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Pork industry faces critical gains – if Trump delivers on trade

BY TAYLOR MILLER THOMAS, POLITICO PRO DATAPOINT

U.S. hog farmers stand to benefit from two key export opportunities. First, the outbreak of African swine fever in Asia has hit China, the world's largest pork producer and consumer, leaving it more dependent on imports and squeezing supply in other markets. Second, a potential trade agreement with Japan could preserve a major export market for U.S. pork, though countries like Canada and Mexico, which along with Japan are part of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, could take advantage of better terms of trade in the meantime.

What's next: U.S. tensions remain high with China, which may stymie progress towards reducing tariffs on U.S. goods. China has also halted planned purchases of U.S. agricultural goods. The U.S. is also currently negotiating a trade deal with Japan that may provide favorable terms for U.S. hog farmers in Japanese markets, though a timeline for a completed agreement is still unclear.

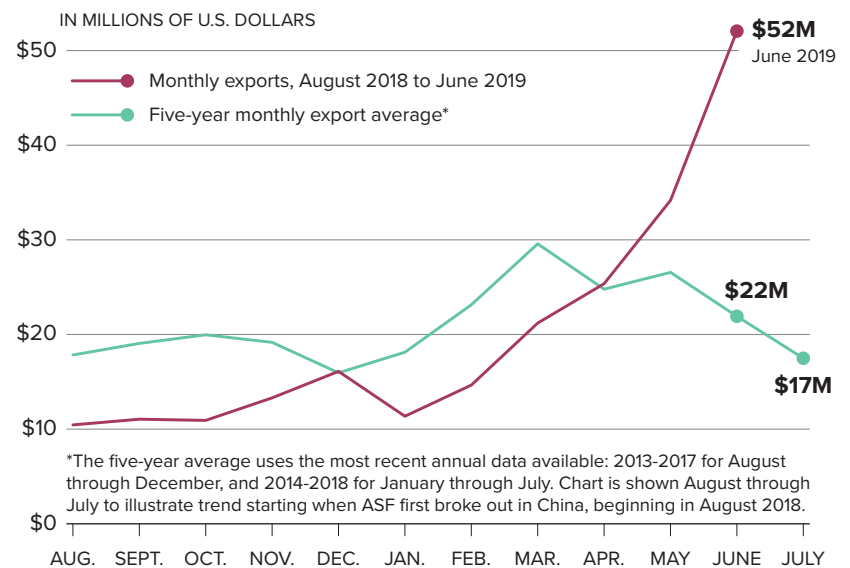
China has culled more than 2M hogs due to ASF, significantly affecting domestic pork industry

China leads the world in pork production, but its domestic supply has been severely diminished since the first ASF outbreak in August 2018. The disease has a “nearly 100%” mortality rate in herds; quarantine and culling is necessary to prevent its spread. Chinese hog farmers were forced to cull more than 2 million hogs between September 2018 and May 2019. In April, China estimated its pig population was down by about 100 million pigs from the prior year.

The USDA Economic Research Service reports that herd recovery after ASF is “known to be difficult.” Because it also leads the world in pork consumption, China is likely to become more dependent on imports to meet domestic demand as its pork industry recovers. Although U.S. pork faces tariffs, U.S. exports to China were more than twice as high in June 2019 — the latest data available — as recent historical levels.

ERS analysts note the outbreak could also limit supply elsewhere, creating additional opportunities for U.S. exporters in other markets. “Pork-importing countries foregone by major exporters vying for larger shares of a growing Chinese market could create significant export opportunities for U.S. pork exporters,” wrote ERS analysts in an August 16 report.

