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Save the date, IMS World Meat Congress 10-12 October 2023 Maastricht, the Netherlands

The Dutch Meat Industry Association (COV) has accepted the challenge to host the 2023 IMS World Meat Congress in the Netherlands, from 10-12 October 2023 at the Maastricht Exhibition and Convention Centre (https://www.mecc.nl/en/).

- 10 October 2023 19:00-21:00 pre-Congress species committee outlook + buffet dinner
- 11-12 October 2023, IMS World Meat Congress

We are looking forward to seeing you there.

IMS President Guillaume Roué

Dutch Meat Association President Laurens Hoedemaker

IMS Economics Workshop, part 2

In this second report from the IMS Economics Workshop (18-19 October at IMS HQ in Paris) a summary of the market situation and prospects for pork and sheepmeat are featured.

Twenty-four country reports were made during the first day of the Workshop; Alvaro Pereira, Head of Market Access and Intelligence at INAC, Uruguay moderated the morning session and Eva Gocsik, from Rabobank's Food and Agribusiness Research Department was moderator in the afternoon.

PIGS

World Pork Production Increases for the Second Consecutive Year

Global pork **production** reached a low point in 2020 following the severe cutbacks in output after the African Swine Fever (ASF) outbreak in China and some other Asian countries. Since then, production rose by 12% in 2021 and is estimated to increase by a further 2% in 2022. Although a small further rise is also forecast for next year, the rate of recovery has been negatively affected in many pig producing countries by the sharp rise in costs of production; thus, predicted output in 2023 is still likely to be lower than production levels in 2018, the year before the ASF-related reductions made their impact.

Marked Drop in Global Pigmeat Trade but Current Levels still 12% Higher than pre-ASF

Trade in pork and processed pigmeat products, which increased by over a third between 2018 and 2020, dropped back in 2021 following some recovery in Asian countries' production. A further fall of as much as 17% is estimated for 2022: notably, there has been a drop in production levels for all four major pork exporters - the EU, United States, Brazil and Canada. In 2023, however, import demand is forecast to be sustained at 2022 levels, which would still be well over the amounts being shipped prior to the major Asian ASF outbreaks of 2018.

The FAO global **pork price index** in January 2022 was at its lowest

level for several years. Prices increased significantly, however, from February onwards and by October were 16% up on a year earlier, although production cost increases in many countries are reported to have exceeded the rise in pig prices.

Chinese Demand for Pork Rising Again

Turning to the situation in individual countries, demand for pork in **China** appears to have picked up in recent months, despite lower rates of economic growth. This has been most apparent in e-commerce, modern retail outlets and quick-service restaurants. With a continued steady increase in the number of households with disposable incomes in excess of $25,000 in the next few years, Chinese demand for animal protein products, in general, is likely to continue growing although at a slower rate than in recent years. Pork consumption, which recovered to over 32kg per head in 2022, is forecast to show a small further increase by the end of the decade.

October Pig Prices Double Those of a Year Ago

Self-sufficiency levels for Chinese pork supplies dropped to under 90% in 2020 but recovered to 92% in 2021 and are expected to reach 94% in 2022; they are likely to remain around 95% in future years - well below the average level of about 98% a decade ago. Pork **production** is expected to exceed fifty million tonnes in 2022 for the first time since 2018. Profitability had been poor in much of 2021 and the first four months of 2022; large-scale pig producers returned to profit in May, however, mainly due to the strong increase in pig prices; by mid-October, Chinese live hog prices had risen to almost 28 yuan per kg – more than double last year's level - the highest price since March 2021.

Piglet prices have also been increasing. The Chinese breeding herd continues to grow, with breeding sow numbers now exceeding 43 million head. In view of the improved profitability situation since May, Chinese pork production is forecast to be at slightly higher levels in 2023 despite the liquidations that took place in early 2022. **Imports** into China reduced in 2022 to just over two million tonnes, less than half the volumes imported in 2021. In spite of the higher Chinese price levels, a further drop of 8% in pork imports is forecast for 2023.

