

# Global Pork Quarterly Q3 2023

Pork Markets Diverging on Changes in Disease, Productivity, and Consumption



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A photograph of a pig in a barn, looking towards the camera. The pig is pink and is standing on a bed of straw. The background is slightly blurred, showing other pigs and the structure of the barn.

# Global Pork Quarterly Q3 2023

Markets influenced by recurrent disease outbreaks worldwide, weak consumption, sluggish economic growth, and productivity issues

## *Main global issues for 2023*

- **Sluggish economic growth impacting consumers** – Slower exports, rising unemployment, and waning investor confidence are concerning issues for China, some of Southeast Asia, and South American countries, while rising wages, tight labor markets, and sustained high (food) inflation are pressuring North America and Europe. In all cases, consumers are changing: They are trading down, buying smaller portions, and switching channels. Still, pork – which is cheaper than beef and premium seafood and more expensive than poultry – holds a relatively stable position on consumers' plates.
- **Feed prices softening, but with uncertainty from short-term factors** – Corn and soybean prices have been volatile entering July, due to the smaller-than-expected soy planted areas and larger-than-expected corn areas in the US and weather issues, and on Black Sea grain corridor uncertainty. We expect feed prices to soften in Q3 but remain supported by relatively low stock-to-consumption ratios in many countries. While there is some room for prices to drop further in the coming months, they will stay above pre-Covid levels.
- **Herd health impacted by disease outbreaks** – African swine fever (ASF) continues to impact production in Asia and Europe. While ASF outbreaks have generally slowed in Q2, they appear to be persistent in some regions, causing disruptions to local supply. In addition, porcine reproductive and respiratory syndrome (PRRS) remains a challenge in Spain, causing a material drop in production. Herd health improvements continue to be a major task for producers worldwide.

## *What to watch in Q3 2023 and beyond*

- Weather conditions in the US, Brazil, Southeast Asia, and Australia; corn and soy harvests and price movements; and demand for feed grains.
- New cases of ASF in China, Southeast Asia, and Europe, and the PRRS situation in Spain.
- Changes in hog sector productivity in key growing regions.
- Macroeconomic conditions that may impact investment confidence, employment, and consumption.
- Competing protein supplies and the responses by retail and foodservice channels.

# Global Pork Market Summary

Imbalance between supply and demand across the globe

## North America

- Prices recovered temporarily on inventory build ahead of Proposition 12 enforcement
- Production is expected to tighten in 2H 2023 on poor returns

## Europe

- Supply has declined faster than consumption, fueling price increases
- Producers benefit from record-high piglet and pig prices

## China

- Low prices continue due to weaker-than-expected demand and ASF-induced liquidation
- Imports expected to slow down in 2H, on ample inventory levels and soft demand

## Brazil

- Feed prices in June 2023 fell to their lowest levels since June 2020.
- Seasonal improvement in local demand lifted live hog prices in early July after four months of declines

## Southeast Asia

- Pork prices in Vietnam saw a strong rebound, while prices in the Philippines have stayed strong in 2023
- Imports are likely drop due to strong prices in Europe and slow recovery in the local market

## Japan

- Pork demand remains flat
- Chilled pork imports from North America increase as domestic pork prices rise

# Global Outlook

## Consumption remains weak but shows positive signs, while trade is expected to slow in 2H

### Consumption remains weak but showing positive signs

While economic growth remains constrained across the globe, there are some positive signs of improvement. Inflation in many countries has eased in recent months, particularly in the US, which saw a faster-than-expected decline in June (see Figure 1). Although food prices are still high relative to historical levels, inflationary pressure has eased, resulting in a slow but continuous recovery in consumer confidence (see Figure 8).

Pork performance varies from region to region, subject to availability and prices in the local market. In Europe, while consumption levels are generally supported by lower energy prices, increasing wages, and ongoing low unemployment rates, pork consumption remains under pressure due to ongoing high prices. For example, fresh red meat sales in the Dutch supermarkets were down 4% YTD in the first four months of 2023. In the US, pork demand was slightly below expectations to start the summer, as uncooperative weather and poor air quality challenged the start of the grilling season. US pork consumption is in line with pre-pandemic averages, but down from the above-trend levels posted in 2021 and 2022. In China, pork consumption remains weak, due to the underperforming economy and heat waves across the country.

### Global trade expected to weaken in 2H 2023

Pork trade was relatively strong in 1H 2023, driven by the increase in China's imports, though trade to the US and the Philippines saw material declines (see Figure 2). Japan, another major importer, saw flat trade, with a slight shift in sourcing from Europe to the US. UK imports showed a significant decline, down 13% YTD in the first five months of 2023, as demand came under pressure due to inflation.

For 2H 2023, we expect global trade to be weaker than in 2H 2022, as inventories of frozen pork are high in China due to weak consumption, pressuring imports, and tighter supply in the EU restricts shipments out of the region.

*\*Note: In Figure 2, Mexico and Philippines data is for January to April, while the rest is for January to May.*

*Source: International Monetary Fund, Trade Data Monitor, Rabobank 2023*

Figure 1: Inflation has eased, yet consumption effects persist

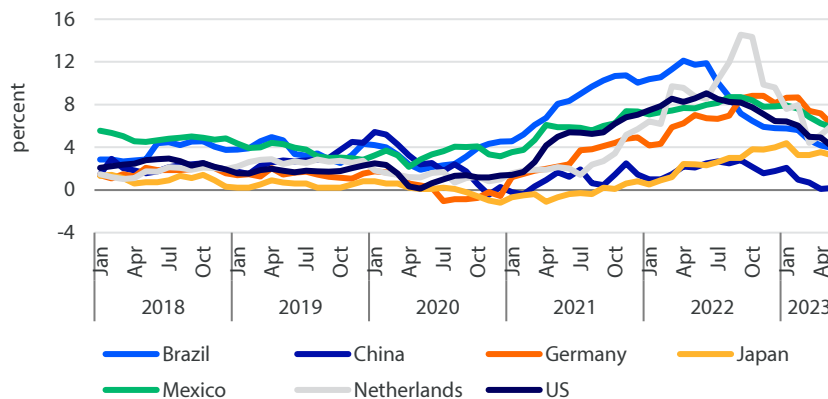
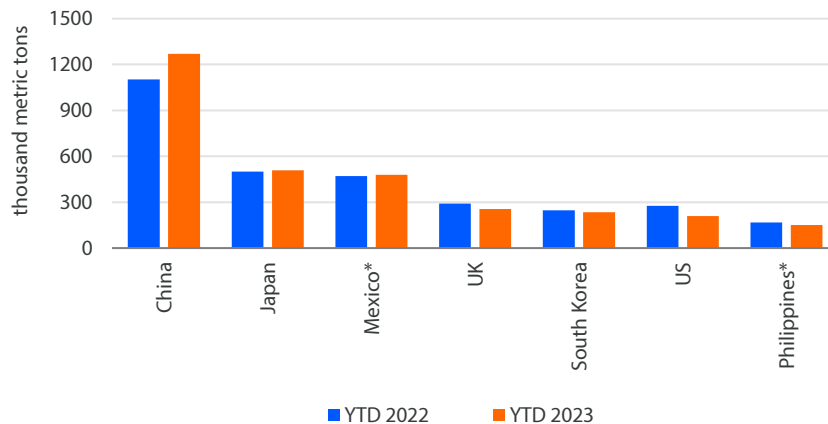


