

U.S. Pork Exports: January to May 2016 (07062016)

Twenty-four percent of U.S. May pork production was exported in May 2016, and the level of U.S. pork muscle cut exported during that month (157,937 metric tons [MT]) increased 7.2% compared with April 2016, reaching the largest monthly export volume of the year (see Figure 1 and Table 1). On the other hand, as indicated by USDA in the June 6, 2016 edition of the Livestock, Dairy, and Poultry Outlook (LDP) report, the currencies of main importers of U.S. pork such as Japan, Canada, and South Korea appreciated 3% against the U.S. dollar in April 2016 compared to March 2016. Nonetheless, exports in April of this year (147,364 MT) declined 4.2% from the previous month and 9.3% from a year earlier. Exports during April 2015 were particularly large as a result of the resolution of labor issues in the West Coast that hampered U.S. pork exports for most of the first quarter of 2015.

Overall, from January to May 2016, U.S. pork muscle cut exports reached a volume of 721,831 MT, increasing 1.5% year-over-year but falling 3.4% from 2014 (see Figure 1). So far this year (January through May 2016), 21% of U.S. pork production has been exported. The value of U.S. pork exports (\$ 1.907 billion) during the first five months of 2016 was 7% lower than a year ago, reflecting lower pork prices this year, particularly during the first quarter of the year, and reduced pork exports in the key markets, particularly in Japan, the leading value market for U.S. pork.

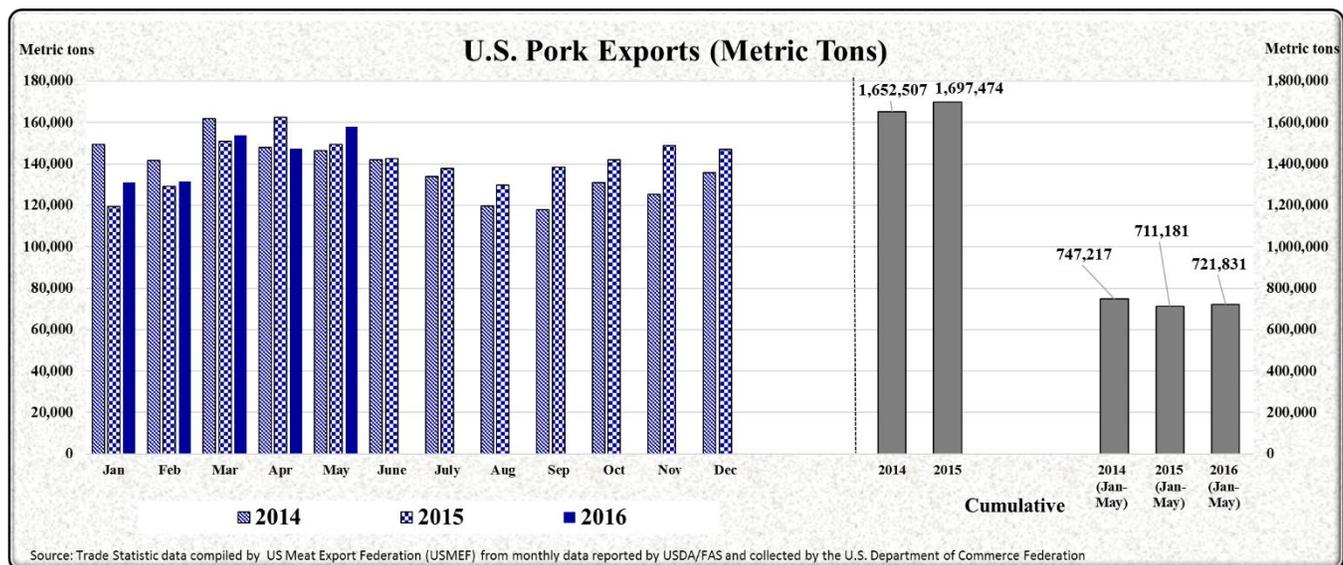


Figure 1. U.S. Pork Exports (Metric Tons)

Table 1. U.S. Pork Exports to Selected Destinations (Metric Tons)

Destination	Mar-16	Apr-16	May-16	Jan-May 2015	Jan-May 2016
US Total Exports	153,904	147,364	157,937	711,181	721,831
Mexico	40,723	42,575	46,114	230,917	215,545
Japan	36,328	32,084	30,816	165,091	155,639
Canada	17,763	14,635	15,771	75,584	75,039
South Korea	14,563	11,173	9,926	90,212	58,463
Hong Kong/China	24,646	26,786	32,829	46,477	114,299

Source: Trade Statistic data compiled by US Meat Export Federation (USMEF) from monthly data reported by USDA/FAS and collected by the U.S. Department of Commerce.

U.S. pork exports to Mexico, the main volume market for U.S. pork, during the first five months of 2016 represented about 30% of total exports during that period. However, the volume of exports to Mexico from January to May 2016 (215,545 MT), was down 6.7% from last year. Since April 2016 exports to Mexico has shown an upward trend, increasing 4.5% in April and 8.3% in May relative to their corresponding previous months (see Figure 2 and Table 1). Despite this upward trend, due to a combination of low volume of exports, in part because of weakness in the Mexican peso and increased Canada market share in the Mexican market, as well as, low prices during the first quarter of 2016, the total value of pork exports to Mexico from January to May 2016 resulted in a decline of 8% (to \$388.158 million) compared with the same period last year.

