



# US Imported Beef Market

## A Weekly Update

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### Market Highlights for the Week:

- Imported beef prices modestly improved last week, especially for lean and extra lean grinding product. Offerings from Australia and New Zealand were limited and higher prices for domestic lean beef caused end users to offer somewhat higher bids for product.
- The spread of Coronavirus in China presents significant short term risks and could disrupt the flow of beef into that market this spring. It is still too early to say what impact the disease is having on trade but early reports note significant logistical disruptions and foodservice/processor operations in China.
- US cattle inventory on January 1 was down 0.4% from a year ago, in line with expectations. The beef cow herd was down 1.2% and total cow inventory was down 1%.
- Calf crop was down 0.7% in 2019. That smaller calf crop and the decline in the cow herd implies lower cattle supplies and limited beef supply growth in late 2020 and 2021. US cow slaughter this year is expected to be 2-5% lower than a year ago.

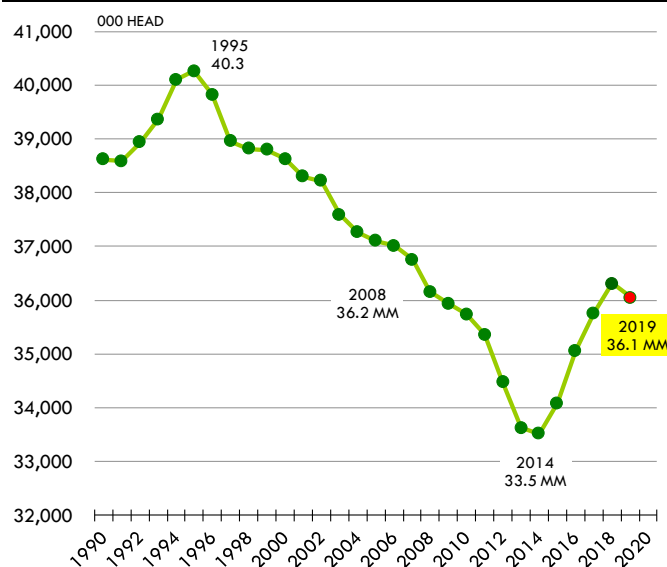
### Imported Market Activity for the Week

Imported beef prices in the US market were **steady to higher last week on limited offerings** from overseas packers, especially Australia. New Zealand supplies of bull meat seasonally decline in the next few weeks and packers there appear content with their current book of sales and seem in no big rush to push more orders. Australian offerings were somewhat limited, in part because improving moisture conditions appear to have limited the number of cattle coming to market while cattle prices have increased. With

that said, one gets the sense that this is a bit of the calm before the storm. The spread of the Novel Coronavirus in China could significantly impact demand in the near term and upend plans for big sales to China this spring. Noone knows how the disease will progress but, in the very near term, the outbreak has resulted in significant disruptions in logistics. Additionally, reports from private sources as well as wire reports note foodservice operators are seeing major negative impacts on their operations. This ranges from employees not showing up for work to people avoiding public spaces, resulting in a significant decline in foot

