



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

- Prices for imported beef delivering in late January and February took a tumble this week, with end users opting to sit on the sidelines, traders loading up on short orders and some overseas packers scrambling to put orders on the books ahead of holidays
- Despite the sharp break in forward prices, FOB prices remain stable on account of limited pipeline supplies and still quite positive beef demand trends in the US
- CME fed cattle futures continue to drift lower as funds cut some of their long positions ahead of the year-end portfolio rebalancing and uncertainty about wholesale beef price direction in Q1
- US cattle slaughter for the week was 633,000 head, 4.1% higher than a year ago. Non fed slaughter for the week estimated at 130,000 head, up 4.2% for the week. Fed cattle slaughter at 503,000 head up 3.8%.
- Despite the increase in non-fed cattle supplies this year prices have performed much better than normal and the seasonal decline this fall has been less than in previous years
- Prices for 50CL fat beef trimmings down as much as 10 cents for the week following back to back weeks of large slaughter and seasonally weak ground beef demand

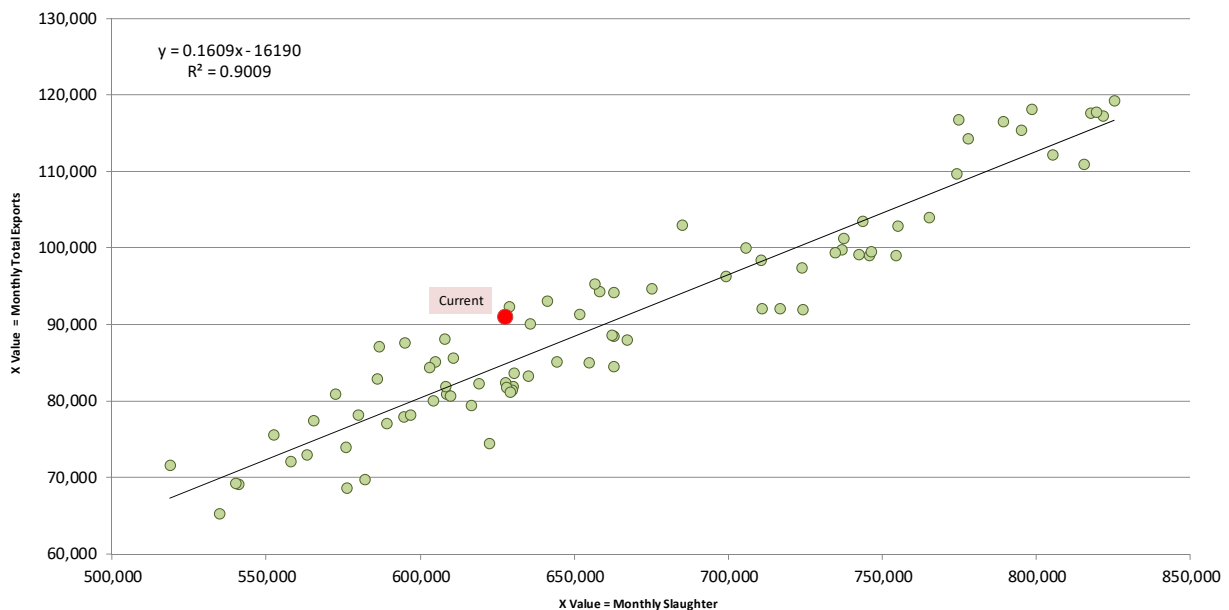
Imported Market Activity for the Week

Imported beef prices had a decidedly bearish tone this week, with prices for forward deliveries in late January and February posting sharp declines. It should be stressed, however, that it remains quite difficult to cover significant positions at the low end of our quotes. Often prices reflect limited offerings from New Zealand suppliers,

with Australian packers reluctant to even counter the ever declining US bids. Some panic among overseas suppliers that likely were caught by surprise by the sharp decline in price and likely wanted to get some orders on the books. As we note in the next page, however, one should resist the temptation to now completely discount the outlook for imported beef in 2018 based on recent trades. Ultimately the determinant for prices will be the amount of product

