



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume 19, Issue 2

January 11, 2019

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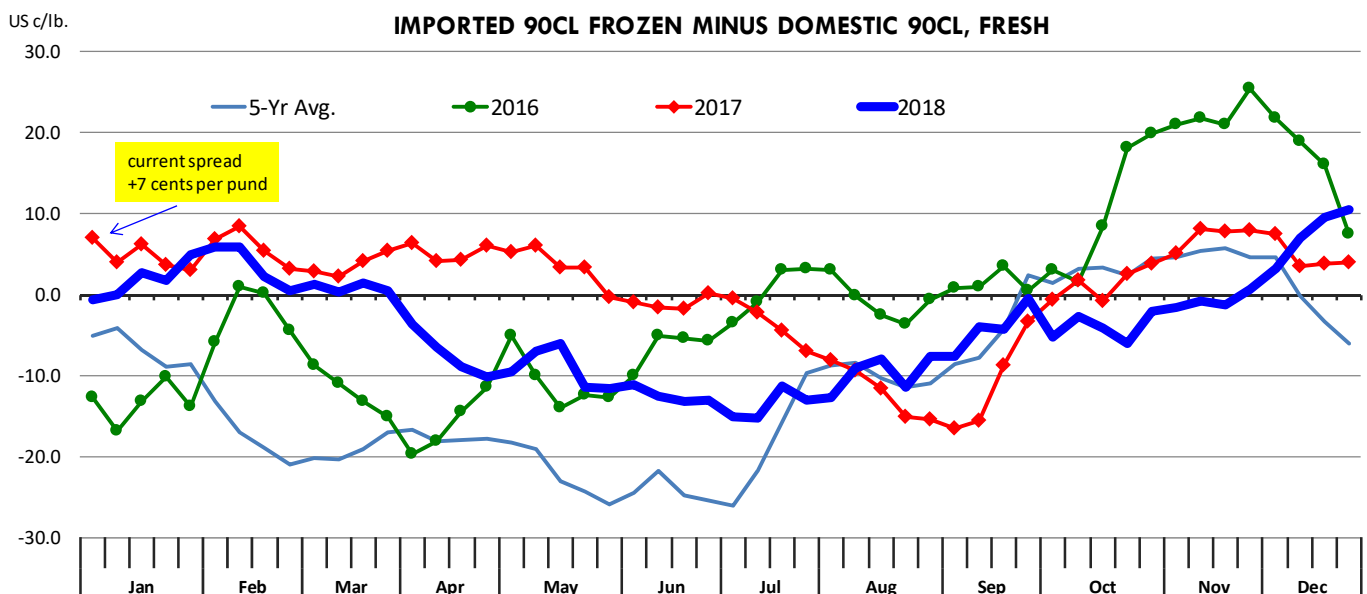
Market Highlights for the Week:

- Imported beef prices were steady (90CL and 85CL) to modestly lower (95CL bull) this past week.
- Trading volume remains light, however. Some bull meat was made available from New Zealand as slaughter is seasonally higher but spot market availability remains light
- US cow and bull slaughter in the first two weeks of the year was lower than the previous year and in the last six weeks slaughter was up just 1.3%.
- The pace of domestic cow slaughter has slowed down but we do not know what is driving the slowdown as the lapse in government funding has caused USDA to suspend many statistical reports.
- Australian beef exports were higher in December but all the increase was driven by higher shipments to Asian markets. Exports to the US in December were down 14% compared to year ago levels.
- November foodservice index showed robust growth both in terms of sales and foot traffic.

