



## **Red Meat Market Report**

# **North America**



## **US beef report - 2010**

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## MARKET HIGHLIGHTS

■ Australian beef exports to the US have been declining since 2003

■ Australian beef exports to the US in 2010 dropped 26% on 2009 levels

## Overview

The proportion of Australian beef being shipped to the US has steadily declined since 2003, with the US market in 2010 accounting for just 20% of total Australian beef exports (in 2003 the US market accounted for 44% of total Australian beef exports).

A driving force initially behind the decline had been the discovery of BSE in North America in 2003, whereby trade bans were placed on US beef, particularly by Japan and Korea, resulting in high demand and high offer prices for Australian beef from these North Asian markets. This saw the majority of US beef destined for export retained in the US domestic market.

However, as market access conditions were relaxed and improved for US beef, Australian beef trade flows to the US continued to decline.

This report investigates why Australian beef shipments to the US continue to decline each year, citing one of the main factors as being the increased opportunities for Australian beef outside the traditional three major markets, namely the US, Japan and Korea. In saying this, the report also outlines the opportunities that still exist within the US market, in particularly for niche “grass-fed”, “natural” & “Wagyu” products.

## Australia's Beef Trade to the US

### Australia's beef export markets diversify

In 2010, the US was Australia's second largest beef export market and third largest beef market overall – after the Australian domestic and Japanese markets.

Despite the significance of the US market for Australian beef, shipments to the US in 2010 totalled 185,035 tonnes swt – a fall of 26% on 2009 and the lowest annual volume since 1994.

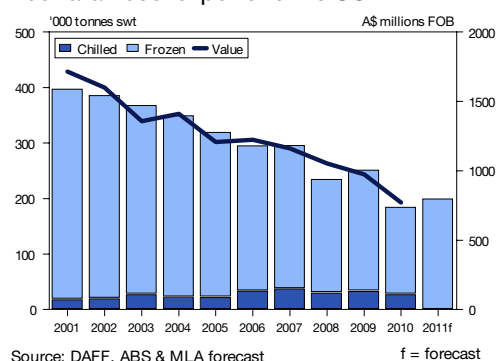
The high and volatile A\$, competition from other markets for Australian beef, and added technical hurdles to exporting beef to the US, were the major factors contributing to the sharp decline in exports for 2010.

Over the past ten years, Australian beef exports to the US have more than halved. The driving force behind the decline in exports initially was the discovery of BSE

in North America in 2003. This resulted in trade bans being placed on US beef, particularly by Japan and Korea, which in turn resulted in increased demand and high offer prices for Australian beef in these North Asian markets. This saw US beef remaining in the domestic market, reducing the demand and need for imported product.

Over the past couple of years though, as market access conditions have been relaxed for US beef, largely to Japan and Korea, Australia's beef trade to the US has continued to decline.

**Figure 1**  
Australian beef exports to the US



## MARKET HIGHLIGHTS

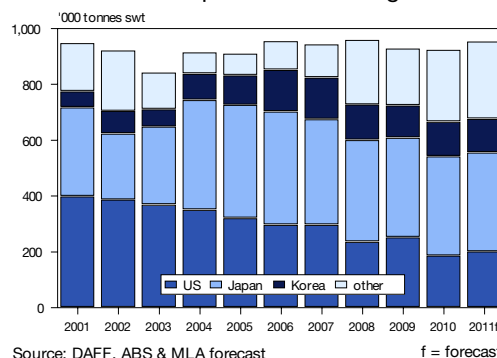
- The US market accounted for 20% of Australia's total export volume
- The frozen manufacturing beef export decline to the US accounted for 71% of the total decrease
- Total Australian manufacturing exports declined 6%
- Australia sent more beef to Korea, South East Asia, Russia and the Middle East in 2010
- Major beef cut falls to the US were topsides, silversides & thick flank/knuckles

The US market in 2010 only accounted for 20% of Australia's total beef export volume – a fall of 7 percentage points on 2009 and a 24 percentage point drop on 2003.

The Australian trade to the US market over the past three years has been characterized by the global financial crisis (GFC) and its impact on consumer spending in the foodservice sectors in the US. However, most industry analysts believe that the decline in the food service sector had commenced prior to the GFC, with the influence of higher oil prices on consumer spending. The introduction of mandatory Country of Origin Labelling and E.coli testing of raw ground beef components, along with a volatile and strong A\$ also contributed to the decline.

**Figure 2**

Australian beef exports across the globe



## Australian beef export composition to the US

A significant drop in frozen manufacturing exports (down 47,553 tonnes swt) represented about 71% of the overall decline in Australian beef exports to the US.

Within the manufacturing beef export category, significant contractions were seen across the forequarter 10 rib (down 51%) and 13 rib packs (down 31%), alongside a 30% drop in trimmings and a 17% decline in forequarter/hindquarter mixed packs.

The drop in Australian manufacturing beef volumes to the US appears to be the direct result of product diversion to other markets (including the Australian domestic market, Russia and Asia) and a weak US\$, as total Australian beef production in 2010 increased 1% on year ago levels.

Although total Australian manufacturing beef exports declined 6% during 2010, to 319,100 tonnes swt, total hindquarter and forequarter cut exports likely to have been previously included in manufacturing beef packs (silverside/outside, chuck & blade, topside/inside etc) increased on year ago levels.

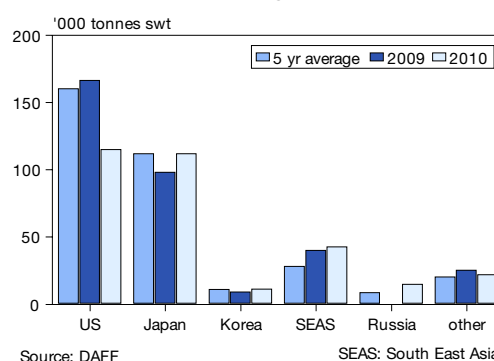
Increased volumes of Australian beef exports in 2010 were sent to

Korea (up 8%, to 124,161 tonnes swt), South East Asia (up 3%, to 88,798 tonnes swt), Russia (up 285%, to 56,664 tonnes) and the Middle East (up 54%, to 24,327 tonnes swt).

