US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

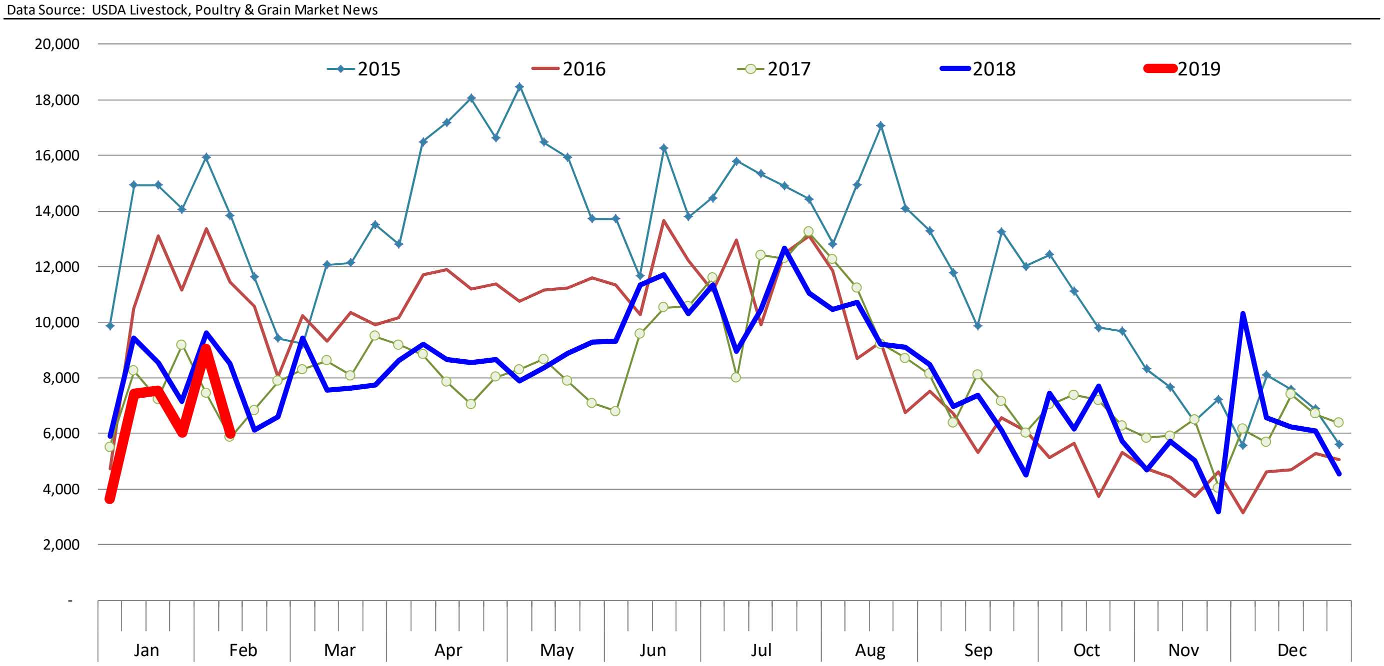
- According to USDA-AMS imports of New Zealand beef through mid February were 37% lower than a year ago. Overall imports are still running 2.6% higher than last year, mostly due to higher imports from Canada.
- Prices for imported lean grinding beef are trading at a 4 cent premium to domestic product due to limited supplies in the spot market.
- New Zealand cow slaughter was running as much as 24% below year ago levels through early February but it is expected slaughter will accelerate in March as drought conditions deepen in the North Island.
- China became the top buyer for New Zealand beef in Q4 of last year and there is a lot of uncertainty if China demand will persist in 2019, thus absorbing much of the expected seasonal increase in cow meat supplies during Mar-May.
- US non-fed cattle slaughter has been near year ago levels in the last four weeks, with lower beef cow slaughter likely offsetting the increase in dairy slaughter.
- Australian beef exports expected to be up 10% in February but US share of Australian exports remains lower than historical levels.

