



The importance of Japan to the U.S. red meat industry

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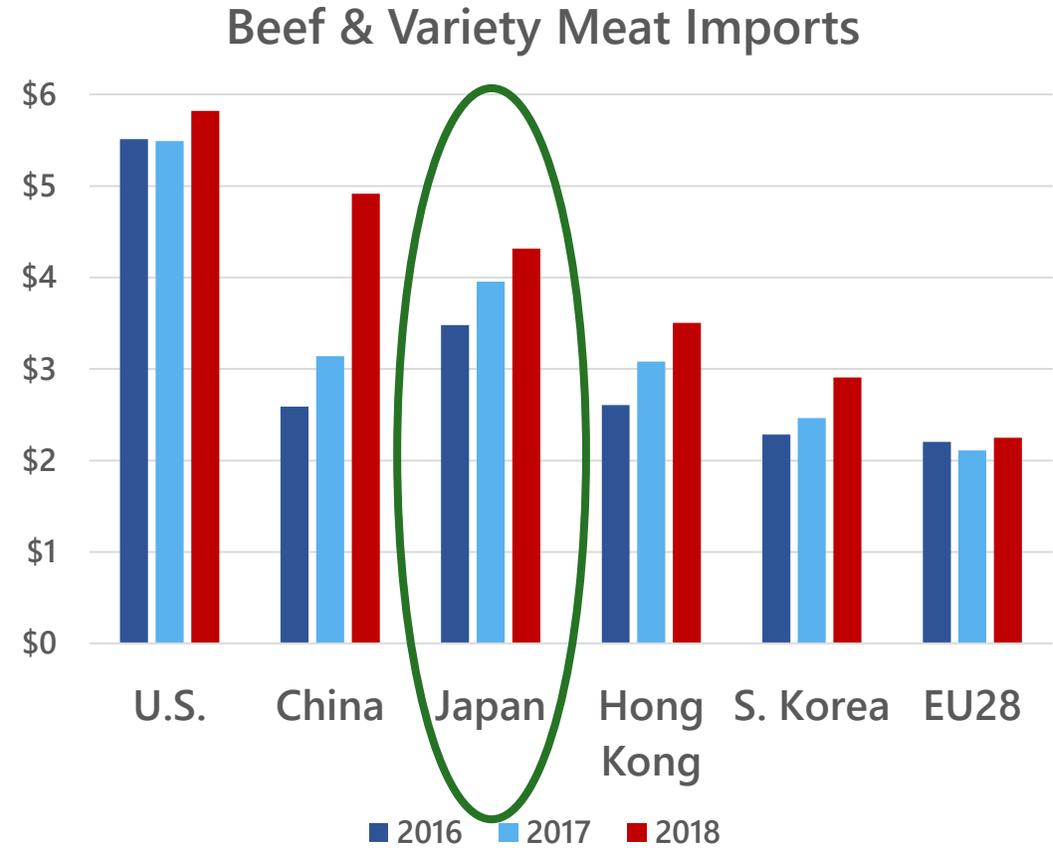
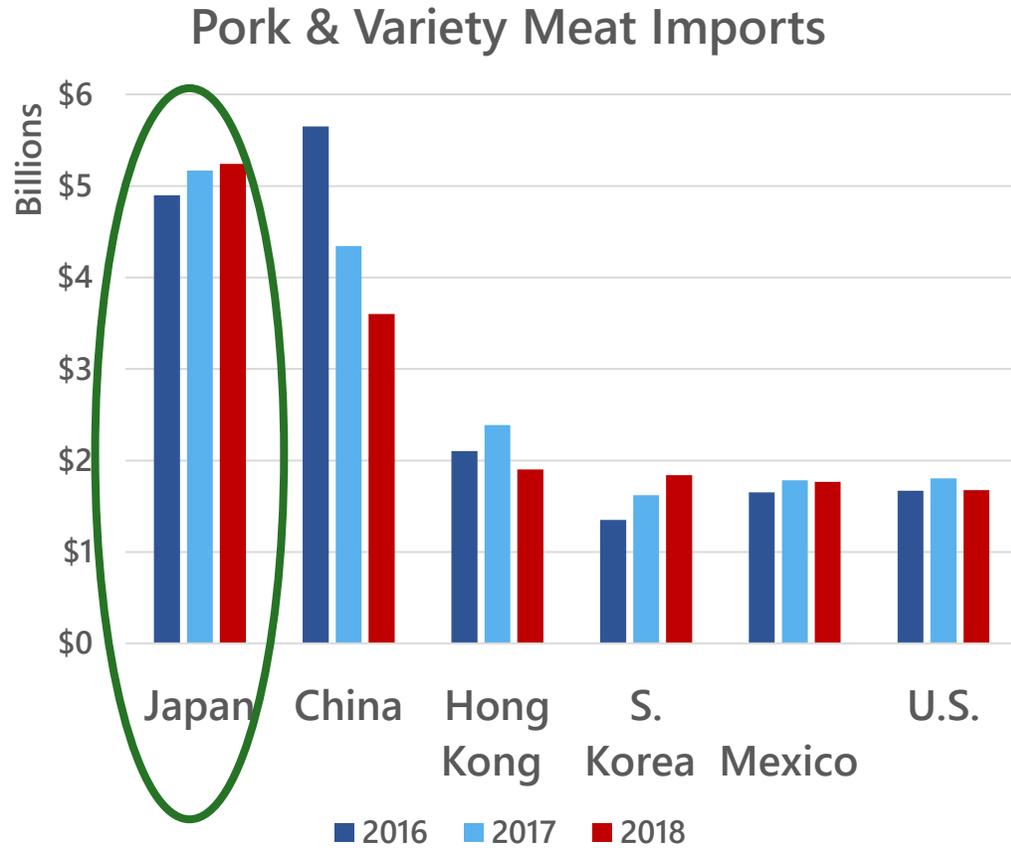
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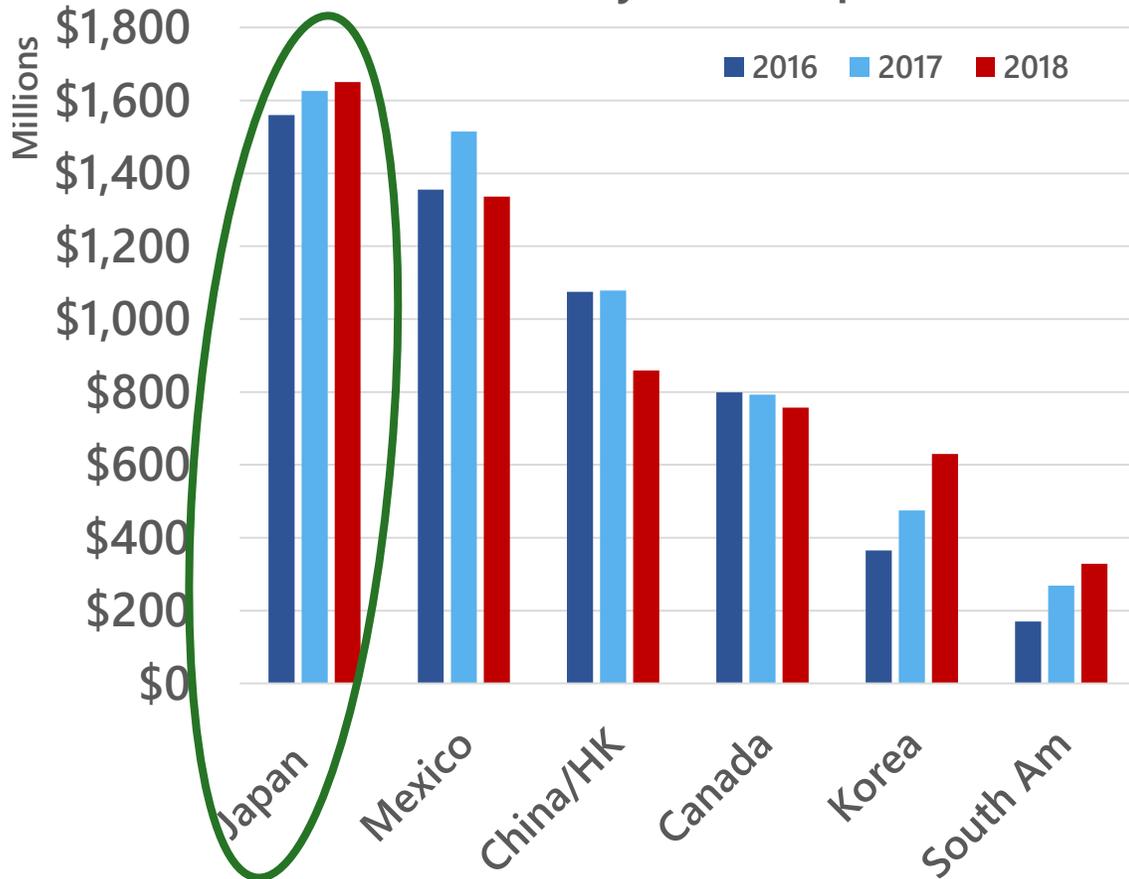
Japan is a top global importer of pork & beef



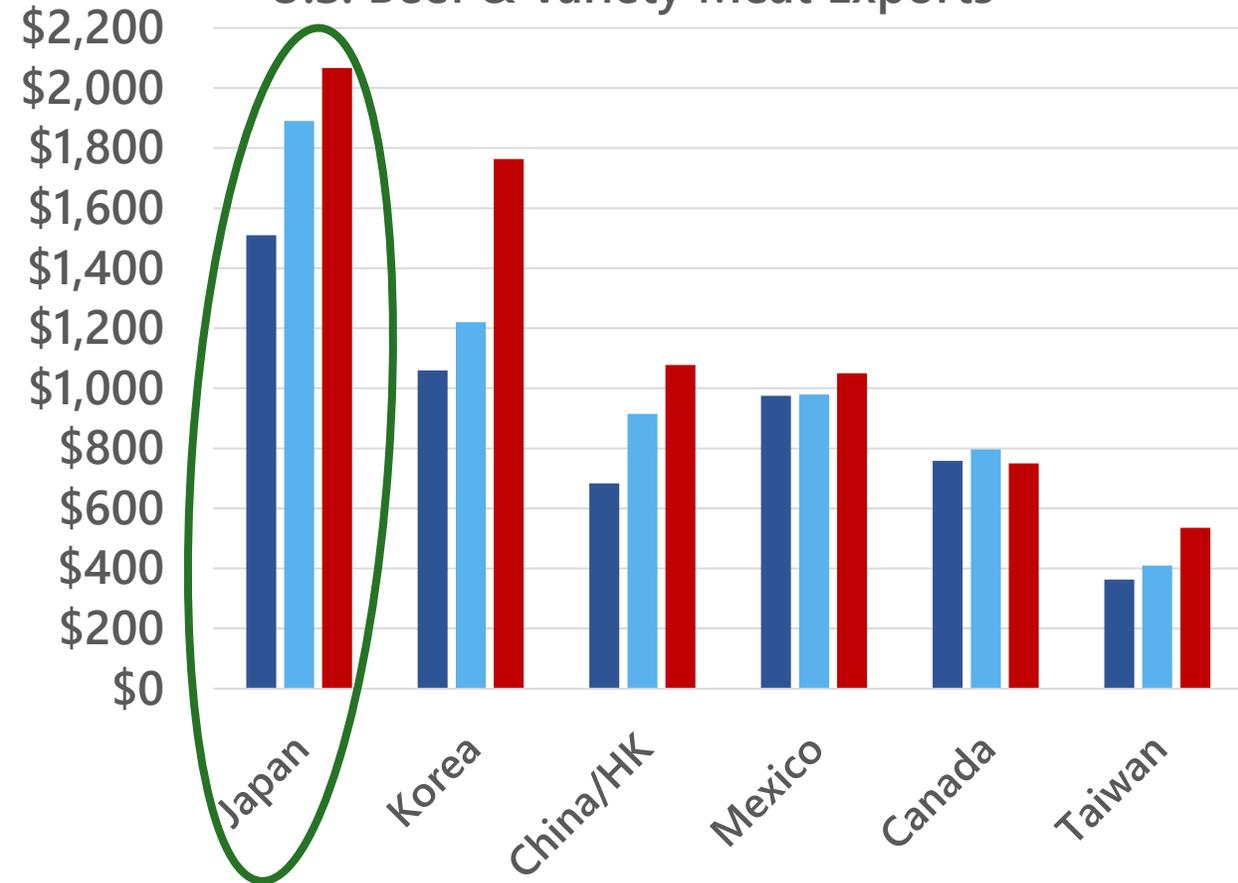
And top value market for U.S. = \$3.7 Billion



