



# US Imported Beef Market

## A Weekly Update

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### Market Highlights for the Week:

- US beef exports in May were up almost 20% from a year ago while the value of exports was up 27%, evidence of excellent global beef demand
- US Free Trade Agreement with South Korea has helped bolster exports to that market, with May shipments up by more than 50% from a year ago
- Imports from Central America are higher this year and Mexico has become a central player in the US imported beef market
- US beef imports from New Zealand were up 29% in May bolstering the supply of imported grinding beef and pressuring imported beef prices vs. domestic beef
- US slaughter numbers were down last week due to the holiday but fed and non-fed slaughter continues to run above year ago levels
- Seasonally beef prices decline in July and August as retailers shift to lower priced protein features and hot weather negatively impacts grilling demand
- Fat beef trim prices lower as ground beef demand slides
- US pork supplies are expected to once again hit record levels in Q4 even as trade picture gets cloudier.

### Imported Market Activity for the Week

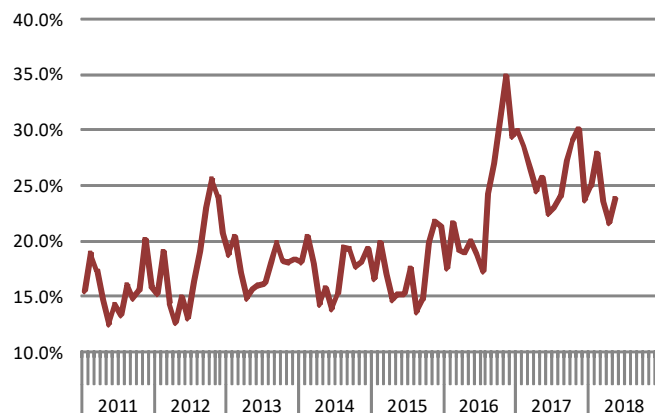
Imported beef prices were mostly steady this week but current values are notably lower than they were in early May. Softer seasonal demand at retail, sharply lower domestic ground beef prices and ample spot imported beef supplies continue to put downward pressure on prices. A number of market participants indicated that they are finding it difficult to draw bids even at current lower levels. End users appear content to sit on the side-

lines in the near term. The bids that do exist are often at levels that traders and importers cannot cover in Australia and New Zealand. Prices for imported beef cuts, especially rounds and flats, are steady. Domestic product is now much more competitive and buyers do not feel compelled to chase imported product at this time. On the other hand overseas packers see no reason to try and push more product into the US given excellent demand in Asian markets, especially China.

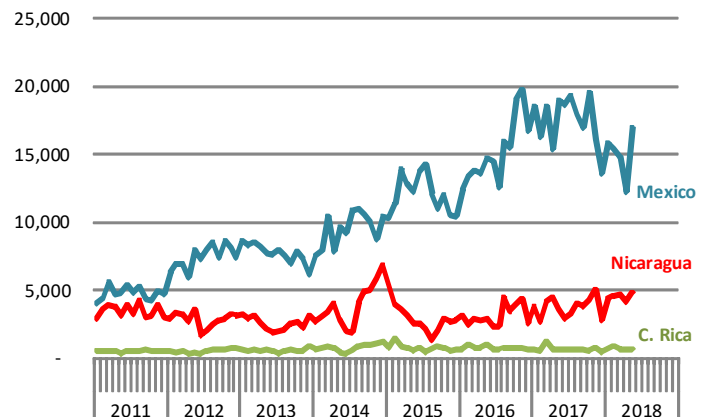
### Position of Imported Beef from Mexico and Central America in US Market

Data source: USDA-FAS. Volume data is in shipped weight terms and metric ton.

**Mexico + Central America Imports as % of Total US Beef Imports**  
% of total shipments, including cooked beef



**USA Monthly Beef Imports from Mexico, Nicaragua and Costa Rica**  
Metric Ton. Shipped Weight. USDA/FAS

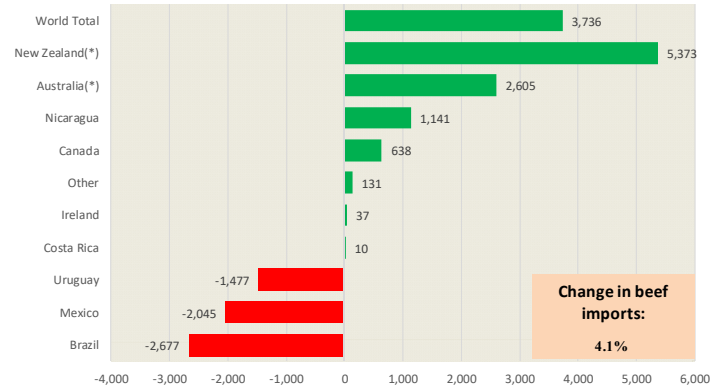


Main topics for the week:

- USDA issued its official trade data for the month of May. Total US beef exports were dramatically higher thanks to excellent demand in Asian markets, particularly South Korea. Lower tariffs in that market, thanks to the Korea-US Free Trade Agreement, and strong consumer demand have bolstered US shipments. **Total US beef exports in May were 89,823 MT, 19.6% higher than the previous year.** Exports to South Korea in May were 19,736 MT, a 50% increase compared to a year ago. Japan remains the top market for US beef exports, with May exports at 25,735 MT, 21% higher than a year ago. Exports to Mexico for the month were 11,632 MT, 5% higher than last year while exports to Canada at 9,875MT were 26% higher than a year ago. Weekly export data indicates that we should see double digit increases in US beef exports in June as well.
- US imports of fresh/frozen and cooked beef in May were 94,499 MT, 4.1% higher than a year ago. The top chart to the right shows the contribution to the growth in May imports by country. New Zealand cattle slaughter rose sharply in April, in line with the seasonal tendency but well above the slaughter levels in the prior year. As a result, the volume of beef imports from New Zealand in May shows a notable improvement from the previous year. Total imports from New Zealand for the month were 23,903 MT, 29% higher than the previous year. The weakness in imported beef values relative to domestic prices can be traced back to the surge in New Zealand shipments in that month.
- The two charts on page 1 illustrate the role of imported beef from Mexico and Central America in the US market. We think much of Mexican beef is beef cuts that are priced at a discount to domestic choice beef. As a result, we do not see Mexico as a direct competitor with Australian or New Zealand grinding beef. On the other hand, a lot of Central American beef coming to the US is grinding product that is priced at a discount to product from Australia and New Zealand. May imports from Nicaragua were 4,771 MT, some 1,140 MT (+31%) higher than the previous year. Imports from Costa Rica at 628 MT were only slightly higher than the previous year. The table on page 6 offers the most current data from beef imports

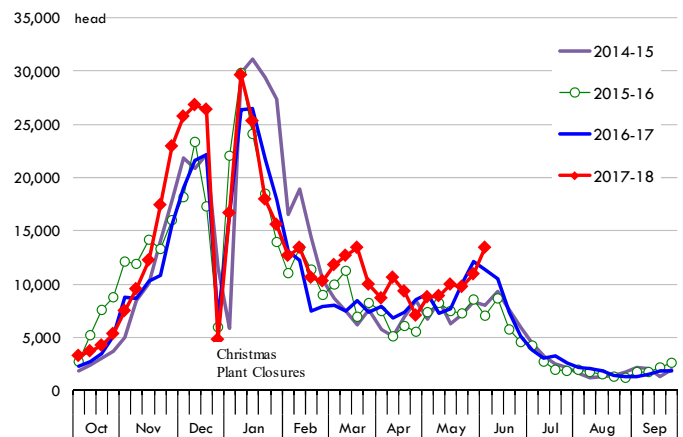
Y/Y Ch. in May. 18 vs. May 17 US Beef and Veal Imports, MT

Source: USDA/FAS Data in MT, Product Weight Basis



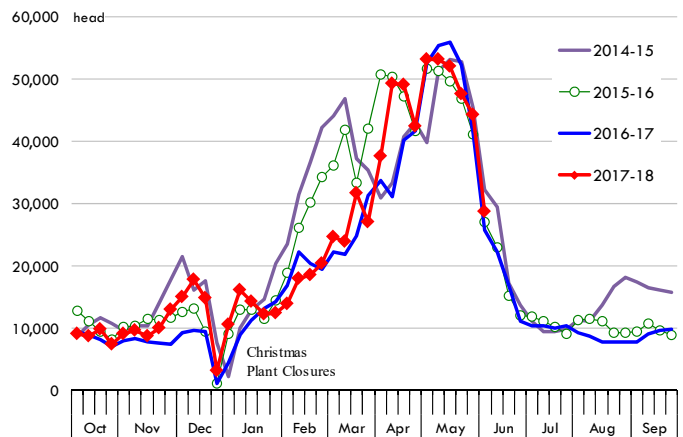
New Zealand Weekly Bull Slaughter

Based on Oct - Sep Marketing Year. Source: New Zealand Meat Board



New Zealand Weekly Cow Slaughter

Based on Oct - Sep Marketing Year. Source: New Zealand Meat Board



from Central America. However, keep in mind that the AMS data is still preliminary. Based on that data set, through the first six months of the year US beef imports from Nicaragua were a total of 26,300 MT, 14% higher than the previous year. Beef from Central American countries enters under the quota allocated to MFN countries. However, once the quota allocation of 64,805

MT is filled, additional quota becomes available under the US-Central America free trade agreement. The attached table was prepared by USDA in reviewing current US tariffs on imported beef. For those that want more details on this topic we would recommend reading the USDA article following the link under the attached table.

CAFTA-DR Tariff Rate Quotas			
Partners	2015 U.S. Beef Imports		FTA TRQs (2016)
	Million US	Tons	Tons
Costa Rica	\$46	9,234	15,556
Dominican Republic	\$0	0	2,520
El Salvador	\$0	0	155
Guatemala	\$0	0	0
Honduras	\$6	1,140	775
Nicaragua	\$177	34,883	15,500
<b>Total</b>	<b>\$229</b>	<b>45,256</b>	<b>34,506</b>

Sources: FAS Global Agricultural Trade System; U.S. International Trade Commission Harmonized Tariff Schedule, 2015

For now we do not think the increase in beef from Nicaragua and other Central American countries is enough to trigger out of quota tariffs. Last year there was a lot of talk about imports from Central America once Brazil was granted access. That speculation was short lived as US officials banned all imports of fresh Brazilian product due to non compliance with US standards. At this point there is no clear timeline for resumption. Also, there is no clear timeline for resumption of beef imports from Argentina. This is an election year and we think political calculations in this time of heightened trade sensitivities may impact the decision to resume trade with Brazil and Argentina.

Web Link to USDA Import Tariff Article: <https://goo.gl/nkw4cL>

December 2018 Lean Hog Futures



- Competing protein supplies are expected to be record large in the second half of the year due to a sharp increase in the production base for pork and chicken. We think of the production base as the number of breeding animals that are currently in the pipeline. The USDA ‘Hogs and Pigs’ report indicated that the US hog breeding herd on June 1 was a little over 6.3 million animals. This was a shocking 3.5% increase from the previous year when most analysts were calling for a 1.5 to 1.8% increase. Indeed, with low pork/hog prices in the spring and mounting trade access concerns, there was some expectations that maybe producers would start to slow down the rate of expansion. Instead, the data showed that producers added a lot of sows to the breeding herd, which is now at the highest level in 20 years. US pork supplies last fall were record large and the recent inventory data shows that production this year will exceed those record levels by more than 4%. Mexico has slapped a tariff of 25% on US pork while US pork exports to China may face a cumulative tariff of as much as 80% (multiple tariffs have been announced recently). Exports

represent 22% of US pork production and it appears more product will have to be jammed into domestic channels. Hog futures have responded negatively to this, with the December lean hog contract down 17% since March. Additionally broiler producers have been expanding the breeding stock. The broiler hatching flock is currently 5% higher than a year ago and at all time record levels. Low feed costs in the last three years have contributed to the growth in US meat protein supplies and potential disruptions to trade may push more product into the domestic market.

# 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-Jul-18	28-Jun-18		4-Jul-17	
CME FEEDER CATTLE INDEX	145.15	142.00	2.2%	147.53	-1.6%
	6-Jul-18	29-Jun-18		7-Jul-17	
FED STEER (5-MKT AVG)	107.27	107.45	-0.2%	118.70	-9.6%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	109.00	106.50	2.3%	123.00	-11.4%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	113.50	111.50	1.8%	131.00	-13.4%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	106.50	105.50	0.9%	120.00	-11.3%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	175.98	176.38	-0.2%	154.79	13.7%