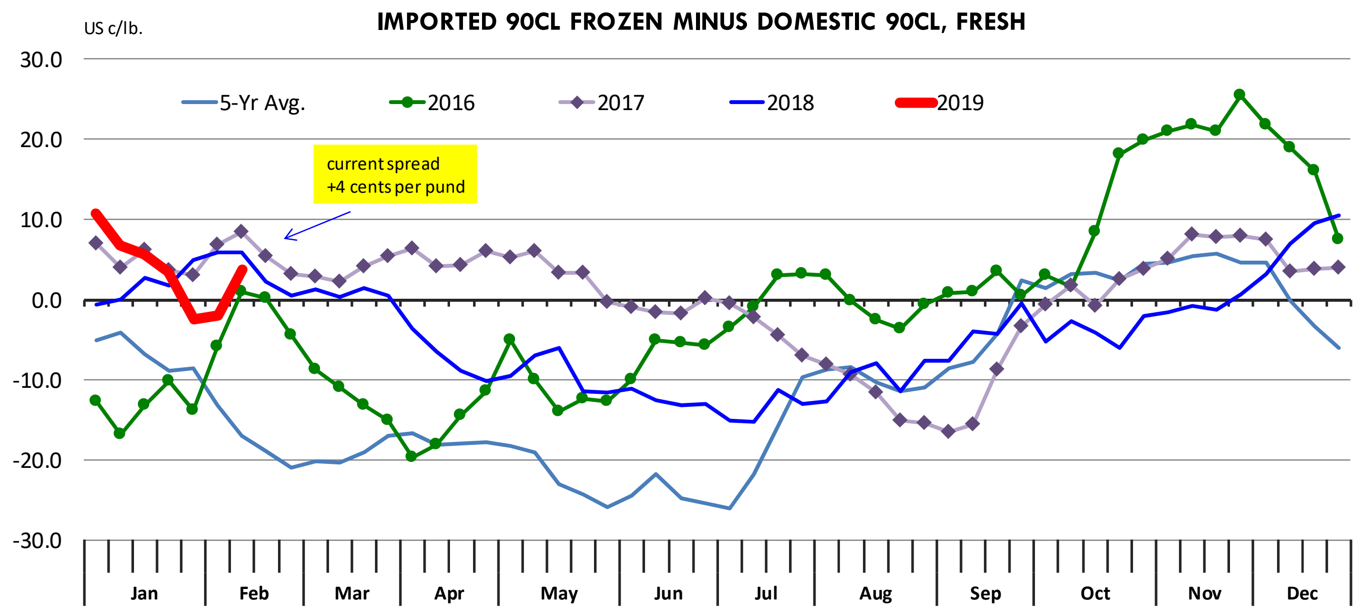
Imported Market Activity for the Week

Imported beef prices continued to move higher this week as market participants find that supplies in the spot market remain quite limited and offerings from Australia, and especially New Zealand, continue to fall well short of expectations. Market participants we contacted as part of our weekly survey were mixed in their assessment of future supplies/prices. Some point to the seasonal tendency for New Zealand cow slaughter to increase in April and May, which should bolster the amount of product coming to the US. Cow slaughter in New Zealand during Oct-Jan period was down 24% compared to the previous year. Cow slaughter in the North Island, which accounts for a larger share of the inventory, was down 30% during this period. As moisture conditions in New

