



# US Imported Beef Market

## A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume XVIII, Issue 35

September 14, 2018

Prepared by: Steiner Consulting Group | SteinerConsulting.com | 800-526-4612 | service@steinerconsulting.com

### Market Highlights for the Week:

- Price of imported grinding beef drifts lower as highest cow slaughter week of the year pressures domestic lean beef values.
- US retail ground beef demand has slowed down as retailers diversify their offerings after Labor Day.
- Market participants also note that flow of imported beef to regular customers has slowed down as well
- Non fed cattle slaughter for week ending September 15 estimated at 139,000 head, the highest so far this year and 10% higher than last year. This is the highest non-fed slaughter week since autumn of 2013
- Fed cattle slaughter this week was estimated at 513,000 head, 1.3% lower than a year ago.
- Steiner estimate is for August cattle placements to be up 5.2% from a year ago and total on feed supplies as of September 1 to be up 5.5% compared to a year ago
- US estimates that hay production in 2018 will be 2.2% lower than a year ago and the second lowest since 1980.

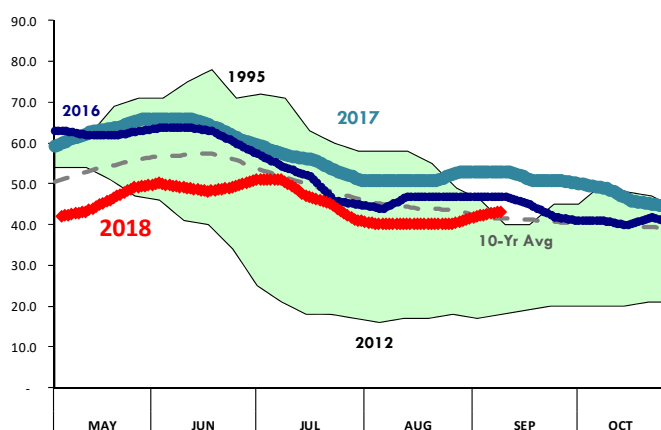
### Imported Market Activity for the Week

Imported beef trading remains quite difficult as offerings from New Zealand are seasonally quite limited, Australian packers have little interest at current US prices and domestic end users see increased availability of fresh grinding beef for the next couple of months. Some market participants noted increased trade volume with Central America and the imported volume data bears this out. In the four weeks ending September 8 beef imports from Central America averaged around 1,600 MT/

wk compared to around 1000 MT/week that was imported during the same period a year ago. Prices for Central American lean beef have a significant discount to Australian offerings. Market participants continue to note that Australia is moving product into Asian markets. Recent data suggests that Australian shipments to South Korea and Japan have slowed down so it remains to be seen how much of the increase in Australian beef production will continue to be absorbed by Chinese markets

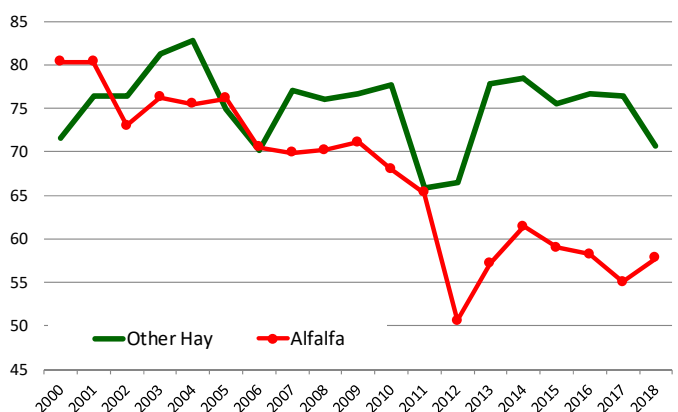
### US PASTURE CONDITIONS: 20 YEAR HISTORY

