



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 move higher last week on improved end user demand, lower Australia slaughter and reduced Central American imports.
- Australian beef exports to the US in November are expected to be steady compared to the previous month but notably higher than a year ago
- We expect beef production in 2019 to be 2.3% higher than the previous year compared to a USDA forecast for 3.3% growth. Our forecast is for a 3.1% increase in pork production next year while USDA expects pork supplies to expand 5.4%
- There has been a notable increase in the supply of 90CL boneless beef traded in the open market in the last two weeks. Spot supplies were very tight through the spring and summer but seasonally lower slaughter and continued increases in cow slaughter have improved availability in the near term and pressured prices lower.
- US non fed cattle slaughter last week was 1% higher than a year ago while fed cattle slaughter was up 3.1%
- CME fed cattle futures were lower for the week as participants reacted negatively to report that cash prices were steady to lower during more recent trading activity.

Imported Market Activity for the Week

Imported beef prices continued to move higher this week as end users continue to focus on securing Q1 needs. Offerings from Australia remain quite limited at this time, a function of relatively low slaughter numbers (vs. earlier in the year). Market participants also continue to note that Australian packers are finding more attractive prices in other markets and thus has limited the

supply of grinding beef available for shipments to the US. That does not appear to be the case for November, however. Based on export data to this point, it appears Australian beef exports are on track to be around 91,000 MT for November, 3.6% above year ago levels. Shipments to the US currently are on track to reach 17,000 MT, similar to October but higher than the 14,000 MT or so that was shipped in November of a year ago. At this point it appears to us that the higher prices paid for

Steiner Red Meat and Poultry Production Forecasts for 2019 and 2020

	2016	2017	% CH.	2018	% CH.	2019	% CH.	2020	% CH.
BEEF	25,221	26,187	3.8%	26,948	2.9%	27,569	2.3%	27,753	0.7%
PORK	24,941	25,584	2.6%	26,362	3.0%	27,179	3.1%	27,359	0.7%
BROILERS	40,260	41,217	2.4%	42,273	2.6%	42,866	1.4%	43,346	1.1%
TURKEYS	5,905	5,905	0.0%	5,810	-1.6%	5,933	2.1%	6,058	2.1%
LAMB	150	145	-3.3%	151	3.7%	149	-1.1%	153	2.5%
VEAL	76	74	-1.8%	75	1.2%	78	3.3%	80	3.0%
TOTAL	96,553	99,113	2.7%	101,618	2.5%	103,773	2.1%	104,749	0.9%

imported beef reflect better demand from US domestic and users. Seasonally US non-fed cattle slaughter declines in Q1 and users also have to contend with tighter supplies and a widening spread between domestic and imported beef

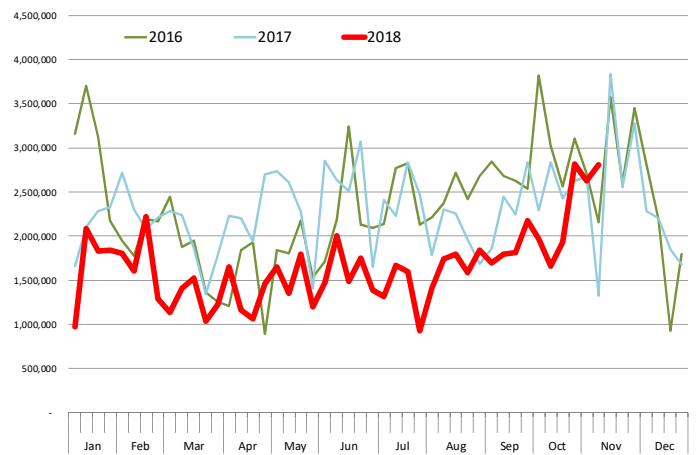
Slaughter numbers in Australia and New Zealand tend to vary greatly during this time due to the timing of spring rains and disruptions caused by year end holidays. The focus for users of imported beef is making sure they have enough product around until overseas plants start to run full schedules again in January.