US WEEKLY BEEF IMPORTS FROM AUSTRALIA + NEW ZEALAND AS REPORTED BY USDA/AMS. FR/FZ BEEF ONLY. MT

Data Source: USDA Livestock, Poultry & Grain Market News

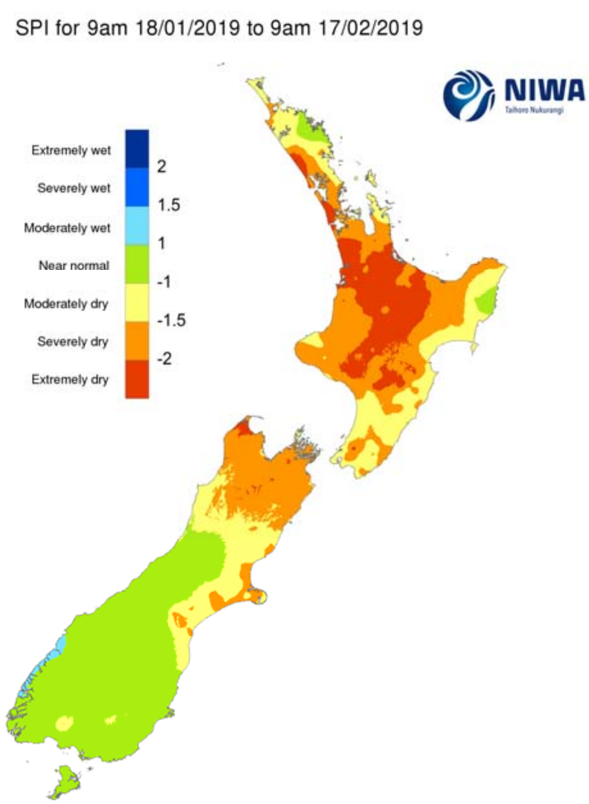




Zealand start to shift, we could see a notable increase in cow slaughter as early as March. In the last 30 days the Standardized Precipitation Index (SPI) shows conditions have shifted significantly in the North Island. While we do not have access to cow slaughter data for the most current week, we think cow slaughter numbers are now comparable to year ago levels. As pasture conditions deteriorate, it could lead to a notable increase in New Zealand slaughter. The chart above shows that the spread of imported beef to domestic product starts to shift April and May, likely due to the increase in the availability of New Zealand cow meat but also stronger seasonal demand for fresh (not frozen) lean grinding materials.

But even as some participants think that an increase in New Zealand cow slaughter will increase cow meat availability, others continue to see more upside risk, at least in the near term. The big unknown factor at this time is the effect that China will have on the supply of cow meat available from New Zealand. At the end of 2018 China became the top buyer of New Zealand beef. Some of those big purchases were likely due to seasonal demand ahead of the Chinese New Year. Will China continue to expand its beef purchase program, especially with fears of African Swine Fever gripping affluent consumers in that country? There is a seasonal tendency for Chinese buyers to accelerate purchases towards the end of the year (see chart on page 3). But as the chart shows, Chinese beef imports have increased steadily over the years. As China now accounts for over half of the supply exported from major South American producers, it may look to drive additional growth by becoming more active in New Zealand. As New Zealand packers become more familiar with Chinese buyers it is possible that the business ties created in 2018 will deepen further in 2019. For some US buyers this is (or should be) a critical concern.

30-Day Drought Monitor for New Zealand (SPI)

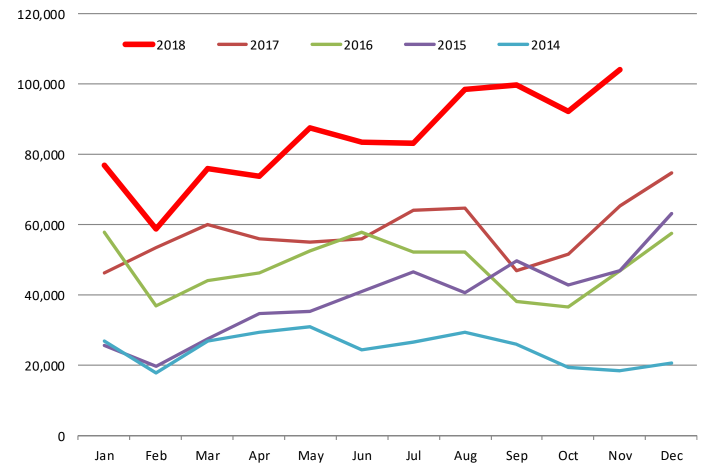


- Australian cattle slaughter continues to run above year ago levels despite the extreme flooding and dramatic cattle losses in Northern Queensland. Drought conditions continue to persist in other parts of that state and in other Australian states. Indeed, it is quite uncertain at this time if the rainfall that inundated the Gulf region will help break the drought more broadly. Cattle slaughter in Australia for the four weeks ending February 8 averaged 134,715 head/wk, 9.6% higher than the previous year. Slaughter in Queensland during this four week period was 10.3% higher than a year ago. Higher slaughter has helped bolster Australian beef exports in February but US purchases are still relatively modest compared to the share of business in previous years. Based on export data through mid February we are currently projecting total Australian beef exports for the month to be around 94,500 MT, 10% higher than a year ago. Exports to the US for the month are projected to be around 19,000 MT, about 10% higher than the extremely low volume exported last year. The US share of Australian exports in February is projected to be 20% compared to an average share of 26% during the 2015-2017 period, when Australian supplies were higher.

