Daily Livestock Report

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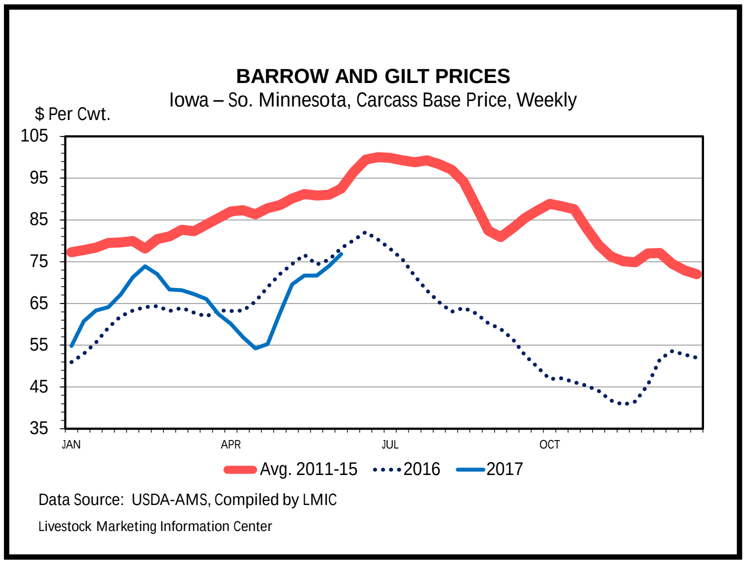

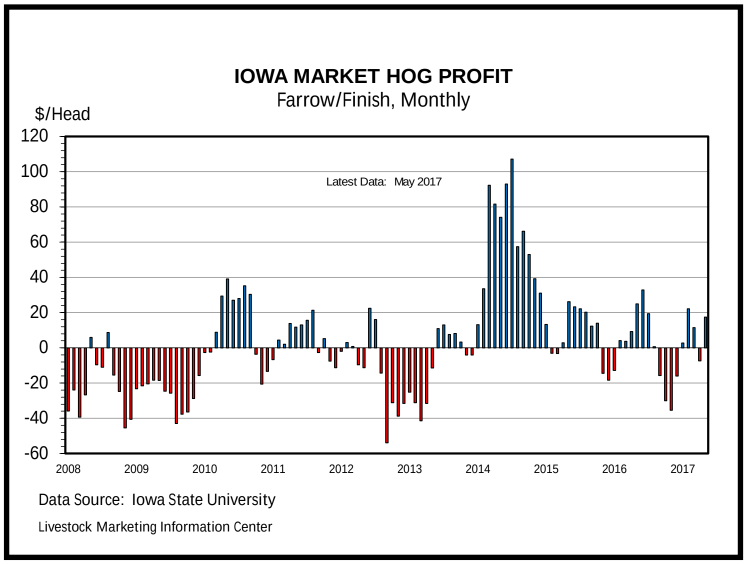

Yesterday, news reports proliferated regarding the formal reopening of commercial U.S. beef exports to China. Of course, this has been an on-going story back into 2016. The latest headline from the media release by the U.S. Trade Representative office was "U.S., China Finalize Details to Send U.S. Beef to China". The USDA's Agricultural Marketing Service posted a summary regarding agreed to animal traceability requirements on their website, the link is here. It's critically important to also follow the link on the AMS site to the USDA's notification posted on the Food Safety Inspection Service (FSIS) website (link is here), which has a "Note to Exporters". That note states: " Eligible beef products exported to China should not contain growth promotants, feed additives and other chemical compounds including ractopamine, prohibited by China's law and regulation. Beef shipments detected with prohibited substance or compounds at the port of entry will be rejected, returned to the US or destroyed." As discussed previously in this newsletter, those requirements are the same as agreed to between China and Canada and had been expected.

Our second topic today is on hog producer returns. The baseline returns used by most market analysts are those published by Iowa State University (ISU), the link is here. Those estimates are done by Dr. Lee Schulz in the Department of Economics. Hog prices had a solid uptrend during May (see associated first graphic). As a result, the ISU farrow-to-finish returns were in the black for May (estimated profit of $17.40 per slaughter hog sold). Profitability rebounded from April's (see second associated graphic). Compared to a year ago, the calculated profitability declined by about $7.60 per head sold.

For May, ISU calculated total cost of production declined 2.4% year-over-year, driven by lower feedstuff costs. Compared to a year ago, the hog sale price (based on cash market transactions) was down 6.6%, averaging $69.35 per cwt. on a carcass basis.

Hog production is projected to remain profitable throughout the summer months of this year. Based on futures market prices for this fall and the ISU cost structure (assuming no huge upswing in feedstuff costs due to a short Midwest crops this summer in the U.S.) producer returns should be breakeven or better this fall. Based on farrow-to-finish profits and the prospects over the next several months, there no economic incentive for any national breeding herd reduction. The amount of herd growth and the rate of productivity gains year-over-year (i.e. pigs per litter) will be reported by USDA-NASS in the next Quarterly hogs and Pigs report, which will be released on Thursday June 29th.