



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 supplies continue to be quite limited and this remains supportive of imported beef prices in the short term
- Higher prices for domestic beef and continued up trend in fed cattle prices also has been supporting demand for imported grinding beef
- Bull meat prices were sharply higher this week on short covering. New Zealand suppliers for the most part content to sit back and try capitalize on stronger demand in the US market
- USA cow and bull slaughter should be seasonally lower in February and March
- Retail beef prices in the US continue to decline

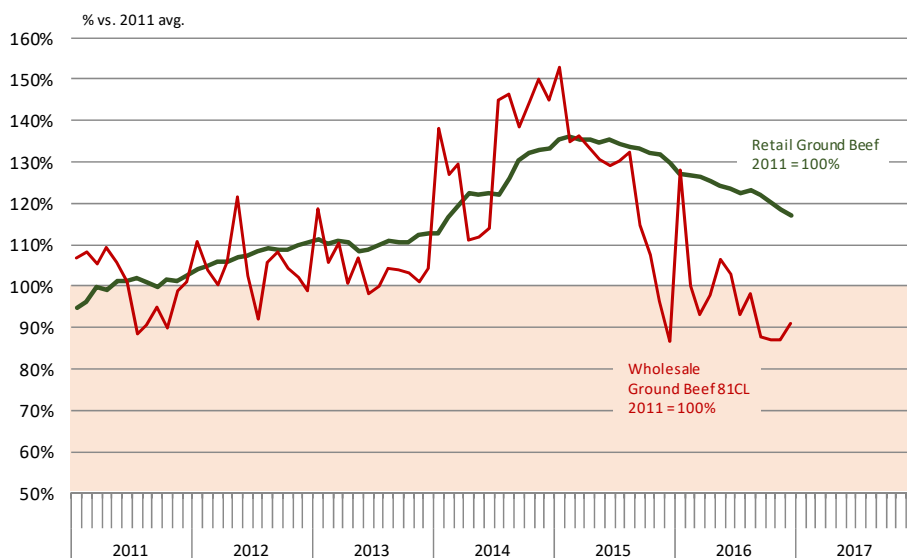
Imported Market Activity for the Week

Prices for imported lean grinding beef for the most part were sharply higher this week, particularly prices for bull meat. Offerings from Australian suppliers were quite limited and this helped support values for leaner grinds. Spot supplies remain limited and higher prices for domestic beef had regular users bidding more aggressively on product. Quotes in the market for bull meat were steadily higher all week. We think some of this is due to short covering, with a number of market participants having taken shorts back in December and now struggling to get

product bought in New Zealand. While some market participants noted that supplies are there, so far packers in New Zealand have been successful in squeezing shorts and some of the prices we saw this week were about 10 cents higher than a week ago. FOB prices for bull meat were generally steady to modestly higher, most of the increase in price was for meat bought overseas. Expectations are that New Zealand slaughter should head lower in February and March although the pace of slaughter so far this marketing year has been quite a bit slower and slaughter may not decline as sharply as it did last year.