### 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-Jul-18		29-Jun-18			7-Jul-17		
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	208.0	211.0	208.0	210.0	1.0	241.0	244.0	-33.0
<b>90 CL Blended Cow</b>	190.0	195.0	190.0	193.0	2.0	225.0	230.0	-35.0
<b>90 CL Shank</b>	194.0	195.0	195.0	197.0	-2.0	215.0	218.0	-23.0
<b>85 CL Fores</b>	183.0	184.0	184.0	185.0	-1.0	208.0	210.0	-26.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	208.0	209.0	207.0	208.0	1.0	239.0	242.0	-33.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, CIF</u></b>								
<b>85 CL Trimmings</b>	182.0	183.0	182.0	183.0	0.0	208.0	209.0	-26.0
<b>80 CL Trimmings</b>	173.0	175.0	175.0	176.0	-1.0		187.0	-12.0
<b>75 CL Trimmings</b>		UNQ		UNQ	N/A	171.0	175.0	N/A
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A		135.0	N/A
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	275.0	280.0	275.0	280.0	0.0	280.0	285.0	-5.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		220.0		220.0	0.0		UNQ	N/A
<b>Steer Knuckles</b>	240.0	245.0	240.0	245.0	0.0	250.0	255.0	-10.0

**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-Jul-18		29-Jun-18			7-Jul-17		
<b><i>US East Coast Australian/NZ Lean, FOB US Port</i></b>								
<b>95 CL Bull, E. Coast</b>	219.0	220.0	218.0	220.0	0.0	248.0	249.0	-29.0
<b>90 CL Blended Cow</b>	203.0	204.0	202.0	204.0	0.0	232.0	233.0	-29.0
<b>90 CL Shank</b>	206.0	208.0	207.0	208.0	0.0	224.0	225.0	-17.0
<b>85 CL Fores</b>	191.0	192.0	190.0	192.0	0.0	215.0	217.0	-25.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	217.0	218.0	217.0	218.0	0.0	247.0	248.0	-30.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><i>US East Coast, Trimmings, FOB US Port</i></b>								
<b>85 CL Trimmings</b>	190.0	191.0		190.0	1.0	213.0	215.0	-24.0
<b>80 CL Trimmings</b>	183.0	184.0	183.0	184.0	0.0	194.0	195.0	-11.0
<b>75 CL Trimmings</b>	178.0	179.0	176.0	178.0	1.0	179.0	180.0	-1.0
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A	142.0	143.0	N/A
<b><i>US East Coast Australian Cuts, FOB US Port</i></b>								
<b>Cap Off Steer Insides</b>	280.0	285.0		285.0	0.0	289.0	290.0	-5.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		225.0		225.0	0.0		UNQ	N/A
<b>Steer Knuckles</b>	250.0	255.0	250.0	255.0	0.0	260.0	265.0	-10.0

**TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES**

	Current Week			Prior Week			Change From Last Week	Last Year	Change from Last Year		
	Low	High	Wt.Avg	Low	High	Wt.Avg					
	<b>6-Jul-18</b>			<b>29-Jun-18</b>				<b>7-Jul-17</b>			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<b><u>Domestic Cutouts</u></b>											
<b>Choice Cutout</b>		208.03			211.96		-3.9		222.58		-14.6
<b>Select Cutout</b>		198.71			198.57		0.1		205.32		-6.6
<b><u>Domestic Lean Grinding Beef</u></b>											
<b>90 CL Boneless</b>	219.8	225.0	220.9	219.0	225.0	220.4	-0.6	230.7	238.0	232.2	11.3
<b>85 CL Beef Trimmings</b>	186.8	200.0	191.1	188.0	202.0	191.7	0.6	195.5	214.8	204.0	12.9
<b>50 CL Beef Trim</b>	71.7	71.7	63.3	71.7	71.7	62.7	-0.6	110.1	110.1	100.8	37.6
<b><u>Domestic Pork Trim</u></b>											
<b>42 CL Pork Trim</b>	70.0	90.3	83.0	60.0	94.6	73.5	-9.5	57.0	77.3	66.9	-16.2
<b>72 CL Pork Trim</b>	73.0	109.0	83.7	75.4	105.3	88.5	4.8	87.1	99.0	93.5	9.8
<b><u>Point of Lean Values</u></b>											
<b>90 CL Domestic</b>		245.5			244.8		0.6		258.0		-12.6
<b>50 CL Beef Trimming</b>		126.5			125.3		1.2		201.6		-75.1
<b>42 CL Pork Trim</b>		197.6			175.0		22.6		159.2		38.5
<b>72 CL Pork Trim</b>		116.3			122.9		-6.6		129.8		-13.6
<b><u>National Direct Fed Steer price)</u></b>		107.27			107.45		-0.2		118.70		-11.4

