

*It has once again been our honor to have you read and support our work, most every working day this past year. We do not take the investment of your time lightly and hope you consider it well spent — and will do so again in 2021!*

**May you have a Healthy and Prosperous New Year!**

Steiner Consulting Group, L/MIC and CME Group

Today we decided to highlight the ongoing surge in feed costs but before that a **very brief recap of the weekly export data that was just released this morning**. We thought **the latest export figures were positive for both beef and pork prices**. Beef export shipments were extremely strong at 27,604 MT, especially for what was supposed to be a holiday shortened week. The week before exports were especially week so could it be that some data was reported with a delay? Net beef sales were also very strong at over 29,000 MT. **Sales to S. Korea stood out, with almost 10,000 MT sold for delivery next year**. Some savvy buyers likely took advantage of lower prices for chucks and briskets. This number should be **supportive for Jan/Feb beef cutout**. Pork export data was also positive, in our view. Net sales to China last week were 24,300 MT and shipments were 13,310 MT, 11% higher than the average of the last four weeks. **Combined total net pork sales last week were 54,014 MT, well above the 39,000-40,000 MT weekly shipments we have seen recently**. We currently project December exports up 13% from November but still about 5% shy of last December's mark.

Feed costs have been surging higher in the last three months and the trend has accelerated the last two weeks. March 2021 corn futures closed last night at \$4.80 per bushel, the highest nearby contract close since the summer of 2014. March corn futures have gained 13% in the last two weeks and they are up 43% since mid August. **China feed demand and weather conditions in South America have been two key factors driving gains in corn and soybean prices so far**. USDA has been playing catchup in its supply/demand tables and market participants are now pondering the possibility of demand rationing prices if conditions in Argentina and Brazil do not improve and if the resurgence of the Chinese pork industry implies an even bigger demand base. The market has been fed a regular diet of bullish news, starting with an avalanche of China orders that have pushed outstanding sales to a seven year high. Dry conditions in Argentina and Brazil have resulted in a steady downgrade of crop yield potential and we are still far from knowing the true extend of crop losses. Last night market was caught a bit off-guard by **the announcement from Argentine authorities that they would suspend corn exports until March 1** in order to assure supply for their domestic use and corral runaway commodity inflation. Argentina represents 18% of global corn exports. Recently Russia also imposed taxes on exports of some commodities, including wheat, in order to tame domestic inflation. **Inflationary pressures are starting to build** and this is being reflected in a number of commodities, with grains vulnerable due to livestock demand and weather uncertainty. The ratio of corn to the price of livestock and poultry may no longer be the best guide of profitability but it does help in placing current corn prices in context. The long run ratios suggest where livestock prices need to be in order to reflect current feed costs. So \$5 corn and a long run 30 ratio would put cattle at \$125....eventually.

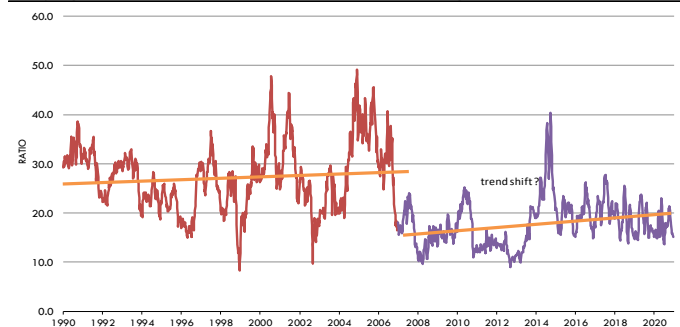
RATIO OF **FED CATTLE** PRICE TO PRICE OF CORN

Weekly Long Run Ratio, #2 Yellow Corn Price Omaha Basis and 5-Mkt Average Fed Cattle Price



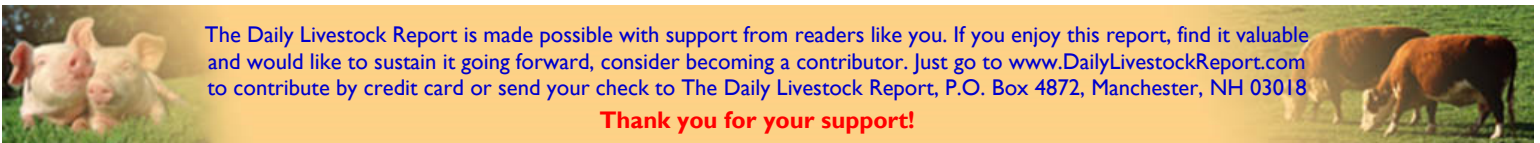
RATIO OF **LEAN HOG** PRICE TO PRICE OF CORN

Weekly Long Run Ratio, #2 Yellow Corn Price Omaha Basis and IA/MN Basis Lean Hog Price



RATIO OF **WHOLE BROILER** PRICE TO PRICE OF CORN

Weekly Long Run Ratio, #2 Yellow Corn Price Omaha Basis and National Whole Broiler Price



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