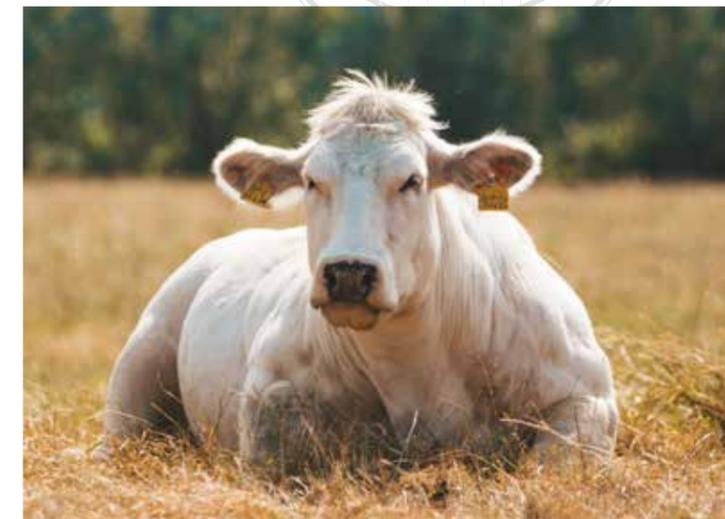
In addition, grazing conditions were good in most parts of the world (with the exception of Australia, Canada and Northern Europe which suffered from drought), despite the fact that 2018 was one of the hottest years since records began.

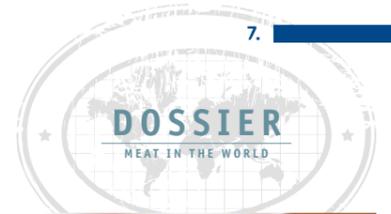
Turnabout after oversupply

Productivity also improved in many countries. In 2018 there were signs of oversupply, which put the prices in some countries under pressure. However, outbreaks of African swine fever in China caused a turnabout. The increasing deficit on the Chinese market led to price increases and a rising demand for imports and probably also a fall in consumption.

Shift from pork to other types of meat

The shortages and price increases in pork caused a shift in demand for other types of meat which impacts the prices and production in the main exporting countries. The transition from traditional farms to modern, industrial structures in China is, however, accelerated as a result of this.





Increased trade for all types of meat

The growing global demand is being offset by rising production and last year resulted in increased trade figures for every kind of meat. The export share of global production rose last year for beef, sheep and goat, remained stable for pork and fell slightly for poultry.

A world without trade disputes was inconceivable in 2018 and above all the USA and Brazil were affected. It's not unlikely that Europe can profit from the trade war between the USA and China for the export of pork. The growing role of Asian countries in global imports means that there is haste to enter into a free-trade agreement in Asia.

What brings 2019?

An increase in trade is once again expected for 2019. The African swine fever will above all lead to a sharp increase for the trade in pork. Or is it still too early? There are still quite a few uncertainties linked to the Chinese demand for the next few years. The shortage as a result of the outbreaks of ASF will not last for ever and will accelerate China's agro-industrialisation.

Beef

• World

The beef sector continues to develop, albeit with price erosion of the recent peak levels. During the past few decades, the cattle population has grown constantly. This expansion cycle is now slowing down in the USA and Argentina and is coming to a complete standstill in Canada. In Brazil, the liquidation phase is slowing down and in Australia the drought is once again having an impact.

Transposed to production, it still means a lot of slaughterings due to the high prices for cattle, even if they are falling. Consumption has also risen due to the large supply and the good import demand from Asia is cushioning the increased export supply.

• Europe

In Europe, the sustained demand is leading to better prices. Production rose by just under 2%, triggered by the reduction of the suckler herd and the summer drought. This led to fodder shortages and an increase in the number of slaughterings.

In trade, there is no change in the import quotas and export continues to grow after a short fall in 2018. The European import of beef has risen for the first time after years of falling. The impact of CETA is starting to become visible and the volumes from Brazil and Argentina are also increasing after having remained at a low level for years.

Consumption of beef in Europe rose by 2.5%, partly as a result of better economic conditions in Europe and the rise in available income.