Figure 2: Year-to-date imports soft in most countries except China



# Global Outlook

## Recurrent disease issues are challenging animal health

### Supply side challenged by various factors

The EU and UK pork supply has declined materially in the first four months of 2023, with some countries seeing deep falls at double-digit rates. This tight supply supports high prices, in turn pressuring consumption. China has the opposite situation, as pork supply continues to exceed demand, pressuring prices and causing multiple-month losses for producers. Liquidation of the sow herd in China will continue in 2H, as the previous liquidation was not sufficient to support prices. In the US, lower gilt retention is implied by the inventory report, but sow culling is still limited as producers have relatively healthy balance sheets after two years of oversized profits. We expect US herd liquidation to ramp up in 2H 2023 and 2024, given projected losses.

Supply is also challenged by volatile feed prices and relatively low stocks (see Figure 3). Weather remains an uncertainty for feed price movements in 2H. Rabobank expects a modest improvement in production costs in 2H 2023, as productivity improvements likely offset feed cost volatilities.

### Animal disease situation remains challenging

Biosecurity remains a priority for producers across the globe.

ASF impacted several regions in 1H 2023. Spread slowed in Q2, but sporadic outbreaks were reported in China, Indonesia, the Philippines, and Vietnam. These new cases led to continuous liquidation of sow herds, particularly among small producers. Loss making has persisted in China for more than six months, forcing many small-scale farmers to exit sow farming and large-scale ones to slow their production pace. Spain remains challenged by PRRS, with relatively high mortality in weaned piglets and sows. Outbreaks are ongoing in Spain's largest pig production area between Lleida and Zaragoza, limiting pork production.

In other regions, herd health is improving. In Japan, classical swine fever, which affected some farms in Q1, is largely under control. US health conditions have improved in the last six months, with fewer PRRS/PEDv outbreaks.

Source: USDA, Bloomberg, Rabobank 2023

Figure 3: Low global feed inventories continue to support prices

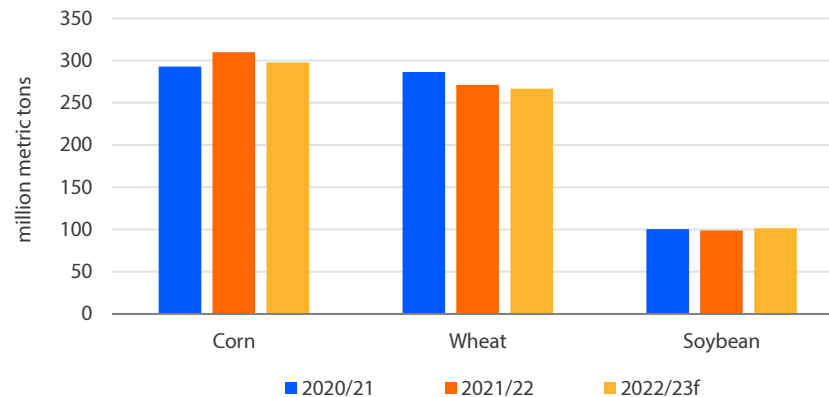
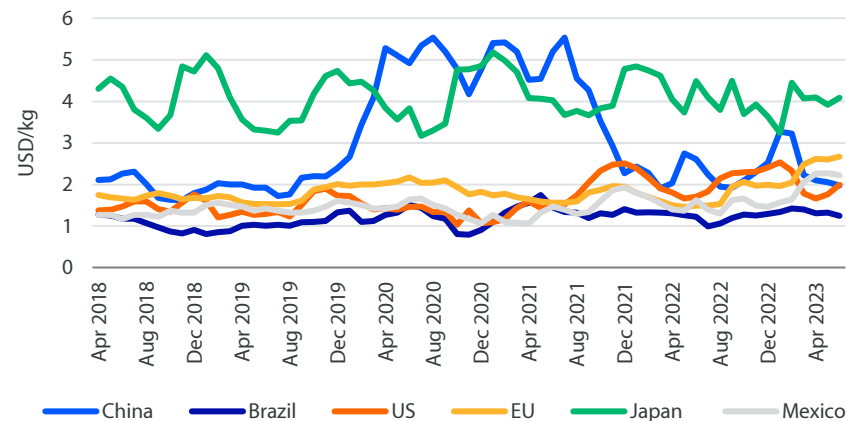


Figure 4: Regional pork carcass prices continue to diverge



# Global Outlook: Macroeconomic Dashboard

Foreign exchange and GDP forecasts, shipping costs, and consumer confidence

Figure 5: Indexed FX forecast for the next 12 months

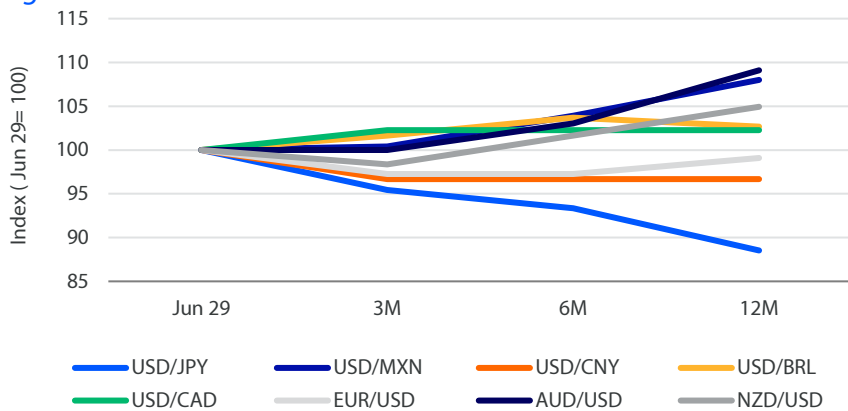


Figure 6: GDP growth outlook of selected countries, 2022-2024f

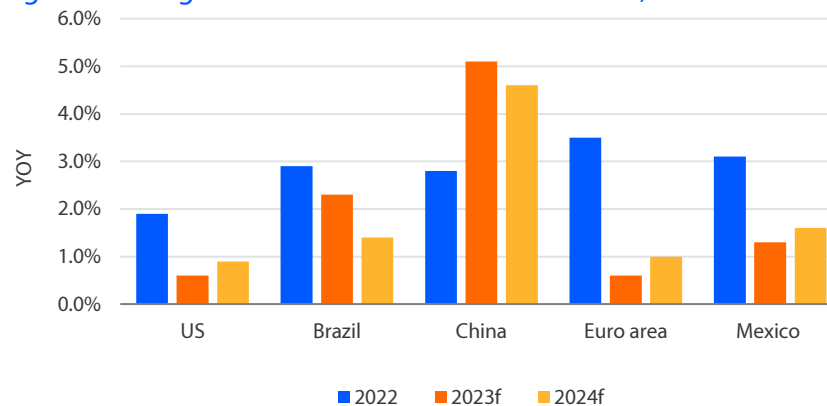


Figure 7: Global container and reefer indices remain at high levels, Aug 2019-Jun 2023

