



# US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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

## Market Highlights for the Week:

- Holiday shortened week resulted in light trading, with end users opting to sit on the sidelines rather than chase the few offerings available in the market
- CME fed cattle futures traded sideways this week as both the cutout and cash fed cattle prices appeared to stabilize
- The supply of beef in cold storage at the end of October was 5% less than a year ago but still as much as 10% above the five year average
- The increase in cold storage stocks during October was in line with normal trends despite increasing production
- Ground beef retail featuring is usually at the lowest point of the year this week as most features are for holiday items such as turkey and hams. Retail activity normally does not recover until later December and early January
- Non fed cattle slaughter was up 2.4% for the week but in the last four weeks non fed slaughter has averaged just 0.7% above year ago levels
- Fed cattle slaughter this past week was up 2.6% from a year ago
- Recent grading data show that the % of choice cattle may have been overstated by as much 2.4% between June and October

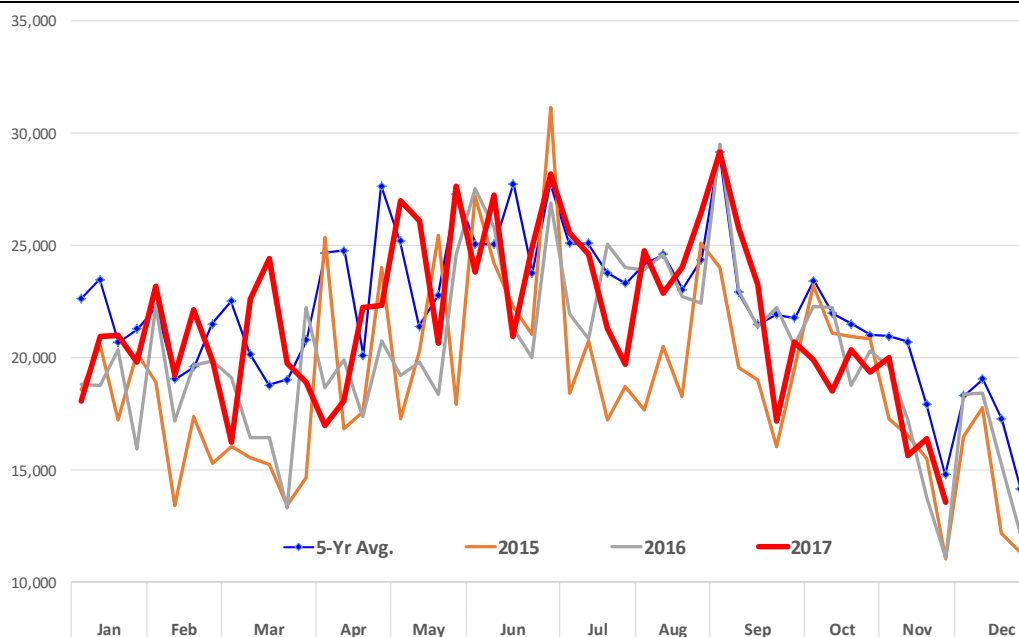
## Imported Market Activity for the Week

**Imported beef prices were lower this week on light trading. End users for the most part were focusing on holiday needs and market participants noted that lower prices were required to draw out bids. There continues to be a very wide gap between asking prices in Australia/New Zealand and what US end users**

**are willing to pay.** Despite the lower prices quoted in our survey, it is important to stress that is is on very light volume. Those looking to secure significant volume for forward delivery likely have to pay a premium to secure product. Fed cattle futures have declined in the last two weeks and this has also contributed to lower bids for product delivering in January. Those end users that hold a more bearish view of the market point to the increase in feedlot sup-

## Weekly Ground Beef Retail Activity Index. USDA National Retail Report

Source: USDA Weekly National Retail Report. Latest data point is for Nov 24, 2017



plies and implied large fed slaughter during the first quarter.

