

US beef and pork exports registered impressive gains in January and, based on weekly export reports, we expect February shipments to show robust growth as well. The two charts to the right show the volume of beef and pork exports in January relative to exports last year and the five year average.

Total exports of fresh/frozen and cooked beef in January were 80,495 MT, 14.5% higher than a year ago. Strong demand from Asian markets drove the gains in US beef exports last year and that was the case again in January. Shipments to Hong Kong were 10,249 MT, a 44% gain compared to the previous year. Beef demand in China has been growing rapidly in recent years as consumers there adopt a more western diet but also substitute chicken with beef due to bird flu fears. Exports to Mainland China remain relatively small (802MT) but as the supply of hormone free beef in the US increases we should start to see more US beef go to Mainland China directly. Japan remains the top market for US beef, purchasing 20,554 MT in January, 9% more than the previous year. The value of US beef exports to Japan in January was \$125.5 million, a 26% increase from the previous year and a clear indication of the robust demand for US beef in export markets. Exports to South Korea on a volume basis were 16,033 MT, 19% higher than a year ago. The value of US beef exports to South Korea was \$116.5 million, 39% higher than last year.

Exports of fresh/frozen and cooked pork in January were 164,188 MT, 5.4% higher than the previous year. The value of US pork exports in January was \$454.2 million, 8.5% higher than a year ago. Mexico is the largest market for US pork in terms of volume, purchasing 59,445 MT in January, 1% higher than a year ago. Pork exports to Japan were 34,181 MT, 12.7% higher in volume terms. The value of US pork exports to Japan was \$144.4 million, 17.8% higher than a year ago. Based on weekly exports we think February pork shipments are on track to be 5-6% above last year while beef exports are on track to increase 9% vs. year ago levels.

There is plenty of uncertainty about meat trade going forward, especially as some of our trading partners look to respond in kind to any US efforts to raise tariffs on their goods. It is hard to say how this will all play out but the reality is that the US is a large net exporter of meat protein and a slowdown in trade is generally bearish for US meat prices. The top chart to the right provides a summary of red meat and poultry trade in 2017 expressed in US\$ terms. Dollar sales of US pork and chicken products into export markets are significantly higher than the amount that we purchased from other countries. **But there is a larger point that should be made.** The United States for a long time has believed that a capitalist system is superior to other forms of economic management as it encourages individual freedom to innovate and trade. Over time this tends to encourage development and makes all consumers better off. A tariff system ultimately is an expression of a statist (i.e. government) approach to the economy. It is true that some countries do not share our view of a capitalist system but that does not mean we become more like them. It is also true that some countries, by virtue of their lower labor costs and weak domestic demand, have run trade surpluses. But most people in this planet live outside US borders. If we want our economy to grow we need to figure out how to sell more to them rather than prevent them from selling less to us.

USA 2017 Meat & Livestock Trade. Billion US\$

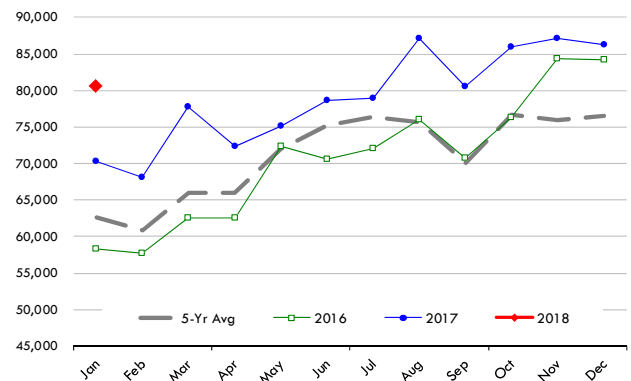
Data Source: USDA

	Exports	Imports	Var.
Beef (Cuts, Trim)	\$ 6.393	\$ 5.271	\$ 1.12
Beef Variety Meats	\$ 0.875	\$ 0.228	\$ 0.65
Cattle	\$ 0.234	\$ 1.533	\$ (1.30)
Pork	\$ 5.313	\$ 1.740	\$ 3.57
Pork Variety Meats	\$ 0.886	\$ 0.052	\$ 0.83
Hogs	\$ 0.023	\$ 0.342	\$ (0.32)
Chicken	\$ 2.908	\$ 0.397	\$ 2.51
Turkey	\$ 0.426	\$ 0.337	\$ 0.09
Live Poultry	\$ 0.205	\$ 0.045	\$ 0.16
Total	\$ 17.264	\$ 9.945	\$ 7.32

