



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

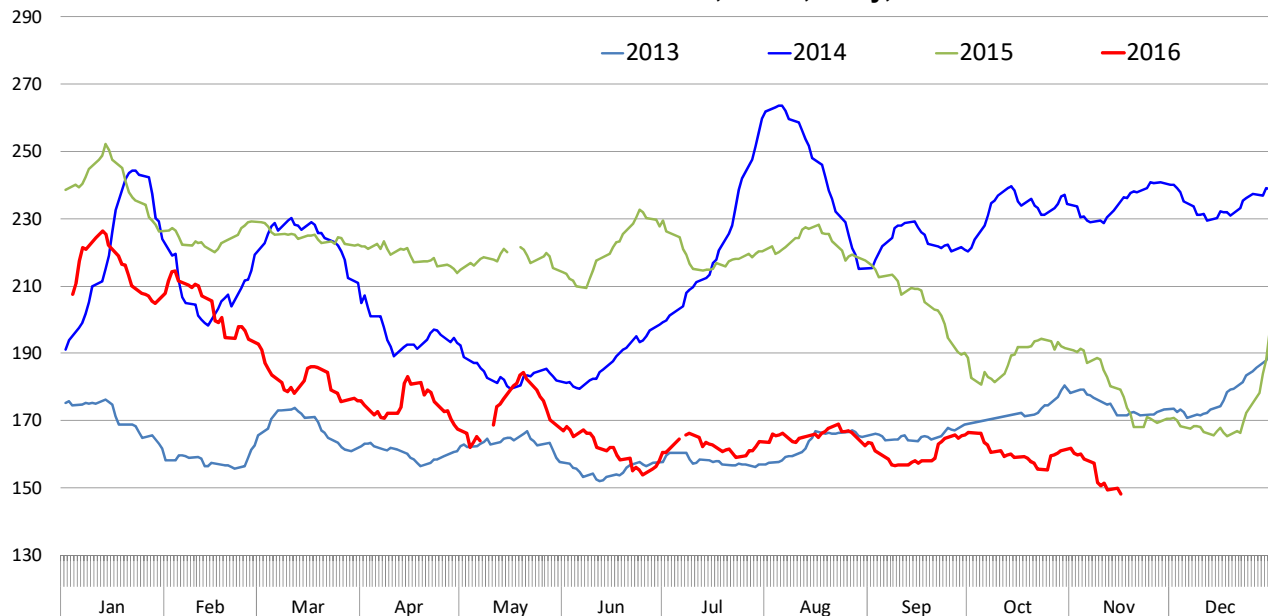
- Imported beef prices generally very firm for the next 30 days but then notably lower into January
- Prices trading in a wide range, with some participants clearly taking short positions but others worried that tight supply availability will persist into January
- Expectations of lower bull meat prices into January and February but risk remains that limited imported beef availability will support extra lean grinding beef values
- Price of fat beef trimmings seen weaker in the short term on weaker seasonal demand and large domestic slaughter
- Firm US dollar has helped temper imported beef prices in the last two weeks

Imported Market Activity for the Week

The market for imported beef is in a bit of flux at this moment. **Very tight spot supplies have made for a wide trading range and some of this is spilling over into prices being quoted for January deliveries.** Generally, however, prices into January are at a notable discount, in part because of increased offerings from New Zealand suppliers but also because more beef is expected to be available from other sources, including Central and South America. End users for the moment re-

main short bought, something that has been the case for much of this year. There is increasing focus on domestic beef, in part because of more plentiful supplies but also because round cuts are particularly weak for this time of year. Plentiful supplies of competing meats and a mild fall weather have negatively impacted demand for rounds. Chuck values have fared a bit better, in part because of robust export demand into Japan, S. Korea, Hong Kong and Taiwan. The price of select inside rounds with a maximum of 1/4 fat was quoted tonight at under \$1.90 while select peeled knuckles are now around \$2.12/