Other highlights for the week:

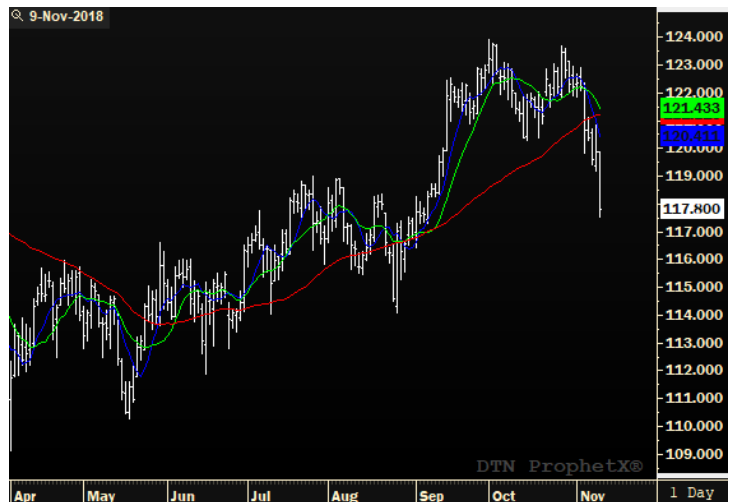
- We estimate fed cattle slaughter for the week ending November 10 was 508,000 head, 3.1% higher than a year ago. Non fed cattle slaughter for the week is estimated at 132,000 head, 1% higher than a year ago. We should be near the peak of annual non fed slaughter at this time. Slaughter numbers will decline sharply at the end of the year as cow barns close around the country.
- CME fed cattle futures were notably lower in the past week as market participants reacted negatively to reports of lower prices paid for fed cattle in some feeding areas. Market participants expected higher prices given robust packer margins and strong beef demand going into the holidays. There are growing concerns that feedlots have not been aggressive enough in marketing cattle and may face a backlog of cattle come January 1.
- US domestic lean grinding beef prices have been lower in the last few weeks. This is consistent with seasonal trends. Ground beef was very strong during the spring and summer months as regular users absorbed a larger supply of domestic production thus limiting supply availability in the spot market. More recently, however, spot supplies have increased and cow plants have had to lower prices in order to more product. Higher non-fed slaughter and seasonally weaker demand has contributed to this. The chart above shows the volume of 90CL boneless beef traded in the negotiated market this year and in the past two years. During the period Jun, July and August the volume traded was 33% lower than the previous year and 35% lower than two years ago. The volume traded was much lower even as overall slaughter num-

Volume of Fresh 90CL Boneless Beef Traded in the Negotiated Market

Source: USDA National Weekly Boneless Cow Beef and Beef Trimnings Report

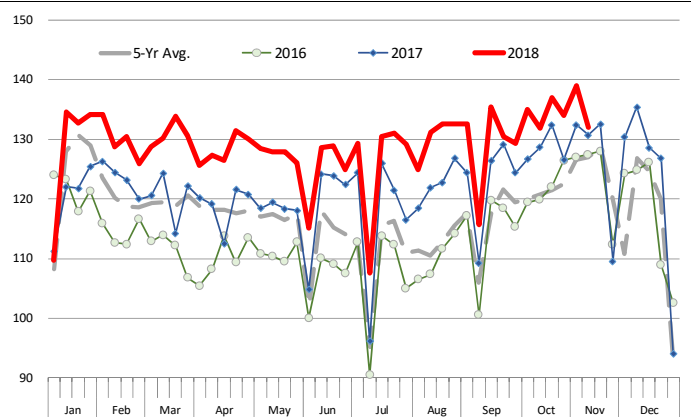


February 2019 Fed Cattle Futures



WEEKLY COW & BULL SLAUGHTER, '000 HEAD

Source: USDA



bers were notably above the previous two years. More product was committed and was going to regular users and was not available in the open market. That has changed in recent weeks. In the last two weeks the volume traded on a negotiated basis has averaged over 2.7 million pounds a

week compared to 2 million pounds a week for the same period last year and 2.4 million a week two years ago.

