

Feed supplies are expected to be ample and limited price inflation is expected through the end of the year and well into 2021. However, this is a critical time for crop production as weather events could quickly change the outlook. There is also **a fair amount of uncertainty as to the amount of corn and soybean acres that were planted this spring.** USDA conducts a survey of producers in March, asking what they intend to plant. This is then followed up with a survey in June that is intended to capture what was actually planted. This 'Acreage' report will be issued today at noon. The table to the right summarizes **what analysts polled by Reuters said they expect the USDA report to show.** While there is a 4 million acre spread in expectations for corn plantings, most **analysts think that farmers this spring planted fewer corn acres than they said they would in March.** This is predicated on the idea that farmers saw the big pile of corn that was projected to be harvested in the fall and decided to look at alternatives. December corn futures in early March were priced at around \$3.80 per bushel. By the end of April December corn was near \$3.30, a 13% decline. Was that enough to get producers to reduce intended plantings by 2 million acres? Planting weather was excellent, allowing producers to get the crop planted ahead of normal. In mid May US corn producers had planted about 80% of the crop compared to 44% for the same time a year ago and 71% for the five year average. Farmers in Iowa had planted almost all their corn (96%) by the middle of May. North Dakota was one of the few states that was behind normal at the time. The expected reduction in corn plantings is expected to result in more soybean acres. **On average analysts expect farmers planted 84.7 million acres with soybeans, about 1.2 million acres more than the previous year.** In early March November soybeans were trading near \$9 per bushel but by late April prices had dropped to \$8.30. What drove farmers to shift from corn to soybeans, because it sure wasn't price? Pandemic fears were top of the mind at the time and could have affected plantings of all crops. Maybe... **Hope of China purchases seems to spring eternal but in April all the talk was of how much Brazil was selling to China and how much US was not selling.** It will be interesting to see how producers reacted to all that.

Another piece of news that came across our desk last night was the **announcement from Secretary of Commerce Wilbur Ross to revoke the special status that Hong Kong currently enjoys in its trade with the US.** According to the statement: "Commerce Department regulations affording preferential treatment to Hong Kong over China, including the availability of export license exceptions, are suspended. Further actions to eliminate differential treatment are also being evaluated. We urge Beijing to immediately reverse course and fulfill the promises it has made to the people of Hong Kong and the world. " **Hong Kong is a significant market for US meat products. The revocation of the special status will change the trading relationship and tariff rates.** This will negatively impact US shipments to this market. In recent years, as US trade with Mainland China has developed of the years, US shipments of pork, poultry and eggs to Hong Kong have declined so Hong Kong demand is not as big as it was a decade ago. **Beef and veal exports have been the one product that has increased in the last few years, largely because of the non tariff barriers in the Mainland.** But last year beef and veal exports to Hong Kong declined 25%. Hong Kong last year represented 8% of all US beef exports and 0.8% of total US beef production. Currently there is no tariff for US meat products entering Hong Kong. On the other hand, product that goes directly to Mainland China has to pay significant punitive tariffs due to the

Reuters Survey of Analysts: Plantings for All Major Crops

Source: Reuters

| | Average of Estimates | Range of Estimates | USDA Mar. Survey | USDA 2019 |
|-----------------------|----------------------|--------------------|------------------|-----------|
| --- million acres --- | | | | |
| Corn | 95.2 | 93.0 - 97.1 | 96.99 | 89.7 |
| Soybeans | 84.7 | 83.5 - 85.6 | 83.51 | 76.1 |
| All wheat | 44.7 | 44.2 - 45.1 | 44.655 | 45.158 |
| Winter wheat | 30.8 | 30.4 - 31.6 | 30.775 | 31.159 |
| Other spring | 12.6 | 12.15 - 12.81 | 12.59 | 12.66 |
| Durum | 1.3 | 1.20 - 1.44 | 1.29 | 1.339 |
| All cotton | 13.2 | 12.50 - 13.75 | 13.703 | 13.738 |
| Sorghum | 5.9 | 5.60 - 6.15 | 5.82 | 5.265 |
| Barley | 2.8 | 2.50 - 3.00 | 2.921 | 2.721 |
| Oats | 3.0 | 2.7 - 3.3 | 3.012 | 2.81 |
| Rice | 2.8 | 2.6 - 3.0 | 2.847 | 2.54 |

US Red Meat, Poultry and Egg Exports to Hong Kong

Data: USDA-ERS. Analysis by Steiner Consulting

| | 2010 | ... | 2018 | 2019 | % vs. 2018 | % vs. 2010 | % of all exports | % of US prod. |
|--------------------------------------|-------|-----|-------|-------|------------|------------|------------------|---------------|
| --- mil lb. cwe --- | | | | | | | | |
| Beef/Veal | 133.4 | | 307.1 | 231.3 | -25% | 73% | 8% | 0.8% |
| Pork | 202.3 | | 61.3 | 54.5 | -11% | -73% | 1% | 0.2% |
| Broiler | 429.8 | | 252.2 | 233.6 | -7% | -46% | 3% | 0.5% |
| Turkey | 24.8 | | 34.4 | 18.9 | -45% | -24% | 3% | 0.3% |
| --- shell-egg equiv. million doz --- | | | | | | | | |
| Egg/Egg Proc | 37.0 | | 51.5 | 26.2 | -49% | -29% | 8% | 0.3% |

ongoing trade war. A recent study from US Meat Export Federation notes that the current punitive duty on US frozen pork is 63%. Even if Chinese traders are granted a tariff exemption (for which they must apply), the tariff would still be 33%. The tariff on frozen pork carcasses is 62% (37% with the exemption). The current tariff on US beef going to China is 42% but if an importer gets an exemption the tariff goes down to 12%. US beef exports to Mainland China in April were 32.1 million pounds compared to 231.3 million to Hong Kong. While still relatively small, this was the highest volume of beef going directly to the Mainland in more than a decade.

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