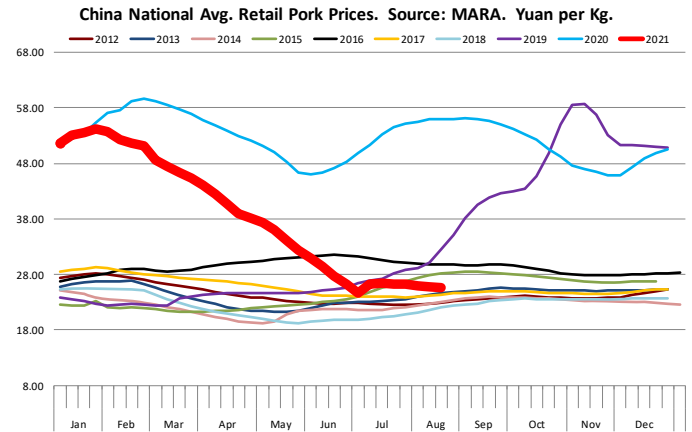
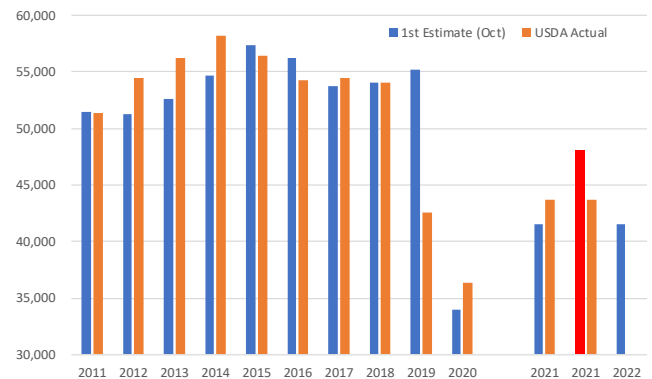


There is always a fairly amount of uncertainty regarding Chinese pork production and thus the level of demand for imported pork. The situation has been especially extreme in the last two years as African Swine Fever resulted in a significant shock to Chinese domestic supplies, and forced Chinese buyers to purchase significantly more pork in the world market. All along **the expectation was that Chinese officials would press domestic suppliers to return the country to self-sufficiency. Judging by the recent trend in hog and pork prices, supplies in the country have normalized.** There is speculation that part of the reason for the sharp decline in prices is due to more cases of ASF, forcing producers to liquidate. At this point that remains speculative and we don't know why that speculation deserves special credence, especially given current price trends. After all, there was a fair amount of speculation last December as well, with private analyst reports saying ASF had wiped out a large chunk of the breeding stock in some regions. If that was the case, we would see the price response today and that has yet to show up in the numbers.

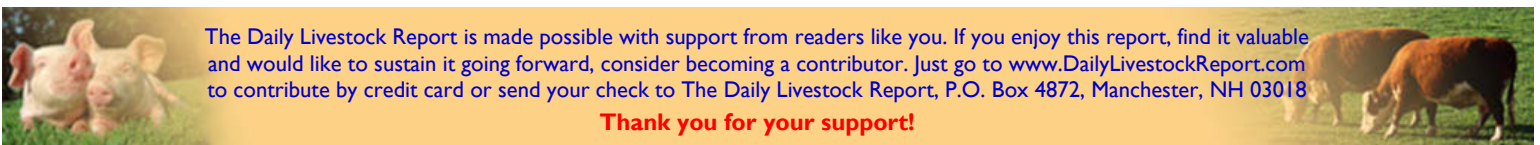
While it is easy to speculate about the supply numbers since statistics are so opaque, we think price action tells the story. In this context, it is interesting to note the annual report on Chinese livestock issued by the USDA Post in Beijing. The report is not considered an official USDA forecast. Rather, it offers insights from analysts on the ground in China, which then inform the analysis and final official forecasts issued by USDA in Washington DC. Reuters was the first to pick up on the latest update and headline the article "China pork production to decline by 14% in 2022—USDA Attache." According to the USDA report, the pork production in China is expected to decline by double digits "as fewer hogs come to market and government policies designed to limit price fluctuations inadvertently undermine expansion." As a result, the report then goes on to say that Chinese pork imports are now expected to increase by 350k MT or 7% compared to the downwardly revised numbers for 2021. The track record of the first attache estimate of Chinese production in the last few years has not been that great. This is understandable given the impact of ASF and then the quick recovery. The chart to the right shows in blue the initial October attache forecast for production in that year and then the orange line is where the actual numbers finally ended up. In 2019 and 2020 the forecast first over estimated and then under estimated the actual. There have been a lot of adjustments to the 2021 numbers, as well. Last October the attache report pegged Chinese pork production for 2021 at 41.5 million MT, a number that was revised to 43.75 million when the official forecast was issued. However, in March of this year the forecast for 2021 was revised to 47 million MT and in the August report that was revised even higher to 48 million MT. At this point it appears to us that forecasts of potential policy impacts remain highly speculative and producers need to be a bit more circumspect when reading such headlines. [Link to full USDA report.](#)



USDA Post Estimates of Chinese Pork Production vs. USDA Actual Production Statistics



* Reflects 1st estimate for 2021 and then USDA's current official estimate
 ** Reflects latest estimate (red) vs. official USDA estimate



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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **8/28/2021**