Imported Market Activity for the Week

Trading in the imported beef complex remains very difficult due to the lack of offerings from Australia and New Zealand. Prices for lean grinding beef continued to climb through the holidays, in part because the lack of product availability caused some participants to pay up in order to cover short orders or secure supplies for delivery in January. Now that packers in New Zealand and

Australia are back in business we noted some product traded this week at levels that were steady compared to modestly lower. This is the time of year when bull slaughter increases in New Zealand and some product traded under the values that were presented to us last week. The market for fatter trimmings is almost non-existent at this time. Very limited volume can be secured but the price range is all over the place and end users that really need product have to pay Asian market



equivalents, which are currently running a nickel to a dime higher than US indications. Imported lean beef is currently trading at a premium to US domestic, which may be seen as a bit unusual for this time of year. However, as you can see in the chart on page 1, the last two years Jan imported beef values have traded above domestic. The current spread of 7 cents is comparable to what we saw in 2017. Cow slaughter in New Zealand does not start to ramp up until March. For now, however, imported beef will continue to be anchored by domestic values. Seasonally US cow slaughter declines in Jan/Feb and fed beef prices are trending higher, which could bolster domestic lean beef prices in the short term.

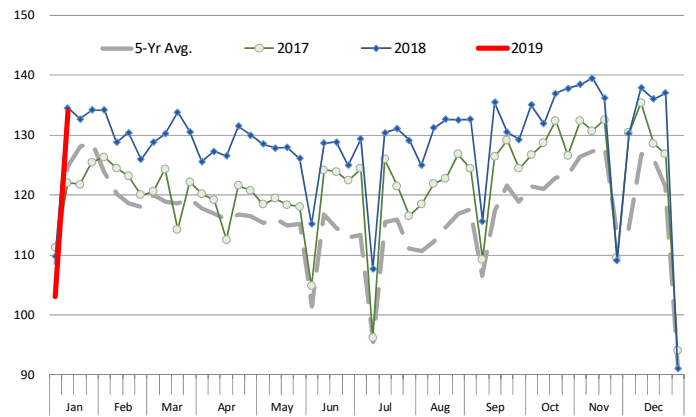
Market notes for this week:

- With the lapse in US government funding a number of market important reports have not been published. And we risk even **bigger gaps in our information flow as the government shutdown stretches in its third week.** So far we have missed the weekly update on US beef and cow slaughter. USDA-AMS does provide an estimate of the cow/bull slaughter for the week but those numbers are then revised when the actual NASS slaughter data becomes available. Based on AMS information we estimate that US bull and cow slaughter in the first two weeks of the year was 3% lower than year ago levels. USDA did release towards the end of last month slaughter statistics for the month of November. Total cow slaughter in November was 524,600 head, 3.2% higher than a year ago. Dairy cow slaughter during the month was up 10% while beef cow slaughter was 3% lower. For the period Jan-Nov US cow slaughter was 5.679 million head, 387k head or 7.3% higher than a year ago. Dairy cow slaughter at 2.892 million head was up 5.5% while beef cow slaughter at 2.787 million head was up 9.3%. At this time all USDA-NASS reports have been delayed until funding is restored.

- We estimate that US cow and bull slaughter for the week ending January 12 was 134k head, 0.4% lower than a year ago. In the last six weeks, cow and bull slaughter has been 1.3% higher than a year ago. Cow slaughter has slowed down but it remains well above 2017 and five year average levels (see top chart).

