



Rabobank

## Pork Quarterly Q1 2018

*The EU, the US, and Canada Continue Their Battle for China's Pork Market in 2018*

### RaboResearch

Food & Agribusiness  
far.rabobank.com

### Chenjun Pan

Senior Analyst – Animal Protein  
+852 2103 2430

For a full list of authors, see the back page.

**The Rabobank forecast for Q1 2018 is for further increases in global pork supplies, driven primarily by the US, Canada, and Brazil.** The most significant story in global pork markets has been the slowing imports from China, which creates a risk of oversupplied global markets. However, we do expect China's imports to pick up somewhat over the rest of the year. The Rabobank Five-Nation Hog Price Index shows a softening pricing trend, suggesting potential import growth in major importing countries (see *Figure 1*).

#### China: imports expected to increase

In Q1, China's pork prices are expected to remain strong, due to a tight supply. This drop in availability follows capacity reductions triggered by stricter environmental policy enforcement in 2017. Despite the expected supply volatility in Q1, we maintain our forecast that production will continue to increase in 2018. While local prices will be volatile, pork imports are expected to rebound after a sharp decline in 2017.

#### EU: rising supply pressuring prices

After two years of strong profits, pig producers have reinvested for growth. As a result, we expect increased production to reach the market beginning in 2018. The additional supply is expected to pressure pig prices and cutout values. This price decline could stimulate consumption and exports. The latter is concentrated on Asian markets, in which China plays a key role.

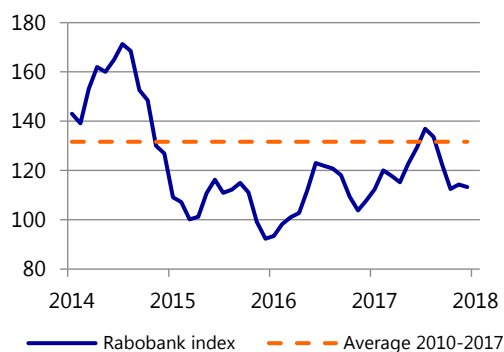
#### US: prices rise amid competition for hogs

Faster growth in US pork production, of 4.3%, will necessitate the free flow of exports and healthy domestic demand. Strong exports to start the year have intensified the competition for market hogs, to the detriment of packer returns. This increase has already provided an opportunity for producers to secure very good margins for much of 2018. We expect good growth in 1H exports, given the weakness in the US dollar (see *Figure 2*).

#### Brazil: exports to China expected to rebound

Russia's ban on Brazilian pork remains a wild card for 2018. However, local Brazilian demand is expected to increase, along with the improving economic conditions. The expected stabilisation of feed costs will continue to support good profitability for hog producers for much of 2018. Pork exports to China in 2018 are expected to rebound strongly.

**Figure 1: Rabobank Five-Nation Hog Price Index, 2014-2018 (Jan 2006 = 100)**



Source: Rabobank (based on national statistics) 2018

**Figure 2: Rabobank currency forecasts to Jan 2019**

	24 Jan	3M	6M	12M
EUR/USD	1.23	1.21	1.22	1.24
USD/JPY	110.1	113.0	114.0	116.0
USD/CAD	1.24	1.28	1.26	1.26
USD/BRL	3.24	3.25	3.30	3.40
USD/MXN	18.7	21.0	20.0	19.8
USD/CNY	6.39	6.60	6.70	6.80

Source: Rabobank 2018

## Feature story: trade outlook

Pork trade in 2018 will remain challenged by the uncertainties of possible policy changes, trade negotiations in different regions, and currency volatility. Expanding production in most regions means exports become more important in 2018. We expect competition in key importing markets, particularly in China, to intensify.

### Chinese imports expected to increase in 2018

After dropping 20% YOY in 2017, we forecast China's total pork imports to increase by about 6% in 2018, in response to changes in market conditions (see Figures 3 & 4). In 2017, the significant drop in pork imports was mainly attributable to strong prices in exporting countries, weak hog prices in China, and high stocks of frozen meat in China following record imports in 2016. Chinese hog prices are expected to remain weak in 2018—though stronger to start the year and around festival seasons—but other market conditions are expected to contribute to stronger pork imports (see the Rabobank report [Relocating, Consolidating, and Upgrading China's Hog Industry](#)). Pork stocks in China are believed to have declined over the past year; the prices in exporting countries may further soften in 2018, as supply is expanding. China's environmental policy, which resulted in the accelerating exit of hog farms in eastern and southern China last year, will continue to be implemented in 2018, supporting stronger pork imports flowing directly into those regions.

### US pork export growth reflects larger supply

US exports to China rebounded nicely through Q4 2017, after being -23% YOY through the first three quarters of the year. We estimate that US exports of primal meats and offal rose 17% YOY in Q4, making this the second-best quarter on record. We attribute much of the early-year weakness to abundant pork supplies and weak hog prices within China. As market conditions have improved, we expect ongoing strength in US exports through 1H 2018. Rising US production and attractive pricing make US pork increasingly competitive in China, and a recently announced purchase by JD.com for pork carcasses has further bolstered this outlook. We are currently forecasting 10% YOY growth in US primals

and offal, to over 6m tonnes, and recognise this estimate could be conservative, given strong early-year shipments.

