

Weekly export data released this morning and there may have been a sigh of relief for what it did not contain - more cancellations from China.

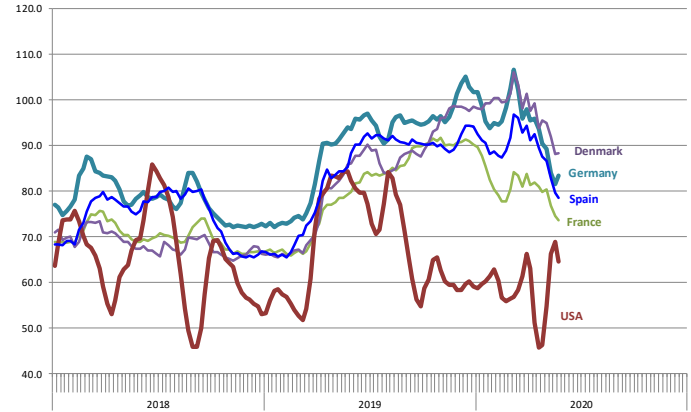
The level of pork export shipments to China and other markets was lower than the previous four weeks, possibly because this was a holiday shortened week. However **new pork sales were still disappointing at just 17,335 MT.** Weekly net sales in May averaged 10,741 MT per week compared to an average of 45,833 MT per week in April. **Net sales to China were positive at 3,366 MT but there has been a significant deceleration in new sales to this market.** In the four May weeks, net sales to China were a total of 2,949 MT. This includes one week where net sales were adjusted down by 12,561 MT. Sales to China have been on a roller coaster. They were especially weak in the first three months of the year, possibly as traders/companies were looking for direction on tariffs after the Phase I agreement. Once tariff waivers were put in place in March we saw first a major cancellation/adjustment and then a surge in new orders. It certainly helped that during the first four months of the year US hog prices were trading at a significant discount to hog prices in major EU exporting countries. For instance, **German hog carcass prices during the Jan-Apr period averaged the equivalent of US\$97/cwt compared to the CME Hog index average for that period at US\$57.7.** More recently the spread between US and EU hog prices has narrowed. In May, the average German hog carcass price was the equivalent of \$84/cwt compared to CME hog index of \$64. The effective tariff on German pork in China is 8% while the tariff on US pork, even after waivers, is 33%. CME lean hog index price has declined in the last few days and June futures are now sharply lower compared to even two weeks ago. US hog slaughter is expected to increase in the next few weeks given the backup of hogs in the pipeline and the ability of US packers to put in place systems that both protect workers and allow for a more efficient harvest rate. The US dollar has also been trending lower in the last few weeks, including vs. the Euro, the Brazilian Real and Canadian dollar. **It is also fair to expect an improvement in the volume of pork going to Mexico.** In the last two weeks net sales to Mexico have averaged 8,778 MT/week compared to just 3,592 MT/week during mid April and mid May. Bone-in ham supplies in the US market are plentiful at this time, in part because of the increase in slaughter but also because of continued lack of labor in fabrication lines. The price of #23-27 hams last night was \$36/cwt compared to as high as \$167/cwt for boneless muscles. Current prices are down as much as 57% from a year ago in US dollar terms and also down as much as 52% in MX Peso terms. In late April, bone-in ham prices were down 14% compared to last year but due to the exchange rate, they were actually 8% higher than a year ago in MX peso terms. The weaker dollar and ample/low priced hams should bolster exports to Mexico specifically but also exports to other markets. China remains a wild card.

Weekly beef exports remain significantly below year ago levels, reflecting the impact of sharply higher prices for some key items (chucks, briskets) and uncertainty about product availability going forward.

Total shipments for the week were 9,579 MT, down 18% from the previous four weeks. Keep in mind that this was a holiday shortened week, which may have impacted overall shipments. On the positive side, net sales at 12,287 MT were almost double the average of the last four weeks and the highest since the week ending April 9. Sales to all key markets were up. Even Mexico, which has been steadily cancelling orders the last few weeks, registered net sales of 659 MT. As beef supply availability improves and prices for round and chuck cuts decline, we should see a steady improvement in US beef exports. The weakening US dollar should be supportive as well, especially in terms of exports to Canada.

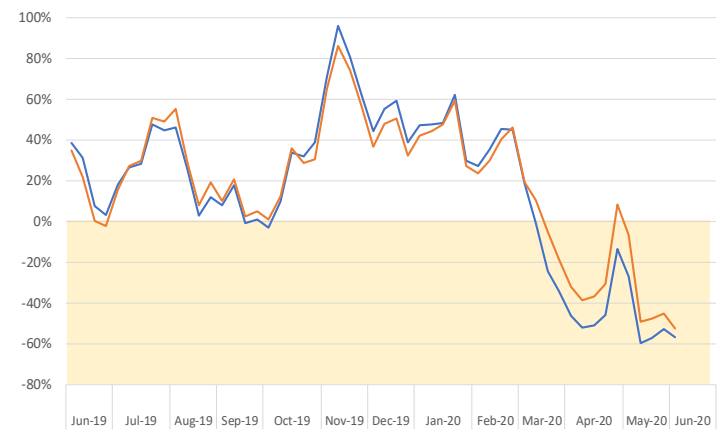
Hog Carcass Prices in USA (CME Index) and EU in US\$ Equivalent

Data sources: USDA and European Commission. Prepared by: Steiner Consulting



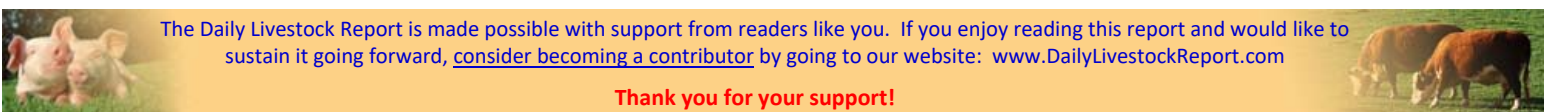
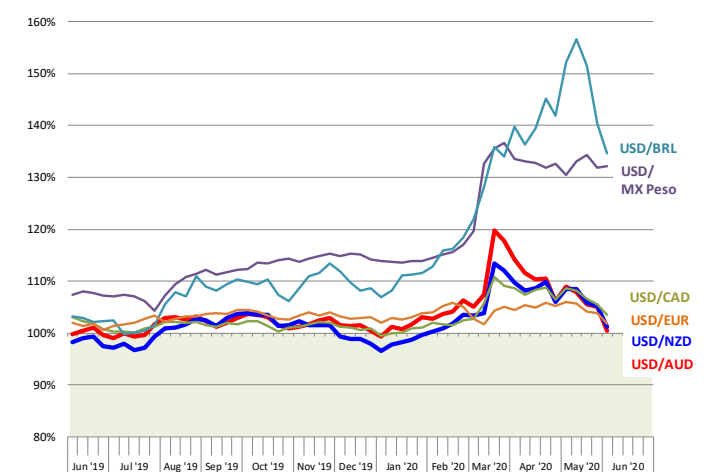
Y/Y Change in the Value of #23-27 Hams. Calculation Done in USD and Mexican Peso Terms

Price Data from USDA-AMS. Calculations by Steiner Consulting



US Dollar vs. Currencies of Top Meat Trading Partners & Competitors

% change in the last 12 months (Jun. 19 - Jun. 20)



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