US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Prepared by: Steiner Consulting Group | SteinerConsulting.com |800-526-4612 |service@steinerconsulting.com

Market Highlights for the Week:

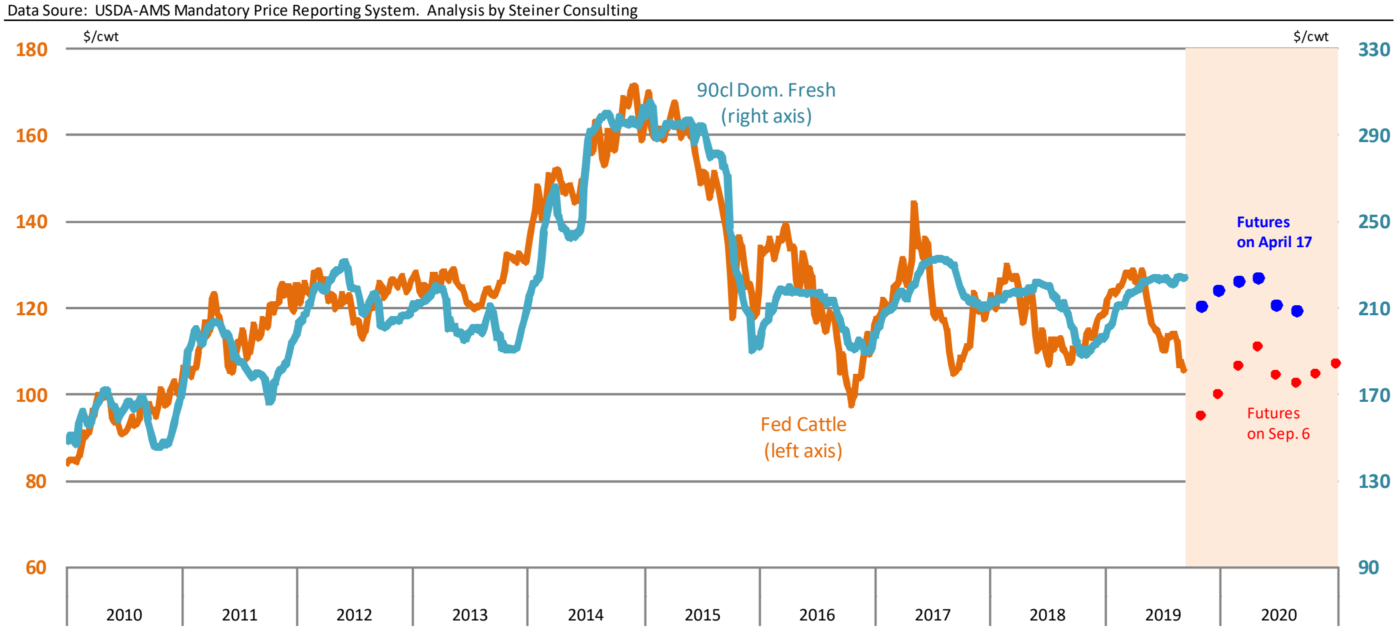
- US beef and cattle markets have become disjointed in the near term due to lack of regional packing capacity in the Southern Plains .
- Fed cattle slaughter has been near year ago levels in the last four weeks as packers have run extra shifts on Saturday but it will likely be increasingly difficult to maintain the current slaughter pace later in September and October as beef demand seasonally dips.
- Imported beef prices continue to trade very firm on limited offerings from overseas suppliers and robust domestic lean beef grinding beef values.
- Domestic cow meat supplies remain tight in the very near term, helping prop up domestic beef prices.
- US beef imports were 10% lower in July as imports from New Zealand dropped 44%.

