



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

- Imported beef prices continued to drift lower this week, dragged lower by weaker prices for domestic grinding beef.
- The strong US dollar has helped offset some of the impact of lower prices in the US market, but not entirely. Australian packers continue to diversify away from the US market, especially with regard to cuts
- US retail ground beef prices have been weaker for much of the year, anchored by lower prices for both chicken and pork at retail
- Non-fed cattle slaughter for the week ending September 29 was estimated at 135,000 head, about the same as a week ago and 4.7% higher than a year ago.
- Fed cattle slaughter last week was estimated at 513,000 head, down 14,000 head compared to the previous week and down 2% compared to the same week a year ago.
- In the four weeks ending September 20 weekly exports of fresh/frozen beef cuts have averaged 16,602 MT/week, 5.8% higher than a year ago

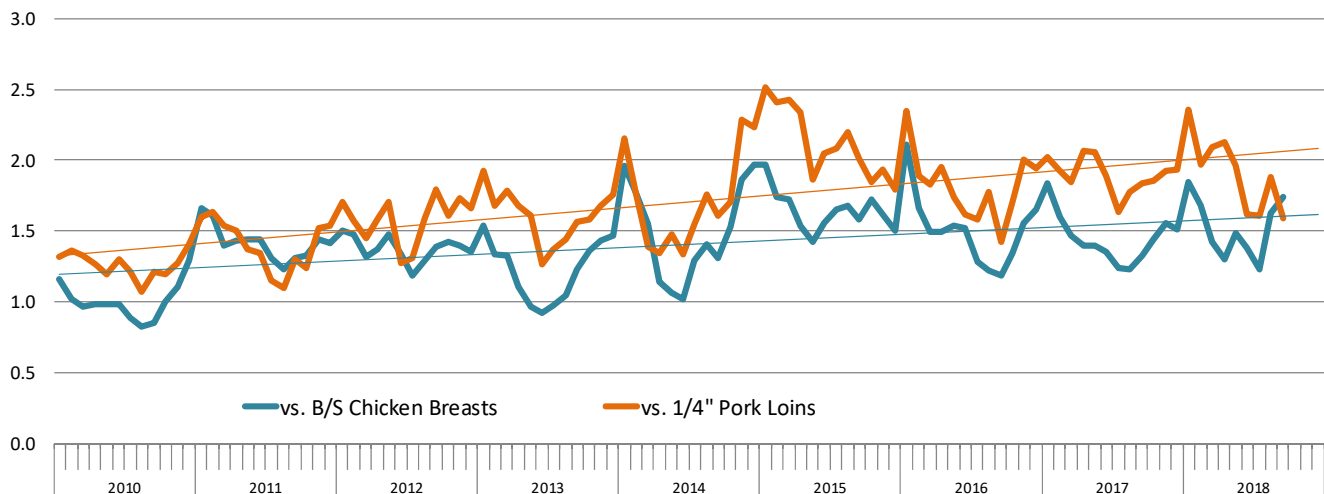
Imported Market Activity for the Week

Imported beef prices continued to lose ground this week as domestic values continue to move lower and end users remain reluctant to commit to forward volumes. Regular users appear to have adequate inventories at this time and seem in no hurry to cover needs for later in the year. The expectation that New Zealand will have more meat to sell, and possibly at lower prices, in No-

vember and December continues to hang over this market. Australian offerings remain well above US bids and trading has been very difficult. Importers looking to convert inventory into funds find it difficult to find replacement product in Australia at current levels. Central America product is coming in at notable discounts to Australian product at this time and some trading reported on those items. Quota available to countries that do not have a country specific quota is only 77% filled a

Price Ratio of 81CL Coarse Ground Beef vs. B/S Chicken Breasts and 1/4" Pork Loins, Vac

Monthly Price Data. Source: USDA-AMS. Analysis by Steiner Consulting. Prices in \$/cwt, wholesale.

