

## Analysis of USDA's Meat Trade Report

### Chicken Exports Sluggish, Pork Exports on the Mend

- **Chicken.** Though the comparison was difficult and the absolute level remained above historical norms, US chicken exports fell by 13.0%, the biggest y/y decline since Mar-07. Exports to Russia were soft, down 17.8% year-on-year. Exports to China also were slow, down 27.9% year-on-year. The US exported only 42.0MM lbs of chicken directly to China last month, the lowest in any period since Apr-07. Exports to Mexico remained solid. Chicken exports as a percent of production have started to decline versus the year-ago periods.
- **Pork.** Pork exports surprised a bit on the upside, falling only 13.2% year-on-year after two consecutive 35%+ declines in May and June. Pork to Japan, the biggest buyer of US pork, fell by only 1.4% against the very difficult 45.3% comparison of a year ago. Pork to Mexico, the second-biggest buyer of US pork, rose 18.8% versus last year's 98.0%. And Russia bought 13% more pork from the US during July than a year ago. Weak spots were China (essentially closed to US pork), Canada (-17.0%), South Korea (-33.5%) and Hong Kong (-51.3%). Note that despite the H1N1 flu and double-digit y/y declines, the US still exports a large amount of pork compared to even two years ago. Pork exports as a percent of production have started to rebound.
- **Beef.** Total beef exports struggled in July -- down 11.3%, the biggest y/y decline since the mad cow days of 2004. Beef to Mexico declined by 18.1%, beef to Canada declined by 26.4%, and beef to Russia was down by 74.3% (though off a low absolute base). The US continued to send less beef to Mexico and Canada, its two biggest destinations, though beef to South Korea continued to improve. Beef exports as a percent of production remained higher than historical averages and somewhat in line with last year's figure (though a bit weaker than we have recently seen).

---

#### Food

**Ken Goldman**<sup>AC</sup>

(1-212) 622-0359

kenneth.goldman@jpmorgan.com

J.P. Morgan Securities Inc.

---

See page 13 for analyst certification and important disclosures.

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

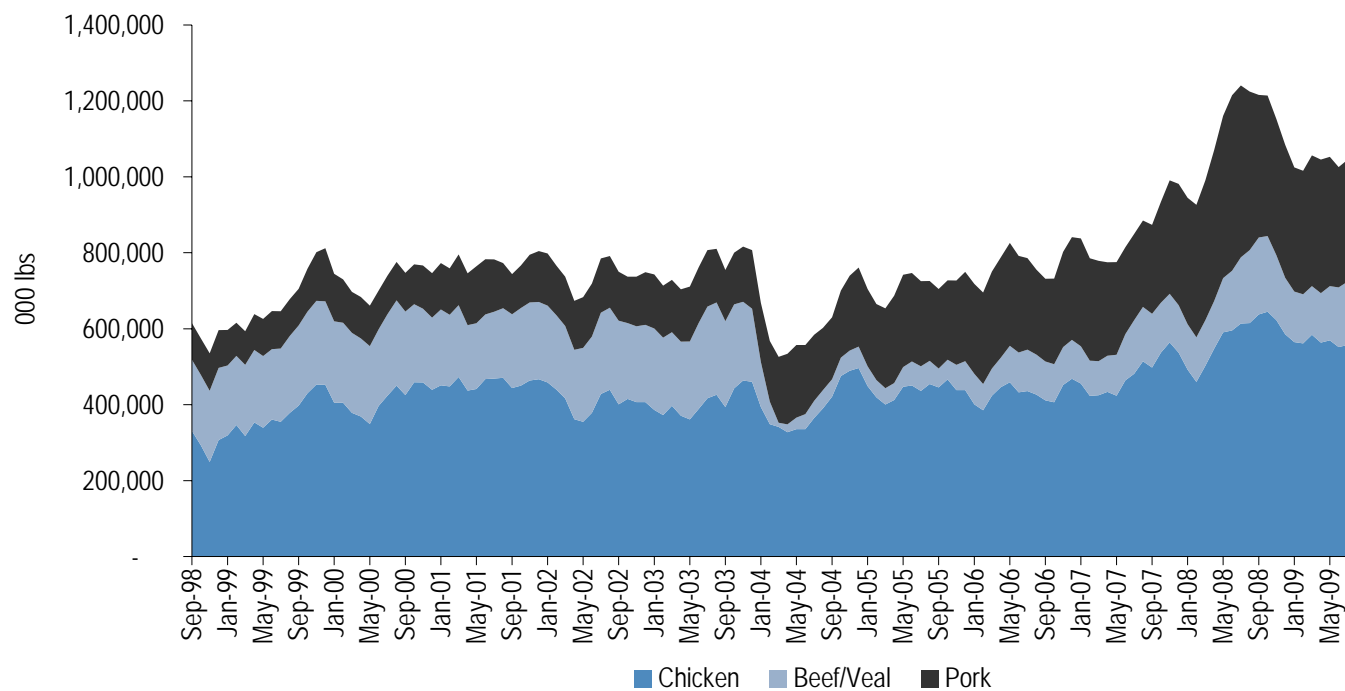
## Table of Contents

<b>Total Meat Exports .....</b>	<b>3</b>
<b>Chicken Exports .....</b>	<b>4</b>
<b>Pork Exports .....</b>	<b>6</b>
<b>Pork Imports .....</b>	<b>8</b>
<b>Hog Imports .....</b>	<b>9</b>
<b>Beef Exports .....</b>	<b>10</b>
<b>Beef Imports .....</b>	<b>12</b>

## Total Meat Exports

Figure 1: US Meat Exports (three-month trailing average)

Thousands of lbs



Source: USDA.  
Note: Excludes exports of live animals.

