



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 difficult to establish amidst short selling, inventory liquidation and dearth of Australia offers
- Prices in the West Coast trading at par and often above East Coast due to lack of inventory available.
- Australian beef exports in July were up 9% but China took all the additional supply as well as some market share from other market to become the top destination for Australian beef
- In the last four weeks US beef imports have averaged 4% above year ago levels but imports from grinding beef suppliers have been down 20%. This should continue to support premiums for imported grinding beef vs. domestic this fall.
- Fire at Tyson plant in Kansas expected to temporarily remove 6000k capacity from daily fed cattle slaughter, constraining beef supplies in the short term but also limiting fed cattle demand.

Imported Market Activity for the Week

Imported beef trading remains very difficult and each week we struggle with the prices reported as part of our survey. On the one hand, prices for imported beef traded on an FOB basis have been steady to weaker. Through a combination of selling off inventory they already own or taking on some shorts importers have sought to put some orders on the books. But this is not sustainable in the long run given the dearth of offerings from overseas suppliers and high asking prices. New Zealand offerings are especially light, in part because seasonally this is what we normally see

from New Zealand during this time of year but also because of standing China orders for New Zealand and Australian product. Australian trade flow data is indicative of the current situation in the global imported beef trade. As we expected, Australian beef shipments in July jumped 9% compared to a year ago and the highest monthly export volume since July 2015. But even as overall Australian shipments increased by almost 10,000 MT, exports to China were up almost 14,000 MT, gains that were possible by reducing exports to other markets. At a little over 28,000 MT China was the main market for Australian beef in July. In part this was due to a rush of shipments before the safe-

Summary of Australian Beef and Veal Exports: July 2019

Source: MAFF

	7/1/2018	7/1/2019	MT ch.	% ch.
Japan	30,195	27,548	(2,647)	-9%
South Korea	16,148	14,804	(1,344)	-8%
China	14,423	28,214	13,791	96%
USA East	16,245	15,188	(1,057)	-7%
USA West	6,971	8,270	1,299	19%
Total USA	23,217	23,458	242	1%
Indonesia	5,884	5,390	(493)	-8%
Philippines	3,766	2,004	(1,762)	-47%
Total EU	973	1,196	224	23%
Total Middle East	2,089	3,218	1,129	54%
Other Markets	8,463	9,132	669	8%
Total Aus	105,157	114,965	9,808	9%

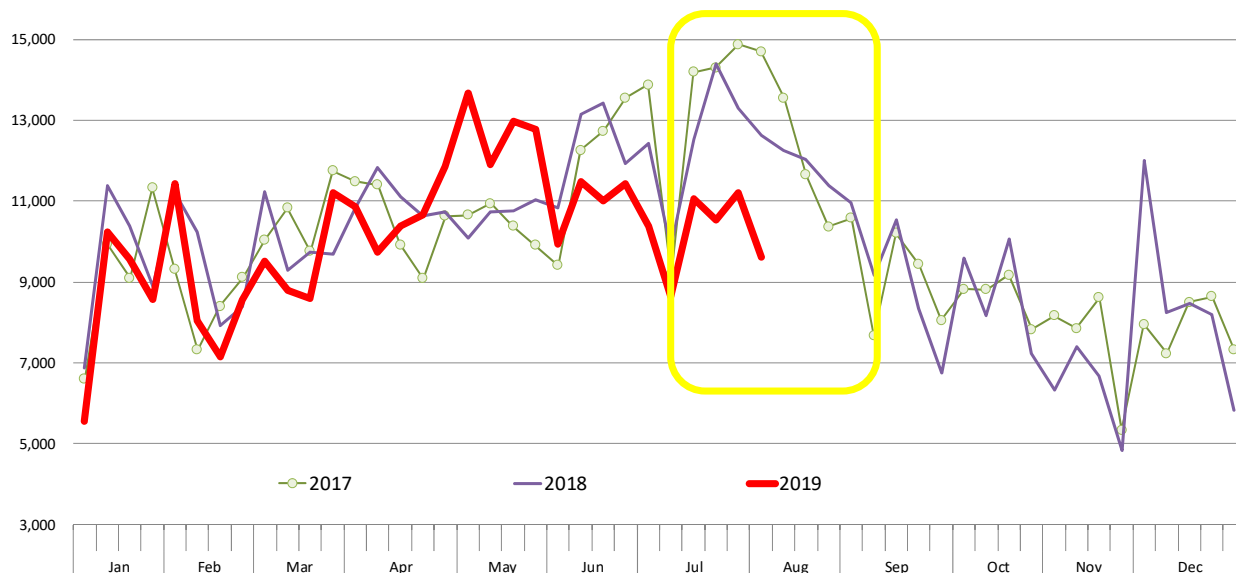
Summary of Australian Beef and Veal Exports: Jan-Jul 2019

