



# US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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## Market Highlights for the Week:

- US imported beef prices drifted lower this week but volumes remain light and traders continue to find it difficult to replace product overseas.
- Fed cattle slaughter was higher this week as packers look to fill orders for Labor Day needs.
- Fat trim prices have increased sharply as spot supplies are limited and some end users are caught short following the sharp decline in June.
- Australian beef exports in August expected to be up as much as 8% and yet shipments to the US are on track to decline 10%.
- Outbreak of ASF in China and possibility that US and China may find agreement on trade caused hog futures to increase sharply last week.
- Spread of ASF in China could lead to significant supply disruptions and a decline in demand for pork, both factors that could bolster demand for beef in China.

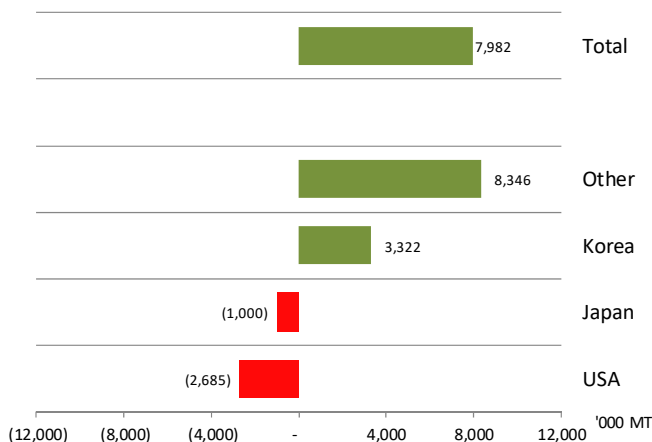
## Imported Market Activity for the Week

Imported beef prices drifted lower last week as traders sought to put some orders on the books and were only able to do so by taking money off their previous offers. End users for the moment continue to sit on the sidelines even as they realize that imported beef availability will be more limited in the fall. It is difficult to reconcile current selling FOB prices in the US with overseas packers are currently asking CIF basis. Taking

shorts at this time is a risky proposition as New Zealand supplies are near their seasonal lows and offerings from Australia will be greatly impacted by weather as well as demand in other markets. Australian beef exports are currently projected to be around 106,000 MT in August, up as much as 8% compared to a year ago. Shipments to the US are expected to be around 23,000 MT, down 10%. Most of the increase in Australian beef exports in August went to the Korean and Chinese market.

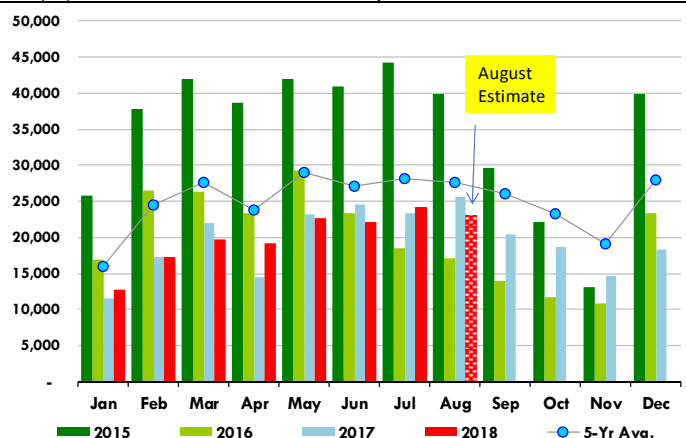
## Australian Beef Exports Projected to be Up 8% in August But Shipments to US On Track to Decline 10% Y/Y

Projected Performance of Australian Beef Exports in August 2018 vs. Yr Ago.