U.S. Pork & Variety Meat Exports



U.S. Beef & Variety Meat Exports

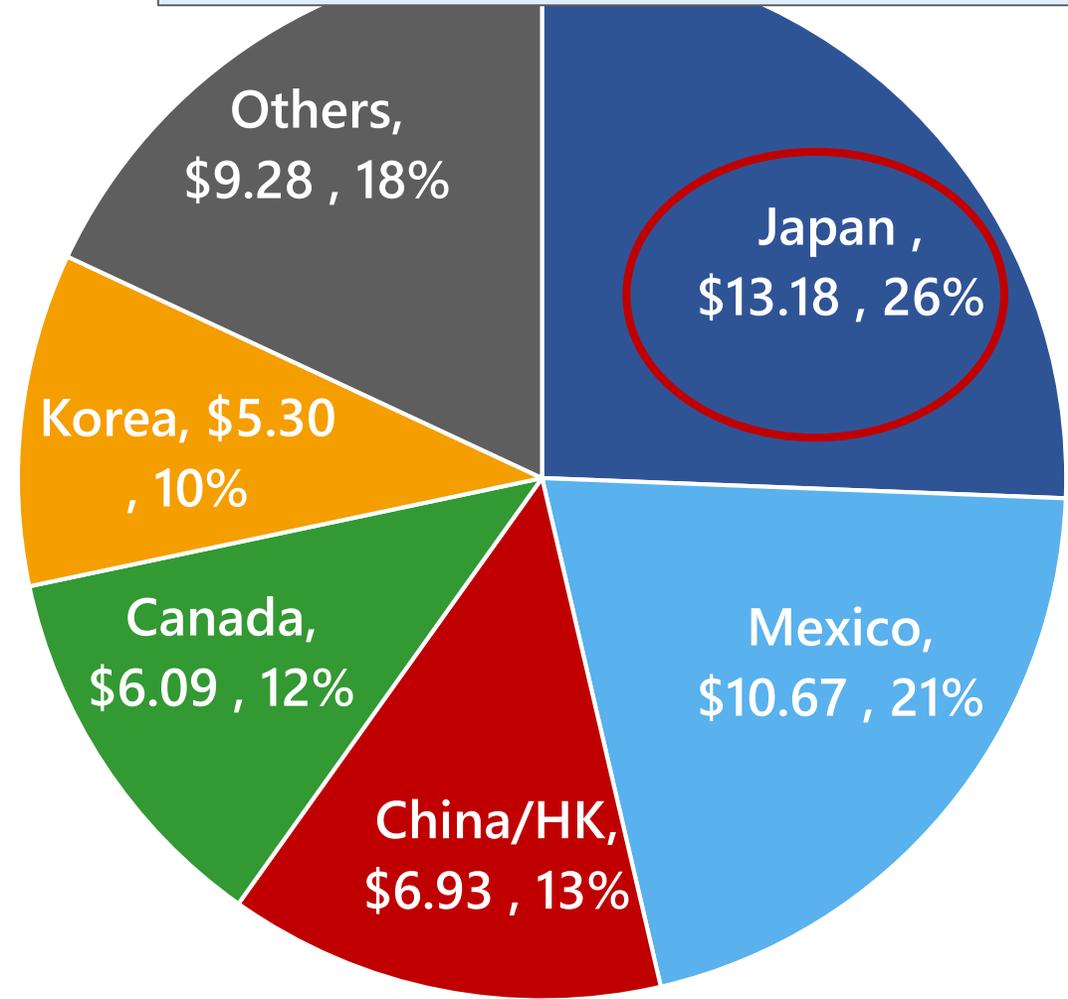
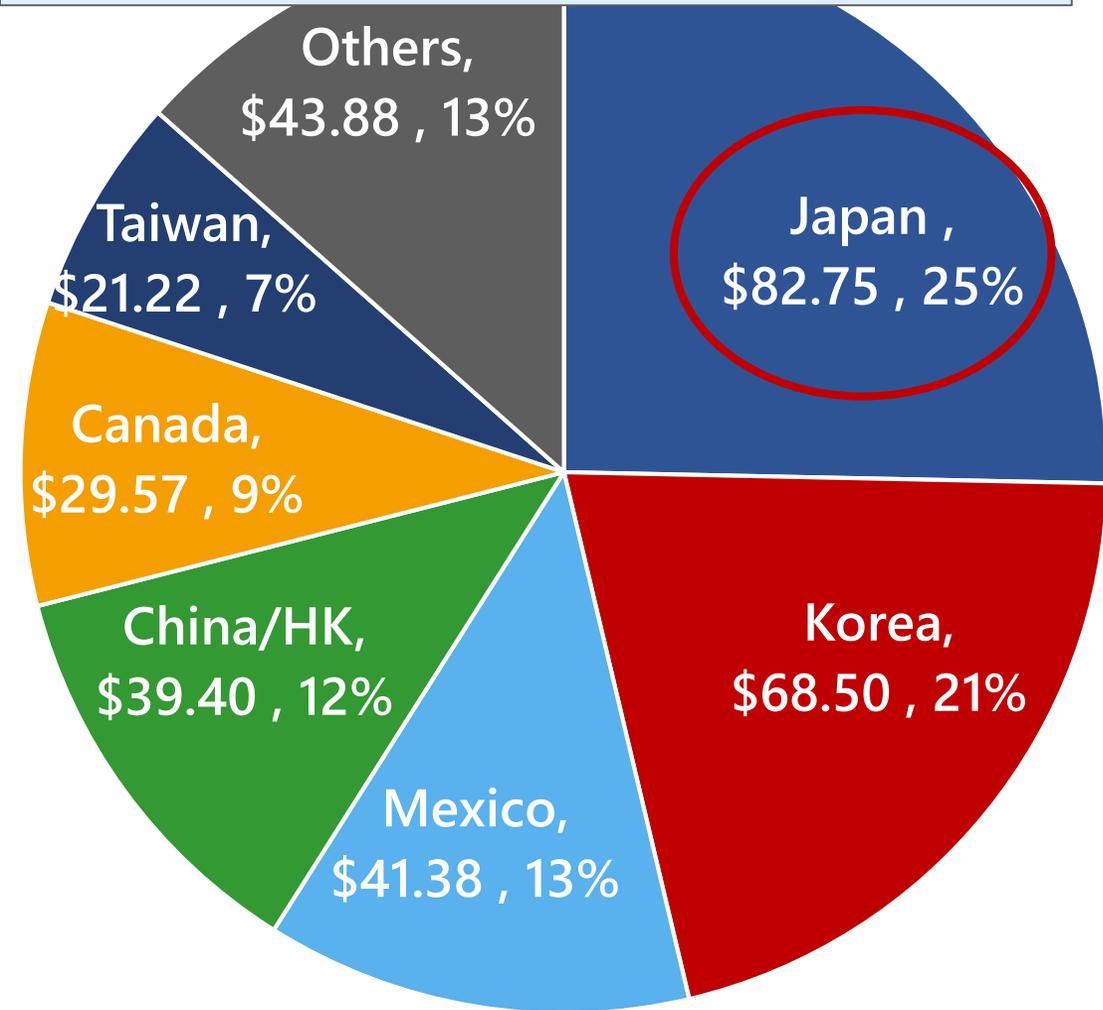


Accounting for more than a quarter of export value



Jan - Nov 2018 beef export value per head of fed cattle slaughtered = \$320.72, +14%

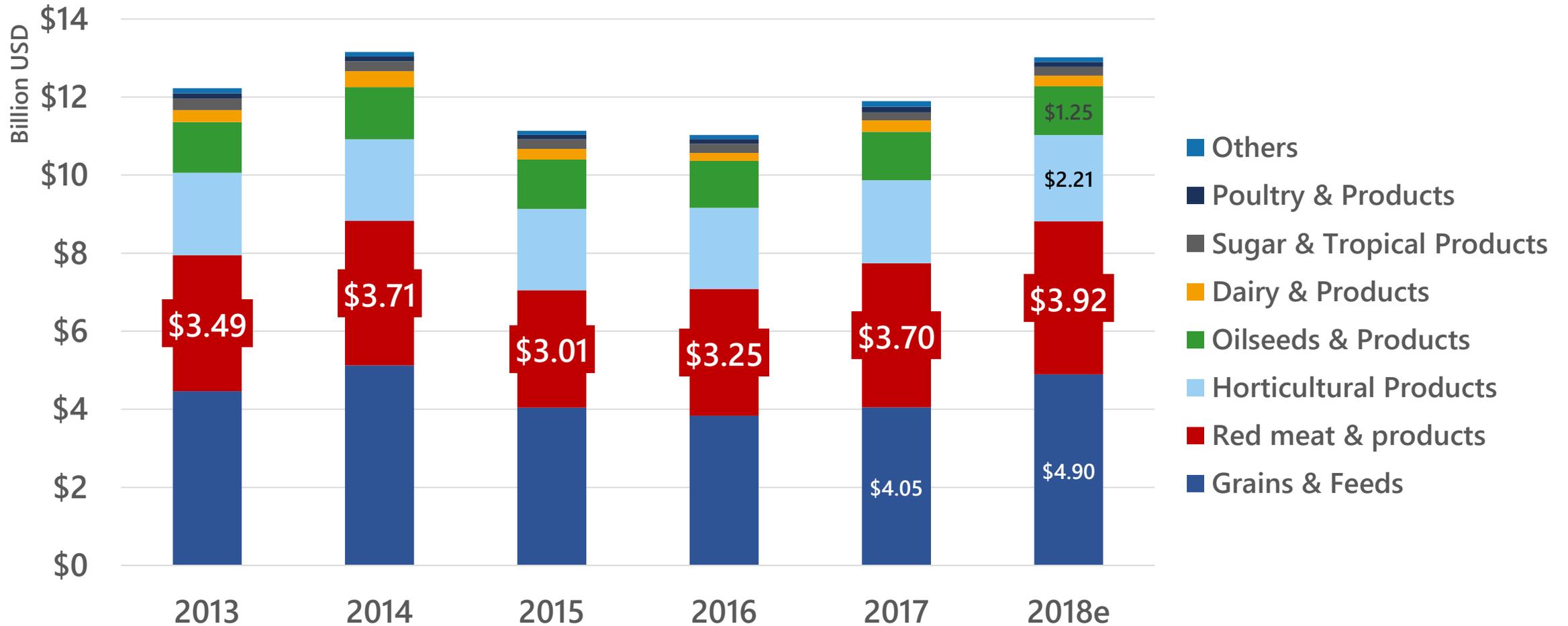
Jan - Nov 2018 pork export value per hog slaughtered = \$51.46, -3%



Red meat is key in U.S. ag market access



U.S. Ag Exports to Japan



A U.S.-Japan trade agreement is urgently needed

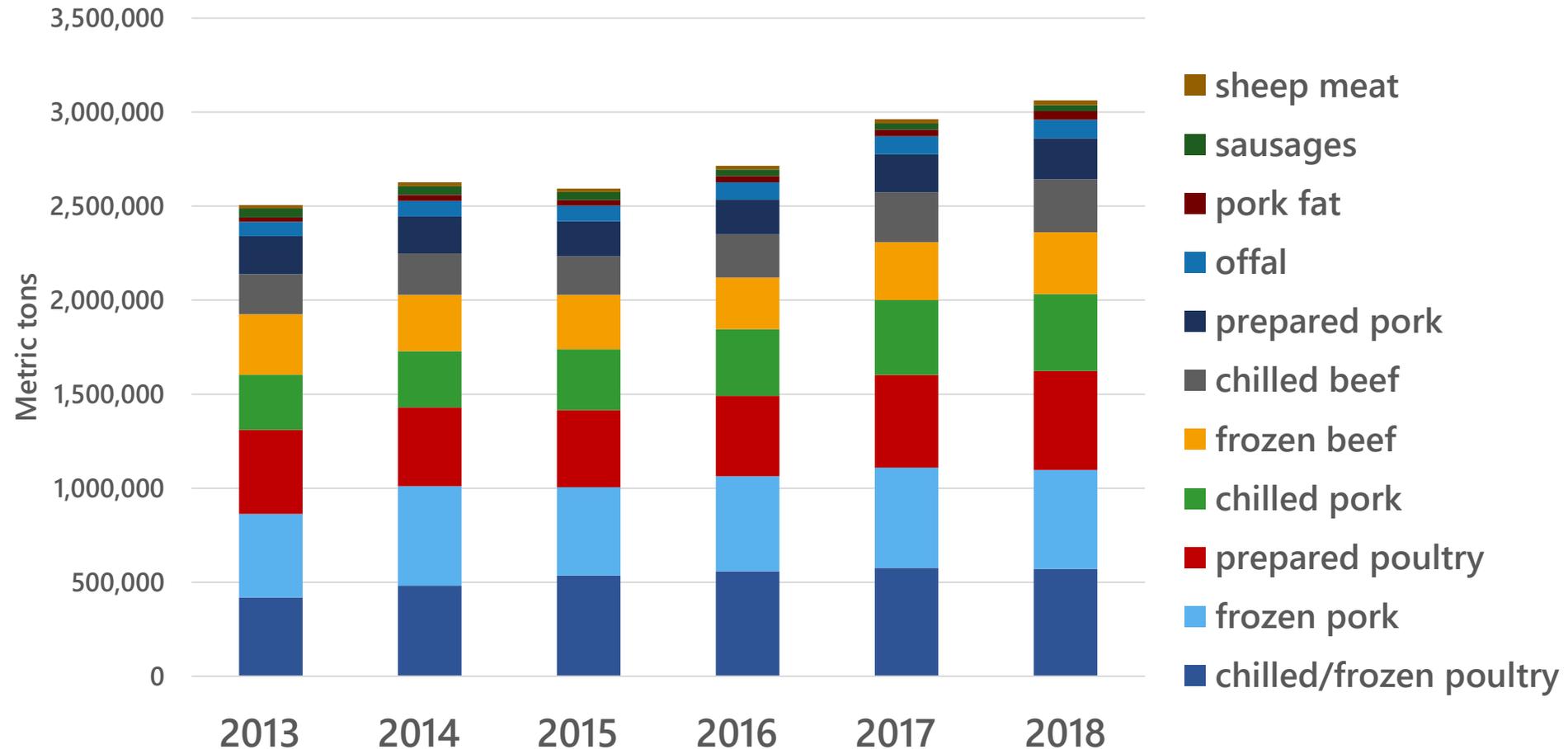


- All is not yet lost, but we are now way behind
- Japanese market is booming / in transition
- Companies looking to invest for future – noting decrease in Japanese production expected, high labor costs, etc.
- Expect continued growth in Japanese red meat consumption and imports accounting for a larger share of the market
- Need assurance that U.S. will be FTA/TAG partner soon
- *Industry priorities have been conveyed to USTR =*
 - *level playing field ASAP*
- Near-term loss estimates: \$600 million pork and \$550 million beef ... lost opportunities exceed \$1 billion each in 10 years

