

U.S. Pork Exports: January to September 2016 (11182016)

The level of U.S. pork muscle cut exported during the month of September 2016 reached a volume of 142,113 metric tons (MT), remaining about the same as last month but increasing 2.7% compared with the same month last year (see Figure 1 and Table 1). September export value (\$409.2 million) was up 3.8% year-over-year, but down 3.6% from August 2016 (see Table 2). Overall, 20.7% of U.S. pork production was exported during the first three quarters of 2016. U.S. pork muscle cut exports during this period reached a volume of 1,293,533 MT, increasing about 2.6% from the volume exported last year and in 2014 (see Figure 1). Despite this increase in volume, the value of those exports (\$3.577 billion) slightly declined compared with last year (\$3.597 billion), as average pork prices from January to September 2016 have been lower compared with last year. Also, exports to Japan, which is the largest higher value market for U.S. pork, have been down compared with last year.

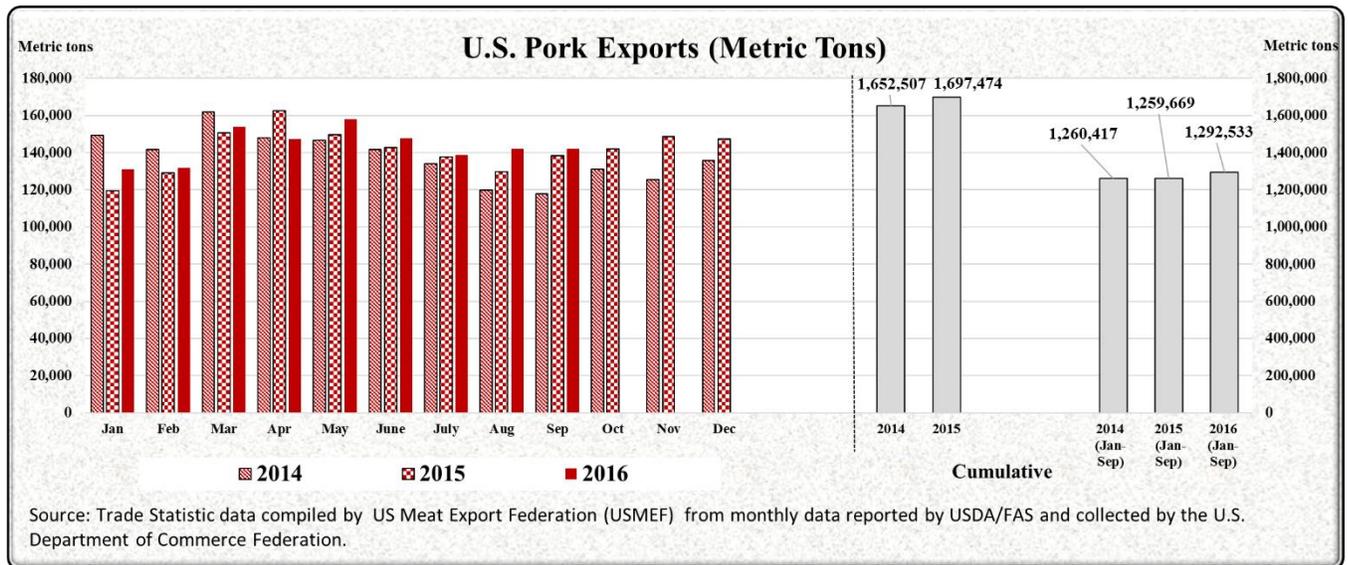


Figure 1. U.S. Pork Exports (Metric Tons)

U.S. Pork Exports to Main Destinations:

Mexico

September 2016 pork export volume to Mexico registered the largest exports of the year increasing 3.9% compared with the previous month and 14.7% relative to the same month last year. Table 2 indicates the value of exports during September (\$109.4 million) increased both from the previous month (3.8%) and a year earlier (24.4%). The volume of U.S. pork exports to Mexico during the first three quarters of the year declined 4.0% to 407,225 MT compared with record exports last year during the same period (see Table 1). The value of U.S. pork exports to Mexico during January to September slightly rose to \$786 million (0.3%) from the previous year (see Table 2), and represented 22% of total value of U.S. pork exports during that period. As indicated by the U.S. Meat Export Federation (USMEF), their efforts to boost pork demand in Mexico have contributed to the increase in per capita pork consumption, which has increased about 20% since 2011 and is currently above 40 pounds per year. From January to September 2016, the volume of pork exports to Mexico represented 31.5% of total U.S. pork export volume.