- USDA is finally starting to get caught up with the actual slaughter data but we will likely need to wait another couple of weeks before getting some more current information. Next week we will receive the results of the cattle on feed survey that should have been released a month ago and then the following week USDA will release the results of its semi-annual cattle inventory survey. Cow slaughter data has not caught up yet but at least we now have some information on US domestic cow slaughter trends in the first three weeks of January. During that period US dairy cow slaughter averaged 64,578 head/wk., 3.3% higher than the previous week. Beef cow slaughter during this period averaged 55,755 head/wk., 1.2% higher than a year ago. Non fed cattle slaughter in the last four weeks has been slightly under year ago levels and we think the main reason is a net decline in the number of beef cows coming to market. Some of this is likely due to extreme winter weather conditions, which have caused producers in parts of the country to hunker down and limit the number of beef cows that they send to market. With cow slaughter likely unchanged to slightly under year ago levels the price of domestic lean grinding beef has gained compared to late December but prices are still under year ago levels.

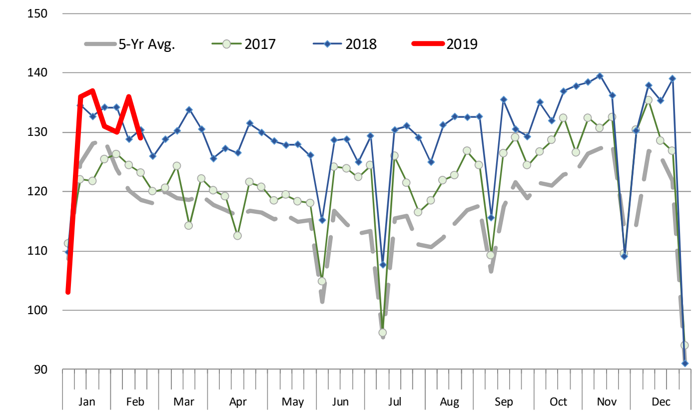
Monthly China Beef Imports in Last Five Years

Source: China Customs Agency. Metric Ton, shipped wt.



WEEKLY COW & BULL SLAUGHTER. '000 HEAD

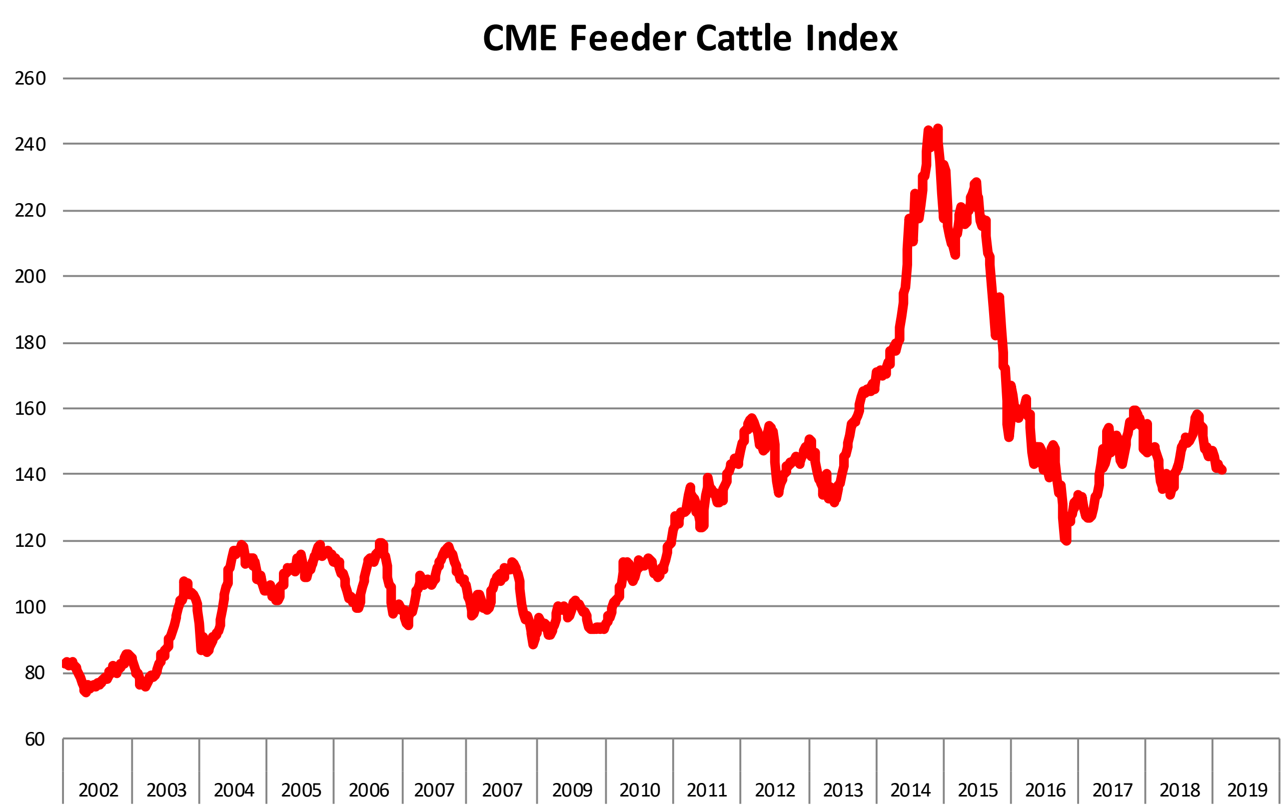
Source: USDA-AMS



CME Cattle Feeder Index and US Cattle Markets

Special Live Animal Reference Price

	Current Week 14-Feb-19	Prior Week 7-Feb-19	% CHANGE VS. WK AGO	Last Year 15-Feb-18	Change from Last Year
CME FEEDER CATTLE INDEX	141.31	141.69	-0.3%	148.15	-4.6%
	15-Feb-19	8-Feb-19		16-Feb-18	
FED STEER (5-MKT AVG)	124.94	123.83	0.9%	126.16	-1.0%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	105.50	94.00	12.2%	113.00	-6.6%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	96.00	95.00	1.1%	110.00	-12.7%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	94.00	89.00	5.6%	104.00	-9.6%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	164.68	163.43	0.8%	154.79	6.4%



