



Rabobank

# Pork Quarterly Q3 2018

**Global Pork Trade Facing Unprecedented Change Entering 2H 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.

**Escalating trade tensions between the US and China, and within North America, are expected to greatly impact global pork trade in 2H 2018.** New tariff measures on agri products will put great pressure on several markets – mainly the US, China, and Mexico – although the nature of the pressure will depend on each trading position. In addition, increased production across the globe in 1H is expected to continue weighing on prices in 2H. Disease could add further uncertainty to supply and trade, as African swine fever (ASF) is spreading in Europe. Changes in feed prices in many regions could pressure margins. The Rabobank Five-Nation Hog Price Index dropped below the average level seen from 2015 to 2017, reflecting market sentiment (see Figure 1).

**China: Full of uncertainties**

Hog prices saw a brief rebound, shorter than expected. Small farmers continue to reduce their herd or exit under the pressure, while larger farms continue to expand, so that overall pork production is still increasing. The uncertainty from escalating trade tensions may prompt farmers to shift to herd liquidation sooner than expected. Pork imports are expected to decline in 2H, due to these trade disruptions.

**EU: Relatively steady market performance**

While pork prices are 17% lower than last year, the market has had no major ups or downs in recent months. Expectations of growing supply and rising feed costs in 2H 2018 may reduce farmers' profitability. However, EU exports will likely benefit from trade tensions in other regions, with some opportunity already seen in Mexico. ASF remains a big concern as it spreads within Central Europe.

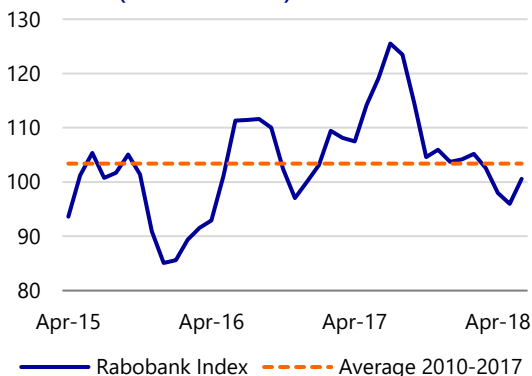
**US: Disruptions on pork exports**

Pork production continues to run ahead of last year's level, but there is also slower-than-expected utilisation of newly-added slaughter capacity. Additional tariffs on US pork exports imposed by Mexico will significantly slow the US export business. Exports to China and Canada are also slowing down, due to rising trade tensions. While exports to other destinations are expected to improve, overall larger pork supplies will weigh on domestic prices in 2H 2018.

**Brazil: Better results expected in 2H**

After experiencing a bumpy and challenging first half of the year, Brazil's pork industry is expected to improve performance in 2H 2018. Rising trade tensions in other parts of the world will likely benefit Brazil, offering opportunities to increase exports to existing markets and gain access to new markets.

**Figure 1: Rabobank Five-Nation Hog Price Index, 2015-2018 (Jan 2015 = 100)**



Source: national statistics, Rabobank 2018

**Figure 2: Rabobank currency forecasts, Jul 2018-Jul 2019**

	Jul 10	3M	6M	12M
EUR/USD	1.18	1.15	1.14	1.12
USD/JPY	111	110	111	112
USD/CAD	1.31	1.33	1.32	1.30
USD/BRL	3.87	3.80	3.70	3.60
USD/MXN	19.2	20.0	20.5	19.5
USD/CNY	6.62	6.65	6.75	6.80

Source: Rabobank 2018

## Feature: Trade turmoil

**Rabobank has just released its updated World Pork Map, showing the dominant global trade flows over the past five years. But trade is already changing. Global pork trade is facing unprecedented change as we enter 2H 2018, as the US recalculates its trade policies, Russia is on hold, and other exporters respond (see Figure 2). Rabobank expects ongoing change in global pork trade into 2019.**

### Rising US-China tensions

The major changes in global pork trade reflect uncertainties arising from the increasing political and economic tensions between the US and China.

In April 2018, China imposed a new, retaliatory 25% tariff on US pork imports, and this tariff rate could potentially rise further. Rabobank expects US exports to China to decline materially in 2H 2018 as a result – a situation that will be compounded by increased restrictions on the grey channel into China through Hong Kong. In response, Brazil, Canada, and the EU are expected to increase exports to China.

This situation is further complicated by the proposed 25% tariff on US soybean and whey exports to China. Pushing up the cost of feed will pressure pig farmers' margins in China, especially for small farmers. This could exacerbate the near-term oversupply situation. At the same time, this could bring the current downcycle to an

end sooner. Over the longer term, this is likely to boost local pork production, reducing reliance on imports.

### North American changing trade patterns

The process of renewing NAFTA is moving slowly, but changes in pork trade flows are already taking shape. Mexico, the largest export destination for US pork, recently imposed tariffs on US imports that are set to slightly reduce US trade in 2H 2018.

Mexico has introduced a 350,000-tonne tariff-free quota to facilitate imports from the EU and Brazil, which are set to increase slightly, along with imports from Canada. Even with a 20% tariff, US pork will likely remain the most competitive fresh product available.