Pork

• World

Impossible to consider the pork sector without China as a player. The global pig population fell slightly following restructuring in China, that started due to food-safety and environmental issues. The outbreaks of African swine fever in China will further accelerate and strengthen the process towards industrialisation. In the other producing countries, however, the pig population is expected to grow.

The global production of pork is expected to rise in the medium term due to improved productivity and restructuring. In the short term, production will first fall as a result of the mortality rate and slaughterings due to ASF in China. Consumption will follow production and in the medium term grow after supply constraints in 2019.

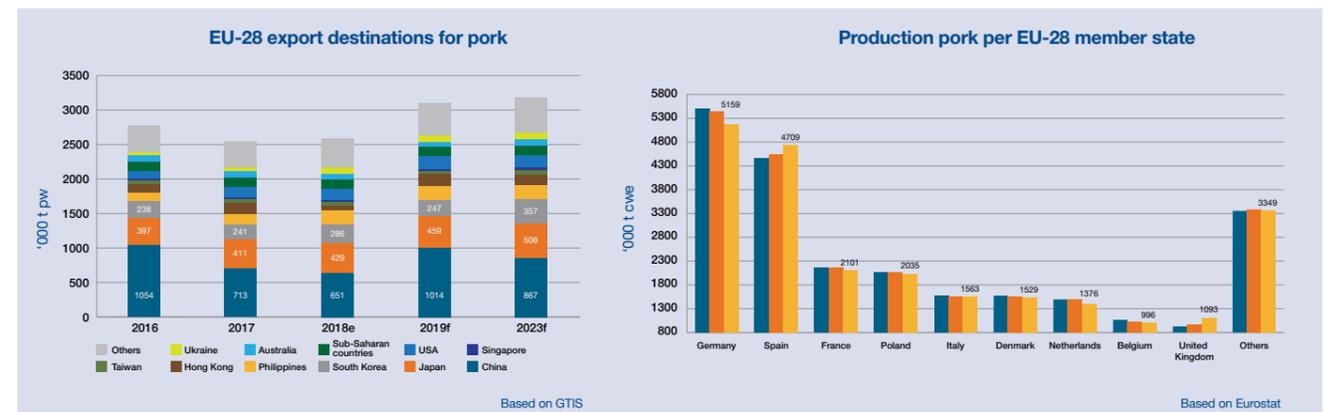
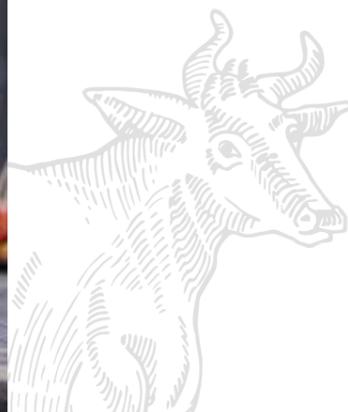
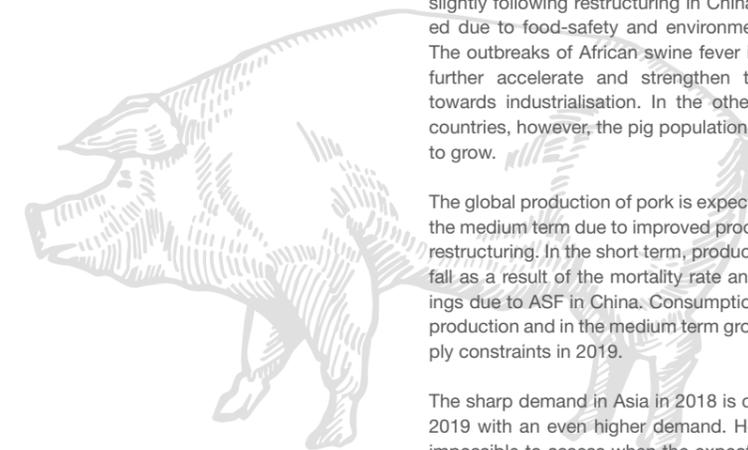
The sharp demand in Asia in 2018 is continuing in 2019 with an even higher demand. However, it is impossible to assess when the expected shortages will result in higher demand from China.