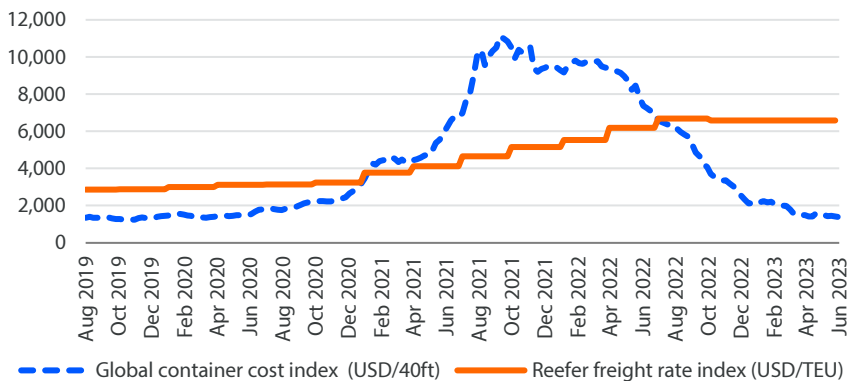
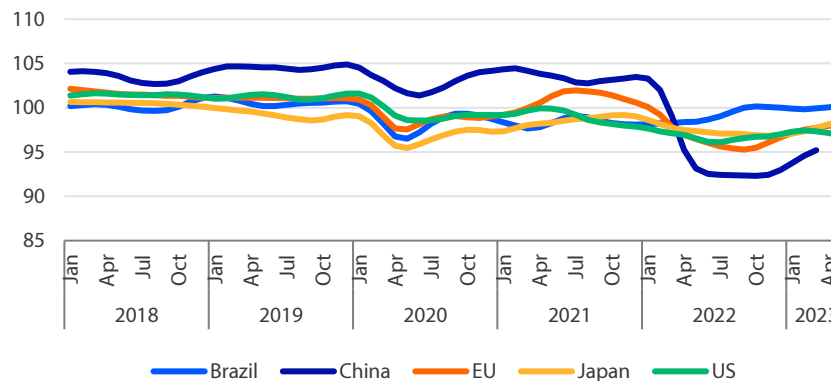


Figure 8: Consumer confidence in selected countries, Jan 2018-May 2023



Source: Macrobond, OECD, Drewry Maritime Research, Freightos, GEM, Rabobank 2023



# US

## Market optimism wanes on plentiful supply

### Challenging outlook for producers to slow production

The June USDA Hogs and Pigs report was largely in line with expectations, with total inventories essentially flat versus a year ago and a modest drop (-0.4% YOY) in the breeding herd (see Figure 9). Despite a challenging 2023 profit outlook, US producers have yet to reduce sow inventories materially.

The 3.3% YOY increase in pigs saved per litter in March to May, to a record 11.36, likely reflects recent improvements in herd health and labor availability. Current inventories suggest slaughter will move slightly higher in 2H 2023, with some offset in lower weights. Rabobank forecasts a 0.8% increase in pork production in 2023.

### 1H 2023 consumption disappoints, better trends ahead

Pork values rebounded in recent weeks (cutout -6% YOY) on sharply higher belly values and continued strength in ham values. Seasonally improved clearance of bacon was aided by lower retail prices, which are helping to clear burdensome inventories (+46% YOY in May) and stabilize belly values in recent weeks. Stronger markets were also likely a reflection of some inventory loading into California prior to the implementation of the restrictive Proposition 12. While we expect pork to remain attractive to consumers (helped by high beef prices), we expect lackluster 2H 2023 retail sales as consumers economize. Foodservice trends remain tempered as operators work to lower food costs by reducing portion sizes/toppings, further moderating domestic clearance. While slower production growth and good exports should help to stabilize domestic prices, the enforcement of Proposition 12 in the coming months will likely limit upward momentum in 2H 2023.

### Strong exports continue to support improved carcass values

May exports of 261,361 metric tons of pork and pork variety meats were up 16% YOY in volume and climbed 12% in value (see Figure 10). Record export value of variety meats (USD 127m) reflects demand strength in lower-value options as economic conditions remain challenging. Exports to Mexico remain strong (+19% YOY), while shipments to other top markets including China and South Korea were also up double-digits. Only Japan stood out, with a 5% YOY drop in exports. Rabobank expects pork exports to remain strong in 2H 2023, as US pork remains competitively valued on global markets.

Source: Exchange, USDA, Trade Data Monitor, Rabobank 2023

Figure 9: US breeding herd again moving lower

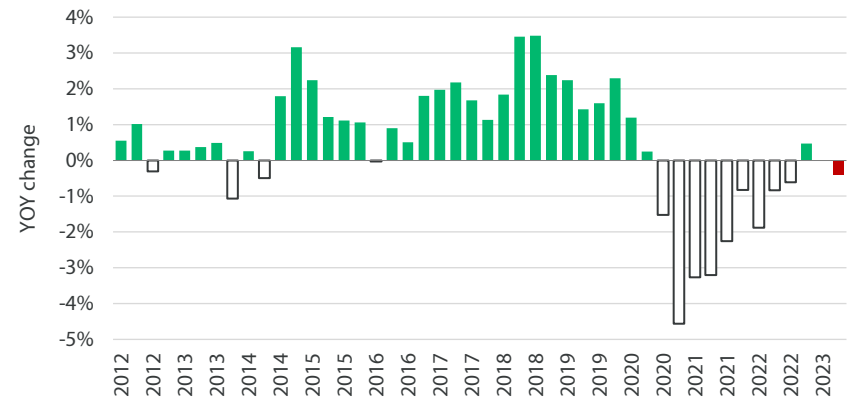
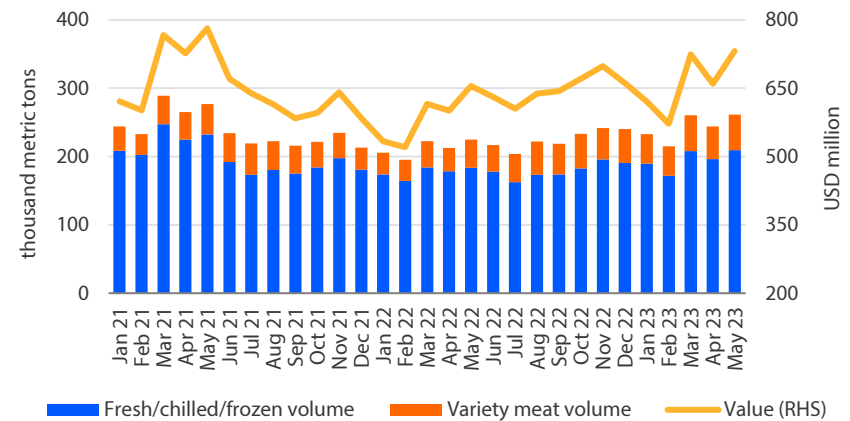


Figure 10: US pork exports strengthen on variety meat demand





# Mexico

## Hog markets rebound despite steady production gains

### Hog prices rebound, helping producers restore margins

Hog prices rebounded 31% since early June to MXN 36/kg and are well above the five-year average but remain 15% below 2022 levels (see Figure 11). Strong prices in global markets and slower production growth in the spring helped reduce domestic availability, helping boost prices. Most producers are nearing or above breakeven with the recent price improvement and continued moderation in feed costs (down 32% YOY), although sizable regional differences are reported. Year-to-date production growth of 2.1% YOY is nearly a full percentage point behind our earlier expectations, reflecting the lagged effect of productivity challenges in late 2022. June production recovered to 145,000 metric tons, 3.1% ahead of year-ago levels. Continued production gains, along with a weaker economic outlook, are expected to weigh on 2H 2023 hog markets. Anticipating continued economic pressure, we expect a gradual decline in the domestic sow herd in 2H 2023.

