

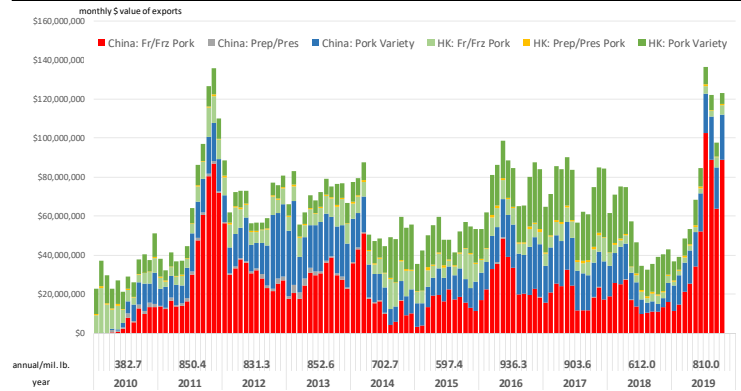
Both US and Chinese officials confirmed on Friday that a partial deal had been reached, resulting in lower tariffs on some Chinese products and higher purchases of US agricultural goods. Many of the details regarding this deal are still unknown but one number that was consistently thrown around was \$40-\$50 billion worth of US ag. products purchased annually. To be clear, we did not see any confirmation from the Chinese side on this but figured it would be worth looking at the meat products China and Hong Kong have purchased from the US in the past decade in order to bring some context to the numbers. We are including Hong Kong in the mix since we think that gives you a better idea of the level of demand in this market. Below are some key numbers:

Pork: China this year is on track to make the biggest dollar purchase of US pork ever. Through October, US exports of pork and pork variety meats to China were \$687 million while exports to Hong Kong were another \$123 million. At the bottom of each chart you can see the total value of annual exports, with the peak being in 2016 when exports to both markets reached \$936.3 million. We think this year the value of US pork export shipments to China will exceed \$1 billion. According to US Census, about 43% of all exports to China in 2019 were frozen carcasses, with an average price of \$.817/lb. What if an additional \$2 billion were allocated to purchasing more pork from the US (between 1.9 and 2.2 billion pounds depending on price shifts). That purchase alone could push pork exports above 32% of total production and require some demand rationing prices. Again, we are not making any forecasts here, simply stating the magnitude of the dollars involved relative to current trade. Sharply higher US pork prices would certainly bolster production levels but, in the short term, higher prices would be needed to ration out demand. With that said, market participants have seen such back of the envelope calculations before and probably would want to see more details before pricing this into the futures. **The weekly Thursday export report will be even more critical in keeping the market up to date next year.**

Beef and Poultry: We rolled these together since purchases from Mainland China have been minimal in recent years. Various non-tariff barriers (BSE, Avian Flu) have prevented shipments of US beef and poultry products to China Mainland. Combined sales of beef products to China and Hong Kong in 2018 were over \$1 billion, a number that was significantly reduced this year as Chinese officials appear to have tightened up border controls. Assuming tariffs on US beef are brought to the same level as other countries, US producers still face the challenge of the limited supply of hormone free beef and the relative high price of US cattle vs. cattle prices in other countries. Cattle prices in Brazil have increased sharply in recent weeks but they are still about 40% lower than US fed cattle values. And that's before we account for the NHTC premium (no hormone). As for poultry, there appears to be a clearer path towards shipping more products to the Chinese market, especially chicken paws/feet that would command a premium vs. current value. Total exports to China/HK in 2014 hit \$808 million, with mainland sales at \$299 million.

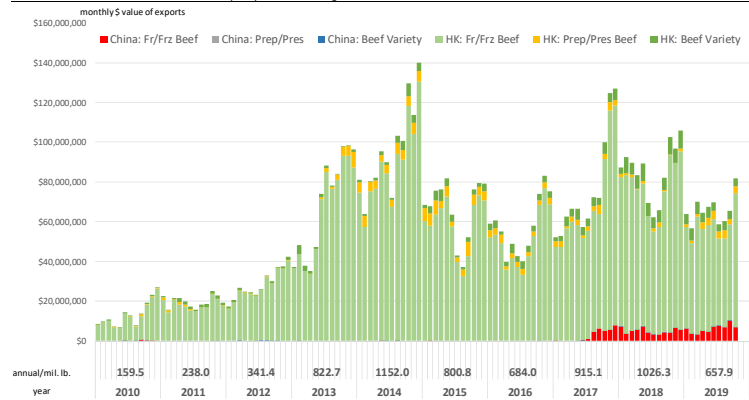
Value of US Fr/Frz/Proc/Prep Pork and Pork Variety Meats to Mainland China and Hong Kong