AUSTRALIAN BEEF EXPORTS TO THE UNITED STATES

Monthly Exports. Metric Ton. Source: DAFF + Steiner Projections for Latest Month



Market Notes for the Week

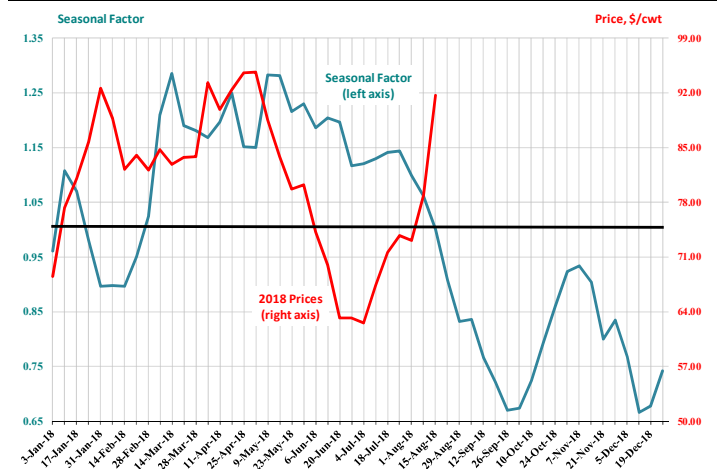
- It was only three weeks ago when we noted the sharp decline in the value of hog futures and pork in the US market. Anticipating the potential impact of heavy supplies and tariffs on US product, market participants were very aggressive in shorting the hog and pork market. One can take a short position by both selling futures but also by liquidating freezer inventories and buying only for immediate needs and delaying purchases. The result was a sharp selloff in the market, with spot hog prices down as much as 30% compared to where they were in early July. The risk with market shorts, however, is that an unexpected event can dramatically impact the market as all shorts look to cover their positions. The outbreak of African Swine Fever in China recently was one such event. Lean hog futures were up the daily permissible limit on Thursday and continued to move higher on Friday. What was particularly troubling for market participants was the fact that the second outbreak happened some 625 miles away from the first, possibly pointing to the fact that authorities may not be able to contain the disease. In the short term the risk is that Chinese authorities are not able to contain the disease. If that happens, then much more drastic eradication measures will be needed, leading to significant production losses. ASF is a very difficult disease to fight and there is no vaccine. The only way to contain the disease is to have very strict containment measures. China has a very large number of hogs that are raised outdoors, which makes them more vulnerable to the disease. Russia, Ukraine and a number of other countries in the Black Sea region have been fighting the disease for over a decade. In 2016 Russia had almost 300 outbreaks of ASF causing about 300k head of hogs to be destroyed or 1.5% of their overall inventory.

Further adding to the bullish momentum in the hog market was the fact that US and Chinese officials have agreed to sit down and try to find a solution to their current impasse on trade. The possibility of a major supply disrupting event in the Chinese pork market and removal of tariffs on US pork proved to be explosive for pork futures. It is important to point out two things. First, we do not know how the disease will play out. Similar to a risk of a drought event, participants will look to first price in the potential impact but can remove those premiums just as quickly if fears do not materialize. Also, it is far from certain that US and China will be able to bridge their differences on

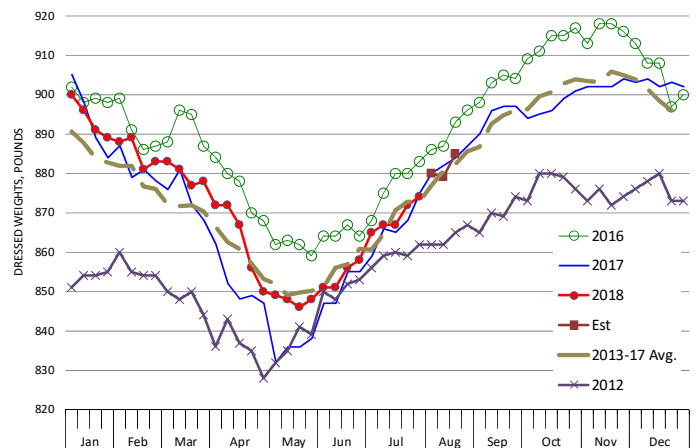
December 2018 Lean Hog Futures



50CL Trm 5-Yr Seasonal vs. Current Price Trends



Actual USDA Weekly Steer Weights. Reported with a Two week lag + Steiner Estimate  
 Source: USDA & Steiner Consulting Estimates



