

The regular weekly update on US beef and pork exports was published this morning and below we offer a brief recap. But before we get to that a few points are in order. On Tuesday we participated in a meeting in Chicago with representatives of various USDA agencies. The meeting is an annual event organized by USDA as “an opportunity to update data users on recent and pending changes in the various statistical and information programs important to agriculture, and to seek comments and input on these programs.” One of the questions that we asked to USDA representatives had to do with the kind of pork products that exporters are expected to report to USDA in their weekly updates. As many of you know, the report only covers fresh, chilled or frozen muscle cuts of beef. This is an important distinction since the report does not include sales of pork trimmings, it does not include variety meats and it may not include sales of hog carcasses. We say may since it is unclear whether a carcass that has been split in six or three pieces is considered reportable. Our opinion is that it should be reported since a carcass split in such a way would basically be primals and classified using the same HS codes as those for various muscle cuts. The only complication would be if when splitting the carcass the packer leaves the feet attached. Since pig feet are considered variety meat then it might not be possible to use the same HS code as for muscle cuts. We welcome any feedback on this and we also urged USDA to review this issue and provide an update to trade on their website. Participants are paying close attention to this report in order to gauge export demand from China. But if product going there is not reportable, then it would be good for trade to be aware of that. Below is a brief recap of this latest update.

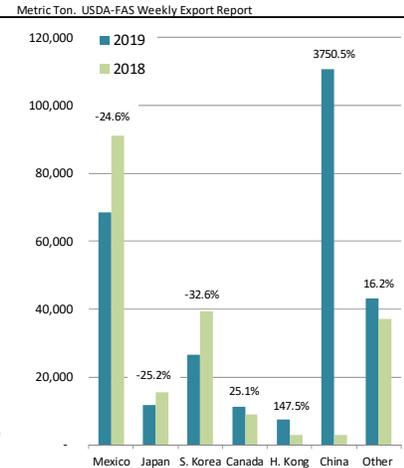
Pork highlights: After the fireworks in the previous two reports this report was much more muted. Bullish traders are constantly looking for more information that US pork supplies will tighten up due to strong exports. This latest update did not contain that. While pork exports in the last four weeks have averaged 23% higher than a year ago, keep in mind that some of this product was bought when US pork prices were cheaper. The question for the market is what the reaction from trading partners will be now that US pork prices have escalated. The initial response has not been positive and that is understandable. Export sales to Mexico in the last four weeks have averaged 71% lower than a year ago, export sales to Japan were down 21% and export sales to South Korea were down 27%. Even Canada, which has been very active in the US market, appears to have backed off at this time, with net sales in the last four weeks down 33% compared to a year ago.

Beef highlights: US beef exports in the first three months of the year have been down compared to a year ago and recent data suggests that exports will be lower in April as well. In the four weeks ending April 18

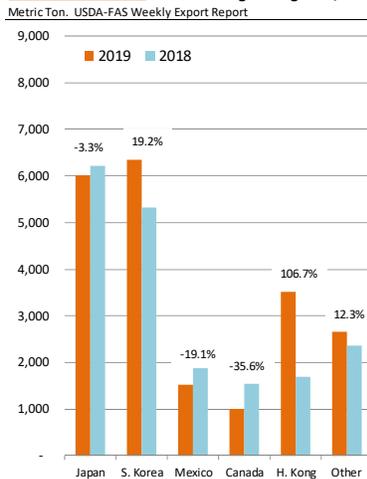
Net Pork Sales CMY: 4-wk Moving Average & Y/Y Ch.



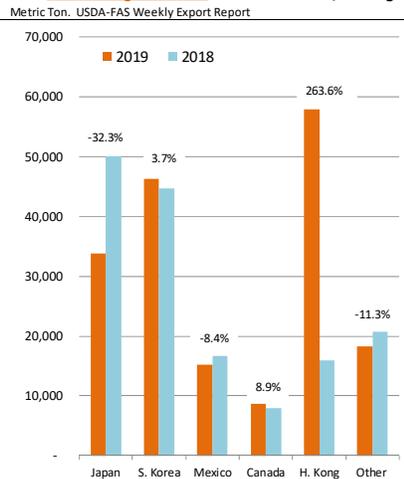
CMY Outstanding PORK Sales: Actual in MT & Y/Y Ch.



Net Beef Sales CMY: 4-wk Moving Average & Y/Y Ch.



CMY Outstanding BEEF Sales: Actual in MT & Y/Y Change



US beef exports have been 7% lower than a year ago. Exports to Mexico during the last four weeks were 20% lower than last year and exports to Canada were down 38%. Hong Kong has some very big export commitments on the books but actual shipments remain quite low, down 28% compared to a year ago. The only positive in this latest update is the improvement in sales to Japan and South Korea. In the last two weeks export sales to Japan have averaged over 8000 MT compared to a weekly export pace of around 4500-5000 MT. Export sales to South Korea in the last four weeks have averaged 19% above year ago and outstanding sales to South Korea are now above year ago levels.



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