



US Imported Beef Market

A Weekly Update

Prepared Exclusively for [Meat & Livestock Australia - Sydney](#)

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Market Highlights for the Week:

- Imported lean grinding beef prices were lower this past week as some large users stopped chasing supply while traders sought to get some business done.
- There is speculation that China demand may have slowed down a bit but that could simply be because they realize it makes little sense to chase Australia and New Zealand supplies at a time when Jan/Feb production has already been sold. Participants are now looking part Q1 and trying to understand the price levels that will be available when New Zealand cow run gets under way.
- US ground beef features were exceptionally strong in November, contributing to robust demand during this time of year. Will retailers continue to chase ground beef in Q1?
- US beef imports were down 9.7% in October while imports increased by 2.8% despite big declines in AUS/NZ entries.

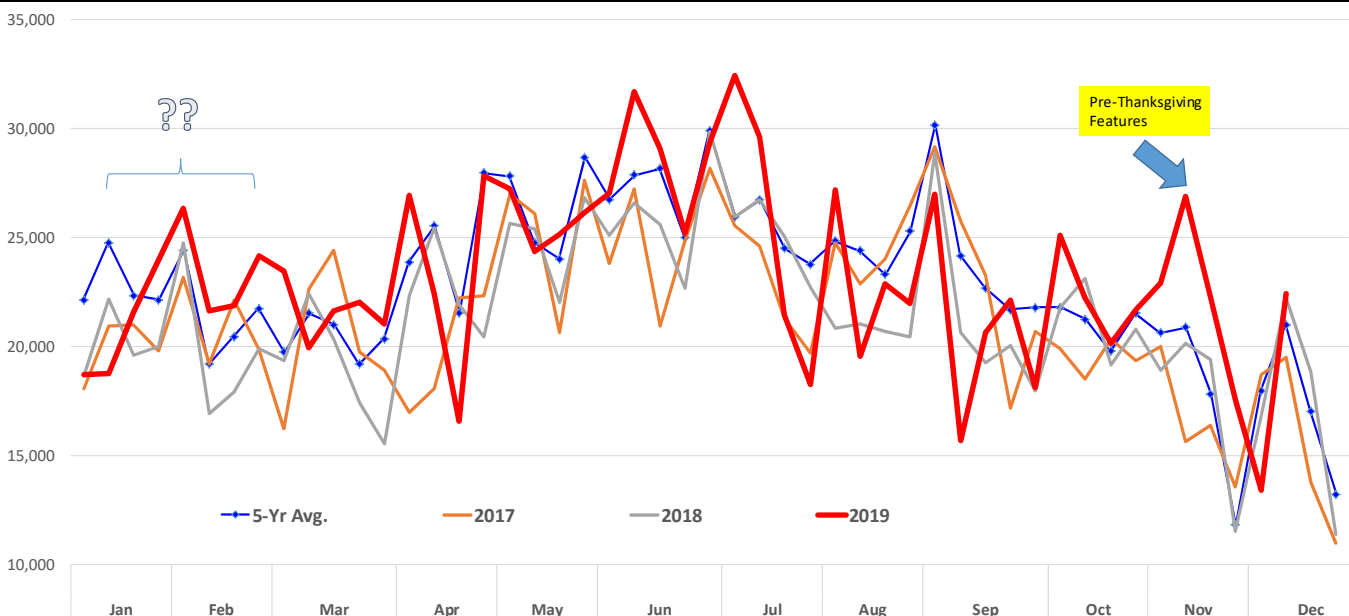
Imported Market Activity for the Week

The market for imported beef was at a standstill last week. Part of it is seasonal. Coming out of Thanksgiving week, end users seemed in no hurry to cover needs. Some of them secured some inventory and also larger grinders already got their holiday needs covered. At this time they appear more willing to sit on the sidelines and let the market develop. Some market participants also noted somewhat weaker prices for domestic fresh product, be this grinds or whole muscle. In this envi-

ronment, and with fed cattle prices that seemed to have reached a top, it offered one more reason to sit on the sidelines. Asking prices were lower, as some participants wanted to still get some business done. However, it is hard to assess the level of product that is available. Those that we spoke with said they still think offering levels are very light. The big unknown for many is not so much Jan/Feb, when imported supplies are traditionally light. Rather, it is the level of demand from China after the Chinese New Year and how aggressively they are willing to bid on New Zealand and Aus-

