US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume XVIII, Issue 40

October 12, 2018

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

Market Highlights for the Week:

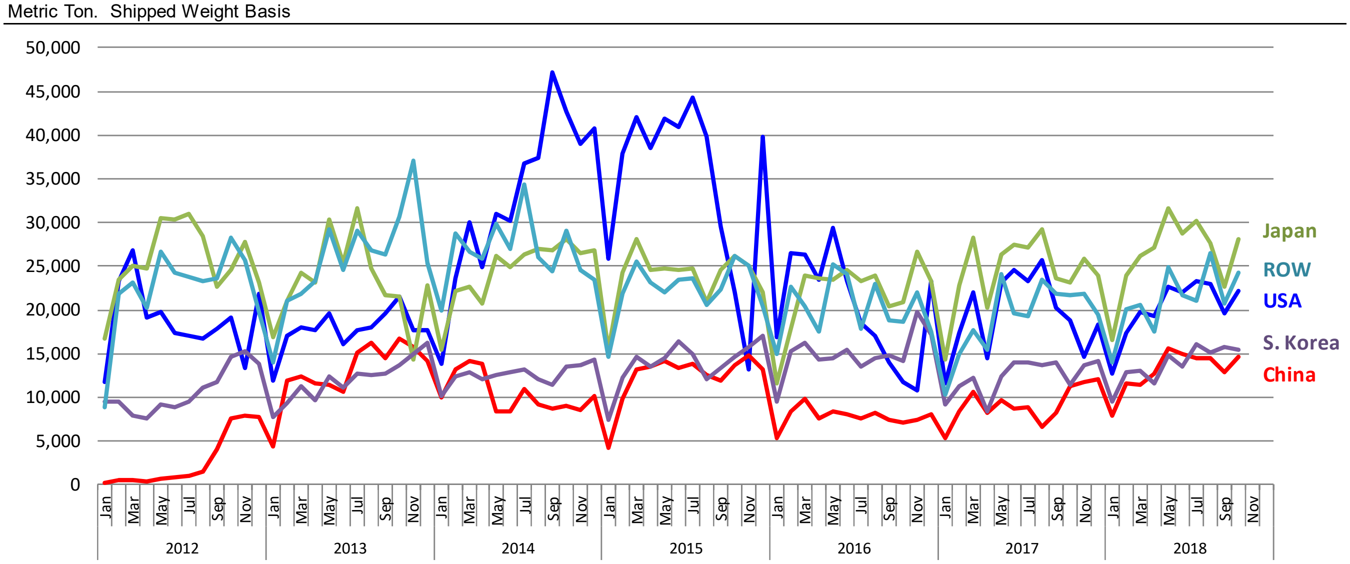
- US 90CL boneless beef price for the week was $191/cwt, the lowest price so far this year and the lowest since early December 2016.
- Australian October beef exports are currently on track to surpass 104,000 MT, 21% higher than a year ago. Exports to the US are on track to surpass 22,000 MT, 18% above year ago levels.
- Brazil and Argentina still are not able to ship fresh beef to the US and there is no timeline at this time for resumption of trade
- Lean domestic beef prices seasonally decline in the fall as retail ground beef demand slows down while cow and bull slaughter reaches annual highs. So far prices have been in line with the seasonal trend.
- According to Steiner forecasts, a modest increase in feedlot placements in September and 4% decline in marketings will result in October 1 on feed supplies to be 7% higher than a year ago.

