Daily Livestock Report

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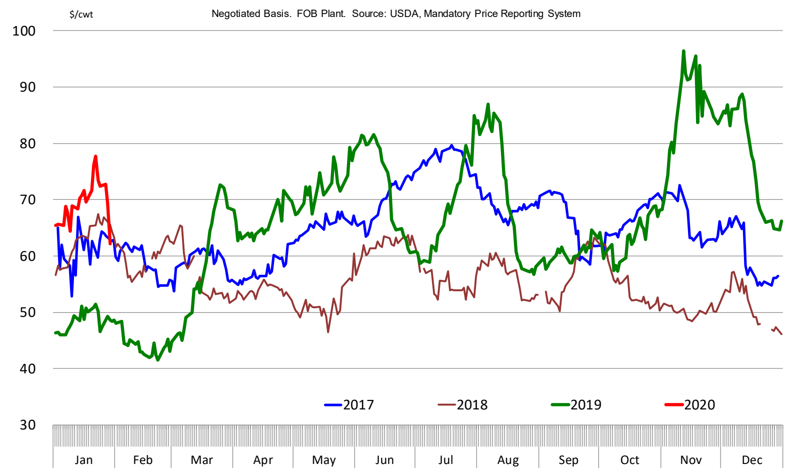
Following some reader questions after yesterday's report, we thought some clarifications were in order. First, **<u>the issue of USDA slaughter revisions</u>**. Following winter storms in the Midwest during the week ending January 18, USDA revised lower some of its early estimates for slaughter that week. Initially USDA had reported that week's hog slaughter at 2.574 million head, 3.5% higher than a year ago. However, slaughter for 1/17 and 1/18 was revised down by about 74,000 head and the current estimate for that week stands at 2.5 million head, only 0.5% higher than the previous year. This could be revised lower still when the actual NASS data is released today. As we noted in the report, holiday and weather disruptions sometimes tend to skew when hogs come to market and that week was a perfect illustration of that. Also, the point we tried to make yesterday is that slaughter in any given week needs to be taken in the broader context of the supply flow rather than use it to draw broad conclusions. The second point has to do with our estimates for the current week. We do not have access to any special information on this. Yesterday we had two data points already available for this week, Monday and Saturday slaughter at 498k head/day. As it happens, Wednesday slaughter was 497k head, in line with our thoughts. At this time we think packers will run full slaughter again today and Friday slaughter we have pegged at 465k, in line with what we normally see on a Friday and also consistent with the volume of hogs that have been scheduled for Friday. As we noted yesterday, Saturday slaughter is always a difference maker in the weekly kill. Based on the number of hogs currently scheduled for delivery to plants at that time and some of the historcial relationships, we pegged Saturday slaughter at 225k head, resulting in a total for the week at 2.680 million, 13% higher than last year. But please keep in mind that's a best guess based on partial information, some indications for supplies later this week and historcial relationships.

We plan to focus on beef market tomorrow but for today we decided to stick with hogs after the sharp correction in the value of the cutout yesterday and a weekly export report that sent out a bunch of mixed messages. **<u>Starting with the export data</u>**, the numbers were very strong again for pork export shipments but **<u>market participants may view the report as negative for what it did not have, namely new/big export sales ot China</u>**. Total export shipments were 43,646 MT, 20% higher than the previous four weeks. Export shipments to China continue to trend higher and last week were the highest yet at 18,617 MT, 37% higher than the previous four weeks. **<u>US exports to China in November were at an all time high of 58,529 MT. In the first three weeks of January USDA is reporting export shipments to China of around 52,000 MT</u>**. Chinese buyers still have about 252,000 MT that has been purchased for future delivery, representing roughly an 18.5 week supply. The pace of export shipments to China and Mexico helps explain the strength in the pork market in January, especially the higher prices for hams and trim. This week, however, we have seen some weakness develop, which may stir up speculation about export demand. The spread of the Coronavirus in China and the uncertainty this creates for traders on both sides of the ocean is certainty top of mind. The value of #23-27 hams last night was quoted at $60.93/cwt, down $10 from the previous day and down $20 from just a week ago. Interesting that the volume of heavy hams traded in the open market this week has averaged about 1.7 million lb. per day compared to 639k pounds last week. Slaughter was big last week and this week so the decline may fuel speculation of slowing export demand. Market participants may also view as negative the fact that we have yet to see any new China pork export sales. Last year it was not until late March that big orders materialized. Chinese traders may have been sidelined by the Lunar New Year celebrations and lately by all the uncertainty around the spread of the Coronavirus disease. While the outlook is still for strong US pork exports this year, in the near term the big production numbers and potential for a slowdown in exports has been enough to take a chunk of value out of the hog futures market.

Ham Primal Value. Daily Close. USD/100 lb.

Data source: USDA. Analysis by Steiner Consulting



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