



# US Imported Beef Market

## A Weekly Update

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### Market Highlights for the Week:

- China and Mexico tariffs weigh on pork prices for fall and winter months. Lower prices for competing meats could negatively impact ground beef values in the second half of the year
- The combined supply of beef, pork, chicken and turkey in cold storage at the end of June was 2.460 million pounds, 4.9% higher than a year ago and 9.3% higher than the five year average.
- US non-fed cattle slaughter for the week ending July 28 was estimated at 129,000 head, up 10.2% compared to a year ago
- Fed cattle slaughter last week was estimated at 511,000 head, just 0.2% higher than a year ago. In the last two weeks slaughter has been only 0.9% higher than last year.
- Australian beef exports for July are on track to be up 18% compared to a year ago but most of the increase is expected to go to Asian markets, especially China.

### Imported Market Activity for the Week

Imported beef prices lost ground last week as importers and traders struggled to draw bids and had to offer modest discounts to move product. While it remains especially difficult to find replacement product that corresponds to current US prices, traders for the moment will look to work some of the additional volume that materialized at the end of June and early July. However, the sea-

sonal decline in New Zealand slaughter is finally here and supplies from there will likely remain minimal through the end of September. Australian offerings remain especially thin. Strong demand in Asian markets has absorbed much of the increase in meat supplies during the last three months and we think that was again the case this month (see discussion on page 2). US end users remain reluctant bidders, recognizing the seasonal tendency for US cow meat supplies to increase in

Evolution of the December 2018 Lean Hog Futures Contract. CME Daily Futures Prices. US\$/cwt.



the fall. Lean domestic prices have been relatively large this summer but that has done little to impact the price of domestic 90CL beef, which now is trading as much as 15 cents above imported values. Retailers and foodservice operators have had to compete vigorously for fresh lean beef supplies this summer, helping bolster prices. The expectation/hope is that retail demand will start to taper off after Labor Day (first Monday in September). The seasonal decline in grilling demand, increased competition from other proteins and large cow slaughter should weigh on lean grinding beef values. At least that is the expectation. The result is a dearth of bids from US processors. The market for imported beef cuts has also been quite difficult to establish. Prices paid in other markets remain well above domestic values. The seasonal decline in New Zealand product availability will further limit activity in this part of the complex.

**Key Market Factors**

- Escalating US trade war with China has pressured pork prices in the near term and prices are expected to stay weak through the fall and winter. Latest USDA forecast suggested that US pork production in Q4 could be 6.3% higher than the all time record levels registered a year ago. Already pork prices have come under pressure. End users are especially bearish and this has impacted trading activity in the near term. The tendency right now is to liquidate inventories and the effect is a sharp decline in near term demand. For now the impact on ground beef prices has been somewhat limited but it could become more of an issue later this fall. We expect a fair amount of pork featuring after Labor Day, which combined with the seasonal decline in grilling demand, could negatively impact ground beef prices.
- Drought conditions in key production regions of Australia have pushed more cattle to market. Slaughter for the week ending July 20 was up 8.5% compared to a year ago. Slaughter in Queensland, the largest beef producing region, was up 12.6% for the week. The increase in slaughter has bolstered Australian beef exports. We currently expect total Australian beef exports in July to surpass 109,000 MT, 16,700 MT or 18% more than a year ago. But as the chart to the right illustrates, most of the increase is expected to go to other markets, espe-

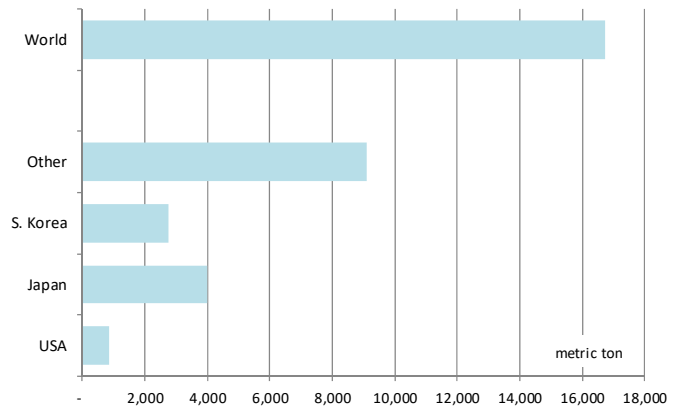
**Weekly Australian Cattle Slaughter by Region**