“Niku Boom” Japan’s meat & poultry imports reach a record 3 million mt



Japan’s meat & poultry imports



Source: GTA and USMEF estimates

Opportunities: Japanese consumption

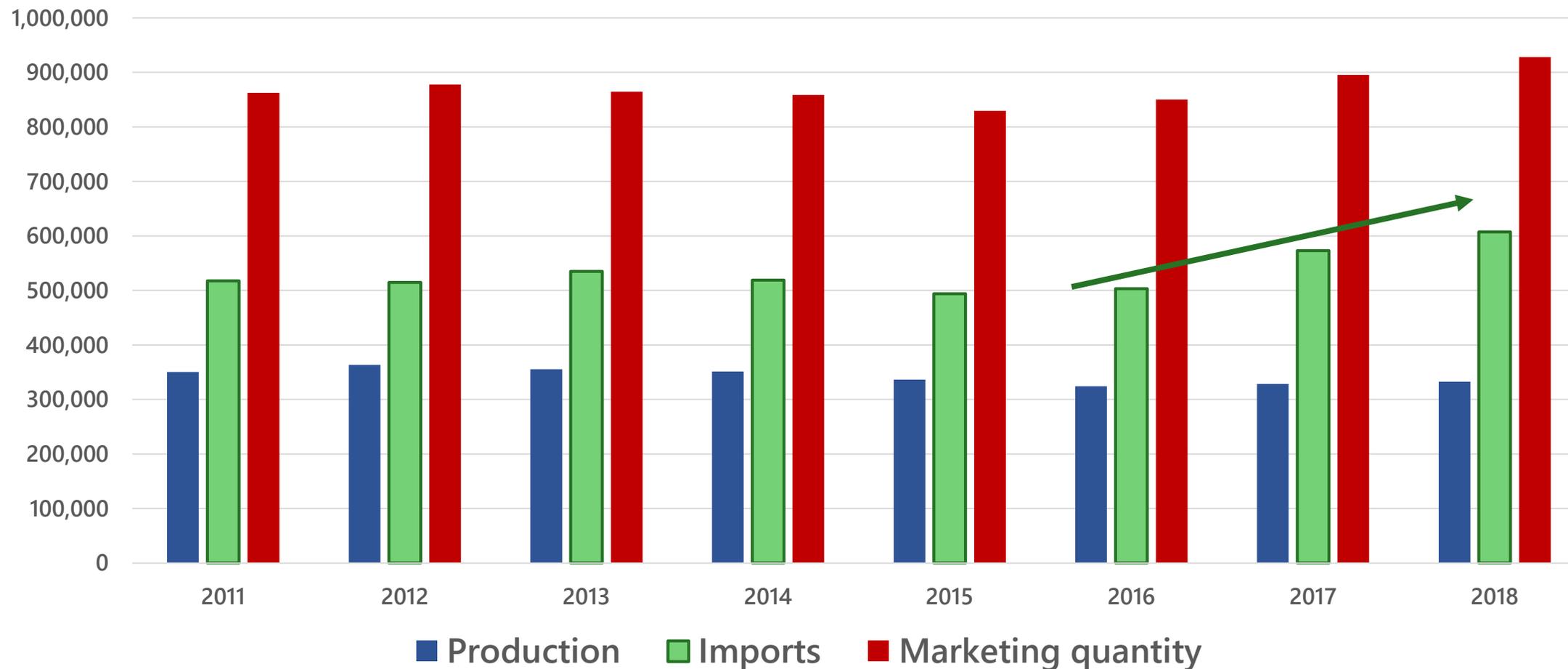


- Seafood continues to decline
- Poultry, pork and beef continue to grow
- Convenience drives demand for value-added and favors red meat vs. seafood
- Demographics- older generation eating more red meat
- Income/economic growth continues to underpin meat consumption
- U.S. beef and pork seen as high-quality and healthy
- Imports to account for a larger share of consumption

The Japanese Beef Market



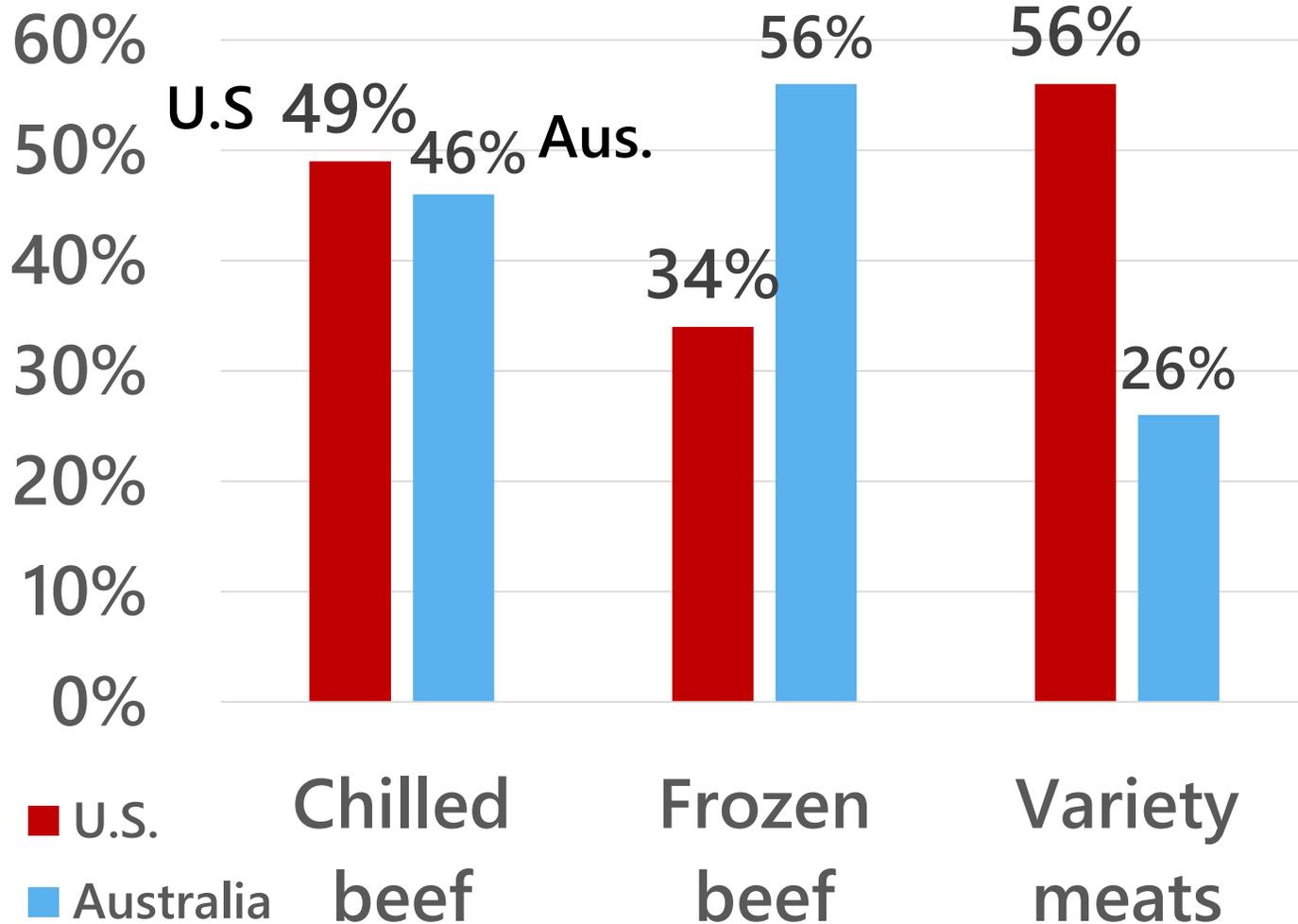
Japan's Beef Situation, calendar year, mt



Per capita: 6.88 in 2011 to 7.1 kg in 2017 and 7.4 kg in 2018

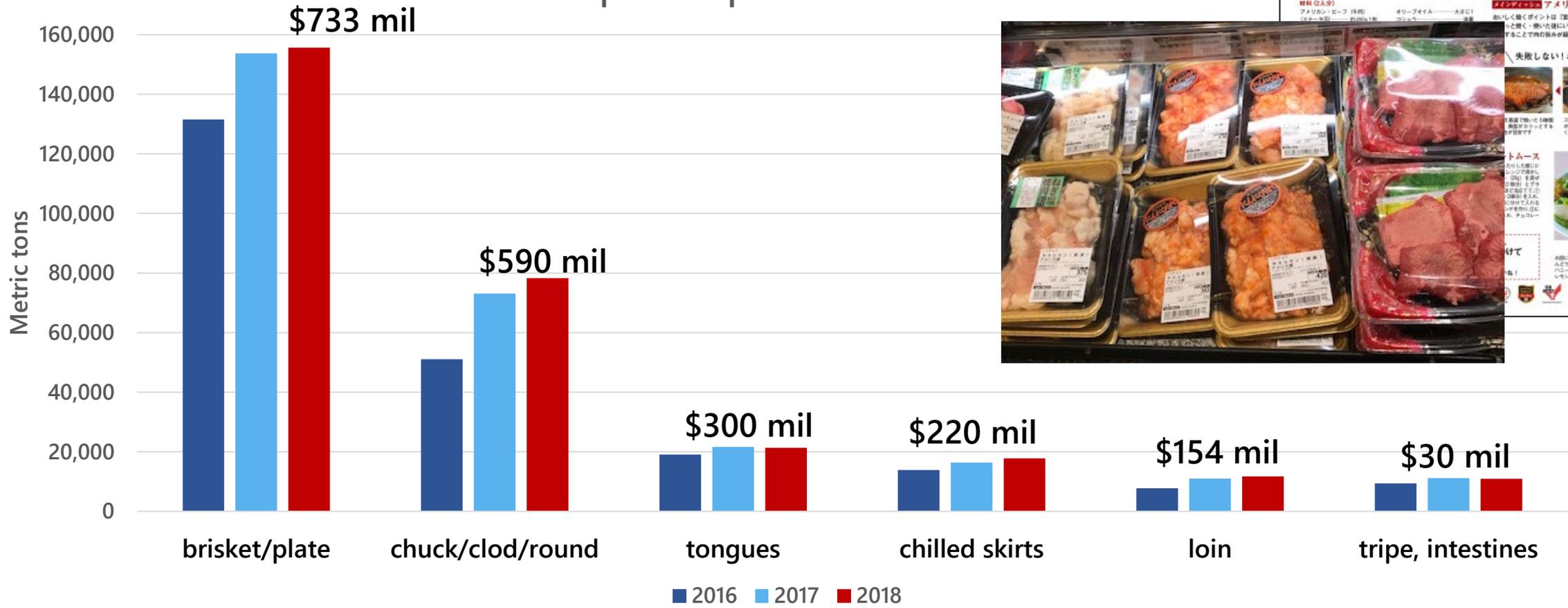
U.S. and Australia

Market Share of Japan's 2018 Beef Import Volume



U.S. beef exports to Japan...adding value to each animal

Japan's imports of U.S. beef

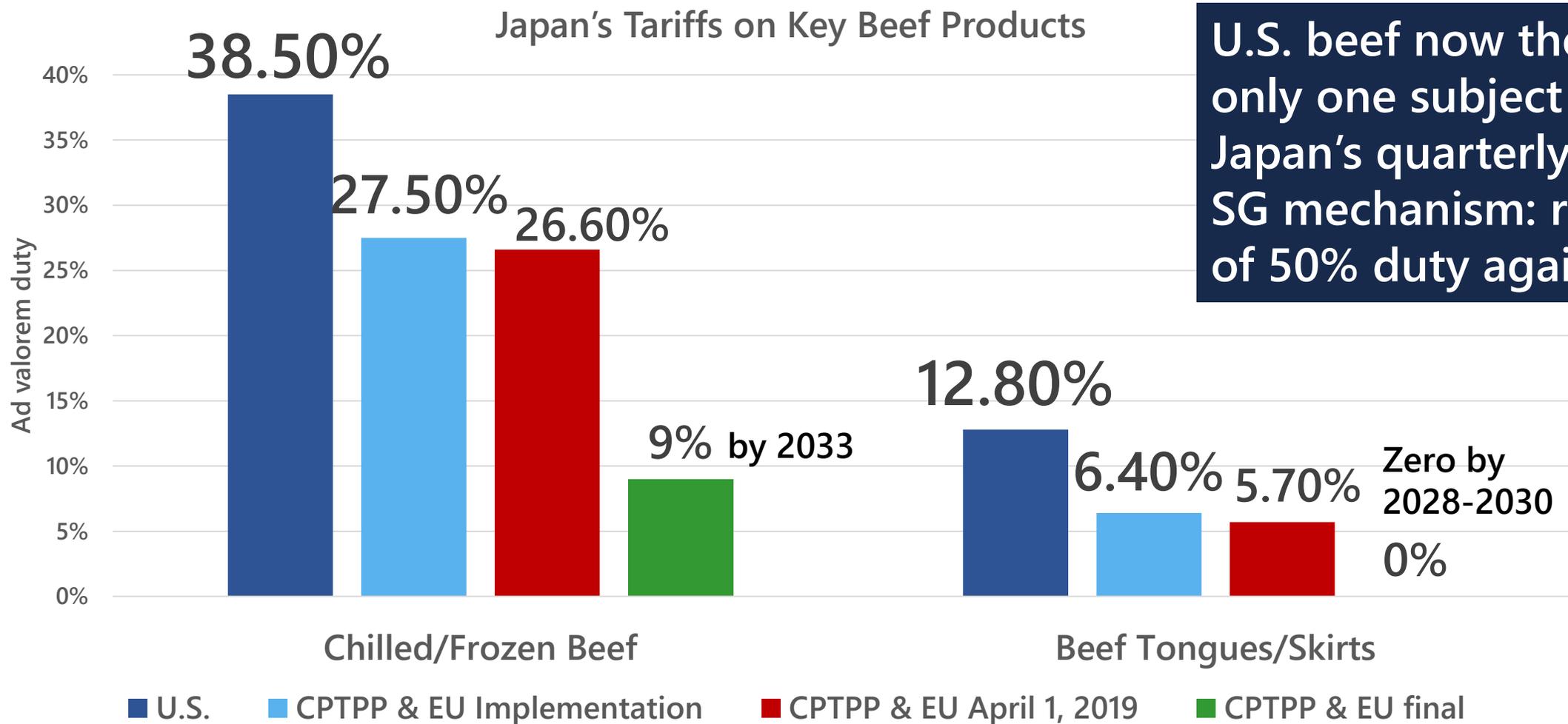


Japanese imports of U.S. beef tongue averaged \$11.60 per head of fed slaughter in 2018 and imports of short plate averaged \$28.50 per head.

