

# International Agri Insights

with Professor Bill Bailey

April 2019



## The Year of the Pricy Pig

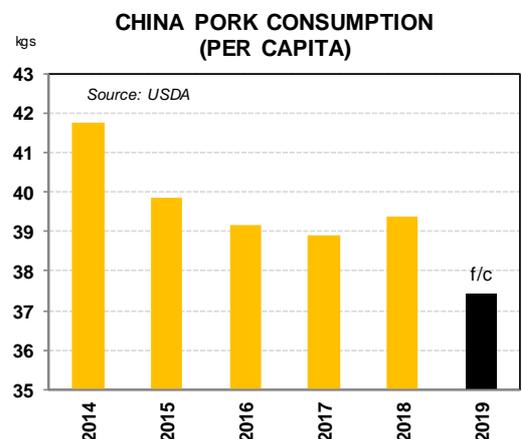
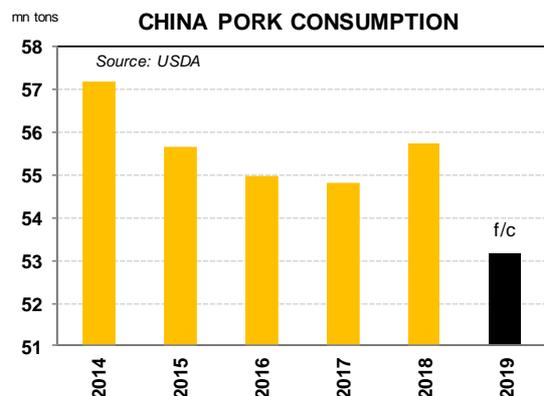
In this latest edition of *International Agri Insights*, our US-based expert, Prof. Bill Bailey, gives his take on the impact of African Swine Fever on China’s pork industry and broader demand for protein.

- African Swine Fever (ASF) is likely to reduce China’s hog herd, resulting in a 5% drop in production.
- Pork is China’s most consumed protein – eaten 5 times as often as beef and 6 times as often as chicken.
- There are indications Chinese consumers are moving from pork to other proteins – beef, sheep and chicken.
- China’s imports of pork, beef and chicken meat will increase to compensate for reduced pork production.

### 2019: the Year of the Pig

In a noteworthy bit of irony, as China ushered in its New Year – The Year of the Pig – the country’s efforts to combat the deadly pig disease, African Swine Fever (ASF), continued to grow. The deadly disease has been found throughout much of China’s pork country. The disease (which does not harm humans) has a high mortality rate in pigs, is very contagious and has no vaccine or cure. As a result of ASF, the Chinese pig herd is forecast to shrink to its lowest level in almost 30 years. Reports of herds contaminated with ASF are down from the high levels in October and November 2018, but it continues to spread in China’s hog-producing provinces.

Pork is a mainstay of the Chinese diet. Nearly 53 million metric tons are forecast to be consumed in 2019, translating into 40 kilograms per person. Production is forecast to fall to 51 million metric tons in 2019, meaning China will need to import about 2 million metric tons to compensate for the loss of production due to ASF. Current forecasts indicate 2019 Chinese beef and chicken meat imports are expected to be about 20% higher than 2018, with pork imports forecast to grow almost 30% from last year’s level. The consequence of this ASF challenge is likely to result in significant increases in pork imports, but could also result in increased imports of other meats, such as beef and sheep meat, which consumers may demand to compensate for a lack of pork or high pork prices.



Given the unexpected growth in China’s potential meat imports, it seems like a good time to do an assessment of the world’s pork, beef and chicken meat situation for 2019. While some of the forecasts have not yet fully factored in China’s ASF situation, we will discuss some observations about how the challenges created by ASF will impact the 2019 world meat situation. Let’s start with pork.

