



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 were higher for the week on firm domestic lean beef prices and limited offerings from overseas markets
- US weekly beef imports from traditional imported grinding beef suppliers are now well below year ago levels following a notable increase during May.
- New Zealand slaughter is now moving seasonally lower and strong demand from Asian markets will continue to limit supply availability in the next few months
- Ground beef demand has been very strong this spring, underpinning both lean and fat grinding beef prices. The price of 81CL coarse ground beef last week was \$197/cwt, 21% higher than a year ago.
- The supply of 81CL ground beef traded in the spot market is down 14% lower than a year ago even as fed cattle slaughter is above year ago, an indication that more product is going to fill formula retail orders for Father's Day and 4th of July Promotions
- US beef packer margins continue to move higher. While lower than a year ago margins are still at the highest level for the year and well above historical levels for this time of year.
- Steiner estimate is for on feed supplies on June 1 to be 1.3% higher than a year ago. The supply of cattle that on June 1 had spent at least 120 days on feed is now estimated to be slightly under year ago levels.
- A robust fed cattle slaughter pace should continue to reduce the front end supply and allow feedlots to be much more current this fall.

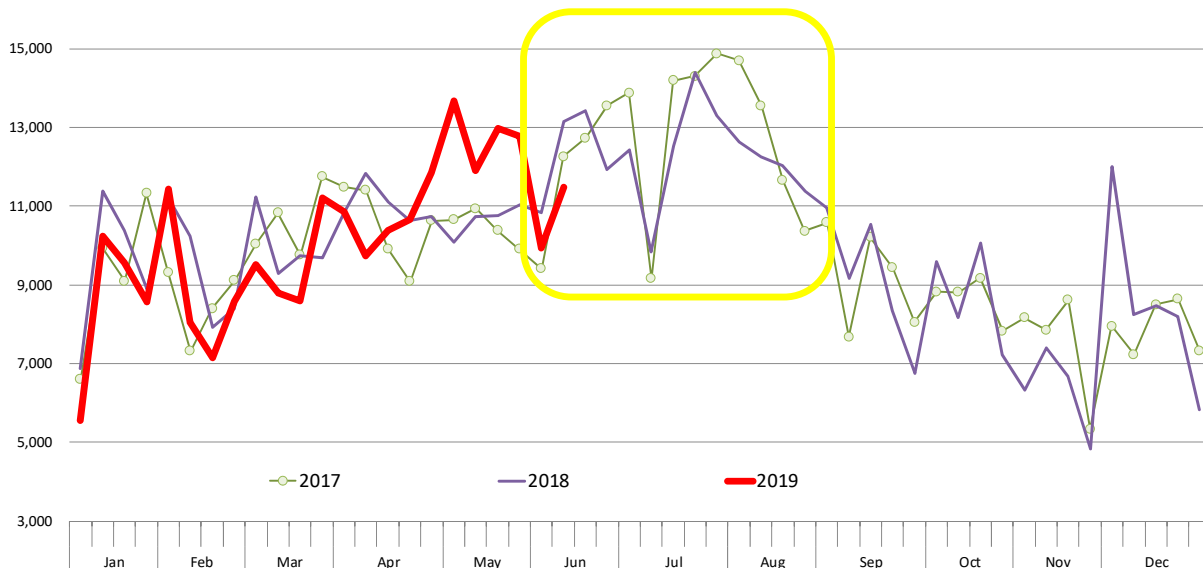
Imported Market Activity for the Week

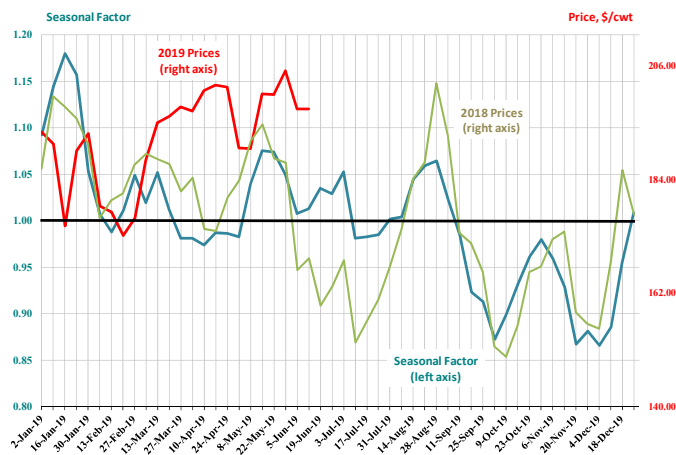
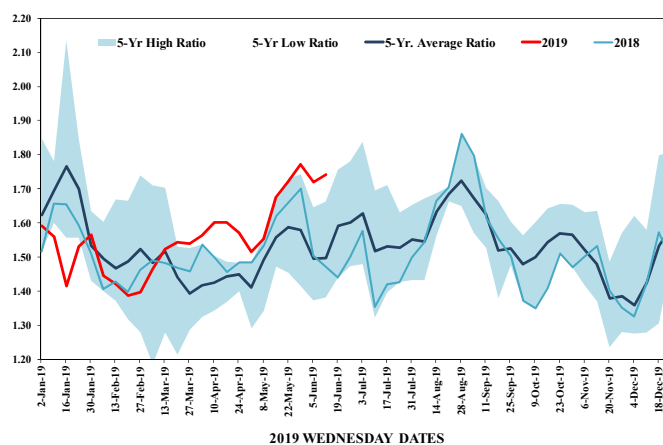
Imported beef prices continued to advance this week as finding replacement product in Australia has become increasingly difficult while NZ supplies start their seasonal decline. Overseas suppliers continue to point to strong China demand to justify higher asking prices. Difficult as it is to verify some of the claims, the reality is that Australian packers continue to routinely pass on lower US bids and traders have had little choice but pay

up. The dynamic in the imported beef market has changed fairly rapidly since May, in large part we think because grinding beef supplies have materially declined. The chart below shows beef imports from major grinding beef suppliers, which are currently running below year ago levels. Imports were higher in May as more NZ product became available. Last year we saw a notable increase in grinding beef supplies well into July, helping set the stage for lower lean beef values in the fall. New Zealand was a big contributor to the increase