Source: GTA and USMEF estimates



Of the major markets for U.S. beef, Japan has the highest tariffs Competitors now have the tariff advantage



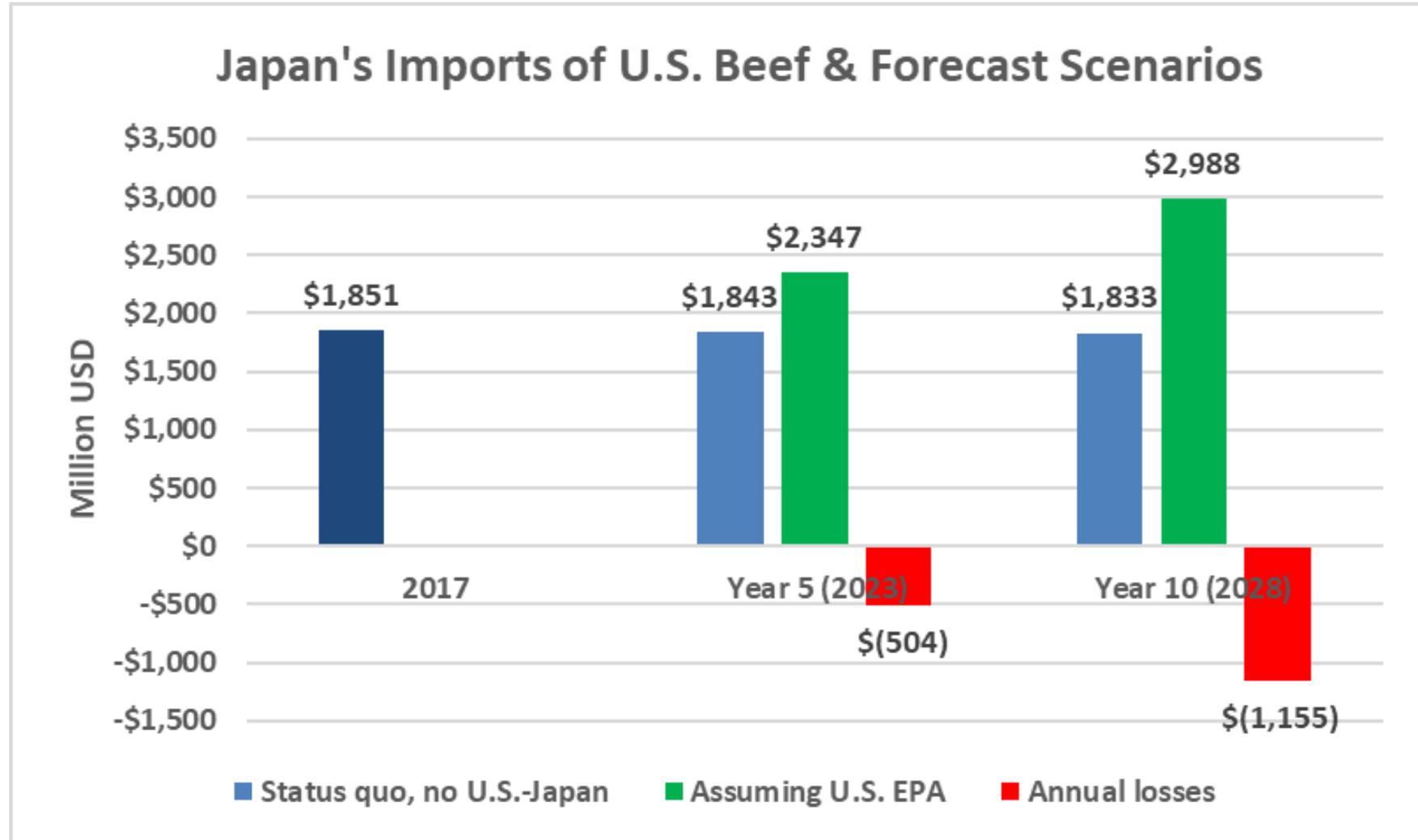
Initial tariff reductions on implementation (Dec 30 for CPTPP and Feb 1 for EU) and again at start of JFY, April 1, 2019

Source: USMEF and agreement text



U.S. beef export losses without FTA

- Per head losses:
-**\$18.70** by 2023
-**\$42** by 2028
- These are lost opportunities
- Will impact across the chain



Opportunities: Over Thirty Month Beef Access

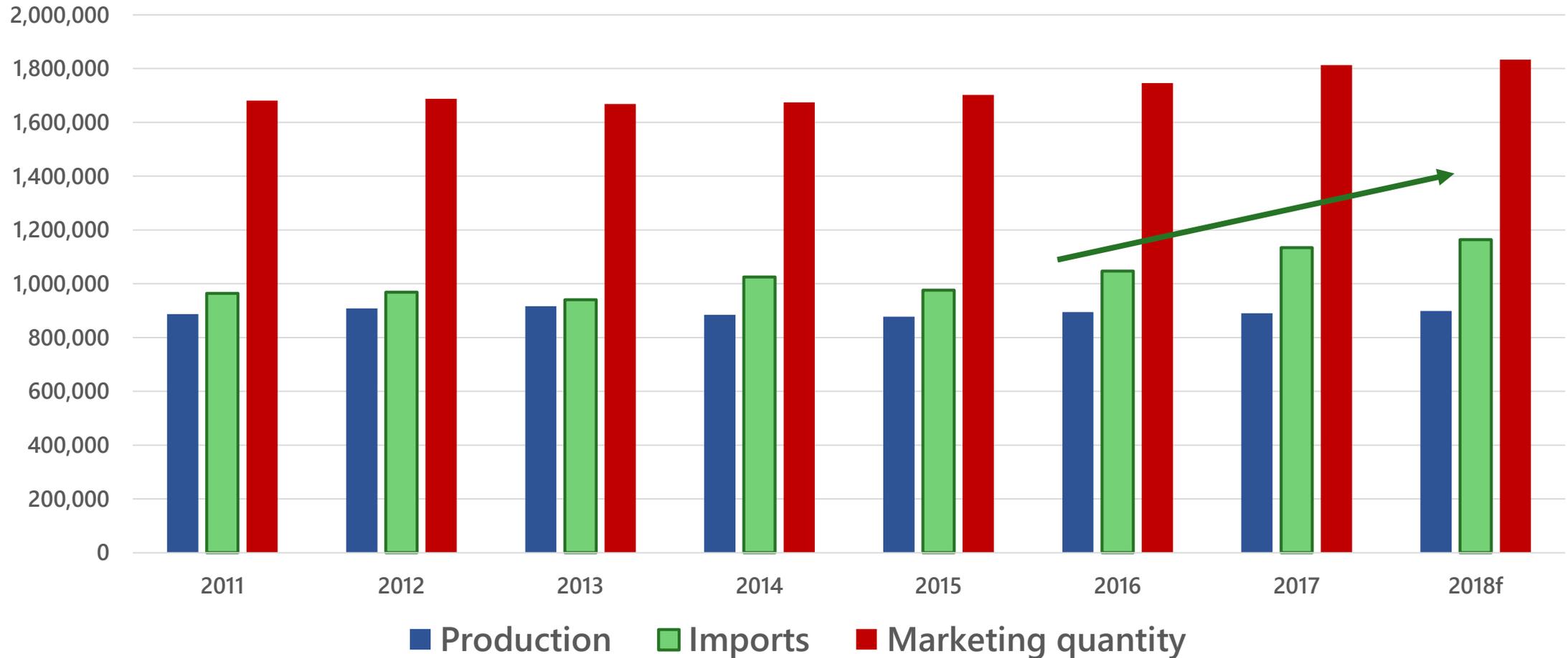


- U.S. beef exports to Japan could increase by \$150 to >\$200 million annually or +7 to 10%
- Export demand expected for **high-demand Japan cuts**
Short Plate, Outside Skirt, Hanging Tender
- Strong potential for **cuts from white cow or other quality assured** programs, meeting Japanese cut specifications and with competitive pricing
Chuckeye Roll, Short Rib, Loins (strips, tenders), Clod, Brisket
- Offal/**Variety Meat, high demand**
Mountain Chain Tripe, Tongue, Abomasum, Liver, Large Intestine & Small Intestine
- **Processed/cooked beef**
Assume U.S. exports could double as being able to produce value-added beef products from OTM significantly reduces costs.
- **But U.S. not likely to fully realize potential without an FTA** as tariffs on some processed beef items are high (and are phased to zero through CPTPP) and generally OTM beef needs to be price-competitive

The Japanese Pork Market



Japan's Pork Situation, calendar year, mt

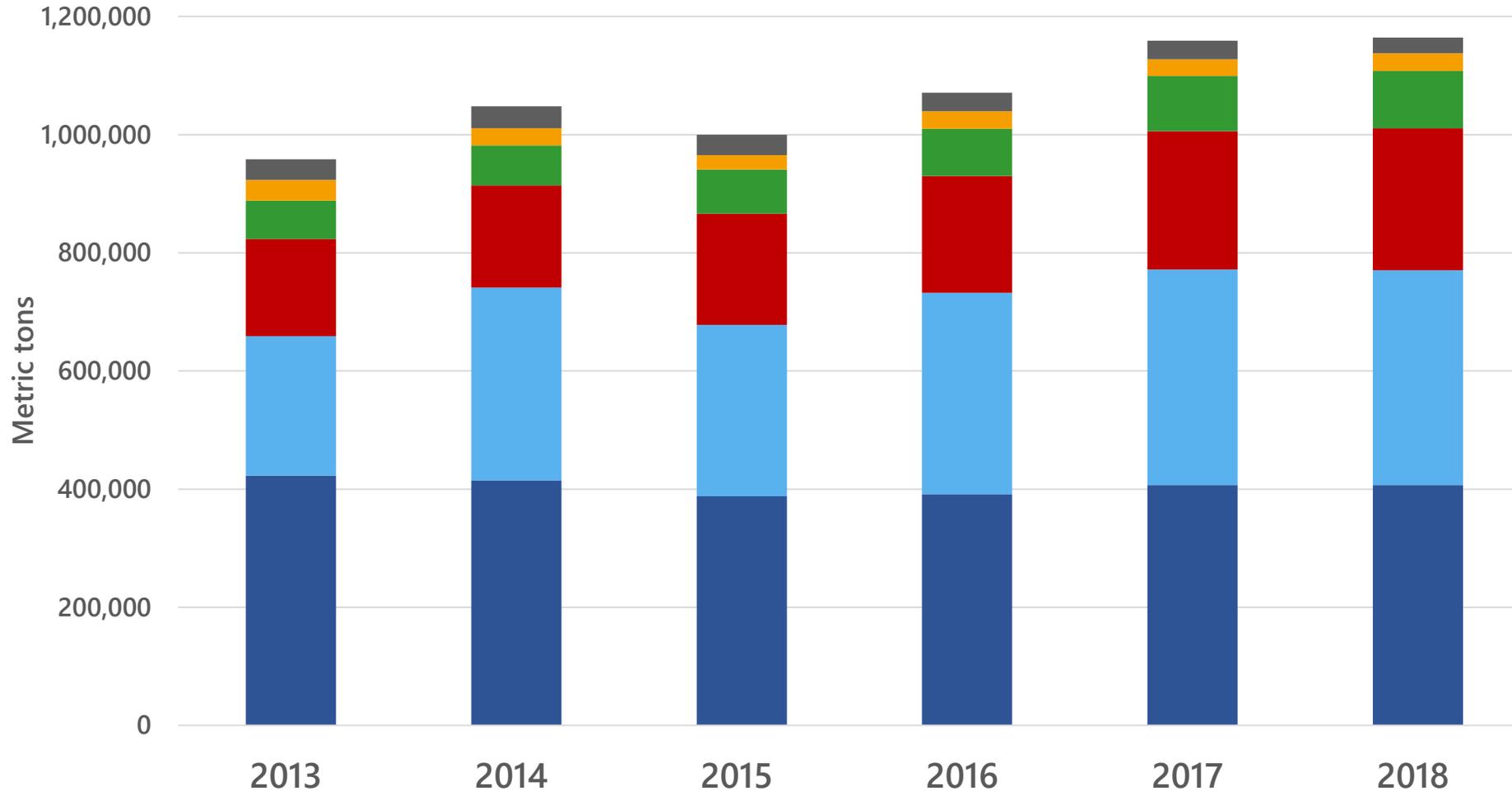


Per capita: 13.16 in 2011 to 14.4 kg in 2017 and 14.9 kg in 2018

Japan imports record volumes of pork (>\$5 billion)



