

Agricultural commodities

African swine fever sparks global meat shortage fears

Chinese imports of pork, beef and chicken jump, driving up prices around world



A Chinese vendor weighs pork meat at a market in Beijing © WU HONG/EPA-EFE/Shutterstock

Anna Gross in London OCTOBER 31 2019

A dramatic decline in pork production due to African swine fever in China is contributing to a global shortfall in meat supplies that is expected to drive pork, chicken and beef prices higher into next year.

China's total swine herd has declined by 45 per cent since the virus was first detected in the northeastern city of Chenyang last August, according to analysis from US financial group INTL FCStone. The disease has now spread to every province in the country.

Though global beef and chicken production is forecast to rise marginally over the coming year, analysts say it will not make up for the fall in global pork production caused by swine fever, increasing prices around the world.

Data from the United States Department of Agriculture suggests that in 2020 there will be a roughly 6.4m tonne fall in total global chicken, pork and beef production, compared with this year – a record fall for these meats. Some analysts think the actual figure could be much higher.

“We haven't seen a meat supply shortfall like the one African swine fever has produced going back 30, 40, 50 years in the data,” said Justin Sherrard, global strategist covering animal protein at Rabobank. “We're truly in extraordinary times.”

As the disease spreads into Vietnam, Mongolia, Cambodia and beyond, the price of meat is expected to continue rising, driving expansion from big meat exporters such as Brazil, Argentina and the US

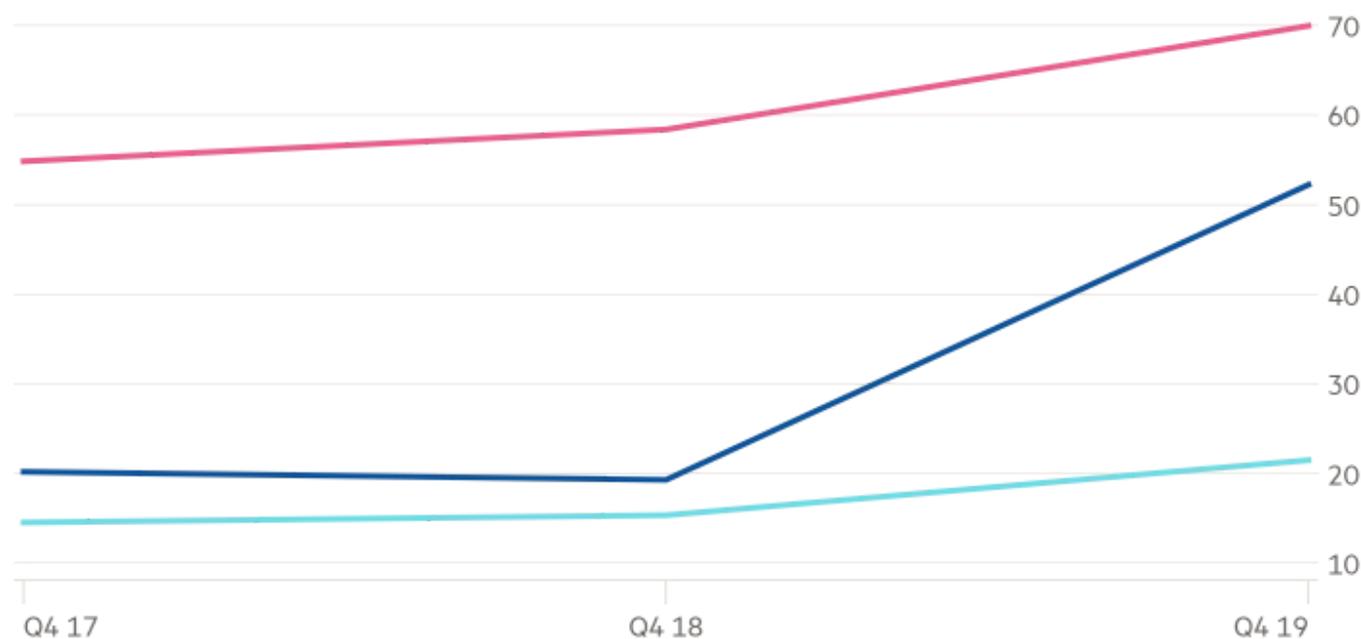
China's price of pork, beef and chicken has climbed

Prices on October 30 (Rmb/kg)

— Pork

— Beef

— Chicken



Source: China Ministry of Agriculture and Rural Affairs

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The price of pork has risen 170 per cent compared with the same time last year, according to data from China's Ministry of Agriculture & Rural Affairs. Chicken prices have increased 40 per cent and beef 20 per cent.

“Pork is going up so everything else is getting dragged along for the ride,” said Darin Friedrichs, senior Asia commodity analyst at INTL FCStone. Pork is the largest item in China's consumer price index, so significant shifts in the price [have sent inflation soaring](#).

“We haven't seen this really aggressive meat price inflation until the last couple of months, and it's likely to continue rising into 2020,” said Mr Friedrichs. “A lot of people in Europe and South America aren't gonna be very happy about how expensive their meat has gotten.