- The table to the right offers a summary of key supply/demand numbers for beef and pork in 2018 and 2019. With 9 months of actual supply numbers for this year, analysts have a much better handle of supply/demand conditions for this year. We thought it would be interesting to compare the current forecasts for 2018 with what USDA was expecting at the start of the year. The point is not so much to measure accuracy but rather to understand what has transpired this year and the related price effects. One thing that we hear often in discussions of current beef prices is how great beef demand has been this year. While we do not disagree that beef demand has been quite robust, it is important to also recognize that production numbers this year have been much smaller than many expected. Back in January USDA expected beef production to be 27.827 billion pounds, 6% higher than the previous year. The 6% growth possibly implied a 1 - 1.5% gain in carcass weights and 4.5-5.5% higher slaughter. The most recent beef production forecast is about 3.1% lower than what was presented in January. Additionally, US beef exports have been about 205 million pounds or 6.9% higher than what was earlier expected. The result is a per capita consumption number that is only marginally higher than what it was in 2017. The choice beef cutout for this year is on track to average around \$214/cwt, about 2% higher than a year ago. A 2% gain in the cutout as the per capita consumption number increased 0.2% does suggest better demand. However, it appears to us that a key factor in pricing this year is the fact that supply availability in the domestic market fell well short of expectations. And those big promos over the spring and summer were predicated on significant supplies coming to market. At this time end users are in the process of recalibrating their supply expectations for next year, something that will be reflected in menu prices and the price of retail features.

USDA Supply/Demand Projections in Jan. 2018 & Nov. 2018

Source: USDA - WASDE Report

Beef		Prod.	Imports	Exports	Dom. Cons.
		--- million pounds ---			lb./pp
2017	Actual	26,250	2,993	2,860	56.9
2018	Jan 2018 Fcast	27,827	3,030	2,985	59.4
	Nov 2018 Fcast	26,977	3,014	3,190	57.0
	variance	(850)	(16)	205	(2)
	variance	-3.1%	-0.5%	6.9%	-4.0%
2019	Nov 2018 Fcast	27,873	3,060	3,265	58.5
	% ch. vs. 2018	3.3%	1.5%	2.4%	2.6%

Pork		Prod.	Imports	Exports	Dom. Cons.
		--- million pounds ---			lb./pp
2017	Actual	25,598	1,116	5,632	50.1
2018	Jan 2018 Fcast	26,976	1,000	5,900	52.0
	Nov 2018 Fcast	26,333	1,059	5,984	50.6
	variance	(643)	59	84	(1)
	variance	-2.4%	5.9%	1.4%	-2.7%
2019	Nov 2018 Fcast	27,729	1,060	6,200	52.8
	% ch. vs. 2018	5.3%	0.1%	3.6%	4.3%

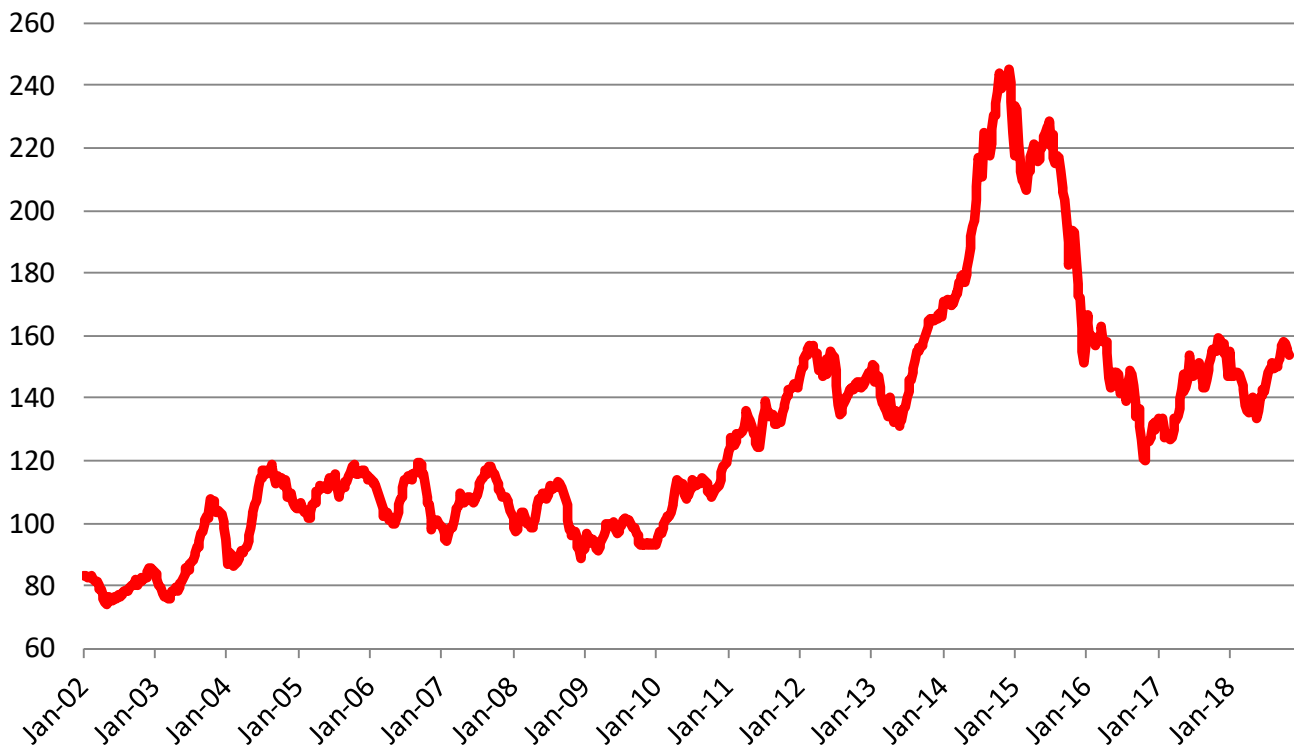
Pork production numbers have also been notably lower than previously expected, causing per capita pork consumption for 2018 to increase just 1% compared to a year ago. The pork cutout is currently on track to average \$76/cwt for the year, 9% lower than a year ago. Pork demand appears to have lost a step due to more competition from chicken and because higher incomes encourage more beef consumption.