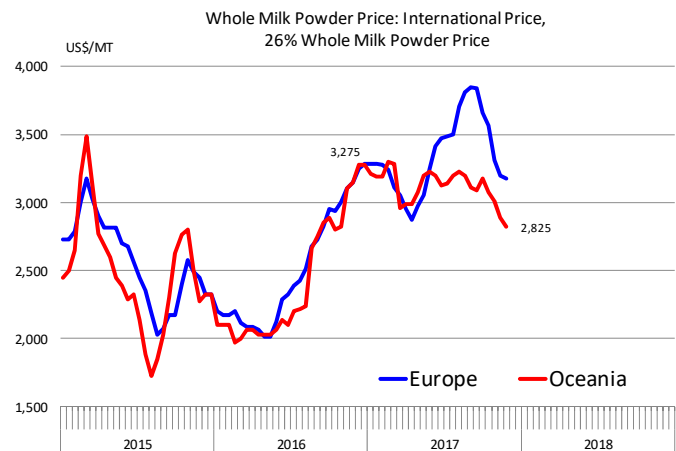
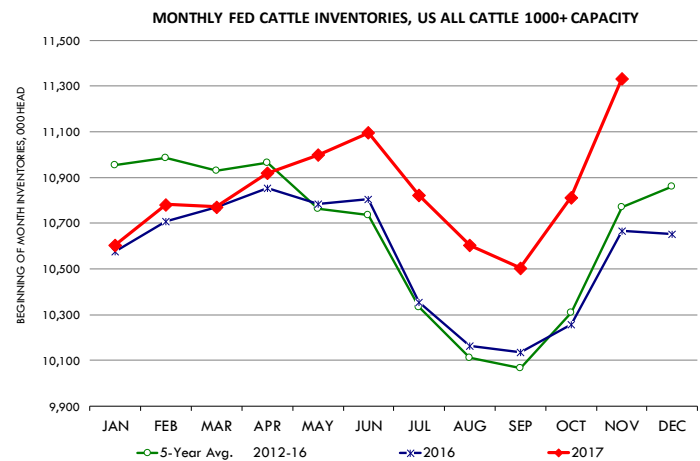
### **US Fed Cattle Supplies and Implications for Beef production in Q1 of 2018**

We covered the feedlot report last week but it is worth bringing this up again since it remains one of the main factors driving futures in the short term. Also, with the holiday week some market participants may have missed the latest data release. Feedlots placed some 2.393 million head on feed during October, 10.2% higher than a year ago vs. pre report estimates looking for a 7.1% increase. Higher placements in Texas and Nebraska contributed to the larger than expected gain. The increase in placements during Sep/Oct should bolster supplies of market ready cattle in late winter/early spring. Feedlots have been able to stay in front of the increasing cattle supplies for much of this year, with +120 day cattle numbers below both year ago and five year average numbers. That is no longer the case, however.

As we noted a week ago, as of November 1 there were 3.018 million cattle that had been on feed for more than 120 days, 2% higher than a year ago and 6.7% higher than the five year average. While beef demand has shown notable improvement in the last 12 months, we think the beef market has performed well ahead of key holiday periods when retailers and foodservice operators have sought to capitalize on the popularity of beef features. Feedlots will now have to contend with higher supplies of market ready cattle during February and March, when beef demand traditionally is not very strong. Ample supplies of competing proteins and the increased reliance on export demand further adds to the risk in this market.

Futures rallied in October following higher prices paid in the cash market for cattle, optimism about beef demand going into the holidays and speculation that a tighter grading system would reduce the supply of higher grading beef. The focus in the market is now, once again, on the supply front. The total supply of cattle on feed on November 1 was 11.332 million head, 6.3% higher than a year ago. This is the largest cattle on feed inventory since December 2012.

**Takeaway:** Feedlots will need to aggressively market cattle in Q1 in order to stay current and this will tend to put pressure on prices. End cuts will need to carry the cutout value, which will be a challenge given the increasing supplies of chicken and pork in the next three months.



### **Lower Dairy Prices Could Bring More Cows to Market in New Zealand**

Global dairy prices have declined sharply in the last few weeks as seasonally increasing milk supplies start to impact milk and cheese markets. The most recent dairy auction index declined 3.4% from the previous trading event, the fourth consecutive decline. Milk production seasonally increases during Oct-Dec as New Zealand supplies start to increase. Production in North America and Europe continues to expand as well. High prices, especially for butterfat, have negatively impacted demand for the holidays and dairy producers now have to start pricing dairy products more aggressively in order to keep the flow moving rather than see more product end up in storage. Milk production in New Zealand was reportedly 3% higher than the previous year and the pace of production is expected to remain in the next few months. The recent price declines are now expected to lead Fonterra to cut its pricing forecasts for dairy in 2018 and this could push more cows to slaughter during Feb - May. US dairy cow slaughter has already started to be affected by the weaker dairy pricing. US dairy cow slaughter in the last six weeks has averaged 4% above year ago levels.