Significant volume declines to the US were also registered for topside/inside (down 24%), silverside/outside (down 47%), and thick flank/knuckle (down 44%). Exports of these cuts increased to Russia, the Middle East, Japan (topside/inside only) and South East Asia (silverside/outside only).

**Figure 3**

Australian manufacturing beef exports

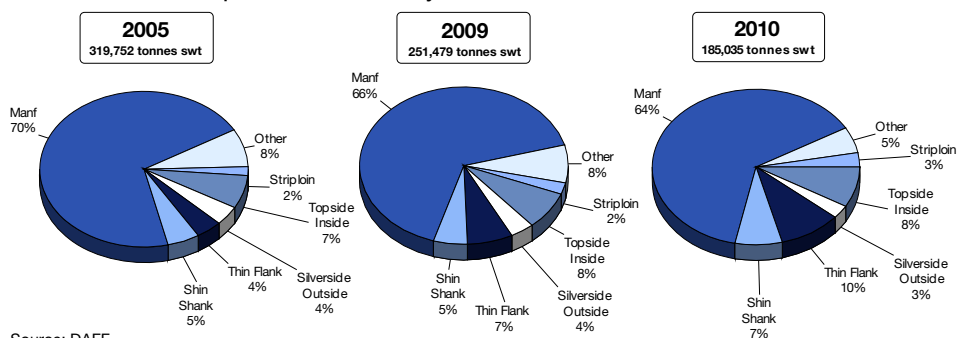


## MARKET HIGHLIGHTS

### ■ The Australian domestic market strengthened competition for primal cuts

**Figure 4**

Australian beef exports to the US by cut



Source: DAFF

The US also faced strong competition from Australia's domestic market in 2010 for primal cuts, with tenderloin and striploin exports to the US dropping 19% and 11%, respectively, to 3,525 tonnes swt and 5,306 tonnes swt. In contrast, exports of cube roll/rib eye roll to the US increased 1%, to 1,278 tonnes swt.

### Australia's CL beef exports across the globe

Reflective of the improved seasonal conditions in Australia in 2010, total Australian 90CL beef exports declined 30% year-on-year, to 64,553 tonnes swt. In contrast 85CL, 80CL and 75CL exports all increased, up 4%, 8% and 19% respectively on 2009 levels, to 76,696 tonnes swt, 45,115 tonnes swt and 33,947 tonnes swt.

Across Australia's export markets in 2010, most destinations received less 90CL shipments, with the US recording the largest drop of 28,865 tonnes swt on 2009 volumes, to 48,333 tonnes swt. On the contrary, 90CL exports to Japan increased 17%, to 6,822 tonnes swt, while Russia took 2,534 tonnes swt – up from zero shipments in the previous year.

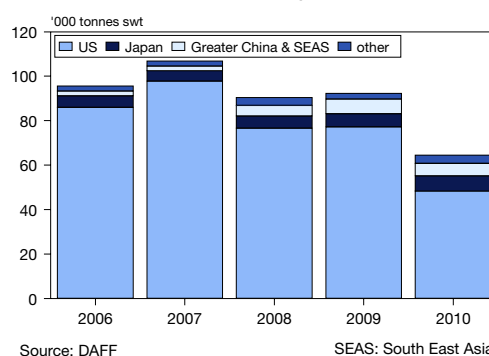
With Australian average cattle carcase weights in 2010 increasing 2% year-on-year, to 278.8kg/head, it is no surprise that total 85CL exports increased, hitting 76,696 tonnes swt, as the fat to muscle ratio in carcasses increased with the rising weights.

Japan remained the largest market for Australian 85CL beef in 2010, at 32,078 tonnes swt (up 12% on year ago levels), underpinned by the robust performance of the fast food and casual foodservice outlets in Japan. Also taking more Australian 85CL beef in 2010 was South-East Asia, up 16%, to 13,463 tonnes swt (offsetting falls of 90CL exports to the region over the same period), Korea (up 2%, to 2,418 tonnes swt), the Middle East (up 46%, to 2,169 tonnes swt) and Russia (to 2,264 tonnes swt).

85CL beef exports to the US dropped 17% year-on-year, to 19,878 tonnes swt in 2010, largely reflective of the increased opportunities for Australian beef in other markets.

**Figure 5**

Australian 90CL beef exports



Source: DAFF

SEAS: South East Asia

## MARKET HIGHLIGHTS

- Chilled grassfed beef exports to the US since 2000 have increased two fold
- Chilled grassfed exports of rib eye and thin flanks jumped 3% and 8%
- 22% of US beef consumers are willing to pay more for grassfed beef

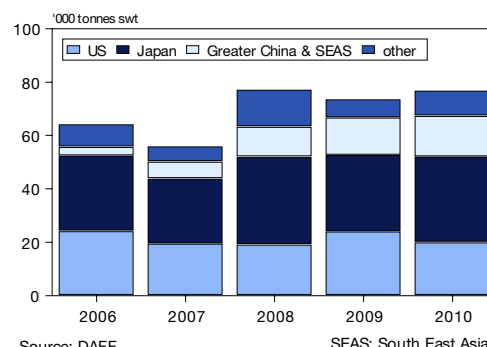
### Australia's CL beef exports across the globe continued...

As a comparison, Australian exports prices to the US for 85CL trimmings averaged approximately 333A¢/kg FAS in 2010 (11% above 2009 levels), while the Australian export indicator for frozen cow forequarter (85CL) to Japan averaged approximately 396A¢/kg – up 14% on year ago levels.