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	
		28-Aug-21	21-Aug-21		29-Aug-20				
Total Beef, Pork, Chicken, Turkey	mil lbs., cwe	1,950	1,967	-0.90%	2,039	-4.38%	65,879	0.2%	
C	FI Slaughter	Thou. Head	651	665	-2.11%	654	-0.43%	21,839	4.0%
	FI Cow Slaughter **	Thou. Head	130	126	2.71%	113	14.75%	4,171	5.4%
	Avg. Dressed Weight	Lbs.	819	819	0.00%	841	-2.62%	826	-0.1%
T	Beef Production	Million Lbs.	531.9	543.5	-2.13%	548.7	-3.06%	18,041	3.9%
L	Live Fed Steer Price	\$ per cwt	125.98	125.47	0.41%	105.09	19.88%		
E	Dressed Fed Steer Price	\$ per cwt	204.18	201.15	1.51%	166.53	22.61%		
	Oklahoma Steer (600-700 lbs)	\$ per cwt	165.45	165.01	0.27%	150.06	10.25%		
&	Choice Beef Cutout	\$ per cwt	347.02	338.93	2.39%	229.91	50.94%		
	Hide/Offal	\$ per cwt, live wt	15.14	15.03	0.73%	7.82	93.61%		
B	Rib Primal, Choice	\$ per cwt	604.92	577.65	4.72%	376.94	60.48%		
E	Round Primal, Choice	\$ per cwt	283.10	275.12	2.90%	181.51	55.97%		
E	Chuck Primal, Choice	\$ per cwt	276.26	274.13	0.78%	180.01	53.47%		
F	Trimblings, 50%	\$ per cwt	148.10	164.82	-10.14%	45.04	228.82%		
	Trimblings, 90%	\$ per cwt	277.82	277.05	0.28%	226.01	22.92%		
	FI Slaughter	Thou. Head	2,444	2,445	-0.04%	2,653	-7.86%	83,551	-1.6%
	FI Sow Slaughter **	Thou. Head	58.2	59.1	-1.56%	63.1	-7.82%	2,011	-4.6%
H	Avg. Dressed Weight	Lbs.	209.0	210.0	-0.48%	210.0	-0.48%	215	0.1%
O	Pork Production	Million Lbs.	510.9	511.8	-0.18%	556.4	-8.18%	17,958	-1.5%
G	Iowa-S. Minn. Base	Wtd. Avg.	95.07	97.54	-2.53%	42.45	123.96%		
S	Natl. Base Carcass Price	Wtd. Avg.	99.48	101.46	-1.95%	56.75	75.30%		
	Natl. Net Carcass Price	Wtd. Avg.	101.79	103.78	-1.92%	59.08	72.29%		
	Natl. Early Wean Feeder	Wtd. Avg.	45.00	44.13	1.97%	24.99	80.07%		
	Pork Cutout	205 Lbs.	113.50	119.75	-5.22%	73.09	55.29%		
	Ham Primal	\$ per cwt	81.04	79.94	1.38%	57.30	41.43%		
	Loin Primal	\$ per cwt	116.80	116.94	-0.12%	71.51	63.33%		
	Belly Primal	\$ per cwt	184.30	222.88	-17.31%	110.57	66.68%		
	Trimblings, 72%, Fresh	\$ per cwt	118.92	141.38	-15.89%	80.07	48.52%		
	Hog By-Product Value	\$ per cwt, live wt	5.59	5.59	0.00%	3.79	47.49%		
C	Young Chicken Slaughter *	Million Head	167.5	168.2	-0.40%	171.1	-2.08%	5,504	-1.3%
H	Avg. Weight (RTC)	Lbs.	4.83	4.82	0.32%	4.89	-1.24%	6.36	1.2%
I	Young Chicken Production (RTC)	Million Lbs.	809.6	810.3	-0.08%	837.2	-3.30%	26,592	-0.1%
C	Eggs Set (19-state)	Million	237.7	240.4	-1.15%	231.2	2.81%	8,097	2.0%
K	Chicks Placed (19-state)	Million Head	186.5	183.9	1.44%	183.9	1.45%	6,352	0.4%
E	National Composite Whole Bird	Composite	104.51	104.65	-0.13%	63.82	63.76%		
	Northeast Breast, B/S	\$/cwt	195.36	188.64	3.56%	110.12	77.41%		
	Northeast Leg Quarters	\$/cwt	42.52	41.27	3.03%	24.82	71.31%		
T	Total Turkey Slaughter *	Million Head	3.916	4.063	-3.62%	3.909	0.18%	126,799	-6.2%
U	Avg. Weight (RTC)	Lbs.	24.87	25.08	-0.82%	24.77	0.39%	32.30	-0.1%
R	Turkey Production (RTC)	Million Lbs.	97.4	101.9	-4.41%	96.8	0.57%	3,290	-6.5%
K	National Hen (8-12 lb)	8-16 Lbs.	NQ	NQ	N/A	113.57	N/A		
G	Corn, Omaha	\$ per Bushel	6.28	6.15	2.11%	3.32	89.16%		
R	Soybeans, Cntrl IL	\$ per Bushel	13.55	13.59	-0.29%	9.45	43.39%		
A	Soybn Meal 48%, Cntrl IL	\$ per Bushel	360.40	365.60	-1.42%	295.70	21.88%		
I	Distillers Grain, IL	\$ per Bushel	197.50	184.00	7.34%	152.00	29.93%		

* 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.

*** Please note that the number of business days is different from one year to the next, which affects the YTD calculation

