



Press Release

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This Little Piggy Probably Won't Be Going to Market!

The Vietnam Swine Crisis

Swine farming plays an integral part in Vietnam's agricultural output. Between 2013 and 2016, Vietnam's local hog population grew at 11.0 percent, leading to a supply of 54.46 million pigs. Domestic pork demand accounts for around 75% of Vietnam's pork output and a small portion of the output is officially exported to neighbouring markets. China nevertheless imports large numbers of Vietnam's live hogs through undocumented trade along the Vietnamese border with China's Guangxi and Yunnan provinces.

Vietnam's undocumented hog exports to China nearly doubled from approximate daily sales of 17,000 hogs in 2013 to around 33,000 hogs by early 2016. The increase added up to 12.04 million live hogs in unrecorded sales for the entire 2016. Reaping rewards from a dramatic increase in the Chinese hog imports, Vietnamese swine farms rushed to increase the sow herd and overlooked previous incidents when the borders were arbitrarily closed due to the erratic nature of undocumented trades. Vietnam's sow population was 3.70 million sows in 2014, and peaked at 4.00 million animals within two years.

In mid-2016, China reduced hog trading with Vietnam, and ex-farm price plummeted to around USD 1.70 (VND 39,000) per kilogram in December 2016. "Many small-scale farms have decided to reduce their sow numbers or even stop replenishing their sow inventory and halt production until the price picks up. Medium and large-sized farms are generally better placed to withstand these difficult times as they have lower break-even price and stronger financial backing" said Natee Ruengjirachuporn, Global Agribusiness Sector Lead at Ipsos Business Consulting.

An interesting question to all the stakeholders engaging in swine production, "Will the farm gate price rise once again?" Ex-farm hog prices will most likely remain low and any price recovery is expected to be at a slow pace next year. "It is also worth noting that semi-industrial and industrial farms will account for a larger share of total hog supply in the coming years and this shift may occur more quickly" concluded Phong Quach, Head of Consulting - Vietnam. Multiple challenges lie ahead for small-scale farms and many may be discouraged from resuming swine production until they see a rosier outlook and increased ex-farm prices. Farms are expected to improve the productivity of sow herds and pursue their quest for farming cost reduction by altering their practices, given the uncertainty surrounding any potential ex-farm price increase.

The Vietnam Swine Market report from Ipsos Business Consulting can be downloaded free of charge at www.ipsosconsulting.com/ASEAN-Agriculture.