BEEF IMPORTS FROM **MAJOR GRINDING BEEF EXPORTING COUNTRIES**. FR/FZ BEEF ONLY. METRIC TON

Data Source: USDA Livestock, Poultry & Grain Market News



81CL Coarse Ground 5-Yr Seasonal vs. Current Price Trends**81CL Coarse Ground Price Ratio to Fed Steer Price**

in beef imports last year. During early June through the end of July 2018 weekly NZ beef imports averaged about 6000 MT/wk. We expect imports in Jun/Jul to run about 15-20% below year ago levels. Weekly imports from Australia during that period last year averaged about 5000 MT/wk. We probably will get a similar amount if not a bit more this year but in order to secure product higher prices will likely be required given the lack of competition from NZ.

Ground beef prices holding firm despite collapse in fed cattle values. Domestic lean and fat trim prices have performed much better than participants have expected, in part due to robust demand at retail. While the fed cattle market has struggled to get traction in recent weeks, this is mostly due to a softer market for middle meats. Loin and rib primal values in May were well below year ago levels, affecting both the overall value of the cutout as well as packer packer bids for cash cattle. During the last six weeks the decline in loin/rib primal value has subtracted about \$10/cwt from the overall value of the choice beef cutout. The middle meat weakness had a negative psychological effect on futures market speculators that were expecting extremely strong demand to lift prices through the summer. Prices last year were especially strong and some large funds were betting that the escalation in the African Swine Fever situation in Asia combined with a potential trade deal with China in May would prove to be explosive for beef/cattle prices. Those expectations proved to be far off the mark and bullish funds have gone through a financially painful period of unwinding their positions. In the last six weeks managed money net long positions have been re-

duced by more than 100,000 contracts. Both fed cattle futures and cash fed cattle prices have been lower but the impact on ground beef prices has been limited. At this time the ratio of the 81CL ground beef prices to fed cattle values is running above the five year range and the seasonal price increase has been well above the five year average.