## Chicken Exports

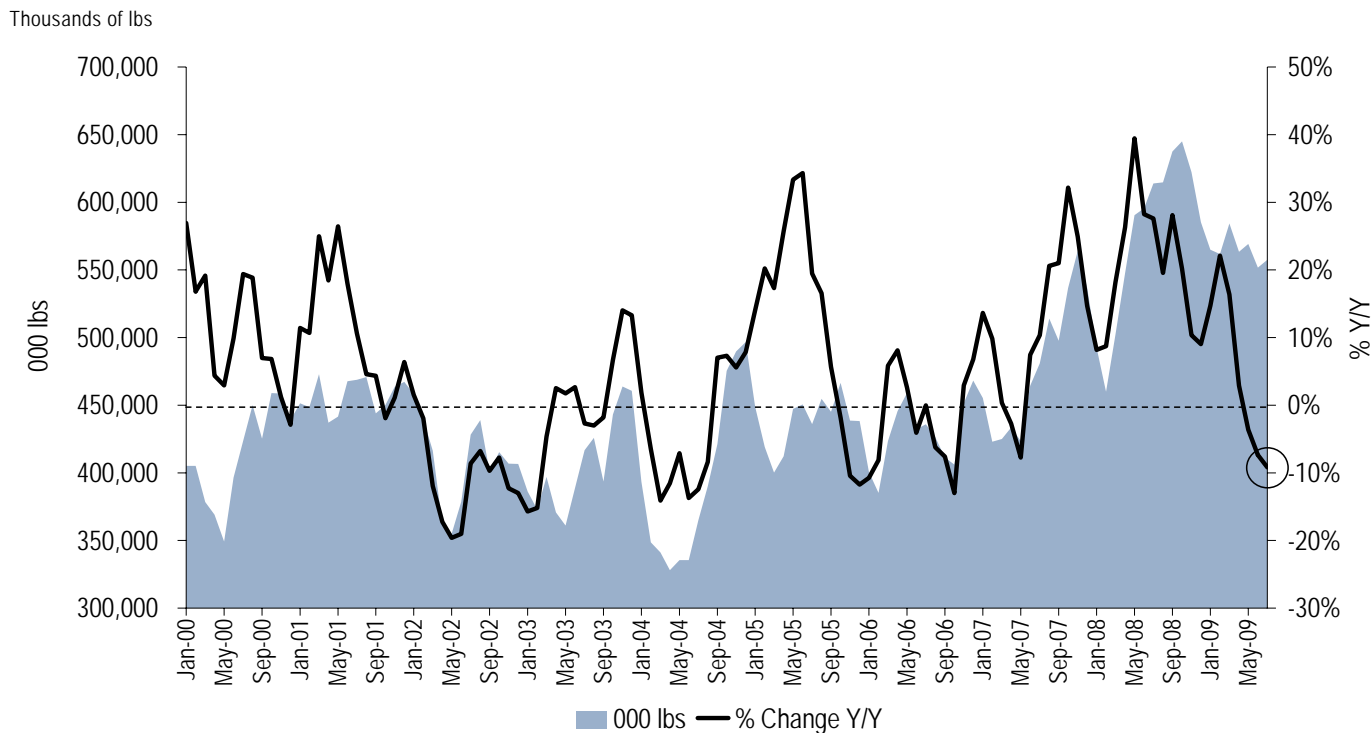
Figure 2: Total US Chicken Exports

Month	Lbs (000)	% Y/Y
Jul-08	646,247	37.1%
Aug-08	638,606	22.1%
Sep-08	627,532	25.9%
Oct-08	668,759	13.6%
Nov-08	570,660	-5.6%
Dec-08	516,401	23.8%
Jan-09	607,793	33.4%
Feb-09	560,828	10.6%
Mar-09	584,542	7.4%
Apr-09	544,940	-7.9%
May-09	578,164	-9.1%
Jun-09	531,911	-4.9%
Jul-09	562,140	-13.0%

Source: USDA.

Though the comparison was difficult and the absolute level remained above historical norms, US chicken exports fell by 13.0%, the biggest y/y decline since Mar-07. Exports to Russia were soft, down 17.8% year-on-year. Exports to China also were slow, down 27.9% year-on-year. The US exported only 42.0MM lbs of chicken directly to China last month, the lowest in any period since Apr-07. Exports to Mexico remained solid. Chicken exports as a percent of production have started to decline versus the year-ago periods.

