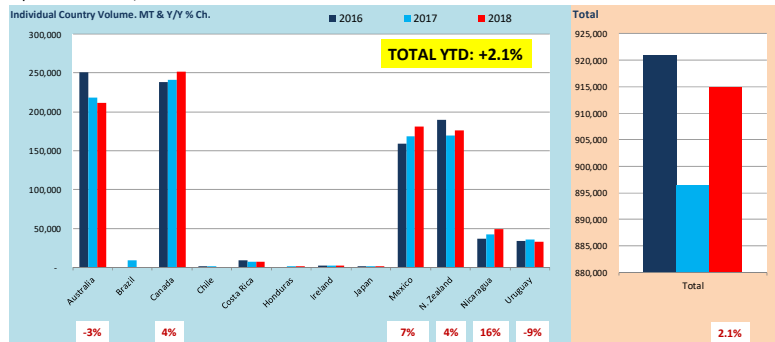


Next week USDA will update, among many other things, its **projections for red meat supply availability and pricing in 2019**. While this release does not have the same impact on markets as changes in the balance sheet for grains, it is nonetheless important. Many private analysts and market participants run their own supply/demand balance sheets and related pricing models for next year. In our opinion the WASDE report is the best publicly available piece of fundamental analysis available. For those not very familiar with the report, we would point you to pages 31 and 32 and the accompanying excel spreadsheets. Today we want to **review the situation and outlook for imported beef** but also want to note that **this information should be viewed in the broader context of overall supply availability next year**.

According to USDA-AMS, imports of fresh/frozen beef through the end of November 2019 were 2.1% higher than a year ago. About 93% of the beef imported in the US is in fresh/frozen form, which is why we mostly focus on this category. Imports of cooked/processed beef so far are running 0.9% higher than last year. For the entire category imports at this point are about 2% higher than last year and we do not expect this will change much in the next four weeks. The last WASDE report had beef imports for 2018 up 0.7% compared to a year ago. This is because the official import statistics do not always exactly match the data from AMS. Still, it appears we may see further upward adjustments to US import projections for 2018 but adjustments that will be rather small and have no material impact on per capita consumption figures. As the chart to the right shows, there are four major suppliers of imported beef to the US market (Australia, Canada, Mexico and New Zealand). This is not likely to change next year. Central America has emerged in the last few years as a more important supplier and these countries will likely continue to ship more beef to the US next year.

Recently **USDA announced that it will now also permit imports of fresh/frozen beef from Argentina**. Due to FMD concerns, fresh Argentine beef had not been allowed in the US market for 17 years. The supply impact will likely be limited but it will depend in large part on world beef demand conditions. In the last few years all major South American beef exporters have shifted their trade towards China. China in 2019 is poised to be the largest beef importer in the world, surpassing the US. More than half of all Argentine beef exports at this time go to the Chinese market. Access to the US market in 2019 is unlikely to change that. However, having access to the US market provides Argentine producers with an insurance policy should Chinese demand cool down. Argentina has access to just 20,000 MT of country specific quota next year. After that is filled, Argentina will then have to compete with Central American countries for the 64,805 MT of quota available to all countries with a Most Favored Trade status. US beef imports in 2018 will likely surpass 960,000 MT and an additional 20,000 MT of beef from Argentina should add about 2% points to US beef imports next year. In

US Fresh/Frozen Beef Imports. Metric Ton. Data Source: USDA/Agricultural Marketing Service
Imports as of November 24, 2018

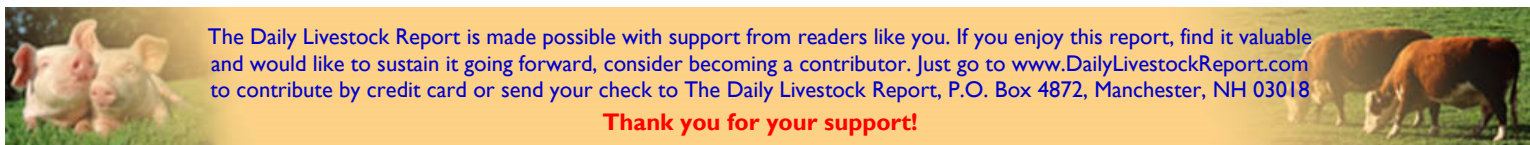


YTD Imported Fresh/Frz Beef Passed for Entry in the US

| week 47 | 11/25/2017 | 11/24/2018 | | |
|--------------|----------------|----------------|---------------|-------------|
| Australia | 218,334 | 211,685 | (6,649) | -3.0% |
| Brazil | 9,022 | - | (9,022) | -100.0% |
| Canada | 241,595 | 251,411 | 9,816 | 4.1% |
| Chile | 226 | - | (226) | -100.0% |
| Costa Rica | 7,343 | 7,378 | 35 | 0.5% |
| France | - | - | - | - |
| Honduras | 437 | 1,656 | 1,219 | 278.9% |
| Ireland | 2,031 | 2,589 | 558 | 27.5% |
| Japan | 291 | 372 | 81 | 27.8% |
| Mexico | 168,944 | 181,381 | 12,437 | 7.4% |
| Netherlands | 228 | - | (228) | -100.0% |
| New Zealand | 169,761 | 176,448 | 6,687 | 3.9% |
| Nicaragua | 42,660 | 49,469 | 6,809 | 16.0% |
| Spain | - | - | - | - |
| Uruguay | 35,549 | 32,509 | (3,040) | -8.6% |
| Total | 896,421 | 914,898 | 18,477 | 2.1% |

Source: AMS - USDA

the November WASDE report USDA noted that it expect US beef imports in 2019 to increase 1.5% next year. The additional beef imports from Argentina may be offset by a potential reduction in imports from Australia. Imports from Australia are down this year even as drought has pushed more cattle to slaughter in that country. More Australian beef is also going to China and other Asian markets. **A shift in weather patterns in Australia (more rain) could quickly shorten up cattle supplies there and significantly reduce their exports to the US. That would have a much bigger effect on US imported beef supplies for 2019 than the change in Argentina's import status.**



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