



IN 2019, THE GLOBAL  
TRADE ROSE WITH

**4,1%**

## Not business **as usual**

**They are minuscule, not visible to the naked eye, but they have major consequences. Viruses. The coronavirus and the ASF virus both have an impact on a global scale in their own way.**

**B**oth viruses are leading to unique situations. China lost over half of its pig herd as a result of ASF. The Asian market is hungry for imported proteins, from anywhere in the world. However, at the same time, as a result of the coronavirus, the machinery for bringing products to the market is stalling. The Chinese government has taken unprecedented measures to combat COVID-19. Wuhan, home to millions, has been locked down for weeks.

The combination is causing great uncertainty. On the next pages of this newsletter, we will try to estimate what the full impact will be. It is certain that trade will systematically return to normal, but the meat industry in Asia will look completely different.

### **Negative proof**

About eighteen months ago, Belgium was the first Western European country to be confronted with ASF in wild boar. The epidemic was not a complete surprise as it had been on the rise in Eastern Europe for a while. The loss of the ASF-free status, which does not differentiate between wild or domesticated pigs, more than halved exports to countries outside the EU.

Consistent and resolute measures ensured that the disease remained confined to a small area, and gradually it is becoming clear that the outbreak is under control. The ongoing search & destroy programme remains operational, but since 11 August 2019 only 6 positive samples have been found on old remains.

For the Belgian meat suppliers it is now crucial to regain the ASF-free status as soon as possible. However, that requires one of the most difficult forms of proof that exists: negative proof.

**'FOR THE BELGIAN  
MEAT SUPPLIERS  
IT IS NOW CRUCIAL  
TO REGAIN  
THE ASF-FREE STATUS  
AS SOON AS POSSIBLE.'**



Joris Coenen  
Manager Belgian Meat Office



# Global meat market

**The outbreaks of African swine fever in Asia have consequences for the global meat sector. For the first time in a long time, the global production and consumption of meat fell in 2019**

**P**reviously, a decrease in one type of meat was cushioned by an increase in the other types. Now, the impact of African swine fever in China is so great, that no other type of meat or producer can fill the existing gap. As a result, global trade is experiencing sharp growth with China as the driving force, pushing up prices.

## Production

Before the outbreaks of African swine fever, the global production of meat was heading for oversupply. In the meantime, it has however become clear that in 2020 and the following years, African swine fever will rearrange the meat market. Poultry will benefit most from the situation, as will the exporting pork producers. Feed costs are under control and production is

being increased. Ruminant production is under more pressure as a result of a combination of factors: climate issues and poor profitability at farm level prevent long-term investments.

## Trade

China was the most important driver for the 4.1% growth in the global trade in meat for every type of meat. Pork rose sharply thanks to the higher Chinese demand. The same happened with poultry. Beef also grew thanks to the North and South American supply, supplemented by the further slaughtering of the herd in Australia. In 2020, trade will further expand for primarily pork and poultry. Trade in beef will also rise further, but less pronouncedly since the offer will not always be available, especially in Australia.

## Consumption

Global consumption fell by almost 4% in 2019. This decrease can be entirely attributed to the reduced consumption of pork due to the insufficient supply in China and other Asian countries. In turn, beef experienced slight growth by 1.3% and poultry good growth by 4.9%. If China is not included, global consumption grew by 1.2%.

In comparison, fish consumption is on the winning hand. Historically, meat lost market share to fish in the group of animal proteins. However, in the last few years, meat has had a better compound annual growth rate (CAGR) than fish, due to the higher fish prices on some markets and the insufficient supply of fish (wild and aquaculture).

## Belgium on the global meat market

Belgium is only a speck on the world map, but it certainly has a place in the global meat trade. As a global exporter of pork, Belgium is only preceded by 6 countries that export more and those are the major producers: Germany, the United States, Spain, Denmark, the Netherlands and Canada.

It does look as if Belgium has exported less in 2019 than in 2018. This can be explained by the 5% fall in the number of slaughters and the impact of African swine fever amongst wild boar. However, the Belgian approach has borne fruit; the outbreak is now under control. There is hope that the free status can soon be regained.

[ see also the back cover of this newsletter: African swine fever: Belgium on its way to victory ]

As far as beef is concerned, Belgium is in creditable 17th place in the global exports list. Here too, fewer animals were slaughtered in 2019 than the year before.



