



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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

Market Highlights for the Week:

- Imported beef prices have been trading very firm in the last three weeks as large end users look to manage supply availability in the first few weeks of 2019.
- Australian exports of manufacturing beef are up so far this year but less product has come to the US. More manufacturing beef is now going to China and other Asian markets.
- New Zealand bull slaughter seasonally increases at this time of year and should be significantly higher in January. Cow slaughter there is increasing in line with normal trends and so far New Zealand packers appear to be well sold through January.
- Weak dairy markets and the increase in the non-commercial cattle supply could bolster New Zealand slaughter during Feb-Apr,
- US 50CL beef prices so far have closely followed seasonal trends. Prices are expected to be higher in Jan/Feb.
- Analysts polled ahead of the regular USDA report expect on feed supplies on November 1 to be up 4.3% compared to a year ago.

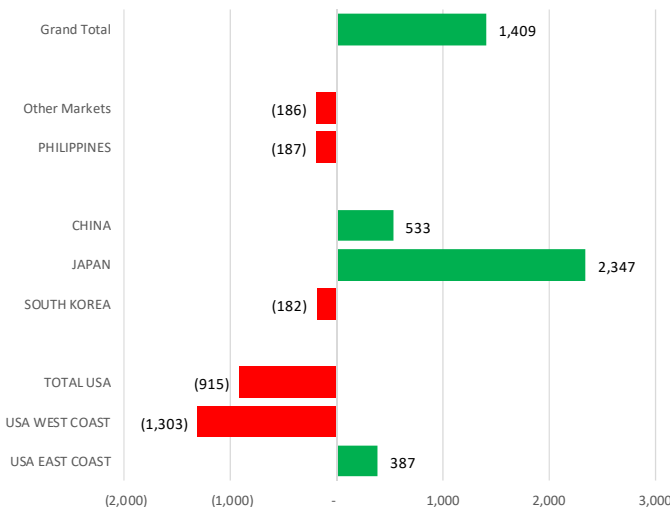
Imported Market Activity for the Week

Imported beef prices have traded very firm in the last two weeks and prices continued to advance again this week. The main challenge at this point is getting offerings from overseas packers as New Zealand packers appear to be well sold through the holidays and Australian slaughter has slowed down in recent weeks. Strong demand in Asian markets, especially China, continues to push

more Australian beef away from the US, as evidenced in the October export data. Year to date Australian exports of manufacturing beef have increased by almost 26,000 MT compared to the same period a year ago. Exports to China accounted for about half of that increase (see charts below) and exports to Japan and smaller markets were also higher. On the other hand, exports to the US market declined by 3,414 MT. In October exports of manufacturing beef to the US West Coast were

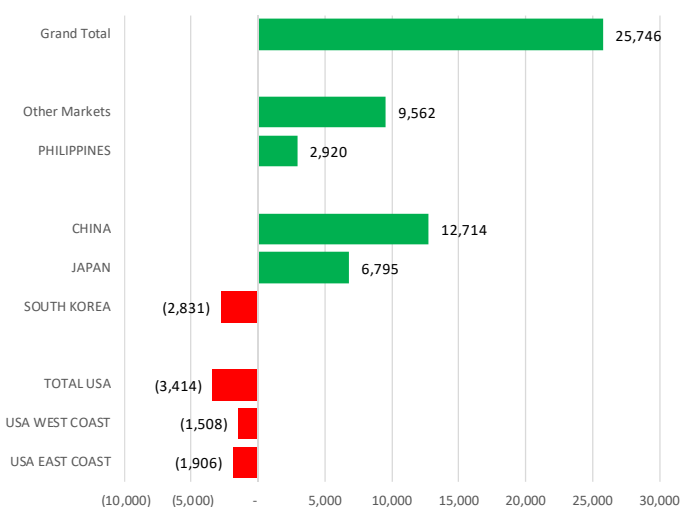
Y/Y Change in Manufacturing Beef Exports by Country

October 2018 vs October 2017



YTD Change in Manufacturing Beef Exports by Country

Jan 18-Oct 18 vs Jan 17-Oct 17



down as much as 28% compared to the same period a year ago while exports to Japan were up 28% and exports to China were up 13% compared to last year.

