



US Imported Beef Market

A Weekly Update

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Market Highlights for the Week:

- Imported beef prices continue to trade near par with domestic product as lean beef supply available from overseas packers has not increased as much as participants had hoped.
- Offerings from New Zealand remain limited, with more product currently going to the Chinese market.
- Australia beef exports for March are currently projected to be around 100k MT, 9% higher than a year ago. Exports to China could be as much as 60% higher than the previous year.
- Price inflation expectations for spring and summer have shifted as market contemplates the effect of meat supply hole in China as a result of ASF.
- China beef imports in January were up by more than 50% compared to a year ago. USDA currently forecasting China beef imports up 20% in 2019, a very conservative estimate based on current trends and the potential for a huge drop in domestic pork production/consumption
- USDA feedlot inventory survey shows March 1 total on feed supply was 0.7% higher than a year ago, 1 pct point higher than analysts were expecting. March flooding and poor feedlot conditions will temper the somewhat bearish implications of the latest COF survey. Beef cold storage numbers were lower than January but remain above year ago levels.

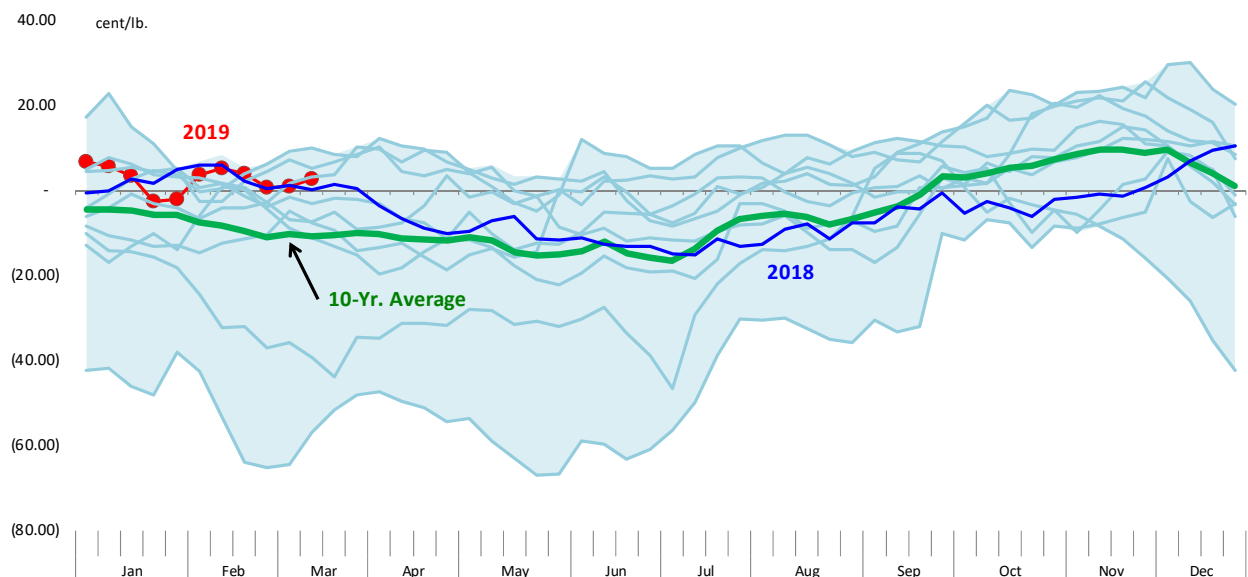
Imported Market Activity for the Week

Imported beef prices continued to hold a firm undertone for the week as buyers contend with a shift in forward inflation expectations. Overseas suppliers appear to be well sold at this point despite higher slaughter in Australia and New Zealand. China demand dominates conversations at this point and export data confirms the outsize role that China market is now having in the global meat protein markets.

