BIRTWISTLES

Market Report

JANUARY 2020

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Key Headlines

With the UK's exit from the EU formalised with the December General Election a degree of clarity is now apparent across all markets however conditions remain fragile as farmers, producers and traders now await the outcome of how the trade deal negotiations progress once the official withdrawal agreement becomes live from the end of January. What is clear given the governments stated position there will no extension beyond 31st December 2020. Whilst a no deal scenario unlikely it is not entirely off the table. Should this happen the consequences would undoubtedly be damaging in terms of availability and increased costs given need for the imposition of tariffs and levies on imported meat together with a deficiency of UK meat production to meet domestic demand 100%.

Pork remains in a state of turmoil as the impact of African Swine Fever continues to affect the market. However, whilst price rises have slowed but the prognosis is that these challenges will be with us for some time yet as demand for pig meat from China shows no sign of abating and is likely to see a resurgence in February. The demand for all types of proteins from China is going to be a significant influencing factor on global availability going forward as plants in South America, Ireland and the UK should start production after gaining Chinese approval for export in the last quarter 2019.

Beef Overview

Global beef trade has continued to grow over the last five years – and Rabobank believes that it will continue to rise over the next five years, driven by strong consumption growth in Asia. Increased access to existing markets, access to new markets, and new trade agreements have all supported increased trade, fuelled by growing import demand, predominantly from Asia. However, with increased trade come increased exposure and increased challenges. Geopolitical tensions, biosecurity risks, and the increasing use of non-tariff barriers mean trade positions can change very quickly. Those in beef trade will need to respond by being more agile, less transactional, and more committed to two-way trade, including co-investment by importer and exporter to build sustainable beef trade flows.

Cattle prices rise over the Christmas period

GB prime deadweight cattle prices increased for both steers and heifers for the week ending 28 December, finishing at 334.9p/kg and 335.5p/kg respectively. Over the two-week Christmas period the all prime average increased by 7.3p to finish at 334.5p/kg.

For the week ending 21 December, heifer prices went up in southern and central regions, but down in northern and Scottish regions. Steer prices were up across England and Wales whilst remaining stable in Scotland.

Estimated slaughter was down significantly for the week ending 28 December at 16,500 head. However, this was expected due to processor closures over the Christmas break. For the week ending 21 December total throughput reached 35,700 head the highest week-on-week throughput for 2019.

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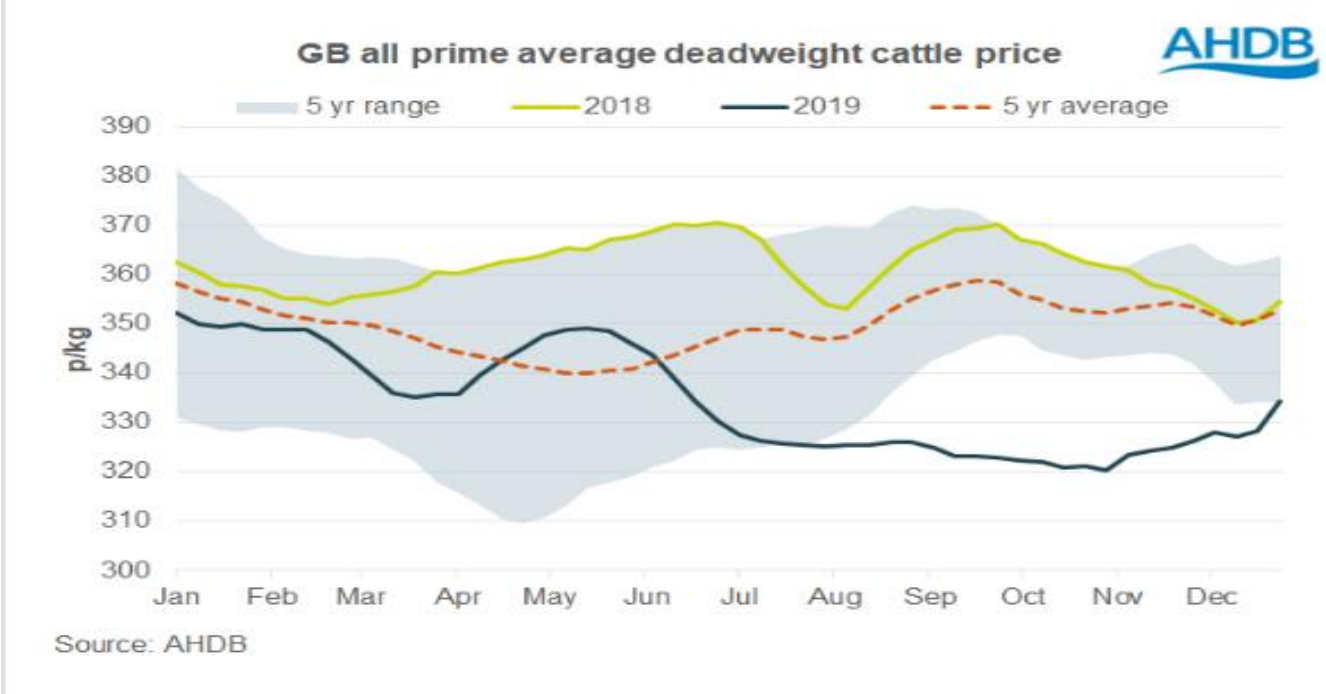
The GB all cow average price rose by 8p/kg week-on-week to average 213.7p/kg for the week ending 28 December. The deadweight cow price in Scotland averaged 234.1p/kg, and 210.8p/kg in England and Wales.

The influence of diminishing 5th quarter returns, higher processing costs, the increased legislative burdens of abattoirs and meat processors and strong export demand has eaten up any benefit of a reduced deadweight price.

