

People. Pigs. Planet.™

Hitting the Bullseye with International Marketing

American Agricultural Law Association

“International Trade Law—How Big is the Target on Agriculture’s Back?”

October 26, 2018

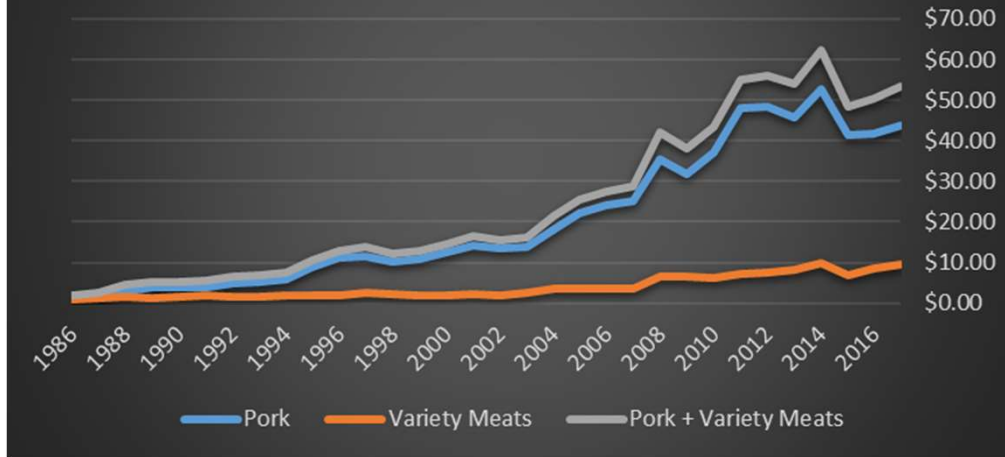


People. Pigs. Planet.™

**The Critical Importance
of Exports to Agriculture**



Value of U.S. Pork and Variety Meat Exports Per Head



People. Pigs. Planet.™ **pork** checkoff.

Looking Back: 2017—a Record Year for #TeamPork!

2017: A RECORD YEAR FOR U.S. PORK EXPORTS

In 2017, exports accounted for 26.6% of total U.S. pork and pork variety meat production and export value averaged \$53.47 for every U.S. hog marketed.

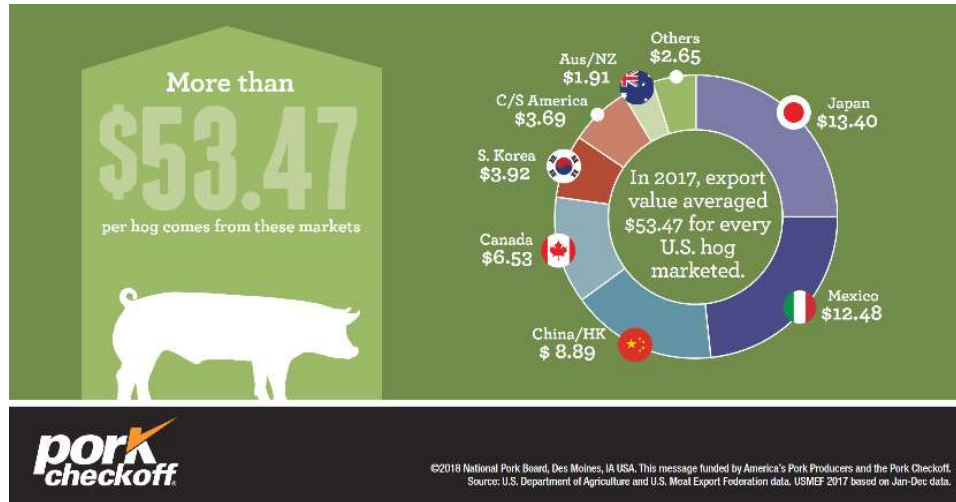


pork checkoff.

©2018 National Pork Board, Des Moines, IA USA. This message funded by America's Pork Producers and the Pork Checkoff. Source: U.S. Department of Agriculture and U.S. Meat Export Federation data, USMEF 2017 based on Jan-Dec data.

People. Pigs. Planet.™ **pork** checkoff.

Exports Delivered Staggering Producer Returns



People. Pigs. Planet.™ **pork checkoff**


5.39B POUNDS
RECORD BREAKING!

In 2017, the U.S. exported a record of more than 5.39 billion pounds of pork & variety meats worth over \$6.48 billion.



