



Global Hogs and Pork: **Geopolitics and Market Outlook**

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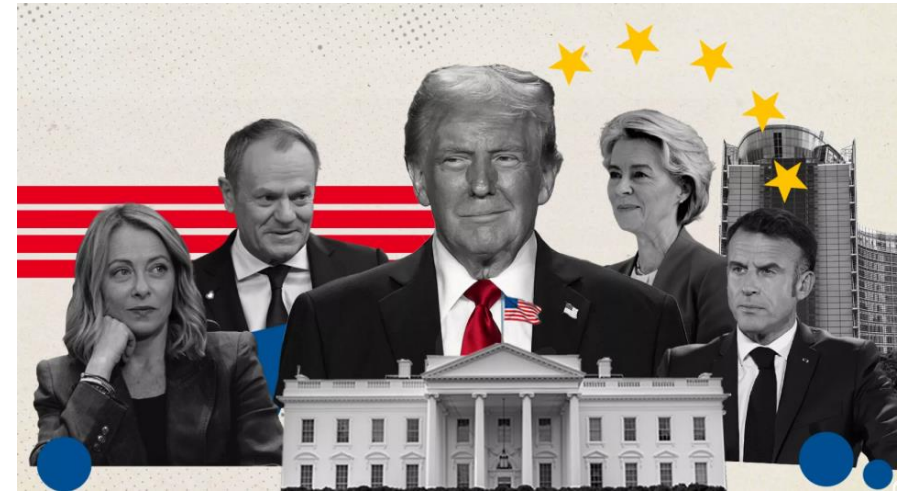
Today's Discussion

What to watch in 2025:

- Geopolitics: Relationships between key markets
- Macroeconomic environment: Commodities rise again
- Hogs and Pork Supply and Demand: Modest profits
- Global Market Outlook
- Summary & Watchlist



Geopolitics in 2025



Geopolitics in 2025

- Wars: Russia/Ukraine and the Middle East
 - Will Trump the enforcer find success?
- Politics shifting right
 - Economy (inflation) and immigration driving shifts
 - As well as natural cycles
 - U.S., Europe, Canada
 - Mexico, Brazil, UK remain progressive (Lula, Sheinbaum)
- Trump and tariffs
 - Plan on it.

Trump's Trade Agenda

- Penalize trade deficit nations with tariffs

- 1: China (\$279 bil)
- 2: Mexico (\$152 bil)
- 3: Vietnam (\$104 bil)
- 4: Germany (\$83 bil)
- 5: Japan (\$71 bil)
- 6: Canada (\$67 bil)

- Spur U.S. manufacturing

Unintended consequences:

- A rising U.S. economy seeks to “buy more” overseas goods
- A stronger U.S. dollar seeks to “buy more” overseas goods *(possibly offsetting the tariff)*
- Trade deficits are hard to fix during prosperous times
- Retaliation can re-route trade around America

Trump and Tariffs

That “Beautiful Word”

- He is not bluffing
 - Plan on tariffs, but the levels are open to negotiation
- Of keen interest to N. American pork: Mexico, Canada, China
 - Initial offer of 25% for Canada, Mexico; 10% for China
 - It is a negotiation
- The U.S. is the world’s largest “consumer market”
 - There is now an admission fee...

Tariffs and Trade

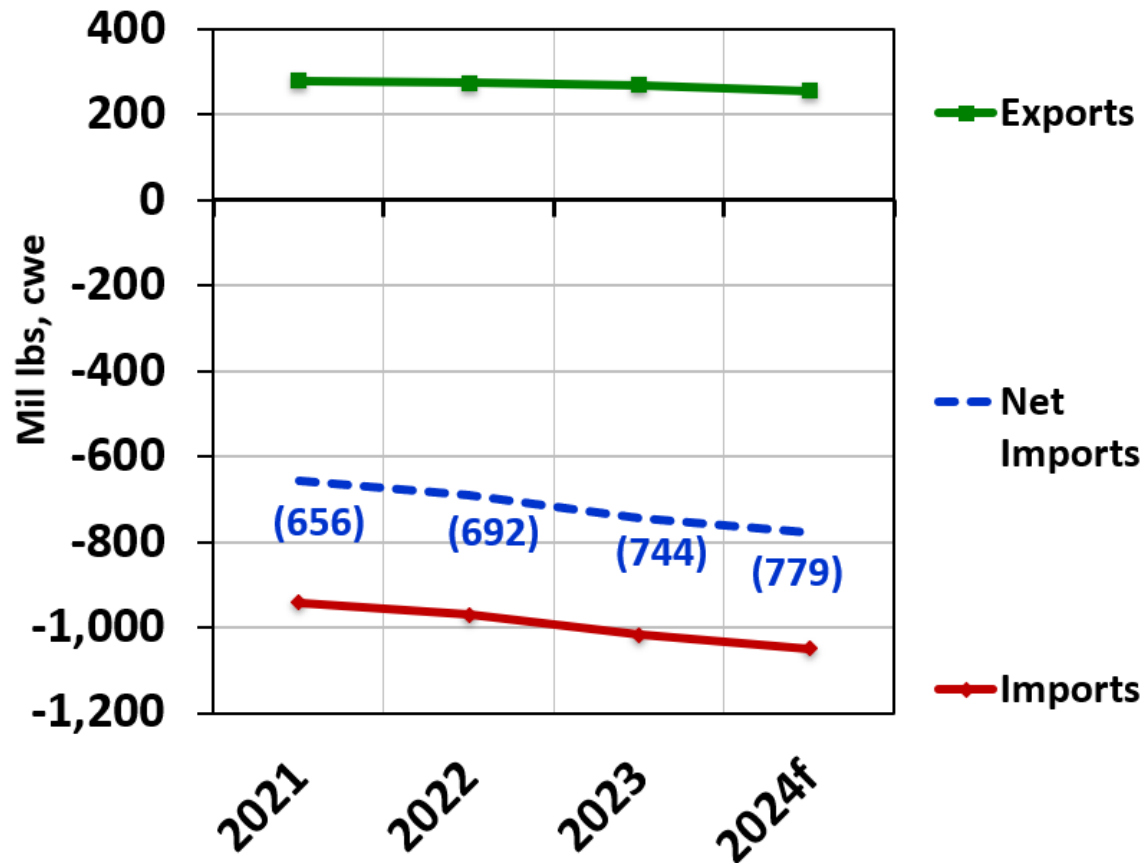
- **U.S. import tariffs:** charge a tax on imported goods
 - Avoidance requires manufacturing in the U.S.
 - Imports are penalized (pay the tariff, or go to 3rd countries)
- For pork:
 - U.S. imports = 11% of consumption
 - U.S. exports = 26% of production
 - Tightened domestic supplies and higher priced imports support U.S. prices
- Canada sends less to U.S., but more to Asia, Mexico
 - U.S. exports less due to tightened supplies (smaller imports)

Tariffs and Trade: Who Pays the Tariff?

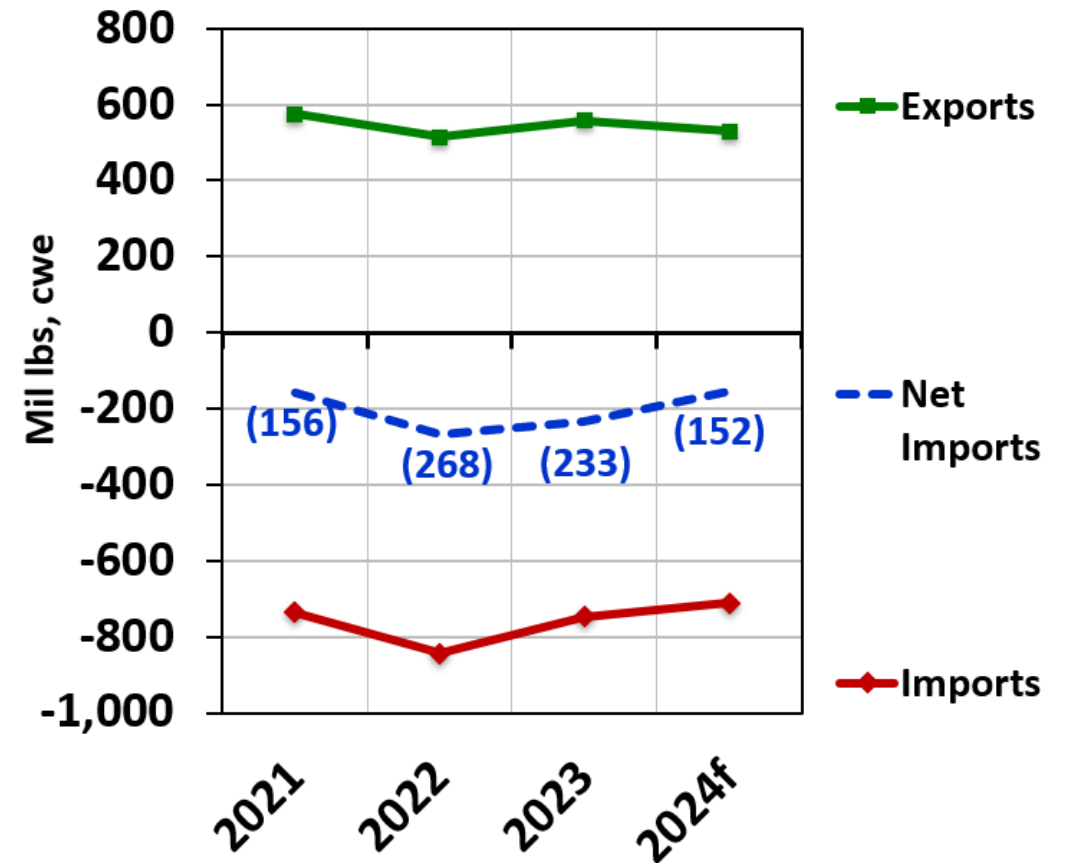
- Scenario: U.S. tariffs of 25% on Canadian imports
 - Canada ships 338k mt of pork to the U.S.
 - Tariff redirects more to other markets (Japan, Korea, China, Mexico)
 - Price pressure is felt by additional supplies
 - Canada ships 5 million feeder pigs to the U.S.
 - Market rebalances as there is no 3rd option
 - Leverage determines price pressure: 4% of U.S. slaughter; 24% of Canadian slaughter
 - Canada ships 1.6 million slaughter hogs to the U.S.
 - limited slaughter capacity in Canada to absorb, most pay the tariff and go
 - 1% of U.S. slaughter; 8% of Canadian slaughter
 - Regional imbalances