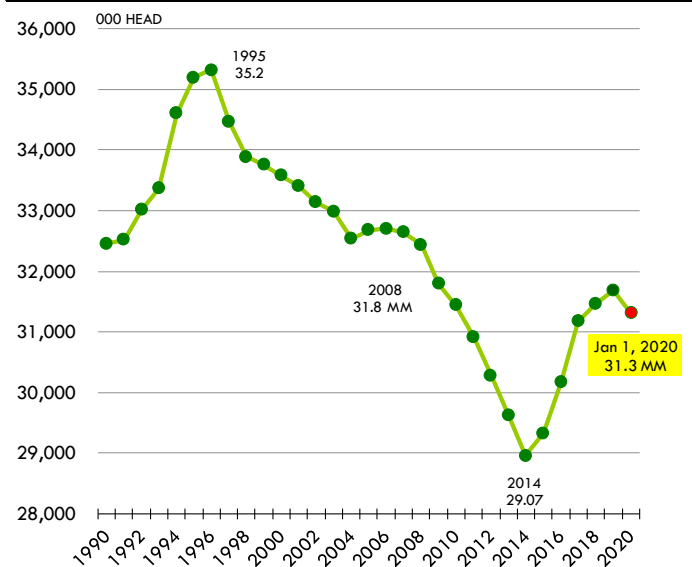
### USA ANNUAL CALF CROP

Source: USDA-NASS



### USA JANUARY 1 BEEF COW INVENTORY

Source: USDA-NASS

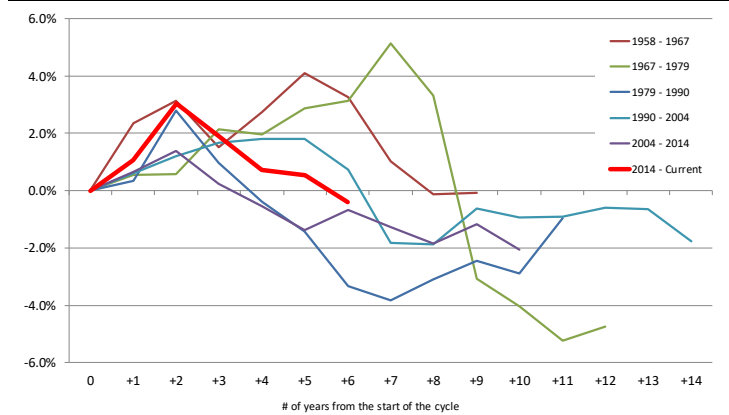


traffic. We would argue that foodservice and processing are the two primary channels for imported meat protein in China. In the near term this is negative for global beef prices, potentially resulting in a slowdown of imported beef flows into that market. Additionally, the disease is expected to negatively impact Chinese GDP and consequently disposable incomes, one of the key drivers of beef demand. US livestock futures have declined sharply in the last few days as participants see significant downside risk, at least in the near term. While the outbreak of SARS offers some parallels, it is important to note that the world protein market is very different today than it was back then. China has become the largest global importer of meat protein and a slowdown in China demand could have much more significant repercussions. But these are the early days of the disease and much will depend on the ability of Chinese and other governments to contain the fallout from this outbreak.

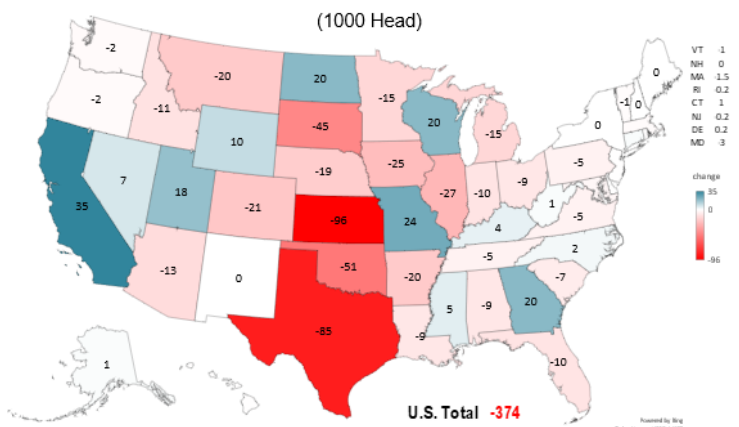
**US cattle inventories and medium/long term outlook for US beef supplies**

While the spread of the Coronavirus represents an immediate concern for market participants, it is also important to also keep an eye on some of the longer term trends and what that implies for beef price inflation down the road. Last week USDA issued its semi-annual update on US cattle supply situation and revised data on calf production for the past 12 months. **According to the report, the total inventory of cattle and calves as of January 1, 2020 was estimated to be 94.413 million head, 0.4% lower than the previous year.** Prior to report estimates analysts were expecting the inventory to be down 0.5%. But even as the decline in the inventory was a bit smaller than previously expected, we view it as **bullish for cattle prices in late 2020 and in 2021.** This is because both the calf crop and the size of the beef cow herd came in below pre-report estimates. The total inventory of beef and dairy cows was 40.651 million head, 393k head or 1% lower than the year before, about 0.2 points higher than pre-report estimates. **The inventory of beef cows at 31.317 million head was 1.2% lower, the first decline in the January inventory since 2014.** Prior to the report analysts were also expecting the inventory of dairy cows to be down 1.2%, a number that was sure to be wrong since USDA estimates the dairy herd on a monthly basis.