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
	15-Feb-19		8-Feb-19			16-Feb-18		
US East Coast Australian/NZ Lean, CIF								
95 CL Bull, E. Coast	220.0	221.0	214.0	216.0	5.0	225.0	226.0	-5.0
90 CL Blended Cow	209.0	210.0	202.0	204.0	6.0	215.0	216.0	-6.0
90 CL Shank	205.0	208.0	201.0	203.0	5.0	213.0	215.0	-7.0
85 CL Fores	188.0	189.0	188.0	189.0	0.0	194.0	196.0	-7.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	218.0	219.0	212.0	215.0	4.0	224.0	225.0	-6.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, CIF								
85 CL Trimmings	187.0	188.0	187.0	188.0	0.0	194.0	195.0	-7.0
80 CL Trimmings	175.0	178.0	174.0	175.0	3.0		168.0	10.0
75 CL Trimmings		UNQ		UNQ	N/A	163.0	165.0	N/A
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
US East Coast Australian Cuts, CIF								
Cap Off Steer Insides	275.0	280.0	275.0	280.0	0.0	275.0	280.0	0.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	220.0	225.0	220.0	225.0	0.0	235.0	240.0	-15.0
Steer Knuckles	235.0	245.0	225.0	230.0	15.0	240.0	245.0	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
	15-Feb-19		8-Feb-19			16-Feb-18		
US East Coast Australian/NZ Lean, FOB US Port								
95 CL Bull, E. Coast	230.0	231.0	225.0	226.0	5.0		234.0	-3.0
90 CL Blended Cow	217.0	218.0	211.0	212.0	6.0	218.0	220.0	-2.0
90 CL Shank	215.0	216.0	208.0	210.0	6.0	217.0	219.0	-3.0
85 CL Fores	194.0	195.0	193.0	194.0	1.0	199.0	200.0	-5.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	229.0	230.0	223.0	224.0	6.0	231.0	232.0	-2.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, FOB US Port								
85 CL Trimmings	193.0	194.0	192.0	193.0	1.0	198.0	199.0	-5.0
80 CL Trimmings	184.0	185.0		184.0	1.0		175.0	10.0
75 CL Trimmings		UNQ		UNQ	N/A		UNQ	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		285.0	0.0	285.0	290.0	-5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	225.0	230.0	225.0	230.0	0.0	245.0	250.0	-20.0
Steer Knuckles	250.0	255.0	245.0	250.0	5.0	250.0	255.0	0.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year			Change from Last Year
	15-Feb-19			8-Feb-19				16-Feb-18			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
Domestic Cutouts											
Choice Cutout	216.85			215.35			1.5	209.88			7.0
Select Cutout	210.99			211.17			-0.2	205.12			5.9
Domestic Lean Grinding Beef											
90 CL Boneless	207.6	216.0	211.1	204.7	214.0	209.6	1.5	213.6	220.5	215.0	-3.9
85 CL Beef Trimmings	168.9	193.3	178.2	170.0	195.1	175.3	2.9	179.0	215.0	186.2	-8.1
50 CL Beef Trim	82.5	82.5	65.3	82.5	82.5	61.4	3.9	95.0	95.0	81.4	-16.1
Domestic Pork Trim											
42 CL Pork Trim	25.0	42.0	27.9	23.0	41.3	29.1	-1.2	19.4	47.2	27.4	0.6
72 CL Pork Trim	38.8	69.5	47.3	48.0	73.5	54.0	-6.7	66.8	72.8	69.2	-21.8
Point of Lean Values											
90 CL Domestic	234.6			232.9			1.7	238.9			-4.3
50 CL Beef Trimming	130.6			122.8			7.7	162.8			-32.3
42 CL Pork Trim	66.5			69.4			-2.9	65.1			1.3
72 CL Pork Trim	65.8			75.0			-9.3	96.1			-30.3
National Direct Fed Steer (5-day accum. wt. avg. price)	124.94			123.83			1.1	126.16			-1.2

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	*Current Week*	*Prior Week*	*Change From Last Week*	*Last Year*	*Change From Last Year*
	15-Feb-19	**8-Feb-19**		**16-Feb-18**	
Live Cattle Futures					
February '19	126.625	127.375	↓ -0.75	130.100	↓ -3.47
April '19	127.175	127.925	↓ -0.75	127.650	↓ -0.48
June '19	118.075	118.100	↓ -0.02	118.675	↓ -0.60
August '19	114.375	114.575	↓ -0.20	115.625	↓ -1.25
Feeder Cattle Futures					
March '19	142.600	144.100	↓ -1.50	149.725	↓ -7.13
April '19	145.225	145.900	↓ -0.68	152.400	↓ -7.18
May '19	146.575	146.900	↓ -0.33	152.825	↓ -6.25
August '19	150.450	150.900	↓ -0.45	152.825	↓ -2.38
Corn Futures					
March '19	374 3/4	374 1/4	↑ 0.50	367 1/2	↑ 7.25
May '19	382 3/4	382 1/4	↑ 0.50	375	↑ 7.75
July '19	390 1/2	390	↑ 0.50	382 3/4	↑ 7.75
September '19	394 1/4	393 1/2	↑ 0.75	389 1/2	↑ 4.75
Ch Wheat Futures					
March '19	504 1/4	517 1/4	↓ -13.00	457 3/4	↑ 46.50
May '19	507	519 1/2	↓ -12.50	471 1/2	↑ 35.50
July '19	509 1/4	522 1/4	↓ -13.00	486 1/2	↑ 22.75
September '19	518 1/2	529 3/4	↓ -11.25	502 1/2	↑ 16.00

Slaughter Information	*7 Days Ending*	*7 Days Ending*	*Change From Last Week*	*7 Days Ending*	*Change From Last Year*
	16-Feb-19	**9-Feb-19**		**17-Feb-18**	
Total Cattle Slaughter	596,000	620,000	↓ -24,000	602,000	↓ -6,000
	2-Feb-19	**26-Jan-19**		**3-Feb-18**	
Total Cow Slaughter	Data not available	Data not available	↓ 0	124,147	↓ -124,147
Dairy Cow Slaughter			↓ 0	66,750	↓ -66,750
Beef Cow Slaughter			↓ 0	57,397	↓ -57,397