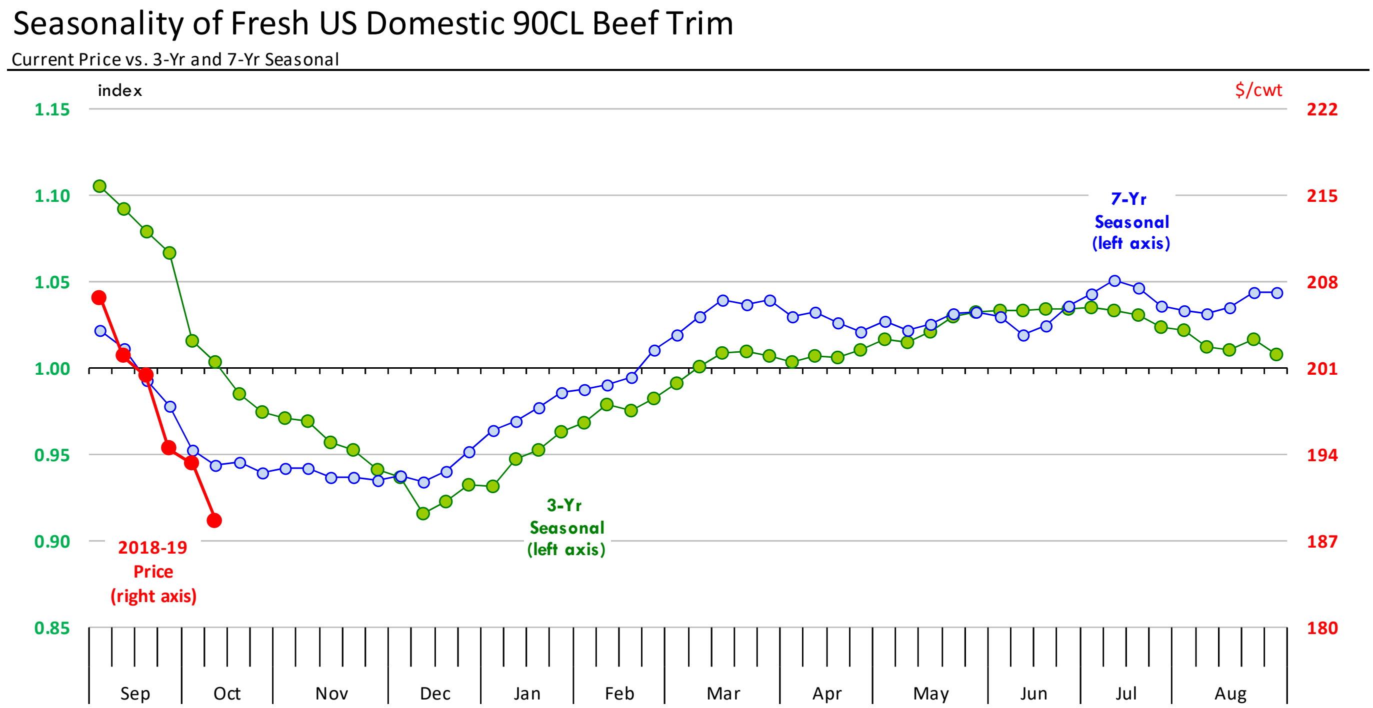
Imported Market Activity for the Week

Imported beef trade was limited this past week as a key number of market participants took part in the annual Meat Importers Council conference in Florida. In our discussions with importers a number of issues came up. In the short term participants noted the weakness in the imported beef complex and the impact that slowing retail ground beef sales have had on domestic lean beef values and consequently on the imported complex. Additionally, some market participants noted the impact that increasing supplies of Central American beef have had on imported lean beef values in the last three months. As this product is not included in the product spec of all buyers, it trades at a discount to Australia/New Zealand lean beef. We have noted in the past the increase in supply from Central America and discussions with other importers confirmed this to us. The US import data

Key Markets for Australian Beef: 2012 - 2018

Metric Ton. Shipped Weight Basis





through October 6 shows that beef imports from Nicaragua are up about 7,300 MT compared to last year. Imports from New Zealand YTD are up around 8,200 MT while imports from Australia are down 3,800 MT so far this year.

So far this year there has been no movement in terms of opening the US market to imports from Brazil and Argentina. Representatives from these countries noted that at this point they have provided USDA with all the necessary documentation needed to resume trade. Now they wait for a decision from US authorities but at this point there is no specific timeline for resumption of trade. With the US election around the corner and elections going on in Brazil, we would guess that the issue is unlike to find a quick resolution. Additionally, given the amount of time that has passed from the last USDA audit of Brazilian plants, it is possible USDA may need to do another audit before this issue moves forward. Bottom line: We do not expect to see any fresh beef from Brazil and Argentina come to the US this year and likely the first half of next year.