Impact of 20% Japanese Yen Depreciation

Pork consumption in **Japan** continues to increase slowly and in 2021 accounted for 37% of Japanese meat consumption compared to 45% for chicken and 18% for beef. Imported pork accounts for 53% of the total market with the proportion of imported chilled pork increasing at a significant rate. There is a growing premium for domestically produced pork products; the latest retail price for domestic pork loins being 85% higher than the price for equivalent imported loins. Exchange rate factors have had an important impact on import prices and volumes in 2022 with the Japanese yen having depreciated by over 20% against the US$ in the past year.

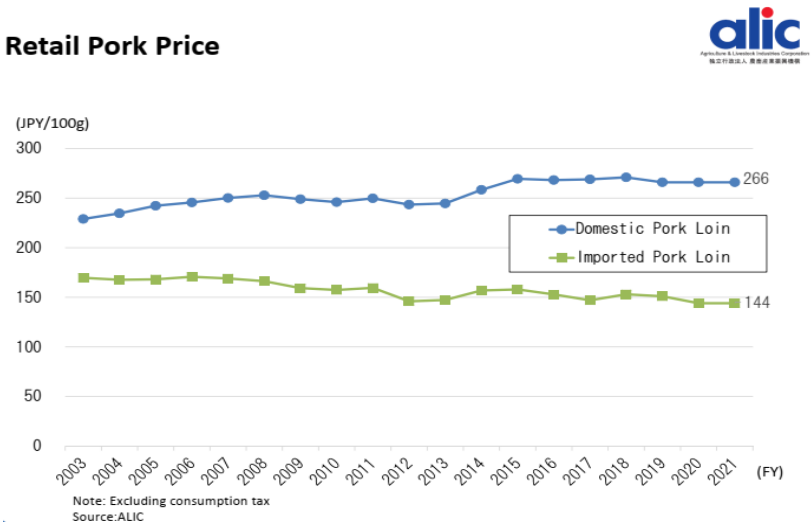
South Korea is the third largest Asian import market for pork after China and Japan. Imports, which had declined in 2020 and 2021 while the large volumes were being diverted into China, have recovered to pre-2020 levels in 2022 and demand is expected to remain strong in 2023. Growth in meat consumption is likely to continue in many of the **ASEAN** countries not least because the slower GDP growth in other parts of the world is expected to be less evident in these economies. Major current pork import markets of importance are the **Philippines, Vietnam and Singapore**.

The EU Pig Industry has Faced Big Challenges

The **EU** is the world's second largest pork producer after China, but the industry has experienced a range of challenges in recent years. Firstly, virtually all countries' producers have had negative margins due to significantly **higher costs of production**, primarily because of higher feed prices. In addition to this, eleven EU countries, have had **African Swine Fever**. Although there was a limited impact on production levels, as it has been mainly in wild boar populations, it has had major export implications for some of the countries concerned.

There have also been **challenges to farming methods on environmental grounds** particularly in North European countries. At the EU-wide level,

Figure 1. Growing Premium for Domestic Pork in Japan



the Farm to Fork (F2F) strategy poses concerns for the industry – but policies in individual EU Member States have also created difficulties; for example, the Dutch Government proposals for reducing livestock numbers by 30%, along with other measures for reducing emissions, led to demonstrations; compromise proposals are now being considered by the Government.

The industry has also experienced some adverse impact from the 'anti-meat' lobby and although consumption of **plant-based alternatives** is still very small, the growing investment and promotion of these products has received widespread publicity. Finally, the EU meat sector has been heavily affected in recent months by **pressures on real consumer incomes**.

Five Percent Drop in EU Pig Numbers

The impact of these pressure on the European pig economy has been marked. **EU pig numbers** by May/June 2022 were 5% lower than a year earlier with breeding sow numbers also showing a drop of 5%. Amongst major EU producer/exporter countries, both Germany and Denmark had reductions in their breeding herds in excess of 6%. There has admittedly been a strong recovery in EU pig and piglet prices since March as well as some decline in feed costs; in spite of this, lower production levels are likely to continue well into 2023.

