

US pork exports have been largely determined by trade with China in recent months and this was again the case in July. Total exports of US fresh/frozen and processed pork for the month were 190,243 MT, 0.4% lower than the previous year. Please keep in mind this is on a product weight basis. In order to compare to carcass weight production, this figure needs to be converted to a carcass weight equivalent. In June, the conversion factor was about 1.32. Mexico last year was the top market for US pork but that has changed this year. In July US pork exports to Mexico were 48,336 MT, down 13.9% from a year ago. Exports to a number of other big markets, such as Japan, S. Korea and Australia were down compared to a year ago (see chart). Most of the reduction in exports was offset by continued strong exports to China. **Shipments to China in July were 53,481 MT, 24.4% higher than a year ago and accounting for 28% of all US pork exports.** Exports to China slowed down in August, however. Using weekly data as a guide, **we think August shipments to China were about 20% lower than in July and the lowest monthly shipments since last September.** The value of pork exports in July was lower even as the overall volume was comparable to a year ago. The value of fresh/frozen and processed pork exported was \$479.4 million, down some \$57 million or 11% compared to a year ago. Ham prices were especially weak this summer, which may have contributed to the decline. The value of exports to Mexico was down \$37.5 million or 35% compared to a year ago even as volume was down only 14%. The value of exports to Australia (another big ham buyer) was almost \$10 million or 48% lower than a year ago. The value of pork exports to China was up only 4% while the volume shipped was 24.4% higher.

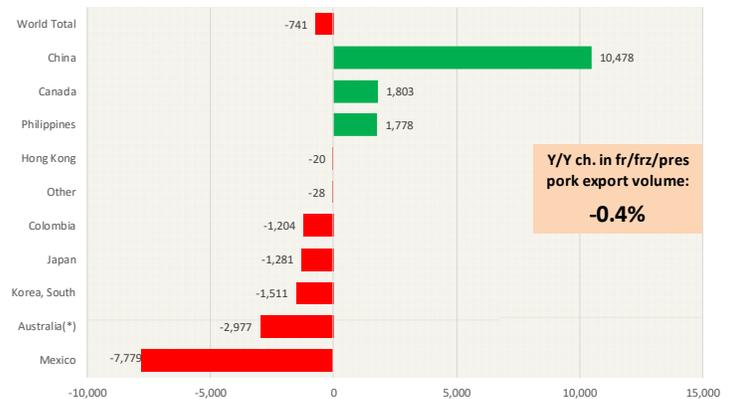
China demand remains critical for the pork market going forward. We thought it would be useful to put some of the recent supply/export data in context. The table to the right shows how the last four quarters (Jul-Jun) compare to the same four quarter period the previous year. During this period, US pork production posted a robust gain of a little over 1 billion pounds or 4.1%. Imports were down about 94 million pounds or 9.6% during this period, which pulls back the availability to just under 1 billion pounds. However, **US pork exports during this period increased by 1.3 billion pounds or 22.6%, resulting in a net decline of 326 million pounds or 1.5%.** All of this reduction came in Q2 of this year when domestic production declined by 305 million pounds even as exports increased by 239 million pounds. In the midst of this shift, **China was the driving factor.** US pork exports to China in the second half of 2019 and first half of 2020 were a total of 1.976 billion pounds (carcass wt.), a four fold increase compared to the previous four quarters. **The increase in exports to China accounted for more than the entire increase in exports** (some markets registered declines) and it was also **145% of the increase in domestic production during this period.**

The shortfall in Chinese pork production and higher prices have resulted in a notable increase in Chinese pork imports this year. USDA estimates that Chinese pork imports in 2020 will be around 9.5 billion pounds on a carcass weight basis and about a quarter of that will likely come from the US. Next year Chinese pork production is forecast by USDA to increase by 15% or 5.5 billion pounds (cwe). Still, even with this increase in production, China pork output is expected to be below what it was in 2019 and represents a 12.5 billion pound shortfall vs. pre-ASF levels. If we were to assume another 15% gain in Chinese production in 2022, this would still fail to close the output gap and China could still be importing near 7.5 billion pounds of pork two years from now. The demand will be there, the question is whether politics will allow for trade to flourish.

Y/Y Ch. in Jul. 20 vs. Jul 19 US Fr, Froz & Pres Pork Export Volume

Source: USDA/FAS. Analysis by Steiner Consulting

Units: Metric Tons



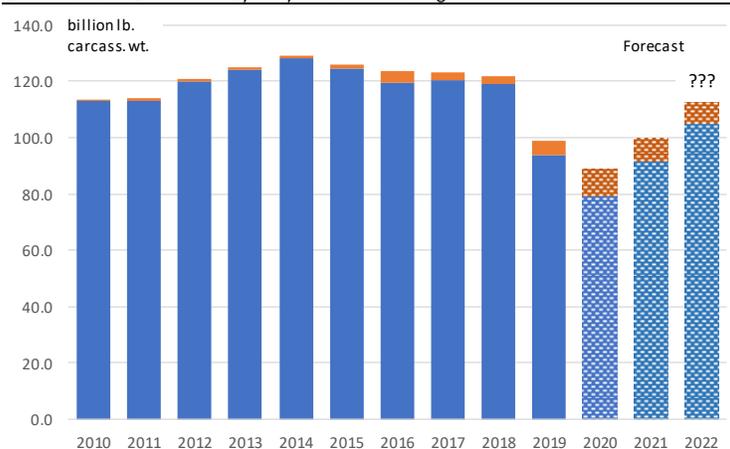
Change in US Pork Supply and Availability in the Last 12 Months

Data source: USDA-ERS. Analysis by Steiner Consulting

	Pork Prod.	Pork Imports	Pork Exports	China Exports	Domestic Availability
	000 lb. carcass wt. basis				
Previous 12 Months (Jul 2018 - Jun 2019)	26,778	979	5,821	394	21,936
Last 12 Months (Jul 2019 - Jun 2020)	27,863	885	7,138	1,976	21,610
change	1,086	-94	1,318	1,582	-326
% ch.	4.1%	-9.6%	22.6%	402.1%	-1.5%

China Pork Consumption from Domestic and Import Sources (cwe)

Data source: USDA-FAS. Analysis by Steiner Consulting



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