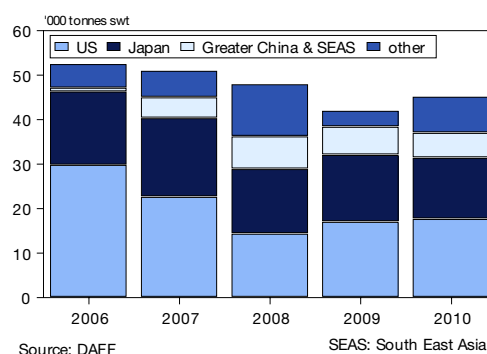
Total 80CL exports also increased on year ago levels, to 45,115 tonnes swt, although the majority of the increase was sent to Korea, with exports up 51%, to 4,585 tonnes swt.

80CL shipments also increased to the US during 2010, up 4%, to 17,642 tonnes swt, while exports were down to Japan and South East Asia.

**Figure 6**  
Australian 85CL beef exports



**Figure 7**  
Australian 80CL beef exports



## Opportunities still lie in the US

Resisting the declining trend of total Australian beef exports to the US has been shipments of chilled grassfed beef cuts.

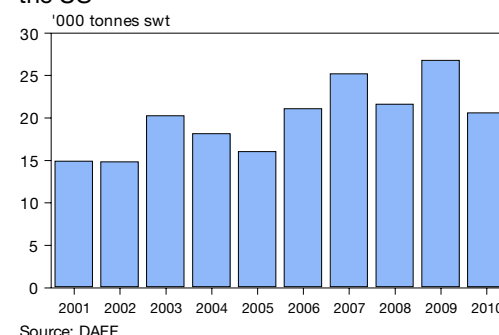
Looking over the past ten years, chilled grassfed beef cut exports have increased two fold, with volumes reaching a peak of 26,825 tonnes swt in 2009.

Chilled grassfed beef exports to the US last year did drop 23% on 2009 volumes, to 20,630 tonnes swt, as trading conditions proved difficult for all beef categories. However, particular grassfed cuts did manage to buck-the-trend for 2010, with chilled grassfed rib eye/cube roll and thin flank shipments to the US increasing 3% and 8% respectively on the previous year, to 852 tonnes swt and 6,036 tonnes swt.

Beef as a commodity product within certain demographics of the US is slowly declining as US consumers increasingly demand specific and differing attributes. This can include antibiotic/hormone free, grassfed or tenderness guaranteed beef.

To quantify the trend towards grassfed beef in the US, market research was conducted by TECHNOMIC in August 2010. This research was commissioned to identify the beef consumption trends and perceptions of Australian beef in the US.

**Figure 8**  
Australian chilled grassfed beef exports to the US



## MARKET HIGHLIGHTS

■ Opportunities for Australian grassfed beef appear to be in the West and Northeast metro areas

■ US imports of Uruguayan beef last year dropped to its lowest level since 2002

Respondent data showed that 22% of US beef consumers are willing to pay more for beef that is labelled grassfed, with 35% of beef consumers viewing grassfed beef as high quality beef. From this, a higher than average preference for grassfed beef was seen in the Northeast, Midwest and West metro areas of the US.

It appears from the regional data, that opportunities exist for Australian grassfed beef in the US retail sector, mainly in the West metro and Northeast metro areas. Respondents from the Midwest region were less likely to try imported beef.

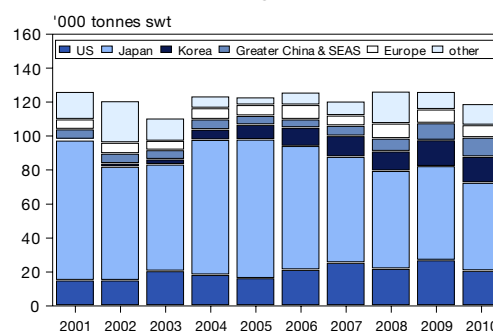
Over a quarter of the respondents also indicated that they considered grassfed beef, hormone-free and antibiotic-free claims to be just as important as a USDA grading.

As Australia's fullset beef trade to Japan declines and competition from US beef strengthens in North Asia, the US market for Australia is likely to increase in importance, particularly for chilled primal cuts.

Strengthening the opportunity for chilled Australian grassfed beef in the US has been the significant drop in Uruguayan beef to the US over the past three years. Uruguayan beef has a strong position in the branded grassfed beef market within the US retail sector.

Last year, Uruguayan beef exports to the US declined 29% on 2009, to 24,585 tonnes cwt – the lowest export volumes to this market since 2002 (USDA). Uruguayan beef consignments to the US reached a peak of 252,735 tonnes cwt in 2005.

**Figure 9**  
Total Australian chilled grassfed beef exports



Source: DAFF

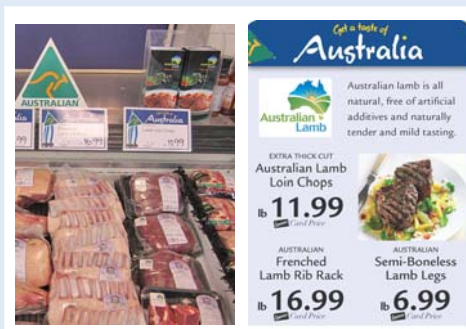
## Selling Australian beef in Texas USA

Meat and Livestock Australia (MLA), in conjunction with an Australian exporter and Austrade conducted an "Australian Made – Australian Grown" promotion in Houston, Texas with high-end retail chain, Rice Epicurean Markets.

Australian grassfed beef tenderloins were featured on the promotion, which saw weekly advertising from 22 January 2011 in the store's flyers, plus a colour meat advertisement in the Houston Chronicle on 12 February 2011.

MLA supported the advertising along with cooking demonstrations of beef crostini being served to the public.

This was the first time Rice Epicurean Markets stocked Australian beef and lamb, and given the success of the promotion, it is anticipated Australian grassfed beef will be maintained as a permanent item in store.