Another indicator of strong ground beef demand is the resurgent value of fat beef prices. Last week 50CL beef trim prices traded in the mid 90s, about 30 cents above year ago levels. This suggests that packers are currently using a significant portion of the 50CL beef trim they generate to blend into ground beef packages, leaving less supply available in the spot market. But that is only part of the reason for the firm fat trim prices. But we think there are other factors at play. First, the supply of fat trim generated this year is lower than a year ago. Fed cattle weights are running below year ago levels. The latest USDA data shows the average weight of steers/heifers coming to market was 820 pounds/carcass compared to 826 pounds a year ago, a 1% decline compared to year ago levels. Second, some end users appear to have been caught short, expecting to see a seasonal decline in fat trim prices and now forced to cover some of their short positions. Third, the price of competing products has been very firm. The value of 72CL pork trim is currently in the high 90s (+27% y/y) and 42CL pork trim prices are currently in the low 60s (+52% y/y).

Despite the lower prices for middle meats packer margins remain strong as the decline in cattle prices has been far more significant. According to our latest calculations the gross packer margin (estimated revenue minus estimated cost) is currently around \$396 head. Assuming a processing cost of around \$200/head would result in a positive net mar-

gin that is lower than a year ago but still the highest for the year and well above historical levels for this time of year. Strong margins should allow packers to maintain a strong processing pace, resulting in good movement of cattle out of feedlots.

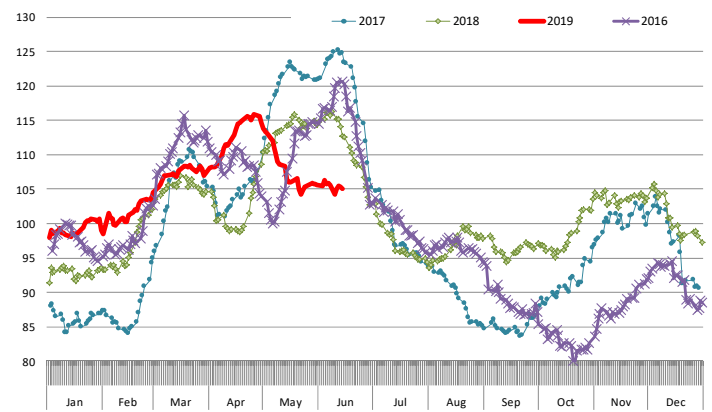
Total cattle slaughter last year was estimated at 665,000 head, 2.6% higher than a year ago. Fed cattle slaughter for the week was estimated at 534,000 head, 2.8% higher than a year ago while non fed slaughter at 131,000 head was 1.7% higher than a year ago. The higher slaughter pace should help feedlots work through the front end supply (i.e. cattle ready for marketing in the next 60 days) and go into the fall at a much more current situation than a year ago. This is important when we consider that current futures prices are well below year ago levels. In our view the fall/winter market has more upside risk due to: a) more current feedlot supplies; b) potential for higher exports; c) end users taking advantage of the recent selloff to plan more beef features in the second half of the year.

Below are our estimates of the cattle on feed report that will be issued at the end of next week:

| | |
|------------------|-------|
| Placed in May: | 95.3 |
| Marketed in May: | 100.9 |
| Total on feed: | 101.3 |

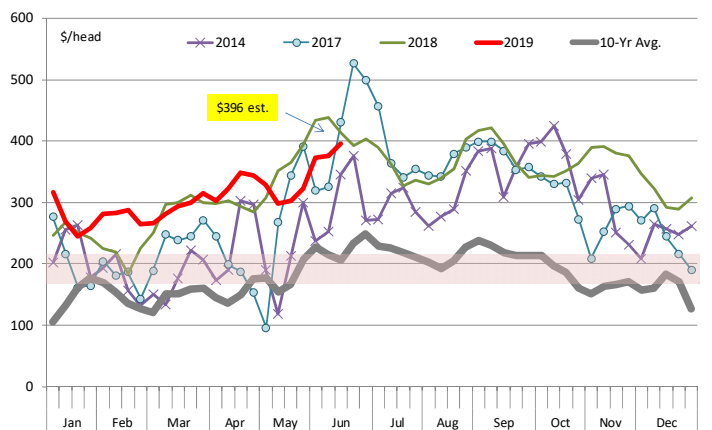
Feeder cattle sales in May were sharply lower, which is an input in deriving the placement number. Good pastures likely encouraged producers to hold more calves on feed. Imports from Canada were sharply lower and offset any increases in feeder imports from Mexico.