As the U.S. continues to face strong competition in Japan from other suppliers, particularly the European Union (EU), U.S. pork muscle cut exports to Japan, have been down for most of 2016, except for the record volume exported in March 2016 (36,328 MT) which was the largest volume since May 2015 (37,824 MT). From January to May 2016, U.S. pork exports to Japan reached a volume of 155,639 MT valued at \$602.302 million. Both volume and value were down 5.7% and 9% year over year, respectively.

U.S. pork exports to Korea during the first five months of 2016 also experienced large reductions compared with the same period last year (see Table 1), falling 35.2% in volume to 58,463 MT and 44% in value to \$151.277 million. Korea has been reducing pork imports from all suppliers as its domestic pork production is recovering from outbreaks of foot-and-mouth disease and porcine epidemic diarrhea virus, but as indicated by the U.S. Meat Export Federation (USMEF), U.S. pork has gained market share in Korea this year. Meanwhile the volume of U.S. pork exports to Canada from January to May 2016 (75,039 MT) declined less than 1% (0.7%) from last year, while the value of those exports dropped 3% to \$304.523 million, relative to the previous year.

As Figure 2 and Table 1 indicate, U.S. pork exports to Hong Kong/China have grown substantially this year, becoming the third largest market in volume and value. The volume of exports from January to May 2016 (114,299 MT) boosted 145.9% year over year. The value of those exports (\$205.775 million) was up 117% from last year. The volume of U.S. pork shipped to China in May 2016 (32,829 MT) was the largest since December 2011, and surpassed the volume exported to Japan during the same month (see Table 1). Reductions in Chinese hog numbers and pork production have increased domestic prices to levels not seen since 2011, prompting larger imports from all suppliers. The U.S. pork plants that recently regained eligibility for China's market are well positioned to supply that market. China banned pork products from pigs produced with ractopamine and consequently delisted those U.S. pork plants having positive ractopamine residue tests.

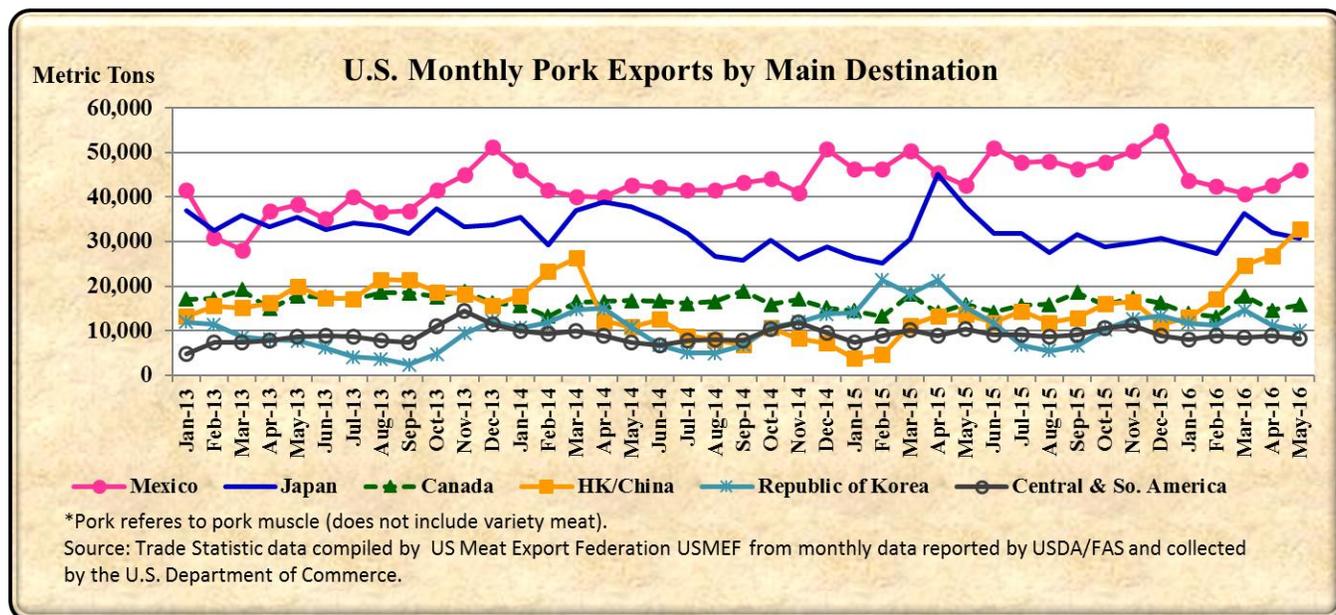


Figure 2. U.S. Monthly Pork Exports by Main Destination

U.S. pork exports represent an important market for the U.S. pork production. In 2014 and 2015 exports represented 20% and 21% of U.S. pork production, respectively. USDA's projections for 2016 indicate a continuation of this trend, with 21% of the U.S. pork production expected to be sold in foreign markets. The strengthening U.S. dollar exchange rate is expected to be an important bearish factor in the development of the 2016 U.S. pork trade as it affects competition from other large suppliers such the EU, Canada, and Brazil.

The United Kingdom voting to leave the EU in the so-called "Brexit" referendum that took place on June 23, 2016, could have an impact on global meat trade. The recent depreciation of the Euro in response to Brexit, is giving to the EU pork exporters, an additional advantage over U.S. pork exporters. The EU is already the largest pork exporter in the world.