Weekly Ground Beef Retail Activity Index. USDA National Retail Report

Source: USDA Weekly National Retail Report. Latest data point is for Jan 0, 1900



tralian product. One thing that appears certain, and something we discussed at length last week, is that Chinese buyers seem intent to capture a larger share of the Brazilian export market. In part this is due to the simple math of prices/exchange rates in South America. Also, availability of Argentinian beef, which so far this year has been the top market for China, is far from assured. Weather and the new political class in the country could complicate the flow of beef from that country. For the moment, this has created a lot of uncertainty in the US imported beef market and it appears some of the lower prices we are seeing are attempts to get some additional business done before plants overseas close for the holidays and annual maintenance.

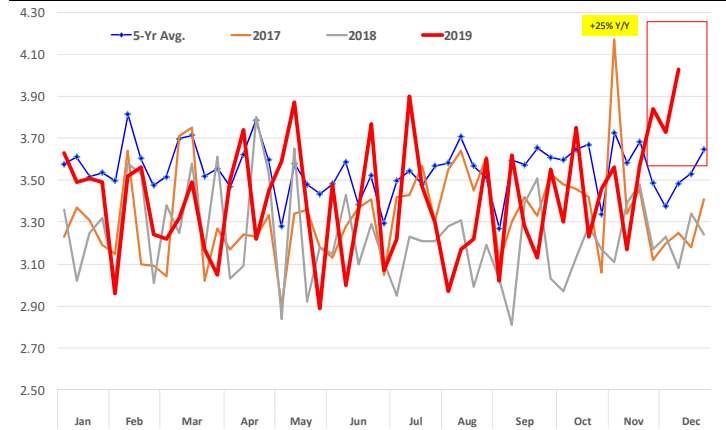
US retail market

We thought it would be useful to review the current situation in the US retail market for ground beef and beef round cuts. Imported beef users pay close attention to foodservice business as that is the primary channel using frozen imported grinding beef. However, as imported beef prices continue to rise, users will look to compete more vigorously with retailers for grinding material and lean cuts.

Ground beef: Retail ground beef features in November were much higher than a year ago and help explain the level of demand we saw in the market during that time. According to the weekly USDA retail feature report, in the first three weeks of November ground beef retail features averaged 33% above a year ago and the five year average (see chart on page 1). Seasonally ground beef features trend lower in the last three months of the year but that has not been the case so far this year. Will current high beef prices affect how retailers feature ground beef in Q1? And if so, how will this affect the level of demand in the market during that time? At this time market participants are working under the assumption that China demand will be sustained through 2020 and that US users will need to pay up in order to match China offers. If US retailers scale back the level of ground beef features and raise ground beef prices at retail, then this should help foodservice operators divert a larger share of domestic lean beef into their supply chains. But this is not a given. Beef is a key traffic driver for retailers and it also provides a much more significant revenue than other meat proteins. As retailers have limited ground beef features in the last couple of weeks, the price of ground beef at retail has

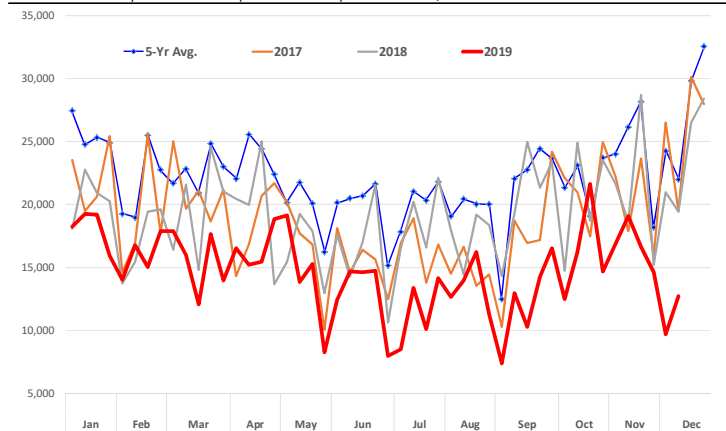
Weekly Reported Retail Feature Prices, USDA National Retail Report: GROUND BEEF 80-89%