82%

In 2017, the U.S. exported 82% of edible pork variety meat production. Pork variety meats include hearts, livers and kidneys, typically not consumed in the U.S.



\$6

Pork edible variety meat exports to China and Hong Kong equates to more than \$6 for every pig marketed in the U.S. In China, stomachs and ears receive a higher price than loins.



\$9.67

Total edible pork variety meat exports averaged \$9.67 for every hog marketed.



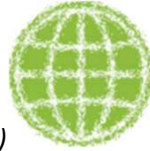
2017 was the 1st year the value of U.S. pork edible variety meat exports surpassed

\$1.17 BILLION
RECORD BREAKING!



People. Pigs. Planet.™ **pork checkoff**

2017 Performance



Top 6 Markets by Volume

(in millions of pounds, unless otherwise noted)

1. Mexico	1.8b	+10%
2. China/HK	1.1b	-9%
3. Japan	868	+2%
4. Canada	459	+1%
5. S. Korea	382	+28%
6. S. America	229	+57%

Top 6 Markets by \$ Value

(Rounded in millions USD)

1. Japan	1.6b	+4%
2. Mexico	1.5b	+12%
3. China/HK	1.1b	0%
4. Canada	792	-1%
5. S. Korea	475	+30%
6. S. America	268	+58%

Source: USMEF Feb. 2018 report

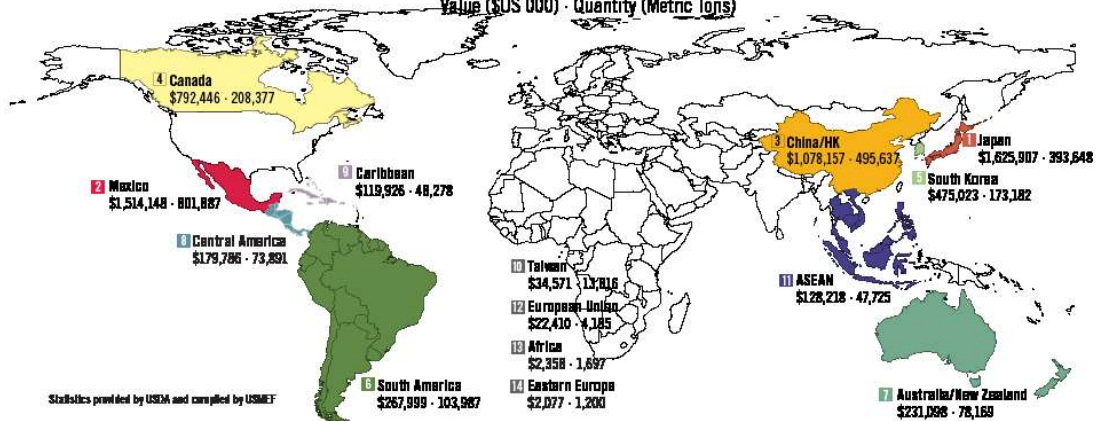
People. Pigs. Planet.™ **pork** checkoff.

Leading Markets For U.S. Pork & Variety Meat Exports

Leading Markets for U.S. Pork + Pork Variety Meat Exports

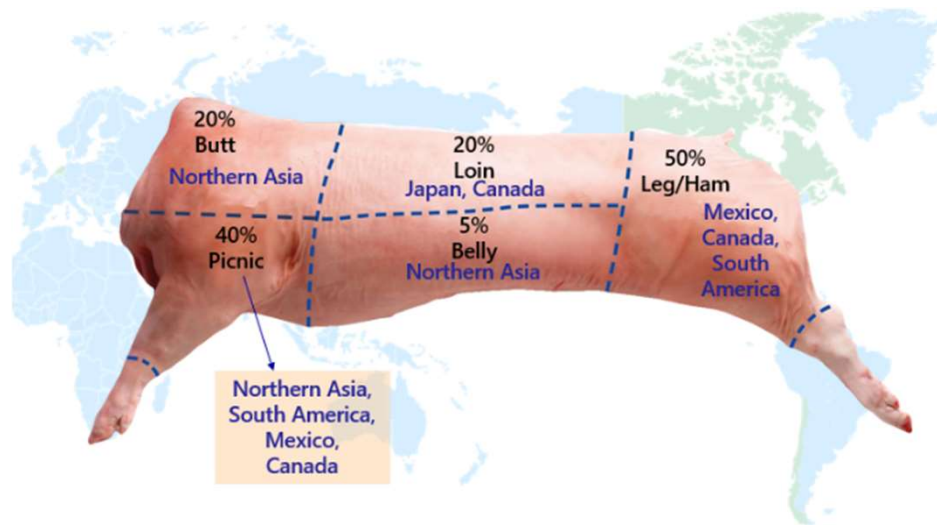
January-December 2017

Value (\$US 000) · Quantity (Metric Tons)



People. Pigs. Planet.™ **pork** checkoff.