PORK



POULTRY MEAT

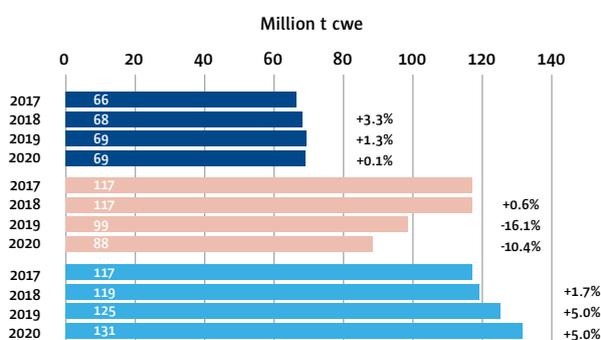


BEEF & VEAL



SHEEP & GOAT

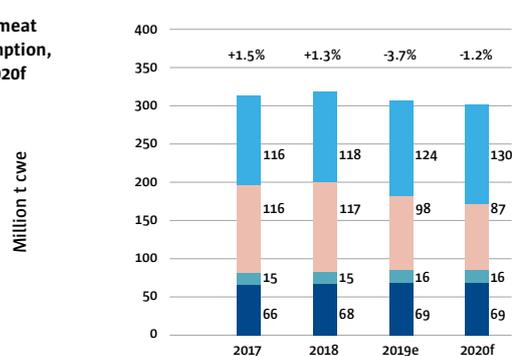
World meat production, 2017-2020f



International meat trade volumes, 2017-2020f



World meat consumption, 2017-2020f



Source: Gira



# Pork

**In view of the importance of Asia, and more particularly China, a change in that region has a global impact on the pork sector. The current outbreak of African swine fever has consequences for the global pork industry and even has repercussions on the other types of meat.**

The global pig herd was already experiencing a downward trend. Above all, thanks to the food safety and environmental-driven restructurings in China, but African swine fever further strengthened this trend despite the growth of the herd in most of the other regions. In 2019, production already fell sharply and this will continue in 2020 due to the amount of time that China will need to rebuild its pig herd. Consumption will follow production and will fall, but it will rise again in the medium term. In turn, trade will rise sharply in view of the shortages in Asia. Only the supply limits trade.



## Production

From 2000 to 2018, global pork production experienced linear growth thanks to a larger and more productive herd which resulted in heavier carcasses over the years. After the catastrophic impact of African swine fever on production in 2019 and 2020, it is expected to recover by 2024. Recovery in China was anticipated for the end of 2020 but as a result of the coronavirus, it will probably be by the beginning of 2021, and even a little later in the other Asian countries.

In the medium term, European production will fall in view of the societal pressure on pig farming, but production will increase in Russia and America. Productivity will increase everywhere with more efficient pig farming and more vertical integration. Backyard farming will disappear in Asia.

## Trade

In view of the situation in China and the rest of Asia, the trade in pork will nothing but increase in 2020. Asia will represent two thirds of total imports in 2020 with China as the most important destination. In the rest of the world, however, trade is stabilising due to the limited offer and strong prices. Exports to Canada and the United States are falling because both countries have increasing production and the need for imports is disappearing. Protectionism is bearing fruit in Russia. Imports are not rising and Russia is even well on its way to becoming a small exporter. The export of pork is in the hands of four main players: Europe, Canada, the USA and Brazil. All exporting countries focus on the most lucrative markets which results in shortages on the own domestic markets and at times even on other export markets.

## Consumption

Worldwide the consumption of pork is evolving in a positive way, except in Europe where demand will fall further. The days of cheap pork as a result of low feed costs in Europe are over. The Asian prices are 'depriving' Europe of pork. As a result, prices are also rising in Europe. In addition, the anti-meat discussion is gaining ground in Europe so there is even more pressure on consumption.

## Europe

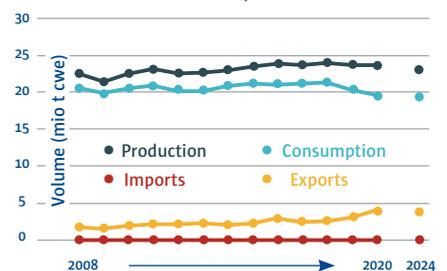
In the last few years, European production stabilised at around 24 million tonnes. The good profitability in 2016 and 2017 led to increasing production in 2018 but gradually the market came under pressure. The downward trend in the sow herd is partly compensated by the increased productivity but consumption will go down in the long term.

