

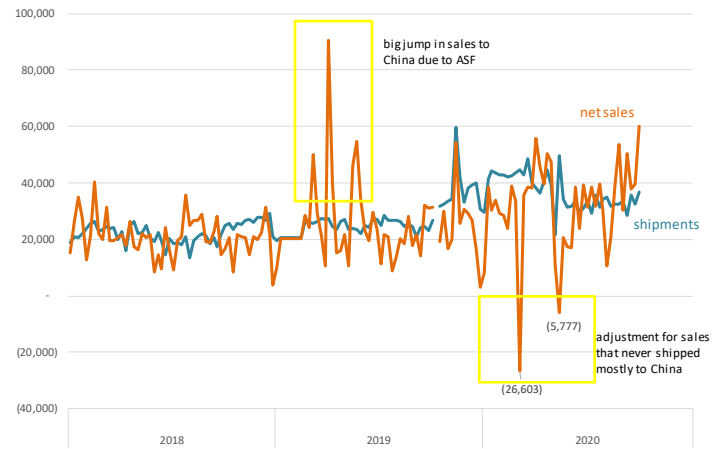
USDA weekly pork export data that was released this morning helped push up December hog futures, narrowing the Oct-Dec spread to under \$10/cwt. Weekly pork export sales for the week ending October 1 were pegged at 60,195 MT, 41% higher than the average level of weekly sales in the previous four weeks. We think this is **the highest level of weekly export sales ever** even as you can find higher sales points in the past. Some of those higher past sales were due to USDA including some catch up numbers. While a big sales number to China likely got the much of the attention, sales to Mexico have been on a very strong pace for a number of weeks. This helps explain the gains in ham values in recent weeks. The pork cutout last night was around \$95/cwt, \$19 higher than last year. The ham primal was quoted at \$79/cwt, 27% higher than a year ago and contributing \$5/cwt to the overall cutout gain.

Net sales to China last week were 29,021 MT, 72% higher than the average of the previous four weeks. Sales to China have accelerated since early August. Between May 1 and the end of July weekly pork export sales averaged 6,800 MT. As sales slowed down, pork export shipments also declined, from around 19-20,000 MT per week in late April to under 10,000 MT per week in early August. Between August 7 and October 1, however, weekly export sales to China have averaged around 16,800 MT per week and the last six weeks they have been close to 19,500 MT/wk. Net sales to Mexico last week were 16,352 MT and in the last four weeks sales have averaged about 13,800 MT/wk. This compares to weekly shipments of around 10-11,000 MT per week recently. The increase in sales should continue to bolster US export shipments to Mexico in the near term. Net sales to S. Korea were a bit lower than the previous week but net sales to this market in the last three weeks (following the outbreak of ASF in Germany) have averaged 3,100 MT/wk, about double the normal levels of weekly shipments during the summer. Expectations are that export shipments to S. Korea will accelerate going forward. Export shipments to S. Korea were sharply higher in Q4 of last year and recent sales number suggest we could see a similar upward trend this year as well. Cash hog prices have pulled back the last two days, which likely has impacted the momentum in the October contract. The positive export data, however, was likely seen as supportive of pork wholesale prices and thus overall hog values in late October and November. This helps explain why the Oct-Dec spread narrowed today.

Going forward there is still plenty of speculation in the market about the sustainability of current pork wholesale values as well as the ability of producers to remain current. Producers were successful in keeping hog weights under control in July and August, getting an assist from Mother Nature (hot weather) but also helped by the ramp up in slaughter during that time of year. Since hitting bottom in early September, hog weights have been on a steep upward trajectory. Weights of producer owned hogs (from MPR data) have increased from around 206.6 pounds per carcass at the end of August to 211.4 currently. We use a 5-day moving average for these calculations to eliminate some of the big day/day variations. The 5-lb. jump in weights (+2.3%) during this period is far higher than what we have seen in recent years although we are starting from a lower base. Last year producer owned hog weights increased by 3.8 pounds between the end of September and the first week of November. CME index declined from \$65.8/cwt on October 17, 2019 to \$58.9/cwt by the end of first week in November of last year, a 10% pullback.

Weekly Pork Export Shipments and Net Sales. All Markets. Thru 10/2

Source: USDA-FAS. Analysis by Steiner Consulting

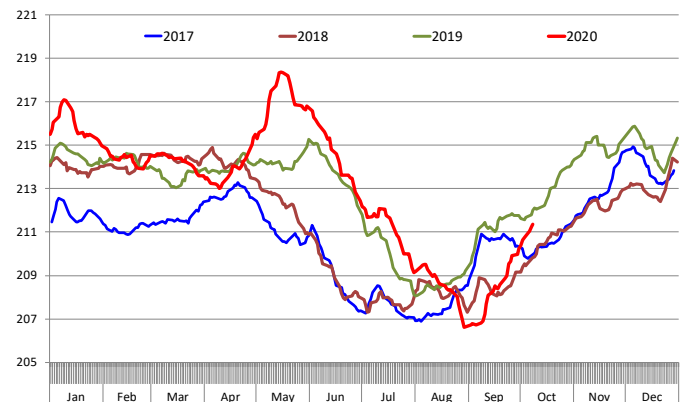


October 2020 Lean Hog Futures minus December 2020 Lean Hog Futures



Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs

Based on Daily MPR Report, LM, HG201. Data through Oct 7, 2020. Analysis by Steiner Consulting



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