Data Source: Meat and Livestock Australia

	20-Jul-18	13-Jul-18	% Ch. vs Last Wk.	21-Jul-17	% Ch. vs Last Yr.
<b>Queensland</b>	78,741	78,108	0.8%	69,935	12.6%
<b>NSW</b>	34,109	31,307	9.0%	31,936	6.8%
<b>Victoria</b>	22,772	22,880	-0.5%	20,742	9.8%
<b>SA</b>	4,614	4,540	1.6%	6,445	-28.4%
<b>Tasmania</b>	4,858	4,874	-0.3%	4,609	5.4%
<b>TOTAL</b>	<b>145,094</b>	<b>141,709</b>	<b>2.4%</b>	<b>133,667</b>	<b>8.5%</b>

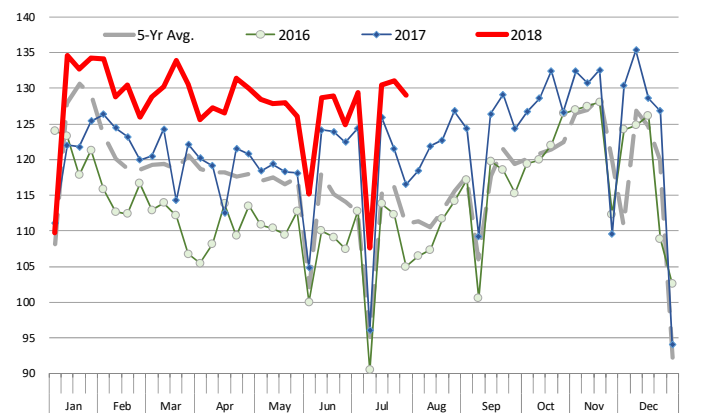
**Projected Y/Y Increase in Australian Beef Exports. July 2018 vs. 17**

Data Source: Actual data through July 26 and



**WEEKLY COW & BULL SLAUGHTER. '000 HEAD**

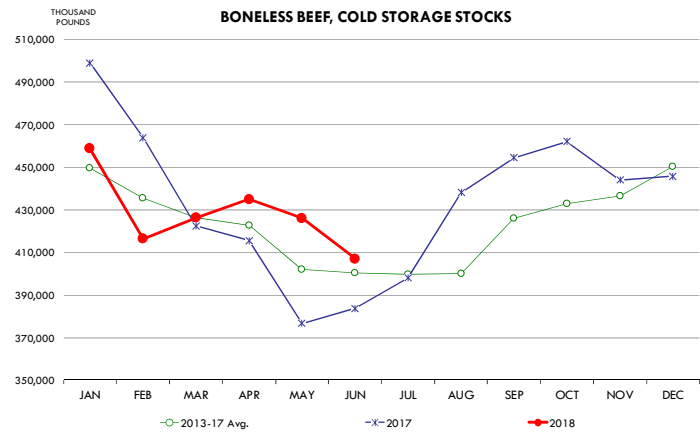
Source: USDA



cially China. China beef demand has been a key driver for global beef prices so far this year. Tariff war with the US so far has not been a factor. The main risk, in our view, is the impact that escalating trade conflict may have on the Chinese

economy going forward. Chinese equity markets have declined since January, with the Shanghai index down 23%.