Net U.S. Trade With Canada

U.S. Net Beef Trade with Canada

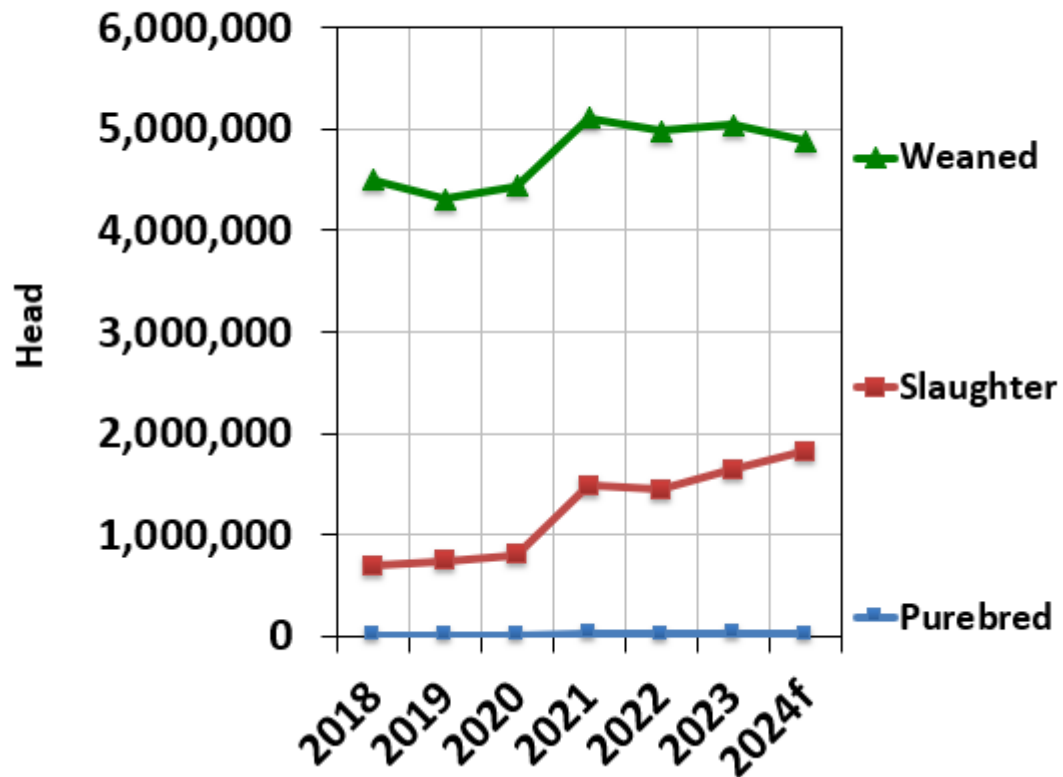


U.S. Net Pork Trade with Canada

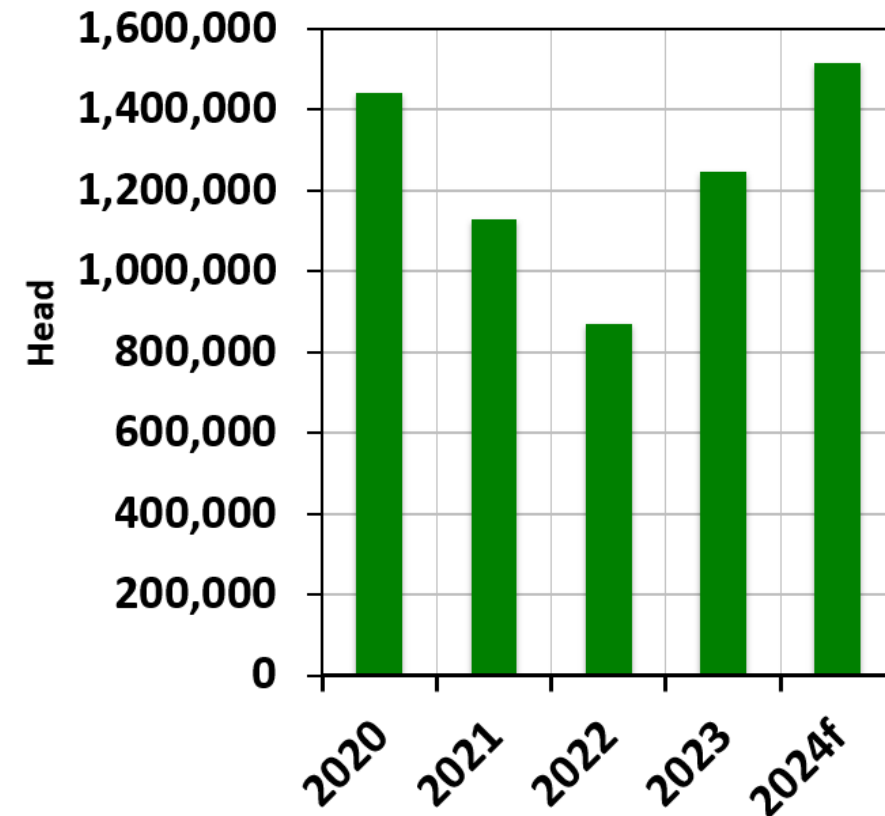


Net Cattle/Hog U.S. Trade With Canada/Mexico

Live Pig Imports from Canada



U.S. Cattle Imports from Mexico

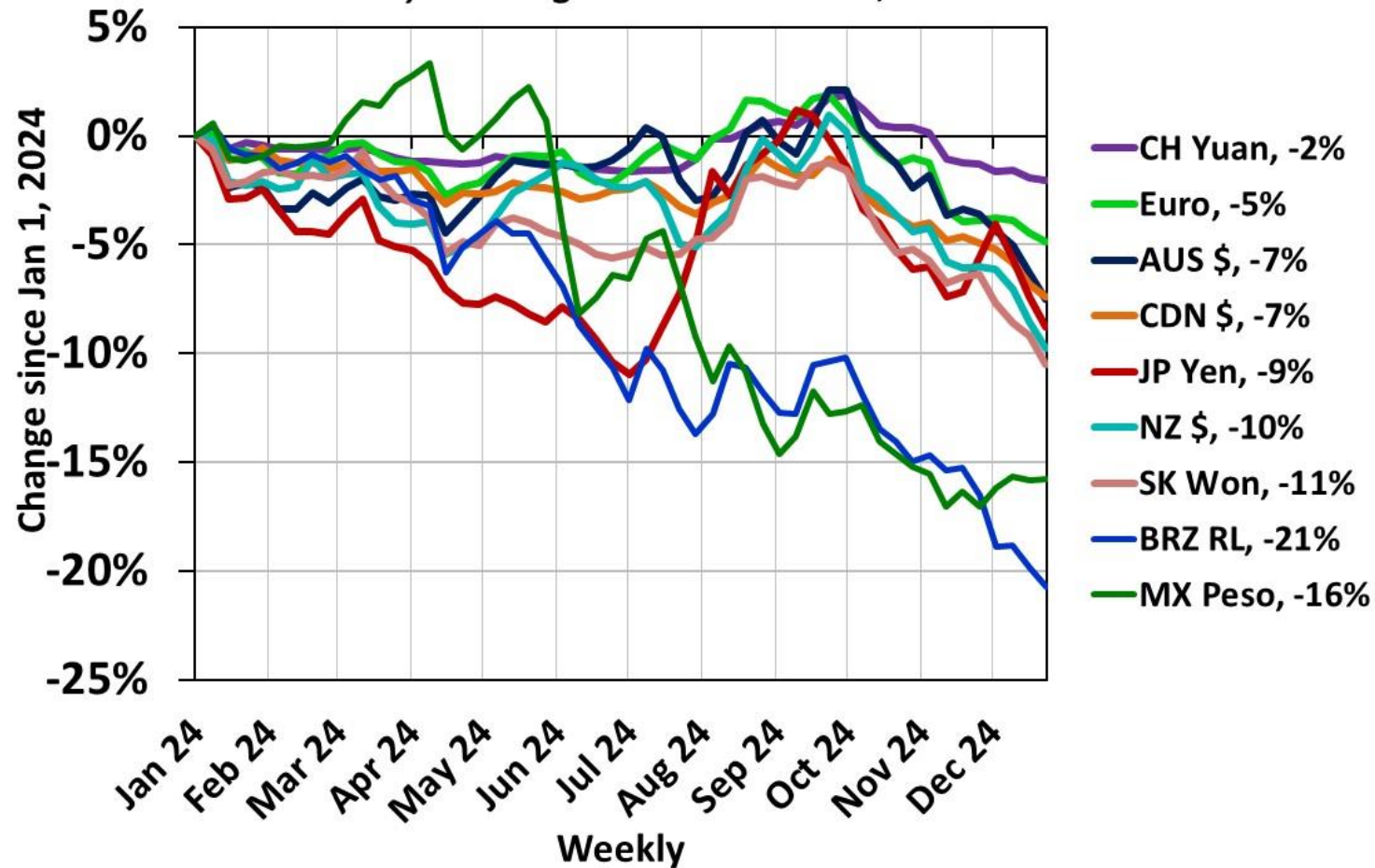


US import tariffs pressure Canadian feed pigs and slaughter hogs, as well as Mexican feeder cattle

But What About FX Currency Rates?

2024 Changes vs. the US Dollar

-- weekly through December 27, 2024 --



A 10% U.S. import tariff can easily be offset by a rising U.S. dollar (weakening foreign currencies)

Tariffs and Trade: What About RETALIATION?

- Retaliation tariffs change everything...
 - Canada pork to the U.S.: 350k metric tons
 - U.S. pork to Canada: 171k metric tons
- Imported cars, tech, cattle, pigs, energy, fertilizer, electricity....
- In 2018 Mexico imposed 20% tariffs on U.S. hams over Trump's steel/aluminum tariffs (for 10 months)
- China imposed 25% tariffs on U.S. pork over Trump's tariffs (these remain today)
- Note that in both situations, trade disruption has been minimal

Tariffs: Summary

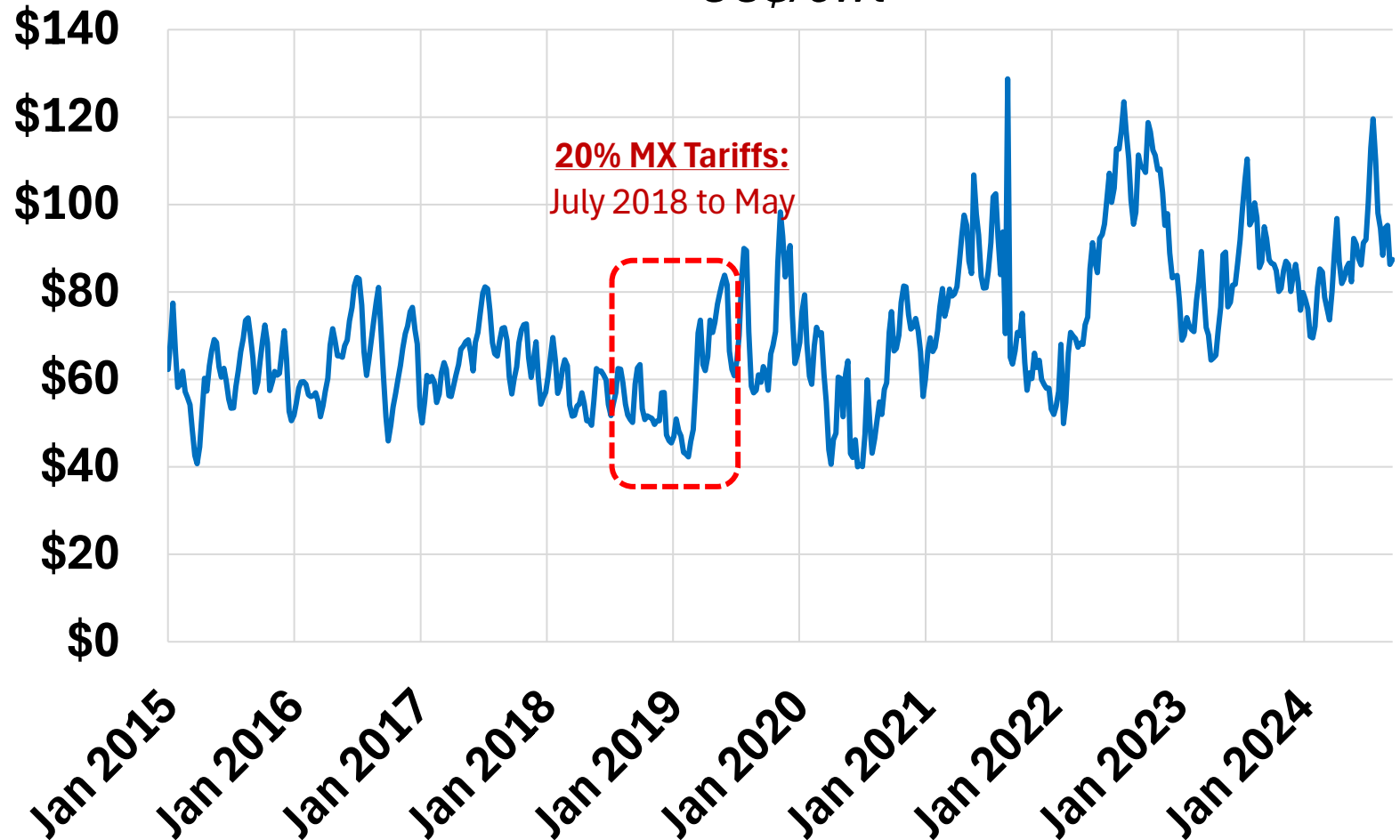
- Tariffs are inevitable, most likely as a negotiation tool
 - Retaliation is likely
 - Agriculture is a likely target
- But rates and commodities/products to be negotiated
 - Agriculture sectors need to prepare to scream loudly...
- Tariffs shift trade and create winners/losers
 - But trade will largely continue
- Watch Mexico...

What Does Mexico Retaliation on U.S. Pork Look Like?

- Tariffs were imposed July 2018 (20%) on U.S. pork following Trump's steel/aluminum tariffs on Mexico
- They were lifted in May 2019
- It led to sharply higher Canadian pork to Mexico

U.S. Ham Prices

US\$/cwt

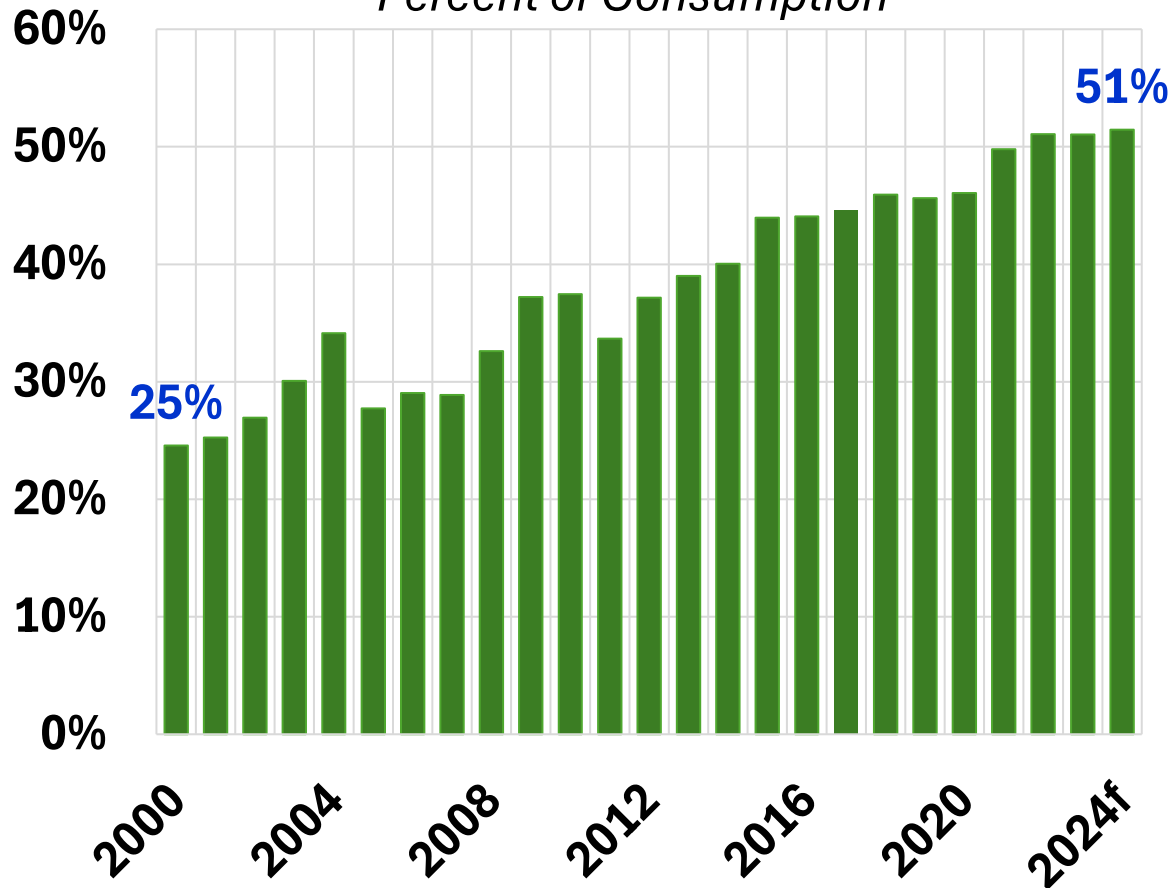


Source: USDA

Viva Mexico!

