

U.S. Meat Export Federation

ANNUAL REPORT



U.S. BEEF REGAINS ACCESS TO CHINA

U.S. Pork Exports Set New Volume Record

American Barbecue 'Socials' in Taiwan Generate Strong Interest in U.S. Beef

FLAVOR OF U.S. LAMB CENTERPIECE OF REINTRODUCTION EFFORTS IN TAIWAN

Success in Korean Market Celebrated at 'World Class U.S. Meat Appreciation Event'

U.S. Beef Gains Expanded Access to Thailand

A Year of Headlines

Uzbekistan Reopens to U.S. Pork

Campaign Introduces Peruvian Customers to U.S. Pork Ribs

BEEF EXPORT VALUE TO BREAK \$7 BILLION

USMEF Marks 40th Anniversary of Japan Office

U.S. Pork, Beef Highlighted at Chef Guild Event in Vietnam

Argentina to Reopen to U.S. Pork

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USMEF SHOWCASES ALTERNATIVE CUTS OF U.S. BEEF IN BALTIC REGION

COSTCO EXPANSION PROVIDES GREATER MOMENTUM FOR U.S. BEEF IN KOREA

South American Chefs Get Hands-on View of U.S. Beef, Pork Production

Seminars in Colombia Demonstrate Versatility, Profitability of U.S. Pork

Showcase Helps Expand Red Meat Exports to Rapidly-Growing Latin America Region

U.S. Beef Takes Center Stage in Qatar Trade Show Cooking Competition

Leading UAE Chefs Educated on Versatility of U.S. Beef

U.S. Beef Master Classes Capitalize on Growing Consumer Interest in Poland

Event Marks Reopening of Guatemala to U.S. Lamb

Campaigns Encourage Japanese Consumers to Use Thick-Cut U.S. Pork

U.S. Beef's Quality Showcased at HRI Event in Hamburg

South African Meat Buyers Tour U.S. Industry, Meet with Prospective Suppliers

Halstrom Succeeds Seng as USMEF President and CEO

In May 2017, USMEF announced the successor to longtime President and CEO Philip Seng. Dan Halstrom, who had been serving as USMEF senior vice president for marketing, became USMEF president on Sept. 1 and assumed the title of president and CEO on Dec. 1.

Halstrom's entire 34-year professional career has focused on international sales of U.S. red meat. He joined USMEF in 2010 after 27 years in the meat industry with Swift & Company, originally based in Chicago (now doing business as JBS based in Greeley, Colorado). As USMEF senior vice president of marketing, he was responsible for the coordination of programs facilitating the marketing of U.S. beef, pork and lamb. In addition, Halstrom oversaw industry relations and membership activities for USMEF and its nine sectors of membership.

A graduate of the University of Iowa, Halstrom was born and raised near Cherokee, Iowa, on a 1,000-acre grain farm with a 3,000-head cattle backgrounding operation.

Seng will remain with the organization as CEO emeritus through July 2018. He joined the USMEF staff as the Asian director in 1982 and became the vice president of international programs in 1988. Seng was named president and chief operating officer in 1990 and served as president and CEO until this year. He is the only American ever to serve as president of the International Meat Secretariat and has been recognized as a leading voice and advocate for the international meat trade over the last 35 years.

Excited to Lead USMEF Team

By Dan Halstrom
USMEF President and CEO

To say that Phil Seng leaves big shoes to fill at USMEF is a vast understatement, as he has been a red meat industry leader and icon for decades. I certainly don't expect



to replace Phil, but I do hope to complement him with the help of the very talented USMEF team he has assembled, which offers a tremendous advantage going forward. We have staff members in key markets such as Hong Kong, South Korea, Mexico, Japan and the ASEAN who have been with USMEF for a very long time.

They are truly grounded in the meat business and working tirelessly in these markets every day to build demand for U.S. meat products and monitor our competition.

Our Denver headquarters is also well-equipped to support the international staff, as we have an outstanding team of experts in the areas of technical services, trade access, economic analysis, marketing, operations and communications.

Another factor that gives me great confidence in the future of USMEF is the quality and diversity of our membership, which includes a wide range of sectors working toward a common goal –winning in the international marketplace. And make no mistake about it, winning is what we are about. As the great coach Vince Lombardi once said, "If it doesn't matter who wins or loses, why do they keep score?"

To make USMEF the best organization that it can be, we need the active support and participation of our members. So my door is always open, and I look forward to your input.

I'll Remain a Champion for Trade

By Philip Seng
USMEF CEO Emeritus

As I step into a new role as CEO emeritus at USMEF, the U.S. red meat industry is experiencing a robust period of growth and success in the international marketplace.



Yet our mood is best described as cautious optimism, as agricultural trade has also entered a time of uncertainty. Now more than ever, U.S. agriculture needs strong voices to extol the benefits of trade and to remind our industry stakeholders how far we have advanced in the international marketplace.

This is one of the primary themes of the 2018 World Meat Congress, which will be held May 30-June 1 in Dallas. This is the first time in more than 20 years that this biennial conference will be held in the United States, and I urge all USMEF members to attend and participate.

Trusting in Trade is the theme of the World Meat Congress, where experts from throughout the world will discuss and debate critical, timely issues related to globalization and economics, as well as health and nutrition, production technologies, animal care and sustainability.

These issues demand our full attention if the red meat industry is going to continue to expand and thrive, and they'll be examined thoroughly at this one-of-a-kind event.

Learn more about the World Meat Congress at www.2018wmc.com, and I look forward to seeing you in Dallas.

ABOUT USMEF

The U.S. Meat Export Federation (**USMEF**) is a nonprofit trade association working to create new opportunities and develop existing international markets for U.S. beef, pork, lamb and veal.



Headquartered in Denver, Colorado, **USMEF** has offices in Beijing, Hong Kong, Mexico City, Monterrey, Moscow, Seoul, Shanghai, Singapore, St. Petersburg, Taipei and Tokyo. USMEF also has representatives covering the Caribbean, Europe, South China, Central and South America, Africa and the Middle East.

103 employees and representatives in more than a dozen offices worldwide

USMEF has forged a series of partnerships which have enabled U.S. companies and U.S. products to become integral parts of international red meat markets. An extensive international presence enables USMEF to have a finger on the pulse of vital markets around the world.



309 USMEF member organizations



USMEF shares its local intelligence and more than four decades of experience with U.S. exporters, traders and buyers in addition to end users and processors in each market. As high-quality U.S. beef and pork have taken a lead position in international markets, exports play a more prominent role in industry growth and prosperity.

