Chinese Meat Imports in context of CN economy and world pigmeat trade

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for

Pigmeat Working Group of European Commission

extracted from Gira Meat Club, (Dec 2017)

April 12th 2018

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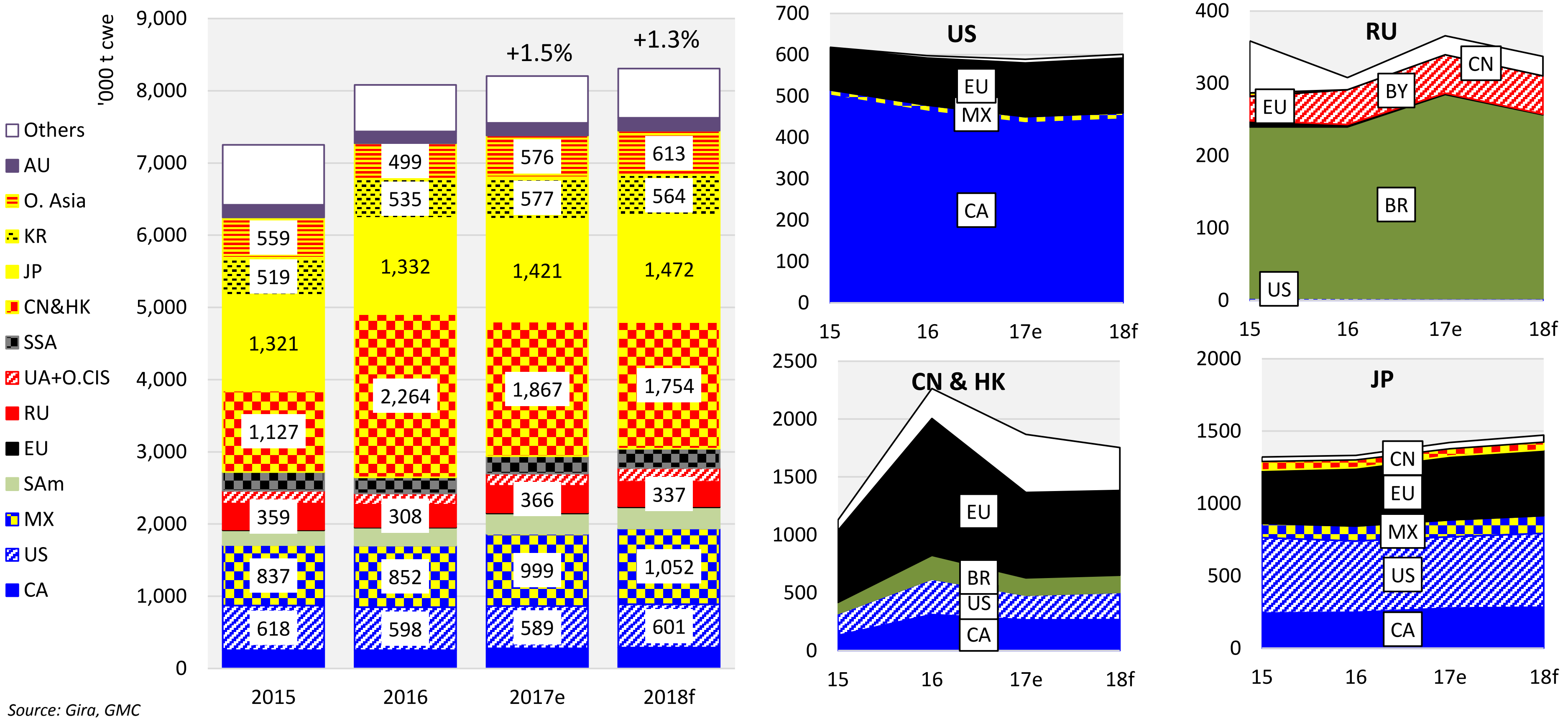
Global pork importers

