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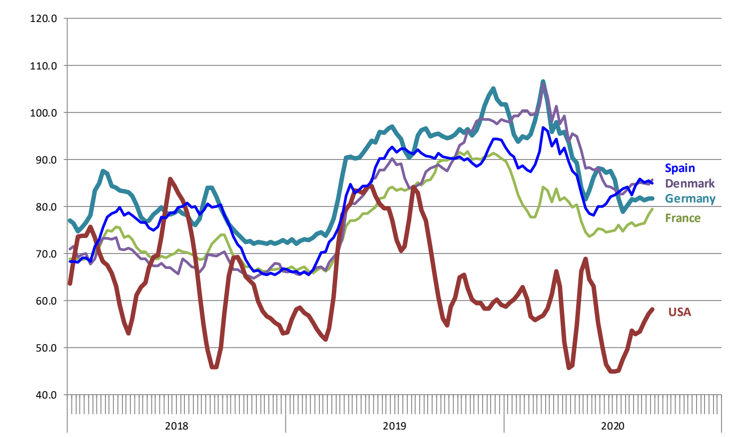
- **<u>Over the weekend China announced that it would indeed suspend imports of German pork</u>**. As we noted in our report when the issue first came up (see DLR 9/10), Germany has been the third largest supplier to the Chinese market this year, just behind US and Spain. It is possible we will see some other EU countries pick up some of the German business but usually trade flows do not change on a dime. Also, it is important to note that Spain and Denmark already ship a significant portion of their production to China. **<u>China exports represented 17% of Spanish production in the first half of the year and total exports were 25% of production</u>** (similar to the US). For Denmark China pork exports were 26% of production and total exports were 50% of production in the first six months. Brazil also can and may ship more to China to fill the gap. The point is that we should not immediately assume that the US is the only option. Still, the decision could bolster demand for US pork not just from China but other markets that have now suspended imports from Germany. Also worth noting is **<u>the politics behind all this</u>**. According to a report by Bloomberg this morning, "Chinese president Xi Jinping is set to hold talks with German Chancellor Angela Merkel and European leaders, as Beijing seeks to keep the continent from aligning more closely with the US on disputes ranging from market access to human rights." We suspect it helps from the Chinese side to have the pork import suspension as a card to use during these talks.

- **<u>USDA updated on Friday its projections for beef production, trade and domestic consumption this year and next</u>**. Beef production was revised up by 23 million pounds compared to the projection issued in August and USDA currently expects beef production for all of 2020 to be just 0.4% lower than a year ago. Heavier weights have offset the shortfall in slaughter in recent months. USDA, however, lowered its 2021 beef production estimates by 262 million pounds and now expects output next year to be only 1.1% higher than in 2020. It will be interesting to see how beef output performs next year. On feed supplies on September 1 are going to be higher than a year ago but the backlog of cattle created outside feedlots during late spring and summer will soon dissipate. Ultimately, the calf crop determines the number of cattle coming to market and the calf crop has been declining for two consecutive years. USDA is now estimating beef per capita consumption on a retail weight basis at 58.2 pounds this year, up slightly from a year ago. **<u>Per capita consumption/availability is expected to be down almost 1% next year even as production is forecast higher</u>**. This is due to normal population growth, lower imports and higher exports.

- **<u>Pork production forecast for 2020 was revised down by 120 million pounds and it is now expected to be 28.251 billion pounds, 2.2% higher than last year</u>**. As USDA notes, the forecast was lowered due to "the current pace of slaughter and lighter carcass weights." The last point is worth highlighting. **<u>Despite all the talk of hogs backing up, producers have done a fantastic job of keeping hog weights in check and we think at this point they are at the lowest point in several years</u>**. USDA opted to keep export numbers unchanged. For 2020 pork exports are forecast at 7.547 billion pounds, 1.226 billion pounds or 19% higher than a year ago. In the first seven months of the year US pork exports were up 831 million pounds or 24%. It will be difficult to match last year's slaughter pace this fall and increased demand/lower slaughter could limit domestic availability. **<u>Futures are clearly signaling higher pork prices for this fall</u>**. **<u>Per capita pork availability this year is forecast at 51 lb. per person (retail wt.), 2.4% lower than a year ago and then down 0.8% in 2021.</u>**

