



US Imported Beef Market

A Weekly Update

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Prepared by: Steiner Consulting Group | SteinerConsulting.com | 800-526-4612 | service@steinerconsulting.com

Market Highlights for the Week:

- Imported beef prices continue to climb as traders seek to build their positions ahead of anticipated better demand in March and April
- Offerings from New Zealand reported as moderately better on higher kills
- Australian offers remain spotty as plentiful moisture has limited slaughter. Still, Australian shipments to the US in February projected near 20,000 MT, more than 40% higher than a year ago
- US lean beef prices at all time record highs on limited supplies and improved demand
- Overall beef prices remain very high on tight supplies of market ready cattle.

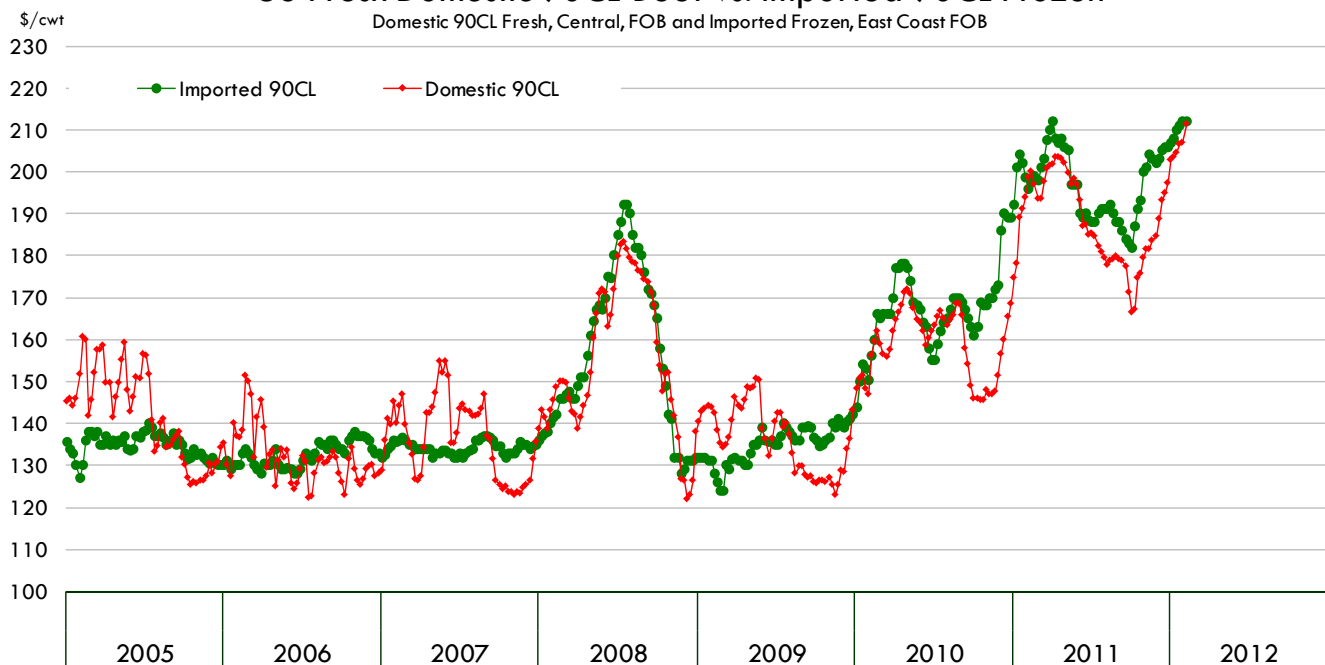
Market Activity Recap

US imported beef prices were firm this week, with US market participants indicating higher offerings from New Zealand and Australia. Trading was mostly active on Tuesday and Wednesday and by Thursday market participants were sitting on the sidelines noting that overseas packers appeared for the most part to be very well sold for the week and asking significantly higher money for

any future forward deliveries. Also supportive to the market were gains in the market for domestic 90CL boneless beef. Trade was somewhat puzzled by USDA printing the high side of 90CL fresh US domestic at \$2.27 lb. Most people thought it probably was a typo although according to some USDA confirmed it was a real trade. Tonight the high side of the USDA sheet was quoted at \$2.18, which is more in line with where we think the top of the market is at this time.

