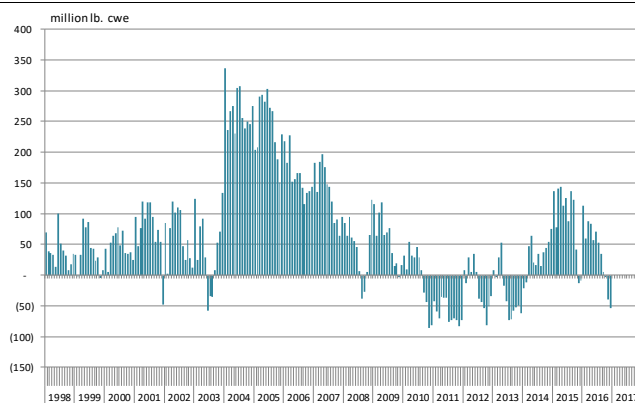


**Despite 'alternative facts' of beef imports flooding the US market, the reality is that beef imports have had a very minor effect on US beef and cattle prices in the last 12 months.** For those willing to look at the numbers, here's what they show. The United States imported a little over 3 billion pounds of beef (carcass weight basis) in 2016. Now that's a lot of beef and, out of context, it can be made to look like torrent of product. Keep in mind that US consumers bought, in one form or another, 25.8 billion pounds of beef last year. Imports were 11.7% of the beef consumed in the US in 2016. Even this paints an incomplete picture. **Much of the beef that we imported was offset by beef that we exported to the rest of the world.** US beef exports last year were 2.55 billion pounds, meaning that the net difference between imports and exports last year was just 466 million pounds, or 2% of the beef consumed domestically in the US last year. But as Ron Popeil used to say, wait there is more. While total pounds tell us about the volume flow across borders, the money flow is a much better measure of the value that trade is bringing for the US producer. US beef and veal sales in 2016, according to US Census data, were \$5.440 billion while the value of beef imports last year was \$5.249 billion. So even as the US ran a trade deficit in terms of beef pounds traded, it ran a trade surplus in dollar terms. This is important when considering the effect of calls for sharply limiting the supply of imported beef coming into the US. Presumably this would allow us to sell more of our own beef to US customers but the price that we will get for that beef may not be as good as what we could get by sending it to overseas customers. Take one item, for instance, short plates. Cattlemen and beef producers alike know this item pretty well, it is the cattle equivalent of the pork bellies. Unfortunately, US consumers do not have the same taste preference for fatty beef strips than they do for pork. When US beef export access to Asian markets was limited following the BSE induced bans, much of this product would go into trim and valued at 50CL prices. Today, it gets a significant premium because our customers in Japan, South Korea and Hong Kong greatly value the taste of grain fed fatty beef cuts. We could make the same point for tongues, cheek meat or other products that get a premium in export markets vs. what the domestic market is willing to pay.

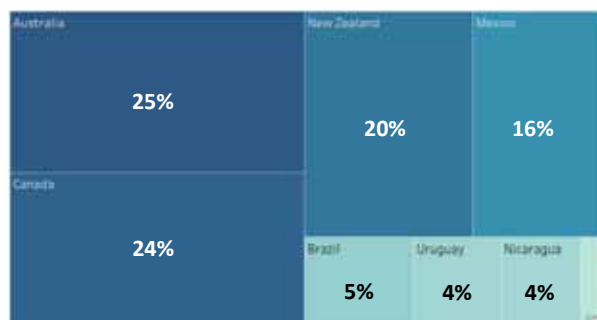
**So far this year the volume of imported beef coming into the US continues to run well under year ago levels.** Imports from Australia through the first five weeks of the year are down about 35% compared to the same period a year ago and down by more than half compared to 2015 levels (see chart). There is a lot of talk about Brazilian beef flooding the US market. At this point that is all speculation. Imports of Brazilian beef in 2016 accounted for just 5% of all US beef imports and this was mostly cooked product. In the first five weeks of this year beef imports from Brazil remain minimal as processors there wait for USDA to clear up some final procedural issues. It is entirely possible that we will see a notable amount of Brazilian beef come into the US, in part to fill the vacuum created by the shortage of Australian product. But the lack of quota means that the supply available will likely be constrained to around 40,000 to 50,000 MT. And the reality is that with US cattle slaughter increasing, we are also generating more fat trim and need the supply of lean beef that imports provide. Beef trade so far remains in balance and this is not expected to change much in 2017.

Net Beef Trade (Imports minus Exports)

Data Source: USDA NASS and ERS

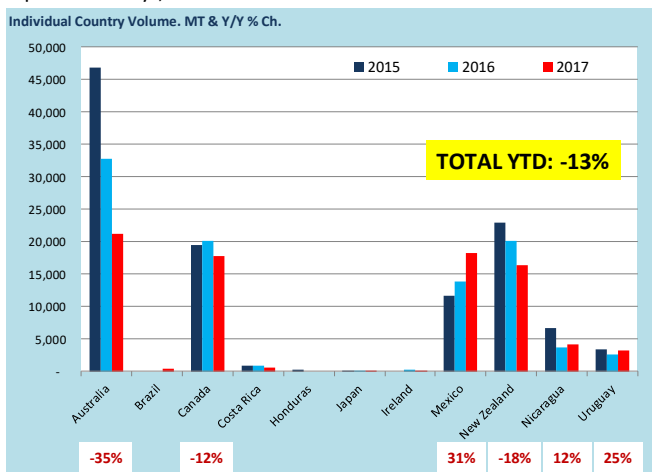


Top US Beef Importers in 2016



US Beef Imports. Metric Ton. Data Source: USDA/Agricultural Marketing Service

Imports as of February 4, 2017



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