Imported Market Activity for the Week

Prices for imported beef were steady to modestly higher this past week although there is a wide range in current bids for imported product and what traders think it is possible to cover in the short term. Offerings from overseas suppliers remain limited although there has been an increase in the supply of Central American beef. The market feels somewhat disjointed in part because the normal relationship between fed cattle and domestic wholesale beef prices has been dramatically altered by the (temporary) closure of the Tyson packing plant in Finney County Texas. According to a recent Tyson conference call with investors, the plant is expected to resume slaughter/packing operations at the end of the year although some parts of the plant are functional at this time. While wholesale beef prices have been slowly trending lower, they remain well above year ago levels. So when you look at the value of 90CL beef relative to the value of the choice or select cutout prices remain well within the normal range. However, relative to the value of fed cattle, both in the spot

Relationship of Fed Cattle Prices and the Price of Domestic 90CL Fresh Grinding Beef

Data Soure: USDA-AMS Mandatory Price Reporting System. Analysis by Steiner Consulting



market and futures, the value of lean beef looks overvalued. At this time we think it is more appropriate to view 90CL boneless beef prices relative to the cutout, recognizing the short term factors that have contributed to the value erosion in the fed cattle complex.

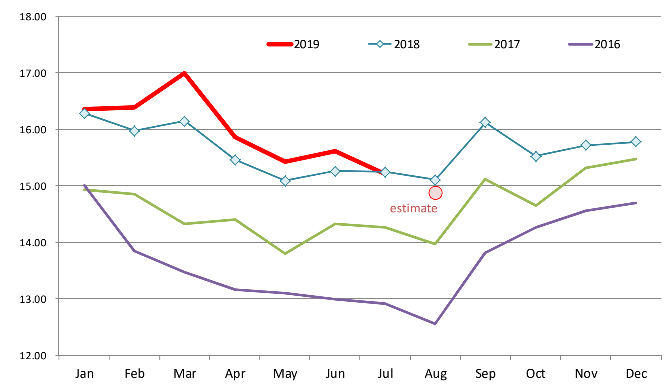
Domestic cow meat supplies and short term domestic lean beef price trends

Prices for domestic and imported lean grinding beef continue to defy seasonal trends. Last week the averaged price of 90CL fresh beef at was around $225/cwt, 18 cents or 9% higher than a year ago but lower than the same time in 2017. Seasonally the value of 90CL beef is strong in June and July thanks to robust demand at both retail and foodservice and seasonally lower cow meat supplies. That was the case again this year. But having 90CL values at or above June levels post Labor day is surely surprising. We think the primary reason for this is supply related, as a number of factors have coalesced to prop up lean beef values. Domestic cow meat supplies were lower in July and we think they continued to drift lower in August as well. USDA reported total cow slaughter for the month of July at 520k head, 4.3% higher than the previous year. However, there was one extra marketing day in July which skewed the numbers. Adjusting the slaughter numbers on an average slaughter day basis results in July average daily slaughter of about 23,636 head/day, 0.4% lower than the previous year. Average July cow carcass weight (dressed) was 643 pounds, just 0.2% higher than a year ago. This was the first month this year that cow carcass weights were higher than the previous year. Cow meat production was higher in the first half of the year but lower carcass weights offset some of the increase in slaughter. **We think cow slaughter in August, again on an average daily basis, was around 2% lower than a year ago**. This is based on cow slaughter through August 24. If average carcass weights are once again up about 0.2% from last year, this would imply an average daily cow meat production down about 1.8% from the previous year.

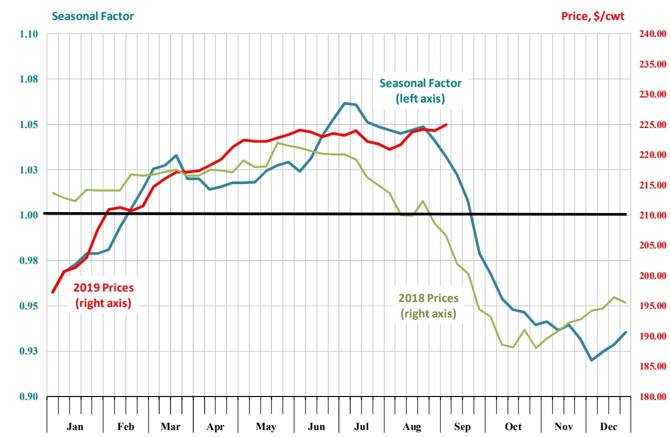
The y/y decline in domestic cow meat supplies comes at a time when there is a significant shortfall in supplies of imported lean grinding beef and prices for domestic fed end cuts are sharply higher than a year ago. The chart to the right shows the trend in weekly beef