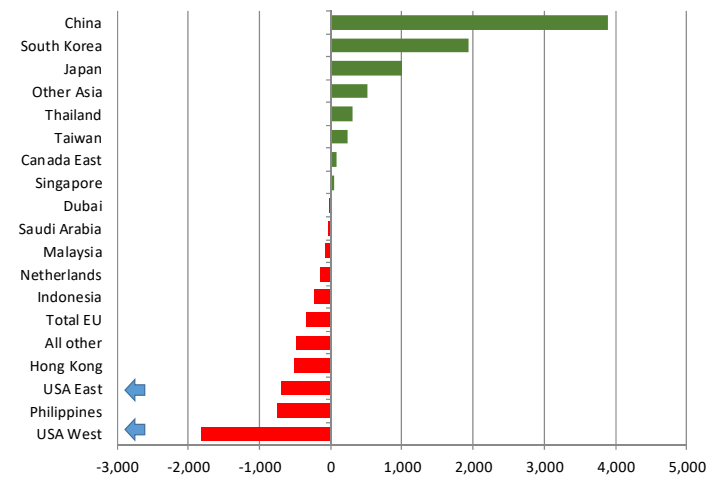
WEEKLY COW & BULL SLAUGHTER. '000 HEAD

Source: USDA



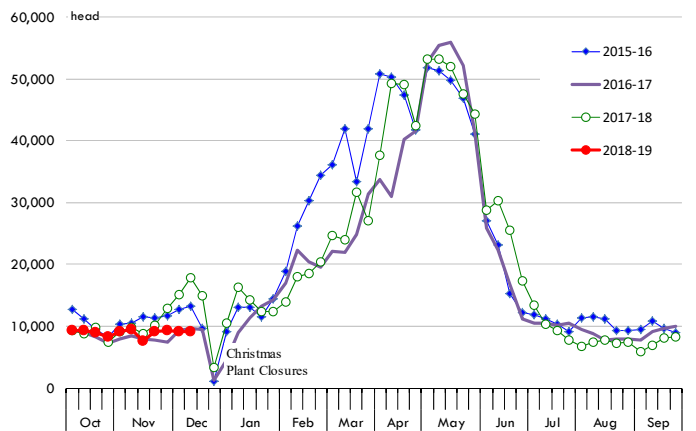
Y/Y Change in Australian Beef and Veal Exports in December 2018

Data in Metric Ton. Data Source: Australian Dept. of Agriculture and Nat. Resources



New Zealand Weekly Cow Slaughter

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



- Without market reports from either USDA-AMS or US Customs, **market participants are in the dark as to the amount of beef currently coming into the US.** We are paying close attention to reports from Australia and New Zealand, which offer some insights as to the amount of beef shipped in December, and which will enter the US market in January.

However, we do not have any visibility with regard to imports from Central America. Total Australian beef exports in December were 90,817 MT, 3% higher than a year ago. **Exports to the three top Asian markets, China, Japan and S. Korea accounted for 63% of all shipments and volume was up 14% compared to a year ago.** On the other hand, beef shipments to the US market were 14% lower than the previous year. Low prices for lean grinding beef in October and November likely reduced the pace of export sales to the US market and resulted in lower shipments during December. China registered by far the biggest increase in shipments. At this time China is purchasing almost half of all beef exported from South American suppliers and Chinese buyers have started to become more active in both Australia and New Zealand.

- The latest New Zealand export data available is for the month of November. It showed shipments to the US and Chinese market were about the same, the second consecutive month that China battled the US for primacy in the New Zealand beef market. Supply availability from New Zealand is expected to be limited in the near term, especially for cow meat. **In the first three months of December cow slaughter in New Zealand averaged a little under 9,200 head/wk., 40% lower than the same period a year ago.** Strong China demand and lower slaughter has delayed deliveries of New Zealand product to US end users and limited offerings. Bull slaughter should be now in full swing and market participants noted some bull meat traded at steady to higher levels compared to a year ago.

- **USA beef production was higher in Q4 and yet beef prices continued to hold up much better than many expected.** Beef exports have been very strong all year and we think that was one of the key pillars for the robust beef demand we experienced in 2018. Foodservice business was also on a solid footing and the latest data from the NRA Performance Index tends to confirm that view. The overall index in November stood at 101.8 (values over 100 indicate expansion) compared to 101.2 the previous month. The foodservice industry has been in an expansion mode since 2013 and growth accelerated in the second half of the year. The most encouraging piece of news from the latest report was the improvement in foot traffic. The customer traffic index in November was 101.7 compared to an average of 99.3 in the first 10 months of the year. The charts to the right show



Same Store Sales - November 2018 vs. November 2017, Tracking Survey Responses by Industry Segment Source: National Restaurant Association



Customer Traffic Level - November 2018 vs. November 2017, Tracking Survey Responses by Industry Segment Source: National Restaurant Association

the responses of participants from various foodservice channels with regard to same store sales and foot traffic. In the limited service category (fast food) about 55% of the respondents noted higher foot traffic than a year ago and only 27% noted a reduction. Interestingly, a larger share of respondents in the fine dining category noted a reduction in foot traffic vs. last year. For much of this year we have noted the excellent performance of the fine dining category and the resulting impact this had on demand for middle meats. It could be that November survey results were an outlier or they could be the start of a trend towards slower fine dining sales. Currently US fed cattle futures imply continued strength in beef demand for 2019, something that will be very difficult to accomplish without excellent demand for high value beef cuts.