### EU pork exports move upstream

Despite EU exports to China dropping sharply in 2017, following a record 2016, trade flows were still well above 2015 volumes. Most EU countries recorded a drop in exports to China in 2017, but the amounts varied. Historically, Chinese imports from the EU were predominately offal, but since 2015, the value of exports has increased as the demand for primals has grown. In 2017, a variety of primals made up the majority of shipments. We expect demand for these products to remain strong over 1H 2018.

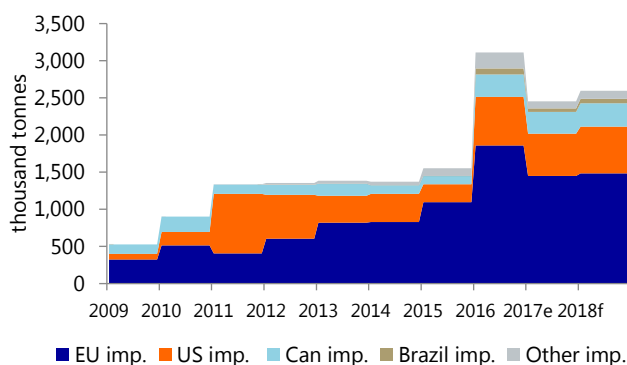
Four EU countries represent over 75% of total EU exports to China: Germany, Spain, Denmark, and the Netherlands. Germany took advantage of the rapid increase in Chinese demand in 2016, quickly becoming the largest EU supplier. In 2017, however, the country lost half of its volumes, in part due to the temporary suspension of market access for one leading processor. Exports from Spain held up better, but are estimated to be down over 10% YOY. Germany and Spain now have the same market share: between 12% and 14% each. Looking forward, Rabobank believes that Spain will overtake Germany as the largest EU supplier to the Chinese market, due in large part to the increasing availability of pig meat. Danish and Dutch exports are estimated to have fallen by nearly 25% YOY in 2017. Other top EU exporters include France and the United Kingdom, both of which kept shipments flat year-on-year in 2017. Several large EU companies are investing in Chinese further processing operations in order to secure a part of the flows.

Given our expectation for further price declines in China in 2018, we expect growth in EU trade to slow to 2.5% YOY in 2018. Depending on the competitive position of the EU, volumes could be influenced in both directions.

### Brazil pork exports expected to rebound

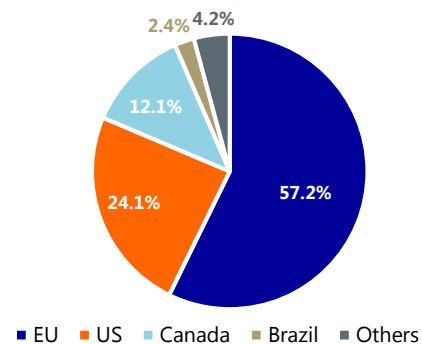
During 2017, Brazilian pork exports to China totalled almost 50,000 tonnes, which represents a decline of around 40% by volume YOY. Despite this decline, 2017 was still much higher than 2015, when exports were just 5,000 tonnes. Brazilian pork exports to China are likely to increase by 20% in 2018, amid increasing availability and ongoing competitiveness.

Figure 3: Chinese pork import forecast, 2018f



Source: China Customs, Rabobank 2018

Figure 4: Share forecast of major exporting countries in Chinese imports, 2018



Source: Rabobank 2018

# Dashboard

## Legend and units

Production	Exports	Imports	Hog price	Piglet/feeder price	Feed price
1,000 tonnes carcass weight equivalent (CWE)			kg CWE	kg	kg

Δ = year-on-year change

All prices in local currencies

## EU: prices retreat from 1H high

Production	Exports	Hog price	Piglet price	Feed price
<i>Expected to increase</i>	<i>Stable to slightly down</i>	<i>Decreasing trend</i>	<i>To decline</i>	<i>Stable to slightly up</i>
Oct: 2,047 Δ +5.4%	Nov: 370 Δ -2.6%	Dec: 1.43 Δ -6.4%	Dec: 42.91 Δ -9.9%	Nov: 0.23 Δ +1.7%
Jan-Oct: 19,295 Δ -0.8%	Jan-Nov: 3,508 Δ -8.9%	Jan-Dec: 1.61 Δ +10.2%	Jan-Dec: 50.83 Δ -3.6%	Jan-Nov: 0.23 Δ +1.6%

## China: price strong in short term

Herd (Nov)	Pork meat imports	Hog price	Piglet price	Corn price
<i>To stabilise</i>	<i>To rebound</i>	<i>Stays strong in Q1</i>	<i>To stabilise</i>	<i>To stabilise</i>
Hogs: 354 Δ -6%	Nov: 100 Δ -12%	Dec: 15 Δ -14%	Dec: 30 Δ -23%	Dec: 1.9 Δ +6%
Sows: 35 Δ -5.6%	Jan-Nov: 1,105 Δ -26%	Jan-Dec: 15.3 Δ -18%	Jan-Dec: 37 Δ -14%	Jan-Dec: 1.82 Δ -0.1%