US Fresh Domestic 90CL Beef vs. Imported 90CL Frozen

Domestic 90CL Fresh, Central, FOB and Imported Frozen, East Coast FOB

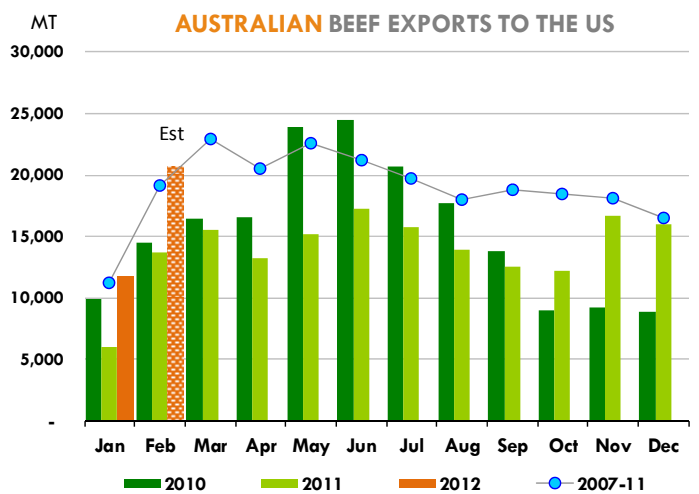
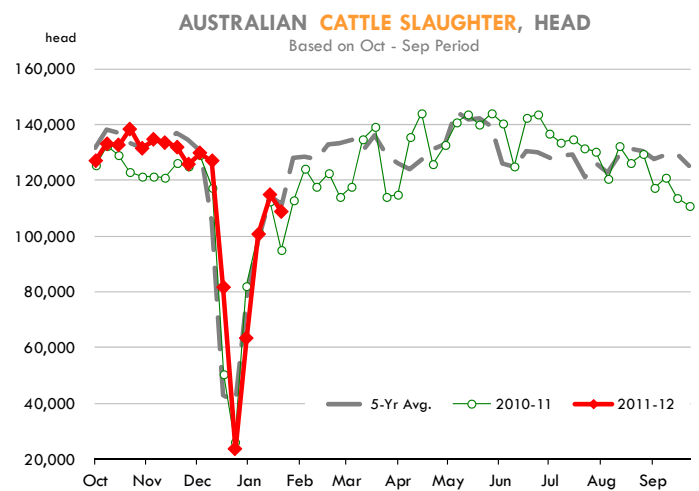
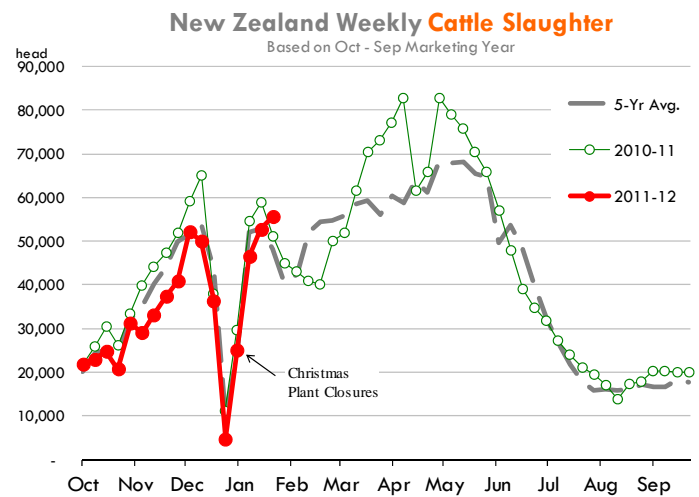


Have lean grinding beef prices run too far ahead of themselves and if so, will we see a retreat in the next two to three weeks? This was one of the questions that market participants seemed to be asking in a number of ways during our interviews today. Prices for domestic 90CL beef trimmings are about 15 cents or 7.4% higher than the same period a year ago while imported frozen 90CL currently stands at 12 cents or 6.2% over last year's levels. Seasonally, lean grinding beef prices tend to advance in March and April on improving demand and lower US cow slaughter rates. Indeed, we think that part of the reason why lean beef values have been so strong this early in the year is due to the extremely mild winter. While Europe is experiencing one of the toughest winters in recent memory, US temperatures have been 10-15°F above normal and this has been the third least-snowy January for the contiguous US since records began in 1966.