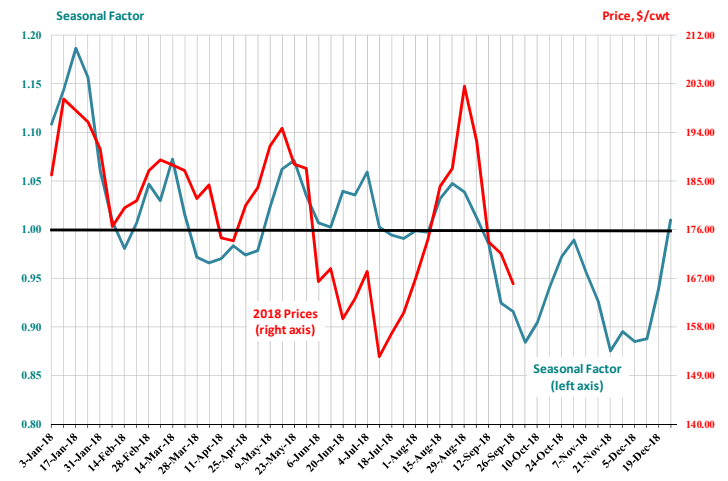


this time. Keep in mind that Central American countries have additional quota available once MFN quota is filled under CAFTA (Central American Free Trade Agreement). Prices for imported cut also remain weak as domestic values for rounds are now well below year ago levels. The price of 1/4" choice cap off inside rounds on Friday was quoted at \$2.78 per pound, quite competitive with Australian FOB US port prices. At this time Australian packers continue to chase better prices in Asian markets. Next week we hope to get updated numbers on Australian exports and especially exports of round cuts. August export data showed that total exports of Australian topside/insides were 10.7% higher than the previous year. And yet exports of these products to the US market in August were down 21.7% compared to a year ago.

Key highlights for this week

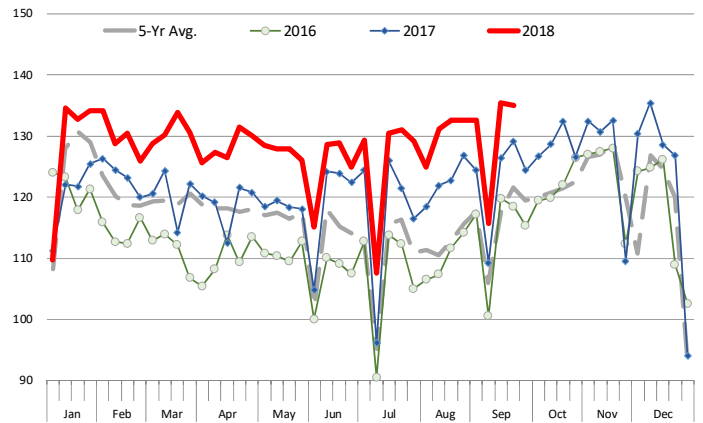
- Ground beef prices continue to move lower, which is not that unusual during this time of year. Seasonally the price of ground beef sold to retailers (73CL and 81CL chubs) declines after Labor Day. While we could see a modest improvement in October, as retailers run features, prices normally face additional downward pressure in November and early December as the retail meat case is filled with holiday items. The chart on page 1 shows the ratio of 81CL coarse ground prices relative to the price of chicken breasts and pork loins. Over time the ratio of coarse ground beef has increased vs. other key protein competitors, an indication of improving demand. However, normally the price multiple will hover around a given range. As the price of one protein gets to be too cheap or too expensive retailers will shift their features accordingly. The price of both chicken breasts and pork loins has been particularly weak this year, which has tended to anchor the price of ground beef as well. Ground beef prices spiked during Memorial Day (end of May) and Labor Day (early September) but for the most part prices have been somewhat soft. Currently the price of chicken breasts is hovering at around 95cents per pound and could be as low as 90cents per pound in November. This represents a 21% decline from year ago levels. And it is not just a short term occurrence. Chicken breasts prices have averaged 24% under year ago levels since early June. The price of pork loins moved higher in the last