Avg. Daily Cow Meat Production. Carcass Weight Basis. Million Lb. USDA-NASS

Calculated as Monthly Sltr * Avg. Carcass Wt / Slaughter Days in a Month. Analysis by Steiner Consulting

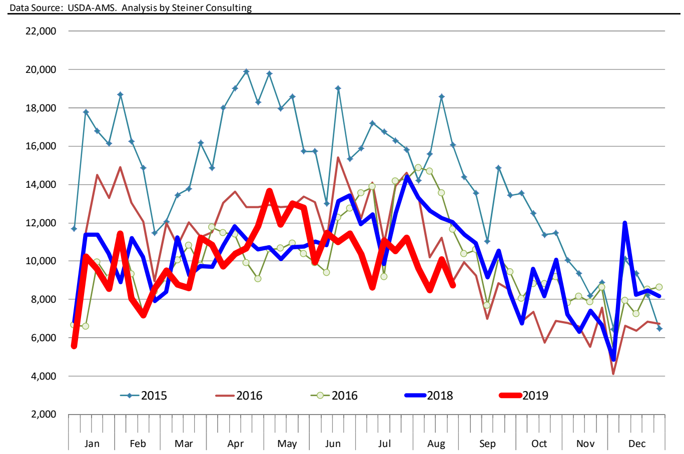


90CL Trim: 5-Yr Seasonal vs. Current Price Trends



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

Data Source: USDA-AMS. Analysis by Steiner Consulting



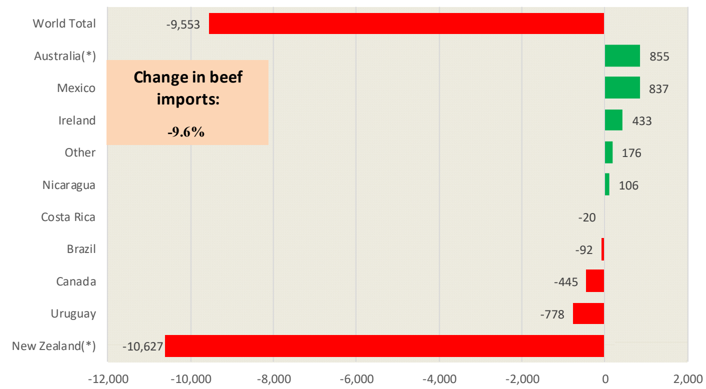
imports from countries that are traditional suppliers of grinding beef to the US. Please note that this is not all grinding beef but we think it is a good proxy for the trend in the availability of imported lean beef. The main reason for the decline is the reduction in supply availability in New Zealand. According to USDA, July imports from New Zealand were down some 10,626 MT or 44%. To put this in context, the reduction in monthly import volume from New Zealand (most of it lean grinding beef) was down the equivalent of 590 full truckloads of product. In the first seven months of the year, imports from New Zealand were down 42,118 MT or 28.6%. In July, New Zealand reported that shipments to China increased by 73% while their exports to the US were 50% down. This implies a significant decline in imports from New Zealand during August as well (ocean transit time). US grinding beef users also have limited options in grinding fed beef cuts at this time. The price of choice knuckles last night was $266/cwt, 19% higher than last year while the price of choice flats was $253/cwt, up sharply from a year ago as well.

July beef and lamb imports in the US

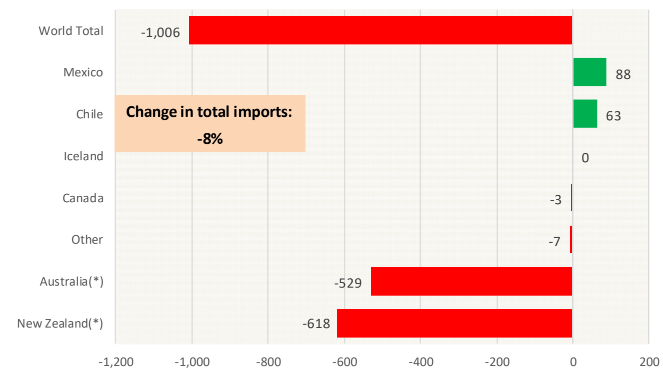
Imports of fresh/frozen and cooked beef in July were 90,408 MT, 9,553 MT or 10% lower than a year ago. The decline was largely driven by a sharp contraction in imports from New Zealand. Total NZ beef imports in July were 13,413 MT, down 10,627 MT or 44% lower than a year ago. July export data for New Zealand showed that shipments declined 50% y/y, suggesting US beef imports will be even lower in August. Beef imports from Australia in July were 22,599 MT, 855 MT or 4% higher than a year ago. Based on July Australian export data, however, we expect to see lower imports in August as well. Imports from Uruguay in July were 3,450 MT, down 779 MT or 18% from a year ago. Beef imports from Ireland were sharply higher in July although this remains a relatively small supplier to the US market. Cattle prices have declined sharply in Ireland this year as Brexit uncertainty and the sharp decline in the value of the British pound have negatively impacted Irish beef exports.