Another factor impacting both domestic and lean beef prices at this time is the escalating price of cattle and beef prices in the US and generally meat price inflation. In an environment where the consumer remains very price sensitive, we continue to see a shift towards less expensive options both at foodservice and retail. Lean beef at \$2.10 and fat beef at \$1.00 is not exactly a bargain but it still compares favorably to many middle meats and also much higher prices for pork and even some chicken items. The price of chicken wings, a bar food staple in the US and one that competes with hamburgers in some establishments, has increased by 80% compared to a year ago. One pound of chicken wings currently trades at \$1.90 per pound, compared to a pound of 81CL ground beef at \$1.83 per pound and a formulated 78CL meat block currently stands at \$1.78 per pound.

Imported supplies

Imported beef supplies are in better shape today than they were a year ago. Australian beef exports to the US in January were a little over 11,000 MT, almost double what they were the previous year when flooding distrusted trade for a few weeks. The pace of shipments so far in February remains very strong and there is a chance we could see total shipments near 19,000 MT for the month, about 40% higher than the previous year and about the same as the five year average. New Zealand offers and shipments also are expected to bounce back (see chart). New Zealand slaughter for the week ending January 28 was 55,626 head, about 8.6% higher than the previous year and the largest weekly volume



since last June. Cow slaughter in New Zealand remains low, however, down 26% for the week and down 34% for this marketing year. The expectation is that producers will have a few more cows to sell in March and April. Finally, market participants also indicated that the surge in grinding beef prices in the US is generating some interest from South American

suppliers. Uruguay has been absent from the US market for some time, shipping only minimal quantities in 2011. But even as there appears to be more interest, the data has yet to show this and during the four January weeks, Uruguayan shipments to the US averaged only about 380 MT a week, in line with year ago levels.

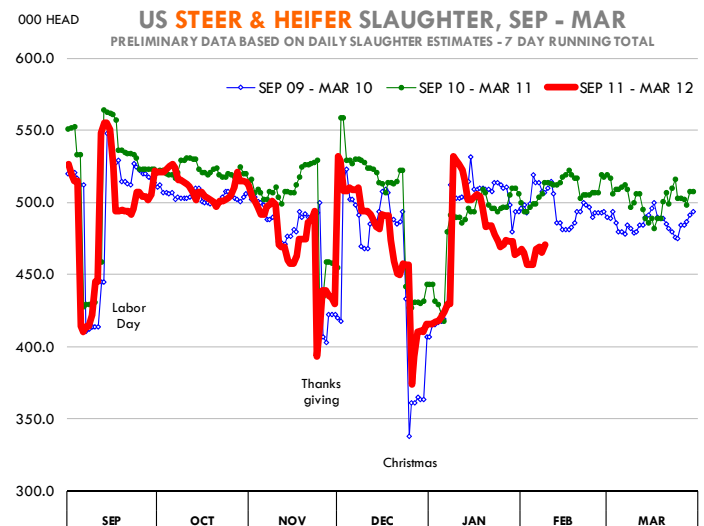
US Domestic Pricing:

The market for fresh US domestic grinding beef was steady this week. Prices for 90CL boneless beef were quoted at 218 US cents per pound on the top side, 8 cent higher compared to the week before and 15 cents higher than a year ago. Prices for 85CL boneless beef this week were quoted at 205 cents per pound on the top side, 5 cents higher from the prior week and 14 cents higher than a year ago. Domestic 50CL beef trimmings at 102 US c/lb. (topside) was 1 cent higher compared to the week before and 22 US c/lb. higher than a year ago. Prices for pork trimmings were mixed compared to a week ago. 42CL pork trim prices at 40 c/lb. was 3 cents lower compared to the week before and down 5 cents compared to the previous year. 72CL pork trim prices at 73 c/lb. was 2 cents lower compared to a week ago and 15 cents lower compared to last year.