## MARKET HIGHLIGHTS

- Australia's market share in the US imported beef market dropped to 25%
- US imports of Canadian beef in 2010 increased 6% on year ago levels

## Competitor Supply Situation

### Australian beef loses market share in the US

Australia's share of the US imported beef market slipped from 30% in 2009, to 25% in 2010. The lost share was captured by Canada, whose market share grew from 31% to 37%.

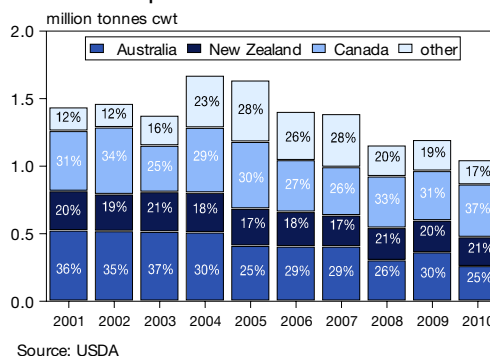
US beef imports from Canada during 2010 increased 6% on 2009 levels, to 390,493 tonnes cwt, largely driven by higher exports from March to July. Notably, the Canadian dollar against the US dollar for 2010 averaged 4% lower than in 2009.

US analysts predicted at the end of 2010 that the Canadian beef trade to the US will remain strong in 2011, as feeder cattle exports to the US declined late last year, with more cattle going onto feed in Canada.

While cattle on feed numbers in Canada as at the 1 January 2011, were up 1% on year ago levels due to higher placements, numbers have since declined. Canadian cattle on feed numbers as at 1 March 2011 were down 5%, with any prospects for an increase in fed Canadian cattle supply limited as cattle placements during February dropped 21% on year ago levels.

The start of 2011 saw US beef and live cattle imports from Canada down 21% and 12%, respectively on January 2010 levels.

**Figure 10**  
US beef imports



### Australian Beef Has All Five

It is Meat & Livestock Australia's aim in the North American market to increase awareness of Australian beef's attributes within the trade sector, including key foodservice & retail operators.

A new advertisement has been designed to deliver more information on the positive attributes of Australian beef, focusing in particular on the five key attributes:

- 120-day shelf life
- Grass or grain-fed variety
- Sustainable farming practices
- High safety standards
- Full traceability



## MARKET HIGHLIGHTS

■ The US cattle herd is at its lowest level in over 40 years, at 92.6 million head

■ US beef cow slaughter last year was up 9% on 2009 volumes

■ US beef cow numbers are now at 30.9 million head, down 2% on 2009

## US cattle herd lowest in over 40 years

Higher cow slaughter, a reduced calf crop and an increased percentage of heifers being placed into feedlots has driven the US cattle herd to its lowest level in over 40 years, at 92.6 million head (as at 1 January 2011) – a fall of 1% on year ago levels (United States Department of Agriculture – USDA).

The US cattle herd has been declining since 2007, as the combination of prolonged drought, high corn feed costs and weak beef demand reduced financial returns for producers.

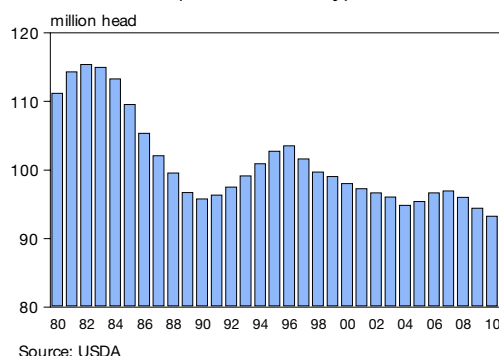
Given record cattle prices during 2010, it was expected numbers would start to rebuild, or at least halt the decline. However, US cattle producers continued to liquidate herds, with US beef cow slaughter in 2010 up 9% on 2009. Consequently, the higher cow slaughter has beef cow numbers (as at 1 January 2011) falling 2%, to 30.9 million head – the lowest beef cow herd since 1963. Reports throughout 2010 indicated that part-time and

smaller cattle operations looked to capitalize on the higher livestock prices, turning off stock in order to generate cash amid the tough economic climate.

The US beef herd rebuilding prospects remain limited, as the number of heifers for beef cow replacement declined 5% year-on-year, to 5.2 million head – the sixth consecutive annual decline. Fewer replacement numbers will continue to pressure calf crops, leading to lower beef production. US based consultants, *Cattle-Fax*, predicts a 2% fall in US beef production in 2011.

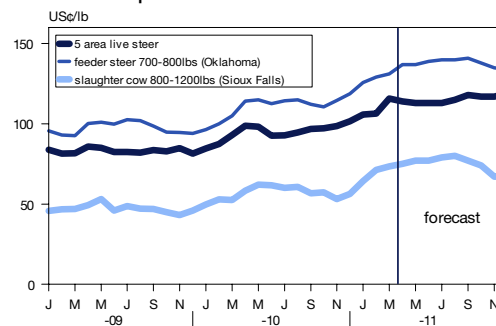
**Figure 11**

US cattle herd (as at 1 January)



**Figure 12**

US cattle prices



## US to plant more corn but stocks fall

The United States Department of Agriculture (USDA) recently released figures for 2011 US corn planting intentions, estimated at 92.2 million acres, which is 5% up from plantings in 2010 and approximately 0.34 million acres higher than US analysts' pre-report estimates. The recent higher corn prices have helped to entice producers to increase plantings for the coming growing season.

However, likely to far outweigh the impact of increased plantings in 2011 on prices are the recently released figures for US corn stocks (as at 1 March 2011), which show stock volumes are down 15% on 2010 levels. The increasing concerns about tighter corn supplies pushed the US corn futures market to an all time closing high on Tuesday.

