

# EU pork market outlook

Looking for opportunities in the sea of uncertainties

**Eva Gocsik**

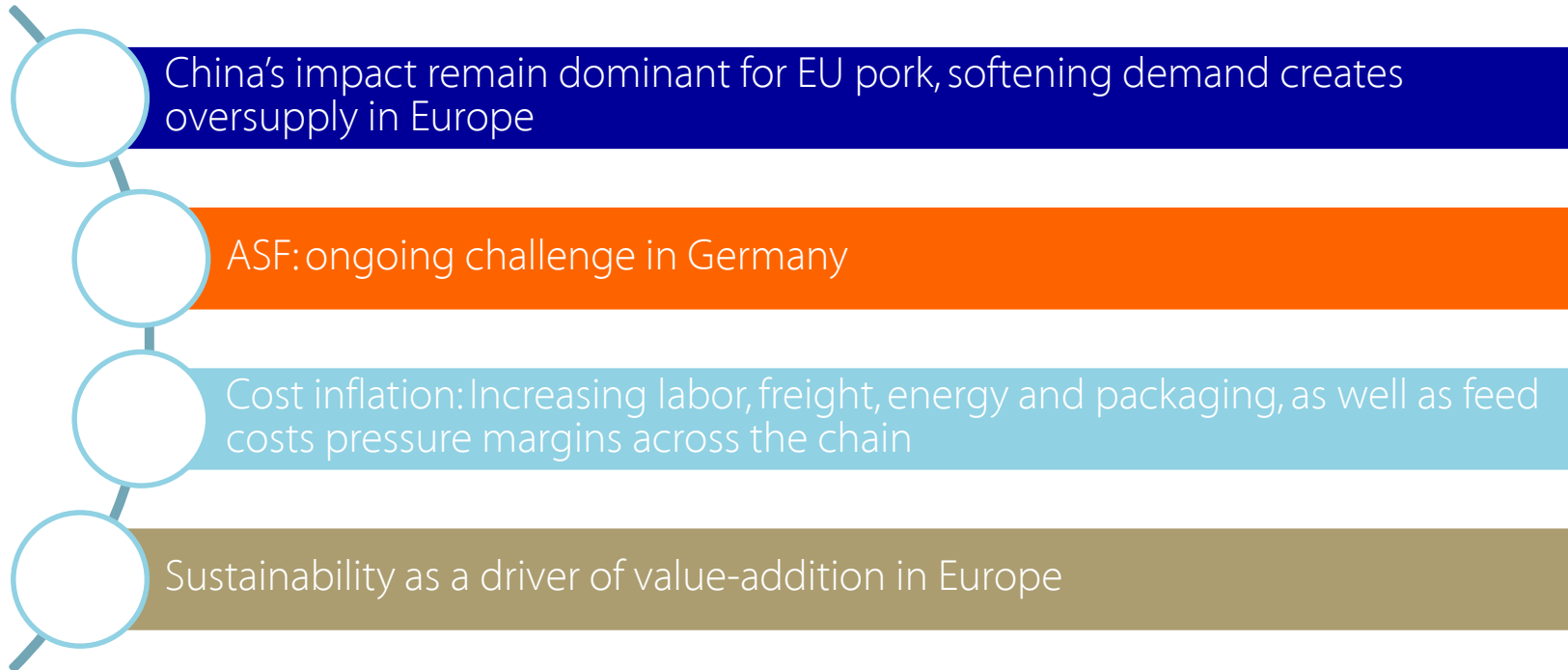
26 October, 2021 Grisekongres  
Denmark

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# Four main issues are shaping the outlook