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

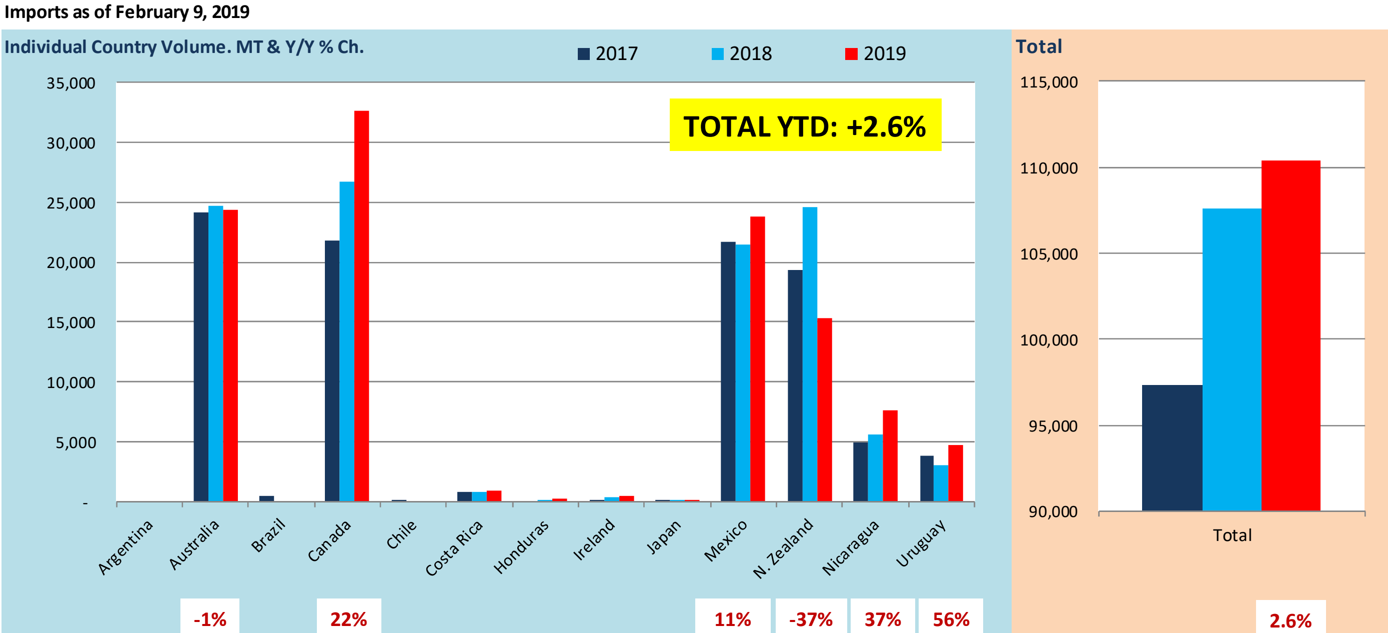
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 6	2/10/2018	2/9/2019		
Argentina	-	-		
Australia	24,652	24,345	(307)	-1.2%
Brazil	-	-	-	
Canada	26,733	32,594	5,861	21.9%
Chile	-	-	-	
Costa Rica	871	978	107	12.3%
France	-	-	-	
Honduras	188	279	91	48.4%
Ireland	384	447	63	16.4%
Japan	128	113	(15)	-11.7%
Mexico	21,417	23,834	2,417	11.3%
Netherlands	-	-	-	
New Zealand	24,553	15,366	(9,187)	-37.4%
Nicaragua	5,621	7,675	2,054	36.5%
Spain	-	-	-	
Uruguay	3,065	4,768	1,703	55.6%
Total	107,612	110,399	**2,787**	**2.6%**