US lamb and mutton imports were also lower in July. Total fresh/frozen imports were 11,394 MT, 8% lower than a year ago. Australia remains the top lamb and mutton supplier to the US. July imports from Australia were 9,310 MT, 529 MT or 5% lower than a year ago. Imports from New Zealand were 1,839 MT, 25% lower than last year. Year to date US lamb and mutton imports have been a total of 78,728 MT, 1.7% lower than a year ago.

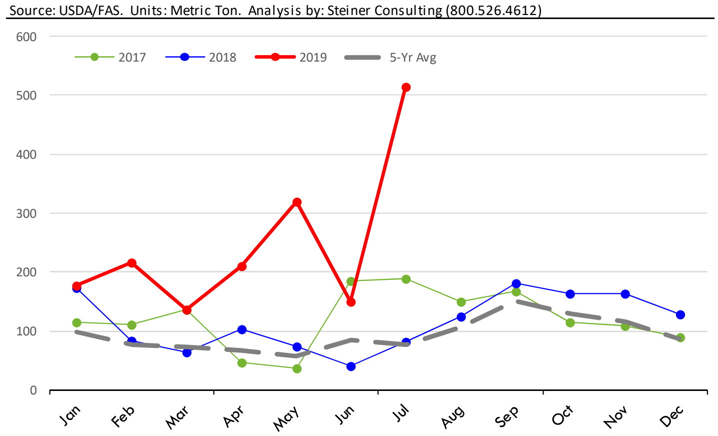
Y/Y Ch. in Jul. 19 vs. Jul 18 US Beef and Veal Imports, MT
Source: USDA/FAS Data in MT, Product Weight Basis



Y/Y Ch. in Jul. 19 vs. Jul 18 US Mutton, Goat, Lamb Imports
Source: USDA/FAS Units: Metric Tons



