

Hog Disease in Germany Means a Boost for Battered U.S. Farmers

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By Michael Hirtzer

(Bloomberg) -- The first confirmed outbreak of African swine fever in Germany is giving a lift to U.S. livestock farmers, who have been battered by the coronavirus pandemic that shut meat-processing plants.

Major pork importers including South Korea and Japan have suspended shipments from Germany after the discovery of the deadly and highly contagious animal disease, and China was reported to be following suit.

The development could boost demand for U.S. supplies, with exports of American pork already booming to China.

December hog futures in Chicago climbed to the highest since February on Friday, and were on track for a weekly gain of 14%, the most ever for the contract that debuted in June 2019.

"We're dialing in a lot of news on the demand side," Don Roose, president of U.S. Commodities Inc. in Iowa, said by telephone.

The U.S. hog market had crashed in March, first as restaurants in the U.S. closed to slow the spread of the coronavirus and then as workers at meat plants started catching Covid-19. Absent employees and companies taking safety precautions forced pork plants to shut down, resulting in a nearly 40% reduction in output of the meat by early May.

Hog farmers left without a market euthanized animals and adjusted feed rations to slow the rate of weight gain in herds.

While there is no official count of how many hogs were culled, CoBank estimated as many as 7 million.

Now, months after plants reopened, pork plants were bidding up prices to buy hogs from farmers, even before the news out of Germany.

“We had all of that liquidation taking place and no one ever quantified that,” Dan Norcini, independent hog trader in Idaho, said by phone. “I’m starting to wonder if the impact of the liquidation is being felt and then the German news came, and it was like a one-two punch.”

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