In 2019, production fell by just under one percent. France and Spain experienced an increase in production, whilst in the Netherlands, Germany, Belgium and Poland production fell. The large stock was quickly eliminated at the beginning of 2019 due to the increased demand from China. Falling availability of pork on the European market is partly responsible for the falling consumption in Europe.

Under the influence of sustainable demand from the export markets, stable production is expected for 2020. Prices will also be sustainable and probably even rise. Despite these good prospects, there is little room for a rise in production. Space is only available in Spain and some regions of France. In Eastern Europe, African swine fever is a problem and in the north (Denmark, Netherlands, Germany and Belgium), there is pressure from society (animal welfare and the environment) and a demographic problem (no successors and a lack of workers). Normally, Chinese demand will continue in 2020 which offers good perspectives for the pork market.

In the longer term, (2024) a fall in production in line with the fall in consumption is a likely outcome. Major producers will maintain their production level and the older producers will stop without there being any successors.

**EU Pork Balance, 2008-2020f, 2024f**



Source: Gira compilations

## United States

Growth is the keyword in American pork production. The sow herd has grown by 1% and the number of pigs also rose by 3%. The number of animals slaughtered also went up with 4%. Imports fell by 10% and exports rose by 6%. Consumption also follows the positive trend, rising by 2.5%. However, the trade wars with both Mexico and China were also an important issue that was resolved in the course of 2019. In addition, the additional capacity of the packers gradually became available during the year. Production was far higher than expected thanks to the productivity of the sow herd causing the price increases to be disappointing.

The sow herd looks set to grow even further in 2020, as will production. Exports will rise by another 25% thanks to the high demand in China and prices will recover thanks to the African swine fever. In the longer term, the United States will become a more important player in the global export of pork.

## China

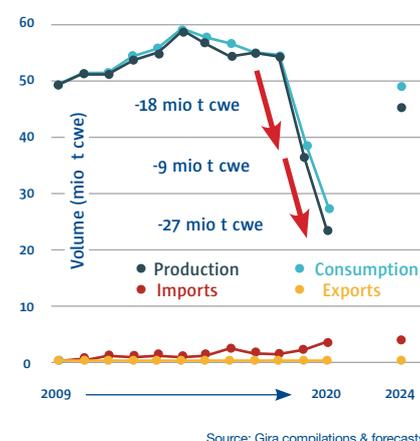
In 2017, 62% of the meat consumed in China was pork. That amounted to 54 million tonnes of meat. In 2020, there is a shortage of around 24 million tonnes or almost half of the consumption. The herd has been reduced by over half to just under 200 million pigs. This means all hands on deck to find the necessary proteins for China.

In the last few years, China's import volumes have been rather volatile. After the sharp rise of 2016, 2017 and 2018 were rather disappointing, whilst there was once again high demand in 2019 (+60% compared to 2018) to close the gap caused by the African swine fever crisis. In 2020, import volumes will continue to rise so that China alone will represent 40% of the global trade in pork. An increasing number of companies are being approved for direct access to China and the grey channel via Hong Kong is fading. Europe remains the main supplier, but the USA and Canada also continue to be important exporters despite the tariffs and the Huawei incident respectively. Brazil, finally, completes the list. Import is also shifting to larger cuts and half carcasses.

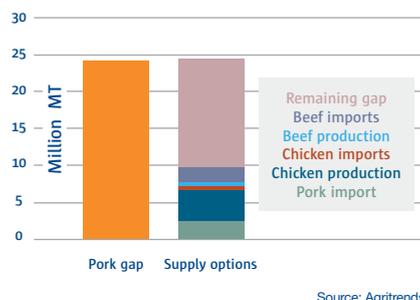
Chinese demand for imports will remain high until the end of 2024 but will not continue indefinitely. The Chinese government sees the rebuilding of the pig herd as a priority and will provide the necessary resources.

At the moment, however, no one is succeeding in overcoming the shortage that has arisen in China. The shortage as a result of the outbreak of African swine fever and the accompanying decrease in the pig herd in China is estimated at 24 million tonnes for 2020. The import of pork is expected to rise further. And that of poultry and beef will also increase, but to a lesser degree. The production of poultry and beef will also increase, but a gap of 15 million tonnes still remains that is not being addressed. This will lead to a change in the consumption pattern with a loss of 10 to 15% in the meat basket for pork.

China Pork Balance 2009-2024f



2020f vs. 2017



# Beef

Over the past decade, the global herd has been growing slowly but surely. The main growth is occurring on emerging markets such as Sub-Saharan Africa and Asia. However, in 2019 the growth in production was stronger than in previous years.

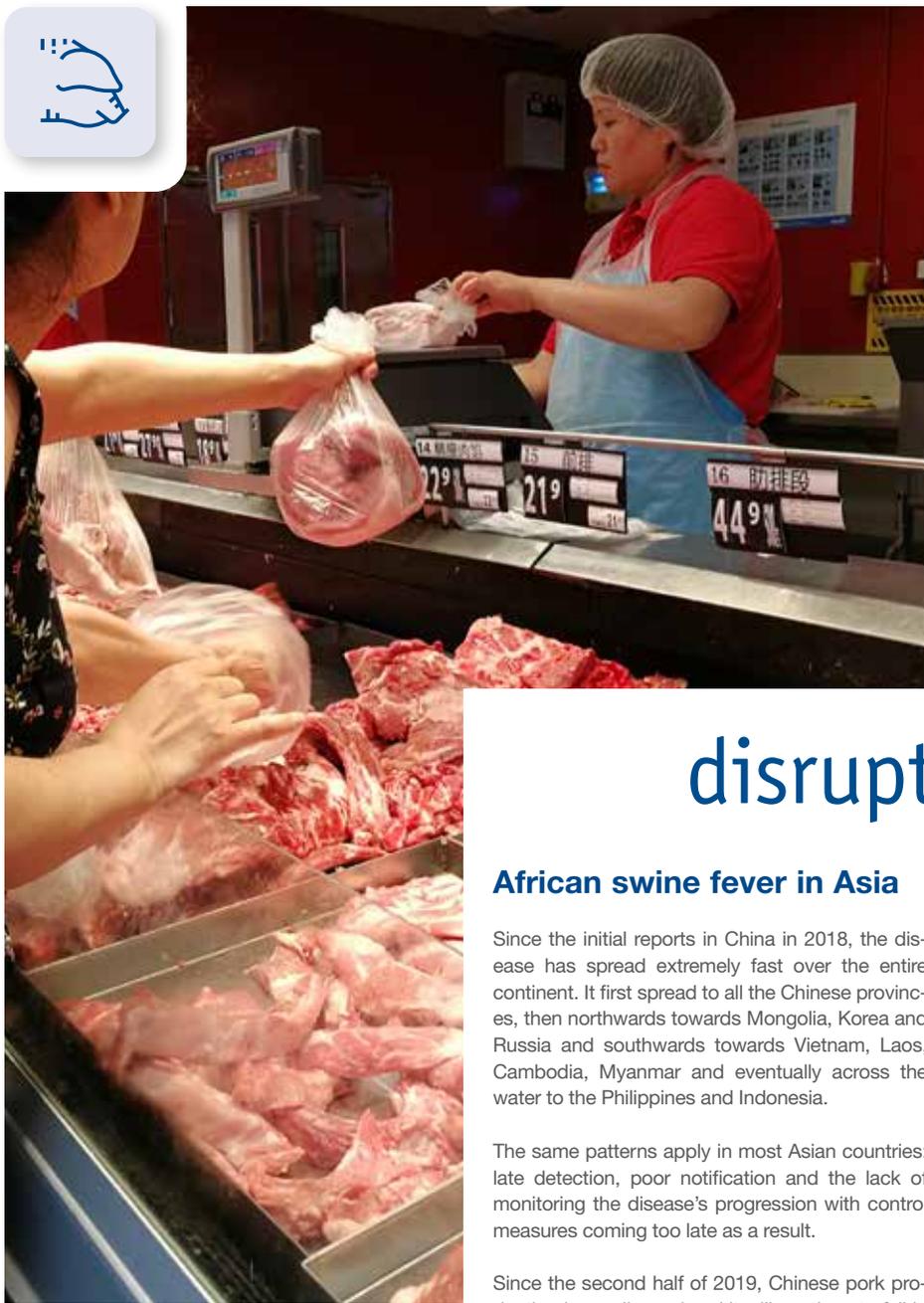


More animals were slaughtered due to the higher livestock prices and the average carcass weight continues to increase steadily. Consumption is growing along with the extra production. Trade, in turn, is also flourishing thanks to the higher demand from Asia and the supply that is available. This growth is expected to continue in 2020.

## The European beef sector

It is a different story in Europe. In 2018, large stocks and strong production linked to weak demand lead to falling prices on the European beef market. However, production also fell in 2019. As a result of the sluggish economy and widespread negative media attention due to climate change, consumption fell further in 2019. Exports, on the other hand, rose by 9% thanks to high Asian demand. It is mainly Ireland that can benefit following the approval of 14 producers giving them direct access to China. European imports shrank by just under 4% as a result of falling demand and major exporters focussing on Asia.

In 2020, a further reduction in production is expected. In addition, consumption will also remain weak and fall faster than production. Prices will recover compared to 2019 since the herd is shrinking, but at the same time, recovery will be tempered by falling demand for mostly the better cuts.



# What will disrupt the market?

## African swine fever in Asia

Since the initial reports in China in 2018, the disease has spread extremely fast over the entire continent. It first spread to all the Chinese provinces, then northwards towards Mongolia, Korea and Russia and southwards towards Vietnam, Laos, Cambodia, Myanmar and eventually across the water to the Philippines and Indonesia.

The same patterns apply in most Asian countries: late detection, poor notification and the lack of monitoring the disease's progression with control measures coming too late as a result.

Since the second half of 2019, Chinese pork production has collapsed and it will continue to fall in 2020. A similar trend is visible in Vietnam and other significant producers in the region. Chinese prices rose sharply at the end of 2019 due to the shortage and the demand for imports exploded.

The motivation to increase production is strong, but there are major risks. The need for investments in biosecurity is great. In the exporting countries, farmers can reap the benefits of the sharply rising prices, but there is a reticence to invest in higher production due to the fear of a market crash if the demand for imports in Asia normalises.

## The consequences for trade

In this case, importing pork to make up the shortage in Asia is not a solution. In 2018, the global trade in pork was eight million tonnes. In 2020, the shortage will largely exceed that volume. In China, the shortage is 24 million tonnes, in Vietnam between one and a half and two million tonnes and in the Philippines, it is 700,000 kg.

However, the higher prices are stimulating the global trade in pork. The main exporters are producing more and are 'depriving' their own domestic market of pork. Exports to destinations that yield less profit are drying up and China will take precedence over Vietnam and other Asian countries as an export destination.

The rising production of poultry will offer a short-term solution but not a sustainable one. Many pig farmers have already switched to other sources of income due to the high risk of repopulating their sties with pigs. Switching to poultry is possible at minimum cost.

## New pig farming

In the long term, the market will redevelop with large-scale pig farmers with a better biosecurity system. Mega investments will support the recovery of pig farming. The expectation is that African swine fever will remain endemic so the industry will have to take that into account. Small farmers cannot afford the necessary security measures. As a result, the focus will shift to major integration from feed to slaughterhouse.

## The effects of the Coronavirus

The Coronavirus has disrupted “business as usual” in China and, consequently, in the rest of the world. The three biggest Chinese ports are backed up with containers, disrupting both the national and global supply chain for several industries, including meat and livestock, and slowing down export to China. Aside from these short-term effects, the virus will mostly likely also have some long-term effects on the Chinese and global economy.

### Immediate effects on China

COVID-19 originated in China, which has been severely affected by the disease on several levels. The virus has had and will continue to have a noticeable effect on the Chinese economy in 2020. The three biggest ports in the country are backed up with containers, causing distribution and supply issues for both import and export products.

In addition, there is a weaker demand from the Chinese who at this point in time rarely – if at all – leave their houses, not only in fear of contracting the disease but also due to the government’s travel restrictions. As a result, there’s an increase in e-commerce but this increased demand cannot be met due to the previously mentioned distribution and supply issues.

### Backed up harbours and ports

All available reefer plug-ins in Shanghai, Ningbo and Tianjin are occupied. Due to the scarcity of plug-ins, some reefers have been corrupted. Others have been shipped to Hong Kong, Japan, Singapore or South Korea where the containers will temporarily be stocked.

Exports have to face the consequences. CMA CGM, MAERSK, ONE, APL, and ZIM have all announced a 1,000 USD/container surcharge of freight rates. The surcharges are used for transferring cargo to the other harbours mentioned above.

### The root causes of the backlog in Chinese ports

A port labour shortage and the nationwide travel restrictions, which are strongly correlated, are considered to be the root causes of the backlog in China. Most workers went back to their hometown to celebrate Chinese New Year. During this time, the outbreak of the Coronavirus struck China, which prompted the government to prolong the holiday period and to impose nationwide travel restrictions. These restrictions were much more severe than those during the SARS period. Consequently, workers found it hard – or impossible – to travel back to their workplace. The ports were therefore short-staffed. It’s also important to note that the Lunar New Year holiday is the peak of consumption for China. Freezers full of product for Chinese New Year were simply not consumed, which also added to the backlog.

However, the Chinese are gradually returning to work as the transportations limits are being lifted. When the virus is under control, the situation will surely improve. But the supply chain will take time to fully recover.

### Slowing of exports to China

It has taken a while to measure the impact of the backed up ports on the meat trade but it is now safe to say export volumes are lower than expected. This is mostly due to the added risk of shipping to China and the extra freight rates, as mentioned above. As a result, exporters are putting products in storage but this comes with extra costs and a shelf life challenge, not to mention dealing with the backlog issue in the Chinese ports.

### Other factors to consider

There is a strong possibility that several food service chains, as well as multiple independents, will go bust. In addition, workers throughout China have not been getting paid and will have to adjust their lifestyles accordingly.

There are also multiple farm problems. Farmers can’t bring in feed, with animals short rationed, starving and many dying. The farmers can’t move livestock out to slaughter as there’s a lack of trucks and slaughterhouses are not operating.



### Global economic downturn

The global effects of the Coronavirus – and China’s issues in dealing with it – go beyond the meat trade. The most notable ones are the following: a disruption in the supply chain, lost tourism revenue, and a downturn in Chinese demand for imported products.

#### Supply chain disruption impacts several industries

The livestock industry is becoming aware of a gap in China’s supply chain. Furthermore, the impact is most notable on low-cost, generic versions of medicines and low-tech additives. It is also very likely that productivity in some Asian markets will be impacted. In addition, new supplies and / or equipment will accumulate due to factories shutting down and the backlog in the Chinese harbours.

#### Lost tourist income

Chinese tourists are major contributors to a number of economies. This is starting to become a problem as few Chinese are currently traveling. Most Chinese are worried about traveling in their country, let alone internationally, so they stay home. There are those who are willing to travel but they can’t because they’re not allowed to enter some destination countries without a quarantine period.

The impact on popular destination countries is clear: less Chinese tourists means less income for hotels, restaurants, shops, etc. And the loss of Chinese tourists is not a small one. To give an example: 25% of Thailand’s tourists are Chinese, with the Chinese spending USD 2,000 on average.



# African swine fever: Belgium on its way to victory

The Belgian strategy for combatting African swine fever in wild boar and preventing the further spread of the disease is bearing fruit. The number of cases has dropped sharply and the end of the virus seems to be nigh.

Belgium has always been free of African swine fever in domesticated pigs and still is. On 13 September 2018, African swine fever was first observed on Belgian territory in two wild boars near to Etalle, in the province of Luxembourg, the southernmost province of Belgium. Until today, 4970 wild boars have been analysed, of which 833 tested positive. As of March 2019, the number of cases in Belgium dropped sharply and further spread of the virus was prevented. This is the result of strict measures implemented by the competent authorities.

The latest outbreak of African swine fever in an animal that died recently dates back to 11 August 2019. That was the only case in August. No new cases have been discovered since September, only infected bones. In 4 of the 6 cases, the remains were more than 6 months old. The last wild boar that was infected with African swine fever is said to have died somewhere between the beginning of July and the beginning of October.

So the prospects are positive for Belgium. In March 2019, the Czech Republic regained its ASF-free status and allegedly Belgium might be the next country according to the EFSA<sup>1</sup>. In both countries it was a case of an isolated introduction, far removed from other outbreaks.

(1) EFSA Journal 18 December 2019 - Epidemiological analyses of African swine fever in the European Union (November 2018 to October 2019)

Follow the latest developments of African Swine Fever on the website of the Belgian Food Agency.

