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 traded very firm this past week on limited spot supply availability and higher asking prices from overseas suppliers.
- New Zealand beef exports in October were 4% higher than a year ago and yet shipments to the US were down 21% while exports to China increased 44%. Exports to China exceeded shipments to the US in October.
- US cow and bull slaughter last week was estimated at 135k head, down 0.3% from a year ago and also lower than late Oct/early Nov levels.
- US lean grinding beef prices have been trending higher in the last two weeks and seasonally should continue to gain ground into January due to seasonally lower cow slaughter and improving retail ground beef demand.
- US fed cattle slaughter last week matched the highest weekly total for the year from back in June. This is the highest slaughter number for this time of year since 2010.
- USDA official statistics reported October imports of fresh/frozen and cooked beef were down 5.2% compared to a year ago. We continue to note a discrepancy in the import statistics reported by USDA-AMS and USDA-FAS.

Imported Market Activity for the Week

Imported beef prices were higher once again this week on limited availability in the spot market, higher domestic fresh lean beef values and higher asking prices from overseas suppliers. At this point it appears that some buyers have little choice but to chase the market higher. Supplies in New Zealand remain tight as ample rainfall in recent weeks offers producers plenty of flexibility in marketing their cattle. Packers appear to be well sold at this point and reduce slaughter has extended their sold out positions. With holidays around the corner and the normal slowdown in slaughter, overseas packers appear in no rush to sell into the US. And further adding to the pressure is the ongoing strong demand for NZ and AU beef in Asian markets. Suddenly the cheap prices paid in September and October seem very distant. Market sentiment has shifted almost 180 degrees and so

Comparison of Offical US Import Statistics and AMS Beef Import Data

Offical Statistics through October. AMS Data for wk. ending

Official Monthly Statistics: USDA-FAS

	Jan - Oct 2017	Jan - Oct 2018	change	% ch.
Australia	196,908	191,795	(5,113)	-3%
Brazil	30,983	28,832	(2,151)	-7%
Canada	216,316	231,769	15,453	7%
Nicaragua	37,116	44,838	7,722	21%
Ireland	1,251	1,087	(164)	-13%
Costa Rica	6,953	6,847	(105)	-2%
N. Zealand	166,617	174,372	7,755	5%
Mexico	181,237	159,412	(21,826)	-12%
Uruguay	33,856	30,323	(3,533)	-10%
ROW	1,698	3,798	2,100	124%
World Total	872,935	873,072	137	0.0%

Weekly AMS Data: Updated thru Oct 27, 2018

	2017	2018	change	% ch.
Australia	201,977	197,732	(4,245)	-2%
Brazil	29,558	26,811	(2,747)	-9%
Canada	257,457	260,591	3,134	1%
Nicaragua	38,143	45,740	7,597	20%
Ireland	1,912	2,302	390	20%
Costa Rica	6,849	6,871	22	0%
N. Zealand	166,718	175,810	9,092	5%
Mexico	155,173	166,565	11,392	7%
Uruguay	35,649	33,217	(2,432)	-7%
ROW	1,116	1,965	849	76%
World Total	894,552	917,604	23,052	2.6%

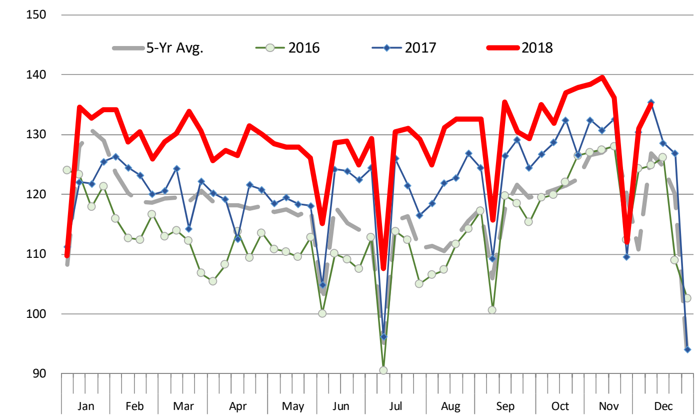
have inflation expectations for the next three months. Below are some key numbers from the past week:

