

Impact of the Chinese Retaliatory Duties on the US hog Market

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Overview

- Importance of China and Hong Kong before the duties
- Impact of soybean duties on feed prices
- The futures market for hog carcasses in Chicago
- Impact of the duties on futures prices
- Impact of ASF on prices
- Impact of Mexican duties

United States (Consumption/Domestic) Export Statistics

Commodity: Pork & Pork Products (China),

Year Ending: December

Year Ending 2017

UDG/HS:

► Chart View

Rank	Partner Country	Unit	Quantity			% Share			% Change 2017/2016
			2015	2016	2017	2015	2016	2017	
	World	T	2,081,219	2,260,524	2,386,159	100.00	100.00	100.00	5.56
1	Mexico	T	708,605	721,674	784,203	34.05	31.93	32.86	8.66
2	Japan	T	406,565	387,603	393,291	19.53	17.15	16.48	1.47
3	China	T	175,111	330,097	275,344	8.41	14.60	11.54	- 16.59
4	Canada	T	199,768	204,456	207,965	9.60	9.04	8.72	1.72
5	Hong Kong	T	138,517	181,687	186,325	6.66	8.04	7.81	2.55

United States (Consumption/Domestic) Export Statistics To China

Commodity: Pork & Pork Products (China),

Year Ending: April

Year Ending 2019

UDG/HS:

► Chart View

Rank	Commodity	Unit	Description	Quantity			% Share			% Change 19/18
				2017	2018	2019	2017	2018	2019	
	Pork & Pork Products (China)	T		332,872	260,859	182,826	100.00	100.00	100.00	- 29.91
1	0203	T	Meat Of Swine (Pork), Fresh, Chilled Or Frozen	164,700	129,026	103,145	49.48	49.46	56.42	- 20.06
2	020649	T	Offal Of Swine Except Livers, Edible, Frozen	167,683	131,238	79,301	50.37	50.31	43.38	- 39.57