Given the larger dairy cow inventory, slaughter will likely remain above year ago levels through the end of the year.

### Cold Storage Stocks

**The combined inventory of beef, pork, chicken and turkey at the end of October was 2.430 billion pounds, 5.2% higher than a year ago and 11.5% higher than the five year average.** Cold storage inventories have increased at a faster pace than normal in the last three months, in part because of an increase in the supply of chicken that is ending up in storage rather than going into domestic and export channels. Seasonally cold storage stocks peak in October and then some of that inventory is drawn down to fill holiday needs. It will be critical to see how that drawdown progresses this year in order to gauge pipeline supplies and price pressures (either up or down) in Q1.

The inventory of boneless beef at the end of October was 462.3 million pounds, 6.5% less than a year ago but still as much as 12.2% higher than the five year average. Boneless beef stocks increased by 1.7% in October vs. September in line with the level of inventory build that we have seen in recent years. Last year boneless beef stocks rose sharply into year-end, pressuring prices late in Q4 and in early Q1. With more beef production and larger exports it is normal for beef stocks to be higher than the five year average. The reason we see this report as neutral has to do with the fact that the inventory build so far is not very different than the five year average.

### Domestic Price Summary

Prices for 90CL boneless beef were quoted at 213 US cents on the top side, 1 cent higher than a week ago and 7 cents higher than year ago levels. **The weighted average price tonight was quoted at 211 cents, about the same as a week ago.** 85CL beef trim price on the top side was quoted tonight at 181 cents, 1 cent lower compared to last week and 6 cent lower than a year ago. 50CL beef price was 68 cents on the high side, 4 cents lower than last week but still 20 cents higher than last year. Prices for fat beef trim on a weighted average basis were around 69 cents, 3 cent lower than a week ago.

Pork prices continue to trade much higher than year ago levels as slaughter so far in November has not matched the levels we saw a year ago. Pork trim demand has been notably better than expected this fall, with higher premiums for both lean (72CL) and fat (42CL) pork.

# 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
	16-Nov-17	9-Nov-17		15-Nov-16	
CME FEEDER CATTLE INDEX	158.44	159.37	-0.6%	125.91	25.8%
	17-Nov-17	10-Nov-17		16-Nov-16	
FED STEER (5-MKT AVG)	119.49	123.48	-3.2%	103.72	15.2%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	100.00	100.00	0.0%	106.00	-5.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	98.00	95.50	2.6%	104.00	-5.8%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	91.00	91.00	0.0%	94.00	-3.2%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	168.17	170.06	-1.1%	155.59	8.1%

