



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 lower again last week as traders were actively looking to sell some inventory while end users are stuck with some high priced meats on the book and remain reluctant to put large bids in the market.
- Much of the increase in supply has been on the leaner end as New Zealand bull slaughter is near its annual production peak. Dry weather in New Zealand may be pushing a few cattle to market earlier than normal as well.
- Participants continue to note the lack of active trading from Chinese buyers, causing some New Zealand packers to become more active in soliciting US bids.
- US domestic cow slaughter has been higher in the last three months as high lean beef values encouraged producers to cull more aggressively.
- US-China trade deal opens the door for significantly more US beef exports to that market although trading will likely develop in the second half of the year, with US packers needing time to overcome technical and logistic challenges.

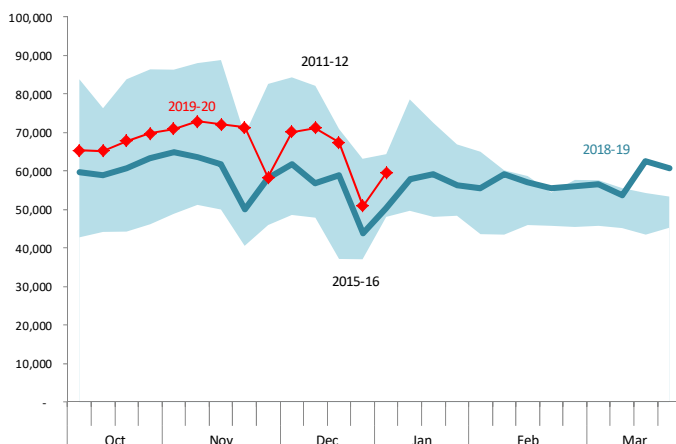
Imported Market Activity for the Week

Imported beef prices in the US market continued to move lower last week on higher offerings from overseas suppliers and inadequate demand from traders/end users. Some end users are still trying to balance some of the higher priced inventory they secured toward the end of last year, both from domestic and import sources. The inclination at this time is to slowly cover needs on a sliding scale. Offerings from overseas suppliers are more than adequate now that Chinese buyers appear to have stepped off the market and US prices continue to represent the highest prices available, especially for leaner product. The volume of imported beef coming to the US has increased from almost all sources. Imports from New Zealand

remain light but there are indications that US market share will show some improvement relative to China in January and February. But even as the buying frenzy appears to have subsided in the near term, there are lingering long term concerns about product availability and prices in 2020. The newly signed agreement between US and China (more on page 2) could open the door to more US beef going into the Chinese market, especially some of the lower priced US product. It is too early to say if the current rains in Australia will impact slaughter in the next three months. Last year major floods in Northern Queensland had little impact on broader moisture conditions and ultimately did little to stem the liquidation. But the reality is that the Australian cattle herd at the end of June could be

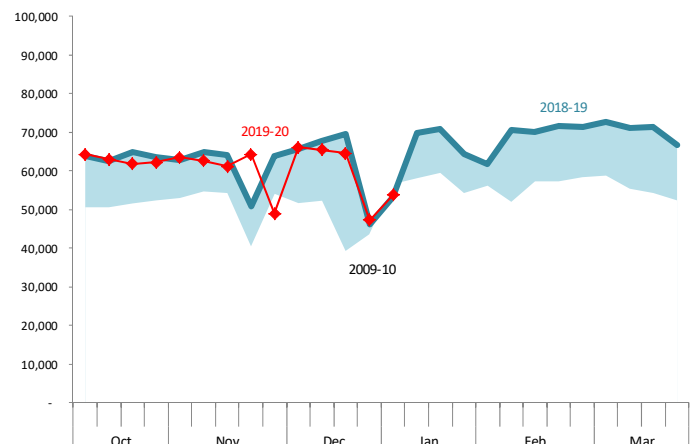
Weekly US Beef Cow Slaughter: 2009 - Current

Lowest/Highest Avg. Weekly Slaughter + Year Ago and Current Weekly Slaughter Trends



