

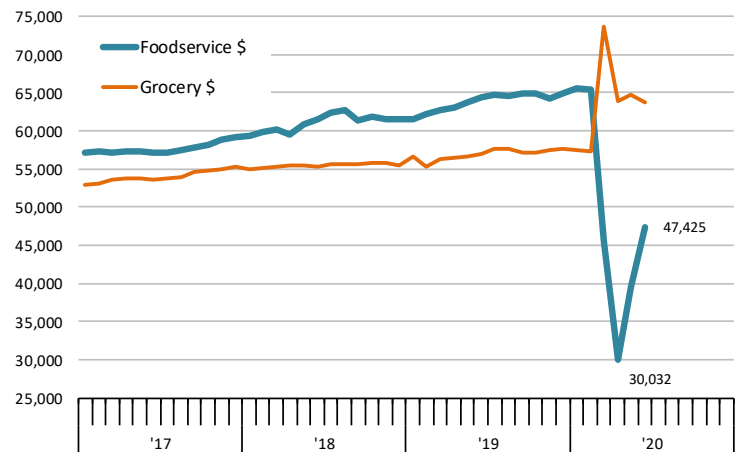
Retail sales data was released this morning and it showed a **significant improvement in dollar sales at foodservice**. This was to be expected considering that most states started to reopen their economies in May, which included indoor dining albeit at reduced capacity. Despite the recovery, however, it is important to note that dollar sales at foodservice remain well below year ago and we continue to observe a shift towards spending more food dollars through retail channels. June sales at grocery stores were estimated at \$63.652 billion, 1.6% lower than the previous month but still \$6.647 billion or 11.7% higher than the previous year. The peak in grocery dollar sales was in March when sales hit \$73.7 billion on panic buying of food and household staples. Sales at foodservice and drinking establishments in June were estimated at \$47.425 billion, 20% higher than the previous month but still as much as \$16.9 billion or 26.3% lower than the previous year. Foodservice sales likely have more room for improvement but, in the short term, the correction may be delayed as the number of COVID-19 continues to increase. Some states have either extended emergency measures taken earlier in the year or they have scaled back some of the reopening plans, shutting down indoor dining and bar service. Total sales at grocery stores and foodservice in June were \$111.1 billion, about \$10.3 billion less than last year.

This morning USDA also released its latest update on pork and beef export sales and the numbers were positive for both. One thing to keep in mind is that the report follows a holiday shortened week, which may have bolstered some of the sales numbers. Below is a brief recap of key highlights for the two species:

**Pork: While pork export shipments have slowed down in the last few weeks, they still remain above year ago levels.** Total shipments for the week were 29,289 MT, down 8.1% from the average of the previous four weeks. Shipments to China continue to hold steady at around 12,000 MT. For the latest week shipments were 12,291 MT, 1.2% higher than the average of the previous four weeks. However, shipments to other key markets were lower. Shipments to Mexico at 7,593 MT were 18.9% lower than the previous four weeks while shipments to Japan at 2,661 MT were 15.6% lower. **The slowdown in export shipments helps explain the near term weakness in the pork market.** Slaughter has picked up and it is approaching 2.6 million but the lower shipments are more a function of the slowdown in sales in late May and June. **The reason we view this latest report as positive for pork going forward is that export sales have really started to pick up.** Net sales for the latest week were 38,448 MT, 22% higher than the average of sales in the last four weeks. It is quite telling that export sales have increased even as sales to China remain somewhat underwhelming. Net sales to China last week were 8,025 MT, 30% lower than the average of the last four weeks. Sales to Mexico were over 10,000 MT, 18.4% higher than the previous four weeks. Higher sales/exports to Mexico should help bolster ham values. Ham primal has been slowly gaining and the rise in exports should help clean up the spot market. Sales to Japan and especially S. Korea have also picked up. South Korea sales

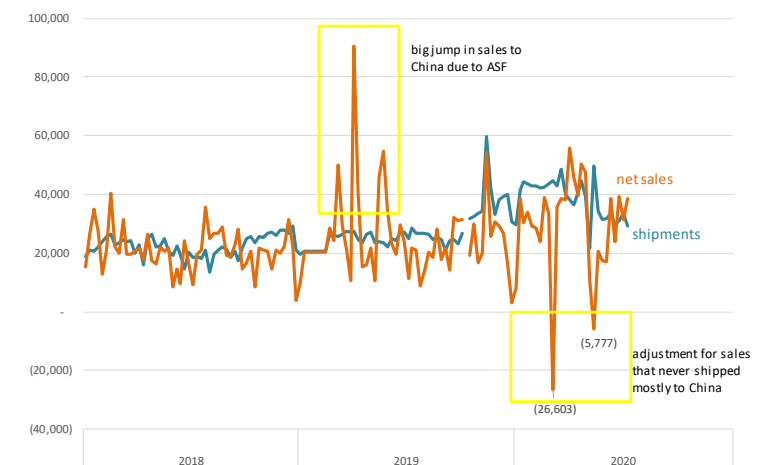
## Dollar Sales at Retail and Foodservice. Million Dollars

Source: US Census Bureau. Analysis by Steiner Consulting. Updated through June 2020



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

Source: USDA-FAS. Analysis by Steiner Consulting



at 3,319 MT were 265% higher than the previous four weeks. Sales to smaller markets have also started to pick up and for the latest week were up 22% than the four week average.

**Beef highlights: We view the beef export report as positive for the same reason as pork, net sales surged higher suggesting stronger exports into August and September.** Last week net sales were 27,767 MT, 68% higher than the four week average. This level of net sales is also about 40% higher than the comparable week a year ago. The big sales week may be a function of the holiday shortened previous week where sales were just 9,486 MT. But even if we take the average of both weeks at 18,627 MT, this would still be a positive number considering that export shipments are currently running at around 15,000 MT per week. Net sales to Mexico jumped by more than 200% at 3,641 MT while sales to Japan and Korea were up 56% and 42%, respectively compared to the four week average.

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