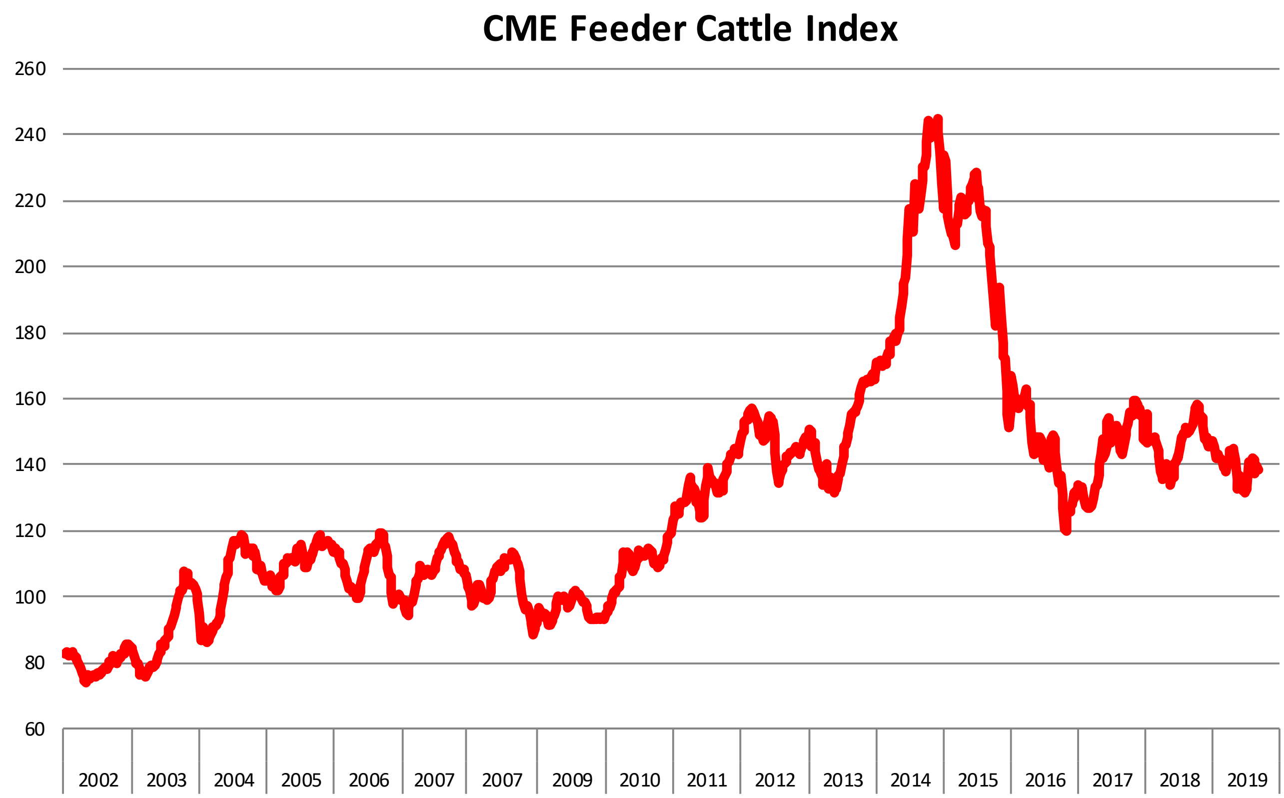
US Imports of Fr/Frz/Pres Beef: Ireland
Source: USDA/FAS. Units: Metric Ton. Analysis by: Steiner Consulting (800.526.4612)



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
	5-Sep-19	29-Aug-19		6-Sep-18	
CME FEEDER CATTLE INDEX	138.36	138.55	-0.1%	151.32	-8.6%
	6-Sep-19	30-Aug-19		7-Sep-18	
FED STEER (5-MKT AVG)	103.41	106.54	-2.9%	107.20	-3.5%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	96.50	96.50	0.0%	99.00	-2.5%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	104.00	104.00	0.0%	101.00	3.0%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	104.50	104.50	0.0%	96.50	8.3%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	176.44	175.85	0.3%	154.79	14.0%