- US non-fed cattle slaughter for the week was estimated at 129,000 head, up 10.2% compared to a year ago. Cow and bull slaughter has averaged 7% above last year since April as higher cull cow supplies and drought push more cattle to slaughter. Seasonally cow slaughter increases in the fall and we expect that to be the case again this year.
- Fed cattle slaughter in the last two weeks has been lower than expected. For the week ending July 28, fed cattle slaughter was estimated at 511,000 head, just 0.2% higher than a year ago. In the last two weeks slaughter has been only 0.9% higher than last year. Feedlot inventories are running about 4% higher than last year and the supply of cattle that have been on feed for more than 120 days is about 28% higher than a year ago. Feedlots should be incentivized to market cattle more aggressively in August. Packers certainly seem to think so, limiting the number of cattle that they have contracted for delivery in August and September. The big unknown for packers will be beef demand. If retailer opt to continue to feature beef aggressively into Labor Day, then they will have little choice but to come and try to buy more cattle in the cash market and bolster prices.
- The combined supply of beef, pork, chicken and turkey in cold storage at the end of June was 2.460 million pounds, 4.9% higher than a year ago and 9.3% higher than the five year average. While it was somewhat surprising that cold storage stocks declined in June, it was not unprecedented. In the last five years June stocks have declined an average of 0.5% from the previous month. Beef clearance appears to have been quite good in June. Strong exports and ample holiday features likely helped draw down inventories during the month. Inventories declined despite an increase in beef production. Beef exports continue to perform very well and this has bolstered outflow of product from warehouses to export destinations. Boneless beef stocks were 407.1 million pounds, 4.5% lower than the previous year. They remain 6% higher than last year and 1.7% higher than the five year average. We saw the price of 50CL beef trim drop sharply last month, in part because end users opted to draw down invento-



ries, expecting possibly even lower prices in July and August. They may have been a bit premature in this. Recently the price of 50CL beef has rebounded by 15%. Beef inventories should start to increase in the fall, in part because end users start to prepare for yearend holidays. There was a lot of anticipation about the level of pork in cold storage at the end of the month. We think the expectation for a surge in pork inventories, at least during the summer months, was overblown. Total pork inventories at the end of last month were 560 million pounds, just 0.2% higher than last year and 2.9% lower than a year ago. Why the decline? End users are looking at the same set of information as everyone else. They expect pork supplies to increase in the second half of the year and so the incentive is to try and draw down inventories as much as possible. Prices for pork trim were sharply higher last month, which also incentivized those with inventories to draw them down. Keep in mind that pork production is at the lowest annual level in June and July so this is not the time of year when inventories increase. But the key factor in our mind is that end users see limited price risk potential and thus have opted to limit the amount of pork they keep in storage.

# 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
	26-Jul-18	19-Jul-18		25-Jul-17	
CME FEEDER CATTLE INDEX	149.57	148.02	1.0%	151.57	-1.3%
	27-Jul-18	20-Jul-18		28-Jul-17	
FED STEER (5-MKT AVG)	112.49	110.48	1.8%	119.22	-5.6%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	109.00	109.00	0.0%	120.50	-9.5%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	109.00	109.00	0.0%	129.50	-15.8%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	104.50	101.50	3.0%	120.00	-12.9%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	172.48	176.08	-2.0%	154.79	11.4%