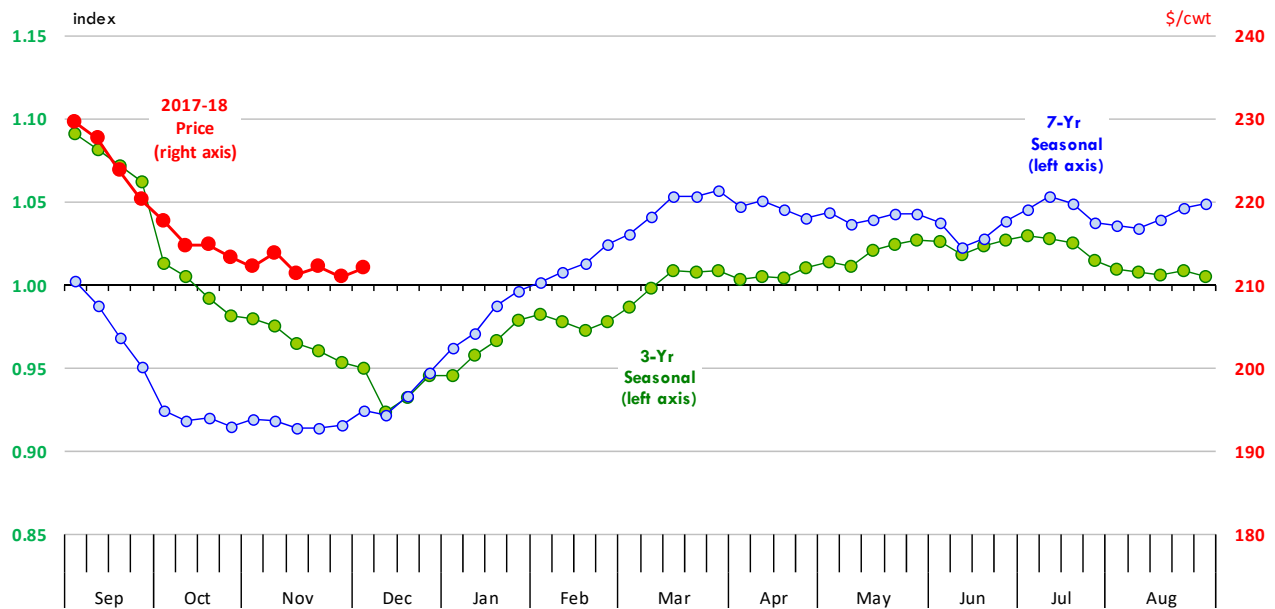
Relationship of Australian Monthly Slaughter to Australian Monthly Exports

3-M Average was used to eliminate noise created by month to month shifts and quota allocation issues



Seasonality of Fresh US Domestic 90CL Beef Trim

Current Price vs. 3-Yr and 7-Yr Seasonal



that will be available from Australia and New Zealand, the timing of South American entries and beef demand in the US. On all those fronts we continue to see few signs that justify a major price correction. Australia/New Zealand supplies will increase, but only in the low single digits vs. 2017, the timing of Brazil/Argentina trade remains very uncertain and US beef demand we think will continue to outperform previous years on account of a growing economy. Some of the recent price declines also reflect the correction in the US fed cattle futures, which have declined by more than 10% in the last few weeks.

Reduced Australian beef availability in the short term

Total Australian beef shipments to the US in November were 14,703 MT, down about 11,000 MT compared to the levels being shipped in August but still around 36% higher than the minimal levels Australia was exporting a year ago. The decline in Australian exports follows a reduction in slaughter numbers there as well as strong demand in other markets, particularly Japan. There is a very strong relationship between Australian slaughter and exports, which makes sense given the country exports over 75% of the beef that is produced in any given month. The chart on page 1 illustrates that relationship. We have used a 3-M moving average of slaughter and exports in order to eliminate some of the noise. The latest official slaughter data for Australia is for October, showing that total adult cattle slaughter for that month was 592,800 head, 4% higher than the previ-

ous year. For the three month period (Aug-Oct) slaughter was up 8% compared to a year ago compared to beef exports during that period that were up 16% y/y. Total Australian November exports were 87,850 MT, just 1.3% above last year's levels and consistent with the y/y decline in slaughter that we expect to see for the month. The ratio exports coming to the US market was as high as 26% during the summer months but US market share has slipped recently, largely because of the reduced availability and higher prices for lean beef. The ratio of US exports to total was 17% in November, the lowest since November 2016.

Bottom line: Australian slaughter for 2017-18 is forecast to be up 4.8% (Jul 2017 through June 2018 period). Slaughter was quite strong during winter months but improved pasture conditions are expected to limit slaughter and thus supply availability in the near term. Higher carcass weights have offset some of the reduction in slaughter. Higher weights already are impacting the size of some cuts that currently are offered/traded in the US market.