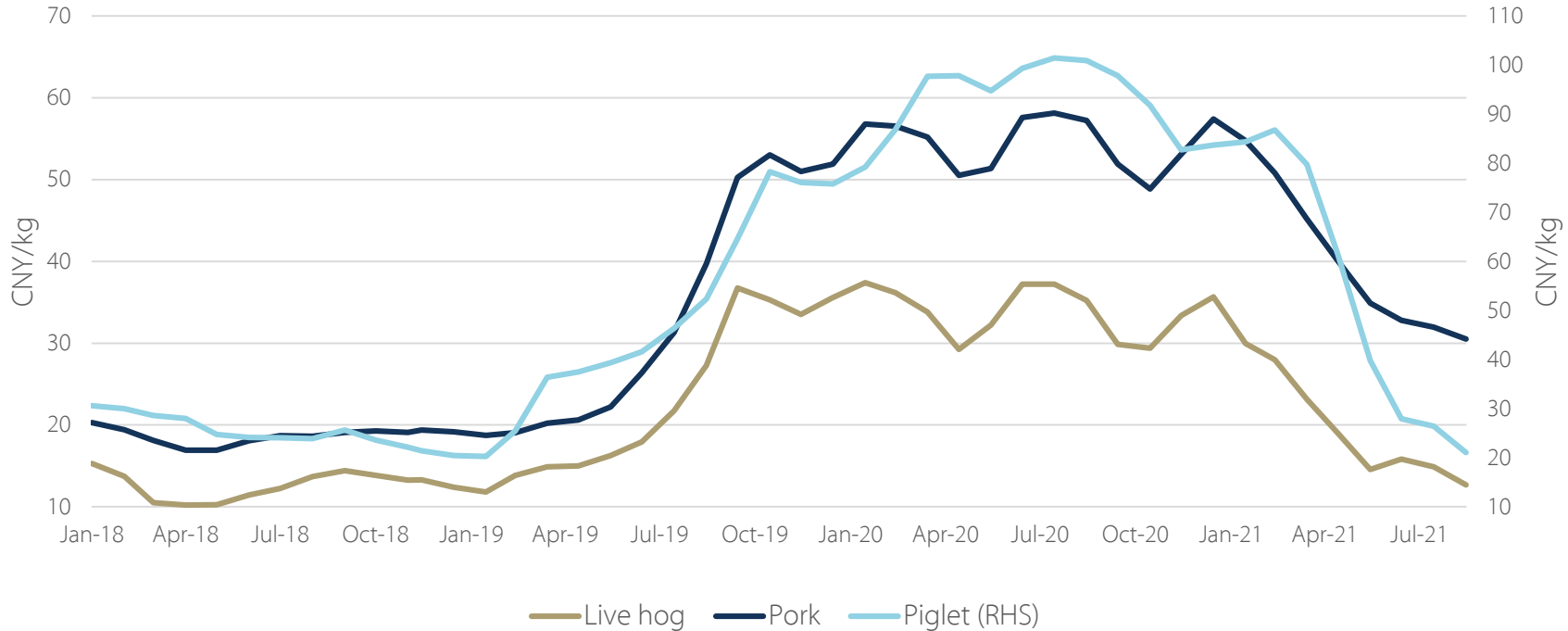




*China remains a major driver in global AP*

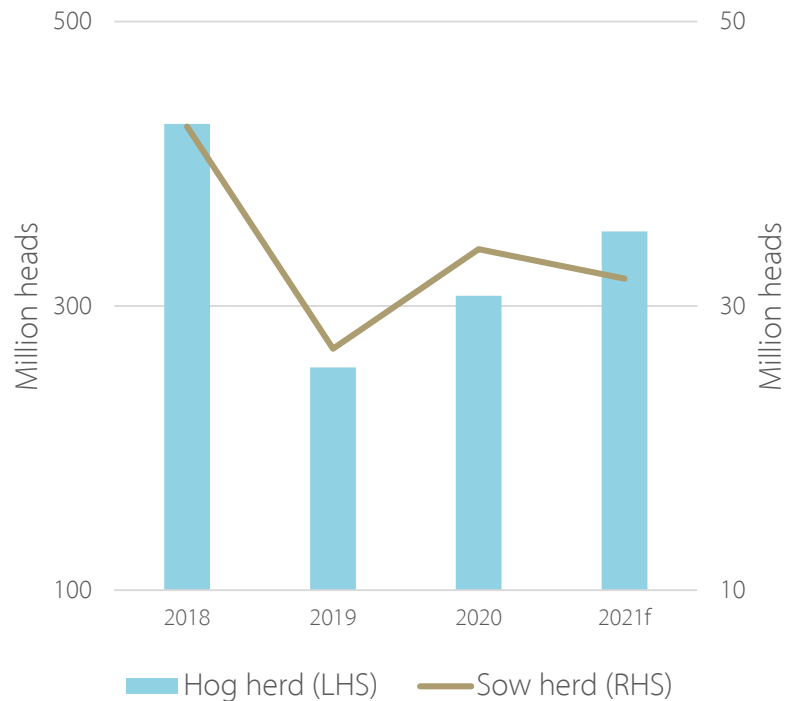
# Prices in China's pork complex dropped by over 50% in 2021, and have failed to recover