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
	10-Jan-19	3-Jan-19		11-Jan-18	
CME FEEDER CATTLE INDEX	145.46	145.60	-0.1%	146.80	-0.9%
	11-Jan-19	4-Jan-19		12-Jan-18	
FED STEER (5-MKT AVG)	121.91	122.55	-0.5%	120.87	0.9%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	83.50	84.50	-1.2%	97.00	-13.9%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	86.00	87.00	-1.1%	100.00	-14.0%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	81.00	86.50	-6.4%	96.50	-16.1%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	158.07	156.49	1.0%	154.79	2.1%

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
	11-Jan-19	215.0	4-Jan-19	218.0		12-Jan-18		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	213.0	215.0	215.0	218.0	-3.0	215.0	217.0	-2.0
90 CL Blended Cow	198.0	200.0	198.0	200.0	0.0	202.0	204.0	-4.0
90 CL Shank	196.0	199.0	196.0	199.0	0.0	198.0	200.0	-1.0
85 CL Fores	187.0	188.0	187.0	188.0	0.0	185.0	186.0	2.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	210.0	213.0	214.0	215.0	-2.0	214.0	216.0	-3.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	186.0	187.0	185.0	186.0	1.0	182.0	184.0	3.0
80 CL Trimmings	170.0	173.0		UNQ	N/A	165.0	167.0	6.0
75 CL Trimmings		UNQ		UNQ	N/A	154.0	155.0	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	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		UNQ	N/A
Steer Knuckles	240.0	245.0	245.0	250.0	-5.0	250.0	252.0	-7.0

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

	<i>Current Week</i>		<i>Prior Week</i>		<i>Change From Last Week</i>	<i>Last Year</i>		<i>Change From Last Year</i>
	11-Jan-19		4-Jan-19			12-Jan-18		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	223.0	224.0	224.0	225.0	-1.0	225.0	229.0	-5.0
90 CL Blended Cow	206.0	208.0	208.0	209.0	-1.0	210.0	212.0	-4.0
90 CL Shank	205.0	206.0	205.0	208.0	-2.0	207.0	212.0	-6.0
85 CL Fores	193.0	194.0		194.0	0.0	194.0	195.0	-1.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	221.0	222.0	223.0	224.0	-2.0	225.0	227.0	-5.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	192.0	193.0	192.0	193.0	0.0	193.0	194.0	-1.0
80 CL Trimmings		UNQ		UNQ	N/A	173.0	174.0	N/A
75 CL Trimmings		UNQ		UNQ	N/A	167.0	168.0	N/A
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	280.0	285.0	280.0	285.0	0.0	284.0	285.0	0.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	220.0	225.0	220.0	230.0	-5.0		UNQ	N/A
Steer Knuckles		250.0	250.0	255.0	-5.0	257.0	260.0	-10.0

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					
	11-Jan-19			4-Jan-19				12-Jan-18			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<u>Domestic Cutouts</u>											
Choice Cutout		212.46			214.51		-2.0	208.23		4.2	
Select Cutout		206.27			207.66		-1.4	201.64		4.6	
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	195.0	206.0	200.7	192.2	204.0	198.1	2.6	211.8	218.5	213.4	-12.7
85 CL Beef Trimmings	162.0	177.8	167.7	162.0	181.0	166.2	1.5	175.0	186.0	181.0	-13.3
50 CL Beef Trim	74.0	74.0	57.2	80.4	80.4	65.7	-8.5	86.4	86.4	76.5	-19.3
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	20.0	37.3	24.7	19.4	31.3	21.6	3.1	23.9	37.3	27.1	-2.4
72 CL Pork Trim	31.0	79.8	50.4	39.0	73.8	45.7	4.6	63.0	73.8	71.6	-21.3
<u>Point of Lean Values</u>											
90 CL Domestic		223.0			220.1		2.9	237.1			-14.1
50 CL Beef Trimming		114.3			131.3		-17.0	153.0			-38.7
42 CL Pork Trim		58.8			51.5		7.3	64.4			-5.6
72 CL Pork Trim		69.9			63.5		6.4	99.5			-29.5
<u>National Direct Fed Steer price)</u>		121.91			122.55		-0.6	120.87			1.0

