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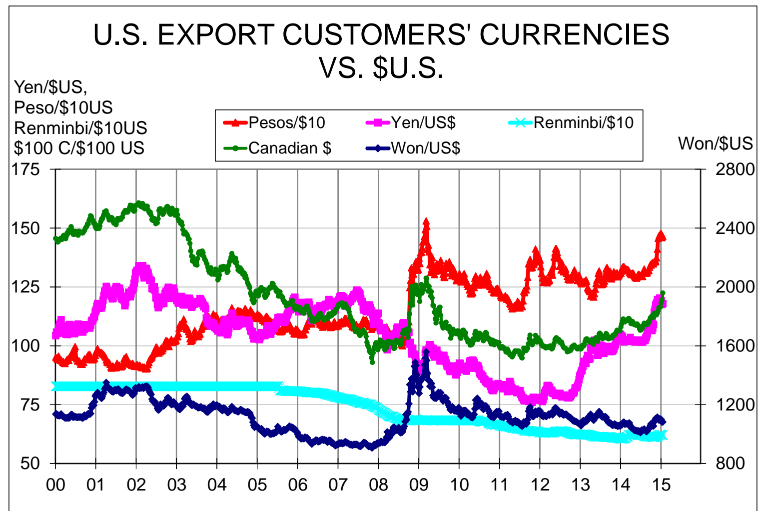
First, a piece of information regarding the entry of Australian and New Zealand beef into the U.S. Courtesy of our friend Claire Mezoughem at USDA's Foreign Agricultural Service, the majority of beef from these two major suppliers enters the U.S. through EAST COAST ports. Data from FAS's Global Agriculture Trade System (GATS) can be pulled according to the Customs District in which it enters. Those data indicate that between 54.4% and 57.5% of total Australian and New Zealand imports from 2009 through 2013 came in through East Coast ports. For January through November 2014, that figure is 56.2%. The GATS system is a powerful tool for U.S. import and export data which can be found at http://apps.fas.usda.gov/gats/default.aspx. Thanks, Claire for the information!

A key issue facing U.S. livestock and poultry companies this year will be the appreciation of the U.S. dollar. A strengthening dollar, of course, makes our products more expensive relative to other countries' products, whether those countries be the destination of our exports or competitors. The weekly chart for ICE's Dollar Index (DX) appears below. That futures contract traded above 95 for the first time since 2002 last week. Now 95 is far from the record DX value of 121.29 set back in July 2001 but it is nearly 20 percent higher than just last July. That doesn't mean that U.S. products are 20 percent more expensive everywhere, though, as the index is based on only six world currencies, some of which do not involve U.S. trade much at all. (Note the weightings are from a a June 2012 ICE document.) Virtually every DX rally from 2008 through 2013 was associated with financial crises somewhere in the world (primarily in the EU) and the resulting "flight to safety" in the U.S. dollar. While the world today is certainly not void of such risks — we offer the recent shock of the separation of the Swiss franc from the Euro as evidence — this rally is different. The United States' position as the largest importer of oil in the world has, historically, contributed to a strong negative correlation between the price of oil and the value of the U.S. dollar as dollars flowed outward to pay for all of that oil. The recent drop in oil prices and the very real prospect of the U.S. becoming a net exporter of oil has changed that dynamic and, we think, set the stage for a stronger dollar. But for how long? This rally likely has more staying power than those "flights to safety" but a likely duration is difficult to determine at the moment.

More important for U.S. livestock and poultry companies are the relationships with the currencies of key customers and competitors. Those appear in the chart below and on page 2. Note that we have made some linear transformations of the data to get them all on the same graph. Those transformations leave the historical comparisons intact, though, so the patterns are still instructive. There should not be many questions about the export challenges we have seen in Japan given the roughly 54% percent fall in the value of the yen versus the U.S. dollar. Recent declines in the peso and Canadian dollar will leave a mark as well with the Canadian change impacting both exports to Canada and exports elsewhere as prices of Canadian products fall relative to those of the U.S.