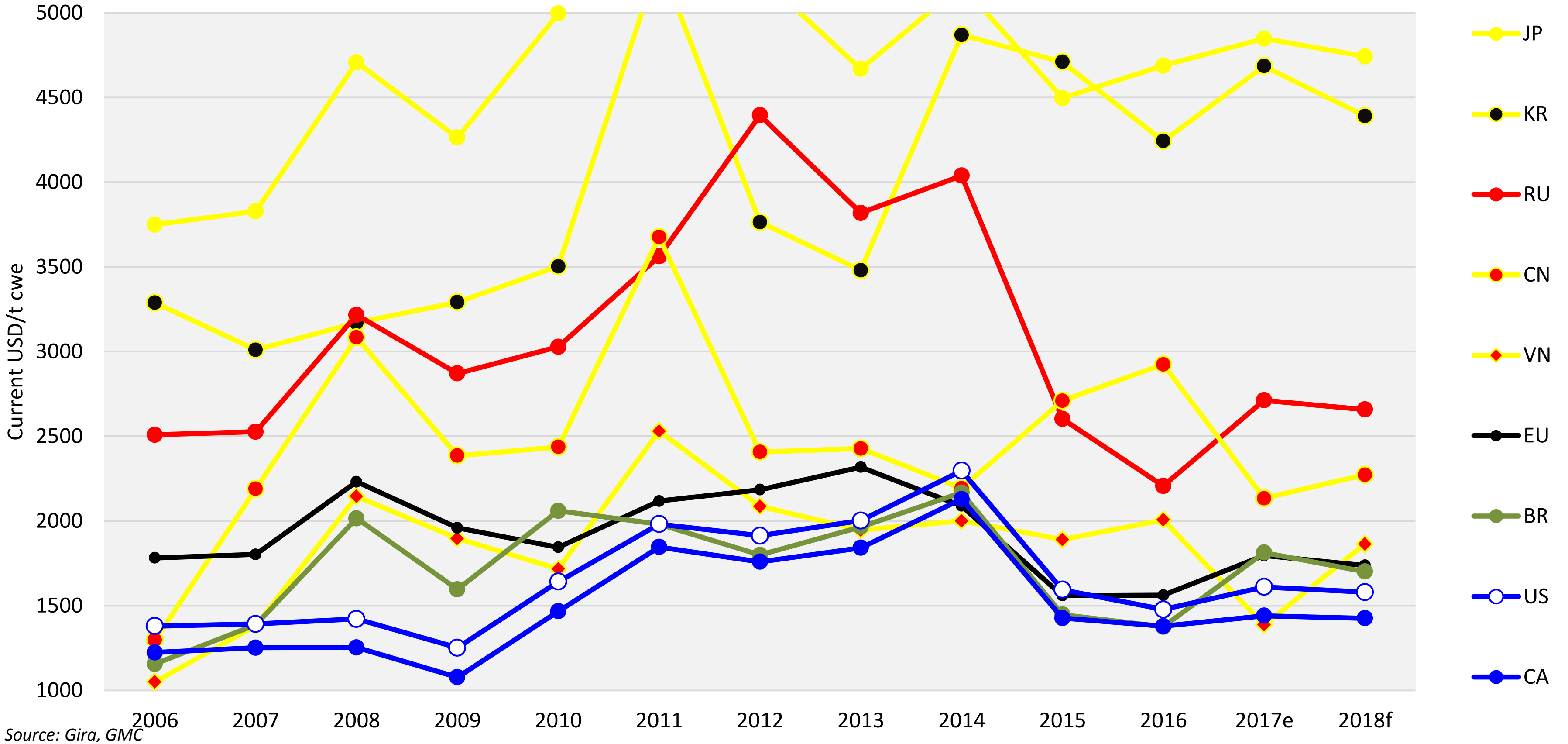
Further rises, even after the dramatic, +11%, 2016 jump



