

Disease causes shift in protein market

By Fabian Brockotter, editor of Poultry World

African swine fever (ASF) in China and many other parts of the world, is causing a huge shift in the world's protein market with consequences for soya bean and chicken production.

"The African swine fever epidemic can become a game changer, changing the position of the entire agricultural sector around the world," said Alltech's CEO Mark Lyons at the company's technical summit in Dublin recently. His sentiment about the market is underlined by a report by Food & Agri Rabobank. It foresees that the loss of animals and thus protein production, mainly concentrated in China, will lead to a shift in worldwide trade patterns of animal protein.

Rabobank saw production losses from ASF eclipsing initial estimates. In 2019, the bank expects Chinese pork production losses of 25 to 35% in response to ASF. Since its discovery in August 2018, ASF has spread to every province in mainland China. With ASF affecting an estimated 150 to 200 million pigs, the expected 30%

loss in pork production is nearly 30% larger than annual pork production in the US and equivalent to Europe's annual pork supply.

On top of this, in some areas of China over 50% of production is affected and the disease has spread to Vietnam, where Rabobank expects production losses to exceed 10%, and Cambodia and could move further into Southeast Asia, with more production losses to follow.

Good cards for poultry

Even if the disease is stopped in its tracks, which is unlikely, it will take at least three to five years for pig production to recover. This is mainly due to the fact that a large part of the breeding stock is affected.

China will try to source pork meat elsewhere, driving up prices, but a shift in animal protein is on the table as well. Rabobank expects available global protein supplies to be redirected to China in an effort to satisfy the growing protein deficit. A secular shift towards lower Chinese pork consumption will support increased demand for poultry, beef, seafood, and alternative proteins

that will shape global production trends.

Market access to China can be a hurdle for foreign chicken producers, but with the lack of parent stock in China and the estimated ten million metric tons animal protein supply gap, the Chinese government has to move in an effort to prevent empty supermarket shelves.

More importantly, the first signs of poultry meat moving into China are already there and come from the Chinese

ministry of agriculture. It recently reported a 9% increase in poultry consumption in 2019, coupled with a 32% rise in imports, mainly from Brazil.

Cheaper soya for everyone

As a consequence of the diminished pig herd size of the world, the demand for soya beans is dropping. This change in demand is putting the China-US trade tension around soya tariffs on the backburner.

Since 2018 this trade tension has been top of mind, with China avoiding US tariffs by sourcing its soya from Brazil and European traders moving out of Brazil and buying in the US. Price consequences of this merry-go-round were limited, but that was just lucky because of Brazil's exportable supplies that were more plentiful than anyone had expected.

Today, just as the USDA reports the largest soya stock in the world ever, over 100 million tons and with superb production forecasts in the pipeline, soya is expected to remain cheap. The USDA is forecasting a decline or slower growth in Chinese soya imports for the next couple of years. Chinese soya imports dropped 14% in the first quarter, partly because the trade tension made feed companies switch to alternative proteins.

The forecast for the whole of the 2018/19 season encompasses a decline, for the first time in 15 years, to 88 million tons, which is expected to drop further to 71 million tons in 2019/20 due to the impact of ASF.

In mid-April the International Grains Council noted that the soya bean price was down 21% from one year ago, creating favourable conditions for all disease-free animal protein producers around the world. 🌱

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