## US: expect increased production by 2H 2018

Production	Exports	Hog price	Sow price	Feed price*
<i>Expansion</i>	<i>Rising</i>	<i>Falling by 2H 2018</i>	<i>Rising</i>	<i>Stable</i>
Nov: 1,042 Δ +2.6%	Nov: 243 Δ -2.9%	Dec: 1.44 Δ +23%	Nov: 0.92 Δ +67.5%	Nov: 0.88 Δ -3.7%
YTD: 10,611 Δ +2.9%	YTD: 2,150 Δ +8%	YTD: 1.59 Δ +7.3%	YTD: 0.94 Δ +15.7%	YTD: 0.86 Δ -3.8%

\* feed price: 83% corn, 17% soymeal

## Canada: steady growth amid mixed export picture

Production	Exports	Hog price	Feeder hog price	Feed price*
<i>Gradual increase</i>	<i>Rising</i>	<i>Rising</i>	<i>Rising</i>	<i>Declining</i>
Nov: 173 Δ +2.6%	Nov: 115 Δ -2%	Dec: 1.8 Δ +20%	Dec: 0.61 Δ +5%	Nov: 0.91 Δ -4%
Jan-Dec: 2,104 Δ +2.9%	Jan-Nov: 1,179 Δ +4%	Jan-Dec: 2 Δ +6.8%	Jan-Dec: 0.64 Δ +5%	Jan-Nov: 0.92 Δ -7%

\* feed price: 83% corn, 17% soymeal; herd: million head

## Brazil: Russia will be key for Brazilian pork exports in 2018

Production	Exports	Pork price	Hog price	Feed price
<i>Expected to increase slightly</i>	<i>Expected to increase</i>	<i>Expected to stabilise in Q1</i>	<i>Expected to stabilise in Q1</i>	<i>Stabilising</i>
Sep: 312.1 Δ -0.2%	Dec: 52.1 Δ +4.9%	Dec: 6.36 Δ -13%	Dec: 3.89 Δ -13%	Dec: 0.73 Δ -7.6%
Jan-Sep: 2,839 Δ +2.4%	Jan-Dec: 680.4 Δ -5.0%	Jan-Dec: 6.36 Δ +7.3%	Jan-Dec: 4.10 Δ +8.9%	Jan-Dec: 0.66 Δ -26%

Figure 5: Pork prices in exporting countries, 2015-2018

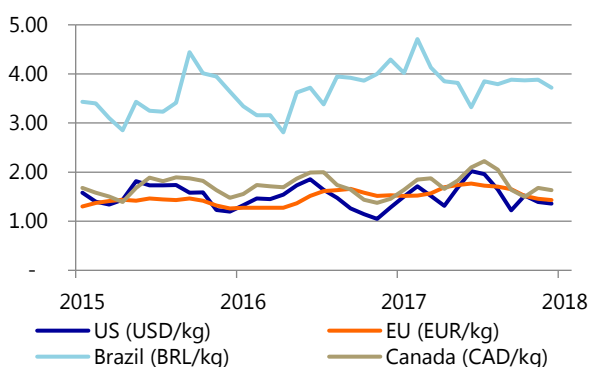
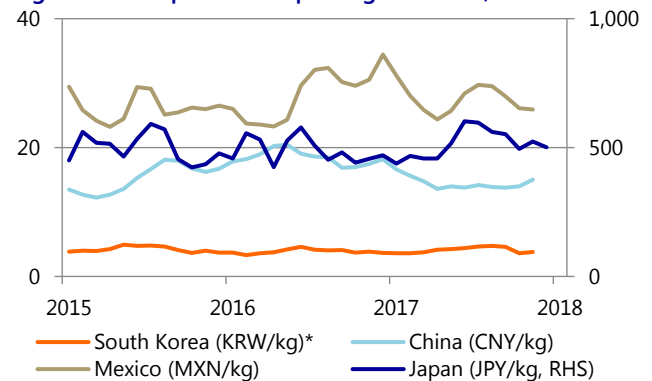


Figure 6: Pork prices in importing countries, 2015-2018



\* Note: For display purposes, the South Korean won has been divided by 1,000. Source: Agriculture & Livestock Industries Corporation, FND, Chinese Ministry of Agriculture, Korea Meat Trade Association, Rabobank 2018

Source: Bloomberg, European Commission, Agriculture and Agri-Food Canada, Rabobank 2018

## China

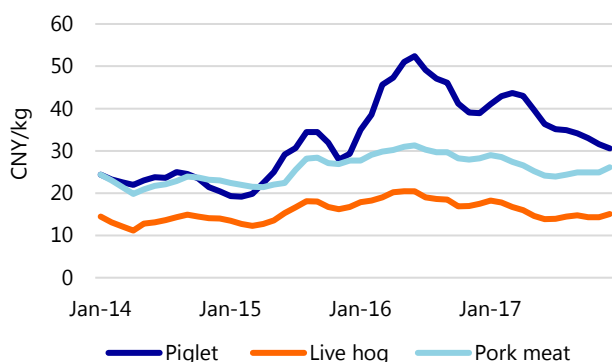
Chinese hog markets were strong at the start of the year, with prices above CNY 15/kg in many provinces (see Figure 7). Although the price is still 18% lower than the same period in 2017, producers are already recording good profitability. Sow-to-hog integrated farmers can earn CNY 300/head.