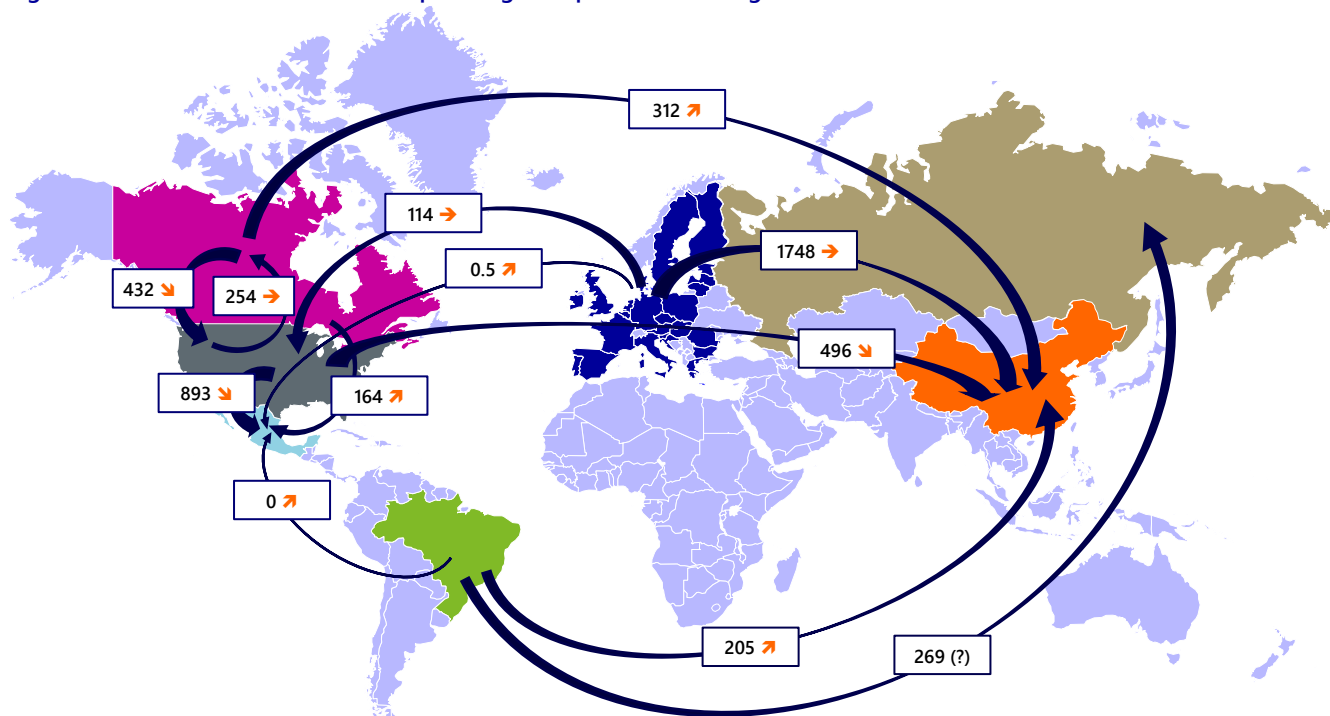
Trade from Canada to the US is also expected to decline, with plant expansions in Canada increasing local demand for hogs and higher US inventories reducing demand for Canadian pork.

### Russia's holding pattern

Russia shut down Brazilian imports of pork (and beef) at the end of 2017 over alleged ractopamine tainting of a meat cargo. Russia was Brazil's main pork export destination in 2017, so this has materially impacted Brazil's exports in 2018.

The ban on Brazilian imports remains in place, even though the country's authorities are hopeful that it will be lifted shortly. Maintaining the ban has the effect of lifting local production and prices, which may be Russia's goal.

Figure 3: Rabobank's initial view of expected global pork trade changes



Product flows in FY 2017 (Rabobank 2H 2018 indication in brackets)

Source: UN Comtrade, Chinese Ministry of Agriculture, USDA, Eurostat, 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: Season boosts prices – possible gains from trade tensions

Production	Exports	Class E price	Piglet price	Feed price
Rising	Declining	Seasonal rebound	Under pressure	Rising
Mar 2018: 2,071 Δ +8%	Apr 2018: 286 Δ -12.3%	May 2018: 1.45 Δ +2.8%	May 2018: 47.51 Δ -8.4%	May 2018: 0.24 Δ 0.62%
YTD: 2,061 Δ +4%	YTD: 1299 Δ +0.3%	YTD: 1.42 Δ -12.8%	YTD: 48.28 Δ -12.2%	YTD: 0.23 Δ +1.7%

## China: First market reactions begin emerging – uncertainty prevails

Herd (May)	Pork meat imports	Hog price	Piglet price	Corn price
To stabilise	Declining	Stable for Q3	To stabilise	To stabilise
Hogs: 351 Δ -2.7%	May: 115 Δ -3.6%	May: 10.3 Δ -30%	May: 24.6 Δ -38%	May: 1.8 Δ +9.1%
Sows: 34.68 Δ -3.9%	Jan-May: 550 Δ -4%	Jan-May: 13.2 Δ -28%	Jan-May: 28.4 Δ -33%	Jan-May: 1.83 Δ +15.4%