92 countries in which USMEF carries out market development activities

USMEF receives funding and support from USDA and the beef, pork, lamb, corn and soybean checkoff programs, as well as its members representing nine industry sectors: beef/veal producing and feeding, pork producing and feeding, lamb producing and feeding, packing and processing, purveying and trading, oilseeds producing, feedgrains producing, farm organizations and supply and service organizations.



9 sectors representing U.S. production, processing and distribution support USMEF's global efforts



Dennis Stiffler

Chair – Plano, Texas

Dennis Stiffler, Ph.D., is president of the Texas Division, Halpern's Steak and Seafood, headquartered in Atlanta. He is the former chief executive officer of Mountain States Rosen, a fully integrated, livestock producer-owned, fabricator, processor and distributor supplying quality lamb and veal products. Stiffler has 30 years of livestock, meat industry and international marketing experience, and spent 10 years at major universities in teaching, research and extension services.



Conley Nelson

Chair-Elect – Algona, Iowa

Conley Nelson is general manager of Smithfield Foods' hog production division in the company's five-state Midwest region. He was president of the National Pork Board in 2012-13. He is also a pork producer, operating a farm that has been in his family for more than 120 years.



Cevin Jones

Vice Chair – Eden, Idaho

Cevin Jones operates Intermountain Beef, a custom feedlot in Idaho, with his brother and other family members. He is vice chairman of the Federation of State Beef Councils, has served on the National Cattlemen's Beef Association board of directors and is a past winner of the Idaho Cattle Feeder of the Year Award.



Pat Binger

Secretary/Treasurer – Wichita, Kansas

Pat Binger is vice president international, Cargill Protein Group. Binger has been in the red meat industry for 30 years, including 26 years in international sales and 15 years directing Cargill's overseas offices. He previously served on the USMEF Executive Committee representing the packing and processing sector.



Bruce Schmoll

Past Chair – Claremont, Minnesota

Bruce Schmoll is a soybean and corn producer in southeast Minnesota who has served on the USMEF Executive Committee representing the Oilseeds Producing sector. He is a past president of the Minnesota Soybean Growers Association. He also is a member of the Dodge County Corn and Soybean Board, the Minnesota Corn Growers Association, the Farm Bureau and the Southeast Ag Alliance. He served as USMEF chair from November 2016 to November 2017.

2017 USMEF Executive Committee

Greg Ahart, Davis, CA

Wanda Blair, Vale, SD

Austin Brown III, Beeville, TX

John Butler, Manhattan, KS

Delbert Christensen, Audubon, IA

Steve Hanson, Elsie, NE

Lou Lamoreux, Lanark, IL

Pat McDowell, Shamrock, TX

Dean Meyer, Rock Rapids, IA

Homero Recio, San Antonio, TX

Marc Reiner, Tripp, SD

Karen Richter, Montgomery, MN

Hugh Sanburg, Eckert, CO

Randy Spronk, Edgerton, MN

Jay Theiler, Boise, ID

American Lamb Board

Farm Organizations

Federation of State Beef Councils

Supply and Service Organizations

United Soybean Board

Beef/Veal Producing and Feeding

Feedgrain Producing

At Large

At Large

Purveying/Trading

Oilseeds Producing

National Pork Board

Cattlemen's Beef Board

Pork Producing and Feeding

At Large

MISSION: to increase the value and profitability of the U.S. beef, pork and lamb industries by enhancing demand for their products in export markets through a dynamic partnership of all stakeholders.

VISION: USMEF is committed to exceeding international customer expectations by providing innovative and strategic solutions resulting in sustained growth in red meat exports.

USMEF Core Strategies

Grow demand through targeted international programs

This strategy focuses on leveraging USMEF's market intelligence to identify and target specific markets and "markets within markets" that provide the most opportunity for U.S. red meat exporters. This involves a continued focus on market penetration and staying ahead of the evolution in the marketplace. Another key element of this strategy will be the broadening of the product mix to increase carcass utilization. International demand growth also depends on ongoing investments in building relationships and strategic partnerships with international customers and continuing the development and implementation of educational and marketing programs to help these customers successfully market U.S. red meat.

Provide actionable market intelligence and guidance

Given the knowledgeable and industrious USMEF staff who live and work all around the globe and the relationships they have developed in the respective markets, USMEF has a unique competence in gathering market intelligence. This strategy involves the continued development and dissemination of the daily Exporter Update and Price Index Weekly reports, as well as a more intense effort to collect and analyze global market trends and competitive intelligence that can be shared with USMEF stakeholders including the U.S. government. In addition, USMEF will increase its use of social media and modern communication technologies to disseminate real-time market intelligence, making internal USMEF experts more available to provide information and advisory services to USMEF members.

Maintain and expand access to global markets

Growth in U.S. red meat exports depends first and foremost on market access. Market access is a complex topic involving sanitary, technical and regulatory hurdles, production/processing protocols, political negotiations and trade agreements. The first and most important initiative within this strategy is for USMEF to collaborate with industry stakeholders to identify, prioritize, and ultimately address agreed upon market access issues. This strategy includes efforts and initiatives to help exporters fully capitalize on the opportunities resulting from trade agreements.

Pursue organizational excellence

The long-term success of USMEF depends on strong leadership, a talented team, and continued financial discipline. This strategy is largely focused on recruiting, developing and retaining a highly-skilled, internationally-focused, service-oriented staff. Together with investments in employee development, there is a need to invest more effort with onboarding and educating volunteer leaders so they are better equipped to fulfill their roles and responsibilities in the organization. This strategy also involves strengthening existing processes and procedures to build on USMEF's strong record of financial discipline and accountability.

Fortify stakeholder trust

In an organization that represents nine different sectors, it can be difficult to achieve complete agreement on all issues at all times. However, it is critically important to foster a culture of trust and transparency between USMEF and its members. This strategy focuses on creating more open and consistent communication between USMEF and its stakeholders. It also requires providing more tools and direction to USMEF Executive Committee members to enable them to more effectively communicate information about USMEF to sectors they represent. Also included in this strategy is a regular assessment monitoring USMEF member trust and satisfaction.

USMEF MARKET DEVELOPMENT ACTIVITIES

Marketing – Creating demand in international markets for U.S. meat through training, promotions, trade seminars, buyer teams, advertising, trade education, consumer education, public relations and other integrated activities.

Trade Servicing – Working to bring buyer and seller together and conducting both market and product research.

Market Access – Providing the U.S. government and industry with the market intelligence necessary to secure, maintain and develop fair and reasonable access to international markets.