Primal Round Cutout Value, USDA, Daily, \$/cwt



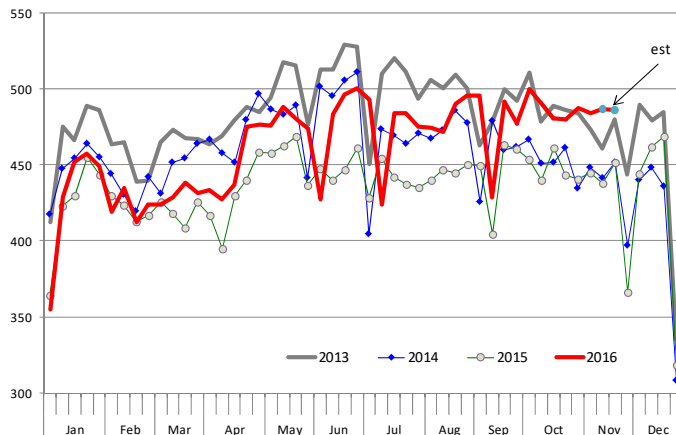
lb. Seasonally prices for round cuts move higher into January, however, so this should make end users a bit more nervous about supply availability. In the past there used to be a notable surge in imported beef supplies that helped offset the seasonal decline in domestic production, especially fed beef production (see chart). For now the low price of round cuts and generally stable prices for domestic lean grinding beef have made market participants a bit complacent. In our view that market for lean grinding beef may have a bit more upside risk than participants are pricing at this time.

The chart to the right shows the price history for bull meat in the US market (FOB basis) in the last four years. So you can better see the price tendency going into January we constructed the chart on an October to September basis. This also coincides with the marketing season in New Zealand. Seasonally bull slaughter increases into January and February in New Zealand and generally this tends to put some downward pressure on bull meat values. In the last two years we have seen a notable decline in the price of bull meat from October to January. In October 2014 the price of bull meat was as high as \$3.20 per pound but declined to \$2.42 per pound by mid February, a 25% correction. In October 2015 the price of frozen imported bull meat in the US market was a little over \$2.50 per pound but by early January it had declined to around \$2.00 per pound, a 20% correction. Some market participants expect a similar decline to take place again this year. Indeed forward prices for January currently are trading in the \$2.10 to \$2.12 range FOB, about 15 cents lower than current spot prices. But one needs to be a bit cautious about pricing the outlook for bull meat in January and February too low. Supplies of frozen lean grinding beef in the US remains particularly tight and we do not expect that to be corrected until Brazil starts shipping meaningful volumes (maybe by end of Q1 next year). So while we agree that bull meat prices should be softer by January and February relative to current values, it is likely that the price correction will be less significant than in the past two years. Indeed, in 2012 and 2013 the price decline from October to January was almost non-existent, in part because of how tight imported beef supplies were during those two years. We think 2017 will have more in common with those two years rather than 2014-15 when imported supplies were plentiful.

The chart on exchange rates is always instructive but that is particularly the case in the last two weeks. The odds of the US FED raising rates in their December meeting certainly has impacted the value of the US dollar (it has become stronger). Also,