USDA-Foreign Agricultural Service (FAS) in its Livestock and Poultry- World Markets and Trade report published on October 12, 2016, projected 2017 Mexico's total pork imports from all sources at 1.050 million MT, (carcass weight equivalent [CWE]), up 2.4% from 2016.

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

Destination	September 2015	August 2016	September 2016	Jan-Sep 2015	Jan-Sep 2016
US Total Exports	138,398	142,126	142,113	1,259,669	1,292,533
Mexico	46,371	51,175	53,194	424,038	407,225
Japan	31,589	33,961	30,186	287,943	281,612
Hong Kong/China	12,857	12,640	12,717	97,235	187,151
Canada	18,551	15,845	18,199	139,761	140,289
South Korea	6,548	7,598	6,447	120,603	88,609

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.

Table 2. U.S. Pork Exports to Selected Destinations (U.S. Thousand Dollars)

Destination	September 2015	August 2016	September 2016	Jan-Sep 2015	Jan-Sep 2016
US Total Exports	\$ 394,114	\$ 424,487	\$ 409,188	\$ 3,594,193	\$ 3,577,230
Mexico	\$ 88,014	\$ 105,446	\$ 109,449	\$ 783,895	\$ 785,917
Japan	\$ 132,138	\$ 148,580	\$ 126,965	\$ 1,179,240	\$ 1,142,322
Hong Kong/China	\$ 26,497	\$ 26,858	\$ 26,760	\$ 192,794	\$ 350,482
Canada	\$ 71,993	\$ 66,640	\$ 69,020	\$ 576,317	\$ 578,360
South Korea	\$ 18,101	\$ 21,999	\$ 19,079	\$ 353,631	\$ 238,719

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.

Japan

U.S. pork exports to Japan during September 2016 fell 11.1% from the volume of exports during August 2016, with the corresponding value declining 14.5% and 3.9% from August 2016 and a year earlier (see Figure 2), respectively. U.S. pork exports to Japan during the first three quarters of 2016 declined both in volume (2.2%) and in value (3.1%) compared with the same period in 2015. Nonetheless, Japan continues as the number one value market for U.S. pork, representing 32% of the U.S. total value of pork exports from January to September 2016.

According to a Global Agricultural Information Network (GAIN) report (Japan: Livestock and Products Annual) published by USDA-FAS on September 9, 2016, Japanese imports of U.S. chilled pork are projected to recover in 2016 from the decline in 2015 associated with the 2015 West Coast ports labor slowdown. The report also indicates that while protein consumption in Japan remains relatively flat, there is strong competition among foreign suppliers of proteins trying to capture/increase their share in that market. This is expected to continue through 2017. 2017 Japan's total pork imports from all suppliers are forecast to remain unchanged from the 2016 levels at 1.320 million MT (CWE). While the U.S. is expected to supply almost all pork chilled cuts, the European Union (EU) is expected to continue to supply the largest proportion of frozen cuts. Globally, Japan is the second largest importer of pork after China.

Hong Kong/China

The U.S. shipped 12,717 MT of pork muscle cut to Hong Kong/China in September 2016 (see Table 1), with 77% of those exports sent to China. Exports during September rose less than 1% (0.6%) compared with the volume exported during August 2016, while the value slightly declined (0.4%) compared with the previous month (see Table 2). U.S. pork exports to Hong Kong/China from January to September 2017 rose 92.5% to 187,151 MT, with China importing 147,757 MT (79%) and Hong Kong importing 39,394 MT (21%).

From January to September 2016, pork muscle cut exports to China (excluding Hong Kong) grew to represent 11.4% of total U.S. pork muscle cut exports to all destinations, compared with 5.9% during the same period in 2015. The value of U.S. pork exports to Hong Kong/China was up 81.8% to \$350.5 million compared with the same period a year earlier. The value of U.S. pork exports to only China during the first nine months of 2016 grew 104% from \$133.531 million in 2015 to \$273.023 million in 2016, representing 7.6% of U.S. total value of exports during this period.