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

<i>Futures Contracts</i>	<i>Current Week</i>	<i>Prior Week</i>	<i>Change From</i>		<i>Last Year</i>	<i>Change From</i>	
			<i>Last Week</i>			<i>Last Year</i>	
	11-Jan-19	4-Jan-19			12-Jan-18		
<u>Live Cattle Futures</u>							
February '19	124.975	121.925	↑	3.05	117.375	↑	7.60
April '19	126.375	124.000	↑	2.38	119.450	↑	6.93
June '19	117.200	115.550	↑	1.65	111.625	↑	5.58
August '19	114.275	113.350	↑	0.93	109.050	↑	5.23
<u>Feeder Cattle Futures</u>							
January '19	146.125	144.900	↑	1.22	144.350	↑	1.78
March '19	144.900	142.825	↑	2.08	142.650	↑	2.25
May '19	145.750	143.650	↑	2.10	143.000	↑	2.75
August '19	146.050	144.175	↑	1.88	143.000	↑	3.05
<u>Corn Futures</u>							
March '19	378 1/4	383	↓	-4.75	346 1/4	↑	32.00
May '19	386 3/4	391	↓	-4.25	354 3/4	↑	32.00
July '19	394 1/4	398 1/4	↓	-4.00	362 3/4	↑	31.50
September '19	397 1/4	399 3/4	↓	-2.50	370 3/4	↑	26.50
<u>Ch Wheat Futures</u>							
March '19	519 1/2	517	↑	2.50	420 1/2	↑	99.00
May '19	525	522 3/4	↑	2.25	434 1/4	↑	90.75
July '19	529 1/2	529 1/2	↓	0.00	446 1/2	↑	83.00
September '19	537 3/4	538 3/4	↓	-1.00	460 1/2	↑	77.25

<i>Slaughter Information</i>	<i>7 Days Ending</i>	<i>7 Days Ending</i>	<i>Change From</i>		<i>7 Days Ending</i>	<i>Change From</i>	
			<i>Last Week</i>			<i>Last Year</i>	
	12-Jan-19	5-Jan-19			13-Jan-18		
<u>Total Cattle Slaughter</u>	626,000	520,000	↑	106,000	612,000	↑	14,000
	29-Dec-18	22-Dec-18			30-Dec-17		
<u>Total Cow Slaughter</u>	Data not available	Data not available	↓	0	88,689	↓	-88,689
<u>Dairy Cow Slaughter</u>	Data not available	Data not available	↓	0	44,608	↓	-44,608
<u>Beef Cow Slaughter</u>	Data not available	Data not available	↓	0	44,081	↓	-44,081

