



US Imported Beef Market

A Weekly Update

Prepared Exclusively for [Meat & Livestock Australia - Sydney](#)

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Market Highlights for the Week:

- Choice beef cutout jumps 10% last week as end users scrambled to cover needs following fire at one of the largest beef processing plants in the US. Reports from company officials note it will take months for the plant to resume operations, implying capacity constraints will persist this fall.
- Beef packer margins hit record levels last week as short covering forced wholesale beef prices higher while feedlots in the South faced significant challenges in moving their cattle.
- The Tyson plant represented 25% of the packing capacity in Kansas and as much as 6% of national fed packing capacity.
- Imported beef prices gained last week as end users now face potentially higher than expected beef prices in the fall and would like to shore up their positions.
- Steiner estimates a 7% increase in feedlot marketings in July, a 3% decline in placements and total on feed supplies as of August 1 at about the same level as a year ago.

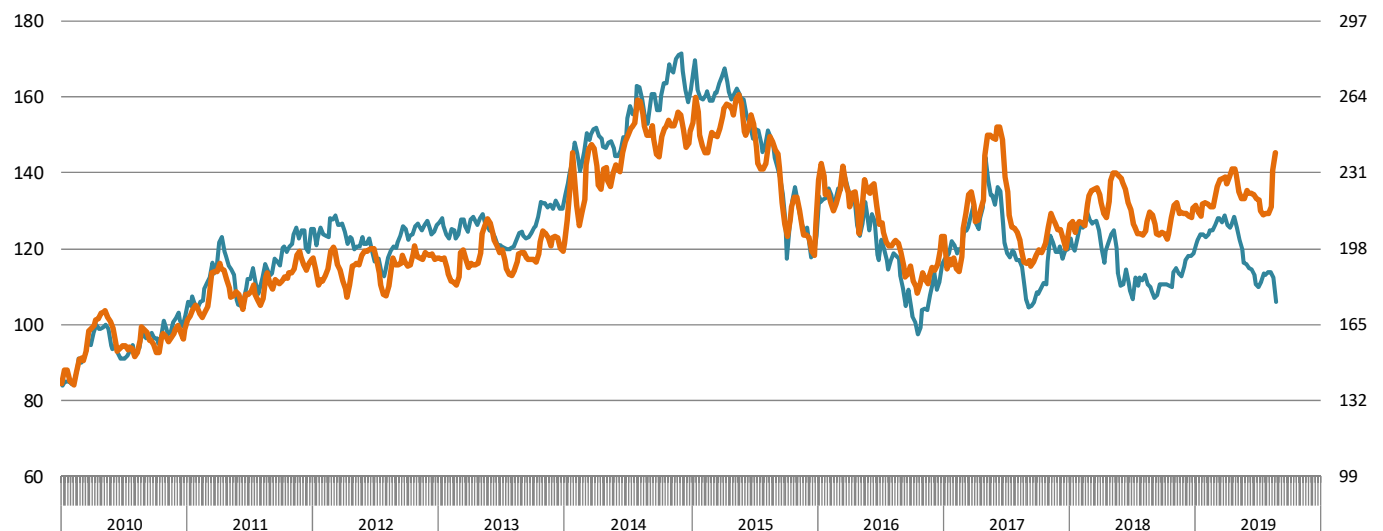
Imported Market Activity for the Week

Imported beef prices held a firm undertone this week as end users appeared to be more active while offerings from overseas suppliers remain limited. Supplies in New Zealand are at seasonal lows at this time and packers there appear in no rush to start booking new season production with China demand ever present in that market. Australian packers have increasingly shifted their focus to Asia, with exports to China last month at all time record levels and potentially at similar levels again this month. China demand has caused a dra-

matic realignment of the global beef trade and US traders/end users are finally starting to come to grips with that reality. The spike in US wholesale beef prices this past week (see chart) and the potential for higher than expected wholesale beef prices in September has also caused end users to reevaluate their needs and whether it is prudent to continue to stay short in this market (more on this on page 2). Labor day demand continues to underpin ground beef demand for now. Prices for imported round cuts were higher this past week given the rally in domestic fed and non-fed product.