\$ CONTRIBUTION TO THE CUTOUT FROM LOIN/RIB PRIMALS
 \$/cwt. Daily Values. Source: USDA-AMS. Calculations by Steiner Consulting



BEEF PACKER CALCULATED GROSS MARGIN, \$/head

Calculated using the Comprehensive Cutout, Drop Credit and Negotiated Fed Cattle Prices



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 |
|--|--------------|------------|------------------------|-----------|--------------------------|
| | 13-Jun-19 | 6-Jun-19 | | 14-Jun-18 | |
| CME FEEDER CATTLE INDEX | 134.25 | 131.87 | 1.8% | 140.73 | -4.6% |
| | 14-Jun-19 | 7-Jun-19 | | 15-Jun-18 | |
| FED STEER (5-MKT AVG) | 114.02 | 114.22 | -0.2% | 114.13 | -0.1% |
| CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.) | 94.00 | 89.50 | 5.0% | 102.50 | -8.3% |
| BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.) | 98.50 | 98.50 | 0.0% | 107.50 | -8.4% |
| BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.) | 95.00 | 95.00 | 0.0% | 102.00 | -6.9% |
| CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA | 174.69 | 174.48 | 0.1% | 154.79 | 12.9% |

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 |
|---|--------------|-----------|------------|-----------|-----------------------------|-----------|-----------|-----------------------------|
| | 14-Jun-19 | 24-Jun-19 | 7-Jun-19 | 14-Jun-19 | | 15-Jun-18 | 22-Jun-18 | |
| <u>US East Coast Australian/NZ Lean, CIF</u> | | | | | | | | |
| 95 CL Bull, E. Coast | 236.0 | 240.0 | 235.0 | 237.0 | 3.0 | 210.0 | 212.0 | 28.0 |
| 90 CL Blended Cow | 215.0 | 217.0 | 210.0 | 212.0 | 5.0 | 196.0 | 197.0 | 20.0 |
| 90 CL Shank | 212.0 | 214.0 | 209.0 | 210.0 | 4.0 | 199.0 | 200.0 | 14.0 |
| 85 CL Fores | 201.0 | 203.0 | 198.0 | 200.0 | 3.0 | 186.0 | 187.0 | 16.0 |
| 85 CL Chucks | | UNQ | | UNQ | N/A | | UNQ | N/A |
| 95 CL Bull, W. Coast | 235.0 | 237.0 | 232.0 | 235.0 | 2.0 | 208.0 | 210.0 | 27.0 |
| Uruguay CFH 90CL, E. Coast | | UNQ | | UNQ | N/A | | UNQ | N/A |
| <u>US East Coast, Trimmings, CIF</u> | | | | | | | | |
| 85 CL Trimmings | 200.0 | 202.0 | 198.0 | 199.0 | 3.0 | 185.0 | 189.0 | 13.0 |
| 80 CL Trimmings | 190.0 | 193.0 | 188.0 | 189.0 | 4.0 | 178.0 | 179.0 | 14.0 |
| 75 CL Trimmings | 182.0 | 187.0 | 179.0 | 180.0 | 7.0 | | 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 | 280.0 | 285.0 | | 280.0 | 5.0 | 280.0 | 285.0 | 0.0 |
| Steer Insides 14/18 | | UNQ | | UNQ | N/A | | UNQ | N/A |
| Steer Flats | 230.0 | 235.0 | 225.0 | 230.0 | 5.0 | | 220.0 | 15.0 |
| Steer Knuckles | 250.0 | 255.0 | 240.0 | 245.0 | 10.0 | 240.0 | 245.0 | 10.0 |

