

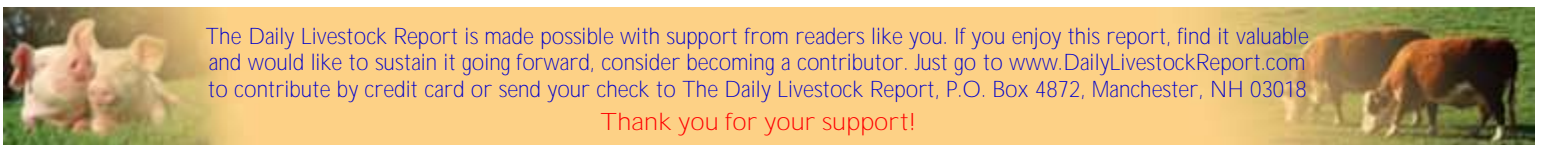
USDA-ERS released monthly trade on a carcass weight basis yesterday that continued to show very strong U.S. beef and veal exports. June data showed beef and veal exports 16% above a year ago. This is the 5th month in 2018 to show double-digit growth. It also concludes the 2nd quarter, which ended up 17% over the prior year. Beef shipments have increased to multiple destinations this year. The month of June continued that trend. South Korea led the way this month with a 50% increase from June of 2017, followed by Taiwan, up 38%, and Japan, up 12%. Mexico and Vietnam also showed strong increases.

For all the success seen on the beef side, pork exports struggled in June as the onslaught of Mexican tariffs started to take effect and the cumulative effect of Chinese tariffs continued. Year-over-year comparisons were still positive, up 1% from the prior year. However, exports to China dipped 34% below last year and recorded the lowest June volumes since 2015. The total tonnage decline was over 12 million pounds on a carcass weight basis. China bought 20% less U.S. pork in the second quarter than last year.

Mexico, a market that was 5 times the size of China's in 2017, declined by 5 million pounds compared to the prior year. June marks the first month of Mexico's retaliatory tariffs against U.S. pork. It's expected that this trend will continue, even though 2nd quarter exports to Mexico were up 13%. Other markets struggled to maintain similar volumes to last year. Hong Kong purchases are 58% below a year ago, and down 64% in the second quarter. Taiwan finished June with strength, up 36% year-over-year, but on the quarter bought 20% less pork than the prior year.

There were a few bright spots on the trade front for pork. South Korea, another large U.S. pork market bought significantly more pork from the U.S., increasing 28% over June 2017 and is up 46% in the spring quarter. Other U.S. markets showed a 20% increase, rounding out the total for second quarter exports up 6%.

Significant headwinds remain ahead for U.S. pork exports in the second half of the year. However, as prices continue to weaken in the U.S. buying interest could continue. Quantities may maintain as we move along the demand curve, albeit at potentially lower values.



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