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GAIN Report

Global Agricultural Information Network

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Germany

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Pork Production in Decline - Eroding Soybean Meal Demand

Report Categories:

Livestock and Products

Oilseeds and Products

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Report Highlights:

Germany has long been a leader in the global pork sector and is currently the world's second-largest pork exporter after the United States. In 2018, Germany became the largest pork exporter by value to China. Despite this export success, domestic demand for pork is waning and production has declined, with German swine herd numbers reaching near 20-year lows. This decrease in domestic pork production has led to a corresponding decline in demand for pig feed—a vital component of which is soybean meal. As the top exporter of commodity soybeans to Germany, the US will likely encounter a decrease in soy demand from the German pork sector in the near term.

General Information:

Germany has long played a key role in global pork production. With 25.9 million hogs, Germany has the second-largest swine herd in the EU behind Spain (30.8 million). There are approximately 21,600 swine operations in Germany, with the majority (70 percent) of those operations situated in just three of Germany’s 16 federal states—Lower Saxony (32 percent), North Rhine-Westphalia (26 percent), and Bavaria (12 percent).^[1]

Germany slaughtered about 56.7 million hogs in 2018—some imported from other EU-28 countries, like the Netherlands and Denmark—yielding around 5.35 million tons of pork, a 158,000-ton decrease from 2017. [2]

In 2018, Germany was the second largest global exporter of pork, following the United States. Germany’s chief pork export markets are Italy, China, Poland, the Netherlands, and South Korea with slightly more than 75 percent of German pork exports destined for EU member states. However, export demand is growing rapidly in key extra-EU markets. (See Figure 1 below for trends in top extra-EU growth markets.) Between 2013 and 2018, for example, German pork and pork product exports to China, South Korea, and Japan increased by 80 percent, 351 percent, and 437 percent, respectively. [3]

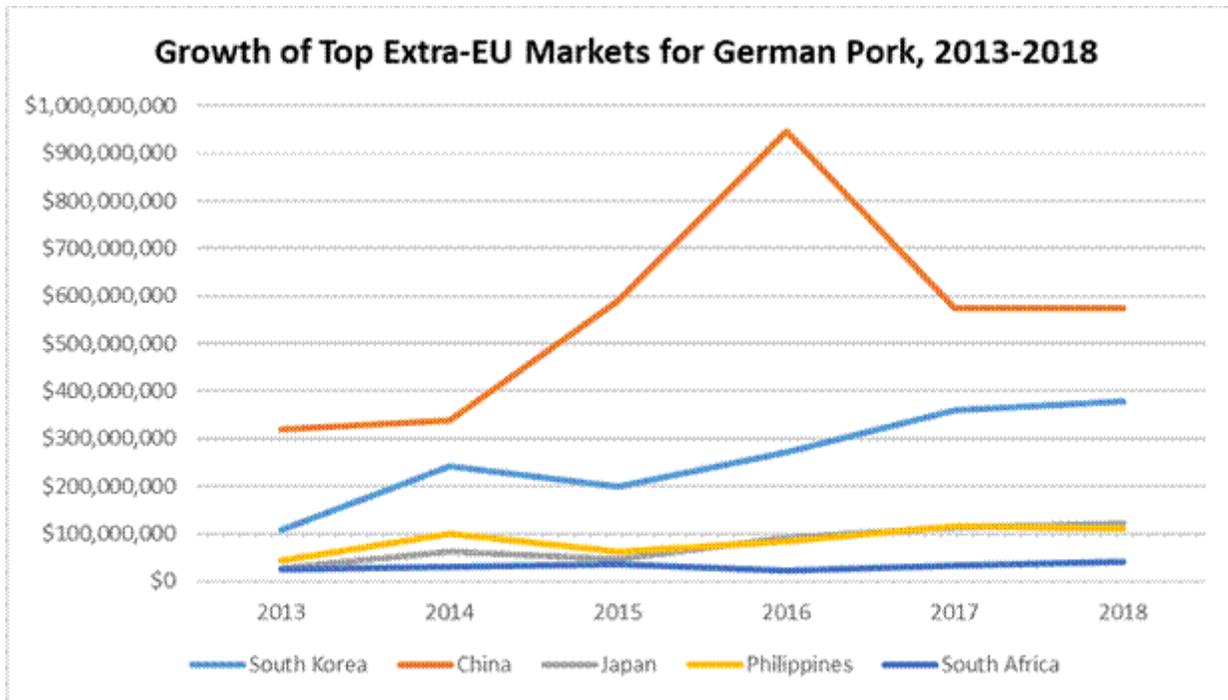
Table I. Top Export Markets for German Pork & Pork Products, By Value (USD) - 2018

