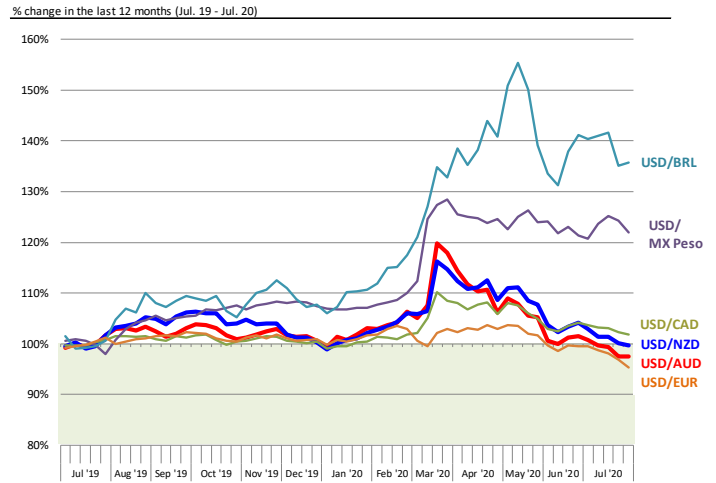


**The US dollar has come under some pressure in recent weeks and there is some speculation about the implications for US protein prices this fall.** A weak US dollar tends to lower the price of US goods in the world market while raising the price of imports in the US market. However, before we simply chart out the US Dollar Index (DXY) and draw conclusions, it may be worth looking at the currency issue in a bit more detail. The value of the US currency surged higher in April and May as global investors rushed to the safety of US dollar denominated assets. Fear of a global pandemic and the expected impact on global growth forced market participants to quickly retreat from risk. The US dollar index jumped from around 94.87 on March 9 to 103.5 on March 20, a 9% jump in just two weeks. The jump was largely attributed to market worries about the spread of COVID-19 in Europe and fears of extensive damage to the economy. The dollar index tracks the value of the US currency against a basket of currencies. The Euro makes up about 58% of the basket, which explains the big move back in March. The index has been moving lower in recent weeks. So far this month the US dollar index is down about 3.6% as traders are more optimistic about growth prospects in the EU, UK, Canada and Japan, the countries whose currencies are represented in the basket.

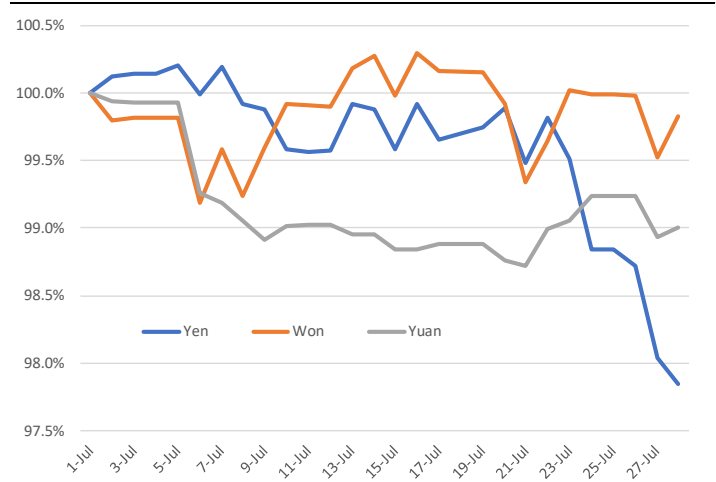
But **the US Dollar Index tells us little about the performance of the US dollar vs. currencies of countries with which we compete in the global meat trade.** It also gives a skewed view of the performance of the dollar vs. the currencies of our main customers (EU buys little US meat products at this time). The two charts to the right show the performance of the US dollar vs. key trading partners and competitors. The Mexican peso is key in this regard as Mexico is both a key market but also a key protein supplier to the US. In the first five months of the year, US beef, pork, chicken and turkey meat exports to Mexico were a total of 1.513 billion pounds, representing 19.6% of all US exports for the period. Please note that this only refers to meat shipments, not offals or other by products. Last year, exports to Mexico for this period were 1.557 billion, representing 22.8% of all US exports. US also imports a fair amount of beef from Mexico at this time and a shift in the exchange rate could affect that segment as well. Through May, US beef imports from Mexico were a total of 284.3 million pounds, higher than imports from Australia or New Zealand. The US dollar has declined 3.2% vs. the Peso since the start of the year although it remains above pre-COVID levels. The stronger Peso has helped a bit although it does not explain the big jump in US ham prices. On July 1, the value of #23-27 hams was 32.7 cents per pound, an extremely low price for that time of year. This likely generated a lot of interest from both Mexican buyers and US traders that work to export product to Mexico and other markets. Last night the value of #23-27 hams was pegged at 58 cents per pound, a 77.4% increase. In Mexican Peso terms, the price increase was 71.6%. The challenge going forward is that the Mexican economy and thus the Peso is closely linked to the performance of the US economy. The point is that the weakness in the US dollar vs. the Euro or Australian dollar for instance does not mean as much as what happens with currencies such as the peso. US trade with China remains key for the remainder of the year and the Yuan Renminbi is managed by Chinese officials. Since July 1, the US dollar has lost only 1% vs. the Chinese currency and it is also within a couple of percent of where it was back in March and April. During Jan-May 2019, US exports of beef, pork, chicken and turkey to China/Hong Kong were a combined 409.6 million pounds. This year they have been a total of 1.451 billion, a 254% increase. The exchange rate had little to do with this. Rather, it is political calculations that will determine the path of US exports to China in the second half of the year.

US Dollar vs. Currencies of Top Meat Trading Partners & Competitors



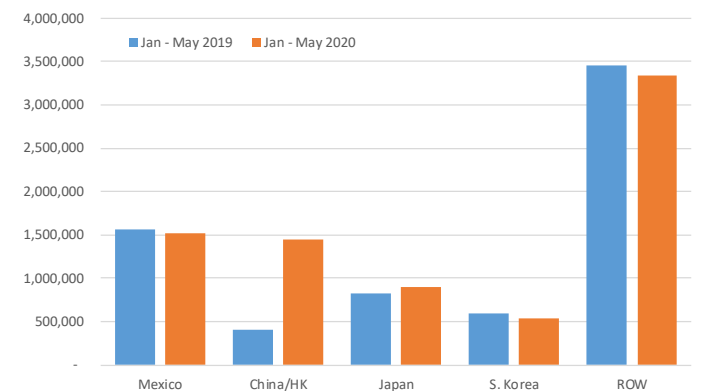
Performance of the US Dollar vs. Japanese Yen, S. Korean Won and Chinese Yuan

Change in Daily Exchange Rate vs. July 1 Value



US Exports of Beef, Pork, Chicken and Turkey: Jan - May 2019 & 2020

Volume of Exports on a Carcass Weight Basis. Data from USDA-ERS



\*\*\* ROW refers to volume exported to 'Rest of the World'

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