China's Ministry of Agriculture indicates that, by November 2017, the sow and hog herd inventories were down 5.6% and 6.3% YOY, respectively. While the figures may look irrational, as the corresponding prices did not reflect large slaughter, our analysis suggests that the sow herd did indeed decline due to the environmental inspections in the period. This suggests piglet supply will be tight at the beginning of 2018, supporting continued strength—even beyond Chinese New Year, the end of which usually signals the beginning of the low season. But we expect the price strength to be temporary. With the steadily rising hog supply, hog prices are expected to move downward during 2018.

According to the National Bureau of Statistics of China, pork production increased only 0.7% for the first three quarters; however, our view is that pork production in 2017 increased 2% YOY, based on market interviews and price performance. Large farming companies continued to expand capacity, though at a slower pace. Seven listed companies increased hog production by 24% YOY in the first 11 months of 2017, with some of them doubling their production. We expect this trend to continue in 2018, although the pace of expansion may slow. In addition, the higher productivity of large-scale farms suggests meat production may grow faster than herd expansion. We forecast pork production to increase 1.5% in 2018.

China's pork meat imports were 1.1m tonnes in the first 11 months of 2017, down 26% YOY. Almost all key suppliers have witnessed some decline in their shipments to China. Variety meat imports also dropped, but at a slower pace of 15%. The total pork imports in 2017 are estimated at 2.46m tonnes, down 20% YOY. Despite this drop, total imports are still above all years prior to 2015. Imports began to show signs of a rebound beginning in November. We forecast pork imports to increase 6% in 2018.

Figure 7: Chinese prices of piglets, live hogs, and pork, 2014-2017



Source: Chinese Ministry of Agriculture, Rabobank 2018

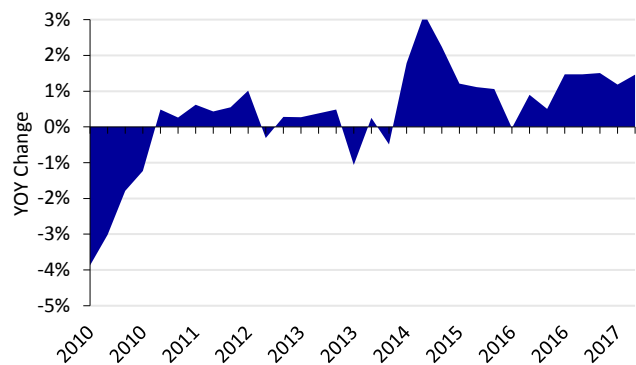
## US

Despite recent weather-related disruptions, the supply of hogs for 2018 remains robust. USDA's Q4 Hogs & Pigs report indicates a 2.5% increase in market hog availability early in 2018 (slightly ahead of our earlier expectations) and a 3% increase in supplies in 2H 2018. If realised, US hog inventories will be at record highs for much of the back half of the year. As expected, the report also shows a 1% increase in the sow herd, in line with our earlier estimates (see Figure 8). Even with larger hog supplies, recently opened slaughter capacity has ramped up the competition for hogs, resulting in stronger-than-anticipated pricing to start the year. Futures markets are offering producers the opportunity to lock in very good margins for 2018.

Pork prices recovered through the early fall of 2017, but fell through year-end, as exports slowed seasonally and heavy inventories weighed on the cutout value. Prices have strengthened to start the year, as good export movement and early Easter buying have pushed ham values to recent highs (+3% YOY). Belly prices have also rebounded seasonally (+4% YOY), as packers are working to build supplies in anticipation of strong seasonal demand. We do not expect a repeat of year-ago prices, given increased hog supplies, but see good support at retail and foodservice driving ongoing strength in packing margins as the year progresses.

Demand from key export destinations, including NAFTA partners Mexico and Canada, slowed late in the year, but has rebounded more recently. After a slowdown in exports to China (-25% YOY) in the early fall, shipments rebounded by double digits at year-end. Once again, we expect 8% growth in US exports in 2018, reflecting increased supplies driven principally by stronger shipments to China and South Korea. We continue to monitor the ongoing renegotiation of the South Korean trade agreement (KORUS) and modernisation of NAFTA, as their successful conclusion is critical to our long-term forecast. The relative strength (or weakness) of the US dollar will also play a key role in export demand.

Figure 8: US sow herd +1%, signalling gradual expansion, 2000-2018



Source: USDA, Rabobank 2018

## EU

After several challenging years, beginning in May 2016, EU pig producers have recorded good profitability. This improvement has, in large part, been driven by strong export demand, primarily to Asia—and especially China.