Source: USDA-FAS based on US CENSUS Data. Analysis by Steiner Consulting



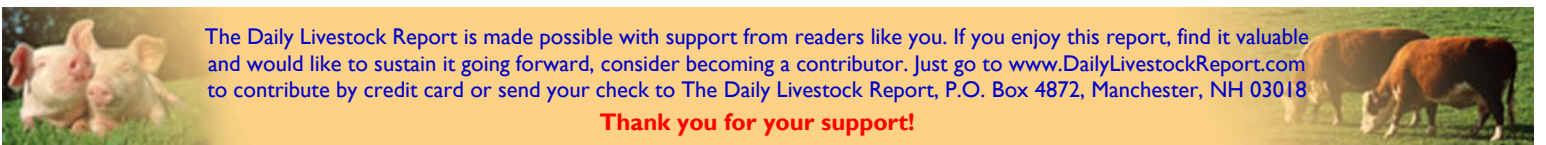
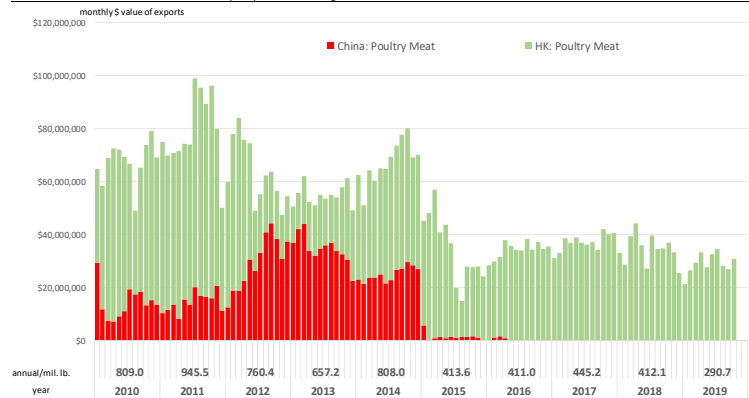
Value of US Fr/Frz/Proc/Prep Beef and Beef Variety Meats to Mainland China and Hong Kong

Source: USDA-FAS based on US CENSUS Data. Analysis by Steiner Consulting



Value of US Fr/Frz/Proc/Prep Poultry Meats (incl. chic feet) to Mainland China and Hong Kong

Source: USDA-FAS based on US CENSUS Data. Analysis by Steiner Consulting



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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **12/14/2019**