Australian beef exports appear to have rebounded in October and we currently expect them to be a little over 104,000 MT for the month. The increase will likely more beef coming to the US, which is consistent with the downward trend in prices in the US at this time. Indeed, even though Australian beef exports to the US in September were lower than a year ago, exports of lean and extra lean grinding beef actually increased. It appears based on preliminary data, that Australian lean beef shipments to the US continue to track above year ago levels. In the short term this continues to put downward pressure on imported lean beef values, which maintain a discount to domestic beef prices. Based on preliminary data, we expect Australian beef shipments to the US in October to be a little over 22,000 MT, 19% higher than a year ago. Australian beef exports to Japan are projected to be around 28,000 MT, 22% higher than last year while export to China and South Korea are on track to be 14,600 MT and 15,300 MT, respectively. As the chart on page 1 shows, Australian beef exports are very well diversified at this time. On the other hand, South America has come to depend increasingly on Chinese beef demand. So far growing demand for beef in China has been a key driver for South American beef exports. But as country representatives noted during the MICA meetings, this is also a source of concern since these countries are also more vulnerable to any sudden changes in demand in that market.

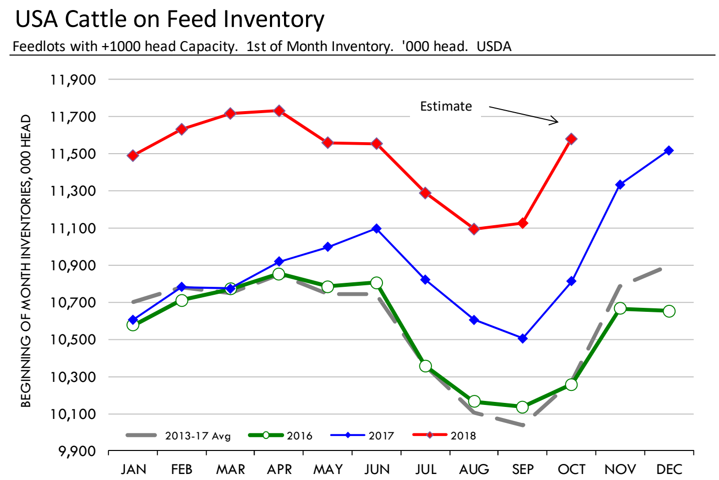
Cow and bull slaughter in the US continues to run above year ago levels. This has contributed to the seasonal decline in lean grinding beef prices we see during this time of year. The price of domestic 90CL boneless beef for the week was quoted at a weighted average $191/cwt, about $25.5/cwt or 7% lower than a year ago. This is the lowest price for 90CL domestic boneless beef so far this year and the lowest price since early December 2016. Prices were trading around $216 as recently as August but have pulled back sharply. This is in line with the normal seasonal and prices should run near current levels for a few more weeks. However, seasonally prices move higher into late December and early January as retail demand kicks in. Ample supplies of competing proteins, especially chicken breasts, are expected to limit retail ground beef price inflation in the short to medium term, however.

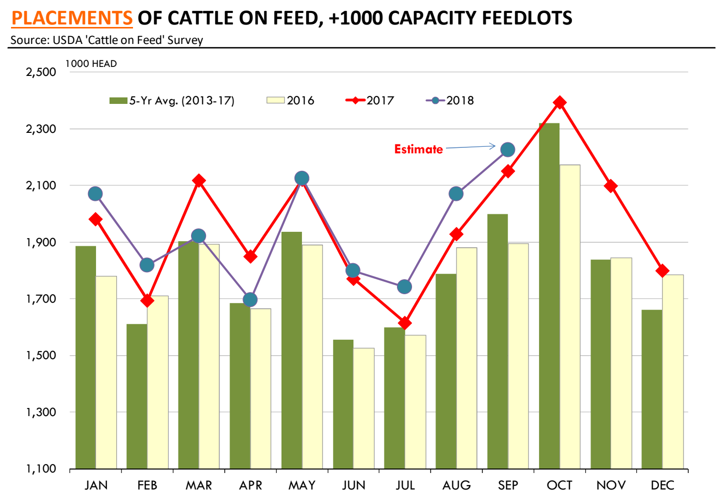
Steiner COF Estimates

On Friday October 19 USDA will issue the results of its monthly survey of feedlots that had a capacity of +1000 head of cattle on October 1. Below are our estimates:

Placements: We expect September placements to be up 3.5% compared to a year ago. Seasonally placements increase in September and October. Dry conditions in key regions have forced producers to put more calves on feed early this year. Placements in August were higher than expected and we think placements in September likely increased. There was one additional Sunday in September of this year, which may have negatively impacted placements when compared to last year. On the other hand, feeder cattle receipts in the four weeks ending September 28 were 8% higher than a year ago. Receipts of feeder cattle above 600 pounds were 12% higher than last year. Additionally, feeder cattle imports from Mexico during this period were 20,885 head or 47.4% higher than a year ago. Imports of Canadian feeder cattle were up 1,983 head or 30.6% compared to a year ago.

Marketings: There was one less marketing day in September 2018, which affects the year over year comparison. Steer and heifer slaughter in September was estimated to be 3.8% lower than a year ago. Our working forecast is for marketings in September to show a 3.9% decline compared to year ago levels. Adjusting for the calendar discrepancy revels a somewhat different picture, however. Non-holiday weekday slaughter averaged around 94,500 head, 0.5% higher than a year ago. Saturday slaughter this year was 1.7% higher than a year ago. Still, the slaughter numbers this year were a bit less than what was needed to maintain feedlot currentness. There were 5.9% more cattle on feed on September 1 and the supply of +150day cattle was about 15% higher than a year ago.