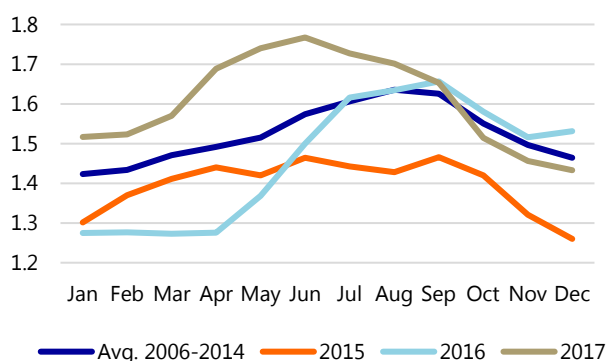
EU pork production declined by about 1% in 2017. Many producers used revenues to restore treasuries and to reinvest in their business. As a result, the spring 2017 EU sow herd showed a 1% increase, indicating renewed growth, driven by strong business returns. Strong 2017 margins are expected to drive a 1% YOY increase in production in 2018. Spain leads the production increase—its sow herd grew by 6% in spring 2017. However, production growth will be lower, as a significant proportion of the added sows are Iberian breed, which are less productive than conventional breeds. Poland, Denmark, and the Netherlands also increased sow numbers, while Germany has a stable herd. The winter 2017 census will provide a better indication of the production increase in 2018.

In 2017, EU exports are estimated to have declined by less than 10% YOY. Asian countries counted for two-thirds of EU exports. Despite the reduced demand from China, more product was sold in other Asian countries, such as Japan, South Korea, and the Philippines. Spain has gained market share in trade to Japan—to match Denmark, the historic EU supplier of Japan, which lost volumes. Germany concentrated exports on South Korea; flows to South Korea are estimated to have increased by about 30%.

The increasing pork supply in 2018 will continue to impact pig prices, depending on local consumption and export demand (see Figure 9). The decline in wholesale prices should stimulate retail promotional activity, which could result in lower retail prices. Exporters gain competitiveness on world markets when EU prices decline, although a strengthening of the euro during 2018 could negate this benefit. Asia remains the primary destination for EU exports, but Africa will again become accessible for low-value products.

Rabobank believes prices in the first half of 2018 could match the price levels observed in 2015. Threats like African swine fever and increased competition in trade, as well as market access issues, are the potential downside factors for prices.

Figure 9: EU monthly hog prices, 2006-2017



Source: European Commission, Rabobank 2017

## Brazil

As Russia was responsible for almost 40% of total Brazilian pork exports in 2017, the Brazilian pork sector begins Q1 2018 with an important question: will Russia maintain the restrictions placed on Brazil's meat products in Q4 2017?

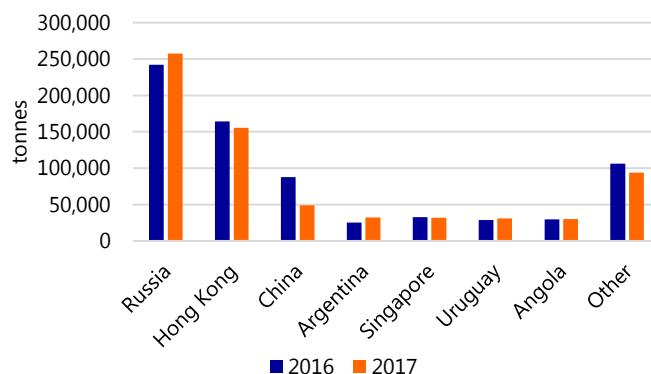
Brazilian authorities believe that these restrictions are likely to be lifted in the short term. As support, it is estimated that around 80% of all Russian pork imports in the last two years came from Brazil—which represents almost 10% of total Russian pork consumption. Additionally, the restrictions were applied due to allegations that ractopamine was detected in Brazilian meat products; however, there is no public information available that shows official tests or a list of affected lots. Brazilian authorities have said that corrections could be easily implemented, even though no cases were detected locally.

Meanwhile, in 2017, total Brazilian pork exports increased by almost 10%, compared to 2016, by value. However, they declined by around 5% by volume, particularly due to the decline in pork exports to China during the year (see Figure 10).

On the domestic market, after two years in recession, Brazilian GDP finally started growing again in 2017. With improving economic conditions, GDP is expected to increase by between 2% and 3% in 2018, which, in turn, is expected to support a gradual recovery in domestic meat consumption.

Regarding prices: in 2017, while domestic pork prices were, on average, more than 7% higher than the previous year, feed price levels were more than 25% lower—indicating that the sector delivered improved results during the year. Moreover, given that feed prices are expected to remain flat during Q1 2018, compared to Q4 2017, the pork sector is likely to continue seeing improved results—at least at the beginning of the year. However, uncertainties surrounding the second corn crop can impact feed prices as of Q2 2018.

Figure 10: Brazilian pork exports, 2016 vs. 2017



Source: MDCl, Rabobank 2018

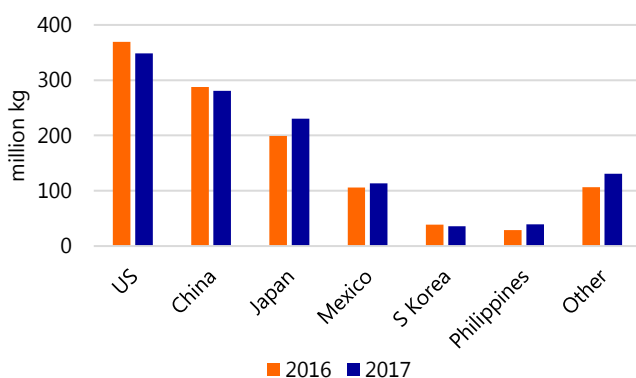
## Canada

Hog production continues to grow modestly, with inventories reaching 13.2m head in Q4 2017. Available market hog supplies grew marginally (0.6% YOY), while growth in the breeding herd remains constrained (1.9% YOY). We continue to expect relatively slow growth in the Canadian hog herd, as the packer-owners work to manage supply.