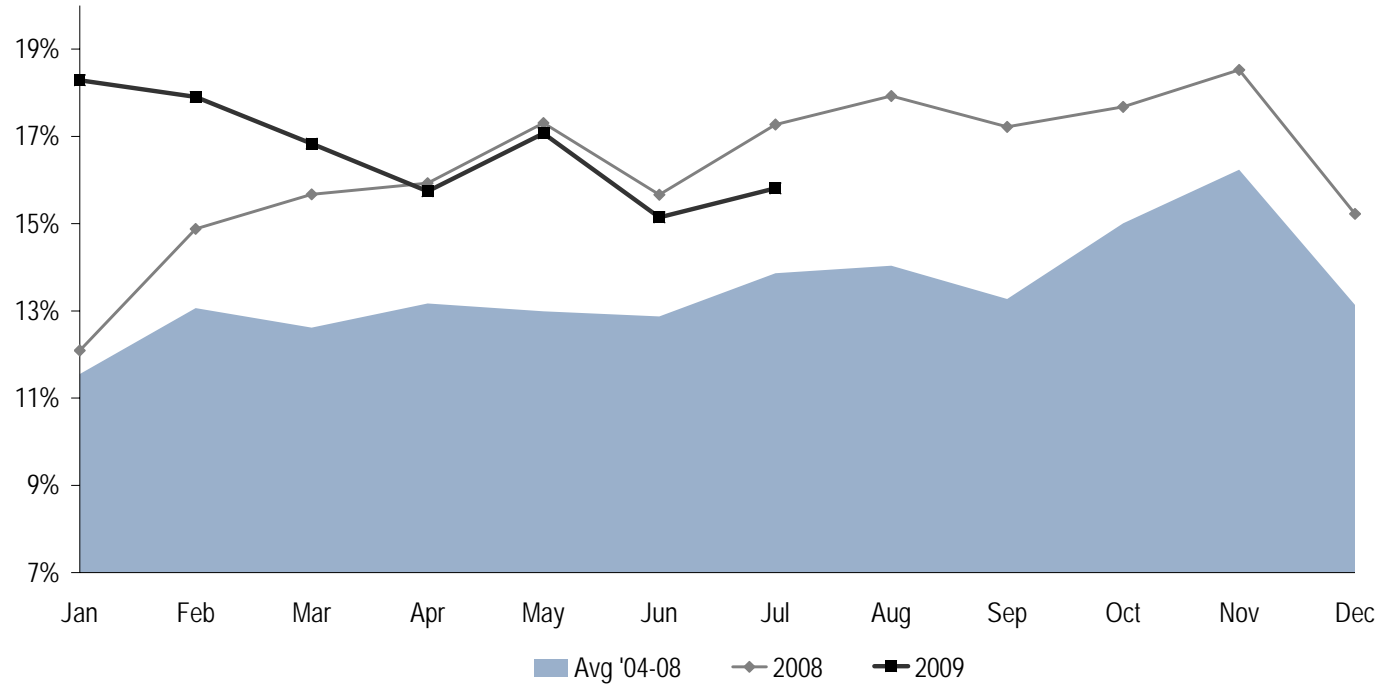
Figure 3: Total US Chicken Exports (three-month trailing average)



Source: USDA

Chicken exports as a percent of production have started to decline versus the year-ago periods:

Figure 4: US Chicken Exports as Percent of Production



Source: USDA and J.P. Morgan estimates.

## Pork Exports

Figure 5: Total US Pork Exports

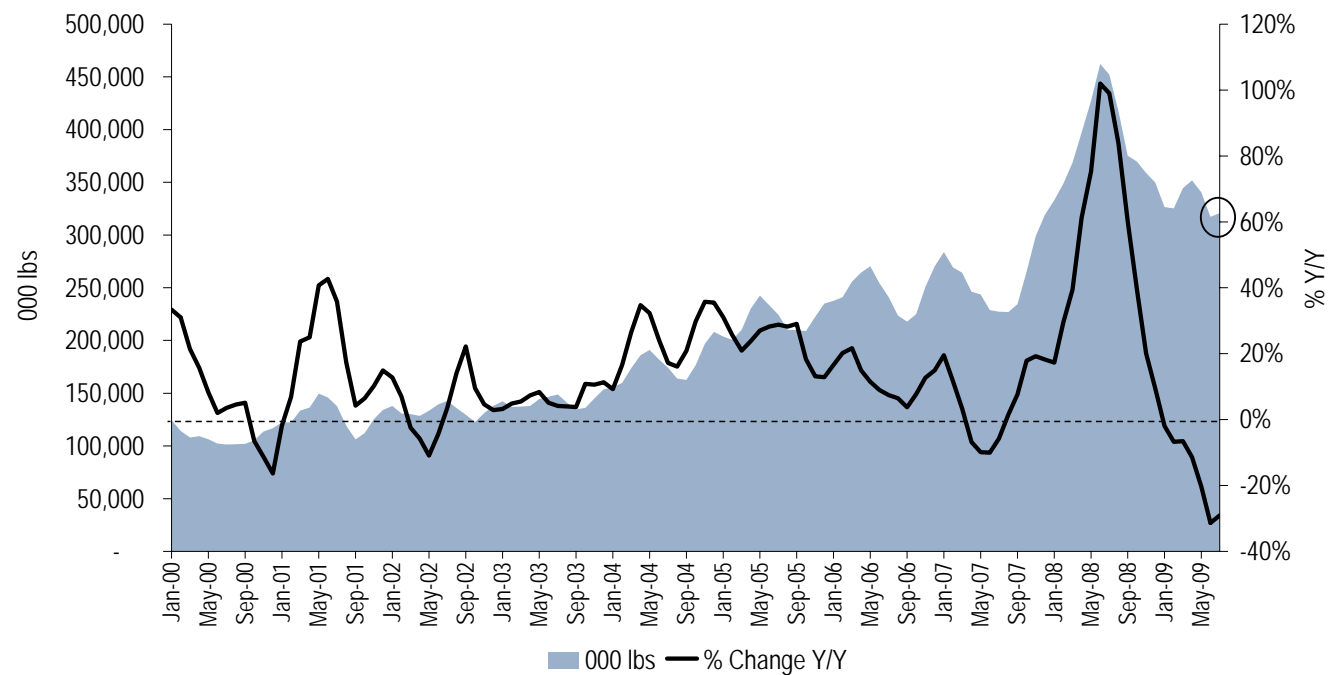
Month	Lbs (000)	% Y/Y
Jul-08	409,469	86.1%
Aug-08	377,108	55.6%
Sep-08	339,632	41.0%
Oct-08	392,391	25.4%
Nov-08	344,731	0.5%
Dec-08	312,328	3.2%
Jan-09	322,690	-8.7%
Feb-09	341,047	-12.7%
Mar-09	369,511	2.2%
Apr-09	345,194	-21.5%
May-09	306,892	-36.2%
Jun-09	299,849	-35.7%
Jul-09	355,624	-13.2%

Source: USDA.