Relationship of Fed Steer Prices vs. Choice Beef Cutout

Weekly Prices. Source: USDA. Analysis by Steiner Consulting

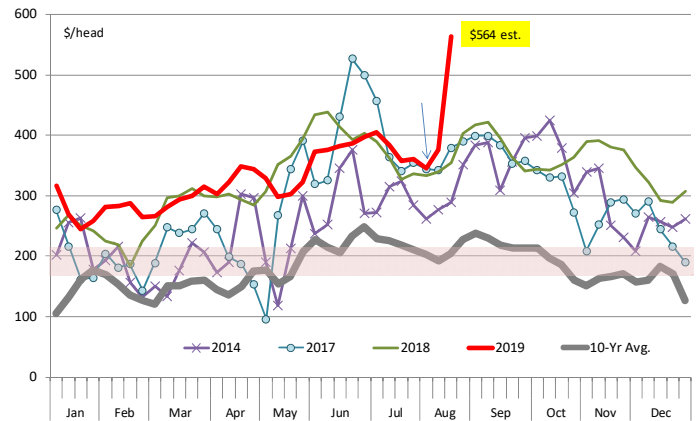


News of a major fire at the Tyson Foods plant in Finney County Kansas broke as we were writing this report last week. As expected, **the event had a dramatic impact on both beef and cattle markets during the week and it will likely continue to impact beef markets into the fall.** According to data from Steve Kay of Cattle Buyers Weekly, a publication that for decades has kept meticulous records of US plant packing capacity, the Tyson plant in Garden City Kansas has a capacity of 6,000 head of cattle per day. All the cattle harvested in this facility are fed cattle. We think this represents about 5-6% of overall US fed cattle packing capacity (plants never run at 100%). This is a very significant number considering there is very little capacity slack in the industry at this time. The chart to the right represents our effort to understand fed cattle packing capacity for the main packers. Top packers at this time process somewhere between 84% and 88% of all fed cattle in the US. Please note that we simply implied this by taking the maximum daily slaughter this year (~99,500 head) and then calculated the fed cattle slaughter capacity numbers for each plant that large packers run. Some plants process both fed and non-fed cattle. In that case we assumed a 50:50 split, which may overstate the number of fed cattle they process. Tyson Foods is the biggest beef packer in the US at this time and accounts for around 29% of fed cattle packing capacity in the country. Given its size, the company is a major supplier to both retail and foodservice customers. Media reports noted significant damage to the roof structure and company officials indicated that the plant will be closed for months rather than weeks. Our working assumption at this time is that the plant is unlikely to be operational until the end of the year.

The short term effect is that with roughly 6% of capacity going dark there will be (potentially) less beef available in the market. End users that were expecting to get product from the affected plant this week were told those deliveries would be delayed until other plants could put up the required volume. In the meantime, end users that needed product to maintain production or fill the meat case had to source product in the spot market. The rush of orders in a spot market that is generally quite thin caused a dramatic spike in prices. On Friday, the choice beef cutout settled at \$238.69/cwt, \$22/cwt or 10% higher than a week ago. Cutout gains were broad based although middle meats contributed the biggest gains, in part because they carry a higher portion of the value but

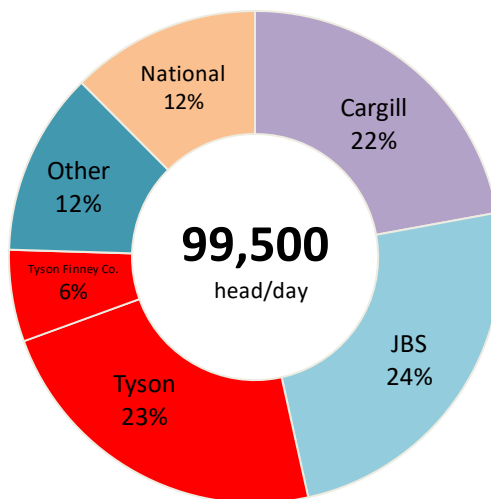
BEEF PACKER CALCULATED GROSS MARGIN. \$/head