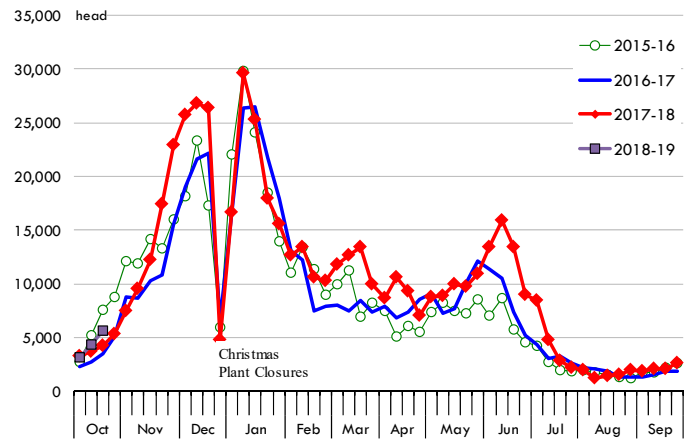
Market participants with whom we spoke during the course of our survey indicated that availability of 90CL boneless beef is particularly limited at this time. There is little product available in the spot market and overseas packers appear to be well sold for product delivering into January. Seasonally cow slaughter in New Zealand does not increase until February and so far slaughter there has followed the normal seasonal pattern. Grass conditions have been in line with what we normally see during this time of year.

The main challenge for New Zealand producers at this time are global dairy prices. Milk production in the last three months has far exceeded expectations and global dairy output has exceeded demand, pressuring prices lower. Prices in the latest Global Dairy Trade auction have been declining since April, with the benchmark whole milk powder price down 2.9% in the latest round of trading and down 20% from the annual peak on April 17. The ongoing weakness in the dairy market may prove problematic for cow slaughter during the autumn months, when producers make culling decisions. Additionally, there is ongoing discussion about the true size of the non-commercial cow and bull supply in New Zealand and its impact on slaughter numbers going forward. As USDA analysts pointed out in their recent review of the livestock sector in New Zealand: *“One factor that is difficult for industry analysts and government statisticians to predict is the number of cattle on produced by “hobby farmers” and small-holder blocks. These properties have grown over the last ten years, which has resulted in larger numbers of cattle being produced. The numbers of bulls, steers, and heifers coming forward to slaughter from these properties are estimated to be between seven to fifteen percent of the total. Extra bulls from these properties could be one factor explaining the bulge in the bull kill during 2018.”* We think New Zealand supply outlook will come more into focus in Q1. For now market participants are looking to cover needs through the end of January and manage around the normal disruptions caused by scheduled plant maintenance and short holiday weeks.

Prices for fat beef trimmings in the US have been coming down and the decline has been quite consistent with the seasonal tendency during this