Source: MAFF

	2018 YTD	2019 YTD	MT ch.	% ch.
Japan	184,639	168,858	(15,781)	-9%
South Korea	91,393	95,770	4,377	5%
China	88,830	146,244	57,414	65%
USA East	91,009	99,281	8,272	9%
USA West	45,544	46,766	1,222	3%
Total USA	136,553	146,047	9,494	7%
Indonesia	36,812	33,387	(3,425)	-9%
Philippines	20,952	14,187	(6,764)	-32%
Total EU	9,365	8,544	(820)	-9%
Total Middle East	15,590	17,991	2,401	15%
Other Markets	57,756	53,042	(4,714)	-8%
Total Aus	641,890	684,071	42,181	7%

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

Data Source: USDA Livestock, Poultry & Grain Market News



guard tariff of 174,454 MT is triggered. Through July Australia had shipped a little over 146,000 MT of beef to China (see table on page 1), 65% higher than the previous year. At the current pace, it appears certain that the safeguard will be triggered in September. Does that mean that more Australian beef then will be available for shipment to the US market? This is possible and clearly some US importers do expect to see a bit more product become available once the rush of China orders have been filled. Additionally, they expect to see a bit more product become available later in the year as New Zealand slaughter picks up. But at this point the level of China demand is highly uncertain. The spread of African Swine Fever in the country has created a significant protein supply hole. This has further exacerbated by the ongoing trade war with the US and much more stringent border controls, limiting the flow of beef through gray channels in Hong Kong and Vietnam. Also unknown is the level of slaughter in Australia during the spring and early summer months. The short term outlook is dry and this continues to push more cattle to slaughter. Australian producers continue to liquidate more female cattle, setting the stage for lower beef supplies in 2020. So while US end users are content to sit on the sidelines in the near term and see how grinding beef trade develops this fall, they probably are looking with concern at supply availability/price inflation for next spring.

Imported beef to continue to trade at a premium to domestic product this fall. Overall US

beef imports in the last four weeks have averaged 4% above year ago levels but this is entirely due to higher imports from Canada and Mexico. Strong prices for fed beef cuts, a strong US dollar, and zero tariffs on NAFTA product, continue to incentivize imports from both of these countries. On the other hand, beef imports from grinding beef supplying countries in the last four weeks were down 20% compared to a year ago.

Domestic grinding beef should decline in Sep/Oct, but by how much? There seems to be a general expectation among market participants in the US that domestic grinding beef values will drift lower after Labor Day (first Monday in September). A shift in retail features as grilling season comes to an end, an increase in domestic cull cows coming to market and lower prices for competing proteins drive this expectation for seasonally lower prices. Fed cattle futures prices also tend to reinforce this expectation. On Friday October fed cattle futures traded at a little under \$107/cwt. In the last five years, the high end of the October 90CL price multiple to fed cattle has averaged 1.95, offering an implied 90CL price of \$209 vs. \$222 paid for 90CL beef last week. This helps explain why domestic end users are somewhat reluctant to bid on imported beef and why owners of imported beef in storage are looking to keep the flow moving rather than hold on to asking prices.