Prime cattle slaughter is expected to fall in 2020 by around 3%, production could drop by 4% if carcase weights fall too. Exports are expected to be lower, by 9%, due to this lower production. Although cattle prices are still vulnerable to weak domestic demand, if they do recover, they will attract more imports, predominantly from Ireland. Product availability in Ireland will play an important part, as will Ireland's exports to countries other than the UK



Global Beef Trade Continues to Grow

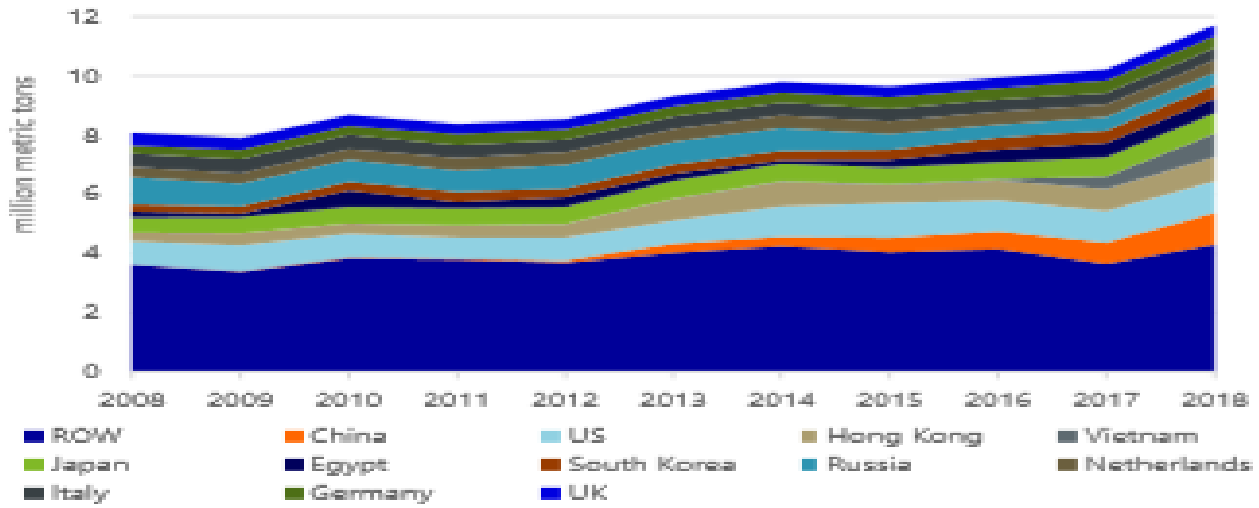
Grow Global beef trade has continued to grow over the last five years, fuelled by growing import demand, and supported by trade agreements and improved access to new and existing markets. This growing demand, seen predominantly in Asian markets, is illustrated in the latest Rabobank World Beef Map, which shows a heavy concentration of trade flows into Asia. Rabobank believes that beef trade will continue to rise over the next five years, supported by strong importer demand. African swine fever (ASF) will provide a short-term, intense increase in demand, but strong fundamentals of increasing wealth and changing diets in Asian countries support ongoing demand for protein. To meet this growth in demand, it is forecast that production and beef exports will also increase, although some countries – such as those in South America – have a greater propensity to grow than other established exporters. While global beef trade is expected to continue to grow over the coming years, Rabobank

believes that there will be increasing uncertainty around trade. Increased trade access allows for more flexibility in selecting trade partners, but it also creates the potential for increased trade volatility, as there is less dependency on dedicated trade partners, and products can be more easily redistributed – a problem compounded by the larger volumes of product traded. With geopolitical instability and increased use of non-tariff barriers, trade volatility will become more common. Those in beef trade will need to respond by being more agile, less transactional, and more committed to two-way trade, including co-investment by importer and exporter.

Growing Beef Consumption Has Driven Increased Trade

While export growth has been relatively steady over the last five years, strong prices across many markets indicate import demand is a stronger force in growing trade than supply availability. Imports have seen a strong increase over the last five years, in 2017 and 2018. This has been compounded by very strong demand out of China in 2019, where beef imports for the first nine months of the year were up 54% on 2018 volumes.

Figure 1: Global beef imports are rising, 2008-2018



Source: ITC Trade Map, UN Comtrade, Rabobank 2019

Increased Imports Are fuelled by Asia

Import growth has principally been driven by China, with an average annual growth rate of 82% over the last five years. China became the world's largest beef importer in 2018, importing over 1m metric tons. With the country's expanding middle and upper classes, beef demand has grown consistently, reflecting premiumization, Westernization, and personalization trends. We have also seen strong growth in imports into Vietnam and Hong Kong associated with Chinese growth – large volumes of bovine product are imported into Vietnam and Hong Kong for re-export to China through grey channels.

Imports into Egypt have fluctuated, while Russia is notable as one of the major importers that saw a decline in imports over the last five years.

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Exports Are Trying to Keep up With Import Demand

Global beef exports increased by 38% – from 8.65m metric tons in 2013 to 11.99m metric tons in 2018. This growth has been relatively consistent since 2013, increasing by an average of 3% a year, with only two years showing a reduction in total exports. In 2015, US, Brazilian, and Indian exports all contracted, and then in 2016, Australian exports did the same. Each of these drops was more a result of localized seasonal influences rather than any structural changes. South America has been a major contributor to growing trade. In the last five years, the combined exports of Brazil, Argentina, and Uruguay increased by 67%, totalling close to 3m metric tons in 2018.

Argentina stood out, growing exports from 197,000 metric tons in 2014 to an expected 700,000 metric tons in 2019 – with China accounting for approximately 70% of shipments. Argentina recovered strongly after several years of difficult trade, a result of export taxes on beef imposed under a previous government. Brazilian productivity growth has been supported by improvements in the property management model, the inclusion of new technologies, workforce qualification, and the adoption of production systems such as crop-livestock integration and feedlots. The consolidation of the foreign market position and the constant search for new importing markets are also factors that have guaranteed the viability of investments in the sector.

There Is a Rising Sea of Uncertainty

Several unfinished trade agreements could influence future global beef trade – some of which have been ongoing for several years and some of which have no deadline for resolution. These include:

EU-Mercosur deal.

Headlines suggest that the Mercosur countries will be granted hugely improved access to the EU, possibly displacing a range of other suppliers. However, high standards and tough scrutiny of those standards by the EU might make it hard for Mercosur exporters to fill the increased access they have secured, providing continued access to other suppliers.

USMCA (United States-Canada-Mexico Agreement).