Overall EU **pork exports** were 20% lower in the first seven months of the year with the reductions in volumes to China and Vietnam exceeding 50%. By contrast, EU pigmeat exports to the Philippines, Japan, South Korea and Australia were all at substantially higher levels. Spain remains the most dominant EU pork exporting country. Now that the **UK** is no longer in the EU, the significance of its sizable imports and exports are of growing interest to non-EU



		So-called "valuable cuts": - Ham = 27.7% - Bug = 12.2% - Ridge = 7.0% - Loin = 12.0% - Tenderloin = 1.4%	Bacon and fat parts: - Ridge fat = 1.7% - Back fat = 5.5% - Belly = 9.5% - Belly flanks = 6.0% - Breast = 3.1%	Head and jowl =7.4%	Hock & back and front quarter = 5.0%
	Proportion of cuts in the carcass	*60.3%*	*25.8%*	*7.4%*	*5,00%*
2019	Proportion of demanded quantity	86%	9%	1%	3%
2019	Surplus or deficit demand	143%	33%	10%	61%
	No. of pigs to satisfy cut-specific demand	1.4 pigs	1/3 of a pig	1/10 of a pig	2/3 of a pig

Source: DE AMI GfK Consumer Panel Fresh Food

Figure 2. German Pork Balance

countries: in 2022, it is expected to import the carcase weight equivalent of 800,000 tonnes and export 265,000 tonnes. **Russia** has emerged as a significant pork exporting country although volumes are likely to be at reduced levels in 2022; its main export markets are Vietnam and Belarus.

Third Successive Year of Decline for US Pig Population

The **US** September pig inventory showed declining numbers for the third consecutive year - breeding sow numbers were 1% less than in September 2021. Although productivity levels continue to rise, total pork production is expected to decline by 3% in 2022 - but to recover by 1% in 2023. Pork exports in 2022 are estimated to show a reduction of 8% due to lower domestic output and the strong value of the US$. Mexico is now US's major export market for pork and pork offal, followed by China, Japan, Canada and South Korea.

With exports now accounting for almost a quarter of US pork production, there are enhanced industry concerns about ASF entering the US and affecting its export status. The US Administration has stepped up biosecurity and other measures following the discovery of ASF in Haiti and the Dominican Republic. Pig numbers in **Canada** have been relatively stable since 2018 with production levels expected to increase by 1% in 2022 and a further 1% in 2023. Exports have followed a similar pattern to the US with overall volumes falling by 2.5% in the first eight months of 2022 and the major declines being in the volumes sent to China and Vietnam.

Canada currently exports 65% of its pork production. Pork production and consumption and production continue to rise in **Mexico** with imports in 2022 likely to be in excess of 1.2 million tonnes.

Fast-growing Pigmeat Export Growth Expected in Brazil

Pork production in **Brazil** rose by 3% in 2022 despite producers encountering higher production costs – a further increase of over 5% is forecast for 2023. Consumption which had declined in 2021 is expected to rise by 5% this year and by a further 4% in 2023. Brazil is the world's fourth largest pork exporter after the EU, US and Canada but reduced its export volumes in 2022. In 2023, however, it is forecasting a marked rise of 9% - expecting some recovery in exports to the Chinese market. It is projecting exports to be 40% higher by the end of the decade. Pork exports from Chile declined in 2022 but a small recovery is forecast for 2023.

SHEEP

Over 80% of World Sheep Production takes place in Asia and Africa

Overall, 16.6 million tonnes of **sheepmeat and goatmeat** is

consumed throughout the world according to FAO estimates, accounting for slightly less than 5% of total global meat consumption. Nonetheless, sheep and goat farming are an important source of revenue for farmers in many developing and emerging economies.

Over four-fifths of production takes place in Asia and Africa; however, with the exception of China, none of these countries play a current significant part in world trade in sheepmeat.