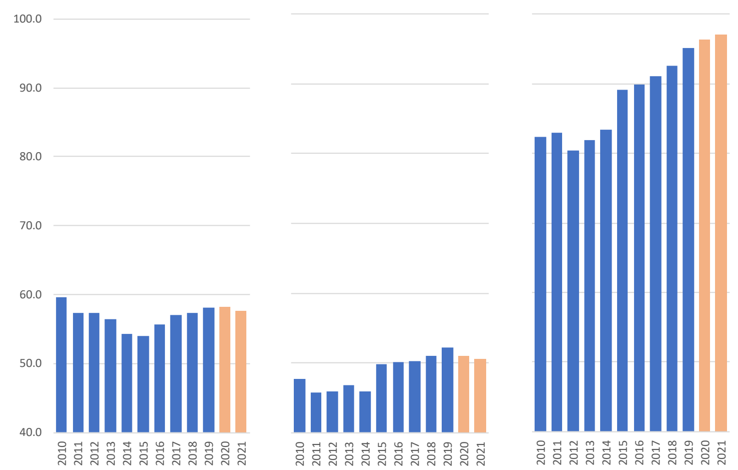
Hog Carcass Prices in USA (CME Index) and EU in US$ Equivalent

Data sources: USDA and European Comission. Prepared by: Steiner Consulting. Latest data is 9/6



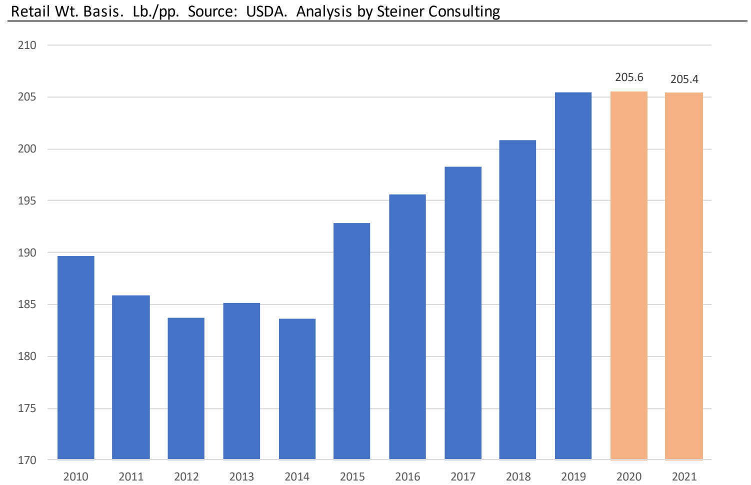
Annual Per Capita Consumption of the Three Main Species. Source: USDA

Beef Pork Chicken



Annual Per Capita Consumption of the Three Main Species

Retail Wt. Basis. Lb./pp. Source: USDA. Analysis by Steiner Consulting



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PRODUCTION & WKLY AVG. PRICE SUMMARY Week Ending 9/12/2020