Fire at Tyson plant likely to be bullish for beef prices, bearish for fed cattle in the near term. Despite robust fed cattle slaughter in the last few weeks US

fed beef prices have performed quite well. We expect the trend in domestic fed beef prices will be quite strong at least through the end of the month and possibly in early September due to strong domestic demand but also disruptions caused by a major fire in a big packing plant over the weekend. On this latter point, we do not have any updates as to when the plant will resume operations but based on the extent of the fire, it appears that the plant could be down well into September. According to data from Steve Kay from Cattle Buyers Weekly, the plant in question (Tyson Garden City KS) has a daily slaughter capacity of 6000 head, making it one of the largest US cattle slaughter facilities. In the short term we think the lack of production from this facility combined with significant forward orders that Tyson has already on the books will severely limit the supply of fed beef available in the spot market. Tyson will likely look to run Satur-

day shifts in other plants in order to address some of the shortfall but the additional expense of running those shifts as well as the guaranteed weekly payment to workers in the shuttered plant will result in higher asking prices for boxed beef. On the other hand, we expect this will tend to depress fed cattle values, especially for Sep/Oct cattle. Futures may respond negatively to this event when they open on Monday due to the cumulative impact that the reduction in available slaughter capacity will have on demand for cattle in the near term.

October 2019 CME Fed Cattle Futures



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
	8-Aug-19	1-Aug-19		9-Aug-18	
CME FEEDER CATTLE INDEX	141.66	141.74	-0.1%	151.12	-6.3%
	9-Aug-19	2-Aug-19		10-Aug-18	
FED STEER (5-MKT AVG)	113.87	113.92	0.0%	112.47	1.2%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	100.00	99.50	0.5%	105.00	-4.8%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	105.00	105.00	0.0%	105.00	0.0%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	104.50	102.50	2.0%	100.50	4.0%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	174.25	173.65	0.3%	154.79	12.6%

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
	9-Aug-19	2-Aug-19	2-Aug-19	2-Aug-19		10-Aug-18		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	241.0	243.0	241.0	244.0	-1.0	206.0	208.0	35.0
90 CL Blended Cow	215.0	220.0	220.0	221.0	-1.0	191.0	194.0	26.0
90 CL Shank	221.0	222.0		224.0	-2.0	195.0	197.0	25.0
85 CL Fores	203.0	204.0	203.0	205.0	-1.0	180.0	181.0	23.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	242.0	243.0	240.0	243.0	0.0	205.0	207.0	36.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	201.0	202.0	201.0	203.0	-1.0		180.0	22.0
80 CL Trimmings	190.0	193.0	194.0	195.0	-2.0	167.0	168.0	25.0
75 CL Trimmings	182.0	185.0	185.0	186.0	-1.0	155.0	160.0	25.0
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	285.0	0.0	275.0	280.0	5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A		UNQ	N/A
Steer Knuckles	250.0	257.0	255.0	260.0	-3.0	235.0	240.0	17.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	9-Aug-19	2-Aug-19				10-Aug-18		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	245.0	247.0	246.0	247.0	0.0	215.0	216.0	31.0
90 CL Blended Cow	223.0	225.0	224.0	226.0	-1.0	198.0	200.0	25.0
90 CL Shank	225.0	228.0	225.0	228.0	0.0	203.0	204.0	24.0
85 CL Fores	207.0	208.0	207.0	208.0	0.0	188.0	189.0	19.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	247.0	248.0	246.0	247.0	1.0	214.0	215.0	33.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings		207.0	207.0	208.0	-1.0	187.0	188.0	19.0
80 CL Trimmings	197.0	200.0	200.0	201.0	-1.0	176.0	177.0	23.0
75 CL Trimmings	191.0	193.0	193.0	194.0	-1.0	165.0	166.0	27.0
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	289.0	290.0	290.0	295.0	-5.0	280.0	285.0	5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A		UNQ	N/A
Steer Knuckles	255.0	260.0	255.0	260.0	0.0	250.0	255.0	5.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year	Change from Last Year		
	9-Aug-19	2-Aug-19		9-Aug-19	2-Aug-19		10-Aug-18				
	Low	High	Wt.Avg	Low	High	Wt.Avg	Low	High	Wt.Avg		
<u>Domestic Cutouts</u>											
Choice Cutout	216.37			214.73			1.6	206.61			9.8
Select Cutout	193.81			190.63			3.2	197.77			-4.0
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	221.0	226.0	222.0	219.0	226.0	221.5	0.5	208.2	219.0	211.7	10.3
85 CL Beef Trimmings	190.5	211.2	196.7	193.0	211.3	196.9	-0.2	155.3	181.0	172.1	24.6
50 CL Beef Trim	73.5	86.3	78.8	52.0	86.4	76.9	1.8	73.0	91.8	80.3	-1.6
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	59.0	91.0	70.9	69.1	94.5	77.9	-7.1	33.3	49.5	38.9	32.0
72 CL Pork Trim	64.0	103.8	72.7	75.8	120.8	82.6	-9.9	50.9	86.8	58.8	13.9
<u>Point of Lean Values</u>											
90 CL Domestic	246.7			246.1			0.5	235.3			11.4
50 CL Beef Trimming	157.5			153.8			3.7	160.6			-3.1
42 CL Pork Trim	168.7			185.5			-16.8	92.5			76.2
72 CL Pork Trim	101.0			114.7			-13.7	81.7			19.3
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	113.87			113.92			0.0	112.47			1.4