% RATED IN GOOD/EXCELLENT CONDITION. Week of September 9, 2018. Source USDA/NASS



### USA Annual Production of Alfalfa and Other types of Hay

Source: USDA. Forecast for 2018 from September USDA 'Crop Production' Report

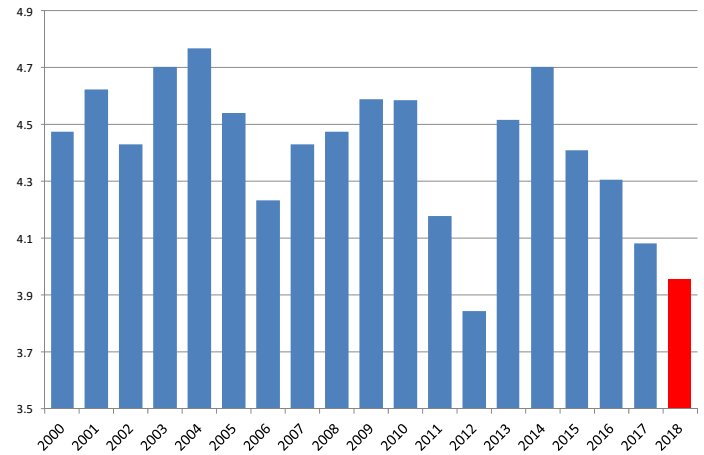


Market highlights for the week:

- US cattle slaughter for the week ending September 15 was estimated at 652,000 head, 1% higher than a year ago. All the increase in slaughter numbers was due to more non-fed cattle coming to market. Our initial estimate is that fed cattle slaughter for the week was 513,000 head, 1.3% lower than a year ago. Since the beginning of August US fed cattle slaughter has been slightly under year ago levels despite near 5% more cattle on feed. Non fed cattle slaughter for the latest week is estimated at 139,000 head, 10% higher than a year ago. For now this is just an estimate and actual USDA data will be released two weeks from now. If correct, it would represent the highest non-fed slaughter week since November 2013,
- There has been a lot of speculation among market participants about cow slaughter packing capacity and the level of cow/bull slaughter this fall. The latest data establishes a new packing capacity benchmark, showing that we could see weekly cow/bull slaughter as high as 140,000 head/wk this fall. Last year the highest weekly cow and bull slaughter was around 135,000 head in the second week of December 2017.
- While corn supplies are expected to be ample this fall and into the winter, hay supplies are expected to be notably lower. Drought conditions in parts of the country have forced producers to put cattle on feed at lighter weights and it is likely we will continue to see this trend in the coming months. The shortfall in hay supplies comes even as overall pasture conditions are close to long run averages and above year ago. The shortfall in hay supplies is a result of lower planted acres and poor yields in some areas. The resulting decline in hay supplies holds negative implications for cow-calf producers that are now finalizing their fall cow-culling decisions. The latest USDA ‘Crop Production’ data indicates that production of alfalfa for 2018 is expected to be 57.778 million ton, 4.9% higher than a year ago but significantly lower than the supply available prior to 2010. Production of other types of hay in 2018 is now forecast at 70.726 million ton, 7.6% lower than a year. Total hay production in the US in 2018 is now forecast to be the second lowest since 1980. Hay supplies per cows in the herd (based on July cow data) is now just under 4 ton/cow compared to 3.8 per cow dur-

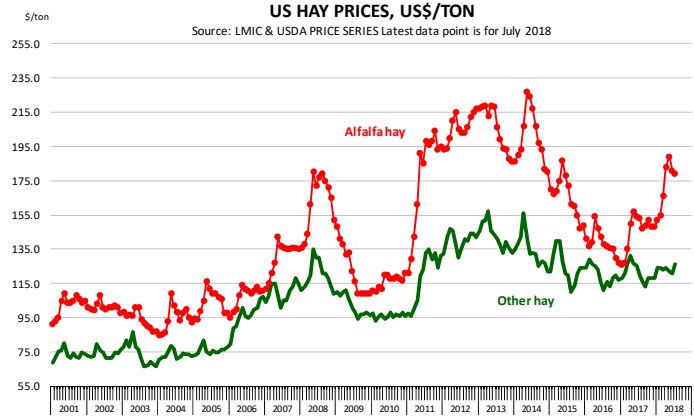
Supply of Hay Per Beef Cow in the Herd on July 1