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
	6-Sep-19		30-Aug-19			7-Sep-18		
US East Coast Australian/NZ Lean, CIF								
95 CL Bull, E. Coast	235.0	240.0	237.0	239.0	1.0	202.0	205.0	35.0
90 CL Blended Cow	223.0	224.0	220.0	221.0	3.0	189.0	191.0	33.0
90 CL Shank	223.0	225.0	219.0	220.0	5.0	191.0	192.0	33.0
85 CL Fores	205.0	206.0	204.0	206.0	0.0	179.0	180.0	26.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	235.0	238.0	237.0	238.0	0.0	201.0	203.0	35.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, CIF								
85 CL Trimmings	204.0	205.0	203.0	204.0	1.0	178.0	179.0	26.0
80 CL Trimmings	188.0	191.0	190.0	193.0	-2.0	164.0	165.0	26.0
75 CL Trimmings	183.0	185.0	183.0	185.0	0.0	154.0	155.0	30.0
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
US East Coast Australian Cuts, CIF								
Cap Off Steer Insides	290.0	295.0		290.0	5.0	265.0	270.0	25.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	205.0	210.0	N/A
Steer Knuckles	260.0	265.0	260.0	265.0	0.0	230.0	235.0	30.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	6-Sep-19		30-Aug-19			7-Sep-18		
US East Coast Australian/NZ Lean, FOB US Port								
95 CL Bull, E. Coast	248.0	249.0	246.0	248.0	1.0	214.0	215.0	34.0
90 CL Blended Cow	228.0	229.0	227.0	229.0	0.0	197.0	198.0	31.0
90 CL Shank		230.0	228.0	230.0	0.0	198.0	200.0	30.0
85 CL Fores	210.0	211.0	210.0	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	247.0	249.0	246.0	247.0	2.0	211.0	212.0	37.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, FOB US Port								
85 CL Trimmings	209.0	210.0	209.0	210.0	0.0	183.0	185.0	25.0
80 CL Trimmings	198.0	199.0	197.0	198.0	1.0	171.0	172.0	27.0
75 CL Trimmings	192.0	193.0	190.0	193.0	0.0	158.0	159.0	34.0
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
US East Coast Australian Cuts, FOB US Port								
Cap Off Steer Insides	295.0	300.0	295.0	300.0	0.0	270.0	275.0	25.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	215.0	220.0	N/A
Steer Knuckles		270.0	268.0	270.0	0.0	240.0	245.0	25.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year			Change from Last Year
	6-Sep-19			30-Aug-19				7-Sep-18			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
Domestic Cutouts											
Choice Cutout	227.31			231.77			-4.5	206.56			20.8
Select Cutout	201.94			212.27			-10.3	197.09			4.8
Domestic Lean Grinding Beef											
90 CL Boneless	220.0	231.0	224.8	221.0	228.0	224.6	0.2	203.0	215.0	208.1	16.7
85 CL Beef Trimmings	199.0	212.0	201.6	198.0	210.8	201.5	0.1	160.0	176.1	169.0	32.6
50 CL Beef Trim	73.0	98.4	87.2	85.0	105.3	95.1	-7.9	47.0	82.2	62.3	24.9
Domestic Pork Trim											
42 CL Pork Trim	42.0	63.0	49.6	35.0	43.0	61.6	-12.0	24.9	77.2	31.2	18.5
72 CL Pork Trim	55.0	99.0	62.9	52.0	84.8	56.7	6.3	40.0	75.8	44.7	18.2
Point of Lean Values											
90 CL Domestic	249.8			249.6			0.2	231.3			18.5
50 CL Beef Trimming	174.4			190.3			-15.9	124.6			49.8
42 CL Pork Trim	118.1			146.8			-28.6	74.2			44.0
72 CL Pork Trim	87.4			78.7			8.7	62.1			25.3
National Direct Fed Steer (5-day accum. wt. avg. price)	103.41			106.54			-3.1	107.20			-3.8

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	*Current Week*	*Prior Week*	*Change From Last Week*	*Last Year*	*Change From Last Year*
	6-Sep-19	**30-Aug-19**		**7-Sep-18**	
Live Cattle Futures					
October '19	94.875	98.925	↓ -4.05	109.950	↓ -15.08
December '19	99.750	103.675	↓ -3.93	114.425	↓ -14.68
February '20	106.400	109.025	↓ -2.63	118.250	↓ -11.85
April '20	110.850	111.175	↓ -0.32	119.425	↓ -8.57
Feeder Cattle Futures					
September '19	133.350	132.400	↑ 0.95	152.975	↓ -19.63
October '19	130.900	130.800	↑ 0.10	152.950	↓ -22.05
November '19	130.375	130.325	↑ 0.05	152.725	↓ -22.35
January '20	128.475	128.500	↓ -0.03	148.725	↓ -20.25
Corn Futures					
September '19	342.500	358.000	↓ -15.50	354.250	↓ -11.75
December '19	355.500	369.750	↓ -14.25	367.000	↓ -11.50
March '20	368.750	382.250	↓ -13.50	379.250	↓ -10.50
May '20	377.500	390.000	↓ -12.50	387.000	↓ -9.50
Ch Wheat Futures					
September '19	460 1/4	451 1/4	↑ 9.00	486 1/4	↓ -26.00
December '19	463 3/4	462 1/2	↑ 1.25	511 1/4	↓ -47.50
March '20	470 1/2	470	↑ 0.50	531 1/2	↓ -61.00
May '20	475 3/4	475	↑ 0.75	544 3/4	↓ -69.00

Slaughter Information	*7 Days Ending*	*7 Days Ending*	*Change From Last Week*	*7 Days Ending*	*Change From Last Year*
	7-Sep-19	**31-Aug-19**		**8-Sep-18**	
Total Cattle Slaughter	565,000	644,000	↓ -79,000	571,000	↓ -6,000
	24-Aug-19	**17-Aug-19**		**25-Aug-18**	
Total Cow Slaughter	120,927	121,262	↓ -335	121,700	↓ -773
Dairy Cow Slaughter	60,036	61,637	↓ -1,601	62,600	↓ -2,564
Beef Cow Slaughter	60,891	59,625	↑ 1,266	59,100	↑ 1,791