Despite being the largest pork producer and consumer in the world, China’s pork production has declined since 2015 due to high production costs and more stringent environmental regulations enacted at the beginning of 2015. This has allowed imports to increase in meeting China’s domestic demand (GAIN report, September 23, 2015, People Republic of China: Livestock and Products Annual). As Figure 2 shows, since 2016 China has emerged as the number one global pork importer. According to the Livestock and Poultry-World Markets and Trade October 2016 report, large supplies, low prices, and favorable exchange rate have allowed the EU to increase pork shipments to China, which has enabled them to capture 70% market share, while the U.S. accounts for only 17% of China’s total pork imports.

Data from USDA-FAS indicates that in 2016 China is expected to import 2.400 million MT (CWE) of pork from all suppliers, increasing 133% from the previous year (1.029 million MT [CWE]). Despite a lower forecast for 2017, China is projected to continue its trajectory as the world’s leading pork importer. China’s pork imports (from all sources) are expected to be down 4.2% to 2.300 million MT (CWE) compared with expected 2016. An increase in China’s domestic hog and pork prices following two years of falling Chinese production, is expected to push forward herd recovery and expansion in 2017, lowering import demand from 2016, yet Chinese domestic prices are expected high enough to encourage high levels of import demand from the EU, the U.S. and Canada. China’s projected volume of pork imports in 2017 are ahead of those forecast for Japan and Mexico during next year (see Figure 2).