Calculated Using July 1 Beef Cow Inventory vs. Annual Hay Production



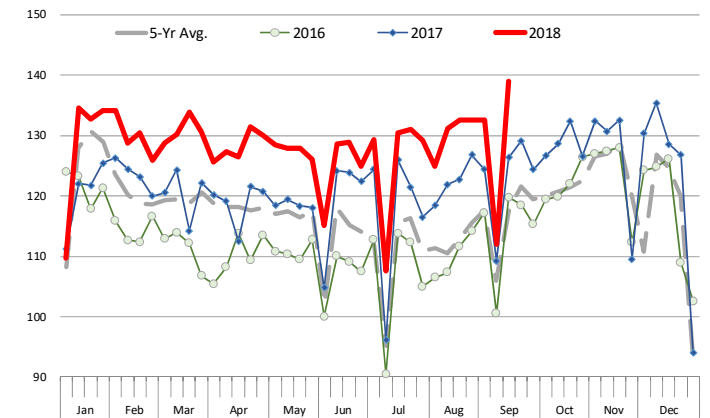
US HAY PRICES, US\$/TON

Source: LMIC & USDA PRICE SERIES Latest data point is for July 2018



WEEKLY COW & BULL SLAUGHTER. '000 HEAD

Source: USDA

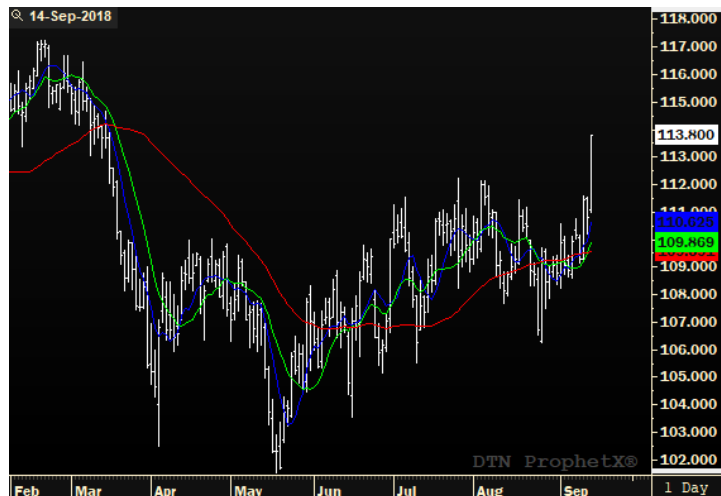


ing the drought of 2012. Limited hay supplies could push more cows to market this fall.

- Alfalfa hay prices in July (latest data) were 17% higher than a year ago and we think September prices could be as much as 30% above last year’s levels. The price of other types of hay averaged around \$126/ton in July but it is currently around \$136/ton, 20% higher than a year ago.

- USA fed cattle futures were volatile throughout the week but on Friday closed limit up as packers relented and paid up for cattle delivering in the next two weeks. Despite the Friday move there is still some uncertainty about the cattle and beef price outlook in the near term. Front end cattle supplies remain notably above year ago levels. Our current estimate is that feedlots placed about 5.2% more cattle on feed in August while marketings were about flat. If we are right, this would mean the on feed inventory on September 1 was 5.5% higher than a year ago. We estimate the inventory of +150-day cattle on September 1 to be 34% higher than a year ago and the inventory of +120-day cattle was 11% higher than last year.
- Wholesale beef prices in recent days have declined (see cutout price on page 7). Ample supplies of pork and chicken have provided retailers with plenty of opportunities to diversify away from beef, which was a staple of retail features for much of the summer. Carcass weight data reported by USDA for steers and heifers was last reported for week ending August 25, showing steer weights up only 0.2% from last year and heifer weights up 0.5% from last year. Placements of lighter calves earlier in the year may have helped keep weights in check. So far limited weight gains have kept available beef supplies in check. More recent data (last two weeks) suggests that weights have continued to push higher and they are now closer to where they were in 2016 than last year. Our best estimate at this point is that for the week ending September 15 steer weights will be over 900 pounds per carcass. Steer weights last year declined in September as packers ramped up slaughter. Will we see the same thing this year or will larger supplies of market ready fed supplies drag into October.
- In the short term market participants will continue to pay close attention to the beef cutout and especially the market for middle meats. It is not unusual for middle meats (steak cuts) to be softer in September and October, in part because retailers no longer are competing with white table cloth restaurants in running steak features. The choice beef cutout is currently about \$15 or 8% higher than it was a year ago. Two items have contributed much of this y/y gain in the cutout: ribs and loins. In recent days both of those items have lost some