**TABLE 5 – FUTURES AND SLAUGHTER INFORMATION**

<i>Futures Contracts</i>	<i>Current Week</i>	<i>Prior Week</i>	<i>Change From Last Week</i>		<i>Last Year</i>	<i>Change From Last Year</i>	
	<b>6-Jul-18</b>	<b>29-Jun-18</b>			<b>7-Jul-17</b>		
<b><u>Live Cattle Futures</u></b>							
<i>August '18</i>	106.375	106.375	↓	0.00	113.550	↓	-7.18
<i>October '18</i>	109.625	109.625	↓	0.00	112.825	↓	-3.20
<i>December '18</i>	113.700	113.700	↓	0.00	113.525	↑	0.17
<i>February '19</i>	116.525	116.525	↓	0.00	114.325	↑	2.20
<b><u>Feeder Cattle Futures</u></b>							
<i>August '18</i>	152.200	152.200	↓	0.00	142.225	↑	9.97
<i>September '18</i>	152.275	152.275	↓	0.00	142.725	↑	9.55
<i>October '18</i>	152.150	152.150	↓	0.00	142.275	↑	9.88
<i>November '18</i>	152.025	152.025	↓	0.00	142.275	↑	9.75
<b><u>Corn Futures</u></b>							
<i>July '18</i>	351 3/4	351 3/4	↓	0.00	381 3/4	↓	-30.00
<i>September '18</i>	360 1/4	360 1/4	↓	0.00	392	↓	-31.75
<i>December '18</i>	373	373	↓	0.00	404	↓	-31.00
<i>March '19</i>	383 1/4	383 1/4	↓	0.00	413 1/4	↓	-30.00
<b><u>Ch Wheat Futures</u></b>							
<i>July '18</i>	512 3/4	512 3/4	↓	0.00	539 1/4	↓	-26.50
<i>September '18</i>	515 1/4	515 1/4	↓	0.00	560	↓	-44.75
<i>December '18</i>	530	530	↓	0.00	580	↓	-50.00
<i>March '19</i>	543 3/4	543 3/4	↓	0.00	593 1/2	↓	-49.75

<i>Slaughter Information</i>	<i>7 Days Ending</i>	<i>7 Days Ending</i>	<i>Change From Last Week</i>		<i>7 Days Ending</i>	<i>Change From Last Year</i>	
	<b>7-Jul-18</b>	<b>30-Jun-18</b>			<b>8-Jul-17</b>		
<b><u>Total Cattle Slaughter</u></b>	562,000	646,000	↓	-84,000	547,000	↑	15,000
	<b>23-Jun-18</b>	<b>16-Jun-18</b>			<b>24-Jun-17</b>		
<b><u>Total Cow Slaughter</u></b>	113,406	116,946	↓	-3,540	109,748	↑	3,658
<b><u>Dairy Cow Slaughter</u></b>	53,199	54,959	↓	-1,760	53,242	↓	-43
<b><u>Beef Cow Slaughter</u></b>	60,207	61,987	↓	-1,780	56,506	↑	3,701



# TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

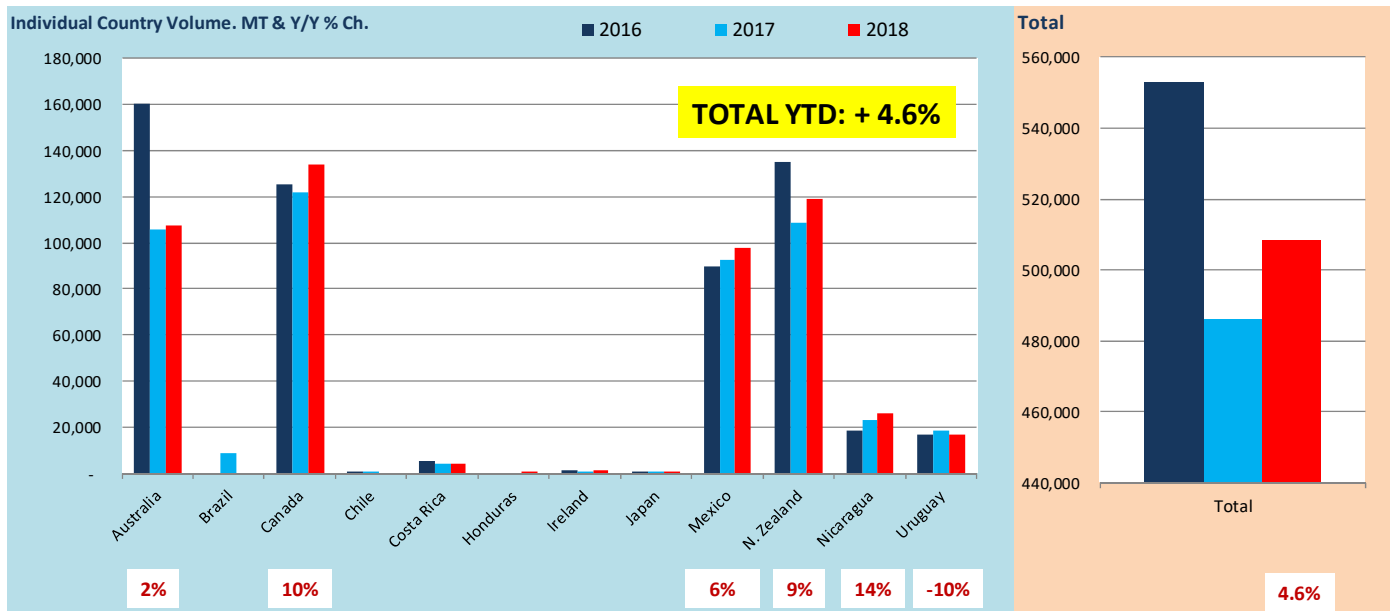
## YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 26	7/1/2017	6/30/2018		
Australia	105,774	107,612	1,838	1.7%
Brazil	8,951	-	(8,951)	-100.0%
Canada	122,074	134,146	12,072	9.9%
Chile	202	-	(202)	-100.0%
Costa Rica	4,443	4,221	(222)	-5.0%
France	-	-	-	
Honduras	-	983	983	
Ireland	1,040	1,251	211	20.3%
Japan	209	260	51	24.4%
Mexico	92,618	98,003	5,385	5.8%
Netherlands	-	-	-	
New Zealand	108,885	118,839	9,954	9.1%
Nicaragua	23,080	26,301	3,221	14.0%
Spain	-	-	-	
Uruguay	18,589	16,789	(1,800)	-9.7%
<b>Total</b>	<b>486,024</b>	<b>508,404</b>	<b>22,380</b>	<b>4.6%</b>

Source: AMS - USDA

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

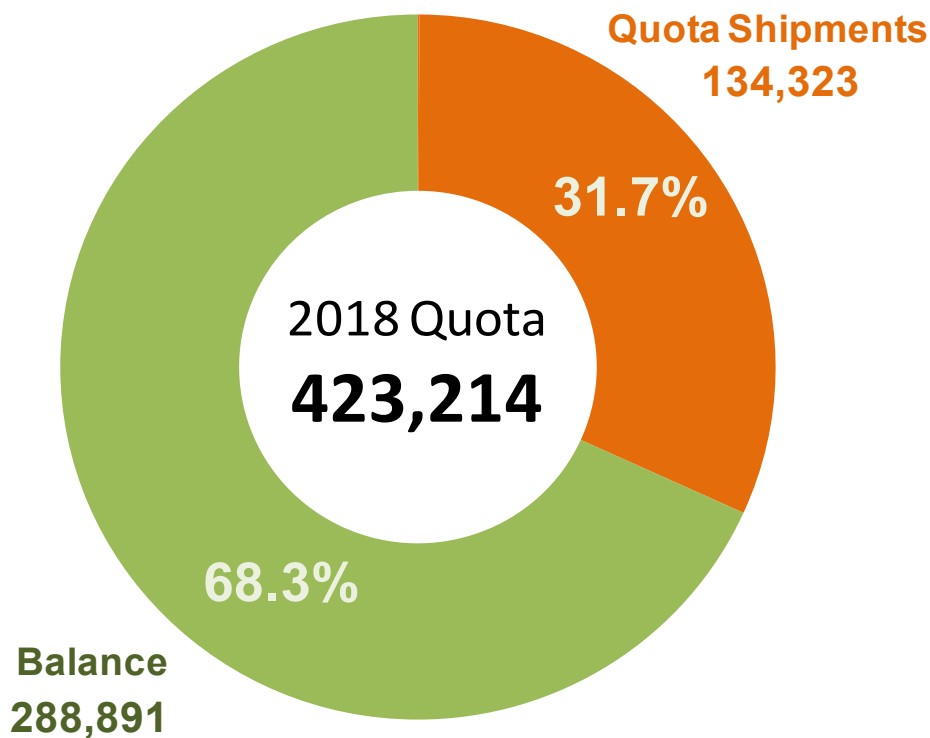
Imports as of June 30, 2018



# Australian Beef Quota Position

5-Jul-18

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending July 6

Source: US Customs