Source: Gira, GMC

Pork producer prices (USD/t cwe), 2006-18f

2018 trend will be highly dependent on CN import demand strength

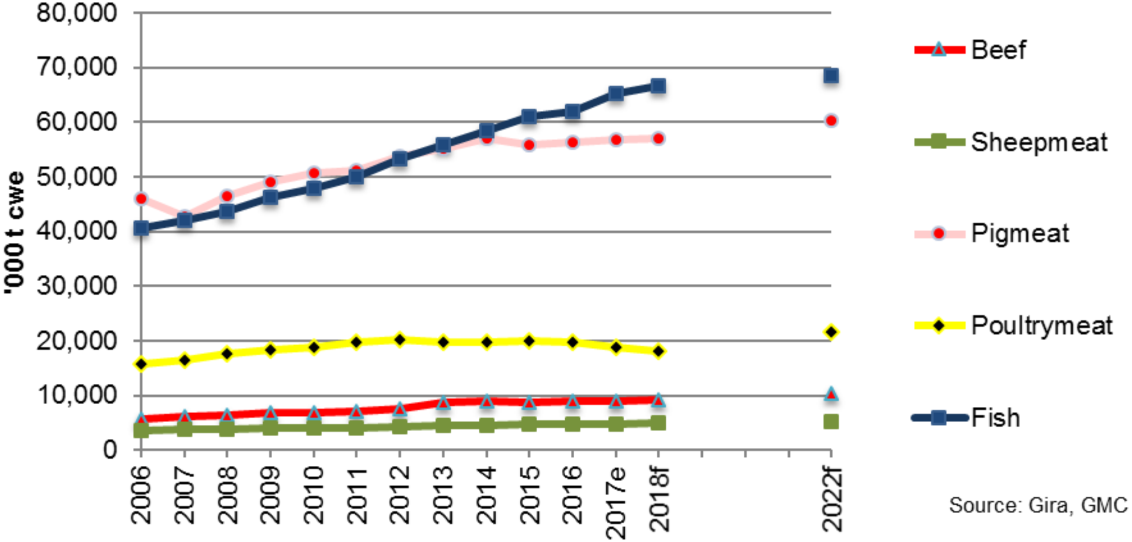


Source: Gira, GMC

Meat and Fish Consumption

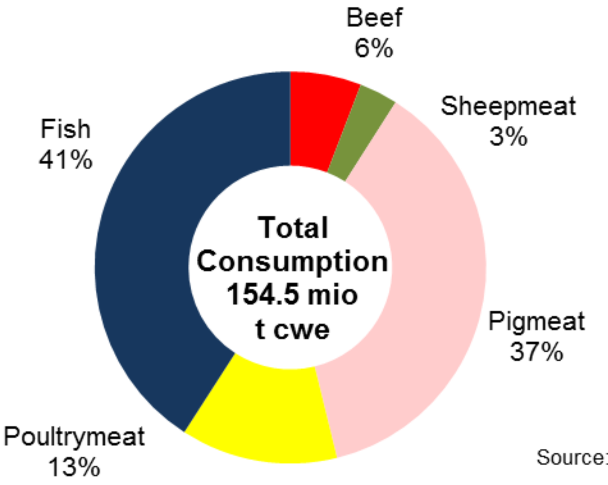
Strong growth in fish, as meat struggles