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

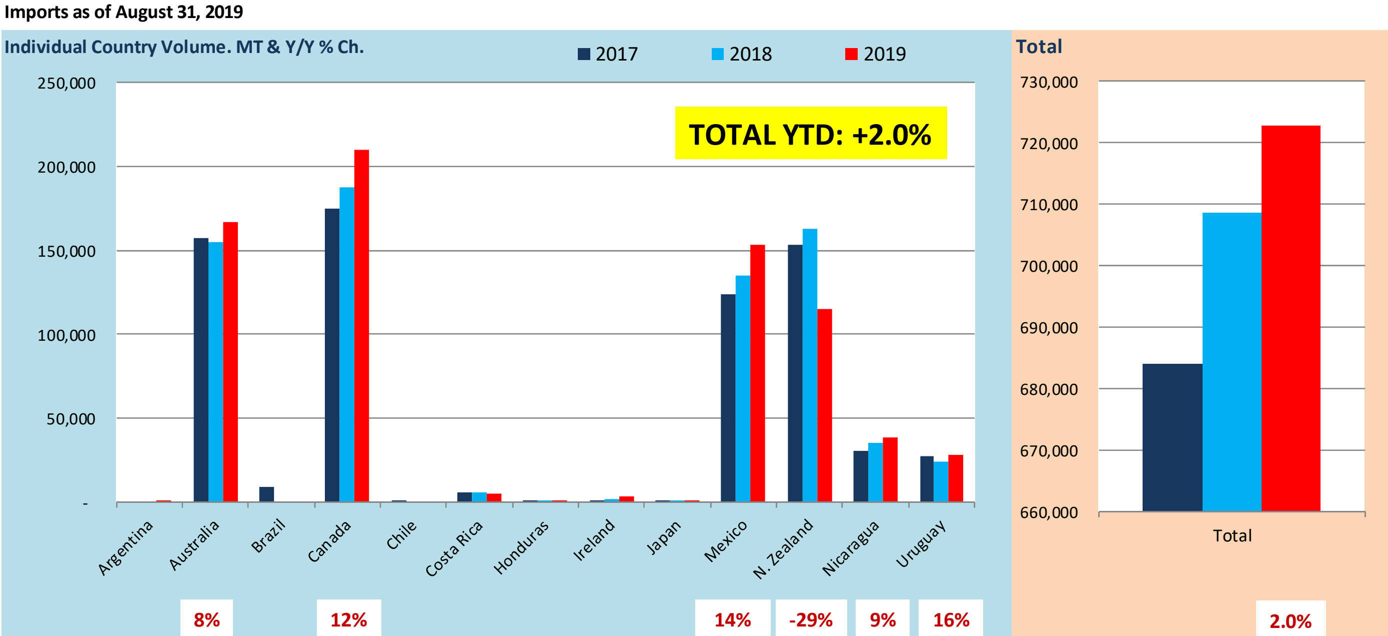
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 35	9/1/2018	8/31/2019		
Argentina	-	593		
Australia	154,696	166,750	12,054	7.8%
Brazil	-	-	-	
Canada	187,830	210,180	22,350	11.9%
Chile	-	-	-	
Costa Rica	5,708	5,458	(250)	-4.4%
France	-	-	-	
Honduras	1,199	516	(683)	-57.0%
Ireland	1,697	3,833	2,136	125.9%
Japan	304	322	18	5.9%
Mexico	134,752	153,482	18,730	13.9%
Netherlands	-	-	-	
New Zealand	162,819	115,089	(47,730)	-29.3%
Nicaragua	35,193	38,232	3,039	8.6%
Spain	-	-	-	
Uruguay	24,448	28,422	3,974	16.3%
Total	708,646	722,876	**14,230**	**2.0%**