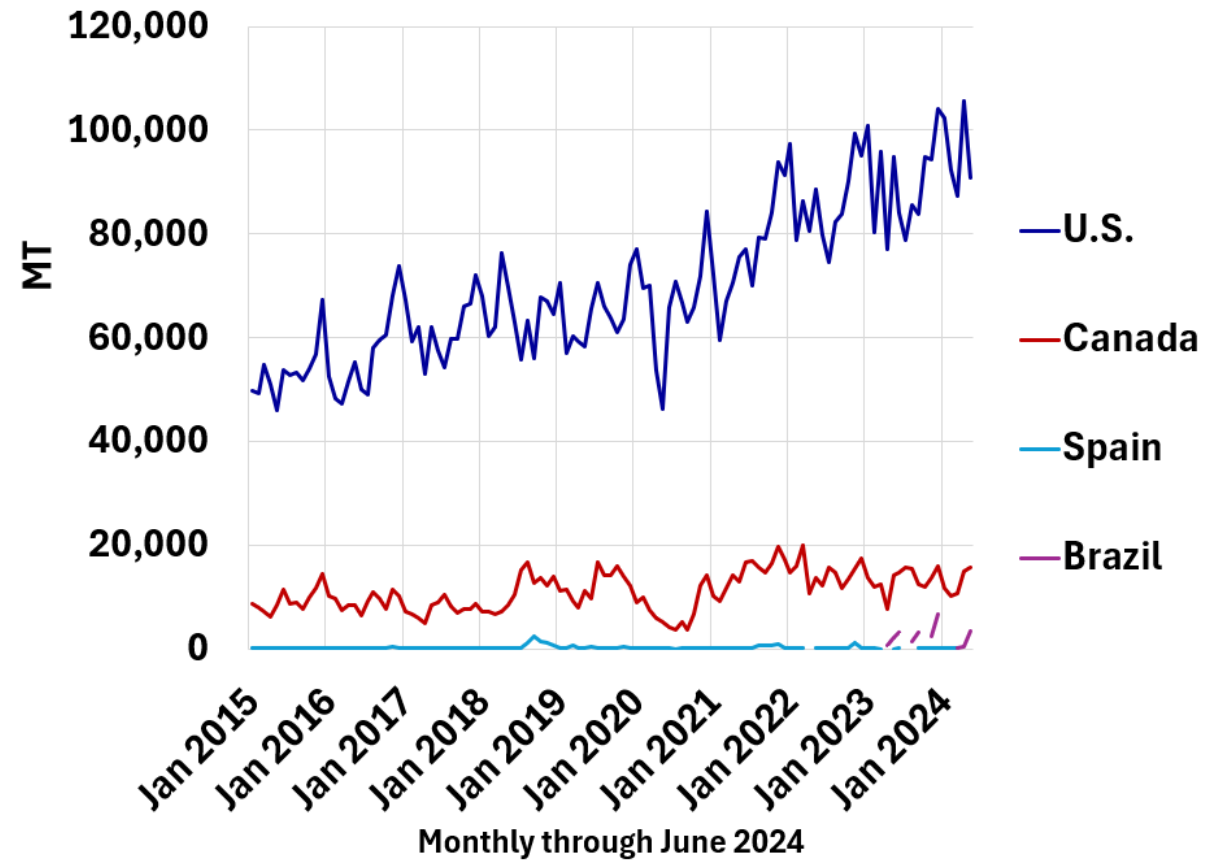
Mexico Pork Imports:

Percent of Consumption



Source: USDA/FAS

Mexico Pork Imports



Source: TDM, AgriTrends

President-Elect Trump's Commitments

Day One

- Negotiate an end to the Russia/Ukraine war
- Impose tariffs (25% on Canada/Mexico)
 - 10% on many (not all?) others
- Close border, begin deportation of illegals; beginning with criminals
- Drill, drill, drill...
- Paris Climate Accord withdrawal (maybe)

Wildcards...

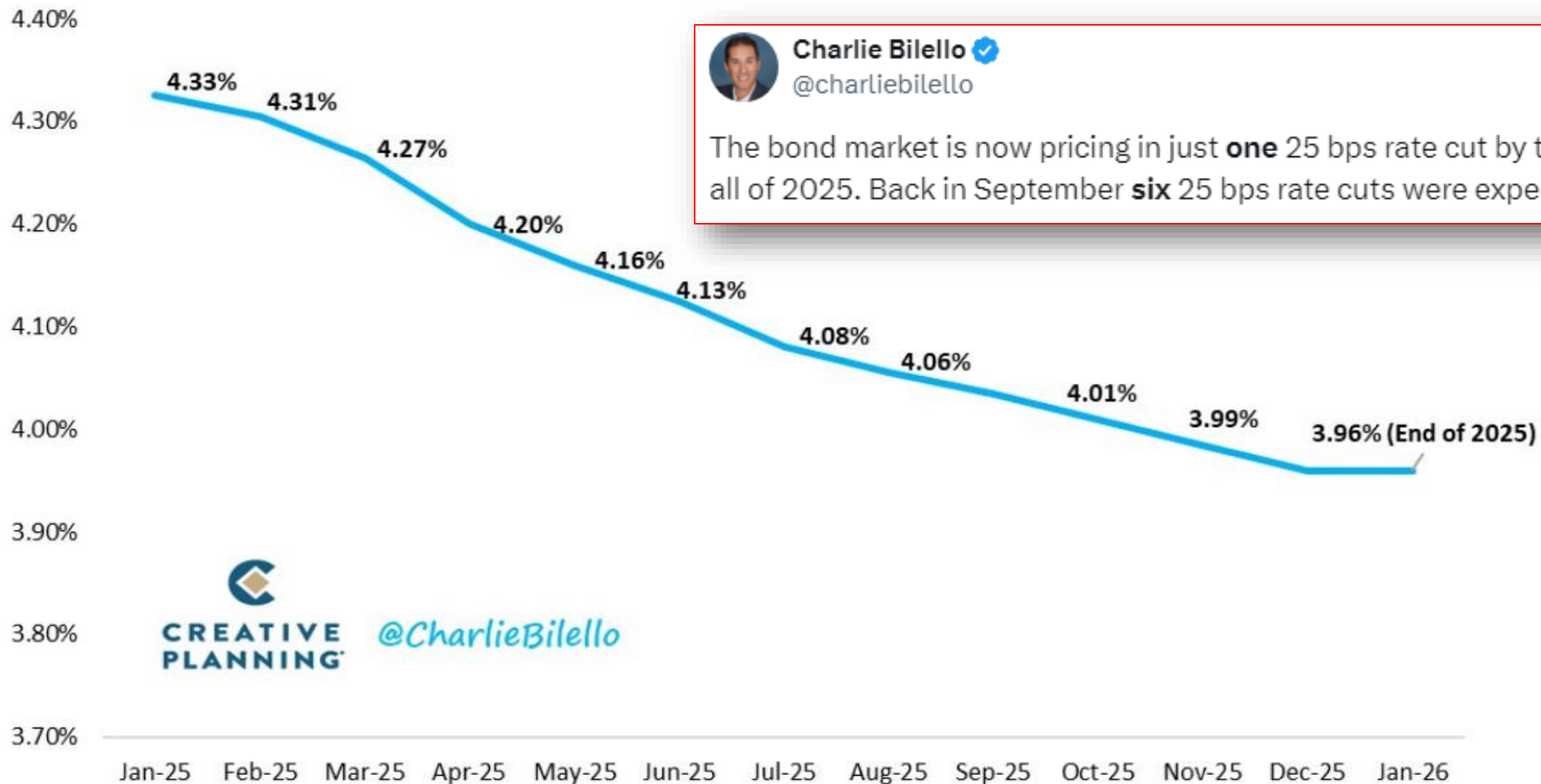
- China – Phase Two?
- RFK Jr on food/health (oilseeds, dyes, “industrial farming”?)
- Panama Canal
- Greenland?
- Canada economic alignment?

Macroeconomic Environment

Inflation and Interest Rates

Commodities Rising Again

Market Expectations for Fed Funds Rate (Data via Fed Funds Futures, January 2025 - January 2026)



Charlie Bilello ✓
@charliebilello

The bond market is now pricing in just **one** 25 bps rate cut by the Fed in all of 2025. Back in September **six** 25 bps rate cuts were expected.



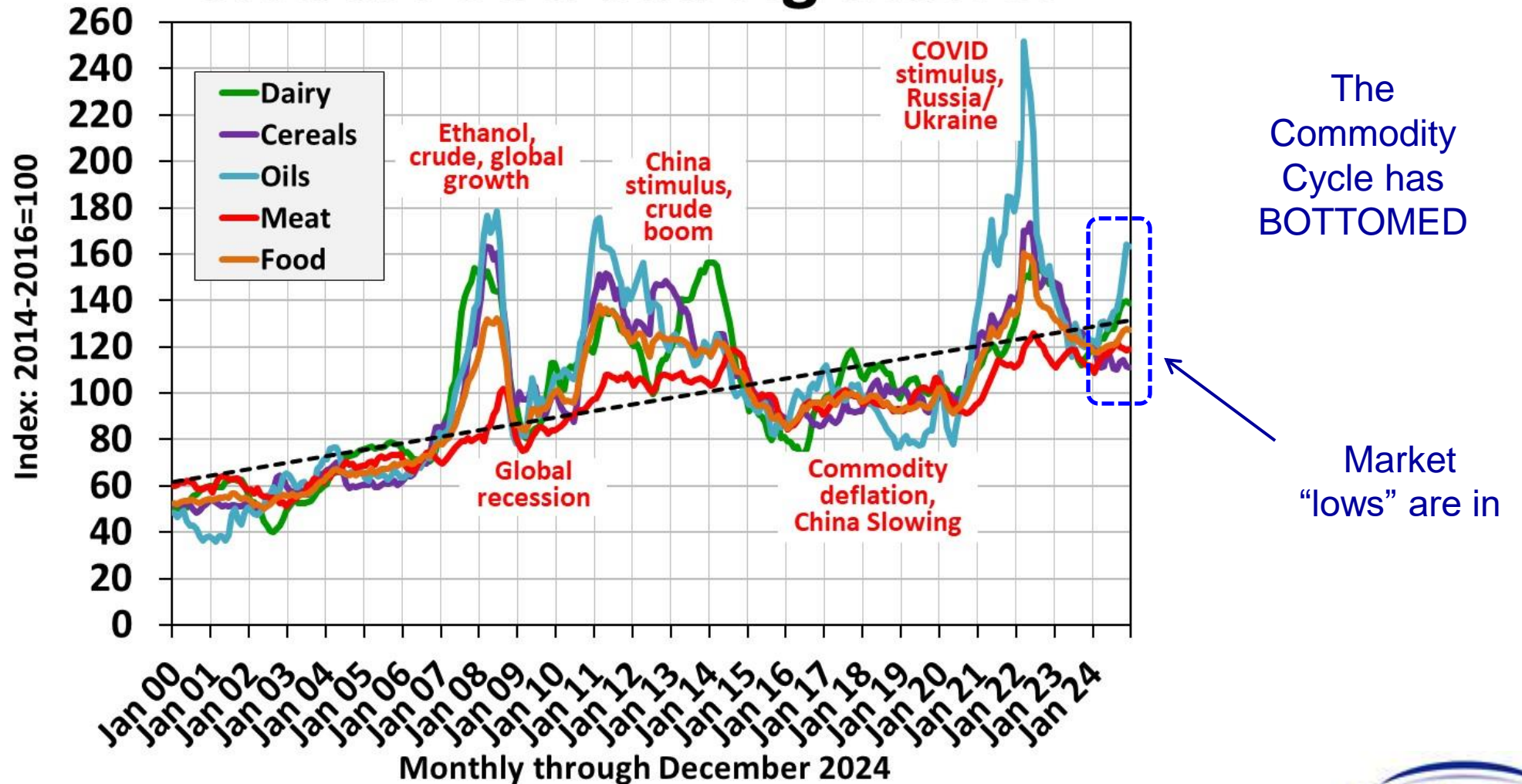
@CharlieBilello

U.S. Fed and Interest Rates

- Inflation remains stickier than previously expected...
- U.S. Fed suggested just two more rate cuts in 2025
 - Maybe one...
- We are stuck at these higher rates due to persistent inflation
 - This should not surprise anyone, especially the Fed Board
 - COVID stimulus poured over \$6 trillion into the U.S. economy...
- Consumers will see more stress in 2025
 - Falling inflation DOES NOT EQUAL falling prices...
 - Recession? Maybe.