United States (Consumption/Domestic) Export Statistics To Hong Kong

Commodity: Pork & Pork Products (China),

Year Ending: April

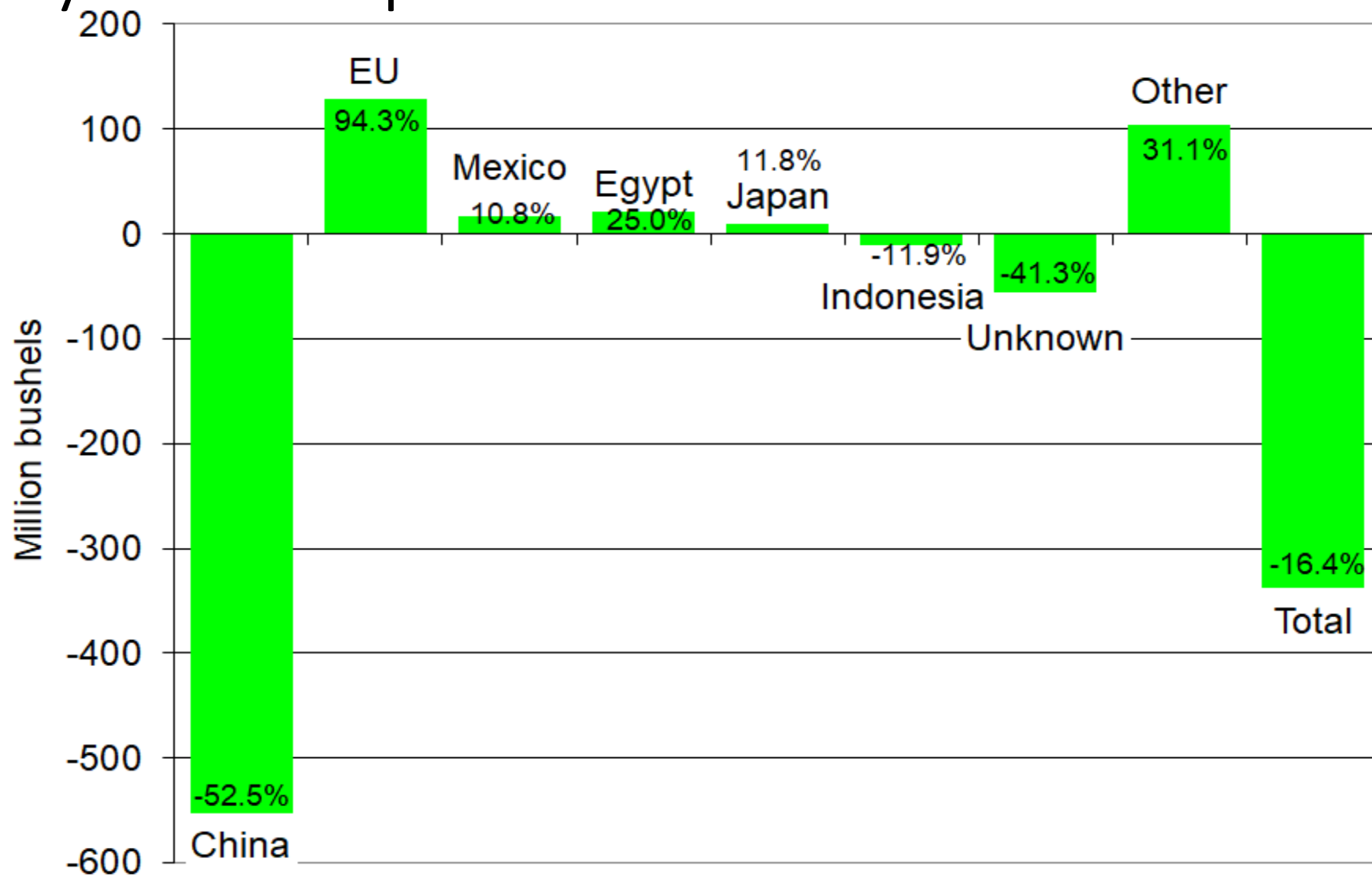
Year Ending 2019

UDG/HS:

▶ Chart View

Rank	Commodity	Unit	Description	Quantity			% Share			% Change 19/18
				2017	2018	2019	2017	2018	2019	
	Pork & Pork Products (China)	T		181,601	173,887	107,975	100.00	100.00	100.00	- 37.90
1	020649	T	Offal Of Swine Except Livers, Edible, Frozen	134,648	133,112	92,535	74.15	76.55	85.70	- 30.48
2	0203	T	Meat Of Swine (Pork), Fresh, Chilled Or Frozen	43,610	37,712	12,747	24.01	21.69	11.81	- 66.20