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary. *Weekly Avg. Prices*

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
			12-Sep-20	5-Sep-20		14-Sep-19			
	Total Beef, Pork, Chicken, Turkey	**mil lbs., cwe**	**1,916**	**1,979**	-3.21%	**1,871**	2.36%	**69,639**	0.7%
	FI Slaughter	Thou. Head	574	633	-9.32%	636	-9.77%	22,200	-4.6%
C	FI Cow Slaughter **	Thou. Head	114	115	-0.63%	121	-5.60%	4,187	-0.9%
T	Avg. Dressed Weight	Lbs.	838	835	0.36%	819	2.32%	828	2.8%
T	Beef Production	Million Lbs.	479.7	527.3	-9.03%	519.8	-7.71%	18,371	-1.9%
L	Live Fed Steer Price	$ per cwt	100.86	103.12	-2.19%	100.07	0.79%		
E	Dressed Fed Steer Price	$ per cwt	160.56	163.07	-1.54%	159.17	0.87%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	N/A	146.30	N/A	138.42	N/A		
&	Choice Beef Cutout	$ per cwt	222.12	227.39	-2.32%	222.61	-0.22%		
	Hide/Offal	$ per cwt, live wt	7.91	7.88	0.38%	9.12	-13.27%		
B	Rib Primal, Choice	$ per cwt	372.55	373.69	-0.31%	359.15	3.73%		
E	Round Primal, Choice	$ per cwt	173.97	179.09	-2.86%	184.73	-5.82%		
E	Chuck Primal, Choice	$ per cwt	174.39	179.14	-2.65%	180.13	-3.19%		
F	Trimmings, 50%	$ per cwt	41.31	43.10	-4.15%	80.53	-48.70%		
	Trimmings, 90%	$ per cwt	223.86	225.28	-0.63%	224.63	-0.34%		
	FI Slaughter	Thou. Head	2,335	2,475	-5.66%	2,632	-11.29%	89,759	1.3%
	FI Sow Slaughter **	Thou. Head	65.1	67.0	-2.79%	55.6	17.03%	2,239	12.0%
H	Avg. Dressed Weight	Lbs.	211.0	211.0	0.00%	210.0	0.48%	214	0.8%
O	Pork Production	Million Lbs.	491.5	522.2	-5.88%	553.5	-11.20%	19,249	2.1%
G	Iowa-S. Minn. Base	Wtd. Avg.	50.23	44.50	12.88%	47.94	4.78%		
S	Natl. Base Carcass Price	Wtd. Avg.	61.46	58.23	5.55%	61.89	-0.69%		
	Natl. Net Carcass Price	Wtd. Avg.	63.53	60.55	4.92%	64.08	-0.86%		
	Natl. Early Wean Feeder	Wtd. Avg.	26.76	25.86	3.48%	34.35	-22.10%		
	Pork Cutout	205 Lbs.	80.79	76.28	5.91%	71.01	13.77%		
	Ham Primal	$ per cwt	75.38	67.46	11.74%	60.84	23.90%		
	Loin Primal	$ per cwt	70.67	68.93	2.52%	70.66	0.01%		
	Belly Primal	$ per cwt	130.81	119.68	9.30%	99.36	31.65%		
	Trimmings, 72%, Fresh	$ per cwt	84.41	79.55	6.11%	61.97	36.21%		
	Hog By-Product Value	$ per cwt, live wt	4.05	4.03	0.50%	3.55	14.08%		
C	Young Chicken Slaughter *	Million Head	173.9	169.1	2.80%	148.9	16.74%	5,920	0.1%
H	Avg. Weight (RTC)	Lbs.	4.85	4.83	0.31%	4.78	1.43%	6.29	1.7%
I	Young Chicken Production (RTC)	Million Lbs.	843.0	817.5	3.12%	711.9	18.41%	28,289	1.9%
C	Eggs Set (19-state)	Million	229.9	231.9	-0.86%	231.1	-0.49%	8,398	0.7%
K	Chicks Placed (19-state)	Million Head	186.1	185.8	0.13%	187.7	-0.89%	6,697	-0.2%
E	National Composite Whole Bird	Composite	63.90	63.98	-0.13%	76.19	-16.13%		
	Northeast Breast, B/S	$/cwt	103.92	102.01	1.87%	96.1	8.14%		
	Northeast Leg Quarters	$/cwt	21.79	24.15	-9.77%	40.73	-46.50%		
T	Total Turkey Slaughter *	Million Head	4.088	4.523	-9.62%	3.449	18.53%	143.823	-0.4%
U	Avg. Weight (RTC)	Lbs.	24.83	24.80	0.11%	25.00	-0.66%	32.25	-1.2%
R	Turkey Production (RTC)	Million Lbs.	101.5	112.2	-9.51%	86.2	17.75%	3,731	-1.4%
K	National Hen (8-12 lb)	8-16 Lbs.	112.00	112.87	-0.77%	94.17	18.93%		
G	Corn, Omaha	$ per Bushel	3.54	3.36	5.36%	3.68	-3.80%		
R	Soybeans, Cntrl IL	$ per Bushel	9.84	9.69	1.55%	8.67	13.49%		
A	Soybn Meal 48%, Cntrl IL	$ per Bushel	310.70	305.60	1.67%	300.10	3.53%		
I	Distillers Grain, IL	$ per Bushel	158.50	157.50	0.63%	143.00	10.84%		

* Chicken & turkey slaughter. Production, egg sets are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago due to reporting lag.