### Pork prices weaker on Q1 2023 consumption trends

Pork prices also rebounded in the quarter, up 12% since June to MXN 53/kg. While well above the five-year average, prices are slightly below year-ago levels and incremental gains will be challenging. Domestic consumers continue to look for lower-cost protein alternatives, trading down from higher-cost proteins like pork or reducing overall protein consumption. Higher domestic availability due to the rebound in production and continued strength in imports will limit further increases in the cutout in coming months.

### Pork imports continue to weigh on market, while pork exports drop

May pork imports trended on Mexican peso strength and steady domestic demand (see Figure 12). US pork imports were up sharply in May (+20% YOY), while imports from Chile also rose 30% YOY. Brazil made further inroads, accounting for nearly 4% of total imports after gaining market access earlier this year. We expect the stronger peso to support larger import volumes over the balance of 2023. Year-to-date pork exports are lower (-18.3% YOY), with no reported exports to China and a sharp drop in shipments to the US and Canada. High-value exports remain relatively steady to Japan and higher to South Korea, helping to boost carcass values.

Source: Grupo Consultor de Mercados Agrícolas (GCMA), Trade Data Monitor, Rabobank 2023

Figure 11: Hog price recovery boosts near term profits

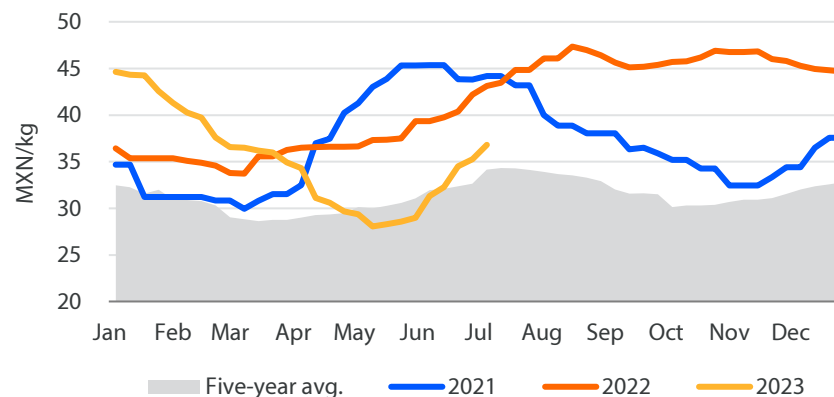
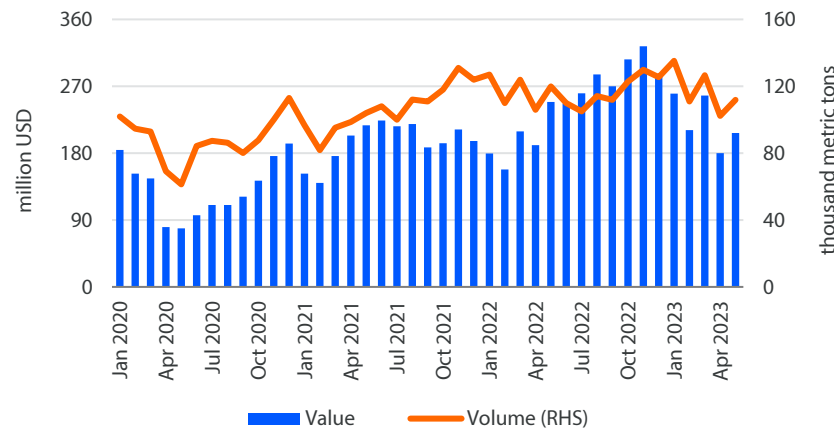


Figure 12: Pork imports moving higher on Peso strength





# Canada

## Voluntary herd buyout in Quebec underway, will help balance supply

### Pork production steady despite margin weakness

At 11m head, year-to-date hog slaughter through early July is flat with year-ago levels, with a 2.6% YOY increase in the west offsetting a 1.6% YOY decline in the east. Lower average weights (-2.2% YOY) also contributed to a 2% YOY decline in pork production, to 1.2m metric tons. The drop reflects previously announced cuts by Olymel but does not yet fully reflect the announced closure of the Vallée-Jonction plant. Operations at this plant, which is scheduled to close in December, are already slowing and production could terminate early given labor challenges. In order to balance hog production with reduced slaughter capacity, the industry has launched a voluntary sow buyback to lower production by 1m market hogs in Quebec. Producers tendered their sows in July and will soon be notified if their bids were accepted. Depopulation will begin in August and will extend through 2H.

### Hog prices rebound as US market sees temporary reprieve

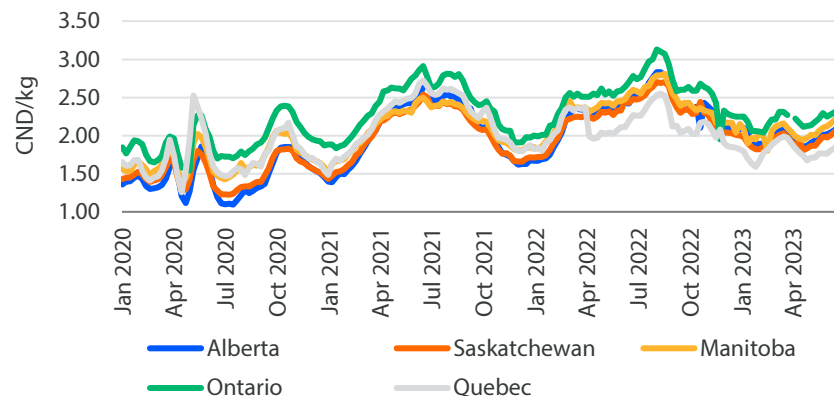
Hog prices rebounded in most provinces yet remain below year-ago levels (see Figure 13). Prices declined 5% YOY in Ontario and Manitoba, while the price formula in Québec (based on the USDA pork cutout) was flat versus year-ago levels. Prices in the west are significantly lower versus a year ago (-10% YOY on average), reflecting weaker packer demand and more plentiful supplies. Despite ongoing market pressure, at current prices many producers are at or nearing breakeven.

