

Dear Daily Livestock Reader

Recently we sent out invoices to those readers that had not contributed in over a year. **A number of companies and individuals responded positively and we greatly appreciate their support.** Without their help this effort would not be possible.

But we have yet to hear from many others. We understand your days are busy but ask that you take a few minutes and consider our request for funding. While the CME remains an important contributor, most of the money raised to support the Daily Livestock Report comes directly from our readers.

For those surprised to receive an invoice, please understand that we started doing this based on feedback from readers. Most of them work for companies that will only pay against an invoice.

Many of you read this report online. If you value the information and want it to continue, please go to the contribution tab, call the number below or send an email to len@dailylivestockreport.com. We have maintained an open website for the past 15+ years and hope to continue to do so for many years to come. This will ensure the information is accessible to all, from the executive in the top floor to the student just getting started and everyone inbetween.

Our commitment at the Daily Livestock Report remains the same; offer a straight, data driven and timely analysis of livestock and meat markets. If you think this effort is worth continuing and have not contributed for this year, then please consider becoming a contributor.

Thanks again for your readership and support over the years. We hope to continue to do this as long as possible.

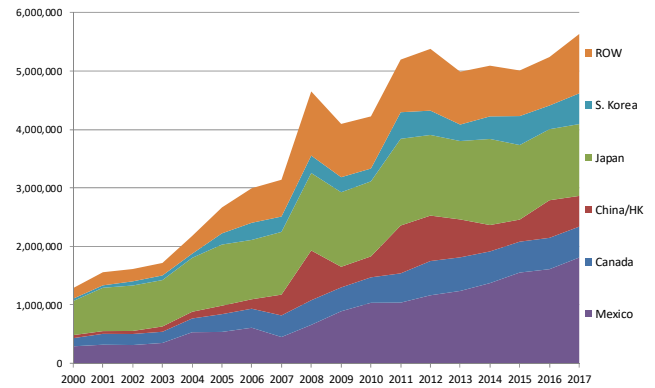
Len Steiner

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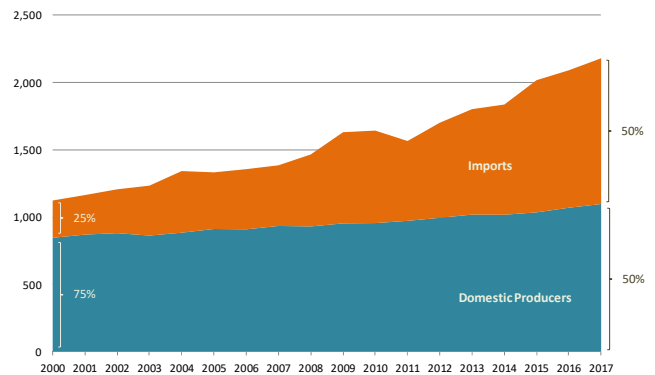
We noted the rising concern's about a multi-front trade war in yesterday's report and the issue will likely be top of the mind for participants in this year's "World Pork Expo." It is no secret that global demand has been a major contributor for the growth of the US pork industry in the last decade. **Rising trade barriers not only threaten future growth but also risk the progress made to this point.** The numbers tell the story. US pork production between 2000 and 2013 increased by 4.3 billion pounds. Exports during this period grew by 3.7 billion pounds while imports were little changed. In other words, export growth absorbed 87% of the increase in US pork production during this period. **Where did this export volume go?** The main growth market for US pork during 2000 and 2013 was Mexico. US pork exports to Mexico in 2000 were around 291 million pounds (carcass weight basis). By 2013 US pork exports to Mexico had increased to 1.24 billion pounds. Mexico alone accounted for a little over a fifth (22%) of US production growth during this period. In the last five years US exports to Mexico have accounted for an ever increasing share of US export growth. **Last year total US pork exports were 5.632 billion pounds, 646 million pounds higher than they were in 2013.** Exports to Mexico in the last five years (2013-2017) increased by 570 million pounds. It is not an overstatement to say that **much of the growth in US pork exports during recent years has come from Mexico.** While talk of China tariffs has been a favorite topic in recent months, Mexico is by far a much more significant and important market for the US pork industry.

Recent reports, but still unofficial, indicate that Mexico will impose a 20% tariff on pork imports from the US. This is rightly seen as negative for US pork trade as any increase in price normally means a reduction in sales. One needs to add to the 20% tariff the impact of a devaluation in the peso. But the issue is (should be) a major concern for Mexico as well, and something that they do not consider lightly. According to USDA, Mexican domestic pork consumption has increased by 94% between 2000 and 2017. This is a function of population growth but also due to an increase in the standard of living and purchasing power of the Mexican consumer. We calculate that 3/4 of the increase in Mexican pork consumption since 2000 has been sourced outside of Mexico. Most of this pork has come from the US. For better or worse, Mexico has become as much dependent on the US for the pork that it feeds its people as the US has become dependent on Mexico for the growth of its pork industry. In the short term, we don't think there are any simple ways for Mexico to replace the pork it currently buys from the US. Much of the imported pork currently going into Mexico is fresh and shifting to a frozen supply implies higher costs. A little more pork will likely come from Canada but one needs to account for the higher transport costs. Denmark and Spain have shipped to Mexico in the past but minimal volumes and always frozen. Of the some 800,000 MT of pork Mexico imported last year (product wt. basis) less than 200 MT came from Spain. Mexico currently does not buy from Brazil and opening that channel will require changes in regulations. The higher tariffs, if they come to pass, will be a tax on Mexican consumers and US producers and likely result in lower product flows and slower growth.

US Annual Pork Export Growth. Main Markets. '000 Pounds, Carcass Wt. Equivalent.
Data Source: USDA-ERS. Analysis by: Steiner Consulting

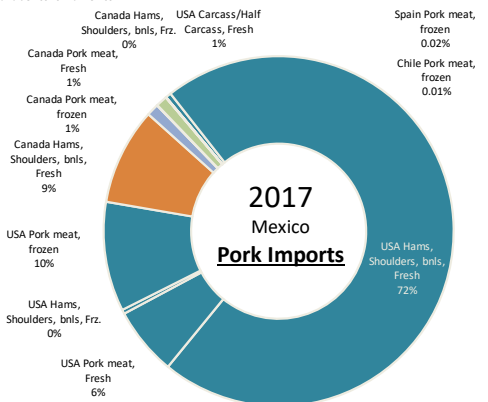


Share of Imports in Mexico Domestic Pork Consumption
Source: USDA-FAS. Data in Metric Ton, Carcass Wt Equivalent



Mexico Pork Imports in 2017

Source: Secretaria de Economía Mexico



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Thank you for your support!

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