Weekly US Dairy Cow Slaughter: 2010 - Current

Min and Max Weekly Slaughter + Year Ago and Current Weekly Slaughter Trends

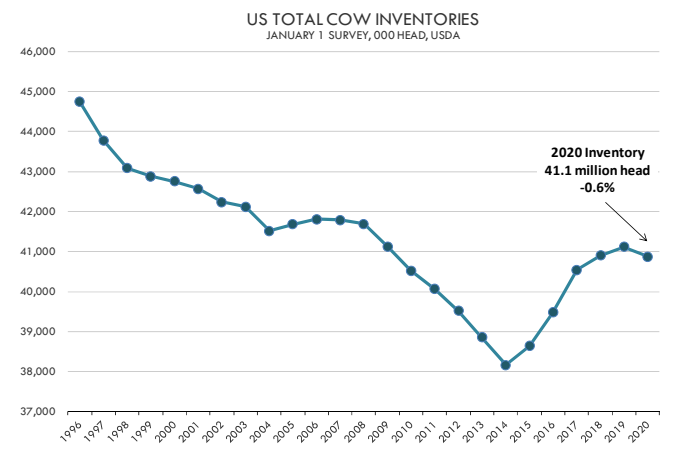
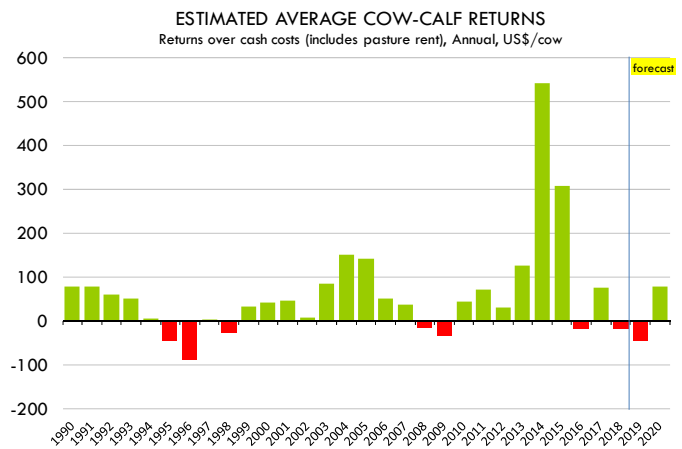


as much as 3 million head lower than what it was two years ago. Beef supplies from Australia could decline sharply in the second half of the year and combined with the seasonal increase in China demand this could limit supply availability in the world market.

US domestic cow slaughter trends

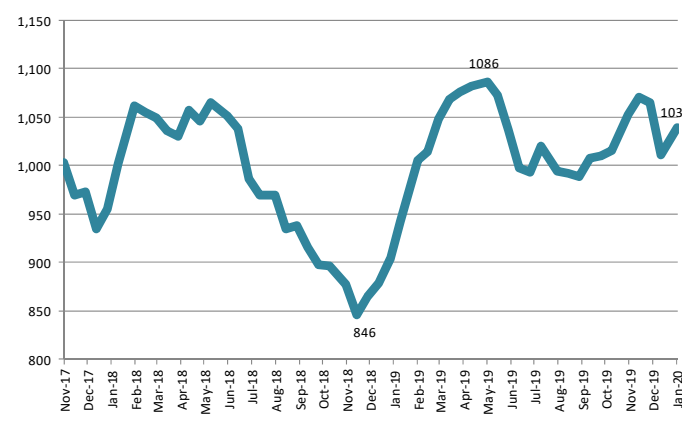
The two charts on page 1 illustrate the trend in weekly US cow slaughter, both beef and dairy, during the Oct-Mar time period. Normally we see a slowdown in slaughter during the first three months of the year and this is primarily driven by a reduction in beef cow slaughter. Beef cow slaughter for the week ending January 4 was 59,506 head, about 9k head or 18.4 higher than a year ago. While normally we see an increase following holiday shortened weeks when barns close around the country, the performance in the latest reported week is far from an aberration. Indeed, very high prices for lean beef during the last two months of the year appear to have encouraged producers to cull more aggressively. Since October, US beef cow slaughter has averaged 66,646 head/wk, up an average of 8,579 head/wk or 15% above year ago levels. Dairy cow slaughter in the latest reported week was only 1.6% higher than a year ago. And since October dairy cow slaughter has averaged 60,653 head/wk, 1,055 head/wk or 1.7% lower than the previous year.