Lean Grinding Beef Seasonality and Outlook for Q1 Prices

The price of US domestic fresh 90CL beef on Friday was quoted at \$214/cwt, FOB wt.avg. basis. As the chart above shows, US domestic lean beef prices seasonally decline in the fall more cull cows show up in the market ahead of winter. But even as cow slaughter

continues to run above year ago levels, the seasonal decline this year has been shallower than in the past three years, reflecting the impact of robust grinding beef demand both at foodservice and retail. Cow supplies normally decline towards the end of the year as cow barns close ahead of the holidays. Normally we would expect some of the cows that do not get marketed over the holidays to show up early in the year but then slaughter is expected to seasonally decline. At this point there is some expectation among market participants that we should expect a 5-10 cent spread between domestic and imported lean grinding beef in Feb/Mar. However, the pace of slaughter in Australia/New Zealand will be critical. Some of the short positions taken today will need to be covered next year and any disruption in cattle flows overseas could cause imported values to quickly correct and possibly trade close to US market. For now market participants are pricing a fairly bearish outlook for the first half of 2018 but, as 2017 showed, demand remains a critical factor that has been constantly underestimated.

Domestic Price Summary

Prices for 90CL boneless beef were quoted at 219 US cents on the top side, 5.5 cent higher than a week ago and 14 cents higher than year ago levels. **The weighted average price tonight was quoted at 214 cents, 3 cents higher than a week ago.** 85CL beef trim price on the top side was quoted tonight at 181 cents, 2 cent higher compared to last week but 1 cent lower than a year ago. 50CL beef price was 61 cents on the high side, 6 cents lower than last week but still 17 cents higher than last year. Prices for fat beef trim on a weighted average basis were 51 cents, down as much as 10 cents from a week ago.

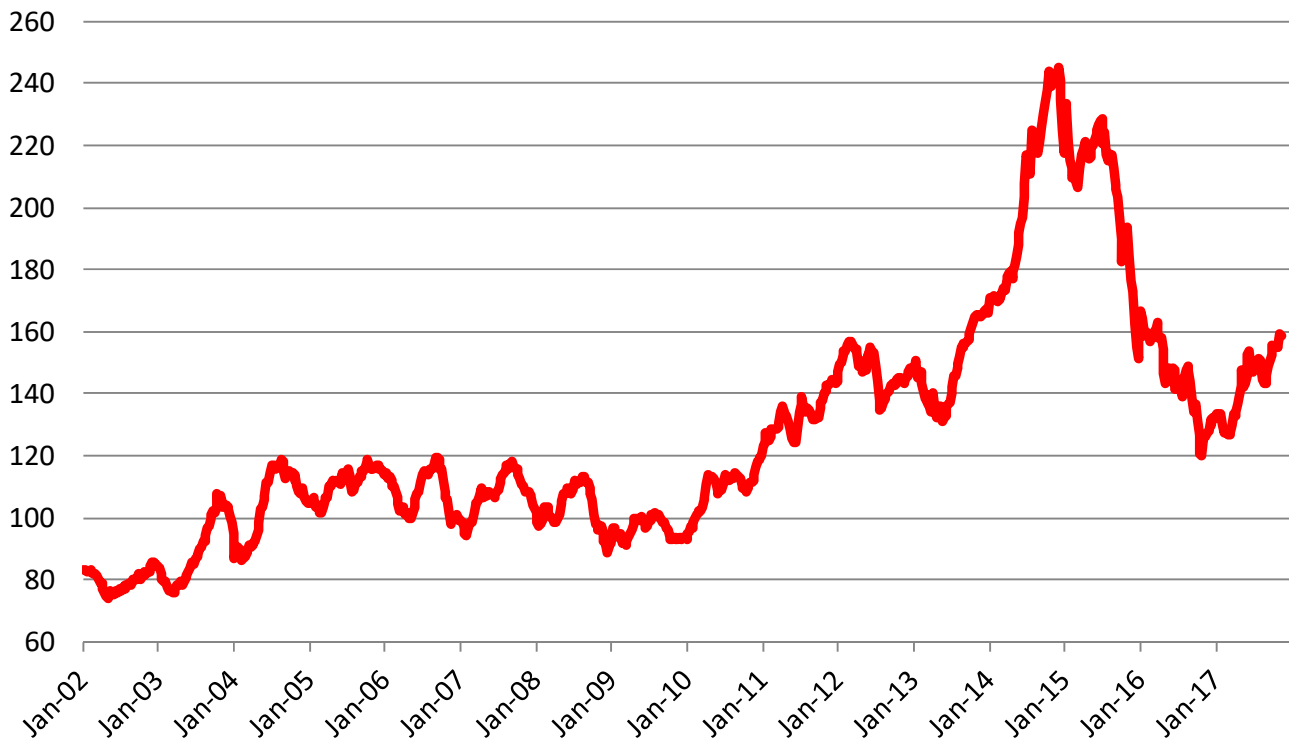
Pork prices continue to trade much higher than year ago levels as slaughter has been significantly less than expected and only slightly above year ago. Pork trim demand has been notably better than expected this fall, with higher premiums for both lean (72CL) and fat (42CL) pork.

