

African Swine Fever no longer dominates the headlines and Chicago traders seem to have tired of speculation as to when supply shortages will result in higher prices. And yet the disease continues to march through China and Southeast Asia, leaving behind an ever expanding supply hole. Here's where things stand at this point:

- The number of new cases of ASF reported in China has been minimal, with no cases reported last week and only a handful of cases reported in the last month. China is a member of OIE, the world organization for animal health, and ASF is a reportable disease. In other words, China is obligated to report any and all new cases of ASF when they occur. This is so other countries understand the scope of the disease and take measures to protect themselves. China announced earlier in the summer that they have put in place a very rigorous testing regime for ASF but it appears that the number of ASF cases in the country has declined following the implementation of this new system. **But even as no new cases have been reported, Chinese authorities indicated that the Chinese hog breeding herd in July declined by a staggering 8.9% from the previous month.** To reiterate, the breeding herd which in June we calculate at around 30.5 million head declined by some 2.7 million head. How did those sows disappear with just a handful of ASF cases reported and only hundreds of pigs destroyed in official reports?

- The Chinese total hog inventory in July declined by 9.4% and since the start of the year the total hog inventory has declined by about 100 million head. **In July alone the inventory contracted by an estimated 31 million hogs, which is almost half of the overall inventory of hogs we have in the US.** Please keep in mind that Chinese officials do not report actual numbers. Rather, they do a survey of various stations and report the m/m change. To come up with actual numbers we took the latest official reported statistics and calculated the change from that point on. For a while, the decline in inventory numbers did not appear to have much of an impact on prices. Indeed, the short term effect of any liquidation is to depress prices. But there has been a significant shift in China pork price action. Last week the reference hog price in China was pegged at 20.9 yuan per kg. In USD this comes to \$2.95/kg (\$1.34/lb. live or \$1.80/dressed). We think the average price for this week, based on daily numbers, will be around 23.6 yuan/kg. Always be careful when comparing US hog prices to prices in a different country, however. It is not apples to apples since hog prices in China are for a product that will be slaughtered and sold fresh in traditional markets that are highly valued. US product will be frozen, shipped a long distance and likely go into processing or be sold in supermarkets with a markup. Hog prices in China have jumped 30% since the end of July and they are currently 74% higher than year ago, surpassing the record price levels we saw back in 2016. Pork prices at retail have also started to escalate, a signal of developing pork supply shortages in the market.

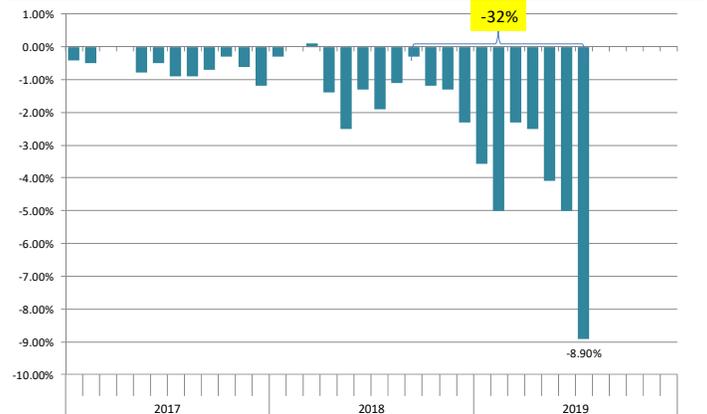
China Price of Baby Pigs, Live Hogs and Wholesale Pork

Source: China Ministry of Agriculture. Analysis by: Steiner Consulting



China Sow Inventory M/M % Change

Source: Ministry of Agriculture of China



- ASF is not an issue in China alone. Reports from Vietnam underscore the degree of devastation in that country. Different from China, Vietnam continues to report scores of new cases of ASF and according to FAO, some 4 million pigs have been culled out of a total inventory of about 26 million at the start of the year. Cases of ASF have also been reported in Cambodia, Myanmar and Lao. There have also been reports of increased mortality in pigs in the Philippines although no official confirmation of ASF yet. A large number of backyard farms and limited biosecurity means that once the disease enters an area it is almost impossible to contain it.
- The disease also continues to **impact countries in Eastern Europe, with Bulgaria and Serbia the latest countries to report new cases of ASF.** Bottom line: **Despite some ASF reporting fatigue, the disease is far from contained and will remain a market factor going forward.**



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