

China, always China

Guillem Buset

27-Sep-2019 (10 days ago)

September ends with a symbolic drop in price in the Spanish reference market. It is the first decrease in 2019. The price has been unusually firm in September, supported by the strong Chinese demand.

China is experimenting what has never been seen before. On August 14th, the price reached its record in the last six years: RMB20.92/kg LW. In the next 4 weeks it has grown by RMB5.76 more: an increase by 27.50% from an already record price. This has really never been seen before.

A week ago, the aggressive trade war (verbally aggressive, at least) between the USA and China, relaxed. **China has suddenly eliminated the tariffs on USA pork**, and with that the supply from the USA to China has reassumed, at last.

We think that although this new contribution will relax and pacify the excessive Chinese demand, it will not be enough to satisfy the immensity of the gap caused by the ASF. The situation should become clear in the next few weeks.

In Europe, the situation is clear: there are almost no stocks, the prices remain high and **the tension is felt in the relationships between the abattoirs and the processing industry**. The transfer of the important rises in the price of pork to the processed products has not been solved yet. This is a hot matter, it seems that it will not be solved and, as a consequence, it will entail serious problems in many plants.

In Spain we have slaughtered, as of today, a mere 0.80% more than in 2018. Nevertheless, the carcasses weigh, in average, 1.90 kg more now than in the same dates in 2018. The price is already very good, and therefore these almost 2 kg represent a way of putting the frosting on the cake of economic optimisation.

The inflection point seen at Mercolleida last Thursday is nothing more than the prelude of other drops in price. Nature remains imperturbable, with its cycles, and it is undeniable that the supply of pigs increases like every year in autumn.

We think that the different markets sessions will reduce the price little by little, although we think that **the price floor will be much higher than the €1.04 with which we started 2019.**

The market (the markets) is increasingly multifaceted and is at the mercy of more and more complex factors. It is impossible to foresee certain catastrophic circumstances and events that can flip over any situation, however consolidated it seems. We mention this to underline that there are always factors that can alter the present and surprise ourselves and the world.

So far, the situation is as is, and it is the farmer who is enjoying it. We all know that nothing lasts forever and that things will change. We will be alert to the events and try to analyse them calmly and professionally.

As an anonymous saying goes: "From time to time it is convenient to stop following happiness and simply get busy being happy."

Guillem Buset

A handwritten signature or scribble in black ink, located in the top right corner of the page. The signature is highly stylized and illegible, featuring several loops and a horizontal line crossing through the middle.