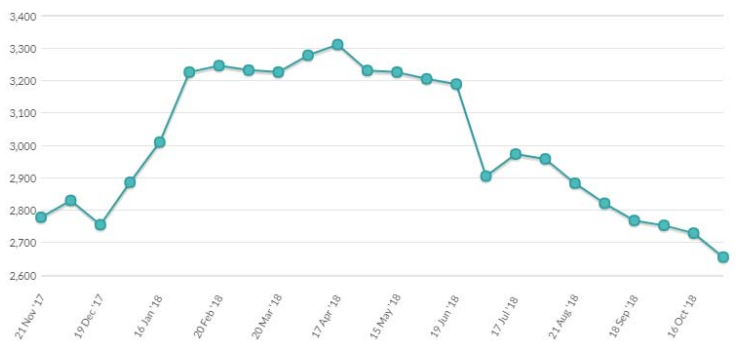
New Zealand Weekly Bull Slaughter

Based on Oct - Sep Marketing Year. Source: New Zealand Meat Board



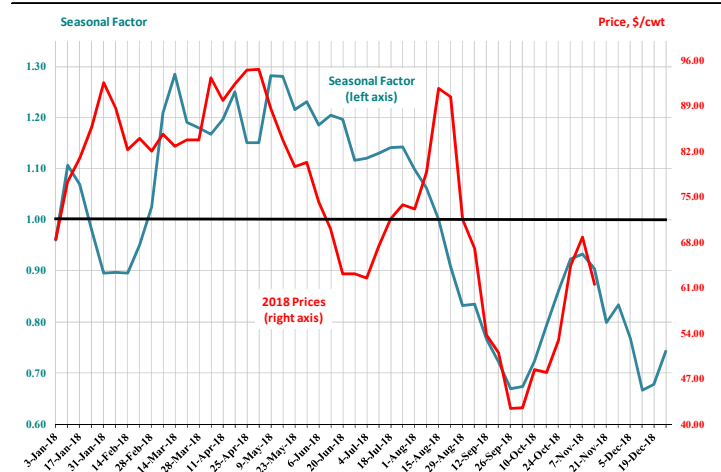
Whole Milk Powder Price, US\$/ton

Source: Global Dairy Trade Auction



<https://www.globaldairytrade.info/en/product-results/whole-milk-powder/>

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



time of year. It is important to note that the seasonal factor is not a real forecast as many other factors impact prices in any given year and any given period within a year. However, the seasonal does provide one indication about the possible direction of prices. Based on seasonality alone we would expect the price of fat beef trimmings in the next few weeks to

move lower. US fed cattle weights have started to, once again, increase and should be near annual highs in December. Prices for domestic 50CL beef trim are expected to be higher in January and February, however, which may explain why end users are looking to source more 90CL imported beef for delivery in that time frame. The variation in the price of 50CL beef and the seasonal increase in bull slaughter (see chart on page 2), should contribute to a narrowing of the spread between bull and 90CL imported cow meat.

US cattle on feed expectations

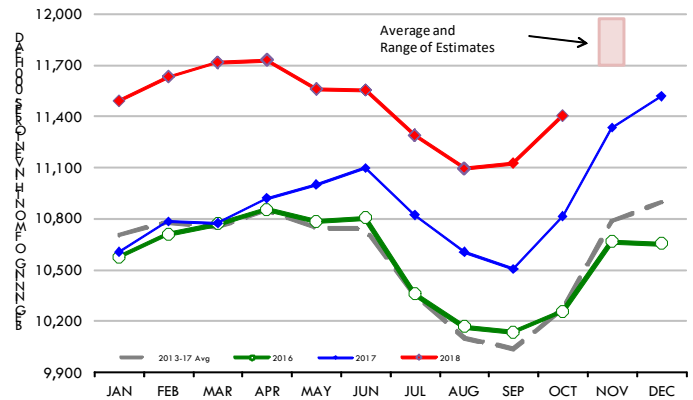
Due to the Thanksgiving Holiday next week (November 22), USDA will release the results of its monthly cattle on feed survey on Wednesday rather than Friday. The table to the right offers a summary of analyst expectations based on a survey of 11 analysts conducted by Urner Barry. Our forecasts are included in the Urner Barry forecast and they largely fall right in the middle of the pack. On average analysts surveyed expect placements in October to be about 1% higher than a year ago but there is a very wide range of ideas on this point. Seasonally feedlot placements increase in October and that will likely be the case again this year. Wet pen conditions in parts of the country likely slowed down the flow of cattle on feed during October. Also, we saw a notable increase in placements during the late summer and early fall, which also may limit the number of cattle available for placement in October. Direct auction and video auction data also shows a very modest increase in feeder cattle sales in October. For the period September 29 through November 2 total feeder cattle sales in the country were 3% higher than the same period a year ago. Keep in mind these are not just cattle that are sold to feedlots but also transfers into backgrounding operations, wheat feeding, etc. Sales of cattle over 600 pounds, which include a larger share of cattle destined for feedlots, were 2% lower than a year ago. The reduction in sales of +600 pound cattle was offset to a certain extent by the increase in imports of feeder cattle from Mexico and Canada. Most of

November 2018 COF Pre-Report Estimates. Urner Barry Survey
percent of year ago volumes. 11 analysts surveyed

| | Average of Estimates | Implied Cattle # | Range of Estimates |
|-----------------------|-------------------------|---------------------|-----------------------|
| On Feed Nov 1 | 104.3% | 11,819 | 103.3% - 105.6% |
| Placed on Feed in Oct | 101.0% | 2,417 | 94.0% - 104.3% |
| Marketed in Oct | 104.2% | 1,877 | 103.2% - 104.5% |

USA Cattle on Feed Inventory

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



these cattle will go into feedyards. Total feeder cattle imports from Mexico during October weeks were about 14,000 head or 19% higher than a year ago while feeder cattle imports from Canada during this period were almost 8000 head or 121% higher than last year.

