

On page 2 we have updated the regular weekly supply and price table. Please keep in mind that the y/y comparisons in the first few weeks of the year will look a bit odd, reflecting calendar differences. Also, some of the production numbers will be adjusted based on more accurate slaughter and weight information.

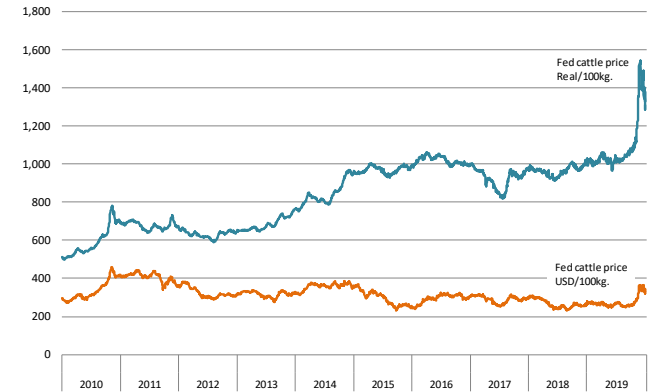
For today's issue we decided to focus on an email we received from a reader who took issue with some of our past reports on the import trade. The gist of the argument was that **all talk of China demand for beef in the world market was overblown; that US imports were not impacted as much people (including us) said; and that all this had created a panic in the market**, resulting in dramatically higher prices followed by a price crash. Now hindsight is great and knowing what I know now I surely would have made some better choices in life. But best one can do is make sure to take off whatever color glasses are on and see things for what they are. And if lucky, one learns a lesson and hopefully remembers it the next time around. Back to the issue of imports. First, we have no illusions that an article or two on the state of import trade will cause fast food buyers to panic. These are experienced people that have been around the block a few times. We all remember 2008 and we all remember 2015, years with dramatic price swings. Heck, in 2017 the price of 50CL beef trim, which now is priced under 60 cents, jumped over \$2/cwt only to be worth half that a few weeks later. But more importantly, the panic over China demand was not something that was somehow manufactured in the US and affected only the US market. The chart to the right shows the price of finished cattle in Brazil, both in US dollar terms and in Brazilian Real terms. **Cattle prices in Brazil at the end of November were the equivalent of US\$165/cwt (US\$55/15kg), some 40% higher than what they were in early October.** The reason why Brazilian cattle prices jumped to the degree they did had nothing to do with the US market and all to do with big orders from China that forced Brazilian packers to aggressively chase cattle in order to fill domestic and export orders. Beef prices in Brazil were also dramatically higher as Chinese buyers sought to outbid Brazilian end users that normally look to secure needs for year-end traditional barbecues. If you are a US user of imported beef, you don't need to read the DLR to know that global beef market was on fire. All you had to do was to put a bid in New Zealand or Australia and see counters that were 20-30-50 cents above your bid.

Now to the issue of panics and the role of analysts to inform.

The reaction from US end users was reasonable even though the price paid (+300/cwt for 90CL beef) looked especially unreasonable. After all, it is a bidding war and in the short term demand tends to be extremely inelastic. If you have 5 buyers bidding on the same product and they all have to have it, sometimes prices will break through whatever ceiling you think exists. Furthermore end users were well justified to buy a bunch of product for Q1 and pay a hefty premium for it. Their reasoning was sound: you simply cannot allow to be held hostage and be forced to bid in the open market every single week. With hindsight, one can now say all you had to do was

Dressed Fed Cattle Prices in Brazil in USD and Brazilian Real Terms. Per 100kg.

Source: CEPEA

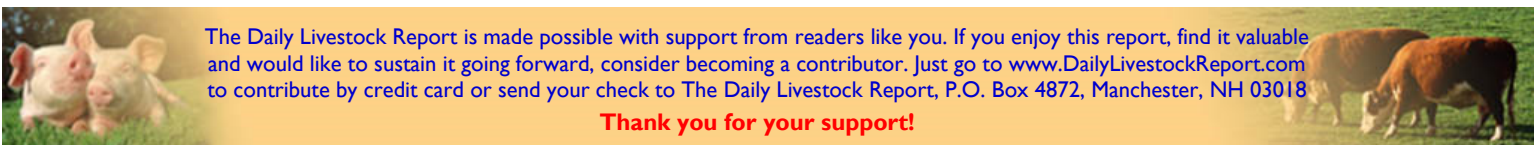


Summary of Australian Beef and Veal Exports in Q4 (Oct-Dec)

Source: MAFF

	2018 OCD	2019 OCD	MT ch.	% ch.
Japan	80,920	70,000	(10,919)	-13%
South Korea	45,145	41,410	(3,735)	-8%
China	46,519	99,280	52,761	113%
USA East	34,931	41,718	6,787	19%
USA West	16,243	22,479	6,236	38%
Total USA	51,174	64,197	13,023	25%
Indonesia	11,543	13,892	2,349	20%
Philippines	8,217	5,877	(2,340)	-28%
Total EU	3,437	2,715	(722)	-21%
Total Middle East	7,414	7,690	276	4%
Other Markets	30,806	28,128	(2,678)	-9%
Total Aus	285,175	333,189	48,014	17%

wait, China will back off and you will be able to buy at lower money. But you don't know when that will happen so the best thing to do is buy yourself some breathing room. The old adage that high prices fix high prices is alive and well but the reason why it works is because people react and change future dynamics. For us as analysts that is the lesson and also something where we can always do better. Recognize when price imbalances are created, caution about excess and remind all involved on past experiences. Imported beef prices are now down as much as 60 cents from the peak as Chinese buyers have backed off and are looking to renegotiate orders. How long they play this game is anyone's guess but also a good reminder of what happens when a big bull pulls on the rope. When they stop, suddenly you have a lot of slack.