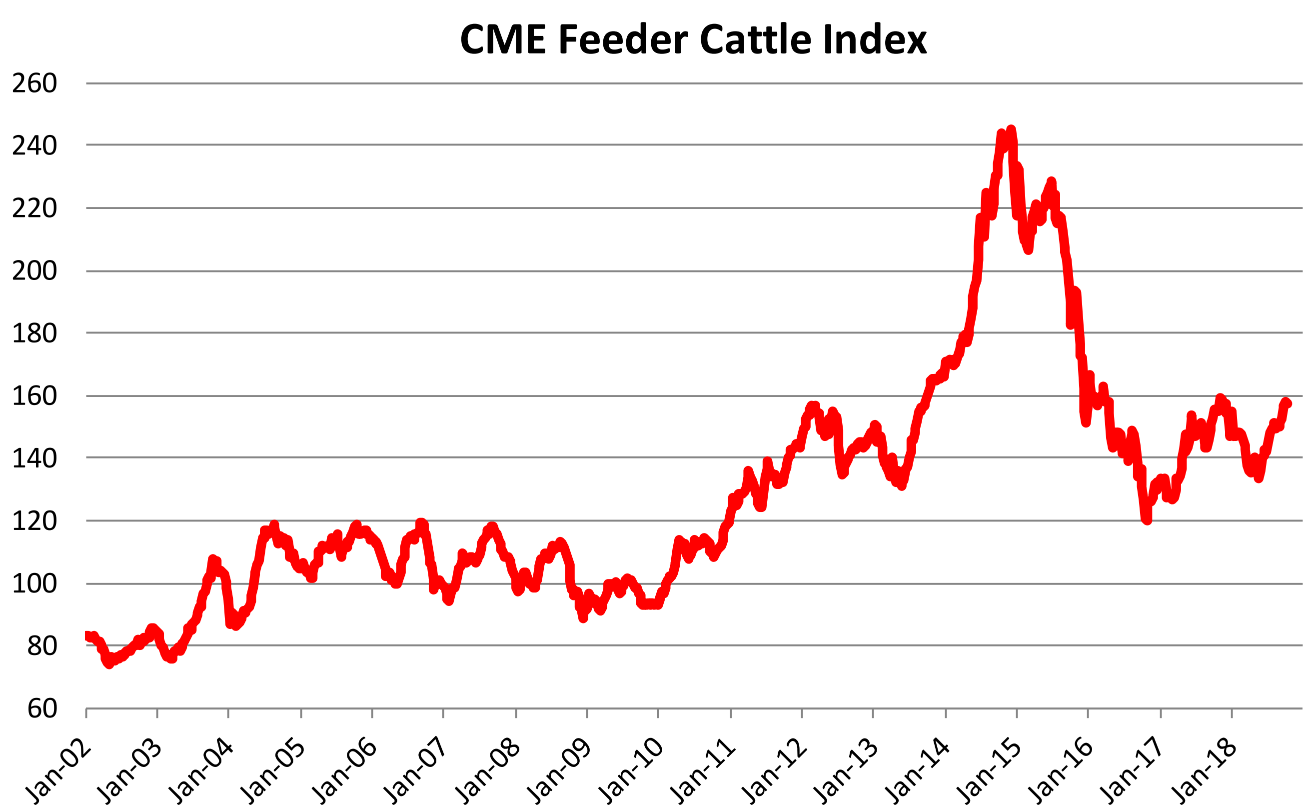


Total on feed Oct 1: We expect the total supply of cattle on feed on October 1 to be 11.579 million head, the biggest October 1 inventory in at least 20 years and 7% higher than a year ago. Basis levels have so far encouraged producers to hold on to their cattle. In the short term that has supported fed cattle prices but producers will have to pick up the marketing pace in order to maintain currentness and avoid a price correction in Q1.

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
	11-Oct-18	4-Oct-18		10-Oct-17	
CME FEEDER CATTLE INDEX	157.48	158.18	-0.4%	155.22	1.5%
	12-Oct-18	5-Oct-18		13-Oct-17	
FED STEER (5-MKT AVG)	110.83	110.58	0.2%	109.43	1.3%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	99.00	97.00	2.1%	118.00	-16.1%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	93.00	95.00	-2.1%	110.50	-15.8%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	92.50	92.50	0.0%	99.00	-6.6%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	155.99	156.43	-0.3%	154.79	0.8%



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
	12-Oct-18		5-Oct-18			13-Oct-17		
US East Coast Australian/NZ Lean, CIF								
95 CL Bull, E. Coast	193.0	194.0	194.0	195.0	-1.0	226.0	227.0	-33.0
90 CL Blended Cow	177.0	179.0	179.0	181.0	-2.0	209.0	210.0	-31.0
90 CL Shank	177.0	178.0	177.0	180.0	-2.0	207.0	208.0	-30.0
85 CL Fores	169.0	170.0	169.0	170.0	0.0	189.0	191.0	-21.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	192.0	193.0	192.0	194.0	-1.0	225.0	226.0	-33.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, CIF								
85 CL Trimmings	168.0	169.0	168.0	169.0	0.0	188.0	190.0	-21.0
80 CL Trimmings	160.0	161.0	160.0	161.0	0.0	173.0	175.0	-14.0
75 CL Trimmings		UNQ		UNQ	N/A	160.0	161.0	N/A
65 CL Trimmings		UNQ		UNQ	N/A	113.0	114.0	N/A
US East Coast Australian Cuts, CIF								
Cap Off Steer Insides	260.0	265.0	260.0	265.0	0.0	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		225.0	0.0	245.0	250.0	-25.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	12-Oct-18		**5-Oct-18**			**13-Oct-17**		
US East Coast Australian/NZ Lean, FOB US Port								
95 CL Bull, E. Coast	202.0	203.0	204.0	205.0	-2.0	236.0	237.0	-34.0
90 CL Blended Cow	184.0	185.0	186.0	187.0	-2.0	215.0	217.0	-32.0
90 CL Shank	190.0	191.0	189.0	191.0	0.0	214.0	215.0	-24.0
85 CL Fores	175.0	176.0	175.0	177.0	-1.0	194.0	195.0	-19.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	200.0	201.0	202.0	203.0	-2.0	234.0	235.0	-34.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, FOB US Port								
85 CL Trimmings	175.0	176.0	175.0	176.0	0.0	193.0	194.0	-18.0
80 CL Trimmings	166.0	167.0		167.0	0.0	180.0	182.0	-15.0
75 CL Trimmings		UNQ		UNQ	N/A	169.0	170.0	N/A
65 CL Trimmings		UNQ		UNQ	N/A	120.0	121.0	N/A
US East Coast Australian Cuts, FOB US Port								
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	210.0	215.0	210.0	215.0	0.0	225.0	230.0	-15.0
Steer Knuckles	235.0	240.0	235.0	240.0	0.0	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
		12-Oct-18			5-Oct-18				13-Oct-17		
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
Domestic Cutouts											
Choice Cutout		202.71			203.25		-0.5		196.32		6.4
Select Cutout		192.28			191.74		0.5		188.76		3.5
Domestic Lean Grinding Beef											
90 CL Boneless	184.0	207.0	191.0	185.0	212.0	194.3	-3.4	211.0	223.0	216.5	-25.5
85 CL Beef Trimmings	128.0	163.0	151.0	155.0	172.0	157.9	-6.9	180.0	187.0	183.1	-32.1
50 CL Beef Trim	51.1	51.1	47.3	49.8	49.8	42.4	4.9	61.6	61.6	48.9	-1.6
Domestic Pork Trim											
42 CL Pork Trim	30.3	47.3	34.9	40.9	56.3	48.3	-13.5	23.5	53.6	25.7	9.1
72 CL Pork Trim	61.4	76.3	62.8	52.2	88.8	59.6	3.2	61.5	69.0	65.6	-2.8
Point of Lean Values											
90 CL Domestic		212.2			215.9		-3.7		240.5		-28.3
50 CL Beef Trimming		94.6			84.9		9.8		97.7		-3.1
42 CL Pork Trim		83.0			115.1		-32.1		61.3		21.7
72 CL Pork Trim		87.2			82.8		4.4		91.1		-3.8
National Direct Fed Steer (5 day accum. wt. avg. price)		110.83			110.58		0.3		109.43		1.4