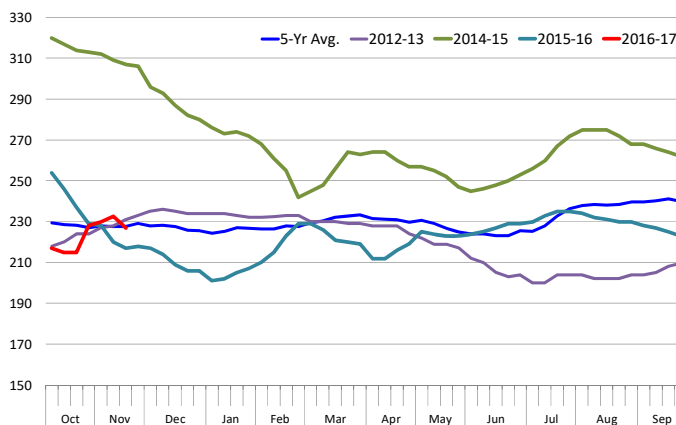
Weekly Steer and Heifer Slaughter

000 Head. Data Source: USDA. Calculations and Estimates for Last Two Weeks by Steiner Consulting

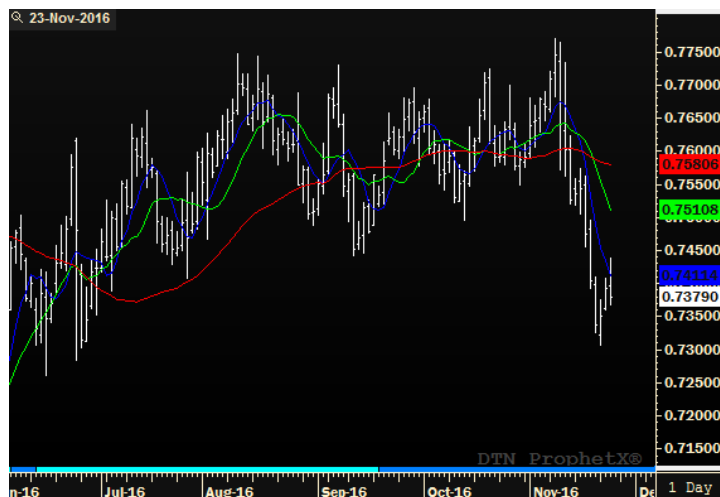


Price History for 95CL Imported Bull Meat. FOB. East Coast.

Source: Urner Barry



USD per 1 AUD. Nearby Futures



currency and equity markets are now betting that the new US administration will pursue rapid growth policies, which in the short term will bolster the value of the US currency. The stronger US dollar has in part contributed to the softer tone in pricing that

we have observed in the last two weeks, reflected in the results of our weekly CIF survey.

Cold Storage Results

Boneless beef inventories continued to increase in October, in large part reflecting the big increase in cattle slaughter during the month. Total boneless beef inventories at the end of October were 493.8 million pounds, 3.4% higher than the previous month. Inventories were 4.9% higher than in 2015 and 28.4% higher than the five year average. The increase in cold storage stocks took place even as beef imports have declined sharply. We suspect part of the reason for the increase in inventories was fat trim, especially in the first half of October. Also, with very weak pricing on rounds and chucks some of this product likely is going into the freezer. The larger inventories will tend to dampen demand for end cuts in Q1, which is critical for the cattle market given the seasonal retreat in the value of middle meats, especially ribs.

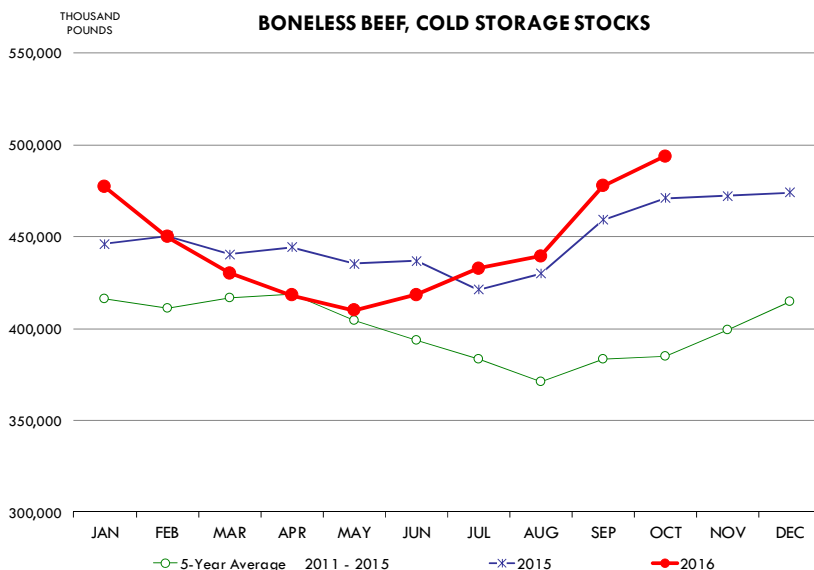
We view the supplies of pork cold storage as generally friendly to the market in the very near term. It is quite impressive that packers have been able to keep the flow of product moving even as total production/ slaughter hits all-time record highs. Total pork inventories at the end of October were 598.0 million pounds, 6.9% lower than the previous month. The average depletion rate in October has been 3.6% in the last five years. Cold storage stocks were down 1% compared to a year ago despite the big slaughter/ production, an indication of robust demand both in domestic channels and exports. Ham stocks decline in October and the drawdown this year was 23.2%

