

USDA released this morning its latest update on US beef and pork weekly exports and the data continues to show robust demand in outside markets for US products.

One thing that is always difficult for market participants is how to place the weekly export numbers in the context of broader export demand. In part this is due to the fact that the weekly export numbers are reported in metric ton and they are on a product weight basis. On the other hand, the official statistics used by analysts and USDA in computing per the supply/demand balance sheet are in pounds and on a carcass weight basis. Further complicating the matter is the fact that the weekly export numbers only show exports of muscle cuts, they do not include trimmings or shipments of primals and carcasses. This can be particularly important products such as pork, where some markets actually prefer to buy half carcasses and process them according to local customs in the home country.

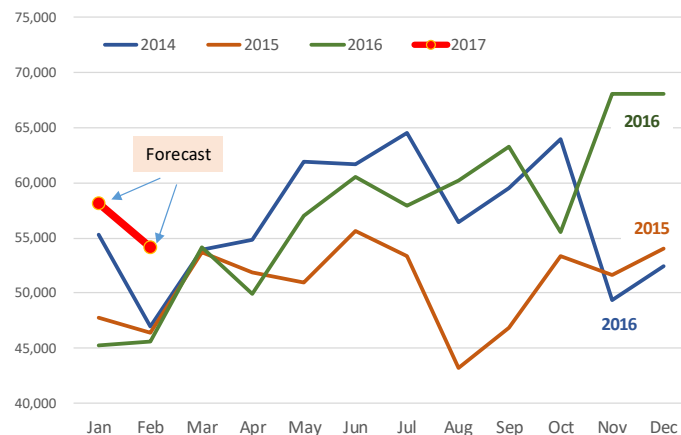
The charts to the right reflect our attempt to bridge the gap between the weekly reported statistics and the official monthly export data. Basically we calculated what the weekly export numbers for January and February implied for monthly beef and pork exports during those two months. Briefly recapping the results for beef and pork:

Beef: Exports for the week ending February 23 were 13,074 MT, 25% higher than the same week a year ago. In the last four weeks, beef exports have averaged 13,634 MT, 26% higher than last year. The two markets showing the most robust growth are Japan and South Korea. Shipments to Japan in the last four weeks have averaged 1174 MT (+33%) more than a year ago while shipments to South Korea have averaged 499 MT (+22%) more than last year. These two markets have accounted for about 60% of the growth in US exports in the last few weeks. Exports to Canada have also been very high, largely we think because of limited availability of beef from other importers such as Australia and New Zealand but also because of lower on feed inventories. Exports to Canada during the past four weeks have averaged 57% more than last year. On a monthly basis, the numbers look just as robust. At this point we expect US beef exports in January to show a net increase of 12.9 million pounds (cwe) or +23.9% compared to the previous year and February exports up 8.6 million pounds (cwe) or +17.2%. It is important to consider that the increase in US beef exports has come at a time when US beef imports are down compared to a year ago. Through the end of February we show US beef imports down 16% compared to last year's levels. The import reduction is actually even more important than the increase in exports, implying a net reduction in availability of around 46 million pounds (cwe) in January and 32 million pounds in February.

Pork: We thought the latest reading on pork exports continued to show very strong demand and little signs of a slowdown. For the week

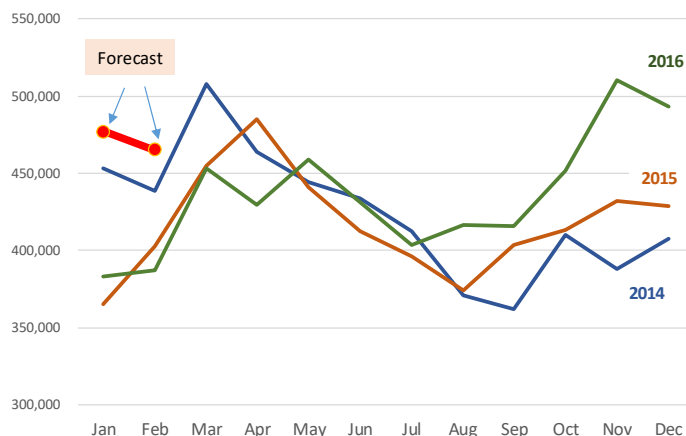
MONTHLY BEEF EXPORTS. CARCASS WT. BASIS. MILLION POUNDS

Source: USDA.

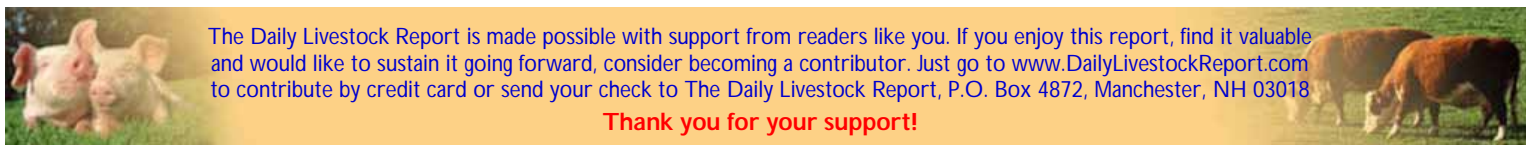


MONTHLY US PORK EXPORTS. CARCASS WT. BASIS. MILLION POUNDS

Source: USDA. Jan and Feb projection by Steiner Consulting



ending February 23 exports of pork muscle cuts were 23,907 MT, 30% higher than the previous year. On a monthly carcass weight equivalent basis we think pork exports in January were around 476 million pounds, 93 million pounds or 24.5% higher than a year ago. February exports are currently projected at 465 million pounds or 20% higher than last year. Demand from Mexico remains excellent, with January and February exports projected at +27% and +22%, respectively. Exports to China so far have been under year ago levels but demand from other Asian destinations, including Japan, is firm.



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