Production margins fell seasonally, to the high teens (CAD/head) in early fall 2017, but averaged CAD 32/head for the year as a whole (+52% YOY). This was the fifth straight year of profitability, and reflects a good balance of supply and demand. Based on our outlook for limited herd growth of 2.5% in 2018 and favourable feed costs, producers are able to lock in very strong profits for nearly all of 2018.

Likewise, packers have posted good returns on the back of solid demand, both in domestic and export markets. For the year, Canada exported 70% of its production, and the market remains heavily dependent on export volumes. Through November, Canada exported 1.2m tonnes of pork (+3.8%), but shipments to its two largest markets (the US and China) were down to low single digits (see *Figure 11*). Exports to other key markets were up, with notable gains in Japan (+16%), Mexico (+7%), and the Philippines (+37%). Canada only recently regained access to Argentina, a market which had historically been one of the country's top 10 markets. Exports of live hogs to the US were -12% YOY to end the year, reflecting unfavourable economics, while feeder pig exports to the US moved significantly higher after being flat for much of the year. The flow of feeders should remain high as US producers work to grow herds. As in the US, the outlook for trade remains highly dependent on a successful conclusion to the current round of NAFTA negotiations.

Figure 11: Canadian pork exports by volume, 2016 vs. 2017



Source: Statistics Canada, Rabobank 2018

## Mexico

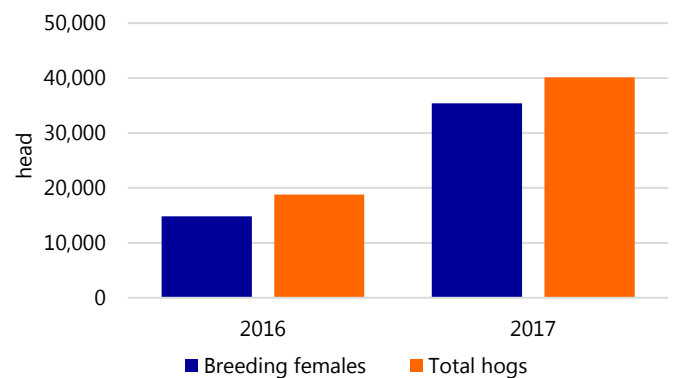
The sow herd in Mexico will continue to increase through 2018, to an expected total of 965,000 head, or an increase of 33,000 head YOY. In 2017, sow imports from the US increased by 114%: from 14,808 head to 35,415 head. Mexico continues to import hog genetics in order to expand production and continue growing pig production. New hog farms are expected to begin operations in 2018.

Pork production is expected to grow another 2% for 2018, going from 1.44m tonnes to 1.47m tonnes. In 2017, producers faced some challenges with feed prices, as exchange rate volatility made corn imports more expensive at the beginning of the year, and again during Q4 2017. Volatility in 2018 is expected to continue as uncertainties associated with NAFTA negotiation and elections remain.

Despite the uncertainty surrounding NAFTA negotiations, imports of pork continued to surprise the market, with total shipments of pork reaching a new record, at an estimated volume of 1.1m tonnes for 2017. This year, imports are expected to further increase by 5%, to 1,155m tonnes (CWE). However, trade volumes coming from the US will largely depend on how NAFTA negotiations evolve—and separately, whether Brazil and Mexico can work out a free-trade agreement (see *Figure 12*). The US continues to be the leading supplier to Mexico; however, Canada is expected to increase its presence in the Mexican market in 2018.

In 2017, domestic consumption reached 2.39m tonnes and will increase by 3% in 2018, to 2.46m tonnes. Despite volatility and inflation increasing, consumption remained robust in 2017 and is expected to remain strong in 2018.

Figure 12: Mexican hog imports from the US, 2016 vs. 2017



Source: USDA, Rabobank 2018

## Japan

Pork production in Japan has declined slightly in recent years: in 2017, volumes are expected to be close to 1.27m tonnes CWE. Due to the slight increase in consumption and strong prices, demand for imports has increased—for fresh and frozen meats, as well as more processed products (see Figure 13). The latter is explained by the move towards foodservice and growth in ready-to-eat demand in the Japanese market. Pork imports reached a new record in 2017, of 1.42m tonnes CWE. Imports now represent 53% of total consumption.

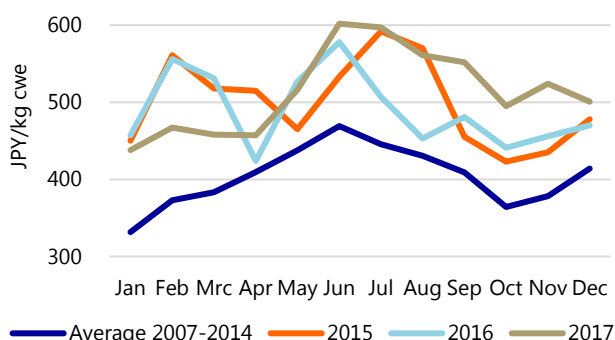
In 2017, the US, Canada, and Mexico together shipped 61% of total Japanese imports. The US and Canada are, by far, the main suppliers. Canada and Mexico gained market share at the expense of the US, whose volumes were flat year-on-year.