Source: USDA Weekly National Retail Report. Latest data point is for Dec 6, 2019



Beef Rounds Retail Activity Index, USDA National Retail Report

Source: USDA Weekly National Retail Report. Latest data point is for Dec 6, 2019



jumped sharply higher. For the week ending November 6, the average feature price of 80-89% ground beef jumped to over \$4 per pound, a 31% increase compared to the same time last year.

Round cuts: Normally we would see a lot of round beef cuts featured at retail during this time of year. Those features increase towards the end of the year as retailers start to empty the meat case of holiday items and replace with less expensive beef. However, the sharp spike in the value of many round cuts (knuckles, insides, flats) has significantly impacted the level of featuring, especially in the last two weeks. Thanksgiving was later this year so that helps explain somewhat the sharp drop during the week of November 29. However, during the week ending December 6, features of round beef cuts were down 35% from a year ago. It appears that when it comes to this product retailers have conceded the game, in part because they are finding limited offerings from packers. But will this continue to be the case in Q1? And will retailers price product at such high levels as to divert some of the demand to other proteins? These are some of the issues we will continue to monitor and address into 2020.

US Exports/Imports in October

Total US exports of fresh/frozen and prepared beef in October were 81,711 MT, 8,602 MT or 9.5% lower than a year ago.

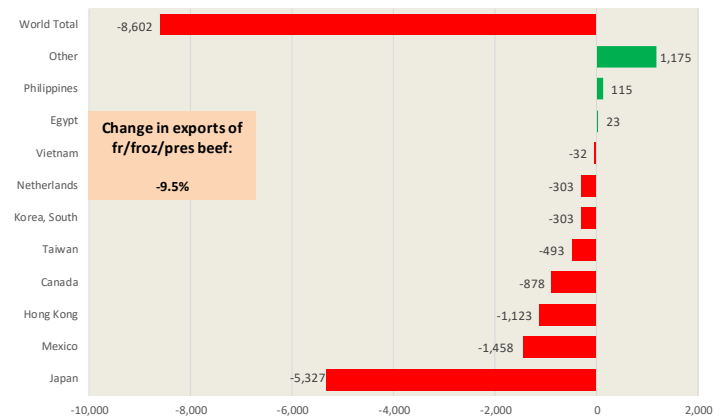
As the chart to the right shows, the main reason for the decline in US beef exports is the sharp contraction in exports to Japan. Indeed, in October Japan no longer was the top market for US beef and S. Korea grabbed the top spot. Exports to Japan in October were 16,946 MT, 24% lower than a year ago. The decline accounted for about 2/3 of the overall drop in US exports. Exports to Japan have been weak for much of the year, a result of the different tariff rates between US and other beef supplying countries as well as the strong US dollar. While US beef exports to Japan have declined this year, Canadian beef exports have increased, taking market share from the US. At this time US beef faces tariffs of between 38.5% and 50% compared to 26.6% available to countries that are part of the CPTPP agreement. That is about to change, however, US and Japan signed a partial trade agreement which lowers tariffs on US beef to a level equivalent with those of other countries. We have already seen a significant increase in beef export sales to Japan as participants book product for delivery once tariffs decline. In the last four weeks US beef export net sales to Japan were 85% higher than the same time period a year ago. Similarly, export sales to S. Korea in the last four weeks are up 55% compared to a year ago. We see beef exports to these two markets up sharply in November and December, something that is in part reflected in the much higher price of items such as chuck rolls, briskets and short plates.