## US: Weaker second-half outlook on rising supply – trade tensions

Production	Exports	Hog price	Sow price	Feed price
Expanding	Expected to fall	Declining	Declining	Rising
Apr 2018: 967 Δ +7.2%	Apr 2018: 249 Δ +18.4%	May 2018: 1.44 Δ -7%	May 2018: 0.96 Δ -5.3%	Mar 2018: 0.92 Δ +17.8%
YTD: 3,967 Δ +4.1%	YTD: 936 Δ +8.9%	YTD: 1.03 Δ -3.9%	YTD: 0.94 Δ +20.8%	YTD: 0.87 Δ +7.6%

## Canada: Weaker prices on US oversupply – limited supply growth expected

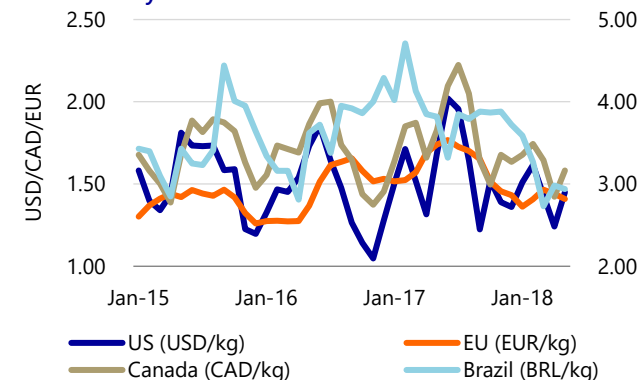
Production	Exports	Hog price	Feeder hog price	Feed price
Gradual increase	Declining	Declining	Rising	Rising
May 2018: 158 Δ +2.3%	May 2018: 111 Δ -12%	Jun 2018: 2.06 Δ -9.6%	Jun 2018: 1.55 Δ +36%	Jun 2018: 0.91 Δ +16%
YTD: 859 Δ +4.7%	YTD: 314 Δ -4%	YTD: 1.8 Δ -9.3%	YTD: 1.93 Δ +88%	YTD: 0.92 Δ +6%

## Brazil: Prices expected to increase during Q3 2018

Production	Exports	Pork price	Hog price	Feed price*
Expected to decline	Expected to stabilise	Expected to increase	Expected to increase	Expected to decline
Mar 2018: 331.7 Δ +2.9%	May 2018: 46.7 Δ -2.1%	May 2018: 4.83 Δ -30%	May 2018: 3.00 Δ -25%	May 2018: 0.98 Δ +58%
YTD: 957.9 Δ +6.4%	YTD: 241.5 Δ -11%	YTD: 5.14 Δ -24%	YTD: 3.28 Δ -24%	YTD: 0.86 Δ +31%

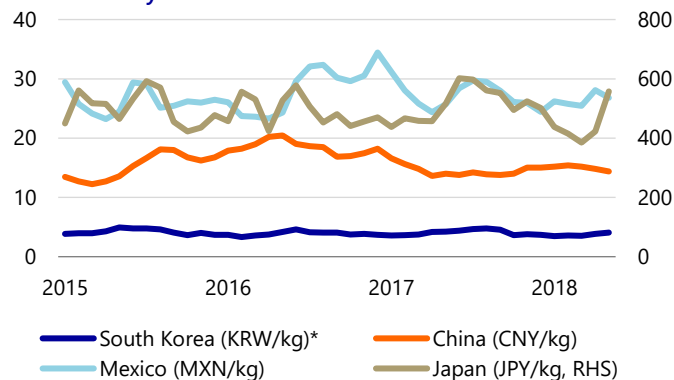
\* feed price: 60% corn, 40% soymeal; herd = million head

Figure 4: Pork prices in exporting countries, Jan 2015-May 2018



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

Figure 5: Pork prices in importing countries, Jan 2015-May 2018



\*Note: For display purposes, the South Korean won has been divided by 1,000.

Source: Bloomberg, European Commission, ALIC, Rabobank 2018

## China

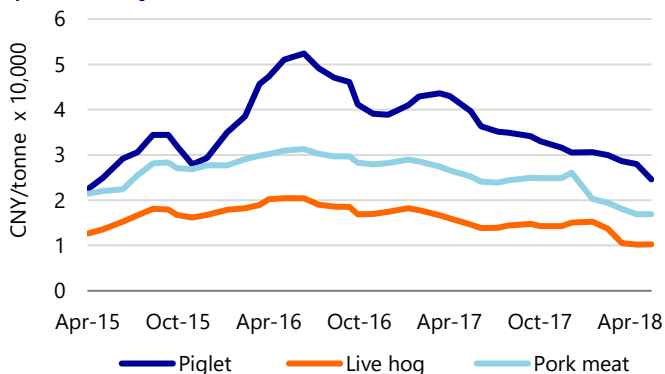
Chinese hog prices have started to rebound since the last week of May, after being depressed for almost four months (see Figure 6). But the rebound seems to lack market support. After briefly hitting CNY 12/kg, a level close to breakeven point, prices soon softened and have fluctuated around CNY 11.5/kg. A large number of farmers are still making losses of CNY 100/hog to CNY 200/hog.