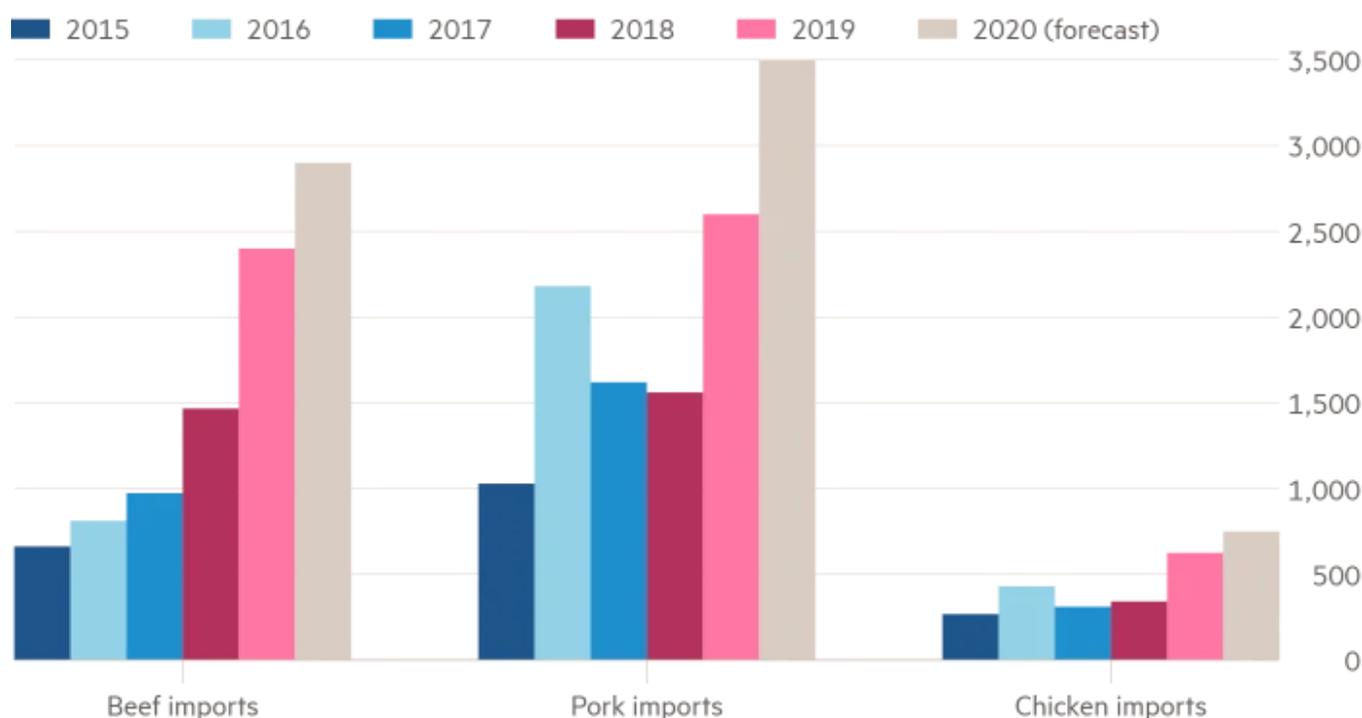
“There's really no precedent for this. We're seeing capacity try to get built up to serve the Chinese market but there's a pretty large time lag on that.”

Some analysts expect pork shortfalls in China to be far greater than the USDA's estimates. Simon Quilty, an independent meat and livestock analyst, forecasts a 54 per cent drop in Chinese pork production in 2020, causing a global meat protein deficit closer to 18m tonnes, "with little to no ability for global meat production to respond with increased global exports".

In China, trade flows point to a 20 to 30 per cent increase in beef and chicken imports through 2019 and 2020 due to the reduction in pork production, according to analysis by Citibank. This also presents an opportunity for producers of meat substitutes, which have been eyeing up the Chinese market as a key battleground for expansion. "China has clearly become the engine room of global protein demand," said Mr Quilty.

Chinese meat imports continue to surge

1,000 metric tonnes



Source: USDA
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Tight beef supply has been exacerbated by a drought in Australia — previously one of the biggest global beef exporters — which has reduced cattle numbers. At the same time, dry weather in the EU this past year has caused a decline in the region's cattle herd.

The main countries that stand to gain from constricted cattle supply are Argentina and Brazil, according to Mr Friedrichs. Brazilian president Jair Bolsonaro travelled to China last week to conduct trade negotiations with President Xi Jinping, whose country is forecast to import a record

amount of beef next year — partly driven by a growing middle class that views eating beef as a status symbol.

During the visit, the two leaders firmed an agreement that Brazil would increase beef exports to the protein-hungry nation, causing environmentalists to raise alarm bells that increased cattle rearing will drive higher levels of deforestation in the Brazilian Amazon and neighbouring Cerrado savannah.

The extent of the protein deficit in 2020 will also depend on whether African swine fever continues to spread, and on how trade relations evolve between China and the US. “If the US lifted production it could help ease the overall supply problem we have in China and globally,” said Mr Sherrard.

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