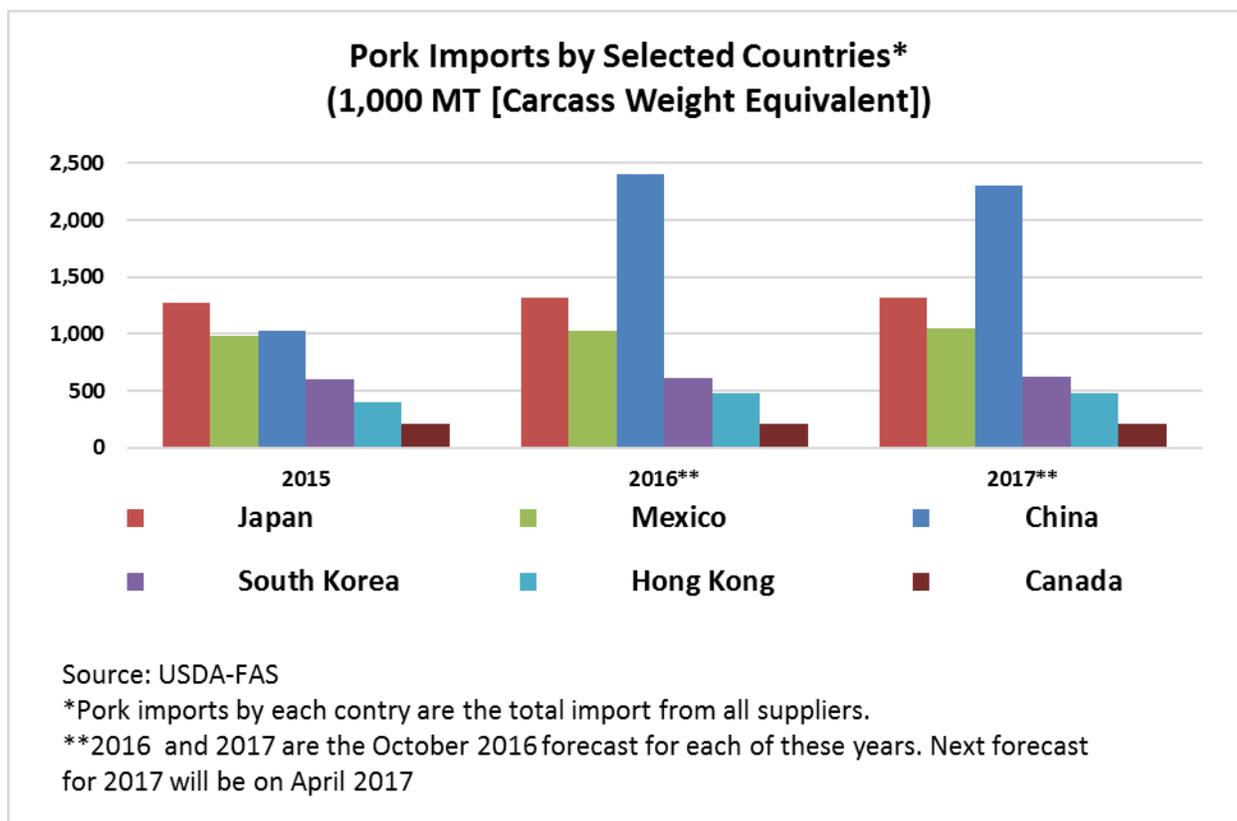


Figure 2. Pork Imports by Selected Countries (1,000 MT [Carcass Weight Equivalent])

Canada

Canadian pork muscle cut imports from the U.S. reached the largest volume of the year in September 2016, increasing 14.9% from the previous month but falling 1.9% from a year earlier (see Table 1). The value of exports in September was up 3.6% compared with August 2016 (see Table 2). Both volume and value of U.S. pork exports to Canada during the first three quarters of 2016 was up less than half percent (see Table 1 and Table 2). From January to September, the volume of U.S. pork exported to Canada accounted for 10.9% of the total volume exported during that period. The value of U.S. pork shipped to Canada on the other hand, represented 16.2% of total value of U.S. exports from January to September 2016.

According to USDA-FAS data, Canada is forecast to import 0.215 million MT (CWE) of pork from all suppliers in 2017, up 2.4% from the forecast for 2016 but down 0.5% from the 2015 estimate. Based on this projection, in 2017 Canada would rank as the number nine global importer of pork and the number three global pork exporter after the EU and the U.S.

South Korea

U.S. pork muscle cut exports to South Korea during September 2016 fell 15.1% from August and were the lowest of the year. The value of those exports also dropped (13.3%) from \$22.0 million in August 2016 to \$19.1 million in September (see Table 2). Overall shipments of U.S. pork to South Korea during the first nine months of 2016 have declined 26.5% in volume and 32.5% in value year over year (see Table 1 and Table 2).

According to the Livestock and Poultry-World Markets and Trade report (October 12, 2016), pork production in South Korea has rebounded in 2016 and is expected to increase 1.2% to 1.232 million MT (CWE) in 2016, affecting U.S. pork exports to South Korea this year. Imports are also forecast to increase 1.8% to 0.610 million MT (CWE) in 2016, but as reported by USDA-FAS in a GAIN report published on September 20, 2016 (Republic of Korea: Livestock Annual), the EU will continue to move some of their glut of pork into the Korean market. This GAIN report also indicates the USMEF is trying to increase exports to South Korea by expanding the line of pork products exported to that country, such as Home Meal Replacement (HMR) items made of beef and pork. USMEF is also providing technical support to Korean meat processing companies, which will encourage the use of U.S. pork in producing domestic processed meat products.

USDA-FAS (Livestock and Poultry- World Markets and Trade, October 2016 report) projects 2017 South Korea's pork production will be up 2.5% to 1.263 million MT (CWE). Since South Korea's pork consumption is also forecast to grow 1.2% to 1.890 million MT (CWE) in 2017, pork imports from all sources are projected to increase 3.3% to 0.630 million MT (CWE) to fill the gap between South Korea's domestic pork production and consumption.

2016 U.S. pork production is forecast to increase 1.7% to 11.3 million MT based on continued industry expansion. U.S. pork exports in 2016 are expected to grow 3.7% to 2.356 million MT relative to last year due to support from competitive prices. The 2017 USDA-FAS outlook for U.S. pork indicates a 3.8% production increase to 11.7 million MT as the industry is undergoing moderate growth based on increasing number of pigs per litter. USDA-FAS also forecasts U.S. pork exports will be up 3.9% to 2.449 million MT in 2017. Some factors supporting this projection are larger supplies and lower prices, which will stimulate demand by several foreign markets. Even though U.S. pork exports accounts for less than 20% of China's total pork imports, it continues to be a significant market for U.S. pork exporters.