Pork exports surprised a bit on the upside, falling only 13.2% year-on-year after two consecutive 35%+ declines in May and June. Pork to Japan, the biggest buyer of US pork, fell by only 1.4% against the very difficult 45.3% comparison of a year ago. Pork to Mexico, the second-biggest buyer of US pork, rose 18.8% versus last year's 98.0%. And Russia bought 13% more pork from the US during July than a year ago. Weak spots were China (essentially closed to US pork), Canada (-17.0%), South Korea (-33.5%) and Hong Kong (-51.3%). Note that despite the H1N1 flu and double-digit y/y declines, the US still exports a large amount of pork compared to even two years ago.

Figure 6: Total US Pork Exports (three-month trailing average)

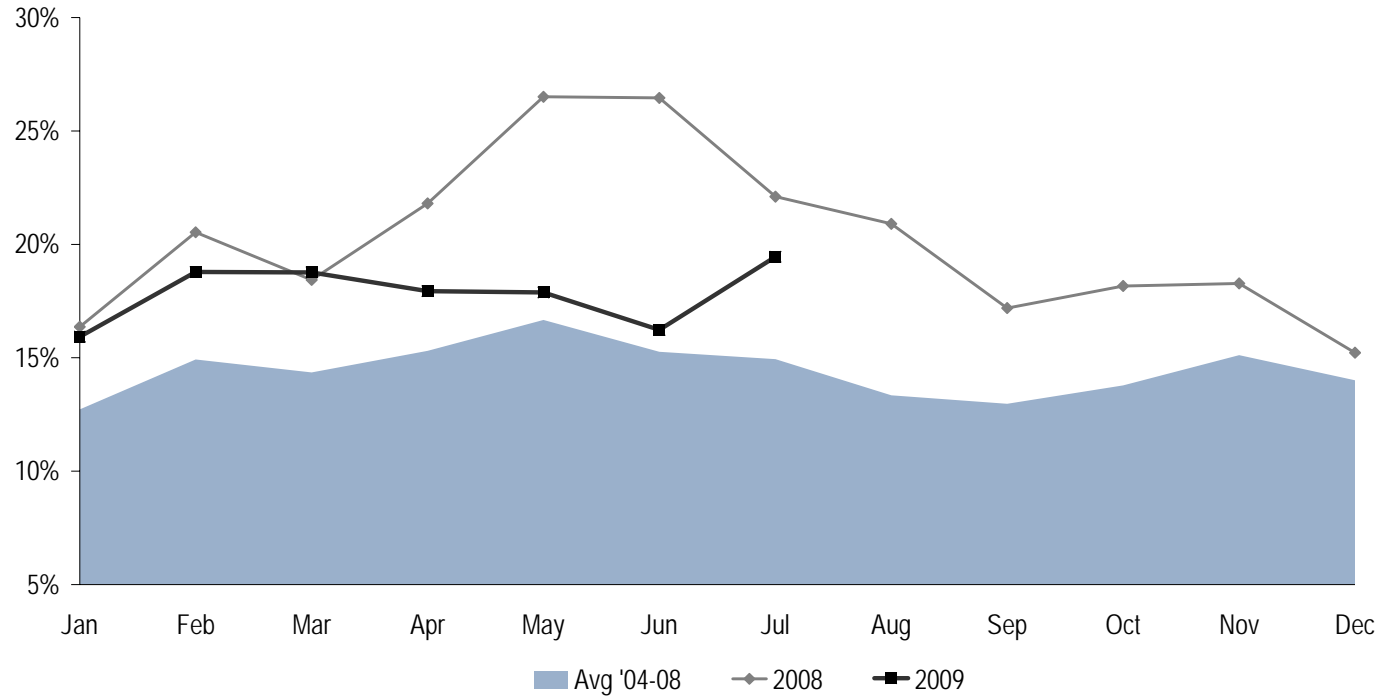
Thousands of lbs



Source: USDA

Pork exports as a percent of production have started to rebound:

Figure 7: US Pork Exports as Percent of Production



Source: USDA and J.P. Morgan estimates.