2017: Another Volume Record for Pork Exports; Beef Value Record Within Reach

Through October 2017, U.S. pork exports were well ahead of the previous year's record volume pace while beef exports were poised to break \$7 billion for only the second time, according to data released by USDA and compiled by USMEF

Pork exports increased 8 percent year-over-year in volume to 2.005 million metric tons (mt) and 10 percent in value to \$5.28 billion. Exports accounted for 26.4 percent of total pork production and 22 percent for muscle cuts only – each up about one percentage point from 2016. Export value averaged \$52.64 per head slaughtered, up 7 percent year-over-year.

Beef exports increased 9 percent in volume to 1.038 million mt, valued at \$5.93 billion – up 16 percent year-over-year and slightly ahead of the record value pace established in 2014. Exports accounted for 12.8 percent of total beef production (down from 13.3 percent in 2016) and 10.2 percent for muscle cuts (steady with 2016). Export value averaged \$279.85 per head of fed slaughter, up 10 percent year-over-year.

Record-large pork exports to Mexico, Central and South America

Pork exports to leading volume market Mexico were well-positioned for a sixth consecutive annual volume record at 655,527 mt (up 14 percent) valued at \$1.24 billion (up 17 percent).

Mexico is an especially important destination for U.S. hams, and consumption growth in Mexico has been critically supportive of ham prices in this time of record U.S. pork production, explained USMEF President and CEO Dan Halstrom.

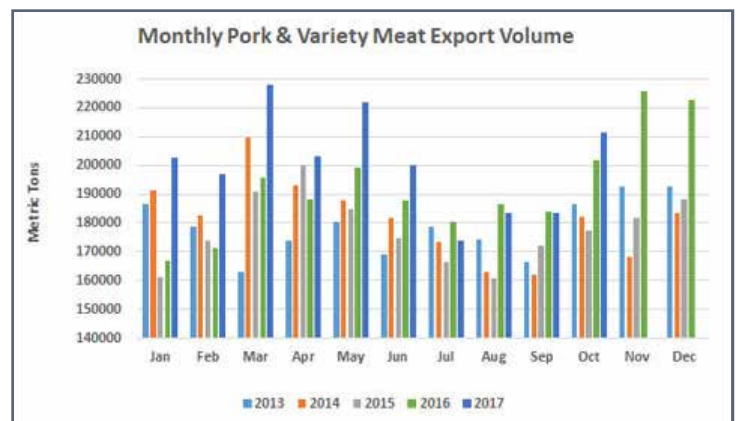
“Concerns about ham prices plummeting were not realized, and prices were actually up an average of 2 percent in 2017,” he said. “Strong demand in Mexico is absolutely a key reason for this. USMEF has focused on expanding per-capita pork consumption in Mexico, which is up by about one-third in the past 10 years, helped greatly by duty-free access under NAFTA. This has made Mexico an even more critical and more reliable trading partner for the U.S. pork industry.”

Pork exports to leading value market Japan totaled 322,422 mt (up 1 percent year-over-year) valued at \$1.33 billion (up 3 percent). This included 176,609 mt of chilled pork valued at \$834 million, down 2 percent in volume but 2 percent higher in value.

Led by Colombia and Chile, pork exports to South America were 78 percent ahead of their 2016 pace in both volume (85,175 mt) and value (\$218.8 million), already surpassing the regional records set in 2014. Export volumes to Colombia and Chile also exceeded previous highs reached in 2014 and 2013, respectively.

Pork exports to South Korea already exceeded their full-year 2016 totals in both volume (136,041 mt) and value (\$372.7 million). Compared to the first 10 months of 2016, exports were up 27 percent and 30 percent, respectively. Most U.S. pork now enters Korea duty-free under the Korea-U.S. Free Trade Agreement (KORUS).

Led by mainstay markets Honduras and Guatemala, exports



to Central America were on a record pace at 56,906 mt (up 7 percent year-over-year) valued at \$138.4 million (up 9 percent).

Exports are also on a record pace to the Dominican Republic – up 26 percent in volume (26,476 mt) and 32 percent in value (\$60.6 million).

In the ASEAN region, exports were 16 percent ahead of their 2016 pace in volume (39,910 mt) and 31 percent higher in value (\$109.2 million), led by the Philippines, Singapore and Vietnam.

Reflecting the upward trajectory of China's domestic pork production, exports to the China/Hong Kong region dropped 8 percent from a year ago in volume to 413,032 mt. However, export value was just 1 percent lower at \$872.8



million, as continued strong demand for pork variety meat largely offset the slowdown in pork muscle cut exports.

Bolstered by strong demand worldwide, but especially in

China and Mexico, U.S. pork variety meat exports will likely top \$1 billion in value for the first time in 2017.

Asian markets drive outstanding beef export value growth

Japan continued to be the pacesetter for U.S. beef exports in 2017, with January-October volume climbing 22 percent from a year ago to 260,517 mt, valued at \$1.59 billion – up 29 percent and already setting a new single-year, post-BSE record. Chilled beef exports to Japan accelerated at an even faster rate, increasing 40 percent in volume (124,699 mt) and 43 percent in value (\$918.8 million).

“The U.S. beef industry has really broadened its reach in Japan, expanding the range of cuts offered and the venues in which they are featured,” Halstrom said. “But USMEF remains concerned about market access barriers in Japan, as we face significantly higher tariffs than our main competitor, Australia, and import safeguards that could hinder further growth.”

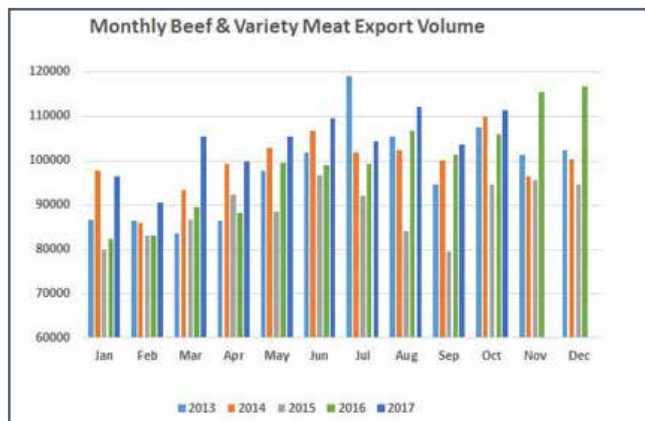
Beef exports to South Korea totaled 148,998 mt (up 7 percent) valued at \$979.3 million – 20 percent above the previous year’s record pace. Demand for U.S. chilled beef is especially strong in Korea’s retail sector, with chilled beef exports up 88 percent to 36,773 mt valued at \$329 million, up 93 percent. Under KORUS, duties on U.S. beef have declined from 40 percent to 24 percent.