- Cow and bull slaughter in the US has slowed down considerably in the last three weeks. Some of this is due to the fact that producers liquidated a significant number of cull cows earlier in the fall, thus limiting the supply available for processing now. We estimate that cow and bull slaughter for the week ending December 10 was 135,000 head, 0.3% lower than a year ago. In the last four weeks slaughter has averaged just 1.3% above year ago levels and well below what it was in late October and early November (see chart). Heavy rains in the Southern Plains may have also contributed to the slowdown in slaughter in recent days. Parts of Texas and Oklahoma are expected to get over 5 inches of rain (12 cm) on Friday and Saturday.

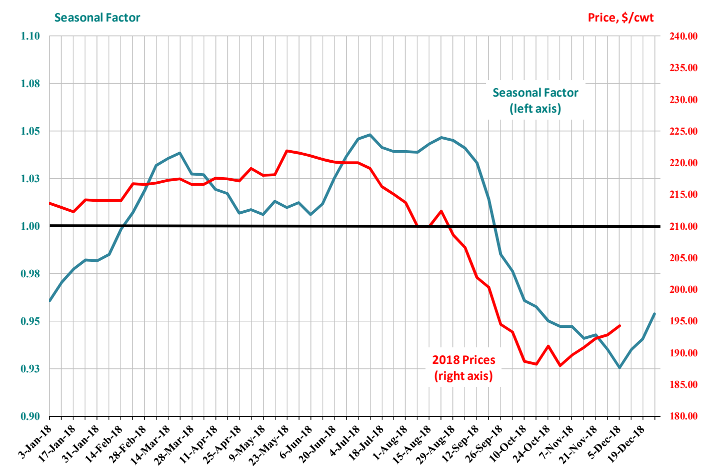
- USDA released its official import statistics for the month of October last week. The data showed total US beef imports for the month were 79,932 MT, 5.2% lower than a year ago. Imports from Australia were 21,398 MT, 11% lower than a year ago while imports from New Zealand at 6,721 MT were 11% lower than a year ago. One issue that has come to our attention in recent months is the growing discrepancy between the import data reported weekly by USDA-AMS and the official statistics published by the US Foreign Agricultural Service (FAS). The two data sets are different given that they are collected by different groups. The FAS numbers derive from the US Census survey and they are published monthly, with about five week lag. According to USDA-FAS official statistics, US beef imports through October were about unchanged compared to a year ago. USDA-AMS data for about the same time frame, on the other hand, showed a 2.4% increase. The table on page 1 provides a country by country comparison of the data from these two sources and what becomes quickly apparent is the source of the discrepancy - widely different data regarding US beef imports from Mexico. According to the official FAS import statistics, imports from Mexico are down about 22,000 MT or 12% so far this year. On the other hand, the USDA-AMS import statistics show entries of Mexican beef through the end of October were about 11,400 MT or 7% HIGHER. We plan to follow up with USDA on this and will keep you posted.

