Daily Livestock Report

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USDA ERS released the latest carcass weight trade data yesterday for the month of July. For today's discussion, the DLR will focus on beef and veal import and exports. This excludes variety meats and by-products.

July was another successful beef and veal export month, adding 17% to July 2017's export number and is the 6th month out of 7 posting double digit percentage volume gains in 2018. Year to date the U.S. has exported 236 million pounds more beef and veal than last year, which is about 15% ahead of 2017's.

South Korea continued to be a powerhouse purchaser of U.S. beef and veal, July data showed another big gain, 61% ahead of last year, bringing the year to date figure to 113 million pounds of additional beef and veal compared to last year. Sales to Taiwan were strong in July, up 46% from last year, followed by Vietnam, up 20%, Mexico up 17% and Japan up 13%. Nearly all the top U.S. destinations continue to post large year to date gains. However, the current U.S. market tonnage has not been the only story this year. The U.S. has shipped to more destinations in 2018. In 2017 the average number of destinations per month was 87.5 compared to 89.4 through the first 7 months of 2018.

Imported beef and veal have taken a different turn. July data posted a 2% decline year-over-year. Australia and Mexico were notably down, 7% and 15% respectively. Imports were up from Brazil by 24% and Uruguay by 12%. Year to date import figures show the U.S. has bought just over 9 million more pounds of product. Canada and New Zealand are leading on a tonnage basis, with over 30 million pound gains from each. Nicaragua is up 10 million pounds, and shows the largest percentage gain up 14%. One trend consistent with the export side is the number of countries the U.S. is trading with is expanding. Last year the monthly average number of countries of origin was 14.4 while this year the U.S. has bought on a monthly average from 15.6 countries.

Canada, Australia, and New Zealand typically fall in the top three of origins the U.S. purchase beef and veal products. USDA FAS also released in the last week annual summaries via GAIN reports for both Australia and New Zealand that give some context to the supply situation in those countries.

Australia continues to face challenges in rebuilding their herd because of extreme drought in the largest two cattle producing states. Earlier this year, Australian cattle on feed numbers hit record highs, as cattle were forced off pasture and into feedlots. Slaughter rates have also been higher this year, induced by drought related liquidation.

Expectations are that the Australian cattle herd will continue to decline in 2019, as producers face higher feed costs, and have had to ship many breeding animals to slaughter. This will, in turn, lead to lower slaughter rates in 2019, and decrease Australian exports. The GAIN report notes that product shipped to the U.S. is primarily beef used to make burgers and other products in the foodservice sector. For those interested in the full report it's available here.

New Zealand's GAIN report also has some insights to the growing beef production, which is estimated to be above 2017 by 3%. Over the last three years, the report notes farmers have shifted to beef production and away from sheep production because of profitability. New Zealand is expected to have slightly smaller production in 2019 as the cow and bull kill slows. Exports are expected to grow in 2019. Chilled beef shipped to China began in July of 2017 and has since expanded. Year to date shipments to China are up 9% in chilled beef, but the report notes this has not impeded shipments to the U.S., New Zealand's largest buyer.