

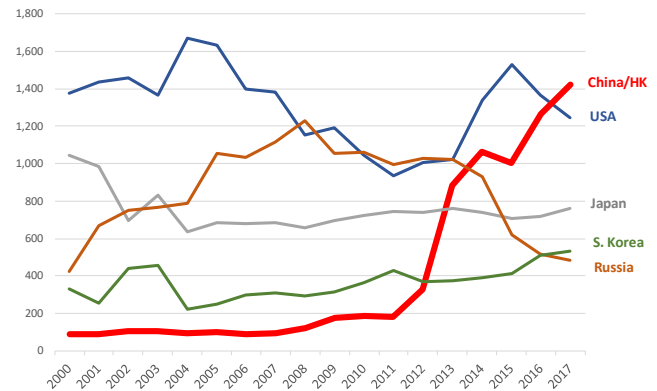
Last week the USDA Foreign Agricultural Service released its semi-annual review of global livestock and poultry markets. For all those interested in global trade flows and the outlook for US trade in 2017, we think you will find this 18 page report valuable. Below are some of our observations as we look through [the USDA analysis](#):

**Beef Market:** China has emerged in recent years as the top beef market in the world. Beef consumption in China has been increasing rapidly, albeit from a very small base. Higher incomes, a more urban population and increasing popularity of western diets has led to increased demand for beef in this market with +1.3 billion people. As recently as 2011, imports of beef in China and Hong Kong were 180,000 MT (cwe), with Mainland China accounting for just 28,000 MT. **In 2017, USDA estimates combined beef imports for China/Hong Kong at 1.425 million MT (cwe), a 7 fold increase from just six years ago.** Given the increased importance of China in the global beef market, there has been a lot of interest in efforts to open this market to US beef products and it appears that Chinese officials have agreed in principle to do that. However, there are a number of obstacles that will limit the amount of US beef that will go into Chinese markets in the short to medium term. China insists that all beef going into the country conform to its traceability requirements. Australia, Brazil, Uruguay, New Zealand and Argentina have mandatory traceability systems for their cattle but at this point this is not the case for the US. Also, China has a very strict policy with regard to hormones. A Chinese notice to trade said that “any detection of a synthetic hormone, or a detection of a naturally occurring hormone at levels higher than the normal physiological levels, will result in rejection of the consignment and possible delistment of the plant.” Product is tested at the port of entry and exporters run significant financial risk, which will likely limit the amount of beef that US can ship into China even as US beef is allowed into the country. But other markets hold more promise for US beef. Exports to Japan and S. Korea likely will benefit from increased competitiveness of US beef product relative to Australia, our key competitor in these markets. Exports to Mexico and Canada also are expected to be quite robust. The challenge for US beef going forward will be to gain increased access to regions and parts of the world where beef consumption is expected to increase as incomes grow and consumers look to upgrade their diets.

**Pork Market:** USDA currently forecasts global pork exports to increase by 5% in 2017. Lower feed costs, not just in the US but other parts of the world, have bolstered pork supplies in key producing countries and that pork will flow into markets where demand is increasing, countries such as China. But even as Chinese demand is expanding, it does not necessarily mean that the US will be the main beneficiary. As with beef, one of the challenges for expanded access into China remains the use of growth promotants, such as ractopamine. US producers have in recent years increased the supply of pork from hogs that have not been given

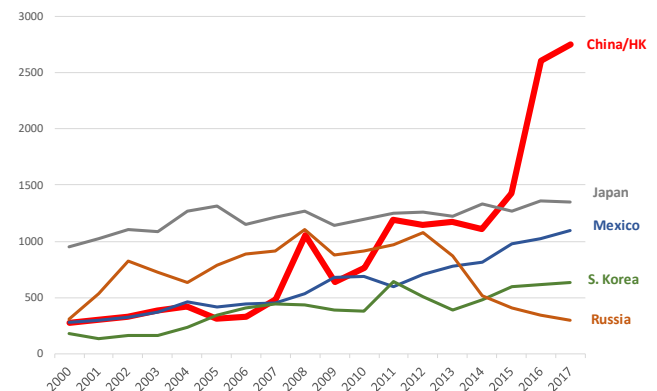
## TOP 5 GLOBAL BEEF IMPORTERS

Carcass Weight Data, '000 MT. Source: USDA/FAS



## TOP 5 GLOBAL PORK IMPORTERS

Carcass Weight Data, '000 MT. Source: USDA/FAS



ractopamine but it remains an issue for those packers that do not control the product flow and thus are not able to guarantee that hogs at some point were not fed with it. Combined pork imports for China/Hong Kong in 2017 are forecast to be 2.750 million MT. Mainland China imports alone are expected to be 2.3 million, about the same as what they were last year but more than double what they were two years ago. European pork producers have been the primary beneficiaries of this resurgence in Chinese pork demand for two reasons: they have meat to sell now that Russia has shut its doors to EU pork and they have meat to sell because feed costs are manageable and EU does not permit the use of ractopamine. Current USDA forecast is for US pork exports to increase 8.3% from a year ago, which would require continued strong demand from Mexico (our top market) but also continued expansion into major Asian markets, doable considering low US prices and availability.

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