Japan's Pork & Variety Meat Imports



Total imports: 1.16 mil mt
U.S.: 407,000 mt, steady
U.S. market share held at 35%

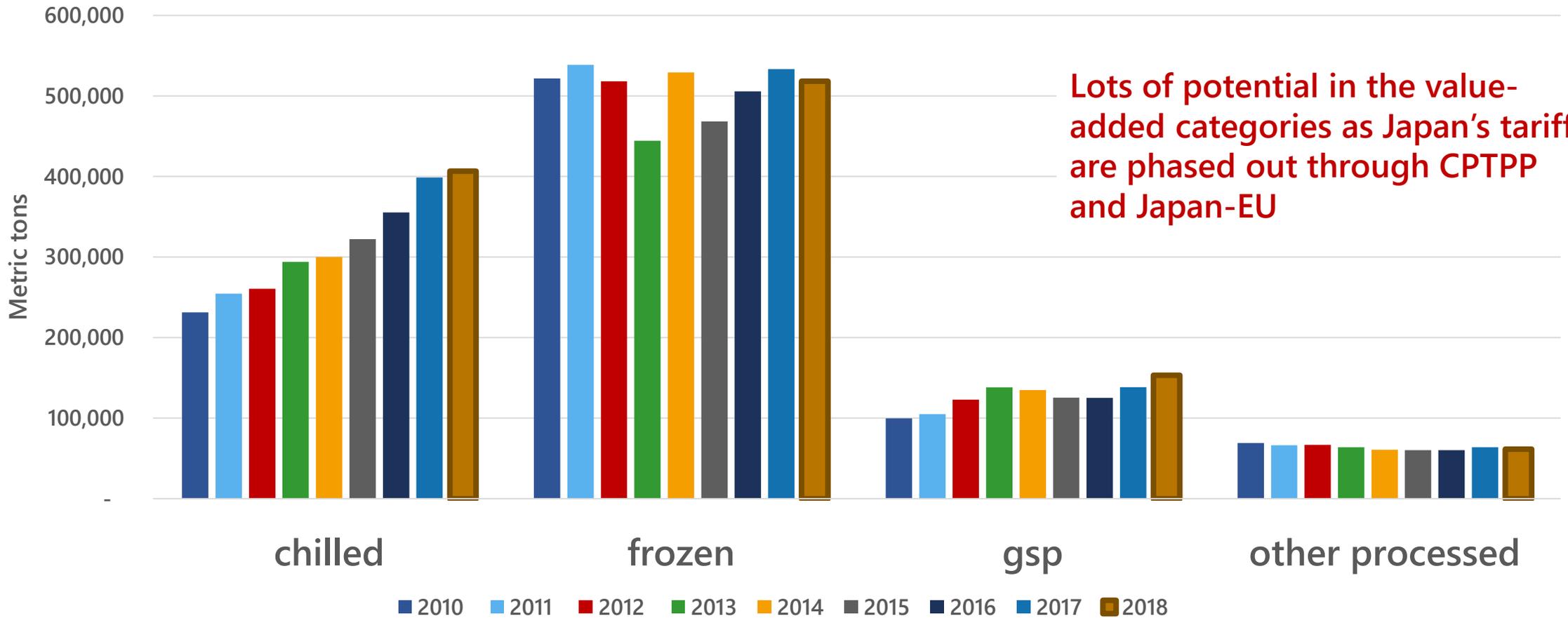
- Others
- Chile
- Mexico



Chilled pork driving the growth in Japan's imports...and GSP



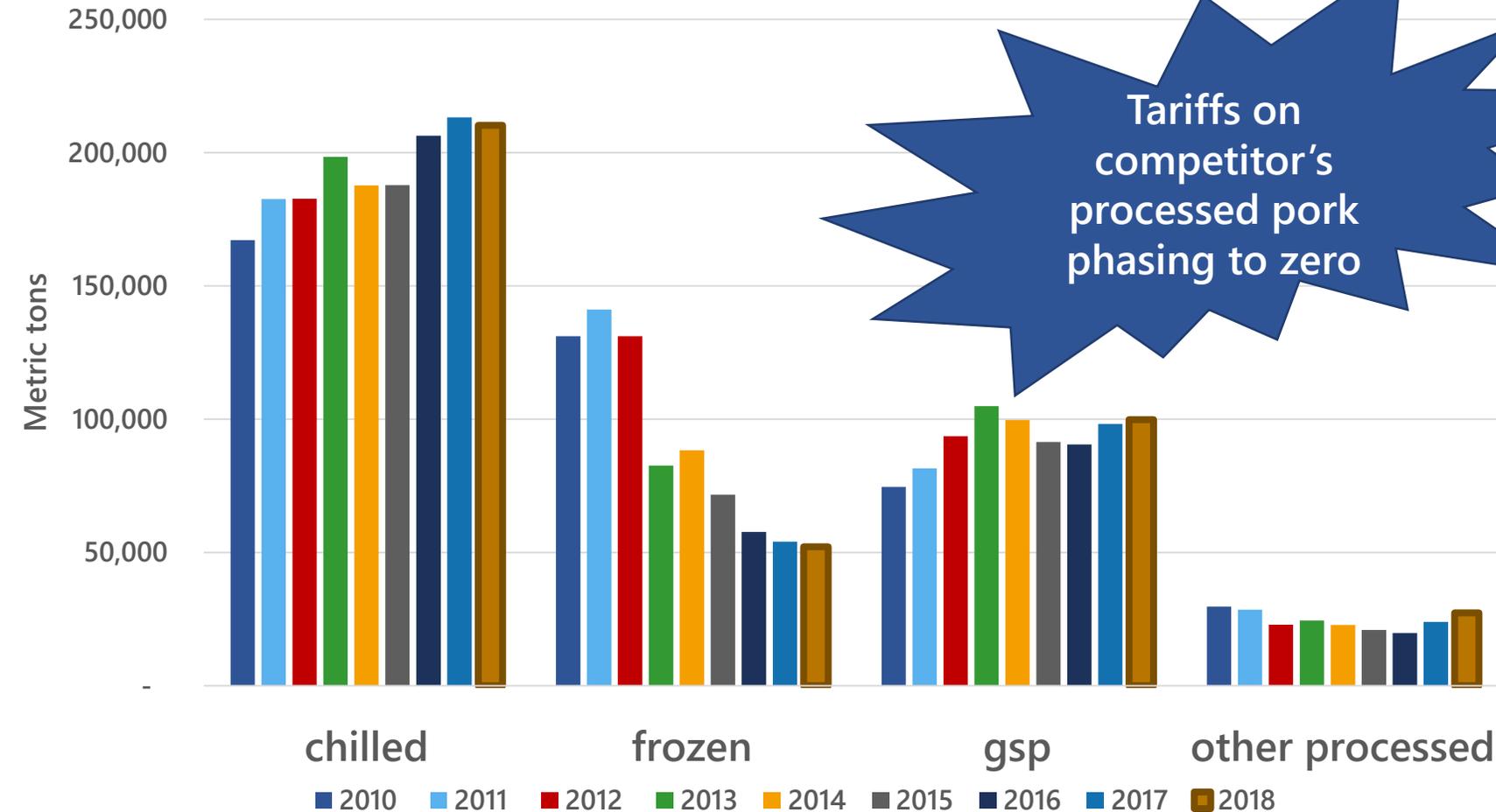
Japan's pork imports by category



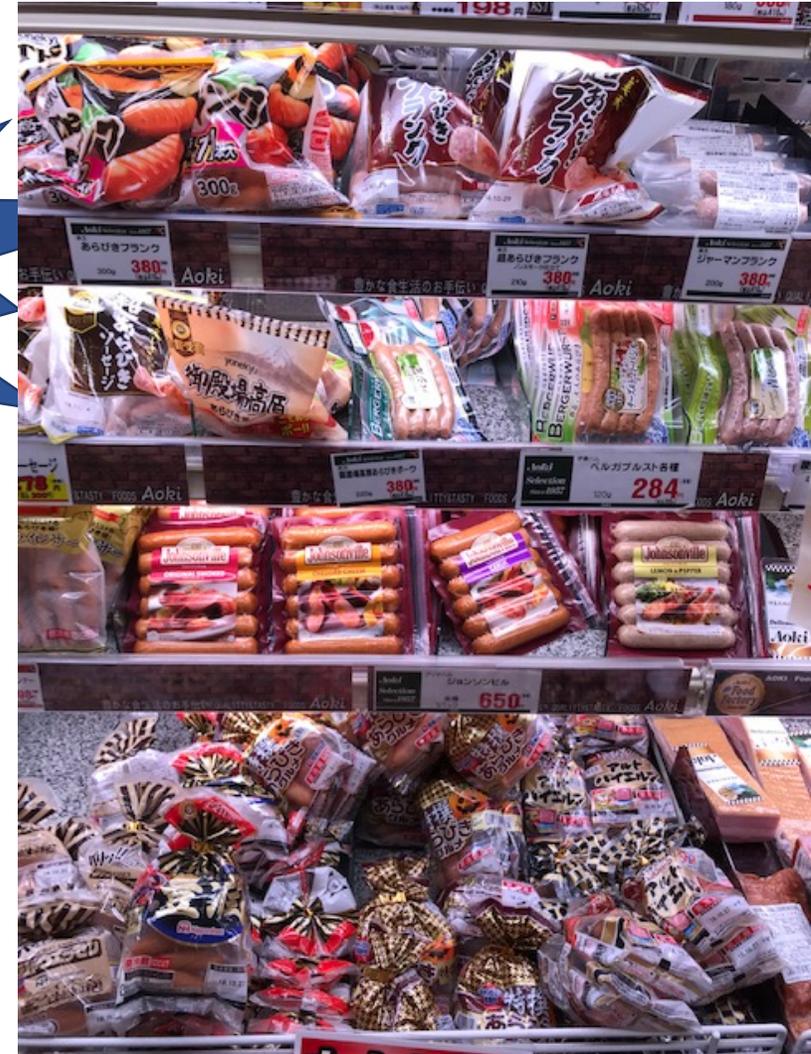
Japan's imports of U.S. pork



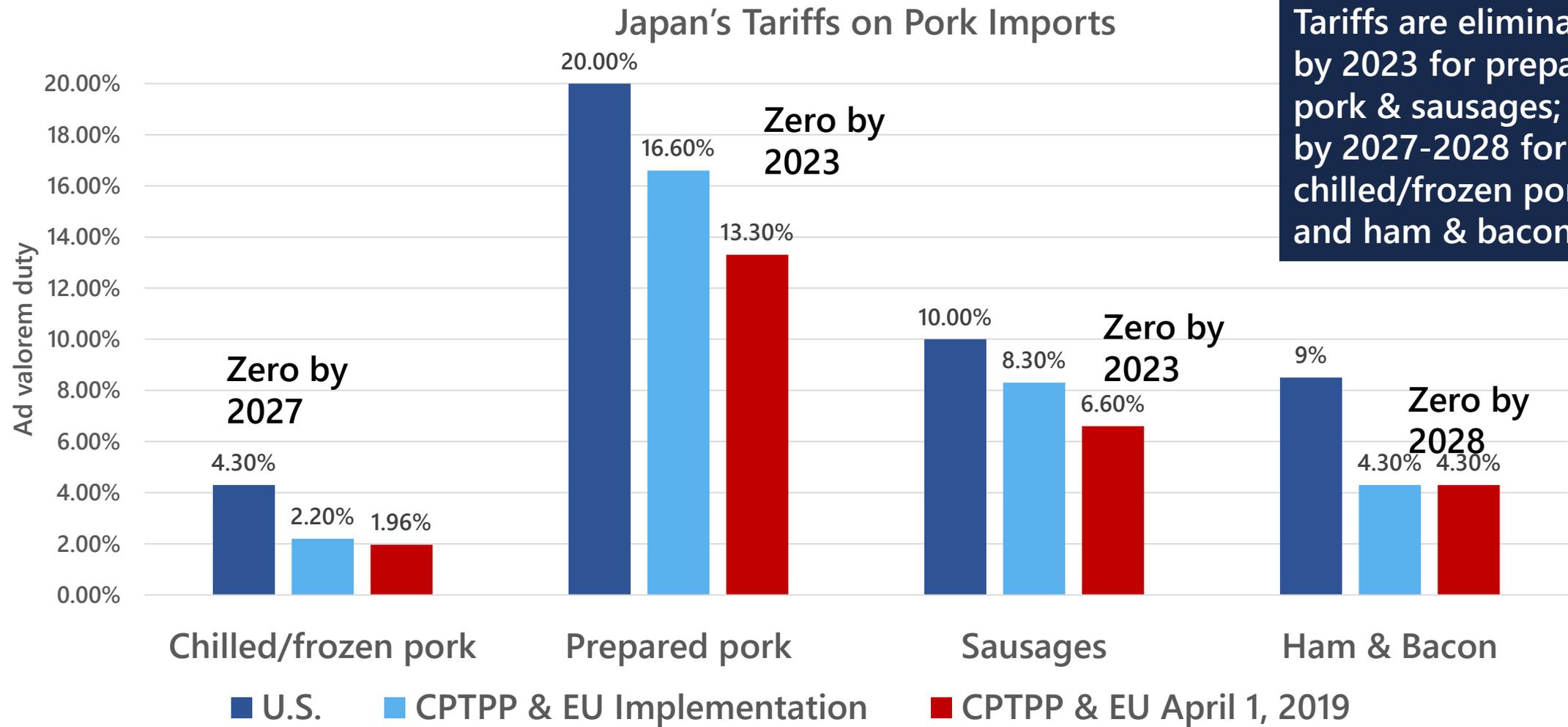
Japan's U.S. pork imports by category



Tariffs on competitor's processed pork phasing to zero

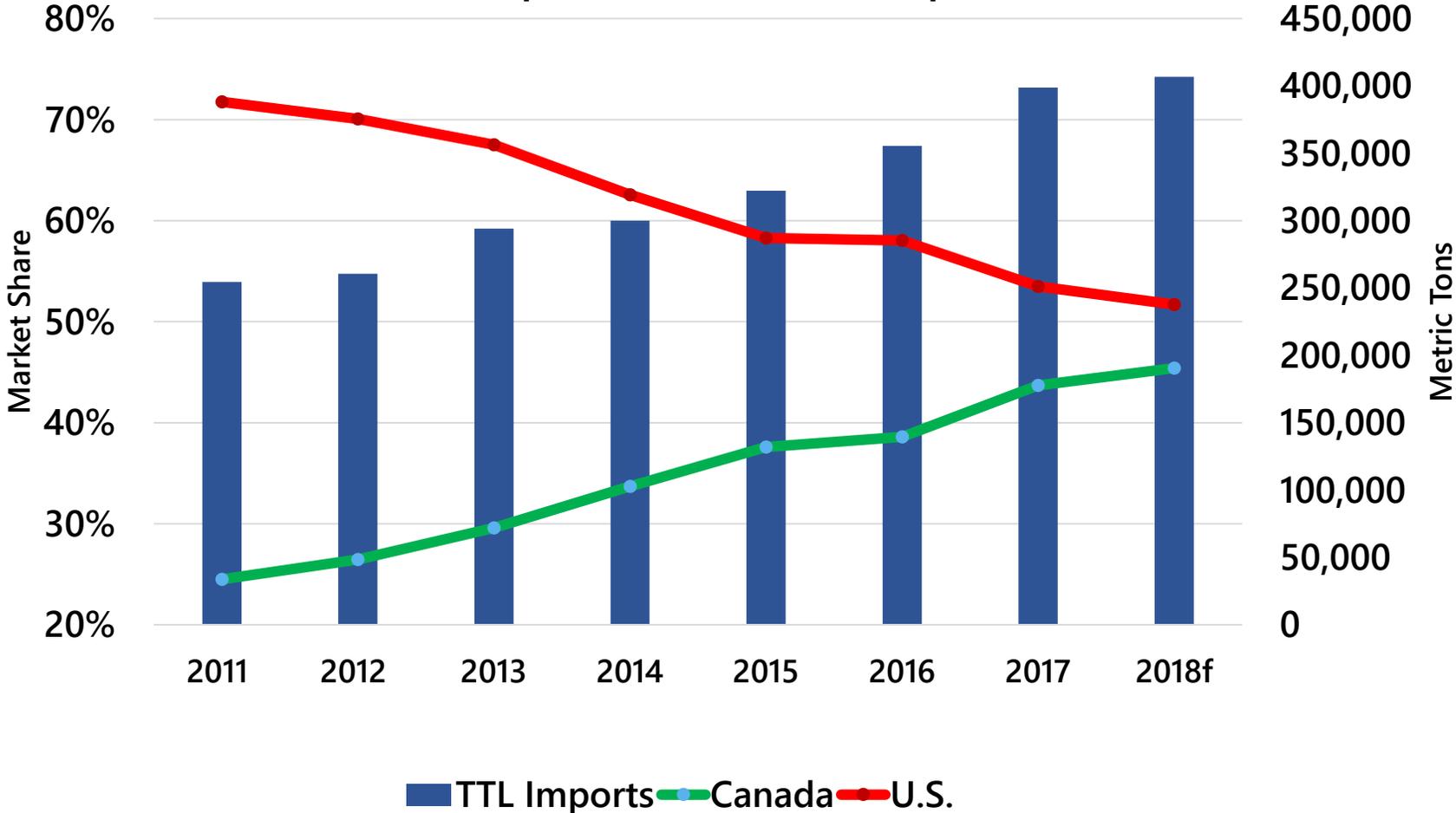


Elimination of tariffs on processed pork and changes to the chilled/frozen gate price could significantly change Japan's pork market