At this time the focus of market participants will be on cow slaughter trends into February and March. We think lean beef demand remains strong and this will continue to incentivize producers to push more cows to market. However, higher prices will likely be needed given the aggressive culling that took place in the last three months. The beef cow herd on January 1 is expected to be about 1% lower than a year ago, which will tend to limit long term the supply of cull cows available. More importantly, the current trade deal between US and China and broad price inflation in the global beef market will tend to put a floor under US cattle prices. Part of the reason for the higher culling rate of the last two years has been the deterioration in cow-calf producer returns. At this time producer returns are expected to show a moderate improvement for 2020, further limiting cull cow availability. Dairy cow slaughter is likely to track under year go levels in Jan-Mar as it did during the previous quarter. Global dairy prices remain stable and potential for higher exports to China will likely



Global Dairy Trade Auction Price Index

Source: Global Dairy Trade. Last Trading Session was Jan 7, 2020



cause US dairy producers to maintain a bullish bias and, at least in the near term, continue to bolster production.

Implications of US-China trade deal: The recent agreement made some significant changes to current US-China beef trading relationship, which may result in a significant increase in US beef going to the Chinese market. According to the agreement:

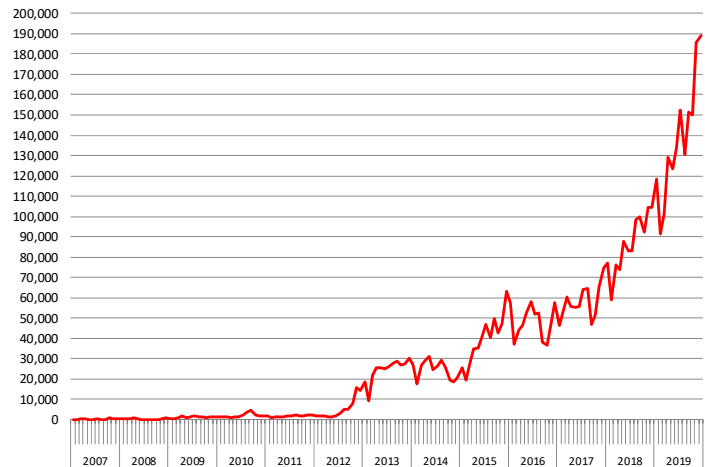
- China will recognize the US beef and beef products traceability system. This is critical as in the past US producers had to abide by China's traceability requirements.
- China will lift the age restriction on US beef and beef products after conclusion of a risk assessment period. This is expected to be completed in 30 days.
- China has also agreed to "adopt internationally accepted maximum residue levels for three widely-used veterinary drugs." Effectively this opens the door to US beef that has been treated with hormones as long as it meets requirements that are currently in place for other markets that buy US beef, such as Japan and S. Korea.

Sales of US beef products to China in 2017 were minimal due to restrictions regarding hormone use and traceability. China has restricted its purchases of US beef since 2003 so effectively there is little history to tell us how much beef China could purchase from the US. But the volumes could indeed be significant. Current estimates are that China imported 1.656 million MT of beef in 2019, an increased of around 600,000 MT or 59% from the previous year. Our current working baseline forecast calls for a 25% increase in China beef imports in 2020, putting the total demand for the current year at almost 2 million MT. It will take some time for US packers to work out the rules and logistics for sending beef to China. **It is likely that exports will remain small through the first half of the year but they could accelerate quickly in the second half** for a number of reasons:

- China demand seasonally increases in the second half to support fall festivals and ultimately the week long New Year celebrations in January.
- China already is buying as much as they can from their main suppliers, such as Argentina and Uruguay

China Monthly Imports of Fresh/Frozen Beef, Metric Ton, SW

Source: GTIS with data from China Customs Agency



China has sharply increased its purchases of New Zealand beef, with imports in Q4 of last year reaching 60% of trade. It becomes increasingly difficult to expand that share

China became the top buyer of Australian beef in 2019. Australian slaughter was up in 2019 as drought forced producers to liquidate. We think by June the Australian cattle herd will be 3 million head smaller than it was two years ago. We cannot predict when the Australian drought will break but the lower stock numbers imply less supply available from Australia. If drought breaks then we could see double digit declines in Australian beef production and supply availability.