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

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

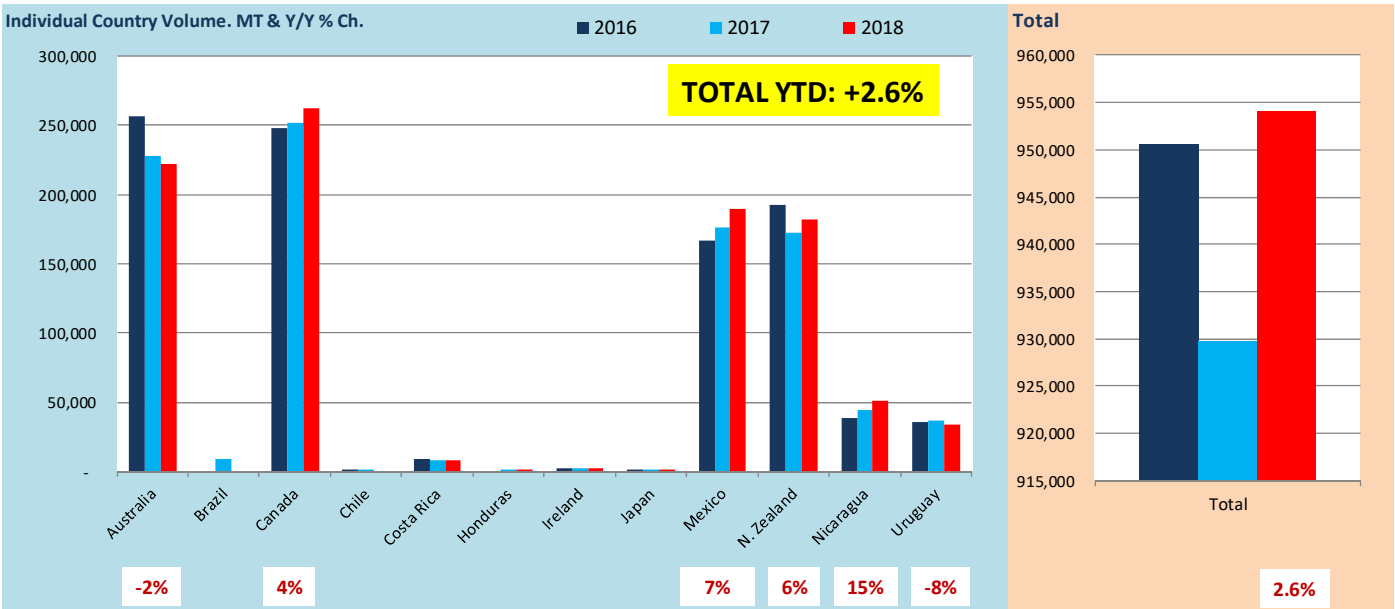
week 49	12/9/2017	12/8/2018		
Australia	227,691	222,513	(5,178)	-2.3%
Brazil	9,022	-	(9,022)	-100.0%
Canada	251,837	262,364	10,527	4.2%
Chile	226	-	(226)	-100.0%
Costa Rica	7,736	7,655	(81)	-1.0%
France	-	-	-	
Honduras	511	1,732	1,221	238.9%
Ireland	2,204	2,705	501	22.7%
Japan	301	391	90	29.9%
Mexico	176,714	189,294	12,580	7.1%
Netherlands	228	-	(228)	-100.0%
New Zealand	172,239	182,498	10,259	6.0%
Nicaragua	44,718	51,570	6,852	15.3%
Spain	-	-	-	
Uruguay	36,367	33,435	(2,932)	-8.1%
Total	929,794	954,157	24,363	2.6%

Source: AMS - USDA

Note: Due to lapse in US government funding this report is not being updated. We will start reporting again once funding has been restored.

