The impact of the coronavirus on global meat supply chains

While plainly important to stop the infection from spreading, the steps being taken in some regions of the world to do so are beginning to raise questions beyond those related to public health. People and markets may act panicked in particular because to the unpredictability of spillover effects on international trade, notably on food supply.

The pandemic's impact on our food supply systems will vary depending on the length and type of economic measures implemented. However, there have already been preliminary reports and analyses on the virus' effects on the meat market and trade in China, as well as on the subsequent consequences on tropical forests, which are worth considering.

After the first coronavirus cases were recorded, the cost of pork increased throughout China but the cost of beef, poultry, and lamb remained constant. The most popular meat in China is pork, and the recent shortages brought on by swine disease are still fresh in people's minds. Chinese customers stocked up on all the available pork out of fear of another shortage, which raised prices. The government took swift action to stem the rise and did so by flooding the

market with enormous quantities of pork from its reserves. Overall, the coronavirus's effects on the food supply were negligible, and the fears proved unfounded.

Consequences of the most recent significant disruption to China's meat supply chain

Chinese demand adjustments and market actions may have some indirect effects on tropical rainforests, despite the fact that China's pork supply chain did not experience any significant disruptions. There are still a lot of unanswered issues regarding the long-term consequences that collective action and global policies may have in addition to their immediate effects on the food supply. However, we are aware that regional deforestation patterns are significantly impacted by global markets.

Episodes like the swine flu and the US-China trade war showed that agricultural commodities supply chains may be disrupted and adjusted in ways that have unexpected effects on the economic drivers of deforestation. A premium of up to USD 90 per tonne was created for Brazilian soy as a result of the Chinese switching their soy imports from the US to Brazil as a result of the US-China trade dispute. The increase of soy and cattle herds in Brazil were prompted by the country's promising soy export potential.

Slowing global meat trade and rising market uncertainties worldwide

Although soybean imports increased by 14.2% year-over-year in the first two months of 2020 as cargoes from the U.S. booked during a trade truce at the end of 2019 cleared customs, trade flows between China and its partners suffered delays and redirections in the first months of 2020 as a result of the corona crisis. Chinese ports have little room for more refrigerated containers to be received, which caused shipments to be delayed as the movement of refrigerated meat containers from ports to other facilities slowed down.

Additionally, there are signs that meat imports from many parts of the world are declining, particularly the US, who anticipated to resume exports after resolving the dispute with China, and Argentina, which was unable to reach a price agreement with China owing to the virus. Other regions have seen a rise in meat shipments to China as a result of the crisis, particularly Brazil and Australia. The previously described constraints are currently preventing their delivery, though.

The inability of supply chain actors to make long-term decisions is common because of the uncertainty of what will occur and how long the crisis will endure. Because of worries that the coronavirus may affect meat demand, meat and animal futures markets are currently at a ten-year low. In addition, the coronavirus spillover effects are now slowly affecting the global economy, which will have additional implications on the supply chains for agricultural goods (e.g. investments, profits, etc.).

Although it is still extremely early to draw firm conclusions, this should alert markets to the necessity of reducing the amounts of meat supplied to the major consumer markets. It is still unclear, though, how much demand will decline and whether it will be around long enough to ease pressure on tropical forests.

Early signs of changes to come in the Chinese meat supply chain

However, the choices made now will have a long-term impact on how agricultural commodities change. Authorities in China are attempting to hasten the adoption of refrigeration and increase storage capacity. In order to lessen the over-dependence on the domestic meat supply chain, which had not yet recovered from swine disease when it began to experience the consequences of the coronavirus pandemic, they are also anticipating a rise in meat imports.

As a result, imports of Chinese meat may rise while imports of soy, which is now used to feed pigs and poultry in China, may fall. It might also encourage nations who already send meat to China to enhance both their soy imports and meat production and exports to China. Deforestation in Brazil and other Latin American nations might be fueled by this kind of transition.

We need to keep an eye on the possible effects that significant trade disruptions could have on deforestation and climate change, especially when they take place in China, whose economy is increasingly driving global trends. Additionally, we must consider ways to anticipate these changes and their potential side consequences.