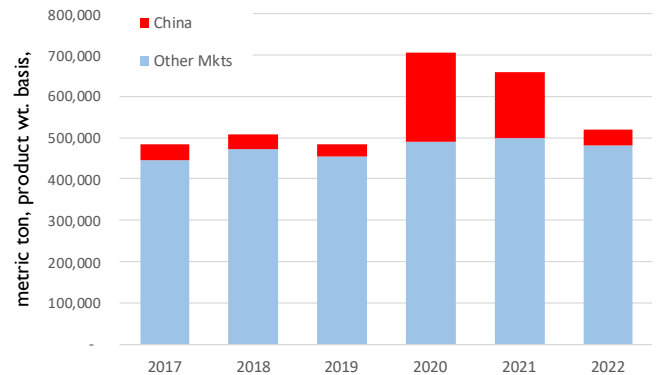


Chinese pork demand has returned to pre-ASF levels and we can probably put to rest some of the talk that more Chinese demand is around the corner. From the start Chinese officials and industry made it clear that restoring pork production was a national priority, they devoted a lot of resources to make that happen, and they emerged from the ASF outbreak far more quickly than many anticipated. There is more talk that Chinese producers are liquidating and this means more demand for US pork. They are liquidating because they have more pork than the market can bear, not because they want to import more. For now talk of recovery in Chinese demand seems either wishful thinking or self serving. Also, US pork continues to face an additional 25% tariff in China, which puts it at a disadvantage to EU pork. Even if EU pork production slows down, the Chinese market is just as important to them as it is to us. Total US exports of fresh, frozen and cooked pork in March were 184,030 MT, 25.7% lower than the previous year. All US pork exports in Q1 were 522,069 MT, 20.8% lower than a year ago. Much of the decline was due to lower exports to China although shipments to other markets were lower as well. **US exports to China in Q1 were 39,296 MT, 119,733 MT or 75% lower than the previous year.** Metric ton somehow doesn't register so consider that US pork exports to China in Q1 were down 264 million pounds. On a carcass weight basis this is roughly 350 million pounds or the equivalent of 1.6 million hogs. US pork production (on a carcass wt basis) was 6.9 billion pounds in Q1, down 388 million pounds. But much of that reduction was offset by the decline in exports to China. While exports to Mexico were up 38% in Q1, exports to other key markets were down. Japan down 15%, Canada down 17%, Colombia down 19% and South Korea down 6.6%. In total US exports to markets other than China were also down 17,621 MT in Q1 or -3.5%.

The decline in exports may have offset much of the reduction in US pork production in Q1 but higher pork imports also added to the balance sheet, increasing the supply available in the domestic market. Often the tendency is to look at hog slaughter numbers and forget about trade flows. High hog prices also encouraged pork producers in other markets, especially in Canada and Europe, to ship pork and live hogs to the US. US pork imports in March were 57,520 MT, 18,368 MT or 46% higher than the previous year. For the quarter, US pork imports at 154,822 MT were almost 50,000 MT or 47% higher than last year. The increase in US pork imports during Q1 was more than double the growth in exports to Mexico. While we don't have the carcass weight conversions for imports yet, we think imports may have added as much as 115 million pounds to the balance sheet vs. Q1 of last year. So even as domestic pork production saw a big decline in Q1, the loss of export demand and increase in imports more than made up for it. On Jan 1 freezer inventories were 4.7% lower than the year before but as more supply went into the freezer by the end of the quarter they were up 8% y/y. Higher carryover stocks and continued weak export demand may continue to shore up the domestic pork supply situation, despite fewer hogs on the ground.

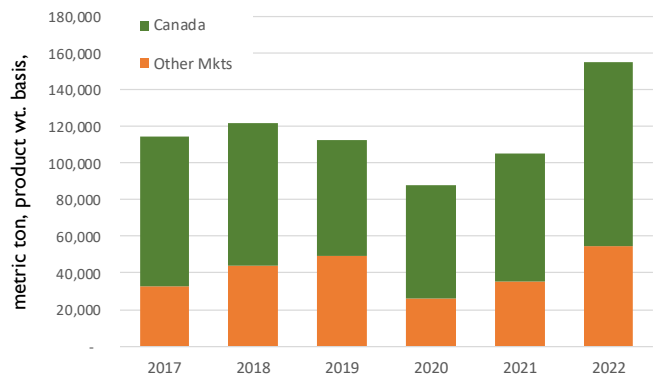
US Exports of Fresh, Frozen and Processed Pork in Q1. MT, Prod. Wt.

Data source: USDA-FAS. Analysis by Steiner Consulting



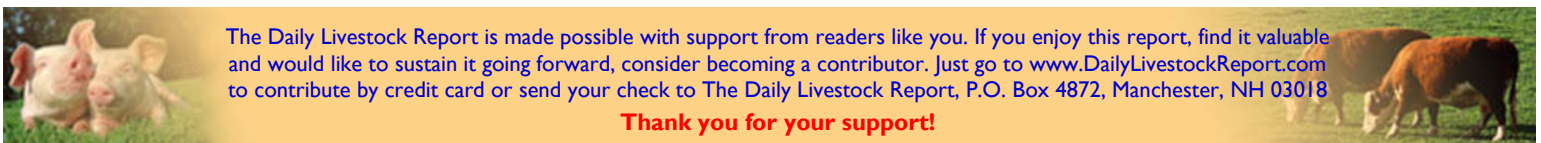
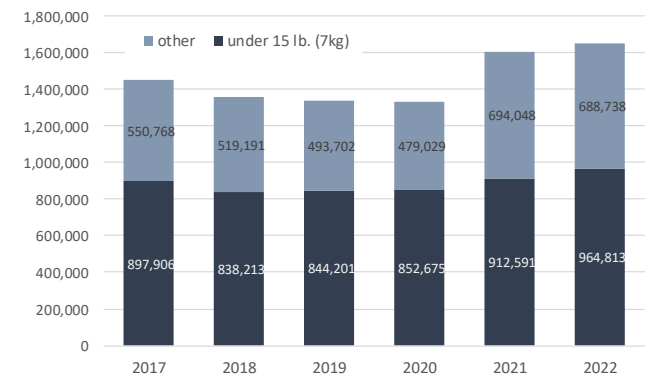
US Imports of Fresh, Frozen and Processed Pork in Q1. MT, Prod. Wt.

Data source: USDA-FAS. Analysis by Steiner Consulting



US Imports of Live Hogs From Canada in Q1. Head.

Data source: USDA-FAS. Analysis by Steiner Consulting



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