**Piglet prices have seen the greatest declines, highlighting the caution that has enveloped the market**

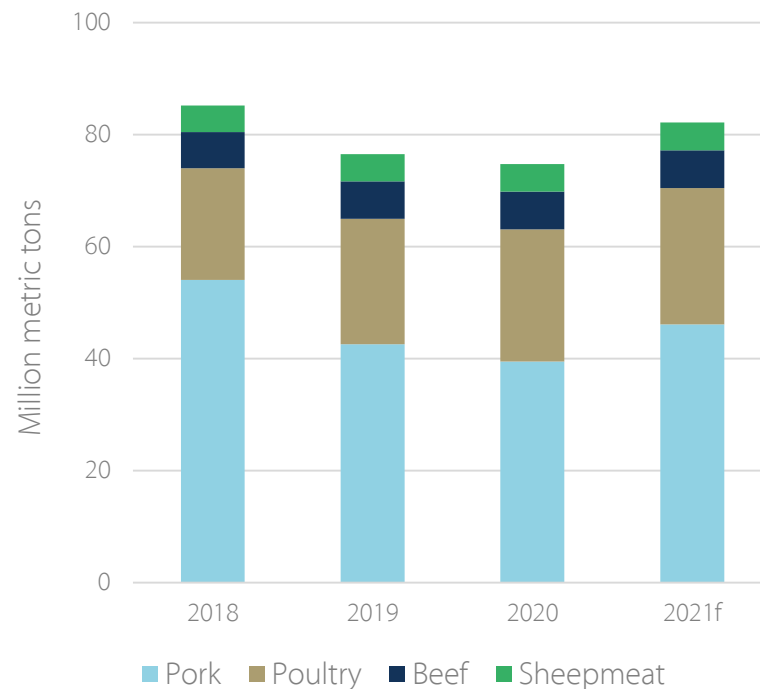


# China's pig herd and pork production are still below pre-ASF levels, but recovering

## Restocking will slow in 2H 2021



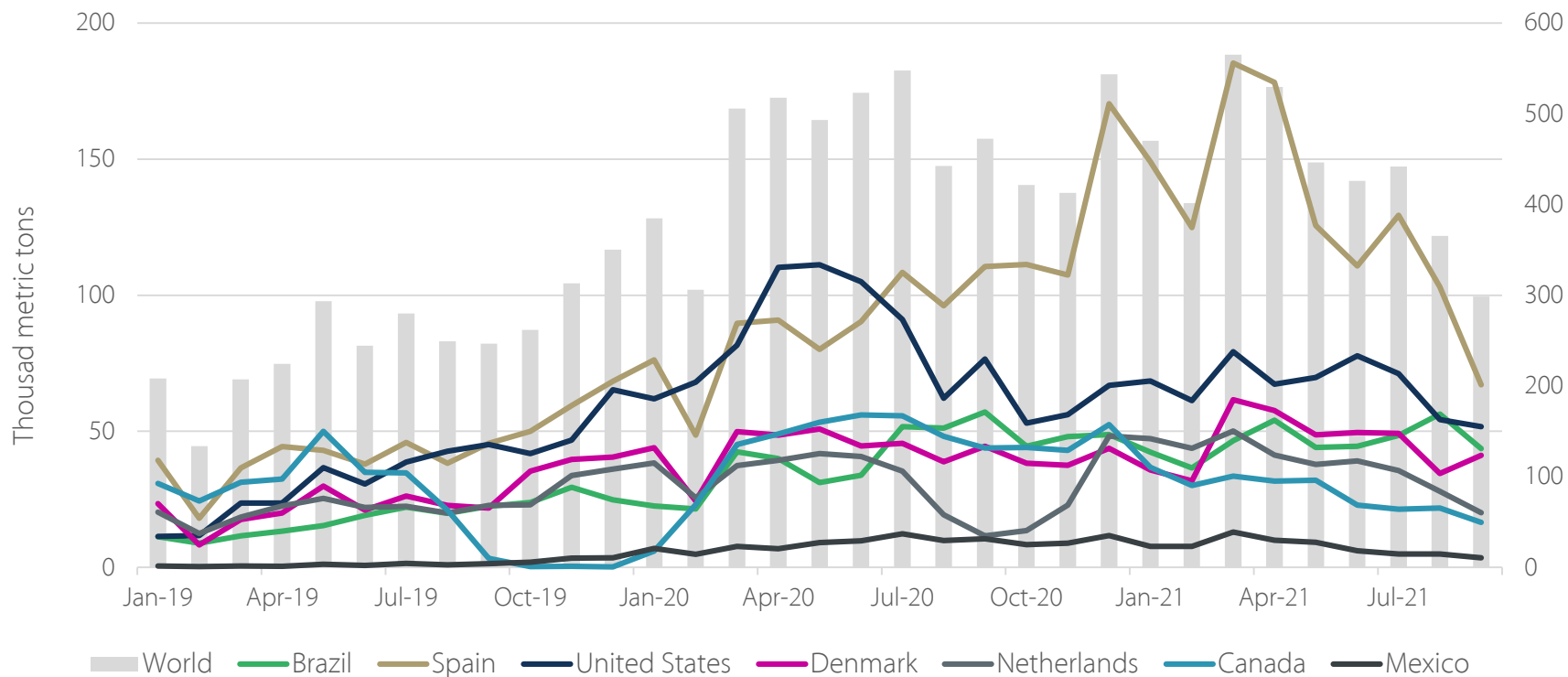
## Supply deficit of 3 mn tons, compared with a 'normal year'



