

INSIGHT: The Global Protein Gap and Shifts in Asian Meat Consumption

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13 December 2019 - As a direct consequence of the African swine fever (ASF) spread, in 2020 and beyond, consumers in Asia will likely be eating less pork and more and more chicken and fish, but it remains to be seen to what extent pork can be substituted, especially in China where there will be an animal protein gap to fill by other domestic and imported animal proteins.

Feedinfo News Service asked various senior executives of leading global animal nutrition companies (compound feed businesses, premixers, and feed additive firms) what their thoughts are with regard to the shifts they are seeing in the Asian meat markets.

“Big producers, such as New Hope and Hong Ha, are putting more investment into the swine segment, while others are switching to poultry production. Meat imports are also proving a popular strategy to fill the gap, with pork coming from the US, Canada, Spain and Germany and poultry from the US and EU - although this trend is starting to be hit by inflated meat prices,” commented Aart Mateboer, Business Unit Director, DuPont Animal Nutrition.

“We’ve seen this transition occurring already in 2019 and the recent decision to lift the ban on broiler imports from the US is a sign that this trend is likely to continue. We have also seen imports into China increase beyond fish and chicken – pork and beef most notably,” said David Dowell, Executive Vice President and COO, Novus International.

But Patrick Charlton, Vice President, Alltech, warned: “The available protein in the world will not fill the gap created by China. There are currently high frozen pork stocks in China but no one knows how long they will last.”

Or as Geert Wielsma, Vice President Business Development, Perstorp, put it: “The challenge lies in the distribution of resources over the world. This development has changed the export patterns in the world. We expect that poultry and aqua will continue to increase, but China will still import a lot of pork in 2020. There is not enough supply to meet this demand. Meat prices in China are stable at a very high level because there is a shortage of animal protein and that situation will not resolve itself any time soon.”

“As a consequence of ASF affecting severely the Asian market, the broiler business in particular is growing fast to compensate the short fall in pork. We also observe positive growth in aquaculture, although not as strong as the broiler industry,” added David Nickell, Vice President Sustainability, DSM Animal Nutrition & Health.

The species poised for the most gain is chicken due to the relative ease in breeding birds and due to their fast cycles.

“Chicken will prevail,” commented Johan De Schepper, Member of Executive Committee & Business Development Group Director, Royal Agrifirm Group. “But fish remains quite an expensive protein to produce and it is quite cyclical and vulnerable.”

Adding on to this, Dr. Stefan Mack, Head of Know-how Development & Technical Services Marketing, Evonik, said: “The question is to what extent the switch from pork to poultry meat consumption will be sustained. Our assumption is that a substantial part of the switch will not be reversed once ASF is over, thus there are strong signals that pre-2014 peak levels might take quite some time to be reached again. What we see is that pork is currently to some extent replaced by poultry meat in Chinese meals which leads to a significant increase in poultry production.”

“Although consumption of swine meat may not recover, we do expect to see new opportunities for feed additive companies in poultry,” added DuPont Animal Nutrition’s Mateboer. “The current rise in demand for poultry meat in China is driving interest in technologies to boost nutrition and health in poultry flocks.”

The industry executives believe it is too early to predict whether Chinese consumer consumption habits have changed. It is important to stand back and reflect on the longer-term picture and how meat consumption patterns evolve in other regions of the world.

Steven Read, Chief Operating Officer, ForFarmers UK, argued: “This trend is already taking place in Western Europe. The total demand for animal protein is still increasing globally. Whether the current shift in Asia to poultry and fish, given the impact of ASF, will be permanent remains to be seen. Given the huge imbalance in supply and demand for pig meat in China due to the ASF outbreak, the price for

pig meat has risen significantly. Both factors, i.e. the insufficient supply and the high prices, clearly have an impact on consumption of pig meat at present and is leading to more demand for poultry products and fish for example. This is as an alternative for pig meat. The demand for poultry meat in China also causes complications in Europe due to the carcass balance affect with China wanting legs and wings and not breast meat. How this will evolve over time is too early to say.”

Stefaan Van Dyck, President of Kemin Animal Nutrition and Health, EMENA, added: “Growth in pork demand will happen eventually as consumers tend to forget about these issues and move on. In Europe for example, ASF and pork consumption are not linked topics. So we mustn't overestimate the impact and instead focus on the longer-term consumer trends.”

In any case, players in the animal nutrition market are getting ready to cater to the shifts in meat consumption they are seeing. The feed additive industry too is adapting through its ability to build on existing technologies.

As Agrifirm's De Schepper said: “The feed industry will be able to cater to the shifts in demand in Asia, as it has already done so in the past in markets where shifts have occurred, such as Brazil or elsewhere. The feed industry will try to offset the demand that will be missing from the pig side and will see extra demand from the poultry and aqua feed businesses.”

DuPont Animal Nutrition's Mateboer added: “Supply and demand disruption occurs in every market all the time. It can present short term difficulties, but markets repeatedly show that they can adapt over the middle to long term and we believe this will be the case for the animal nutrition sector.”

“The associated increase in poultry feed manufacture at least partly balances the losses in pig feed,” went on to say Evonik's Dr. Mack. “The animal nutrition sector is absolutely ready to overcome the challenges of shifts in consumer preferences by leveraging its innovation power. It might take some time to adapt to changing demand scenarios, but consumer needs will be fulfilled in any case.”

Franz Waxenecker, Managing Director, Biomin, concurred: “Our collective task as an industry is to produce animal protein for human nutrition. Regardless of the species, the demand is the same: provide animal protein products that are high quality, hygienic, safe, available and affordable. By meeting those requirements, we as an industry will continue to feed the world.”

These comments were backed up by Adriano Marcon, President, Cargill Animal Nutrition: “And we will not only be ready but will bring new solutions to help farmers succeed as they respond to the new environment. While pork production volume has declined dramatically for China and Vietnam, the profitability of the swine sector – as well as poultry and beef – remains strong. Global meat consumption continues to rise along with economic prosperity, aided by the popularity of diets such as keto and Atkins. This represents unprecedented opportunity for both animal production and animal nutrition.”

“And we mustn't forget that Asia's population is growing fast and there still room for all types of animal proteins to develop too, pork included,” added Laurent Genet, Chief Strategy Officer, Nutreco.