ICE DX Components & Weights

Currency	Weight
Euro (EUR)	57.6%
Japanese Yen (JPY)	13.6%
British Pound (GBP)	11.9%
Canadian Dollar (CAD)	9.1%
Swedish Krona (SEK)	4.2%
Swiss Franc (CHF)	3.6%

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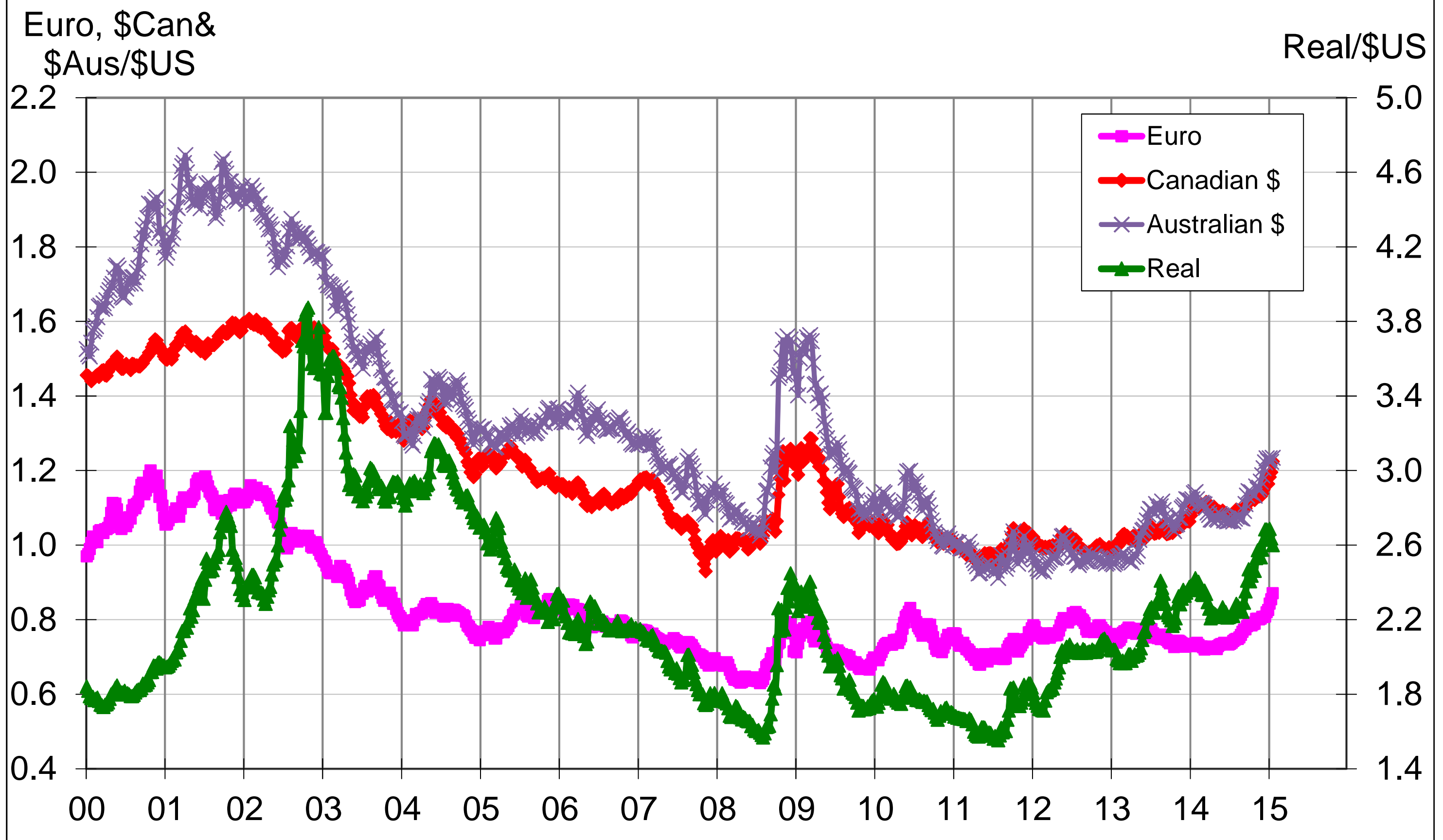

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