**Pork**

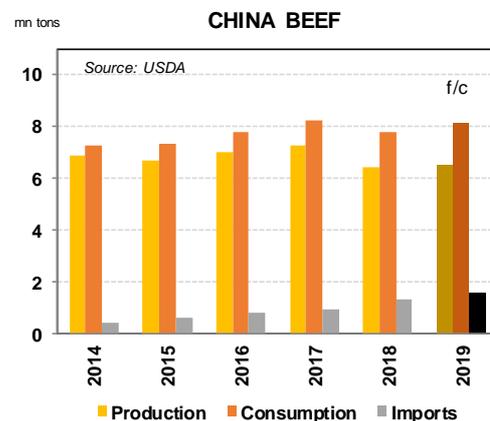
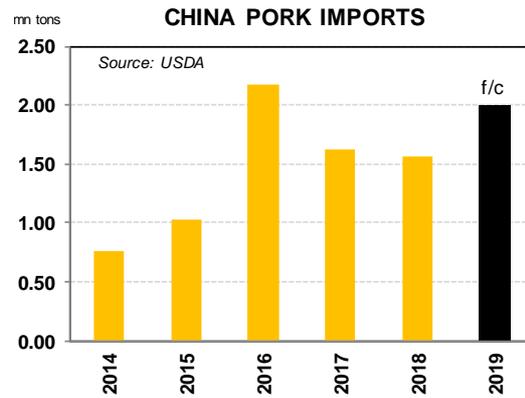
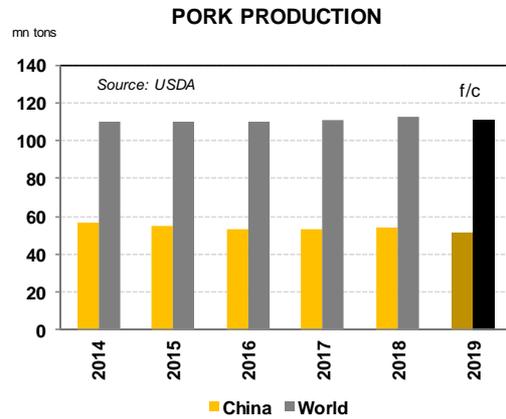
World pork production is expected to be down about 2% from 2018, but that forecast could easily decline further as ASF’s impact on China’s pork production, the world’s largest producer, becomes clearer. Furthermore, the full consequences of ASF on China’s pork herd is not yet clear, since the disease continues to spread and is affecting more herds each week. However, recent reports indicate it is spreading at a decreasing rate, indicating Chinese government efforts to contain ASF are having a positive effect. As previously noted, China is the world’s largest pork producer, with more than twice the output of the number 2 producer, the European Union. China’s output is also more than four times that of the US. So even a small decline in Chinese output will have a significant impact on total world pork production.

To compensate for the decline in production, it is estimated that China will experience a 33% increase in 2019 pork imports from 2018 levels. The question arises as to who might provide product, particularly in a year when world production is forecast to decline. Two additional factors will affect the origin of China’s pork imports – the European Union, which provided almost 80% of China’s pork imports in 2018, is experiencing its own ASF outbreak that will reduce its 2019 pork production about 1%. Furthermore, the China-US tariff dispute is also ongoing. In response to tariffs that the US has imposed on some products originating in China, China last year placed tariffs approaching 80% on US pork imports. However, either as a negotiating strategy or a clear indication of Chinese government concern, China recently purchased 25,000 metric tons of pork from the US. The sale was the largest since April, 2017 and the third largest since the US Department of Agriculture began tracking Chinese pork imports.

**Beef**

Global beef and veal production for 2019 is forecast to grow 1% from 2018 levels. The US is expected to remain the world’s largest producer, with 20% of the world’s production. The 2019 US beef output is expected to increase almost 5% from 2018. Brazil, the world’s second largest producer, is forecast to see a production increase of about 3%. Production in the European Union, the world’s third largest producer, is forecast to decline more than 1%. China’s 2019 beef production is forecast to be essentially the same as 2018. New Zealand beef production in 2019 is expected to decline from 2018 levels by almost 2%.