WEEKLY COW & BULL SLAUGHTER. '000 HEAD

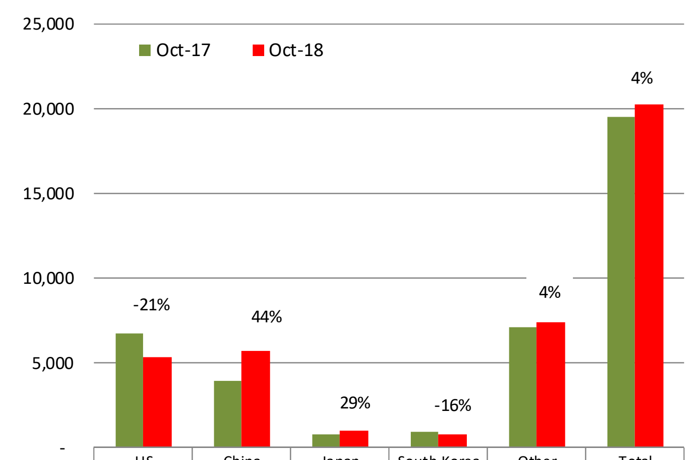
Source: USDA



90CL Trim 5-Yr Seasonal vs. Current Price Trends



New Zealand Fr./Frz Beef Exports: October 2018. Data in MT

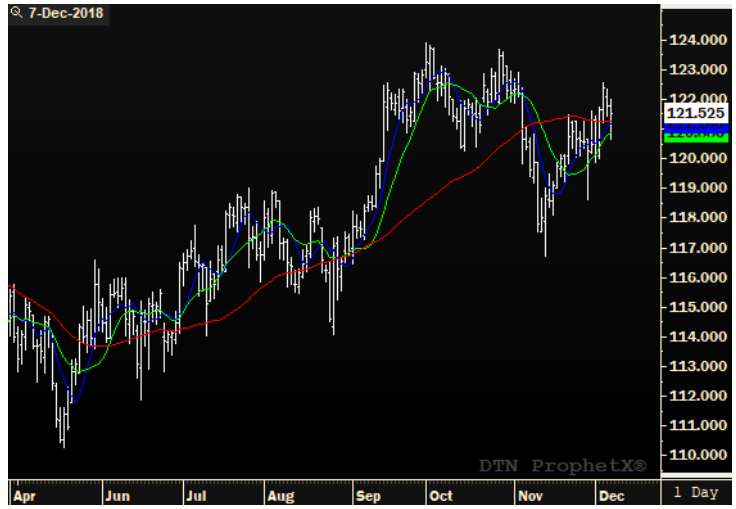


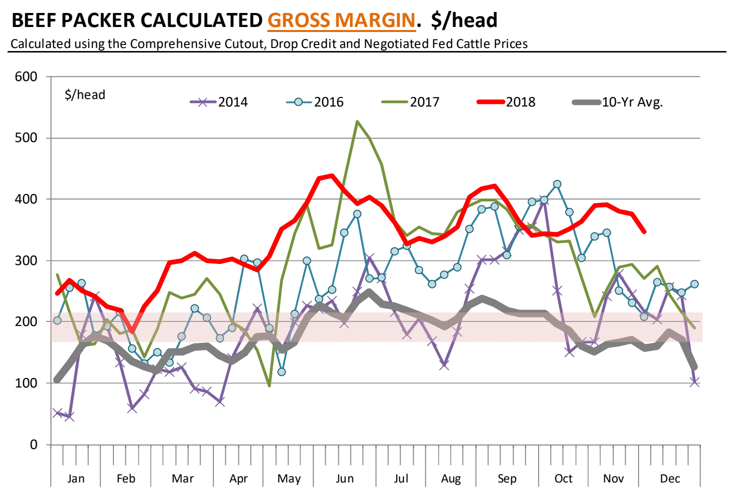
	US	China	Japan	South Korea	Other	Total
Oct-17	6,740	3,984	812	900	7,110	19,546
Oct-18	5,344	5,717	1,046	756	7,409	20,272
Y/Y Diff.	(1,396)	1,734	234	(145)	299	726

- There has been a notable decline in the supply of lean and extra lean grinding beef in the spot market. And in large part this is due to a notable decline in New Zealand beef supplies. According to the latest New Zealand export statistics, beef shipments to the US market in October were just 5,344 MT, 21% lower than a year ago. Exports to China for the month were 5,717 MT, 44% higher than a year ago. We think this is the first time on record that New Zealand beef shipments to China have exceeded those to the US market. Total New Zealand beef exports last month were 20,272 MT, 4% higher than a year ago. Weak grinding beef prices in the US market in October appear to have pushed more New Zealand product towards China and it remains to be seen if this will continue going forward. Chinese buyers currently are taking about half of the beef exports from South America and demand in the country continues to expand. Up to this point most New Zealand beef going to China has been frozen product but demand for chilled beef there has been rising rapidly. New Zealand chilled beef exports to China in October were 247 MT compared to just 43 MT a year ago. Total New Zealand chilled beef exports in October were 2,132 MT, 22% higher than a year ago. A large share of this supply went to the Middle East as well as to Japan/S. Korea.