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

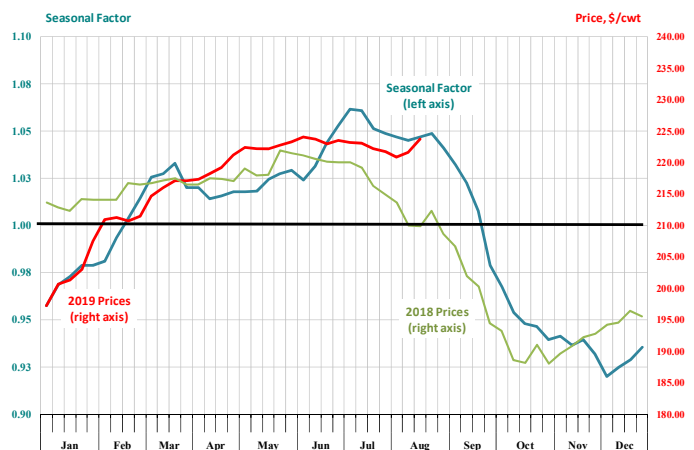


FED CATTLE SLAUGHTER CAPACITY BY MAJOR PACKER

Data Source: Steve Kay, Cattle Buyers Weekly. Analysis by Steiner Consulting



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



also because demand for these items tend to be inelastic going into a major holiday weekend (Labor Day first Monday in Saturday). The value of the round primal on Friday was estimated at \$185.33/cwt, 10% higher than the previous week. Higher

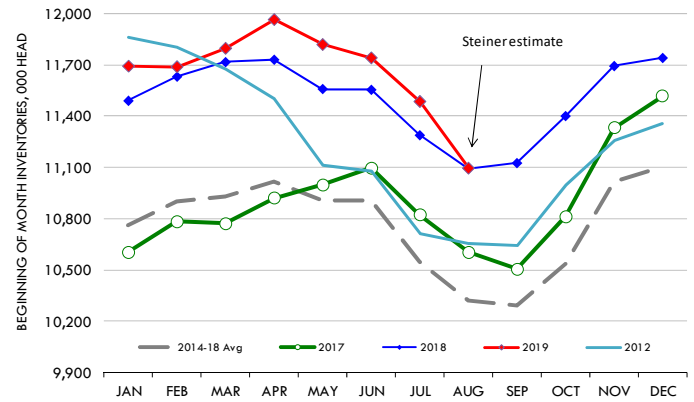
prices for round cuts but more so seasonal demand ahead of Labor Day helped prop up 90CL boneless beef prices. We expect 90CL prices to come under some pressure as seasonal demand ebbs by mid September but higher overall beef prices should help keep prices at higher levels than the seasonal trend would suggest.

USDA will release next week the results of its monthly survey of feedlots with +1000 head capacity. These feedlots account for close to 90% of the total number of cattle on feed. Participants will pay close attention to the number of cattle placed on feed in July. Normally we see the lowest rate of placements during the summer months as producers take advantage of improved feed conditions and add more weight to calves outside of feedlots. Pasture conditions this year have been some of the best in the last 20 years and we think this has further incentivized cow-calf operators to keep feeders on grass. There was a lot of uncertainty during July about the outlook for corn prices later in the year although corn futures did start to slide in the second half of the month. Feeder cattle sales data suggests a somewhat slower movement of cattle during the month of July. Overall feeder cattle slaughter in July were down 5% from a year ago and sales of feeders over 600 pounds were down 1% from last year. Below are our estimates of the key numbers in the upcoming USDA report:

Placed in July: 96.6
 Marketed in July: 107.0
 Total on feed Aug 1: 100.0

USA Cattle on Feed Inventory

Feedlots with +1000 head Capacity. 1st of Month Inventory. '000 head. USDA



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
	15-Aug-19	8-Aug-19		16-Aug-18	
CME FEEDER CATTLE INDEX	137.60	141.66	-2.9%	149.59	-8.0%
	16-Aug-19	9-Aug-19		17-Aug-18	
FED STEER (5-MKT AVG)	109.26	113.87	-4.0%	110.11	-0.8%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	97.50	100.00	-2.5%	105.00	-7.1%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	103.00	105.00	-1.9%	105.00	-1.9%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	104.00	104.50	-0.5%	101.50	2.5%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	176.45	174.25	1.3%	154.79	14.0%