US beef imports were higher in October despite a sharp decline in the supply of beef coming from Australia and New Zealand. Total US beef imports for the month were 82,238 MT, 2.8% higher than a year ago. Imports from New Zealand were only 4,111 MT, 39% lower than a year ago and imports from Australia at 19,870 MT were down 7%. However, more North American beef is currently entering the US market, a function of the strong demand, strong dollar and higher relative prices. Imports from Canada, the top imported beef supplier, were 25,742 MT, 8% higher than a year ago. Much of this product is fed beef cuts. Higher prices for grinding beef have encouraged higher imports from Nicaragua, with October volume at 6,262 MT, 32% higher than a year ago. Imports from Mexico were 19,225 MT, 20% higher

Y/Y Ch. in Oct. 19 vs. Oct 18 US Beef and Veal Export Volume

Source: USDA/FAS

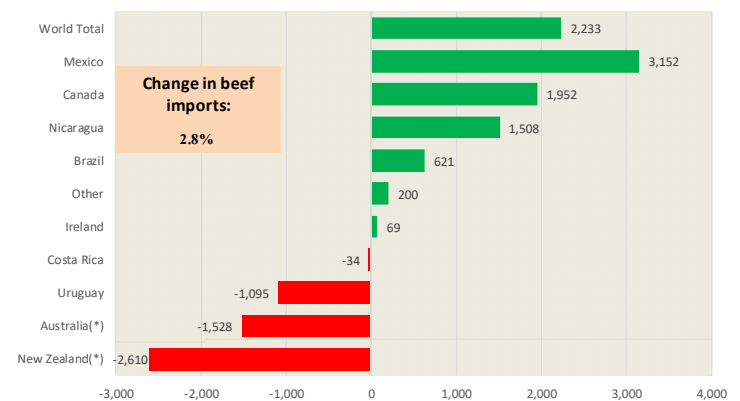
Units: Metric Tons



Y/Y Ch. in Oct. 19 vs. Oct 18 US Beef and Veal Imports, MT

Source: USDA/FAS

Data in MT, Product Weight Basis



than a year ago. Higher imports from Canada and Mexico do little to help those end users that need frozen grinding beef. And some of the larger users still have not approved use of product from Central America. But as we go forward and the spread between Oceania prices and prices from other markets remains wide, it will slowly cause users to consider widening the range of products and countries that they source.

CME Cattle Feeder Index and US Cattle Markets

Special Live Animal Reference Price

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	5-Dec-19	28-Nov-19		6-Dec-18	
CME FEEDER CATTLE INDEX	144.49	145.11	-0.4%	145.53	-0.7%
	6-Dec-19	29-Nov-19		7-Dec-18	
FED STEER (5-MKT AVG)	118.71	117.44	1.1%	117.12	1.4%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	81.50	81.50	0.0%	83.00	-1.8%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	92.00	91.00	1.1%	80.00	15.0%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	92.50	91.00	1.6%	76.50	20.9%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	180.84	190.32	-5.0%	154.79	16.8%

CME Feeder Cattle Index



Source: Chicago Mercantile Exchange

TABLE 2 – IMPORTED BEEF PRICES, 7:45 DAYS, CIF

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	6-Dec-19	285.0	29-Nov-19	315.0		7-Dec-18	205.0	80.0
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	278.0	285.0	315.0	315.0	-30.0	203.0	205.0	80.0
90 CL Blended Cow	285.0	290.0	295.0	300.0	-10.0	190.0	192.0	98.0
90 CL Shank	265.0	275.0	285.0	290.0	-15.0	189.0	190.0	85.0
85 CL Fores	250.0	255.0	270.0	270.0	-15.0	178.0	180.0	75.0
85 CL Chucks		UNQ	UNQ	UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	275.0	280.0	315.0	315.0	-35.0	203.0	204.0	76.0
Uruguay CFH 90CL, E. Coast		UNQ	UNQ	UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	245.0	250.0	265.0	267.0	-17.0	178.0	179.0	71.0
80 CL Trimmings		UNQ	UNQ	UNQ	N/A		UNQ	N/A
75 CL Trimmings		UNQ	UNQ	UNQ	N/A		UNQ	N/A
65 CL Trimmings		UNQ	UNQ	UNQ	N/A		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	300.0	310.0	320.0	330.0	-20.0		280.0	30.0
Steer Insides 14/18		UNQ	UNQ	UNQ	N/A		UNQ	N/A
Steer Flats		UNQ	UNQ	UNQ	N/A	215.0	220.0	N/A
Steer Knuckles	280.0	290.0	290.0	300.0	-10.0		250.0	40.0