Feedlot marketings are expected to be up 4.3% compared to a year ago, largely due to an extra marketing day last month. Daily marketings last month were pretty similar to last year and there has been growing concern among market participants that feedlots have not been able to market cattle in a timely fashion. Increasing fed cattle weights in the last two weeks and the increase in the percentage of poor grading animals suggests that producers are falling behind and thus losing some bargaining power. Packers appear to have capitalized on this, with fed cattle prices declining last week. Futures will pay close attention to the rate of placements in October and look to adjust Feb/Apr price premiums accordingly.

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 |
|--|--------------|------------|------------------------|-----------|--------------------------|
| | 15-Nov-18 | 8-Nov-18 | | 16-Nov-17 | |
| CME FEEDER CATTLE INDEX | 147.83 | 151.63 | -2.5% | 158.44 | -6.7% |
| | 16-Nov-18 | 9-Nov-18 | | 17-Nov-17 | |
| FED STEER (5-MKT AVG) | 113.11 | 114.88 | -1.5% | 119.49 | -5.3% |
| CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.) | 80.00 | 83.00 | -3.6% | 100.00 | -20.0% |
| BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.) | 78.50 | 80.00 | -1.9% | 98.00 | -19.9% |
| BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.) | 74.50 | 76.50 | -2.6% | 91.00 | -18.1% |
| CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA | 154.33 | 154.51 | -0.1% | 154.79 | -0.3% |

