US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume 20, Issue 42

October 18, 2019

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

Market Highlights for the Week:

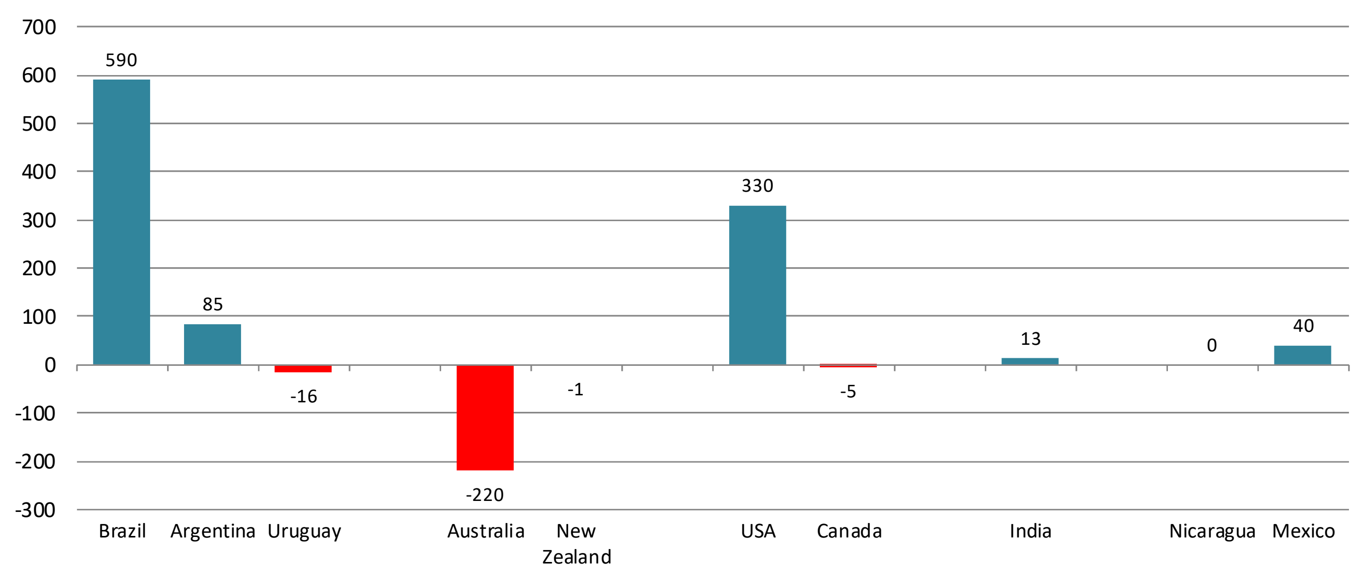
- Market for lean imported beef in the US remains extremely thin, resulting in sharply higher prices paid from traders and processors that have been caught short.
- US cow/bull slaughter in the last four weeks has averaged 2.7% higher than a year ago. Still, prices for domestic lean beef have not experienced the normal seasonal decline as more users have responded to the shortfall in imported product by sourcing more domestic fresh product.
- Beef production growth in key exporting markets is expected to be limited next year, with only Brazil and US expected to see a notable improvement in overall beef production next year.
- Limited global beef supply growth and explosive China demand is expected to drive beef price inflation in 2020.
- US cattle on feed supply on October 1 is expected to remain below year ago levels even as more cattle were placed on feed during September.

Imported Market Activity for the Week

Little has changed in the market for imported beef in the US and market participants are now bracing for a prolonged lack of lean imported beef supplies and changing how they do business. This is clearly a major concern for importers. Some of the largest buyers have been buying product direct from Australia and New Zealand for some time, resulting in a significant reduction in the number of independent importers. The dearth of imported beef supplies available will likely put further pressure on the industry. Prices for imported lean beef were up by more than a nickel again last week amidst short covering. The benefits from using imports have all but disappeared at this time as the spread of imported 90s vs. domestic has climbed to 28 cents per pound. At these levels the only people willing to buy imported are those that either had promised to deliver product and now have to find it or plants located on the coasts that have built their production process around the use of some imported in the block and now are working on making adjustments in order to use all fresh. Those changes are necessary, however, as imported beef supplies look to remain tight into 2020.