compared to 16% average for the last five years. High ham prices have been quite firm, in part due to strong export orders and this should allow for strong depletion of those hefty inventories in November as well. Belly stocks at the end of October were 20.8 million pounds, 17.1% lower than the previous month but still about 16.5% higher than a year ago. The depletion in belly stocks also should be viewed as positive given the large slaughter levels and the seasonally softer bacon demand in October. The key for the belly market is the level of inventories on January 1 and the current depletion rate is positive for belly prices going into next spring.

Total chicken inventories at the end of October was 774.0 million pounds, slightly higher than the previous month and now 10% lower than a year ago. Breast meat inventories, which were very burdensome in the first half of the year now are running about 4.4% lower than a year ago. Inventories of leg quarters have become more current given robust export demand, especially in Q2 and Q3. Total leg quarter stocks were 141.5 million pounds, 13.4% lower than a year ago but up 6.4% from the previous month.

US Domestic Price Summary

Prices for 90CL boneless beef were quoted at 208 US cents on the top side, 9 cent higher from a week ago but 8 cents lower than year ago levels. **The weighted average price tonight was quoted at 194 cents per pound, about the same as a week ago.** 85CL beef trim prices on the top side were quoted tonight at 183 cents, 3 cents lower from last week and the same as last year. The weighted average price for 85CL beef was 167 cents a pound, 15 cents lower than a week ago. 50CL beef price was 60 cents on the high side, 1.3 cents lower than a week ago and 13 cents lower than the same week last year. On a weighted average basis, the price of 50CL beef is now 53 cents, about the same as last week. Prices for pork trim remain extremely weak and down as much as 13 cents from a year ago. Current forecasts are for ongoing large hog slaughter through Q4, which will keep pork trim prices under pressure.



CME Cattle Feeder Index and US Cattle Markets

Special Live Animal Reference Price

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	22-Nov-16	15-Nov-16		24-Nov-15	
CME FEEDER CATTLE INDEX	127.55	125.91	1.3%	172.69	-26.1%
	23-Nov-16	16-Nov-16		25-Nov-15	
FED STEER (5-MKT AVG)	107.88	103.72	4.0%	124.72	-13.5%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	104.00	100.50	3.5%	136.50	-23.8%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	105.00	104.00	1.0%	133.50	-21.3%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	95.00	94.00	1.1%	122.50	-22.4%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	156.23	155.59	0.4%	171.21	-8.7%

Please note that we could not obtain the cow prices at the time of publication. USDA website was down. We will send an updated table tomorrow once the site is back up.

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
	23-Nov-16		16-Nov-16			25-Nov-15		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	201.0	205.0	205.0	207.0	-2.0	196.0	198.0	7.0
90 CL Blended Cow	190.0	195.0	195.0	197.0	-2.0	189.0	190.0	5.0
90 CL Shank	194.0	197.0	197.0	198.0	-1.0	183.0	186.0	11.0
85 CL Fores	180.0	185.0	184.0	185.0	0.0	175.0	178.0	7.0
85 CL Chucks	185.0	189.0	189.0	190.0	-1.0		UNQ	N/A
95 CL Bull, W. Coast	199.0	203.0		205.0	-2.0	195.0	197.0	6.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	180.0	183.0	183.0	184.0	-1.0	172.0	175.0	8.0
80 CL Trimmings	167.0	170.0	161.0	162.0	8.0	152.0	154.0	16.0
75 CL Trimmings	158.0	161.0	150.0	155.0	6.0	131.0	132.0	29.0
65 CL Trimmings		UNQ		UNQ	N/A	95.0	97.0	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides		275.0	275.0	280.0	-5.0	300.0	305.0	-30.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	225.0	230.0	N/A
Steer Knuckles	255.0	260.0	255.0	260.0	0.0	245.0	250.0	10.0