## Pork Imports

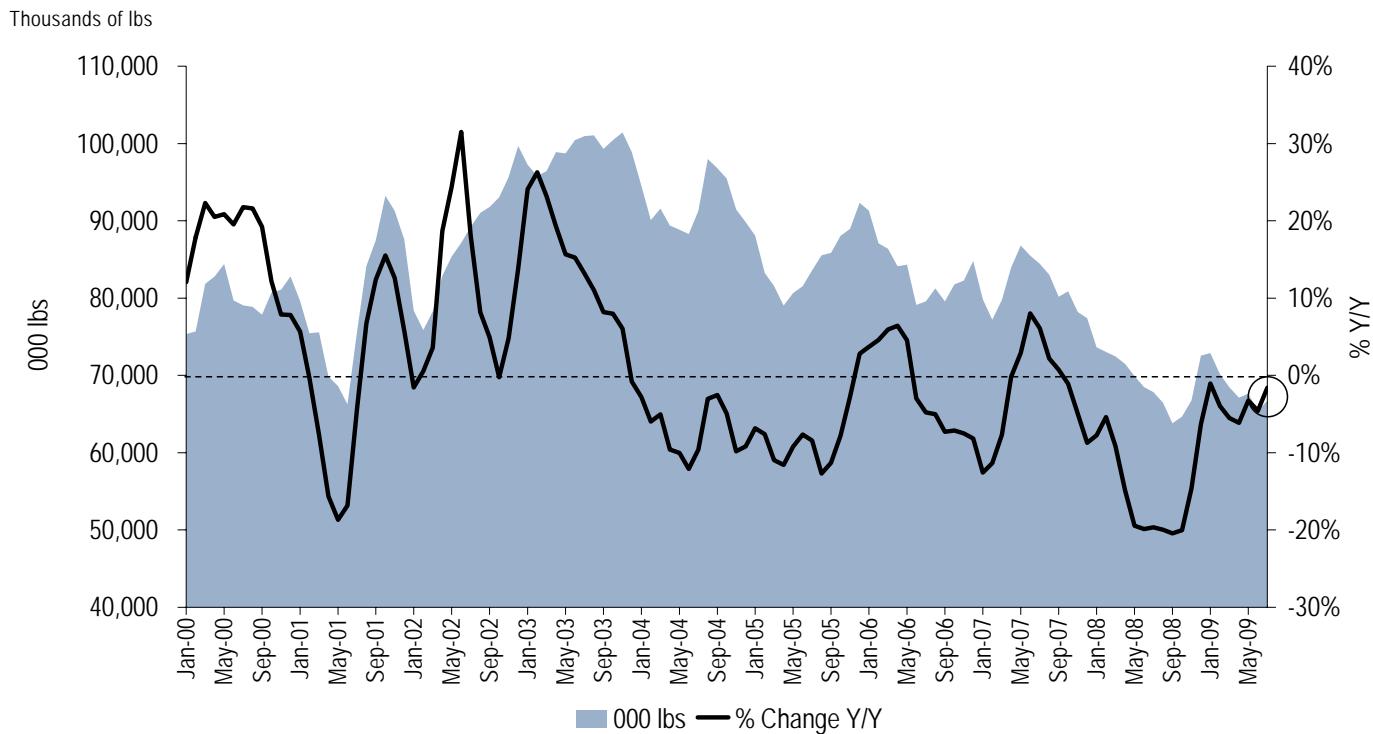
Figure 8: Total US Pork Imports

Month	Lbs (000)	% Y/Y
Jul-08	68,006	-17.1%
Aug-08	62,887	-22.9%
Sep-08	60,482	-21.3%
Oct-08	70,667	-16.0%
Nov-08	69,177	-6.0%
Dec-08	77,777	4.4%
Jan-09	71,689	-1.7%
Feb-09	60,952	-15.0%
Mar-09	72,753	0.0%
Apr-09	67,591	-3.4%
May-09	62,569	-6.6%
Jun-09	65,966	-3.7%
Jul-09	71,683	5.4%

Source: USDA.

Pork imports rebounded a bit during July as the US took in 12.9% more pork from Canada than the year prior.

Figure 9: Total US Pork Imports (three-month trailing average)



