Daily Livestock Report

Sponsored in part by CME Group

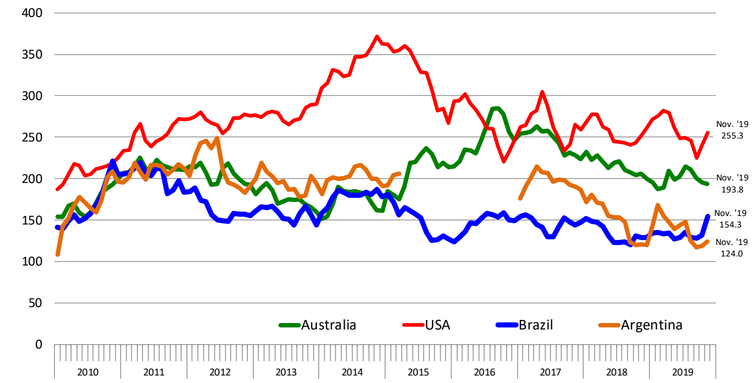
Vol. 18, No. 1 / January 2, 2020

USDA maintains a very good library of production and trade data for major countries and it is sometimes worth looking back and **recognize how much the world beef trade changed in the past decade**. As we have noted before in this report, the most significant trade shift has been **the rise of China as the biggest beef buyer in the world**. That shift started well before the spread of African Swine Fever in that country but it has accelerated since 2018. In November, Chinese imports of fresh/frozen beef were 185,991 MT, some 81,713 MT or 78% higher than the previous year. This volume is on a product weight basis so just converting to pounds and comparing to reported US production would not be exactly apples to apples. What should the conversion rate be? We really do not know but USDA-FAS uses a conversion rate of 1.4 for the 0201 and 0202 HS codes (beef & veal). If we use the same conversion, then Chinese beef imports in November were about 574 million pounds on a carcass weight basis, with the y/y increase representing a 252 million pound gain from the same period a year ago. Compare this to total US commercial beef production in November at 2.297 billion pounds (carcass wt.). For a long time, the United States, Japan, South Korea and to a lesser extent Russia were the biggest buyers of beef in the world market. Back in 2000, Japan beef imports were about 2.3 billion pounds (cwe), US beef imports were about 3 billion pounds and Russia was buying about 937 million pounds. China imports at the time were about 35 million pounds, an insignificant amount. By 2010, US imports had declined to about 2.3 billion, Japan was at 1.6 billion and China was still at just 88 million. **In 2019, China beef imports are projected at over 5 billion pounds compared to 1.9 billion for Japan, 1.4 billion for South Korea, 3 billion for the US and 970 million for Russia**.

How much have US producers benefited from this dramatic increase in China beef demand? So far the direct impact has been minimal although there have been indirect effects. What we mean by indirect effect is the value derived when prices for imported beef are higher than they would normally be, resulting in higher prices for domestic product. Case in point is the price of 90CL domestic cow meat, which is about 30 cents higher than it would normally be thanks to the lack of imported volume. Also, as China sucks more beef out of the global supply, US beef also benefits. Rising tide and all that. But so far this year the US share of Chinese beef purchases has been a meagre 0.5%. The Chinese requirement that all imported beef be hormone free certainly is a factor and US beef faced a higher tariff (37%) than other countries (12%). But it is also important to note that US beef is far more expensive than beef in other markets. The top chart above shows that the average price of fed cattle in the US in November (was US$255.3 per 100 kg (about $116/100 lb.). In comparison, the average live weight steer price in Argentina in November was quoted at US$124 per 100 kg or $39 per 100 lb.. China beef imports from Argentina in November were about 102 million pounds (cwe) and 727 million YTD, accounting for 23% of overall imports. China currently represents over 70% of total Argentine beef imports. The new trade agreement between US and China should be signed in mid January, maybe opening the door for more China beef purchases. But before doing a straight transfer of China purchases to the US, some perspective of relative values is helpful.

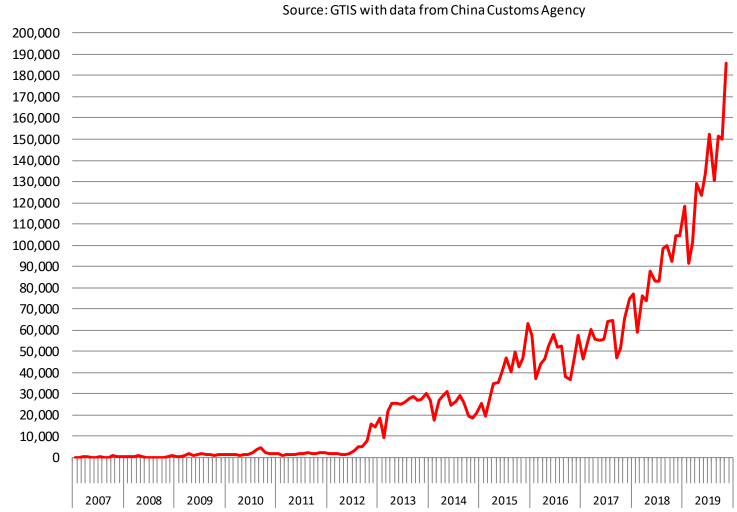
CATTLE PRICES IN TOP BEEF EXPORTING COUNTRIES, US$/100KG

Brazil Saleyard Steer Price, US Choice Fed Steer, Australia Export Steers. Live Wt. Basis



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

Source: GTIS with data from China Customs Agency



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