International Pork Muscle Cut Utilization



People. Pigs. Planet.™ **pork** checkoff

But, 2018: Externalities have presented uncertainty...

- **NAFTA Renegotiation**
- **China trade policy challenges**
- **African Swine Fever—what will happen?**
- **And more...**



People. Pigs. Planet.™ **pork** checkoff

NAFTA to USMCA

- On October 1st, the U.S., Mexico and Canada announced a trilateral trade agreement
- U.S. Trade Representative (USTR): *"all food and agricultural products that have zero tariffs under the North American Free Trade Agreement (NAFTA) will remain at zero tariffs."*
- However, U.S. tariffs on imported steel and aluminum from Mexico and Canada are set to remain in place
 - Retaliatory duties from Mexico on U.S. pork will also likely remain in place
 - Details surrounding the updated trade agreement are still emerging

The Value of U.S. Pork Exports to Mexico

- In 2017, represented **\$12.50 in value/hog marketed**; **25%** of the value of total U.S. pork exports.
- In 2017, accounted for **32 percent** of all U.S. pork and pork variety meat export volume.
- In 2017, the U.S. exported over **800,000** metric tons pork and pork variety meats to Mexico, valued at over \$1.5 billion.
- **Mexico is the largest U.S. export market for pork by volume**, and in terms of value is second only to the high value market of Japan.

Current China Relations: Challenging

- In April, China imposed a 25% tariff on U.S. pork and pork products
 - Recently, U.S. announced that an additional \$200 billion worth of Chinese imports would be subject to tariffs
- Effective September 24th, China imposed additional tariffs on \$60 billion in imports of U.S. goods:
 - 10 percent tariff on pork stomachs and casings
- Pork and pork variety meat (PVM) exports to China have suffered

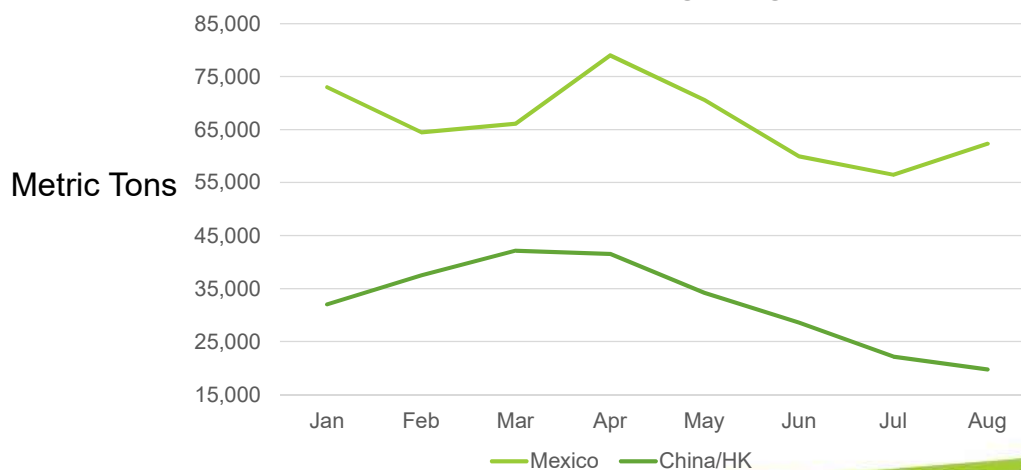


13

People. Pigs. Planet.™ **pork** checkoff

Mexico & China: Significant to U.S. Pork

2018 Volume of U.S. Pork Exports to Mexico and China/Hong Kong



14

People. Pigs. Planet.™ **pork** checkoff

Japan & South Korea: Making Progress

- **September: the U.S. and Japan announced that they will enter negotiations on a trade agreement**
 - The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the Japan-EU Economic Partnership will be the basis for negotiations for a bilateral agreement
 - Would ensure similar market access for U.S. pork
- **Also in September, a revised Korea-U.S. Free Trade Agreement (KORUS) was signed**
 - The signing of this revised agreement is vital for maintaining the favorable terms for under which U.S. pork enters Korea

15

People. Pigs. Planet.™ | **pork**
checkoff

African Swine Fever: Challenge & Opportunity

- **Over 40 cases in China to date (likely underreported)**
- **Wild boar carcasses infected with the ASF virus in southern Belgium**
- **How will China get enough pork to meet their demand?**
 - Who will supply this?
 - Will this affect China-U.S. relations?