Y/Y Change in Domestic Beef Production in Key Beef Exporting Countries. '000 MT

Data Source: USDA October Forecasts for 2020. Prepared by Steiner Consulting



Global supply outlook and trade flows

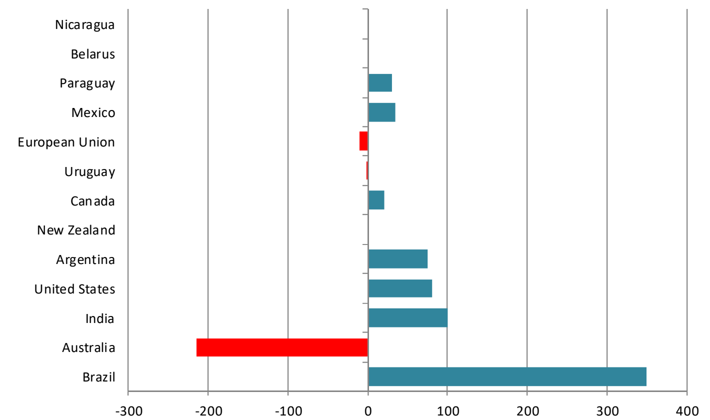
The latest forecast updates from USDA offer some insights as to the dramatic shifts that are currently under way in beef trade flows. For much of the past year we have highlighted the fact that the rise of China as the biggest beef importer will dramatically alter product flows and the latest USDA figures confirmed that analysis. What is particularly worrying for US beef traders is that the rise of China as a major global beef buyer comes at a time when beef production in other parts of the world is barely increasing. Among major beef producers/traders, only US, Brazil and to a lesser extent Argentina, will see more beef come to market than in 2019. Brazil beef production for all of calendar year 2020 is currently forecast at 10.8 million MT, 590,000 MT or 5.8% higher than a year ago. Before we review some of the numbers, a note that the numbers quoted in the charts and below are on a carcass weight basis. Product weight shipments could be smaller since they are often boneless product. Per USDA, a boneless product converts to a carcass weight equivalent by multiplying it by 1.36.

The Brazilian cattle herd has been expanding in recent years and strong demand/higher prices in the world market are expected to push more cattle to market next year. However, Brazil at this time is not allowed to ship fresh/frozen beef to the US market, depriving the US market from the only source that could conceivably have some product to sell. More Brazilian plants have been approved to ship product to China and we could see even more plants approved for shipment next year. Brazil is already one of the top beef suppliers to the Chinese market and in 2020 we think Brazil will become the top beef supplier. Argentina beef production in 2020 is forecast to reach 3.125 million MT, 85 million MT or 2.8% higher than a year ago. At this time Argentina is approved to ship fresh beef to the US but volumes have been minimal. While some higher value product will continue to come to the US, much of Argentina's beef is currently going to China and that is expected to continue in 2020 as well.

Supplies from traditional suppliers to the US are expected to decline in 2020. New Zealand production next year is forecast to be near 2019 levels while production in Australia is forecast to be 2.080 million MT, down 220,000 MT (carcass wt. basis) or 9.6% lower than a year ago. This should be particularly concerning for imported beef traders in the US next year. The potential reduction in Australian beef availability and ever increasing China demand could significantly limit supply availability. This has already become evident in the market, with spot prices for imported beef trending higher at a time when normally we see prices decline. We see imported beef prices maintain premiums to domestic beef for all of next year.

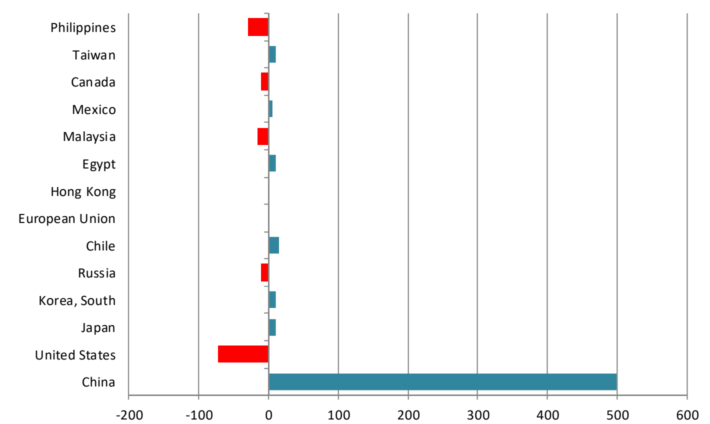
Forecasted Change in Beef Exports by Top World Beef Exporting Countries