At this time a low end forecast for US exports to China would be 50,000 MT, with much of that taking place in the second half of the year. This would be the equivalent of 110 million pounds on a product weight basis or about 150 million pounds on a carcass weight basis. On the high end we think the volume of exports could reach 100,000 MT (300 million lb. on a carcass wt basis) with a potential value of \$700 million. Our current forecast is for US beef exports to increase by about 200 million pounds (cwe) in 2020 or 6.3%. China demand could push US beef exports up 16% y/y (high end of the range) and per capita US beef disappearance could decline by 3%, with much of that reduction taking place in the second half of the year. For that reason we think beef prices have more upside risk in the second half of the year.

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
	16-Jan-20	9-Jan-20		17-Jan-19	
CME FEEDER CATTLE INDEX	145.67	146.83	-0.8%	142.05	2.5%
	17-Jan-20	10-Jan-20		18-Jan-19	
FED STEER (5-MKT AVG)	124.15	124.05	0.1%	123.82	0.3%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	84.50	83.00	1.8%	81.00	4.3%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	97.00	93.50	3.7%	84.00	15.5%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	96.50	93.00	3.8%	78.50	22.9%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	185.57	185.20	0.2%	154.79	19.9%

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
	17-Jan-20	238.0	10-Jan-20	245.0		18-Jan-19		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	235.0	238.0	240.0	245.0	-7.0	210.0	213.0	25.0
90 CL Blended Cow	218.0	225.0	225.0	235.0	-10.0	195.0	198.0	27.0
90 CL Shank	226.0	230.0	230.0	235.0	-5.0	196.0	197.0	33.0
85 CL Fores	210.0	215.0	210.0	215.0	0.0	182.0	187.0	28.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	235.0	236.0	240.0	242.0	-6.0	210.0	211.0	25.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	210.0	215.0	210.0	215.0	0.0	184.0	185.0	30.0
80 CL Trimmings	195.0	198.0		UNQ	N/A	172.0	173.0	25.0
75 CL Trimmings	185.0	190.0		UNQ	N/A		UNQ	N/A
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	290.0	295.0	-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	220.0	225.0	N/A
Steer Knuckles		260.0	260.0	265.0	-5.0	240.0	245.0	15.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	17-Jan-20	10-Jan-20	17-Jan-20	10-Jan-20		18-Jan-19	18-Jan-19	
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	250.0	255.0	255.0	260.0	-5.0	222.0	223.0	32.0
90 CL Blended Cow	234.0	235.0	240.0	245.0	-10.0	206.0	207.0	28.0
90 CL Shank		240.0	245.0	250.0	-10.0	205.0	206.0	34.0
85 CL Fores	220.0	225.0	220.0	225.0	0.0		194.0	31.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	245.0	250.0	254.0	257.0	-7.0	220.0	221.0	29.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	220.0	223.0	220.0	225.0	-2.0	192.0	193.0	30.0
80 CL Trimmings		215.0		215.0	0.0		UNQ	N/A
75 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
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	300.0	305.0	-5.0	280.0	285.0	15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	225.0	230.0	N/A
Steer Knuckles	265.0	270.0	270.0	275.0	-5.0	250.0	255.0	15.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year	Change from Last Year		
	17-Jan-20	10-Jan-20		18-Jan-19							
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<u>Domestic Cutouts</u>											
Choice Cutout	214.17			210.04			4.1	213.15			1.0
Select Cutout	212.75			206.55			6.2	209.45			3.3
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	235.5	252.0	243.1	238.5	248.0	241.7	1.4	193.9	206.8	201.7	41.3
85 CL Beef Trimmings	208.0	222.1	214.6	203.0	228.1	213.4	1.2	160.0	177.0	168.6	46.0
50 CL Beef Trim	64.0	81.0	71.5	56.8	74.0	66.8	4.8	46.0	70.4	58.9	12.6
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	19.5	39.5	25.9	18.7	43.5	24.5	1.4	17.9	37.3	22.5	3.4
72 CL Pork Trim	65.7	100.8	72.2	62.0	82.3	67.2	5.0	39.0	69.3	53.3	18.9
<u>Point of Lean Values</u>											
90 CL Domestic	270.1			268.6			1.5	224.1			45.9
50 CL Beef Trimming	143.0			133.5			9.5	117.8			25.2
42 CL Pork Trim	61.6			58.3			3.3	53.6			8.0
72 CL Pork Trim	100.3			93.3			7.0	74.0			26.2
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	124.15			124.05			0.1	123.82			0.3