Source: AMS - USDA

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

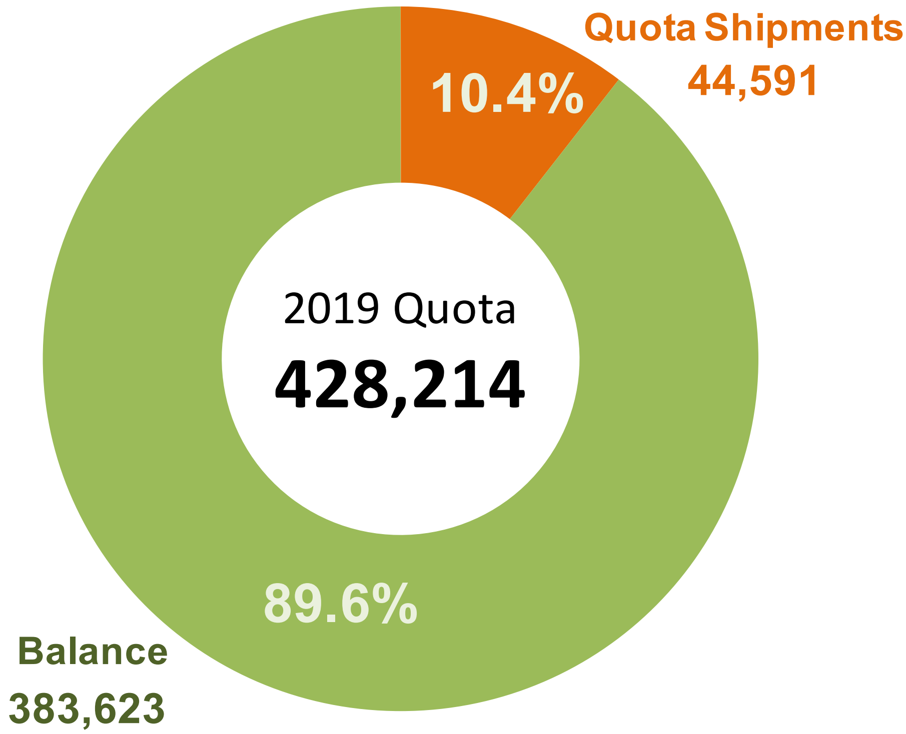
Imports as of February 9, 2019



Australian Beef Quota Position

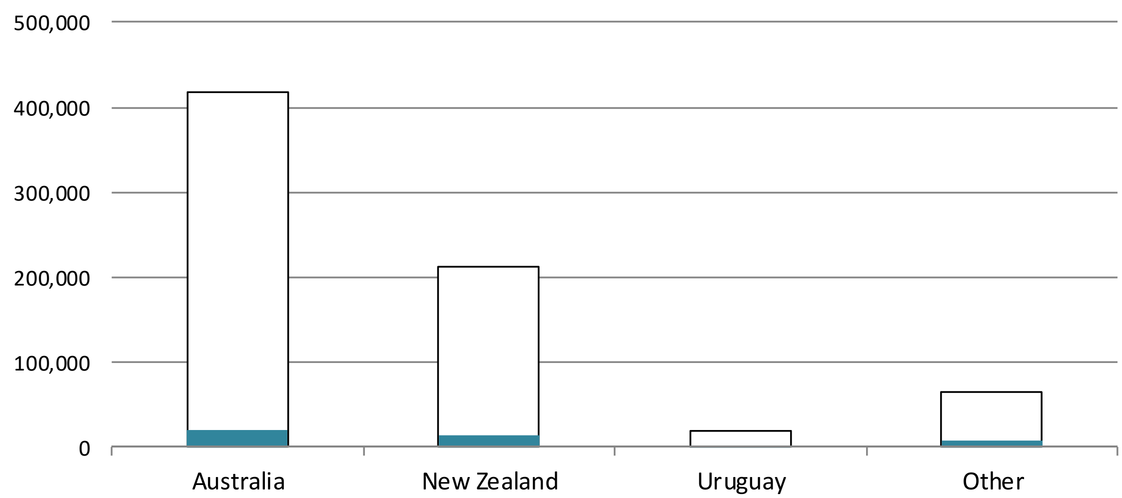
14-Feb-19

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending February 11

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2017 YTD	22,019,264	24,231,795	1,569,251	7,497,924
2018 YTD	21,058,141	13,609,102	2,364,420	7,820,418
Y/Y %	-4%	-44%	51%	4%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	5%	6%	12%	12%

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