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 |
|---|--------------|-----------|------------|-----------|-----------------------------|-----------|-----------|-----------------------------|
| | 16-Nov-18 | 17-Nov-18 | 9-Nov-18 | 10-Nov-18 | | 17-Nov-17 | 18-Nov-17 | |
| <u>US East Coast Australian/NZ Lean, CIF</u> | | | | | | | | |
| 95 CL Bull, E. Coast | 196.0 | 197.0 | 193.0 | 195.0 | 2.0 | 229.0 | 231.0 | -34.0 |
| 90 CL Blended Cow | 184.0 | 185.0 | 183.0 | 185.0 | 0.0 | 212.0 | 215.0 | -30.0 |
| 90 CL Shank | 183.0 | 184.0 | 181.0 | 184.0 | 0.0 | 210.0 | 212.0 | -28.0 |
| 85 CL Fores | | 170.0 | 169.0 | 170.0 | 0.0 | 190.0 | 191.0 | -21.0 |
| 85 CL Chucks | | UNQ | | UNQ | N/A | | UNQ | N/A |
| 95 CL Bull, W. Coast | 195.0 | 196.0 | 191.0 | 194.0 | 2.0 | 227.0 | 229.0 | -33.0 |
| 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 | 168.0 | 169.0 | 0.0 | 189.0 | 190.0 | -21.0 |
| 80 CL Trimmings | 159.0 | 160.0 | 159.0 | 160.0 | 0.0 | 168.0 | 170.0 | -10.0 |
| 75 CL Trimmings | 156.0 | 157.0 | 156.0 | 157.0 | 0.0 | | UNQ | N/A |
| 65 CL Trimmings | | UNQ | | UNQ | N/A | | UNQ | N/A |
| <u>US East Coast Australian Cuts, CIF</u> | | | | | | | | |
| Cap Off Steer Insides | 270.0 | 275.0 | | 270.0 | 5.0 | 280.0 | 285.0 | -10.0 |
| Steer Insides 14/18 | | UNQ | | UNQ | N/A | | UNQ | N/A |
| Steer Flats | 205.0 | 210.0 | 210.0 | 215.0 | -5.0 | 220.0 | 225.0 | -15.0 |
| Steer Knuckles | 240.0 | 245.0 | 240.0 | 245.0 | 0.0 | | 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 |
|---|--------------|-------|------------|-------|-----------------------------|-----------|-------|-----------------------------|
| | 16-Nov-18 | | 9-Nov-18 | | | 17-Nov-17 | | |
| <i>US East Coast Australian/NZ Lean, FOB US Port</i> | | | | | | | | |
| 95 CL Bull, E. Coast | 205.0 | 206.0 | 203.0 | 205.0 | 1.0 | 238.0 | 240.0 | -34.0 |
| 90 CL Blended Cow | 190.0 | 192.0 | 188.0 | 190.0 | 2.0 | 218.0 | 220.0 | -28.0 |
| 90 CL Shank | | 190.0 | 188.0 | 189.0 | 1.0 | 218.0 | 219.0 | -29.0 |
| 85 CL Fores | 180.0 | 181.0 | 178.0 | 179.0 | 2.0 | 198.0 | 200.0 | -19.0 |
| 85 CL Chucks | | UNQ | | UNQ | N/A | | UNQ | N/A |
| 95 CL Bull, W. Coast | 204.0 | 205.0 | 202.0 | 203.0 | 2.0 | 237.0 | 239.0 | -34.0 |
| Uruguay CFH 90CL, E. Coast | | UNQ | | UNQ | N/A | | UNQ | N/A |
| <i>US East Coast, Trimmings, FOB US Port</i> | | | | | | | | |
| 85 CL Trimmings | 179.0 | 180.0 | 177.0 | 178.0 | 2.0 | 197.0 | 199.0 | -19.0 |
| 80 CL Trimmings | 172.0 | 174.0 | 166.0 | 167.0 | 7.0 | 179.0 | 180.0 | -6.0 |
| 75 CL Trimmings | 165.0 | 166.0 | 161.0 | 162.0 | 4.0 | 167.0 | 168.0 | -2.0 |
| 65 CL Trimmings | | UNQ | | UNQ | N/A | 121.0 | 122.0 | N/A |
| <i>US East Coast Australian Cuts, FOB US Port</i> | | | | | | | | |
| Cap Off Steer Insides | | 280.0 | | 275.0 | 5.0 | 285.0 | 295.0 | -15.0 |
| Steer Insides 14/18 | | UNQ | | UNQ | N/A | | UNQ | N/A |
| Steer Flats | 215.0 | 220.0 | 220.0 | 225.0 | -5.0 | | UNQ | N/A |
| Steer Knuckles | | 255.0 | | 255.0 | 0.0 | 257.0 | 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 | | |
|--|--------------|----------|--------|------------|-------|--------|-----------------------|-----------|-----------------------|--------|-------|
| | 16-Nov-18 | 9-Nov-18 | | 17-Nov-17 | | | | | | | |
| | Low | High | Wt.Avg | Low | High | Wt.Avg | | Low | High | Wt.Avg | |
| <u>Domestic Cutouts</u> | | | | | | | | | | | |
| Choice Cutout | 212.91 | | | 215.20 | | | -2.3 | 207.24 | | | 5.7 |
| Select Cutout | 197.57 | | | 198.72 | | | -1.2 | 187.85 | | | 9.7 |
| <u>Domestic Lean Grinding Beef</u> | | | | | | | | | | | |
| 90 CL Boneless | 188.0 | 200.0 | 191.2 | 181.0 | 200.0 | 189.5 | 1.8 | 211.0 | 217.0 | 212.0 | -20.8 |
| 85 CL Beef Trimmings | 147.0 | 174.6 | 155.8 | 152.0 | 166.0 | 154.4 | 1.4 | 176.0 | 186.2 | 180.2 | -24.5 |
| 50 CL Beef Trim | 76.2 | 76.2 | 65.1 | 75.6 | 75.6 | 69.1 | -4.1 | 82.1 | 82.1 | 69.9 | -4.9 |
| <u>Domestic Pork Trim</u> | | | | | | | | | | | |
| 42 CL Pork Trim | 18.7 | 37.3 | 21.9 | 20.0 | 37.7 | 23.5 | -1.6 | 22.9 | 39.9 | 27.0 | -5.1 |
| 72 CL Pork Trim | 39.0 | 43.4 | 40.2 | 40.0 | 63.5 | 45.8 | -5.6 | 63.0 | 65.0 | 63.8 | -23.6 |
| <u>Point of Lean Values</u> | | | | | | | | | | | |
| 90 CL Domestic | 212.5 | | | 210.5 | | | 2.0 | 235.6 | | | -23.1 |
| 50 CL Beef Trimming | 130.1 | | | 138.3 | | | -8.1 | 139.9 | | | -9.7 |
| 42 CL Pork Trim | 52.2 | | | 56.0 | | | -3.8 | 64.3 | | | -12.0 |
| 72 CL Pork Trim | 55.8 | | | 63.7 | | | -7.8 | 88.6 | | | -32.7 |
| <u>National Direct Fed Steer price)</u> | 113.11 | | | 114.88 | | | -1.8 | 119.49 | | | -6.4 |