### Pork exports stabilize on sharp rebound in trade with China

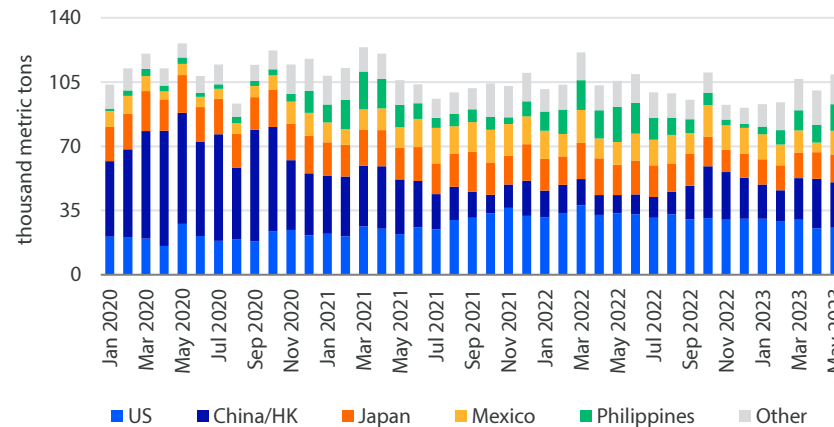
Canadian pork and pork variety meat export volumes were up 3.4% YOY in May on strong growth in shipments to China (+157% YOY)/Taiwan (+323% YOY), along with non-traditional markets in Georgia, Lithuania, Malaysia, and Cuba. Strength in those markets helped to offset sharply lower sales to the US (-24% YOY). Recent port strikes likely slowed exports in July, but the impact should be minimal following the announced labor agreement. The value of exports was off slightly (-2% YOY). Feeder pig exports have also been slow (with year-to-date shipments down 1.5% YOY), although shipments have been trending higher along with the recent recovery in prices.

Source: Statistics Canada, Trade Data Monitor, Rabobank 2023

### Figure 13: Hog price strength helps producers offset higher costs



### Figure 14: Pork exports rebound on improved access to China





# South Korea

## Weaker consumption begins to weigh on market

### Production stabilizes after ASF movement restrictions lifted

Domestic slaughter was up 2% YOY in June at 1.44m head and +0.7% YTD, after sharp declines early in the quarter. Production stabilized after ASF restrictions were lifted in late April, with limited long-term industry impact expected. For the year, Rabobank expects slaughter to be flat with year-ago levels at 18.5m head. Hog prices peaked in May after the lifting of ASF movement restrictions. Prices were down 5% in June, at KRW 5,571/kg (see Figure 15). 2H 2023 hog prices will likely remain under pressure tied to weaker packer demand.

### Disappointing grilling demand, foodservice remains weak

Despite modest improvement in consumption over the spring holidays, pork demand remains disappointing in retail and foodservice channels. Demand for imported pork products has been more consistent, however, as these trade at a discount. Promotional efforts have done little to stimulate pork demand as consumers continue to face challenging economic conditions. With little change in supply, pork inventories continue to grow, and processors' ability to raise prices is limited. Weaker industry margins are likely to weigh on hog markets in the coming months.

### Pork imports rebound in Q2, duty-free access could boost imports

After a weak start to the year, Korea's pork imports rebounded entering Q2. In June, import volumes increased 18.9% YOY, and value 17.9% YOY. Lower shipments from the US (-22% YOY) and Denmark (-65% YOY) were more than offset by an increase in imports from other EU countries (see Figure 16). Spain posted sharply higher shipments (+110% YOY), with double-digit gains also noted from the Netherlands and Austria. Brazil, not historically a significant importer, nearly quadrupled its volume into the market. Year-to-date imports are up 34% YOY, with sharp increases from most EU exporters (Spain +144% YOY), Canada (+10% YOY), and Chile (+35% YOY), helping offset lower US shipments. In late May the South Korean government announced a 45,000-metric-ton duty-free tariff rate quota for imported pork. The program will be implemented in phases and could boost imports from Mexico, Brazil, and Canada as most others already have duty-free access.

Figure 15: Pork carcass prices drop on weaker demand

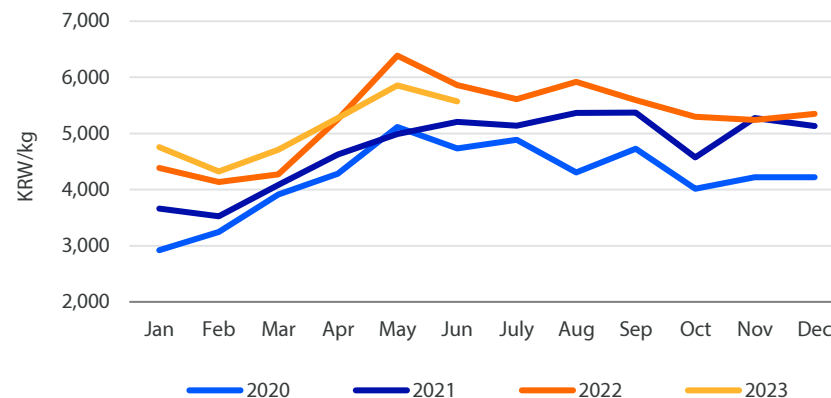
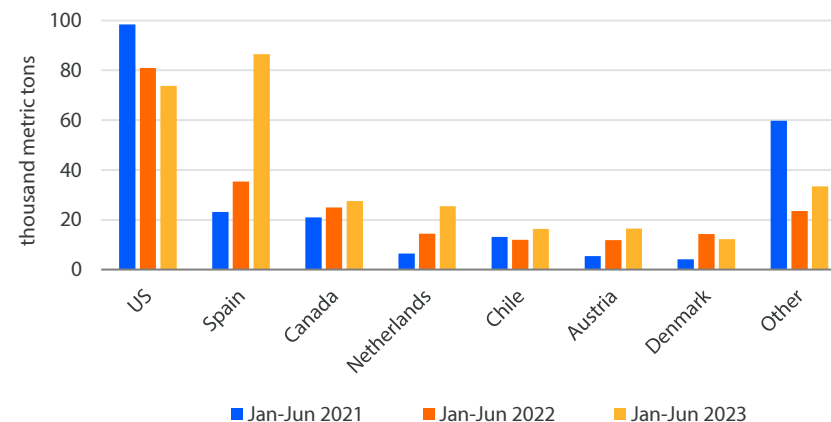


Figure 16: Imports rebound in Q2 despite softer consumption trends



Source: Korea Meat Trade Association, Trade Data Monitor, Rabobank 2023



# China

## Pork prices expected to rebound mildly in late Q3

### Weaker-than-expected demand pressuring pork prices

We have adjusted our view of pork prices from a likely rebound in July to a mild rebound in September and Q4. This is because of weaker-than-expected pork consumption due to subdued institutional purchasing in a slow economy. In addition, heat waves across the country led to lower animal protein consumption than normal, while continuous herd liquidation temporarily adds more supply. China's hog prices remained weak in Q2 (see Figure 17), with prices averaging CNY 14.4/kg. Prices were flat compared with the same period last year, but the loss-making period has been longer. While live hog prices have fluctuated greatly in recent years, prices this year have stayed low and stable. Compared with low hog prices, piglet prices continued to decline in 1H, down from CNY 37/kg in January to CNY 32/kg in June. This reflects producers/fattening farms gradually losing confidence in the market and the continuous exit of underperforming producers on months of loss-marking. At current prices, farming losses are around CNY 200 to 300 per head, depending on the production system and farm management.