Soybean Export Shifts



Source: USDA-FAS

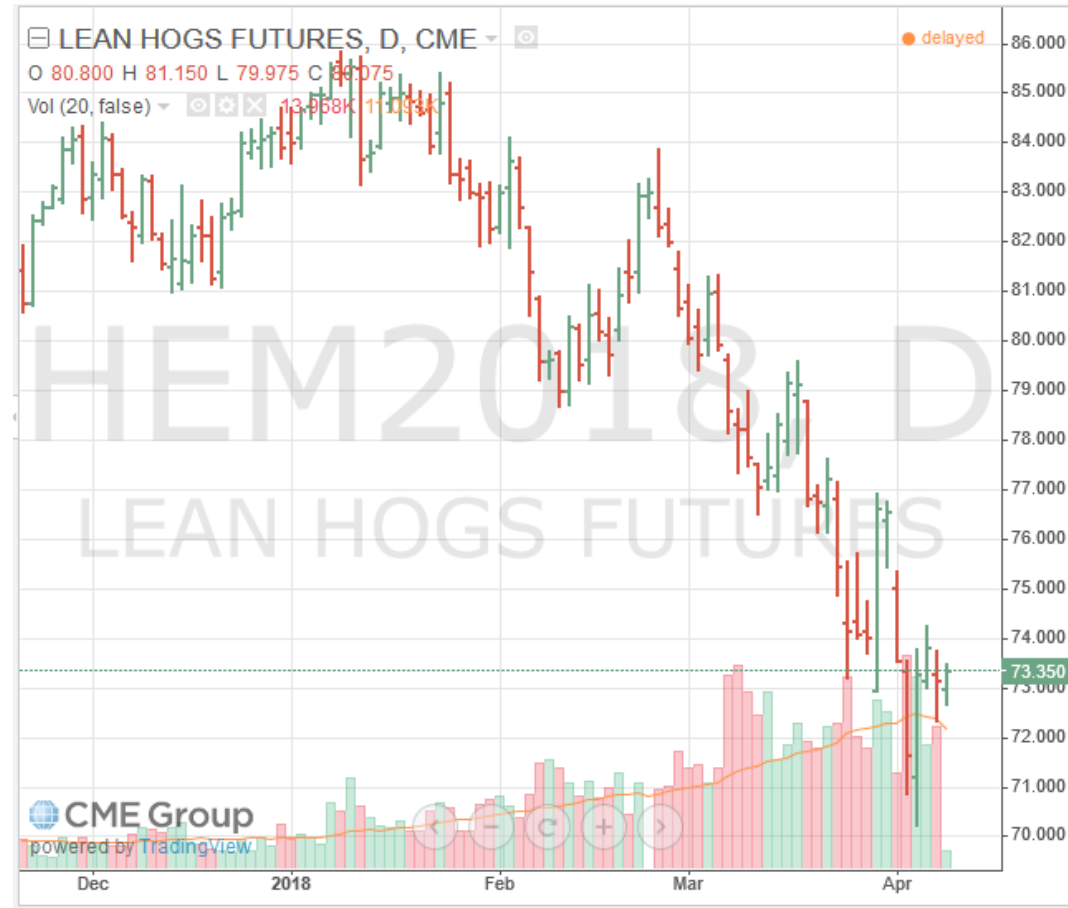
The Importance of futures Markets in the US

- The CME lean hog futures market is very liquid and it attracts a lot of speculative interest, therefore the prices quoted on this market are a pretty accurate prediction of futures prices
- Most US pork producers sell some of their hogs on the futures, this is especially true when they can lock in a profit

China retaliatory duties on pork

- On March 23rd China announced its intention of imposing an additional 25% retaliatory duty on US pork. It implemented this duty on April 1st. Prior to this announcement, China had been the third largest export market for US pork
- From March 22nd to April 9th, the April futures contract has fallen by \$10.10 per hundredweight or \$21.62 per animal. The change in the May contract was \$12.14 per animal and the change in the June contract was \$8.56 per animal. The contract for February 2019 was down by \$6.48 per animal. Averaging these per animal reductions across the next twelve months, the reduction is \$9.00 per animal. The US is expected to produce 127 million animals in 2018. Therefore the loss over a twelve month period is \$1.14 billion.

