



Analysis & Comments

Livestock Marketing Information Center

State Extension Services in Cooperation with USDA

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U.S. Pork Trade Situation and Outlook

As more countries awaken from the global pandemic, the demand picture is starting to unfold and take shape for 2021. Global pork trade has started to draw attention as there has been recent discussion about a resurgence of African Swine Fever (ASF) in the Chinese hog herd. The latest round of ASF in China has raised numerous questions about the country's pork imports for 2021 and how this will impact global pork demand. As a result of ASF in China's hog herd they have imported more pork which has solidified them as the top importer of global pork supplies. In 2020, China was the top destination for U.S. pork exports, a position that they will likely maintain in 2021 as they continue to struggle with ASF in their hog herd. Evaluating U.S. pork exports through a trade matrix is one tool that can be used to assess possible trade flows for 2021.

China Hog Herd and Pork Imports

ASF first hit China's hog herd in August 2018 and significantly impacted supplies. USDA Foreign Agricultural Service (FAS) production, supply, and distribution (PSD) data reports that ASF took a toll on China's sow beginning stocks and hog production (e.g., pigs saved per litter) from 2018 to 2019 with each declining 15.2% (down 6.6 million head) and 36.0% (down 247.5 million head), respectively, to 37 and 440 million head. For perspective, in 2019, U.S. sow beginning stocks were just over 6.3 million head, and hog production was above 139.4 million head according to USDA FAS PSD data. The ASF impacts in China continued into 2020 with sow beginnings stocks declining another 16.2% to 31 million head, but the decline was partially offset by improved hog production which rose 28.4% to 565 million head. USDA FAS is forecasting sow beginning stocks to expand 24.2% to 38.5 million head in 2021 with hog production moderating slightly lower by 3.5% to 545 million head.

During the first cases of ASF in China in late 2018, there were anecdotal reports that many producers marketed hogs early. This was done out of fear that their herd might contract the virus and then be left with no hogs to market. Some producers may have feared their hogs were infected with the virus and quickly sent the hogs to market before they died. This influx of hogs temporarily inflated pork supplies in China which created a lagged effect on China's demand for global pork imports.

Looking at China's pork imports from the U.S. during their first outbreak of ASF in 2018 and 2019 shows that China started actively buying U.S. product in July 2019 with purchases ramping up significantly in the last quarter of 2019. Over 73% (742 million pounds) of the 1.01 billion pounds of pork shipped to China in 2019 was sent during the second half of the year. This would suggest that the impact from the influx of hogs slaughtered as ASF quickly spread through China led to a 6–10-month temporary increase in pork supplies in China.

This round of ASF outbreaks in China seems to be following a similar pattern as to what occurred in late 2018. The worst of this recent ASF outbreak reportedly occurred over the winter months which led to China's reported first quarter 2021 pork production of 13.69 million tons, up 31.9% from a year ago. Similar to 2018, when ASF began to spread this last winter an influx of hogs were likely sent to slaughter leading to a large increase in first quarter pork production. Assuming a similar pattern will occur with China's pork imports this year, increased pork purchasing will likely start during the second half of 2021.

Since China has been dealing with ASF now going on three years, the critical part will be if China is able to rebound from this recent outbreak. China's ability to effectively control further spread of the virus will be a critical factor affecting their 2021 pork imports both globally and from the U.S.

U.S. Pork Exports and Trade Matrix

In the Analysis and Comments AC1220 (Recap: 2019 Pork Production, Prices and Trade with Analysis for 2020 Global Pork Trade) released March 19, 2020 a trade matrix was presented as a tool to evaluate changing dynamics in global pork trade. The trade matrix was comprised of the major global pork exporters and importers with pork shipments from each exporter mapped to the respective destinations. Matrices for the recently completed 2019 trade year and the 2020 forecast were presented which outlined exports and imports of U.S. pork to and from key markets. This Analysis and Comments presents two trade matrices, one with the available 2020 U.S. trade data and the second outlining the U.S. pork trade forecast for 2021. Additionally, with recent changes in China's hog herd due to ASF, a reevaluation of the U.S. pork trade matrix can be a useful exercise to evaluate various trade scenarios.