- US fed cattle futures have been trending higher in the last two weeks, bolstered by robust wholesale beef prices, strong packer margins and continued optimism about beef demand during the holiday period. Fed cattle slaughter last week was estimated at 532,000 head, 5.6% higher than the previous week. The last time fed cattle slaughter was at this level was back in June. This slaughter number is quite large for this time of year but it should be viewed in context. Weather disrupted slaughter the previous two weeks and packers needed to get caught up with orders going into Christmas. Cutout prices were lower last week but they still remain well above year ago levels despite the increase in slaughter, evidence that strong demand continues to underpin beef prices in the US.

CME Live Fed Cattle Futures - February 2019 Contract



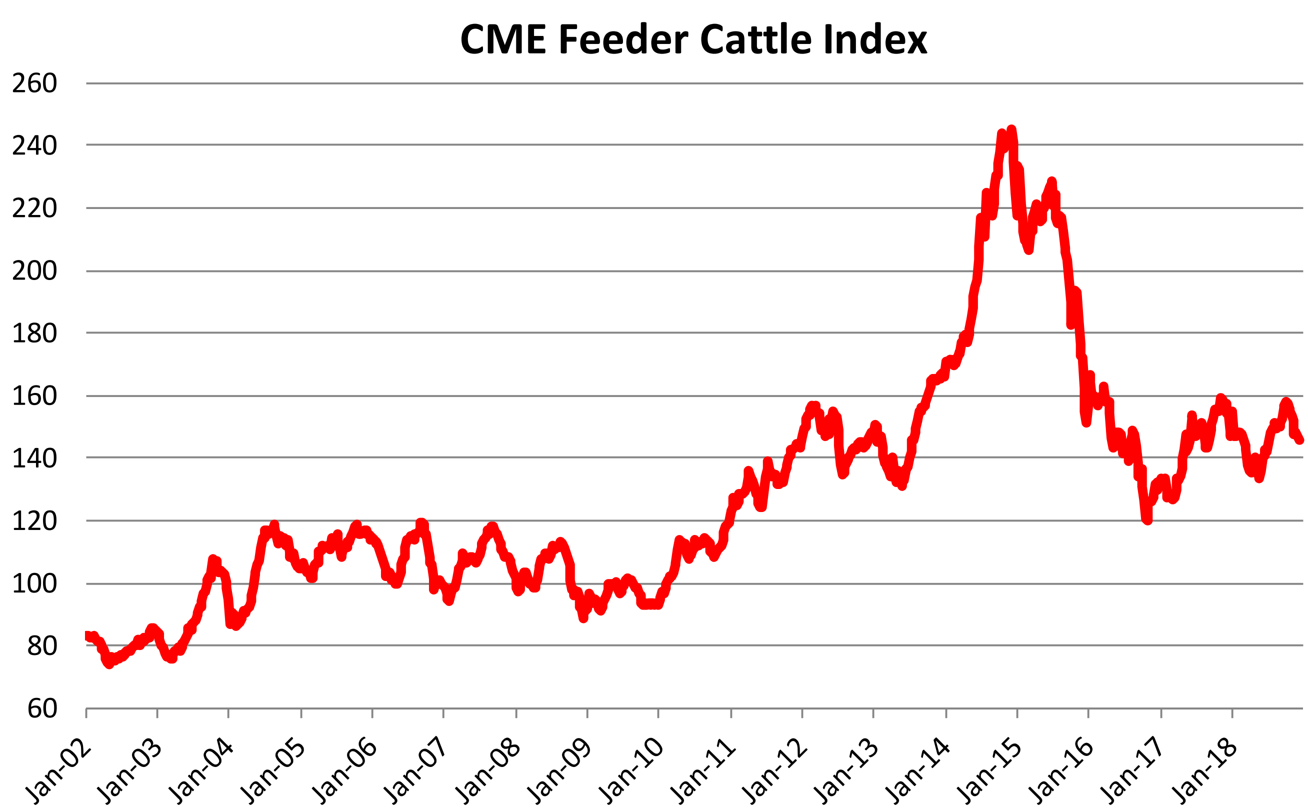


Note: Shaded area indicates our estimate of breakeven range.