At the start of the year much was made of the increase in overall meat protein supplies and the potential impact this could have on prices, especially if the US and global economy slowed down. At the time equity markets were heading lower and participants perceived more downside risk. In such an environment buyers were naturally reluctant to extend forward coverage and their customers were looking for savings. Three months later, equity markets are up, crude oil prices have rallied and China is facing a dramatic hole in its meat pro-

Imported Frozen 90CL Beef Trimmings Minus Domestic Fresh 90CL Boneless Beef: 2009 -2019

Weekly Price Data. Source: USDA for Domestic Beef and Urner Barry for Imported Beef



tein supply due to the dramatic spread of African Swine Fever (ASF). USDA recently updated its China supply/demand forecasts for beef and pork, showing that supplies of domestic produced beef and pork are expected to be down considerably and more imports will be required in order to fill some of the gap. Please note that the numbers in the table to the right are on a carcass weight basis. Some of the export statistics available are on a product weight basis. At this time market participants are pondering the size of the pork supply hole. Additionally, there is a lot of speculation as to how this will affect demand for beef and other meat protein items. In the case of beef, China has been unsuccessful in expanding its domestic supply. The main challenge, as USDA also notes, has been the inability of producers to expand the cow-calf sector. This is extremely resource intensive and producers lack both the resources and the genetic base to expand. Calf prices as a result are extremely high and the primary way in which producers are increasing production is by getting cattle to heavier carcass weights. Faced with limited domestic supplies Chinese buyers have had to rely more on beef imports. USDA estimates China beef imports in 2018 increased by 376k MT on a carcass weight basis (around 260k MT product wt), 38% higher than the previous year. We think this number may be revised higher. Our data shows imports on a product weight basis was up almost 350k MT or 50% higher than the previous year. At this time USDA is expecting China beef imports to be up 20% compared to a year ago. Our working estimate is that China beef imports will increase an additional 30% in 2019. It is important to remember that China-Australia FTA resulted in a further reduction in tariffs on Australian beef. Tariffs on Australian beef prior to CHAFTA ranged from 12 to 25%. As of January 1, 2019 the tariff on frozen boneless Australian beef was 6% compared to 7.2% the previous year. Those tariffs will continue to be lowered going forward but there will also be a safeguard in place that will tend to cap volumes.

Bottom line: China meat imports are expected to be explosive in 2019 as the country tries to moderate the effect of a sharp decline in per capita meat availability and rising domestic food price inflation.

US total beef imports are up for the year but this is mostly due to more beef coming from

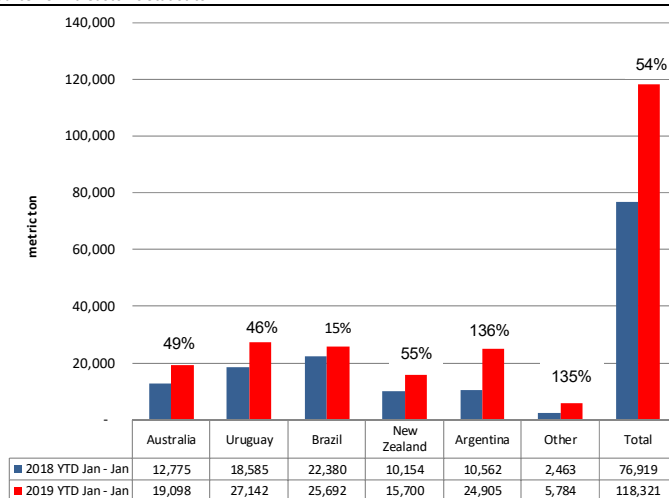
China Beef and Pork Supply Demand. MT/Carcass Wt.

Source: USDA Attache Report Issued March 15, 2019

Beef	2017	2018	2019	y/y MT	y/y %
	--- mil. MT ---				
Production	6.346	6.440	6.500	0.060	0.9%
Imports	0.974	1.350	1.620	0.270	20.0%
Total Supply	7.320	7.790	8.120	0.330	4.2%
Exports	0.017	0.016	0.015	-0.001	-6.3%
Dom. Cons.	7.303	7.774	8.105	0.331	4.3%
Pork	2017	2018	2019	y/y MT	y/y %
Production	54.518	54.040	51.350	-2.690	-5.0%
Imports	1.620	1.561	2.000	0.439	28.1%
Total Supply	56.138	55.601	53.350	-2.251	-4.0%
Exports	0.208	0.190	0.170	-0.020	-10.5%
Dom. Cons.	55.930	55.411	53.180	-2.231	-4.0%