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
	7-Dec-17	30-Nov-17		6-Dec-16	
CME FEEDER CATTLE INDEX	154.60	157.20	-1.7%	131.40	17.7%
	8-Dec-17	1-Dec-17		7-Dec-16	
FED STEER (5-MKT AVG)	117.88	120.64	-2.3%	113.86	3.5%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	94.00	97.50	-3.6%	99.00	-5.1%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	96.00	99.00	-3.0%	99.50	-3.5%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	88.00	93.00	-5.4%	91.50	-3.8%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	169.57	167.81	1.0%	154.79	9.5%

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
	8-Dec-17	215.0	1-Dec-17	224.0		7-Dec-16	202.0	13.0
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	212.0	215.0	217.0	224.0	-9.0	200.0	202.0	13.0
90 CL Blended Cow	198.0	200.0	203.0	205.0	-5.0	189.0	192.0	8.0
90 CL Shank	200.0	202.0	204.0	205.0	-3.0	190.0	191.0	11.0
85 CL Fores	185.0	187.0	187.0	190.0	-3.0	175.0	179.0	8.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	210.0	213.0	217.0	222.0	-9.0	198.0	200.0	13.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	183.0	186.0	187.0	188.0	-2.0	174.0	176.0	10.0
80 CL Trimmings	160.0	164.0	167.0	168.0	-4.0	160.0	162.0	2.0
75 CL Trimmings	145.0	150.0		UNQ	N/A		UNQ	N/A
65 CL Trimmings	120.0	125.0		UNQ	N/A		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	285.0	290.0	285.0	295.0	-5.0	265.0	270.0	20.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	225.0	230.0	225.0	230.0	0.0		UNQ	N/A
Steer Knuckles		250.0		250.0	0.0		UNQ	N/A

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	8-Dec-17		1-Dec-17			7-Dec-16		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	229.0	232.0	230.0	233.0	-1.0	214.0	221.0	11.0
90 CL Blended Cow	210.0	215.0	210.0	215.0	0.0	210.0	211.0	4.0
90 CL Shank	211.0	212.0	212.0	213.0	-1.0	211.0	213.0	-1.0
85 CL Fores	197.0	198.0	197.0	198.0	0.0	192.0	193.0	5.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	228.0	231.0	230.0	232.0	-1.0	212.0	215.0	16.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	194.0	195.0	196.0	197.0	-2.0	191.0	192.0	3.0
80 CL Trimmings	174.0	175.0	177.0	178.0	-3.0	169.0	171.0	4.0
75 CL Trimmings	159.0	160.0		UNQ	N/A		UNQ	N/A
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	290.0	295.0	290.0	295.0	0.0	275.0	280.0	15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A		UNQ	N/A
Steer Knuckles	255.0	260.0		260.0	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
	8-Dec-17		1-Dec-17			7-Dec-16		
<u>Domestic Cutouts</u>								
Choice Cutout	205.59		205.99		-0.4	188.94		16.7
Select Cutout	185.97		183.61		2.4	171.72		14.3
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	212.0	219.5	210.0	214.0	5.5	188.0	206.0	13.5
85 CL Beef Trimmings	178.0	181.0	177.3	179.3	1.7	168.0	182.0	-1.0
50 CL Beef Trim	48.2	61.3	60.9	67.6	-6.4	38.0	44.0	17.3
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	27.0	37.3	26.0	37.3	0.0	24.0	40.3	-3.0
72 CL Pork Trim	62.5	84.3	64.0	81.3	3.0	46.0	81.0	3.3
<u>Point of Lean Values</u>								
90 CL Domestic	243.9		237.8		6.1	228.9		15.0
50 CL Beef Trimming	122.5		135.3		-12.8	88.0		34.5
42 CL Pork Trim	88.7		88.7		0.0	95.8		-7.1
72 CL Pork Trim	117.0		112.8		4.2	112.5		4.5
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	117.88		120.64		-2.8	113.86		4.0