Despite a slow start in 2017, beef exports to Hong Kong climbed 12 percent from a year ago in volume (97,334 mt) and 23 percent higher in value (\$646.1 million). Since the mid-June market reopening, exports to China totaled 1,570 mt valued at \$17.2 million.

Beef exports to Taiwan were 4 percent ahead of their 2016 pace at 36,719 mt, valued at \$335.6 million (up 18 percent). With a strong finish to 2017, Taiwan will easily top the previous year’s value record of \$362.8 million.

Led by strong increases in the Philippines, Indonesia and Vietnam, beef exports to the ASEAN region increased 57 percent in volume (34,777 mt) and 46 percent in value (\$173.5 million).

A bounceback year in Peru and strong demand in Chile and Colombia have beef exports to South America on a record pace. January-October exports increased 27 percent in volume (24,236 mt) and 23 percent in value (\$93.3 million).



Beef exports within North America remained solid in 2017, with shipments to Mexico increasing slightly from the previous year in both volume (196,604 mt) and value (\$813.3 million). Exports to Canada increased 4 percent in volume (96,401 mt) and 7 percent in value (\$667 million).



Lamb muscle cut exports higher; variety meat struggles

January-October exports of U.S. lamb declined 14 percent year-over-year in volume (6,139 mt) but increased 8 percent in value to just under \$16 million.

The volume decline was due to slow demand for lamb variety meat, as muscle cut exports through October were up 15 percent in volume (1,913 mt) and 20 percent in value (\$11.38 million).

Muscle cut exports increased year-over-year to leading markets Mexico, the Caribbean and Canada, while also showing promising growth in Central America and Taiwan.

AFRICA

The 2016 reopening of South Africa to U.S. beef and pork provided further momentum for USMEF's market development efforts in Africa. South Africa has already emerged as the second-largest (behind Egypt) destination for U.S. beef liver, and a top five market for beef variety meat. Pork exports to South Africa have been slower to develop but could see a boost in 2018 from an expanded list of U.S. pork cuts eligible for retail and foodservice. Other promising markets in Africa include Angola, Gabon, Ghana, Benin, Cote d'Ivoire and Congo. USMEF intensified its marketing efforts in Africa beginning in 2014, which include trade education, buyer education, product promotion and matching U.S. suppliers with prospective buyers through seminars and other events.

ASEAN

The Philippines continues to be the largest destination for U.S. pork in the ASEAN region, but Indonesia claimed the top spot for U.S. beef in 2017 despite strong growth in the Philippines. Indonesian authorities have eased import restrictions the past two years in an effort to address tight beef supplies, and the market should yield more sustained growth now that the World Trade Organization (WTO) has ruled that Indonesia's beef import restrictions are inconsistent with WTO obligations. U.S. beef and pork exports to Vietnam increased significantly in 2017, but competition in the Vietnamese market could intensify as other suppliers gain tariff relief in Vietnam.

CARIBBEAN

Pork exports to the Caribbean increased substantially in 2017, thanks in part to record-setting growth in the Dominican Republic. Beef exports were strong through the first eight months of the year, but slumped in September and were still down slightly in October due to an unusually harsh hurricane season. Despite severe damage to several islands, most were not impacted as much as initially thought. USMEF programs will focus on those islands that have rebounded, while also providing basic support to key tourist destinations that are rebuilding their infrastructure. U.S. meat faces few market access restrictions in the Caribbean, though Jamaica remains closed to most U.S. pork products.

CHINA/HONG KONG

The upward trend in China's domestic pork production drove down muscle cut exports to China/Hong Kong in 2017, but the downturn was mostly offset by continued strong demand for pork variety meat. Beef exports to Hong Kong began the year slowly but rebounded strongly in March and this momentum continued through October. As expected, beef exports to China were relatively small in the first few months since the mid-year market opening, but long-term prospects are strong.

CENTRAL/SOUTH AMERICA

Led by Colombia and Chile, pork exports to South America have already surpassed previous records and beef exports are also on a record pace in 2017. Beef exports to Peru rebounded following a down year in 2016. Beef exports to Brazil resumed in April 2017 for the first time in the post-BSE era, and in early 2018 Argentina is expected to reopen to U.S. pork for the first time since 1992. Led by Honduras and Guatemala, pork exports to Central America are also on a record pace in 2017. Exports also increased substantially to El Salvador and Nicaragua, and edged slightly higher to Costa Rica. Beef exports to Central America edged lower, despite a strong performance in leading market Guatemala.

EUROPE

High-quality U.S. beef continues to enter the European Union under a duty-free quota, but quota capacity is a source of growing frustration for U.S. exporters because of increasing utilization by other supplying countries. The quota is administered on a quarterly basis, and recently the quarterly capacity was exhausted with two full months remaining. Opportunities for U.S. pork are limited in Europe due to a high level of self-sufficiency, high import tariffs and the ongoing trade impasse between the EU and Russia – once the primary destination for EU pork. Although Russia recently lifted trade restrictions related to African swine fever (in response to a WTO ruling), EU-Russia pork trade remains halted by Russia's economic embargo.

JAPAN

On a value basis, the U.S. was Japan's largest beef supplier in 2017, with export value expected to be about \$1.9 billion. USMEF programs have focused on "thick-cut" chilled beef at both retail and foodservice, with chilled exports increasing 40 percent year-over-year. But market access is a growing concern for the U.S. beef and pork industries as U.S. withdrawal from the TransPacific Partnership (TPP) has dimmed prospects for relief from Japan's high tariffs and import safeguards. Meanwhile, Japan's duty rates for Australian beef continue to decline, and beef from Canada and New Zealand could

gain similar relief through TPP. Japan continues to be the leading value market for U.S. pork, with volume and value up modestly from a year ago. Pork imports from the European Union will see lower tariffs through the EU-Japan Economic Partnership Agreement, which is expected to enter into force in 2019. To counter the challenge of frozen EU pork, USMEF is educating leading importers and processors on the quality and value benefits of U.S. frozen pork as well as placing greater emphasis on the advantages of chilled U.S. pork at retail and foodservice.