# China's pork imports have eased, and will remain at lower levels until 2H 2022



**Spain has become the dominant supplier to China; competition to access the market is growing**



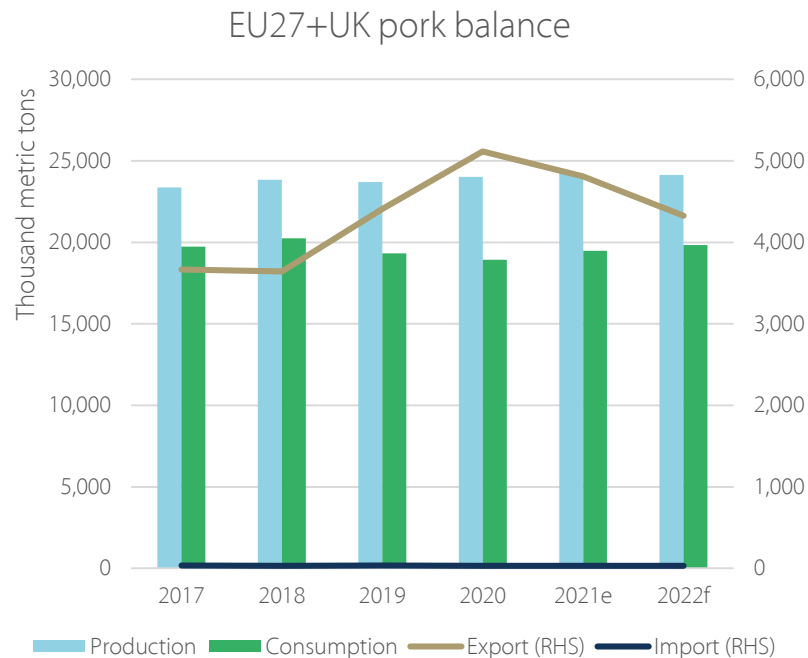


***Pork market in Europe under pressure***

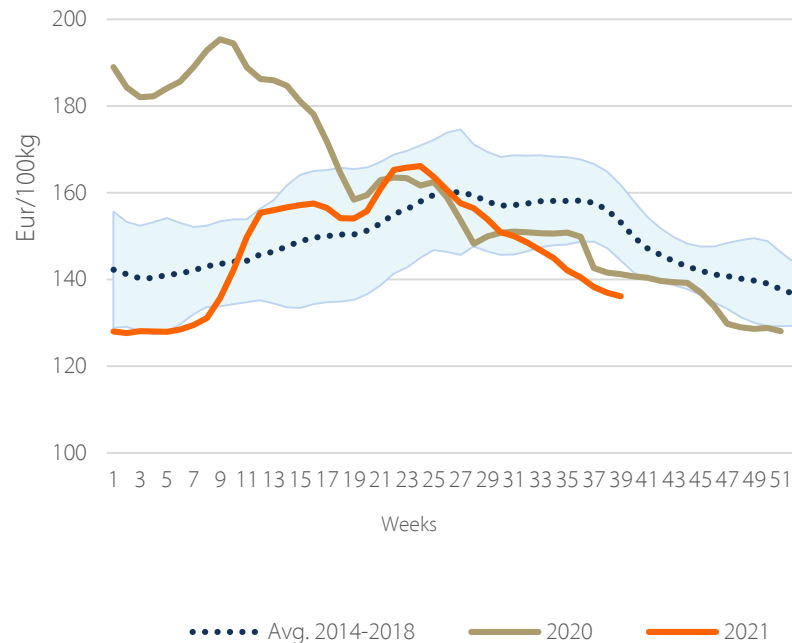
# Oversupply in European market pressures prices



Exports will likely decline further in 2022



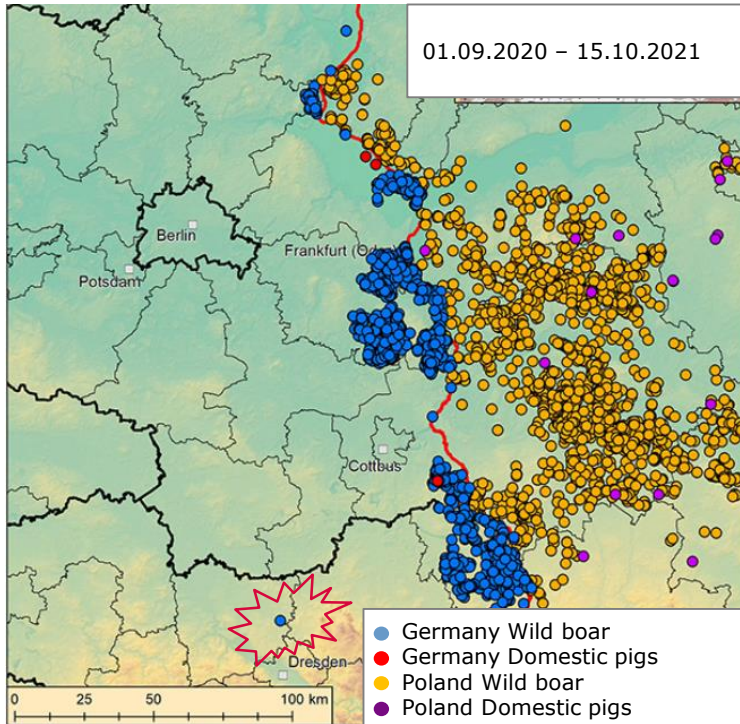
Pig prices in EU will likely remain under pressure till the market rebalances