81CL Ground Beef 5-Yr Seasonal vs. Current Price Trends



WEEKLY COW & BULL SLAUGHTER, '000 HEAD

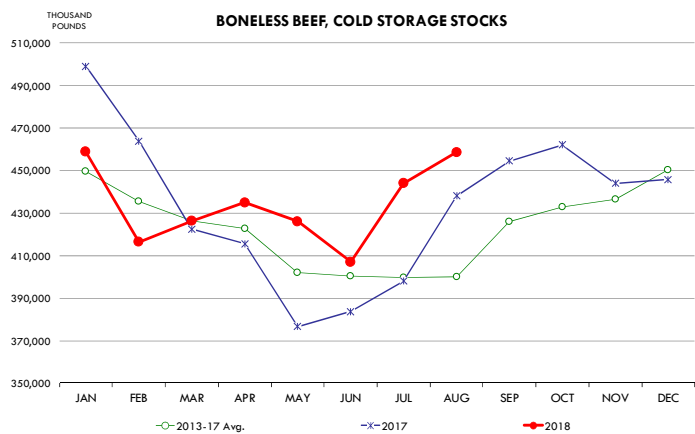
Source: USDA



three weeks as Hurricane Florence caused two major pork processing plants to be closed. This led to a 6% y/y decline in hog slaughter in mid September. However, in Jun/Jul/Aug pork loins averaged 10% lower than the already depressed prices of 2017. Record pork production in Q4 should cause pork loin prices to move lower from current levels.

Bottom line: Retail ground beef demand tends to soften in Q4 and this year appears to be no different. Ample supplies of competing proteins and higher fed and non fed slaughter will cause the market to remain well supplied. Over the summer months foodservice operators that buy both domestic and imported beef found that they had to compete more vigorously with retailers in order to secure fresh grinding beef supplies. In the short term domestic supply availability has improved. Seasonally lean beef prices find a bottom in late October and early November. Remember ground beef features and demand will improve after the 1st of the year while cow slaughter should be lower than current levels.

- Non-fed cattle slaughter for the week ending September 29 was estimated at 135,000 head, about the same as a week ago and 4.7% higher than a year ago. This number may be adjusted slightly when Fri/Sat numbers are released on Monday. This level of slaughter represents an 11% increase from the five year average and it is near annual highs. We would expect non-fed slaughter to move higher in October and November as producers send more cull cows to market ahead of cold winter weather. Tighter hay inventories and reduced profitability will further impact the number of cows producers decide to carry into the spring.
- Fed cattle slaughter last week was estimated at 513,000 head, down 14,000 head compared to the previous week and down 2% compared to the same week a year ago. Despite more cattle on feed feedlots have not been very aggressive in selling cattle in September. This may have helped keep fed cattle prices steady in the short term but it also means more cattle will likely have to be marketed in October and November. Feedlots are betting the holiday demand will continue to carry wholesale beef and fed cattle prices. We think feedlot cattle marketings in September were down 3.7% and the marketing rate (ration of marketings to inventory) was just 15.4%, down from around 17% in recent years. It is possible that the feedlot bet will pay off but they run the risk of falling behind in their marketings and overplay their hand. The result would be notably lower fed cattle values in Q4 than what futures currently have priced.
- USA weekly beef exports continue to increase compared to a year ago although no longer in double digits as was the case during the summer motnsh. Exports have been a key driver for beef demand so far this year and packers are acutely aware of their importance going forward. Already demand for hides and other by-products has weakened considerably and the last thing packers need is a slowdown in sales of chuck rolls, short plates and other products that carry a much higher value in the Asian market. In the four weeks ending September 20 weekly exports of fresh/frozen beef cuts have averaged 16,602 MT/week, 5.8% higher than a year ago. Exports to Hong Kong and Japan during this period were about 6% lower than a year ago and exports to Mexico declined 4%. Shipments to South Korea have been very



strong all year long and in the last four weeks averaged 22% higher than a year ago. US exports of fresh/frozen beef to South Korea through July were 128,785MT, up 41% compared to a year ago and we do not expect US beef exports to trigger the safeguard, which is now over 300,000 MT (it started at 270,000 MT in 2012 and will peak at 356,000 in 2026). At this point US beef has a tariff benefit vs. Australian product, a benefit that will increase significantly as Australia hits its much lower safeguard level in October.

- Total beef inventory at the end of August was 503.5 million pounds, 5.6% higher than last year and 14.4% higher than the five year average. Boneless beef inventories at 458.6 million pounds were 4.7% higher than last year and 14.6% higher than the five year average. Beef inventories increased 3.3% in August compared to a five year average m/m increase of 0.1%. Beef exports were quite robust through August and this may have contributed to the increase in inventories. Beef imports have not increased appreciably vs. last year so we do not see that as a reason for the increase in beef stocks. Beef price inflation has been a concern for a number of end users and so far they remain willing to hold more product in stock so as to manage their purchases. While we do not see the beef number as bearish per se, it tends to add to the overall supply of protein carried into the fall.