October 2018 Fed Cattle Futures



grounds, part of that accumulation of bearish factors we noted earlier. Packers will likely focus on demand for middle meats before they go out and bid on cattle. It's a lot easier to pay up for cattle if you know you have a home for those high value steaks. Since the beginning of September the rib primal has lost \$11.7/cwt or 3.3% while the loin primal has declined \$5.8/cwt or 2%. These declines have largely happened after Labor Day and given the lofty levels at the end of August they were expected. Still, if the slowdown in middle meat values persists, it could present headwinds for fed cattle prices for the next few weeks. Additionally, ground beef business may be slowing down as well. Fat beef trimmings, which are normally mixed with lean product to make various types of ground beef, have declined sharply in the last two weeks, an indication that packers may not be producing as much ground beef. On Friday 50CL beef prices were quoted at \$50.37/cwt compared to the high 90s this item was trading in mid August.

- Bottom line: Beef demand was excellent through the summer and that underpinned cattle values despite an increase in feedlot supplies. Futures markets expect beef demand to be sustained through the remainder of this year and into next year. Ample supplies may have negatively impacted the cutout in the near term but prices remain well above last year. Middle meat price performance in Q4 remains key.

# 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
	13-Sep-18	6-Sep-18		12-Sep-17	
CME FEEDER CATTLE INDEX	152.71	151.32	0.9%	149.02	2.5%
	14-Sep-18	7-Sep-18		15-Sep-17	
FED STEER (5-MKT AVG)	107.62	107.20	0.4%	104.92	2.6%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	99.00	99.00	0.0%	117.50	-15.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	97.00	101.00	-4.0%	112.00	-13.4%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	95.50	96.50	-1.0%	105.50	-9.5%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	164.45	166.57	-1.3%	154.79	6.2%