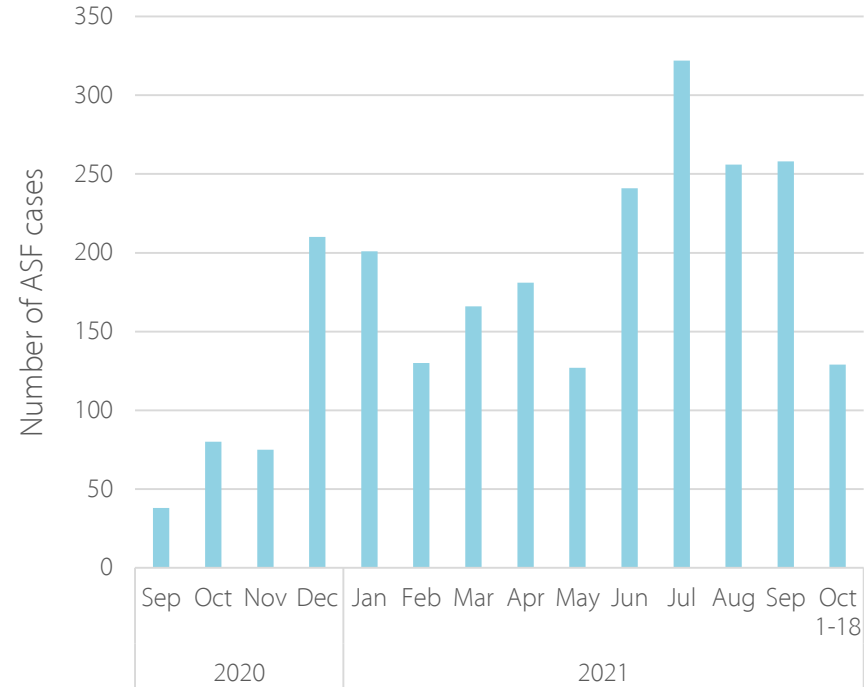


# African Swine Fever (ASF) remains a challenge in Germany, but impact on domestic animals has been limited

Infected wild boar found 60km west to the current core zone



Number of ASF cases per month is volatile

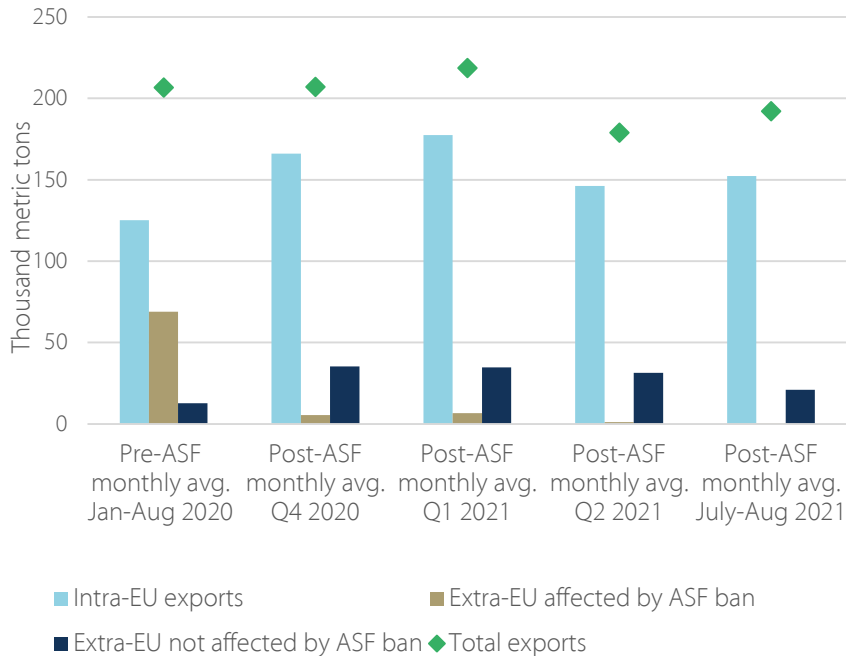


# Germany successfully diverted exports to EU but it came at a cost

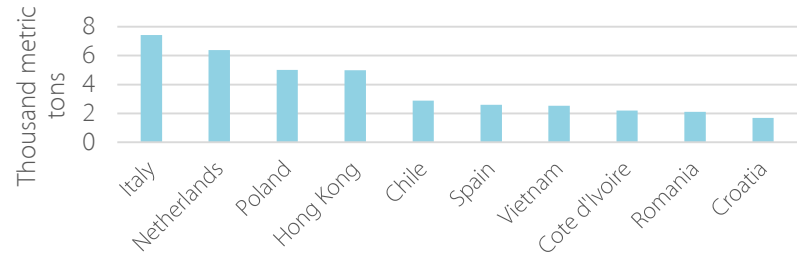


Germany was initially successful in diverting exports, but pressure on volumes mounts as China reduces global pork imports

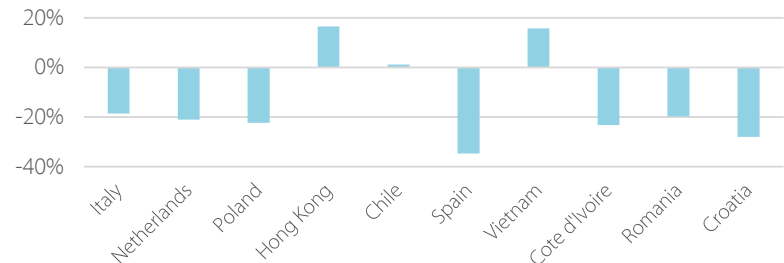
Volumes to European destinations increased, but average price per unit declined



Change in average monthly pork exports from Germany per destination in the period Oct 2020 - Aug 2021 compared to Jan-Aug 2020



Average price change per unit German pork exports (EUR/kg) in the period Oct 2020 - Aug 2021 compared to Jan-Aug 2020



Source: TDM, Rabobank, 2021

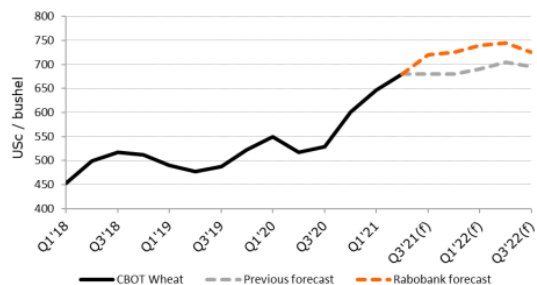
# ***Cost inflation in animal protein***



# Feed costs remain elevated on continued bullish trend in the agri-commodity market

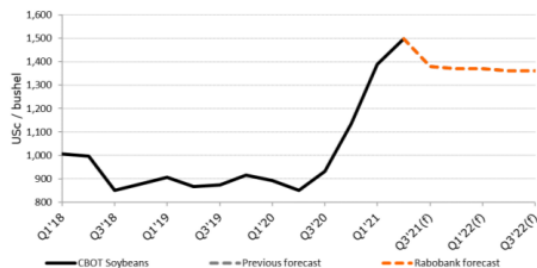
Wheat price forecast raised, on low quality and La Niña risk

	unit	Q4'20	Q1'21	Q2'21	Q3'21f	Q4'21f	Q1'22f	Q2'22f	Q3'22f
CBOT	USc/bu	602	646	680	720	725	740	745	725
Matif	EUR/mt	208	227	219	245	250	255	250	225



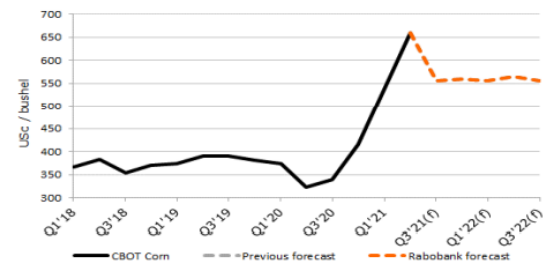
CBOT Soybeans are seen range-bound

	Unit	Q4'20f	Q1'21	Q2'21f	Q3'21f	Q4'21f	Q1'22f	Q2'22f	Q3'22f
Soy	USc/bu	1138	1388	1497	1380	1370	1370	1360	1360