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 |
| | 16-Nov-18 | 9-Nov-18 | | | 17-Nov-17 | | |
| <u>Live Cattle Futures</u> | | | | | | | |
| December '18 | 115.350 | 114.575 | ↑ | 0.77 | 118.850 | ↓ | -3.50 |
| February '19 | 119.725 | 117.800 | ↑ | 1.93 | 124.675 | ↓ | -4.95 |
| April '19 | 121.550 | 120.250 | ↑ | 1.30 | 124.875 | ↓ | -3.33 |
| June '19 | 113.525 | 112.700 | ↑ | 0.83 | 117.650 | ↓ | -4.13 |
| <u>Feeder Cattle Futures</u> | | | | | | | |
| January '19 | 146.525 | 143.800 | ↑ | 2.72 | 151.725 | ↓ | -5.20 |
| March '19 | 143.975 | 142.175 | ↑ | 1.80 | 150.125 | ↓ | -6.15 |
| May '19 | 144.475 | 143.275 | ↑ | 1.20 | 150.175 | ↓ | -5.70 |
| August '19 | 148.375 | 147.650 | ↑ | 0.72 | 151.200 | ↓ | -2.82 |
| <u>Corn Futures</u> | | | | | | | |
| December '18 | 364 3/4 | 369 3/4 | ↓ | -5.00 | 343 | ↑ | 21.75 |
| March '19 | 375 3/4 | 381 1/4 | ↓ | -5.50 | 355 | ↑ | 20.75 |
| May '19 | 383 1/2 | 389 1/4 | ↓ | -5.75 | 363 1/2 | ↑ | 20.00 |
| July '19 | 390 | 396 | ↓ | -6.00 | 371 1/4 | ↑ | 18.75 |
| <u>Ch Wheat Futures</u> | | | | | | | |
| December '18 | 506 3/4 | 502 | ↑ | 4.75 | 427 1/4 | ↑ | 79.50 |
| March '19 | 515 1/4 | 512 1/4 | ↑ | 3.00 | 443 1/2 | ↑ | 71.75 |
| May '19 | 522 1/4 | 519 1/2 | ↑ | 2.75 | 454 1/4 | ↑ | 68.00 |
| July '19 | 530 3/4 | 526 | ↑ | 4.75 | 466 3/4 | ↑ | 64.00 |
| <u>Slaughter Information</u> | | | | | | | |
| Slaughter Information | 7 Days Ending | 7 Days Ending | Change From Last | | 7 Days Ending | Change From | |
| | Week | Week | Week | Week | Last Year | Last Year | Last Year |
| | 17-Nov-18 | 10-Nov-18 | | | 18-Nov-17 | | |
| Total Cattle Slaughter | 641,000 | 640,000 | ↑ | 1,000 | 641,000 | ↓ | 0 |
| | 3-Nov-18 | 27-Oct-18 | | | 4-Nov-17 | | |
| Total Cow Slaughter | 127,526 | 126,843 | ↑ | 683 | 121,446 | ↑ | 6,080 |
| Dairy Cow Slaughter | 62,698 | 63,656 | ↓ | -958 | 58,409 | ↑ | 4,289 |
| Beef Cow Slaughter | 64,828 | 63,187 | ↑ | 1,641 | 63,037 | ↑ | 1,791 |