According to the government, the sow herd declined 3.9% YOY by the end of May, as a result of sow liquidation by smaller farmers in recent months. However, large-scale farms have continued to expand, with seven listed hog-farming companies increasing hog sales by 39% YOY in the first five months. Some have more than doubled their production, compared with the same period last year. Such strong growth, which represents the expansion pace of scaled production across the country, is the main driving force for the increase of pork supply, as it more than offsets the effect of smaller farms exiting production.

There are some wildcards that may alter the market cycle. The US-China trade war brings great uncertainty. Higher tariffs on imports of soybeans and other feed inputs from the US are expected to cause cost pressures and volatility in farming. This may cause some small farmers to leave the market earlier than expected, and large farms may slow expansion. Pork supply may be more volatile, with periods of oversupply and shortage. Another uncertain factor is potential disease risk. The Ministry of Agriculture and Rural Affairs warned Chinese farmers that Senecavirus A has been found in some regions. This is a new virus strain which was previously found in the US and Canada. So far, there is no serious outbreak, but risks will increase if farmers lower their biosecurity measures in order to reduce costs.

Pork imports in the first five months of 2018 were higher than the projected volume, declining by only 4% YOY. The higher-than-expected imports are partially believed to be due to stockpiling by traders and processors in view of the trade war. Given the continued weakness of local prices, imports are expected to decrease further in the coming months. The devaluation of the renminbi will further disadvantage imported pork relative to local supply.

**Figure 6: Chinese prices of piglets, live hogs, and pork, Apr 2014-May 2018**



Source: Chinese Ministry of Agriculture, Rabobank 2018

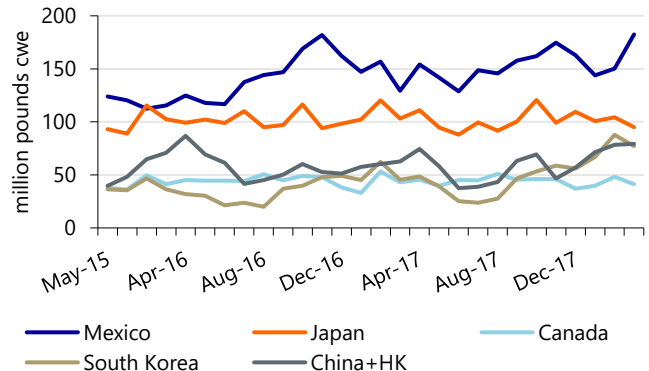
## US

Pork production continues to run ahead of year-ago levels (+3.1% YOY). The pace of slaughter is on track with projections, but could slow as packers work to recoup margins. The impact of newly-added slaughter capacity is below expectations, as labour shortages continue to slow planned expansion. We expect labour issues to continue to plague both the pace of slaughter in the back half of 2018 and/or the amount of deboning. The impact of these inefficiencies will vary, but most plants will be facing higher labour costs going forward. We continue to look for record supplies of pork through year-end, based on current inventories. There is no change to our outlook for the breeding herd (+1.5%), which continues to support our outlook for an increase in 2H pig supplies and a 3.9% increase in pork. We expect larger pork supplies to weigh on prices over the balance of the year.

The 5 June implementation of the first round of 10% tariffs on US pork exports to Mexico initially drove exports higher, but has resulted in slower shipments in recent weeks. A second round of 10% tariffs, effective from 5 July, will slow, but not stop, US pork shipments into the nation's leading export market. US product is unofficially ineligible for the recently-announced 350,000-tonne tariff-free import quota, which will further narrow the price advantage of US pork and lead to a gradual erosion in US market leadership. Any further devaluation of the peso could also dampen demand. Exports to Canada also remained weak, and directly reflect both rising trade tensions and modestly weaker demand.

Record pork exports in April (+13% YOY) reflected both stockpiling in Mexico and China in front of soon-to-be imposed tariffs and continued growth in demand for key markets like South Korea (+70% YOY) and Colombia (+62% YOY) (see Figure 7). We have seen a sharp drop in shipments to China/Hong Kong in recent weeks. With the second round of 25% tariffs on US exports to China from 6 July, which will put the cumulative duties at 62%, we expect a further decline in exports to China in the coming months. However, exports to other destinations are expected to improve in 2H 2018.

**Figure 7: US major export destinations in quantity, Jan 2016-Mar 2018**



Source: USDA, Rabobank 2018

## EU-28

The European pig market shows a fairly stable picture. Without major fluctuations since March, prices in June are 17% lower than the same period last year, slightly below EUR 1.50/kg for the average carcass quality (see Figure 8). This disappointing demand was aggravated by the wet and cold spring, especially in southern Europe. This year, prices failed to rise in the spring, due to an increasing supply of pigs and weather conditions that allowed pigs to grow faster. As a result, it is expected that supply will decrease in the coming weeks, which could mean a slight rebound in prices. Supply is expected to increase again in autumn.

Piglet prices in the EU remain under pressure. Currently, the average price is down 23% YOY. Oversupply will further pressure piglet prices in 2H 2018. In addition, there is also a prospect that feed prices move upward. Taken together, these dynamics will reduce the producers' profitability.

