



US Imported Beef Market

A Weekly Update

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

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Market Highlights for the Week:

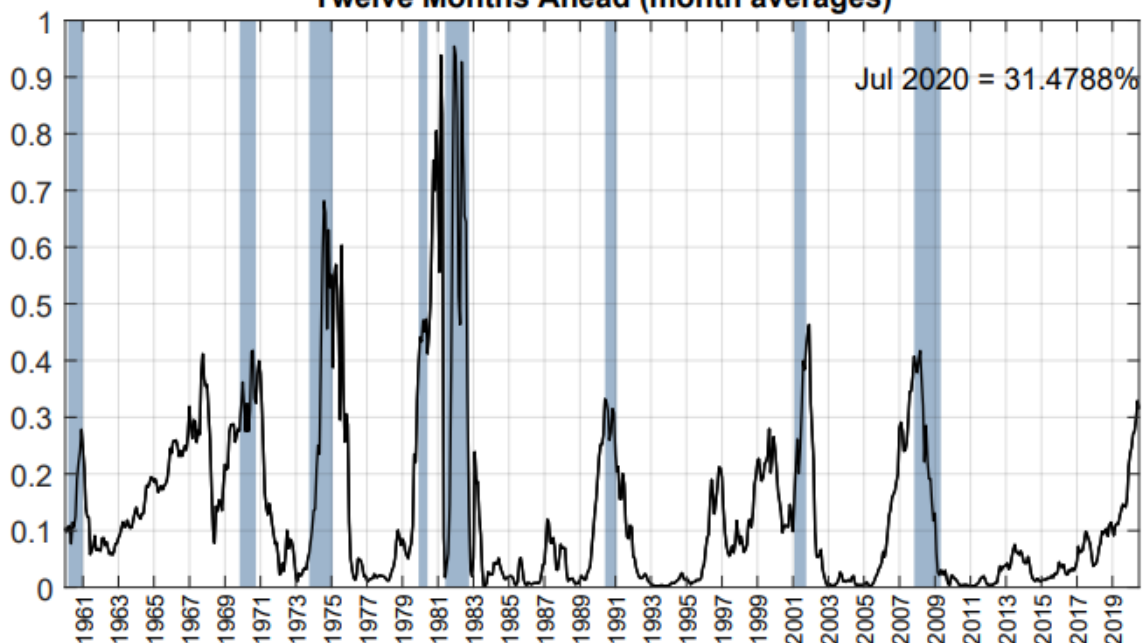
- Imported beef prices were higher once again last week on short covering and continued strength in the domestic lean beef complex
- Prices for imported beef are expected to remain well supported through the end of the year given the level of demand in Asian markets.
- Risks of a recession in 2020 have increased significantly in the last few months, in part due to deterioration in trade negotiations between US and China. As a result, we see a far wider range in potential prices for next year
- The pace of beef inventory gains, mostly boneless beef, was far larger than normal in July. At the end of July the inventory of boneless beef at 419.6 million pounds was 12.7% higher than at the end of June

Imported Market Activity for the Week

In the short term the market for imported beef continues to trade very firm, largely because **increased competition in the global market means overseas suppliers can afford to pass on US bids.** Another reason for the firm imported market is that domestic lean beef values continue hold their value. While domestic buyers can look at history and expect the seasonal decline in the value of lean beef to play out, the longer the mar-