MEXICO

Mexico is the No. 1 volume market for U.S. red meat, fueled by outstanding demand for U.S. pork – which will set a sixth consecutive volume record in Mexico in 2017. USMEF's focus on increasing overall pork consumption in Mexico has paid remarkable dividends, with per capita consumption approaching 18 kilograms – up about one-third over the past 10 years. Beef exports to Mexico posted modest volume gains in 2017, while value trended slightly lower. Mexico is a key destination for beef variety meat and underutilized muscle cuts. The North American Free Trade Agreement provides duty-free access to Mexico for U.S. pork, beef and lamb, which is critical for continued export growth. Protecting this level of access is a top priority for these industries.

MIDDLE EAST

While Egypt remains the largest destination for U.S. beef livers and the second-largest market (to Mexico) for all beef variety meat, exports have been challenged by Egypt's weakened currency and other economic factors. The United Arab Emirates (UAE) is the leading Middle East destination for U.S. beef muscle cuts, though exports edged lower in 2017. Beef muscle cut exports trended significantly higher to Kuwait and Qatar. While Saudi Arabia's BSE-related ban on U.S. beef finally ended in 2016 after more than four years, complicated import requirements have limited exporter interest in the market. Saudi Arabia was once a \$30 million per year market for U.S. beef, but exports through October were less than \$1 million.

RUSSIA & SURROUNDING REGION

Ractopamine-related restrictions have locked most U.S. meat products out of the Russian market since early 2013, but exports also face additional obstacles related to Russia's economic counter-sanctions. Russia is also closed to meat products from the European Union, Australia and Canada, and there is little chance that this situation will change anytime soon. Brazil has been Russia's main red meat supplier, but imports from Brazil were recently suspended due to ractopamine residues. USMEF remains active in the region surrounding Russia, conducting workshops in markets such as Ukraine, Kazakhstan and Uzbekistan, as well as the Baltic Region.

SOUTH KOREA

U.S. beef and pork posted outstanding performances in South Korea in 2017, with beef exports on pace for a new value record and pork exports achieving very strong year-over-year growth. The Korea-U.S. Free Trade Agreement lowered import duties on U.S. beef from 40 percent to 24 percent over the past five years, while the USMEF "To Trust" and "World Class Beef" integrated campaigns have increased consumer confidence from single digits in 2011 to nearly 60 percent today. This has increased demand for U.S. chilled beef, especially in Korea's retail sector. Chilled beef exports to Korea were up more than 90 percent in value year-over-year. USMEF's pork programs have capitalized on Korea's rapidly growing demand for home meal replacement items and processed pork products. Korea is an especially strong destination for pork used in further processing, but the market is highly competitive with the U.S., Chile and the European Union shipping pork to Korea duty-free under their respective free trade agreements. Canadian pork also enjoys reduced duties under an FTA with Korea.

TAIWAN

Demand for U.S. beef remains very strong in the Taiwanese market, as export value is on pace to easily exceed the 2016 record of \$362.8 million. The United States holds more than 70 percent of the chilled beef market in Taiwan – the highest share of any Asian destination. Following a down year in 2016, pork exports to Taiwan improved significantly year-over-year but remain well below the levels reached at the beginning of this decade. While the U.S. government continues to engage Taiwan on its zero-tolerance policy for beta agonist residues in pork, this standard remains in place.

USMEF MARKETING ACTIVITIES – U.S. BEEF

JAPAN

Japanese Journalists Explore U.S. Beef at All Levels



From cattle ranches in Wyoming to a trendy Denver steakhouse and retail meat cases in San Francisco, USMEF gave a team of Japanese food journalists a close look at how U.S. beef is produced, marketed and sold. “The food media in Japan wield great influence over the country’s consumers, so we feel it’s important to share with journalists how U.S. beef is produced, and how restaurants and retailers in the U.S. sell it,” explained Tazuko Hijikata, USMEF-Tokyo consumer affairs senior manager, who led the team on its U.S. visit. “Consumers in Japan have a lot of interest in the food they eat, meaning they want to know where it came from, how it was produced – the story behind each cut of meat.”

EUROPE

USMEF Showcases U.S. Beef at Largest HRI Show in Europe



USMEF partnered with a member trading company and a French distributor to promote U.S. beef at Sirha Lyon, the leading European show for HRI professionals and host of the prestigious European chef competition “Bocuse d’Or.” A biennial trade show, Sirha Lyons featured 3,000 exhibitors and welcomed more than 200,000 visitors. In cooperation with Platte Valley Food Group, USMEF arranged for U.S. beef to be served to guests at the event’s welcome reception. USMEF representatives answered questions from European HRI professionals about U.S. beef, highlighting its advantages and attributes, and pointing out the high standards of U.S. beef production.

MIDDLE EAST

Leading UAE Chefs Educated on Versatility of U.S. Beef

More than 70 chefs from some of the finest hotels, restaurants and catering services in the United Arab Emirates (UAE) learned how to utilize alternative cuts of U.S. beef in a variety of ways at USMEF training workshops. USMEF partnered with the Emirates Culinary Guild to conduct the trainings, which also included about 20 culinary school students who were educated on the quality attributes of U.S. beef and the versatility and value of underutilized beef cuts. Attendees heard an overview of USMEF and the U.S. beef industry, including a description of U.S. inspection and safety standards and grading systems.



SOUTH AMERICA

Advantage of Alternative U.S. Beef Cuts Presented to Peruvian Foodservice Sector

Highlighting alternative cuts for South America’s foodservice sector, USMEF partnered with a major importer and distributor in the region for a U.S. beef workshop in Lima, Peru. The workshop was held at San Ignacio de Loyola University and followed by a sold out U.S. beef “Grill Fest” at a popular Lima restaurant. Chefs Nicolas Diaz and Peter Rosenberg explained how foodservice companies and restaurants in South America can improve profit margins by purchasing and serving alternative cuts of U.S. beef. “Our strategy was to share with chefs and restaurant decision-makers information about several U.S. beef cuts that are affordable and which also give them flexibility to use many different ways to make many different types of menu items,” said Jessica Julca, USMEF representative in South America.



USMEF MARKETING ACTIVITIES – U.S. PORK

CHINA/HONG KONG

U.S. Pork's Advantages Highlighted at SIAL China



Highlighting the attributes of U.S. pork and bringing together exporters and buyers from China's retail, foodservice and processing sectors, USMEF set up an impressive display at SIAL China, one of the world's largest food shows. Held in Shanghai, this year's SIAL China attracted more than 80,000 food industry professionals and 3,200 exhibitors representing 70 countries. "SIAL China sets the benchmark for food shows and provides a perfect setting for overseas companies stepping into Asia and China," said Ming Liang, USMEF marketing director in China. "The show is where importers and exporters can gain valuable market insights, analyze trends and learn about innovations in the industry."