Market	Value (USD)
1) Italy	\$840,885,815
2) China	\$573,844,348
3) Poland	\$496,979,340
4) Netherlands	\$444,760,853
5) South Korea	\$378,048,940
6) United Kingdom	\$362,997,314
7) Austria	\$323,921,639
8) Czech Republic	\$303,216,518
9) Denmark	\$252,938,253
10) France	\$253,827,784

Source: Global Trade Atlas, 2019

In 2018, Germany sold \$573,844,348 worth of pork and pork products to China, overtaking Spain as the largest pork exporter to China by value. [4] Germany and other European suppliers have benefited from the ongoing African swine fever (ASF) outbreak in China and continuing trade tensions between China and the US. In the first four months of 2019, EU pork exports to China surged 19 percent. In mid-2019, pork prices in the EU jumped to a five-year high, due largely to this elevated demand in Asia. EU member states currently supply more than half of pork exports to China, and Germany alone accounts for nearly 20 percent of pork sales to China. [5]

Figure 1.) Growth in Top Extra-EU Markets for German Pork Exports, 2013-2018



Source: Global Trade Atlas, 2019.

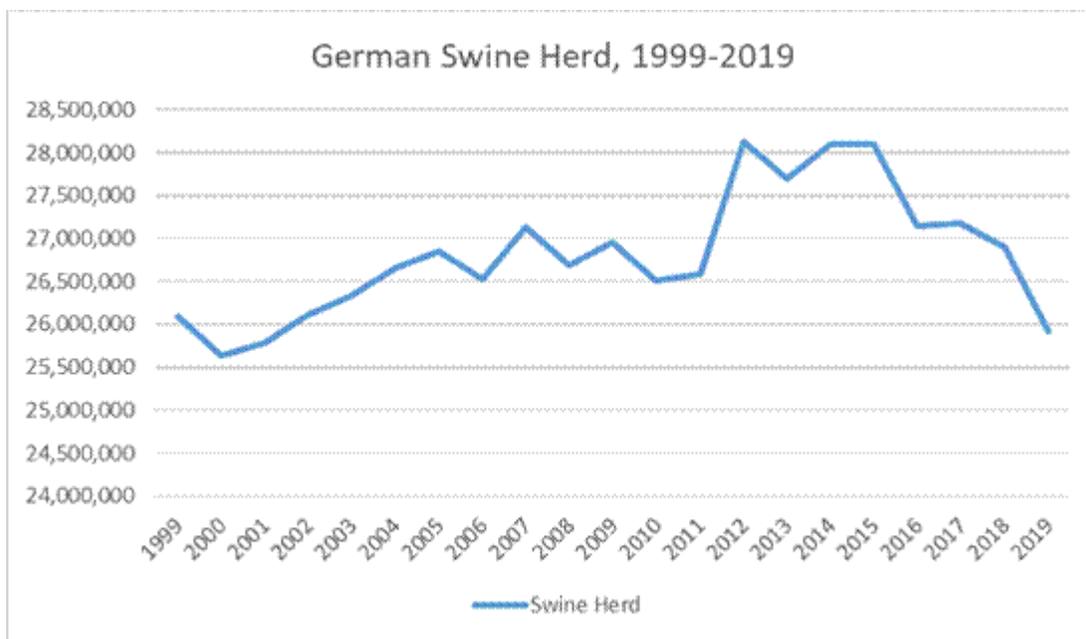
Although the Chinese ASF outbreak has largely been a benefit to German hog farmers so far, the disease remains a threat to the European swine sector. In July 2019, the Philippines began rejecting German pork imports after receiving a German pork shipment containing pig bones from Poland—a country with a known ASF outbreak. Although the ban may only be a temporary precaution, it demonstrates the high market-disrupting potential of ASF for German producers. In 2018, Germany was the second-largest supplier of pork to the Philippines, with a total sales volume of \$73.7 million, a 170 percent increase from 2013. [6]

With ASF appearing in neighboring countries like Poland, the Czech Republic, and Belgium, farmers are increasingly concerned about a potential outbreak in Germany. Detection of ASF in Germany would be a devastating blow to the country’s pork sector, which is heavily dependent on exports. An ASF outbreak would have immediate negative repercussions for the German pork industry—depressing prices and shutting German pork out of key export markets, particularly non-European markets.