NAFTA countries have a geographical advantage when supplying Japan with fresh products. Fresh meats account for roughly one-third of the volumes, generating larger profits by supplying higher-value product directly to retailers and foodservice channels.

EU countries primarily export frozen pork to the Japanese meat processing industry, although processed pork products are slowly gaining in importance. In 2017, the EU gained market share in Japan. Spain boosted exports by about 23%, to match the volumes of Denmark, which declined between 5% and 6% YOY. The Netherlands also improved exports to Japan, by about 35% YOY, but still accounts for relatively small volumes.

Japanese imports could stabilise in 2018, as production and consumption are expected to remain flat with 2017 levels. Competition between the EU and North American suppliers for access to Japan is expected to remain intense, as both are dealing with higher availabilities. EU exporters will slowly start to benefit from lower tariffs under the recent EU-Japan free-trade agreement.

**Figure 13: Japanese pork prices, wholesale market Tokyo, 2007-2017**



Source: ALIC 2017

## South Korea

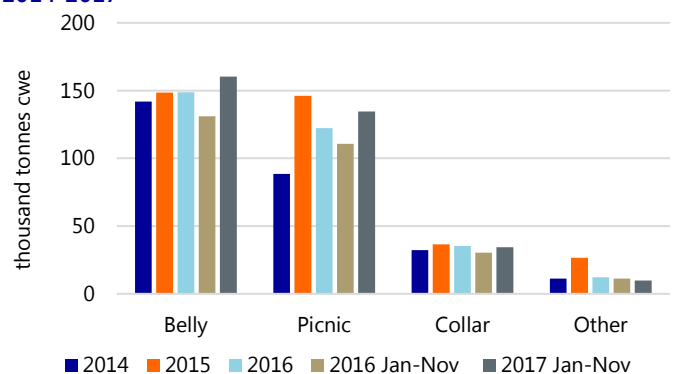
South Korean pork production continues its multi-year expansion, with an increase of 3% YOY recorded in 2017. Despite this growth, production continues to fall short of expected demand. As such, South Korea was forced to increase imports by 10% in 2017, now approaching 700,000 tonnes (see Figure 14). At present, the country produces only 66% of its own needs.

The US supplied one-third of total South Korean pork imports in 2017. Strong demand and favourable prices in the past year drove an estimated 28% growth in volumes YOY. US exports to South Korea remain strong in early 2018, in part tied to the inventory build in the run-up to the Olympic Games. In early January 2018, South Korea-US Free-Trade Agreement (KORUS) renegotiations began, and they are expected to address market access issues. One of the topics being addressed is US pork's current zero-tariff access to the South Korean market. While early negotiations appear favourable to the US, final terms have not yet been disclosed.

Exports from Germany, the second-largest South Korean supplier, grew substantially in 2017 and were up by more than 30% YOY, while average export values grew over 50% in the same period. Strong South Korean demand for bellies supported stronger pricing for much of the year. The Netherlands also benefited from the strength in demand, but kept volumes rather low. All other EU countries lost market share. As a result, Germany now represents almost half of total EU exports to South Korea.

South Korean production is expected to increase by about 2% in 2018, compared to 2017. At the same time, consumption is expected to remain relatively flat ( $\pm 1\%$  YOY). As a result, 2018 will see increasing competition among suppliers to maintain their export volumes.

**Figure 14: South Korean pork imports by cut, 2014-2017**



Source: Korean Meat Trade Association 2017

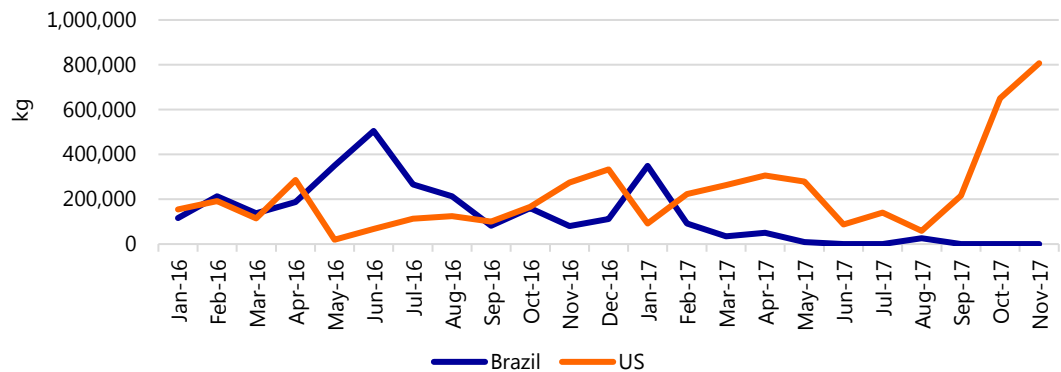
## Vietnam

Live hog prices in the south of Vietnam are currently averaging VND 28,000/kg to VND 33,000/kg (VND 33,000/kg to VND 36,000/kg in the north), up from VND 26,000/kg to VND 27,000/kg in October 2017. Despite this recovery, prices are only returning to break-even points. The prolonged low-price situation—in addition to a foot-and-mouth disease outbreak in the northern provinces—reportedly forced some 30% to 40% of pig-breeding households and small-scale breeders to cease operations in 2017. Officially, the pig population had declined 6.3% YOY, to 27.3m head, as at 1 October 2017, according to the Ministry of Agriculture and Rural Development (MARD).