U.S. 2020 Pork Exports

In 2020, total U.S. pork exports were 7.28 billion pounds, up 15.2% from 2019 and record large. China maintained its spot as the top destination with nearly 2.1 billion pounds shipped, more than double the amount sent in 2019. Mexico was the second largest destination for U.S. pork with 1.6 billion pounds shipped, a 0.4% increase over 2019. Japan ranked as the third largest market for U.S. pork with a 0.4% increase to 1.2 billion pounds. Exports to Canada were 4.5% higher to 580 million pounds while shipments to South Korea dropped 22.2% to 486 million pounds. These top five markets represented 81% of total U.S. pork exports in 2020.

China and Mexico combined for half of the total U.S. pork exports capturing 28% and 22%, respectively, of U.S. pork shipments. Japan, Canada, and South Korea round out the top five markets accounting for 16%, 8%, and 7%, respectively, of total U.S. pork exports in 2020. Record pork exports in 2020 were a bright spot for the U.S. pork industry, especially given the difficulties and challenges of 2020, not only in the U.S. but also globally. The success of 2020 U.S. pork exports will hopefully provide continued momentum for shipments in 2021 as more countries recover from the pandemic.

U.S. 2021 Pork Export Forecast and Trade Matrix

The LMIC is forecasting 2021 total pork exports to be 7.3 billion pounds, up marginally by 0.2% over 2020 and another record. China is expected to maintain its position as the top destination due largely to the recent reports of further ASF cases in the country which were discussed earlier in this report. The timing of U.S. pork shipments will be a challenge but based on prior shipments following ASF in China, will likely lead to increased shipments in late 2021. U.S. pork exports to China in 2021 are forecast to remain strong at nearly 2.0 billion pounds, dropping below 2020 by 124 million pounds or down 6.0%. Actual shipments for the first two months of 2021 totaled 280.7 million pounds, down 28.0% from the same period a year ago, indicating higher export levels could occur during the second half of the year.

Mexico will likely remain as the second largest destination for U.S. pork exports in 2021 at over 1.6 billion pounds, up 3.1% from a year ago. Historically, Mexico has been a critical market for U.S. pork exports, consistently ranking as a top destination for U.S. pork shipments. From 2015-2018, nearly a third (30%) of total U.S. pork exports were shipped to Mexico. When China started actively buying U.S. pork, the proportion shipped to Mexico dropped to 24.7% with a further decline to 21.5% in 2020, the lowest proportion since 2011. The LMIC 2021 pork export forecast expects that about a quarter of total U.S. pork exports will be destined for Mexico. The recovery of Mexico's economy post-COVID-19 will be a factor that will shape U.S. pork exports in 2021. The International Monetary Funds (IMF) April 2021 projected real Global Domestic Product (GDP) forecast for Mexico is expecting a 5.0% increase for 2021, which is encouraging for U.S. pork exports. Moving forward, Mexico will be a critical market to maintain for future pork exports.

Japan has also historically been a critical market for U.S. pork exports averaging over 1.2 billion pounds shipped annually over the last five years. The 2021 LMIC pork export forecast expects U.S. pork shipments to Japan will remain near the five-year average at just over 1.2 billion pounds, an increase of 2.4% from last year. This would make Japan the number three destination and account for almost 17% of total U.S. pork exports in 2021, a proportion that is similar to 2020 but still below the five-year average proportion which has been over 20%.

Canada and South Korea will likely round out the top five destinations for U.S. pork exports with shipments expected to be 590 and 490 million pounds, respectively, up 1.8% and

0.9%. The 2021 LMIC pork export forecasts over three-quarters (80.8%) of the total U.S. pork exports destined for the top five markets: China, Mexico, Japan, Canada, and South Korea. Maintaining exports to historically top destinations of Mexico, Japan, Canada, and South Korea will be critical moving forward, especially with the dynamic nature of ASF in China.

Considerations for 2021 U.S. Pork Exports Forecast

Global Economic Recovery – As countries start to relax COVID-19 related restrictions, economic recovery will be critical to watch as the global pork demand profile could be dynamic through much of 2021. It is still unknown as to the extent that most countries will be able to recover from COVID-19 in 2021 or potential lingering effects from the pandemic? Mexico is one market of interest as the recovery of their economy will be critical for U.S. pork exports in 2021.