Data in '000 MT on a Carcass Wt. Basis. Source - USDA. Prepared by Steiner Consulting

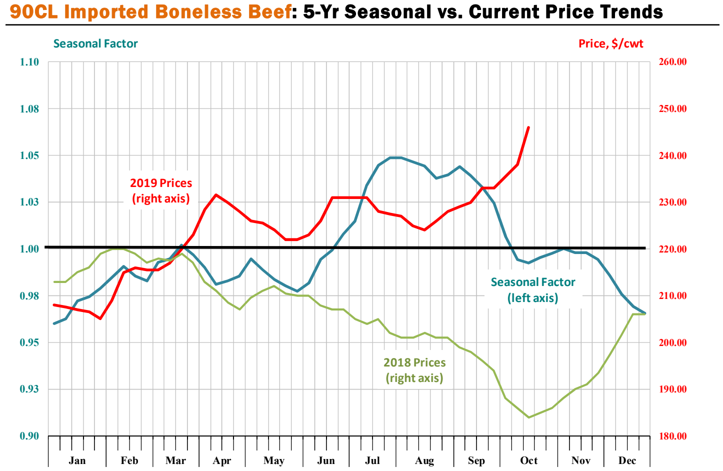


Forecasted Change in Beef Imports by Top World Beef Importing Countries

Data in '000 MT on a Carcass Wt. Basis. Source - USDA. Prepared by Steiner Consulting



90CL Imported Boneless Beef: 5-Yr Seasonal vs. Current Price Trends



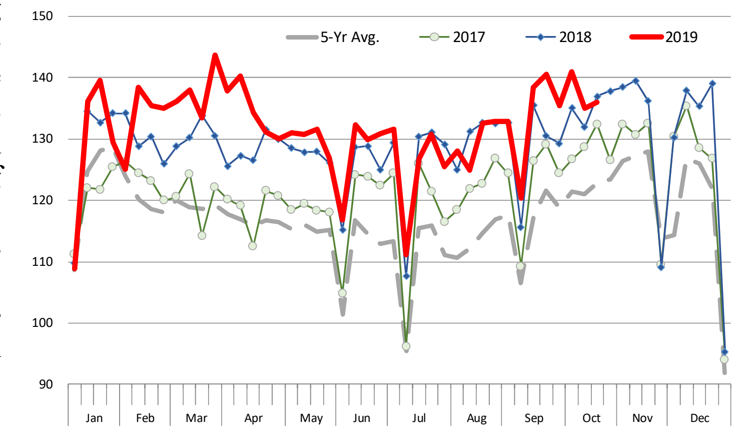
Domestic non-fed beef supply update. We estimate that cow/bull slaughter for the week ending October 19 was 136,000 head, 1% below year ago levels. In the last four weeks non-fed cattle slaughter has been a total of 547,000 head, 2.7% higher than a year ago. Seasonally the increase in non-fed slaughter and the slowdown in ground beef demand tends to pressure lean beef prices lower. However, the price of 90CL domestic boneless beef continues to trade steady at around $218/cwt, in large part due to the shortfall in imported supplies and processors shifting to using more fresh beef at this time.

Cattle on feed estimates. USDA will issue on Friday, October 25 the results of its monthly survey of feedlots that on October 1 had a capacity of +1000 head. We expect to see a significant flow of feeder cattle on feed for the month of September, in part because of data showing a significant jump in placements in Texas. Pasture conditions were excellent for much of the summer, which allowed producers to take advantage of higher feed supplies and add more pounds on animals outside of feedlots. The sharp decline in fed cattle values in August following the plant fire in Kansas further limited feedlot placements. There were plenty of cattle available for placement in September. While we see placements ranging between 2-7% above year ago, at this time our working forecast is on the higher end of that range. Below are our forecasts for the key numbers in the report:

Placed on feed in September:	106.2
Marketed in September:	101.1
Total on feed Oct. 1:	99.7