Disease remains the wild card for the supply chain. Due to recent ASF outbreaks, some provinces have seen short-term disruptions, from farming and slaughtering to the wholesale market. The uncertainty brought by the disease spreading is forcing more smallholders to exit sow farming and focus on fattening, or only secondary fattening, to generate quicker returns. Large companies also adjust their strategies: some have reduced their sow herd, while others continue to expand, albeit slowly.

### Pork imports likely to slow down amid high inventory

Despite the low prices in the domestic market, pork imports in the first five months of 2023 increased strongly, up 19% YOY in muscle meat and 9% YOY in variety meat, despite higher CIF prices than 1H 2022 (see Figure 18). Shipments from North and South America have increased strongly, while European countries have seen marginal increases in exports to China. The rapid growth of imports has led to a high inventory of frozen pork, as prices of imported pork, after import tax and VAT, are higher than local prices. We expect imports to slow greatly in 2H, until local prices can rebound and the high inventory is consumed.

Source: Ministry of Agriculture and Rural Affairs (MARA), China Customs, Statistics Bureau, Rabobank 2023

Figure 17: Hog and pork prices remain weak

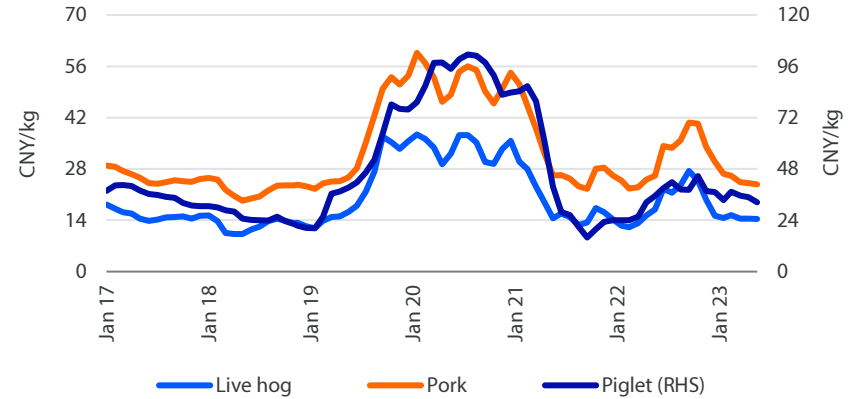
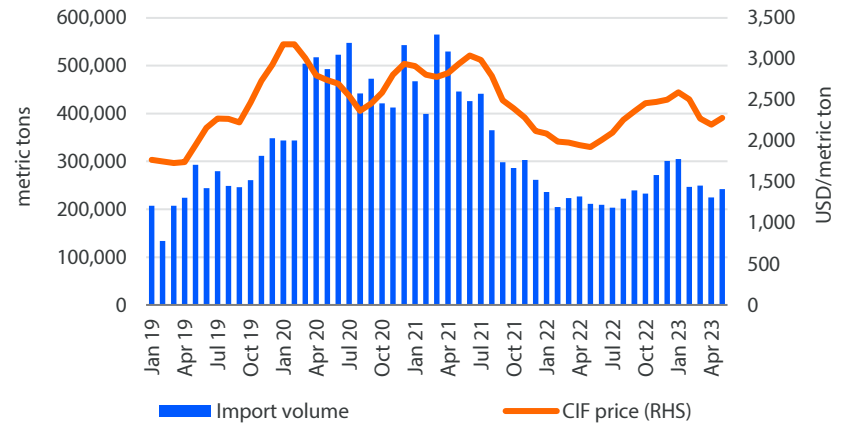


Figure 18: Import volumes rose 15% in the first five months of 2023





# Japan

## Chilled pork imports remain attractive, but frozen imports to soften further

### Pork household consumption remains unchanged

Looking at household consumption trends for the major animal proteins in 2023, poultry and pork volumes are at the same level as last year (see Figure 19). However, consumption of eggs and seafood has fallen by 4% to 8% YOY, with egg prices having soared due to avian influenza, and seafood prices up due to poor catches. Imported beef prices have remained 10% higher than last year's levels, and total beef consumption has continued to fall. Pork consumption generally benefits from the rising prices of substitute proteins.

Since October 2022, foodservice industry sales have exceeded those of 2019. The quick service restaurant sector has contributed to the increase, while sales in restaurants and pubs are below 2019 levels. Despite this, one factor behind weak meat consumption is the sluggish demand growth of nighttime eating out.

### Domestic carcass prices soar

Since October 2022, wholesale pork carcass prices in the Tokyo market have remained at JPY 500 to JPY 600/kg, higher than the previous year (see Figure 20). In May to July 2023, prices soared to JPY 600 to JPY 700/kg. As the number of hog shipments is expected to be below the recent average and be affected by the hot summer until September 2023, pork supply will remain tight and carcass prices are not expected to fall significantly. In addition, current carcass prices are above production costs.

The average wholesale price of domestic pork belly was JPY 1,178/kg in 2022 and is currently still above JPY 1,000/kg, resulting in poor sales. On the other hand, the prices of imported Australian beef belly (navel end brisket) are low, at JPY 850 to JPY 950/kg. Some meat traders say that demand for Australian beef belly is increasing as an alternative to domestic pork belly.

### Imports are weak

Imports of chilled pork from North America increased in May 2023, substituting for local production due to high domestic pork prices. This trend is likely to continue from July onward. Import volumes of frozen pork are not increasing. Import prices from Europe have risen and import volumes have plateaued.

Source: Ministry of Internal Affairs and Communications, Ministry of Finance, Rabobank 2023