## MARKET HIGHLIGHTS

### ■ Cold storage stocks of frozen boneless beef in the US in December increased 4% on 2009 volumes

### US to plant more corn but stocks fall – continued...

While some US analysts were tipping the USDA to project US corn ending stocks (as at 31 August 2011), to its lowest level on record at 595 million bushels, in the April *World Agricultural Supply and Demand Estimates* report, the forecast come in unchanged from the previous month at 675 million bushels. The projected ending stock levels though is still 60% below year ago levels.

US corn production and use forecasts for 2010-11 are also unchanged at 12.45 billion bushels and 13.5 billion bushels respectively, while the bottom end of the season-average price range has been lifted to US\$5.20 to US\$5.60/bushel. The USDA estimated that the average corn farm price in 2009-10 was US\$3.55/bushel.

With tighter supplies and rising corn prices, it would be expected that livestock feeding would be dampened, however, feedlot numbers over the past couple of months have lifted. It appears US producers have been increasing carcass weights, as higher livestock and meat prices seem to have partly offset rising feed costs.

The CME *Daily Livestock Report* at the beginning of April highlighted the impact of tight feed supplies on cow-calf operators, and how the decline of 1.5% in producer's intention to plant hay will further exacerbate feed availability and rise in prices. This in turn is likely to delay producers' plans for any herd rebuilding in the coming year.

Overall, a continuing rise in grain prices will impact on the US livestock and poultry feeding sector, limiting production gain into the second half of the year.

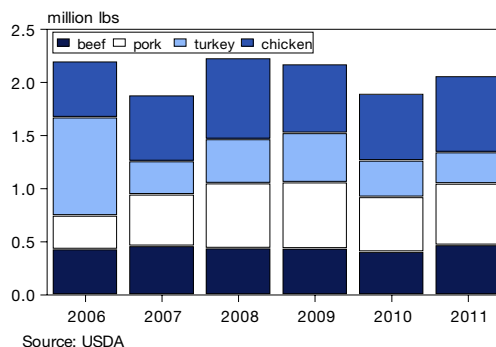
### Red meat stocks end 2010 slightly higher

Inventories of frozen boneless beef in December 2010 jumped 4% above 2009 volumes, to 175,994 tonnes cwt (388 million lbs) – the only month in 2010 to be above year ago levels (USDA). The increase in volumes was primarily driven by an increase in US cattle slaughter during the final two months of 2010.

Cattle placements into US feedlots ramped up in the second half of 2010, boosting fed cattle marketings during November and December. US cow slaughter since mid-August also increased on year ago levels, ending 2010 9% above 2009 volumes.

Throughout much of 2010 the manufacturing beef supply situation in the US remained tight, particularly for imported beef. This impacted on available stock levels, as boneless beef inventories reached their lowest point since mid-2005 during October.

**Figure 13**  
US cold storage stocks (as at 28 February)



## MARKET HIGHLIGHTS

- Imported lean manufacturing beef prices averaged 26% above 2009 levels
- US domestic lean manufacturing beef prices averaged 17% above 2009 levels
- Frozen chicken stocks in the US in December increased 25% on 2009
- Despite increased inventories, US wholesale broiler prices averaged 2010 7% up on 2009 levels
- US beef production for 2011 is forecast to decline 1%
- US pork production for 2011 is forecast to remain relatively steady, but prices are expected to increase

Reflective of the tight manufacturing beef supply situation, lean manufacturing beef prices (both domestic and imported) in 2010 averaged 17% and 26% higher, respectively, than year ago levels.

Also classified as red meat in the US is pork, with inventories also slightly higher in December (up 1%), at 215,910 tonnes cwt (476 million lbs). Again, pork supplies

in the US have been tight throughout much of 2010 and into 2011, whereby US wholesale pork prices for March are currently averaging 25% above year ago levels.

## Chicken stocks even higher

Frozen US chicken inventories have been accumulating over the past seven months, with December inventories jumping 4% on month ago levels, and 25% above year ago levels, to 358,792 tonnes cwt (791 million lbs) – the highest stock level since November 2008.

Restricted trading conditions for the US to Russia in 2010, coupled with higher poultry production, has been the main premise for higher chicken stocks.

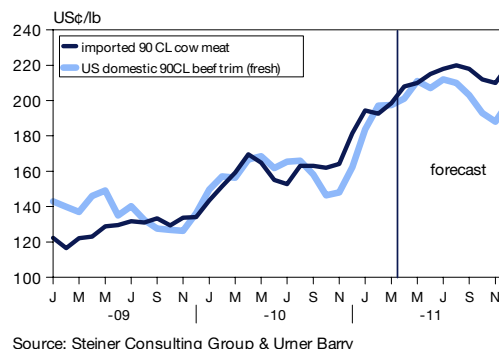
Despite the higher stocks, US wholesale broiler prices in 2010 averaged 7% higher year-on-year, reaching 78.4US\$/lb in December. Notably though, chicken prices have come down from the mid-year highs of 86.6US\$/lb, and have continued to decline into the beginning of 2011. However, wholesale chicken prices have picked up recently, averaging 83.3US\$/lb during March.

## US beef supply situation to tighten in 2011

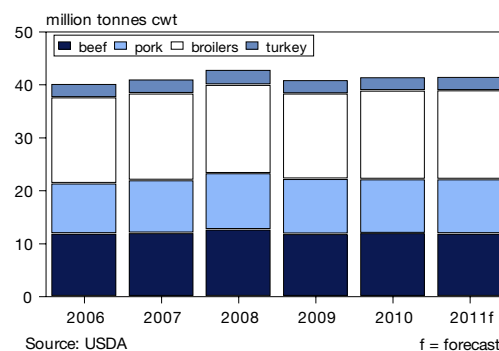
US beef production in 2011 is expected to decline 1% on 2010 volumes, to 11.87 million tonnes cwt. This latest production figure has been revised up from previous forecasts, largely due to larger cattle placements into US feedlots in the fourth quarter of 2010 (USDA *World Agricultural Supply and Demand Estimates*).

