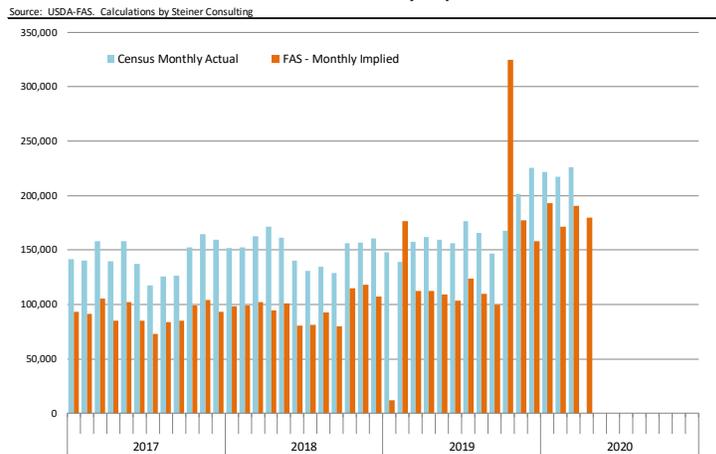


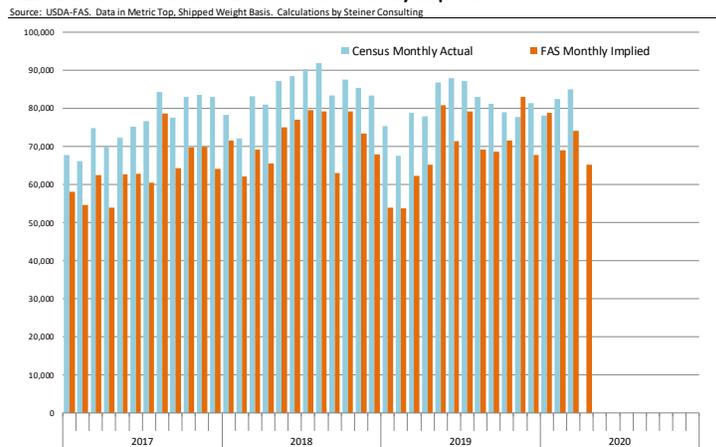
Discussing the latest meat export data is normally a perfunctory affair but there is nothing normal in this market. Meat plants are closing left and right, buying ground beef at wholesale is getting harder than snagging front row seats for a Bruce Springsteen concert (almost just as expensive) and headlines scream that “U.S. faces meat shortage while its pork exports to China soar.” And incendiary as that headline is, it is not wrong. But it helps to understand first the numbers and then why things are the way they are. Below is a brief recap:

Pork: Exports of US fresh/frozen and cooked pork in March were 243,590 MT, 69,662 MT or **40.1% higher than a year ago**. Much of the increase was driven by more pork going to the Chinese market. Shipments to China in March were 69,536 MT, 55,248 MT or 387% higher than a year ago. **The increase in exports to China accounted for about 80% of the overall growth in US exports**. Mexico was the largest destination for US pork in March, taking 52,798 MT, 12% more than a year ago. Exports to Japan, the third largest market were 36,009 MT, 19.5% higher. These three markets accounted for the bulk of the increase although we also saw good demand from smaller markets, which took about 28% more pork than the previous year. So **how is it that US pork processing plants are shutting down and yet we shipped all this product to China and other markets?** Remember this data is for March and not many (if any plants) were running at low capacity, let alone were closed, in March. **US pork production in March was 2.566 billion pounds, 12% higher than a year ago** and the second highest monthly production figure on record. We had a lot of meat to sell in March and good demand from retail (remember the first round of panic buying) and exports helped bolster prices for some pork cuts. The average pork cutout in March was just 1% higher than the previous year but the loin primal value was up 23%, the butt primal was up 36% and the picnic primal was up 58% on a y/y. basis. Did the reduction in April slaughter reduce our exports? This is where the headline above makes a bit more sense. We think pork exports in April increased at double digits again, mostly due to more product going to China. We get a weekly read on exports and **the charts to the right compare the actual monthly export data with what the weekly data imply**. There has been good correlation in recent months between the two. The weekly report at this time implies that US pork exports in April may be 30-35% higher than a year ago. More importantly, new sales in April were sharply higher, thanks to higher sales to China. The problem is that **until all the plant closures started, the focus was on trying to ship as much pork as possible to China given record supplies and weak prices in Q1**. COVID-19 has thrown a wrench in those plans. Ultimately the above headline is unfair precisely because of this fact - the trade deal between US and China called for them to buy more US product. We cant just turn around and blame them for doing what we asked them to do in the first place. That’s the broader picture we need to keep in mind as we look at the pork trade numbers.

PORK EXPORTS: Official Census vs. FAS Monthly Implied



BEEF EXPORTS: Official Census vs. FAS Monthly Implied



Beef: US beef and veal exports in March were 87,623 MT, 6,345 MT or 7.8% higher than a year ago. Japan was the top market for US beef in March, taking 26,985 MT or 25% more than a year ago. The normalization of tariffs for US beef vs. those from other countries has helped demand from this market. Exports to Mexico show significant weakness, in part due to the decline in the value of the Peso. Exports to Mexico were down 18% from a year ago. Exports to Canada, on the other hand, jumped 30%, reflecting the surge in retail demand once COVID emergency situation went into effect. We think sharply higher beef prices and lack of supply limited US beef exports in April. Based on the weekly export data, we think April exports were down 1% to 4% from a year ago.



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