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
	8-Dec-17	1-Dec-17			7-Dec-16		
<u>Live Cattle Futures</u>							
December '17	115.575	117.400	↓	-1.83	109.375	↑	6.20
February '18	118.300	121.975	↓	-3.68	110.775	↑	7.52
April '18	120.200	123.025	↓	-2.83	110.800	↑	9.40
June '18	113.100	115.750	↓	-2.65	102.150	↑	10.95
<u>Feeder Cattle Futures</u>							
January '18	145.225	150.275	↓	-5.05	126.975	↑	18.25
March '18	143.325	147.900	↓	-4.58	123.800	↑	19.53
April '18	143.650	148.025	↓	-4.38	123.550	↑	20.10
May '18	143.725	147.200	↓	-3.47	123.550	↑	20.18
<u>Corn Futures</u>							
December '17	340	344 1/4	↓	-4.25	350 1/2	↓	-10.50
March '18	352 3/4	358 1/2	↓	-5.75	358	↓	-5.25
May '18	361	366 1/4	↓	-5.25	364 3/4	↓	-3.75
July '18	369 1/4	374 1/4	↓	-5.00	371 3/4	↓	-2.50
<u>Ch Wheat Futures</u>							
December '17	392	413 1/2	↓	-21.50	386 1/4	↑	5.75
March '18	419	437 3/4	↓	-18.75	401	↑	18.00
May '18	432 1/4	450	↓	-17.75	412 1/2	↑	19.75
July '18	445 3/4	463 1/4	↓	-17.50	424 3/4	↑	21.00

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	9-Dec-17	2-Dec-17			10-Dec-16		
<u>Total Cattle Slaughter</u>	633,000	645,000	↓	-12,000	608,000	↑	25,000
	25-Nov-17	18-Nov-17			26-Nov-16		
<u>Total Cow Slaughter</u>	100,965	120,945	↓	-19,980	95,400	↑	5,565
<u>Dairy Cow Slaughter</u>	48,435	58,040	↓	-9,605	45,800	↑	2,635
<u>Beef Cow Slaughter</u>	52,530	62,905	↓	-10,375	49,600	↑	2,930

TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

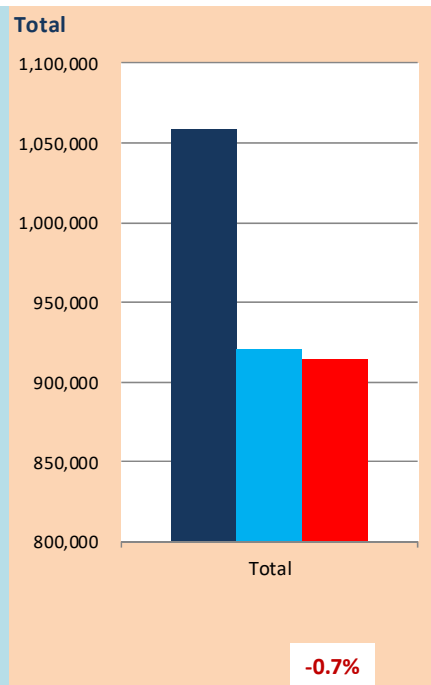
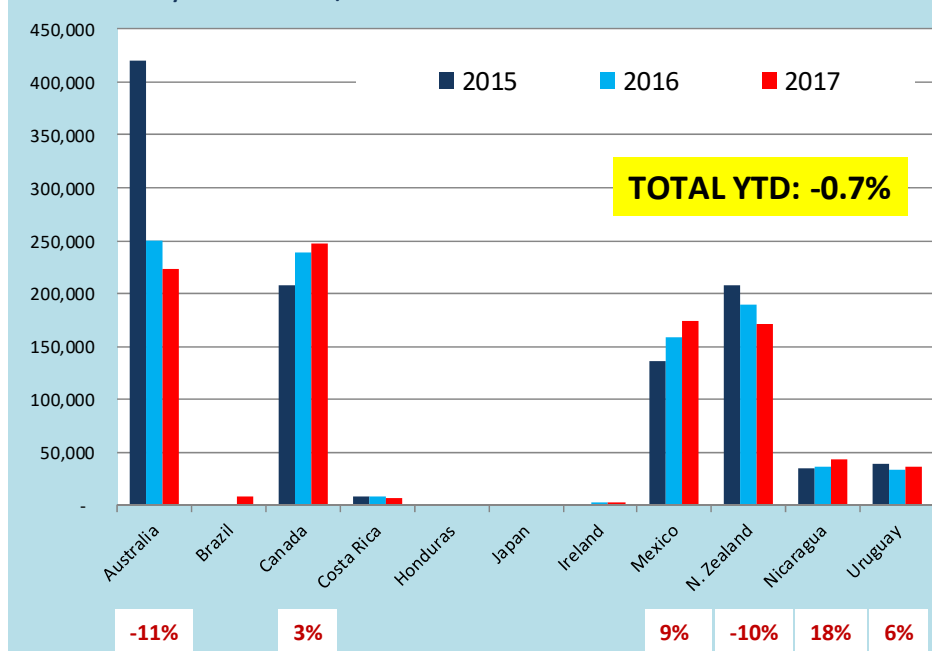
YTD Imported Fresh Beef Passed for Entry in the US