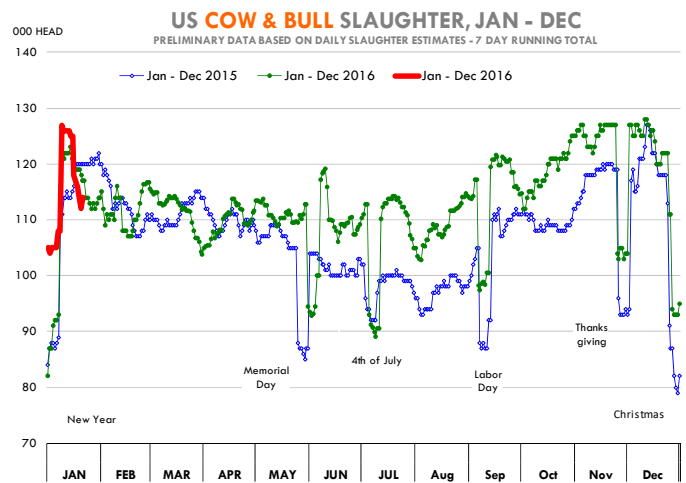
RETAIL GROUND BEEF PRICE VS. 81CL GROUND BEEF AT WHOLESALE

Indexed so 2011 = 100. Data Source: USDA & Steiner Consulting Index Calculations



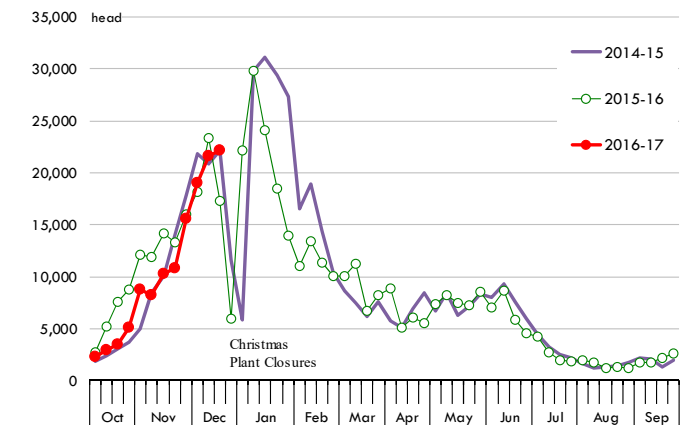
Highlights for this week

- USA retail beef prices continue to move lower and this was critical in helping clean up supplies during the key holiday period. The latest data from USDA noted that the average price of beef at retail in December was \$5.62 per pound, 2.5% lower than the previous month and now 5.9% lower than a year ago. The value of beef at wholesale (choice cutout) was \$1.94 per pound in December, 3.2% lower than a year ago. Current retail beef prices are at the lowest level since February 2014. The average price of ground beef at retail in December was \$4.04 per pound, 9.9% lower than a year ago. But as the chart on page 1 shows, retail ground beef prices need to decline further to close the gap with prices at wholesale. We think retailers will continue to lower prices, especially as we go into the spring and that should help clean up the excess supply of 50CL beef.
- USA cattle futures have continued to trade higher this week and they are at the highest level since March of last year. The gains in fed cattle prices have come even as the beef cutout lost significant ground in the first two weeks of this year. Rounds and chucks, items that normally sell well during this time of year, have failed to match the performance of recent years. The chuck primal started the year at around \$180/cwt but closed last night at \$164/cwt, a \$16 decline that removes around \$5 from the value of the overall carcass. Similarly round prices started the year at around \$191/cwt but closed last night at \$171, a decline which also erased another \$5 from the carcass value. Beef ribs have lost significant value since their peak in mid December but that is par for the course following the holidays and loin values have been for the most part steady - again no surprise there. The question is whether the decline in chucks and rounds is enough to completely undermine packer margins and force them to cut back on slaughter in order to get their margins back in order. So far that has not been the case. Packer margins are no longer as strong as they were in the fall but that is somewhat common for this time of year. **On-going weakness in the price of value beef cuts could make packers more reluctant buyers come February and March but we will likely need to see much more significant price erosion for that to be the case.** It will be important to watch what happens with the value of 50CL beef trim. Prices for this item, which is a significant credit item for all primals,

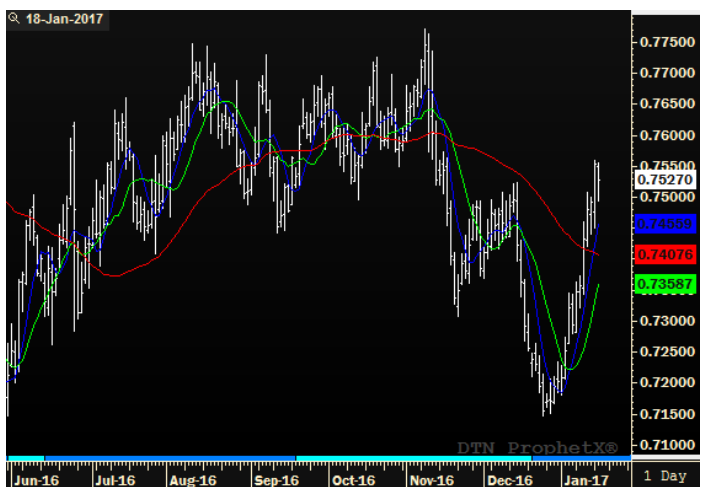


New Zealand Weekly Bull Slaughter

Based on Oct - Sep Marketing Year. Source: New Zealand Meat Board



USD per 1 AUD. Nearby Futures



normally move up in January as ground beef demand improves. Current price is around \$54/cwt compared to mid 30s in December. Last year we saw prices for this item collapse in February but maybe retail ground beef prices are now cheap enough to compete more successfully with chicken breasts and pork chops.

- USA cow and bull slaughter for the week ending January 21 is estimated at 114,000 head, about the same as it was a year ago. Seasonally cow and bull slaughter declines into February and March and that should help support domestic grinding beef values. So far imported beef supplies are limited and imported beef commands a small premium to domestic beef. We think that premium will likely disappear in Q2, especially once New Zealand cow slaughter starts to increase. Two factors could impact that spread in the coming months: weather in New Zealand and Australia and the ability of Brazilian supplies to overcome technical issues and start shipping meaningful supplies of grinding beef into the US market.
- The Australian dollar has made a turnaround and it is currently 5% higher than it was at the end of December. Some of the more bullish bets on the value of the US dollar appear to have been overdone. Currency traders likely will wait and see what steps the new Trump administration will be willing to take before they once again start making bullish bets about the long term trend in the value of the US currency.