Canadian pork gaining chilled market share

Japan's Chilled Pork Imports



Source: GTA and USMEF estimates

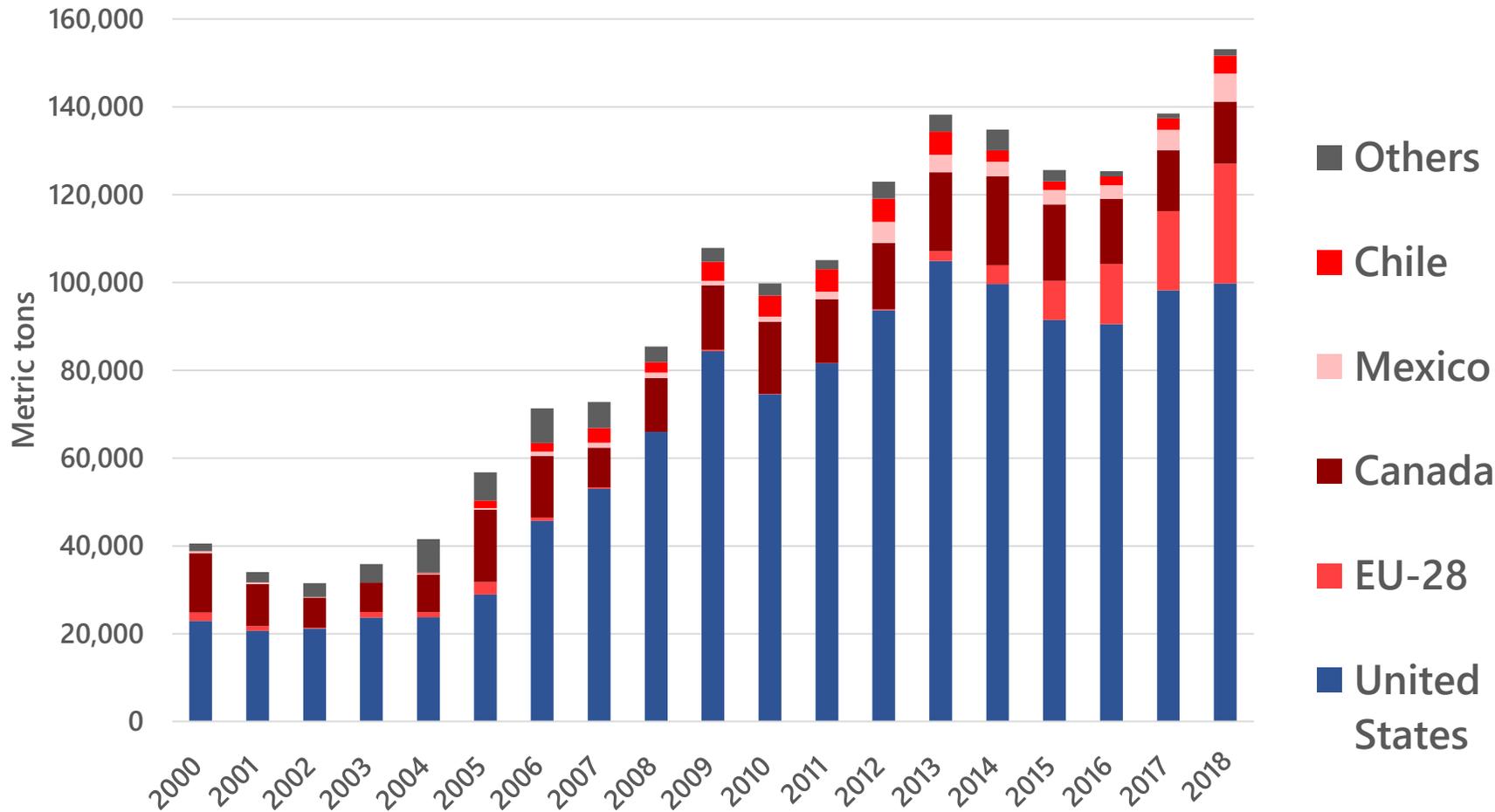


Record-large GSP imports, driven by EU, Mexico, Chile, Canada ...FTA partners



Japan's imports of ground seasoned pork

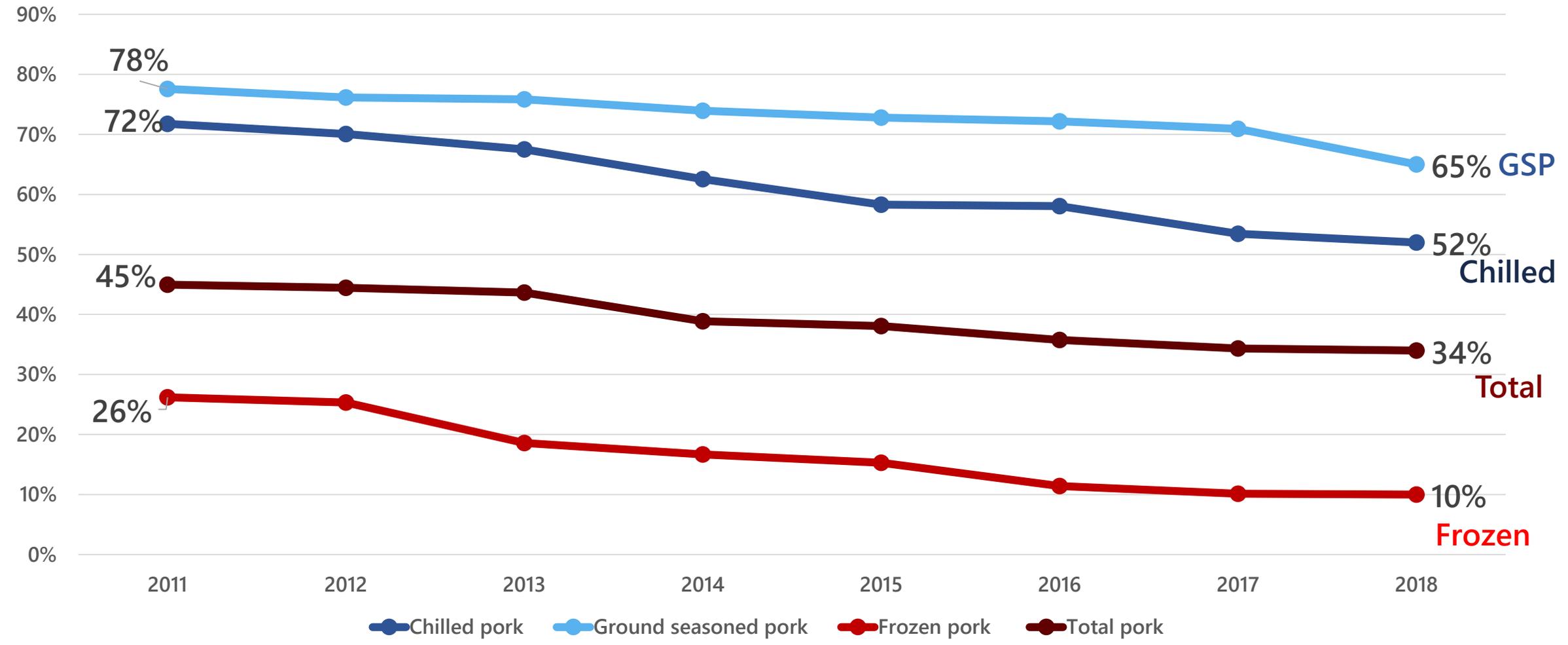
EU market share has increased to 18%



The loss of U.S. market share, from 45% to 34%



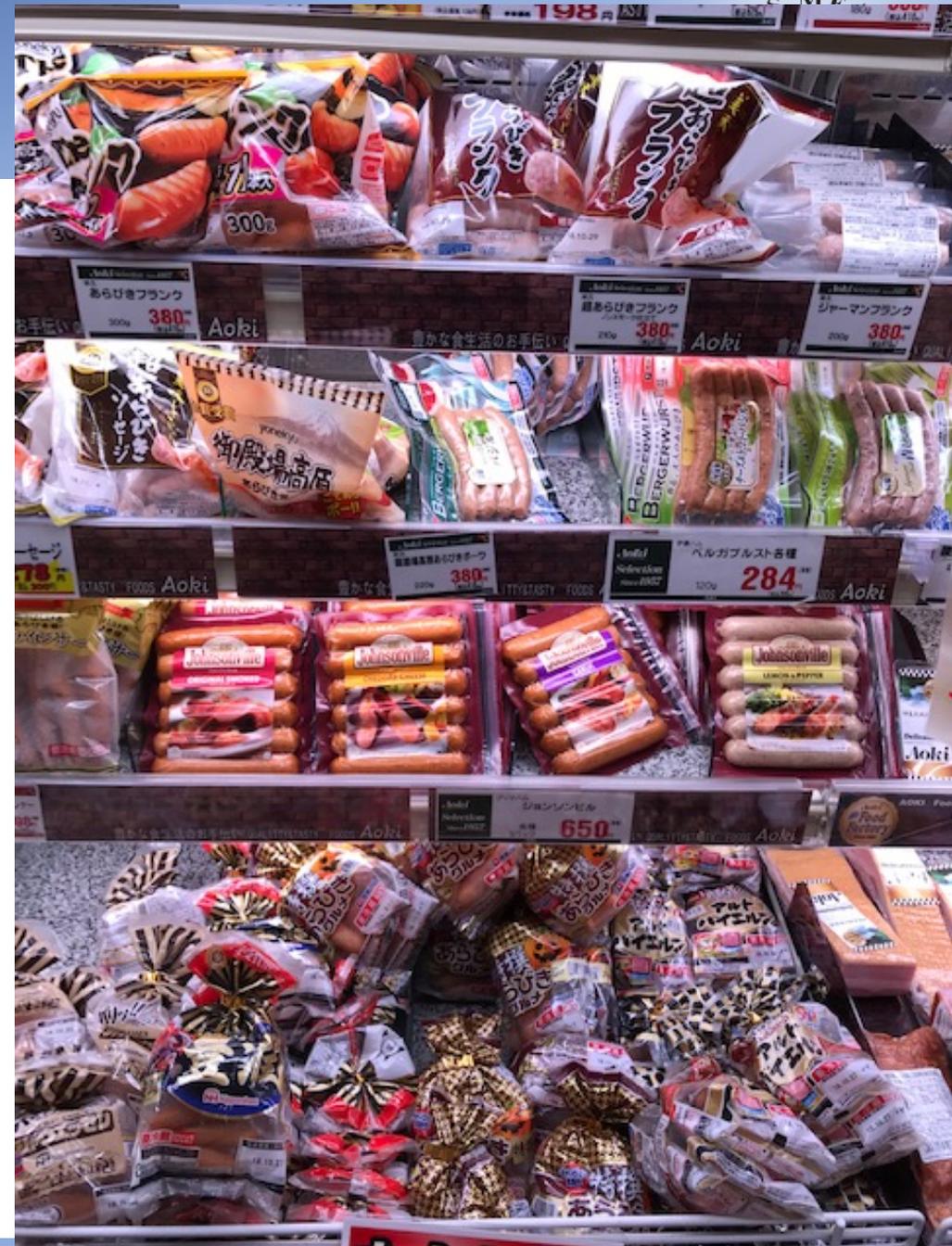
U.S. Share of Japan's Pork Imports, by category



Source: GTA and USMEF estimates

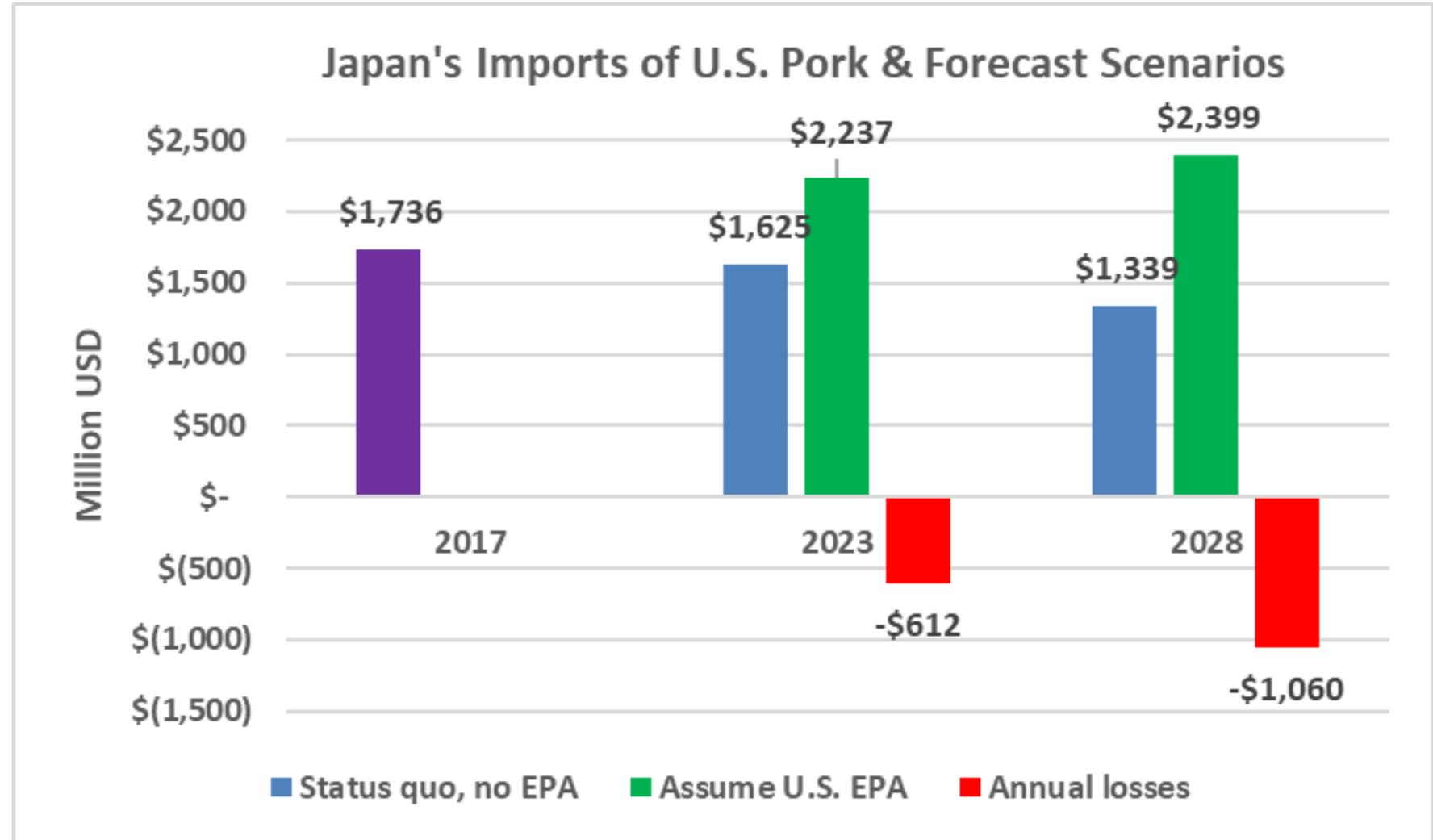
With TPP-11 & Japan-EU EPA

- Expect continued **growth in chilled pork**, led by Canada
- Potential to import **single cuts** priced below the gate
 - For processing and retail
- Continued growth in **ground seasoned pork**,
 - with investment in Europe (Ireland and Spain as relatively new suppliers as well as Germany and Netherlands)
 - and in Canada, Mexico, Chile
- Looking to produce **more value-added** and processed products outside Japan
 - labor advantages favor Mexico
 - but potential in Europe and Canada as well



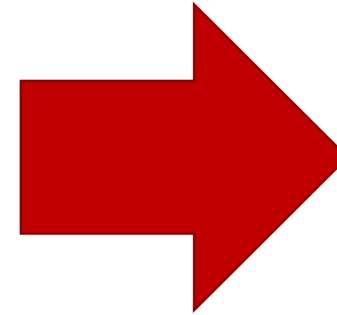
U.S. pork export losses without FTA

- On a per head basis, this would equate to **\$4.55 per head loss** by 2023
- and **-\$7.06 per head** by 2028
- Again these are lost opportunities or market potential
- Chain-wide impact



Besides lost export sales of >\$2.2 billion annually, Impact back to feed grains & downstream employment

10 year impact on feed-grain utilization			
Feedstuff	Pork	Beef	TOTAL
Corn	172.8 mil bu	64.2 mil bu	237 mil bu
DDGS	282,867 tons	724,000 tons	1.006 mil tons



Projected value of between \$1.5 Bil to \$2 Bil to corn and soybean farmers

- Exports to Japan estimated to **directly support more than 4% of the jobs in the meat packing and processing industry**
- **An annual cost of more than \$5.2 billion in direct economic losses** to other businesses and industries in the top 15 states where the meat packing and processing industry is located
- Also, based on the RIMS II data, **about 23,600 jobs outside the meat industry would be lost in year 10 in those states**

Thank you