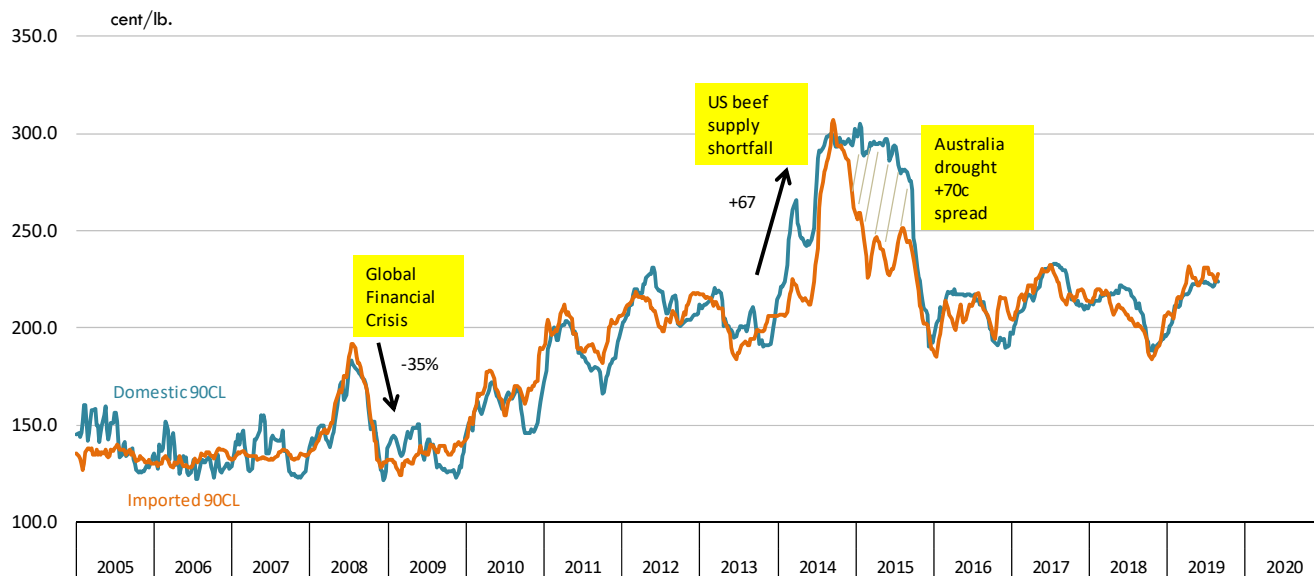
ket continues to trade like this the more anxious buyers become and hence the need to have some product around them for Q4 needs. Import volume is lower in September and October, largely a function of the seasonal decline in shipments from New Zealand. In the four August weeks for which imported data is available (please note this is not official data but info collected by USDA-AMS), total imports from grinding beef supplying countries was 36,942 MT, down 11,360 MT or 24% from a year ago. This is the equivalent of

**Probability of US Recession Predicted by Treasury Spread*
Twelve Months Ahead (month averages)**



Weekly Price of US Domestic Lean 90CL Beef and Imported Frozen 90CL Boneless Beef

Source: USDA-AMS and Urner Barry. FOB Basis. Analysis by Steiner Consulting



about 630 full truckloads of product that did not arrive in the last four weeks. Market participants that we spoke with last week noted that lean beef prices jumped higher mid week and this is no surprise given how thin the market is at this time. We do not know what the source of the new orders was, whether it was short covering or a large buyer looking to bolster their Q4 position. But it is not hard to conceive why imported beef prices were higher in an environment where there is significantly less volume available to traders and domestic is still trading at \$225/cwt.

Economic outlook and risks for imported beef

Strong global demand, mostly from China, has helped prop up the value of imported beef in the US, causing it to trade at a premium to domestic lean beef for much of the year. We expect this to be the case for the remainder of the year, especially as Chinese buyers are expected to remain active due to preparations for the Chinese New Year early in 2020. The shortfall in pork supplies due to ASF and a consumer shift towards diversifying their meat protein consumption patterns should continue to underpin imported beef prices in the near term. However, there are warning signs in the horizon that traders and imported beef suppliers would do well to heed. In our view, a recession presents significant downside risk for imported beef prices in 2020 and 2021. Much will depend on the breadth and duration of any such recession. The global financial crisis in 2008 and 2009 resulted in a lot of