US Domestic Beef Trade

Live cattle futures surged higher this week as market participants were buoyed by reports of higher wholesale beef prices. The choice beef cutout was quoted on Thursday afternoon at \$186.32/cwt, about \$3.1 higher than the week before and \$17.3/cwt (+10.2%) higher than a year ago. The select cutout closed at \$182.32/cwt, \$13.7 (+8.2%) higher than a year ago. The gains in wholesale beef prices have been broad-based as packers have sharply reduced kills in recent days. Steer and heifer slaughter (feedlot cattle) is currently running at a weekly pace of about 470k, about 8.3% below year ago levels. Packers have been working reduced hours on Fridays and Saturdays for the last three weeks and the result is showing up in the boxed beef market as retailers and foodservice operators looking for spot loads are now forced to pay higher money.

For the most part all primals are showing strong gains compared to a year ago (see our discussion on 2/3 for more context on individual cuts). The only laggard is the chuck primal cutout, which is up just 2% from a year ago. However keep in mind that chuck prices last year were leading the pack due to very



strong demand from S. Korea and current chuck prices are still at near all time record highs. The biggest primal cutout gains compared to a year ago have been for flanks (+36%), short plate (+23%) and loin (+16%). Also supportive to the overall gains for the choice and select cutout has been a very buoyant market for beef trimmings. It is the second week of February and the price of 50CL beef trim stands at \$100/cwt compared to last February when 50CL trim was hovering in the mid 70s. Ground beef demand from both retail and foodservice establishments remains strong and this has pushed the price for fat trim to all time record levels for this time of year. And if end users are willing to pay \$100 for 50CL in mid February, what will happen to this market when April rolls around and everybody starts to gear up for Memorial Day weekend and the start of the grilling season? Mild temperatures this winter have clearly benefited this market but we also think that the escalation in the price of high value cuts will continue to push more end users down the value chain, bidding up prices. In this context, it is also important to keep an eye on the lean part of the complex.

Meat Market Highlights:

Imported Beef Market - Imported 90CL CIF East Coast trading at 206 CIF cents per pound on the topside, 13 c/lb. higher than a year ago.

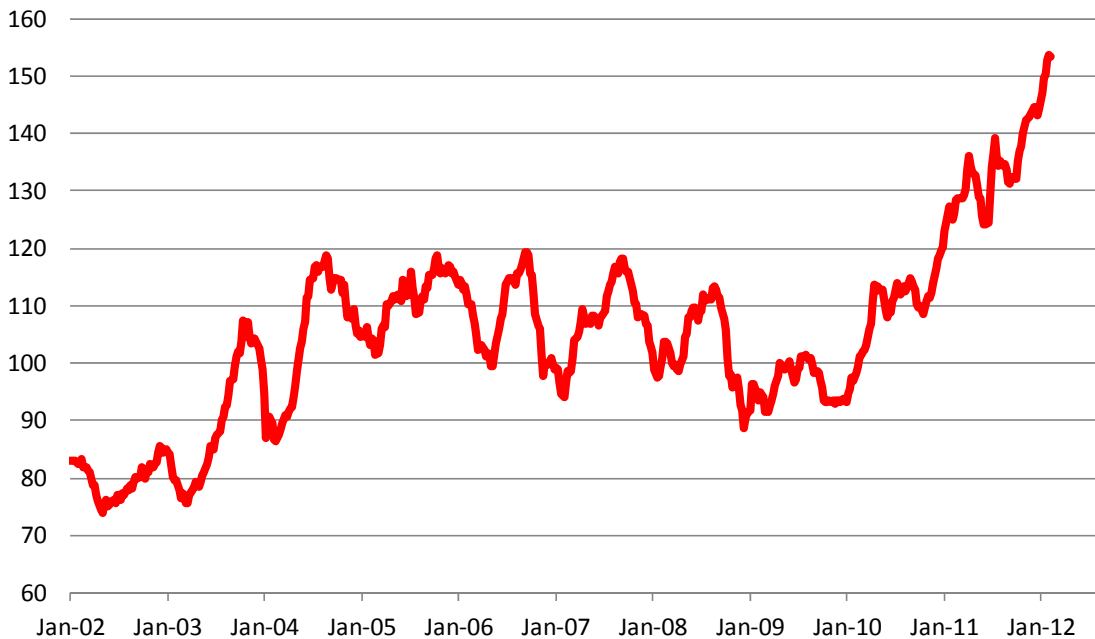
Domestic Beef Market - Domestic Midwest 90CL trimmings are trading at 218 cents per pound FOB Central US on the **topside**, 15 US c/lb. higher than a year ago. Domestic 50CL beef trimmings are trading at **102 US cents per pound FOB Central US** on the topside, 22 c/lb. higher than a year ago. The US choice cutout values are trading at 186.32 \$/cwt., 17.3 \$/cwt. higher than last year.

