

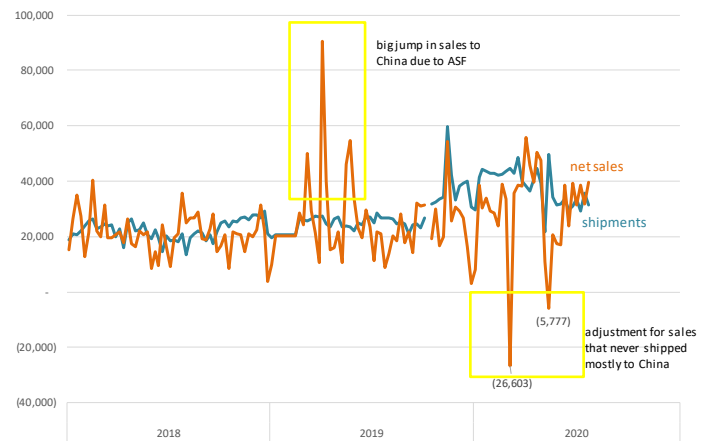
USDA issued this morning its weekly update on the amount of beef and pork muscle cuts shipped and sold the previous week. The data can be construed as generally positive, especially for beef. Below is a brief recap of the data and implications for the market going forward.

Pork update: There is plenty of speculation about the outlook for US pork exports to China in the second half of the year. The pace of shipments has slowed down in recent weeks and export sales have been even lower, adding to the generally negative tone in the complex. The latest data offer some hope but plenty of uncertainty remains. Shipments to China last week 10,186 MT, down 19% from the average of the last four weeks. But on the positive side, the report noted a much needed increase in net new sales. **Net sales to China for the week were 17,775 MT, up 129% from the average of the last four weeks.** It remains to be seen if this level of sales is sustained, however. A few weeks back we noted sales of near 22,000 MT but the follow through was disappointing. Outstanding sales to China and Hong Kong are currently at 98,327 MT, representing just an eight week supply. As the chart to the right shows, **outstanding sales to this market are 14% lower than they were at this point last year.** US pork supplies are expected to be higher than year ago in the second half of the year and higher exports to China are needed so as to prevent overwhelming domestic channels. Net sales to Mexico were 15,388 MT, 44% higher than the average of the last four weeks. Sales to Mexico have been above 10,000 MT for each of the last three weeks as Mexican buyers took advantage of relatively low prices for hams and the weaker Peso. Last night ham prices took a big step back, possibly suggesting that export buyers and domestic traders are once again stepping to the sidelines. It was not all positive for pork, however. Shipments to Japan last week were 4,420 MT, 41% higher than the average of the last four weeks. But **sales to Japan were disappointing at just 872 MT.** Similarly, sales to South Korea were sharply lower at just 270 MT, down 87% from the average of the last four weeks. **Total pork sales for the week were 39,592 MT, 17% higher than the previous four weeks and the highest weekly net sales since the last week of April.**

Beef update: This was **the most positive report of the last three months** but we still would like to caution that week to week there is plenty of volatility in export shipments and sales. It will be interesting to see if these numbers are sustained into August. **Total shipments for the week were 18,283 MT, 19% higher than the average of the last four weeks and 16% higher than a year ago.** Even more importantly, **net sales for the week were 29,501 MT, 81% higher than the average of the last four weeks.** This was the largest weekly net sales volume recorded since May 2018. Exports and shipments to Japan and South Korea continue to show strong growth. This may reflect, in part, the slowdown in production Australia, our top competitor in these markets. Australian slaughter is down by 20% from a year ago in recent weeks, resulting in a slowdown in exports. **Net sales to Japan last week were 10,550 MT, up 146% from the last four weeks.** This was the largest volume of net sales to Japan since June 2018. Net sales to S. Korea were 11,471 MT, 161% higher than the last four week average. Last July net sales to S. Korea were averaging around 4,200 MT. Strong sales to Asia should continue to underpin US beef export performance in August and early September. Combined with the upcoming Labor Day demand and expected strong retail features, this sets a floor under cattle price for August. Whether October and December also benefit will depend largely on the trajectory of the pandemic and prospects for the school year. **There is still a lot of uncertainty about beef demand this fall but the latest export data injected some positivity among the dismal news around.**

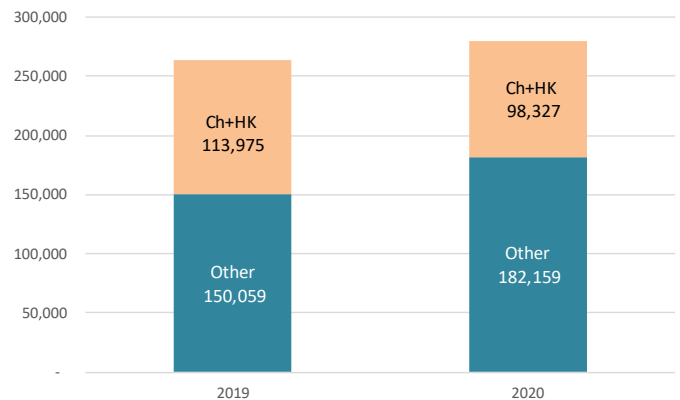
Weekly Pork Export Shipments and Net Sales. All Markets

Source: USDA-FAS. Analysis by Steiner Consulting



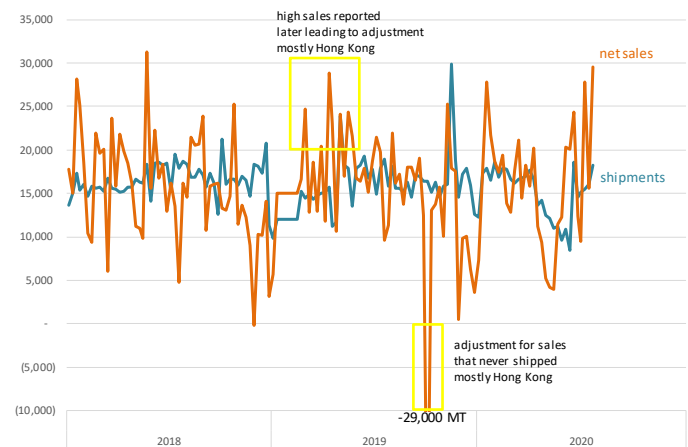
Outstanding Sales for Pork as of July 23, 2020. Metric Ton

Source: USDA FAS. Analysis by Steiner Consulting



Weekly Beef Export Shipments and Net Sales. All Markets

Source: USDA-FAS. Analysis by Steiner Consulting



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