

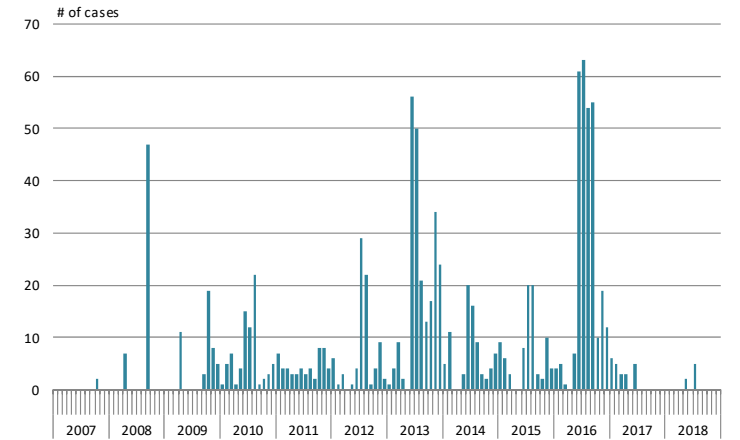
Reuters reported that **a third case of African Swine Fever was discovered in China over the weekend**. On page 2 we have shown a map of hog density in China, which reflects large production centers in the country. Superimposed on that map are the locations of the recent cases of ASF. What is truly astounding are the distances that the hogs purportedly travelled. The fact that hogs from northern provinces can travel this far south suggests the significant risk for the industry as a whole and the difficulty in keeping this disease contained.

Since the second case was reported last week hog futures have gained over 600 points (+11.6%). Further adding to the bullishness in the hog complex were reports on Friday afternoon that US and Chinese officials are trying to resolve differences before the leaders of the two countries meet in November. In the short term it is very uncertain how the ASF situation in China will play out. The chart to the right shows how the cases of ASF developed in Russia in the last decade. This disease has been of particular concern for Russia and Eastern Europe in the last decade and after many efforts and hundreds of millions of dollars it still continues to pose a significant problem. Currently there are a large number of cases in both wild boars and swine in the Baltics as well as Ukraine. Latest news reports from China indicate that the strain of virus there is identical to the virus currently in the Baltic Republics and Russia, possibly pointing to the source of transmission from northern Chinese provinces that border Russia.

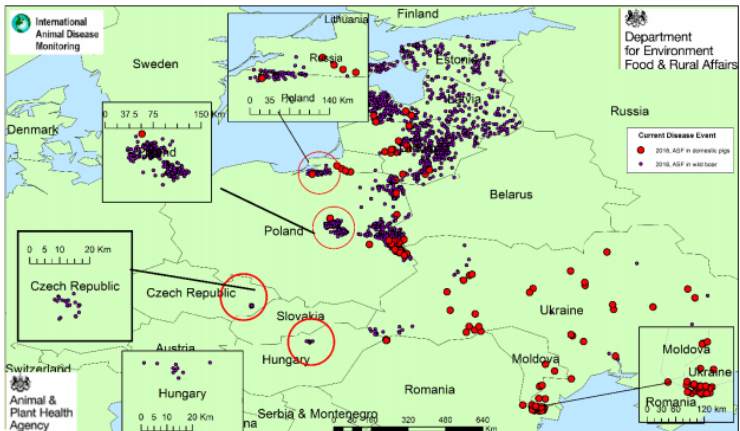
The ASF situation in China is a different order of magnitude since the Russian hog herd is around 22 million head compared to 433 million in China. Studies have shown that disease transmission is highly correlated with low biosecurity on farms. Infections in wild life also present another vector for disease transmission. In recent years China has accelerated the commercialization of its hog sector, leading to the creation of large farms with much better biosecurity measures. However, still there is a large number of backyard farms and small commercial farms that have low biosecurity. In Russia it is estimated that 35% of hogs are in backyard farms and we would guess that in China the share is just as large if not larger. The demand impact from the spread of the disease could be as impactful as the losses due to culling. This disease is unknown in China and unfortunately in recent years there have been a number of food safety issues, whether with contaminated milk or avian flu. Chicken demand has suffered in China in recent years and has probably contributed to the dramatic increase in demand for beef. The potential spread of ASF, even though it does not harm human health, could negatively impact consumer demand in a country that has one of the highest pork consumption rates in the world. There is the potential for an increase in demand for imported pork, which as with milk, is considered safer. Beef demand could further benefit from these issues. Already China buys almost half of the beef South American countries export and Chinese purchases of beef from Australia and New Zealand have increased this year. US beef is very expensive in China. If US and Chinese officials resolve their trade differences, lower tariffs and rising beef demand could open the door for more US product going to this market.