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
	16-Aug-19	24-Aug-19	9-Aug-19	16-Aug-19		17-Aug-18	24-Aug-18	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	241.0	243.0	241.0	243.0	0.0	200.0	205.0	38.0
90 CL Blended Cow	217.0	220.0	215.0	220.0	0.0	190.0	193.0	27.0
90 CL Shank	220.0	221.0	221.0	222.0	-1.0	190.0	195.0	26.0
85 CL Fores	204.0	205.0	203.0	204.0	1.0	180.0	185.0	25.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	242.0	243.0	242.0	243.0	0.0	200.0	204.0	39.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	202.0	203.0	201.0	202.0	1.0	178.0	179.0	24.0
80 CL Trimmings	193.0	194.0	190.0	193.0	1.0	165.0	166.0	28.0
75 CL Trimmings	183.0	185.0	182.0	185.0	0.0	154.0	158.0	27.0
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	285.0	290.0	280.0	285.0	5.0	270.0	275.0	15.0
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	250.0	257.0	3.0	230.0	235.0	25.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	16-Aug-19	24-Aug-19	9-Aug-19	16-Aug-19		17-Aug-18	24-Aug-18	
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	244.0	246.0	245.0	247.0	-1.0	212.0	213.0	33.0
90 CL Blended Cow	223.0	225.0	223.0	225.0	0.0	197.0	200.0	25.0
90 CL Shank	225.0	226.0	225.0	228.0	-2.0	198.0	200.0	26.0
85 CL Fores	208.0	209.0	207.0	208.0	1.0	187.0	188.0	21.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	244.0	246.0	247.0	248.0	-2.0	211.0	212.0	34.0
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	208.0		207.0	1.0	186.0	187.0	21.0
80 CL Trimmings	199.0	200.0	197.0	200.0	0.0	174.0	176.0	24.0
75 CL Trimmings	193.0	194.0	191.0	193.0	1.0	164.0	165.0	29.0
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	295.0	300.0	289.0	290.0	10.0	280.0	285.0	15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A		UNQ	N/A
Steer Knuckles	260.0	265.0	255.0	260.0	5.0	245.0	250.0	15.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year			Change from Last Year
	16-Aug-19	9-Aug-19		17-Aug-18							
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<u>Domestic Cutouts</u>											
Choice Cutout	238.69			216.37			22.3	211.38			27.3
Select Cutout	213.26			193.81			19.5	200.92			12.3
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	221.0	230.0	223.6	221.0	226.0	222.0	1.6	206.0	217.0	210.9	12.8
85 CL Beef Trimmings	193.0	214.0	199.6	190.5	211.2	196.7	2.9	166.0	237.9	173.1	26.5
50 CL Beef Trim	77.1	111.1	91.0	73.5	86.3	78.8	12.3	86.5	100.0	92.5	-1.4
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	50.0	78.2	55.8	59.0	91.0	70.9	-15.1	31.2	51.1	35.4	20.4
72 CL Pork Trim	62.0	101.8	69.7	64.0	103.8	72.7	-3.0	48.1	83.8	53.8	15.9
<u>Point of Lean Values</u>											
90 CL Domestic	248.5			246.7			1.8	234.3			14.2
50 CL Beef Trimming	182.0			157.5			24.5	184.9			-2.9
42 CL Pork Trim	132.7			168.7			-36.0	84.3			48.5
72 CL Pork Trim	96.8			101.0			-4.2	74.7			22.1
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	109.26			113.87			-4.6	110.11			-0.8

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>	
	16-Aug-19	9-Aug-19			17-Aug-18		
<u>Live Cattle Futures</u>							
August '19	99.925	108.050	↓	-8.13	109.425	↓	-9.50
October '19	98.050	106.750	↓	-8.70	110.875	↓	-12.83
December '19	103.525	111.450	↓	-7.93	114.625	↓	-11.10
February '20	108.925	115.700	↓	-6.78	118.025	↓	-9.10
<u>Feeder Cattle Futures</u>							
August '19	134.575	138.900	↓	-4.33	150.950	↓	-16.38
September '19	132.375	138.450	↓	-6.07	151.825	↓	-19.45
October '19	132.850	138.250	↓	-5.40	151.850	↓	-19.00
November '19	132.750	138.275	↓	-5.53	151.650	↓	-18.90
<u>Corn Futures</u>							
September '19	371.000	410.250	↓	-39.25	364.250	↑	6.75
December '19	380.750	417.750	↓	-37.00	378.750	↑	2.00
March '20	392.750	428.250	↓	-35.50	390.750	↑	2.00
May '20	400.000	434.000	↓	-34.00	397.750	↑	2.25
<u>Ch Wheat Futures</u>							
September '19	470 3/4	499 1/2	↓	-28.75	560 1/2	↓	-89.75
December '19	477 1/2	501 1/2	↓	-24.00	579 3/4	↓	-102.25
March '20	484	509	↓	-25.00	601 1/2	↓	-117.50
May '20	489 3/4	514	↓	-24.25	611	↓	-121.25

<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>	
	17-Aug-19	10-Aug-19			18-Aug-18		
Total Cattle Slaughter	651,000	642,000	↑	9,000	659,000	↓	-8,000
	3-Aug-19	27-Jul-19			4-Aug-18		
Total Cow Slaughter	117,236	115,150	↑	2,086	114,300	↑	2,936
Dairy Cow Slaughter	58,219	58,162	↑	57	58,300	↓	-81
Beef Cow Slaughter	59,017	56,988	↑	2,029	56,000	↑	3,017