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

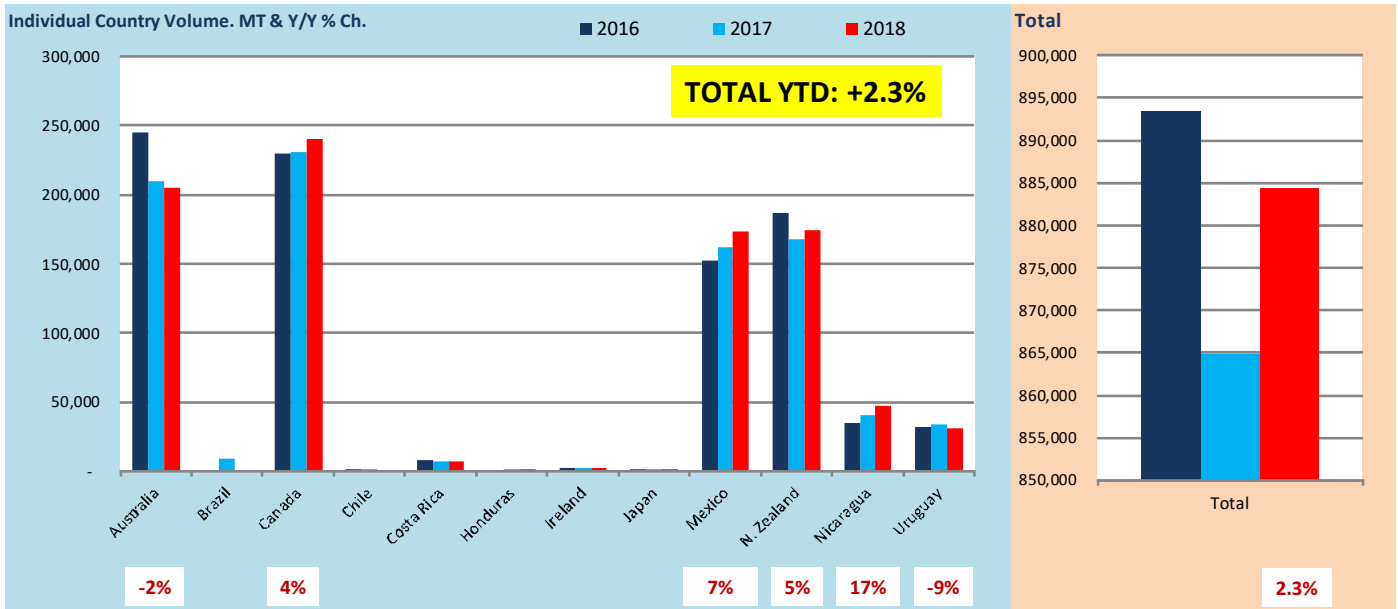
YTD Imported Fresh/Frz Beef Passed for Entry in the US

| week 45 | 11/11/2017 | 11/10/2018 | | |
|--------------|----------------|----------------|---------------|-------------|
| Australia | 210,240 | 205,077 | (5,163) | -2.5% |
| Brazil | 9,022 | - | (9,022) | -100.0% |
| Canada | 230,845 | 240,400 | 9,555 | 4.1% |
| Chile | 226 | - | (226) | -100.0% |
| Costa Rica | 7,112 | 7,168 | 56 | 0.8% |
| France | - | - | - | |
| Honduras | 399 | 1,535 | 1,136 | 284.7% |
| Ireland | 1,985 | 2,464 | 479 | 24.1% |
| Japan | 278 | 365 | 87 | 31.3% |
| Mexico | 162,130 | 173,572 | 11,442 | 7.1% |
| Netherlands | 228 | - | (228) | -100.0% |
| New Zealand | 167,305 | 174,839 | 7,534 | 4.5% |
| Nicaragua | 40,727 | 47,605 | 6,878 | 16.9% |
| Spain | - | - | - | |
| Uruguay | 34,342 | 31,407 | (2,935) | -8.5% |
| Total | 864,837 | 884,432 | 19,595 | 2.3% |