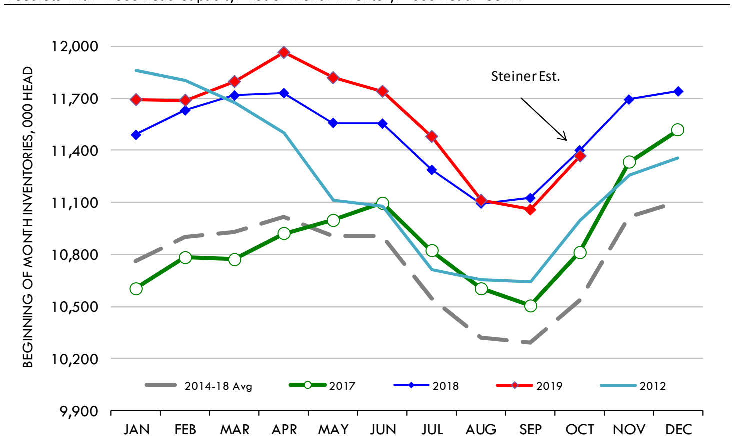
WEEKLY COW & BULL SLAUGHTER. '000 HEAD

Source: USDA-AMS



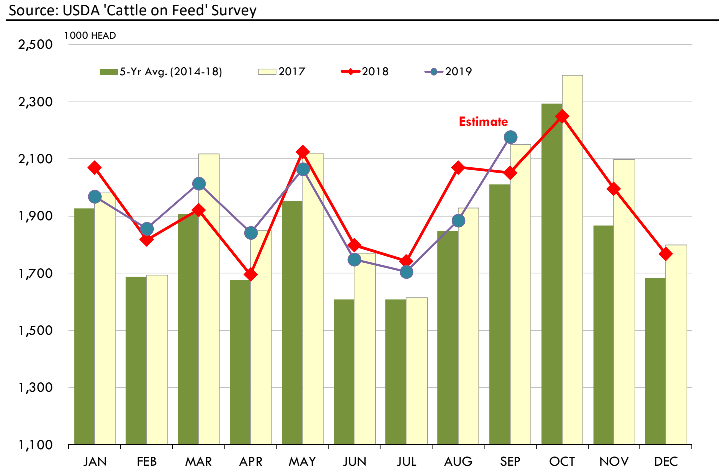
USA Cattle on Feed Inventory

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



PLACEMENTS OF CATTLE ON FEED, +1000 CAPACITY FEEDLOTS

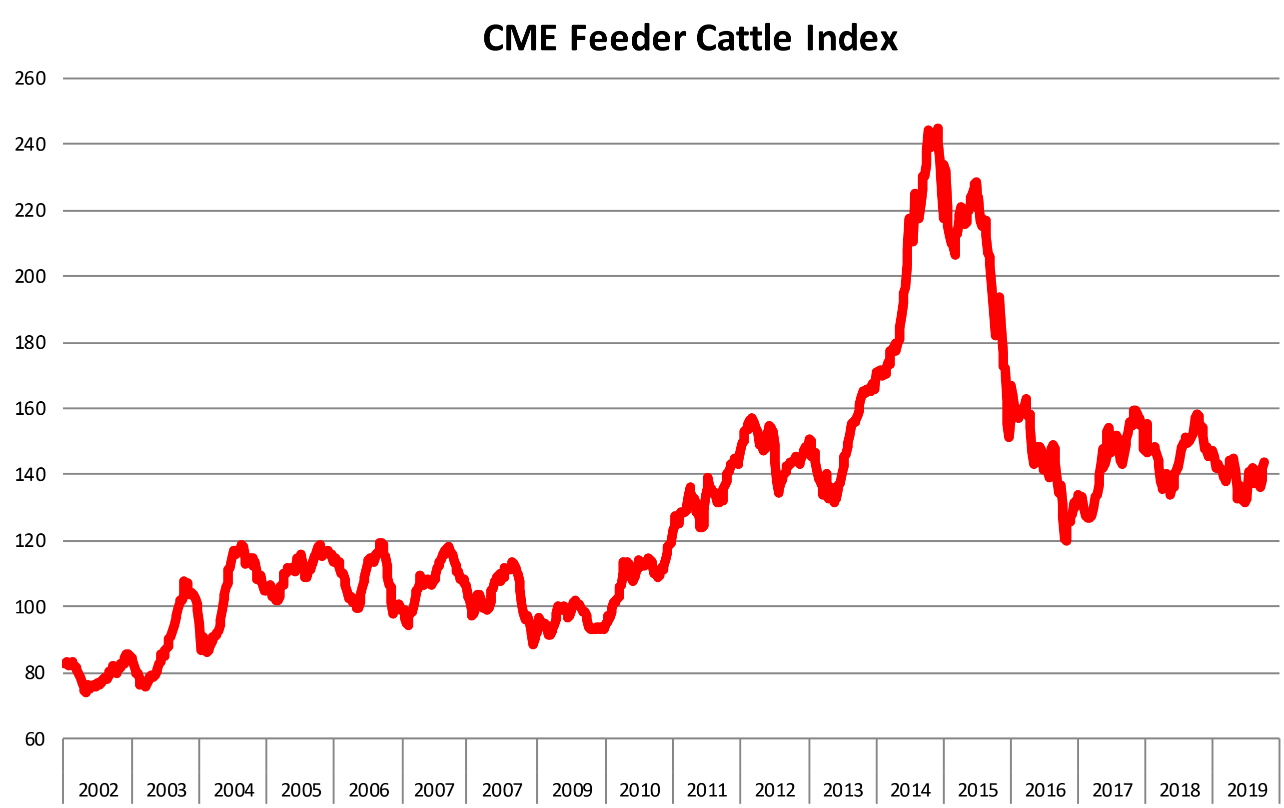
Source: USDA 'Cattle on Feed' Survey



CME Cattle Feeder Index and US Cattle Markets

Special Live Animal Reference Price

	Current Week 17-Oct-19	Prior Week 10-Oct-19	% CHANGE VS. WK AGO	Last Year 18-Oct-18	Change from Last Year
CME FEEDER CATTLE INDEX	145.15	143.63	1.1%	155.36	-6.6%
	18-Oct-19	11-Oct-19		19-Oct-18	
FED STEER (5-MKT AVG)	109.31	107.70	1.5%	109.65	-0.3%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	87.50	94.50	-7.4%	97.00	-9.8%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	101.00	102.50	-1.5%	90.00	12.2%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	95.00	97.00	-2.1%	89.50	6.1%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	169.85	171.74	-1.1%	154.79	9.7%



