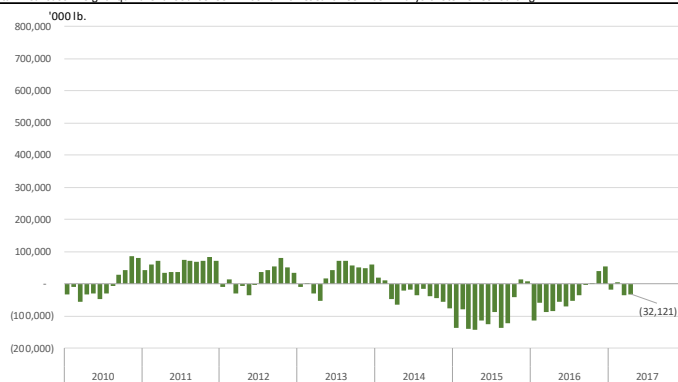


In our discussion on Monday we gave an overview of the export picture, showing robust growth in beef and pork sales. But often those export numbers are countered by arguments about imports still flowing in and somehow undermining US producers. The attached charts look to put that discussion in context (and it's a discussion we have had many, many times). You will notice that we set the scale in the charts at exactly the same point so you can clearly see the relative size of export outflows for the three main proteins. What does the data show? **The United States is by far a dominant global meat protein supplier.** Combined exports of beef, pork and chicken in April were 1.2 billion pounds (carcass weight basis). Imports of those three proteins during the same month were 354 million pounds, giving the US a net 844 million pound advantage in meat protein outflows. Pork and chicken exports dominate for a few good reasons. **US producers over the years have become increasingly efficient and have benefited from the lower cost structure that comes with economies of scale.** This is especially true of pork and chicken but beef production is not far behind. Consider that beef production in 2016 was steady despite a steady reduction in the beef cow herd. That reduction in the cow herd has allowed US beef producers to get more fed beef from mother cow but in doing so we have consistently faced a shortage of lean and extra lean beef, a key component in ground beef/hamburger patty production. Now one can take a nice piece of chuck and grinding it for hamburgers at +\$3/lb. or we can sell those chucks to domestic consumers and supplement the need for lean beef by importing product from Australia, New Zealand and a few other places. Canada and Mexico are the main countries that ship beef to the US but we also need to consider how much more pork and chicken we sell to their people as well. In April, combined US exports of chicken, pork and beef to Canada and Mexico were 352 million pounds compared to 171 million pounds we bought from them. When looking at the breakdown by species, chicken exports had a positive 120 million pound net trade, pork exports had a positive 113 million pound net but beef was a negative 52 million pounds. With beef prices in the US escalating and ongoing price inflation, particularly in Mexico, we are likely seeing some substitution, whereby Mexican producers are sending more beef into the US (at ever higher prices) and purchasing more pork to feed their people.

Then there is the question of demand in both domestic and export markets. US meat demand is fairly well saturated, a discussion we can have at length in another report. The reality is that much of the growth in the US meat industry for the last 15+ years has been due to rising demand in world markets. Pork, for instance, is a preferred meat protein in many parts of Asia, a region of the globe that also has seen significant population growth and significant income growth in the last two decades. The same goes for chicken given the difference in consumer preferences in the US (white meat) and many parts of the globe (dark meat). Bottom line: April was another big export month for US livestock and poultry producers, with the net trade balance up almost 50 million pounds (+6%) vs. April 2016.

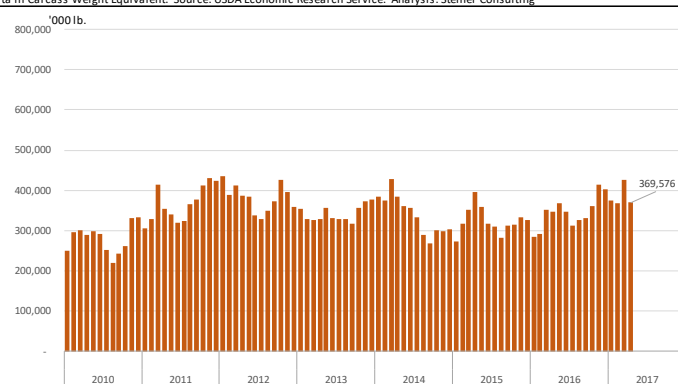
NET BEEF TRADE: MONTHLY BEEF EXPORTS MINUS MONTHLY BEEF IMPORTS

Data in Carcass Weight Equivalent. Source: USDA Economic Research Service. Analysis: Steiner Consulting



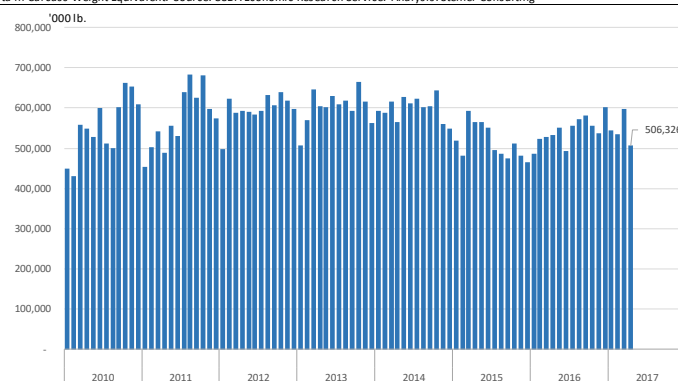
NET PORK TRADE: MONTHLY PORK EXPORTS MINUS MONTHLY PORK IMPORTS

Data in Carcass Weight Equivalent. Source: USDA Economic Research Service. Analysis: Steiner Consulting



NET BROILER TRADE: MONTHLY BEEF EXPORTS MINUS MONTHLY BEEF IMPORTS

Data in Carcass Weight Equivalent. Source: USDA Economic Research Service. Analysis: Steiner Consulting



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