The US National Direct Live Steer 5-day wt. average is currently at US\$123.39 per cwt., \$17.5/cwt. HIGHER than last year.

CME Cattle Feeder Index and US Cattle Markets

	Current Week	Prior Week	Change from Last Week	Last Year	Change from Last Year
	8-Feb-12	1-Feb-12		9-Feb-11	
CME FEEDER CATTLE INDEX	153.54	153.77	-0.23	126.27	27.27
NATIONAL DIRECT FED STEER	123.39	123.86	-0.47	105.88	17.51
FOB OMAHA, CUTTER 1-2 350#/UP, COW CARCASS	117.00	117.00	0.00	107.00	10.00
FOB OMAHA, UTILITY, BNG 1-3 400#/UP, COW CARCASS	117.00	117.00	0.00	107.00	10.00

CME Feeder Cattle Index



Source: Chicago Mercantile Exchange

TABLE 2 – IMPORTED BEEF PRICES, 7:45 DAYS, CIF

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	9-Feb-12	217.0	2-Feb-12	215.0		10-Feb-11	200.0	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	215.0	217.0	214.0	215.0	2.0	199.0	200.0	17.0
90 CL Blended Cow	204.0	206.0	204.0	206.0	0.0	190.0	194.0	12.0
90 CL Shank	202.0	203.0	202.0	203.0	0.0	190.0	192.0	11.0
85 CL Fores	191.0	193.0	190.0	193.0	0.0	181.0	183.0	10.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	213.0	215.0	213.0	214.0	1.0	198.0	199.0	16.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	190.0	192.0	190.0	192.0	0.0	180.0	182.0	10.0
80 CL Trimmings	174.0	175.0	173.0	175.0	0.0	175.0	176.0	-1.0
75 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
65 CL Trimmings	125.0	127.0	128.0	129.0	-2.0		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	268.0	270.0	265.0	270.0	0.0	270.0	275.0	-5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A		UNQ	N/A
Steer Knuckles	245.0	250.0	245.0	250.0	0.0		UNQ	N/A

TABLE 3 – IMPORTED BEEF PRICES, 7:45 DAYS, FOB

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	9-Feb-12	2-Feb-12	9-Feb-11	2-Feb-11		9-Feb-11	2-Feb-11	
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	222.0	224.0	220.0	222.0	2.0	206.0	207.0	17.0
90 CL Blended Cow	210.0	211.0	210.0	211.0	0.0	196.0	198.0	13.0
90 CL Shank	205.0	206.0	206.0	207.0	-1.0	195.0	196.0	10.0
85 CL Fores	195.0	197.0	195.0	197.0	0.0	187.0	190.0	7.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	222.0	223.0	220.0	221.0	2.0		206.0	17.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	194.0	195.0	195.0	196.0	-1.0		UNQ	N/A
80 CL Trimmings	179.0	180.0	178.0	180.0	0.0	177.0	180.0	0.0
75 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
65 CL Trimmings	129.0	130.0	128.0	130.0	0.0		UNQ	N/A
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	272.0	277.0	270.0	275.0	2.0	275.0	280.0	-3.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A		UNQ	N/A
Steer Knuckles	250.0	255.0	250.0	255.0	0.0		UNQ	N/A