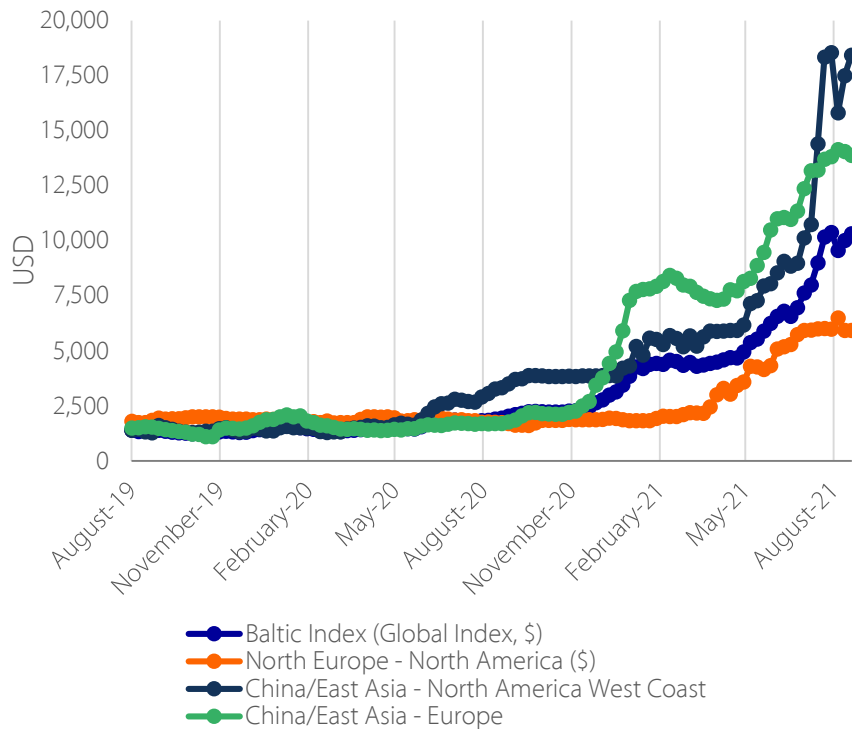
CBOT Corn's high price outlook maintained

	Unit	Q4'20f	Q1'21	Q2'21f	Q3'21f	Q4'21f	Q1'22f	Q2'22f	Q3'22f
Corn	USc/bu	417	536	659	555	550	555	560	555

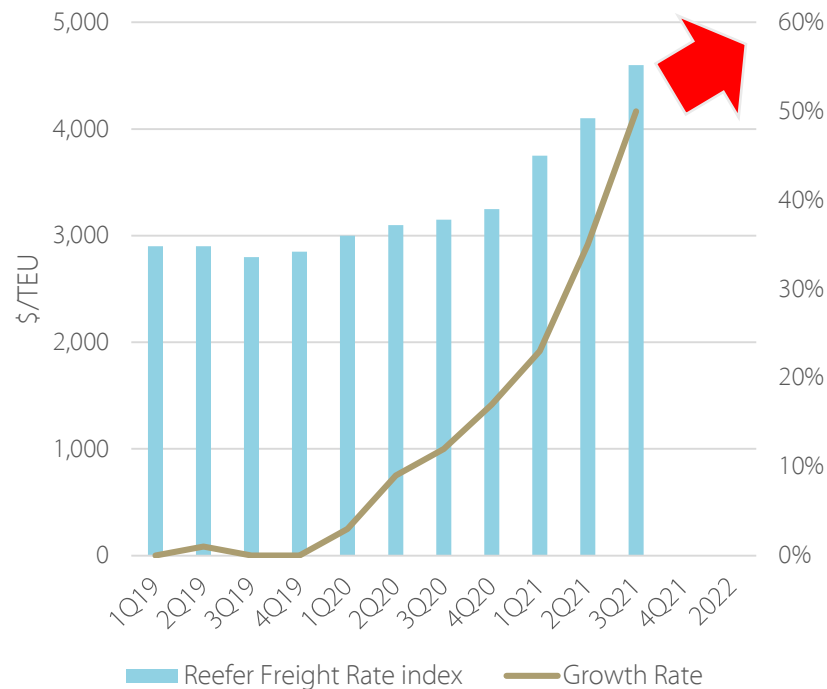


# Freight rates at record levels

## Container rates in major global lines

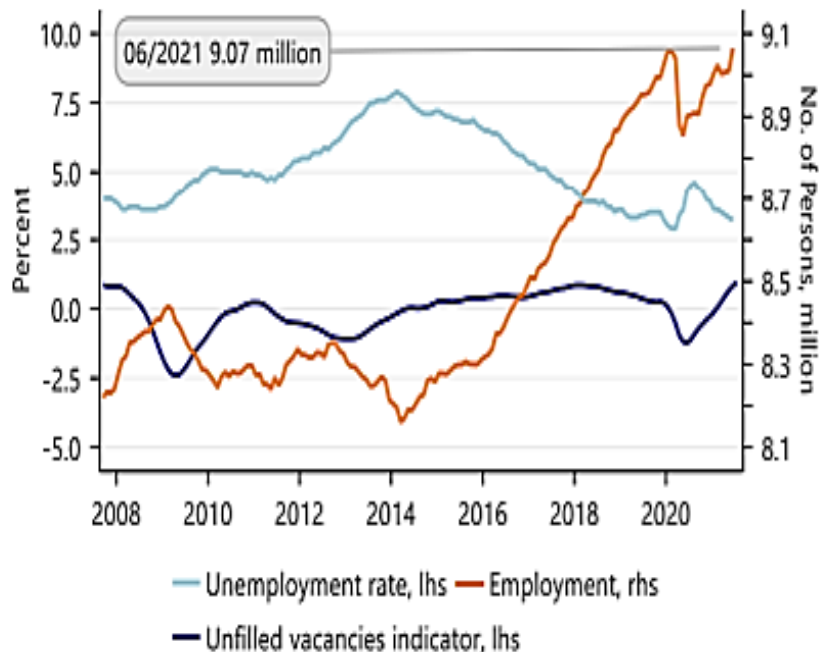


## Reefer rates to increase further



# Finding labour becomes more challenging

## Dutch employment rate surges



## Driver shortages is a pan-European issue



# *Sustainability as a driver of innovation and value addition in Europe*



# EU Farm-to-Fork highlights major areas to transform in animal production



## Antibiotic use and animal welfare

- **Reduction of overall EU sales of antimicrobials** for farmed animals and in aquaculture by 50% by 2030.
- Revision of **AW legislation** (2023).