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	*Current Week*	*Prior Week*	*Change From Last Week*	*Last Year*	*Change From Last Year*
	12-Oct-18	**5-Oct-18**		**13-Oct-17**	
Live Cattle Futures					
October '18	112.325	113.800	↓ -1.47	113.775	↓ -1.45
December '18	116.175	118.150	↓ -1.98	118.525	↓ -2.35
February '19	120.400	122.525	↓ -2.13	122.175	↓ -1.77
April '19	121.975	123.600	↓ -1.63	122.675	↓ -0.70
Feeder Cattle Futures					
October '18	154.700	157.775	↓ -3.08	154.150	↑ 0.55
November '18	154.625	158.225	↓ -3.60	155.675	↓ -1.05
January '19	149.750	154.375	↓ -4.63	154.250	↓ -4.50
March '19	148.975	153.450	↓ -4.47	154.250	↓ -5.28
Corn Futures					
December '18	373 3/4	368 1/4	↑ 5.50	346	↑ 27.75
March '19	385 3/4	380	↑ 5.75	359 1/2	↑ 26.25
May '19	392 3/4	387	↑ 5.75	368	↑ 24.75
July '19	397 3/4	392 1/4	↑ 5.50	375 3/4	↑ 22.00
Ch Wheat Futures					
December '18	517 1/4	521	↓ -3.75	433 1/4	↑ 84.00
March '19	537 1/2	540 1/4	↓ -2.75	452 1/4	↑ 85.25
May '19	549 1/4	550 1/4	↓ -1.00	464 3/4	↑ 84.50
July '19	555 1/2	555 1/2	↓ 0.00	478 1/2	↑ 77.00

Slaughter Information	*7 Days Ending*	*7 Days Ending*	*Change From Last Week*	*7 Days Ending*	*Change From Last Year*
	13-Oct-18	**6-Oct-18**		**14-Oct-17**	
Total Cattle Slaughter	650,000	657,000	↑ 5,000	648,000	↑ 19,000
	29-Sep-18	**22-Sep-18**		**30-Sep-17**	
Total Cow Slaughter	118,507	119,400	↓ -893	113,336	↑ 5,171
Dairy Cow Slaughter	60,606	60,671	↓ -65	59,200	↑ 1,406
Beef Cow Slaughter	57,901	58,729	↓ -828	54,136	↑ 3,765