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- Loss summaries:
- <http://www.usmef.org/usmef-technical-services/recent-export-trends/>



extras



Main EU suppliers: Spain and Denmark are top suppliers of frozen; Germany & Netherlands for GSP



Frozen Pork	Jan-Nov '17	Jan-Nov '18	YOY
Spain	97,860	104,598	7%
Denmark	105,564	100,325	-5%
Netherlands	23,359	26,708	14%
Germany	18,352	20,467	12%
France	13,199	13,030	-1%
Italy	12,153	12,791	5%
Hungary*	18,480	7,875	-57%
Austria	7,788	7,008	-10%
Ireland	6,572	6,928	5%
Ground Seasoned Pork			
Germany	6,826	10,878	59%
Netherlands	7,194	7,774	8%
Ireland	1,404	5,753	310%
Spain	677	1,557	130%
Prepared/canned hams 160249			
Denmark	3,657	3,861	6%

Source: GTA, metric tons, *Hungary banned following ASF finding



Chilled/frozen beef tariffs and safeguards

	Chilled Beef	Frozen Beef	Tongues & Skirts
MFN Applied Tariff (U.S. & Other Non-EPA Countries)	38.5% SG: 50%	38.5% SG: 50%	12.8%
Australia EPA April 1, 2018 and 2019 Tariff Rates, 2019 SG volume	29.3% 28.75% SG: 38.5% (137,500)	26.9% 26.6% SG: 38.5% (202,500)	7.6% TRQ (19,000)
Comprehensive & Progressive Agreement for Trans-Pacific Partnership (CPTPP) Tariff Rates Upon Implementation & Reduction	27.5%, 26.6% on April 1 to 9% by year 16 (2033) With annual SGs during implementation* 601,800 mt on April 1, 2019, 38.5% snapback *quarterly SGs for years 11-15		6.4%, 5.7% to 0% by year 11 for tongues, by year 13 for skirts

April 1, 2019 tariff rate

Chilled beef accounts for more than half of Japan's imports

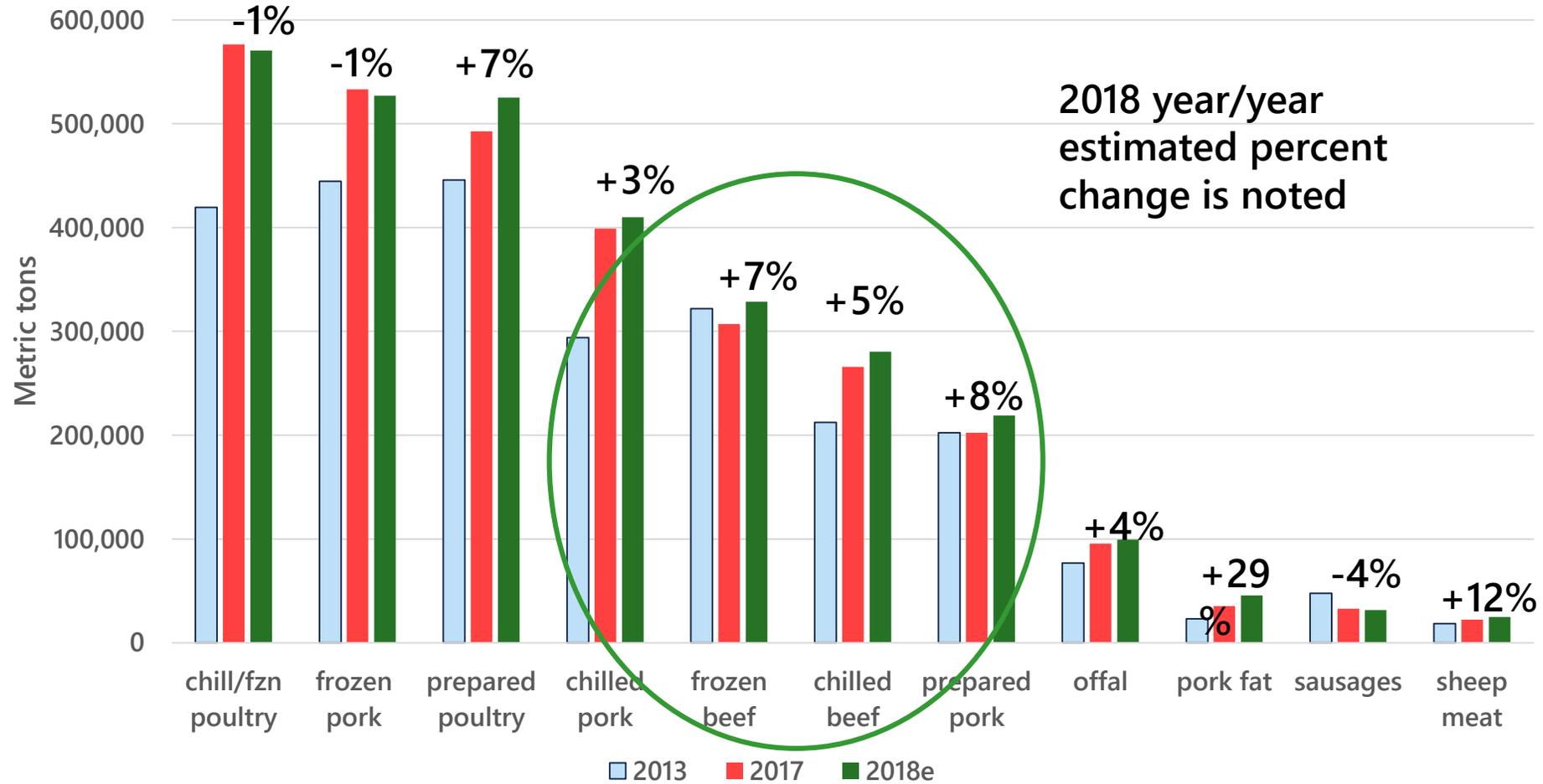


- **Total beef imports, excluding variety meats 600,000 mt**
 - 2018 market share: Australia 51% U.S. 40% Canada 3.6% NZ 2.5% Mexico 2%
- **Chilled beef 280,000 mt, 53% of total**
 - U.S. 49.8% market share (short plate 47%, chuck/clod/round 46%, loin 7%)
 - Australia 45% (chuck/clod/round 58%, brisket/plate 24%, loin 17%)
 - NZ 2%
 - Canada 1.5% and Mexico 1%
- **Frozen beef 310,000 mt, 45.5% of total**
 - Australia 56.5% market share (trimmings/manufacturing beef = 71%)
 - U.S. 32.5% (short plate = 85%)
 - Canada 5.4%
 - Mexico 2.9%
 - NZ 2.55%
- **Prepared/cooked beef 1% of total**
 - Australia 56% market share
 - U.S. 30%

