

US beef imports were higher in the first six months of the year despite the ban on Brazilian beef that went into effect last spring. At this point there is no clear path for the resumption of those imports and it serves no purpose to speculate about timing. Beef imports from Argentina, which were poised to enter the US earlier this year, also appear to be in limbo at this time. There is no clear timeline for resumption of fresh beef trade with Argentina at this time.

Beef imports from NAFTA countries were higher in the first six months. The strong US dollar and robust US beef prices continue to encourage more Canadian and Mexican beef to come into the US. Keep in mind, however, that we also export a fair amount of beef into these markets. Over the last two decades the industry has become very well integrated and product flows are impacted by regional demand, transportation costs and exchange rates. Through June 23 US beef imports from Mexico were 94,054 MT, 6% higher than a year ago and just a few thousand metric ton short of the volume of beef coming from Australia. We think by the end of this year the total import volume from Mexico will be larger than New Zealand, making it once again the third largest beef supplier to the US. Different from Australian beef, which tends to be mostly frozen grinding beef, Mexico ships fresh beef cuts to the US that often trade at a discount to domestic product. Beef imports from Canada have also increased this year. We have noted with interest that as Canada ships more beef to the US market it has also increased its purchases of beef from Australia. We do not have a breakdown of the products Canada ships to the US but noted that much of the increase in Australian 90CL boneless beef shipments in June went to the Canadian market rather than the US. It is possible that some substitution took place, with more Canadian fresh 90CL coming into the US due to the relatively high price and then replaced with cheaper frozen Australian 90s.

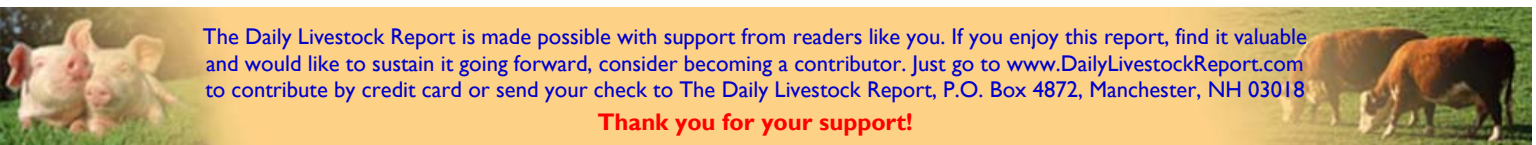
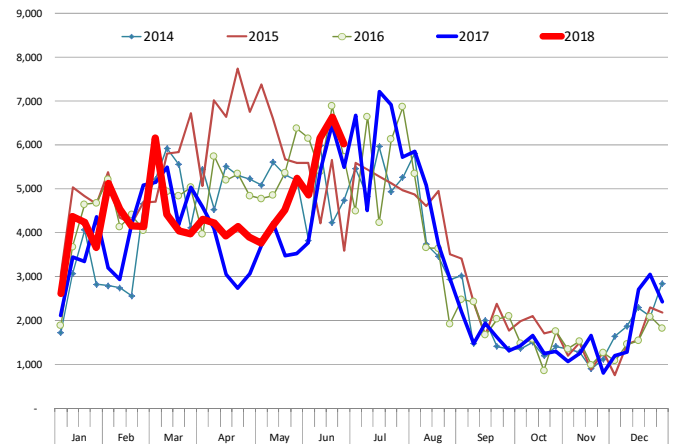
Beef imports from New Zealand have also increased this year, with total volume through the end of June up 11,000MT (+11%) compared to a year ago. Imports from New Zealand are very seasonal, however, reflecting the rate of dairy cow slaughter in the country. New Zealand slaughter drops sharply in June, July, August and September, which tends to limit supply availability in the second half of the year. **Looming in the background of world beef trade is China.** In the last three years China has emerged as the biggest beef buyer in the world and demand in that market continues to expand. At this time China and Hong Kong account for almost half of all beef shipments from South America. Much of the recent increase in Australian and New Zealand beef exports has also gone to the Chinese market. Currently Australian grinding beef is trading at a discount to US domestic product but we have to wonder if that discount will be there in the fall when New Zealand grinding beef supplies decline. Australian slaughter is up but much of the growth in supplies is going elsewhere. US beef imports are higher for the year but the growth in exports has been far bigger and the US at this point is a net beef exporter. An update on export flows in May and June will be published in our Monday AM report.

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

week 25	6/24/2017	6/23/2018		
Australia	100,868	101,794	926	0.9%
Brazil	8,193	-	(8,193)	-100.0%
Canada	116,286	127,186	10,900	9.4%
Chile	202	-	(202)	-100.0%
Costa Rica	4,240	4,092	(148)	-3.5%
France	-	-	-	
Honduras	-	944	944	
Ireland	941	1,156	215	22.8%
Japan	202	246	44	21.8%
Mexico	88,852	94,054	5,202	5.9%
Netherlands	-	-	-	
New Zealand	102,208	113,298	11,090	10.9%
Nicaragua	22,530	25,789	3,259	14.5%
Spain	-	-	-	
Uruguay	17,810	16,392	(1,418)	-8.0%
Total	462,485	484,952	22,467	4.9%

Source: AMS - USDA

US WEEKLY BEEF IMPORTS FROM NEW ZEALAND AS REPORTED BY USDA/AMS. FR/FZ BEEF ONLY. METRIC TON
Data Source: USDA Livestock, Poultry & Grain Market News



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

Source: GTIS with data from China Customs Agency



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