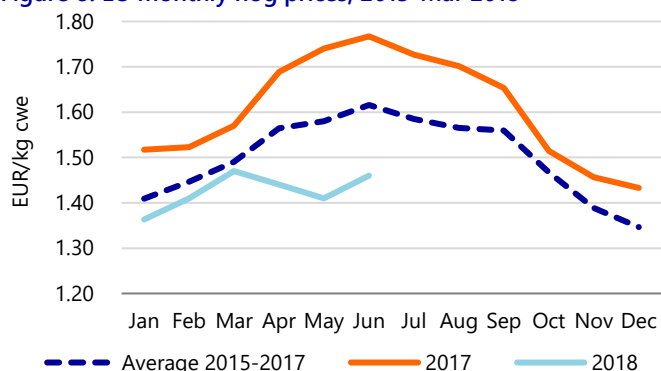
European exports remain close to last year's volumes, but prices were down 7% YOY in the first four months of 2018. The 4% decrease in exports to China has been compensated by exports to other destinations, mainly Asian countries. Germany and Spain, in particular, are increasing their shares of trade in international markets.

Looking into 2H 2018, the EU will likely benefit from trade disputes between the US and China, and between the US and Mexico. The first containers were recently shipped to Mexico from the EU. However, it seems unlikely that large volumes can be offered at a competitive price.

African swine fever moved further across Central and Eastern Europe in Q2 2018, further raising concerns about an outbreak that would impact intra- and extra-EU trade. Hungary is now one of the infected countries. In 1H 2018, almost 3,000 cases of ASF were recorded in Central and Eastern Europe, the majority of which concerned wild boars.

Animal welfare standards continue to expand in Europe. Recently, the German government proposed animal welfare specifications as a legal basis for animal welfare labelling of foodstuffs. The current retail label Initiative Tierwohl (ITW) would then be included in the new TierWKG concept.

Figure 8: EU monthly hog prices, 2015-Mar 2018



Source: European Commission, Rabobank 2018

## Russia

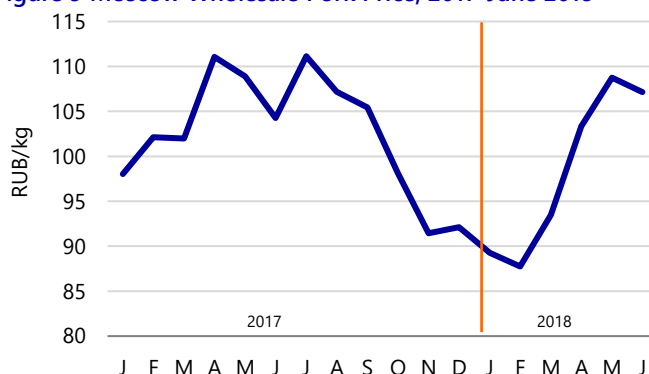
According to Russian authorities, the pig production projects being built at the moment should lift the self-sufficiency rate for pork to 115% by 2022. The rate is currently around 94%. Russia is increasingly focused on exports of pork cuts and by-products, in order to maintain the domestic price level that allows profitability. To achieve this, the export restrictions related to ASF will have to be lifted or relaxed by several destination countries.

In April 2018, Russia had 24.4m pigs, an increase of 5.1% compared to April 2017. The large pig-farming companies are active in this expansion. In addition to pig farming, these integrators are often also active in cereal production, in milling, and often in other animal products such as poultry, beef, or dairy. Russian companies have the ambition to do more business in Asia, especially in China.

After hard times during winter 2017/18, the pig price has progressively risen to generate profitability for producers since Q2 2018 (see Figure 9). This is partly due to the import restrictions that Russia imposed on Brazil in December 2017. In 2017, Brazilian imports represented more than 10% of Russian pork consumption. As a result, imports fell by 85% YOY in the first four months of 2018. If this situation persists, Russian imports could become insignificant. Still, Brazilian authorities are hopeful trade with Russia will start again in 2H 2018.

Russian exports are slowly building momentum: volumes approached 30,000 tonnes in Q1 2018 (+ 27% YOY). Hong Kong is the main destination, followed by Kazakhstan, Ukraine, Belarus, and Vietnam. By-products represent 41% of total exports, followed by half-carcasses (26%) and sausages (23%). It is expected that Russian exports will continue to develop in the coming quarters.

Figure 9 Moscow Wholesale Pork Price, 2017-June 2018



Source: USDA, Rabobank 2018



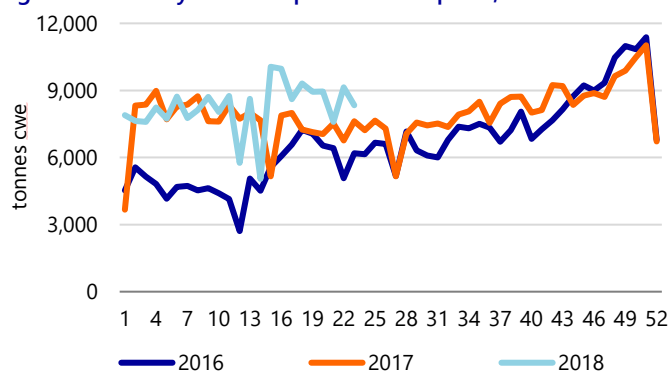
## Mexico

Trade concerns continue to increase as Mexico and the US move away from what was once called free trade. Mexico's response to US tariffs on aluminium and steel resulted in a 20% tariff on shoulder and (ham) leg cuts that will be implemented in two stages. The first part of the tariff was implemented on 5 June, with a 10% tariff increase on US pork. The second stage introduced another 10% on 5 July, to reach a final tariff level of 20%. In addition, Mexico opened a 350,000-tonne tariff-free quota to smooth the transition away from sole dependence on the US for pork trade for the remainder of the year. Imports increased from the US in the few days before 5 July, before tariffs were fully enforced.