TABLE 3 – IMPORTED BEEF PRICES, 7:45 DAYS, US WAREHOUSE

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	23-Nov-16		16-Nov-16			25-Nov-15		
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	219.0	224.0	220.0	225.0	-1.0	208.0	210.0	14.0
90 CL Blended Cow	213.0	220.0	213.0	214.0	6.0	198.0	200.0	20.0
90 CL Shank	213.0	217.0	212.0	213.0	4.0	194.0	195.0	22.0
85 CL Fores	192.0	196.0	192.0	193.0	3.0	182.0	184.0	12.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	215.0	220.0	220.0	223.0	-3.0	208.0	209.0	11.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	191.0	195.0	191.0	192.0	3.0	181.0	182.0	13.0
80 CL Trimmings	175.0	177.0	173.0	174.0	3.0	159.0	161.0	16.0
75 CL Trimmings	165.0	167.0	160.0	161.0	6.0	137.0	138.0	29.0
65 CL Trimmings		UNQ		UNQ	N/A	102.0	103.0	N/A
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	280.0	285.0	280.0	285.0	0.0	305.0	310.0	-25.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	230.0	235.0	N/A
Steer Knuckles		265.0		265.0	0.0	250.0	255.0	10.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	<i>Current Week</i>		<i>Prior Week</i>		<i>Change From Last Week</i>	<i>Last Year</i>		<i>Change from Last Year</i>
	23-Nov-16		16-Nov-16			25-Nov-15		
<u>Domestic Cutouts</u>								
Choice Cutout	186.64		182.60		4.0	204.09		-17.5
Select Cutout	170.12		167.70		2.4	193.76		-23.6
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	192.0	206.0	192.0	208.0	-2.0	198.1	212.1	-6.1
85 CL Beef Trimmings	170.0	187.5	156.0	183.0	4.5	170.0	178.9	8.6
50 CL Beef Trim	30.0	47.5	50.9	57.8	-10.3	37.0	49.9	-2.4
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	12.6	35.8	15.0	39.0	-3.2	17.3	30.4	5.4
72 CL Pork Trim	42.0	57.6	39.8	60.0	-2.4	31.2	61.0	-3.4
<u>Point of Lean Values</u>								
90 CL Domestic	228.9		231.1		-2.2	235.6		-6.7
50 CL Beef Trimming	95.0		115.5		-20.5	99.7		-4.7
42 CL Pork Trim	85.2		92.9		-7.6	72.3		12.9
72 CL Pork Trim	80.0		83.3		-3.3	84.7		-4.7
<u>National Direct Fed Steer (5-day accum. wt. avg. price)</u>	107.88		103.72		4.2	124.72		-16.8