Domestic Demand – More states are beginning to ease pandemic restrictions. There has been growing discussion regarding pent up demand and how this potential increase in demand could impact domestic meat consumption. Recovery in the domestic U.S. economy is showing signs of gaining energy according to the advanced monthly sales for retail and food services data for the month of March. The adjusted estimate for total retail and food services sales in March were \$619.1 billion, a 27.7% increase from February and 9.8% rise over a year ago.

Trade Forecast – Last year's exports were record large. Ability of the U.S. pork industry to maintain or be near last year's levels would be a benefit for the sector and further support hog prices in 2021. ASF in China will likely be a fluid situation in 2021 as the endemic nature of the virus will likely lead to further outbreaks and impacts to China's hog herd and pork production in years to come. The uncertainty surrounding China's potential pork imports further supports the need for a trade matrix to evaluate U.S. pork trade flows.

Hog and Pork Production – The recent March 1 Hogs and Pigs report showed tighter than expected hog supplies with All Hogs and Pigs down 1.8% to 74.773 million head. Farrowing intentions for the March to May and June to August periods were much lower than expected, both down 2.5% and 4.2%, respectively, to 3.070 and 3.124 million head, pointing towards a tightening of supplies. LMIC is currently forecasting 2021 commercial hog slaughter up marginally by 0.1% with slaughter weights improving slightly by 0.4% leading to a 0.6% increase in pork production to nearly 28.5 billion pounds. With tighter supplies for 2021, rationing of domestic and foreign demand will be a factor as both will likely compete for available pork supplies.

Hog and Pork Prices – The National Base Weighted Average Carcass price started the year at \$61.85 per cwt but quickly gained 60.0% or \$37.11 reaching to \$98.96 per cwt in mid-April, the highest hog price since October 2014. The pork cutout has seen similar gains in value rising from \$73.86 per cwt at the start of the year to \$111.63 per cwt in mid-April, a \$37.77 cwt or 51.1% increase. Tighter hog supplies in 2021 will likely keep hog prices elevated. Higher pork prices

could be a headwind for pork exports and potentially reduce the competitiveness of U.S. product on the global market.

EU Pork Production and Trade – USDA FAS is forecasting 2021 EU pork production at 24.5 million MT, up 1.4% and the highest on record. EU pork exports are forecast to decrease 3.2% to 4.4 million MT. Although exports are expected to be down, they are the second highest behind 2020's export level of 4.5 million MT. Spain will likely be the main beneficiary from sustained export levels in 2021 as Germany continues to battle its own cases of ASF. The first cases of ASF in Germany occurred in September 2020 and the most recent data is reporting over 1,000 cases of ASF in Germany, all occurring in feral swine populations in two states: Brandenburg and Saxony. Although Germany's domestic swine population is ASF free, the outbreaks in feral swine populations have severely crippled Germany's ability to export pork outside of the EU and in particular to China. The EU will continue to be a strong pork supplier to China, but ASF in Germany will likely limit some export potential and provide opportunities for other global pork suppliers, in particular the U.S.

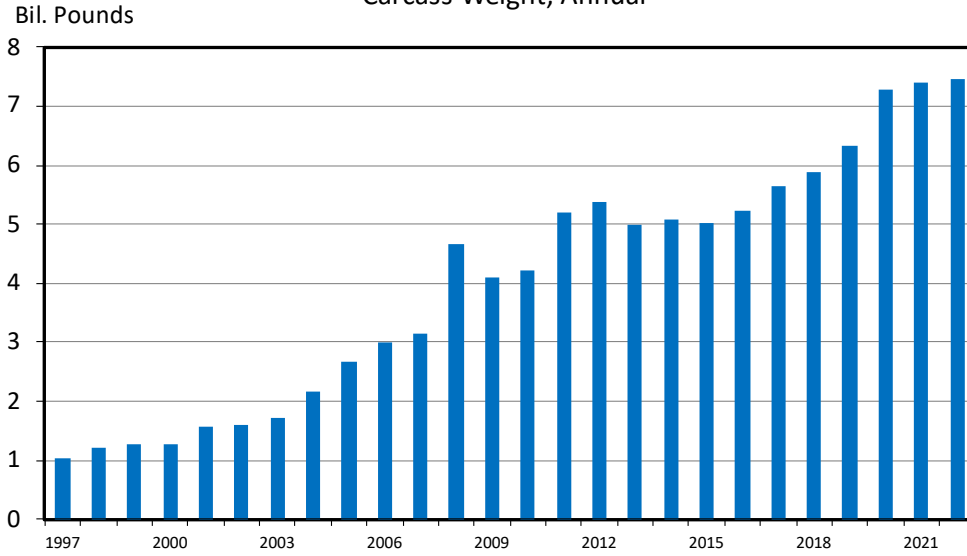
China – There will continue to be ongoing discussion surrounding China and their hog herd with ASF most likely being a persistent issue for the country. There have been reports that China will continue to make significant investments in modernizing their hog facilities and improve biosecurity, but the recent ASF outbreaks highlight the severity and endemic nature of the virus. China's pork imports will also be in focus to determine the impacts of ASF to the country's pork supplies and domestic demand which will largely shape the global trade picture for 2021 and into 2022.