order cancellations as credit dried up (see above). Demand in the US market also softened, largely due to a slowdown in foodservice business. At a time when domestic demand was getting weaker, more imported beef was offered in the US as US traders had more liquidity than their competitors in other parts of the world. The result was a quick deterioration in imported beef values. At this time the US economy remains on a growth path but the risks of the recession have increased dramatically. The US Federal Reserve has created a model that looks at the probability of a recession as a function of the bond spreads. Normally bonds with a longer duration will have higher yields as there is a higher likelihood of higher interest rates further out in the future. A narrower spread means the market does not expect higher rates in the future, probably because of deteriorating economic conditions. At this time the model shows a 32% recession risk by summer of next year. The last time the recession risk was this high was in the summer of 2008. The escalation of the trade war with China has certainly skewed economic models. It is also possible that by the end of the year we could see an agreement between US and China on trade, which could bolster markets in 2020 and significantly change the economic outlook. The result is a fairly wide range in terms of possible prices for next year. A trade agreement could cause imported beef prices to trade over \$250/cwt next summer while a deterioration in economic conditions could see prices pull back to as low as \$180, possibly lower (20% retracement from current \$220 forecast for next spring).

More beef in cold storage at the end of July as buyers sought price protection

The combined inventory of beef, pork, chicken and turkey in cold storage at the end of July was estimated at 2.464 billion pounds, 1.8% lower than a year ago but still 5.4% higher than the five year average. Red meat and poultry supply in storage increased by 2.7% from June levels, a larger gain than last year's m/m 2% gain and the 2.3% average increase in the last five years.

The total supply of beef in cold storage at the end of July was 455.1 million pounds, 6% lower than a year ago but 2.8% higher than the five year average. It is not unusual for beef inventories to increase in July, in part because the slowdown in beef demand and high slaughter levels result in more beef going into cold storage. We also think that higher than expected beef prices caused some end users to accumulate inventory ahead of Labor Day. **The pace of beef inventory gains, mostly boneless beef, was far larger than normal in July. At the end of July the inventory of boneless beef at 419.6 million pounds was 12.7% higher than at the end of June.** Last year the June to July inventory increase was 9.1% and in the last five years it has averaged 2.6%. Beef imports from Australia and New Zealand were lower in July so we do not see that as the reason for the increase in beef cold storage stocks. The larger inventory may be seen as somewhat bearish although current reduction in slaughter and sharply higher prices should result in higher than normal inventory depletion in August.

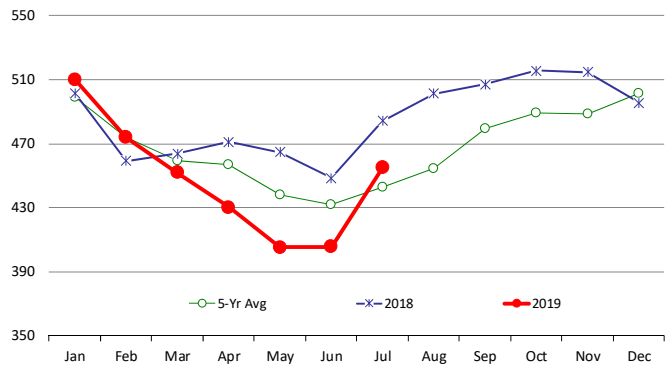
Total pork inventory in cold storage as of July 31 was estimated at 601.8 million pounds, 9% higher than a year ago and 4.8% higher than the five year average. The overall pork inventory declined 2.9% in July from June levels, which is a faster drawdown than we normally see during this time of year. Higher pork prices in July likely encouraged end users and packers to work down some of the inventory that was accumulated following record June production. Ham cold storage stocks were 172.6 million pounds, 3% higher than a year ago but 4.7% lower than the five year average. Sharply higher ham prices limited the amount of ham going into cold storage in July. In the last five years July inventories have increased by an average of 13% from the previous month. This year the m/m inventory build was just 2.3%. The inventory of pork bellies in cold storage was 52.6 million pounds, 36.5% higher than a year ago and

34.9% higher than the five year average. Low belly prices in late June and first half of July encouraged producers to push more bellies in cold storage. While belly prices caught some of the seasonal demand in late July and first half of August, the large carryover stocks and the need to deplete some of that inventory in August may weigh on prices late August and early September. Loin inventories at the end of July were 74% higher than year ago, a very bearish indicator for this product.