China Imports of Fresh and Frozen Beef, YTD. Product Wt. Basis

Source: China Customs Statistics



Canada and Mexico. In the four weeks ending March 16 beef imports from traditional suppliers of lean beef are down about 8% compared to the same period a year ago. Since the start of the year imports from lean beef suppliers are down an average 9% compared to a year ago. This shortfall is primarily due to a sharp reduction in imports from New Zealand. While New Zealand cow slaughter was higher in late February and into March, little of that additional supply came to the US market. Rather, it went to fill ever increasing orders from China.

US Cattle On Feed as of March 1

USDA published the results of its ‘Cattle on Feed’ survey on Friday afternoon and all the **key numbers in the report were on the bearish end of the range**. Futures on Monday may decide to shrug off the report given the spike in hog prices and poor feedlot conditions across much of the country. The on feed numbers, however, may help temper some of that bullishness.

Marketings: Feedlots marketed 1.683 million head of cattle in February, 0.5% more than a year ago. Analysts expected marketings to be 0.8% higher than last year. The marketing rate in February, i.e. the ratio of marketings to the +90 day cattle inventory, was 27.3%. This was lower than the 28.5% last year and 28.1% for the five year average. The marketing rate is expected to rebound in March but should be close to the 30% we saw a year ago. Weather disruptions have negatively affected the movement of cattle from feedlots into slaughter plants. Producers remain quite current and robust marketings in April are critical to clear up a feedlot supply that is very much front loaded.

Placements: Analysts polled ahead of the report on average expected placements in February to be down 3.8% compared to the previous year. The USDA survey pegged placements for the month at 1.857 million head, 2.2% higher than a year ago and outside the range of expectations. This is the largest February placement number since 2000.

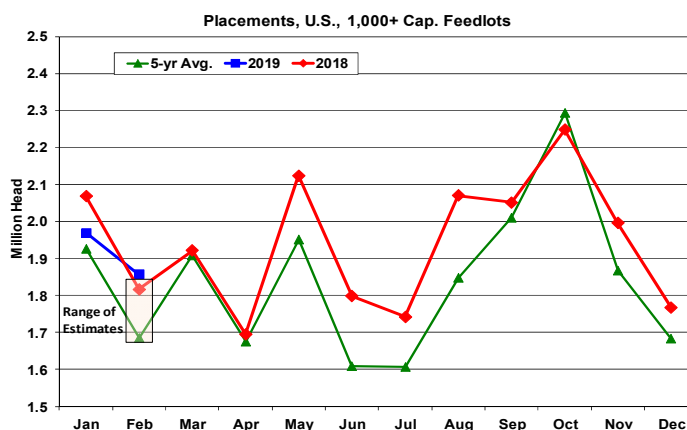
The survey result is a reminder that anecdotal evidence is no substitute for good analysis. Some analysts were expecting a sharp decline in placements, in part because they focused on poor feedlot conditions in places like Nebraska and Kansas. However, ample supplies and lower prices for feeder cattle proved to be a strong inducement for feedlots during the month. Placements in Nebraska, a state that has struggled with poor feedlot conditions, were 15,000 head or 3.4% higher than a year ago. Placements in Iowa were also 15,000 head but due to the smaller inventory this increase represents a 13% jump over the previous year. Placements in Colorado were up 20,000 head or 12% vs. last year while placements in Texas were up just 5,000 head or 1.4%.