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

| | Current Week | | Prior Week | | Change From Last Week | Last Year | | Change From Last Year |
|---|--------------|----------|------------|-------|-----------------------------|-----------|-------|-----------------------------|
| | 14-Jun-19 | 7-Jun-19 | | | | 15-Jun-18 | | |
| <i>US East Coast Australian/NZ Lean, FOB US Port</i> | | | | | | | | |
| 95 CL Bull, E. Coast | 246.0 | 249.0 | 242.0 | 245.0 | 4.0 | 221.0 | 223.0 | 26.0 |
| 90 CL Blended Cow | 228.0 | 229.0 | 223.0 | 226.0 | 3.0 | 206.0 | 207.0 | 22.0 |
| 90 CL Shank | 224.0 | 225.0 | 220.0 | 223.0 | 2.0 | 210.0 | 211.0 | 14.0 |
| 85 CL Fores | 212.0 | 213.0 | 208.0 | 209.0 | 4.0 | 192.0 | 193.0 | 20.0 |
| 85 CL Chucks | | UNQ | | UNQ | N/A | | UNQ | N/A |
| 95 CL Bull, W. Coast | 245.0 | 248.0 | 241.0 | 244.0 | 4.0 | 220.0 | 221.0 | 27.0 |
| Uruguay CFH 90CL, E. Coast | | UNQ | | UNQ | N/A | | UNQ | N/A |
| <i>US East Coast, Trimmings, FOB US Port</i> | | | | | | | | |
| 85 CL Trimmings | 210.0 | 212.0 | 207.0 | 208.0 | 4.0 | 191.0 | 192.0 | 20.0 |
| 80 CL Trimmings | 200.0 | 202.0 | 198.0 | 199.0 | 3.0 | 183.0 | 184.0 | 18.0 |
| 75 CL Trimmings | 191.0 | 194.0 | 189.0 | 190.0 | 4.0 | | 178.0 | 16.0 |
| 65 CL Trimmings | | UNQ | | UNQ | N/A | | 140.0 | N/A |
| <i>US East Coast Australian Cuts, FOB US Port</i> | | | | | | | | |
| Cap Off Steer Insides | 285.0 | 290.0 | 285.0 | 290.0 | 0.0 | 285.0 | 290.0 | 0.0 |
| Steer Insides 14/18 | | UNQ | | UNQ | N/A | | UNQ | N/A |
| Steer Flats | 235.0 | 240.0 | 230.0 | 235.0 | 5.0 | | 225.0 | 15.0 |
| Steer Knuckles | 265.0 | 270.0 | 255.0 | 260.0 | 10.0 | 250.0 | 255.0 | 15.0 |

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

| | Current Week | | | Prior Week | | | Change From Last Week | Last Year | Change from Last Year | | |
|--|--------------|----------|--------|------------|-------|--------|-----------------------|-----------|-----------------------|--------|------|
| | 14-Jun-19 | 7-Jun-19 | | 15-Jun-18 | | | | | | | |
| | Low | High | Wt.Avg | Low | High | Wt.Avg | | Low | High | Wt.Avg | |
| <u>Domestic Cutouts</u> | | | | | | | | | | | |
| Choice Cutout | 222.23 | | | 222.31 | | | -0.1 | 221.59 | | | 0.6 |
| Select Cutout | 202.76 | | | 206.92 | | | -4.2 | 202.73 | | | 0.0 |
| <u>Domestic Lean Grinding Beef</u> | | | | | | | | | | | |
| 90 CL Boneless | 221.0 | 229.0 | 224.5 | 222.5 | 228.0 | 224.6 | -0.1 | 219.0 | 226.0 | 221.2 | 3.3 |
| 85 CL Beef Trimmings | 194.6 | 209.0 | 201.6 | 197.5 | 207.0 | 200.9 | 0.7 | 188.0 | 202.5 | 191.7 | 9.9 |
| 50 CL Beef Trim | 105.6 | 105.6 | 95.3 | 102.5 | 102.5 | 90.1 | 5.2 | 88.4 | 88.4 | 68.7 | 26.6 |
| <u>Domestic Pork Trim</u> | | | | | | | | | | | |
| 42 CL Pork Trim | 57.0 | 93.0 | 61.3 | 45.0 | 71.3 | 55.1 | 6.2 | 37.5 | 61.3 | 48.8 | 12.5 |
| 72 CL Pork Trim | 83.5 | 123.8 | 95.4 | 80.0 | 118.8 | 92.1 | 3.3 | 60.0 | 97.3 | 77.5 | 17.8 |
| <u>Point of Lean Values</u> | | | | | | | | | | | |
| 90 CL Domestic | 249.4 | | | 249.5 | | | -0.1 | 245.7 | | | 3.7 |
| 50 CL Beef Trimming | 190.6 | | | 180.2 | | | 10.4 | 137.3 | | | 53.3 |
| 42 CL Pork Trim | 145.9 | | | 131.1 | | | 14.7 | 116.2 | | | 29.7 |
| 72 CL Pork Trim | 132.4 | | | 127.9 | | | 4.5 | 107.7 | | | 24.7 |
| <u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u> | 114.02 | | | 114.22 | | | -0.2 | 114.13 | | | -0.1 |