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
	6-Dec-18	29-Nov-18		7-Dec-17	
CME FEEDER CATTLE INDEX	145.53	147.13	-1.1%	154.60	-5.9%
	7-Dec-18	30-Nov-18		8-Dec-17	
FED STEER (5-MKT AVG)	117.12	115.19	1.7%	117.88	-0.6%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	83.00	82.50	0.6%	94.00	-11.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	80.00	80.00	0.0%	96.00	-16.7%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	76.50	77.50	-1.3%	88.00	-13.1%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	155.66	154.28	0.9%	154.79	0.6%



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
	7-Dec-18		30-Nov-18			8-Dec-17		
US East Coast Australian/NZ Lean, CIF								
95 CL Bull, E. Coast	203.0	205.0	200.0	201.0	4.0	212.0	215.0	-10.0
90 CL Blended Cow	190.0	192.0	186.0	187.0	5.0	198.0	200.0	-8.0
90 CL Shank	189.0	190.0		185.0	5.0	200.0	202.0	-12.0
85 CL Fores	178.0	180.0	175.0	176.0	4.0	185.0	187.0	-7.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	203.0	204.0	199.0	200.0	4.0	210.0	213.0	-9.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, CIF								
85 CL Trimmings	178.0	179.0	174.0	175.0	4.0	183.0	186.0	-7.0
80 CL Trimmings		UNQ		UNQ	N/A	160.0	164.0	N/A
75 CL Trimmings		UNQ		UNQ	N/A	145.0	150.0	N/A
65 CL Trimmings		UNQ		UNQ	N/A	120.0	125.0	N/A
US East Coast Australian Cuts, CIF								
Cap Off Steer Insides		280.0	275.0	277.0	3.0	285.0	290.0	-10.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	215.0	220.0	205.0	210.0	10.0	225.0	230.0	-10.0
Steer Knuckles		250.0	245.0	250.0	0.0		250.0	0.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	7-Dec-18		30-Nov-18			8-Dec-17		
US East Coast Australian/NZ Lean, FOB US Port								
95 CL Bull, E. Coast	213.0	214.0	209.0	211.0	3.0	229.0	232.0	-18.0
90 CL Blended Cow	197.0	199.0	193.0	195.0	4.0	210.0	215.0	-16.0
90 CL Shank	194.0	196.0	193.0	194.0	2.0	211.0	212.0	-16.0
85 CL Fores	187.0	189.0	183.0	185.0	4.0	197.0	198.0	-9.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	210.0	212.0	208.0	209.0	3.0	228.0	231.0	-19.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, FOB US Port								
85 CL Trimmings	187.0	188.0	182.0	183.0	5.0	194.0	195.0	-7.0
80 CL Trimmings		UNQ		UNQ	N/A	174.0	175.0	N/A
75 CL Trimmings		UNQ		UNQ	N/A	159.0	160.0	N/A
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
US East Coast Australian Cuts, FOB US Port								
Cap Off Steer Insides	285.0	290.0	280.0	285.0	5.0	290.0	295.0	-5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	220.0	230.0	215.0	220.0	10.0		UNQ	N/A
Steer Knuckles	255.0	260.0		255.0	5.0	255.0	260.0	0.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year			Change from Last Year
		7-Dec-18			30-Nov-18				8-Dec-17		
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
Domestic Cutouts											
Choice Cutout		214.29			212.61		1.7		205.59		8.7
Select Cutout		200.50			198.41		2.1		185.97		14.5
Domestic Lean Grinding Beef											
90 CL Boneless	192.0	201.0	194.9	191.0	200.0	193.7	1.1	209.0	219.5	211.1	-16.2
85 CL Beef Trimmings	155.0	170.0	160.3	149.0	180.2	159.7	0.7	176.0	189.0	178.7	-18.4
50 CL Beef Trim	82.4	82.4	68.8	79.3	79.3	67.1	1.7	68.8	68.8	57.4	11.4
Domestic Pork Trim											
42 CL Pork Trim	25.5	39.3	28.2	22.9	37.3	26.2	2.0	25.1	37.3	28.4	-0.2
72 CL Pork Trim	34.5	67.3	50.3	38.0	63.3	46.7	3.6	67.4	69.0	68.5	-18.2
Point of Lean Values											
90 CL Domestic		216.5			215.3		1.3		234.6		-18.0
50 CL Beef Trimming		137.7			134.3		3.4		114.8		22.9
42 CL Pork Trim		67.2			62.3		4.8		67.6		-0.5
72 CL Pork Trim		69.9			64.9		5.0		95.2		-25.3
National Direct Fed Steer [illegible] price)		117.12			115.19		1.9		117.88		-0.8