Chinese Meat + Fish Consumption, 2006-22f



Source: Gira, GMC

Chinese Meat + Fish Consumption, 2017e



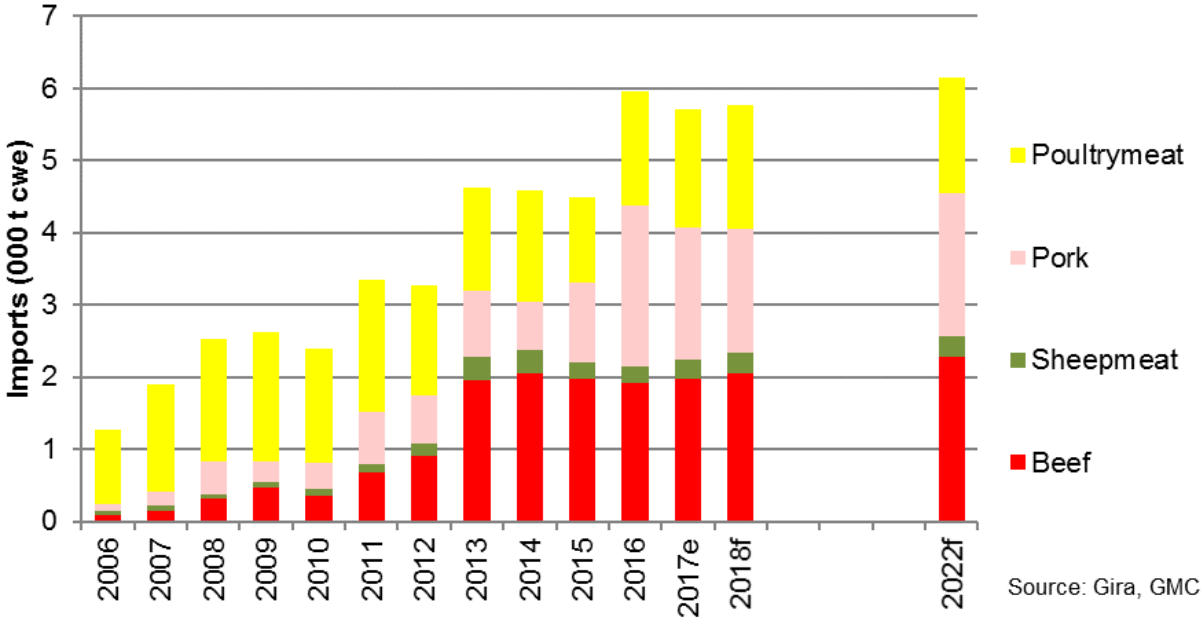
Source: Gira, GMC

- Significant issues with poultry reputation continues to detract from demand.
- Restructuring of pigmeat production dampens growth.
- Beef and Sheepmeat remain limited by supply, despite good demand.
- Growth in Fish is from aquaculture, as wild catch is maximised… and depleted!