Outbreaks of African Swine Fever in Russia Since First Discovered in 2007

Data Source: World Organization for Animal Health. Collected and Reported by Steiner Consulting



ASF in Domestic Pigs and Wild Boar in Eastern Europe and Russia in 2018



Map prepared by the United Kingdom Department for Environment, Food and Rural Affairs

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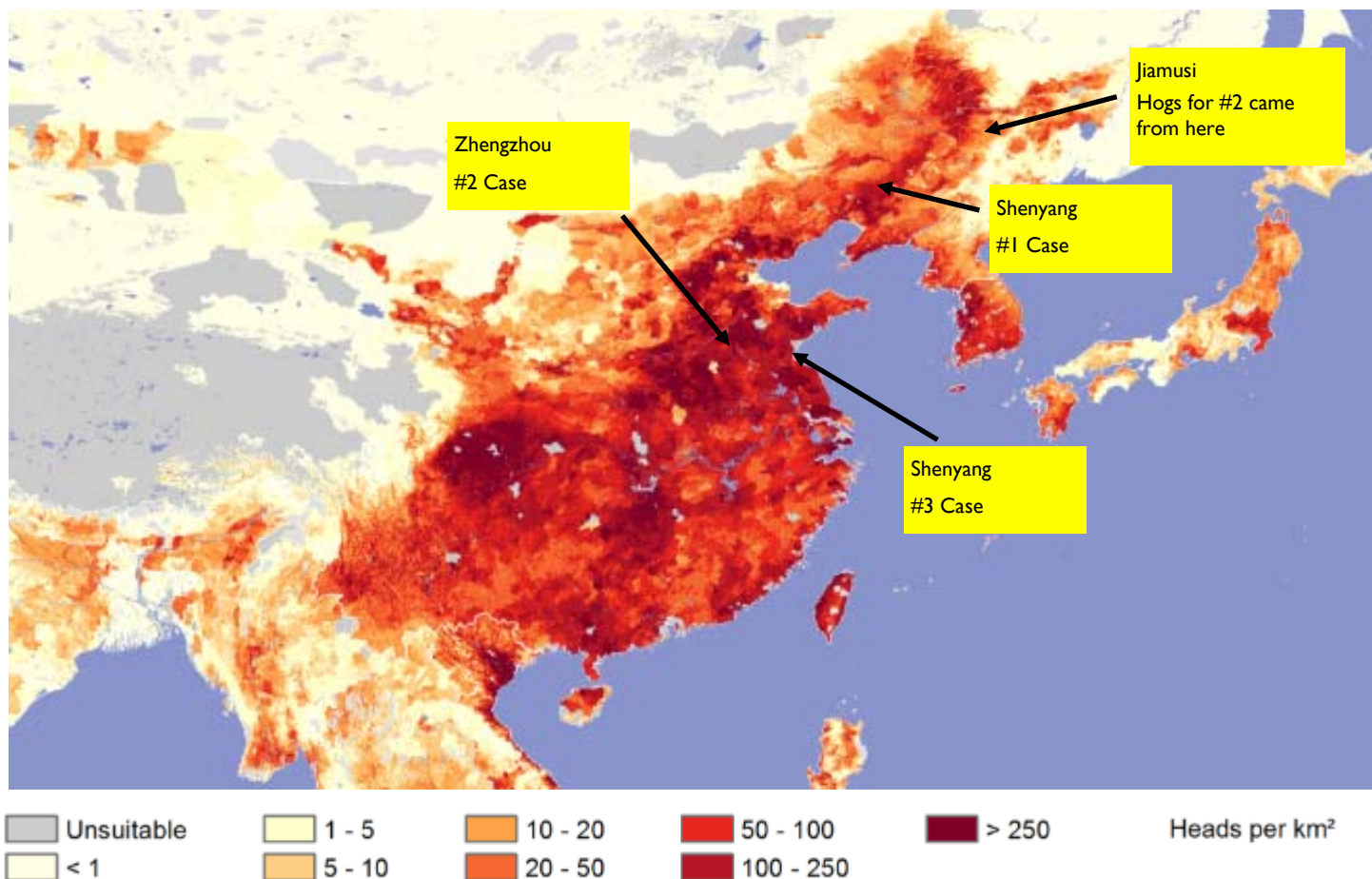
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Hog Density in China and Location of Three Cases of African Swine Fever (ASF)

Map Reproduced for Fair Use from Robinson et. al. Prepared by Steiner Consulting



Map can be found at: <https://livestock.geo-wiki.org/graphics/>

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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **8/18/2018**