In the coming months, Mexico will have to look for other origins to import pork. While it is not expected that Mexico will stop importing from the US, a partial substitution for certain pork cuts is more likely. Canada and Europe are expected to benefit the most from this shift, with Germany already sending 25 tonnes of frozen pork in June. Brazilian pork also remains a possibility for Mexico. However, no certification currently exists. We expect Brazil and Mexico to work on an agreement, given the current pork deficit in Mexico and the dependence on imports to satisfy domestic demand.

While the quota is expected to help smooth domestic prices, the main concern is how this will affect consumers and who will carry the burden of the extra costs that will come from transportation. So far, pork carcass prices have not seen an increase in response to the tariff – pork carcass prices in June are 1.4% lower than May, but up 4.7% compared to June 2017 (see Figure 10). The year-on-year increase has mainly been due to inflationary pressures and increasing feed costs.

Figure 10: Weekly Mexican pork meat exports, 2016-2018



Source: USDA, Rabobank 2018

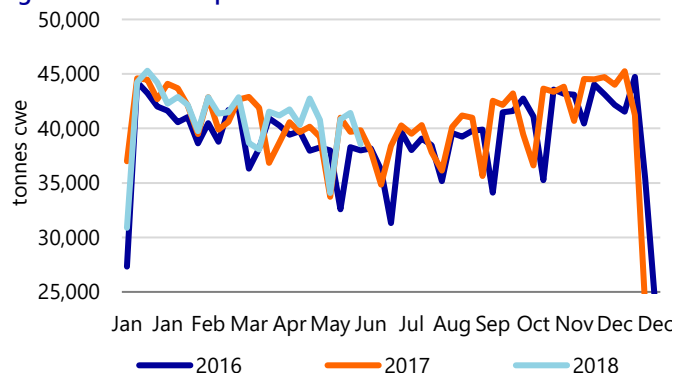
## Canada

Canada's pork production has declined (-1% YTD) as continued productivity issues, weather-related plant closures, the lagged impact of PEDv, and disruptive environmental controls have constrained supply (see Figure 11). Increased uncertainty tied to the disruption in US exports is affecting pork values and weighing on packer returns. A seasonal slowdown in supply is likely to limit production increases in the summer months, but should increase slowly through the fall and winter. Domestic pork demand has been relatively good and supportive to prices, but with US pork supplies growing, we expect increased competition to pressure Canadian pork values. Packer margins may benefit from lower hog prices in the near term, but we continue to expect lower returns in 2H 2018, as several plants continue to struggle to run at full capacity due to hog-supply and labour-availability issues.

We expect poor returns and soft demand from the US to limit additional growth in the sow herd in 2018, compared with earlier expectations. Weaned pig demand from the US is likely to wane in the coming months, as the industry moves toward losses. These pigs could end up in Canada, assuming adequate finishing space is available. Added capacity at the Hylife plant in Neepawa could also encourage more pigs to be kept in Manitoba.

Canadian pork exports in April were down 4.8% YOY in volume and down 7.2% in value, both down even more than the year-to-date averages of -3.9% in volume and -5.8% in value. A sharp decline in shipments to China (-24% in volume) reflects surplus pork in the Chinese market. Conversely, we have seen a pick-up in shipments to Japan (+7.4% YOY) as Canada remains focused on developing this high-value market. Exports to Mexico (+19.3%) are also higher, as the country seeks out alternate suppliers, given the US disruption. We expect 2H exports to China to improve slightly due to the absence of US pork. We also expect US-Mexico trade tensions to continue to benefit Canadian exporters, as the country may provide less-complicated logistics than some of its competitors.

Figure 11: Canadian production 2016-2018



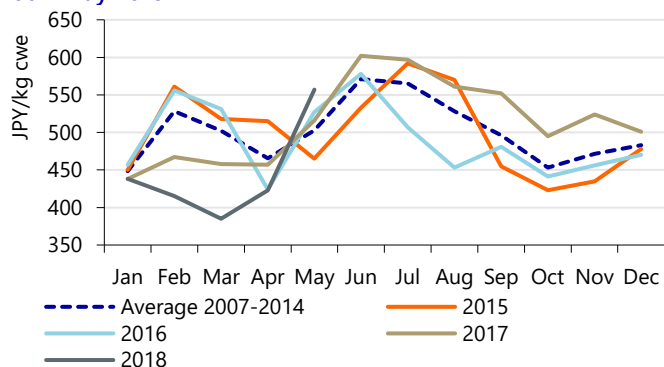
Source: Statistics Canada, Rabobank 2018

## Japan

In Japan, wholesale prices for pork have been strong, up 32% MOM and 8% YOY (see Figure 12). We believe this is the consequence of lower domestic supply, as production in April was down 3.5% MOM, to 75,500 tonnes, although this is still 2.1% above the same period of 2017.