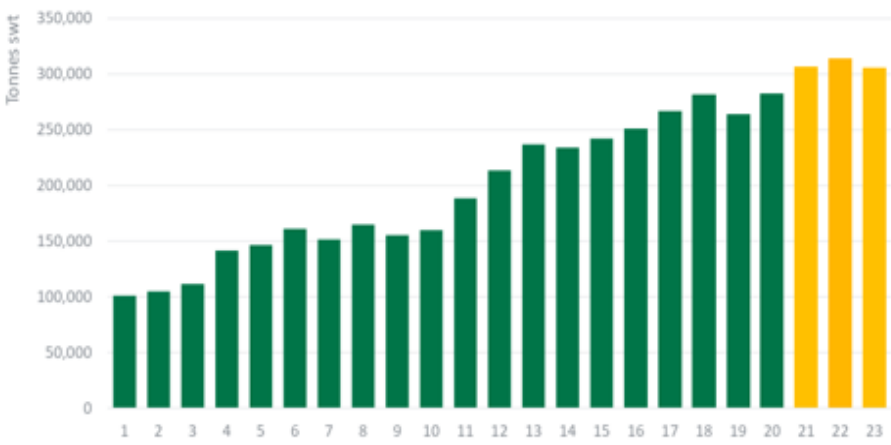
In the IMS Economics Workshop, the focus of discussion was mainly on those countries involved in the world mutton and lamb trade, namely China, Australia, New Zealand, the EU, UK, US and the Middle East.

Sheepmeat Imports into China Continue to Grow

Chinese sheep production mainly takes place in the northern provinces, particularly Inner Mongolia and Xinjuan, with a mixture of a large number of small farms and a few large enterprises. Production in 2022 is expected to rise by less than 1% according to FAO, but has grown by over 30% in the past 10 years. Imports account for about 8% of total supplies but have also risen strongly in recent years; in 2022, there was an expected increase of over 4% in imports which were almost entirely from Australia and New Zealand.

Record Australian Lamb Production Forecast for 2023

Sheep **production** in **Australia** is recovering from the 2018 drought situation with the low point in lamb production having been in 2020. Production levels increased to 508,000 tonnes in 2021 and are forecast by Meat and Livestock Australia (MLA) to be at record levels of 557,000 tonnes in 2023 despite a slight reduction in average carcase weights. The pattern of mutton production is following similar trends and is forecast to rise to 188,000 tonnes in 2023 – 24% up on the low point in 2020.



Source: DAFF, MLA estimates

Figure 3. Australian Lamb Exports 2001-2023

Export volumes of mutton and lamb are estimated to increase to over 520,000 tonnes carcase weight equivalent in 2022 and by a further 7% in 2023; over half of these shipments are sent to their two major markets, China and the US. Lamb exports, in particular, have shown steady growth over the past 20 years. Live sheep exports from Australia have declined significantly in recent years and are expected to be phased out in the near future.