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
	27-Sep-18	20-Sep-18		26-Sep-17	
CME FEEDER CATTLE INDEX	156.89	156.29	0.4%	152.43	2.9%
	28-Sep-18	21-Sep-18		29-Sep-17	
FED STEER (5-MKT AVG)	110.50	110.71	-0.2%	108.48	1.9%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	100.00	99.00	1.0%	114.50	-12.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	97.50	97.00	0.5%	111.50	-12.6%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	94.00	96.50	-2.6%	101.00	-6.9%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	156.26	163.58	-4.5%	154.79	0.9%

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
	28-Sep-18	197.0	21-Sep-18	201.0		29-Sep-17	226.0	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	194.0	197.0	200.0	201.0	-4.0	224.0	226.0	-29.0
90 CL Blended Cow	180.0	185.0	188.0	190.0	-5.0	207.0	210.0	-25.0
90 CL Shank	185.0	186.0		190.0	-4.0	203.0	206.0	-20.0
85 CL Fores	170.0	171.0	176.0	178.0	-7.0	190.0	192.0	-21.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	192.0	195.0	197.0	199.0	-4.0	223.0	224.0	-29.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	167.0	170.0	176.0	177.0	-7.0	189.0	191.0	-21.0
80 CL Trimmings	160.0	161.0	163.0	164.0	-3.0	176.0	177.0	-16.0
75 CL Trimmings		UNQ		UNQ	N/A	162.0	163.0	N/A
65 CL Trimmings		UNQ		UNQ	N/A	114.0	115.0	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides		265.0	265.0	270.0	-5.0	275.0	280.0	-15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	205.0	210.0	205.0	210.0	0.0	210.0	215.0	-5.0
Steer Knuckles	225.0	230.0	225.0	230.0	0.0	245.0	250.0	-20.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	28-Sep-18	206.0	21-Sep-18	212.0		29-Sep-17	236.0	
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	205.0	206.0	211.0	212.0	-6.0	235.0	236.0	-30.0
90 CL Blended Cow	188.0	190.0	193.0	195.0	-5.0	215.0	217.0	-27.0
90 CL Shank	194.0	195.0	195.0	198.0	-3.0	213.0	214.0	-19.0
85 CL Fores	178.0	180.0	181.0	182.0	-2.0	196.0	196.0	-16.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	201.0	204.0	206.0	207.0	-3.0	233.0	234.0	-30.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	178.0	179.0	180.0	181.0	-2.0	194.0	195.0	-16.0
80 CL Trimmings	167.0	168.0	170.0	171.0	-3.0		182.0	-14.0
75 CL Trimmings	156.0	157.0	156.0	157.0	0.0	169.0	170.0	-13.0
65 CL Trimmings		UNQ		UNQ	N/A	120.0	121.0	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	270.0	275.0	270.0	275.0	0.0	280.0	285.0	-10.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	215.0	220.0	215.0	220.0	0.0	230.0	235.0	-15.0
Steer Knuckles	235.0	240.0	240.0	245.0	-5.0	255.0	260.0	-20.0

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	
<u>Domestic Cutouts</u>	28-Sep-18			21-Sep-18				29-Sep-17			
<i>Choice Cutout</i>	203.88			204.80			-0.9	195.30			8.6
<i>Select Cutout</i>	193.44			194.71			-1.3	189.91			3.5
<u>Domestic Lean Grinding Beef</u>											
<i>90 CL Boneless</i>	187.0	208.0	197.0	190.0	212.0	201.9	-4.9	219.0	228.0	221.1	-24.2
<i>85 CL Beef Trimmings</i>	135.0	173.5	158.6	156.5	176.0	165.4	-6.8	174.0	201.4	187.5	-28.9
<i>50 CL Beef Trim</i>	56.3	56.3	45.2	62.9	62.9	51.2	-6.0	58.0	58.0	45.6	-0.4
<u>Domestic Pork Trim</u>											
<i>42 CL Pork Trim</i>	49.0	59.3	51.9	41.8	61.3	52.5	-0.7	27.0	40.3	31.3	20.5
<i>72 CL Pork Trim</i>	57.3	77.5	61.6	51.2	80.3	62.4	-0.7	64.0	67.7	65.3	-3.7
<u>Point of Lean Values</u>											
<i>90 CL Domestic</i>	218.9			224.3			-5.4	245.7			-26.8
<i>50 CL Beef Trimming</i>	90.5			102.5			-12.0	91.2			-0.8
<i>42 CL Pork Trim</i>	123.5			125.1			-1.6	74.6			48.9
<i>72 CL Pork Trim</i>	85.6			86.6			-1.0	90.8			-5.2
<u>National Direct Fed Steer price)</u>	110.50			110.71			-0.2	108.48			2.0