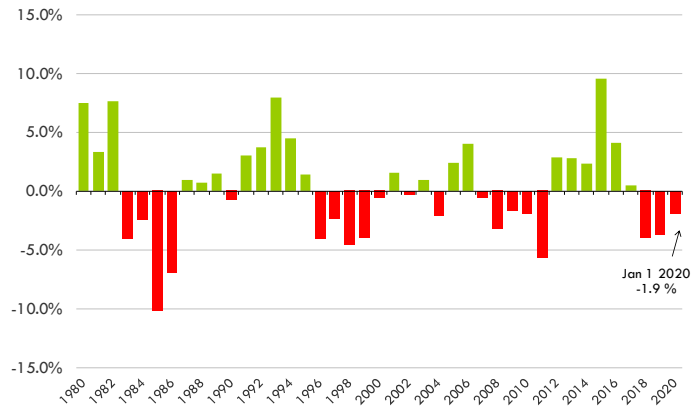
Comparing US Cattle Cycles of the Last +50 Years  
Y/Y Change in Cattle Inventories.



**Change in US Beef Cow Inventories: 2019 to 2010. '000 Head**  
Data source: USDA-NASS. Map prepared by LMIC.



HEIFERS HELD BACK FOR BEEF COW HERD REBUILDING  
JANUARY 1 SURVEY, YEAR OVER YEAR % CHANGE, USDA



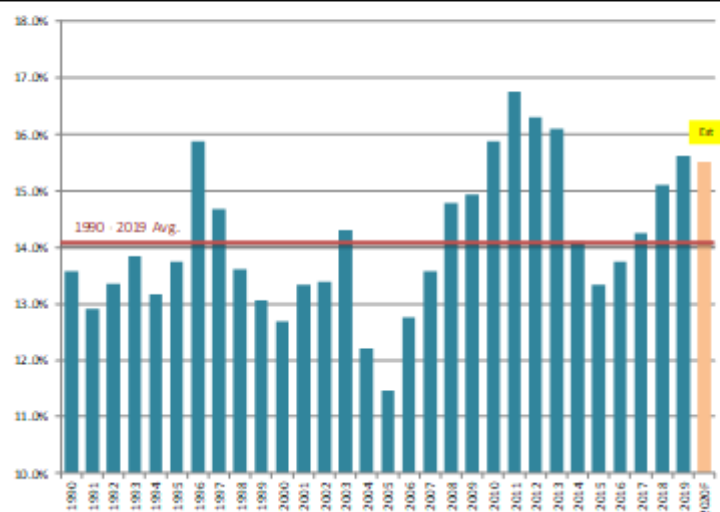
The dairy herd as of January 1 was only 0.2% lower than the previous year.

The decline in the beef and dairy cow herd in 2019 resulted in a smaller than expected calf crop. In July USDA estimated the calf crop for all of 2019 to be down 0.3% from the previous year. About two thirds of the calf crop is produced in the first half of the year so usually this estimate is quite reliable. However, USDA data showed that while the calf

## Cow Slaughter Outlook for 2020

### Ratio of Cow Slaughter vs. January 1 All Cow Inventory

Annual Data. Source: USDA



US cow slaughter in 2019:

**Beef cows: +166k/+5.5%**

**Dairy cows: +71/+2.3%**

Ratio of cow slaughter in 2019 vs. Jan 1, 2019 cow inventory was 15.6%, the third consecutive year the ratio surpassed the long run average of 14%. Assuming a ratio close to last year (15.5), implied cow slaughter for this year is expected to be down 2% from a year ago. Good pasture conditions and higher calf prices could bring the ratio down to the levels we saw in 2018, implying a 5% decline in US cow slaughter.