Japan is an export market for high-value products. Imports in 2018 have generally been strong, but less aggressive than in South Korea. April saw a sharp decline of imports in values and volume. Spain is at the forefront of import origins, with an increasing market share. Total imports from Spain amount to 44,000 tonnes in the first four months, up 17.7% YOY. The most prevalent origin is still the US, with 144,100 tonnes of trade at a value of EUR 479,000,000 thus far in 2018. However, imports from the US have shown a declining trend, as the US is at a slightly disadvantaged position compared with some competitors who have gained, or will gain, preferential market access to the Japanese market. Q3 2018 will show how this trend will play out for US pork. For the EU, we expect the momentum to continue, as Japan signed an agreement with the EU to phase out its 20% tariffs for pork products. This will have an influence on high-priced products, such as dried hams and processed meats. What may result from the US trade mission led by Undersecretary of Agriculture McKinney to Japan in June is yet to be seen.

**Figure 12: Japanese pork prices, wholesale market Tokyo, 2007-May 2018**



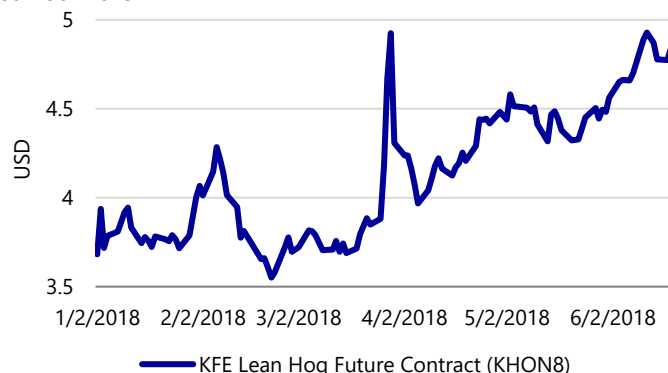
Source: ALIC, Rabobank 2018

## South Korea

South Korea's market has been dynamic, driven by both geopolitical and domestic factors. A new trade agreement between South Korea and the US was agreed in March, which may allow US pork exports to continue building momentum in the coming months. It triggered considerable confidence in the outlook for pork futures. Hog future contracts spiked at almost USD 5 shortly after the agreement was signed and have since been rising again (see Figure 13). The actual impact from trade tensions between the US and China will only be measurable over the next quarter, when larger pork supply in the US would be available for exports to South Korea. US pork prices are expected to soften, benefiting the export business.

While the domestic consumer sentiment index for June deteriorated by 2.4% from May, pork imports were up 24% YOY for the first four months of 2018, partially due to stagnant domestic production. The import product preferences are changing. Imports have included slightly fewer bellies, but more picnic cuts (+44% YOY). Also, other cuts are increasing their share, such as collar (+21% YOY). The dominant import origins of pork products were the US (104,000 tonnes), Germany (43,000 tonnes), and Spain (30,000 tonnes). Spain and the US especially have further fortified their position in the South Korean market by growing trade by 56% and 49% YOY, respectively. The strong exports from these two countries are expected to continue in the coming quarter.

**Figure 13: South Korean pork futures have been rising, Jan-Jul 2018**



Source: Korean Meat Trade Association, Rabobank 2018

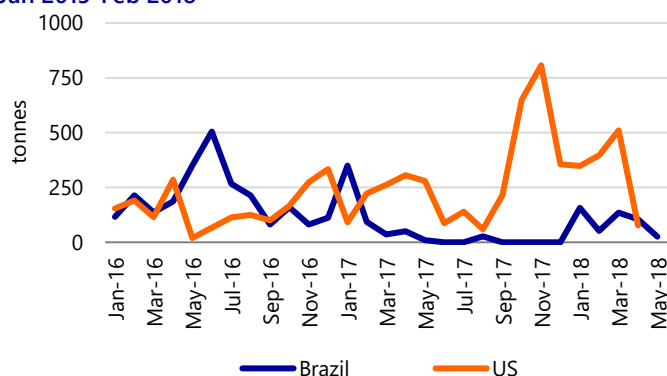
## Vietnam

Reflecting repercussions from severe oversupply in 2017, more household farms have reportedly stopped production this year – and this decline is steeper than we previously anticipated. As a proxy for sow and hog populations in small (household) farms, the USDA estimates for this year’s homemade feed demand (ex. aqua feed) are for declines of 7.9% YOY, to 5.6m tonnes – from 6.1m tonnes in 2017 and 12.1m tonnes in 2016. But 2018 demand for manufactured feed (as a proxy for industrialised farms) is forecast to expand 4.5%, to 18.0m tonnes – from 17.2m tonnes in 2017 and 16.6m tonnes in 2016.

