

A new variant of African Swine Fever (ASF) has been discovered in China, and with it bringing a new range of scenarios possible in 2021. Impacts are on-going, but a large scale re-break would change the scenarios for both U.S. exports of pork and also alter potential feed demand from China.

Ahead of this news, Chinese officials had been suggesting that the swine herd would be fully restored by mid-2021. With significant recovery, it was unlikely to hit another record high in U.S. pork exports to China. However, a new variant has the potential to continue China's large pork importing numbers, and could revise U.S. pork export numbers significantly from where they were expected a few months ago.

It's difficult to assess the full impacts, especially as ASF in China is a fluid situation and the official reporting mechanism in China has often been questioned. [One analyst](#) has put out an estimate last week that as many as 7-8 million sows have been culled in the last 6-8 weeks. For perspective, that surpasses the total U.S. sow herd of 6.3 million (USDA December Hogs and Pigs). The number referenced above is for discussion purposes only and undoubtedly, as has happened in the past, more estimates and insights over the coming weeks and months will be released as this event unfolds.

However, even if the true number is unknown, its worth thinking about what types of changes to the balance sheets this event will change. For example, this could substantially increase our estimates for U.S. pork exports. Last year, the U.S. exported 2.1 billion pounds of pork meat (excluding variety meats) on a carcass weight to China, easily a record high by more than a billion pounds from 2019. Should we expect another record pork export year of shipments to China, and if so by how much? In the past, new outbreaks have triggered increases in hog slaughter as producers try to bring pigs to market ahead of disease spread. This can adjust the timing of when pork imports may be needed. ASF has effected as many as 15 countries in Asia since 2018. The pandemic caused major disruptions in addition to ASF and brought new challenges to logistics, and trade. Those pandemic challenges may ease in 2020, but for ASF hit countries the demand for pork could be even greater as economic recovery increases. Some countries may be more price sensitive than others. An increase from China may mean a decrease elsewhere, as consumers seek out less expensive alternatives.

USDA FAS released a GAIN report on China's livestock sector on [March 8, 2021](#) and cited continued investment in the hog sector. Note: these are not official USDA statistics. The official update will be April 9th in the Livestock and Poultry: World Markets and Trade report. Biosecurity and new disease issues were referenced but not with an estimate for sow culling. The tone of the report did not raise newfound concerns for substantial changes to China's pork balance sheet. USDA has pork imports into China in total (from all countries) declining 15%

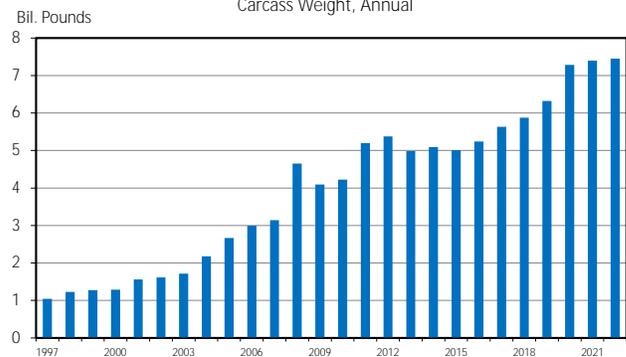
from 2020 as a result of China's higher domestic pork production. Pork consumption is expected to increase.

The number put forward of 7-8 million sows is a large first cut and one that the industry will likely continue to watch, but it will be difficult as it has been in the past to fully understand the disease scope and culling in real time.

Large changes to China's swine herd also has the potential to impact Chinese feed grain demand. If ASF takes a substantial toll on the pig population in China, than are the demand expectations for corn and soybeans overstated or is that timeline more truncated? U.S. corn and soybean prices have been surging on tight supplies ahead of a potential record high South American crop and U.S. new planting season. With only 5 months left to the current U.S. crop year, there may not be any immediate ASF related adjustments. For now, the crop market will be more overshadowed by the supply side.

Minimal changes were made in the latest [WASDE](#) released yesterday, for domestic estimates for corn and soybean balance sheets. The USDA's China balance sheet for corn was unchanged, reflecting the same supply and use as the previous month. China's soybean balance sheet for 20/21 showed a small revision to crush, down 1 million tons from the previous estimate, noting in the summary those changes were based on data to date. Our assessment is the news of ASF and the uncertainty around the official numbers are ahead of many of these USDA reports. Future updates, and USDA FAS's Livestock and Poultry: World Markets and Trade report out next month may provide more insights. Livestock Marketing Information Center's pork export expectations are similar to a year ago—still very large exports of U.S. pork and have not been revised in light of ASF numbers as the uncertainty is being balanced against a strong January export figure, and the ASF situation in Europe and Southeast Asia.

U.S. PORK EXPORTS
Carcass Weight, Annual



Data Source: USDA-ERS & USDA-FAS, Compiled and Forecasts by LMIC
Livestock Marketing Information Center

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