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

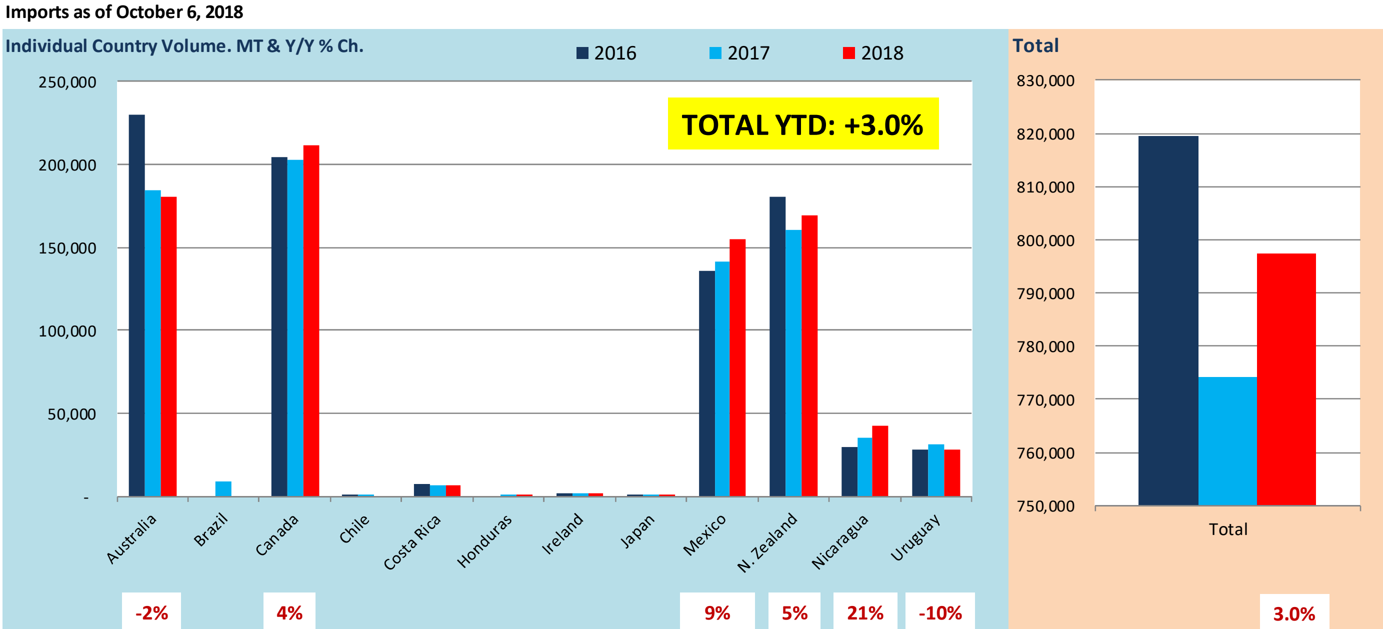
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 40	10/7/2017	10/6/2018		
Australia	184,117	180,336	(3,781)	-2.1%
Brazil	9,022	-	(9,022)	-100.0%
Canada	202,822	211,761	8,939	4.4%
Chile	202	-	(202)	-100.0%
Costa Rica	6,449	6,443	(6)	-0.1%
France	-	-	-	
Honduras	285	1,383	1,098	385.3%
Ireland	1,833	2,048	215	11.7%
Japan	257	329	72	28.0%
Mexico	141,479	154,833	13,354	9.4%
Netherlands	228	-	(228)	-100.0%
New Zealand	160,822	169,581	8,759	5.4%
Nicaragua	35,284	42,578	7,294	20.7%
Spain	-	-	-	
Uruguay	31,331	28,123	(3,208)	-10.2%
Total	774,131	797,414	**23,283**	**3.0%**