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
	18-Oct-19		11-Oct-19			19-Oct-18		
US East Coast Australian/NZ Lean, CIF								
95 CL Bull, E. Coast	255.0	256.0	250.0	251.0	5.0	190.0	193.0	63.0
90 CL Blended Cow	235.0	236.0	231.0	232.0	4.0	176.0	178.0	58.0
90 CL Shank	233.0	236.0	230.0	231.0	5.0	176.0	178.0	58.0
85 CL Fores	209.0	210.0	208.0	209.0	1.0	167.0	168.0	42.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	254.0	255.0	249.0	250.0	5.0	190.0	192.0	63.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, CIF								
85 CL Trimmings	208.0	209.0	207.0	208.0	1.0	167.0	168.0	41.0
80 CL Trimmings	190.0	191.0	190.0	191.0	0.0		160.0	31.0
75 CL Trimmings	184.0	185.0	184.0	185.0	0.0		UNQ	N/A
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	295.0	0.0	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	264.0	265.0	260.0	265.0	0.0	225.0	230.0	35.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	18-Oct-19		11-Oct-19			19-Oct-18		
US East Coast Australian/NZ Lean, FOB US Port								
95 CL Bull, E. Coast	264.0	267.0	258.0	259.0	8.0	201.0	202.0	65.0
90 CL Blended Cow	245.0	246.0	238.0	240.0	6.0	184.0	185.0	61.0
90 CL Shank	242.0	243.0	238.0	239.0	4.0	188.0	189.0	54.0
85 CL Fores	219.0	220.0	216.0	217.0	3.0	174.0	175.0	45.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	265.0	266.0	257.0	258.0	8.0	199.0	200.0	66.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, FOB US Port								
85 CL Trimmings	216.0	217.0	214.0	215.0	2.0		174.0	43.0
80 CL Trimmings	201.0	202.0	195.0	197.0	5.0		166.0	36.0
75 CL Trimmings	192.0	193.0		190.0	3.0	155.0	156.0	37.0
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
US East Coast Australian Cuts, FOB US Port								
Cap Off Steer Insides	300.0	305.0	295.0	300.0	5.0	275.0	280.0	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	270.0	275.0	270.0	275.0	0.0	230.0	240.0	35.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year			Change from Last Year
	18-Oct-19			11-Oct-19				19-Oct-18			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
Domestic Cutouts											
Choice Cutout	218.11			215.66			2.5	207.93			10.2
Select Cutout	192.60			188.68			3.9	194.24			-1.6
Domestic Lean Grinding Beef											
90 CL Boneless	216.0	229.0	217.9	216.0	224.5	218.6	-0.7	181.0	200.0	188.5	29.4
85 CL Beef Trimmings	189.0	199.5	191.7	180.0	200.0	192.5	-0.8	138.0	164.0	151.4	40.4
50 CL Beef Trim	33.5	63.0	50.4	32.0	50.1	43.1	7.2	39.0	55.9	48.5	1.8
Domestic Pork Trim											
42 CL Pork Trim	30.0	46.3	36.5	34.0	53.2	39.3	-2.8	28.0	47.3	33.0	3.5
72 CL Pork Trim	41.0	66.5	45.8	44.7	78.3	49.8	-4.0	53.0	79.3	59.9	-14.1
Point of Lean Values											
90 CL Domestic	242.1			242.9			-0.8	209.4			32.7
50 CL Beef Trimming	100.7			86.3			14.5	97.1			3.7
42 CL Pork Trim	86.9			93.6			-6.7	78.6			8.3
72 CL Pork Trim	63.6			69.2			-5.5	83.2			-19.5
National Direct Fed Steer (5-day accum. wt. avg. price)	109.31			107.70			1.6	109.65			-0.3

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	*Current Week*	*Prior Week*	*Change From Last Week*	*Last Year*	*Change From Last Year*
	18-Oct-19	**11-Oct-19**		**19-Oct-18**	
Live Cattle Futures					
October '19	110.475	109.450	↑ 1.03	112.250	↓ -1.77
December '19	113.625	112.150	↑ 1.47	116.775	↓ -3.15
February '20	119.075	118.050	↑ 1.03	121.150	↓ -2.08
April '20	120.925	120.200	↑ 0.72	122.175	↓ -1.25
Feeder Cattle Futures					
October '19	143.500	144.100	↓ -0.60	154.650	↓ -11.15
November '19	142.850	144.250	↓ -1.40	154.100	↓ -11.25
January '20	139.450	140.475	↓ -1.02	148.750	↓ -9.30
March '20	138.850	139.150	↓ -0.30	147.050	↓ -8.20
Corn Futures					
December '19	391.000	397.750	↓ -6.75	367.000	↑ 24.00
March '20	402.750	407.750	↓ -5.00	379.500	↑ 23.25
May '20	409.500	412.750	↓ -3.25	387.000	↑ 22.50
July '20	415.250	416.500	↓ -1.25	392.750	↑ 22.50
Ch Wheat Futures					
December '19	532 1/4	508	↑ 24.25	514 3/4	↑ 17.50
March '20	537	514	↑ 23.00	534 1/4	↑ 2.75
May '20	541 1/2	518 1/2	↑ 23.00	547	↓ -5.50
July '20	544	522 1/4	↑ 21.75	552 3/4	↓ -8.75

Slaughter Information	*7 Days Ending*	*7 Days Ending*	*Change From Last Week*	*7 Days Ending*	*Change From Last Year*
	19-Oct-19	**12-Oct-19**		**20-Oct-18**	
Total Cattle Slaughter	642,000	645,000	↓ -3,000	632,000	↑ 10,000
	5-Oct-19	**28-Sep-19**		**6-Oct-18**	
Total Cow Slaughter	129,615	123,482	↑ 6,133	123,600	↑ 6,015
Dairy Cow Slaughter	64,242	60,358	↑ 3,884	63,900	↑ 342
Beef Cow Slaughter	65,373	63,124	↑ 2,249	59,700	↑ 5,673