## 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
	24-Nov-17		17-Nov-17			23-Nov-16		
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	228.0	230.0	229.0	231.0	-1.0	201.0	205.0	25.0
<b>90 CL Blended Cow</b>	209.0	211.0	212.0	215.0	-4.0	190.0	195.0	16.0
<b>90 CL Shank</b>	208.0	210.0	210.0	212.0	-2.0	194.0	197.0	13.0
<b>85 CL Fores</b>	190.0	191.0	190.0	191.0	0.0	180.0	185.0	6.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A	185.0	189.0	N/A
<b>95 CL Bull, W. Coast</b>	227.0	229.0	227.0	229.0	0.0	199.0	203.0	26.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, CIF</u></b>								
<b>85 CL Trimmings</b>	189.0	190.0	189.0	190.0	0.0	180.0	183.0	7.0
<b>80 CL Trimmings</b>	168.0	170.0	168.0	170.0	0.0	167.0	170.0	0.0
<b>75 CL Trimmings</b>		UNQ		UNQ	N/A	158.0	161.0	N/A
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	280.0	285.0	280.0	285.0	0.0		275.0	10.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>	220.0	225.0	220.0	225.0	0.0		UNQ	N/A
<b>Steer Knuckles</b>		250.0		250.0	0.0	255.0	260.0	-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
	24-Nov-17	23-Nov-16	17-Nov-17	23-Nov-16				
<b><i>US East Coast Australian/NZ Lean, FOB US Port</i></b>								
<b>95 CL Bull, E. Coast</b>	236.0	239.0	238.0	240.0	-1.0	219.0	224.0	15.0
<b>90 CL Blended Cow</b>		220.0	218.0	220.0	0.0	213.0	220.0	0.0
<b>90 CL Shank</b>		219.0	218.0	219.0	0.0	213.0	217.0	2.0
<b>85 CL Fores</b>	198.0	199.0	198.0	200.0	-1.0	192.0	196.0	3.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	236.0	237.0	237.0	239.0	-2.0	215.0	220.0	17.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><i>US East Coast, Trimmings, FOB US Port</i></b>								
<b>85 CL Trimmings</b>	197.0	198.0	197.0	199.0	-1.0	191.0	195.0	3.0
<b>80 CL Trimmings</b>	179.0	180.0	179.0	180.0	0.0	175.0	177.0	3.0
<b>75 CL Trimmings</b>		UNQ	167.0	168.0	N/A	165.0	167.0	N/A
<b>65 CL Trimmings</b>		UNQ	121.0	122.0	N/A		UNQ	N/A
<b><i>US East Coast Australian Cuts, FOB US Port</i></b>								
<b>Cap Off Steer Insides</b>	285.0	295.0	285.0	295.0	0.0	280.0	285.0	10.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Knuckles</b>		260.0	257.0	260.0	0.0		265.0	-5.0

**TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES**

	<i>Current Week</i>		<i>Prior Week</i>		<i>Change From Last Week</i>		<i>Change from Last Year</i>	
	<i>24-Nov-17</i>	<i>17-Nov-17</i>	<i>17-Nov-17</i>	<i>10-Nov-17</i>	<i>Week</i>	<i>Last Year</i>	<i>23-Nov-16</i>	<i>Year</i>
<b><u>Domestic Cutouts</u></b>								
<b>Choice Cutout</b>	210.99	207.24	207.24	207.24	3.8	186.64	206.64	24.4
<b>Select Cutout</b>	187.85	187.85	187.85	187.85	0.0	170.12	187.12	17.7
<b><u>Domestic Lean Grinding Beef</u></b>								
<b>90 CL Boneless</b>	212.0	213.0	211.0	212.0	1.0	192.0	206.0	7.0
<b>85 CL Beef Trimmings</b>	179.8	181.0	179.0	182.3	-1.2	170.0	187.5	-6.5
<b>50 CL Beef Trim</b>	61.0	67.8	67.0	72.0	-4.2	30.0	47.5	20.3
<b><u>Domestic Pork Trim</u></b>								
<b>42 CL Pork Trim</b>	30.0	37.3	25.0	39.9	-2.7	12.6	35.8	1.5
<b>72 CL Pork Trim</b>	62.0	79.3	60.0	78.3	1.0	42.0	57.6	21.7
<b><u>Point of Lean Values</u></b>								
<b>90 CL Domestic</b>	236.7	235.6	235.6	235.6	1.1	228.9	235.9	7.8
<b>50 CL Beef Trimming</b>	135.7	144.0	144.0	144.0	-8.3	95.0	144.0	40.7
<b>42 CL Pork Trim</b>	88.7	95.0	95.0	95.0	-6.3	85.2	95.0	3.5
<b>72 CL Pork Trim</b>	110.1	108.7	108.7	108.7	1.4	80.0	108.0	30.1
<b><u>National Direct Fed Steer</u></b> <b><u>(5-day accum. wt. avg. price)</u></b>	118.97	119.49	119.49	119.49	-0.5	107.88	119.48	11.1