MEXICO

ANTAD Highlights U.S. Pork for Mexico's Top Retail Executives

USMEF's efforts to promote U.S. pork in Mexico included participation in ANTAD 2017, the premiere trade show for Mexico's retail sector. USMEF used its display inside the U.S. pavilion at ANTAD to build brand awareness and support for member companies that were on hand to showcase U.S. pork products for Mexican supermarket chains and other retail outlets. Chefs also prepared U.S. pork dishes and distributed tasting samples throughout the two-day event in Guadalajara. Hosted by the Mexican Retail Chains Association, ANTAD attracted 2,500 exhibitors and nearly 50,000 visitors. "Modern retail is growing very quickly in Mexico, as is consumer interest in a greater variety of red meat options, so it is important for USMEF to highlight U.S. beef and pork at retail events like ANTAD," said Javier Garcia, USMEF retail manager in Mexico. "Retail chains and their suppliers visit these shows to learn about products and trends that will drive more customers to their outlets – and specifically to the meat cases at their outlets."



ASEAN

Workshop Offers Variety Meat Ideas for Philippine Pork Processors

Encouraging Philippine companies to use more U.S. pork variety meat, USMEF organized a technical workshop on fibrinogen utilization in variety meat for research and development departments, production operations and management staff of processors in Manila, Pampanga and Cebu. "The goal was to introduce another type of protein binder extracted from pork blood plasma," explained Sabrina Yin, USMEF director in the ASEAN region. "We are hoping the information and knowledge gained by the processors will influence them to use it with the U.S. pork variety meat items they import."



SOUTH KOREA

U.S. Processed Pork Takes Center Stage at Seoul Food 2017



Focusing on U.S. processed pork, USMEF continued to build on its successes in South Korea by distributing information and handing out samples at Seoul Food 2017. USMEF's booth hosted Smithfield Foods, Hormel Foods and Oscar Mayer. Each company displayed U.S. pork products and conducted sample tastings. New sausage items were very popular with Korean food industry representatives, noted USMEF Korea Director Jihae Yang. U.S. processed pork brochures and samples of U.S. pork belly, Boston butt and processed pork items like sausage, ham, bacon and pulled pork were offered throughout the show.

Success Stories: Improving Market Access

One of USMEF's strategic priorities is to collaborate with industry partners to secure meaningful, sustained access to new and existing export markets using all available means. The USMEF strategic plan for 2016-2020 includes a core strategy of maintaining and expanding access to global markets. In addition to China reopening to U.S. beef for the first time in nearly 13 years (see page 14), U.S. beef, pork and lamb made market access gains in the following regions over the past year:

WTO Ruling on Indonesia's Beef Import Restrictions

The World Trade Organization (WTO) ruled in favor of the United States in a dispute over Indonesia's complex import requirements for U.S. beef. The ruling is expected to open new export opportunities for U.S. beef in the Indonesian market. The import restrictions were originally aimed at achieving self-sufficiency in beef production but actually resulted in tight beef supplies and high prices for Indonesian consumers. The WTO ruling should result in the removal of import barriers, which will increase transparency and predictability for U.S. exporters and Indonesian importers and pave the way for solid growth in beef exports to a promising market with the world's fourth-largest population. In another development that could boost beef, pork and lamb exports, additional U.S. plants received the necessary clearances to export to Indonesia in 2017.



Costa Rica Removes Packing Date Restrictions on Chilled Pork, Beef

For many years, Costa Rica required all fresh beef and pork shipments to arrive in the country within nine days of the packing date. This made it difficult for U.S. suppliers to ship chilled meat to customers in Costa Rica, but this restriction has now been lifted. Costa Rica still requires frozen beef and pork to arrive within six months of the packing date.

Improved Access for U.S. Pork in South Africa

The list of unrestricted pork cuts eligible for export to South Africa has been expanded, improving access for U.S. pork. This list contains cuts/products that are exempt from further processing upon arrival in South Africa. Unlike cuts that are not on this list, unrestricted cuts are not required to be shipped to an approved further processor. USMEF and the National Pork Producers Council have been working with industry partners and USDA to align the U.S. list with those of other countries approved to export pork to South Africa, and the additions to the U.S. list represent progress toward this goal. The additional cuts listed include: loins (center-cut, boneless), tenderloin (butt tender), back fat, front and hind feet, skin (excluding mask) and tails.



Beef Shipments Resume to Brazil

Although the Brazilian market officially reopened to U.S. beef in 2016, shipments to Brazil – the first of the post-BSE era – actually resumed in April 2017. While the most popular U.S. item in the Brazilian market is picanha (sirloin cap), USMEF also sees opportunities for higher-end middle meats in Brazil's foodservice sector and for U.S. beef livers.

Uzbekistan Lifts Ban on U.S. Pork

Uzbekistan lifted its ban on imports of fresh/frozen U.S. pork. This market had been closed to U.S. pork since 2014, when Uzbekistan suspended imports in response to findings of porcine epidemic diarrhea virus (PEDv) in the United States. Uzbekistan was the only international market to impose a full PEDv-related ban on U.S. pork, though pork casings remain ineligible for Costa Rica due to PEDv.



U.S. Lamb Eligible for Guatemala

U.S. sheep and lamb products, including fresh/frozen cuts and processed products, are now eligible for export to Guatemala.

Argentina Agrees to Reopen to U.S. Pork

Although trade has not yet resumed, the White House announced that Argentina will soon allow imports of U.S. pork for the first time since 1992. Brazil is currently the main supplier to Argentina, holding about 90 percent of the imported pork market, with the remainder provided by the European Union. Although Argentina's per capita pork consumption is currently just 13 kilograms per year, it has increased more than 50 percent since 2011.

Hong Kong and Macau Open to U.S. Bison Meat

U.S. bison meat is now eligible for export to Hong Kong and Macau.

USMEF NEWS AND EVENTS

Costco Expansion Provides Even Greater Momentum for U.S. Beef in Korea

U.S. beef rapidly built momentum in South Korea in 2017 and received a further boost as Costco officially converted its imported chilled beef selection from Australian beef to 100 percent U.S. product. The move followed a multi-year effort by USMEF to persuade store managers that sales of U.S. beef – a popular item at Costco – would match or exceed Australian beef sales due to revived consumer confidence in the safety of U.S. beef.

In total, Costco's move represents an opportunity for about 15,000 metric tons (mt) of incremental new beef business in 2017, said Jihae Yang, USMEF director in Korea. Yang noted that the theme of U.S. beef promotions in Korea has gradually moved from food safety to consumer enjoyment and product quality.