Total Chinese Meat Imports

Ongoing growth, led by Beef, some growth for Pigmeat

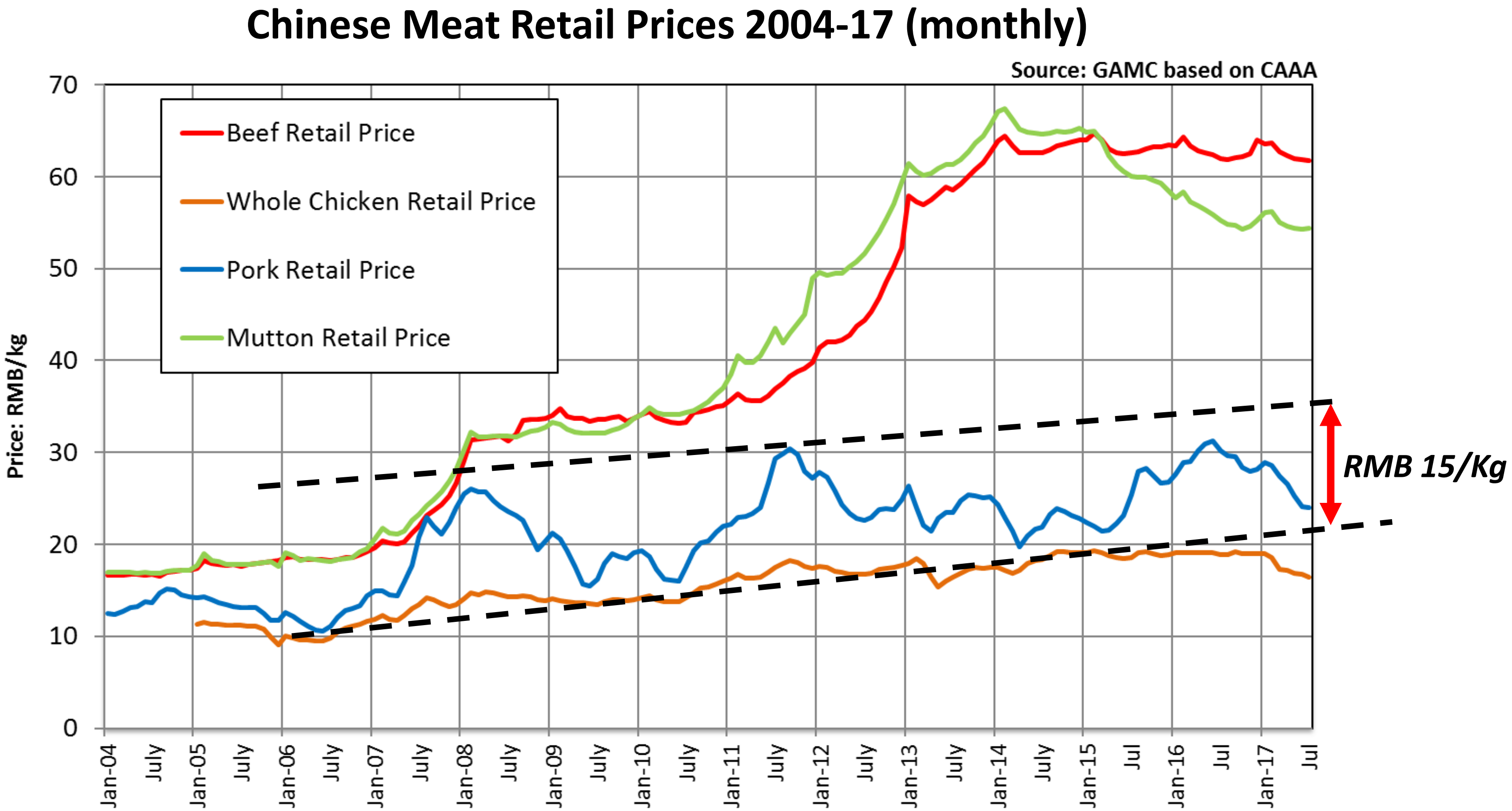
Chinese Meat Imports (including Grey Channel)



Source: Gira, GMC

- Ongoing and intrinsic need for imports to control supply balance, and manage CPI.
- Beef grows fastest, as limited domestic production growth, and clear demand potential.
- Pigmeat volumes will increase, but continue to be controlled to manage the market.