**TABLE 5 – FUTURES AND SLAUGHTER INFORMATION**

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From	
			Week			Last Year	Last Year
	24-Nov-17	17-Nov-17			23-Nov-16		
<b><u>Live Cattle Futures</u></b>							
December '17	118.575	118.850	↓	-0.27	109.675	↑	8.90
February '18	124.575	124.675	↓	-0.10	110.800	↑	13.78
April '18	125.250	124.875	↑	0.38	110.400	↑	14.85
June '18	118.225	117.650	↑	0.57	101.400	↑	16.83
<b><u>Feeder Cattle Futures</u></b>							
January '18	153.300	150.125	↑	3.18	124.900	↑	28.40
March '18	151.775	150.175	↑	1.60	120.875	↑	30.90
April '18	151.575	149.525	↑	2.05	120.450	↑	31.13
May '18	150.875		↑	150.88	120.450	↑	30.43
<b><u>Corn Futures</u></b>							
December '17	342 1/4	343	↓	-0.75	350 3/4	↓	-8.50
March '18	355	355	↓	0.00	359 1/4	↓	-4.25
May '18	363 1/4	363 1/2	↓	-0.25	366	↓	-2.75
July '18	371 1/4	371 1/4	↓	0.00	373 1/4	↓	-2.00
<b><u>Ch Wheat Futures</u></b>							
December '17	415 3/4	427 1/4	↓	-11.50	401 1/2	↑	14.25
March '18	434 3/4	443 1/2	↓	-8.75	423 3/4	↑	11.00
May '18	447 1/2	454 1/4	↓	-6.75	437 1/4	↑	10.25
July '18	461 1/4	466 3/4	↓	-5.50	452 1/2	↑	8.75

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week			Last Year	Last Year
	25-Nov-17	18-Nov-17			26-Nov-16		
<b><u>Total Cattle Slaughter</u></b>	572,000	639,000	↓	-67,000	549,000	↑	23,000
	11-Nov-17	4-Nov-17			12-Nov-16		
<b><u>Total Cow Slaughter</u></b>	120,108	121,446	↓	-1,338	117,000	↑	3,108
<b><u>Dairy Cow Slaughter</u></b>	57,150	58,409	↓	-1,259	58,500	↓	-1,350
<b><u>Beef Cow Slaughter</u></b>	62,958	63,037	↓	-79	58,500	↑	4,458



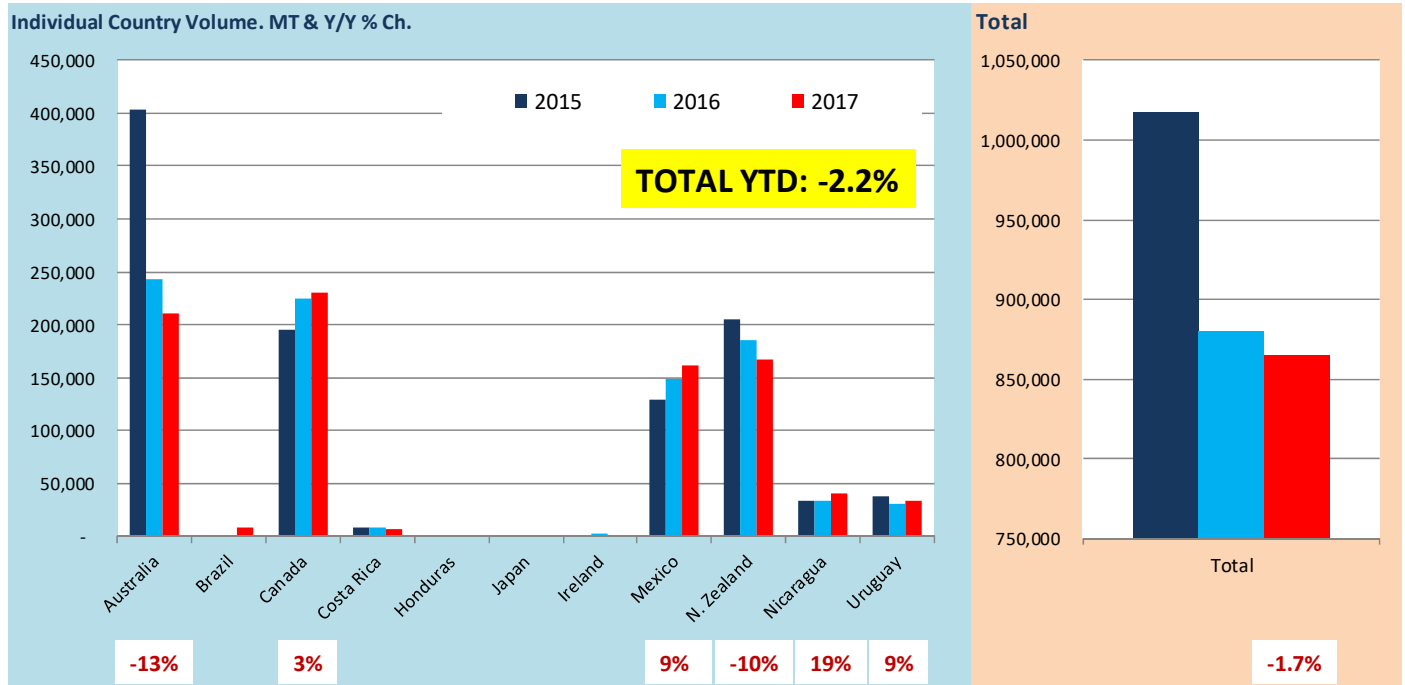
# TABLE 7 - US BEEF IMPORTS (Source: USDA/AMS)