Pork production has been forecast to 10.26 million tonnes cwt in 2011 – a 0.5% rise on 2010 volumes. While producers intended to farrow fewer sows in the second quarter of 2011 according to the latest USDA *Quarterly Hogs and Pigs* report, strong growth in the number of pigs per litter and higher carcass weights is the premise for slightly higher pork production levels for 2011.

**Figure 14**  
Lean manufacturing beef prices



**Figure 15**  
US meat production



## MARKET HIGHLIGHTS

- US poultry production for 2011 is forecast to jump 1%, and exports are expected to decline

- Moderate growth for the US economy expected this year of 3% GDP

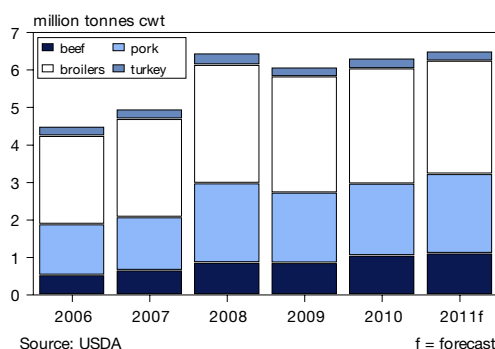
- The US unemployment rate is currently at 9.2%

Despite this production increase, US livestock hog prices for this year are forecast to average 10% higher on 2010, amid an expected 11% increase in US pork exports and significantly higher beef and poultry prices. Wholesale pork prices for the first quarter of 2011 have already jumped approximately 23% on year ago levels.

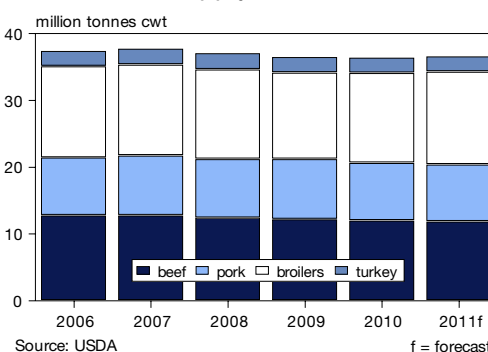
US poultry production is also expected to jump 1% in 2011, to 19.57 million tonnes. Net US poultry supplies are forecast to increase 2% in 2011, due to production rises in the first half of the year and lower US poultry exports (due to Russian quota restrictions).

Higher poultry supplies in the market are expected to reduce any possible poultry price rises, enhancing its price competitiveness against both beef and pork during 2011.

**Figure 16**  
US meat exports



**Figure 17**  
US net meat supply



## US Economy and Consumer Sentiment

### US economy improving but its all relative

The US economy has recovered somewhat from the depths of the recession in 2008 and 2009, with the US economy projected to register moderate growth throughout 2011 of 3% GDP (International Monetary Fund).

With protein consumption closely linked to economic conditions, the growth outlook is welcome news. This is particularly so with the added positives of the Obama administration extending the existing income tax regime and implementing a cut payroll tax by 2 percentage points for 2011.

The state of the US consumer though remains precarious, given high levels of unemployment (9.2%), a heavy debt burden, and lower housing and equity values. US economists are saying that a sustained period of 3.5% to 4% GDP is needed to bring the unemployment level down to pre-recession levels and provide confidence in job security.

Generally it is a mildly positive outlook for the US consumer, with disposable incomes expected to increase. Although what consumers decide to spend versus save will depend upon their confidence in the US employment market and Government tax and expenditure regimes – both of which are in serious doubt. Additionally, higher oil and fuel prices could also act to dampen spending, as witnessed prior to the GFC.

## MARKET HIGHLIGHTS

- US restaurant industry sales are expected to record growth of 1.1% this year
- International visitors in the US account for 40% of spending in the fine dining sector and 25% in the casual/family dining sector
- Beef, pork and poultry wholesale prices are all expected to increase this year
- In the second quarter of 2010, QSR chicken menu items increased 11% on 2007 levels

## US restaurant sales to grow for the first time in three years

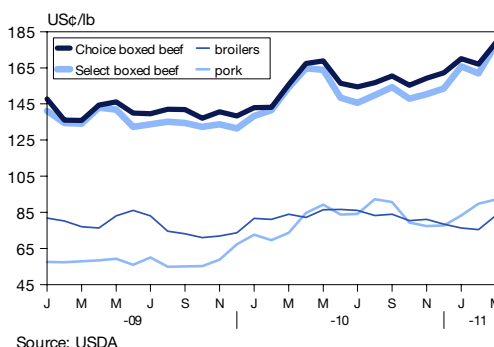
For the first time in three years, US restaurant industry sales are expected to record real growth of 1.1% in 2011. Foodservice sales in the US have declined the past three years, with the US economic recession negatively impacting on international tourism, restaurant patronage and consumer spending.

However this year, US restaurant sales are projected to increase to US\$604 billion – up 3.6% on 2010 and the first time sales will surpass the US\$600 billion mark (National Restaurant Association – NRA). The South Atlantic region in the US is predicted to record the highest regional restaurant sales growth of 3.9%.

Driving the predicted growth in overall sales is an expectation for US economic conditions to improve and international tourism to bounce back 15% on 2009 and 6% on 2010 levels. According to the NRA, on average, international visitor spending within the US restaurant industry accounts for; 40% in the fine-dining sector, 25% in the casual/family dining sector, and 15% in the quick service segment.

Despite positive sales forecasts, challenges for the US foodservice sector this year will be rising food costs, as prices for meats, eggs and dairy are all expected to increase on 2010 levels. Beef, pork, chicken and turkey wholesale prices are all forecast by the USDA to increase 14%, 33%, 7% and 14%, respectively, on year ago levels, which will significantly affect US restaurants' bottom line.