week 48	11/26/2016	12/2/2017		
Australia	250,660	223,286	(27,374)	-10.9%
Brazil	-	9,022		
Canada	238,765	246,963	8,198	3.4%
Chile	458	226	(232)	-50.7%
Costa Rica	8,646	7,509	(1,137)	-13.2%
Honduras	-	475	475	
Japan	233	297	64	27.5%
Ireland	2,167	2,156	(11)	-0.5%
Mexico	159,231	173,636	14,405	9.0%
Netherlands	-	228		
New Zealand	189,520	170,959	(18,561)	-9.8%
Nicaragua	37,080	43,871	6,791	18.3%
Uruguay	34,011	35,932	1,921	5.6%
Total	920,951	914,560	(6,391)	-0.7%

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

Imports as of December 2, 2017

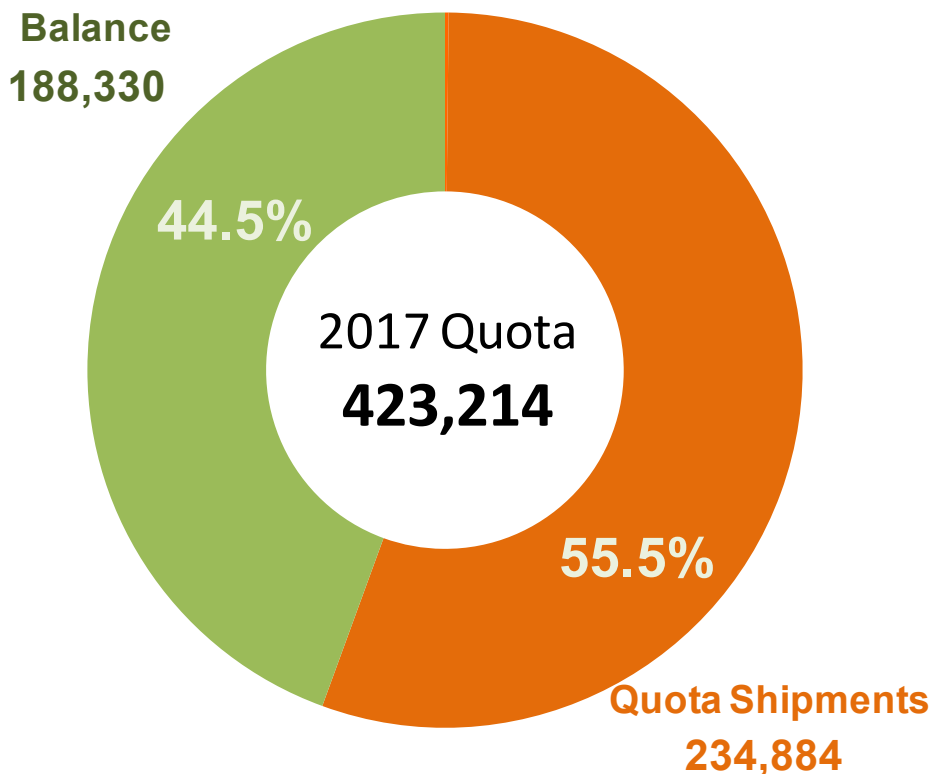
Individual Country Volume. MT & Y/Y % Ch.



Australian Beef Quota Position

8-Dec-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending December 4

Source: US Customs