PORK TRADE MATRIX - 2020									
MILLION POUNDS (CWE)	EXPORTERS								
IMPORTERS	United States	European Union	Canada	Brazil	Other	Importer Sum	Import Forecast	USDA FAS Import Forecast	
Canada	580							617	
Caribbean	139								
China	2,074							11,354	
Hong Kong	60							838	
Japan	1,201							3,086	
South Korea	486							1,257	
Mexico	1,567							2,006	
Taiwan	57							165	
United States	0	210	572	22	100	904	904	913	
OTHER	1,119								
Exporter Sum	7,282								
Export Forecast	7,282								
USDA FAS Export Forecast	7,282	9,590	3,362	2,597					

PORK TRADE MATRIX - 2021									
MILLION POUNDS (CWE)	EXPORTERS								
IMPORTERS	United States	European Union	Canada	Brazil	Other	Importer Sum	Import Forecast	USDA FAS Import Forecast	
Canada	590							595	
Caribbean	150								
China	1,950							10,185	
Hong Kong	60							794	
Japan	1,230							3,131	
South Korea	490							1,400	
Mexico	1,640							2,050	
Taiwan	50							209	
United States	0	160	520	20	80	780	780	946	
OTHER	1,140								
Exporter Sum	7,300								
Export Forecast	7,300								
USDA FAS Export Forecast	7,300	9,039	3,241	2,712					



U.S. PORK EXPORTS Carcass Weight, Annual

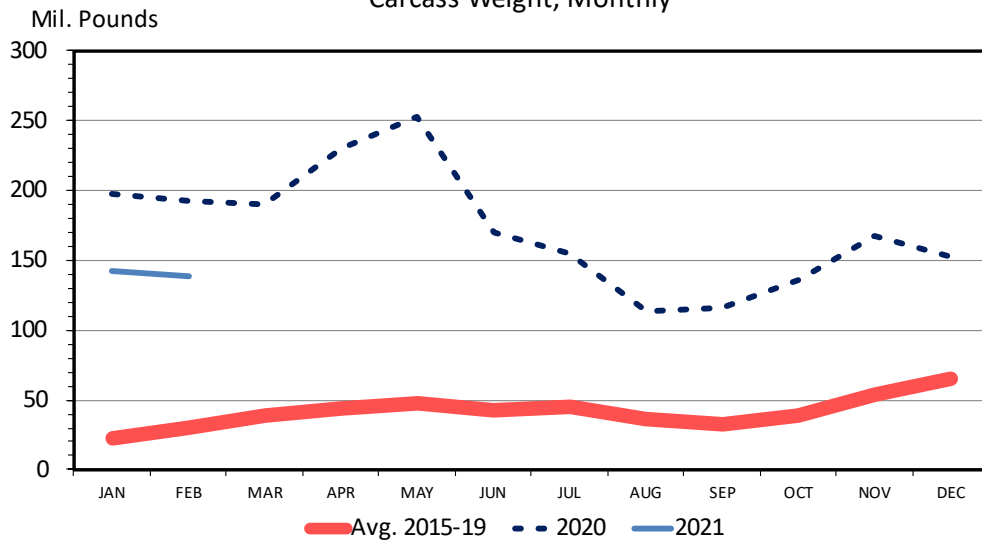


Data Source: USDA-ERS & USDA-FAS, Compiled and Forecasts by LMIC
Livestock Marketing Information Center