**Figure 18**  
US wholesale meat prices



## Cheap chicken places itself on menus

With beef prices in the US set to rise over the coming year, US foodservice operators are either passing these higher costs along to the consumer, focusing promotional efforts on their cheaper protein items or reducing their beef offerings on the menu.

As an example, McDonalds USA's current non-breakfast menu offers 22 chicken options, whereby beef menu options stand at 18. Wendy's has also increased its chicken options to 16, with beef hamburger menu items totaling 17.

According to Mintel research conducted last year, the chicken trend has been seen across the US Quick Service Restaurant (QSR) sector. The total number of QSR chicken menu items in the second quarter of 2010 jumped 11% on (pre-recession) 2007 levels, to 1,597 menu items.

**MARKET  
HIGHLIGHTS**

■ **Australian beef exports to the US in 2011 is projected to increase to 200,000 tonnes swt**

■ **Imported beef prices started 2011 at record levels and are expected to remain higher**

## **Looking ahead for Australian beef in the US**

Lower US beef supplies should assist prospects for Australian beef to the US during 2011, with the US foodservice sector starting to see some growth, while fast food demand remains strong. However, competition from other markets, including Russia and South East Asia, is expected to remain very strong in 2011, continuing to place pressure upon Australian beef shipments to the US.

MLA's latest industry projections predicts Australian beef exports to the US to rise slightly in 2011, to 200,000 tonnes swt – although still much lower on five year average volumes.

Falling beef supplies and rising cattle prices in the US will no doubt exert upward pressure on imported, wholesale and retail beef prices in the US during 2011.

One of the US' largest users of manufacturing beef, McDonalds', have already reported that due to an expected rise of 2% to 2.5% in prices across 10 commodities, they will look to increase menu prices in certain markets to offset some (but not all) of these higher costs.

So far this year, reports indicate US traders and end-users have been reluctant to lock into forward commitments too far out for manufacturing beef, as lean manufacturing beef prices started 2011 at record levels. Imported and domestic manufacturing beef prices though continue to rise.

Many bullish factors look to drive the US imported beef market higher, as the US heads into its peak consumption period over coming months. Australian and Canadian beef consignments to the US are still down year-on-year, US beef exports are forecast to be higher, while US production in the second half of the year is expected to ease.

Table 1

Australian beef and veal exports to the US - January to December (kg swt)

|                        | 2009              | 2010              | % change   | kg change         |
|------------------------|-------------------|-------------------|------------|-------------------|
| <b>Chilled</b>         |                   |                   |            |                   |
| Blade                  | 936,407           | 387,360           | -59        | -549,047          |
| Brisket                | 122,426           | 73,163            | -40        | -49,263           |
| Chuck                  | 18,820            | 29,428            | 56         | 10,608            |
| Chuck Roll             | 592,673           | 151,754           | -74        | -440,919          |
| Cube Roll/Rib Eye Roll | 1,220,834         | 1,277,802         | 5          | 56,968            |
| Manufacturing          | 19,124            | 33,724            | 76         | 14,600            |
| Neck                   | 1,639             | 1,479             | -10        | -160              |
| Ribs                   | 11,038            | 13,547            | 23         | 2,509             |
| Ribs prepared          | 58,974            | 80,505            | 37         | 21,531            |
| Rump                   | 1,842,353         | 1,962,623         | 7          | 120,270           |
| Shin/Shank             | 33,807            | 30,896            | -9         | -2,911            |
| Short Ribs             | 156               | 3,015             | 1,833      | 2,859             |
| Silverside/outside     | 3,995,934         | 2,041,314         | -49        | -1,954,620        |
| Striploin              | 1,415,400         | 1,057,907         | -25        | -357,493          |
| Tenderloin             | 4,205,285         | 3,518,014         | -16        | -687,271          |
| Thick Flank/Knuckle    | 2,966,857         | 1,142,993         | -61        | -1,823,864        |
| Thin Flank             | 6,298,244         | 6,937,405         | 10         | 639,161           |
| Topside/Inside         | 9,683,970         | 8,516,565         | -12        | -1,167,405        |
| other                  | 651               | 2,680             | 312        | 2,029             |
| <b>Total</b>           | <b>33,424,592</b> | <b>27,262,174</b> | <b>-18</b> | <b>-6,162,418</b> |

|                        | 2009               | 2010               | % change   | kg change          |
|------------------------|--------------------|--------------------|------------|--------------------|
| <b>Frozen</b>          |                    |                    |            |                    |
| Blade                  | 774,331            | 432,390            | -44        | -341,941           |
| Brisket                | 370,790            | 179,359            | -52        | -191,431           |
| Chuck                  | 83,520             | 559,235            | 570        | 475,715            |
| Chuck Roll             | 466,079            | 24,921             | -95        | -441,158           |
| Cube Roll/Rib Eye Roll | 40,646             | 35                 | -100       | -40,611            |
| Manufacturing          | 166,619,187        | 115,232,777        | -31        | -                  |
| Neck                   | 171,229            | 146,309            | -15        | -24,920            |
| Ribs                   | 28                 | -                  | -          | -28                |
| Ribs prepared          | 479                | 1,732              | 262        | 1,253              |
| Rump                   | 747,786            | 627,938            | -16        | -119,848           |
| Shin/Shank             | 12,657,221         | 12,897,766         | 2          | 240,545            |
| Short Ribs             | -                  | 39                 | -          | 39                 |
| Silverside/outside     | 5,627,331          | 3,101,442          | -45        | -2,525,889         |
| Striploin              | 4,512,681          | 4,245,708          | -6         | -266,973           |
| Tenderloin             | 133,696            | 7,301              | -95        | -126,395           |
| Thick Flank/Knuckle    | 3,809,840          | 2,656,274          | -30        | -1,153,566         |
| Thin Flank             | 11,319,270         | 11,018,153         | -3         | -301,117           |
| Topside/Inside         | 10,205,643         | 6,632,865          | -35        | -3,572,778         |
| other                  | 514,214            | 8,328              | -98        | -505,886           |
| <b>Total</b>           | <b>218,053,971</b> | <b>157,772,572</b> | <b>-28</b> | <b>-60,281,399</b> |