TABLE 3 – IMPORTED BEEF PRICES, 7:45 DAYS, US WAREHOUSE

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	6-Dec-19		29-Nov-19			7-Dec-18		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	310.0		330.0		-20.0	213.0	214.0	96.0
90 CL Blended Cow	295.0	300.0	308.0	309.0	-9.0	197.0	199.0	101.0
90 CL Shank	275.0	280.0	295.0	296.0	-16.0	194.0	196.0	84.0
85 CL Fores	265.0	275.0	280.0	285.0	-10.0	187.0	189.0	86.0
85 CL Chucks	UNQ		UNQ		N/A	UNQ		N/A
95 CL Bull, W. Coast	305.0		325.0	328.0	-23.0	210.0	212.0	93.0
Uruguay CFH 90CL, E. Coast	UNQ		UNQ		N/A	UNQ		N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	265.0	270.0	280.0	284.0	-14.0	187.0	188.0	82.0
80 CL Trimmings	240.0	245.0	260.0	265.0	-20.0	UNQ		N/A
75 CL Trimmings	UNQ		UNQ		N/A	UNQ		N/A
65 CL Trimmings	UNQ		UNQ		N/A	UNQ		N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	315.0	320.0	325.0	330.0	-10.0	285.0	290.0	30.0
Steer Insides 14/18	UNQ		UNQ		N/A	UNQ		N/A
Steer Flats	UNQ		UNQ		N/A	220.0	230.0	N/A
Steer Knuckles	290.0	300.0	300.0	305.0	-5.0	255.0	260.0	40.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year			Change from Last Year
	6-Dec-19			29-Nov-19				7-Dec-18			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<u>Domestic Cutouts</u>											
Choice Cutout	224.56			232.12			-7.6	214.29			10.3
Select Cutout	207.30			210.34			-3.0	200.50			6.8
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	211.6	272.0	241.3	220.5	272.0	242.1	-0.8	192.0	201.0	194.9	46.4
85 CL Beef Trimmings	188.6	227.0	214.9	205.0	225.0	215.1	-0.3	155.0	170.0	160.3	54.5
50 CL Beef Trim	43.0	84.0	70.7	63.0	88.5	76.4	-5.8	63.0	82.4	68.8	1.8
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	22.0	50.5	26.3	20.2	54.0	25.2	1.2	25.5	39.3	28.2	-1.9
72 CL Pork Trim	68.7	94.1	77.2	67.0	96.3	77.5	-0.3	34.5	67.3	50.3	26.8
<u>Point of Lean Values</u>											
90 CL Domestic	268.1			269.0			-0.9	216.5			51.5
50 CL Beef Trimming	141.3			152.8			-11.5	137.7			3.6
42 CL Pork Trim	62.7			59.9			2.7	67.2			-4.5
72 CL Pork Trim	107.2			107.6			-0.5	69.9			37.3
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	118.71			117.44			1.3	117.12			1.6