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
	1-Nov-18	25-Oct-18		31-Oct-17	
CME FEEDER CATTLE INDEX	153.89	155.01	-0.7%	#N/A	#N/A
	2-Nov-18	26-Oct-18		3-Nov-17	
FED STEER (5-MKT AVG)	113.80	110.21	3.3%	119.33	-4.6%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	90.00	95.00	-5.3%	102.00	-11.8%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	84.50	89.00	-5.1%	95.00	-11.1%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	82.50	88.50	-6.8%	94.50	-12.7%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	154.07	154.35	-0.2%	154.79	-0.5%

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
	9-Nov-18	9-Nov-18	2-Nov-18	2-Nov-18		10-Nov-17	10-Nov-17	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	193.0	195.0	191.0	193.0	2.0	227.0	229.0	-34.0
90 CL Blended Cow	183.0	185.0	181.0	183.0	2.0	208.0	210.0	-25.0
90 CL Shank	181.0	184.0	179.0	181.0	3.0	208.0	210.0	-26.0
85 CL Fores	169.0	170.0	167.0	168.0	2.0	190.0	191.0	-21.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	191.0	194.0	188.0	191.0	3.0	225.0	228.0	-34.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	168.0	169.0	166.0	167.0	2.0	189.0	190.0	-21.0
80 CL Trimmings	159.0	160.0	159.0	160.0	0.0	171.0	173.0	-13.0
75 CL Trimmings	156.0	157.0	156.0	157.0	0.0	160.0	161.0	-4.0
65 CL Trimmings		UNQ		UNQ	N/A	118.0	119.0	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides		270.0	265.0	270.0	0.0	275.0	285.0	-15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	210.0	215.0	210.0	215.0	0.0	215.0	220.0	-5.0
Steer Knuckles	240.0	245.0	230.0	240.0	5.0		250.0	-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
	9-Nov-18		2-Nov-18			10-Nov-17		
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	203.0	205.0	200.0	203.0	2.0	235.0	237.0	-32.0
90 CL Blended Cow	188.0	190.0	187.0	189.0	1.0	216.0	217.0	-27.0
90 CL Shank	188.0	189.0	187.0	189.0	0.0	218.0	219.0	-30.0
85 CL Fores	178.0	179.0	175.0	176.0	3.0	197.0	198.0	-19.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	202.0	203.0	198.0	202.0	1.0	234.0	235.0	-32.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	177.0	178.0	174.0	175.0	3.0	196.0	197.0	-19.0
80 CL Trimmings	166.0	167.0		166.0	1.0	179.0	180.0	-13.0
75 CL Trimmings	161.0	162.0		UNQ	N/A	168.0	170.0	-8.0
65 CL Trimmings		UNQ		UNQ	N/A	120.0	121.0	N/A
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides		275.0		275.0	0.0	285.0	290.0	-15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	220.0	225.0	220.0	225.0	0.0		UNQ	N/A
Steer Knuckles	250.0	255.0	245.0	250.0	5.0	255.0	260.0	-5.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year	Change from Last Year		
	9-Nov-18			2-Nov-18				10-Nov-17			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<u>Domestic Cutouts</u>											
Choice Cutout	215.20			218.50			-3.3	213.85			1.3
Select Cutout	198.72			201.47			-2.8	194.51			4.2
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	181.0	200.0	189.5	181.0	200.0	188.8	0.6	212.0	220.0	214.0	-24.5
85 CL Beef Trimmings	152.0	166.0	154.4	145.0	164.0	152.3	2.1	177.7	187.4	182.4	-28.0
50 CL Beef Trim	75.6	75.6	69.1	70.8	70.8	64.7	4.5	87.1	87.1	70.1	-0.9
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	20.0	37.7	23.5	20.0	39.5	23.4	0.1	19.5	38.3	27.1	-3.6
72 CL Pork Trim	40.0	63.5	45.8	43.0	67.5	48.4	-2.5	55.1	65.4	62.3	-16.5
<u>Point of Lean Values</u>											
90 CL Domestic	210.5			209.8			0.7	237.8			-27.3
50 CL Beef Trimming	138.3			129.3			8.9	140.1			-1.8
42 CL Pork Trim	56.0			55.7			0.3	64.6			-8.6
72 CL Pork Trim	63.7			67.2			-3.5	86.5			-22.9
<u>National Direct Fed Steer price)</u>	114.88			113.80			1.1	123.48			-8.6