July 2018 Futures during the Spring of 2018

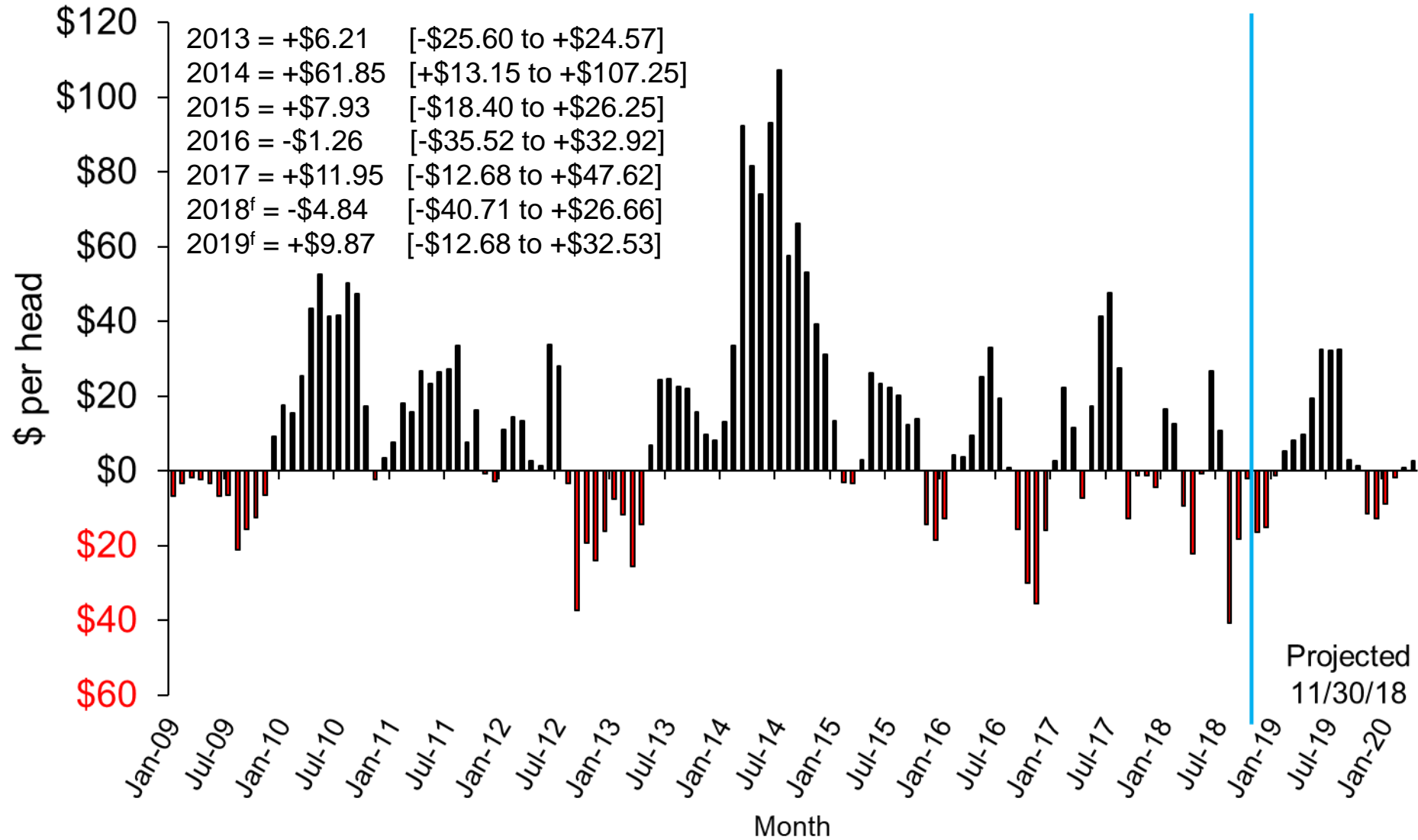


- On July 6th China started collecting an additional 25 percent tariff on imported U.S. pork, which when added with the previous import taxes means an import duty of 72 percent.