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From	
			Week	Week		Last Year	Last Year
	6-Dec-19	29-Nov-19			7-Dec-18		
<u>Live Cattle Futures</u>							
December '19	120.200	121.200	↓	-1.00	117.900	↑	2.30
February '20	124.975	126.200	↓	-1.22	121.525	↑	3.45
April '20	125.350	126.375	↓	-1.02	123.625	↑	1.73
June '20	117.150	117.725	↓	-0.57	115.100	↑	2.05
<u>Feeder Cattle Futures</u>							
January '20	141.550	142.275	↓	-0.72	144.375	↓	-2.82
March '20	141.675	143.025	↓	-1.35	141.875	↓	-0.20
April '20	143.775	144.975	↓	-1.20	142.525	↑	1.25
May '20	145.075	146.150	↓	-1.07	142.850	↑	2.23
<u>Corn Futures</u>							
December '19	366.500	371.250	↓	-4.75	374.000	↓	-7.50
March '20	376.750	381.250	↓	-4.50	385.500	↓	-8.75
May '20	382.500	385.750	↓	-3.25	392.750	↓	-10.25
July '20	386.750	390.250	↓	-3.50	399.250	↓	-12.50
<u>Ch Wheat Futures</u>							
December '19	532 1/2	547 1/2	↓	-15.00	519 1/2	↑	13.00
March '20	524 1/2	541 3/4	↓	-17.25	531 1/4	↓	-6.75
May '20	527 3/4	544 3/4	↓	-17.00	536	↓	-8.25
July '20	530	542 3/4	↓	-12.75	540	↓	-10.00

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	7-Dec-19	30-Nov-19			8-Dec-18		
Total Cattle Slaughter	679,000	553,000	↑	126,000	669,000	↑	10,000
	23-Nov-19	16-Nov-19			24-Nov-18		
Total Cow Slaughter	135,649	133,305	↑	2,344	101,100	↑	34,549
Dairy Cow Slaughter	64,305	61,219	↑	3,086	50,900	↑	13,405
Beef Cow Slaughter	71,344	72,086	↓	-742	50,200	↑	21,144

TABLE 7 - US BEEF IMPORTS (Source: USDA/AMS)

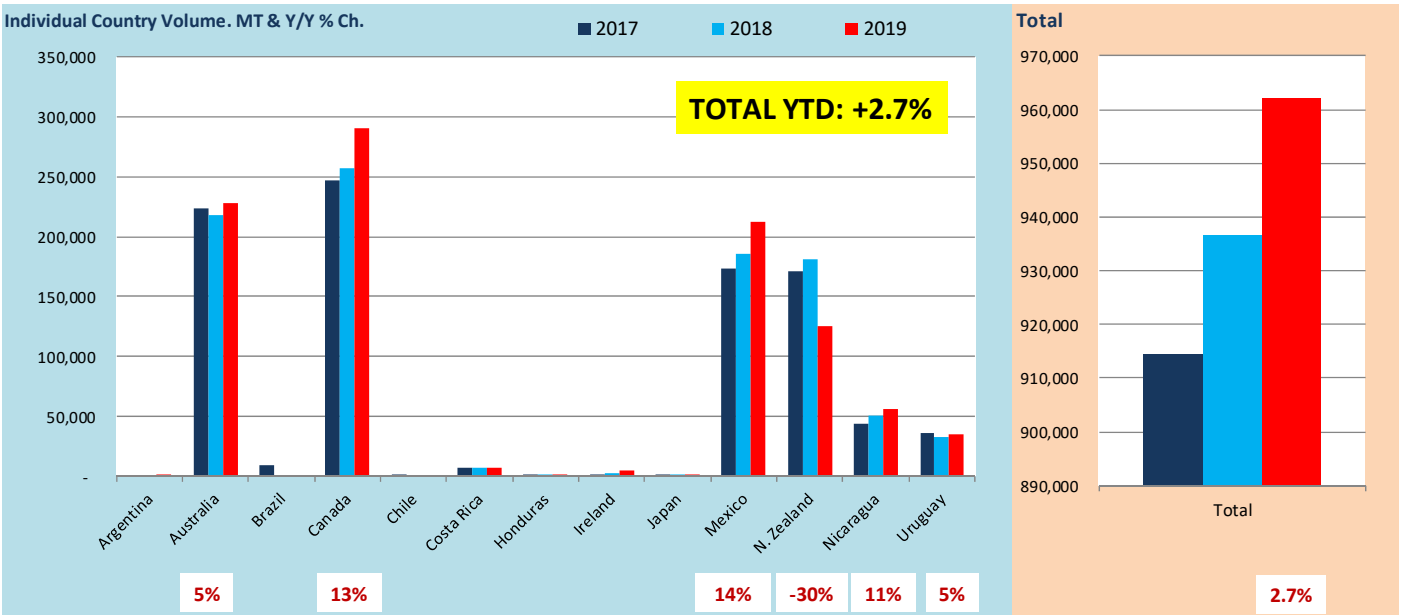
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 48	12/1/2018	11/30/2019		
Argentina	-	1,103		
Australia	217,720	227,729	10,009	4.6%
Brazil	-	-	-	
Canada	256,805	290,796	33,991	13.2%
Chile	-	-	-	
Costa Rica	7,517	7,403	(114)	-1.5%
France	-	-	-	
Honduras	1,694	849	(845)	-49.9%
Ireland	2,686	5,111	2,425	90.3%
Japan	377	420	43	11.4%
Mexico	185,645	211,919	26,274	14.2%
Netherlands	-	-	-	
New Zealand	180,710	125,902	(54,808)	-30.3%
Nicaragua	50,454	55,907	5,453	10.8%
Spain	-	-	-	
Uruguay	33,059	34,828	1,769	5.4%
Total	936,667	961,967	25,300	2.7%

