

Hog futures are expected to move higher this morning as participants digest what we see as a very bullish weekly export update for pork. There has been a lot of talk in recent days that some US pork packers are preparing to export more pork to China and the only thing missing has been confirmation of export orders on the books. That confirmation came today. **USDA reported net weekly pork export sales to China at 77,732 MT, by far a record weekly export sales volume.** For reference, total US weekly export shipments during this time run about 25,000 MT or so while weekly pork exports to China recently have been running around 4,000-4,500 MT. The big sales order to China follows an order for 23,846 MT that was reported four weeks ago. The reporting of that sales order and higher cash hog prices in China proved to be the catalyst for the rally in hog futures during the past four weeks. Exports to China in the most current week were 3,953 MT and in the last four weeks exports have averaged 4,318 MT/wk., triple what they were a year ago. But what is very support for the market this summer is that China currently has on the books commitments for 96,453 MT of pork compared to commitments for about 5,000 MT of pork last year. Total US pork outstanding sales at this time are about 40% higher than they were a year ago. Sales and exports to other Asian markets continue to track below year ago levels. The question for market participants is how long this will continue. Higher prices will likely ration out demand from these markets. Sales to Mexico were just 270 MT last week compared to an average weekly export volume of 7,251 MT/wk the last four weeks. Export sales to Mexico have slowed down dramatically, which helps explain the sharp pullback in ham prices. Outstanding sales to Mexico are down about 20% at this time. But if China pork orders continue to flow it may be just a matter of time before Mexican buyers have to step into the US market again to source their needs.

In the first two months of the year Chinese pork imports were 10% higher than the previous year. While this does not seem like a big increase, keep in mind that China may have liquidated a significant number of hogs in late 2018 and early 2019, which in the short term tempers their need for pork imports. The chart to the right illustrates where Chinese pork imports came from in the first two months of the year, namely the European Union. Since the beginning of March EU hog prices have been rising at a very fast clip and are up some 14-18% compared to mid February levels. The challenge for EU producers is that their breeding herd at the start of 2019 was lower than the previous year while US producers have continued to expand. As China becomes more active in the world market looking for pork, US producers certainly have the supply needed to fill some of those orders. The latest weekly data suggests more China pork orders are on the way.

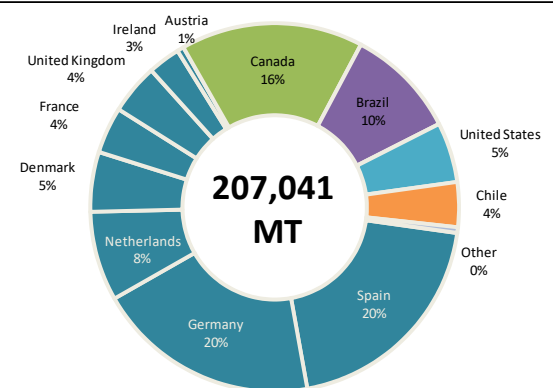
Beef exports and export sales continue to run below year ago levels and market participants may view the latest data as disappointing. High beef prices and lower than expected production may have contributed to the slowdown in beef exports. The latest numbers are consistent with a what USDA-AMS has reported through the MPR system. The same cannot be said for pork. Total weekly beef exports last week were 15,103 MT, similar to what they were for the comparable week a year ago. In the last four weeks beef exports have averaged 14,823 MT, 6% lower than a year ago. Beef export sales were quite disappointing at just 11,768 MT. In the last four weeks beef export sales have averaged 15,967 MT, 5% lower than a year ago. Exports to Japan remain especially weak, averaging 3,716 MT, 32% lower than a year ago.

Net Pork Sales for Current Marketing Year

	4-Apr	28-Mar	21-Mar	14-Mar	2019 4-wk Avg.	2018 4-wk Avg.	Y/Y % ch
MEXICO	270	1,310	9,249	15,462	6,573	8,361	-21.4%
JAPAN	2,172	2,753	3,829	2,280	2,759	2,635	4.7%
KOREA, REPL	3,575	2,019	1,427	1,693	2,179	4,573	-52.4%
CANADA	1,078	1,188	3,147	1,361	1,694	1,252	35.3%
HONG KONG	95	155	2,717	1,439	1,102	341	223.3%
CHINA, PEOF	77,732	201	(999)	3,043	19,994	(813)	
	5,761	3,193	2,098	4,024	3,769	4,079	-7.6%
GRAND TOTAL	90,683	10,819	21,468	29,302	38,068	20,428	86.4%

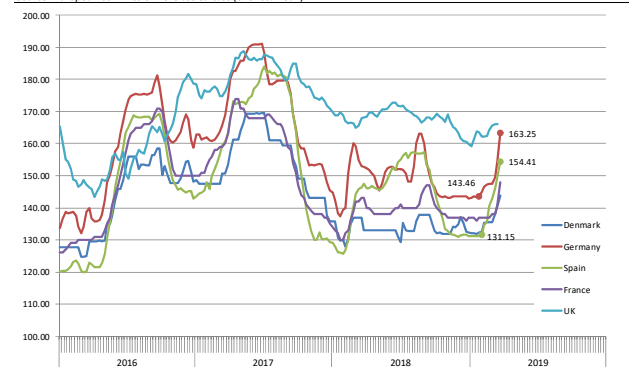
China Imports of Fresh/Frozen Pork: Jan-Feb 2019

Source: China Customs Statistics



Hog Carcass Prices in the European Union. Euro/100kg

Source: European Commission. S-Class Carcass (over 60% lean)



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