Source: USDA

## Hog Imports

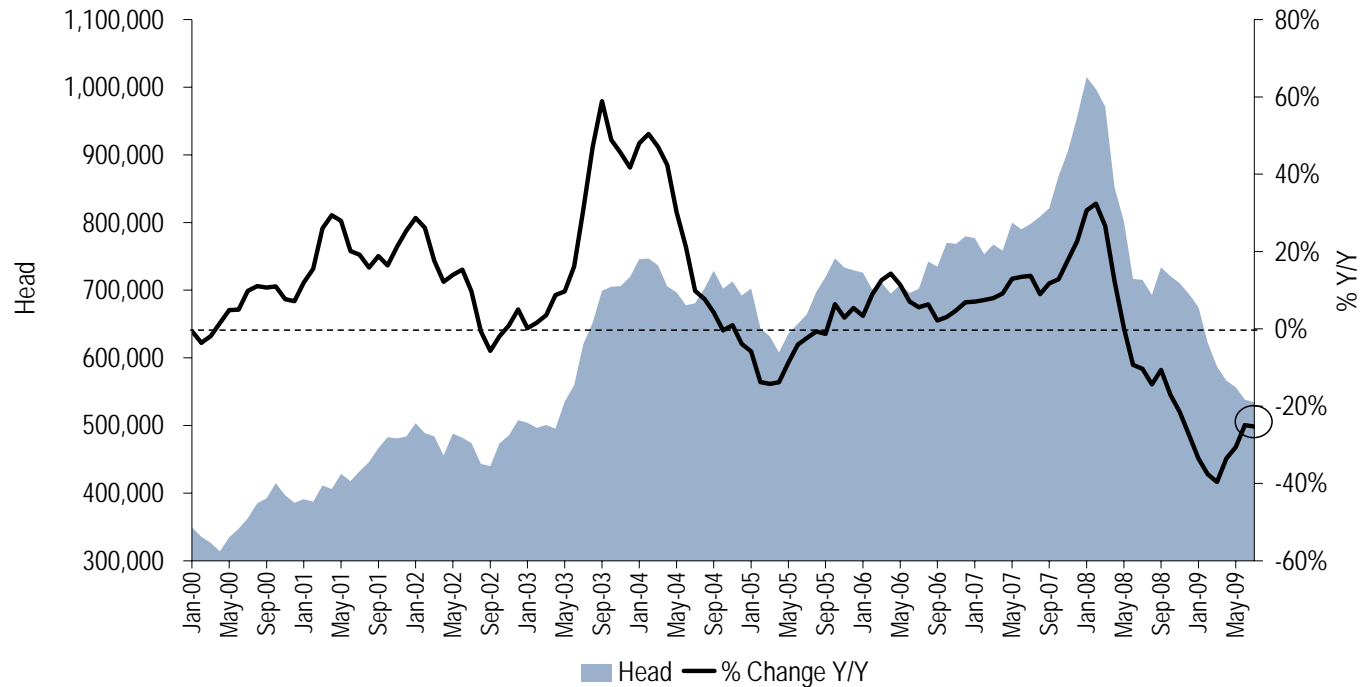
Figure 10: Total US Hog Imports

Month	Lbs (000)	% Y/Y
Jul-08	743,972	-5.2%
Aug-08	713,536	-18.7%
Sep-08	743,740	-7.2%
Oct-08	704,321	-24.1%
Nov-08	682,931	-30.8%
Dec-08	695,503	-27.1%
Jan-09	645,434	-41.6%
Feb-09	525,454	-43.7%
Mar-09	589,772	-32.8%
Apr-09	584,372	-21.8%
May-09	495,661	-36.5%
Jun-09	534,452	-14.0%
Jul-09	572,773	-23.0%

Source: USDA.

US hog imports declined by 23.0% year-on-year in July, another in a series of steep declines thanks to country-of-origin labeling. Note: the US only imports hogs from Canada.

Figure 11: Total US Hog Imports (three-month trailing average)



Source: USDA

## Beef Exports

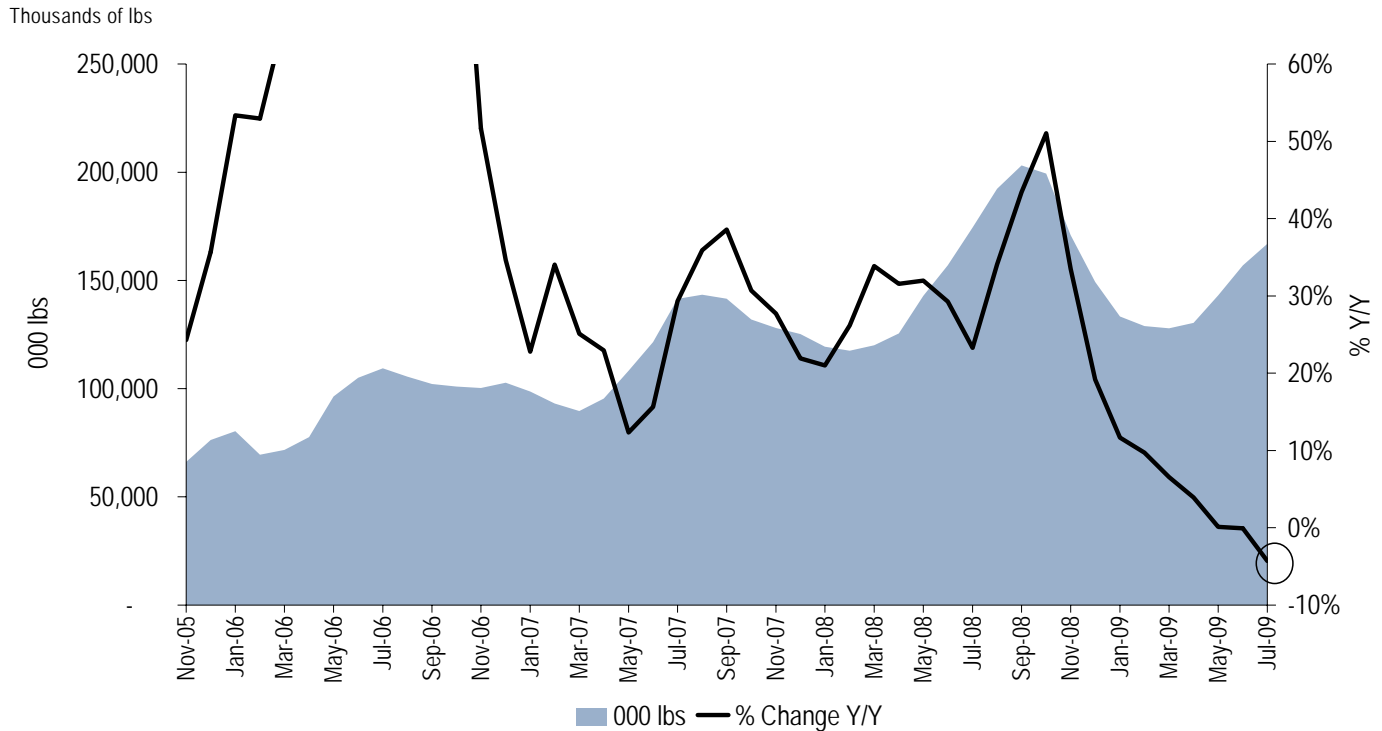
Figure 13: Total US Beef Exports

Month	Lbs (000)	% Y/Y
Jul-08	187,530	13.5%
Aug-08	221,117	66.5%
Sep-08	200,610	58.3%
Oct-08	176,379	29.3%
Nov-08	135,851	12.2%
Dec-08	135,535	14.6%
Jan-09	128,626	8.2%
Feb-09	122,666	6.3%
Mar-09	132,449	5.2%
Apr-09	136,271	0.7%
May-09	160,460	-4.2%
Jun-09	174,029	3.4%
Jul-09	166,385	-11.3%

Source: USDA.  
 Note: Includes veal.

Total beef exports struggled in July -- down 11.3%, the biggest y/y decline since the mad cow days of 2004. Beef to Mexico declined by 18.1%, beef to Canada declined by 26.4%, and beef to Russia was down by 74.3% (though off a low absolute base). The US continued to send less beef to Mexico and Canada, its two biggest destinations, though beef to South Korea continued to improve.