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	*Current Week*	*Prior Week*	*Change From Last Week*	*Last Year*	*Change From Last Year*
	7-Dec-18	**30-Nov-18**		**8-Dec-17**	
Live Cattle Futures					
December '18	117.900	116.925	↑ 0.98	115.575	↑ 2.33
February '19	121.525	120.500	↑ 1.03	118.300	↑ 3.23
April '19	123.625	122.000	↑ 1.63	120.200	↑ 3.43
June '19	115.100	113.650	↑ 1.45	113.100	↑ 2.00
Feeder Cattle Futures					
January '19	144.375	145.225	↓ -0.85	145.225	↓ -0.85
March '19	141.875	142.850	↓ -0.97	143.325	↓ -1.45
May '19	142.525	143.625	↓ -1.10	143.650	↓ -1.13
August '19	142.850	143.950	↓ -1.10	143.650	↓ -0.80
Corn Futures					
December '18	374	366 3/4	↑ 7.25	340	↑ 34.00
March '19	385 1/2	378	↑ 7.50	352 3/4	↑ 32.75
May '19	392 3/4	385	↑ 7.75	361	↑ 31.75
July '19	399 1/4	391 3/4	↑ 7.50	369 1/4	↑ 30.00
Ch Wheat Futures					
December '18	519 1/2	515 3/4	↑ 3.75	392	↑ 127.50
March '19	531 1/4	515 3/4	↑ 15.50	419	↑ 112.25
May '19	536	521 1/4	↑ 14.75	432 1/4	↑ 103.75
July '19	540	527 1/4	↑ 12.75	445 3/4	↑ 94.25

Slaughter Information	*7 Days Ending*	*7 Days Ending*	*Change From Last Week*	*7 Days Ending*	*Change From Last Year*
	8-Dec-18	**1-Dec-18**		**9-Dec-17**	
Total Cattle Slaughter	667,000	640,000	↑ 27,000	639,000	↑ 28,000
	24-Nov-18	**17-Nov-18**		**25-Nov-17**	
Total Cow Slaughter	101,231	125,676	↓ -24,445	100,965	↑ 266
Dairy Cow Slaughter	50,936	63,970	↓ -13,034	48,435	↑ 2,501
Beef Cow Slaughter	50,295	61,706	↓ -11,411	52,530	↓ -2,235