July 2019 futures for a full year prior to July 2019

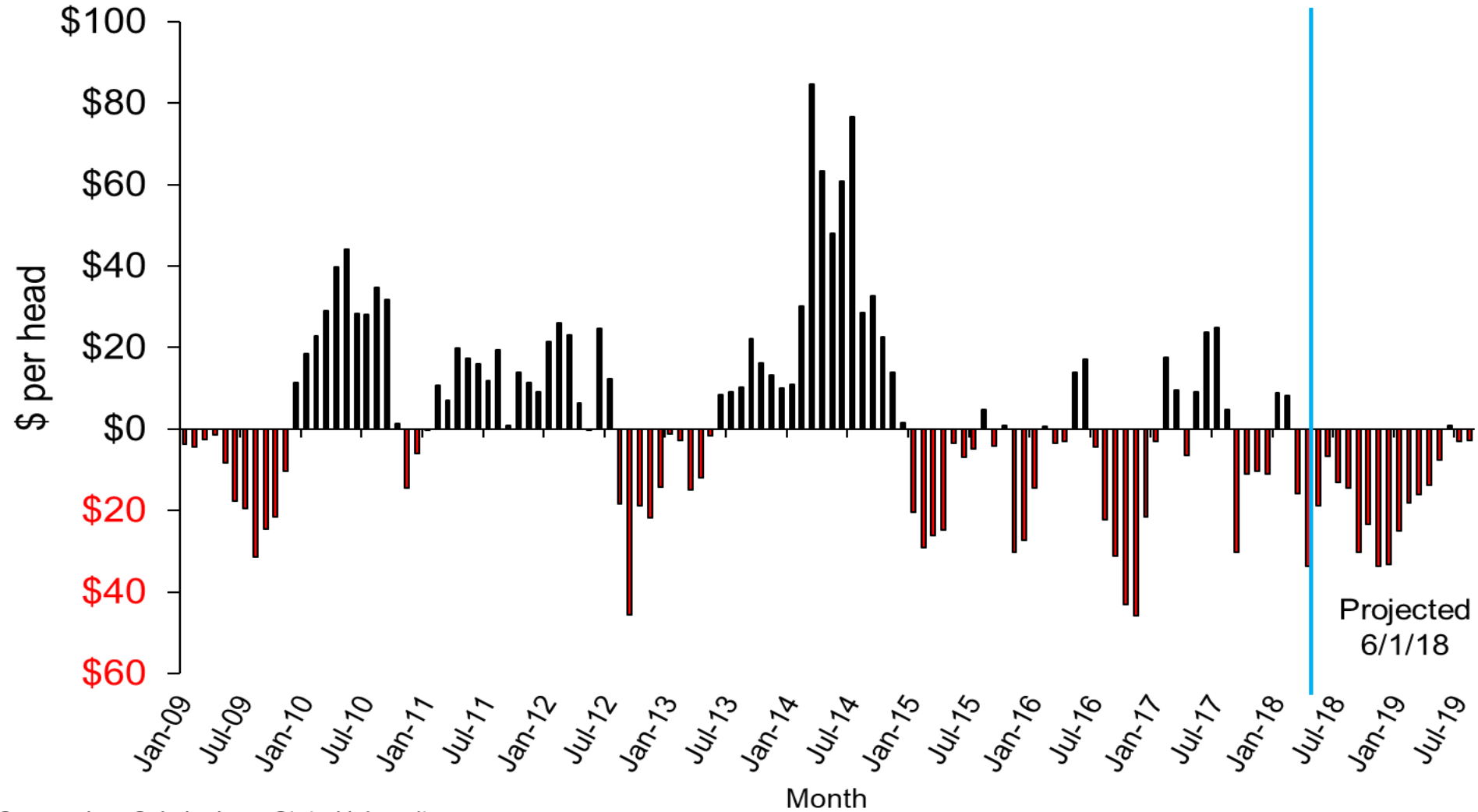


Estimated Returns to Farrow to Finish, Iowa Past and Projected with Basis Adjusted Futures