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

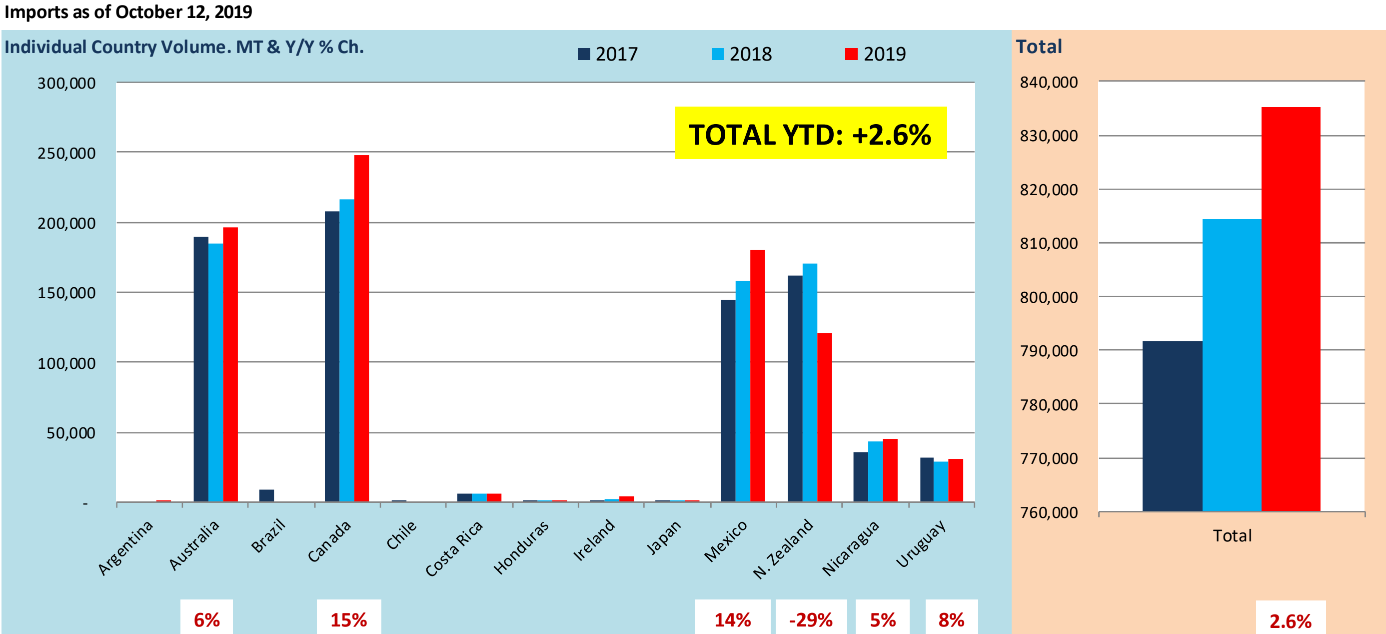
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 41	10/13/2018	10/12/2019		
Argentina	-	863		
Australia	185,337	196,138	10,801	5.8%
Brazil	-	-	-	
Canada	216,633	248,387	31,754	14.7%
Chile	-	-	-	
Costa Rica	6,573	6,454	(119)	-1.8%
France	-	-	-	
Honduras	1,440	573	(867)	-60.2%
Ireland	2,169	4,539	2,370	109.3%
Japan	341	377	36	10.6%
Mexico	158,452	179,864	21,412	13.5%
Netherlands	-	-	-	
New Zealand	170,743	121,200	(49,543)	-29.0%
Nicaragua	43,620	45,603	1,983	4.5%
Spain	-	-	-	
Uruguay	28,907	31,287	2,380	8.2%
Total	814,215	835,285	**21,070**	**2.6%**

