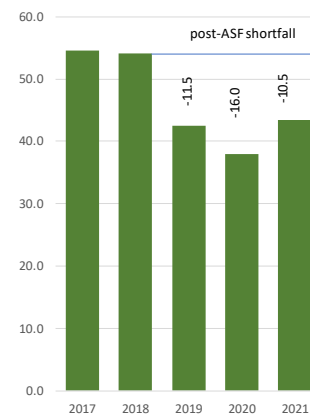


Exports have been key for the US pork market in the last two decades and, with ASF still a major concern in Asia, they will continue to impact the outlook for 2021. Some retrospective may help. In 2000, US pork production was estimated at 18.9 billion pounds and pork exports for that year were 1.3 billion. Last year, pork production hit 28.3 billion pounds, an increase of 9.4 billion pounds or 50%. Exports during this 20 year period steadily increased and last year were estimated at 7.3 billion pounds. So 64% of the overall growth in US pork industry growth for the last 20 years is due to the continued expansion in US pork export markets. It's a stunning number and the reason why industry growth is so closely linked to export market conditions.

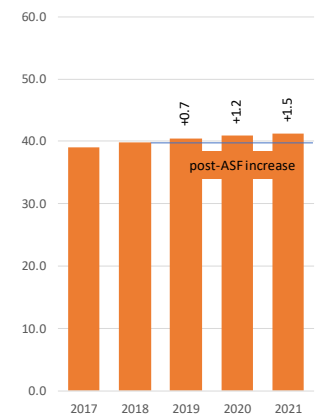
China has been driving global pork demand for the last two years as African Swine Fever created a significant supply hole in that country. While Chinese pork supplies have been rapidly increasing, the latest USDA forecasts still point to a significant supply shortfall. The latest USDA forecast pegs Chinese pork production for 2021 at 43.5 million MT (95.9 billion lb. cwe), 14% higher than the previous year but still down 10.5 million MT (23 billion lb.) than pre-ASF levels. Prices for hogs, pork and baby pigs remain at elevated levels despite all the talk of supply recovery. We think high prices are still needed in order to ration out demand. Current pork prices in China are running about 12% lower than where they were a year ago at this time. However, prices are 110% higher than where they were at this time in 2018. Piglet prices in China have skyrocketed since 2019 due to a combination of tight overall supplies and extreme competition to rebuild the breeding herd. There is anecdotal evidence that the efforts to rebuild the breeding herd may have resulted in a quick recovery of the breeding stock but this was done at the expense of genetics and productivity. Piglet prices in China remain at sky high levels and suggest that producers remain intent on trying to rebuild. In the short term this may limit the number of market hogs and overall pork production.

It does not appear that pork supplies globally have increased quickly enough to fill the huge market hole created in China. Instead, it appears that higher prices were needed in order to “buy” product away from other destinations and shift a larger share of the exportable supply to China. Again, using USDA estimates, pork production in EU, USA and Brazil in 2020 was up just 1.2 million MT (2.6 billion lb.) compared to pre-ASF levels and production in 2021 is expected to increase just 300k MT from 2020. That modest increase is expected to come from the US and Brazil while EU production is forecast to be flat. Expectations are that US pork exports may be modestly lower than last year, a function of US prices closing the gap with competitors. US hog prices were dramatically lower than prices in the EU during the second half of 2019 and first half of 2020. This help overcome the stiff tariffs on US pork and US pork exports to China almost doubled. For the week ending February 8 (latest EU data available), the average hog carcass price in Denmark was \$78.5/100 lb., in Spain it was \$73.7 and in the Netherlands it was \$63/cwt. CME index that week was \$67.7 but last night it had climbed to \$76.5/cwt, ahead of some EU hog prices.

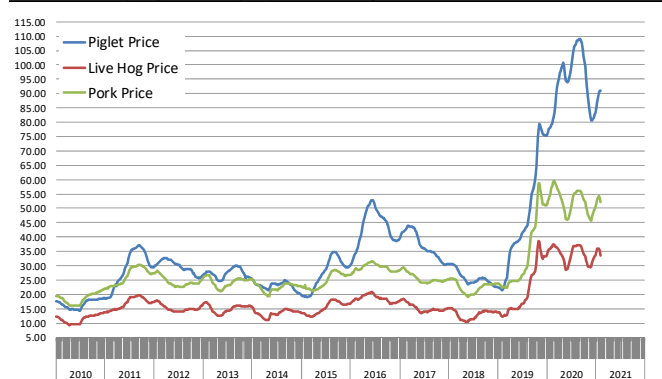
China Pork Production. Million MT. Carcass Wt.
Source: USDA-FAS



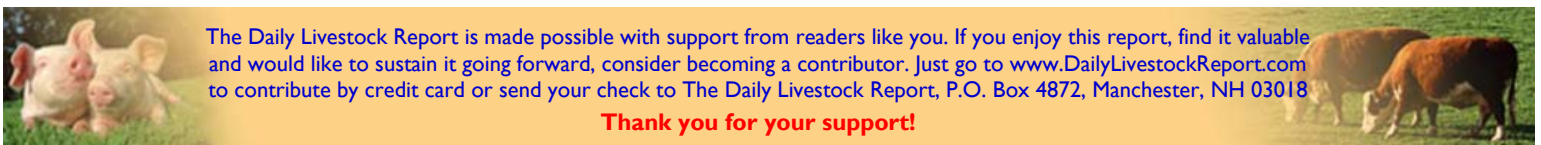
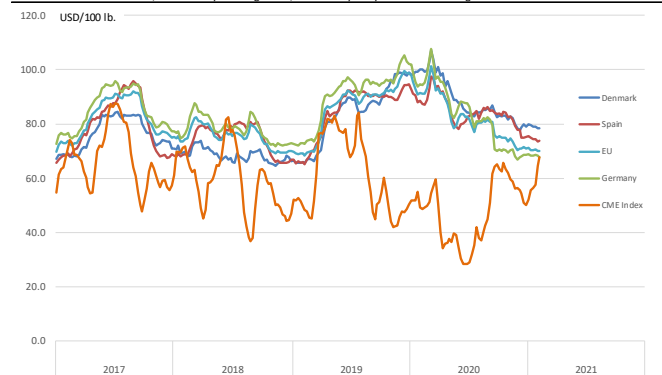
US, EU & Brazil Production. Mil. MT. Carcass Wt.
Source: USDA-FAS



China Price of Baby Pigs, Live Hogs and Retail Pork, Yuan per KG.
Source: China Ministry of Agriculture. Analysis by: Steiner Consulting



Hog Carcass Prices in US, Denmark, Spain, Germany and EU. US\$/cwt equivalent
Data source: EU Commission, US FED Daily Exchange Rate, CME. Analysis by Steiner Consulting



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