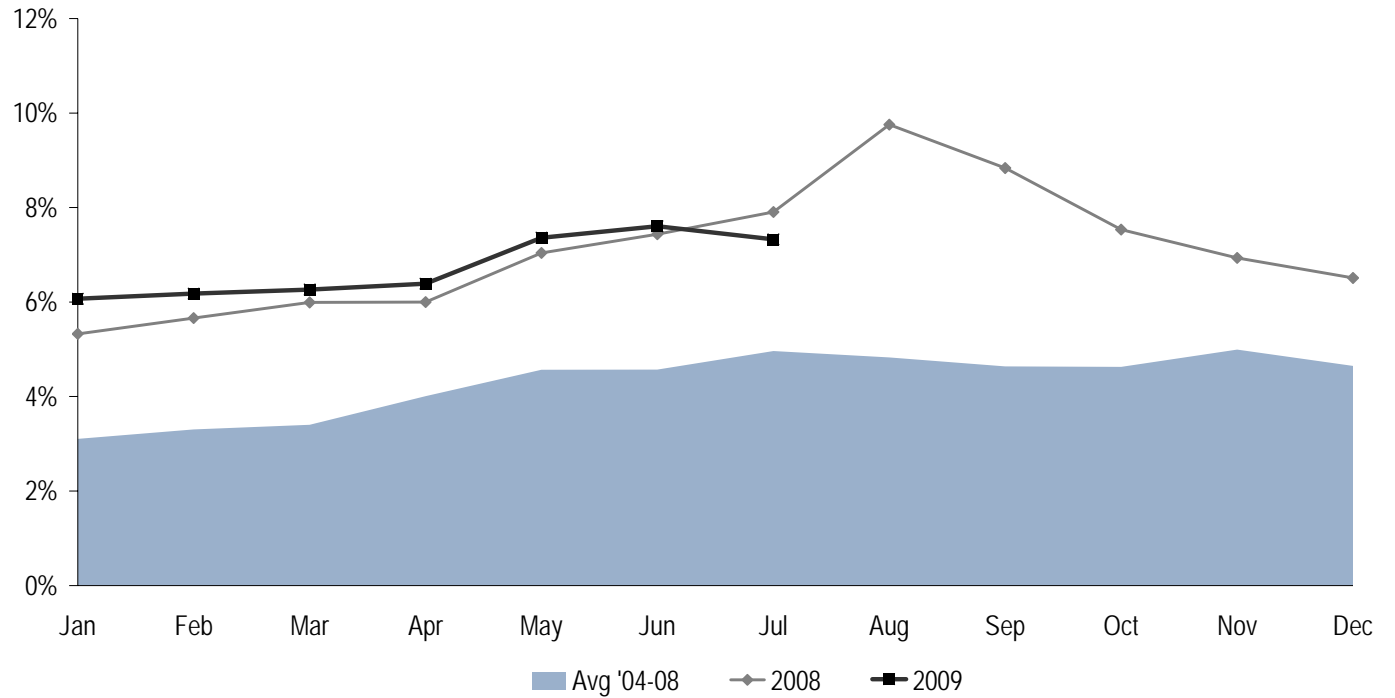
Figure 12: Total US Beef Exports (three-month trailing average)



Source: USDA  
 Note: Includes veal.

Beef exports as a percent of production remained higher than historical averages and somewhat in line with last year's figure (though a bit weaker than we have recently seen).

Figure 14: US Beef Exports as Percent of Production



Source: USDA and J.P. Morgan estimates.  
Note: Includes veal.