The supply of long fed cattle remains above year ago levels. This has helped keep prices in check in the near term. The inventory of cattle

U.S. ALL CATTLE ON FEED: 1,000+ CAPACITY FEEDLOTS

Source: USDA/NASS. Analyst Estimates from Urner Barry

	Number, Thousand Head			Current Year as % of Year Prior		
	2017	2018	2019	Actual	Estimates	Difference
Placed on Feed During Feb	1,694	1,817	1,857	102.2	96.2	6.0
Fed Cattle Marketed in Feb	1,648	1,675	1,683	100.5	100.8	-0.3
On Feed March 1	10,772	11,715	11,796	100.7	99.7	1.0



that, as of March 1, had spent 150 days or more on feed was estimated to be 2.310 million head, 22.7% higher than a year ago. The inventory of +120 day cattle was estimated at 4.489 million head, 6.8% higher than a year ago. This is the highest March inventory of +120 day cattle since March 2012. That year a very strong marketing pace during April, May and June helped set the stage for more robust cattle prices later in the year. Will that happen again this year?

Cattle placements were up about 40,000 head or 2.2% compared to a year ago. The increase came from both more light cattle placed on feed +15,000 head but so 22,000 additional cattle between 800 and 899 pounds. Ample front end supplies and higher placements of heavy cattle should help keep sustain fed cattle slaughter in April, May and June. In the short term, however, the focus will be on feedlot conditions, cattle weight gains and export demand due to the spread of African Swine Fever in China.

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
	21-Mar-19	14-Mar-19		22-Mar-18	
CME FEEDER CATTLE INDEX	141.02	137.65	2.4%	137.98	2.2%
	22-Mar-19	15-Mar-19		23-Mar-18	
FED STEER (5-MKT AVG)	127.85	127.19	0.5%	126.09	1.4%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	94.00	101.50	-7.4%	101.50	-7.4%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	97.00	103.50	-6.3%	108.50	-10.6%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	89.00	96.50	-7.8%	107.00	-16.8%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	168.24	167.51	0.4%	154.79	8.7%

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
	22-Mar-19	226.0	15-Mar-19	223.0		23-Mar-18		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	224.0	226.0	220.0	223.0	3.0	222.0	224.0	2.0
90 CL Blended Cow	210.0	212.0	208.0	211.0	1.0	210.0	212.0	0.0
90 CL Shank	210.0	212.0	208.0	209.0	3.0	210.0	212.0	0.0
85 CL Fores	194.0	195.0	193.0	194.0	1.0	193.0	196.0	-1.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	222.0	224.0	219.0	221.0	3.0	221.0	223.0	1.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	193.0	194.0	191.0	193.0	1.0	191.0	193.0	1.0
80 CL Trimmings		UNQ	176.0	177.0	N/A	177.0	180.0	N/A
75 CL Trimmings		UNQ	170.0	174.0	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	280.0	290.0	275.0	280.0	10.0	290.0	295.0	-5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	235.0	240.0	230.0	235.0	5.0		UNQ	N/A
Steer Knuckles	250.0	255.0	250.0	255.0	0.0	250.0	255.0	0.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	22-Mar-19	23-Mar-18	15-Mar-19	16-Mar-18		23-Mar-18	23-Mar-17	
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	235.0	236.0	232.0	234.0	2.0	232.0	234.0	2.0
90 CL Blended Cow	220.0	222.0	217.0	218.0	4.0	217.0	219.0	3.0
90 CL Shank	218.0	219.0	216.0	217.0	2.0	217.0	218.0	1.0
85 CL Fores	205.0	206.0	201.0	203.0	3.0	203.0	205.0	1.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	233.0	234.0	230.0	232.0	2.0	229.0	232.0	2.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	203.0	205.0	200.0	202.0	3.0	201.0	203.0	2.0
80 CL Trimmings		UNQ	185.0	186.0	N/A	182.0	183.0	N/A
75 CL Trimmings		UNQ		UNQ	N/A	172.0	173.0	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	290.0	295.0	5.0	300.0	305.0	-5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	235.0	240.0	235.0	240.0	0.0		UNQ	N/A
Steer Knuckles	260.0	265.0	260.0	265.0	0.0	255.0	260.0	5.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year	Change from Last Year		
	22-Mar-19	15-Mar-19		23-Mar-18							
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<u>Domestic Cutouts</u>											
Choice Cutout	229.09			226.99			2.1	223.09			6.0
Select Cutout	218.64			217.34			1.3	216.40			2.2
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	214.0	221.0	217.5	214.0	220.0	216.3	1.3	217.0	222.0	218.3	-0.8
85 CL Beef Trimmings	186.0	200.5	192.9	182.0	216.3	192.7	0.2	188.9	215.0	191.6	1.3
50 CL Beef Trim	90.3	90.3	82.8	85.8	85.8	79.1	3.6	104.8	104.8	83.5	-0.7
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	23.2	55.7	32.1	20.0	44.0	25.4	6.7	36.5	55.2	43.2	-11.0
72 CL Pork Trim	51.0	76.3	62.8	43.0	78.8	51.4	11.4	63.4	71.0	66.3	-3.5
<u>Point of Lean Values</u>											
90 CL Domestic	241.7			240.3			1.4	242.6			-0.9
50 CL Beef Trimming	165.5			158.2			7.3	166.9			-1.4
42 CL Pork Trim	76.5			60.4			16.0	102.7			-26.3
72 CL Pork Trim	87.2			71.3			15.8	92.0			-4.8
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	127.85			127.19			0.7	126.09			1.8