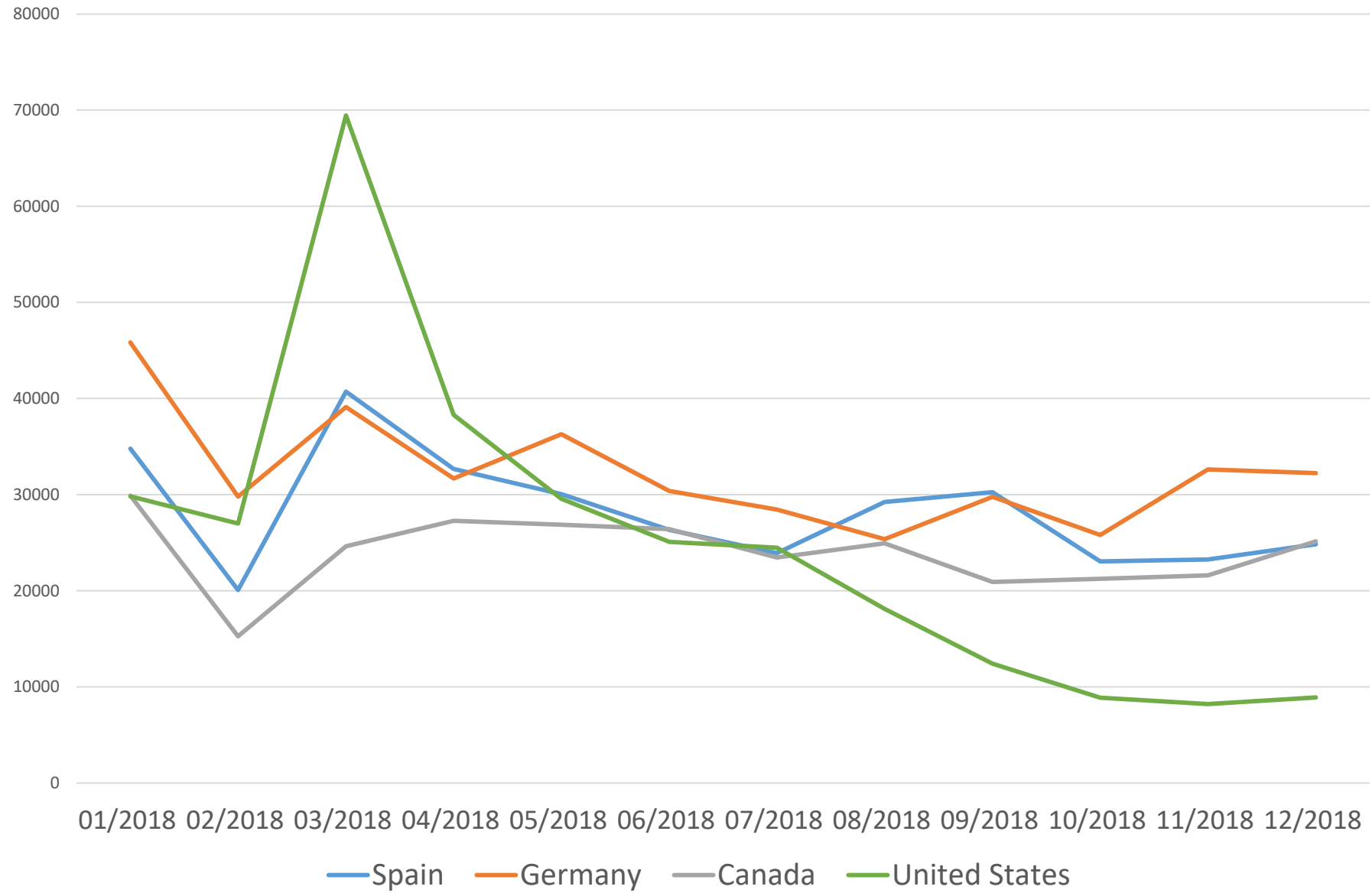
Source: Lee Schulz, Iowa State University

Estimated Returns to Wean to Finish, Iowa Past and Projected with Basis Adjusted Futures