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year	Change from Last Year	
	9-Feb-12	2-Feb-12				10-Feb-11		
<u>Domestic Cutouts</u>								
Choice Cutout	186.32	183.19			3.1	169.00	17.3	
Select Cutout	182.32	178.53			3.8	168.58	13.7	
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	208.3	218.0	205.0	210.0	8.0	198.0	203.0	15.0
85 CL Beef Trimmings	194.7	205.0	193.0	200.0	5.0	188.0	191.0	14.0
50 CL Beef Trim	96.0	102.0	97.0	101.0	1.0	74.0	80.0	22.0
<u>Domestic Pork Trim</u>								
42 CL Pork Trim		40.0	39.0	43.0	-3.0		45.0	-5.0
72 CL Pork Trim	71.0	73.0	73.0	75.0	-2.0		88.0	-15.0
<u>Point of Lean Values</u>								
90 CL Domestic	242.2		233.3		8.9	225.6		16.7
50 CL Beef Trimming	204.0		202.0		2.0	160.0		44.0
42 CL Pork Trim	95.2		102.4		-7.1	107.1		-11.9
72 CL Pork Trim	101.4		104.2		-2.8	122.2		-20.8
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	123.39		123.86		-0.5	105.88		17.5

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From	
			Week	Week		Last Year	Last Year
	9-Feb-12	2-Feb-12			10-Feb-11		
<u>Live Cattle Futures</u>							
February '12	125.075	125.225	↓	-0.15	108.825	↑	16.25
April '12	128.000	129.000	↓	-1.00	113.025	↑	14.98
June '12	126.925	128.125	↓	-1.20	113.550	↑	13.38
August '12	129.350	129.850	↓	-0.50	115.150	↑	14.20
<u>Feeder Cattle Futures</u>							
March '12	155.175	155.450	↓	-0.27	125.000	↑	30.18
April '12	157.275	157.950	↓	-0.67	126.825	↑	30.45
May '12	158.825	158.825	↓	0.00	127.625	↑	31.20
August '12	160.050	160.050	↓	0.00	128.600	↑	31.45
<u>Corn Futures</u>							
March '12	637	643	↓	-6.00	709 1/2	↓	-72.50
May '12	641 1/2	649 1/2	↓	-8.00	713 3/4	↓	-72.25
July '12	645 3/4	653 1/2	↓	-7.75	698 1/2	↓	-52.75
September '12	593	601 1/2	↓	-8.50	660	↓	-67.00
<u>Ch Wheat Futures</u>							
March '12	646	662 3/4	↓	-16.75	862 3/4	↓	-216.75
May '12	655 1/4	678	↓	-22.75	894 1/2	↓	-239.25
July '12	668	691 3/4	↓	-23.75	921	↓	-253.00
September '12	685 3/4	708	↓	-22.25	946 1/2	↓	-260.75

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	9-Feb-12	2-Feb-12			10-Feb-11		
<u>Total Cattle Slaughter</u>	603,000	600,000	↑	3,000	641,000	↓	-38,000
	28-Jan-12	21-Jan-12			29-Jan-11		
<u>Total Cow Slaughter</u>	126,114	133,395	↓	-7,281	131,634	↓	-5,520
<u>Dairy Cow Slaughter</u>	59,177	60,851	↓	-1,674	62,463	↓	-3,286
<u>Beef Cow Slaughter</u>	66,937	72,544	↓	-5,607	69,171	↓	-2,234

TABLE 6 - US BEEF IMPORTS, IN-QUOTA ENTRIES

(Source: US Customs Bureau)

Amount YTD in Kilograms as of February 6, 2012

Country	2/7/2011	2/6/2012	% Change	Quota Levels 2012	% Filled Year to Date
Australia	5,072,380	12,668,873	150%	398,214,000	3.2%
Canada	15,331,150	13,258,029	-14%	N/A	
Mexico	2,936,626	4,417,642	50%	N/A	
New Zealand	8,405,171	7,913,957	-6%	213,402,000	3.7%
Japan	0	0	0%	200,000	0.0%
Uruguay	513,686	1,202,929	134%	20,000,000	6.0%
Argentina	0	0		20,000,000	0.0%
Other Countries	3,809,486	3,640,043	-4%	64,805,000	5.6%
Total	36,068,499	43,101,473	19%		

Kilogram

Year/Year Comparison of Shipments