The supply of all chicken products in cold storage at the end of July was 850.5 million pounds, 3.1% lower than last year but 9.7% higher than the five year average. Breast meat inventories were 176.8 million pounds, 3.7% higher than the already heavy levels we saw last year and 16.4% higher than the five year average. Turkey breast inventories declined 4% in July compared to an average 1% m/m increase in the last five years,

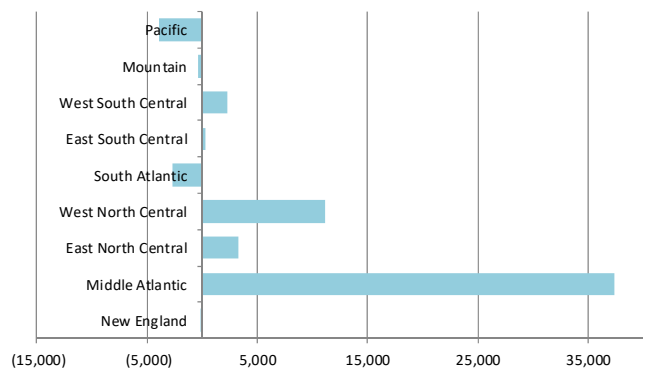
All Beef In Cold Storage at End of Month

Million Pounds. Source: USDA-NASS



M/M Change in Beef Cold Storage Inventory: Jul minus Jun

Source: USDA. Analysis by Steiner Consulting



possibly pointing to higher breast prices in the fall.

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
	29-Aug-19	22-Aug-19		30-Aug-18	
CME FEEDER CATTLE INDEX	138.55	139.72	-0.8%	149.98	-7.6%
	30-Aug-19	23-Aug-19		31-Aug-18	
FED STEER (5-MKT AVG)	106.54	108.12	-1.5%	107.02	-0.4%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	96.50	98.50	-2.0%	102.00	-5.4%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	104.00	102.50	1.5%	102.50	1.5%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	104.50	103.00	1.5%	98.50	6.1%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	175.85	176.16	-0.2%	154.79	13.6%

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
	30-Aug-19	24-Aug-19	23-Aug-19	16-Aug-19		31-Aug-18	24-Aug-18	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	242.0	243.0	241.0	243.0	0.0	200.0	201.0	42.0
90 CL Blended Cow	220.0	221.0	219.0	220.0	1.0	190.0	191.0	30.0
90 CL Shank	219.0	220.0	214.0	218.0	2.0	190.0	191.0	29.0
85 CL Fores	204.0	206.0	204.0	205.0	1.0	179.0	180.0	26.0
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	43.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	203.0	204.0	202.0	203.0	1.0	177.0	179.0	25.0
80 CL Trimmings	190.0	193.0	191.0	194.0	-1.0	163.0	165.0	28.0
75 CL Trimmings	183.0	185.0	183.0	185.0	0.0	154.0	156.0	29.0
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides		290.0	287.0	291.0	-1.0	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	260.0	265.0		260.0	5.0	235.0	240.0	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
	30-Aug-19	23-Aug-19	23-Aug-19	24-Aug-19		31-Aug-18		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	246.0	248.0	245.0	246.0	2.0	212.0	215.0	33.0
90 CL Blended Cow	227.0	229.0	225.0	227.0	2.0	198.0	200.0	29.0
90 CL Shank	228.0	230.0	226.0	229.0	1.0	198.0	200.0	30.0
85 CL Fores	210.0	211.0	209.0	211.0	0.0	184.0	185.0	26.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	246.0	247.0	245.0	246.0	1.0	210.0	212.0	35.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	209.0	210.0	208.0	210.0	0.0	183.0	184.0	26.0
80 CL Trimmings	197.0	198.0	200.0	201.0	-3.0	171.0	172.0	26.0
75 CL Trimmings	190.0	193.0	194.0	195.0	-2.0	158.0	159.0	34.0
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	295.0	300.0	0.0	275.0	280.0	20.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A		UNQ	N/A
Steer Knuckles	268.0	270.0	265.0	270.0	0.0	248.0	250.0	20.0