02/08/21



US PORK EXPORTS TO CHINA (MAINLAND) Carcass Weight, Monthly

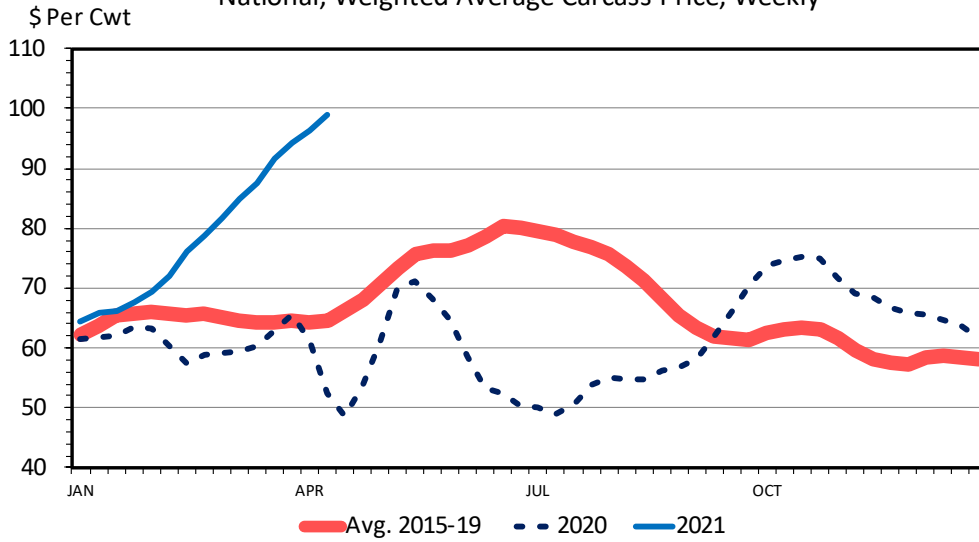


Data Source: USDA-ERS & USDA-FAS
Livestock Marketing Information Center

04/08/21



BASE SLAUGHTER HOG PRICES National, Weighted Average Carcass Price, Weekly

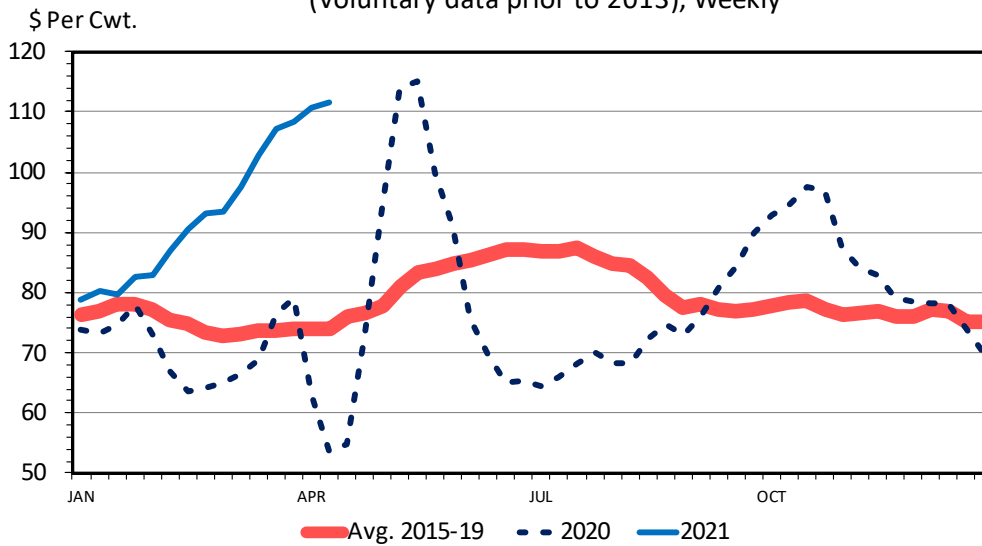


Data Source: USDA-AMS
Livestock Marketing Information Center

HP-23
04/20/21



PORK CUTOUT VALUE (Voluntary data prior to 2013), Weekly



Data Source: USDA-AMS, Compiled by LMIC
Livestock Marketing Information Center

HP-10
04/20/21