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> | |
| | 14-Jun-19 | 7-Jun-19 | | | 15-Jun-18 | | |
| <u>Live Cattle Futures</u> | | | | | | | |
| June '19 | 108.775 | 106.925 | ↑ | 1.85 | 108.450 | ↑ | 0.33 |
| August '19 | 104.275 | 103.300 | ↑ | 0.98 | 104.775 | ↓ | -0.50 |
| October '19 | 105.475 | 104.500 | ↑ | 0.98 | 107.025 | ↓ | -1.55 |
| December '19 | 109.950 | 109.425 | ↑ | 0.53 | 111.350 | ↓ | -1.40 |
| <u>Feeder Cattle Futures</u> | | | | | | | |
| August '19 | 135.525 | 137.250 | ↓ | -1.72 | 147.975 | ↓ | -12.45 |
| September '19 | 135.800 | 137.350 | ↓ | -1.55 | 148.275 | ↓ | -12.48 |
| October '19 | 135.750 | 137.375 | ↓ | -1.63 | 147.850 | ↓ | -12.10 |
| November '19 | 135.875 | 137.350 | ↓ | -1.47 | 147.700 | ↓ | -11.83 |
| <u>Corn Futures</u> | | | | | | | |
| July '19 | 453.000 | 415.750 | ↑ | 37.25 | 361.250 | ↑ | 91.75 |
| September '19 | 458.250 | 424.250 | ↑ | 34.00 | 370.750 | ↑ | 87.50 |
| December '19 | 463.500 | 433.750 | ↑ | 29.75 | 382.750 | ↑ | 80.75 |
| March '20 | 467.500 | 442.500 | ↑ | 25.00 | 392.500 | ↑ | 75.00 |
| <u>Ch Wheat Futures</u> | | | | | | | |
| July '19 | 538 1/2 | 504 1/2 | ↑ | 34.00 | 499 1/2 | ↑ | 39.00 |
| September '19 | 542 | 509 1/2 | ↑ | 32.50 | 513 1/2 | ↑ | 28.50 |
| December '19 | 553 1/4 | 522 1/4 | ↑ | 31.00 | 534 1/4 | ↑ | 19.00 |
| March '20 | 563 | 534 | ↑ | 29.00 | 553 3/4 | ↑ | 9.25 |

| <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> | |
| | 15-Jun-19 | 8-Jun-19 | | | 16-Jun-18 | | |
| <u>Total Cattle Slaughter</u> | 665,000 | 662,000 | ↑ | 3,000 | 648,000 | ↑ | 17,000 |
| | 1-Jun-19 | 25-May-19 | | | 2-Jun-18 | | |
| <u>Total Cow Slaughter</u> | 106,686 | 116,150 | ↓ | -9,464 | 105,027 | ↑ | 1,659 |
| <u>Dairy Cow Slaughter</u> | 53,340 | 56,431 | ↓ | -3,091 | 48,951 | ↑ | 4,389 |
| <u>Beef Cow Slaughter</u> | 53,346 | 59,719 | ↓ | -6,373 | 56,076 | ↓ | -2,730 |