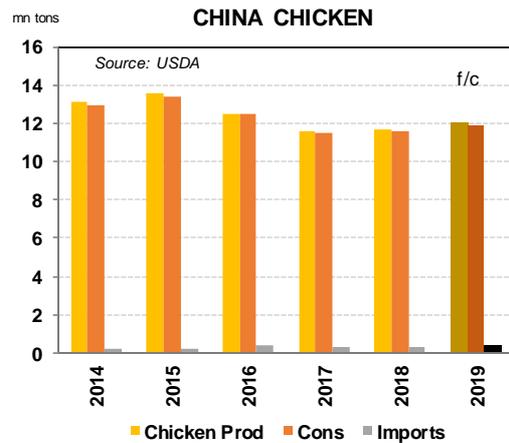
World consumption of beef and veal is forecast to grow almost 2%, with US consumption increasing 4%. Partially in response to ASF issues, but continuing a well-established trend, China’s beef consumption is expected to increase 4%. Much of that growth will be met by imported products, with



China’s 2019 beef imports forecast to grow above 2018 levels by 20%. Although New Zealand’s 2019 total beef exports are currently forecast to decline more than 6%, exports to China, while currently expected to be very similar to 2018 levels, could easily grow in response to greater Chinese demand.

## Chicken

Let’s discuss chicken meat, of which China is the world’s largest consumer. It is also the world’s third largest producer, following Brazil and the EU. Since China depends predominately on domestic production to meet consumer needs, its poultry imports are small. China’s limited chicken imports are similar to chicken meat imports in Angola or the Philippines. It is believed, as pork consumption declines because of consumer concerns over domestic pork quality and higher prices, chicken consumption could increase – at least in poorer areas. The potential for an increase in sheep meat or beef consumption, as a substitute for the reduced availability and higher prices for pork, is also an outcome seen by some analysts. The possible increase in demand for beef and lamb is expected to be seen in more urban and wealthier areas.



## Summary

The ASF infection of part of China’s hog herd – the world’s largest – will reduce production, increase pork prices and provide an opportunity for many Chinese consumers to try new sources of meat protein. The impact of ASF on China’s pork production may provide a new opportunity for protein exporters to gain a new market with Chinese consumers as they change their meat protein preferences.

## About the author

William C Bailey was Chair of Agribusiness at Massey University for 13 years. He has written weekly world dairy market columns for ASB Bank for almost 15 years. He currently is President of Topker Consulting, specializing in agricultural market research and supply chain issues relevant to agriculture. He retired as Dean, College of Business and Technology, at Western Illinois University, in Macomb, Illinois, in July, 2017. Bill spent 5 years in the US Marine Corps and received his PhD in Agricultural Economics from the University of Missouri. Before shifting to New Zealand, Bill was Chief Economist for the US Senate Committee on Agriculture, Nutrition and Forestry, served as Deputy Undersecretary of Agriculture and was Vice President and Director of Research for World Perspectives in Washington, DC. His beer of choice is Tui. Contact Bill: [topkerconsulting@gmail.com](mailto:topkerconsulting@gmail.com) Phone: +1 309 333 5117



### ASB Economics & Research

Chief Economist  
Senior Economist  
Senior Economist  
Senior Rural Economist  
Senior Economist, Wealth  
Economist  
Data & Publication Manager

Nick Tuffley  
Jane Turner  
Mark Smith  
Nathan Penny  
Chris Tennent-Brown  
Kim Mundy  
Judith Pinto

[nick.tuffley@asb.co.nz](mailto:nick.tuffley@asb.co.nz)  
[jane.turner@asb.co.nz](mailto:jane.turner@asb.co.nz)  
[mark.smith4@asb.co.nz](mailto:mark.smith4@asb.co.nz)  
[nathan.penny@asb.co.nz](mailto:nathan.penny@asb.co.nz)  
[chris.tennent-brown@asb.co.nz](mailto:chris.tennent-brown@asb.co.nz)  
[kim.mundy@asb.co.nz](mailto:kim.mundy@asb.co.nz)  
[judith.pinto@asb.co.nz](mailto:judith.pinto@asb.co.nz)

### Phone

(649) 301 5659  
(649) 301 5853  
(649) 301 5957  
(649) 448 8778  
(649) 301 5915  
(649) 301 5661  
(649) 301 5660

[www.asb.co.nz/economics](http://www.asb.co.nz/economics)

@ASBMarkets

**Disclaimer**

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.