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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **1/4/2020**

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary. Weekly Avg. Prices

Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
		4-Jan-20	28-Dec-19		5-Jan-19			
Total Beef, Pork, Chicken, Turkey	mil lbs., cwe	1,622	1,738	-6.72%	1,548	4.74%	46,681	2.9%
C FI Slaughter	Thou. Head	546	468	16.67%	535	2.07%	328	-28.4%
T FI Cow Slaughter **	Thou. Head	132	137	-3.36%	129	2.79%	6,286	3.5%
T Avg. Dressed Weight	Lbs.	828	831	-0.36%	825	0.36%	826	0.3%
T Beef Production	Million Lbs.	450.7	387.8	16.22%	440.2	2.39%	271	-28.2%
L Live Fed Steer Price	\$ per cwt	124.85	122.28	2.10%	122.55	1.88%		
E Dressed Fed Steer Price	\$ per cwt	197.04	195.22	0.93%	194.64	1.23%		
Oklahoma Steer (600-700 lbs)	\$ per cwt	N/A	N/A	N/A	N/A	N/A		
& Choice Beef Cutout	\$ per cwt	208.96	210.23	-0.60%	215.75	-3.15%		
Hide/Offal	\$ per cwt, live wt	8.78	8.92	-1.57%	8.88	-1.13%		
B Rib Primal, Choice	\$ per cwt	334.19	339.00	-1.42%	347.25	-3.76%		
E Round Primal, Choice	\$ per cwt	179.77	179.77	0.00%	176.63	1.78%		
E Chuck Primal, Choice	\$ per cwt	171.68	171.60	0.05%	179.66	-4.44%		
F Trimmings, 50%	\$ per cwt	58.05	53.77	7.96%	65.67	-11.60%		
Trimmings, 90%	\$ per cwt	240.74	240.32	0.17%	198.06	21.55%		
H FI Slaughter	Thou. Head	2,293	2,029	13.01%	2,251	1.88%	1,401	-24.6%
H FI Sow Slaughter **	Thou. Head	65.7	65.6	0.26%	66.2	-0.72%	2,957	-0.5%
H Avg. Dressed Weight	Lbs.	215.0	215.0	0.00%	216.0	-0.46%	215	-0.2%
O Pork Production	Million Lbs.	492.8	436.3	12.95%	484.9	1.63%	301	-24.7%
G Iowa-S. Minn. Base	Wtd. Avg.	50.29	48.77	3.12%	46.70	7.69%		
S Natl. Base Carcass Price	Wtd. Avg.	61.32	61.72	-0.65%	56.01	9.48%		
Natl. Net Carcass Price	Wtd. Avg.	62.89	63.38	-0.77%	57.75	8.90%		
Natl. Early Wean Feeder	Wtd. Avg.	55.60	52.07	6.78%	54.87	1.33%		
Pork Cutout	205 Lbs.	73.96	75.88	-2.53%	69.96	5.72%		
Ham Primal	\$ per cwt	65.47	65.75	-0.43%	46.21	41.68%		
Loin Primal	\$ per cwt	70.81	70.42	0.55%	63.53	11.46%		
Belly Primal	\$ per cwt	81.32	90.45	-10.09%	130.01	-37.45%		
Trimmings, 72%, Fresh	\$ per cwt	60.75	53.72	13.09%	45.74	32.82%		
Hog By-Product Value	\$ per cwt, live wt	3.63	3.61	0.55%	3.43	5.83%		
C Young Chicken Slaughter *	Million Head	127.5	171.9	-25.83%	117.7	8.36%	8,580	3.0%
H Avg. Weight (RTC)	Lbs.	4.76	4.69	1.46%	4.77	-0.16%	6.23	0.5%
I Young Chicken Production (RTC)	Million Lbs.	606.6	806.1	-24.75%	560.7	8.19%	40,601	3.6%
C Eggs Set (19-state)	Million	237.3	239.1	-0.77%	228.6	3.83%	12,013	2.1%
K Chicks Placed (19-state)	Million Head	188.6	189.3	-0.40%	176.8	6.67%	9,659	2.1%
E National Composite Whole Bird	Composite	90.49	85.50	5.84%	104.79	-13.65%		
Northeast Breast, B/S	\$/cwt	97.35	95.18	2.28%	97.49	-0.14%		
Northeast Leg Quarters	\$/cwt	37.64	36.94	1.89%	28.38	32.63%		
T Total Turkey Slaughter *	Million Head	2.619	3.995	-34.44%	2.266	15.58%	212,533	-1.2%
U Avg. Weight (RTC)	Lbs.	27.32	27.11	0.80%	27.57	-0.90%	32.36	3.4%
R Turkey Production (RTC)	Million Lbs.	71.6	108.3	-33.92%	62.5	14.54%	5,508	2.0%
K National Hen (8-12 lb)	8-16 Lbs.	95.19	95.83	-0.67%	79.93	19.09%		
G Corn, Omaha	\$ per Bushel	3.87	3.81	1.57%	3.63	6.61%		
R Soybeans, Cntrl IL	\$ per Bushel	9.58	9.44	1.48%	8.86	8.13%		
A Soybn Meal 48%, Cntrl IL	\$ per Bushel	304.60	296.40	2.77%	317.70	-4.12%		
I Distillers Grain, IL	\$ per Bushel	NQ	163.00	N/A	160.00	N/A		

* Chicken & turkey slaughter. Production, egg sets are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago due to reporting lag.