|                        | 2009               | 2010               | % change   | kg change          |
|------------------------|--------------------|--------------------|------------|--------------------|
| <b>Total</b>           |                    |                    |            |                    |
| Blade                  | 1,710,738          | 819,750            | -          | -890,988           |
| Brisket                | 493,216            | 252,522            | -49        | -240,694           |
| Chuck                  | 102,340            | 588,663            | 475        | 486,323            |
| Chuck Roll             | 1,058,752          | 176,675            | -83        | -882,077           |
| Cube Roll/Rib Eye Roll | 1,261,480          | 1,277,837          | 1          | 16,357             |
| Manufacturing          | 166,638,311        | 115,266,501        | -31        | -51,371,810        |
| Neck                   | 172,868            | 147,788            | -15        | -25,080            |
| Ribs                   | 11,066             | 13,547             | 22         | 2,481              |
| Ribs prepared          | 59,453             | 82,237             | 38         | 22,784             |
| Rump                   | 2,590,139          | 2,590,561          | 0          | 422                |
| Shin/Shank             | 12,691,028         | 12,928,662         | 2          | 237,634            |
| Short Ribs             | 156                | 3,054              | 1,858      | 2,898              |
| Silverside/outside     | 9,623,265          | 5,142,756          | -47        | -4,480,509         |
| Striploin              | 5,928,081          | 5,303,615          | -11        | -624,466           |
| Tenderloin             | 4,338,981          | 3,525,315          | -19        | -813,666           |
| Thick Flank/Knuckle    | 6,776,697          | 3,799,267          | -44        | -2,977,430         |
| Thin Flank             | 17,617,514         | 17,955,558         | 2          | 338,044            |
| Topside/Inside         | 19,889,613         | 15,149,430         | -24        | -4,740,183         |
| other                  | 514,865            | 11,008             | -98        | -503,857           |
| <b>Total</b>           | <b>251,478,563</b> | <b>185,034,746</b> | <b>-26</b> | <b>-66,443,817</b> |

Source: DAFF

Table 2

Australian beef and veal exports to the US (January to December)

|          | Chilled carcase    |                    |                     | Chilled bone-in    |                    |                     |
|----------|--------------------|--------------------|---------------------|--------------------|--------------------|---------------------|
|          | Volume<br>(kg/swt) | Value<br>(\$A FOB) | Average<br>(\$A/kg) | Volume<br>(kg/swt) | Value<br>(\$A FOB) | Average<br>(\$A/kg) |
| 2009     | 181,461            | 899,212            | 4.96                | 279,264            | 2,736,597          | 9.80                |
| 2010     | 72,319             | 340,090            | 4.70                | 167,040            | 1,827,018          | 10.94               |
| % change | -60.1              | -62.2              | -5.1                | -40.2              | -33.2              | 11.6                |

|          | Chilled boneless   |                    |                     | Aggregate (chilled) |                    |                     |
|----------|--------------------|--------------------|---------------------|---------------------|--------------------|---------------------|
|          | Volume<br>(kg/swt) | Value<br>(\$A FOB) | Average<br>(\$A/kg) | Volume<br>(kg/swt)  | Value<br>(\$A FOB) | Average<br>(\$A/kg) |
| 2009     | 34,068,384         | 212,636,878        | 6.24                | 34,529,109          | 216,272,687        | 6.26                |
| 2010     | 27,148,211         | 181,042,112        | 6.67                | 27,387,570          | 183,209,220        | 6.69                |
| % change | -20.3              | -14.9              | 6.8                 | -20.7               | -15.3              | 6.8                 |

|          | Frozen carcase     |                    |                     | Frozen bone-in     |                    |                     |
|----------|--------------------|--------------------|---------------------|--------------------|--------------------|---------------------|
|          | Volume<br>(kg/swt) | Value<br>(\$A FOB) | Average<br>(\$A/kg) | Volume<br>(kg/swt) | Value<br>(\$A FOB) | Average<br>(\$A/kg) |
| 2009     | 8,160              | 27,109             | 3.32                | 1,921,306          | 6,408,483          | 3.34                |
| 2010     | 28,485             | 71,692             | 2.52                | 1,075,418          | 3,178,440          | 2.96                |
| % change | 249.1              | 164.5              | -24.2               | -44.0              | -50.4              | -11.4               |

|          | Frozen boneless    |                    |                     | Aggregate (frozen) |                    |                     |
|----------|--------------------|--------------------|---------------------|--------------------|--------------------|---------------------|
|          | Volume<br>(kg/swt) | Value<br>(\$A FOB) | Average<br>(\$A/kg) | Volume<br>(kg/swt) | Value<br>(\$A FOB) | Average<br>(\$A/kg) |
| 2009     | 216,356,241        | 750,379,278        | 3.47                | 218,285,707        | 756,814,870        | 3.47                |
| 2010     | 156,678,587        | 585,055,342        | 3.73                | 157,782,490        | 588,305,474        | 3.73                |
| % change | -27.6              | -22.0              | 7.7                 | -27.7              | -22.3              | 7.5                 |

|          | Aggregate (chilled, frozen) |                    |                     |
|----------|-----------------------------|--------------------|---------------------|
|          | Volume<br>(kg/swt)          | Value<br>(\$A FOB) | Average<br>(\$A/kg) |
| 2009     | 252,814,816                 | 973,087,557        | 3.85                |
| 2010     | 185,170,060                 | 771,514,694        | 4.17                |
| % change | -26.8                       | -20.7              | 8.2                 |

Source: Tradedata International

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