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
	9-Nov-18	2-Nov-18			10-Nov-17		
<u>Live Cattle Futures</u>							
December '18	114.575	117.075	↓	-2.50	120.575	↓	-6.00
February '19	117.800	122.200	↓	-4.40	126.750	↓	-8.95
April '19	120.250	123.725	↓	-3.47	127.100	↓	-6.85
June '19	112.700	115.975	↓	-3.27	119.875	↓	-7.18
<u>Feeder Cattle Futures</u>							
November '18	149.000	152.500	↓	-3.50	158.475	↓	-9.47
January '19	143.800	149.750	↓	-5.95	157.175	↓	-13.38
March '19	142.175	148.250	↓	-6.07	155.075	↓	-12.90
May '19	143.275	149.450	↓	-6.17	155.075	↓	-11.80
<u>Corn Futures</u>							
December '18	369 3/4	371 1/4	↓	-1.50	343 1/2	↑	26.25
March '19	381 1/4	383 1/4	↓	-2.00	356 3/4	↑	24.50
May '19	389 1/4	391 1/4	↓	-2.00	365 1/4	↑	24.00
July '19	396	397	↓	-1.00	373	↑	23.00
<u>Ch Wheat Futures</u>							
December '18	502	508 3/4	↓	-6.75	431 1/2	↑	70.50
March '19	512 1/4	524	↓	-11.75	449	↑	63.25
May '19	519 1/2	535 3/4	↓	-16.25	460	↑	59.50
July '19	526	542 3/4	↓	-16.75	473	↑	53.00

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	10-Nov-18	3-Nov-18			11-Nov-17		
<u>Total Cattle Slaughter</u>	640,000	643,000	↓	-3,000	624,000	↑	16,000
	27-Oct-18	20-Oct-18			28-Oct-17		
<u>Total Cow Slaughter</u>	126,843	125,728	↑	1,115	116,241	↑	10,602
<u>Dairy Cow Slaughter</u>	63,656	64,924	↓	-1,268	57,032	↑	6,624
<u>Beef Cow Slaughter</u>	63,187	60,804	↑	2,383	59,209	↑	3,978