Eleven Percent Growth in New Zealand Export Earnings in 2021/22

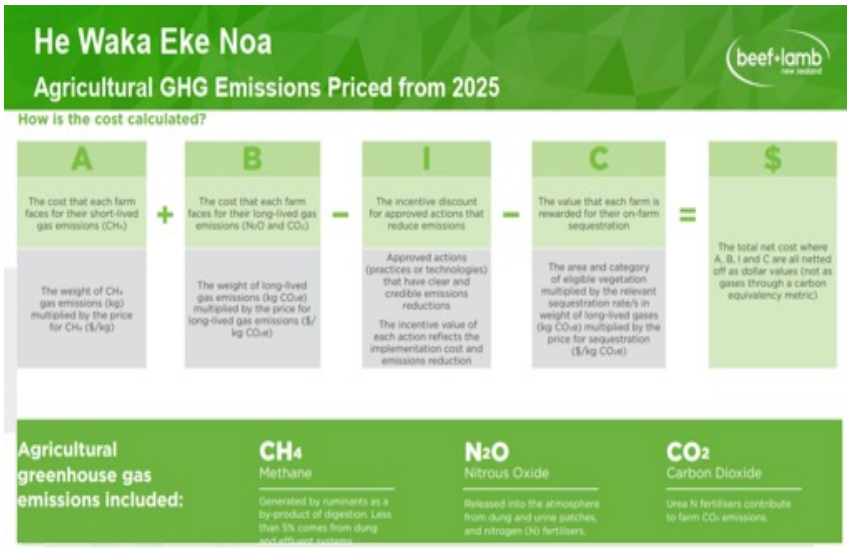
Sheep number have continued to decline in **New Zealand** for many years and current flock is less than half the size it was 30 years ago. However, the increases in productivity levels have meant that production levels of mutton and lamb have remained relatively stable in recent years. Prices for farmers have been significantly higher in the past 18 months, but farm input prices have also risen strongly, particularly for fuel and weed and pest management.

Although production of mutton and lamb in New Zealand declined slightly in the twelve months ending June 2022, it is expected to be sustained at current levels in the short-term future. Higher prices in export markets meant that total sheep export earnings in the twelve months ending June 2022 rose by 11%.

New Zealand Government Proposing Emissions Tax

Government policies on a range of environmental areas are causing

Figure 4. Primary Sector Climate Action Partnership



growing concern for both sheep and other livestock sectors – particularly relating to water, biodiversity, soils and climate change (this was covered in more detail in IMS Newsletter 641). The latest proposal which is out for consultation is for a levy on farms based on their levels of GHG emissions. Although the money collected from the levy would be 'recycled back to farmers' for spending on research, technology and incentive payments', the proposal is being opposed by many farmer groups. Beef and Lamb New Zealand also has produced its own proposals for reducing emissions in the sheep and beef sector.

Forecast of European Growth in Sheep Production after Many Years of Decline

In its latest report on the medium-term outlook, the **EU** Commission is forecasting a reversal of recent downward trends in production and consumption of sheepmeat, and is projecting production growth of 0.3% per annum in the next few years. This view is underpinned by 'voluntary coupled farm support, tight world supply and improving producer prices'.

Historically, production of sheepmeat in Spain, France, Greece and Ireland has accounted for over half EU-27 production levels. There is uncertainty, however, about future **trade** aspects until the full implications of the EU Free Trade Agreements with Australia and New Zealand are clear. Production and consumption of sheepmeat in the **UK** has reduced significantly in recent years although the census taken in June 2022 showed an increase in sheep numbers for the first time in many years. Imports of sheepmeat into the **US** have increased their share of the total market in recent years and in 2022 are estimated by USDA to account for over 70% of total supplies. Imports of sheepmeat and live sheep into the **Middle East and North African (MENA)** countries declined between 2018 and 2021 but are expected to recover in 2022 and to rise steadily in the next few years.

A report on the second day of the Paris Workshop will be made in a future IMS Newsletter.

Bob Bansback
IMS Advisory Council

The year in U.S. meat exports

Following an "eye-popping" summer, U.S. beef and pork exports for the year will show substantial volume and value.

Two years ago, U.S. beef and pork exports returned to near-normal levels following a downturn caused by the COVID-19 pandemic. The following year, 2021, U.S. beef exports set records in both volume and value, surpassing US$10 billion in value for the first time, while pork exports were slightly below 2020's record-setting volume but higher in value, in 2021 topping US$8 billion for the first time.

Building on that momentum, export volumes and values for 2022 are still on a strong pace after a record-setting summer. By year's end, the total value of U.S. red meat exports could come close to or even exceed US$20 billion.