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

<i>Futures Contracts</i>	<i>Current Week</i>	<i>Prior Week</i>	<i>Change From Last Week</i>		<i>Last Year</i>	<i>Change From Last Year</i>	
	9-Aug-19	2-Aug-19			10-Aug-18		
<u><i>Live Cattle Futures</i></u>							
<i>August '19</i>	108.050	107.650	↑	0.40	108.250	↓	-0.20
<i>October '19</i>	106.750	107.825	↓	-1.08	109.250	↓	-2.50
<i>December '19</i>	111.450	111.775	↓	-0.33	113.100	↓	-1.65
<i>February '20</i>	115.700	115.450	↑	0.25	116.375	↓	-0.67
<u><i>Feeder Cattle Futures</i></u>							
<i>August '19</i>	138.900	139.625	↓	-0.72	149.900	↓	-11.00
<i>September '19</i>	138.450	138.225	↑	0.23	149.525	↓	-11.08
<i>October '19</i>	138.250	137.975	↑	0.28	149.475	↓	-11.23
<i>November '19</i>	138.275	138.425	↓	-0.15	149.925	↓	-11.65
<u><i>Corn Futures</i></u>							
<i>September '19</i>	410.250	399.500	↑	10.75	357.750	↑	52.50
<i>December '19</i>	417.750	409.500	↑	8.25	371.750	↑	46.00
<i>March '20</i>	428.250	420.500	↑	7.75	383.250	↑	45.00
<i>May '20</i>	434.000	426.500	↑	7.50	390.250	↑	43.75
<u><i>Ch Wheat Futures</i></u>							
<i>September '19</i>	499 1/2	490 3/4	↑	8.75	546 3/4	↓	-47.25
<i>December '19</i>	501 1/2	491 1/2	↑	10.00	569 1/2	↓	-68.00
<i>March '20</i>	509	500 1/2	↑	8.50	591	↓	-82.00
<i>May '20</i>	514	506	↑	8.00	598 3/4	↓	-84.75

<i>Slaughter Information</i>	<i>7 Days Ending</i>	<i>7 Days Ending</i>	<i>Change From Last Week</i>		<i>7 Days Ending</i>	<i>Change From Last Year</i>	
	10-Aug-19	3-Aug-19			11-Aug-18		
<u><i>Total Cattle Slaughter</i></u>	645,000	626,000	↑	19,000	647,000	↓	-2,000
	27-Jul-19	20-Jul-19			28-Jul-18		
<i>Total Cow Slaughter</i>	115,150	118,522	↓	-3,372	117,600	↓	-2,450
<i>Dairy Cow Slaughter</i>	58,162	57,380	↑	782	58,200	↓	-38
<i>Beef Cow Slaughter</i>	56,988	61,142	↓	-4,154	59,400	↓	-2,412