U.S. pork exports to China



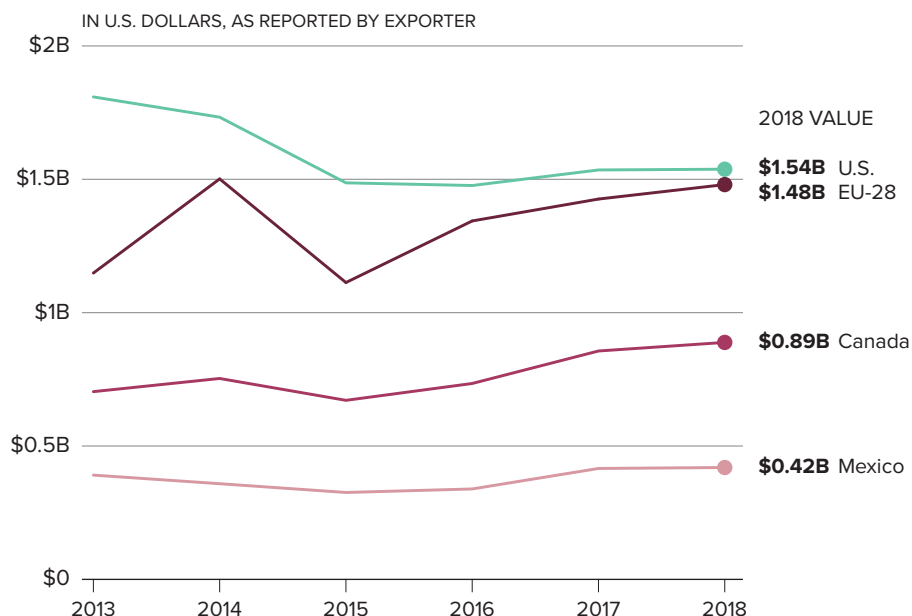
Canada and Mexico are primary competitors for pork exports to Japan as members of CPTPP

Japanese pork consumption has grown in recent years amid “several years of declining seafood supplies and increasing ‘Westernization’ of Japanese tastes,” wrote the USDA Foreign Agricultural Service in a recent report. U.S. pork exporters face competition to the growing market from Canadian and Mexican pork exporters, which benefit from increased Japanese market access under the CPTPP. The CPTPP provides relative advantages to these exporters compared with U.S. producers, who have urged the U.S. to close a trade agreement with Japan to provide additional agricultural market access in the absence of CPTPP membership. Although the United States reported the highest value of pork exports to Japan in 2018, other competitors have overtaken the U.S. in recent years in terms of total exports.

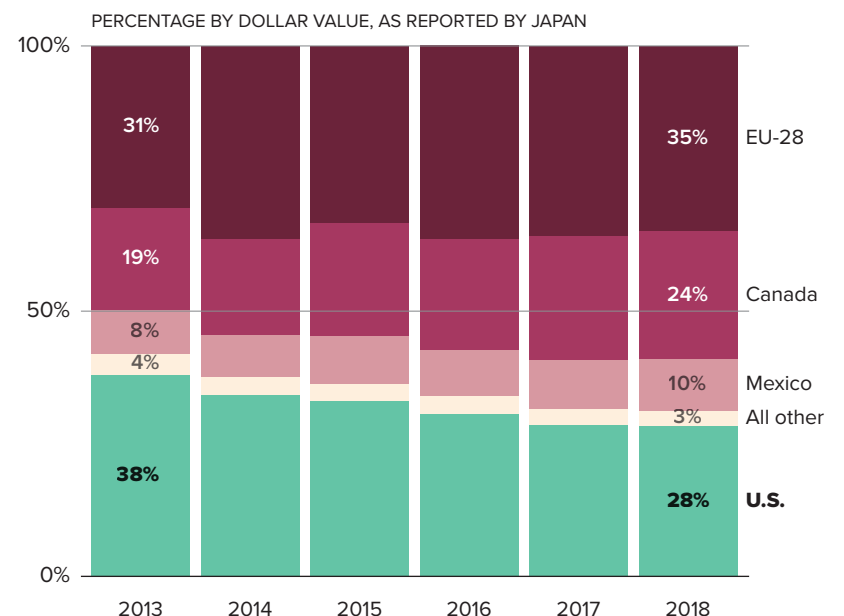
“U.S. pork producers are losing market share in Japan to international competitors that have recently negotiated more favorable trade terms in our most valuable market,” said David Herring, president of the National Pork Producers Council, the U.S. industry group for pork producers, in an April 1 statement.

Trade talks between the U.S. and Japan are ongoing. In August, Japanese Economic Revitalization Minister Toshimitsu Motegi said it was unclear whether the two countries could reach a deal by September.

Pork exports to Japan



Japanese pork imports



Note: Data for this graphic reflects values for goods listed under Harmonized System code 0203, for fresh and frozen swine meat. This does not encompass all pork products that may have been traded, including swine offal and processed pork products.

Sources: USDA, Congressional Research Service, UN Comtrade, USA Trade database, U.S. Census Bureau, UN Food and Agriculture Organization, National Pork Producers Council, POLITICO Pro staff reports

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