## Beef Imports

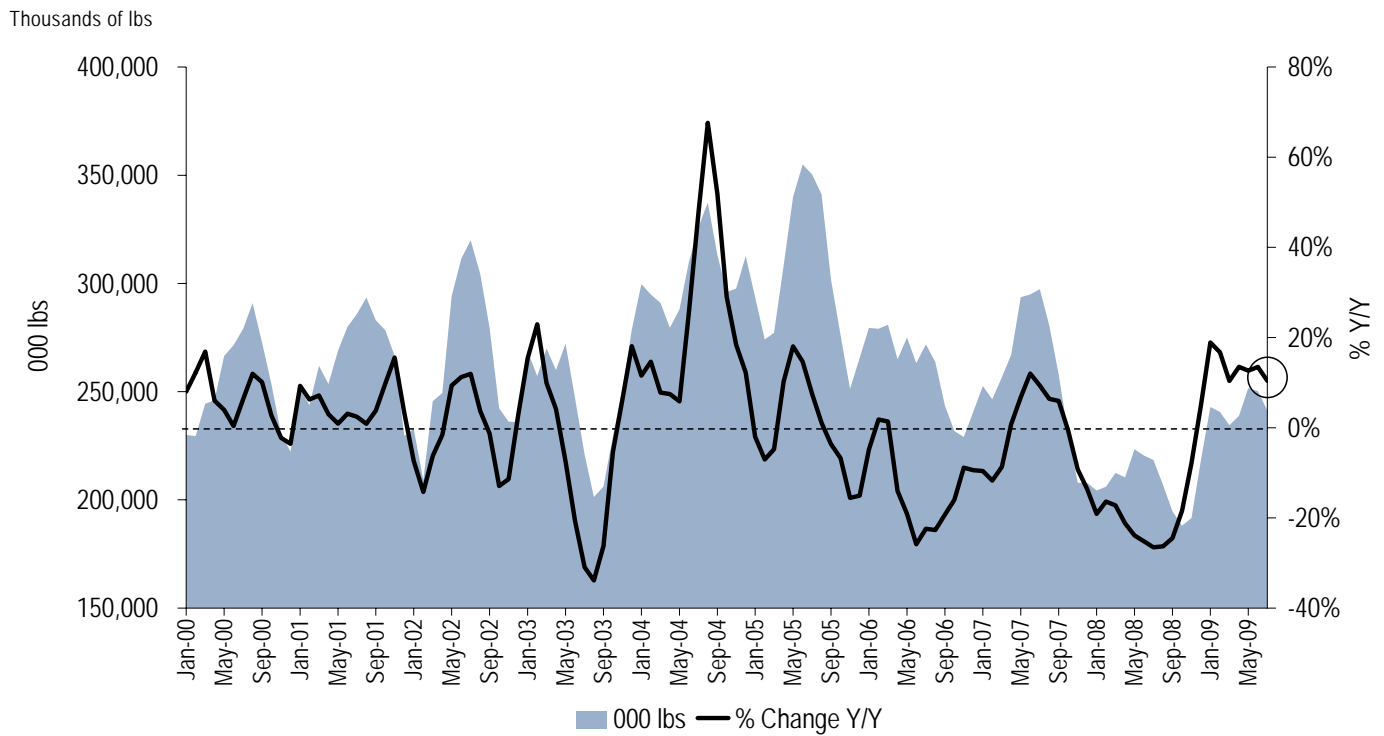
Figure 15: Total US Beef Imports

Month	Lbs (000)	% Y/Y
Jul-08	202,969	-34.2%
Aug-08	195,256	-22.8%
Sep-08	186,068	-12.3%
Oct-08	182,792	-19.2%
Nov-08	205,897	11.2%
Dec-08	266,010	25.3%
Jan-09	256,806	19.2%
Feb-09	199,053	4.4%
Mar-09	247,661	7.1%
Apr-09	269,720	29.0%
May-09	237,673	3.4%
Jun-09	243,264	9.3%
Jul-09	242,621	19.5%

Source: USDA.  
 Note: Includes veal.

Beef imports rebounded in July. US demand for Australian beef continues to improve: imports from that nation were up 45.1%.

Figure 16: Total US Beef Imports (three-month trailing average)



Source: USDA.  
 Note: Includes veal.

### Analyst Certification:

The research analyst(s) denoted by an “AC” on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an “AC” on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst’s compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

### Important Disclosures

---

#### Explanation of Equity Research Ratings and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: **Overweight** [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] **Neutral** [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] **Underweight** [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] The analyst or analyst’s team’s coverage universe is the sector and/or country shown on the cover of each publication. See below for the specific stocks in the certifying analyst(s) coverage universe.

Coverage Universe: **Ken Goldman:** McCormick & Co., Inc. (MKC), Pilgrim's Pride (PGPDQ), Sanderson Farms, Inc. (SAFM), Smithfield Foods, Inc. (SFD), TreeHouse Foods Inc. (THS), Tyson Foods (TSN), Weight Watchers International (WTW)

#### J.P. Morgan Equity Research Ratings Distribution, as of June 30, 2009

	Overweight (buy)	Neutral (hold)	Underweight (sell)
JPM Global Equity Research Coverage	36%	46%	18%
IB clients*	55%	56%	42%
JPMSI Equity Research Coverage	36%	52%	12%
IB clients*	77%	72%	60%

\*Percentage of investment banking clients in each rating category.

For purposes only of NASD/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category.

**Valuation and Risks:** Please see the most recent company-specific research report for an analysis of valuation methodology and risks on any securities recommended herein. Research is available at <http://www.morganmarkets.com>, or you can contact the analyst named on the front of this note or your J.P. Morgan representative.

**Analysts’ Compensation:** The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

### Other Disclosures

---

J.P. Morgan is the global brand name for J.P. Morgan Securities Inc. (JPMSI) and its non-US affiliates worldwide.

**Options related research:** If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>.

#### Legal Entities Disclosures

**U.S.:** JPMSI is a member of NYSE, FINRA and SIPC. J.P. Morgan Futures Inc. is a member of the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC and is authorized and regulated in the UK by the Financial Services Authority. **U.K.:** J.P. Morgan Securities Ltd. (JPMSL) is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority. Registered in England & Wales No. 2711006. Registered Office 125 London Wall, London EC2Y 5AJ. **South Africa:** J.P. Morgan Equities Limited is a member of the Johannesburg Securities Exchange and is regulated by the FSB. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (ABN 61 003 245 234/AFS Licence No: 238066) is a Market Participant with the ASX and regulated by ASIC. **Taiwan:** J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited is a member of the National Stock Exchange of India Limited and Bombay Stock Exchange Limited and is regulated by the Securities and Exchange Board of India. **Thailand:** JPMorgan Securities (Thailand) Limited is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM. **Philippines:** J.P. Morgan Securities Philippines Inc. is a member of the Philippine Stock Exchange and is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by J.P. Morgan Securities Singapore Private Limited (JPMS) [MICA (P) 132/01/2009 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia:** J.P. Morgan Saudi Arabia Ltd. is authorised by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia.

#### Country and Region Specific Disclosures

**U.K. and European Economic Area (EEA):** Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMSL. Investment research issued by JPMSL has been prepared in accordance with JPMSL's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require that a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. JPMSAL does not issue or distribute this material to "retail clients." The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities Ltd., Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for persons licensed by or registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months' prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider for derivative warrants issued by J.P. Morgan International Derivatives Ltd and listed on The Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk/prod/dw/Lp.htm>. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul branch. **Singapore:** JPMS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually

invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL.

**General:** Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMSI and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMSI distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised January 30, 2009.

---

**Copyright 2009 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.**