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

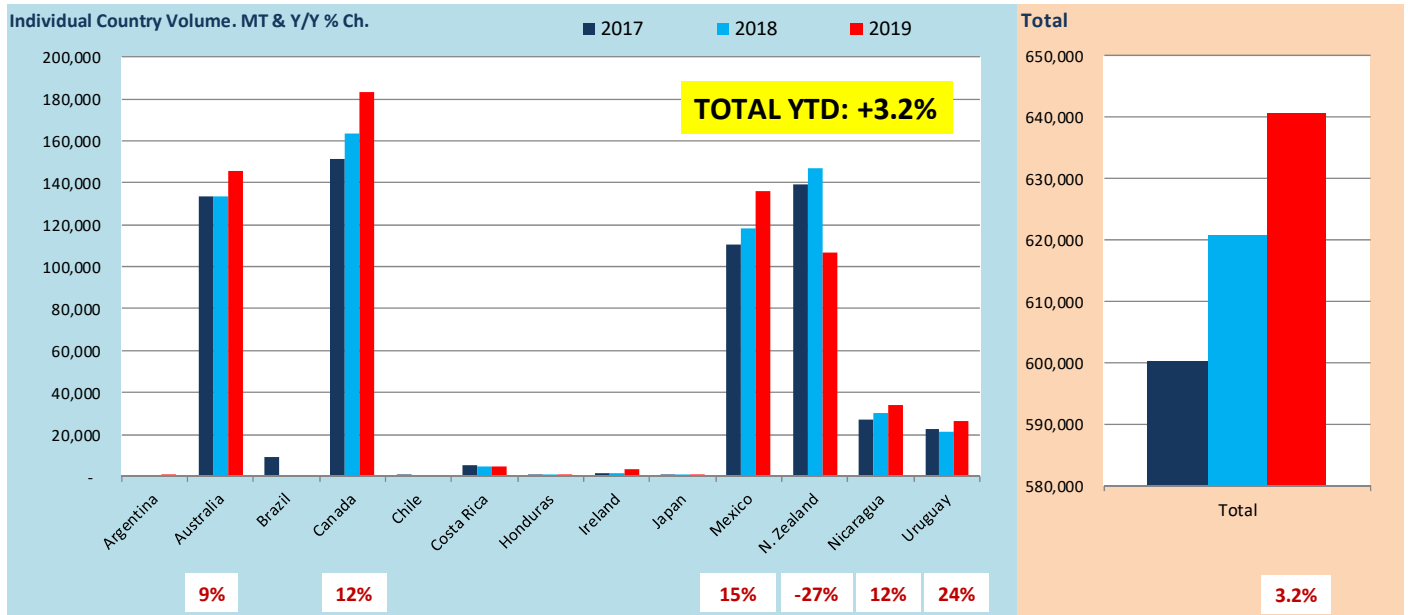
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 31	8/4/2018	8/3/2019		
Argentina	-	445		
Australia	133,403	145,639	12,236	9.2%
Brazil	-	-	-	
Canada	163,729	183,514	19,785	12.1%
Chile	-	-	-	
Costa Rica	4,951	4,715	(236)	-4.8%
France	-	-	-	
Honduras	1,085	516	(569)	-52.4%
Ireland	1,505	3,212	1,707	113.4%
Japan	286	300	14	4.9%
Mexico	117,935	135,829	17,894	15.2%
Netherlands	-	-	-	
New Zealand	146,622	106,486	(40,136)	-27.4%
Nicaragua	30,216	33,867	3,651	12.1%
Spain	-	-	-	
Uruguay	21,159	26,134	4,975	23.5%
Total	620,891	640,656	19,765	3.2%

