



Rabobank: Meat and seafood price stability in 2019 threatened by trade wars, disease and El Niño

- *“Threats on many fronts” pose risk to animal protein price stability following year of uncertainty*
- *US-China trade war means opportunities lie ahead for Brazil, Canada and EU, and feed costs will deviate regionally as a result of dispute*
- *Meat and seafood expected to continue to be affected by disease*

A “melting pot” of risks – including US trade war with China, disease and extreme weather – threaten global food price stability of meat and seafood, according to research from Rabobank, the specialist food and agribusiness bank.

In its annual Outlook report, ‘Growth Slows Down...As Doubt Gears Up’ which analyses the prospects in meat and seafood markets around the world, Rabobank says that while meat and seafood markets will continue growing in 2019, ongoing geopolitical tensions, the threat of disease affecting livestock and fish and risks of an El Niño weather system brings great uncertainty to the outlook for 2019.

Justin Sherrard, global strategist for animal protein at the bank, added: “Meat and seafood producers face a melting pot of risks. Although it’s possible that not all of them will come to pass, they need to be prepared for a difficult and worrying year in 2019.”

US faces trade wars and currency headwinds, while new opportunities open in China

The trade war between the US and China has shaped 2018. If, as expected, it continues into 2019, it will alter global trade flows in the year ahead and beyond.

As a result, US meat and seafood exporters will be looking to new trading partners outside of China. This provides a window of opportunity for many other countries, including Australia, Brazil, Canada, the EU and Russia, who will all be looking to fill the place in the Chinese market created by US absence, and we’d expect this to continue into 2019.

Furthermore, with the US dollar currently at an 18-month high – which is anticipated to continue to strengthen into late 2019 before stabilising - US exports will subsequently continue to suffer from a lack of competitiveness abroad, further challenging profitability along US animal protein supply chains.

Justin Sherrard added: “We expect global meat and seafood trade flows to shift significantly, especially pork and seafood, should the US continue its trade disputes.”

He continued: “As we look into 2019, we see animal protein trade flows continuing to be shaped not only by US trade disputes, but also by issues in Brazil, ratification of the Comprehensive and Progressive Trans Pacific Partnership, and Brexit.”

Biosecurity risks look set to spread

Rabobank expects the spread of African Swine Fever (ASF) to continue to have a global impact on pork production, proving especially harmful in China with a decline in supply, rising prices and higher imports. Europe still faces an oversupply of pork, and this will become a particular issue if an ASF outbreak hits production and results in a drop off in export opportunities.

But with pork being the animal protein most at risk of disease, it’s likely to impact consumer perceptions, and as a result, demand. It’s a similar story in the poultry market, as the growing risk of Avian Influenza can cause consumer concern and lead to significant volatility in trade streams. On the other hand, seafood and aquaculture markets are relatively free of disease issues as we head into 2019.

Justin Sherrard said: “With the severity of disease outbreaks showing no signs of being curbed, especially in pork and poultry, biosecurity will become a higher business priority for livestock and fish producers in the year ahead. Major outbreaks are affecting global trade flows and consumer preferences, and as a result we expect to see a shift to beef and seafood consumption in some markets.”

“It’s often the more challenging periods like this that can enable animal protein companies to reap rewards, providing they successfully navigate the uncertainty.”

El Niño remains on the horizon

With an 80 per cent chance of El Niño being formally declared by the end of the winter in the Northern Hemisphere, Rabobank expects the weather event to create further risks in the animal protein sector.

Fishmeal supply has been increasing since El Niño’s last outbreak, with early 2018 Peruvian quota being the highest in recent years at 3.3m tonnes. If climate conditions are not stable, a lower quota will add upside pressure and volatility to fishmeal prices in 2019.

The annual Outlook report is produced by Rabobank's specialist team of animal protein analysts based around the world. 'Growth Slows Down...As Doubt Gears Up' is the fourth edition of the animal protein outlook."

Our Takeaway Messages

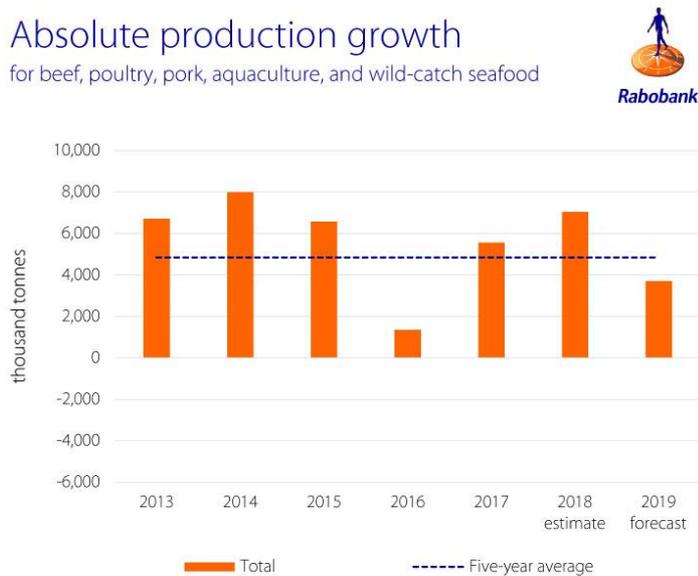
Growth continues, but it is slowing, and uncertainties are obvious. However, global animal protein also has many opportunities in 2019

- Growth in production** is expected to slow as we move through 2019
- The **uncertainties** could swing both towards weaker or strong constraints on production during 2019
- Fundamentals remain supportive of ongoing growth. The **economic outlook is positive** for most of the world, and consumer confidence remains firm
- To help ensure a successful year ahead, the animal-protein supply chain will need to **look through the uncertainties**
- Boosting **competitiveness in trade** will benefit from strong relationships and reasonable pricing, as well as enhanced biosecurity
- Boosting **competitiveness in domestic markets** will benefit from innovative approaches to production and processing that boost value-adding



Absolute production growth

for beef, poultry, pork, aquaculture, and wild-catch seafood



Source: USDA, European Commission, OECD-FAO Agricultural Outlook, FIGIS, Rabobank 2018