crop in the first half was down 0.4%, the calf crop in the second half of the year was down 1.6%. The calf crop for the entire 2019 was estimated at 36.060 million head, 253k head or 0.7% lower than a year ago. Pre-report estimates were looking for a 0.4% decline. The smaller than expected beef cow herd and the smaller calf crop are the two main reasons why we see this report as supportive for cattle prices in the fall of 2020 and in 2021. There is little impetus for growth in the US cattle industry at this time. The produce survey indicated that cow-calf operators retained 5.772 million head of cattle for beef cow herd replacement in 2019, 1.9% less than a year ago. This was the lowest beef cow replacement number since 2014. Dairy cow replacement was down 1.4%. The survey also showed that the supply of other heifers, i.e. heifers destined for the feedlot, was only 0.8% higher than last year. Pre-report estimates were looking for a 2.3% increase. Feedlots have been placing heifers more aggressively on feed this year, which limited the supply of heifers available for placement on January 1. Also, beef producers retained a few more heifers for replacement than analysts were expecting. The supply of steers over 500 pounds was estimated to be down 0.5% compared to a 0.3% increase that analysts were expecting. On the other hand, the supply of calves under 500 pounds was 199k head or 1.4% higher than last year. This was probably one of the more puzzling numbers in the report although not entirely unprecedented. We have seen cases in the past where the calf crop has been down and yet the number of under 500lb

calves on January 1 was higher y/y. This is the biggest discrepancy that we could find in the last 20 years, however. Even with the increase in this category, the total supply of cattle outside feedlots is calculated at 26.448 million head, 106k head or 0.4% lower than a year ago. The supply of cattle on feed as of January 1 was 14.668 million head, 2.1% higher than a year ago. This compares to the inventory in +1000 head capacity lots that were up 2.3% y/y.

**Bottom line:** US herd expansion has come to an end. The smaller calf crop in 2019 and the expected lower crop in 2020 will tend to further reduce cattle numbers in the US. At this point we expect the cow cull rate in 2020 to be slightly under 2019 due to somewhat better cow-calf returns and higher calf prices. Pasture conditions this spring and, even more importantly, fed cattle values will play a key role in the cull rate. If the culling rate drops to the levels we saw in 2018, an entirely plausible scenario, we could see US cow slaughter decline as much as 5% in 2020.

# 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
	30-Jan-20	23-Jan-20		31-Jan-19	
CME FEEDER CATTLE INDEX	142.38	144.84	-1.7%	141.86	0.4%
	31-Jan-20	24-Jan-20		1-Feb-19	
FED STEER (5-MKT AVG)	122.73	124.29	-1.3%	123.31	-0.5%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	91.00	90.50	0.6%	93.00	-2.2%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	101.50	101.00	0.5%	95.00	6.8%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	102.50	100.00	2.5%	88.00	16.5%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	187.85	186.95	0.5%	154.79	21.4%