### 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
	27-Jul-18	210.0	20-Jul-18	211.0		28-Jul-17	234.0	
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	208.0	210.0	209.0	211.0	-1.0	230.0	234.0	-24.0
<b>90 CL Blended Cow</b>	191.0	194.0	194.0	195.0	-1.0	210.0	214.0	-20.0
<b>90 CL Shank</b>	193.0	195.0	195.0	197.0	-2.0	207.0	208.0	-13.0
<b>85 CL Fores</b>	181.0	182.0	183.0	184.0	-2.0	202.0	203.0	-21.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	208.0	209.0	208.0	210.0	-1.0	230.0	231.0	-22.0
<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>	180.0	181.0	182.0	183.0	-2.0	200.0	202.0	-21.0
<b>80 CL Trimmings</b>	168.0	171.0	173.0	174.0	-3.0	178.0	180.0	-9.0
<b>75 CL Trimmings</b>	165.0	167.0	167.0	168.0	-1.0	167.0	168.0	-1.0
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A	125.0	127.0	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	270.0	275.0	5.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Knuckles</b>	235.0	240.0	235.0	240.0	0.0	245.0	250.0	-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
	27-Jul-18		20-Jul-18			28-Jul-17		
<b><i>US East Coast Australian/NZ Lean, FOB US Port</i></b>								
<b>95 CL Bull, E. Coast</b>	216.0	217.0	219.0	220.0	-3.0	240.0	243.0	-26.0
<b>90 CL Blended Cow</b>	200.0	202.0	204.0	206.0	-4.0	220.0	221.0	-19.0
<b>90 CL Shank</b>	203.0	204.0	206.0	207.0	-3.0	217.0	218.0	-14.0
<b>85 CL Fores</b>	189.0	190.0	190.0	191.0	-1.0	209.0	210.0	-20.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	215.0	216.0	218.0	219.0	-3.0	240.0	241.0	-25.0
<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>	188.0	189.0	189.0	190.0	-1.0	208.0	209.0	-20.0
<b>80 CL Trimmings</b>	179.0	180.0	181.0	183.0	-3.0	189.0	190.0	-10.0
<b>75 CL Trimmings</b>		174.0	175.0	176.0	-2.0	177.0	178.0	-4.0
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A	134.0	135.0	N/A
<b><i>US East Coast Australian Cuts, FOB US Port</i></b>								
<b>Cap Off Steer Insides</b>	280.0	285.0		UNQ	N/A	280.0	285.0	0.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Knuckles</b>		250.0		UNQ	N/A	250.0	255.0	-5.0

**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		Low	High	Wt.Avg	
	<b>27-Jul-18</b>			<b>20-Jul-18</b>				<b>28-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>	205.14			204.17			1.0	207.07			-1.9
<b>Select Cutout</b>	198.27			197.00			1.3	197.87			0.4
<b><u>Domestic Lean Grinding Beef</u></b>											
<b>90 CL Boneless</b>	215.0	223.0	217.3	216.0	225.5	218.5	-1.3	231.0	238.0	233.6	-16.3
<b>85 CL Beef Trimmings</b>	145.0	195.0	179.5	173.0	198.0	185.7	-6.2	202.0	217.0	203.8	-24.4
<b>50 CL Beef Trim</b>	80.8	80.8	73.3	80.5	80.5	71.1	2.2	107.1	107.1	89.6	-16.4
<b><u>Domestic Pork Trim</u></b>											
<b>42 CL Pork Trim</b>	37.6	66.5	43.6	50.0	78.1	59.0	-15.3	63.0	79.3	68.9	-25.3
<b>72 CL Pork Trim</b>	43.0	81.8	52.7	49.8	94.8	62.3	-9.6	93.0	99.4	97.2	-44.5
<b><u>Point of Lean Values</u></b>											
<b>90 CL Domestic</b>	241.4			242.8			-1.4	259.5			-18.1
<b>50 CL Beef Trimming</b>	146.6			142.2			4.4	179.3			-32.7
<b>42 CL Pork Trim</b>	103.9			140.4			-36.5	164.1			-60.2
<b>72 CL Pork Trim</b>	73.1			86.5			-13.4	134.9			-61.8
<b><u>National Direct Fed Steer price)</u></b>	112.49			110.48			2.0	119.22			-6.7