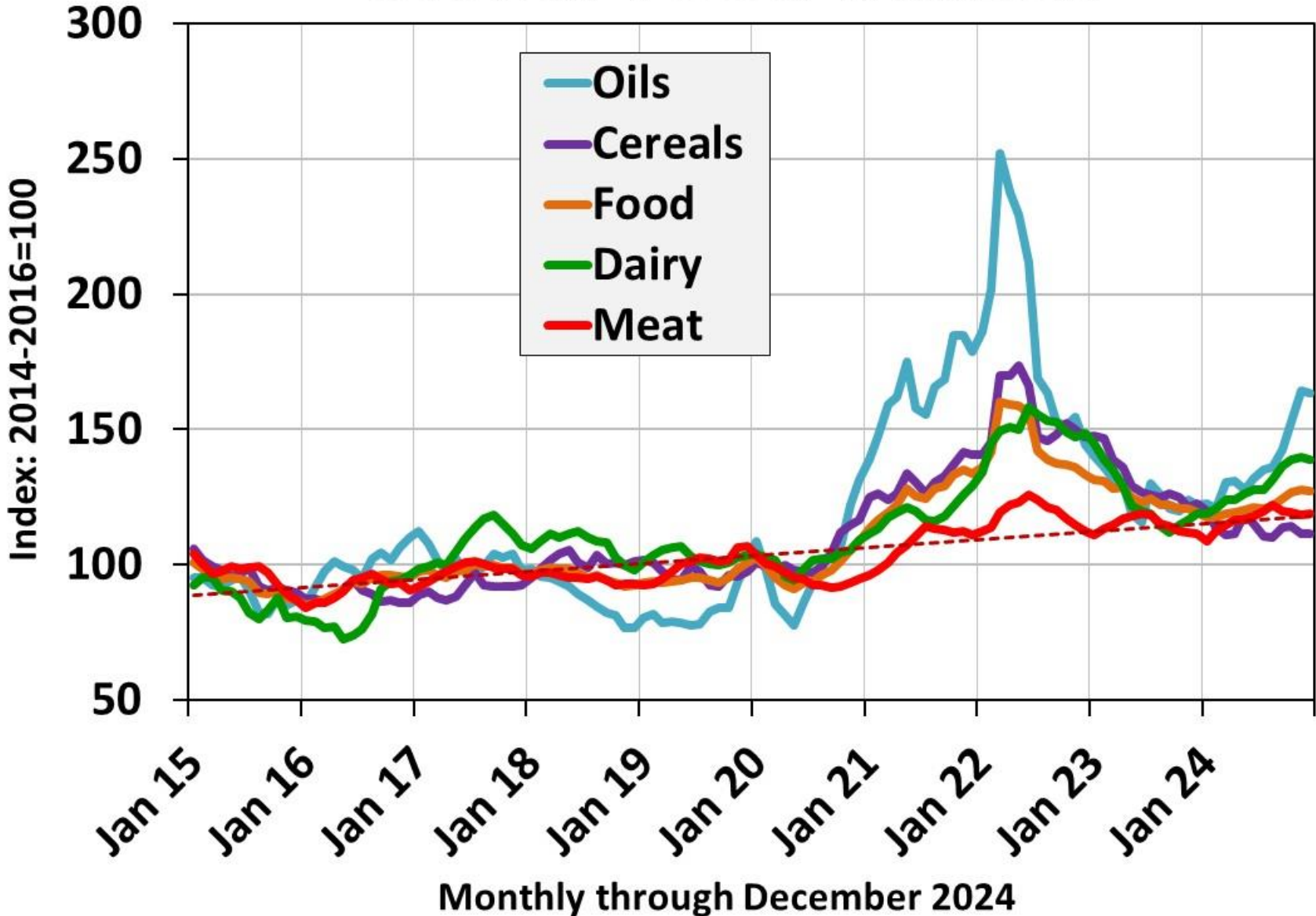
Global Commodity Indices Have Bottomed

Global Food and Ag Indices



Source: UN/FAO

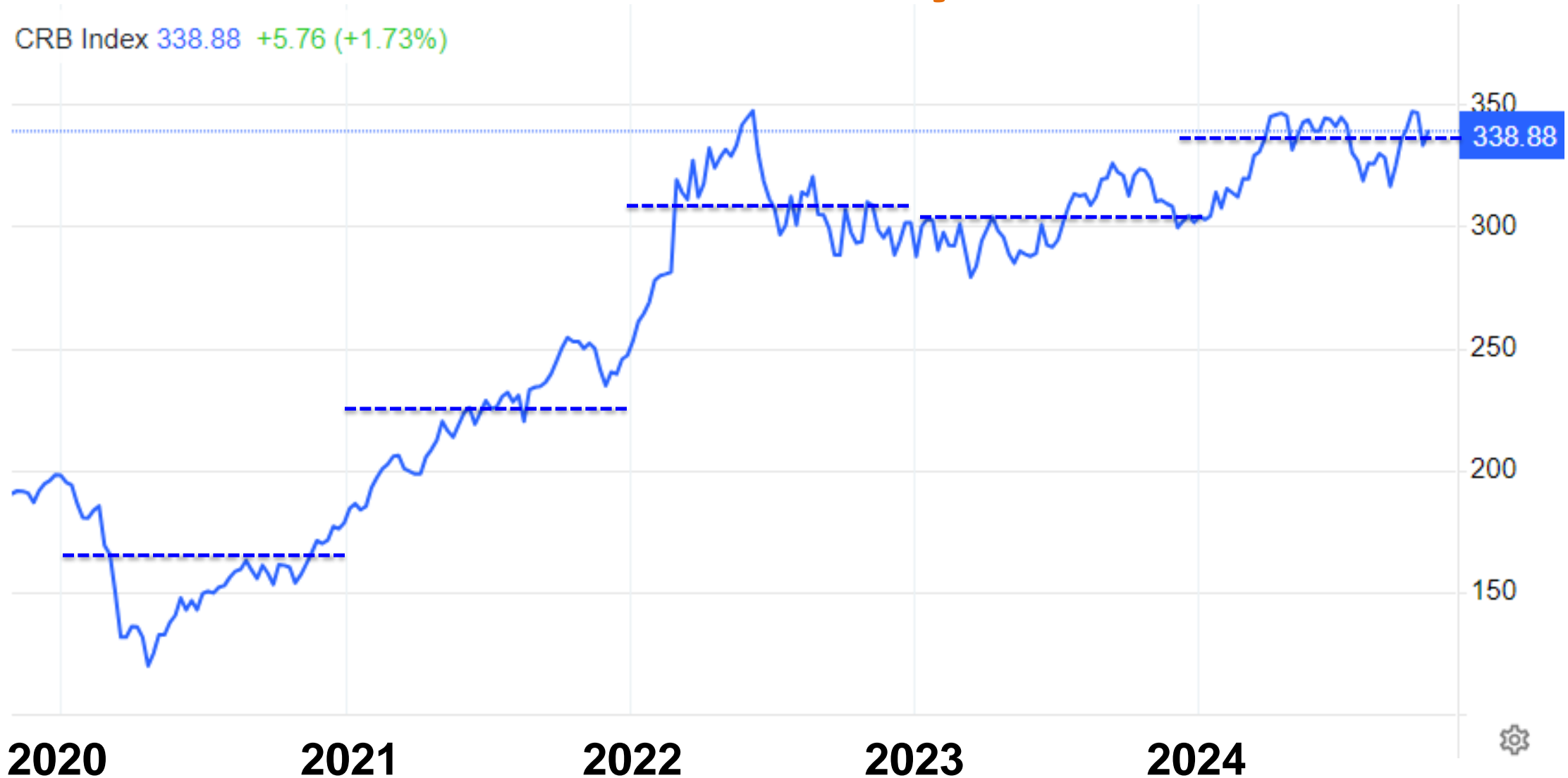
Global Food Indices



Source: UN/FAO

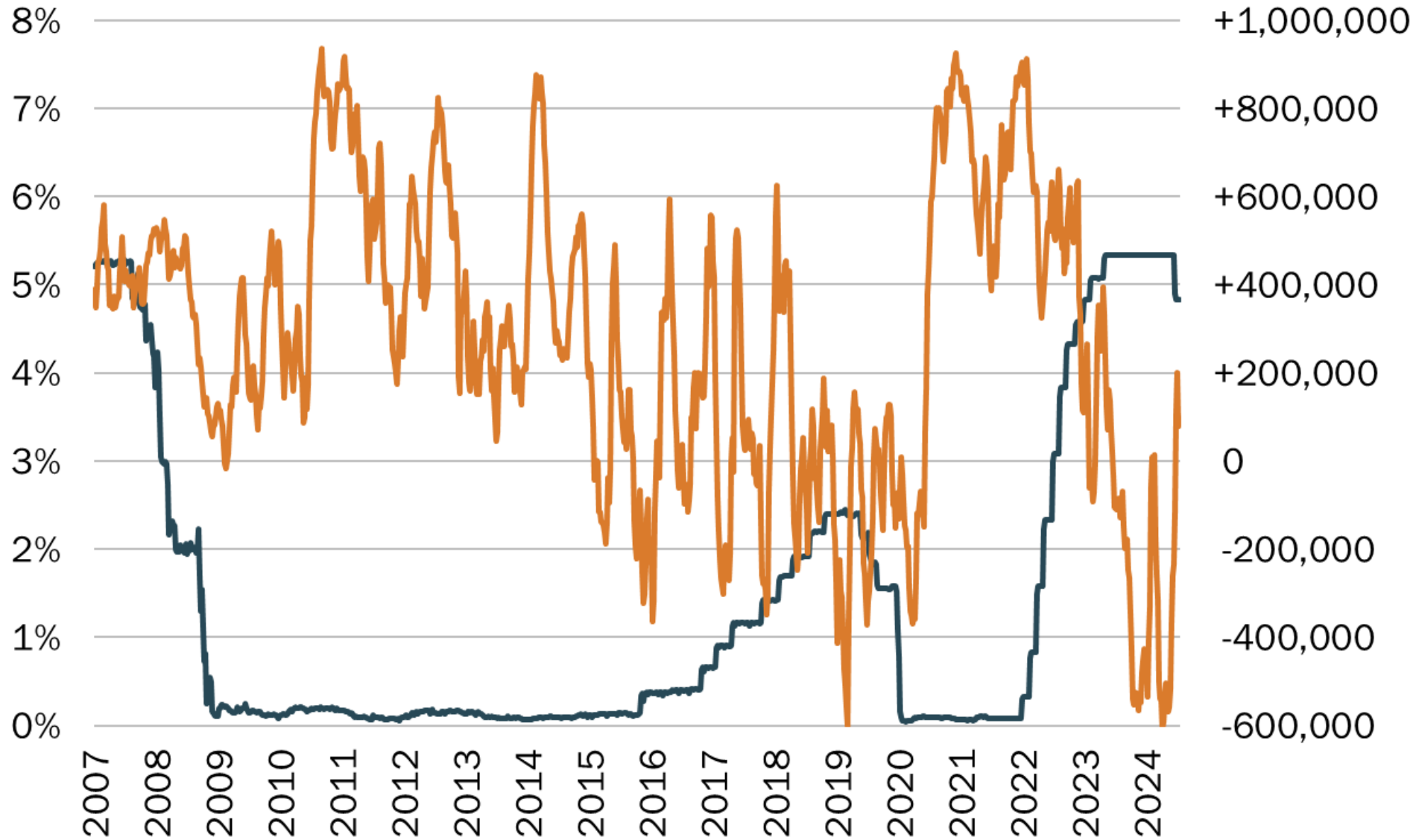
CRB Commodity Index

CRB Index 338.88 +5.76 (+1.73%)



19 commodities: Aluminum, Cocoa, Coffee, Copper, Corn, Cotton, Crude Oil, Gold, Heating Oil, Lean Hogs, Live Cattle, Natural Gas, Nickel, Orange Juice, RBOB Gasoline, Silver, Soybeans, Sugar and Wheat.

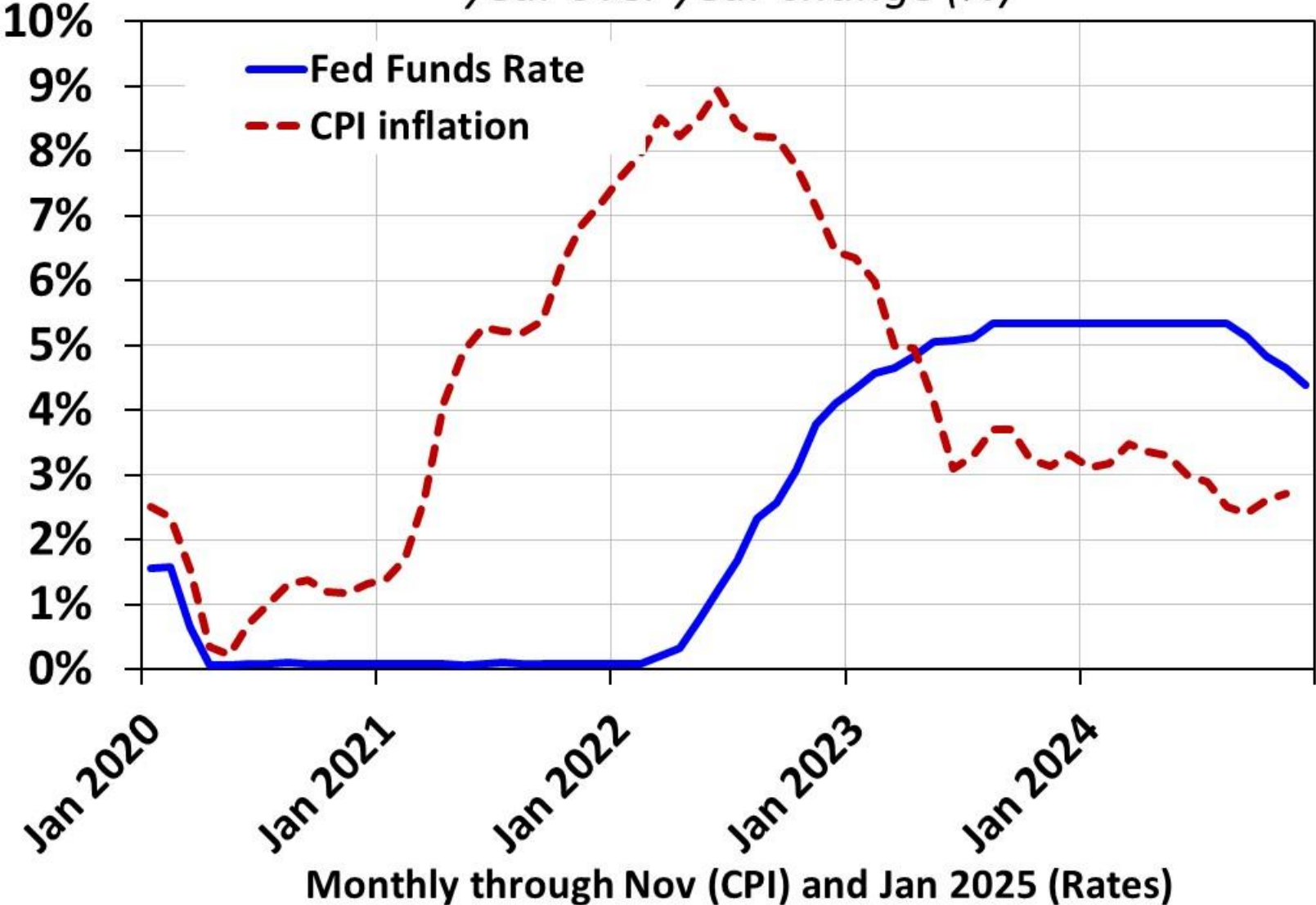
Fed Funds Rate & Managed Money Net Ag Position