## YTD Imported Fresh Beef Passed for Entry in the US

week 45	11/5/2016	11/11/2017		
Australia	242,452	210,240	(32,212)	-13.3%
Brazil	-	9,022		
Canada	224,890	230,845	5,955	2.6%
Chile	435	226	(209)	-48.0%
Costa Rica	8,428	7,112	(1,316)	-15.6%
Honduras	-	399	399	
Japan	218	278	60	27.5%
Ireland	2,167	1,985	(182)	-8.4%
Mexico	149,208	162,130	12,922	8.7%
Netherlands	-	228		
New Zealand	186,192	167,305	(18,887)	-10.1%
Nicaragua	34,274	40,727	6,453	18.8%
Uruguay	31,365	34,342	2,977	9.5%
<b>Total</b>	<b>879,630</b>	<b>864,837</b>	<b>(14,793)</b>	<b>-1.7%</b>

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

Imports as of November 11, 2017

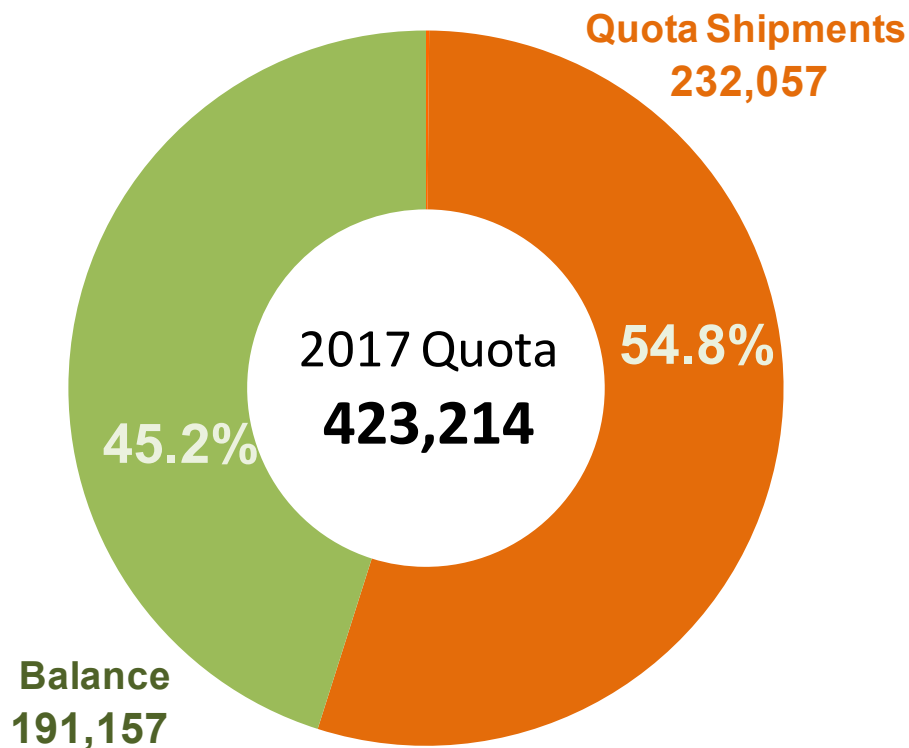


This page has not been updated this week. Updated data will be available next week.

# Australian Beef Quota Position

23-Nov-17

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending November 20

Source: US Customs