II. German Pork Production Continues to Decline

Although the German pork sector has experienced periods of growth within the past two decades, recent market declines have reduced production to its lowest level since 2001, when the German swine herd totaled 25.8 million head. In 2012, 2014, and 2015, the German pork sector reached its highest production levels, with the swine herd totaling about 28.1 million head in each of those three years. Since 2015, there has been a downward trend, with the swine herd reaching a low of 25.9 million head in May 2019. [7] This downward trend is likely to continue as German hog farmers continue to exit the market.

Figure 2.) German Swine Herd, Number of Head, 1999-2019



Source: AMI Markt Bilanz, Vieh und Fleisch 2019; Destatis.

According to the German Federal Ministry of Agriculture, the number of swine operations in Germany declined by 81 percent between 2001 and 2018. Although the number of operations decreased during this period, the average number of hogs per farm increased fivefold—from 223 hogs per farm in 2001 to 1,181 in 2018. [8] This trend toward market consolidation has been spurred in part by the challenging business and regulatory environment for livestock farmers in Germany. With strict EU and German animal welfare regulations and the difficult permitting processes for building new swine operations in Germany, many farmers, pressured by increasing regulatory costs, chose to exit the market. Between 2012 and 2017, 6,400 farmers—21.4 percent of Germany’s swine farm operators—ceased operations.

Like the number of hogs and hog farms, hog slaughtering is also down in Germany. In 2018, German slaughterhouses generated 5.35 million tons of pork, down nearly 4 percent from 2016. Total meat consumption in Germany fell to its lowest level in more than two decades in 2018. Pork remains, by far, the most popular meat in Germany, representing almost 60 percent of total meat consumption. The average German consumer eats around 35 kilograms of pork per year. However, demand for pork has been dwindling for some time now, with consumption falling by around 4.7 kilograms—roughly 12 percent—in the past 10 years. This downward trend in domestic pork consumption is expected to continue as consumers limit their total meat intake or turn to other proteins, like poultry or plant-based proteins.

III. Effects of Declining Pork Production on German Soy Import & Swine Feed Markets

Between November 2017 and November 2018, the German swine herd decreased by 4.1 percent. With this decline in swine herd numbers, Germany also experienced a corresponding decline in demand for pig feed. In the first half (July-December) of the 2018/19 marketing year, pig feed consumption was down by 3.3 percent compared to the first half of the 2017/18 marketing year. [9]

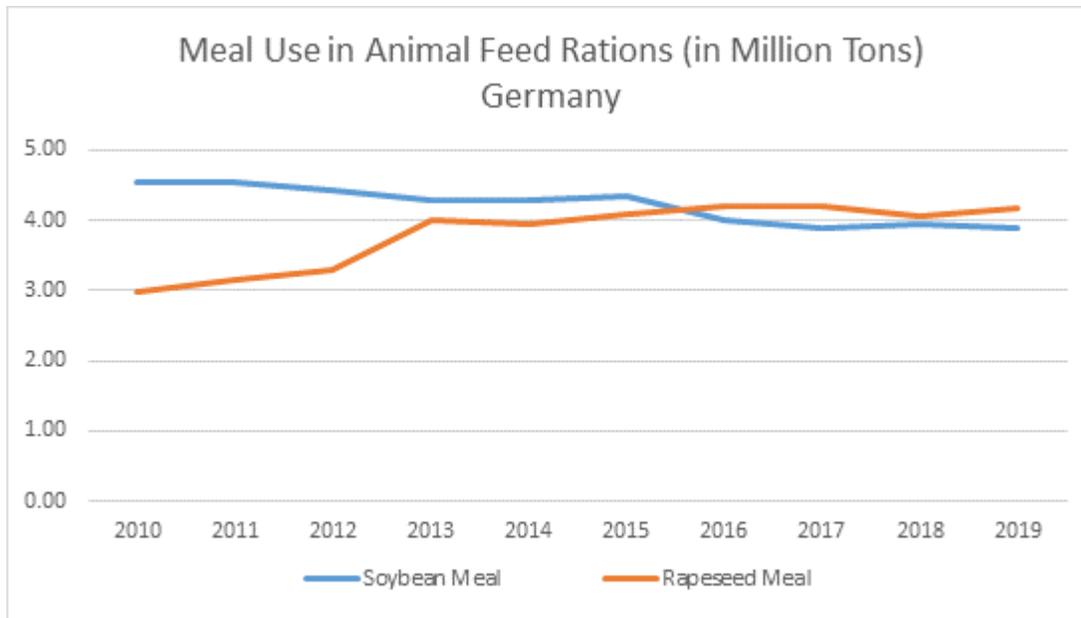
Germany relies heavily on oilseed imports—namely soy and rapeseed—for protein in animal feed rations, particularly swine feed rations. Around 25 percent of Germany’s annual protein feed supply is derived from imported soy or rapeseed. On average, soybean meal makes up 5 percent of German