The expectation is that the US will finalize the agreement, with the most optimistic views suggesting a timeline of late 2019 and others saying early 2020. For animal agriculture, there is no downside, only upside, making it an easy lift. However, as with most trade deals, there are many tariff lines beyond beef to resolve – and therefore resolution of the matter rests in the hands of others.

US-China.

The most influential trade dispute, between the world's largest beef importer and one of the biggest exporters. We believe that a permanent resolution before the next US election is unlikely. However, pressures around food prices in China – as a result of reduced pork supply from ASF – may drive a near-term temporary opportunity for increased US-China F&A trade, following a relaxation of import duties on some US products, possibly including beef.

Brexit.

The UK is the largest beef importer in the EU, and the future terms on which its major suppliers – such as Ireland – can access that market are uncertain. The extended period of uncertainty for the UK's beef trade partners is already affecting confidence and investment in the sector, and cattle prices reflect this.

EU-Turkey.

Introduced in 2018, the suspension of live cattle exports from the EU to Turkey rolls on. Turkey has been the major destination for EU live exports, but the ability to source supply from Brazil and Uruguay allowed Turkey to suspend EU live exports. If this suspension rolls on, it continues to weigh on the EU market.

Beef has seen the biggest volume increase in protein demand from China, however despite this, prices globally haven't risen as much as the markets anticipated as global beef supply has been increasing. The average Chinese import price, in US$, for beef is up just 2% year-on-year.

Argentina, Uruguay, Brazil, Australia, and New Zealand are the five largest suppliers of beef to China. Growth of imports from Brazil has been limited this year due to Brazil regaining access to the Russian market and re-directing exports in that direction. However, the other 4 countries have all had at least double-digit growth in percentage terms, with imports from Argentina growing 122%.

New Zealand and Uruguay have seen increases in cattle prices in recent months. Uruguay, especially, has seen a sharp increase in farmgate prices. Increased demand from China, coupled with a long-term decline in the beef herd has tightened supply in the country.

For the other countries, farmgate prices have been trending below the long-term average throughout 2019. In Brazil and Argentina, prices in US$ have declined since the start of August, in part due to weakening domestic currency.

Lamb Overview

Lamb prices hold their ground over Christmas

The GB daily liveweight SQQ has been relatively steady over the Christmas period. For the week ending 25 December, the SQQ price increased by nearly 16p to finish at 212p/kg. More recently, for the week ending 1 January, the SQQ totalled 208p/kg, down a little on the previous week but still up on the same week of last year. Cull ewe prices have been reported as strong over the festive period, averaging £77.47/head.

In November, we saw a Brexit delay and continued access to the EU supporting lamb prices. With the withdrawal agreement passed by parliament, continuing the current EU trading relationship until 31 December 2020, lamb prices have again received some underpinning support.

Meanwhile, the deadweight price has continued an overall upwards trend, to finish at 438p/kg for the week ending 28 December. Kill is always low during the Christmas period, and totalled 122,000 head for the past week.

Industry reports suggest numbers are likely to be tight during January, reflecting the wet conditions so far this winter.

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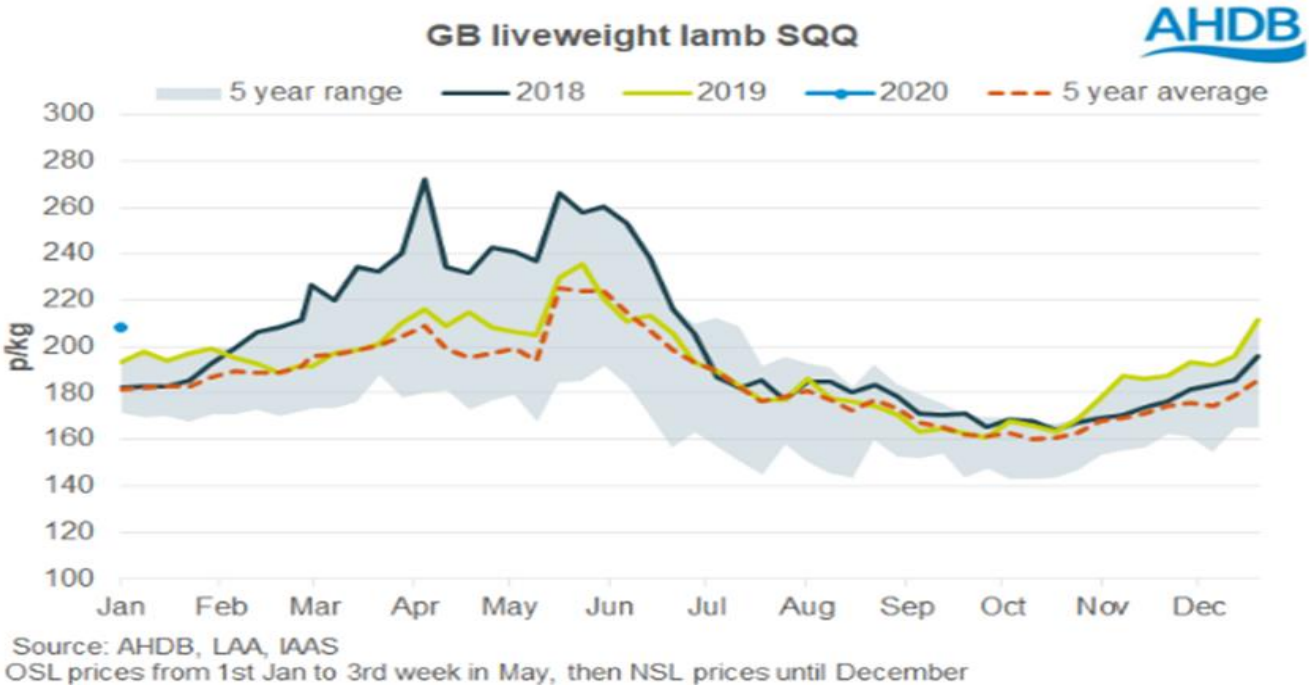

For the sheep market, many of key watch points of 2019 are likely to remain during 2020. However, next year we are forecasting domestic production to drop back by 5%, driven by a decline in the size of the breeding flock. Global supplies are expected to remain tight; we expect that imports will fall further in 2020, by around 6%. Meanwhile, it is expected exports to drop by around 15%, due to the reduction in domestic supplies. There is scope for exports to be higher than forecast however, especially if domestic demand is weaker than expected

NZ production is flat YoY but export to EU countries is down 20% because of more product going to China.

