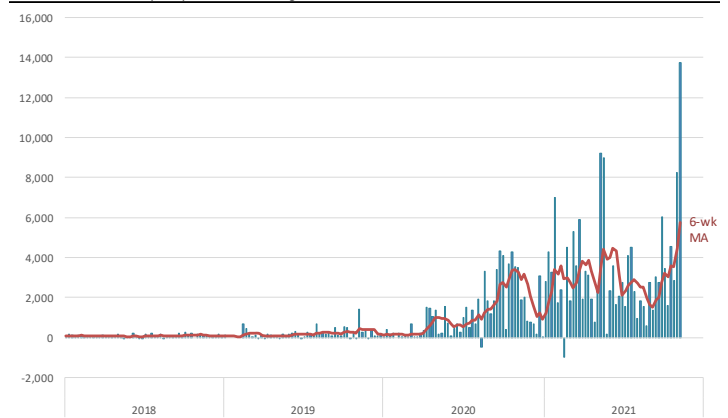


While Chinese buyers have been largely absent from the US pork market in recent months, they continue to show significant interest in US beef. In the last two weeks, China has been the top market for US beef and **net sales to China last week were the highest to any market so far this year**. Barring a USDA correction (always a possibility), net sales to China last week were 13,751 MT, 220% higher than the average of the last four weeks and 430% higher than the current pace of weekly shipments. The week before, USDA had reported a beef sale package of 8,230 MT, at the time a record weekly volume to this market. In addition USDA also reported another 426 MT booked for delivery in 2022, bringing total sales to China last week alone to over 14,000 MT. China is still the third largest market for US beef in terms of weekly shipments, behind Japan and S. Korea. However, outstanding beef sales to China are currently 43,131 MT, similar to outstanding beef sales to S. Korea, currently our largest market. Will China become the top market for US beef in 2022 or maybe 2023? Six months ago we thought the odds of that happening were very long. However, odds have significantly changed given the steady growth in sales and shipments to this market. China is now by far the largest beef buyer in the world, with imports up four fold in the last five years alone. Chinese beef imports in 2021 are expected to be 270% higher than imports from Japan, the second largest beef buyer. And despite the current size, Chinese beef purchases in 2022 are expected to increase another 8%. This will be difficult to achieve without higher imports from a number of sources, including the US. Argentina and Uruguay appear to be in a herd rebuilding phase, which will tend to limit the amount of beef they can send to China. Additionally, Argentina has imposed export controls in an effort to stem domestic beef price inflation. Continuing political disagreements between China and Australia may also continue to impact the amount of beef China buys from this big global supplier. At this time the US has become the default source for high quality, grain fed beef. Some Chinese buyers do not seem fazed by the high prices, as evidenced by recent purchases. And then there is speculation that the recent virtual meeting between Biden and Xi may result in more soybean sales as both countries try to calm the waters. Maybe we should expect more beef sales as well.

The weekly update of pork export sales and shipments was not as positive as it was for beef. The decline in export shipments to China means export volume remains below year ago levels. Total shipments for the week ending November 11 were 34,700 MT, 5.7% higher than the average pace of shipments the last four weeks but still about 11% lower than a year ago. **Export shipments to China last week were 4,364 MT, 11.6% higher than the average of the last four weeks but 67% lower than last year.** Some of the lost business to China has been offset by higher exports to Mexico. Shipments to the Mexican market last week were 16,233 MT, 5.9% higher than the four week average and 35% higher than a year ago. The reason for viewing the latest export data as somewhat

US Weekly Beef Export Sales to China. Metric Ton, shipped wt.

Source: USDA-FAS. Analysis by Steiner Consulting

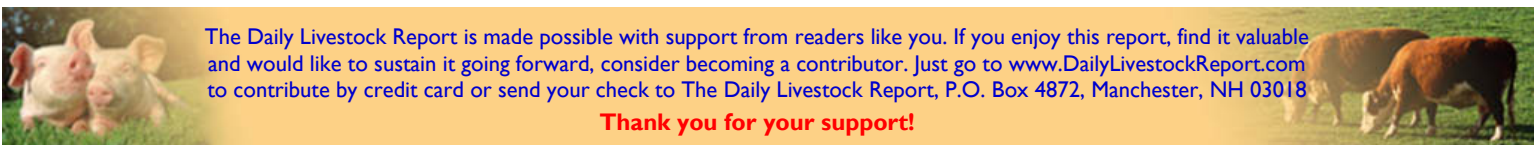


Seasonality of US Pork Export Shipments to Mexico. Monthly Exports as % of Annual Average

Data source: US Census Bureau and USDA. Analysis by Steiner Consulting

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Jan	118%	112%	119%	108%	111%	92%	92%	108%	109%	110%	120%
Feb	91%	86%	104%	80%	99%	92%	86%	96%	96%	91%	106%
Mar	98%	91%	96%	73%	95%	104%	81%	102%	100%	98%	108%
Apr	86%	65%	89%	92%	93%	95%	85%	85%	124%	92%	75%
May	81%	86%	94%	99%	98%	89%	92%	102%	111%	83%	65%
Jun	101%	77%	78%	92%	97%	108%	88%	94%	93%	101%	84%
Jul	91%	71%	90%	105%	96%	100%	89%	85%	87%	114%	99%
Aug	102%	86%	102%	95%	98%	100%	104%	96%	96%	105%	96%
Sep	81%	107%	102%	97%	102%	95%	107%	97%	90%	98%	99%
Oct	95%	118%	111%	107%	103%	103%	111%	105%	104%	92%	104%
Nov	127%	133%	106%	117%	95%	106%	126%	109%	95%	100%	114%
Dec	127%	168%	109%	135%	113%	116%	138%	119%	94%	116%	129%

bearish is the continued lack of export demand from China, with net sales last week almost non-existent. More importantly, there have been no sales to China for delivery in 2022. Sales to Mexico were quite strong last week at 16,800 MT, 17% higher than the average of the last four weeks. This helps explain the improvement in bone-in ham prices from the high 40s to the low 60s. Will these strong sales be sustained after the holidays? History shows that for the most part US pork shipments to Mexico in January tend to be well above the annual average. Between 2010 and 2020, January export shipments to Mexico were 9% above the annual average. This compares with November where shipments were 12% above the annual average and December at 24% above the annual average. Still, we would need to see an improvement in exports to China to view the overall export picture as positive for 2022.



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