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

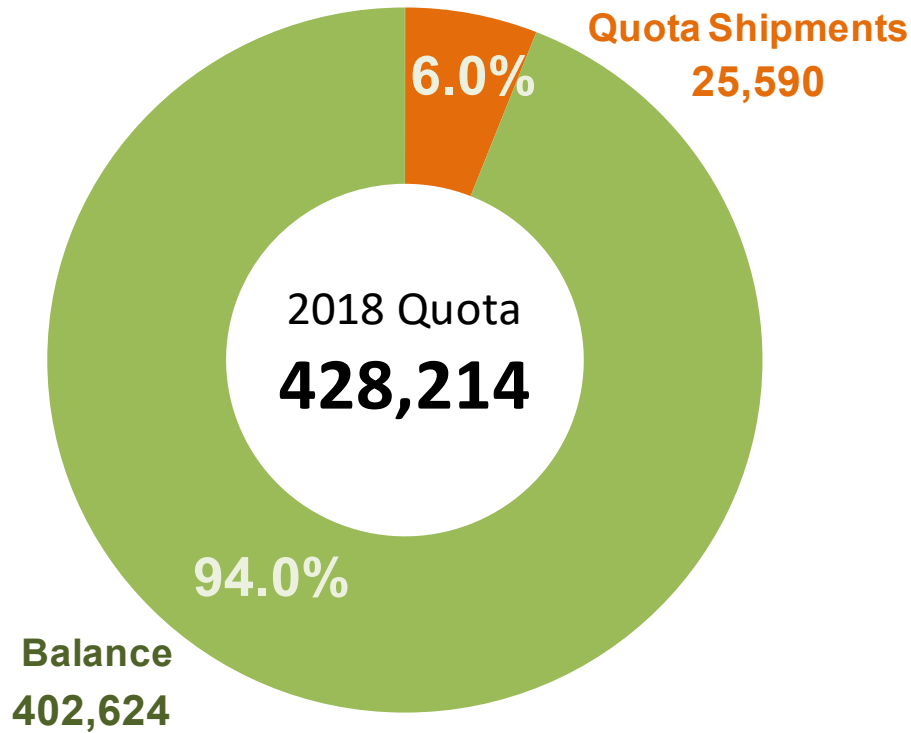
Imports as of December 8, 2018



Australian Beef Quota Position

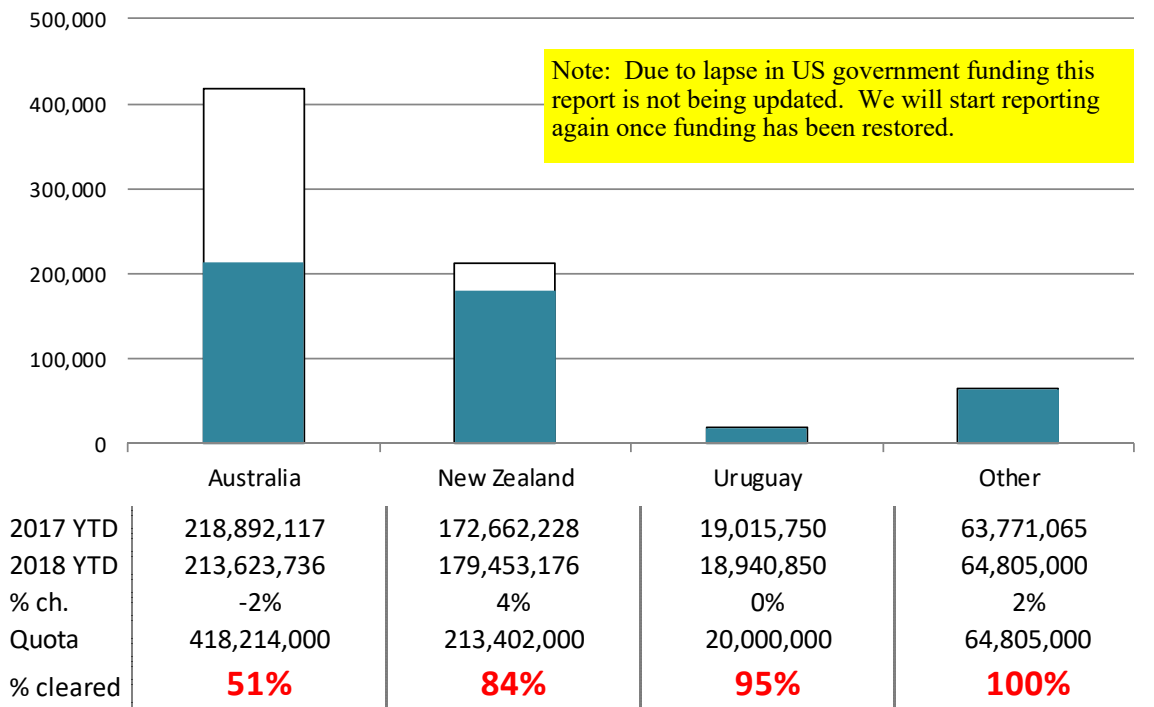
10-Jan-19

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending December 10

Source: US Customs



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