

PEDv, ASF hinder global pork supply, Rabobank reports

Disease continues to be driving factor of global pork markets

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Pork shortages will be a key concern in many countries in 2014, as the ongoing spread of porcine epidemic diarrhea (PED) virus in the North America and Asia will have a significant impact on pork supplies during the summer of 2014 and beyond, according to the Rabobank Pork Quarterly Q2 report. Exacerbating tight global supply is Russia's ban on EU pork imports in response to recent African swine fever (ASF) outbreaks.

"PEDv has been the driving force pushing up pork prices, especially in the U.S., to record highs," said Rabobank analyst Albert Vernooij. "U.S. futures climbed 30 percent in Q1 and are up 45 percent over last year, impacting pork users and consumer's ability to source enough pork for their needs."

The Rabobank report states the outbreak of PED virus in the U.S., Mexico, Japan and South Korea will lead to a likely decline in global pork production in 2014. In the U.S., where the PED virus outbreak has been most severe, Rabobank estimates that pork production could decline 6-7 percent in 2014 due to hog losses from PED virus.

Rabobank points out that it has been difficult to determine the impact of PED virus on global pig production, because until late April, the USDA did not require PED virus cases to be reported. The impact of PED virus in Asia, especially in Japan and South Korea, is also difficult to estimate as the spread of the disease is not known.

African swine fever's impact on pork markets

ASF has had an impact on pork supply and markets, with its biggest impact being seen in Russia.

In addition to pork price hikes brought on by PED virus losses, Russia has seen pork prices increase since it implemented a ban on pork imports from the EU. The ban on EU pork followed the discovery of ASF in wild boars in Poland and Lithuania. With the ban comes a loss of 1.3 million metric of pork imports, about one third of Russia's total import volume in 2013. This has resulted in short supply and higher prices in Russia, but with North America expected to feel the impact of PED virus for the remainder of 2014, Rabobank foresees Russia will have few alternatives to fill the void left by the EU.

Oversupply in China eases some stress on markets

An oversupply in the pork industry in China, driven by high sow liquidation, is offering some relief to global pork shortages. China is the world's largest pork producer and consumer.

Rabobank believes that Chinese pork prices will continue to fall in the second and third quarters of 2014, and the continued sow liquidation should help Chinese pork prices recover by the end of the third quarter in line with the seasonal increase of China's pork consumption.

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