Low interest rates push more money into ag commodities, and vice-versa

U.S. Fed Funds Rate & Inflation

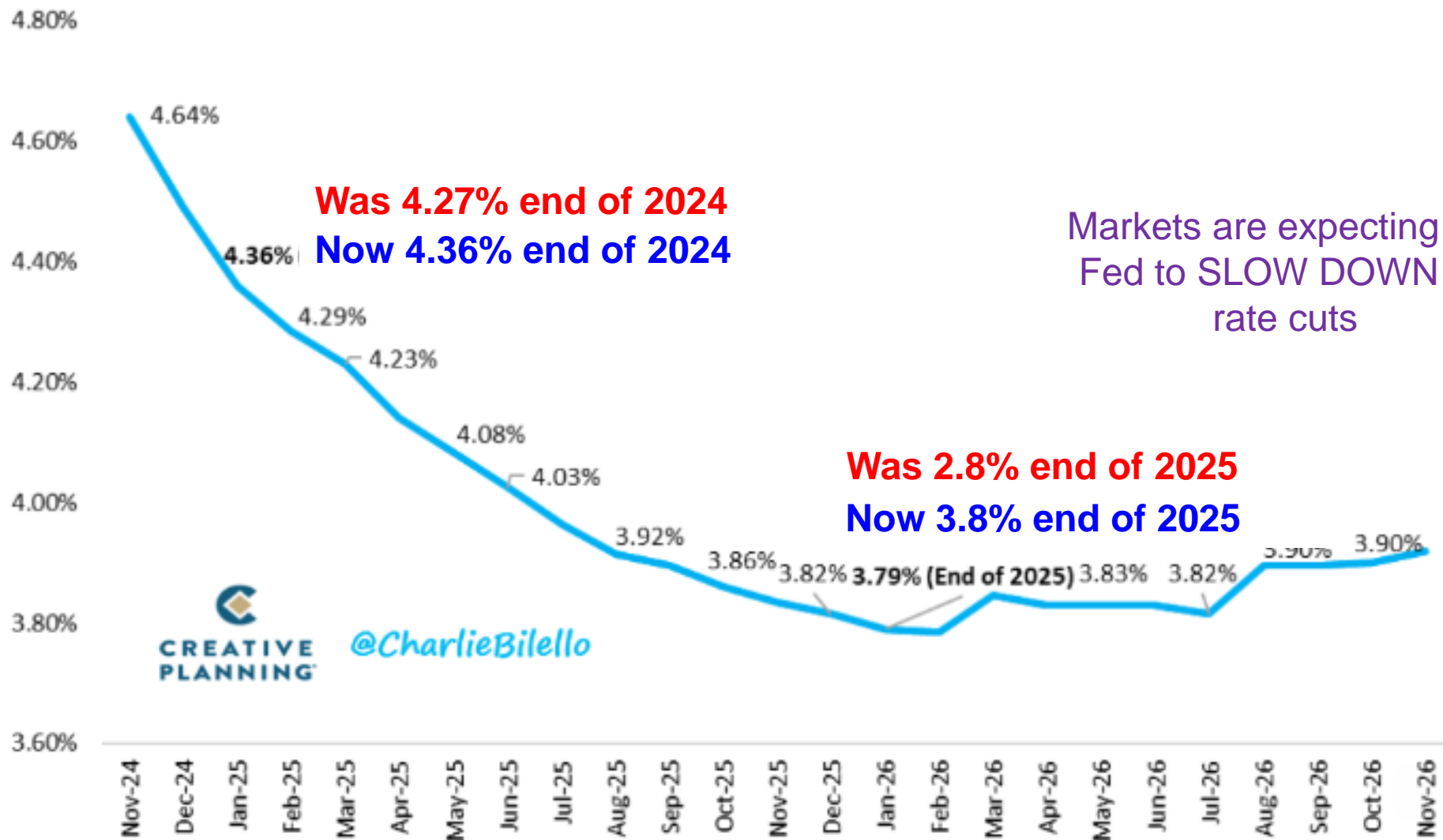
year over year change (%)



Source: U.S. Fed Reserve, Census data

November 4th 2024

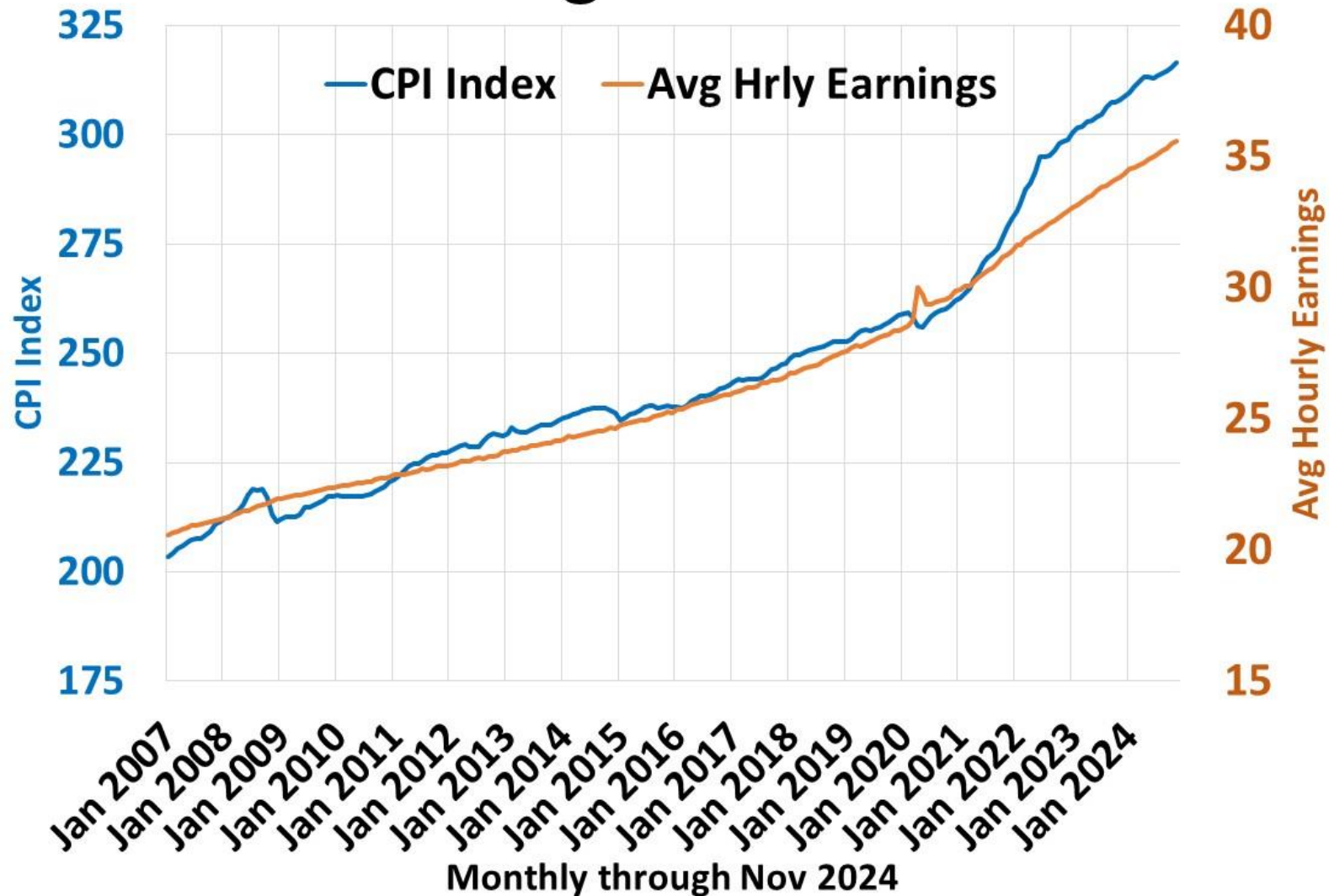
Market Expectations for Fed Funds Rate (Data via Fed Funds Futures, November 2024 - November 2026)



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Prices still outstripping wages

U.S. Wages and Inflation

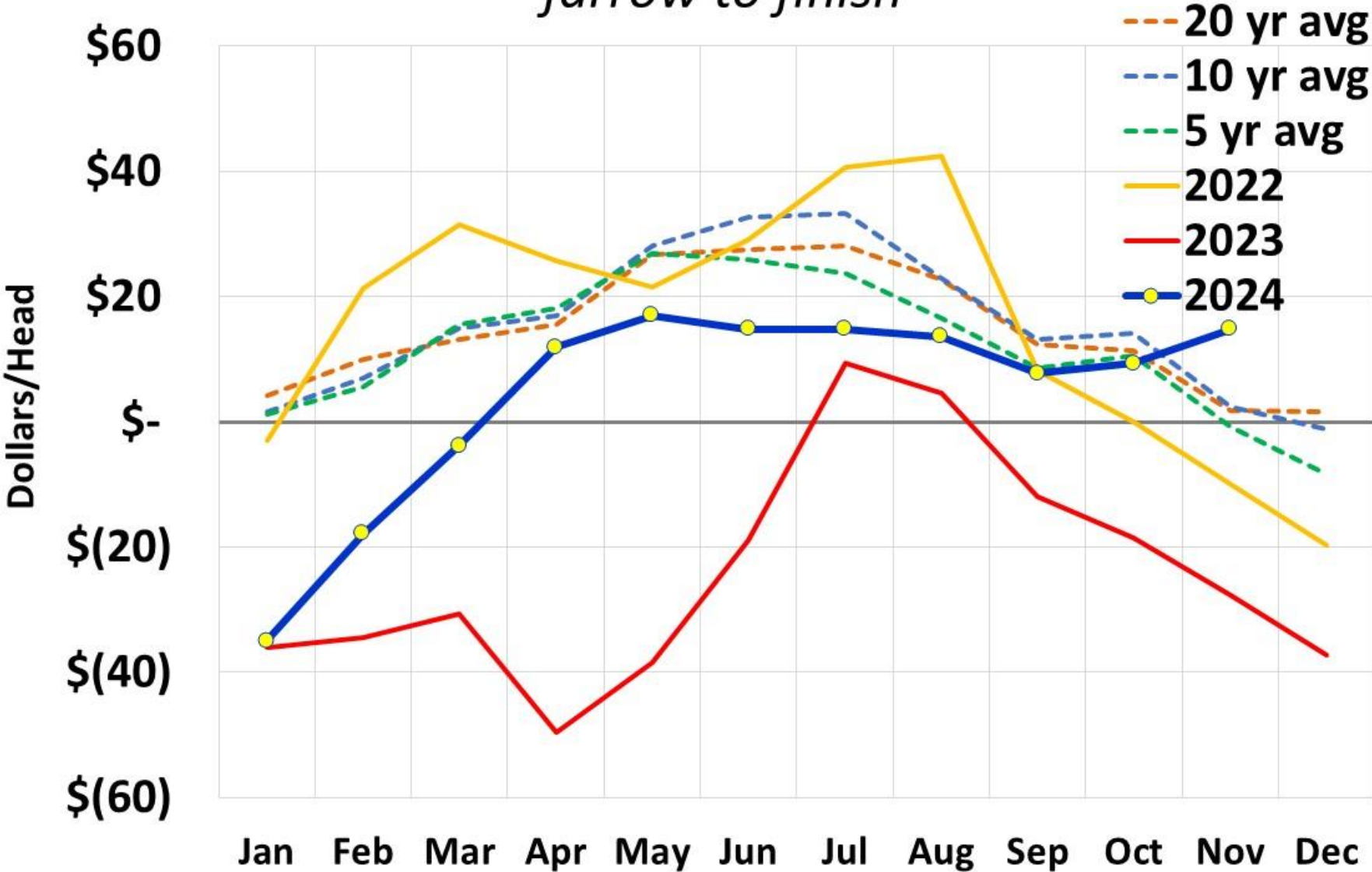


Hogs and Pork Supply and Demand

Modest profits

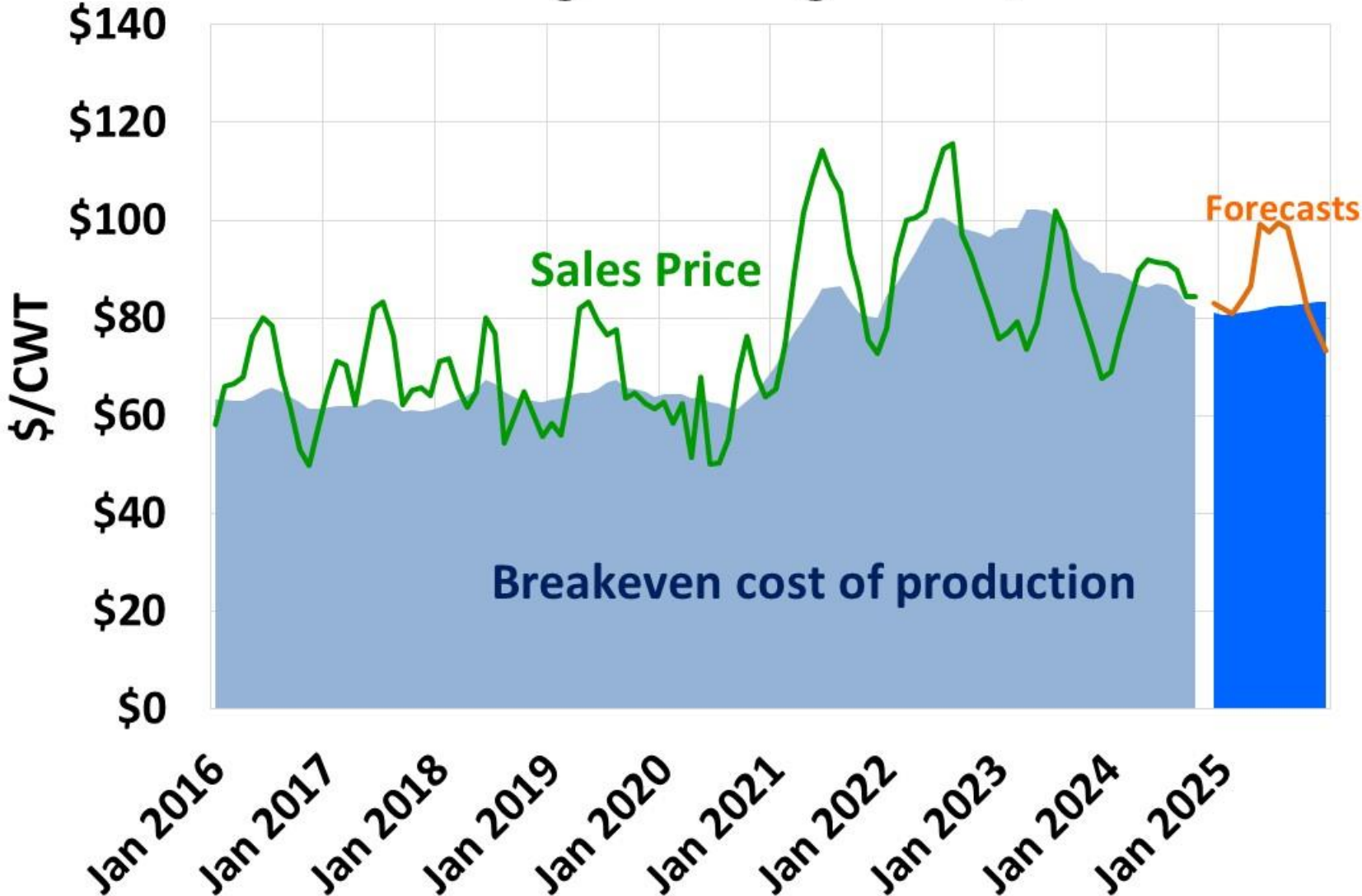
Seasonal Hog Margins

farrow to finish



Source: Iowa State University

U.S. Hog Farming Costs, Prices

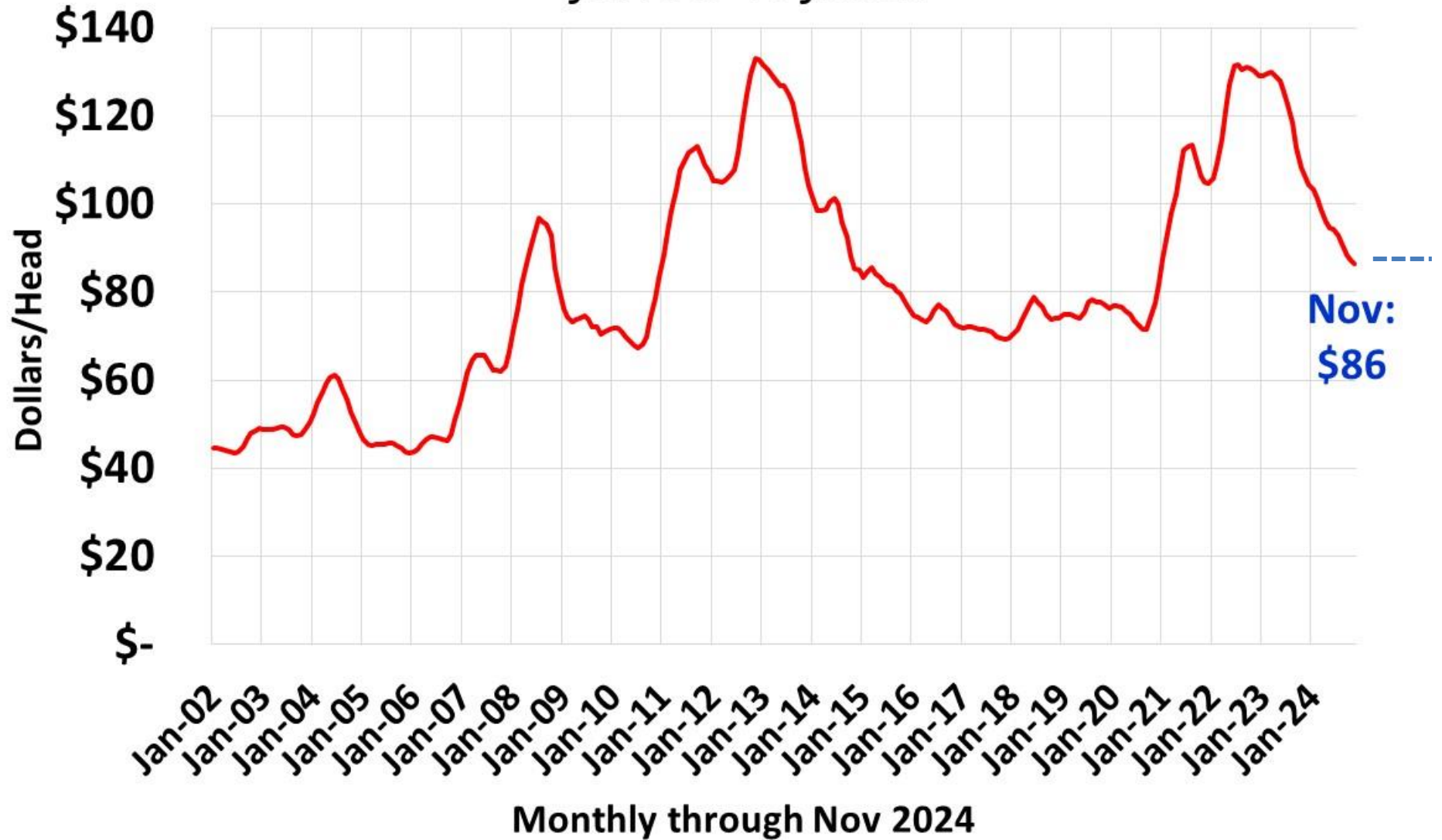


Based on Sale Month (through Nov 2024, forecasts through Dec 2025)

Source: Iowa State University

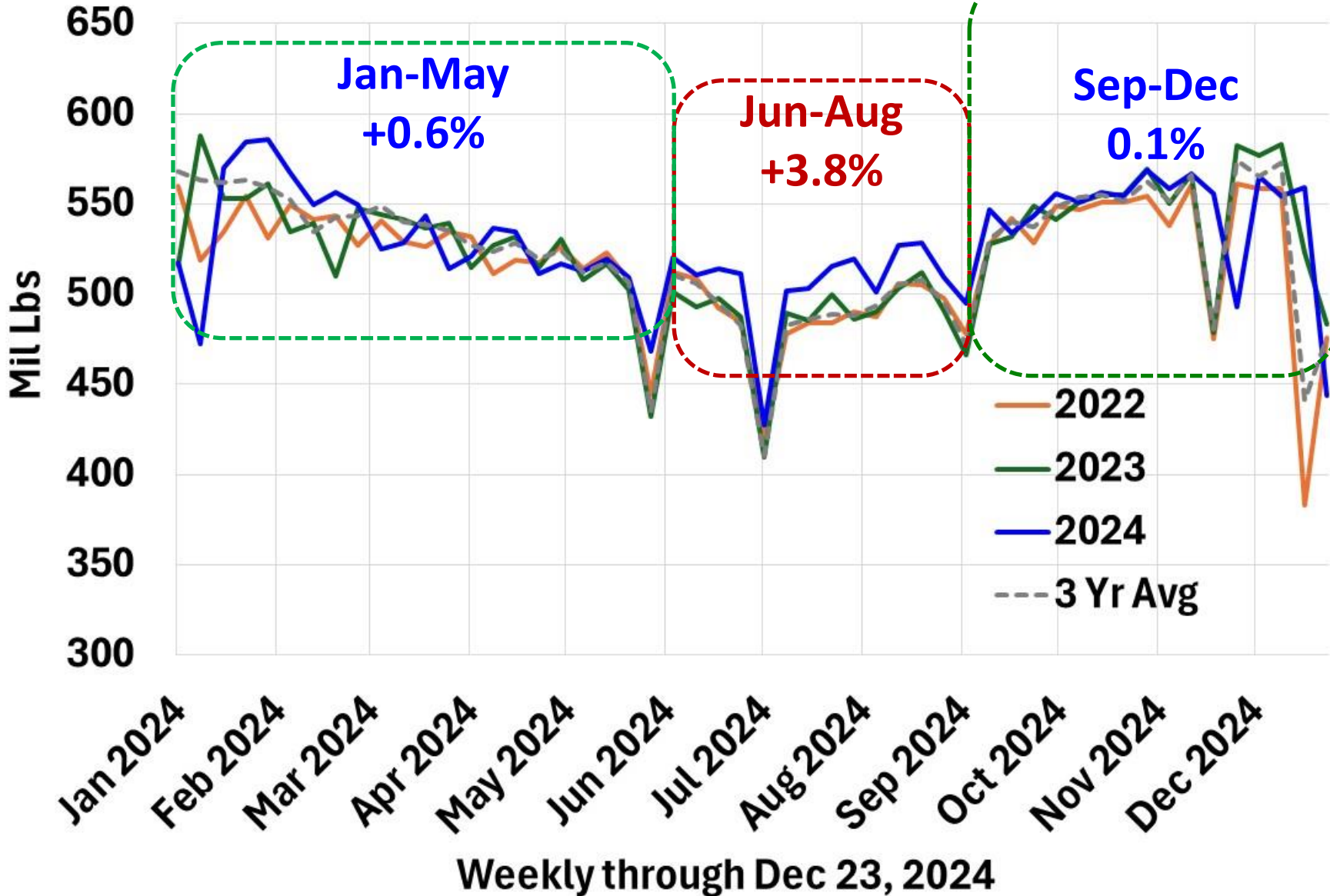
Feed Cost per Head

farrow to finish



Source: Iowa State University

U.S. Weekly Pork Production



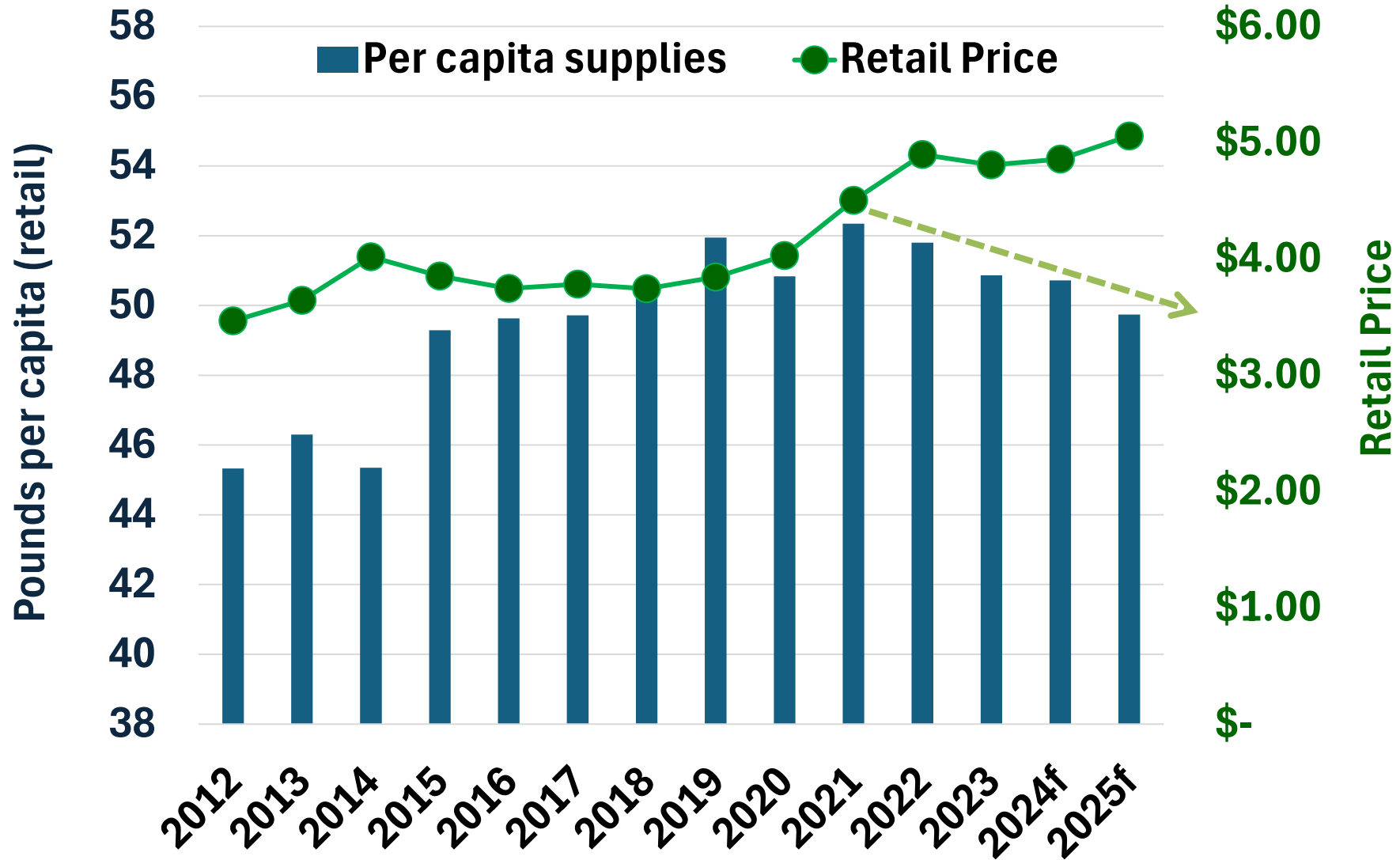
1H: +1.0%
 2H: +1.3%
 WASDE: ~~+2.0%~~
 1.1%