swine feed rations, with a maximum soybean meal level of 20 percent. The United States has become Germany's largest supplier of commodity soybeans, with direct sales of \$532.56 million to Germany in 2018. [10] A large amount of U.S. soy is also channeled to Germany through the port of Rotterdam in the Netherlands.

During the 2017/18 marketing year, Germany produced a total of 23.9 million tons of compound livestock feed. Of that amount, 9.61 million tons were swine feed. In the German animal feed sector, the largest use of soybean meal—particularly GMO soybean meal—is in swine feed, with some soybean meal going toward poultry and dairy rations. However, poultry and dairy feed suppliers—spurred by industry, consumer, and retailer demands—are increasingly turning away from GMO-soybean meal in favor of non-GMO feed ingredients. The non-GMO dairy market (milk and dairy products derived from cows fed non-GMO feed) generated at least \$7 billion in Germany in 2018. Meanwhile, since at least 2014, the German poultry industry has declared it will decrease its reliance on GMO feed and has been altering its supply chain to limit the use of GMO feed ingredients. Public rejection of genetically engineered plants in Germany is widespread; there are no commercially produced GE crops and practically no foods labeled as GMO on the market. [11] This anti-GMO sentiment continues to drive sourcing trends for animal feed, as the non-GMO food market segment topped \$11 billion last year, and demand is increasing for non-GMO meat, dairy, and poultry products.^[12]

While soybean meal use in animal feed rations in Germany has trended slightly downward since 2010, rapeseed meal has increased in popularity as a protein source. However, in light of recent drought conditions in Germany, the EU ban on neonicotinoid seed treatments, and the decreasing profitability of domestic rapeseed production, rapeseed meal may become less readily available as a feed ration protein source.

Figure 3.) Meal Use in Animal Feed Rations (in Million Tons) - Germany



Source: FAS Berlin

Source Information

^[1] Bundesanstalt für Landwirtschaft und Ernährung, [Report on the Market & Supply Situation Meat, 2019](https://www.ble.de/DE/BZL/Daten-Berichte/Fleisch/fleisch_node.html): https://www.ble.de/DE/BZL/Daten-Berichte/Fleisch/fleisch_node.html.

^[2] Bundesanstalt für Landwirtschaft und Ernährung, [Report on the Market & Supply Situation Meat, 2019](#), page 12.

^[3] Global Trade Atlas, 2019.

^[4] Global Trade Atlas, 2019.

^[5] Farm Journal's Pork/Bloomberg, [Europe's Pig Farms Are Biggest Winners as China Clamors for Meat](#), July 4, 2019.

^[6] Global Trade Atlas, 2019.

^[7] AMI Markt Bilanz, Vieh und Fleisch, 2019; Destatis.

^[8] Bundesanstalt für Landwirtschaft und Ernährung, [Report on the Market & Supply Situation Meat, 2019](#).

^[9] Bundesanstalt für Landwirtschaft und Ernährung, [Report on the Market & Supply Situation: Feed, 2019](#).

^[10] Global Trade Atlas, 2019.

^[11] See [Germany: Agricultural Biotechnology Annual](#), USDA-FAS GAIN Report, October 2018.

^[12] See [Voluntary GMO-Free Labeling Program Generates \\$11 Billion](#), USDA-FAS GAIN Report, June 2019.