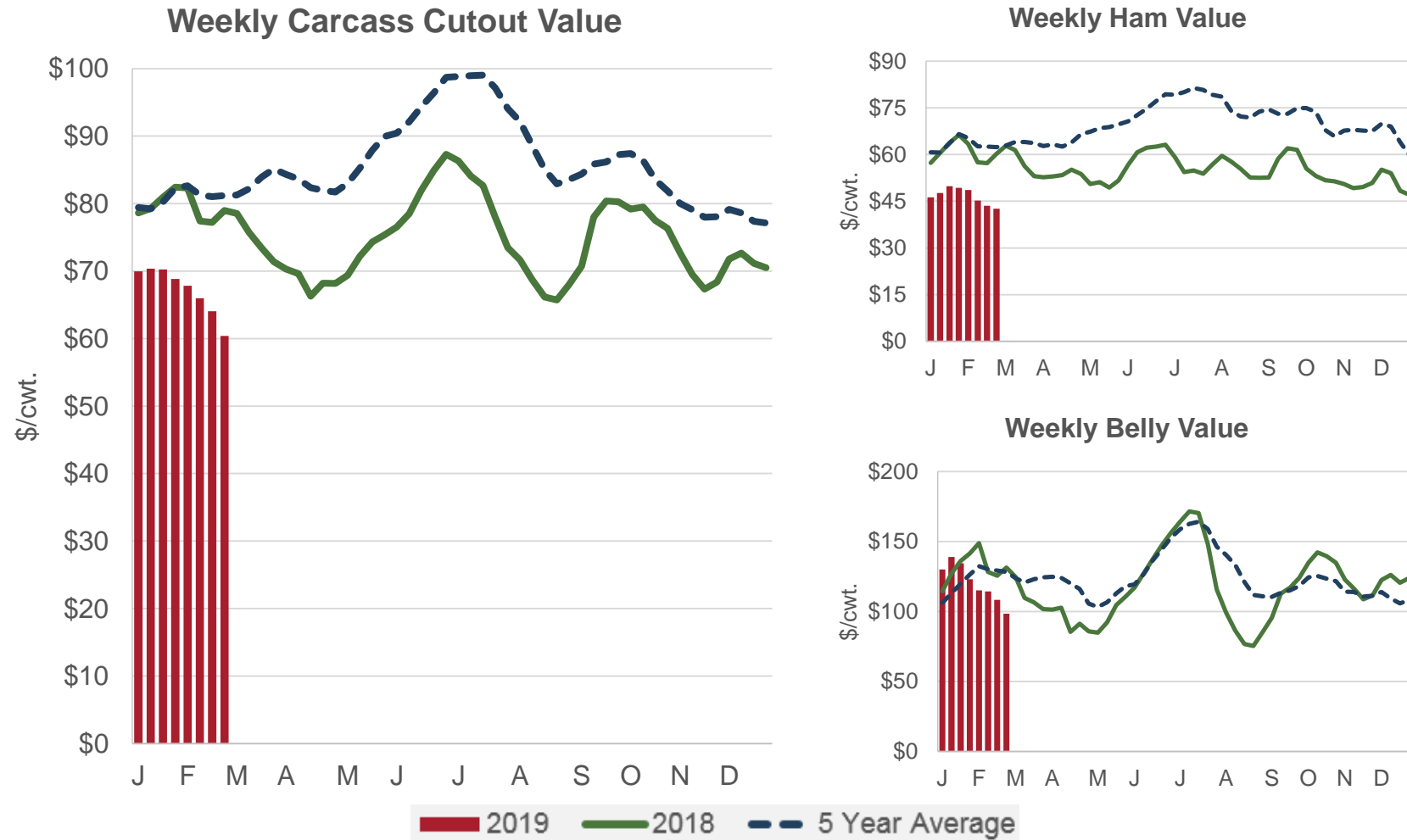


Source: Lee Schulz, Iowa State University

Chinese Pork and Pork Variety Meat Imports by Country
Metric Tons per Month (Source: GTIS)



Cutout Continues to Struggle, 24% Lower YoY; Bellies Fell \$10/cwt. Last Week



Unit Value of Mexcan Pork Imports from the US and Canada \$/MT
Source:GTIS