"Niku boom" Japan's robust meat demand



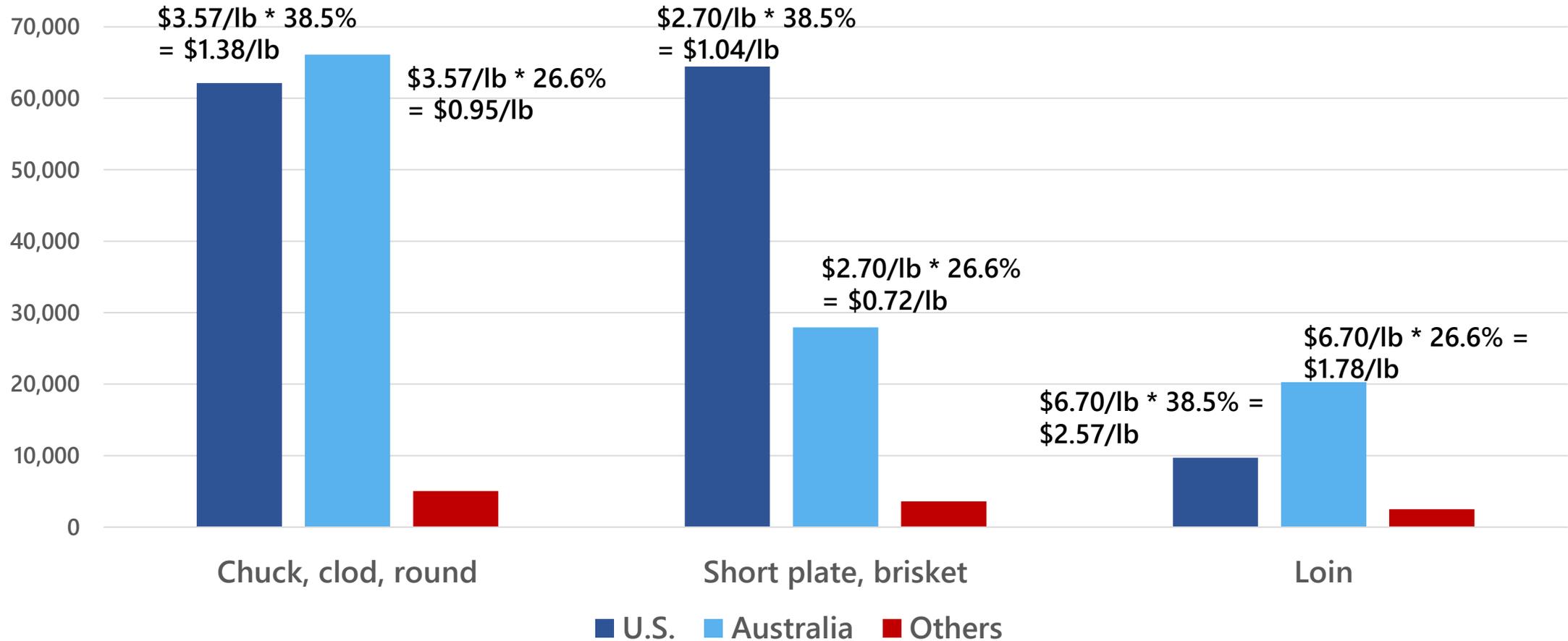
Japan's Meat & Poultry Imports



The duty cost of importing U.S. beef limits sales of higher-value cuts



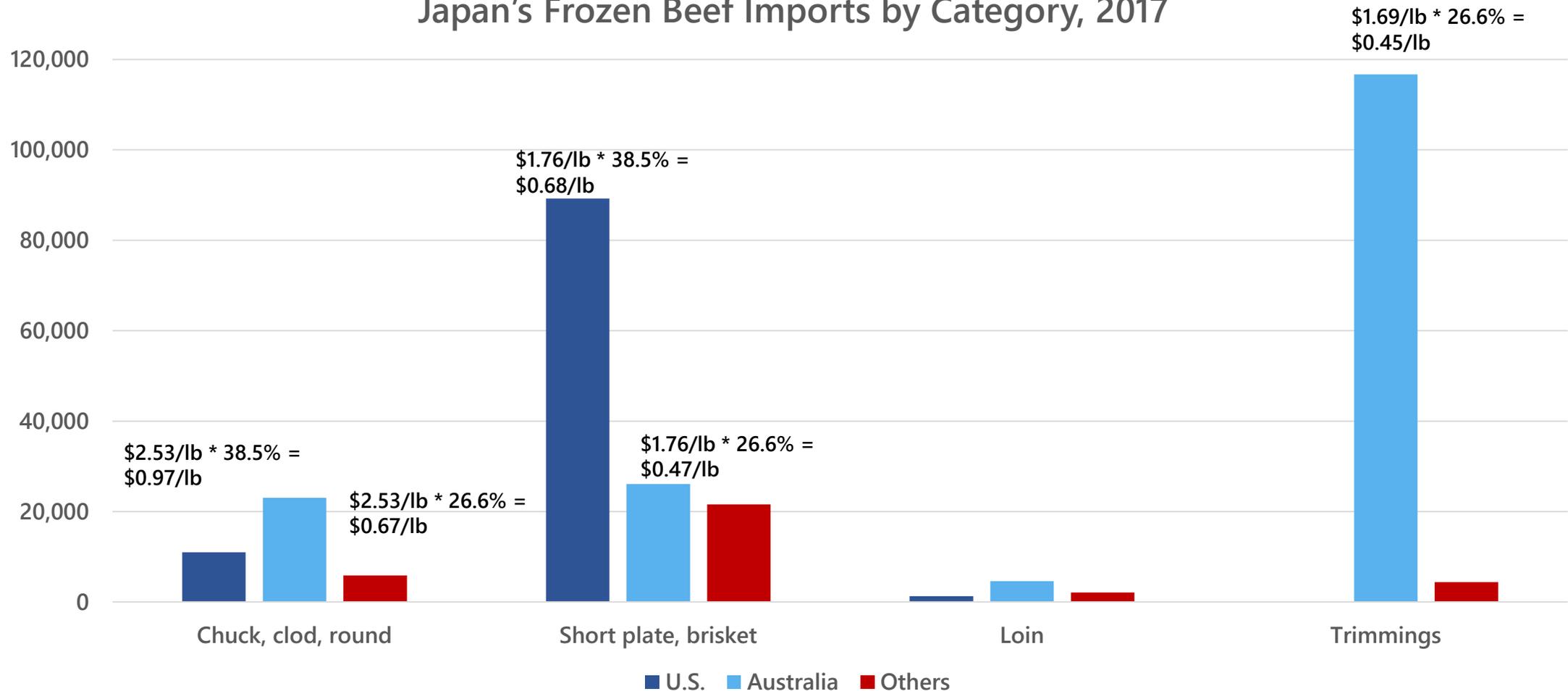
Japan's Chilled Beef Imports by Category, 2017



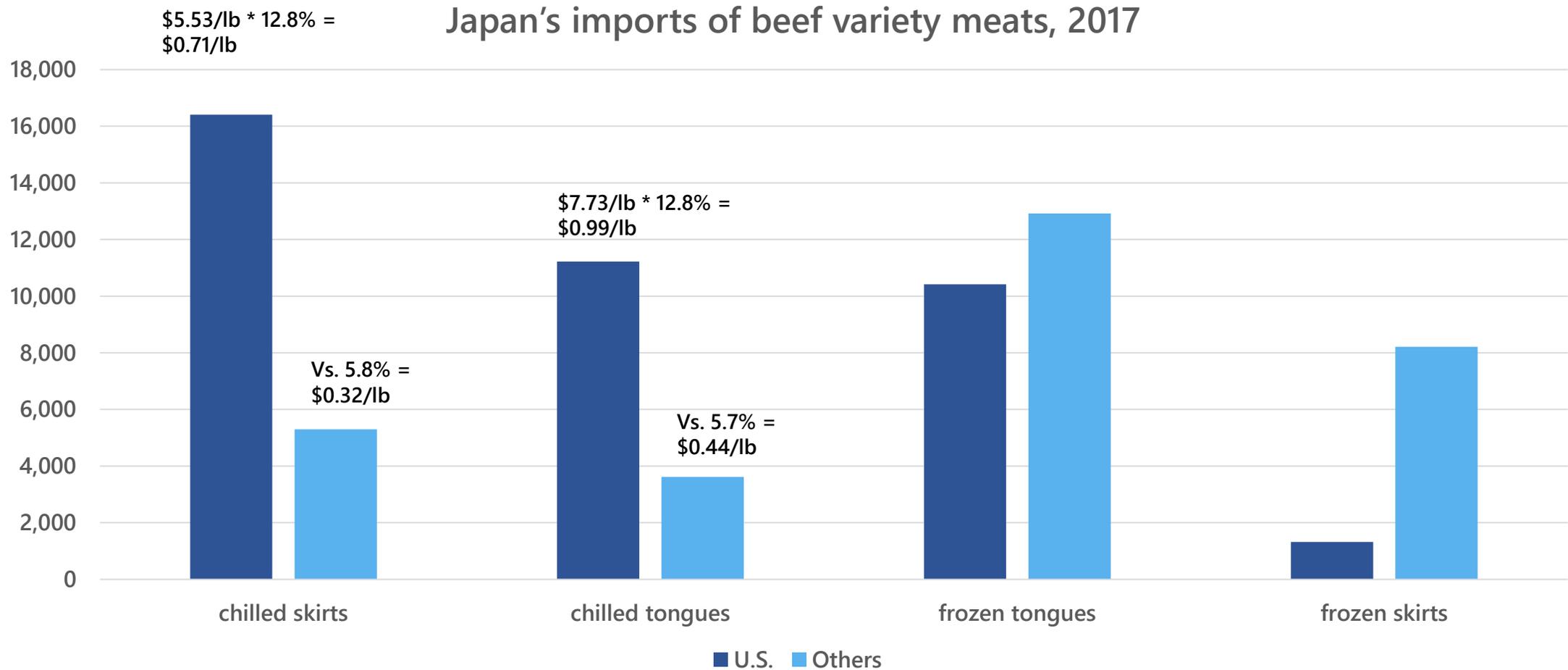
Lower value frozen imports aren't hit as hard but also more price sensitive



Japan's Frozen Beef Imports by Category, 2017



U.S. as the top supplier of chilled beef tongues and skirts, but tariff on U.S. will be double that of competitors



Japan's pork imports by category, 2018 estimates and market share



Total pork imports, excluding variety meats & sausages: 1.16 million mt

- **Chilled pork 412,000 mt**
 - U.S. 52%, Canada 45%, Mexico 2.8%
- **Frozen pork 530,000 mt**
 - U.S. 10%, EU 64%, Mexico 14%, Canada 7%, Chile 4.6%
- **Ground seasoned pork 158,000 mt**
 - U.S. 65%, EU 17%, Canada 10%, Mexico 4.4%, Chile 2.4%
- **Canned, other processed pork 58,000 mt**
 - U.S. 48%, followed by China, EU and Thailand
- **Ham and bacon 4,400 mt**
 - U.S. 9% and EU is primary supplier
- **Sausages 31,000 mt**
 - U.S. 31%, followed by China, EU and Thailand

The competitors to benefit from



	Chilled/Frozen Pork	
Tariff Type	Ad Valorem	Below Gate Price of 524 yen/kg: specific duty rate
MFN (U.S. & Other Non-EPA Countries)	4.3%	Max 482 yen/kg
CPTPP & Japan-EU EPA Tariff Rates	2.2% to 1.96% on April 1, 2019 phased to 0% by year 10	Max 125 yen/kg years 1-4, 70 yen/kg in year 5, phased to 50 yen by year 10

Duties on Processed Pork Products



Tariff Elimination under CPTPP & Japan-EU EPA

		Tariff Elimination under CPTPP & Japan-EU EPA					
	MFN	Jan-Mar 2019 Year 1	April 1 2019 Year 2	2020 Year 3	2021 Year 4	2022 Year 5	2023 Year 6
GSP, canned pork, etc.	20%	16.6%	13.3%	10%	6.6%	3.3%	zero
Sausages	10%	8.3%	6.6%	5%	3.3%	1.6%	zero
Ham & bacon	8.5% 897.59 GP	4.3%	4.3%	4.3%	4.3%	2.2%	To zero by year 11