

How much will export demand contribute in the second half of the year?

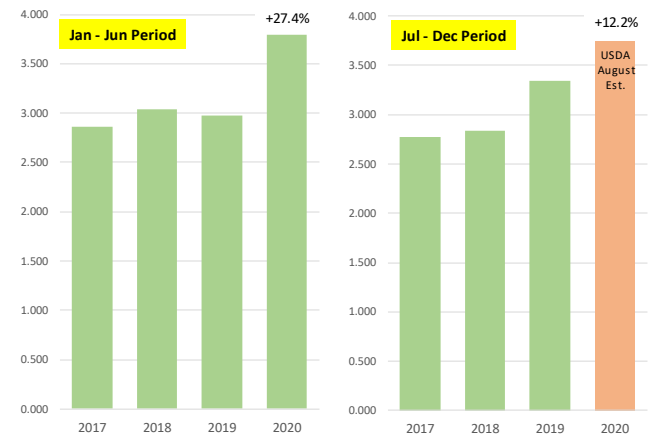
USDA analysts offered us their ideas on this when they published the latest WASDE report. For those unfamiliar with the WASDE report, it is a comprehensive compendium of USDA's projections for commodity supplies and expected demand for the current and next marketing year. To make things easier, let's look at beef, pork separately.

Pork: US exports jumped sharply higher in the first half of the year, reflecting a big increase in exports to China. **Total pork exports in H1 (does not include variety meats) were estimated at 3.797 billion pounds (cwe), 817 million pounds or 27.4% higher than a year ago.** Exports to China/Hong Kong during this period were 1.269 billion pounds, 980 million pounds higher than the same period a year ago. **Without the boost from China trade, US pork exports this year would have been lower** or lower prices may have been required to bolster exports to other markets. USDA currently projects US pork exports in the **second half of the year** to be 3.750 billion pounds, 409 million pounds or **12.2% higher than the previous year.** The pace of exports will be slower given the big increase in pork exports last fall, again thanks to strong China demand. Pork exports in the second half of the year are still expected to be **32% higher than in 2018.** Will exports to China continue to increase in the second half of the year? Export data released this morning was disappointing. Net sales to China were a negative 8,800 MT, which means that orders placed previously either were cancelled or there was some issue that required the adjustment. Weekly export shipments to China also slowed down and were some 12.5% lower than the previous four weeks. Current outstanding sales to China, i.e. product that has been sold but has not yet shipped, are now 75,284 MT compared to 106,833 MT for the same period a year ago. Needless to say, we need to see a significant ramp up in new sales to China for exports to surpass last year's levels. Shipments in the second half of last year averaged around 9,700 MT/week, with Q4 shipments 12,400 MT/wk. Those are key numbers to consider when looking at week to week sales and export data.

Beef: Beef exports in the first half of the year were **1.376 billion pounds (cwe), 113 million pounds or 7.6% lower than a year ago and 10.2% lower than two years ago.** Most of the decline was due to the sharp reduction in shipments in May and June. **USDA expects exports to recover in the second half of the year and be only 1% lower than last year's levels.** Export data released this morning was not especially encouraging but it is still too early to talk about a trend of slowing beef exports. For the second consecutive week beef sales were underwhelming. Total net sales were 11,599 MT, down 46% from the previous four weeks and 28% lower than a year ago. Sales to most major markets were down. Japan and South Korea account for 64% of shipments. Sales to Japan last week were 2,916 MT, down 54% from the four week average and 45% lower than a year ago. Sales to S. Korea were 1,170 MT, down 83% from the average of the last four weeks and 9% lower than a year ago. Beef sales to smaller markets were 3,727 MT, 17% lower than the last four weeks and 8% lower than a year ago. Cattle and beef prices have been moving higher in the last three weeks, reflecting in part we think the increase in forward sales to domestic users as well as export markets. Those sales appear to be slowing down: first it was forward beef sales for delivery in September and now exports. At this time USDA shows that outstanding beef sales as of August 6 were 167,253 MT vs. 186,667 MT a year ago. But the outstanding sales number is a muddled a bit by Hong Kong. Last year there were big sales to Hong Kong that never materialized into shipments and eventually USDA had to make a big adjustment. This year there are still big outstanding sales to Hong Kong but not as big as last year. Still, given the current pace of shipments, outstanding sales to Hong Kong represent a 42 week supply. There is hope beef exports will pick up and July was positive thanks to low beef prices. August, however, is off to a slow start.

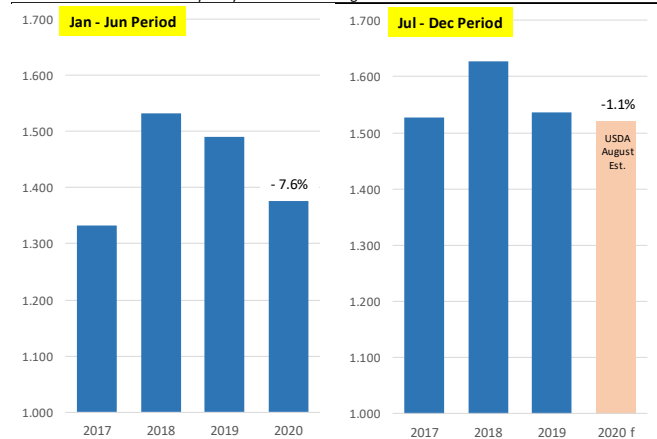
PORK EXPORTS, CARCASS WEIGHT BASIS, USDA. BILLION POUNDS.

Data Source: USDA-ERS. Analysis by Steiner Consulting



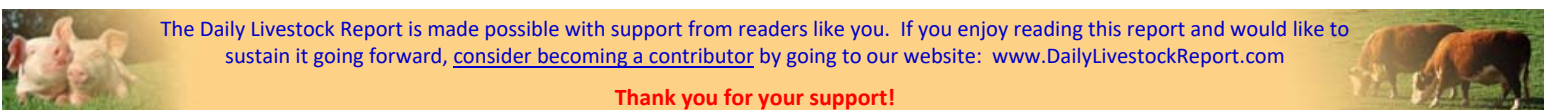
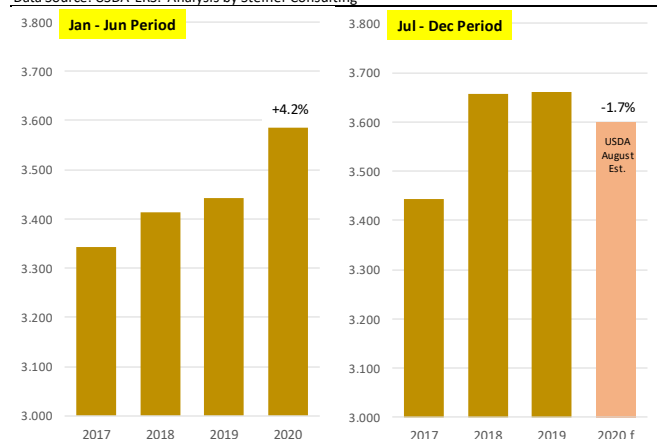
BEEF EXPORTS, CARCASS WEIGHT BASIS, USDA. BILLION POUNDS.

Data Source: USDA-ERS. Analysis by Steiner Consulting



BROILER EXPORTS, CARCASS WEIGHT BASIS, USDA. BILLION POUNDS.

Data Source: USDA-ERS. Analysis by Steiner Consulting



The Daily Livestock Report is made possible with support from readers like you. If you enjoy reading this report and would like to sustain it going forward, consider becoming a contributor by going to our website: www.DailyLivestockReport.com

Thank you for your support!