Figure 19: Monthly household consumption of major animal proteins

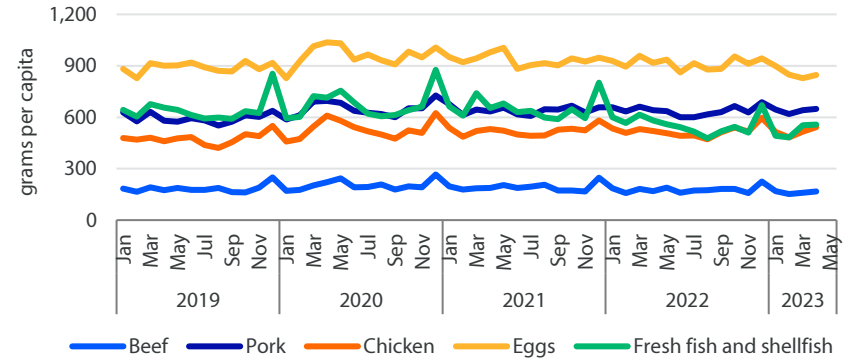
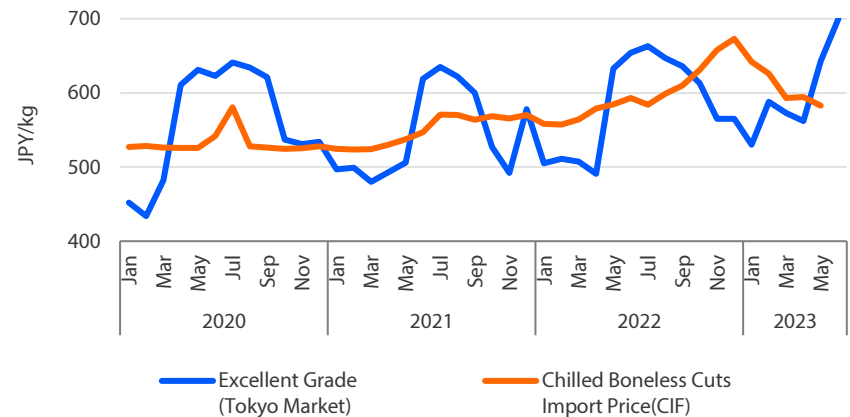


Figure 20: Wholesale carcass prices and import prices



# Southeast Asia

Pork prices in Vietnam rebounding; production in the Philippines expected to grow despite inflation, ASF, and global trade volatility

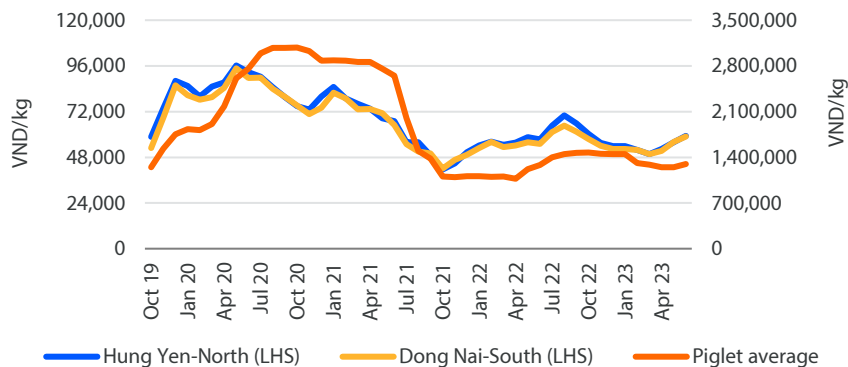
## Vietnamese hog prices bottoming out

Vietnamese pork markets were sluggish in early 2023, impacted by ASF outbreaks, but have rebounded since May (see Figure 21). The rapid liquidation across the country, particularly in the south, tightened supply entering Q2. While live hog prices moved up quickly in May and June, piglet prices have lagged, reflecting a lack of confidence among small producers to replenish their herds. Demand remains relatively weak but is expected to recover in 2H, as the economy shows some positive signs. IMF expects national economic growth to reach 4.7% for 2023, mainly supported by a rebound in exports and expansionary domestic policies.

Although diseases, particularly ASF, continue to impact producer confidence and production performance, steady improvements in productivity, along with self-disciplined de-capacity by various farms, continues to improve the resilience of the industry.

Vietnam saw a continuous decline in pork imports in Q1 2023 compared with Q1 2022, due to lower domestic prices and tight supply in Europe. However, as pork prices have moved back to profitable levels, there is a good chance that imports can pick up in 2H.

Figure 21: Live hog prices in Vietnam are softening



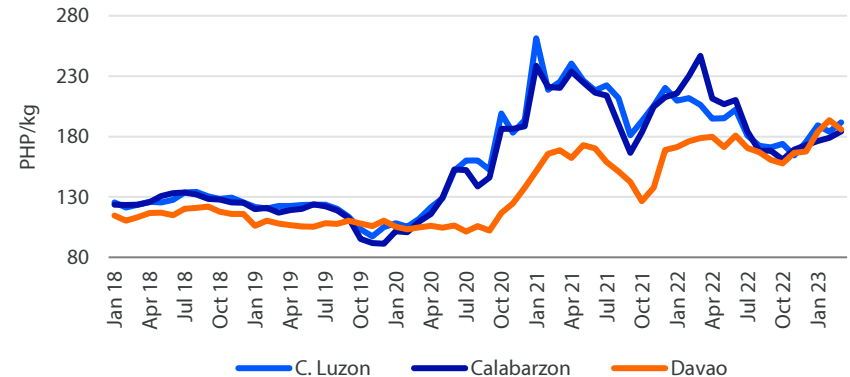
## Pork production in the Philippines on recovery track

Pork production increased steadily in Q1 2023, with the herd up by 4.2% YOY, and production up 5%. Although still 23% lower than Q1 2020, before ASF, the continuous growth shows that the industry is now able to recover steadily. While ASF outbreaks remain a constant threat to the industry, the biosecurity level has been enhanced. We expect continuous pork production recovery in 2H 2023.

Farmgate prices dropped to a low point in Q4 2022 but moved up quickly entering 2023, mainly driven by rising input costs and a resilient economy (see Figure 22). In retail, inflation moved down to 5.4% in June from 6.1% in May. CPI for food and non-alcoholic beverages dropped from 7.5% in May to 6.7% in June, mainly driven by a decline in meat prices. Meat price growth continues to slow down, up only 0.5% YOY in June, compared with 3.2% in May.

Imports declined in the first several months of 2023, due to domestic production recovery and tight supply from European suppliers. Meanwhile, the US and Canada have shipped more pork to the Philippines due to ample supply and competitive prices. Despite this, as local production continues to recover and European pork supply remains tight, we expect imports to remain slow in 2H.

Figure 22: Hog farmgate prices staying strong





# Europe

Production recovery not yet in sight, with prices to remain high

## Production volumes are sharply down

The contraction in Europe's pork production does not seem to be slowing despite high price levels. In the EU-27+UK, production was down by 10% YOY in the first four months of 2023. Denmark, the UK, and the Netherlands saw the highest relative declines in this period, down 21%, 17%, and 12% YTD, respectively. But production also continued to decline in Germany (-9%), Spain (-7%), Poland (-7%), France (-6%) and Italy (-5%). Pork processors in northwestern Europe have begun rationalizing as they anticipate structurally lower pig supply in the coming years.

## Producers enjoying good margins with skyrocketing pig prices

While production levels plunged, pig prices reached new record highs. The EU average pig carcass price was up 29% in week 25 2023 compared to the same period last year (see Figure 23). Price movements have diverged from seasonal patterns and skyrocketing prices have clearly been fueled by the low supply of pigs. We expect pig price levels to remain at record highs during Q3 2023.

Producers' margins continue to benefit from the high pig prices and easing feed costs. Prices of major feed commodities in Europe returned to levels from before the Russia-Ukraine war (see Figure 24). However, dry weather conditions in the US and Europe, developments around the Black Sea grain corridor, and the course of the harvest in Ukraine may bring some volatility to agri-commodity markets.