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

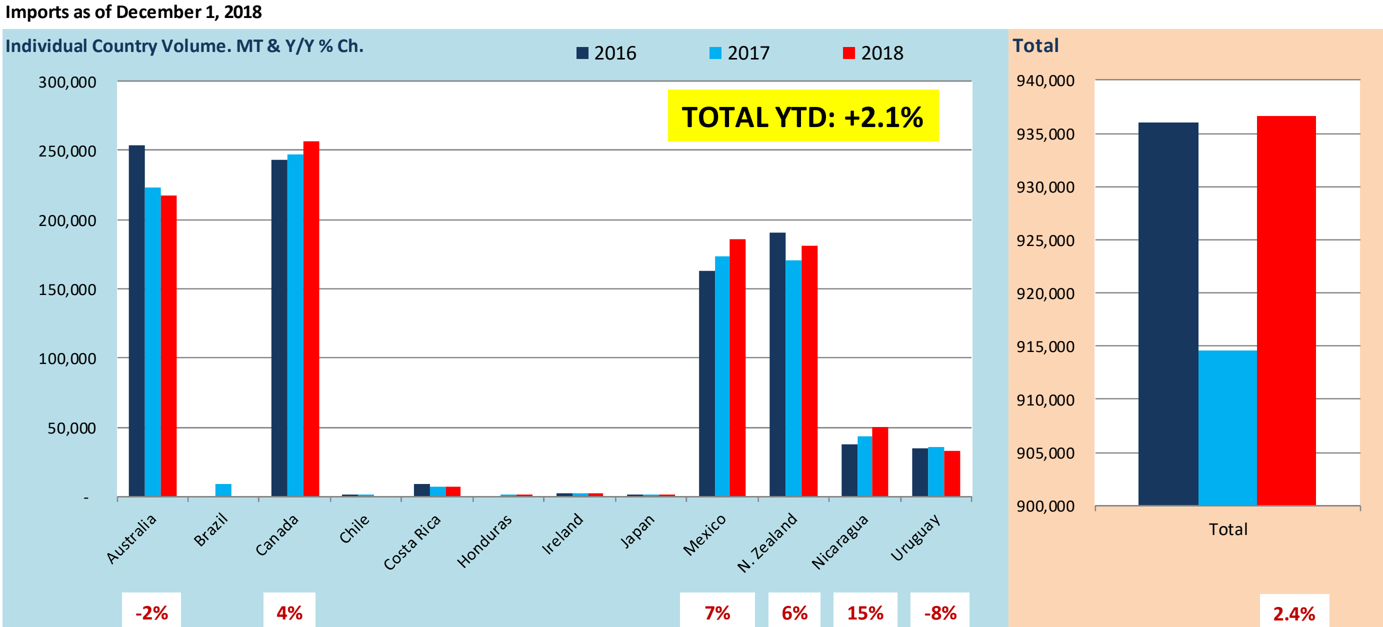
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 48	12/2/2017	12/1/2018		
Australia	223,286	217,720	(5,566)	-2.5%
Brazil	9,022	-	(9,022)	-100.0%
Canada	246,963	256,805	9,842	4.0%
Chile	226	-	(226)	-100.0%
Costa Rica	7,509	7,517	8	0.1%
France	-	-	-	
Honduras	475	1,694	1,219	256.6%
Ireland	2,156	2,686	530	24.6%
Japan	297	377	80	26.9%
Mexico	173,636	185,645	12,009	6.9%
Netherlands	228	-	(228)	-100.0%
New Zealand	170,959	180,710	9,751	5.7%
Nicaragua	43,871	50,454	6,583	15.0%
Spain	-	-	-	
Uruguay	35,932	33,059	(2,873)	-8.0%
Total	914,560	936,667	**22,107**	**2.4%**