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

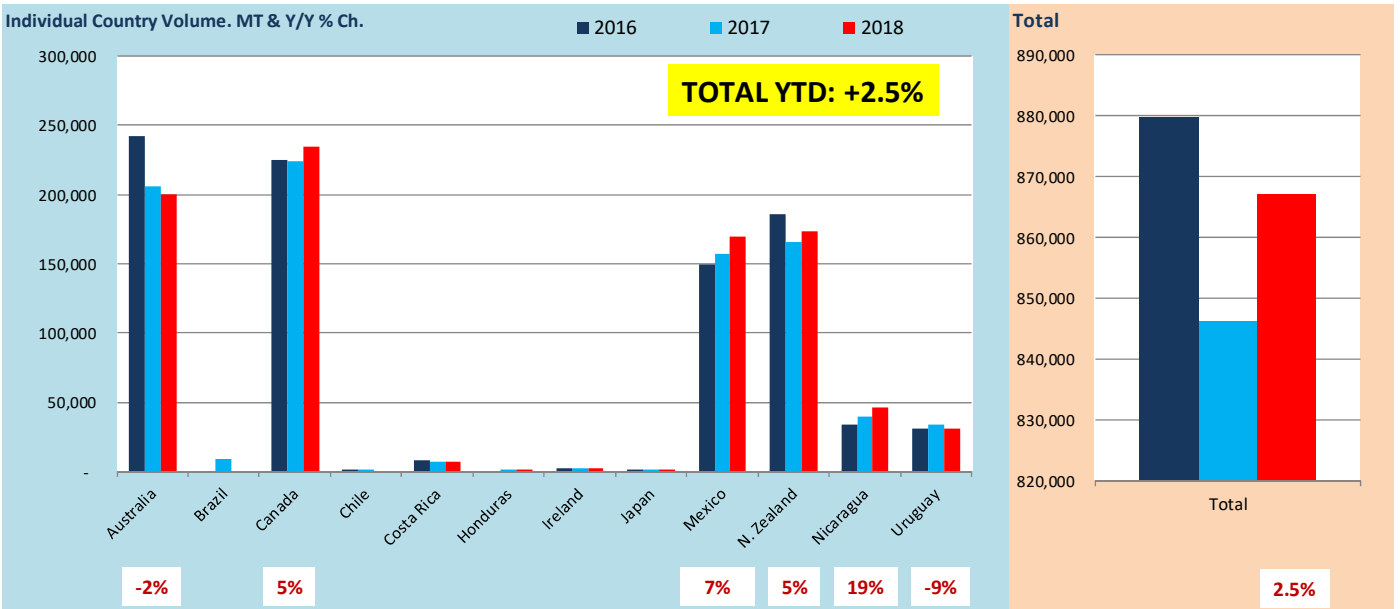
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 44	11/4/2017	11/3/2018		
Australia	205,564	200,455	(5,109)	-2.5%
Brazil	9,022	-	(9,022)	-100.0%
Canada	224,603	234,829	10,226	4.6%
Chile	226	-	(226)	-100.0%
Costa Rica	6,946	6,982	36	0.5%
France	-	-	-	
Honduras	379	1,535	1,156	305.0%
Ireland	1,935	2,344	409	21.1%
Japan	276	360	84	30.4%
Mexico	157,592	169,260	11,668	7.4%
Netherlands	228	-	(228)	-100.0%
New Zealand	166,067	173,738	7,671	4.6%
Nicaragua	39,325	46,685	7,360	18.7%
Spain	-	-	-	
Uruguay	33,984	30,843	(3,141)	-9.2%
Total	846,147	867,032	20,885	2.5%