## Exports decline on lower volumes to Asia

Europe's pork exports have been weak. In the first four months of 2023, EU-27+UK pork exports were down 18% YOY, or 250,000 metric tons. Export volumes declined to most destinations, but the largest volume declines occurred to the Philippines (-62,000 metric tons), South Korea (-34,000 metric tons), the US (-25,000 metric tons), and Japan (-16,000 metric tons).

Low availability and relatively high pig prices coupled with subdued demand from importing countries will continue to pressure Europe's pork exports on the global markets.

Figure 23: EU average pig carcass price is up 48% on five-year average

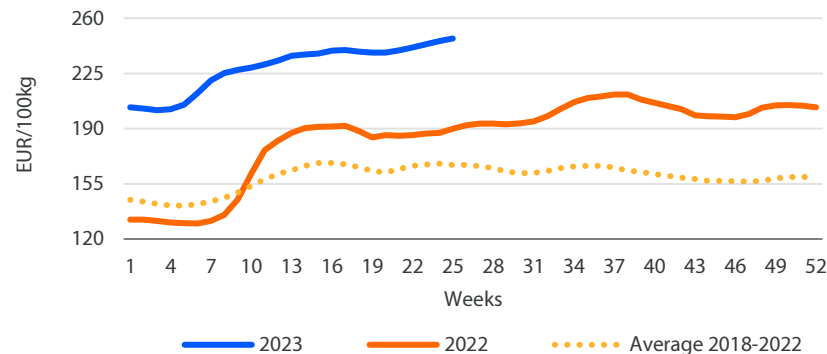
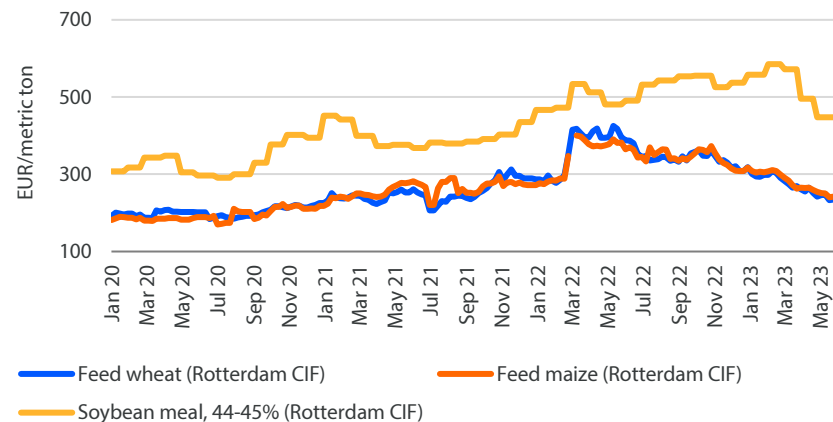


Figure 24: Feed commodity prices remain below year-ago levels



Source: Trade Data Monitor, European Commission, Agrimatie, Rabobank 2023



# Brazil

## Substantial devaluation of feed prices raises production margins, even with a drop in live hog prices

### Production costs continue to fall, favoring margins

With the Brazilian grain harvest consolidating as the largest in history, local grain availability for feed production has risen sharply, and pig producers are already seeing an impact on prices. According to Embrapa, production costs in Santa Catarina in May fell 24% YOY due to a 26% drop in the feed price. The feed price in June 2023 declined for the fourth consecutive month and was the lowest since June 2020.

Live hog prices have followed a downward trend since March 2023, reflecting the decline in input costs (see Figure 25). In June 2023, the live hog price was down 8% YOY. According to Embrapa, production margins in May are around 2%. For the short term, expectations are for the pace of improvement in margins to continue. Since the end of June, the seasonal improvement in domestic demand with the arrival of the colder seasons has brought some recovery to live hog prices. In early July, live hog prices showed a recovery of 11% compared to the previous month.

### Exports in 1H 2023 set new records in both volume and value

Pork shipments remained strong in 1H, driven not only by improved demand from China, but from other markets as well. In June, China boosted its import volume by 17% YTD on a year-on-year basis and remained the leading destination, representing 37% of total exports. Hong Kong and the Philippines, the second and third largest importers, increased volumes by 22% and 17% in the same period, respectively.

In 1H 2023, exports shipped are up 16% YOY in volume and 27% in value, indicating that – with the devaluation of live hog prices in the local market – Brazilian pork has shown greater global competitiveness, reflected in higher export prices. Latin American markets and the Golden Week holiday in China should support demand in the coming months. We project a recovery in exports this year of 3% to 5% YOY in volume terms.

Figure 25: Live hog prices fall following strong feed devaluation

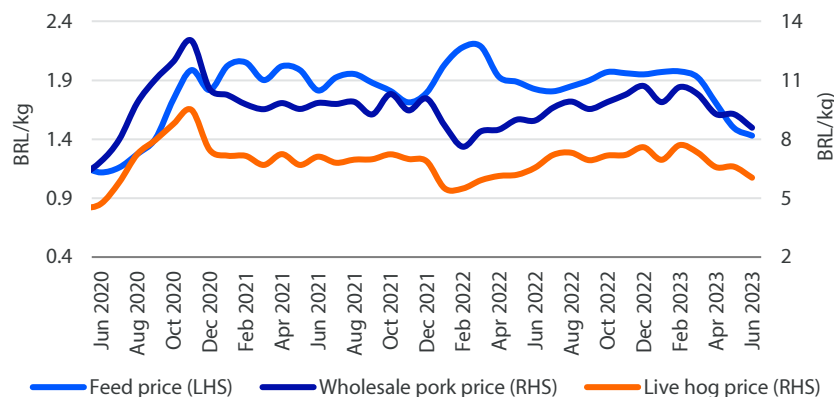
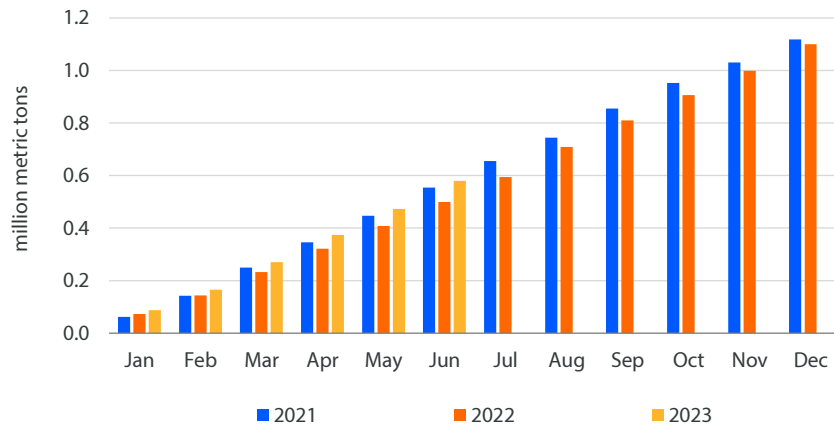


Figure 26: Brazilian pork exports from January 2021 to June 2023



Source: Secex, Cepea, Brazilian Institute of Geography and Statistics (IBGE), Embrapa, Rabobank 2023



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## Global Pork Quarterly

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