• Europe

A production peak for pork is expected in 2019. In Eastern Europe, it is difficult to maintain the production level due to the outbreaks of African swine fever. In Western Europe, greater demand is expected from China and other export markets. On the other hand, environmental issues and new consumer habits are also leading to falling consumption.

The European pig population will continue to grow in 2019, despite the expected reduction in the number of sows in the next few years. Every year, the productivity of sows is still increasing, which guarantees continuity of the productivity gains. In the medium term, the population may reduce slightly, leading to a minor decrease in production.

The expected Chinese demand and the demand from other markets outside the EU will push up the price of European pork in 2019. This on the assumption that there will not be any outbreaks of ASF amongst the major European players. The export markets remain the key to keeping the pork prices and producers economically viable.





Global meat consumption is on the increase

More meat is being eaten thanks to the growing world population and the rising available income. The recent global increase in meat consumption is even higher than that of fish.

This evolution can be attributed to on the one hand productivity gain and on the other affordability. As a result, meat has become more accessible for many people.

Meat is also increasingly better positioned on the market; better quality, convenience and broader differentiation are driving consumption. On the other hand, meat is still perceived as being expensive and there is increasing social pressure to eat less meat. Negative publicity and increasing environmental, animal welfare and health issues play a major role in this. Vegetarianism and flexitarianism are on the rise. However in the longer term, the consumption of meat will continue to grow.

Europe: expectations for 2019

In Europe, the recovery in meat consumption has stabilised. Until 2018, the population increase, economic growth, growing supply and favourable price led to a recovery in the consumption of meat in Europe. From 2019 onwards, the consumption of red meat is expected to fall whilst the consumption of poultry is expected to continue to rise.

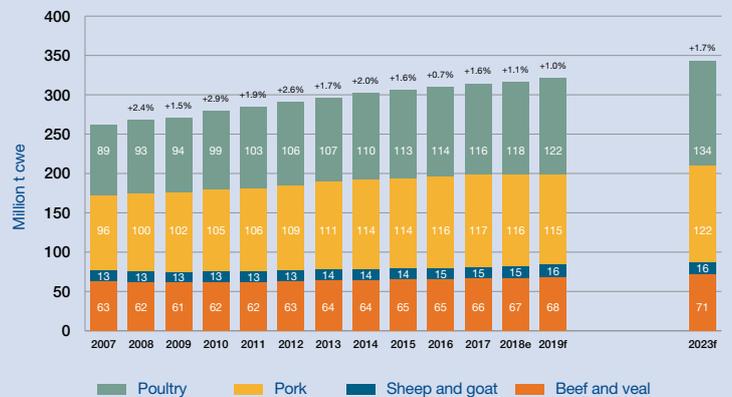


“In the longer term, the consumption of meat will continue to rise”

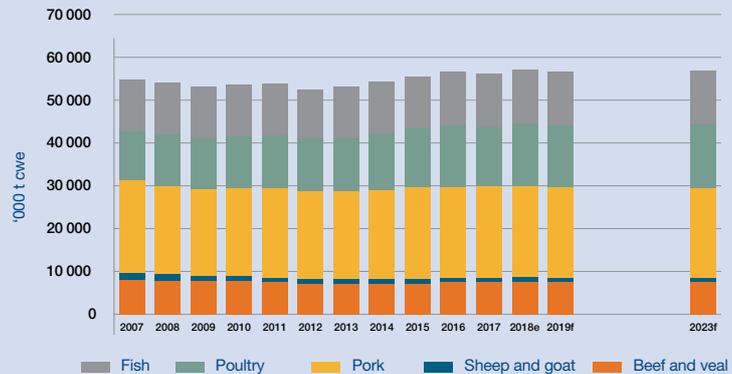
Global meat and fish consumption, 2007-2019f & 2023f



Global consumption of meat, 2007-2023f



EU meat consumption, 2007-2023f



Source: Gira compilations and forecasts