### 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
	31-Jan-20	24-Jan-20	24-Jan-20	31-Jan-20		1-Feb-19		
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	240.0	242.0	235.0	240.0	2.0	210.0	212.0	30.0
<b>90 CL Blended Cow</b>	225.0	230.0	220.0	225.0	5.0	200.0	202.0	28.0
<b>90 CL Shank</b>		225.0	225.0	230.0	-5.0	200.0	201.0	24.0
<b>85 CL Fores</b>	210.0	215.0	210.0	215.0	0.0	188.0	189.0	26.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	239.0	240.0	233.0	237.0	3.0	208.0	210.0	30.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, CIF</u></b>								
<b>85 CL Trimmings</b>	210.0	215.0	210.0	215.0	0.0	187.0	188.0	27.0
<b>80 CL Trimmings</b>		205.0	200.0	205.0	0.0	173.0	174.0	31.0
<b>75 CL Trimmings</b>		195.0	190.0	195.0	0.0		UNQ	N/A
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	290.0	295.0	290.0	295.0	0.0	275.0	280.0	15.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		UNQ		UNQ	N/A	220.0	225.0	N/A
<b>Steer Knuckles</b>	260.0	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
	31-Jan-20	24-Jan-20	24-Jan-20	17-Jan-20		1-Feb-19	1-Feb-19	
<b><u>US East Coast Australian/NZ Lean, FOB US Port</u></b>								
95 CL Bull, E. Coast	256.0	260.0	255.0	260.0	0.0	221.0	223.0	37.0
90 CL Blended Cow	239.0	240.0	238.0	240.0	0.0	206.0	207.0	33.0
90 CL Shank		240.0		245.0	-5.0	205.0	206.0	34.0
85 CL Fores		225.0	220.0	225.0	0.0	193.0	194.0	31.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	255.0	260.0	250.0	255.0	5.0	219.0	220.0	40.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, FOB US Port</u></b>								
85 CL Trimmings	224.0	225.0	220.0	225.0	0.0	192.0	193.0	32.0
80 CL Trimmings		215.0		215.0	0.0	183.0	184.0	31.0
75 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast Australian Cuts, FOB US Port</u></b>								
Cap Off Steer Insides	300.0	305.0		305.0	0.0		285.0	20.0
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	270.0	275.0	270.0	275.0	0.0	240.0	245.0	30.0

**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	
	<b>31-Jan-20</b>			<b>24-Jan-20</b>				<b>1-Feb-19</b>	
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low High Wt.Avg	
<b><u>Domestic Cutouts</u></b>									
<b>Choice Cutout</b>		213.00			214.49		-1.5	214.26	-1.3
<b>Select Cutout</b>		210.66			210.70		0.0	213.15	-2.5
<b><u>Domestic Lean Grinding Beef</u></b>									
<b>90 CL Boneless</b>	242.0	248.0	245.3	242.0	252.0	244.1	1.2	201.0 212.0 206.9	38.3
<b>85 CL Beef Trimmings</b>	212.0	218.0	215.0	208.0	224.1	215.5	-0.5	167.0 180.0 172.6	42.4
<b>50 CL Beef Trim</b>	46.0	71.5	64.8	58.0	84.0	72.8	-8.1	48.0 69.4 58.0	6.8
<b><u>Domestic Pork Trim</u></b>									
<b>42 CL Pork Trim</b>	18.0	39.3	25.0	19.5	48.5	27.3	-2.4	24.0 44.5 29.2	-4.2
<b>72 CL Pork Trim</b>	57.0	79.3	65.2	68.0	104.8	75.5	-10.3	50.9 73.3 58.0	7.2
<b><u>Point of Lean Values</u></b>									
<b>90 CL Domestic</b>		272.5			271.2		1.3	229.9	42.6
<b>50 CL Beef Trimming</b>		129.5			145.7		-16.1	115.9	13.6
<b>42 CL Pork Trim</b>		59.4			65.1		-5.7	69.5	-10.1
<b>72 CL Pork Trim</b>		90.6			104.9		-14.3	80.6	10.0
<b><u>National Direct Fed Steer (5-day accum. wt. avg. price)</u></b>		122.73			124.29		-1.6	123.31	-0.6

