

October 29, 2018

In The Cattle Markets

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African Swine Fever

Why would *In the Cattle Markets* write an entire article on African Swine Fever? The answer lies in trade and competitive meat prices. African Swine Fever (ASF) is a highly contagious disease with no known vaccine. Incidences of the fever have been reported in China, Belgium, Poland, Japan and other countries. Backyard operations are not the only enterprises vulnerable to this disease as a couple weeks ago it was found in a commercial operation of 20,000 pigs. Although wild hogs have facilitated some of the disease spread, the most likely cause of the transcontinental jump to Belgium is attributed to human actions and the transportation of meat products between countries.

The very real concern is what will happen if/when it comes to the US. Until recently Poland was able to export pork from certain regions. Belgium is still able to export pork from certain regions. This concept of regionalization is important as it would allow trade from non-infected regions of a country to continue. Given that the US will produce over 26 billion pounds of pork in 2018 and over 22% will be exported, an incident of ASF in the US would be challenging with regionalization and devastating without regionalization. Should the US become infected with ASF, the impact on pork prices would be severe even if we can keep some of our export trade with regionalization. The lower pork prices would also negatively impact other animal protein products.

Regionalization can work well, provided the transportation of swine between the infected and non-infected regions can be stopped. Unfortunately, as is the case in China, this transportation wasn't stopped. China, the world's largest producer of pork products, had eight provinces reporting ASF cases at the end of September. China has approximately 433 million pigs, about 5.9 times that of the US. Approximately 80% of their pigs face movement restrictions. The supply/demand structure in the different regions of China has created large price spreads between the different regions of China. These price spreads will likely continue to promote the illegal trade between these different regions and propagate the spread of the disease in China.

The US produces approximately 32% of the world pork exports. US pork export quantities have increased in 2018, although prices have not held up as well. One country where US export quantities have decreased steadily since April 2018 is China. China imports approximately 26% of the world trade, and in September 2018 China increased pork imports by 8.4% over September 2017. Yet volume of US pork exports to China and Hong Kong are down 9% from 2017. Given the African Swine Fever issues in China and the increasing Chinese demand for pork, one can assume the decrease in US exports to China is related to tariff issues. All the pork exports on the international market would not be able to meet the

entire pork demands of China. Yet, even with the lower Chinese production because of ASF, US exports to China have decreased in 2018. Trade negotiations may play a bigger role soon.

ASF is an animal disease that is specific to pork producers, yet US cattle producers need to be aware of any new developments. The incidence of ASF in China has both the potential to increase US pork exports, if we can work out a trade agreement with China to lower tariffs on US pork while also providing huge risk should ASF make the jump to the US. Cattle producers need to pay attention as significant changes in pork prices will impact beef prices and eventually cattle prices.

The Markets

Last week saw cattle prices move higher based on support from higher beef prices. Choice beef prices increased, and packers were able to increase bid prices for live supplies. The Choice/Select spread widened to a 10 year high for October. Monday saw cattle prices decreasing from last week.

Corn harvest is slightly ahead of normal at 49% of the US crop harvested. Some yield and quality losses have not yet been reported. Basis has seen some improvements indicating prices may have bottomed.

<i>Data Source: USDA-AMS Market News</i>		Week of 10/26/18	Week of 10/19/18	Week of 10/27/17
5-Area Fed Steer	all grades, live weight, \$/cwt	\$113.81	\$110.05	\$116.98
	all grades, dressed weight, \$/cwt	\$179.70	\$173.84	\$181.54
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$211.50	\$205.74	\$201.05
	Choice-Select Spread, \$/cwt	\$13.61	\$13.30	\$8.95
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$153.53	\$155.86	\$156.40
	Nebraska 7-market, \$/cwt	\$159.77	\$161.76	\$166.61
	Oklahoma 8-market, \$/cwt	\$156.16	\$156.91	\$157.33
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$167.18	\$172.58	\$172.54
	Nebraska 7-market, \$/cwt	\$175.92	\$179.96	\$180.53
	Oklahoma 8-market, \$/cwt	\$163.35	\$162.97	\$161.71
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.31	\$3.31	\$3.16
	DDGS, Nebraska, \$/ton	\$137.50	\$141.50	\$122.50