NZ sheep meat exports have reached record levels, now in excess of NZ$4b driven by Chinese demand, up 18%.

Market on lamb is expected to tighten going in end of Q4 and into Q1 2020.

On the deadweight market, the GB deadweight NSL SQQ has increased again, this time by 4.3p, to 431.7p/kg during the week ending 14 December. The quote now stands almost 23p above the same week last year and 35p clear of the five-year average. GB lamb prices continue to stand below their New Zealand equivalent.

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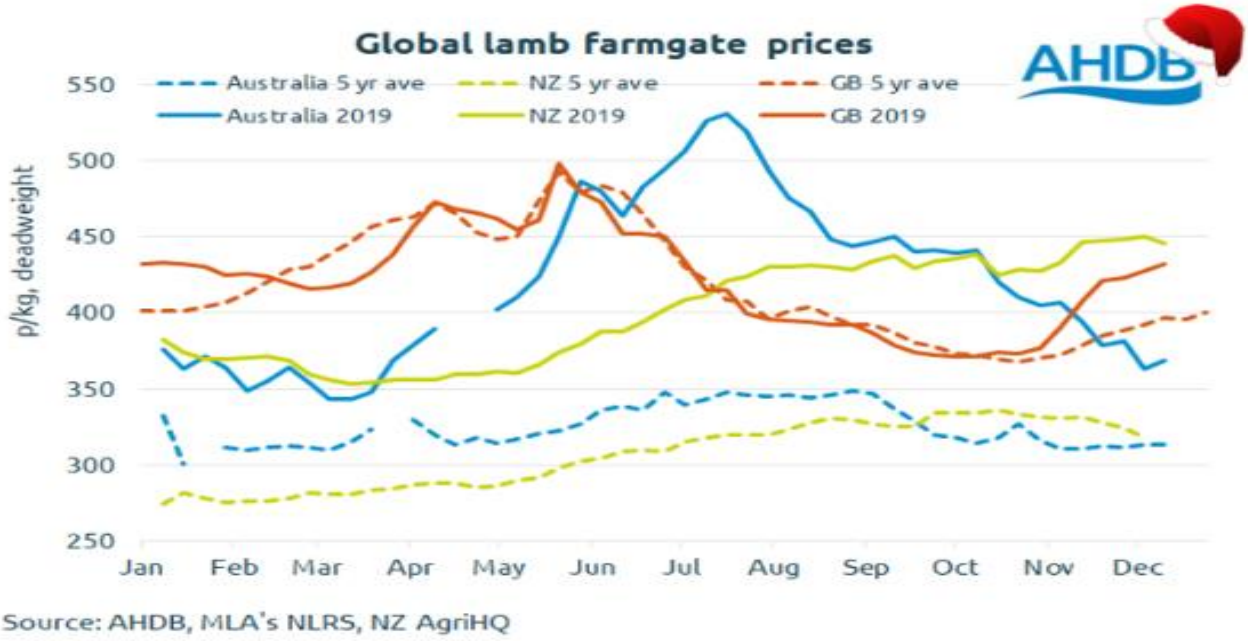

Pork Overview

Global pork prices continue to rise, as protein shortfalls intensify competition for a shrinking supply, according to Rabobank's Pork Quarterly Q4 2019.

Pork prices have hit record highs in some regions, while trade barriers continue to limit the upside in the US and Canada. prices will continue to increase through Q4 2019 and into 2020, as markets work to balance supply and demand. Even with the economic incentives, its highly unlikely that the market will see any significant increase in global production, due to the environmental and regulatory constraints as well as the threat of African swine fever. The production to demand imbalance is expected to only drive prices higher and make markets even more volatile in the first half of 2020.

China: Prices jump in response to holiday-led demand

Retail prices rose 78% month on month in September, as stocks were depleted following the surge in pork demand. Restricted herd replenishment, particularly in ASF-affected regions, is also a contributing to the shortfall resulting increase in pork prices. Pork consumption has suffered, as high prices limit interest. Even so, efforts to rebuild the herd are underway as the economic incentives are sizable and will promote rapid growth where feasible.

US: Record production more than offsets surge in export demand

Record pig slaughter is weighing on markets, depressing producer returns. Productivity gains continue to outpace expectations, adding further stress to an oversupplied domestic market. Robust exports are absorbing much of the production increase yet have been unable to fully keep pace. Despite strong exports, Rabobank expects more moderate production growth in 2020.

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EU-28: Global trade drives strong returns, but industry growth is constrained