**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
	<b>27-Jul-18</b>	<b>20-Jul-18</b>			<b>28-Jul-17</b>		
<b><u>Live Cattle Futures</u></b>							
August '18	108.625	108.925	↓	-0.30	114.300	↓	-5.68
October '18	110.475	110.250	↑	0.22	113.375	↓	-2.90
December '18	114.150	114.200	↓	-0.05	113.975	↑	0.18
February '19	117.375	118.050	↓	-0.67	115.625	↑	1.75
<b><u>Feeder Cattle Futures</u></b>							
August '18	152.300	153.675	↓	-1.38	146.475	↑	5.83
September '18	152.175	154.550	↓	-2.38	147.075	↑	5.10
October '18	152.750	154.775	↓	-2.03	146.525	↑	6.22
November '18	152.500	154.250	↓	-1.75	146.525	↑	5.97
<b><u>Corn Futures</u></b>							
September '18	362	355 1/4	↑	6.75	372 3/4	↓	-10.75
December '18	375 3/4	369	↑	6.75	386	↓	-10.25
March '19	386 3/4	380	↑	6.75	397 3/4	↓	-11.00
May '19	392 1/4	386 1/4	↑	6.00	402 3/4	↓	-10.50
<b><u>Ch Wheat Futures</u></b>							
September '18	531 1/4	516	↑	15.25	477 3/4	↑	53.50
December '18	550 3/4	533	↑	17.75	502 3/4	↑	48.00
March '19	566 3/4	548 3/4	↑	18.00	524	↑	42.75
May '19	573	557 1/2	↑	15.50	535 3/4	↑	37.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	<b>28-Jul-18</b>	<b>21-Jul-18</b>			<b>29-Jul-17</b>		
<b><u>Total Cattle Slaughter</u></b>	640,000	635,000	↑	5,000	627,000	↑	13,000
	<b>14-Jul-18</b>	<b>7-Jul-18</b>			<b>15-Jul-17</b>		
<b><u>Total Cow Slaughter</u></b>	119,879	99,413	↑	20,466	114,042	↑	5,837
<b><u>Dairy Cow Slaughter</u></b>	58,131	47,123	↑	11,008	57,379	↑	752
<b><u>Beef Cow Slaughter</u></b>	61,748	52,290	↑	9,458	56,663	↑	5,085



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

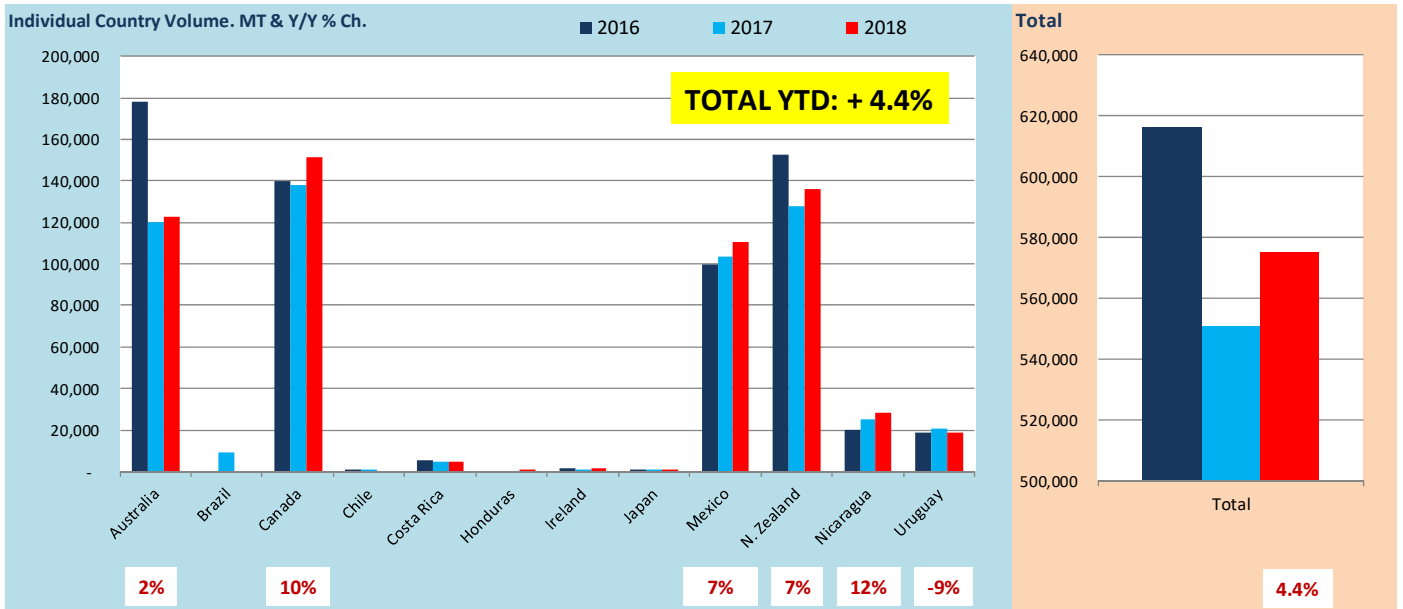
## YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 29	7/22/2017	7/21/2018		
Australia	119,837	122,578	2,741	2.3%
Brazil	8,995	-	(8,995)	-100.0%
Canada	138,176	151,529	13,353	9.7%
Chile	202	-	(202)	-100.0%
Costa Rica	4,845	4,715	(130)	-2.7%
France	-	-	-	
Honduras	-	1,030	1,030	
Ireland	1,164	1,387	223	19.2%
Japan	220	273	53	24.1%
Mexico	103,433	110,433	7,000	6.8%
Netherlands	228	-	(228)	-100.0%
New Zealand	127,540	135,958	8,418	6.6%
Nicaragua	25,399	28,348	2,949	11.6%
Spain	-	-	-	
Uruguay	20,754	18,880	(1,874)	-9.0%
<b>Total</b>	<b>550,850</b>	<b>575,131</b>	<b>24,281</b>	<b>4.4%</b>