## 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
	14-Sep-18	203.0	7-Sep-18	205.0		15-Sep-17		
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	202.0	203.0	202.0	205.0	-2.0	215.0	217.0	-14.0
<b>90 CL Blended Cow</b>	188.0	190.0	189.0	191.0	-1.0	198.0	200.0	-10.0
<b>90 CL Shank</b>	190.0	191.0	191.0	192.0	-1.0	198.0	199.0	-8.0
<b>85 CL Fores</b>	177.0	178.0	179.0	180.0	-2.0	185.0	190.0	-12.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	200.0	201.0	201.0	203.0	-2.0	214.0	216.0	-15.0
<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>	176.0	177.0	178.0	179.0	-2.0	185.0	189.0	-12.0
<b>80 CL Trimmings</b>		164.0	164.0	165.0	-1.0	170.0	173.0	-9.0
<b>75 CL Trimmings</b>	153.0	154.0	154.0	155.0	-1.0	160.0	164.0	-10.0
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A	110.0	114.0	N/A
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	265.0	270.0	265.0	270.0	0.0	265.0	270.0	0.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>	205.0	210.0	205.0	210.0	0.0	220.0	225.0	-15.0
<b>Steer Knuckles</b>	230.0	235.0	230.0	235.0	0.0	235.0	240.0	-5.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	14-Sep-18		7-Sep-18			15-Sep-17		
<b><u>US East Coast Australian/NZ Lean, FOB US Port</u></b>								
<b>95 CL Bull, E. Coast</b>	213.0	215.0	214.0	215.0	0.0	226.0	227.0	-12.0
<b>90 CL Blended Cow</b>	195.0	196.0	197.0	198.0	-2.0	210.0	212.0	-16.0
<b>90 CL Shank</b>	198.0	200.0	198.0	200.0	0.0	210.0	211.0	-11.0
<b>85 CL Fores</b>	182.0	183.0	184.0	185.0	-2.0	197.0	198.0	-15.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	209.0	210.0	211.0	212.0	-2.0	224.0	225.0	-15.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, FOB US Port</u></b>								
<b>85 CL Trimmings</b>	181.0	182.0	183.0	185.0	-3.0	195.0	196.0	-14.0
<b>80 CL Trimmings</b>	170.0	172.0	171.0	172.0	0.0	180.0	181.0	-9.0
<b>75 CL Trimmings</b>	157.0	158.0	158.0	159.0	-1.0	169.0	170.0	-12.0
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A	119.0	120.0	N/A
<b><u>US East Coast Australian Cuts, FOB US Port</u></b>								
<b>Cap Off Steer Insides</b>	270.0	275.0	270.0	275.0	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>	215.0	220.0	215.0	220.0	0.0	230.0	235.0	-15.0
<b>Steer Knuckles</b>	240.0	245.0	240.0	245.0	0.0		250.0	-5.0

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

	Current Week			Prior Week			Change From Last Week	Last Year	Change from Last Year		
	14-Sep-18	7-Sep-18		15-Sep-17							
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<b><u>Domestic Cutouts</u></b>											
Choice Cutout	204.27			206.56			-2.3	190.40			13.9
Select Cutout	196.47			197.09			-0.6	188.69			7.8
<b><u>Domestic Lean Grinding Beef</u></b>											
90 CL Boneless	201.0	212.0	202.7	203.0	215.0	208.1	-5.4	222.0	234.0	226.6	-24.0
85 CL Beef Trimmings	162.0	174.0	167.4	160.0	176.1	169.0	-1.6	186.0	198.0	191.4	-24.0
50 CL Beef Trim	70.8	70.8	52.7	82.2	82.2	62.3	-9.6	55.0	55.0	43.3	9.4
<b><u>Domestic Pork Trim</u></b>											
42 CL Pork Trim	28.8	49.3	37.4	24.9	77.2	31.2	6.3	30.0	44.3	33.9	3.6
72 CL Pork Trim	40.9	73.8	48.0	40.0	75.8	44.7	3.2	58.3	64.4	62.5	-14.6
<b><u>Point of Lean Values</u></b>											
90 CL Domestic	225.2			231.3			-6.1	251.8			-26.6
50 CL Beef Trimming	105.5			124.6			-19.1	86.7			18.8
42 CL Pork Trim	89.1			74.2			14.9	80.6			8.5
72 CL Pork Trim	66.6			62.1			4.5	86.8			-20.2
<b><u>National Direct Fed Steer price)</u></b>	107.62			107.20			0.4	104.92			2.7

**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>14-Sep-18</b>	<b>7-Sep-18</b>		<b>15-Sep-17</b>	
<b><u>Live Cattle Futures</u></b>					
October '18	113.800	109.950	↑ 3.85	107.550	↑ 6.25
December '18	118.050	114.425	↑ 3.63	112.850	↑ 5.20
February '19	121.900	118.250	↑ 3.65	116.150	↑ 5.75
April '19	123.150	119.425	↑ 3.73	118.100	↑ 5.05
<b><u>Feeder Cattle Futures</u></b>					
September '18	157.425	152.975	↑ 4.45	148.600	↑ 8.83
October '18	158.875	152.950	↑ 5.93	149.625	↑ 9.25
November '18	158.425	152.725	↑ 5.70	149.875	↑ 8.55
January '19	154.900	148.725	↑ 6.18	149.875	↑ 5.03
<b><u>Corn Futures</u></b>					
September '18	337	354 1/4	↓ -17.25	59 4/7	↑ 277.43
December '18	351 3/4	367	↓ -15.25	56 7/9	↑ 294.97
March '19	363 3/4	379 1/4	↓ -15.50	62	↑ 301.75
May '19	372 1/4	387	↓ -14.75	67 2/7	↑ 304.96
<b><u>Ch Wheat Futures</u></b>					
September '18	480	486 1/4	↓ -6.25	420 3/4	↑ 59.25
December '18	511 2/5	511 1/4	↑ 0.15	443 1/4	↑ 68.15
March '19	530 1/4	531 1/2	↓ -1.25	462 3/4	↑ 67.50
May '19	544 1/2	544 3/4	↓ -0.25	476 1/2	↑ 68.00

<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>15-Sep-18</b>	<b>8-Sep-18</b>		<b>16-Sep-17</b>	
<b><u>Total Cattle Slaughter</u></b>	652,000	564,000	↑ 88,000	646,255	↑ 5,745
	<b>1-Sep-18</b>	<b>25-Aug-18</b>		<b>2-Sep-17</b>	
<b><u>Total Cow Slaughter</u></b>	120,559	121,692	↓ -1,133	112,325	↑ 8,234
<b><u>Dairy Cow Slaughter</u></b>	62,859	62,583	↑ 276	59,068	↑ 3,791
<b><u>Beef Cow Slaughter</u></b>	57,700	59,109	↓ -1,409	53,257	↑ 4,443



# TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

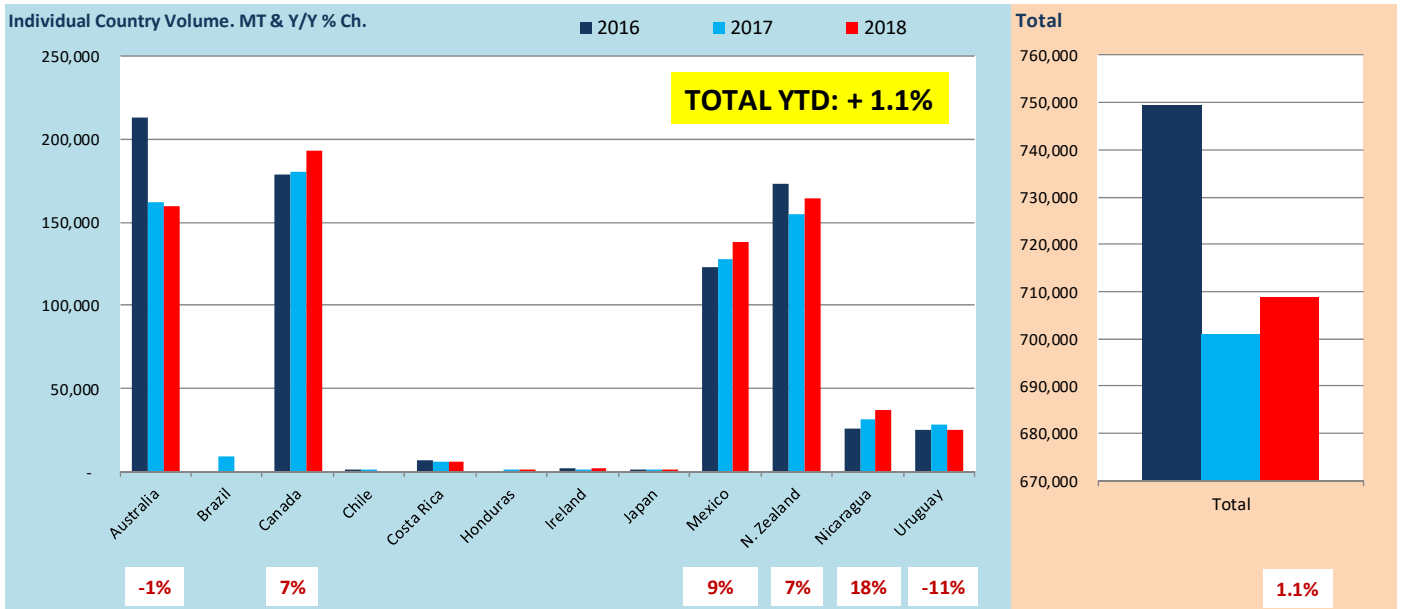
## YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 36	9/9/2017	9/8/2018		
Australia	162,022	159,791	(2,231)	-1.4%
Brazil	9,022	-	(9,022)	-100.0%
Canada	180,279	193,481	13,202	7.3%
Chile	202	-	(202)	-100.0%
Costa Rica	5,835	5,746	(89)	-1.5%
France	-	-	-	
Honduras	228	1,227	999	438.2%
Ireland	1,518	1,744	226	14.9%
Japan	242	311	69	28.5%
Mexico	127,592	138,588	10,996	8.6%
Netherlands	228	-	(228)	-100.0%
New Zealand	154,550	164,681	10,131	6.6%
Nicaragua	31,069	36,694	5,625	18.1%
Spain	-	-	-	
Uruguay	28,049	25,099	(2,950)	-10.5%
<b>Total</b>	<b>700,836</b>	<b>708,646</b>	<b>7,810</b>	<b>1.1%</b>