Population growth
 absorbed 0.7%

Export growth
 absorbs another
 1.3%

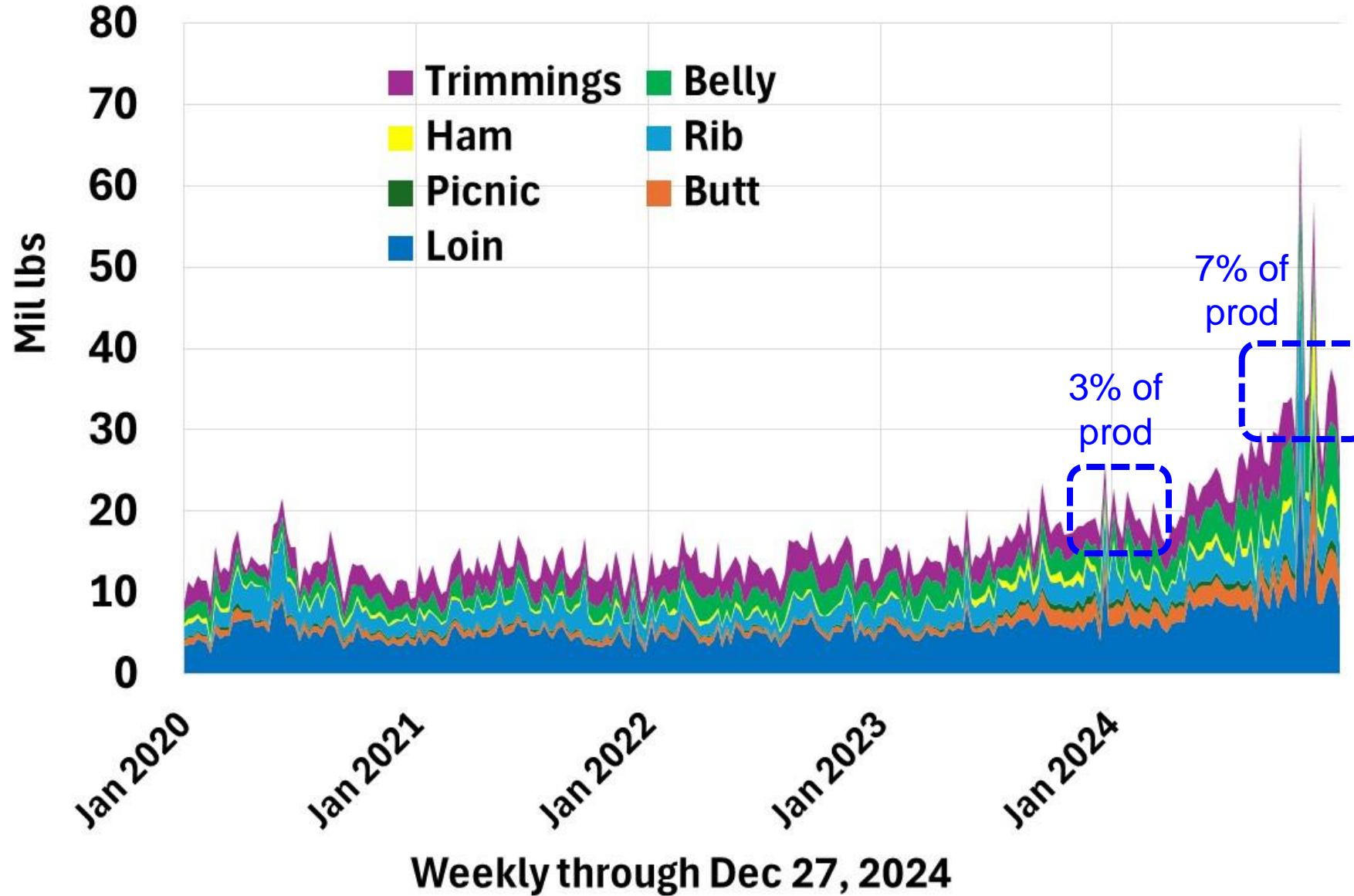
Per-capita supplies
 declined in 2024

U.S. Pork Supplies and Retail Prices



Source: USDA, AgriTrends forecasts

USDA: Specialty Pork (PK650)



This report captures pork produced under a specialty program (Prop 12)

17 mil lbs more on a weekly basis = 4% of production

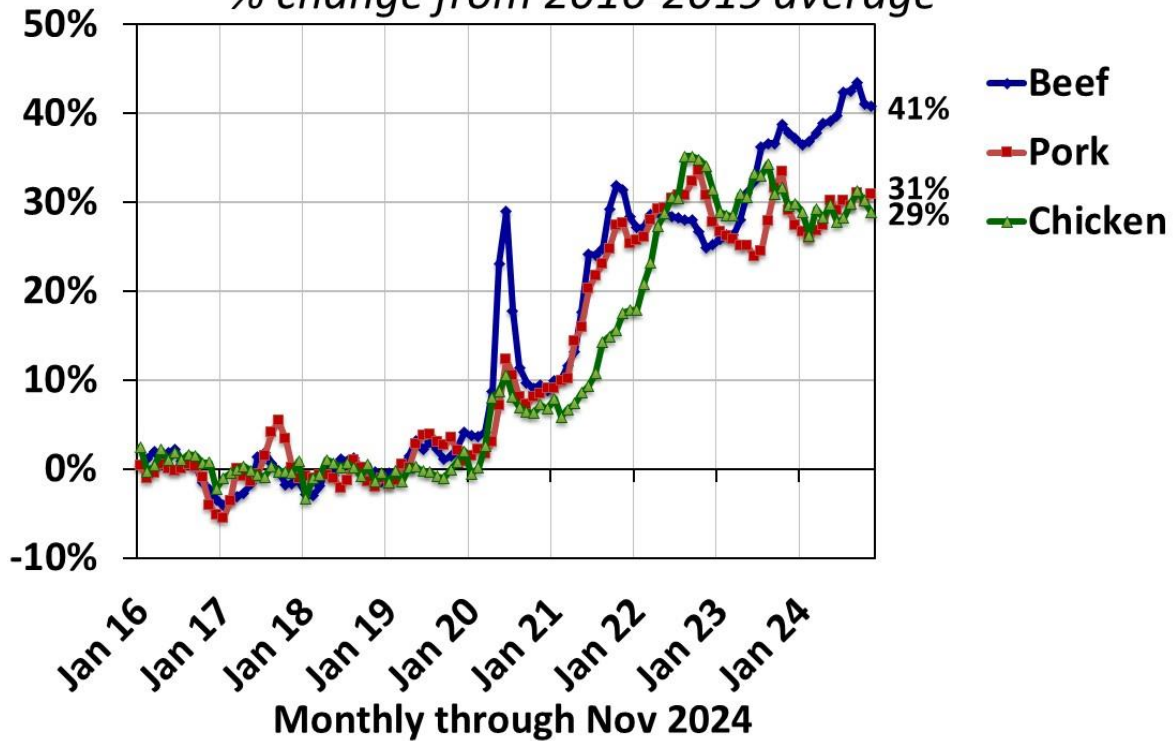
The U.S. pork supply doesn't change, but more pork moves from other 49 states into CA