16

People. Pigs. Planet.™ | **pork**
checkoff

2018 Export Picture (Jan-Aug): Overcoming Challenges

- **Total Pork Exports**

- Pork Exports: 2.9 billion pounds, +6 percent
- PVM Exports: 704 million pounds, -14 percent
- Pork and PVM Exports: 3.6 billion pounds, +1 percent

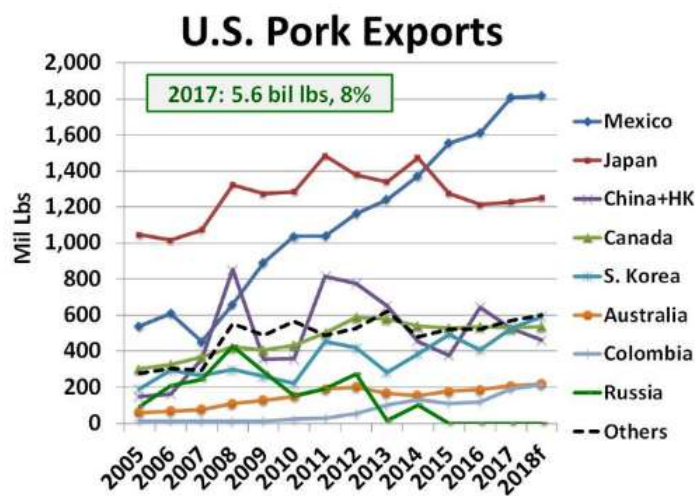
- **Value of Pork Exports**

- Pork: \$3.58 billion, +4 percent
- PVM: \$739.9 million, -3 percent
- Pork and PVM: \$4.3 billion, +3 percent

17

People. Pigs. Planet.™ **pork** checkoff

U.S. Pork Exports By Market 2005-2018



Source: USDA/ERS, GAT Forecasts

Global AgriTrends

People. Pigs. Planet.™ **pork** checkoff

2018 Performance

(Through Aug. 2018)

Top 6 Markets by Volume

(in thousands of metric tons)



Top 6 Markets by \$ Value

(In millions USD)

1. Mexico	532.0	+2%	1. Japan	1,095.4	+2%
2. Japan	265.3	+2%	2. Mexico	921.1	-6%
3. China/HK	257.9	-24%	3. China/HK	615.9	-13%
4. S. Korea	159.5	+43%	4. Canada	490.3	-5%
5. Canada	130.4	-4%	5. S. Korea	455.6	+49%
6. S. America	82.2	+29%	6. S. America	204.4	+24%

Source: 2018 YTD USMEF Report

People. Pigs. Planet.™ **pork** checkoff

The Global Consumer...More Important than Ever

- **95 percent** of the world's consumers live outside of the United States;
- U.S. pork is more reliant than ever on *proactive, comprehensive* and incredibly *strategic* international market development and marketing activities;
- Success will depend on our ability to *harness consumer research* and insights, understand the opportunities and predict the challenges



People. Pigs. Planet.™ **pork** checkoff

People. Pigs. Planet.™

Elevating International Marketing & Leveraging Our Relationships



21

MEAT CONSUMPTION AROUND THE WORLD

(metric tons,
carcass weight
equivalent)

BEEF
59,362,000

CHICKEN
88,135,000

PORK
110,588,000



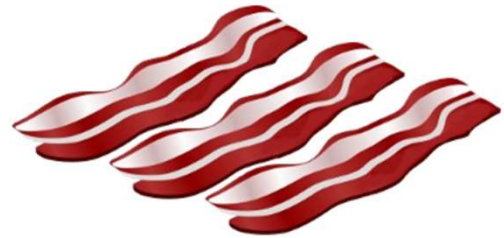
©2018 National Pork Board, Des Moines, IA USA. This message funded by America's Pork Producers and the Pork Checkoff.
Source: U.S. Department of Agriculture and U.S. Meat Export Federation data. USMEF 2017 based on Jan-Dec data.