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
	28-Sep-18	21-Sep-18			29-Sep-17		
<u>Live Cattle Futures</u>							
October '18	113.450	113.075	↑	0.38	108.575	↑	4.88
December '18	118.850	118.450	↑	0.40	114.900	↑	3.95
February '19	122.800	122.250	↑	0.55	118.500	↑	4.30
April '19	123.900	123.425	↑	0.48	120.000	↑	3.90
<u>Feeder Cattle Futures</u>							
September '18	158.175	156.950	↑	1.23	152.400	↑	5.78
October '18	158.050	158.075	↓	-0.02	152.700	↑	5.35
November '18	154.650	157.800	↓	-3.15	154.525	↑	0.13
January '19	153.300	154.850	↓	-1.55	154.525	↓	-1.22
<u>Corn Futures</u>							
December '18	356 1/4	357 1/4	↓	-1.00	354	↑	2.25
March '19	368	369 1/4	↓	-1.25	366 3/4	↑	1.25
May '19	375 3/4	377 1/4	↓	-1.50	375 3/4	↓	0.00
July '19	381 1/4	383 1/4	↓	-2.00	383 1/4	↓	-2.00
<u>Ch Wheat Futures</u>							
December '18	509	521 3/4	↓	-12.75	461 1/2	↑	47.50
March '19	527 1/4	540 3/4	↓	-13.50	480 3/4	↑	46.50
May '19	538 1/4	553	↓	-14.75	493 1/2	↑	44.75
July '19	540 3/4	555 3/4	↓	-15.00	504 1/2	↑	36.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	29-Sep-18	22-Sep-18			30-Sep-17		
<u>Total Cattle Slaughter</u>	650,000	657,000	↑	5,000	648,000	↑	19,000
	15-Sep-18	8-Sep-18			16-Sep-17		
<u>Total Cow Slaughter</u>	123,968	106,538	↑	17,430	114,303	↑	9,665
<u>Dairy Cow Slaughter</u>	63,456	57,261	↑	6,195	60,599	↑	2,857
<u>Beef Cow Slaughter</u>	60,512	49,277	↑	11,235	53,704	↑	6,808

