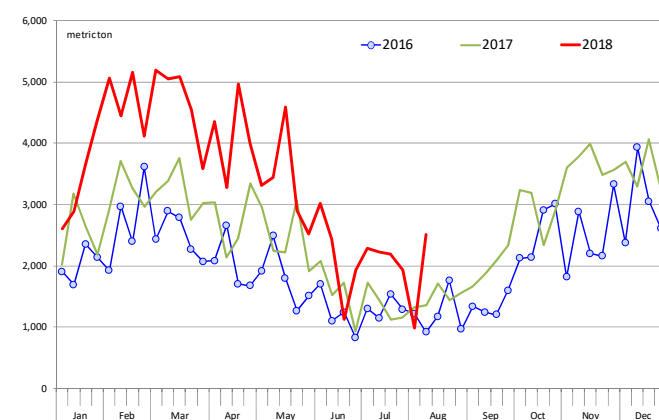


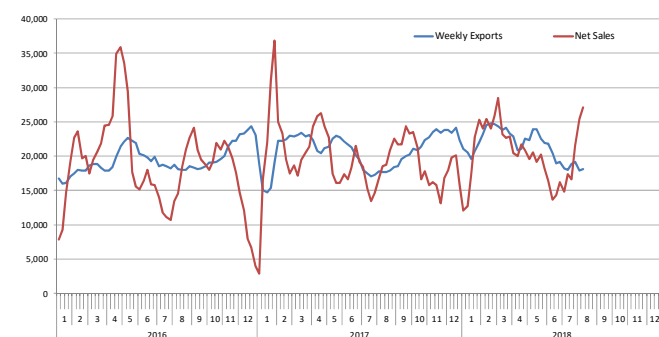
US pork is on sale and international buyers have responded by putting in big buy orders. The latest data from the weekly USDA report on exports of fresh/frozen muscle cuts showed a notable increase in the amount of pork sold for export. **Total net pork sales last week were 26,390 MT compared to 18,348 MT in net sales for the same week last year.** Net sales are notoriously volatile, however, since packers may put together a big package one week and then sell very little the next. **What has been impressive is the volume of pork sold to export for the last few weeks.** Since July 6 (when Mexico tariffs went into effect and hog prices collapsed), weekly net sales have averaged 25,629 MT/week. **In the last three weeks they have averaged 29,102 MT, a 37% jump compared to the same period a year ago and by far the biggest three week sales bump so far this year.** Much of the focus in recent discussions of US pork exports has been on Mexico and the impact that the 20% tariff will have on shipments this fall. We have argued that some of the discounts in the fall market have been much bigger than this tariff would suggest. Other world buyers appear to have stepped in recently, looking to take advantage of the lower prices available for some products. In its latest report USDA noted net sales to South Korea of 9,795 MT, a dramatic increase compared to their normal weekly export pace. Pork exports to South Korea have been extremely strong so far this year and the latest sales data suggests double digit export growth will be sustained going forward. So far this year **weekly exports to South Korea have averaged 3,430 MT/week, 43% higher than the same period a year ago.** Net sales to Japan last week were an impressive 4,940 MT. In the last four weeks pork shipments to Japan have averaged 3,515 MT, 3% higher than last year. Based on recent sales trends we expect shipments to Japan to start to pick up. Pork exports to Mexico have been lower in recent weeks, which is to be expected given the lack of sales at the start of July. In the last four weeks shipments to Mexico averaged 6,825 MT, 9% less than the same period a year ago. Net sales last week were 4,642 MT. As ham prices pushed higher while hog values declined we suspect Mexican buyers opted to sit on the sidelines. However, we have noted very strong buying interest from Mexico when prices get in the low 50s. China remains a major drag for exports, which helps explain why futures have been buoyed this week on reports that US and Chinese officials will sit down for another round of negotiations in September.

Beef export sales were also very strong last week, largely on account of strong demand from traditional Asian markets such as Japan, South Korea and Taiwan. In the four weeks ending August 9 beef exports averaged 17,975 MT/week, 18% higher than a year ago. Net beef sales to South Korea last week were 7,041 MT. In the four weeks ending August 9 weekly beef shipments to South Korea averaged 5,035 MT/week, 51% higher than the same period a year ago. Weekly shipments to Japan during this period have averaged 6,534 MT, 23% higher than last year while weekly shipments to Taiwan at 1,476 MT were 35% higher. We think part of the reason for the surge in the value of the chuck primal (30% of the carcass) is in part due to continued strong demand from Asian markets.

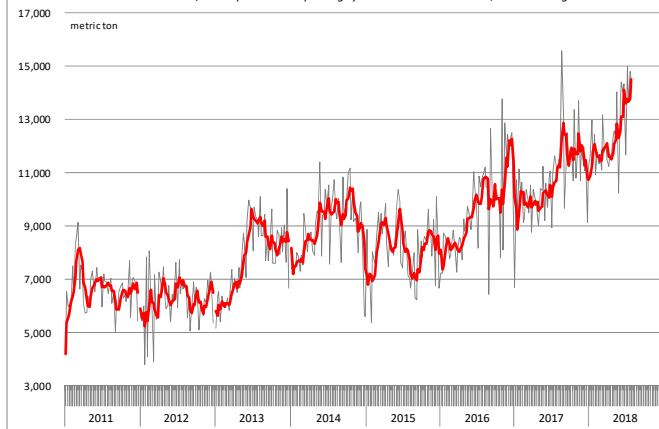
Exports of Fresh/Frozen Muscle Cuts of Pork to South Korea
Based on USDA Weekly Export Data. Source: USDA-FAS



PORK NET SALES V. PORK EXPORTS. 4-WEEK MOVING AVERAGE
Weekly Data. Source: USDA



Beef Exports to Japan, HK, Taiwan and S Korea: Weekly Volume and 4-wk Moving Avg.
Source: USDA/FAS Export Sales Reporting System. Data in Metric Ton, Product Weight Basis



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