Source: AMS - USDA

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

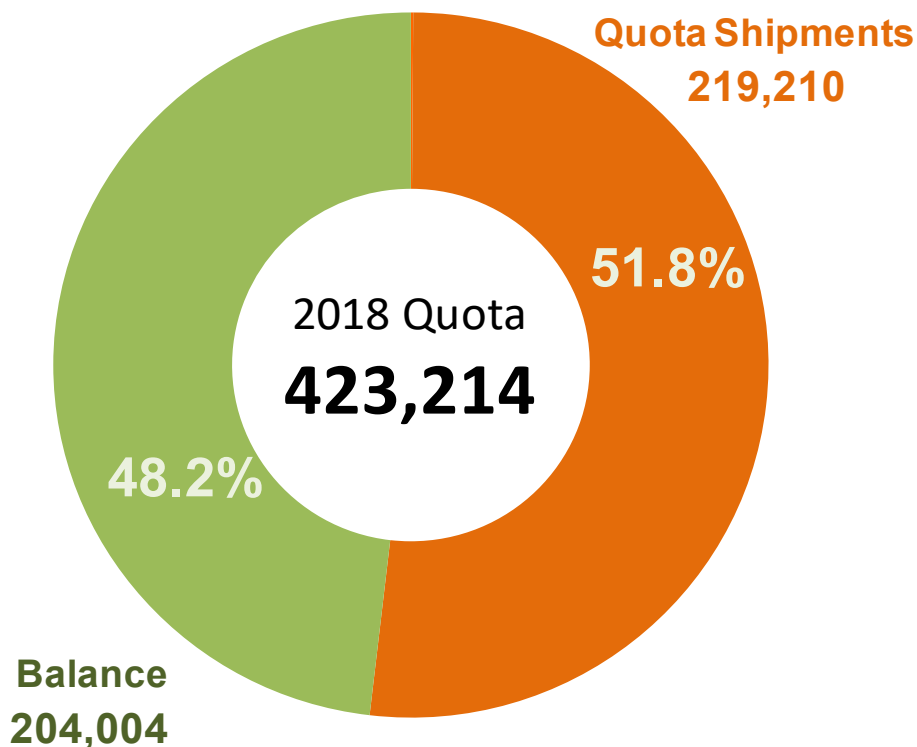
Imports as of November 3, 2018



Australian Beef Quota Position

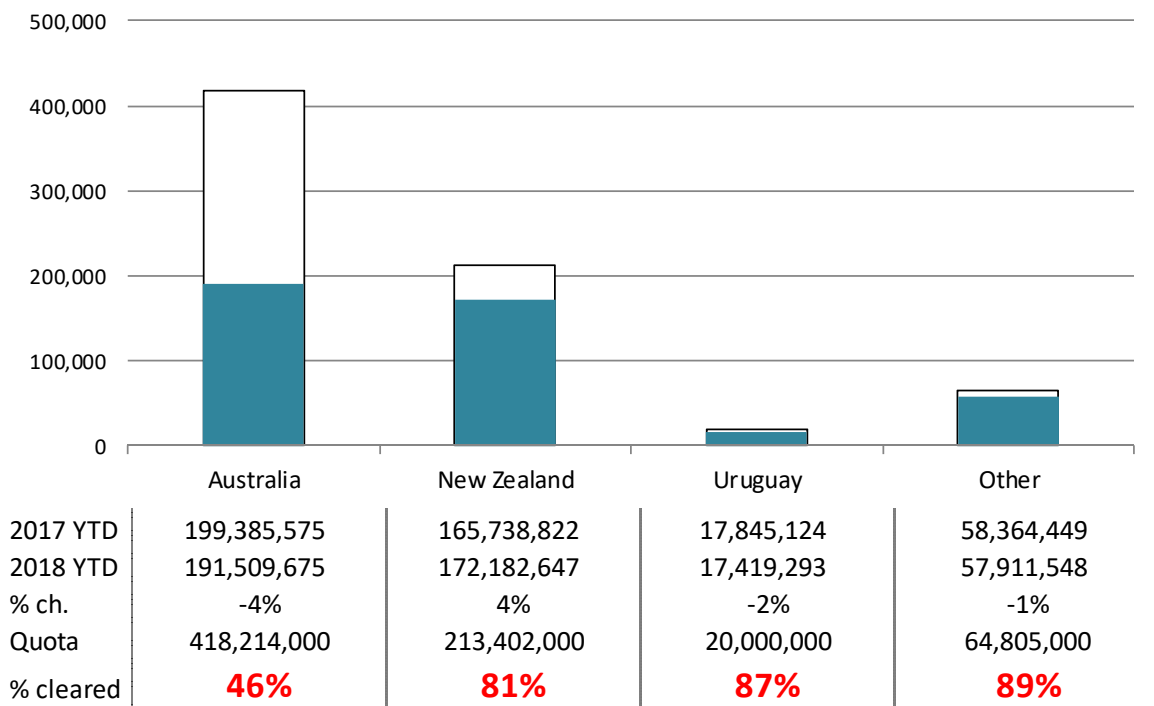
8-Nov-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending November 5

Source: US Customs



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