Source: AMS - USDA

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

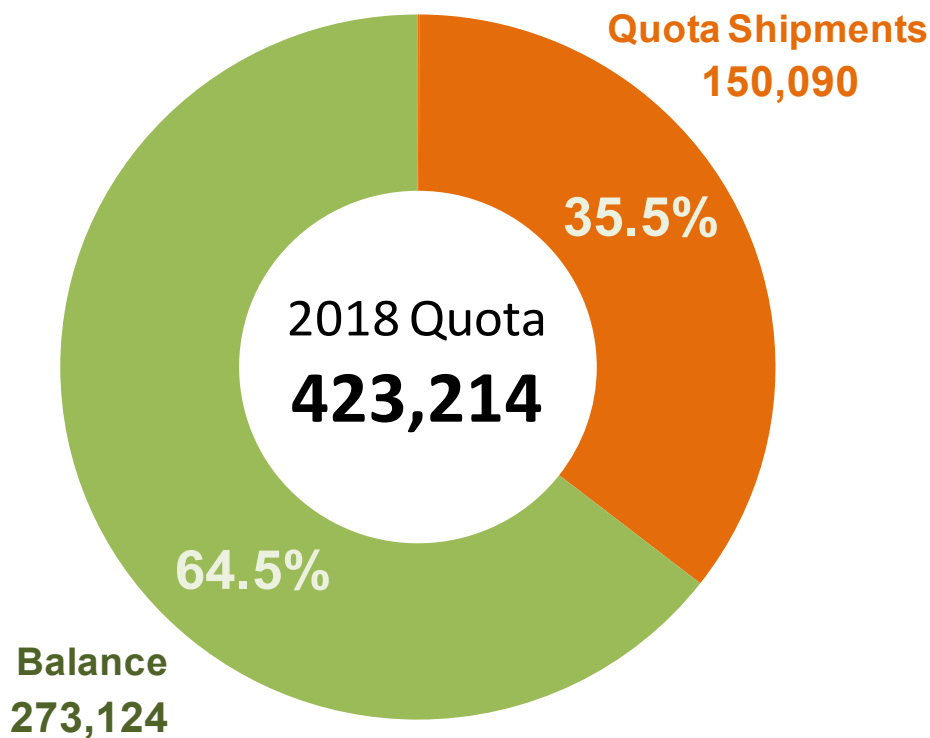
Imports as of July 21, 2018



# Australian Beef Quota Position

26-Jul-18

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending July 23

Source: US Customs