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	22-Mar-19	15-Mar-19			23-Mar-18	
<u>Live Cattle Futures</u>						
April '19	129.725	129.100	↑	0.63	116.050	↑ 13.68
June '19	123.500	121.925	↑	1.58	106.200	↑ 17.30
August '19	120.025	117.725	↑	2.30	104.950	↑ 15.08
October '19	120.850	117.900	↑	2.95	108.925	↑ 11.93
<u>Feeder Cattle Futures</u>						
April '19	143.000	141.325	↑	1.68	135.700	↑ 7.30
May '19	148.800	146.925	↑	1.88	136.100	↑ 12.70
August '19	154.050	148.450	↑	5.60	137.300	↑ 16.75
September '19	159.325	153.550	↑	5.77	137.300	↑ 22.03
<u>Corn Futures</u>						
May '19	378 1/4	373 1/4	↑	5.00	377 1/4	↑ 1.00
July '19	387 1/2	382 1/4	↑	5.25	385 3/4	↑ 1.75
September '19	393 1/4	388 3/4	↑	4.50	392	↑ 1.25
December '19	400	396	↑	4.00	399 1/4	↑ 0.75
<u>Ch Wheat Futures</u>						
May '19	466	462 1/4	↑	3.75	460 1/4	↑ 5.75
July '19	470 3/4	468 1/4	↑	2.50	476 1/2	↓ -5.75
September '19	479 1/2	476 3/4	↑	2.75	492 1/2	↓ -13.00
December '19	494 1/4	491	↑	3.25	513 3/4	↓ -19.50

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	23-Mar-19	16-Mar-19			24-Mar-18	
<u>Total Cattle Slaughter</u>	631,000	597,000	↑	34,000	611,000	↑ 20,000
	9-Mar-19	2-Mar-19			10-Mar-18	
<u>Total Cow Slaughter</u>	129,346	127,464	↑	1,882	120,333	↑ 9,013
<u>Dairy Cow Slaughter</u>	72,654	71,494	↑	1,160	65,953	↑ 6,701
<u>Beef Cow Slaughter</u>	56,692	55,970	↑	722	54,380	↑ 2,312

TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

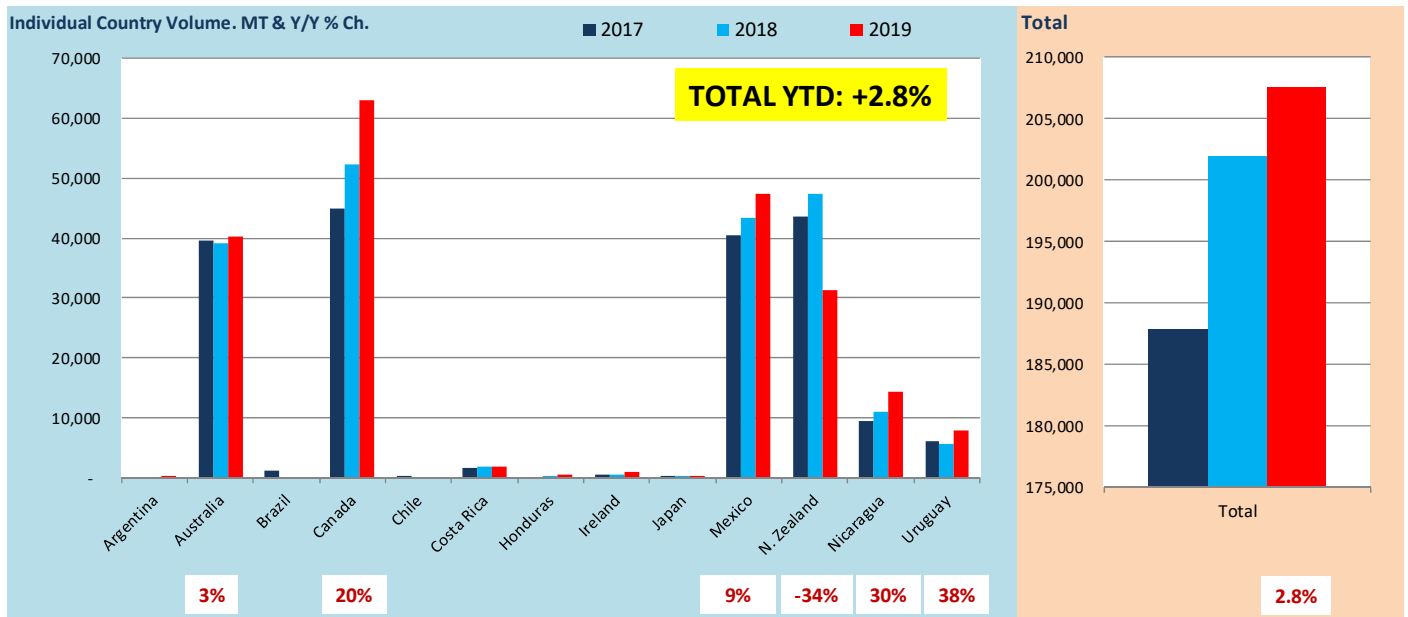
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 11	3/17/2018	3/16/2019		
Argentina	-	12		
Australia	39,080	40,201	1,121	2.9%
Brazil	-	-	-	
Canada	52,319	62,994	10,675	20.4%
Chile	-	-	-	
Costa Rica	1,798	1,847	49	2.7%
France	-	-	-	
Honduras	416	440	24	5.8%
Ireland	579	909	330	57.0%
Japan	185	198	13	7.0%
Mexico	43,334	47,420	4,086	9.4%
Netherlands	-	-	-	
New Zealand	47,463	31,353	(16,110)	-33.9%
Nicaragua	11,061	14,374	3,313	30.0%
Spain	-	-	-	
Uruguay	5,687	7,832	2,145	37.7%
Total	201,922	207,580	5,658	2.8%