## Environmental sustainability

- GHG emissions reduction targets expected to increase for Effort Sharing sectors.
- **'Eco-schemes'**: 20% of CAP direct payments expected to be reserved for this.



## Front-of-pack labelling of food products

- 2022:
  - Proposal for a **harmonised mandatory front-of-pack nutrition labelling** to enable consumers to make health conscious food choices.
  - Proposal to require origin indication for certain products.
- 2024: Proposal for a **sustainable food labelling framework**.



# Sustainability commitments are firming up along the supply chain

Connection to the consumer is paramount for valorising sustainability attributes



## Input providers

"We believe that by adopting new technologies, improving business practices and embracing innovation, the agri-food sector can support a Planet of Plenty," said Dr. Mark Lyons



## AP companies



Cranswick joins Amazon-led 'net zero by 2040' climate pledge

## Retail

Morrisons leads green farming revolution with pledge to have first net zero British farms by 2030



Albert Heijn makes its pork range more sustainable in collaboration with Vion and pig farmers



Tesco extends commitment to prevent Amazon deforestation

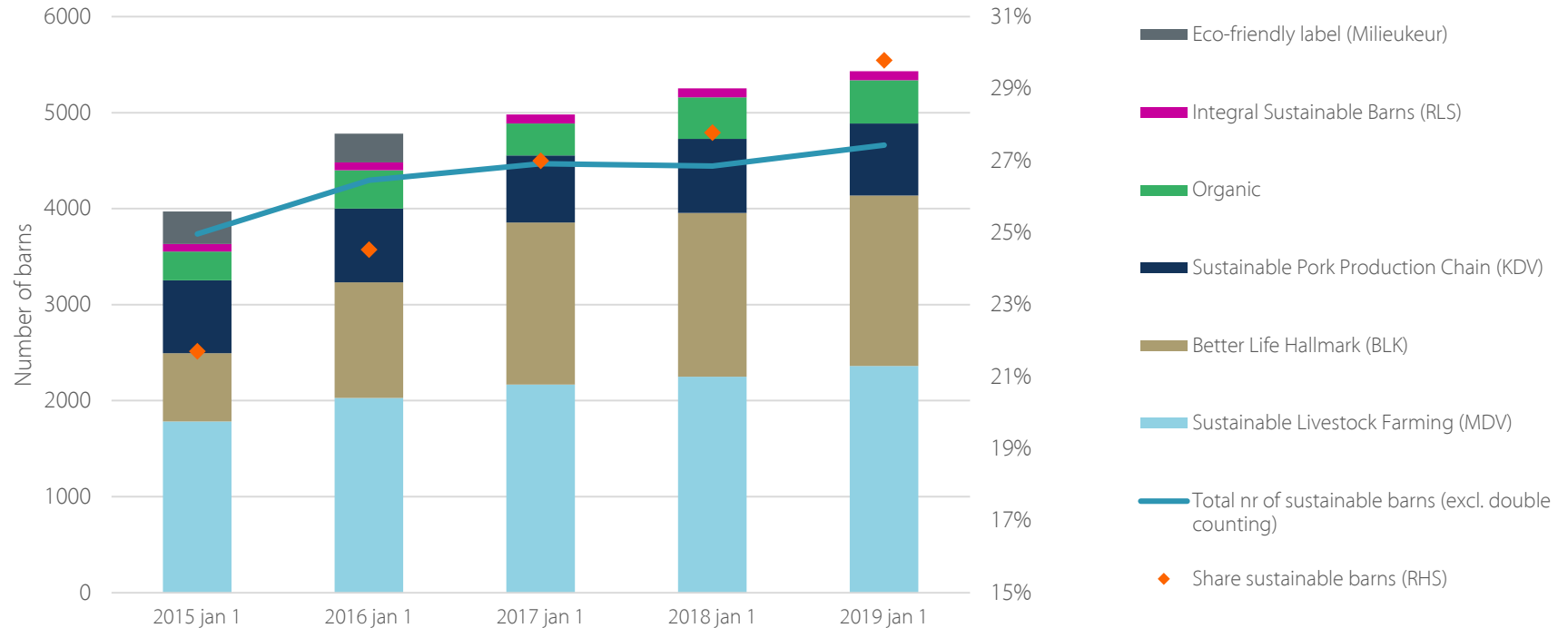
29 September 2020



# Sustainable pig production concepts are gaining share in the Netherlands

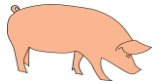


## Share of sustainable pig farms increases in NL

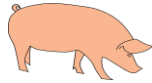


# Gradual increase in AW standards is proposed by the German government

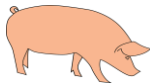
**Current**



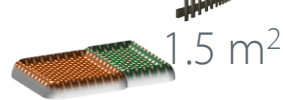
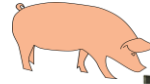
**Stage 1**



