

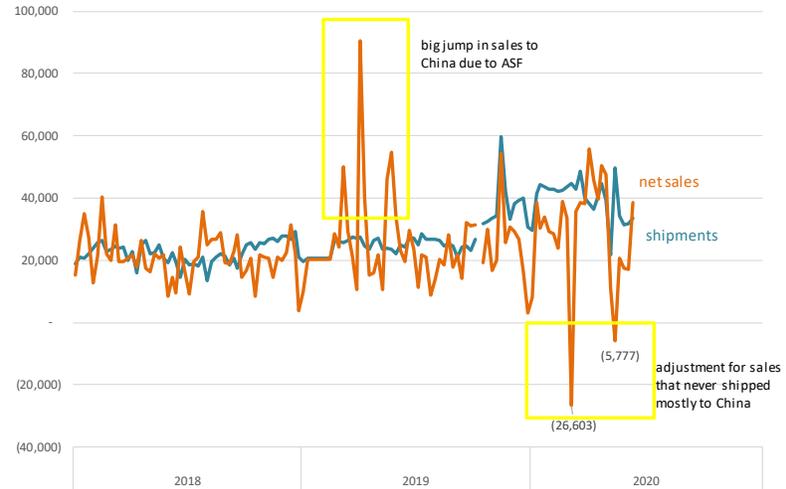
As it does every Thursday at 8.30AM ET, USDA-FAS issued an update on weekly export shipments and sales of beef and pork muscle cuts. While the data does not cover all products exported, this update has become much more reliable in recent months and market participants pay close attention, looking for either big sales or cancellations. In the last 12 months China has emerged as the key player in the pork market. As for beef, Japan and S. Korea remain key players although Canada and Mexico can be significant during certain times of the year. We thought the latest report was generally positive for both beef and pork. Wholesale prices have adjusted lower in the last two weeks and this appears to have stirred up some interest among foreign buyers for US product. Below is a brief recap of the latest data. Also, we have put together two charts showing the weekly evolution of export shipments and net sales. We hope this brings some context to the discussion, especially with regard to recent trends but also in explaining how sales today relate to export shipments in the future/

**Pork highlights:** After several weeks of low, and even negative, export sales, **last week saw both solid pork exports and even better net new sales.** Total shipments last week were 33,543 MT, down about 9% from the average of the last four weeks but still substantially higher than the previous year. Exports to China were 13,697 MT, down 10% from the previous four weeks but still higher than any other market. There was a notable increase in shipments to Hong Kong, a market that has been largely dormant in recent months. Exports to Japan and S. Korea have trended lower as high prices in May and early June limited export sales to these markets. **The more positive item in the latest report were net new sales. Sales to China were almost 10,000 MT, about 150% higher than the previous four weeks.** There has been a lot of speculation that current low prices may start to encourage Chinese buyers to step in the US market. This latest report offered evidence some of that is happening. Extremely low prices for bone-in hams and a weaker US dollar also appears to have stimulated export sales to Mexico, which at 13,620 MT were 80% higher than the previous four weeks. We are also seeing better sales to South Korea and Canada while sales to Japan remain disappointing. We would expect the recent decline in loin prices and increase in supply to result in higher sales to Japan but that has yet to happen. Overall, a positive report although not wildly bullish for the market in the near term.

**Beef highlights:** The weekly export report continues to show that, **in the near term, beef export volumes remain limited.** This is a function of the extremely high prices that prevailed in May, limiting the supply that was sold for export to key markets in Asia and North America. **Beef export shipments last week were 8,464 MT, down 21% from the previous four weeks and 56% lower than a year ago.** Prices for clods, briskets and other items that are greatly valued for export have collapsed recently and the latest export data shows why. Record prices in May significantly rationed out both domestic and export demand due to sharply limited supplies and uncertainty about slaughter levels in June and beyond. Slaughter has recovered and beef production last week was actually higher than a year ago. Lack of export and domestic business has pushed more product in the spot market and hammered beef prices lower. The choice beef cutout last night was down \$10/cwt. But it

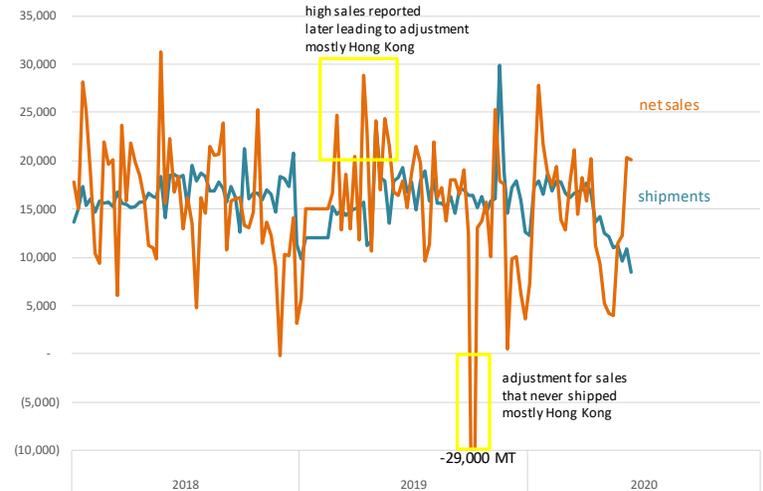
## Weekly Pork Export Shipments and Net Sales. All Markets

Source: USDA-FAS. Analysis by Steiner Consulting



## Weekly Beef Export Shipments and Net Sales. All Markets

Source: USDA-FAS. Analysis by Steiner Consulting



appears that current low prices are generating a lot of interest and resulting in a significant uptick in export sales. For the second consecutive week net beef export sales were over 20,000 MT. Net sales to South Korea were 8,848 MT following 7,211 MT sold the previous week. Last year weekly export shipments to S. Korea in July averaged about 4600 MT/wk and August shipments averaged about 4200 MT. If sales from the last two weeks are sustained, we would expect a notable improvement in exports to S. Korea in July and August. Sales to Mexico, Canada and especially Hong Kong were notably higher than the previous four weeks. The trend in beef export sales is higher, suggesting more product will flow into export channels in July and August.

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