*** Chicken/Turkey trade data includes other poultry as well.

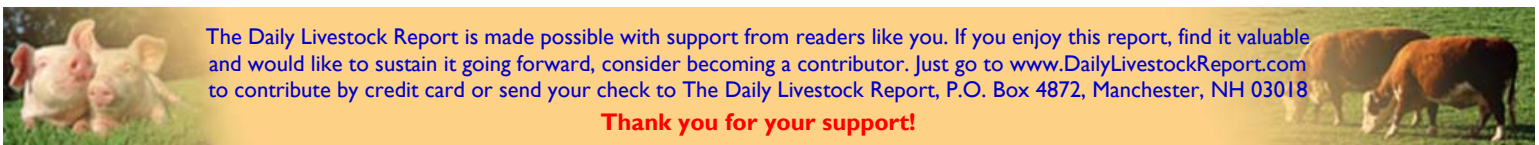
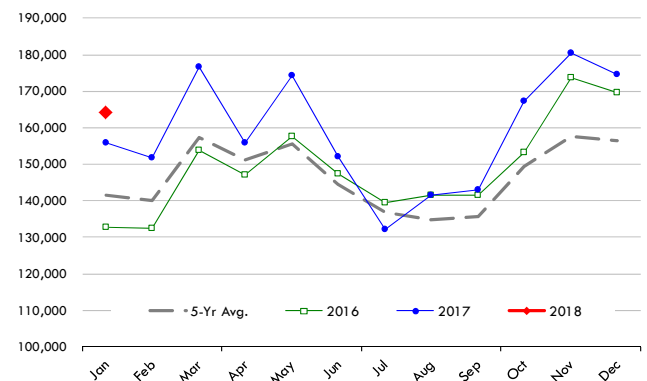
Quantity of US Exports of Fr/Frz/Pres Beef: World Total

Source: USDA/FAS. Units: Metric Ton. Analysis by: Steiner Consulting (800.526.4612)



Quantity of US Exports of Fr/Frz/Cooked Pork: World Total

Source: USDA/FAS. Units: Metric Ton. Analysis by: Steiner Consulting (800.526.4612)



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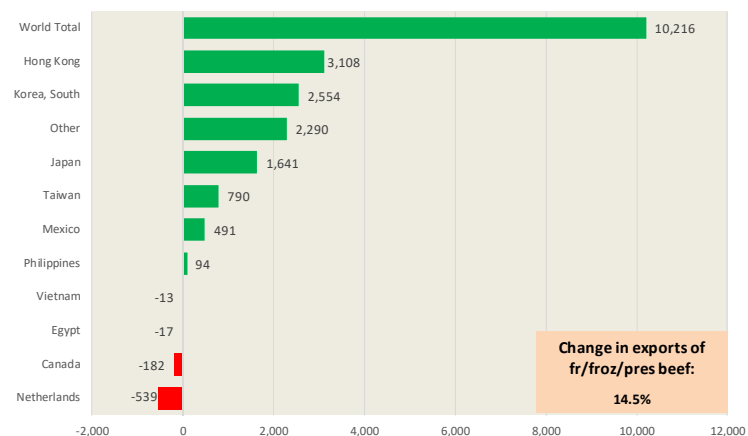
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Y/Y Ch. in Jan. 18 vs. Jan 17 US Beef and Veal Export Volume

Source: USDA/FAS

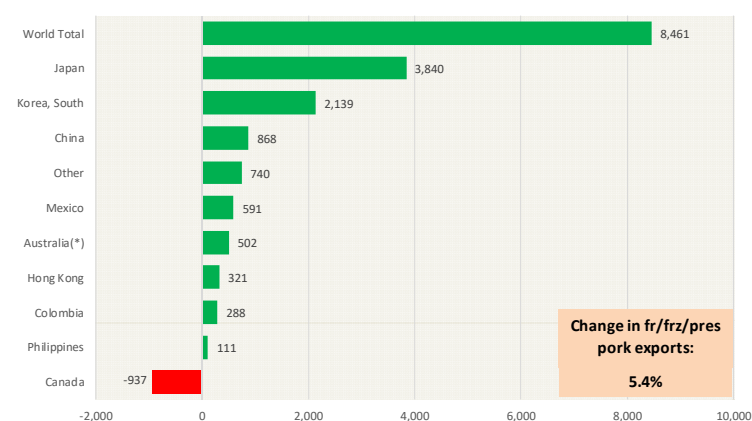
Units: Metric Tons



Y/Y Ch. in Jan. 18 vs. Jan 17 US Fr, Froz & Pres Pork Export Volume

Source: USDA/FAS

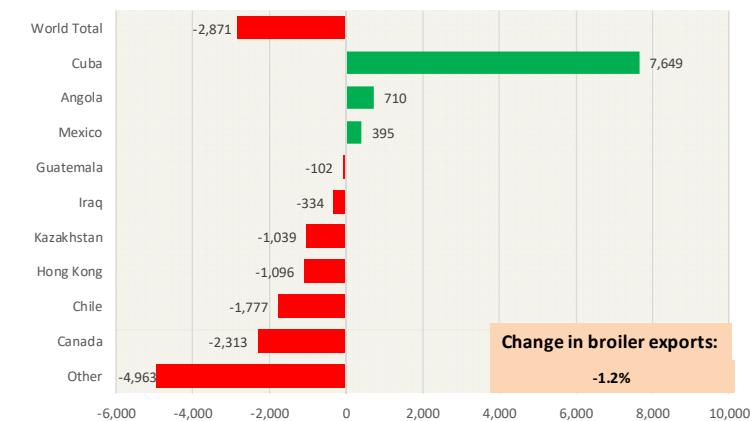
Units: Metric Tons



Y/Y Ch. in Jan. 18 vs. Jan 17 US Fresh/Frozen Broiler Meat Exports

Source: USDA/FAS

Units: Metric Tons



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