

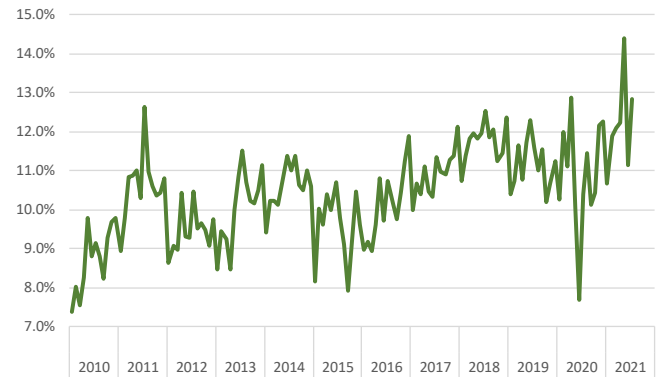
Trade data for July helps us understand some of the price dynamics in place over the summer and underscores the importance of this segment for the industry overall. **Below are some key highlights:**

Beef: USDA estimates that **exports of fresh/frozen and processed beef in July** were 297.3 million pounds (carcass wt. basis), **up 17.8% from the COVID impacted export volume a year ago and 23.6 million pounds or 8.6% higher than in 2019.** The emergence of China as a major buyer of US beef has significantly affected trade flows. Some of the increase in Chinese beef purchases is due to product shipping directly to Mainland rather than through Hong Kong, but **a significant portion represents new demand.** Total US beef exports to China/Hong Kong in July were 59.6 million pounds compared to 23.8 million pounds in July 2020 and 18.1 million pounds in July 2019. Compared to July 2019, the 42 million additional pounds shipped to China/HK helped offset declines to a number of other key markets, including Mexico (-14.1M), Japan (-4.3M), and S. Korea (-3.3 M). The best evidence of the explosive export demand is the fact that **US beef export volume was up despite record July beef prices.** As a result export dollar sales hit a new record high in July at \$850.4 million, some \$279.3 million or 49% higher than last year and \$211.2 million or 33% higher than in July 2019. Higher sales of by-products further added to the value of US beef exports in July. The volume of US beef variety meat exports was up 3.3% from a year ago, but the export value of beef variety meat was \$88.7 million, \$11.9 million or 15.6% higher than a year ago. The value of beef variety meat to China in July was \$3.6 million, higher than sales to S. Korea and \$3 million higher than a year ago. **China/Hong Kong are now the third largest market for US beef variety meat.** Beef exports as a percentage of domestic production has been trending higher, and in May it reached a record 14.4%. July share was 12.8%, near the high end of the past decade. Beef production in July was 2.319 billion pounds, 104 million (-4.3%) less than last year and 42 million (-1.8%) less than in 2019. Last July, higher imports helped bolster domestic supplies but that was not the case this year. **US beef imports in July were down about 70 million pounds compared to last year.** As a result, the supply of beef available in the domestic market (production + imports - exports) was about 220 million pounds or 8.6% less than it was last year. Add to this the fact that, different from last year, both foodservice and retail were fully engaged and one gets an idea why beef prices have been explosive this summer.

Pork: **High prices and slowing demand from China negatively impacted the volume of US pork exported in July.** According to USDA-ERS, US exports of fresh/frozen and processed pork were 508.2 million pounds (carcass wt.), **50 million pounds or 8.5% less than last year and 33.1 million pounds or 6.1% lower than in July 2019.** China was a major factor behind US export demand in the last couple of years. However, Chinese domestic pork prices are now 60% lower than a year ago. Also, US hog prices now trade at a premium to EU and Chinese buyers also have to

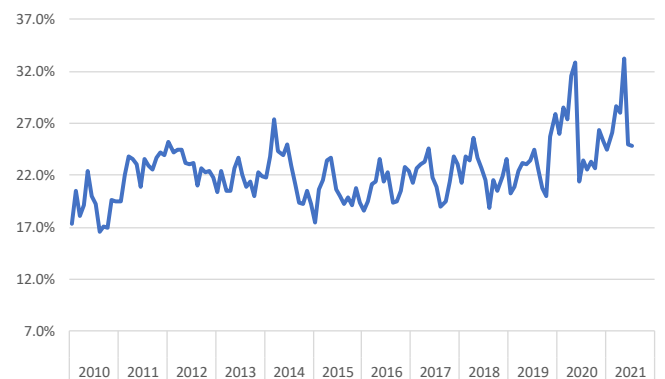
Beef Exports as % of Domestic Beef Production

Data source: USDA-NASS and USDA-ERS. Analysis by Steiner Consulting

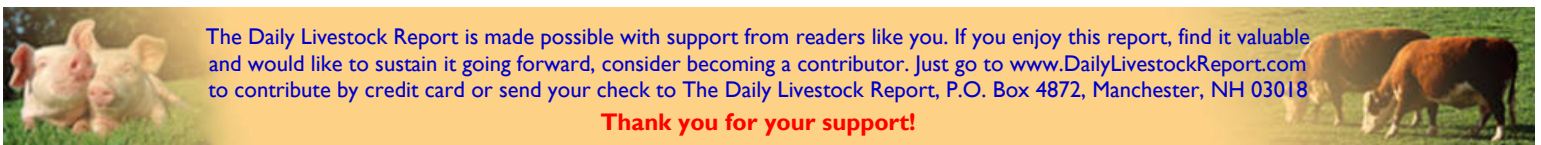


Pork Exports as % of Domestic Pork Production

Data source: USDA-NASS and USDA-ERS. Analysis by Steiner Consulting



contend with higher tariffs for US product. Total US pork exports to China in July were 96.6 million pounds or 62% lower than a year ago and 48.4 million pounds or 45% lower than in 2019. Exports to Mexico helped offset some of the decline in Chinese demand. Shipments to Mexico in July were 154.9 million pounds, 19.8% higher than last year but only 2.8% higher than in 2019. Higher exports to S. Korea, Colombia, and the Caribbean also helped offset some of the Chinese decline. US pork exports in July accounted for 24.8% of production, down from as high as 33% back in May. Even with lower exports, domestic supply availability was significantly constrained this past July. **Trade adjusted output in July (production + imports - exports) was 1.631 billion pounds, 13.7% less than last year and 6.7% less than in 2019.** As with beef, the lack of supply just as demand rebounded resulted in significant price appreciation.



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