**TABLE 5 – FUTURES AND SLAUGHTER INFORMATION**

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	<b>31-Jan-20</b>	<b>24-Jan-20</b>			<b>1-Feb-19</b>	
<b><u>Live Cattle Futures</u></b>						
February '20	121.375	124.850	↓	-3.47	125.450	↓ -4.08
April '20	119.675	124.300	↓	-4.63	126.275	↓ -6.60
June '20	111.575	116.025	↓	-4.45	116.150	↓ -4.58
August '20	109.775	113.625	↓	-3.85	113.000	↓ -3.22
<b><u>Feeder Cattle Futures</u></b>						
March '20	136.075	139.675	↓	-3.60	142.525	↓ -6.45
April '20	137.525	142.500	↓	-4.97	144.000	↓ -6.47
May '20	139.700	144.475	↓	-4.77	144.600	↓ -4.90
August '20	146.875	151.300	↓	-4.43	148.700	↓ -1.82
<b><u>Corn Futures</u></b>						
March '20	381.250	387.250	↓	-6.00	378.250	↑ 3.00
May '20	386.500	392.750	↓	-6.25	387.000	↓ -0.50
July '20	391.000	397.750	↓	-6.75	394.750	↓ -3.75
September '20	387.750	395.750	↓	-8.00	397.500	↓ -9.75
<b><u>Ch Wheat Futures</u></b>						
March '20	553 3/4	573 1/2	↓	-19.75	524 1/4	↑ 29.50
May '20	552 1/2	572 1/2	↓	-20.00	528 1/4	↑ 24.25
July '20	552 1/2	573	↓	-20.50	532	↑ 20.50
September '20	559	578 1/4	↓	-19.25	539 1/2	↑ 19.50

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	<b>1-Feb-20</b>	<b>25-Jan-20</b>			<b>2-Feb-19</b>	
<b>Total Cattle Slaughter</b>	637,000	647,000	↓	-10,000	593,000	↑ 44,000
	<b>18-Jan-20</b>	<b>11-Jan-20</b>			<b>19-Jan-19</b>	
<b>Total Cow Slaughter</b>	133,667	138,556	↓	-4,889	129,845	↑ 3,822
<b>Dairy Cow Slaughter</b>	67,173	70,951	↓	-3,778	70,755	↓ -3,582
<b>Beef Cow Slaughter</b>	66,494	67,605	↓	-1,111	59,090	↑ 7,404



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

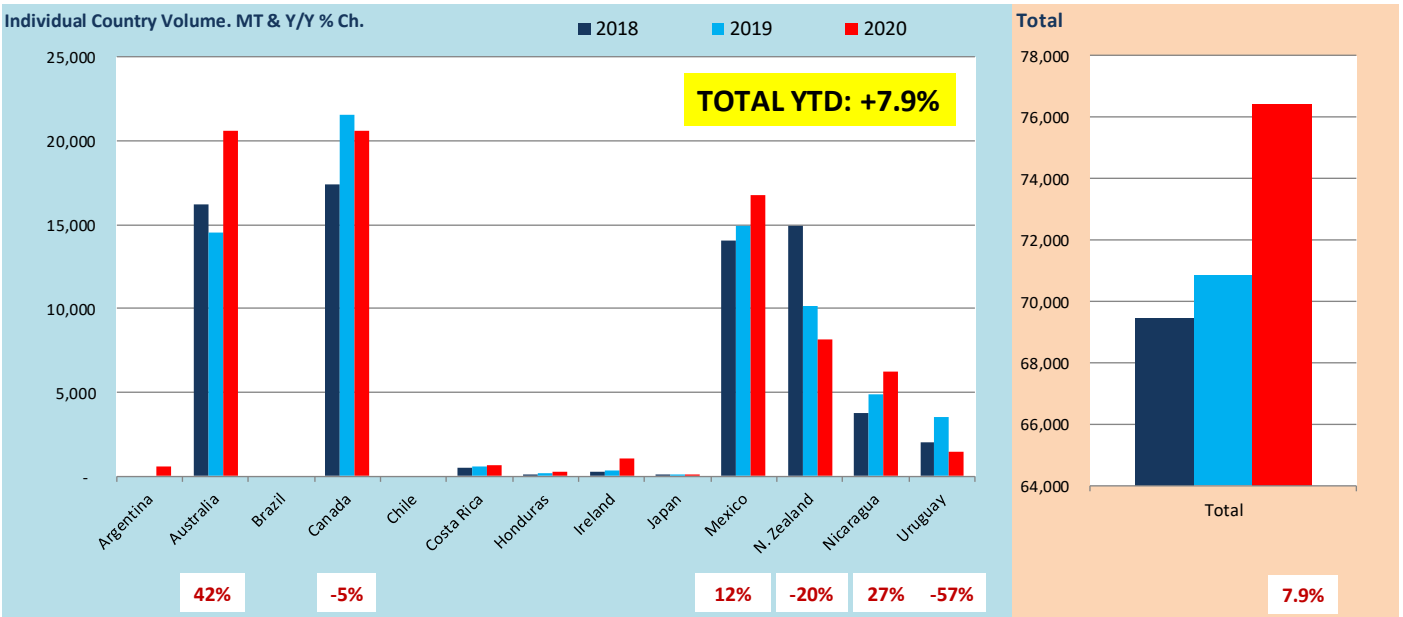
## YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 4	1/26/2019	1/25/2020		
Argentina	-	580		
Australia	14,509	20,556	6,047	41.7%
Brazil	-	-	-	
Canada	21,550	20,574	(976)	-4.5%
Chile	-	-	-	
Costa Rica	622	707	85	13.7%
France	-	-	-	
Honduras	192	290	98	51.0%
Ireland	318	1,039	721	226.7%
Japan	91	39	(52)	-57.1%
Mexico	14,960	16,740	1,780	11.9%
Netherlands	-	-	-	
New Zealand	10,167	8,183	(1,984)	-19.5%
Nicaragua	4,896	6,227	1,331	27.2%
Spain	-	-	-	
Uruguay	3,542	1,508	(2,034)	-57.4%
<b>Total</b>	<b>70,848</b>	<b>76,443</b>	<b>5,595</b>	<b>7.9%</b>

