How big is China’s hog herd?

Presented by Simon Quilty
squilty@globalagritrends.com
History of African Swine Fever in China

• First outbreak reported in August 2018.
• Currently exists in 14 countries in Asia and 8 countries in Europe.
• The low in China’s inventory was September 2019 of 254 M head (42% decline), and 24 M on the sows (46% decline)
• In 2020, China’s Ministry of Agriculture said by the end of November the inventory of live pigs and production sows would be recovered by 90% of the annual level.
• By Mid 2021 – fully restored
• China is experiencing a wave of ASF outbreaks as we speak due to new strains of ASF with an estimated 7-8 M sows lost
What data can we trust?

1/ Pricing data within China

2/ Import data of pork, beef and chicken

3/ Anecdotal evidence
China Piglet Prices

Weekly through Feb 19, 2021

Source: JCI

98 RMB/head

4 x difference

25 RMB/head Pre-ASF
China Daily Hog Prices

Source: JCI

30-40 RMB/kg trading range 2-3 X higher

Rebound expected

10-20 RMB/kg trading range pre-ASF
China Breeding Sow Prices

Monthly through mid-February 2021

Source: JCI
China Meat & Poultry Prices

Source: China MARA
2/ Import data of pork, beef and chicken
China's total meat imports (beef, pork and chicken)

5.63 million MT difference

3 X difference

Source - USDA
What is the anecdotal evidence?
Many pieces of evidence highlight that production is struggling

- Reports of ongoing outbreaks

Pingyuan County, Guangdong Province, reported an outbreak of swine fever in Africa suspected of being transported in violation of the rules
An estimated a minimum of 7 to 8 million head of sows lost in the last 6-8 weeks

1/ New strains of ASF have occurred due to illegal vaccines

2/ Chinese researchers find natural mutation in African swine fever virus
Aren't new super complexes bullet proof?
A combination of two factors

1/ Poor genetics and smaller litter sizes
   • Female pigs not usually used for breeding, breeding experts saying ‘retained gilts not performing well’ which will hurt future productivity.
   • This was done to speed up productivity
   • Lower carcase weights hog and smaller litters

2/ ASF disease has never stopped
   • Other diseases such as SARRS, foot and mouth disease continue to plague production
   • New strains of the disease are occurring
Vietnam ASF infections on the rise

<table>
<thead>
<tr>
<th></th>
<th>CJ Group</th>
<th>Debaco Group</th>
<th>Mavin Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sows infected</td>
<td>24.40%</td>
<td>20.60%</td>
<td>44%</td>
</tr>
<tr>
<td>Fattening pigs</td>
<td>18%</td>
<td>18.40%</td>
<td>27.60%</td>
</tr>
</tbody>
</table>

Infections rates have exploded in recent months since August 2020 in Vietnam

What’s different? Higher consumption, more transportation, cold & wet conditions, swill in use, Thailand is a source
How long for “high prices to fix high prices”? ~10 months

The sustained high prices tells us there is on-going leakage
If herd was so close to 100% recovery which is feed use still only 83%
China’s own futures market is saying prices will remain high due to lack of supply.
Summary

• A second wave of infections due to new viruses has removed potentially 7 to 8 million sows
• This has set China’s rebuild back for several years
• Poor production due to ongoing diseases, poor genetics and small litters see ongoing production issues for several years
• Corn and cereal prices are likely to fall in the short term as demand eases
• China domestic hogs, pork, sows and piglet prices are all expected to increase in price over coming months
• Imports of pork, chicken and beef will need to increase to make up for the shortfall, likely to exceed last years record 8.9 M tonnes
• Shortages in global beef supply will see higher beef and lamb prices in 2021
Questions

Brett Stuart
bstuart@globalagritrends.com

Simon Quilty
squilty@globalagritrends.com