In 2018, pork demand is expected to increase by less than 1%, to 2.7m tonnes CWE, with per capita consumption remaining flat, at  $\pm$ 44 kg CWE. Pork production is forecast to expand by 1%, to 2.8m tonnes cwt this year—the additional volume mostly going to the domestic market. Having reportedly booked GDP growth of 6.8% in 2017, the government expects 2018 GDP to expand by 6.7%. In the shorter term, we anticipate live hog prices to firm up in Q1 2018, backed by seasonally higher Tet (Vietnam New Year) consumption. But there is downside potential in Q2 2018—as demand normalises and hog prices in China moderate. Further attrition among small-scale and household pig breeders is expected—offset by a production ramp-up by large-scale new entrants.

Imported pork volumes rebounded in September, followed by spikes in October and November, particularly from the US (see Figure 15). We suspect that the rebound in imports was driven by a recovery in domestic prices and concerns over food safety. Compared to the same period in 2016, combined pork imports from the US and Brazil were almost flat for the first 11 months of the year.

Figure 15: Vietnamese pork monthly imports, 2016-2017



Source: USDA 2017



# Imprint

## **RaboResearch**

Food & Agribusiness

far.rabobank.com

Justin Sherrard	Global Strategist	<a href="mailto:justin.sherrard@rabobank.com">justin.sherrard@rabobank.com</a>
Chenjun Pan	China	<a href="mailto:chenjun.pan@rabobank.com">chenjun.pan@rabobank.com</a>
Christine McCracken	US	<a href="mailto:christine.mccracken@rabobank.com">christine.mccracken@rabobank.com</a>
Jan Peter Ferneij	EU	<a href="mailto:jan.peter.van.ferneij@rabobank.com">jan.peter.van.ferneij@rabobank.com</a>
Adolfo Fontes	Brazil	<a href="mailto:adolfo.fontes@rabobank.com">adolfo.fontes@rabobank.com</a>
Andrick de la Payen Diaz Vega	North America	<a href="mailto:andrick.payen@rabobank.com">andrick.payen@rabobank.com</a>
Ben Santoso	South-East Asia	<a href="mailto:ben.santoso@rabobank.com">ben.santoso@rabobank.com</a>
Beyhan de Jong	EU	<a href="mailto:beyhan.de.jong@rabobank.com">beyhan.de.jong@rabobank.com</a>
Angus Gidley-Baird	Australia	<a href="mailto:angus.gidley-baird@rabobank.com">angus.gidley-baird@rabobank.com</a>
Blake Holgate	New Zealand	<a href="mailto:blake.holgate@rabobank.com">blake.holgate@rabobank.com</a>
Don Close	US	<a href="mailto:don.close@rabobank.com">don.close@rabobank.com</a>
Gorjan Nikolik	EU	<a href="mailto:gorjan.nikolik@rabobank.com">gorjan.nikolik@rabobank.com</a>
Nan-Dirk Mulder	EU & Russia	<a href="mailto:nan-dirk.mulder@rabobank.com">nan-dirk.mulder@rabobank.com</a>

© 2018 – All rights reserved

---

This document is meant exclusively for you and does not carry any right of publication or disclosure other than to Coöperatieve Rabobank U.A. ("Rabobank"), registered in Amsterdam. Neither this document nor any of its contents may be distributed, reproduced, or used for any other purpose without the prior written consent of Rabobank. The information in this document reflects prevailing market conditions and our judgement as of this date, all of which may be subject to change. This document is based on public information. The information and opinions contained in this document have been compiled or derived from sources believed to be reliable; however, Rabobank does not guarantee the correctness or completeness of this document, and does not accept any liability in this respect. The information and opinions contained in this document are indicative and for discussion purposes only. No rights may be derived from any potential offers, transactions, commercial ideas, et cetera contained in this document. This document does not constitute an offer, invitation, or recommendation. This document shall not form the basis of, or cannot be relied upon in connection with, any contract or commitment whatsoever. The information in this document is not intended, and may not be understood, as an advice (including, without limitation, an advice within the meaning of article 1:1 and article 4:23 of the Dutch Financial Supervision Act). This document is governed by Dutch law. The competent court in Amsterdam, the Netherlands has exclusive jurisdiction to settle any dispute which may arise out of, or in connection with, this document and/or any discussions or negotiations based on it. This report has been published in line with Rabobank's long-term commitment to international food and agribusiness. It is one of a series of publications undertaken by the global department of RaboResearch Food & Agribusiness.