People. Pigs. Planet.™



We Can't Put All Our Bacon In One Basket.

- **In order to continue to succeed with exports we must elevate international marketing and diversify where and how we market abroad**
 - NPB international marketing advances despite trade hurdles



People. Pigs. Planet.™ | **pork**
checkoff

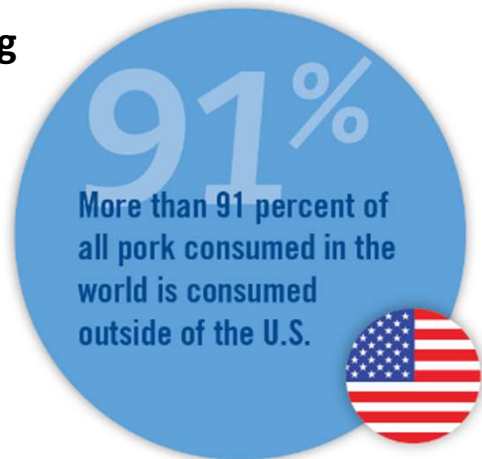
2018 Goals--Elevate International Marketing

- **2018 Organizational Goals**
 - Strengthen State Pork Association Relationships
 - Execute the B2B Strategy
 - Embrace a Digital-first Mindset
 - **Increase International Marketing Engagement**
- **First time that international marketing included as one of NPB's four organizational goals**
 - International marketing plays an increasingly key role in U.S. producer profitability and the ability of our industry to grow

People. Pigs. Planet.™ | **pork**
checkoff

Pork Board's International Marketing Budget

- Approved 2018 international marketing budget of **\$8,777,924**
- Up **10 percent** over 2017
 - Represents the **most significant** investment made in International Marketing efforts
- In 2014 IM was 10.9% of NPB Budget, in 2018 it is 14.4%.



People. Pigs. Planet.™ | **pork** checkoff

Strategic Partnerships Are Key to Our Success



People. Pigs. Planet.™ | **pork** checkoff

APEX: American Pork Export Trading Company

APEX utilizes a global team of economists, lawyers, scientists, policy experts, former trade officials, researchers and analysts to accomplish its purpose of safeguarding and expanding international markets.

- NAFTA Modernization
- Mexican AD Petition on Hams and Shoulders
- Section 232 Steel and Aluminum Retaliation
- China 301 Retaliation
- Section 201 Solar Panel and Washing Machine Retaliation
- Review of other U.S. FTAs
- Modernizing Third Country FTAs
- UK FTA
- TPP11
- Japan Bilateral
- TTIP
- Numerous other issues

People. Pigs. Planet.™ | **pork**
checkoff

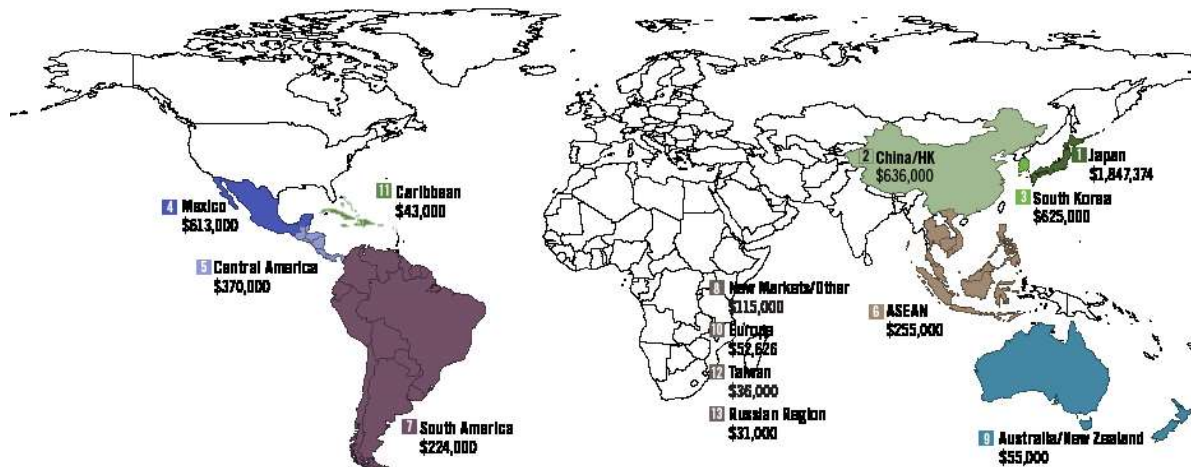
International Market Promotion, Development and Research

- **USMEF works to uniquely market in 13 identified regions**
 - *Examples:* Green hams to Mexico, loins to Japan, variety meats to China
- **Efforts are taking advantage of structural changes in the dietary patterns in markets as diverse as Korea and Mexico where they are now eating more pork**



People. Pigs. Planet.™ | **pork**
checkoff

2018 NPB International Marketing Funding By Market



People. Pigs. Planet.™ **pork** checkoff.