Source: AMS - USDA

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

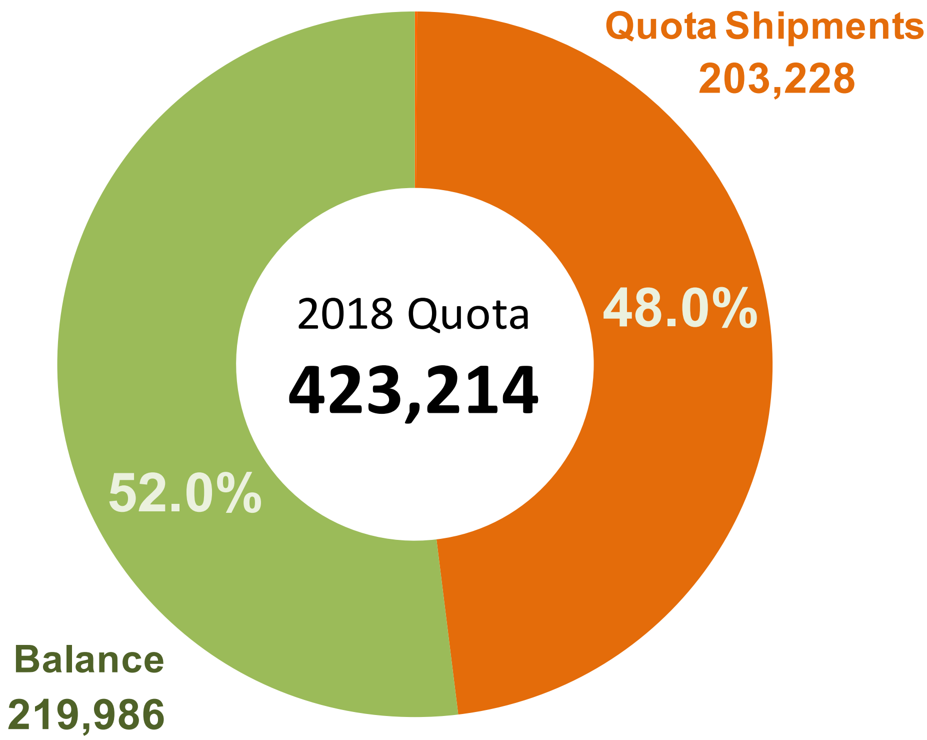
Imports as of October 6, 2018



Australian Beef Quota Position

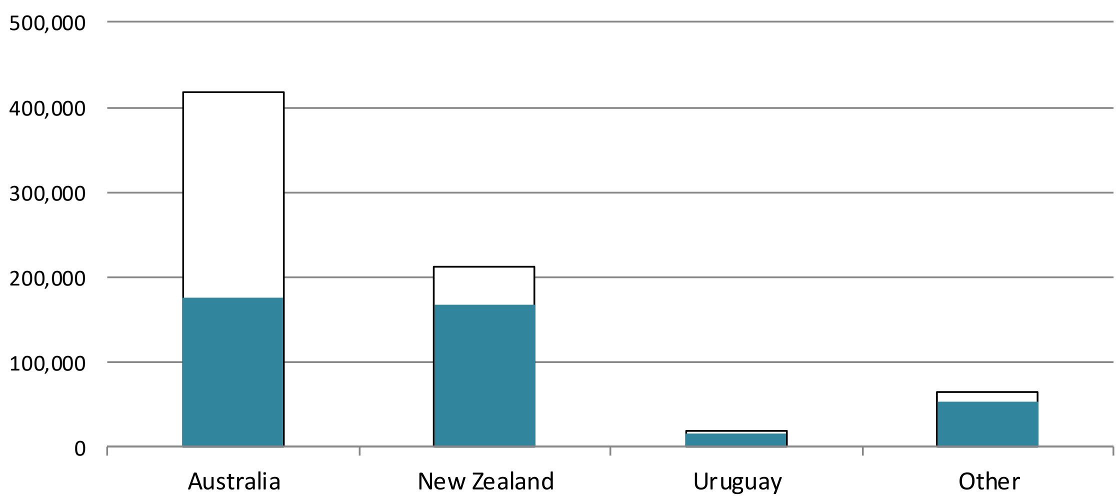
11-Oct-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending October 9

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2017 YTD	178,175,959	158,645,397	16,748,963	52,677,020
2018 YTD	175,344,749	167,296,547	15,925,761	53,050,812
% ch.	-2%	5%	-5%	1%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	**42%**	**78%**	**80%**	**82%**

Note: Customs did not provide an update this week. Data reflects last week's levels.