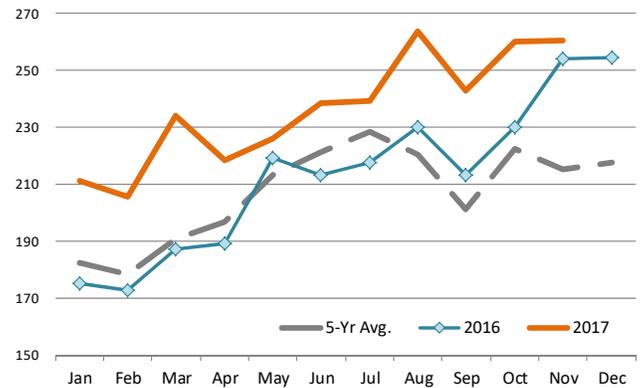


November **beef and veal exports were 260.7 million pounds (carcass wt. basis), 2.7% higher than a year ago and just three million pounds shy of the record volume shipped in August.** Based on weekly export data, we think December shipments will be lower than in November and also down about 4% compared to a year ago. Still, this has been a record year for US beef exports and we expect the total volume for the year will establish a new all time record at 2.85 billion pounds, 11.5% higher than a year ago. The gains in exports are **even more impressive when we look at the dollar sales.** According to USDA, the value of beef and veal exports in November was \$594 million, 10% higher than a year ago. In 2017 the value of fresh, frozen and cooked US beef exports was \$5.456 billion. This year US beef exports are on track to hit \$6.4 billion, a 17% y/y gain and clear evidence of excellent demand for US product. By far the biggest gains in US beef exports in 2017 were in Asian markets, especially Japan and South Korea. Exports to Japan through November were up 166 million pounds (+27.6%), exports to South Korea were up 25 million pounds (+6%) and exports to Hong Kong were up 29 million pounds (+11%). The export gains reflect robust economic growth there and the resulting impact on beef demand. Also, **increased beef availability in the US has allowed Japanese and South Korean end users to expand their beef offerings,** confident that there is enough supply in the US to support their efforts. Price is always important, and US prices have become more competitive in recent years. But just as important is availability. For many Japanese buyers the decline in US cattle numbers and beef production meant that they no longer could rely on a consistent flow of product at reasonable price points. As cattle numbers have recovered, we expect beef shipments to Asian markets to ramp up further. US exporters have also benefited from the fact that Australia, our main competitor in Japan and South Korea, is in a herd rebuilding mode. Bottom line: US beef availability is expected to increase further in 2018 and combined with robust global growth and limited supplies in Australia this should continue to bolster US beef exports. Latest USDA forecast is for beef exports in 2018 to increase 4.7%, a conservative forecast in our view.

Pork exports were excellent in November. Total shipments of fresh/frozen and cooked pork were 535.4 million pounds on a carcass weight basis, 5% higher than a year ago and the largest monthly export volume on record. Through November US pork exports were 5.118 billion pounds, 8% higher than the previous year. We think December shipments were not as large as a year ago and thus forecast total 2017 pork exports at 5.6 billion pounds, 354 million pounds higher than the previous year. The last USDA forecast of pork production for 2017 was 25.576 billion pounds, 635 million pounds higher than the previous year. This would imply that pork exports absorbed a little over half of the increase in US pork output during 2017. Can we count on exports to

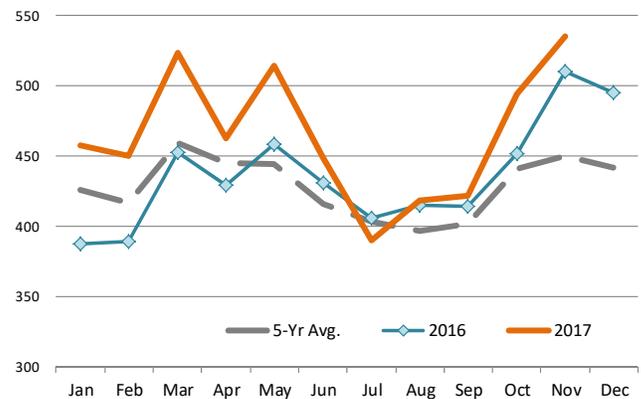
Monthly Beef Exports

Million Pounds. Carcass Weight. USDA/ERS



Monthly Pork Exports

Million Pounds. Carcass Weight. USDA/ERS



once again absorb more than half of the growth in production? It will be a tall order, which is why many analysts are keeping all their fingers and toes crossed for excellent export pork demand. **The latest USDA WASDE report forecast pork production in 2018 at 26.9 billion pounds, which is a bit more aggressive than our own forecasts.** If USDA is correct, this would mean an increase of 1.365 billion pounds. Even if exports were to climb to 6 billion pounds, a somewhat tall order, it would still leave a little over 900 million pounds to be absorbed in the domestic market. It could be that USDA will moderate some of its forecasts but for hog producers, this is the year to protect the downside and currently futures are providing plenty of opportunity to do just that.



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