While USMEF still reassures Korean consumers that U.S. beef is a safe product, we are now able to focus more on the outstanding flavor of U.S. beef,” Yang said. “Tasting demonstrations at Costco and other popular stores have been very successful in getting consumers to taste U.S. beef and increase awareness of our product.”

USMEF also provided support to Costco to ensure a smooth transition to U.S. chilled beef, helping re-acquaint customers with the full range of U.S. beef cuts.

“Regaining Costco's chilled beef business is a milestone on several fronts,” says Joel Haggard, USMEF senior vice president for the Asia Pacific region. “Not only will U.S. sales soar at this iconic beef retailer, but Costco's beef merchandising decisions are a bellwether for overall Korean consumer sentiment toward U.S. beef.”

Mexico City Seminar Offers Education on Quality, Value of U.S. Pork

USMEF partnered with the Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM) to present a sales seminar for meat industry personnel in Mexico City. Funded by the Pork Checkoff, the three-day training event reached more than 50 sales representatives, managers and directors of meat importing companies and foodservice enterprises in the Mexico City region.

“The purpose of this activity was to increase U.S. pork sales by our commercial trade partners by educating them about the characteristics of U.S. pork products they offer to their clients,” explained Oscar Ferrara, USMEF regional director for Mexico, Central America and the Dominican Republic. “Also, this seminar provided training for negotiation techniques to expand the skill levels of those working in



sales. Giving them a background on the value and quality of U.S. pork, along with advice on selling products – that's a strong combination.”

The first day of the seminar was focused on traditional sales channels, while on the second day trainers passed on helpful information on foodservice sales. The third and final day centered on telephone sales. In another important aspect of the

seminar, ITESM professors offered participants advice on negotiation and sales techniques to increase the level of successful transactions.

For the product information portions of the seminar, USMEF had a nutritionist from Mexico's Centro de Orientación Alimentaria talk not only about the nutritional attributes of U.S. pork for health, but also about its great flavor and quality.

USMEF Helps Mark Return of U.S. Beef to China

After nearly 14 years, U.S. beef was granted access to China this summer – and USMEF was at the front lines to both mark the return of U.S. beef and to begin work on what is expected to be a long and gradual process of rebuilding the market.

On June 30 in Beijing, USMEF participated in a media reception that featured U.S. Agriculture Secretary Sonny Perdue, U.S. Ambassador to China Terry Branstad and a host of leaders from the U.S. beef industry.

Joel Haggard, USMEF senior vice president for the Asia Pacific, emceed the event, thanking Perdue and his USDA team for negotiating the final agreement that restored access for U.S. beef, which had been absent from the Chinese market since the December 2003 BSE case.

Perdue paid tribute to U.S. cattle producers, who are excited to be able to finally supply the Chinese market.

“To those men and women who go out in the cold and birth those calves, we want to thank you for what you do to make this day possible. I am convinced that when our Chinese friends taste this tasty, wholesome, healthy and safe U.S. beef, they’re going to want more of it. So you all better get some more cows,” he said.

Branstad, who was confirmed as U.S. ambassador to China in May, said the return of U.S. beef to China is an important step forward in expanding U.S. agricultural exports.

The following day in Shanghai, Perdue helped launch U.S. beef’s return to China’s commercial channels with a retail promotion at a City Super supermarket.

In late September, USMEF initiated an initial, ambitious step toward developing demand for U.S. beef in China, conducting the U.S. Beef China Roadshow. The week-long series of events, made possible through support from the Nebraska Beef Council, brought exporters and importers together in Beijing, Shanghai and Guangzhou.

USMEF staff and 17 member companies began the journey with a U.S. beef showcase in Beijing, then traveled to Shanghai for a similar program. By the end of the week, the contingent had moved to Guangzhou, where the roadshow concluded with a U.S. beef overview, trade networking, product sampling and an American-style barbecue reception highlighting alternative cuts. More than 300 Chinese importers – buyers who were selected and screened by USMEF – attended each of the three roadshow events.

All of the roadshow stops featured member companies exhibiting U.S. beef products. A simple opening ceremony at each location included a brief overview of the current U.S. beef market, along with introductions by company representatives.

Each roadshow event was themed with a popular local beef dining concept, including hot pot, Korean barbecue and western steakhouse. Cutting demonstrations and tastings were held throughout each event by USMEF’s technical consultant.

“The roadshow idea grew out of the need to introduce American companies to the Chinese market, as well as to provide Chinese distributors, retailers, restaurateurs and chefs an opportunity to handle and taste U.S. beef, with a goal of building on the momentum that started when China reopened to U.S. beef earlier this year,” said Haggard. “In each of the three cities, there was obvious excitement on both sides, with importers lining up to meet USMEF’s exporter members. We’ve emphasized that developing the Chinese market will take time, but we are very pleased with the reception we received during the roadshow. Our members who took part were excited about what they saw and walked away with serious commercial interest.”



Above: Chinese meat buyers look over cuts of U.S. beef during USMEF’s Roadshow event in Shanghai



Right: U.S. Agriculture Secretary Sonny Perdue participates in a retail promotion shortly after U.S. beef regained access to China

Pork Leaders Get Close Look at Key Export Markets

This year U.S. pork industry leaders received an up-close look at how global marketing efforts increase demand for their products in a number of critical international markets.

In March, directors of the National Pork Board (NPB) were given a thorough review of the Mexican pork market – the largest volume destination for U.S. pork. USMEF staff offered a detailed overview of how U.S. pork moves through that country’s distribution system and demonstrated new and innovative uses for U.S. pork products in Mexico, which is a critical destination for hams and a range of other pork cuts and variety meat.

NPB directors were first given a briefing by Oscar Ferrara, USMEF regional director for Mexico, Central America and the Dominican Republic, who talked about the region’s current market conditions and its potential for future growth. USMEF Assistant Vice President for Industry Relations John Hinners summarized several U.S. pork programs and activities around the world, while USMEF Technical Manager Alejandra Valdez and Marketing Director Gerardo Rodriguez detailed successful promotions and activities that USMEF is undertaking in Mexico and Central America.

Rodriguez also talked about the development of new U.S. pork products that currently are sold at restaurants and supermarkets in Mexico – such as U.S. pork wings made from the shank, which the NPB group had the opportunity to taste. A stop at Tecnologico de Monterrey in Mexico City for a workshop titled “U.S. Pork Processing: Innovation in Product Development” supported Rodriguez’s positive outlook for potential further expansion of U.S. pork sales.