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary. Weekly Avg. Prices

Item	Units	Current	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
		18-Aug-18	11-Aug-18		19-Aug-17			
Total Beef, Pork, Chicken, Turkey	mil lbs., cwe	1,933	1,907	1.39%	1,864	3.69%	60,179	1.9%
C FI Slaughter	Thou. Head	660	645	2.33%	635	3.95%	20,487	2.9%
T FI Cow Slaughter **	Thou. Head	114	118	-2.67%	107	6.86%	3,635	7.6%
T Avg. Dressed Weight	Lbs.	813	809	0.49%	820	-0.85%	811	0.3%
L Beef Production	Million Lbs.	535.4	521.0	2.76%	519.8	3.00%	16,607	3.2%
E Live Fed Steer Price	\$ per cwt	109.52	110.98	-1.32%	109.68	-0.15%		
E Dressed Fed Steer Price	\$ per cwt	173.16	175.73	-1.46%	175.25	-1.19%		
& Oklahoma Steer (600-700 lbs)	\$ per cwt	161.62	165.78	-2.51%	138.74	16.50%		
B Choice Beef Cutout	\$ per cwt	209.70	205.91	1.84%	197.06	6.41%		
E Hide/Offal	\$ per cwt, live wt	9.21	9.26	-0.54%	10.87	-15.27%		
B Rib Primal, Choice	\$ per cwt	349.12	337.99	3.29%	311.54	12.06%		
E Round Primal, Choice	\$ per cwt	161.39	162.14	-0.46%	169.25	-4.64%		
E Chuck Primal, Choice	\$ per cwt	173.96	170.90	1.79%	161.48	7.73%		
F Trimmings, 50%	\$ per cwt	92.45	80.31	15.12%	75.99	21.66%		
F Trimmings, 90%	\$ per cwt	210.88	211.73	-0.40%	232.78	-9.41%		
H FI Slaughter	Thou. Head	2,459	2,333	5.40%	2,340	5.07%	76,315	2.7%
H FI Sow Slaughter **	Thou. Head	56.3	59.4	-5.14%	56.7	-0.68%	1,782	1.3%
O Avg. Dressed Weight	Lbs.	207.0	207.0	0.00%	207.0	0.00%	212	0.6%
O Pork Production	Million Lbs.	509.4	482.8	5.51%	484.6	5.12%	16,172	3.3%
G Iowa-S. Minn. Base	Wtd. Avg.	42.68	48.11	-11.29%	76.63	-44.30%		
S Natl. Base Carcass Price	Wtd. Avg.	56.59	61.65	-8.21%	79.69	-28.99%		
S Natl. Net Carcass Price	Wtd. Avg.	58.93	63.87	-7.73%	82.25	-28.35%		
S Pork Cutout	205 Lbs.	68.73	71.67	-4.10%	92.32	-25.55%		
S Ham Primal	\$ per cwt	57.74	59.59	-3.10%	66.53	-13.21%		
S Loin Primal	\$ per cwt	75.40	76.21	-1.06%	82.09	-8.15%		
S Belly Primal	\$ per cwt	86.36	99.47	-13.18%	185.45	-53.43%		
S Trimmings, 72%, Fresh	\$ per cwt	53.78	58.80	-8.54%	62.74	-14.28%		
S Hog By-Product Value	\$ per cwt, live wt	3.73	3.78	-1.32%	4.07	-8.35%		
C Young Chicken Slaughter *	Million Head	168.1	168.8	-0.44%	163.5	2.77%	5,140	-0.3%
H Avg. Weight (RTC)	Lbs.	4.67	4.71	-0.81%	4.65	0.49%	6.16	0.6%
I Young Chicken Production (RTC)	Million Lbs.	785.6	795.5	-1.24%	760.6	3.28%	24,070	0.3%
C Eggs Set (19-state)	Million	227.8	229.4	-0.70%	224.7	1.38%	7,317	2.3%
K Chicks Placed (19-state)	Million Head	185.2	184.1	0.55%	184.4	0.40%	5,887	1.4%
E National Composite Whole Bird	Composite	86.13	89.88	-4.17%	93.14	-7.53%		
E Northeast Breast, B/S	\$/cwt	109.05	116.98	-6.78%	145.47	-25.04%		
E Northeast Leg Quarters	\$/cwt	31.03	31.57	-1.71%	43.36	-28.44%		
T Total Turkey Slaughter *	Million Head	4.267	4.27	-0.07%	4.059	5.12%	131,624	-0.1%
U Avg. Weight (RTC)	Lbs.	24.08	25.14	-4.18%	24.47	-1.57%	31.45	-0.6%
R Turkey Production (RTC)	Million Lbs.	102.8	107.3	-4.25%	99.3	3.47%	3,330	-0.5%
K National Hen (8-12 lb)	8-16 Lbs.	79.30	81.00	-2.10%	96.00	-17.40%		
G Corn, Omaha	\$ per Bushel	3.37	3.44	-2.03%	3.20	5.31%		
R Distillers Grain, Chicago	\$ per Ton	150.00	150.00	0.00%	122.50	22.45%		
A Wheat, Kansas City (deliv.)	\$ per Bushel	5.95	5.99	-0.67%	3.65	63.01%		
I Soybeans, Cntrl IL	\$ per Bushel	8.64	8.74	-1.14%	9.29	-7.00%		
N Soybn Meal 48%, Cntrl IL	\$ per Ton	344.60	342.60	0.58%	297.10	15.99%		

* Chicken & turkey slaughter. Production, egg sets are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago due to reporting lag.

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