

Lean hog futures were up the daily permissible limit following news of a second case of African Swine Fever in China.

What was particularly troubling for market participants was the fact that the second outbreak happened some 625 miles away from the first, possibly pointing to the fact that authorities may not be able to contain the disease. The map on page 2 shows countries in which there are current ASF events and this map now includes China, which has the worlds largest hog breeding herd. In the short term the risk is that Chinese authorities are not able to contain the disease. If that happens, then much more drastic eradication measures will be needed, leading to significant production losses. ASF is a very difficult disease to fight and there is no vaccine. The only way to contain the disease is to have very strict containment measures. The complicating factor is that China currently has imposed an effective 62% tariff on US pork. The news yesterday that US and Chinese officials would once again sit down and negotiate on trader added to the bullish momentum from the ASF outbreak. The potential spread of ASF in China and an agreement on trade could prove explosive for the pork market. But all this is in the realm of speculation. Hog supplies on the ground in the US are heavy and producers are looking to get current in a hurry. Cash hog prices continue to slump as producers look to accelerate marketings. On the other hand end users are sitting on the sidelines, unsure/uncertain, as to when to pull the trigger. Maybe current turnaround in the futures will provide an incentive for pork buyers to once again trade more actively. For those that want more information on ASF, you may want to read [the brief disease synopsis in the attached link](#).

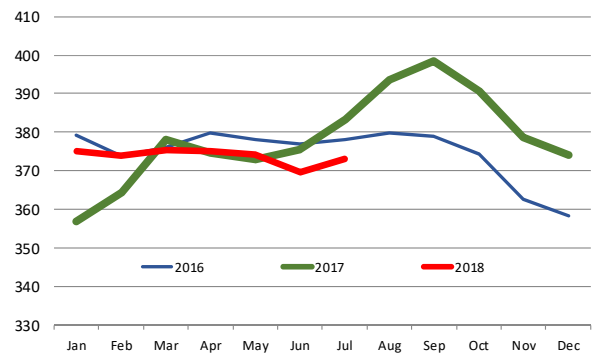
USDA released the average retail price data for meat products yesterday and the latest data offered some interesting insights. The value of beef sold at retail in July was estimated at \$6.02 per pound, 1.3% lower than the same period a year ago. For the period May-Jul, a critical grilling period, the average value of beef at retail was down 2.6% compared to the same period a year ago. The average pork retail value in July was pegged at \$3.73 per pound, 2.7% lower than the previous year. For the May-Jul period the average value of pork was 1.3% lower than last year. Prices for some pork items have been discounted significantly in order to move volume - a troubling sign for demand. The average price of all pork chops sold at retail was \$3.262 per pound, 4.5% lower than the previous year and 15% lower than just two years ago. The ratio of pork chops to uncooked ground beef at retail is currently at 78.6%. Two years ago it stood at 90.5%. It is not simply the value of pork chops that is getting cheaper relative to beef. The entire pork complex today is less expensive vs. beef than in previous year. Back in 2000 the average pork retail value was around \$3.11 per pound while beef was \$4.39 per pound, hence pork trading at a 0.71 multiple to beef. Currently, pork is trading at a 0.62 multiple to beef while the chicken multiple has gone from 0.41 to 0.31.

December 2018 Lean Hog Futures



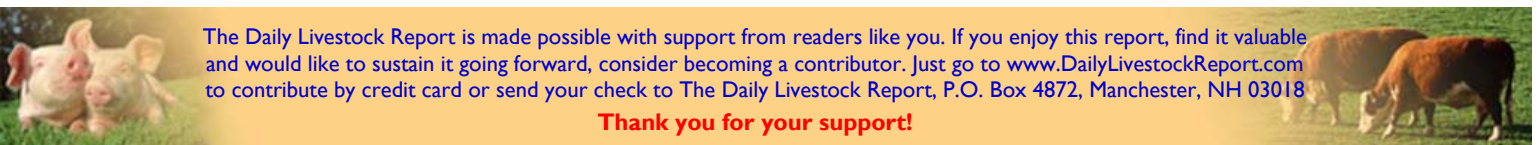
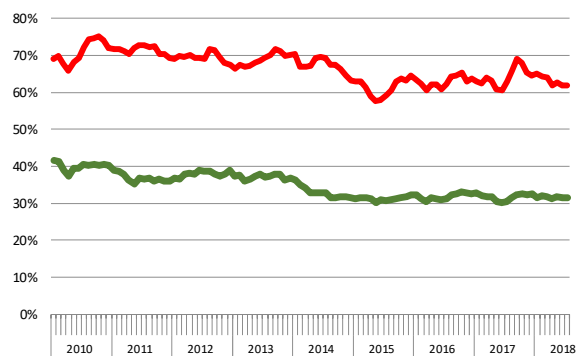
Monthly Average Pork Retail Price. \$/cwt

Source: USDA-ERS



Ratio of Pork and Chicken Retail Price vs. Beef

Source: USDA-ERS. Calculations by Steiner Consulting.



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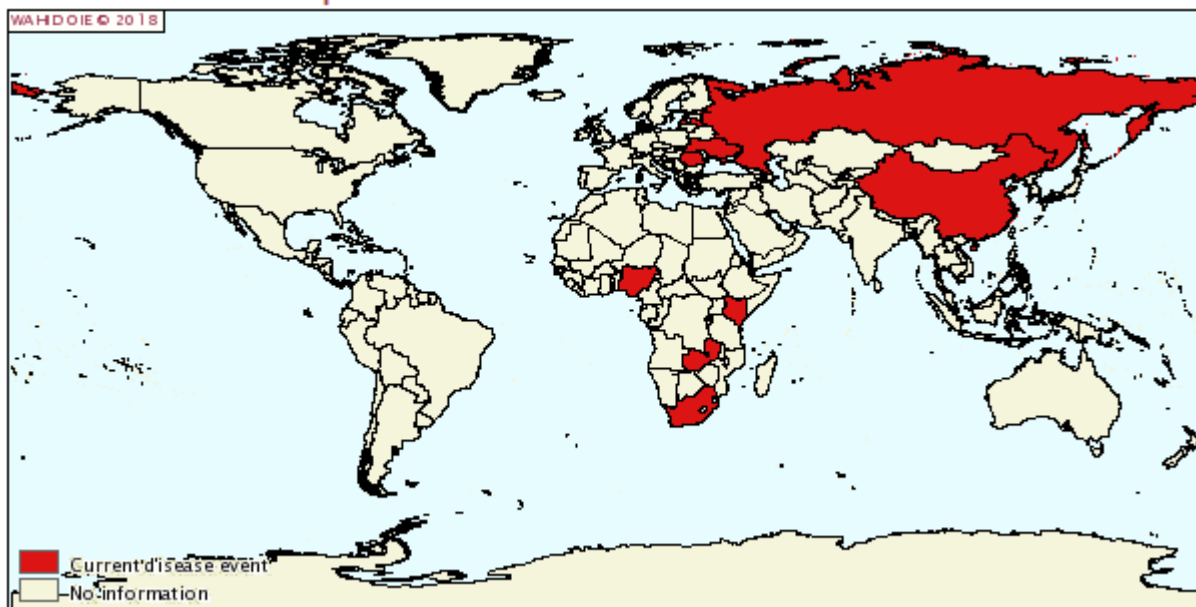
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African Swine Fever Distribution

Chart was Prepared and Published by the World Animal Health Information Database

Disease distribution maps



Source: OIE

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