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From	
			Week			Last Year	Last Year
	23-Nov-16	16-Nov-16			25-Nov-15		
<u>Live Cattle Futures</u>							
December '16	109.675	108.200	↑	1.47	130.950	↓	-21.28
February '17	110.800	108.500	↑	2.30	133.125	↓	-22.33
April '17	110.400	108.625	↑	1.78	133.950	↓	-23.55
June '17	101.400	100.325	↑	1.08	125.050	↓	-23.65
<u>Feeder Cattle Futures</u>							
January '17	124.900	125.325	↓	-0.42	164.975	↓	-40.08
March '17	120.875	121.050	↓	-0.17	163.125	↓	-42.25
April '17	120.450	120.450	↓	0.00	164.675	↓	-44.23
May '17	119.675		↑	119.68	164.675	↓	-45.00
<u>Corn Futures</u>							
December '16	350 3/4	338 1/2	↑	12.25	366	↓	-15.25
March '17	359 1/4	346 1/2	↑	12.75	372 3/4	↓	-13.50
May '17	366	353 1/2	↑	12.50	378 1/4	↓	-12.25
July '17	373 1/4	360 1/4	↑	13.00	383 1/2	↓	-10.25
<u>Ch Wheat Futures</u>							
December '16	401 1/2	397	↑	4.50	479 1/4	↓	-77.75
March '17	423 3/4	414 1/4	↑	9.50	487 1/2	↓	-63.75
May '17	437 1/4	428	↑	9.25	492 1/2	↓	-55.25
July '17	452 1/2	442 3/4	↑	9.75	497 1/2	↓	-45.00

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week			Last Year	Last Year
	23-Nov-16	16-Nov-16			25-Nov-15		
<u>Total Cattle Slaughter</u>	631,000	614,000	↑	17,000	580,000	↑	51,000
	5-Nov-16	29-Oct-16			7-Nov-15		
<u>Total Cow Slaughter</u>	116,813	116,226	↑	587	109,200	↑	7,613
<u>Dairy Cow Slaughter</u>	58,524	56,289	↑	2,235	60,300	↓	-1,776
<u>Beef Cow Slaughter</u>	58,289	59,937	↓	-1,648	48,900	↑	9,389

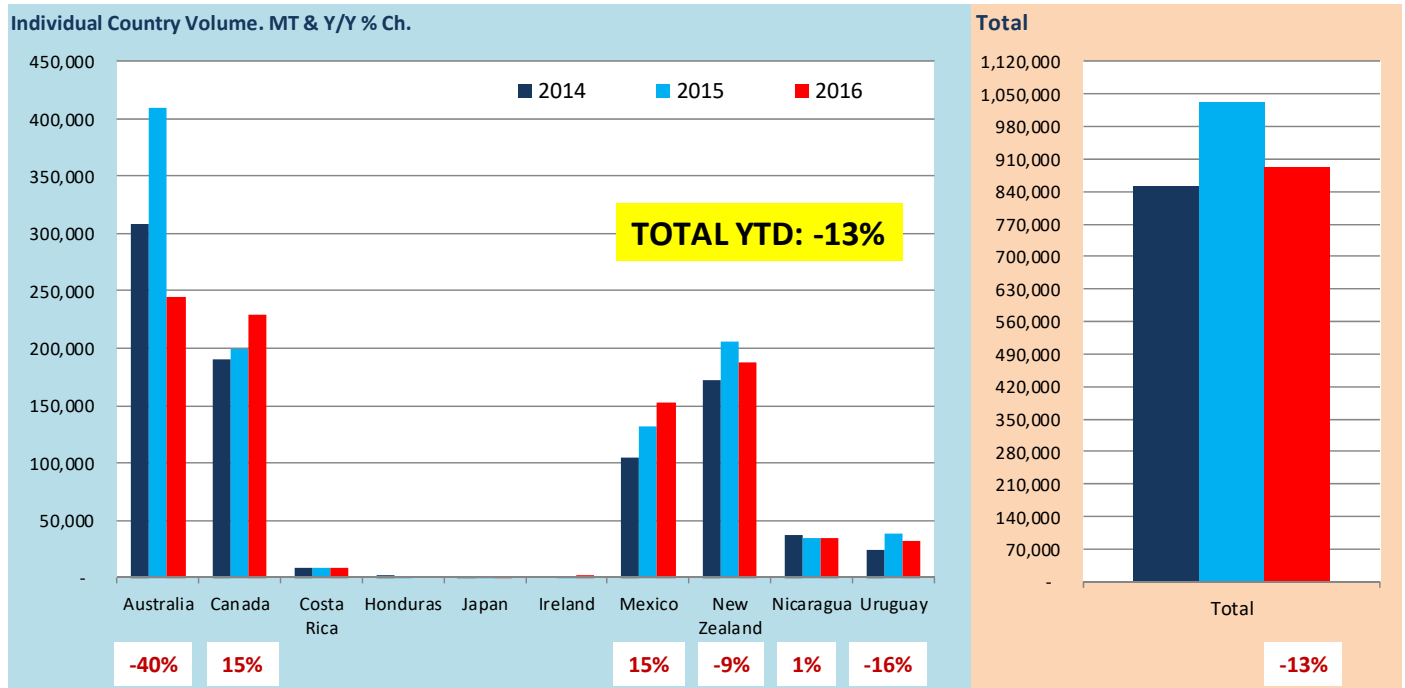
TABLE 7 - US BEEF IMPORTS (Source: USDA/AMS)