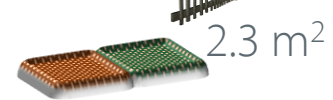
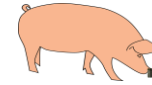
**Stage 2**



**Stage 3**



**EU Organic**

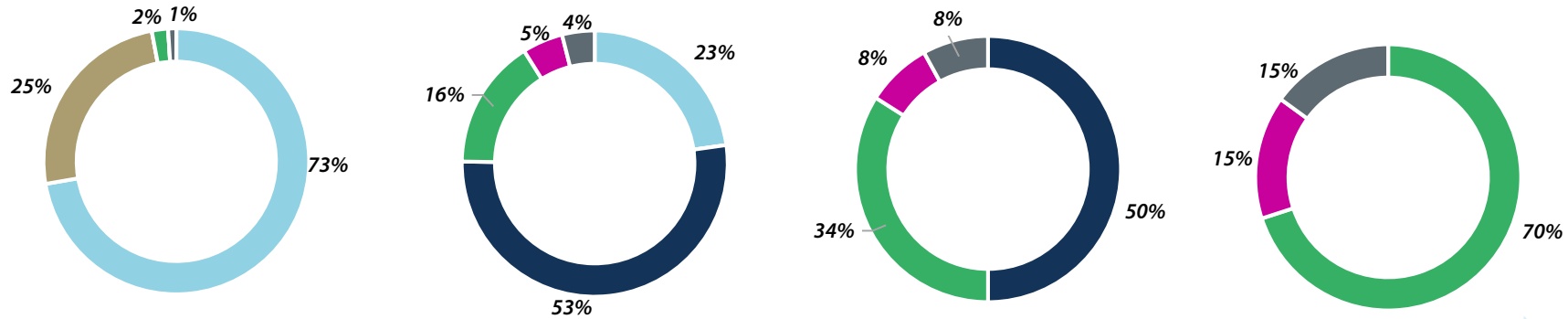


# By 2040 significant change in production standards is envisioned

Market share of pigs according to higher animal-welfare standards set to increase



Possible scenario according to the recommendations of Livestock Farming Competence Network



2020

2025

2030

2040

■ Conventional ■ Tierwohl ■ Stage 1 ■ Stage 2 ■ Stage 3 ■ Organic

# Front-of-pack labelling initiatives are getting traction

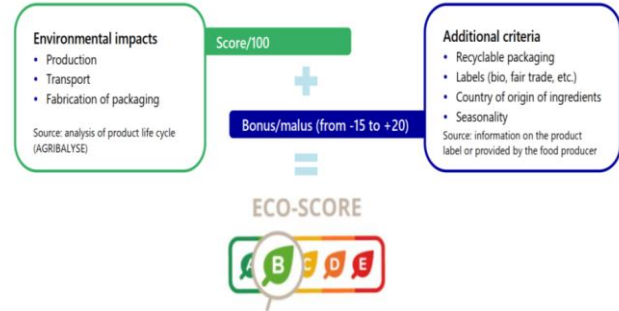
Nutritional value and environmental impact in the focus



*Nutri-Score does have an impact on consumers purchasing decisions*    *Eco-score is being used and piloted in several supermarkets in Belgium, Germany and the Netherlands*



45% of those German consumers who looked at the Nutri-Score label on the packaging confirm that the product rating influenced their purchasing decision



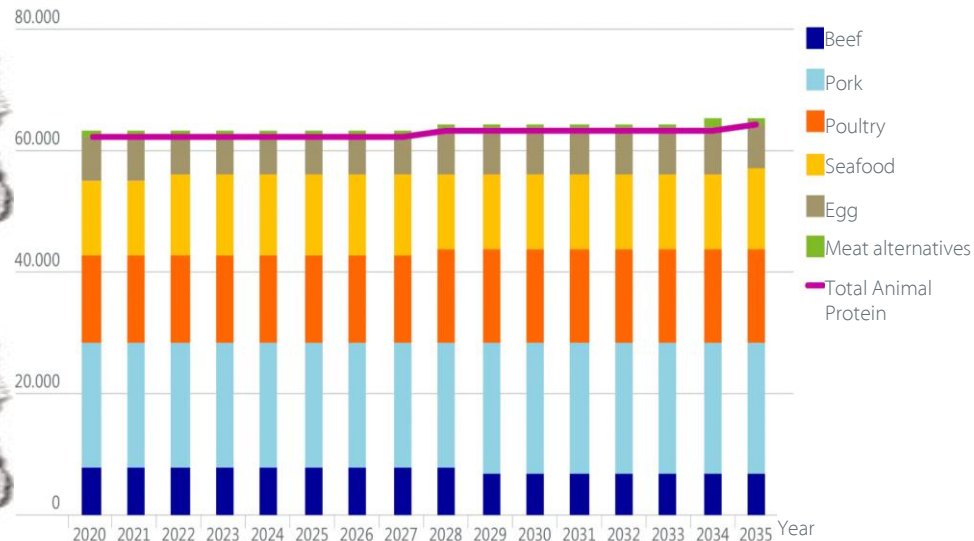
For animal protein, as the processing level increases the Nutri-Score grade generally decreases.

# Alternative protein remains on the menu, but with limited impact on animal protein



Alternative protein is not expected to gain a material share from the European AP complex

1000 ton carcass weight



How Plant-Based 'Meat' May Help You and Save the Environment

28 April 2021

Impossible Foods Launches in European Grocery Giant Lidl's U.S. Stores

# 3 areas of action for success in a changing market



*Engage with consumers to rebuild trust*



*Strengthen supply chain collaboration*



*Build sustainable trade relationships*



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