Source: AMS - USDA

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

Imports as of August 3, 2019

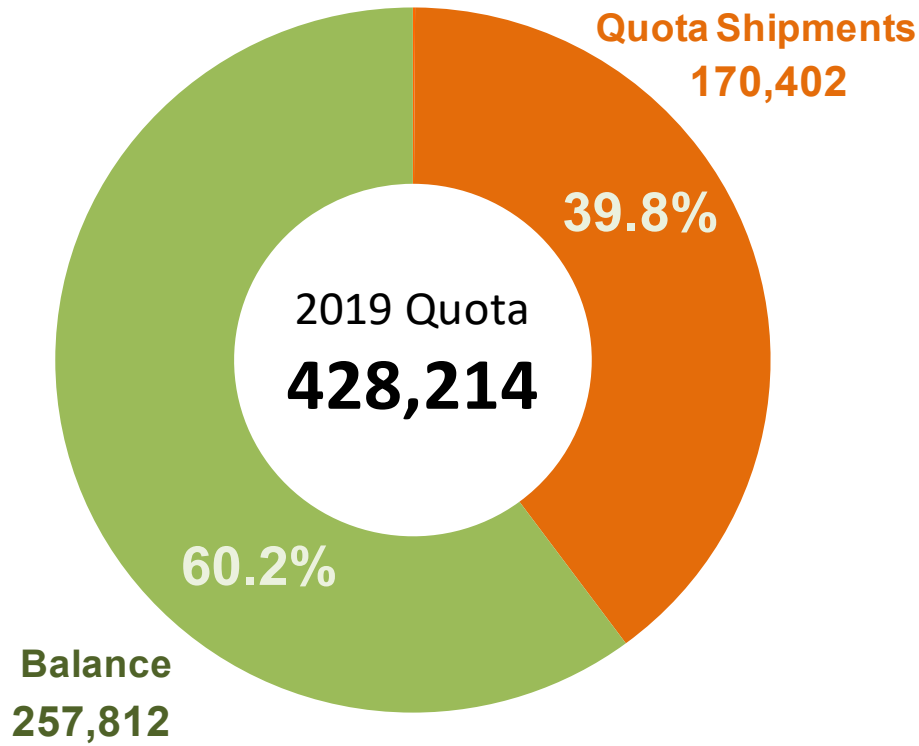


Note: USDA did not publish updated export data for last week.

Australian Beef Quota Position

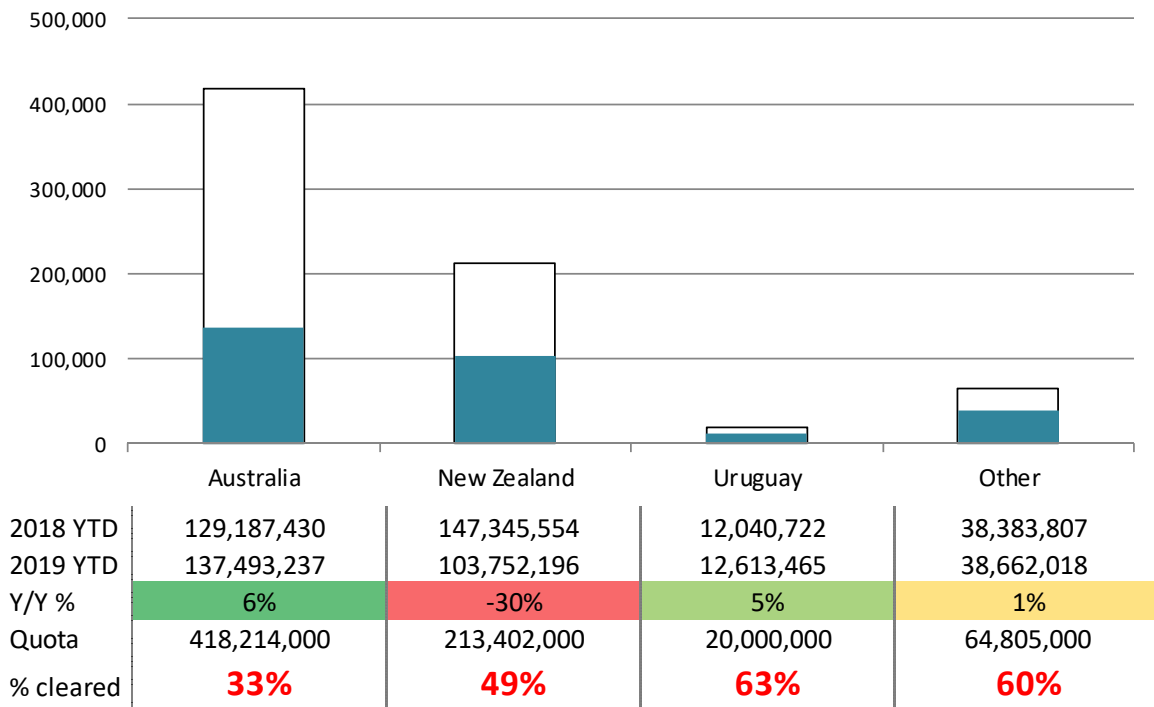
8-Aug-19

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending August 5

Source: US Customs



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