Source: AMS - USDA

US Fresh/Frozen Beef Imports. Metric Ton. Data Source: USDA/Agricultural Marketing Service

Imports as of November 30, 2019

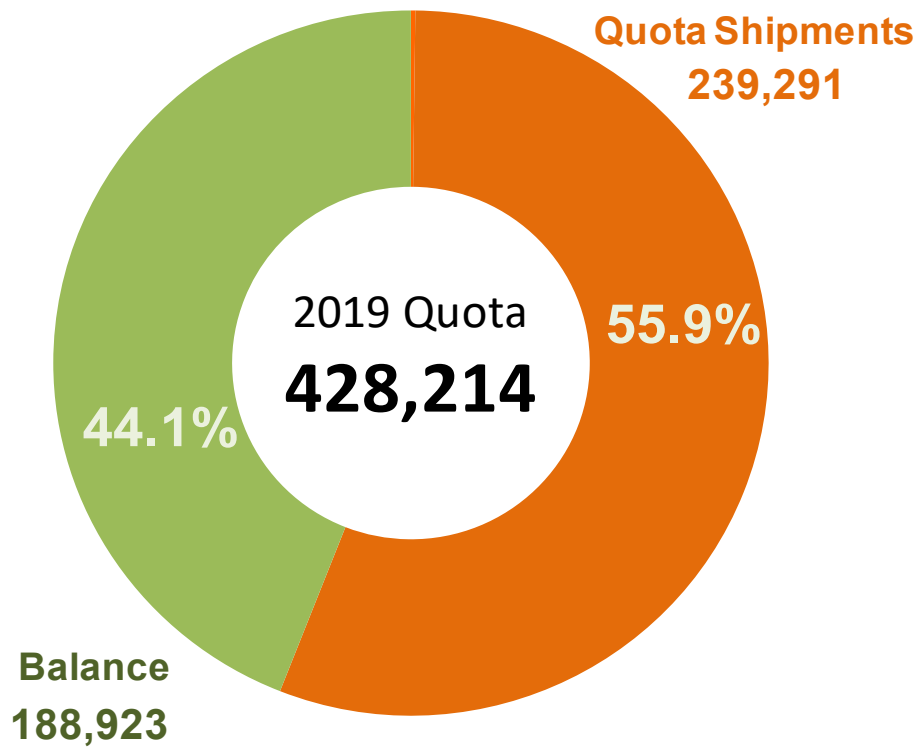


Note: USDA did not publish updated export data for last week.

Australian Beef Quota Position

28-Nov-19

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending December 2. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting