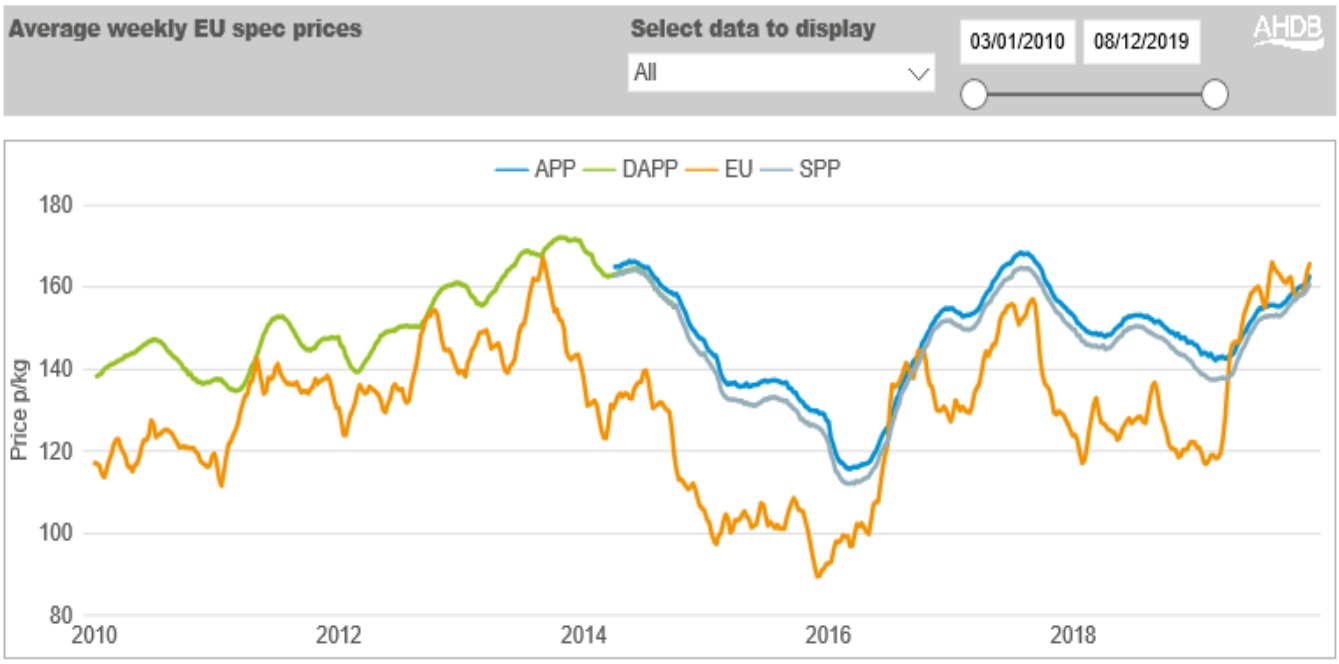
Europe remains the key supplier of pork to the global markets. Brisk exports of pork to China and other parts of Asia helped support a 31% YOY increase in prices and near-record margins. Reports of ASF in Europe have mostly affected feral swine populations, along with sporadic commercial cases.

Brazil: Strong demand boosts production returns

Exports to China continue at a strong pace and are 33% higher than the same period last year through September. Strong demand has driven a 17% improvement in price (USD 2,297/metric ton) and a rebound in margins.

US and China Reach Agreement on Phase One Deal

An agreement between the United States and China was agreed in mid-December and includes reforms and other changes to China's economic and trade regime in areas around intellectual property, technology transfer, agriculture, financial services and currency exchange, resulting in China agreeing to making substantial additional purchases of US goods and services. The US imposed tariffs on imports from China will be maintained at 25% on the $250bn Chinese import trade with a 7.5% tariff on an additional $150bn of imports. This is welcome news for the US beef and pork industries.



UK pork prices have risen by over 35% YoY due to continued rising export demand from China.

Chinese imports from 3rd Nations – Brazil & Europe have surged to fill deficits in their domestic market.

Despite increase in imports the Chinese market is still going to be short of pork through rest of 2019 and into 2020. Price rises have slowed however, market analysts expect prices to remain firm and high going forward for the foreseeable future as early as February.

With over 70% of UK produced pig meat consumed in the UK, changes in the home retail market are key for the domestic pig sector. Overall GB retail sales of pig meat declined in the latest retail update, in contrast to beef and lamb.

Poultry overview

Global Outlook for 2020

The outlook for global poultry in 2020 is slightly more positive than it was in 2019, when markets suffered from relative oversupply. A key driver of the gradual recovery will be ongoing strength in trade flows to Asia in order to supply African swine fever-affected markets such as China, Vietnam, South Korea, and the Philippines. These trade flows will be positive for dark-meat prices, though they will be subject to increasing volatility. Improved beef prices (the main substitute for fresh poultry), stable global average feed prices, and more balanced supply will also all support the gradual recovery. The downside is that global whole-bird and breast-meat markets will remain pressured and have limited price upside.

Outlook for 2020

US: improved returns with China export opening
- Production growth of 3% in 1H 2020
- Strong leg-quarter and wing prices
- Price support from rising beef prices

Brazil: Recovering, but still troubling exports
- Production to expand by 2% in 2020
- Relatively limited 1% export growth in 2019
- High beef prices, slight increase in feed prices

EU: Fragile recovery expected
- Slowdown in production growth in eastern EU
- Ukraine quota restricts imports of fresh chicken
- Brexit concerns remain in play during 2020

China: ASF to push up chicken production
- Growth of over 15% in chicken production
- Ongoing ASF worries create volatility in markets
- US return to push up already high imports

RaboResearch | Poultry Quarterly Q1 2020 | December 2019

African swine fever (ASF) will increasingly push chicken expansion in Asia in 2020. This will help fill the gap in domestic protein markets affected by ASF, but it also raises concerns about future oversupply. Strong growth in

domestic supply – from poultry companies and pig farmers who invest in poultry farming – and rising imports are boosting supply. This will likely result in price volatility in 2020.

Global markets will be highly volatile in 2020. Dark-chicken meat prices are expected to stay at high levels, but with more volatility. Supply growth in ASF-affected markets, rising availability of dark meat after Russia's and Ukraine's entry to global markets, and the reopening of US chicken exports to China, will all add to volatility in global trade flows.

The top-performing markets in 2020 will be China, which is expected to see short supply in the next four to five years, and Mexico, where supply will also remain short, after outbreaks of avian influenza (AI) in early 2019. The US – and, to a lesser extent, the EU and Russia – will see improvement if supply stays balanced.

Several influencing factors could impact markets in 2020, including Brexit, the ongoing risk of AI, feed-price volatility (the base-case scenario indicates limited growth), and potential trade disruptions. In trade, we see more openings in Asia (partly because of AI), but also rising restrictions in Africa and the Middle East.

Global Poultry Market Outlook 2020

The outlook for the global poultry industry will be challenging in 2020. The ongoing impact of ASF outbreaks in Asia – and, to a lesser extent, in Europe – will remain one of the key themes for the year ahead. This will have a big impact on total protein availability in local markets, given the expected drop in pork production in China of 15% – after the 25% drop in 2019. Pork production in Southeast Asian countries such as Vietnam, the Philippines, Cambodia, Laos, and Myanmar is also heavily affected by ASF and faces significant drops (10% to 25%). For 2020, the threat of the ongoing spread of ASF will impact production decision-making by poultry farmers.

Expansion Asian Poultry Industry

In general, we will see a further expansion in domestic chicken and duck production in Asia. This will be led by local poultry integrators, with pig farmers shifting to chicken production further boosting supply. Chicken production in China has been growing strongly, and in 2019, it is expected to rise by 15%. We foresee similarly strong growth in 2020. Vietnam and other countries affected by ASF are also shifting from pork to chicken production. These non-fundamental-driven investments are a risk for local protein industries. They are already causing volatility in markets like Vietnam, where domestic chicken prices have dropped sharply. Such volatility can also be driven by concerns about ASF among pig farmers – rumours of new ASF cases can cause sharp reactions in prices. While initial recovery of the Chinese pork supply chain is underway, this will not compensate for pork production losses – there is enough space for all proteins to grow in order to fill the supply gap left by Chinese pork in 2020.

Global Trade: High, but Volatile

ASF is shifting the focus of global traders toward Asia, and many exporting countries have been, or will be, opened to supply ASF-affected regions driving increased availability of poultry for global trade. The US has now regained access to China, after being out of the market for four years after a case of AI in 2015. Meanwhile, Russia and Ukraine are also gaining access to many global markets. European countries are also expected to gradually see improved access to the Chinese market, although the process has been slow. Brazil has opened the Indonesian market, with first shipments expected in 2020; meanwhile, the US started initial shipments of poultry to the Indian market after winning a WTO case. South Africa will implement its plan for poultry, refocusing the industry toward

more locally produced chicken and likely restricting export trade. This is a similar direction to that taken by Middle Eastern countries like Saudi Arabia or the Gulf states – they are also increasing their focus on locally produced chicken.

As these countries are big buyers of whole birds, this is expected to keep pressure on the global whole-bird chicken market. Trade issues between the EU and Brazil have not been fully resolved and will likely remain in 2020, as changes are needed to Brazil's animal-health monitoring systems to regain full access. This will keep pressure on global breast-meat markets in 2020, as Europe is the only western market open to imports of breast meat. Other potential import markets such as the US, Australia, and Canada are not expected to open their markets to breast-meat imports in 2020. Therefore, Brazil needs to sell these products in much lower-priced markets such as Mexico and even China, where breast meat is not a preferred product.

Asian markets, including China, and Africa – the other big importer of chicken – will essentially buy dark chicken cuts. As ASF will cause ongoing short supply, especially in Asia, demand for dark meat is expected to remain strong, with ongoing high prices. Continuing market conditions, combined with greater availability in the global market, are expected to make trade in dark-meat cuts extremely volatile in 2020. This could also lead to fast shifts in trade flows, depending on price levels and impacted availability.

Markets: Fragile Recovery Expected

Only 14% of total global poultry demand is met via trade. This share has been dropping over recent years, but due to ASF, it is increasing again. Some markets, such as Indonesia and India, have not been exposed to global trade and use fully domestic supply. This might change as both markets open to imports for first-time trade in 2019/20, having been forced by WTO cases to open their markets to Brazil and the US. Other markets, such as the EU and Japan, essentially have two different markets: an import-driven frozen-meat market and a fresh domestic market. Currently, the top-performing domestic markets are China and Mexico, which have very short supply, mainly driven by ASF in China and AI in Mexico. The outlook for both markets remains strong. Other markets such as the US, Thailand, and Japan, are seeing improvements in domestic conditions. In the US, this is primarily related to improved domestic beef prices, which make chicken more competitive.

Dark-meat prices in the US are still high but have recently dropped. The outlook for dark-meat prices is strong, mainly driven by the reopening of China, which will lead to increased US chicken exports to the country. Thailand is benefiting from strong export growth to the EU, China, and South Korea. This is offsetting quite significant domestic supply in Thailand and weak exports to Japan, Thailand's traditional number-one export market. For 2020, a recovery of exports to Japan, in combination with a more restricted supply, is key for ongoing positive margins. The other main exporter, Brazil, has had a significantly better year than in 2018, driven by cuts in production and strong export growth to China. Having said this, total export growth is just 1% for the year until October, linked to weak demand in other traditional export destinations such as South Africa, the EU, and Saudi Arabia.

For 2020, it is expected that similar drivers for Brazil, with the return of the US to China resulting in more competition for Brazil poultry. The EU and Russia are on the way back, after a weak period of oversupply. In Russia, production drops have typified 2019 – a response to AI impacts on local breeding stock and various bankruptcies. The market is now improving but still has a way to go. For next year, ongoing restricted supply growth is needed in order to rebalance markets. The many openings for Russian poultry exports are positive, especially in China, which

could import up to 100,000 metric tons of Russian poultry in 2020. The EU market has been weak in 2019, but we are seeing some early indications of a recovery, with a small supply reduction.

Other potential positives are the recent reduction in production growth in eastern Europe, the new quota for Ukrainian poultry imports, and some very early recovery in beef prices. Growth in the EU industry should be below 1.5% in order to really benefit from improving fundamentals.

The forthcoming opening of some EU markets for trade to China will be a plus, but not a big driver of the recovery. South Africa has had a troubling year, with rising feed prices in combination with oversupplied markets. The industry is now implementing a masterplan, which means a shift to more local supply of chicken and restrictions on imports. If this can be implemented, it will be bullish for the local outlook for 2020 and beyond.

Market Influences: Potential Trade Disruptions

The biggest potential influencing factors for the poultry in 2020 are:

Avian influenza.

The number of AI outbreaks in the northern Hemisphere has been relatively limited in 2019, with just a few cases in Mexico and Taiwan. Experiences in other years has shown high risk in the period January to April. Any outbreaks in key production areas such as the EU, Japan, or the US can impact the outlook for the whole industry. In China, where human cases had a big impact several years ago, it could make the local situation even worse. Optimal biosecurity at farm level is needed in order to reduce risks.

Brexit.

The UK still plans to leave the EU by the end of 2020, and this could shake up local EU trade – along with Germany, the UK is the big intra-EU import market. Poultry industries in the Netherlands and Poland are highly dependent on trade to the UK. Under any Brexit scenario, trade will surely be more difficult, and local UK production will likely increase. Exactly how much of a difficulty Brexit will pose for the EU poultry industry remains to be seen. Industry preparations to optimize production and refocus trade flows within Europe are not easy. This could affect market conditions throughout 2020. At the same time, Brexit could also be an opportunity for potential non-EU exporters to the UK, such as Brazil, Thailand, China, and the US. Any trade agreement with these exporters could impact the competitive situation in the UK and will likely impact the frozen poultry market.

Trade agreements.

In previous years, large disruptions in global trade have taken place, with openings like free trade agreements between the EU, the US, and Japan; the free-trade agreements between the EU, Vietnam, and South Africa; and the openings of Indonesia and India for Brazilian and US imports. The reopening of China for US poultry is equally important here. At the same time, we've seen trade between Brazil, Saudi Arabia, and the EU becoming more difficult. For 2020, there are still pending trade disputes, with US-China trade negotiations being the major one. Although chicken exports to China have already been opened, trade access could be facilitated by reducing tariffs. This could strengthen the position of US poultry and lead to changes in global trade flows, with more space likely available in traditional US export markets like Mexico, Cuba, and Angola, among others. The rise of Ukraine and Russia as global exporters, with more markets opening for their exports, is also a disruptive factor for global trade.

From a market-access perspective, the shifts toward local food security in the Middle East, South Africa, Nigeria, and Ghana will likely mean lower – or at best, stable – export flows, and could hit US and EU exports.

Feed prices.

There is currently little upside risk in global feed prices. Soybean stocks are still enough although slightly below last year's levels, due to a lower US soybean supply. However, they are offset by lower buying activity, especially in China, leading to small a upside. Corn and wheat markets are currently balanced, with lower US supply being compensated by higher supply from eastern Europe. For feed prices, there are some potential risks – the US-China trade negotiations, ASF, and weather could all potentially affect the outlook. A trade deal that delivers better access for US grains & oilseeds to China could be bullish for prices, while a worse ASF situation could be a downside for prices.

Table 2: Global whole-chicken and chicken-cut markets (USD/100kg), Q1 2017-Q4 2019f

		2017				2018				2019				Change	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q2-Q3	Q3-Q4
Whole chickens	*Brazil wholesale*	119.7	112.8	109.4	119.4	99.2	89.4	92.9	113.4	112.7	125.2	110.5	110.7	-11.7%	+0.2%
	EU wholesale	189.0	200.6	216.0	214.6	225.3	223.4	219.5	211.4	205.9	215.3	207.1	206.3	-3.8%	-0.4%
Breast meat	*EU import price Brazil*	193.6	219.3	240.0	256.3	276.1	277.9	283.3	263.8	243.2	242.5	224.8	236.8	-7.3%	+5.4%
	EU import price Thailand	243.5	233.6	257.9	277.4	300.4	282.7	279.8	276.3	278.7	246.8	242.9	263.8	-1.6%	+8.6%
Leg quarters	*US leg quarters, northeast*	75.9	88.3	93.9	83.3	84.0	85.5	81.6	72.9	82.8	110.5	102.9	82.3	-6.9%	-20.0%
	Japan import price	190.1	171.3	199.4	211,4	178.0	162.0	175.8	174.9	145.7	162.6	177.3	183.6	+9.1%	+3.5%
Feet	*China import price*	220.1	215.2	218.3	208.9	223.07	230.4	234.2	233.8	249.8	279.98	302.46	305.94	+9.7%	-0.6%
Processed chicken	*EU import price Brazil*	193.5	236.3	248.8	239.2	285.6	291.8	299.2	312.6	310.6	316.8	311.8	303.8	-1.6%	-2.6%

Source: Eurostat, Food and Agriculture Organization of the United Nations, national statistics, UBABEF, USDA, Rabobank 2019

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Europe

The outlook for European poultry for 2020 remains challenging. The core problem in 2019 has been the fast expansion of production, combined with slower demand growth (2.2%, compared to 4% in 2018). At the same time, imports increased by 6% in 2019, compared to 2018, mainly because of higher Brazilian and Ukrainian imports. For 2020, some fundamentals are improving, like the early recovery of rising beef prices, the new quota for Ukrainian poultry imports (which restricts import volumes), and a slowdown in European production expansion, especially in eastern Europe. Positive for 2020 are pending openings for European poultry companies to export to China with France, Poland, Germany and Hungary close to opening exports to China. This should support dark-meat prices, although any potential upside will be somewhat offset by the opening of the US and Ukraine for exports to China. Total exports will be bullish in 2020 – expected to rise by 4% to 5%. Trade flows will move a bit further toward Asia (where the industry will benefit from the impact of ASF), while demand in Africa will stay strong. In terms of intra-EU markets, restrictive supply growth will shape the outlook – supply growth should not be more than 1.5% in 2020, in order to keep markets balanced. This is also important, as the UK is expected to leave the EU at some time in

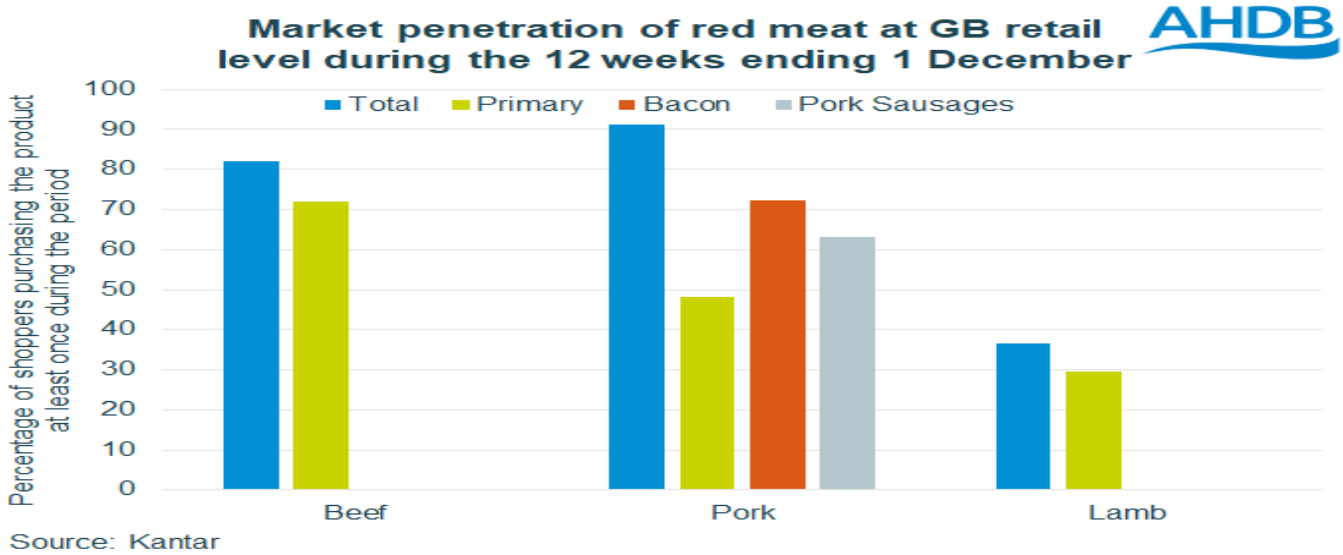
2020. Brexit could result in changes in intra-EU trade flows, especially as the UK is already starting to see increasing local production. Exporters like Poland, the Netherlands, Hungary, and France will need to refocus their market strategies in order to adjust to this new reality.