Source: AMS - USDA

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

Imports as of October 12, 2019

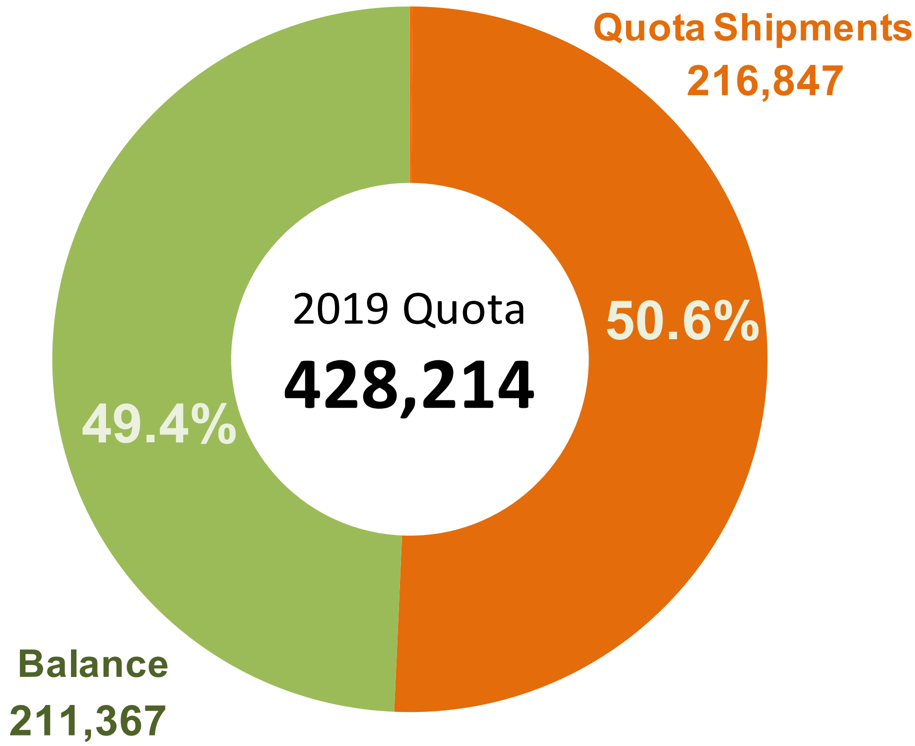


Note: USDA did not publish updated export data for last week.

Australian Beef Quota Position

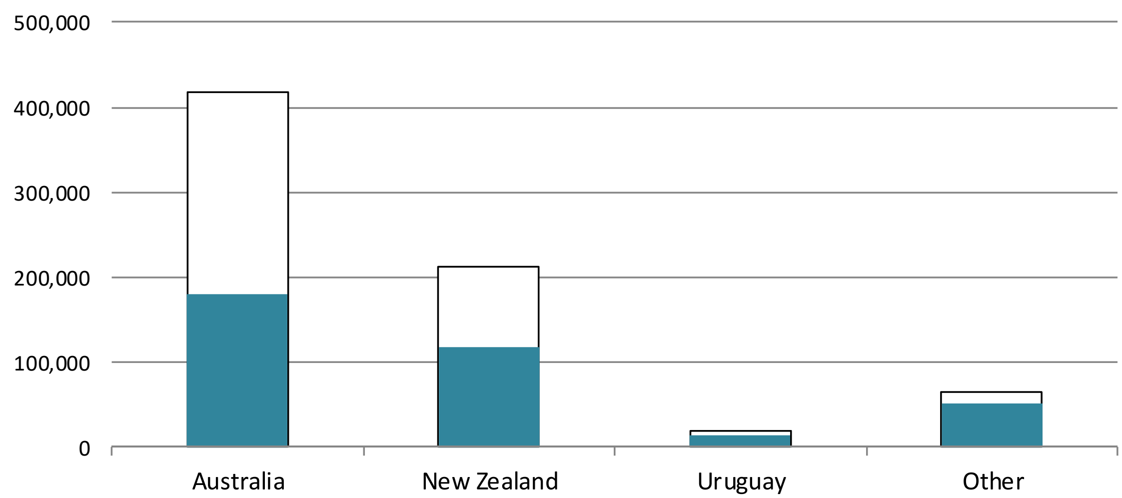
17-Oct-19

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending October 7

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2018 YTD	175,344,749	167,296,547	15,925,761	53,050,812
2019 YTD	181,010,952	117,297,872	14,410,742	52,021,934
Y/Y %	3%	-30%	-10%	-2%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	**43%**	**55%**	**72%**	**80%**