YTD Imported Meat Passed for Entry in the US

	11/14/2015	11/12/2016		
Australia	409,464	245,206	(164,258)	-40.1%
Canada	199,866	229,699	29,833	14.9%
Chile	631	458	(173)	-27.4%
Costa Rica	8,602	8,535	(67)	-0.8%
Honduras	1,241		(1,241)	-100.0%
Japan	162	220	58	35.8%
Ireland	926	2,167	1,241	134.0%
Mexico	132,284	152,684	20,400	15.4%
New Zealand	205,868	187,177	(18,691)	-9.1%
Nicaragua	34,479	34,979	500	1.5%
Uruguay	38,613	32,335	(6,278)	-16.3%
Total	1,032,137	893,461	(138,676)	-13.4%

US Beef Imports. Metric Ton. Data Source: USDA/Agricultural Marketing Service

Imports as of November 12, 2016

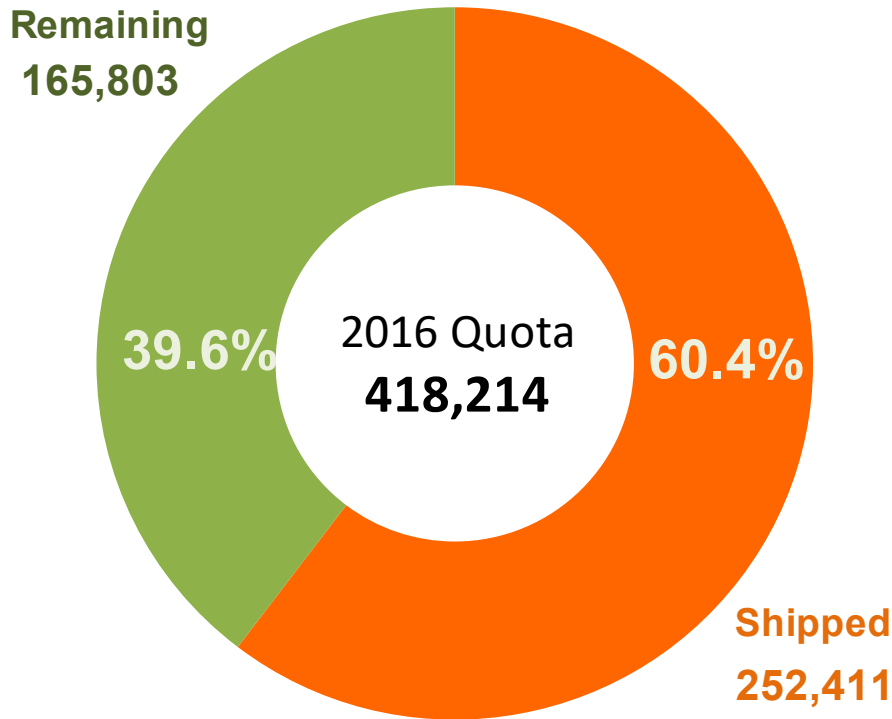


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled by each country based on the new Customs report

Australian Beef Quota Position

22-Nov-16

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending November 21

Source: US Customs