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

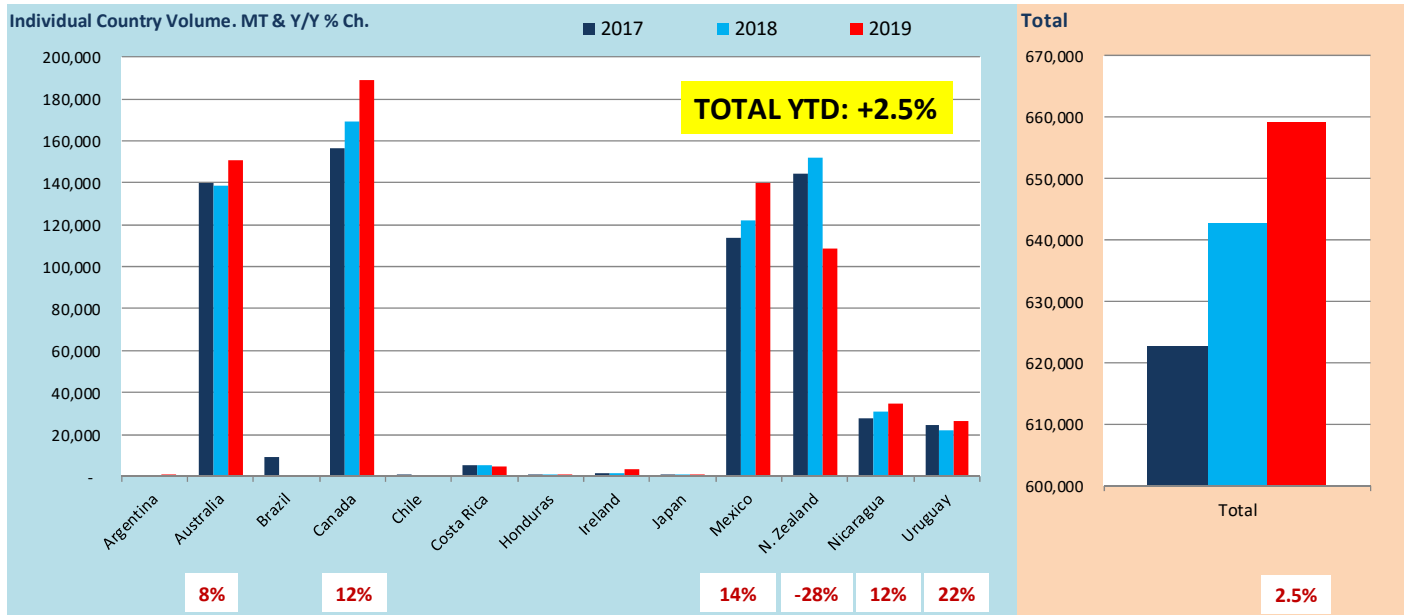
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 32	8/11/2018	8/10/2019		
Argentina	-	490		
Australia	138,905	150,395	11,490	8.3%
Brazil	-	-	-	
Canada	169,042	189,250	20,208	12.0%
Chile	-	-	-	
Costa Rica	5,110	4,834	(276)	-5.4%
France	-	-	-	
Honduras	1,104	516	(588)	-53.3%
Ireland	1,505	3,292	1,787	118.7%
Japan	293	305	12	4.1%
Mexico	122,262	139,972	17,710	14.5%
Netherlands	-	-	-	
New Zealand	151,838	108,740	(43,098)	-28.4%
Nicaragua	31,035	34,794	3,759	12.1%
Spain	-	-	-	
Uruguay	21,704	26,566	4,862	22.4%
Total	642,799	659,153	16,354	2.5%