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	17-Jan-20	10-Jan-20			18-Jan-19	
<u>Live Cattle Futures</u>						
February '20	126.350	127.425	↓	-1.07	126.525	↓ -0.17
April '20	127.250	127.950	↓	-0.70	127.375	↓ -0.13
June '20	119.200	119.775	↓	-0.58	117.450	↑ 1.75
August '20	116.775	117.275	↓	-0.50	113.600	↑ 3.18
<u>Feeder Cattle Futures</u>						
January '20	145.350	147.600	↓	-2.25	141.450	↑ 3.90
March '20	145.000	147.450	↓	-2.45	142.825	↑ 2.18
April '20	147.875	150.050	↓	-2.18	144.400	↑ 3.47
May '20	149.450	151.200	↓	-1.75	145.050	↑ 4.40
<u>Corn Futures</u>						
March '20	389.250	385.750	↑	3.50	381.750	↑ 7.50
May '20	395.250	392.750	↑	2.50	390.000	↑ 5.25
July '20	401.000	399.500	↑	1.50	397.250	↑ 3.75
September '20	400.250	400.500	↓	-0.25	399.750	↑ 0.50
<u>Ch Wheat Futures</u>						
March '20	570 1/2	564 1/2	↑	6.00	517 3/4	↑ 52.75
May '20	571 1/4	566 1/2	↑	4.75	523 1/2	↑ 47.75
July '20	570 1/2	568 1/4	↑	2.25	528 3/4	↑ 41.75
September '20	575 3/4	573 3/4	↑	2.00	536 3/4	↑ 39.00

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	18-Jan-20	11-Jan-20			19-Jan-19	
<u>Total Cattle Slaughter</u>	631,000	640,000	↓	-9,000	626,000	↑ 5,000
	4-Jan-20	28-Dec-19			5-Jan-19	
<u>Total Cow Slaughter</u>	113,332	98,200	↑	15,132	103,454	↑ 9,878
<u>Dairy Cow Slaughter</u>	53,826	47,279	↑	6,547	53,210	↑ 616
<u>Beef Cow Slaughter</u>	59,506	50,921	↑	8,585	50,244	↑ 9,262

TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

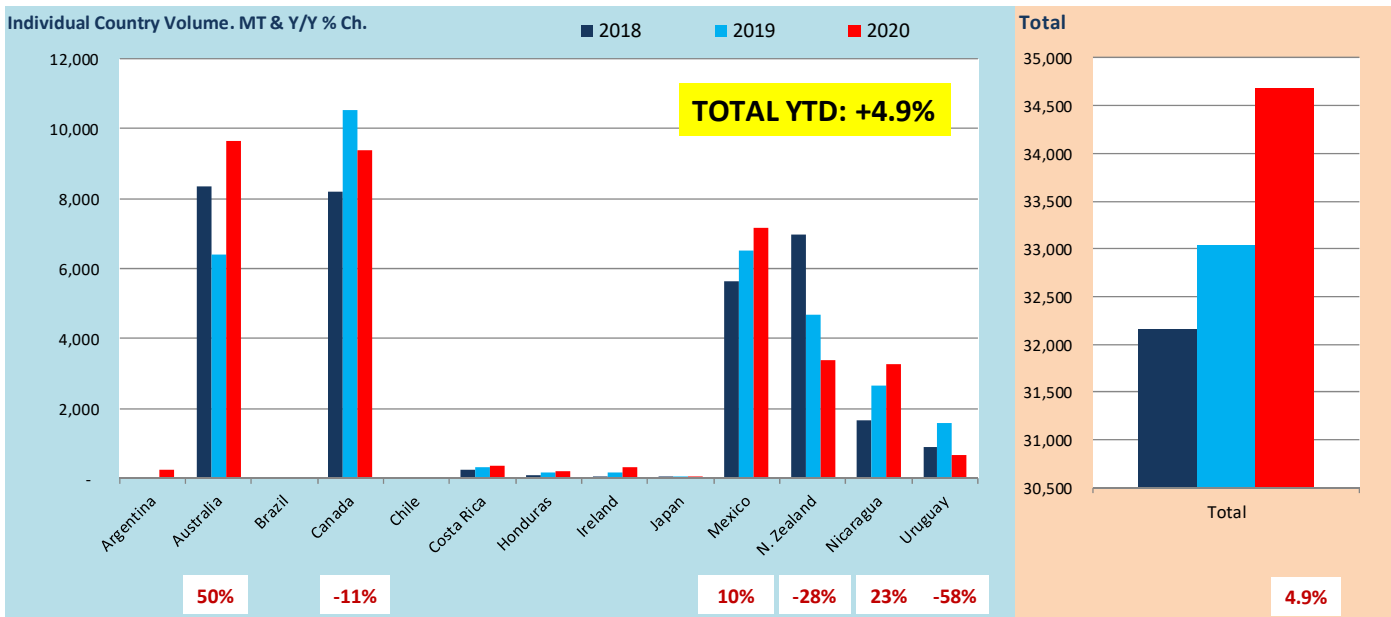
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 2	1/12/2019	1/11/2020		
Argentina	-	256		
Australia	6,420	9,660	3,240	50.5%
Brazil	-	-	-	
Canada	10,525	9,379	(1,146)	-10.9%
Chile	-	-	-	
Costa Rica	313	368	55	17.6%
France	-	-	-	
Honduras	154	193	39	25.3%
Ireland	188	342	154	81.9%
Japan	18	19	1	5.6%
Mexico	6,509	7,159	650	10.0%
Netherlands	-	-	-	
New Zealand	4,686	3,372	(1,314)	-28.0%
Nicaragua	2,641	3,250	609	23.1%
Spain	-	-	-	
Uruguay	1,583	672	(911)	-57.5%
Total	33,037	34,672	1,635	4.9%

Source: AMS - USDA

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

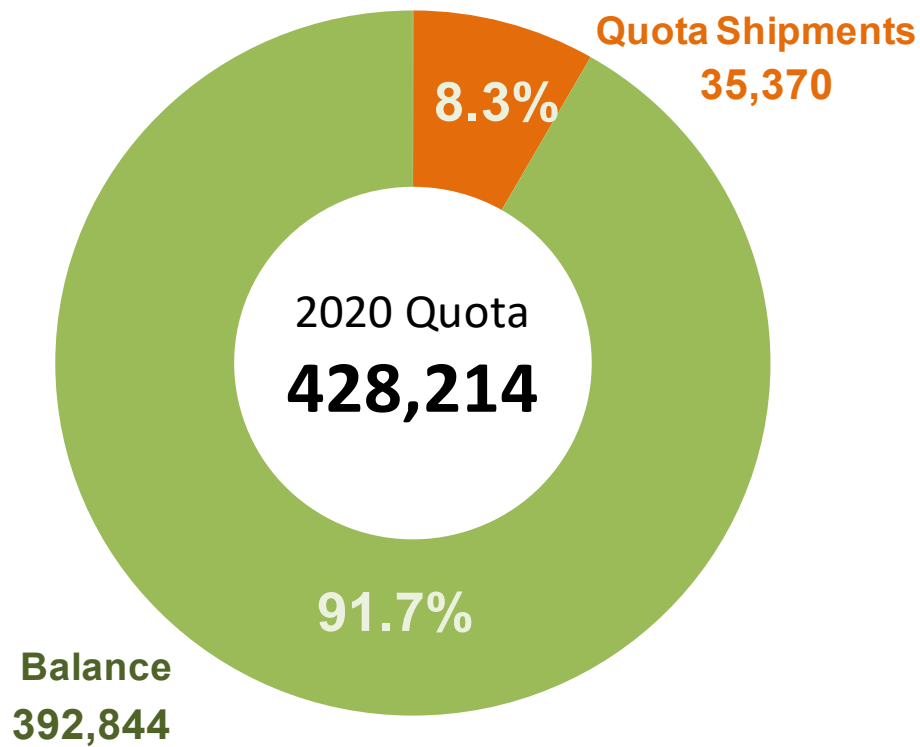
Imports as of January 11, 2020



Australian Beef Quota Position

16-Jan-20

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending January 13. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting