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

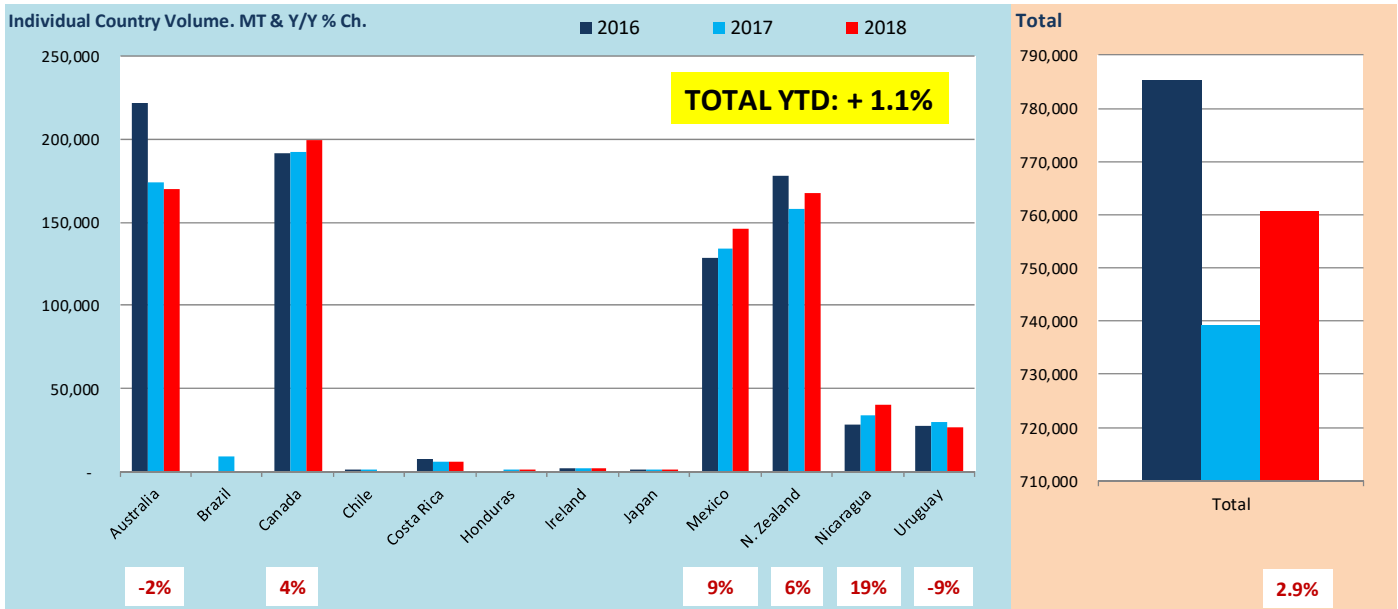
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 38	9/23/2017	9/22/2018		
Australia	173,773	170,179	(3,594)	-2.1%
Brazil	9,022	-	(9,022)	-100.0%
Canada	192,029	199,868	7,839	4.1%
Chile	202	-	(202)	-100.0%
Costa Rica	6,261	6,140	(121)	-1.9%
France	-	-	-	
Honduras	266	1,325	1,059	398.1%
Ireland	1,707	1,903	196	11.5%
Japan	248	320	72	29.0%
Mexico	134,458	146,352	11,894	8.8%
Netherlands	228	-	(228)	-100.0%
New Zealand	158,098	167,783	9,685	6.1%
Nicaragua	33,467	39,864	6,397	19.1%
Spain	-	-	-	
Uruguay	29,537	26,811	(2,726)	-9.2%
Total	739,296	760,545	21,249	2.9%

Source: AMS - USDA

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

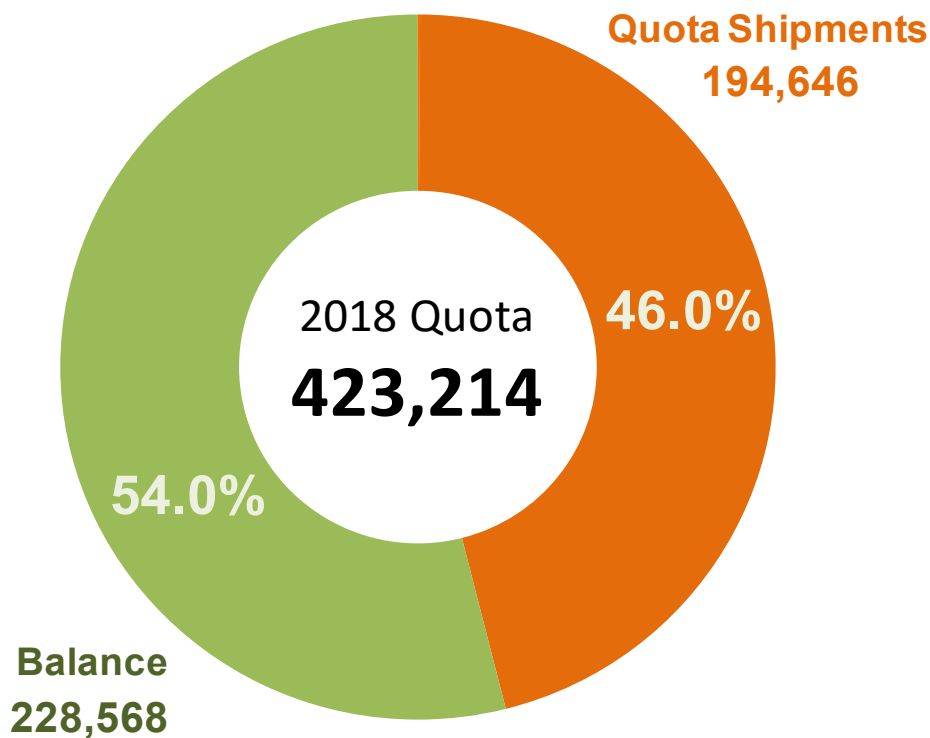
Imports as of September 22, 2018



Australian Beef Quota Position

27-Sep-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending September 24

Source: US Customs