Source: USDA, AgriTrends forecasts

U.S. Meat Demand is STRONG

U.S. Retail Prices

% change from 2016-2019 average

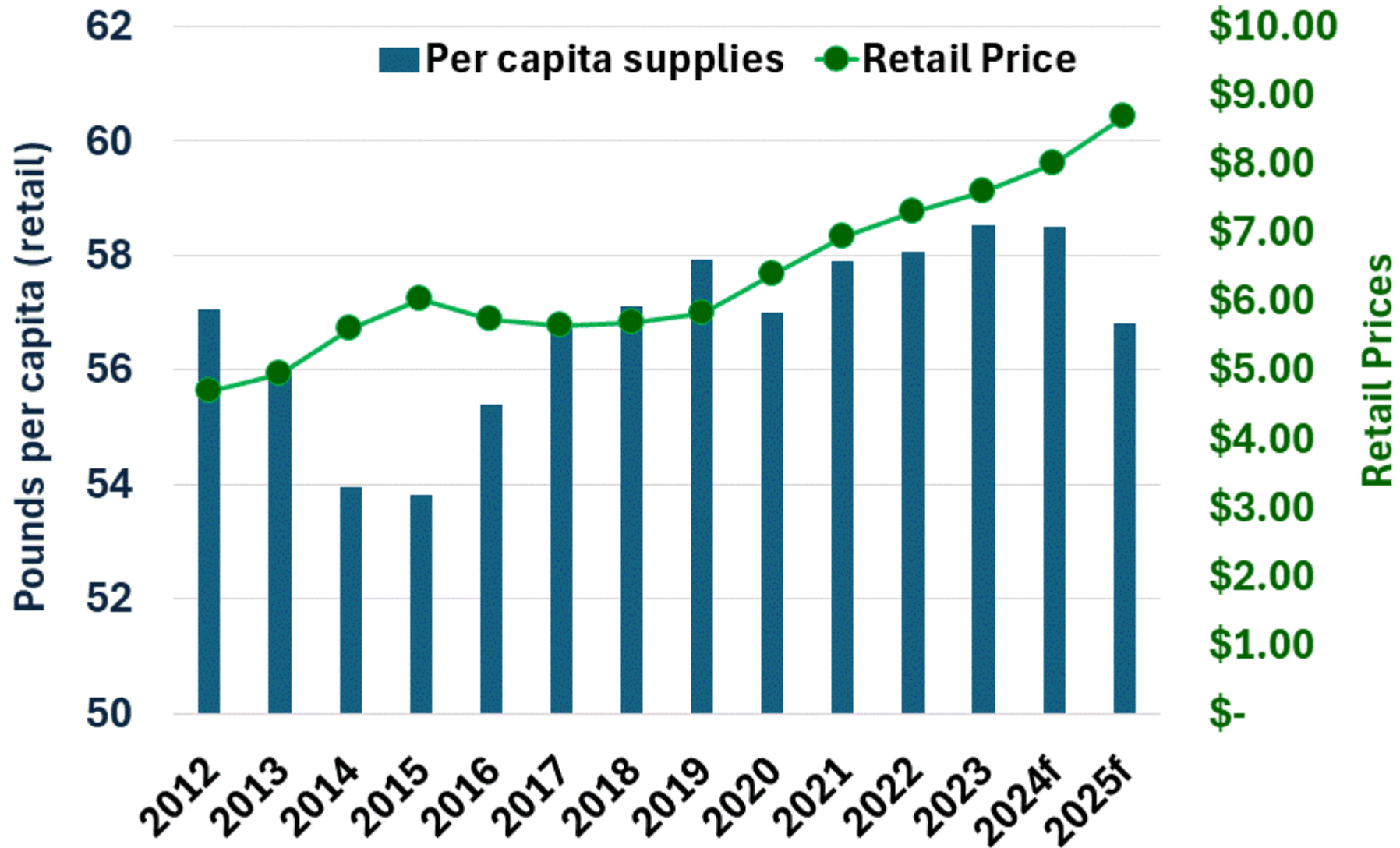


U.S. Retail Meat Prices



Source: USDA

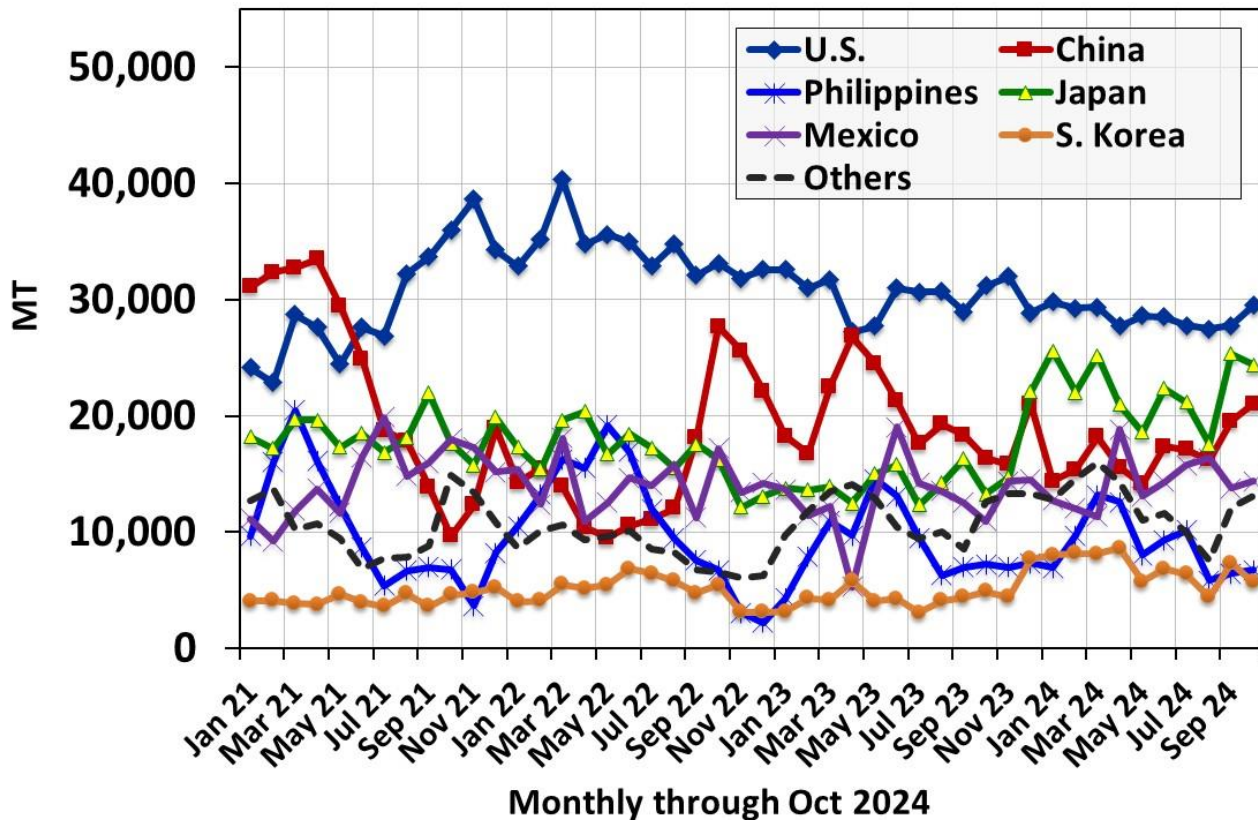
U.S. Beef Supplies and Retail Prices



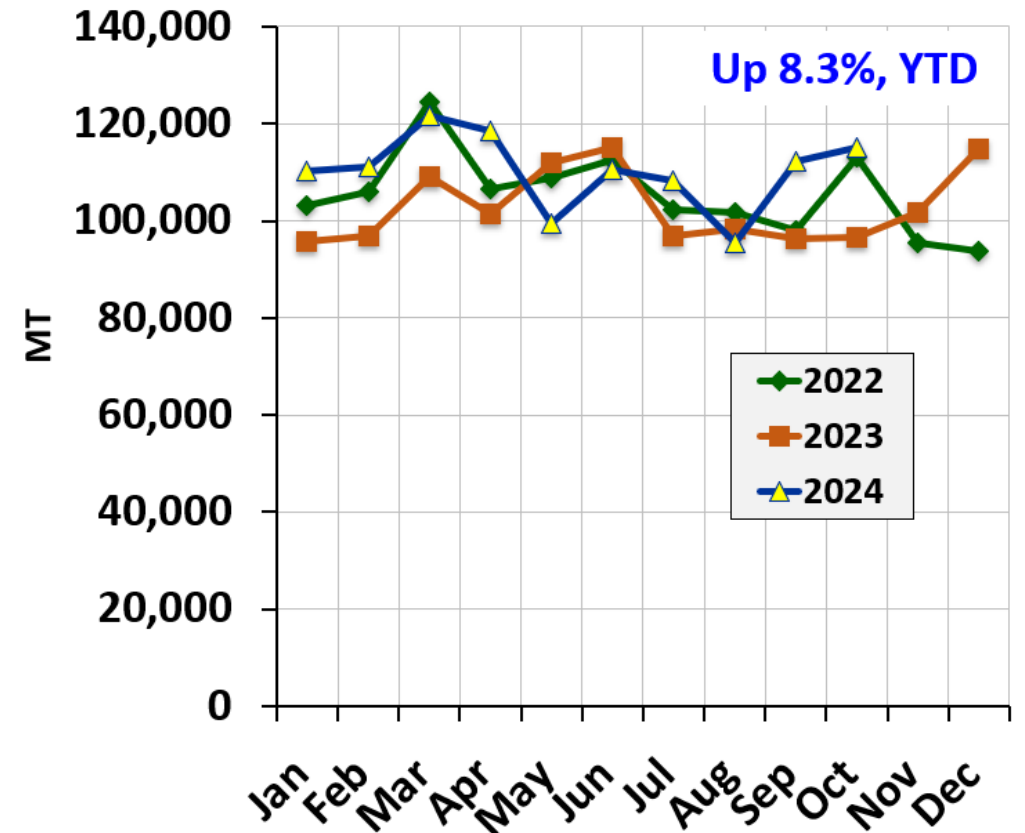
Source: TDM, AgriTrends

Canada Pork Exports up 8% YTD

Canada Pork Exports



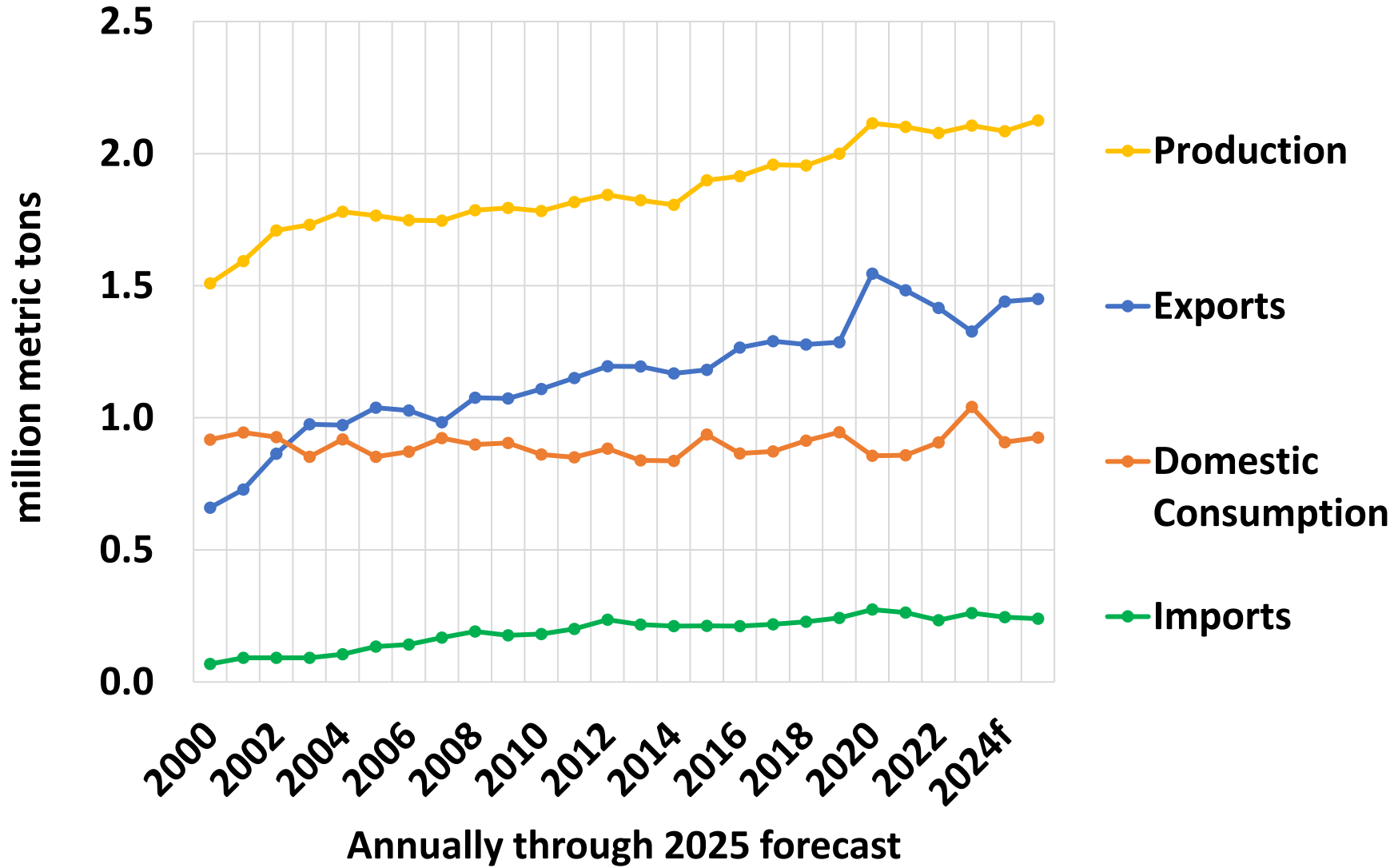
Canada Pork Exports



Source: TDM, AgriTrends

Canada Pork Balance Sheet

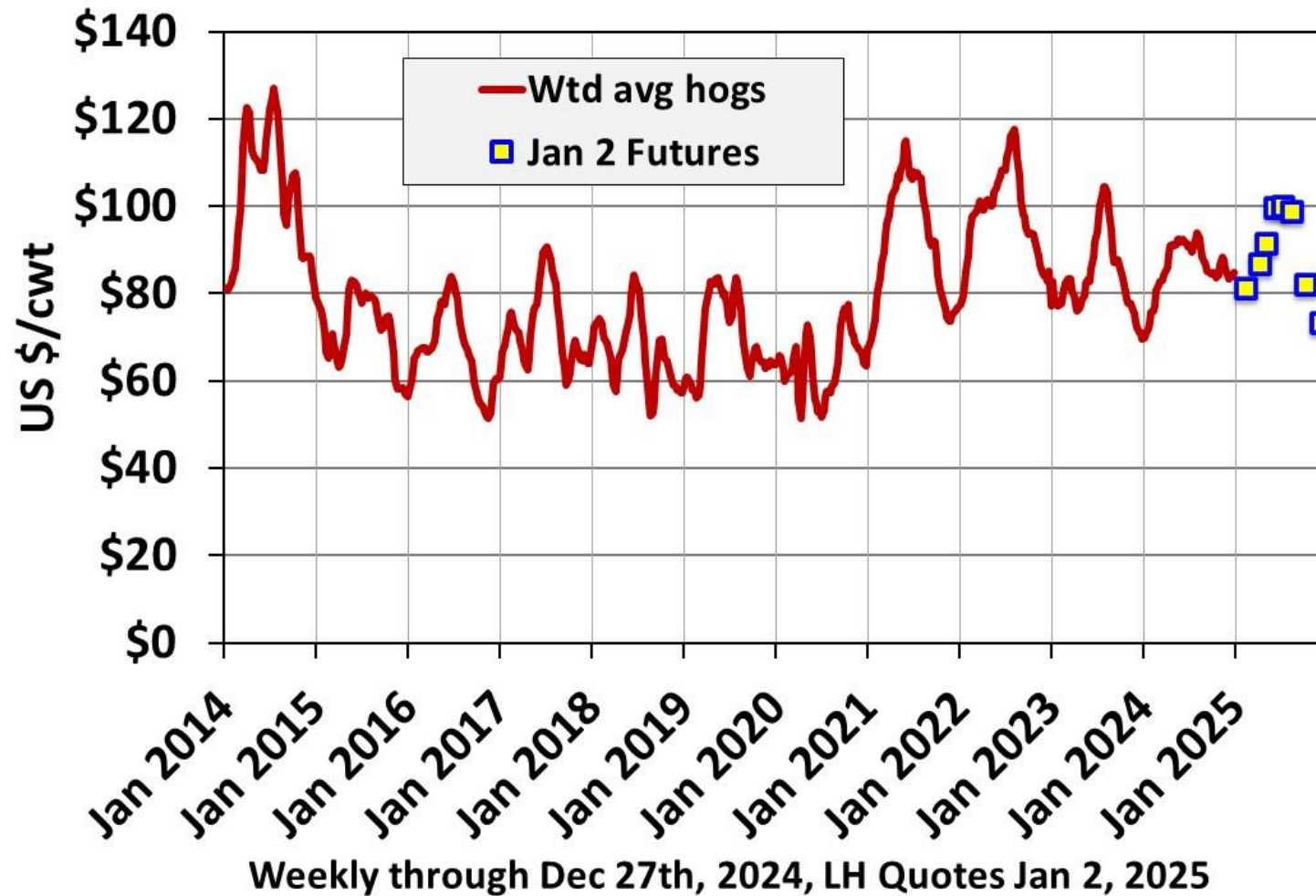
2000 to 2024f



Source: USDA/FAS

Hog Price Outlook

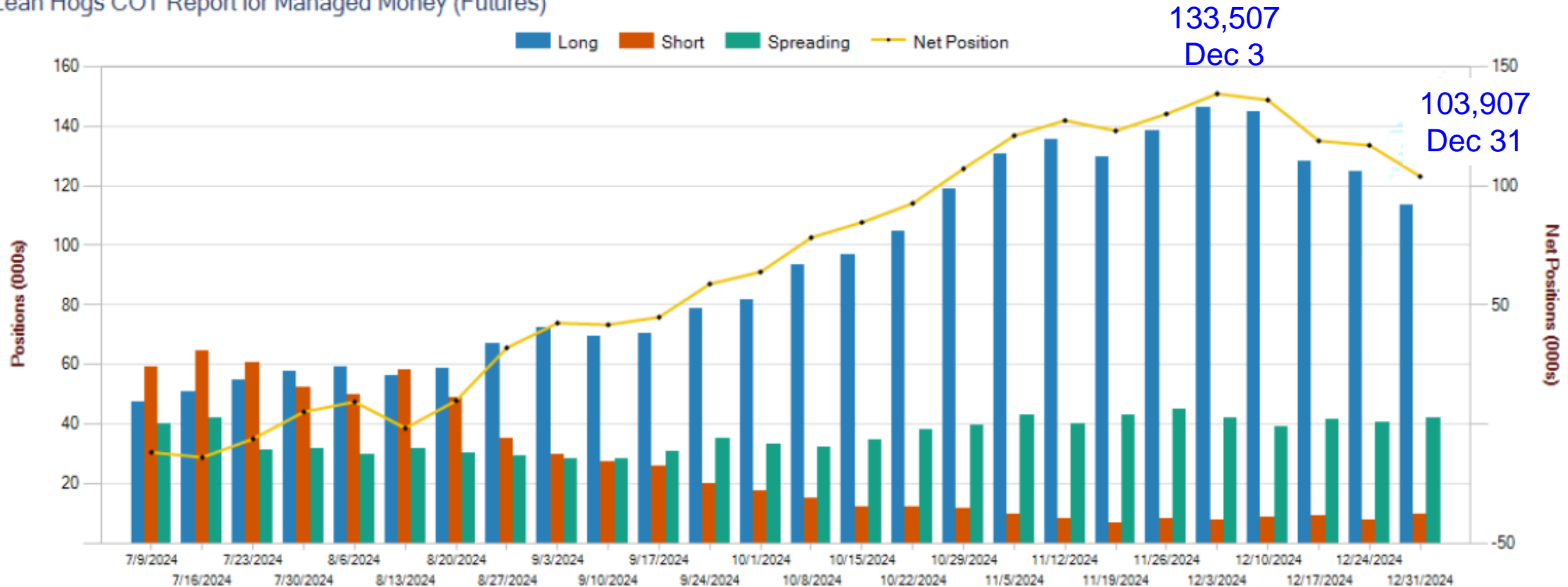
U.S. Hog Prices & LH Futures



Note the
BIG DROP
from Aug to
Oct 2025

Managed Money Net Position: Lean Hogs

Lean Hogs COT Report for Managed Money (Futures)



-11,412
(July 9)

Source: CME, Commitment of Traders

Global Market Outlook

Key Markets

Competition

Opportunities

Key Markets

- **Japan:**

- 2024 total imports up 3% on Brazil and Canada growth
- Similar trends expected for 2025
- Pop now declining 580k/year (5% over next 10 years)

- **Korea:**

- 2024 pork imports rose 10% mostly from U.S. (return of Germany), Brazil
- EU market share declined (Spain down -17%)

Key Markets

- **Mexico:**

- 2024 total imports record high (+7%), US has 85% of the market
- Brazil facing pressure from domestic farm groups
- Imports now account for 51% of pork consumption
- High hog prices suggest solid import demand in 2025
- Watch the Trump – Sheinbaum relationship

- **China:**

- Hog and pork prices remain weak; demand driven
- Sows down -2 to -4 million (5-10%) over the past 5 years
- Shifting consumption trends away from pork

Competitors

- Brazil:

- 2024 total exports rise 10%
 - Top four: Philippines +104%, Chile +35%, Hong Kong -16%, Japan +140%
- New FMD status sought in 2025 after halting vaccinations
- Currency advantage continues, larger exports in 2025

- Europe:

- Sow herd stabilizes after dropping 1 million head in 6 years
- Continued pressure over climate policy, animal welfare
- Herd expected to drift slightly lower the next decade
- Pulling back from export markets

Global Pork Opportunities

- Strong dollar and U.S. tariffs / retaliation could open new business for competitors in key markets
- New markets
 - **Philippines**: 600,000+ mt market in 2024, up 20%
 - **Vietnam**: 190,000+ mt market in 2024, up 5%
 - **Chile**: 155,000 mt market in 2024, up 46%

Other Items to Watch: 2025

- **Global diseases:**
 - ASF still on the move – now in 54 countries
 - HPAI (49 mil U.S. poultry in 2024 vs 57.5 in 2022)
- **Global beef supplies to tighten in 2025**
 - Record high prices around the world
- **East/Gulf Coast Pork Strikes**
 - Jan 16th deadline
 - Percentages?
- **Demographics**
 - World pop will add 70 mil/year over the next decade
 - Longer term, watch Japan, Italy, China

Summary & Watchlist

- **Political turmoil** lends to uncertainty and volatility
 - Tariffs, trade, and tweets...
- **Inflation rates will moderate, but broad prices won't**
 - Persistent interest rates supportive to US dollar rates
- **Hog & pork fundamentals are positive** (supply & demand)
 - Feed costs near their lows, supplies manageable, demand solid
- **Global fundamentals favor North American & Brazilian pork**
 - European production to stabilize, yet trend lower over the next decade
- **Other risks: disease...**




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