

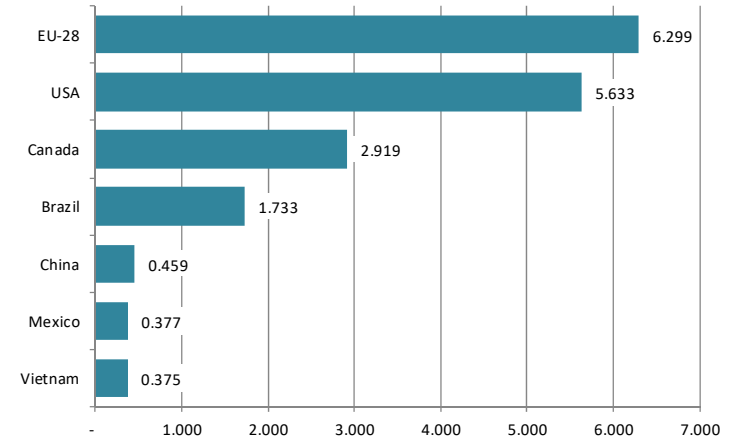
Yesterday (9/13) European officials confirmed **the discovery of African Swine Fever in wild boars in Belgium**. The discovery sent shudders through the global pork trade, not so much because of the amount of pork Belgium ships in the global market **but because the disease has now been found deep inside the EU**. This is no longer a problem affecting the periphery: Romania, the Baltics, or Eastern Poland. The village where the boars were found is hundreds of miles away from previous findings of the disease. The village in question is surrounded by French and German countryside and one has to wonder how the disease got there given the wide German land buffer between Poland (nearest ASF cases) and Belgium.

According to USDA official statistics, **the European Union exported about 6.3 billion pounds of pork last year**. Data is on a carcass weight equivalent. This compares to 5.6 billion exported by the US. Pork production in the EU is not as concentrated as it is in the US but still a few countries account for the bulk of pork production in the EU. Germany and Spain are by far the two largest producers, accounting for 23.3% and 18.4% of total pork production, respectively. These two countries also accounted for a larger share of exports to countries outside of the European Union (see second chart to the right). Exports of German pork to countries outside of the EU made up about 8% of the German pork production, with another 26% of their pork going to other countries within the EU. Given the fact that the disease in wild boars was found in an area that presumably jumps over Germany, the situation is particularly sensitive for the industry there. However, they are not as dependent on the global pork market as Denmark or Spain. Denmark is the third largest exporter of EU pork outside of the union. But with a population of just under 6 million people, Denmark heavily relies on exports both to EU and non-EU countries. Denmark accounted for 15% of all EU pork exports to outside markets. Those exports accounted for about 20% of the national production. Another 51% of Danish pork was sold to other EU members. The risk for the industry in Denmark and other major producers is the disruption that the disease could cause to both intra-EU and extra-EU trade.

Through June of this year the **top three markets for EU pork were China (35%), Japan (12%) and S. Korea (9%)**. While countries within the EU and some other countries accept **the principle of regionalization**, not all do and that is a major concern. Broadly speaking the principle of regionalization recognizes that outbreak of disease impacts trade in a specified area/region rather than the trade of the entire political boundaries of a country. A recent check of the EU database that tracks market access to various countries shows that China still does not recognize EU regionalization measures. The finding of ASF in Belgium will impact exports from this country to China but likely have little impact on EU pork exports. Where it would be more problematic is if the disease is found within borders of major producers since that would likely lead to automatic closure of export access to major markets in Asia. For now market participants are right to be concerned about prospects for global pork trade in 2019 and big shifts in demand from one market to another.

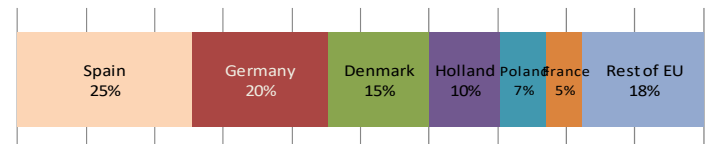
Top **Global Pork Exporters** in 2017. Billion Lb. Carcass Wt.

Source: USDA-FAS



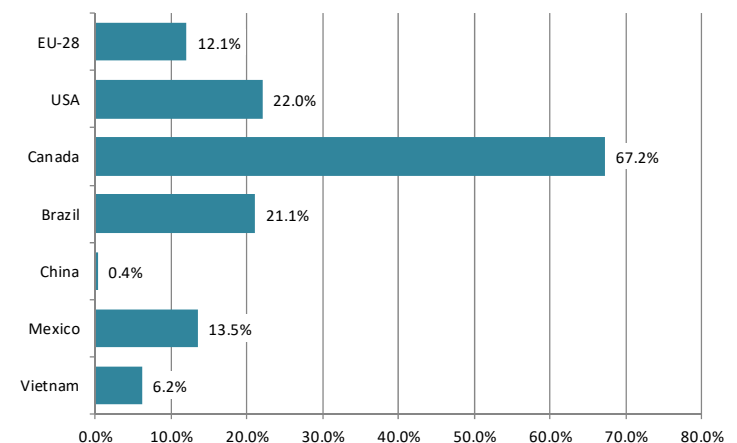
Main EU Pork Exporting Countries (Exports outside of EU). 2017 Data.

Source: Eurostat



Exports as % of National Production. Top Global Pork Exporters in 2017

Source: USDA-FAS



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