China

China's poultry market has benefited greatly from the pork supply issue in 2019, but poultry prices have experienced ups and downs. Poultry prices peaked in October 2019, immediately after the steep jump of pork prices, more than double the price a year ago and live-bird prices up 33% YOY. However, entering November, poultry prices dropped, following the small decline in pork retail prices, which were impacted by liquidation, given the fear of another round of ASF outbreaks. Total Chinese poultry production is thought to have increased by 15% in 2019. Given capacity expansion in 2019, it is likely poultry production will grow at an even faster rate in 2020. Poultry imports in the first ten months of 2019 increased by 52% YOY, reaching 628,000 metric tons, while average import prices reached a record high in October. With the increasing diversification of supplying countries, Brazil's share has decreased from over 86% in 1H 2018 to 69% now. China recently lifted the ban on US poultry, during the 'phase one' negotiations for a US-China trade deal. Expectation is to see the momentum of strong imports into China to continue 2020.

Red meat retail sales struggle on

The latest update from Kantar, covering the 12 weeks ending 1 December, continues to bring news of red meat performing badly. Processed meats especially are struggling. Fewer shoppers are purchasing red meat, with fewer promotions on as well. Despite fewer shoppers purchasing red meat, many still do. With many in the industry concerned about the decline in meat consumption, the EU has run a scenario on what could happen to farmgate prices, production and trade if EU consumers purchase 17% less meat.

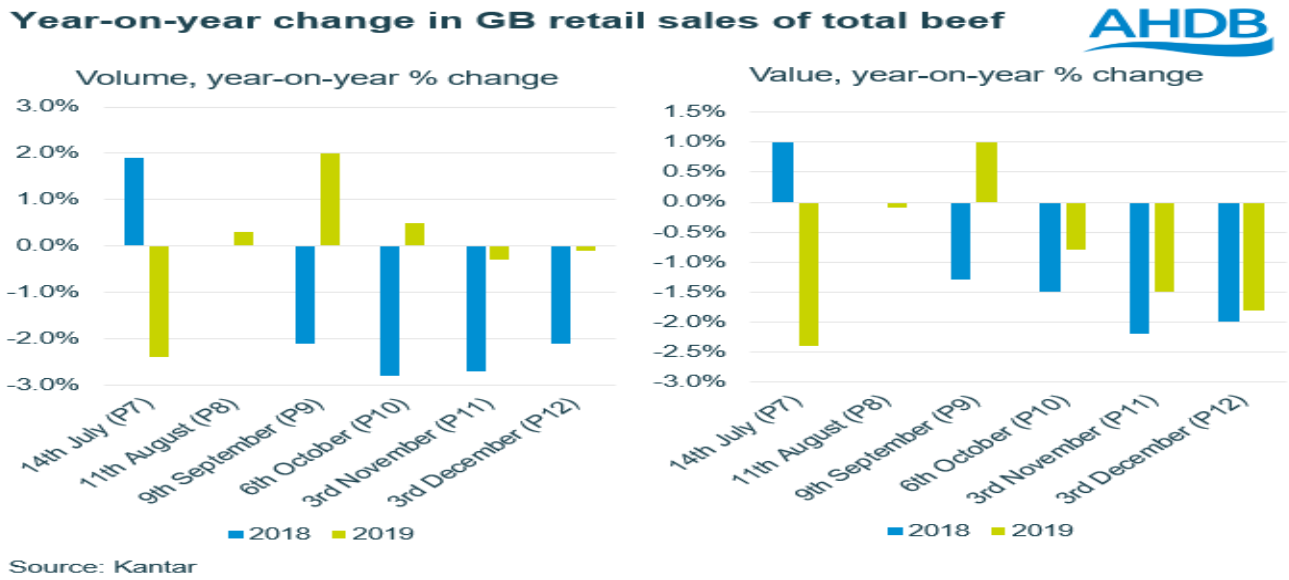


Market Report

January 2020

Beef and Lamb

During the 12 weeks ending 1 December total GB retail sales of total beef were steady in volumes terms year-on-year, according to Kantar data. Unfortunately, the data is now being compared with a period in 2018 that recorded a significant decline in beef sales. For total lamb, the volume of sales declined 4% in volume.



Although volumes are down for beef in total, in a break from recent trends steaks recorded some volume growth, while mince recorded a decline.

Pork

Total pig meat retail sales fell almost 4% in volume, however value only dropped by around 0.5% because of price rises. Almost all the main primary pork categories recorded declines, with bacon and sausages doing poorly in the processed sector. Bacon has struggled throughout 2019, with previous updates from Kantar citing health concerns as the driving factor.

Poultry

Fresh and frozen primary poultry bucked the trend recording a 4% rise in volume, however shelf prices were down, meaning there was no growth in total spend.

Foodservice

On the flip side the eating out of home market returned to growth in 2019 with market growth up by 5.7% mostly driven an increased spend per head with was up at £7.98 an increase of 3.8% year on year.