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

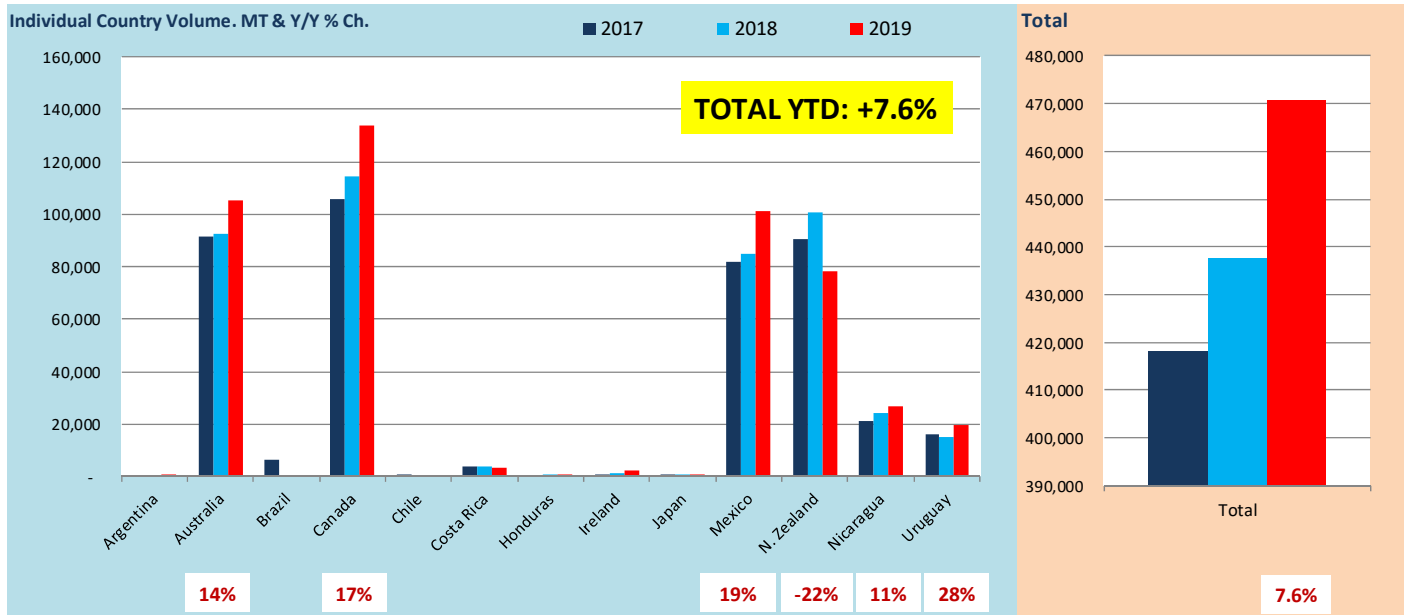
YTD Imported Fresh/Frz Beef Passed for Entry in the US

| week 23 | 6/9/2018 | 6/8/2019 | | |
|--------------|----------------|----------------|---------------|-------------|
| Argentina | - | 15 | | |
| Australia | 92,439 | 105,150 | 12,711 | 13.8% |
| Brazil | - | - | - | |
| Canada | 114,469 | 133,622 | 19,153 | 16.7% |
| Chile | - | - | - | |
| Costa Rica | 3,714 | 3,318 | (396) | -10.7% |
| France | - | - | - | |
| Honduras | 906 | 516 | (390) | -43.0% |
| Ireland | 1,128 | 2,170 | 1,042 | 92.4% |
| Japan | 241 | 258 | 17 | 7.1% |
| Mexico | 84,898 | 101,222 | 16,324 | 19.2% |
| Netherlands | - | - | - | |
| New Zealand | 100,633 | 78,214 | (22,419) | -22.3% |
| Nicaragua | 24,166 | 26,923 | 2,757 | 11.4% |
| Spain | - | - | - | |
| Uruguay | 15,105 | 19,361 | 4,256 | 28.2% |
| Total | 437,699 | 470,770 | 33,071 | 7.6% |