Investing in International Markets

- U.S. Pork represented at **26** World Trade Show events in 2018;
- U.S. Pork at **466** retail events, **235** Food Service events, **201** e-commerce & world consumer activities and **1,442** further processing and trade show events.
- All these activities help promote the unique value and quality of U.S. pork products in new, emerging and growing markets.



People. Pigs. Planet.™ **pork** checkoff.

People. Pigs. Planet.™

Amplifying Existing Export Efforts: New Data & Insights Key



Pork 2040: Crystal Ball for Pork Exports

- **Partnership between NPB and USMEF**
- **Foresight-based marketing study designed to:**
 - Investigate evolving consumer attitudes and trends in developed and emerging U.S. pork export markets.
 - Provide the industry with a deeper, more holistic, view of the current and future situation for U.S. pork exports.



In practical terms, Pork 2040 will allow us to make better-informed, and more forward-looking decisions about international marketing resource allocation, strategies, and tactics.

People. Pigs. Planet.™



Project Status Update

- **Proposals submitted to USDA**
 - China approved
 - More to come
- **Broad Scope of Countries to Study:**
 - Australia, Brazil, China, India, Indonesia, Jamaica, Malaysia, Nigeria, Philippines, Singapore, South Africa, Taiwan, Thailand, Vietnam, Mexico, Colombia, Peru.
- **Continue to identify strategic partners & define scope of work**



**FOOD INDUSTRY
FORESIGHT**
SUCCESS BASED ON SOUND INSIGHT

People. Pigs. Planet.™ | **pork**
checkoff.

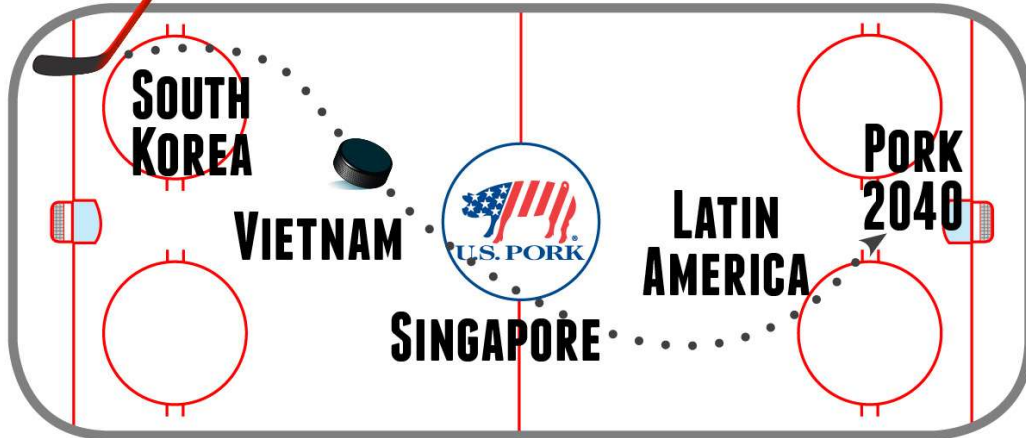
People. Pigs. Planet.™

**Looking Ahead:
International Marketing Investment**

pork
checkoff. | **we**
are

2019 International Marketing Strategy:

PLAYING WHERE THE PUCK WILL BE...



People. Pigs. Planet.™ | pork checkoff

Remember Where We've Been...And Are Going

- **1994:** U.S. was a *net importer* of pork
- **Today:** U.S. is the **#2 exporter** today, behind only the entire EU
 - On target to overtake the EU this year in the #1 slot



Our best years are ahead of us and exports are the key to continued industry success! #TeamPork

People. Pigs. Planet.™ | pork checkoff

People. Pigs. Planet.™

Questions??



37

People. Pigs. Planet.™

pork
checkoff®

This message funded by America's Pork Producers



38