A Strong Spring, a Hot Summer

The year began very strong, with beef exports continuing their red-hot pace in January while pork exports declined slightly despite record-setting exports of U.S. pork to Mexico in the month. By the end of March and the first quarter, U.S. beef exports had increased in volume six per cent over 2021's first quarter with an increase in value of a whopping 41 per cent, according to totals compiled by the U.S. Department of Agriculture (USDA) and posted by the U.S. Meat Export Federation (USMEF). Pork exports couldn't maintain the pace, however, with first quarter pork exports down 20 per cent in volume from a year earlier and value down 17 per cent.

But the summer is when U.S. meat exports hit a furious stride. Beef export figures through July showed big growth for beef value, up 29 per cent to US$7.2 billion. "US beef exports on eye-popping pace" headlined *AgriPulse*, an online reporting service, in September. USMEF president and CEO Dan Halstrom credited robust global demand for American beef even as there appears to be room for growth.

"Exports have also benefited from a partial rebound in the foodservice sector, but this recovery is far from complete," Halstrom said after the July numbers were posted, as quoted in *AgriPulse*. "Many markets are still gradually easing COVID restrictions, so we definitely see opportunities for further growth as restaurant traffic returns."

Commenting on the USMEF website, Halstrom added: "Demand for U.S. beef has been extremely resilient, but inflationary pressure on consumers and weakened currencies in key markets have definitely created a more challenging environment. Exports also continue to face

logistical challenges, lockdowns in China and mounting inventories in some destinations. Still, it's hard to view September sales of nearly US$900 million as a disappointment, when this would have been an all-time record just 18 months ago. That really drives home what a remarkable year this has been for U.S. beef exports."

Regarding pork, Halstrom said: "It's very encouraging that U.S. pork exports continue to gain momentum, especially on the value side. Once again we see the importance of market diversification, as the strong September performance was achieved even as the volume shipped to Mexico eased to some degree."

Through September, the most recent month for which totals are available, USMEF reports that, according to USDA figures, exports remain on a record pace through the first three quarters of the year. While beef totals for September alone were below the summer numbers -- September beef exports were below the year-earlier total year for the first time in 2022 -- U.S. pork exports topped year-ago totals for the second consecutive month in September.

New Year Challenges

Going into the new year, however, the picture isn't as bright, with several challenges on the horizon. USDA's Economic Research Service forecasts declines for both beef and pork exports between 2022 and 2023. Beef exports will decline the most on both a percentage and absolute basis: down 472 million pounds in volume, or 13.3 percent. Pork exports will decline by 129 million pounds in 2023, or 2.0 percent lower than 2022, forecasts the agency.

Quoted in *AgriPulse* in September, Halstrom said, "Headwinds remain formidable… including further devaluation of key trading partner currencies." At USMEF's November Strategic Planning Conference, he listed several mounting obstacles for U.S. exports, including global inflation, ongoing supply chain challenges and the strengthening U.S. dollar. Underscoring the comment he had made earlier in *AgriPulse*, Halstrom told the USMEF conference that devaluation of the Japanese yen has pushed prices for U.S. meat products 30 per cent higher than a year ago in an extremely competitive market.

USMEF has long advocated that the best way to combat such fluctuations is through diversifying the market for U.S. meat exports. Halstrom told the conference that the often-tense U.S.-China relationship underscores the importance of this strategy. He said that while China is a major U.S. red meat customer, on pace to purchase US$4 billion in U.S. beef and pork this year, the U.S. is not nearly as dependent on China as most other suppliers. Uruguay, for example, exports nearly 60 per cent of its beef production to China, while New Zealand sends 44 per cent of its beef output to China. Just three per cent of U.S. beef production is shipped to China.

But, noted Halstrom, trade barriers often make market diversification more difficult. "Our competitors realize the value of trade and they're not standing still," he said. "Hopefully we can encourage more aggressive action, including getting a [U.S. Trade Representative] chief ag negotiator and USDA undersecretary for trade confirmed soon."

Moreover, there is always the question of demand. "Global demand is strong, even record-breaking, despite rising prices," commented Halstrom, "But at what point do international consumers scale back?"

Steve Bjerklie, Contributing Editor, *Meat & Poultry* Magazine; correspondent, *The Economist*