Source: AMS - USDA

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

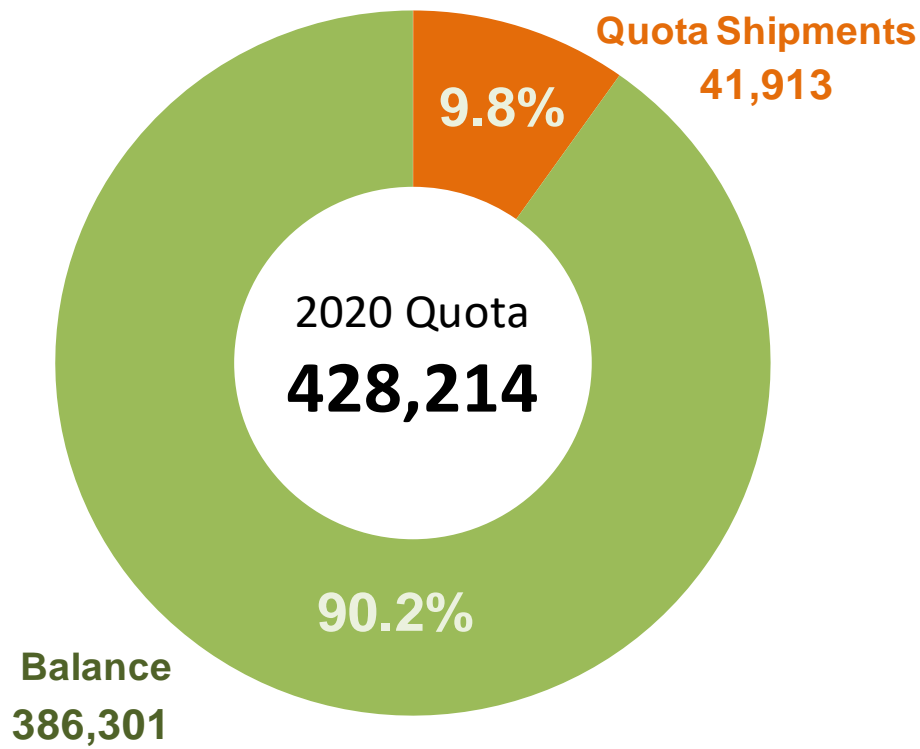
Imports as of January 25, 2020



# Australian Beef Quota Position

29-Jan-20

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending January 27. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting