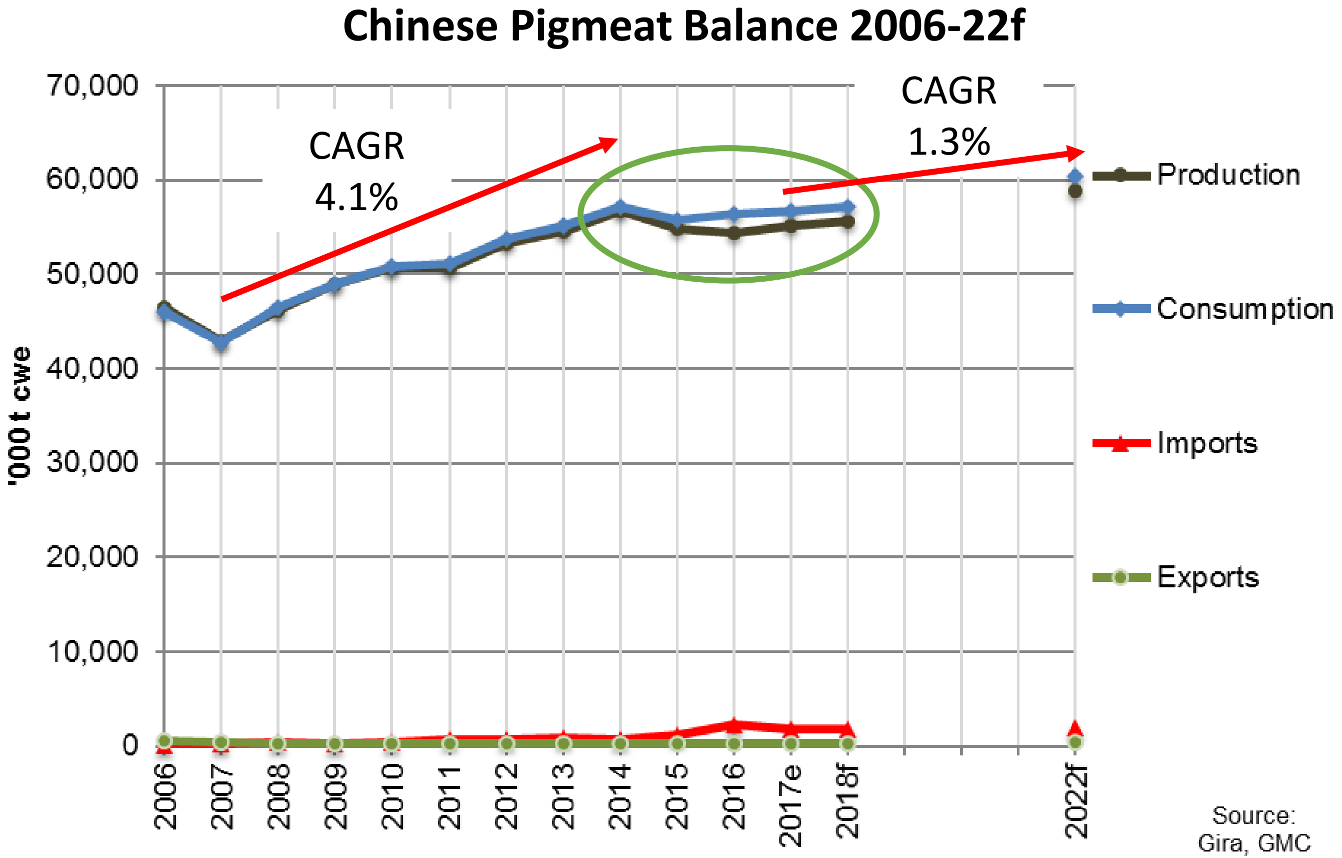
Chinese Retail Prices
Sensitive pork price remains managed



Chinese Pigmeat

Chinese Pigmeat Balance

Significant period of production restructuring in China



Source: Gira, GMC

Pig production; revolution or evolution?

Push to modernise China's domestic supply structure

Drivers for modernisation:

- Political support: Stabilise CPI
- Environmental controls
- Urbanisation of:
  - Consumers – need a modern supply chain
  - Producers – loss of the backyard farmer
- Rising food demand
- Modern slaughter plants need:
  - Pig supply
  - Standardised pigs
  - Disease controls
- Lower feed costs (reduced maize support)
- Profit … at agro-industrial scale
  - Productivity gain opportunities

Areas that must be developed to allow the industry to transition:

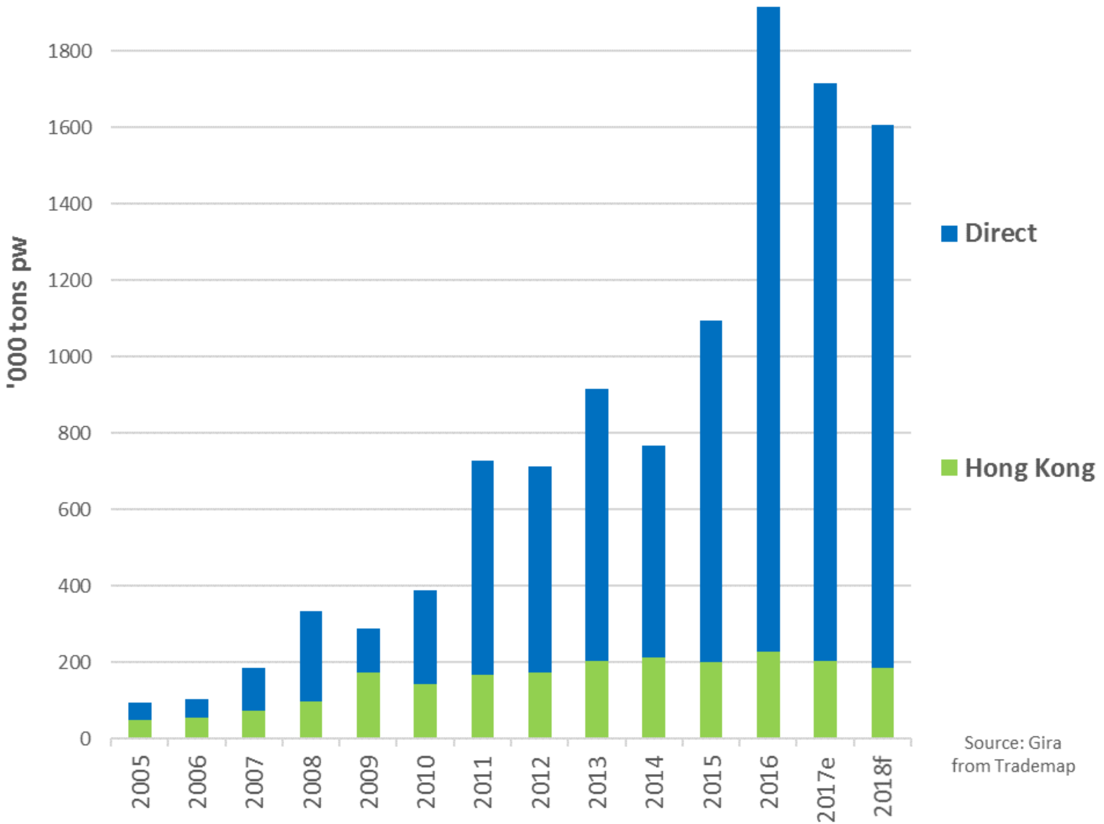
- Pig genetics – underway, but still concentrated on leading 100 companies!
  - Long tail of small companies
- Slaughter plants closer to pig production.
  - Many new plants in last 5 years have been built with regional Government support…
  - … not necessarily linked to production!
- Modern chill chain infrastructure
- Modern productivity (achieving it)
- Biosecurity and disease control
- …..

All underway… but a massive undertaking!

Grey Channel Imports

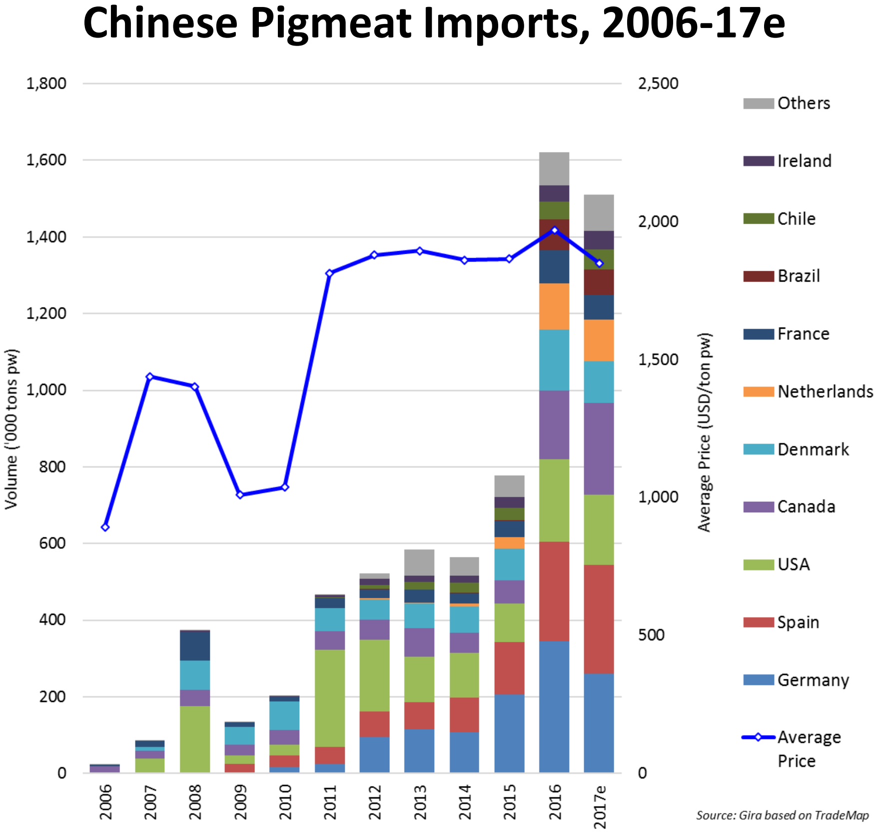
Direct trade has become the most significant supply channel

Chinese Pigmeat Import – by Channel



Direct Pigmeat Imports

2016 import surge settles back in 2017

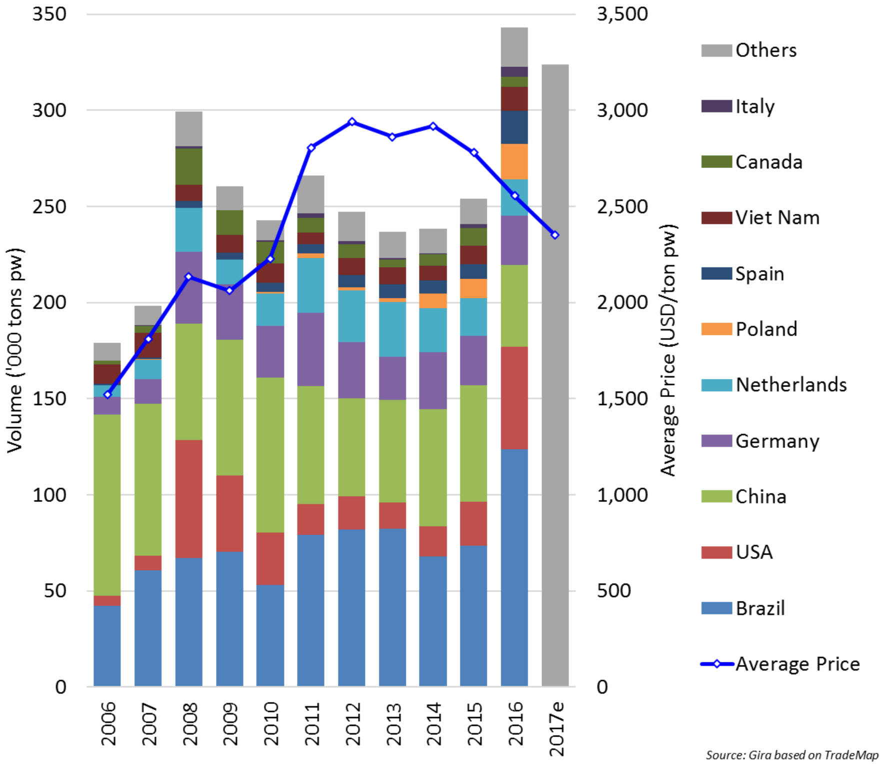


- Recovering Chinese slaughter pig supply triggers decline
  - Downward trend in imports started in September '16.
- Chinese government are once again active in limiting import flow.
  - Tonnies banned for several months
- Expectation that US would benefit from EU decline. Helped by:
  - Relative cost advantage
  - Smithfield – WH supply chain
- **April 2018 tariff hike on US has scuppered that for now**

Hong Kong Imports

Strong 2016 lift due to increased pull from China

Hong Kong Pigmeat Imports, 2006-17e



Source: Gira based on TradeMap

- 2016 re-export of 228kt pw to China
  - 66% of Hong Kong import volumes.
  - But only 12% of Chinese pigmeat imports
- Used by those without direct access:
  - No country access – Poland due to ASF
  - No plant approval – some Brazil + US
  - **More US likely after tariff hike**
- Chinese imports to HK are for the HK market, typical:
  - Fresh pork,
  - Killed just over the border.

Thank you for your attention.

Should you need more details, please contact:

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