Live hog prices remained high, at VND 46,000/kg lwt in the South and VND 48,000/kg lwt in the North at end June 2018 – up from VND 29,000/kg to VND 30,000/kg lwt in March 2018. At these prices, producers are profitable, despite higher landed prices of corn and soymeal. Growing additional hog supplies requires a nine- to 15-month lead time, and we expect the strong prices to continue for the remainder of the year. However, current high piglet prices will be reflected in higher fattening costs five to six months from now. Costs will ease gradually thereafter, as more piglets (post-Tết) will become available from July. Hog prices in Vietnam are now higher than those in China, indicating a drop in grey-channel arbitrage.

Tight domestic pork supply and higher prices may encourage a shift to other proteins, but are unlikely to boost pork imports from the US and Brazil significantly, given the preference for fresh pork and the tighter controls on grey channel re-export into China. In the first four months of this year, combined pork imports from the US and Brazil rose 26% YOY (see Figure 14).

**Figure 14: Vietnamese pork imports shift from Brazil to US, Jan 2015-Feb 2018**



Source: USDA ERS, Rabobank 2018

## Brazil

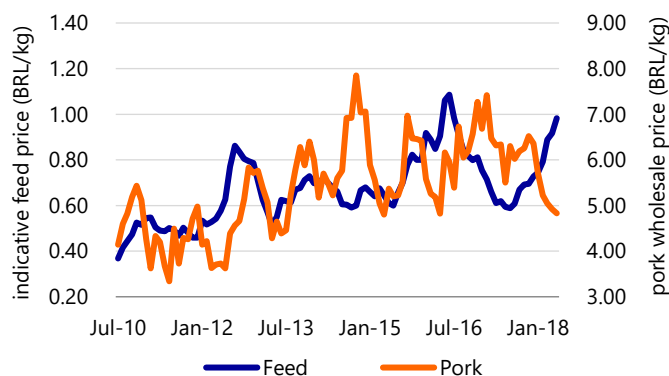
The Brazilian pork sector was challenged during 1H 2018, as pork export volumes declined by around 11% YOY in the first five months of the year. While the Russian market – the destination for about 40% of total Brazilian pork exports in 2017 – remained closed to Brazil, both China and Hong Kong greatly increased their pork imports from Brazil, by about 190% and 25%, respectively, offsetting part of the losses in the Russian market.

According to IBGE (the Brazilian Institute of Geography and Statistics), Brazilian pork production increased by 6% in Q1 2018, compared to Q1 2017. This additional supply, coupled with weak demand for Brazilian pork in the international and domestic markets, resulted in lower pork prices. In May 2018, average pork prices were around 30% lower than in May 2017. Meanwhile, indicative feed prices were almost 60% higher, putting a lot of pressure on margins (see Figure 15).

However, it is worth mentioning that prices started to rebound after the national truckers’ strike that lasted almost two weeks in Brazil – starting in late May – as the results of the standstill negatively affected supply and distribution. Although it seems to be a short-term trend, prices are likely to sustain higher levels during Q3, due to both the expected adjustments in supply and the improvement in the international environment specific to Brazilian pork. Brazil recently got permission to export pork to South Korea, and there are ongoing negotiations with Mexico regarding market access for Brazilian pork. In addition, the pork industry remains optimistic about the reopening of the Russian market.

Overall, the Brazilian pork industry is expected to deliver enhanced results during 2H 2018. However, it is still too soon to anticipate if this will be sufficient to compensate for the negative results registered during 1H 2018.

**Figure 15: Brazilian feed and pork price, 2010-2018**



Source: ABPA, Rabobank 2018



# Imprint

## **RaboResearch**

Food & Agribusiness

far.rabobank.com

Chenjun Pan	Senior Analyst	<a href="mailto:chenjun.pan@rabobank.com">chenjun.pan@rabobank.com</a> +852 2103 2430
Justin Sherrard	Global Strategist – Animal Protein	<a href="mailto:justin.sherrard@rabobank.com">justin.sherrard@rabobank.com</a> +31 30 71 23182
Adolfo Fontes	Brazil	<a href="mailto:adolfo.fontes@rabobank.com">adolfo.fontes@rabobank.com</a>
Andrick Payen	Mexico	<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>
Christine McCracken	North America	<a href="mailto:christine.mccracken@rabobank.com">christine.mccracken@rabobank.com</a>
Jan Peter van Ferneij	Europe	<a href="mailto:jan.peter.van.ferneij@rabobank.com">jan.peter.van.ferneij@rabobank.com</a>
Matz Beuchel	Europe	<a href="mailto:matz.beuchel@rabobank.com">matz.beuchel@rabobank.com</a>
Angus Gidley-Baird	Australia	<a href="mailto:angus.gidley-baird@rabobank.com">angus.gidley-baird@rabobank.com</a>
Beyhan de Jong	Europe	<a href="mailto:beyhan.de.jong@rabobank.com">beyhan.de.jong@rabobank.com</a>
Blake Holgate	New Zealand	<a href="mailto:blake.holgate@rabobank.com">blake.holgate@rabobank.com</a>
Gorjan Nikolik	Europe	<a href="mailto:gorjan.nikolik@rabobank.com">gorjan.nikolik@rabobank.com</a>
Nan-Dirk Mulder	Europe	<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.