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		Low High Wt.Avg	
	30-Aug-19			23-Aug-19				31-Aug-18	
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low High Wt.Avg	
<u>Domestic Cutouts</u>									
Choice Cutout		231.77			237.52		-5.8	209.69	22.1
Select Cutout		212.27			212.71		-0.4	201.27	11.0
<u>Domestic Lean Grinding Beef</u>									
90 CL Boneless	221.0	228.0	224.6	221.5	227.9	224.3	0.3	204.0 216.0 210.0	14.7
85 CL Beef Trimmings	198.0	210.8	201.5	197.0	210.3	201.2	0.3	166.0 176.0 172.0	29.5
50 CL Beef Trim	85.0	105.3	95.1	91.1	106.0	99.6	-4.5	48.0 94.3 68.9	26.2
<u>Domestic Pork Trim</u>									
42 CL Pork Trim	35.0	43.0	61.6	42.0	58.5	44.0	17.6	20.8 40.0 27.9	33.7
72 CL Pork Trim	52.0	84.8	56.7	58.0	76.3	60.6	-3.9	35.1 58.4 41.8	14.9
<u>Point of Lean Values</u>									
90 CL Domestic		249.6			249.2		0.3	233.3	16.3
50 CL Beef Trimming		190.3			199.3		-9.0	137.8	52.4
42 CL Pork Trim		146.8			104.8		42.0	66.4	80.3
72 CL Pork Trim		78.7			84.2		-5.4	58.0	20.8
<u>National Direct Fed Steer (5-day accum. wt. avg. price)</u>		106.54			108.12		-1.6	107.02	-0.5

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>	
	30-Aug-19	23-Aug-19			31-Aug-18		
<u>Live Cattle Futures</u>							
October '19	98.925	99.400	↓	-0.48	108.775	↓	-9.85
December '19	103.675	104.300	↓	-0.63	112.975	↓	-9.30
February '20	109.025	109.725	↓	-0.70	116.875	↓	-7.85
April '20	111.175	111.900	↓	-0.73	117.900	↓	-6.73
<u>Feeder Cattle Futures</u>							
September '19	132.400	133.250	↓	-0.85	149.450	↓	-17.05
October '19	130.800	132.525	↓	-1.72	149.125	↓	-18.33
November '19	130.325	132.300	↓	-1.98	149.000	↓	-18.68
January '20	128.500	130.425	↓	-1.93	145.800	↓	-17.30
<u>Corn Futures</u>							
September '19	358.000	359.750	↓	-1.75	351.000	↑	7.00
December '19	369.750	367.750	↑	2.00	365.000	↑	4.75
March '20	382.250	380.000	↑	2.25	377.250	↑	5.00
May '20	390.000	388.500	↑	1.50	384.750	↑	5.25
<u>Ch Wheat Futures</u>							
September '19	451 1/4	475 1/4	↓	-24.00	518 1/2	↓	-67.25
December '19	462 1/2	477 3/4	↓	-15.25	545 1/2	↓	-83.00
March '20	470	483 1/2	↓	-13.50	565 1/2	↓	-95.50
May '20	475	486 3/4	↓	-11.75	577 3/4	↓	-102.75
<u>Slaughter Information</u>							
<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>	
	31-Aug-19	24-Aug-19			1-Sep-18		
Total Cattle Slaughter	644,000	654,000	↓	-10,000	645,000	↓	-1,000
	17-Aug-19	10-Aug-19			18-Aug-18		
Total Cow Slaughter	121,262	114,579	↑	6,683	121,300	↓	-38
Dairy Cow Slaughter	61,637	57,828	↑	3,809	60,600	↑	1,037
Beef Cow Slaughter	59,625	56,751	↑	2,874	60,700	↓	-1,075

TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

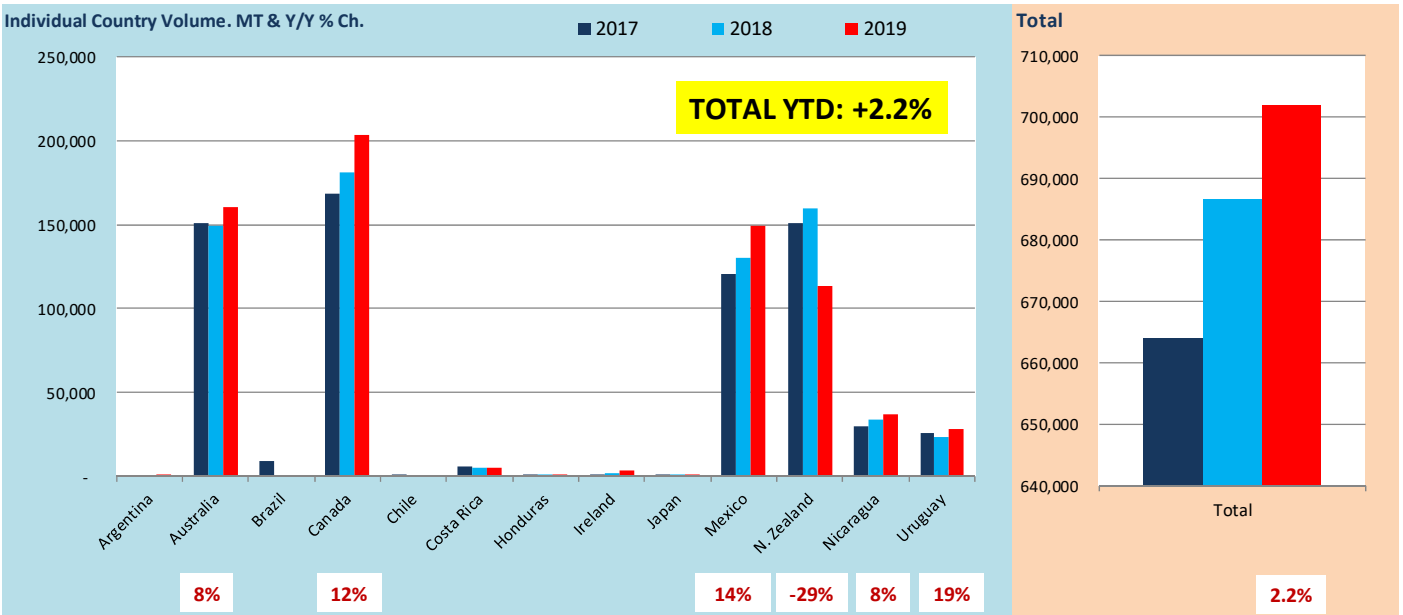
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 34	8/25/2018	8/24/2019		
Argentina	-	591		
Australia	149,482	160,859	11,377	7.6%
Brazil	-	-	-	
Canada	181,452	203,695	22,243	12.3%
Chile	-	-	-	
Costa Rica	5,551	5,312	(239)	-4.3%
France	-	-	-	
Honduras	1,181	516	(665)	-56.3%
Ireland	1,579	3,630	2,051	129.9%
Japan	301	317	16	5.3%
Mexico	130,289	149,032	18,743	14.4%
Netherlands	-	-	-	
New Zealand	159,571	113,359	(46,212)	-29.0%
Nicaragua	33,842	36,692	2,850	8.4%
Spain	-	-	-	
Uruguay	23,486	27,949	4,463	19.0%
Total	686,733	701,951	15,218	2.2%