In September, USMEF led a delegation of producers and agricultural leaders from several states to Japan on a firsthand look at how the support they provide to USMEF helps grow demand in the leading value market for U.S. pork. The USMEF Heartland Team was made up of livestock, corn and soybean producers from Idaho, Iowa, Kansas, Kentucky, Nebraska, Michigan, Minnesota, South Dakota and Texas. Along with retail and foodservice visits, the team attended a briefing at the U.S. embassy and took part in consumer events in Tokyo and Osaka that promoted U.S. pork. Throughout their weeklong mission, team members attended meetings with major Japanese food importers – including Hannan, TI Corporation, Marudai Foods and Zensho, the largest foodservice company in Japan.

The team was able to meet hundreds of Japanese food buyers and share the story of U.S. red meat production during a pair of USMEF trade seminars for importers, distributors and other key industry contacts.

Also in September, USMEF helped connect an NPB trade team with importers, distributors, processors and retailers in Japan and China. The NPB trade mission, which included attendance at USMEF’s 40th anniversary celebration in Japan and the China Swine Industry Summit, was an opportunity for pork industry leaders to see how U.S. pork is promoted to consumers and to suppliers serving the retail and foodservice sectors. USMEF President and CEO Dan Halstrom joined the NPB team for a tour of AEON, a major Japanese retailer, as it was conducting a U.S. chilled pork promotion that featured materials introducing Gochipo, the mascot and centerpiece of a marketing campaign extolling the virtues of high-quality U.S. pork.

In China, USMEF Senior Vice President for the Asia Pacific Joel Haggard and Ming Liang, USMEF marketing director in China, accompanied the NPB team on retail visits and to meetings with Chinese traders and distributors. The team also toured cold storage facilities and a pork processing plant and received a briefing at the U.S. Embassy in Beijing.

The Swine Industry Summit included participation by Haggard, along with presentations by NPB President Terry O’Neel and NPB CEO Bill Even. Another key stop in China was at Starzen International, a major importer, distributor and further processor of U.S. pork.



Above: USMEF led the Heartland Team, made up of producers and agriculture leaders, on a September mission to Japan to learn about this important market for U.S. pork

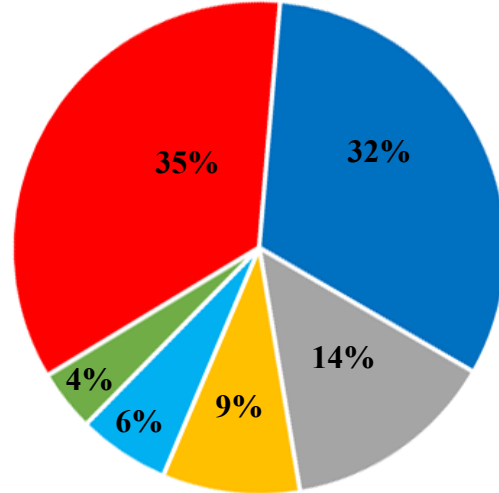


Right: National Pork Board directors are shown how U.S. pork is displayed and sold in Mexican retail stores

USMEF Financial Position 2017

USMEF Revenue by Sector

■ USDA ■ Beef ■ Pork ■ Soybean ■ Corn ■ *Other



*Other: Lamb, Meat Packers/Processors, Meat Purveyors/ Traders, Agribusiness and Farm Organizations

Total Revenue
\$40.3
million

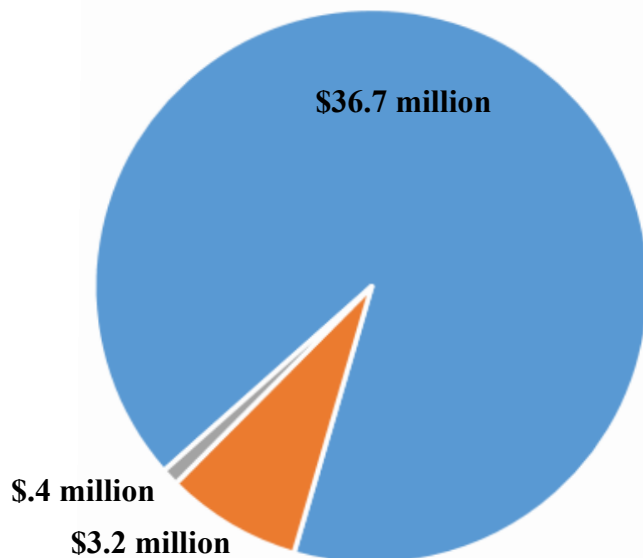
Checkoff Funding
\$24.6
million
 Includes national and state beef, pork, lamb, soybean and corn funding

USDA Funding
\$14.1
million

Other Funding
\$1.6
million

Total Expenses and Net Asset Contribution
\$40.3
million

■ Program Activities ■ Supporting Services
 ■ Net Asset Contribution



- 92 percent of USMEF expenses are used for program activities
- 8 percent of USMEF expenses are used for supporting services



USMEF Headquarters

1660 Lincoln Street, Suite 2800
 Denver, CO 80264

Tel: 303-623-MEAT (6328)

Fax: 303-623-0297

www.usmef.org

Contact USMEF Around the World



Office	Phone	Email
● ASEAN / Singapore	011-65-6733-4255	singapore@usmef.org
● Caribbean	830-997-6319	wunderlc@hctc.net
● China / Beijing	011-86-10-8441-8455	beijing@usmef.org
● China / Hong Kong	011-852-2890-7408	hongkong@usmef.org
● China / Shanghai	01186-21-6249-4640	shanghai@usmef.org
● Europe / London	011-4-413-0323-8893	montybrown@aol.com
● Japan / Tokyo	011-813-3501-6328	tokyo@usmef.org
● South Korea / Seoul	011-82-2720-1894	korea@usmef.org
● Mexico / Mexico City	011-5-255-5281-6100	mexico@usmef.org
● Mexico / Monterrey	011-5-281-8989-2323	monterrey@usmef.org
● Middle East / Cairo	011-202-2290-7075	a.abdelgliel@agrmarketingint.com
● Middle East / Lebanon	961-1-741223, 961-1-740378	amfime@cyberia.net.lb
● Russia / Moscow	011-749-5544-9387	moscow@usmef.org
● Russia / St. Petersburg	011-781-2309-1101	stpete@usmef.org
● South America / Lima	011-519-8773-7692	jjulca@usmef.org
● Taiwan / Taipei	011-8-862-2736-1200	taiwan@usmef.org