Source: AMS - USDA

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

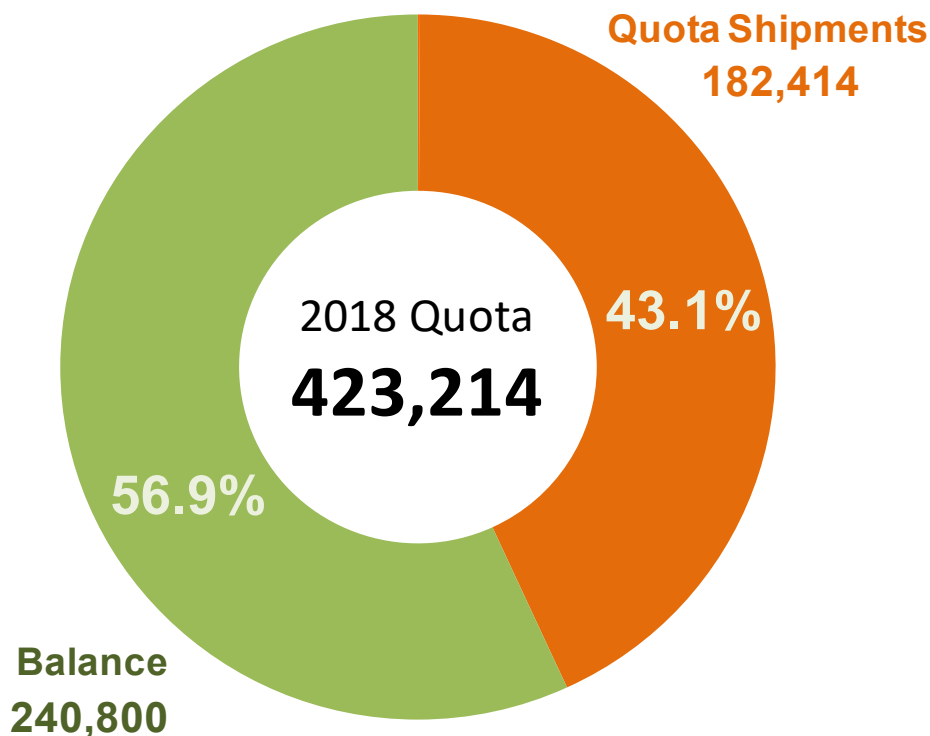
Imports as of September 8, 2018



# Australian Beef Quota Position

10-Sep-18

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending September 10

Source: US Customs