Source: AMS - USDA

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

Imports as of August 31, 2019

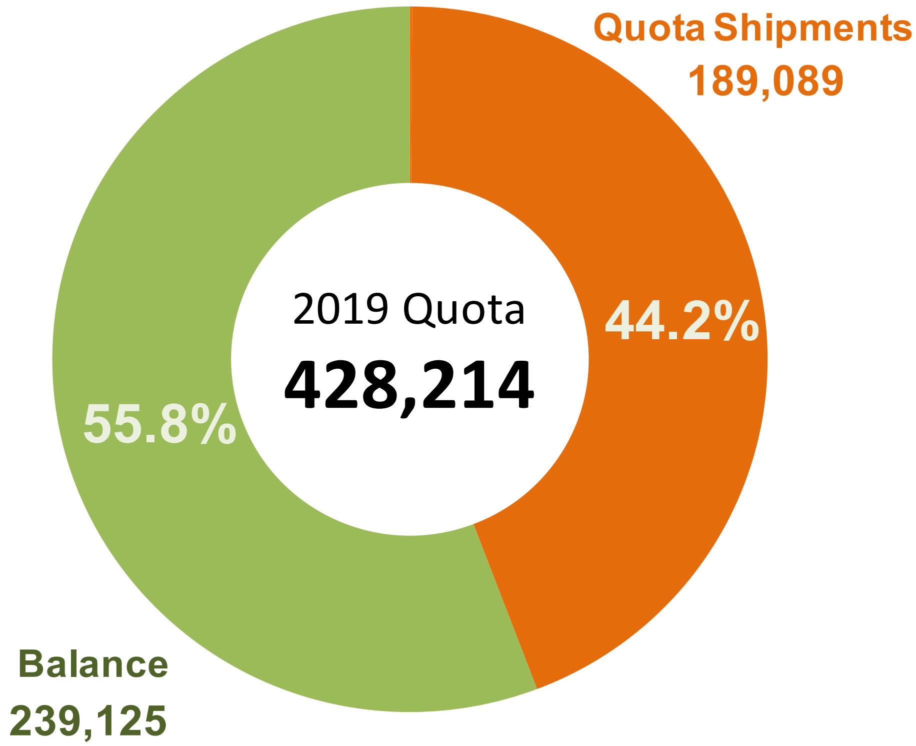


Note: USDA did not publish updated export data for last week.

Australian Beef Quota Position

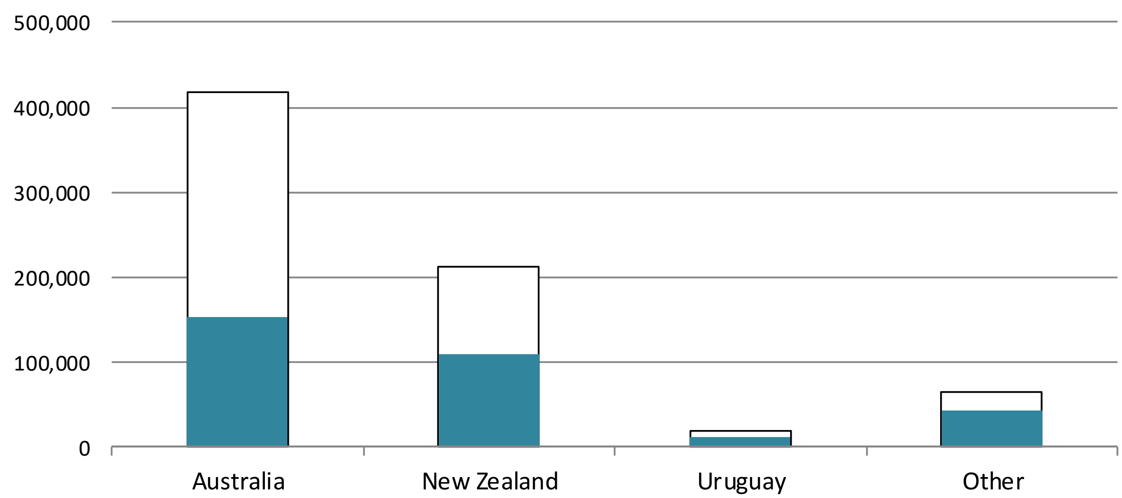
5-Sep-19

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending August 26

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2018 YTD	149,133,766	159,801,232	14,225,249	44,679,138
2019 YTD	152,508,066	110,060,865	13,169,584	43,047,022
Y/Y %	2%	-31%	-7%	-4%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	36%	52%	66%	66%

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