Source: AMS - USDA

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

Imports as of June 8, 2019

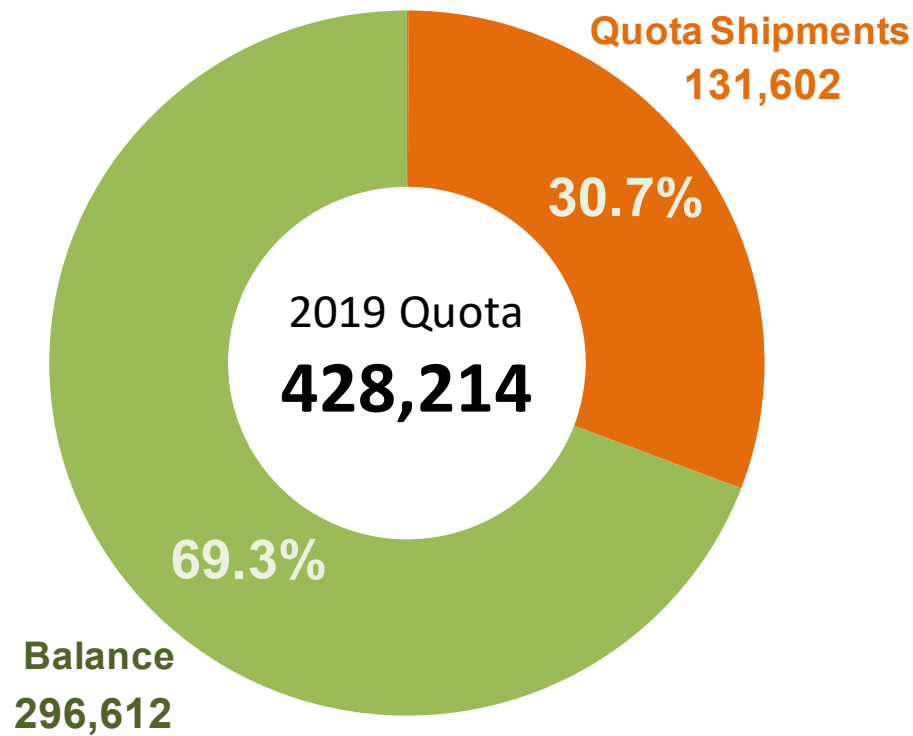


Note: USDA did not publish updated export data for last week.

Australian Beef Quota Position

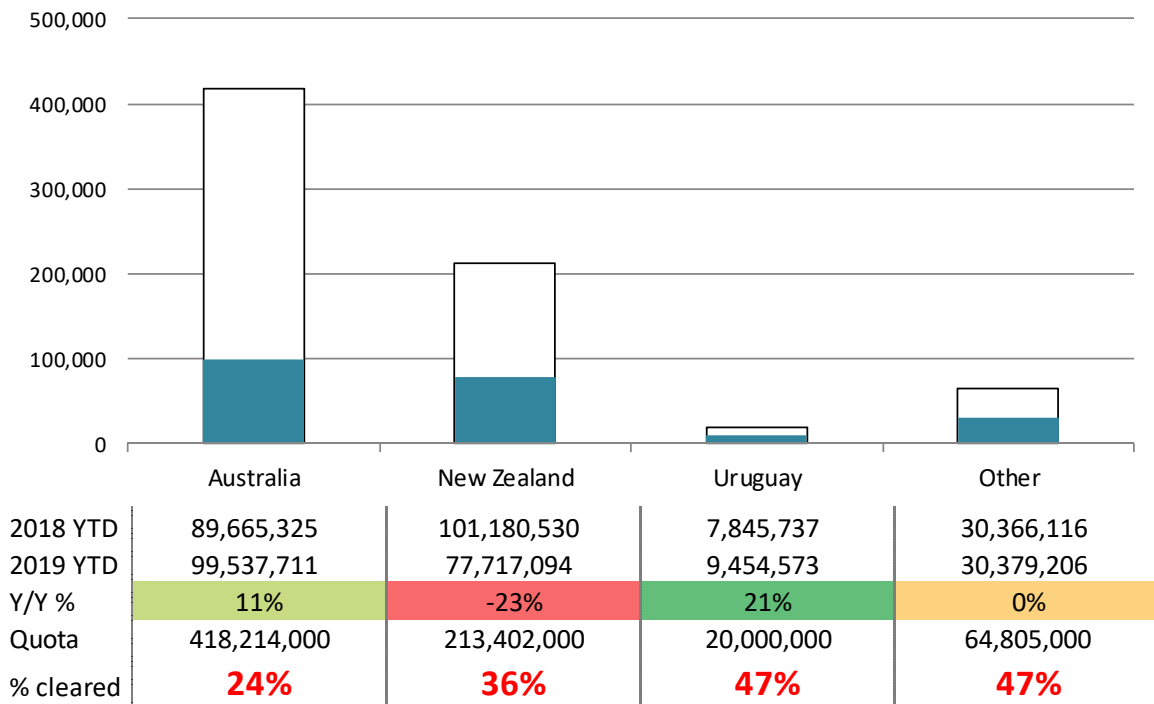
13-Jun-19

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending June 10

Source: US Customs



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