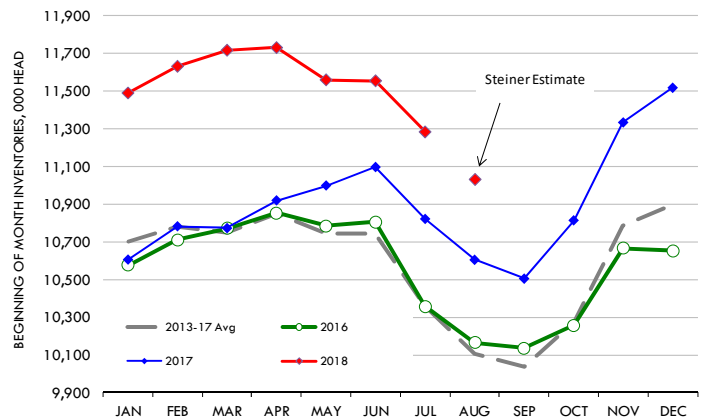
trade. The second point has to do with the potential impact this has on the beef market. Beef demand has been on the rise in China but pork remains by far the most popular protein. ASF is not known in China and there will likely be some apprehension among

Chinese consumers if the disease spreads. Already consumers there have had to deal with the aftermath of Bird Flu, which different from ASF actually can impact consumers. ASF is not harmful to people but lack of knowledge could in the short term negatively impact pork demand in the country and dramatically increase demand for beef. Australian beef has a distinct cost advantage over US beef in China. China already buys as much as half of all the beef exports from South American suppliers and will likely expand their purchases of Australian beef if ASF continues to spread in the country and negatively impacts demand for pork.

- Prices for fat beef trimmings have pushed higher in the last three weeks. The chart on page 2 shows that seasonally the value of fat trim in the US tends to be higher during the summer months and then declines sharply in the fall. We think recent spike in prices should be seen in the context of the big price declines earlier in the summer. There was some expectation among end users that fat beef trim prices would be weak in July and August on account of large fed cattle slaughter. Last year prices lost significant ground during those months and buyers likely speculated that they could dump inventories in June and be able to buy product cheaper in July and August. They appear to have miscalculated. Ground beef demand was fairly brisk in July and retailers appear poised to feature ground beef quite aggressively during the long Labor Day weekend. Despite the recent surge in prices, however, we would expect fat trim values to be lower into October. Seasonally fed cattle carcass weights increase during this time of year. Lower prices for competing products should lead to an increase in features of chicken and pork during September and October.

USA Cattle on Feed Inventory

Feedlots with +1000 head Capacity. 1st of Month Inventory. '000 head. USDA



- USDA will publish at the end of next week the results of its monthly survey of feedlots with +1000 head capacity. Below are our estimates for this month. We expect placements to be up about 4% compared to a year ago and marketings in July are currently projected to increase by 4.8%. Total on feed supplies as of August 1 are projected to be 11 million head, about 200k head less than the previous month but still about 4% higher than a year ago.

Placed on feed in July:	103.9
Marketed in July:	104.8
Total on Feed:	104.0

# 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
	16-Aug-18	9-Aug-18		15-Aug-17	
CME FEEDER CATTLE INDEX	149.59	151.12	-1.0%	144.49	3.5%
	17-Aug-18	10-Aug-18		18-Aug-17	
FED STEER (5-MKT AVG)	110.11	112.47	-2.1%	115.09	-4.3%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	105.00	105.00	0.0%	114.50	-8.3%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	105.00	105.00	0.0%	122.50	-14.3%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	101.50	100.50	1.0%	113.00	-10.2%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	168.90	168.61	0.2%	154.79	9.1%

## 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
	17-Aug-18		10-Aug-18			18-Aug-17		
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	200.0	205.0	206.0	208.0	-3.0	217.0	220.0	-15.0
<b>90 CL Blended Cow</b>	190.0	193.0	191.0	194.0	-1.0	198.0	202.0	-9.0
<b>90 CL Shank</b>	190.0	195.0	195.0	197.0	-2.0	195.0	200.0	-5.0
<b>85 CL Fores</b>		180.0	180.0	181.0	-1.0	187.0	189.0	-9.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	200.0	204.0	205.0	207.0	-3.0	216.0	220.0	-16.0
<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>	178.0	179.0		180.0	-1.0	186.0	188.0	-9.0
<b>80 CL Trimmings</b>	165.0	166.0	167.0	168.0	-2.0	170.0	175.0	-9.0
<b>75 CL Trimmings</b>	154.0	158.0	155.0	160.0	-2.0		UNQ	N/A
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A	115.0	120.0	N/A
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	270.0	275.0	275.0	280.0	-5.0	270.0	275.0	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>	230.0	235.0	235.0	240.0	-5.0		250.0	-15.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	17-Aug-18		10-Aug-18			18-Aug-17		
<b><i>US East Coast Australian/NZ Lean, FOB US Port</i></b>								
<b>95 CL Bull, E. Coast</b>	212.0	213.0	215.0	216.0	-3.0	230.0	232.0	-19.0
<b>90 CL Blended Cow</b>	197.0	200.0	198.0	200.0	0.0	210.0	212.0	-12.0
<b>90 CL Shank</b>	198.0	200.0	203.0	204.0	-4.0	209.0	210.0	-10.0
<b>85 CL Fores</b>	187.0	188.0	188.0	189.0	-1.0	198.0	200.0	-12.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	211.0	212.0	214.0	215.0	-3.0	228.0	229.0	-17.0
<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>	186.0	187.0	187.0	188.0	-1.0	197.0	199.0	-12.0
<b>80 CL Trimmings</b>	174.0	176.0	176.0	177.0	-1.0	179.0	181.0	-5.0
<b>75 CL Trimmings</b>	164.0	165.0	165.0	166.0	-1.0		UNQ	N/A
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A	123.0	125.0	N/A
<b><i>US East Coast Australian Cuts, FOB US Port</i></b>								
<b>Cap Off Steer Insides</b>	280.0	285.0	280.0	285.0	0.0	275.0	280.0	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>	245.0	250.0	250.0	255.0	-5.0	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					
	<b>17-Aug-18</b>			<b>10-Aug-18</b>				<b>18-Aug-17</b>			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<b><u>Domestic Cutouts</u></b>											
<b>Choice Cutout</b>		211.38			206.61		4.8		197.51		13.9
<b>Select Cutout</b>		200.92			197.77		3.1		195.04		5.9
<b><u>Domestic Lean Grinding Beef</u></b>											
<b>90 CL Boneless</b>	206.0	217.0	210.9	208.2	219.0	211.7	-0.8	231.0	237.0	232.8	-21.9
<b>85 CL Beef Trimmings</b>	166.0	237.9	173.1	155.3	181.0	172.1	1.0	189.0	208.0	199.7	-26.6
<b>50 CL Beef Trim</b>	100.0	100.0	92.5	91.8	91.8	80.3	12.1	85.5	85.5	76.0	16.5
<b><u>Domestic Pork Trim</u></b>											
<b>42 CL Pork Trim</b>	31.2	51.1	35.4	33.3	49.5	38.9	-3.5	47.0	72.0	51.9	-16.5
<b>72 CL Pork Trim</b>	48.1	83.8	53.8	50.9	86.8	58.8	-5.0	60.2	71.0	63.6	-9.8
<b><u>Point of Lean Values</u></b>											
<b>90 CL Domestic</b>		234.3			235.3		-0.9		258.6		-24.3
<b>50 CL Beef Trimming</b>		184.9			160.6		24.3		152.0		32.9
<b>42 CL Pork Trim</b>		84.3			92.5		-8.2		123.6		-39.3
<b>72 CL Pork Trim</b>		74.7			81.7		-7.0		88.3		-13.6
<b><u>National Direct Fed Steer price)</u></b>		110.11			112.47		-2.4		115.09		-5.0

**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>17-Aug-18</b>	<b>10-Aug-18</b>			<b>18-Aug-17</b>		
<b><u>Live Cattle Futures</u></b>							
<i>August '18</i>	109.425	108.250	↑	1.18	109.700	↓	-0.28
<i>October '18</i>	110.875	109.250	↑	1.63	108.500	↑	2.38
<i>December '18</i>	114.625	113.100	↑	1.53	110.450	↑	4.18
<i>February '19</i>	118.025	116.375	↑	1.65	112.450	↑	5.58
<b><u>Feeder Cattle Futures</u></b>							
<i>August '18</i>	150.950	149.900	↑	1.05	143.025	↑	7.92
<i>September '18</i>	151.825	149.525	↑	2.30	143.925	↑	7.90
<i>October '18</i>	151.850	149.475	↑	2.38	143.600	↑	8.25
<i>November '18</i>	151.650	149.925	↑	1.72	143.600	↑	8.05
<b><u>Corn Futures</u></b>							
<i>September '18</i>	364 1/4	357 3/4	↑	6.50	353 1/4	↑	11.00
<i>December '18</i>	378 3/4	371 3/4	↑	7.00	367	↑	11.75
<i>March '19</i>	390 3/4	383 1/4	↑	7.50	378 1/4	↑	12.50
<i>May '19</i>	397 3/4	390 1/4	↑	7.50	385	↑	12.75
<b><u>Ch Wheat Futures</u></b>							
<i>September '18</i>	560 1/2	546 3/4	↑	13.75	422 3/4	↑	137.75
<i>December '18</i>	579 3/4	569 1/2	↑	10.25	449 3/4	↑	130.00
<i>March '19</i>	601 1/2	591	↑	10.50	472	↑	129.50
<i>May '19</i>	611	598 3/4	↑	12.25	487 1/4	↑	123.75
<b><u>Slaughter Information</u></b>							
	<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>18-Aug-18</b>	<b>11-Aug-18</b>			<b>19-Aug-17</b>		
<b><u>Total Cattle Slaughter</u></b>	660,000	645,000	↑	15,000	635,000	↑	25,000
	<b>4-Aug-18</b>	<b>28-Jul-18</b>			<b>5-Aug-17</b>		
<b><u>Total Cow Slaughter</u></b>	114,427	117,572	↓	-3,145	107,082	↑	7,345
<b><u>Dairy Cow Slaughter</u></b>	58,253	58,186	↑	67	56,740	↑	1,513
<b><u>Beef Cow Slaughter</u></b>	56,174	59,386	↓	-3,212	50,342	↑	5,832



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

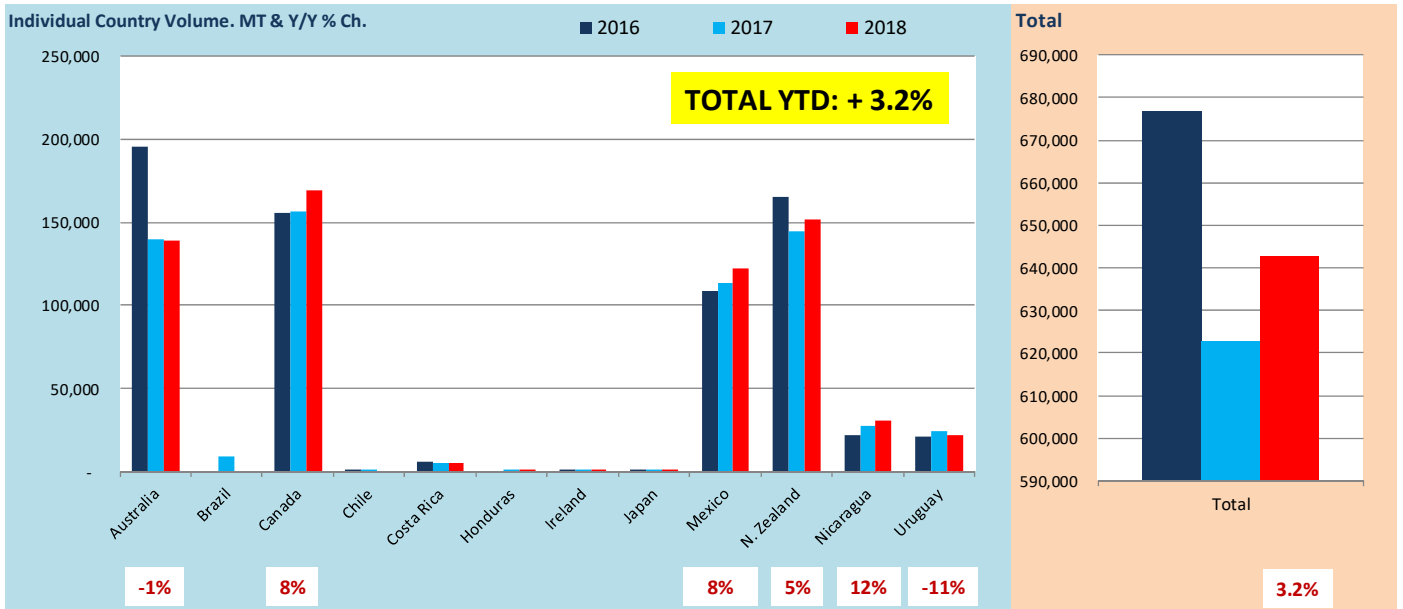
## YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 32	8/12/2017	8/11/2018		
Australia	139,925	138,905	(1,020)	-0.7%
Brazil	9,022	-	(9,022)	-100.0%
Canada	156,512	169,042	12,530	8.0%
Chile	202	-	(202)	-100.0%
Costa Rica	5,177	5,110	(67)	-1.3%
France	-	-	-	
Honduras	170	1,104	934	549.4%
Ireland	1,355	1,505	150	11.1%
Japan	228	293	65	28.5%
Mexico	113,705	122,262	8,557	7.5%
Netherlands	228	-	(228)	-100.0%
New Zealand	144,199	151,838	7,639	5.3%
Nicaragua	27,750	31,035	3,285	11.8%
Spain	-	-	-	
Uruguay	24,251	21,704	(2,547)	-10.5%
<b>Total</b>	<b>622,727</b>	<b>642,799</b>	<b>20,072</b>	<b>3.2%</b>

Source: AMS - USDA

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

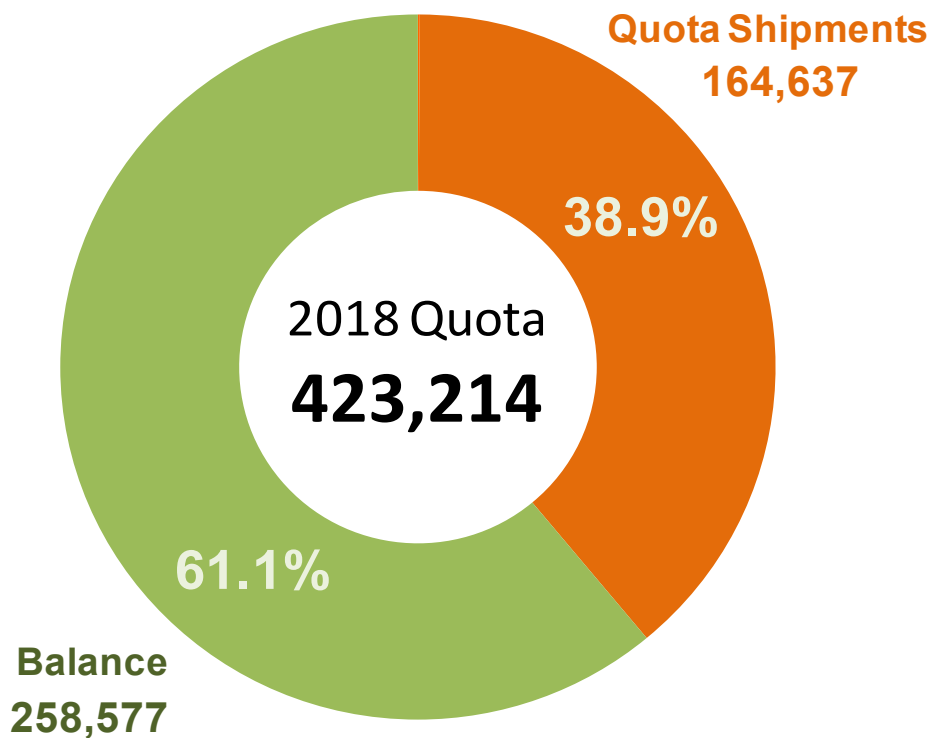
Imports as of August 11, 2018



# Australian Beef Quota Position

16-Aug-18

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending August 13

Source: US Customs