Source: AMS - USDA

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

Imports as of August 24, 2019

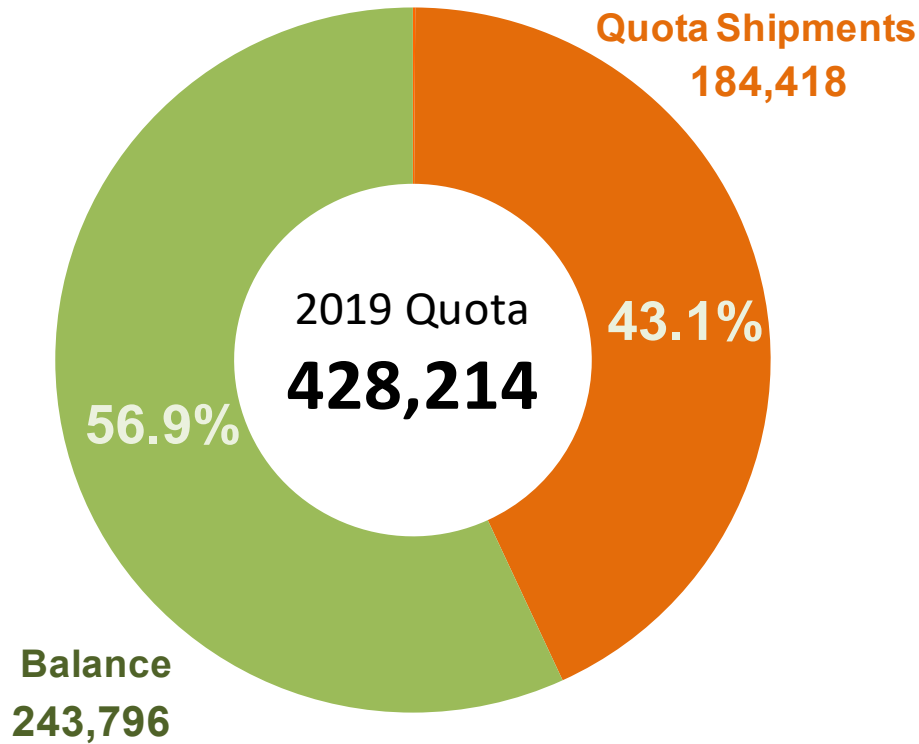


Note: USDA did not publish updated export data for last week.

Australian Beef Quota Position

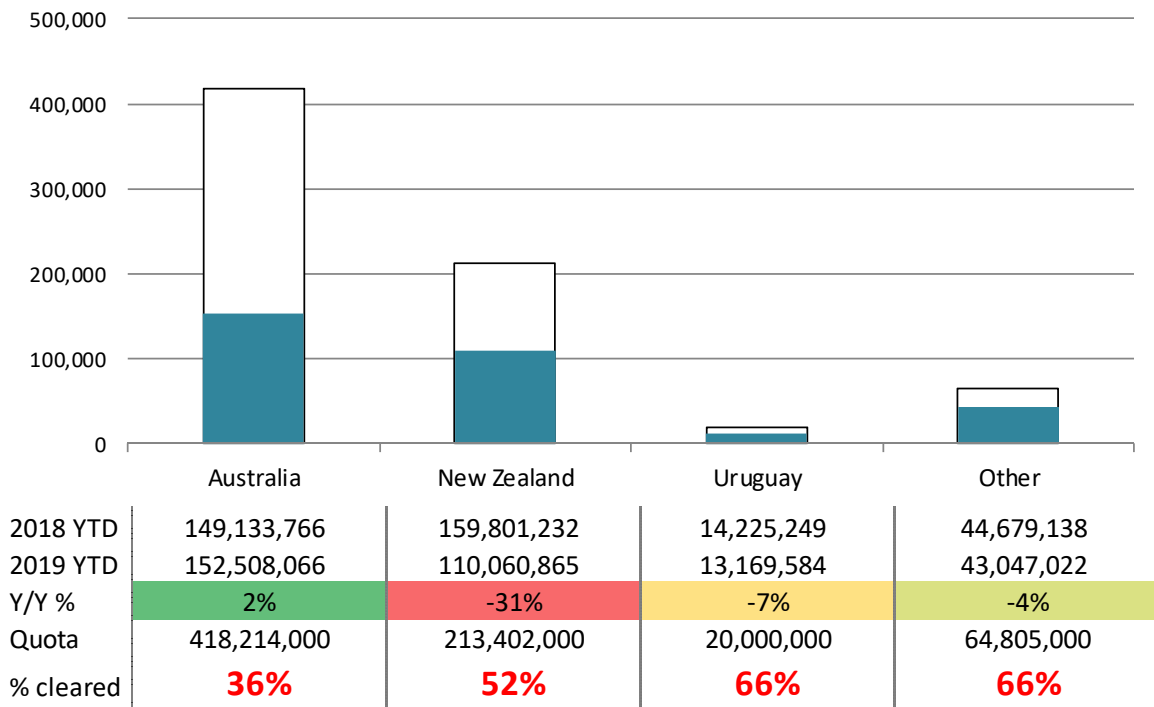
29-Aug-19

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending August 26

Source: US Customs



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