Source: AMS - USDA

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

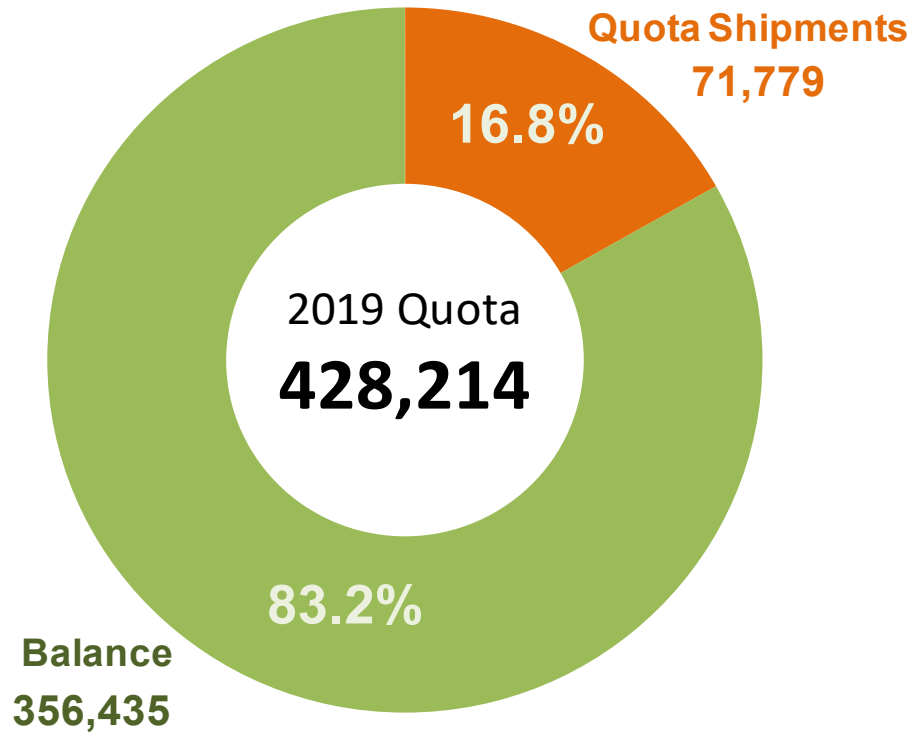
Imports as of March 16, 2019



Australian Beef Quota Position

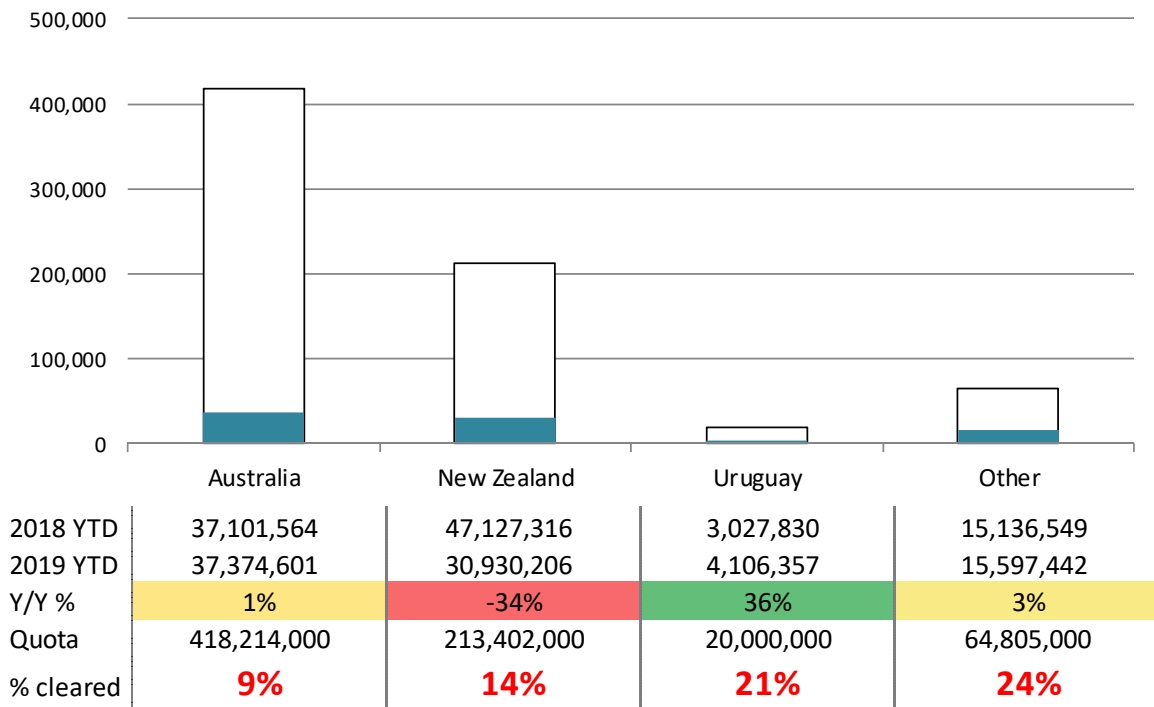
21-Mar-19

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending March 18

Source: US Customs



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