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	
		14-Dec-19	7-Dec-19		15-Dec-18				
Total Beef, Pork, Chicken, Turkey	mil lbs., cwe	2,086	1,826	14.28%	1,972	5.80%	95,540	2.8%	
C Fl Slaughter	Thou. Head	662	679	-2.50%	654	1.18%	31,690	1.1%	
C Fl Cow Slaughter **	Thou. Head	107	136	-20.96%	122	-12.05%	5,881	3.4%	
T Avg. Dressed Weight	Lbs.	833	831	0.24%	823	1.22%	810	-0.7%	
T Beef Production	Million Lbs.	550.4	562.7	-2.19%	537.3	2.44%	25,681	0.4%	
L Live Fed Steer Price	\$ per cwt	118.81	118.92	-0.09%	118.14	0.57%			
E Dressed Fed Steer Price	\$ per cwt	188.11	188.10	0.01%	187.62	0.26%			
	Oklahoma Steer (600-700 lbs)	\$ per cwt	150.44	148.61	1.22%	143.66	4.72%		
& Choice Beef Cutout	\$ per cwt	219.14	227.97	-3.87%	213.11	2.83%			
	Hide/Offal	\$ per cwt, live wt	9.17	9.08	0.99%	8.93	2.69%		
B Rib Primal, Choice	\$ per cwt	400.78	412.94	-2.94%	389.10	3.00%			
E Round Primal, Choice	\$ per cwt	177.23	184.74	-4.07%	166.15	6.67%			
E Chuck Primal, Choice	\$ per cwt	173.82	187.45	-7.27%	170.73	1.81%			
F Trimmings, 50%	\$ per cwt	65.51	70.66	-7.29%	59.57	9.97%			
	Trimmings, 90%	\$ per cwt	239.54	241.28	-0.72%	195.21	22.71%		
H Fl Slaughter	Thou. Head	2,763	2,799	-1.29%	2,609	5.89%	123,431	4.0%	
H Fl Sow Slaughter **	Thou. Head	41.5	65.2	-36.31%	64.1	-35.23%	2,758	-0.7%	
O Avg. Dressed Weight	Lbs.	215.0	214.0	0.47%	213.0	0.94%	213	0.6%	
O Pork Production	Million Lbs.	592.7	600.1	-1.23%	556.5	6.50%	26,261	4.6%	
G Iowa-S. Minn. Base	Wtd. Avg.	47.64	45.28	5.21%	46.58	2.28%			
S Natl. Base Carcass Price	Wtd. Avg.	61.13	60.58	0.91%	55.81	9.53%			
	Natl. Net Carcass Price	Wtd. Avg.	62.79	62.14	1.05%	57.77	8.69%		
	Natl. Early Wean Feeder	Wtd. Avg.	41.49	40.63	2.12%	53.07	-21.82%		
	Pork Cutout	205 Lbs.	82.37	81.58	0.97%	72.68	13.33%		
	Ham Primal	\$ per cwt	86.95	85.38	1.84%	54.00	61.02%		
	Loin Primal	\$ per cwt	71.38	72.41	-1.42%	65.35	9.23%		
	Belly Primal	\$ per cwt	98.95	99.25	-0.30%	126.07	-21.51%		
	Trimmings, 72%, Fresh	\$ per cwt	70.78	77.15	-8.26%	50.54	40.05%		
	Hog By-Product Value	\$ per cwt, live wt	3.64	3.68	-1.09%	3.47	4.90%		
C Young Chicken Slaughter *	Million Head	171.9	129.9	32.38%	164.0	4.81%	8,113	2.8%	
H Avg. Weight (RTC)	Lbs.	4.86	4.73	2.73%	4.66	4.40%	6.22	0.5%	
I Young Chicken Production (RTC)	Million Lbs.	836.3	615.0	35.99%	764.3	9.43%	38,380	3.3%	
C Eggs Set (19-state)	Million	233.3	235.9	-1.10%	235.9	-1.11%	11,294	1.9%	
K Chicks Placed (19-state)	Million Head	188.0	183.0	2.74%	178.3	5.45%	9,091	2.0%	
E National Composite Whole Bird	Composite	84.89	82.59	2.78%	86.11	-1.42%			
	Northeast Breast, B/S	\$/cwt	102.07	98.5	3.62%	86.48	18.03%		
	Northeast Leg Quarters	\$/cwt	37.32	35.55	4.98%	28.81	29.54%		
T Total Turkey Slaughter *	Million Head	3.930	1.753	124.19%	4.338	-9.41%	201.645	-1.4%	
U Avg. Weight (RTC)	Lbs.	27.24	27.38	-0.52%	26.29	3.60%	32.31	3.7%	
R Turkey Production (RTC)	Million Lbs.	107.0	48.0	123.02%	114.1	-6.14%	5,218	1.9%	
K National Hen (8-12 lb)	8-16 Lbs.	96.33	92.50	4.14%	81.00	18.93%			
G Corn, Omaha	\$ per Bushel	3.68	3.62	1.66%	3.61	1.94%			
R Soybeans, Cntrl IL	\$ per Bushel	9.13	8.96	1.90%	8.73	4.58%			
A Soybn Meal 48%, Cntrl IL	\$ per Bushel	295.20	302.50	-2.41%	310.50	-4.93%			
I Distillers Grain, IL	\$ per Bushel	157.50	157.50	0.00%	145.00	8.62%			

* 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.