Source: AMS - USDA

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

Imports as of August 10, 2019

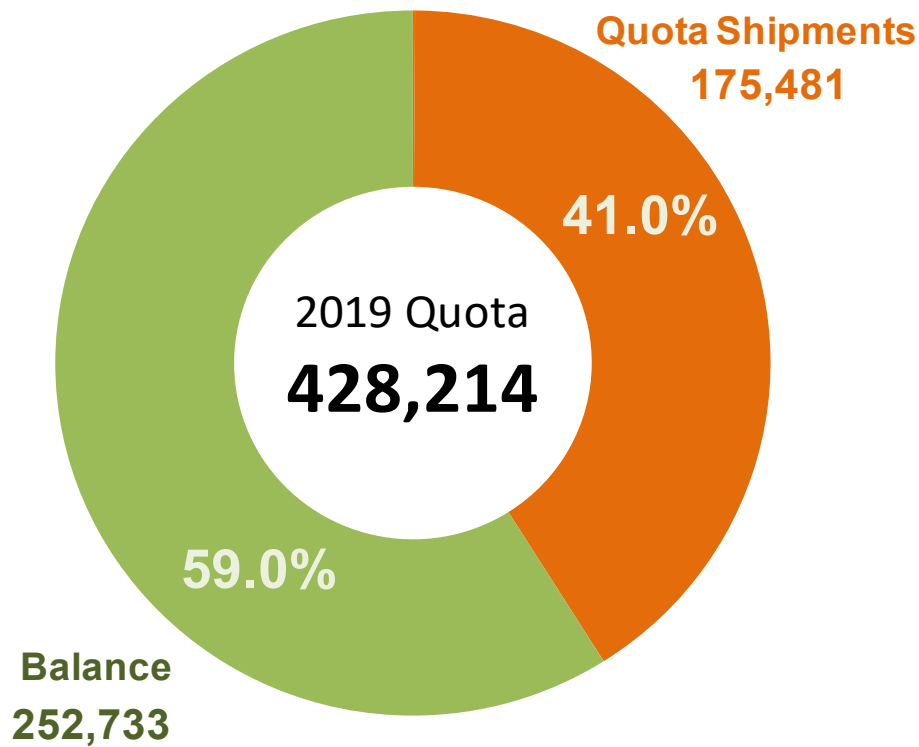


Note: USDA did not publish updated export data for last week.

Australian Beef Quota Position

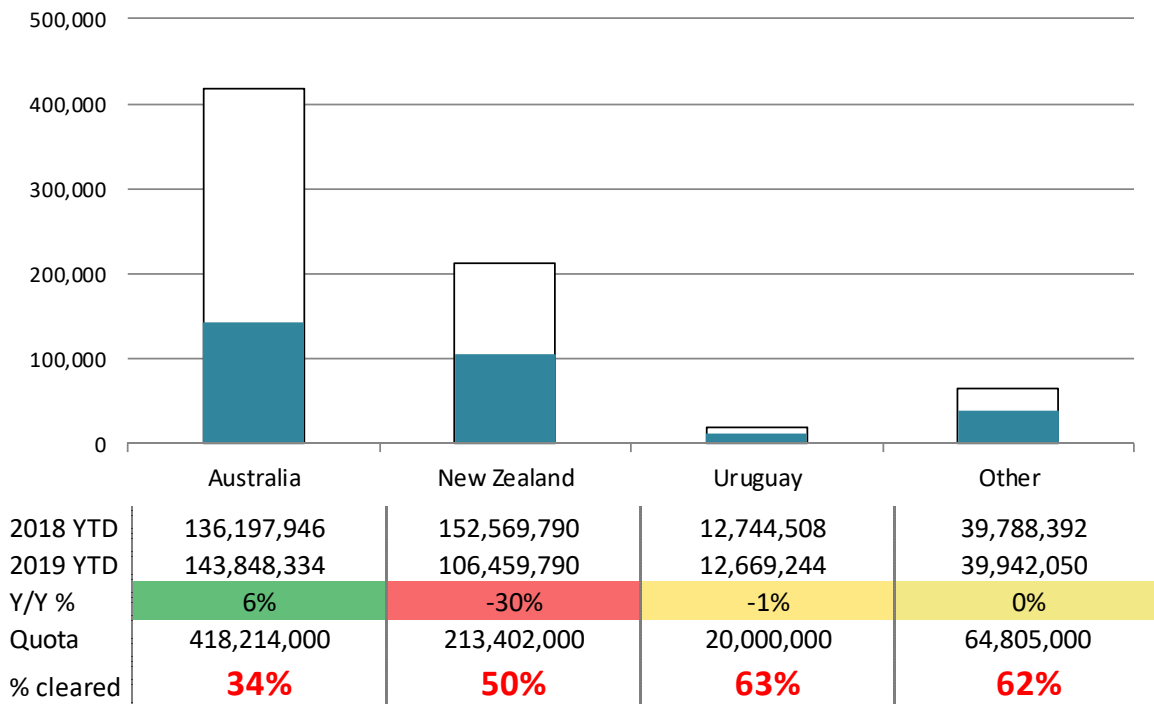
15-Aug-19

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending August 12

Source: US Customs



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