Source: AMS - USDA

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

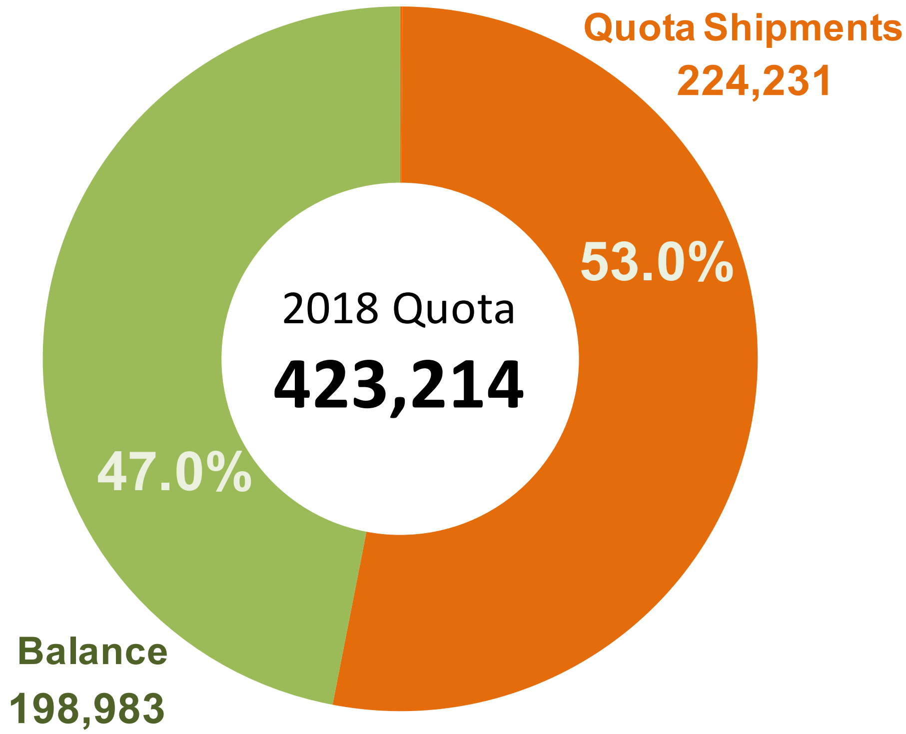
Imports as of December 1, 2018



Australian Beef Quota Position

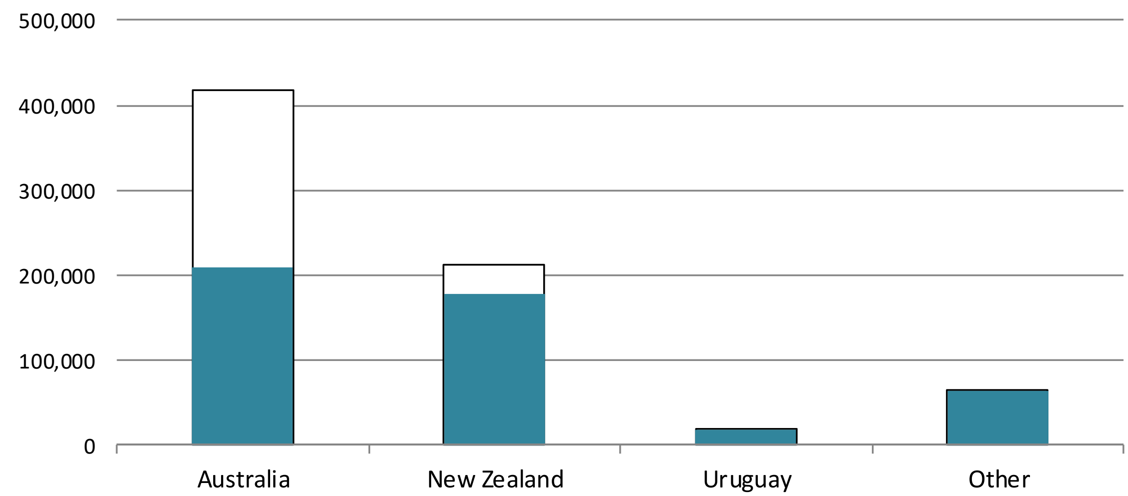
6-Dec-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending December 3

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2017 YTD	215,272,815	170,892,280	18,900,829	62,798,377
2018 YTD	209,831,599	177,515,100	18,276,261	64,805,000
% ch.	-3%	4%	-3%	3%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	**50%**	**83%**	**91%**	**100%**

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