Source: AMS - USDA

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

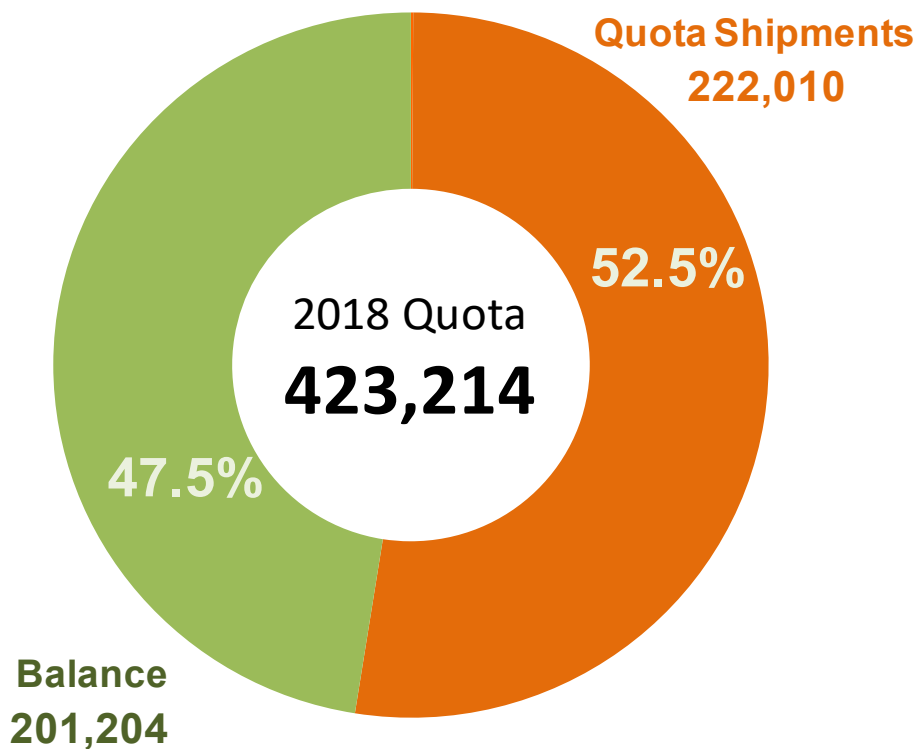
Imports as of November 10, 2018



Australian Beef Quota Position

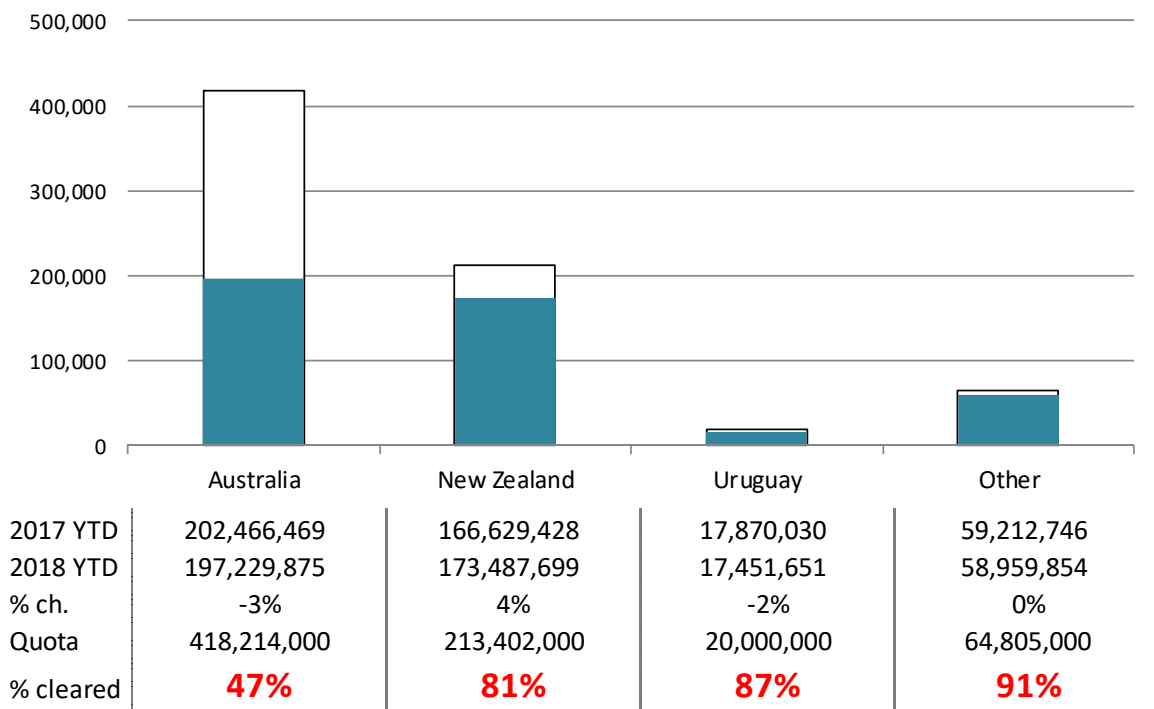
15-Nov-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending November 13

Source: US Customs



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