US Domestic Price Summary

Prices for 90CL boneless beef were quoted at 209 US cents on the top side, unchanged from a week ago and 1 cents higher than year ago levels. **The weighted average price tonight was quoted at 209, about 7 cents higher than a week ago.** 85CL beef trim prices on the top side were quoted tonight at 180 cents, unchanged from last week but still 7 cents lower than last year. The weighted average price for 85CL beef was 177 cents a pound, unchanged from the previous week. 50CL beef price was 61 cents on the high side, 2 cents lower than a week ago and 17 cents lower than the same week last year. On a weighted average basis, the price of 50CL beef is now 58 cents, higher than 33 cents in December but well below year ago levels.

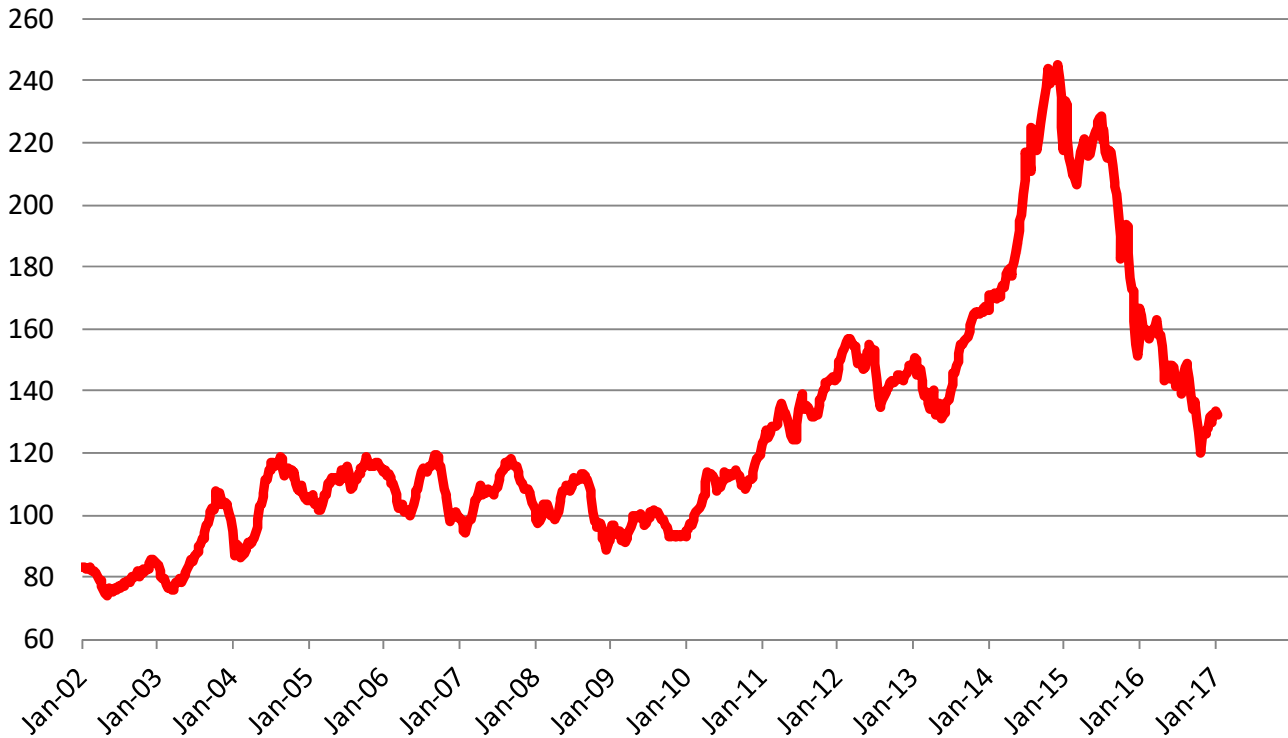
Prices for pork trim are now much higher than last year.

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
	17-Jan-17	10-Jan-17		19-Jan-16	
CME FEEDER CATTLE INDEX	132.37	132.31	0.0%	159.40	-17.0%
	18-Jan-17	11-Jan-17		20-Jan-16	
FED STEER (5-MKT AVG)	118.78	117.73	0.9%	133.21	-10.8%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	100.50	102.00	-1.5%	141.00	-28.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	105.00	107.00	-1.9%	126.50	-17.0%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	97.50	98.50	-1.0%	124.50	-21.7%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	163.70	159.70	2.5%	163.77	0.0%

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
	18-Jan-17	208.0	11-Jan-17	198.0		20-Jan-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	205.0	208.0	197.0	198.0	10.0	189.0	192.0	16.0
90 CL Blended Cow	199.0	200.0	195.0	200.0	0.0	179.0	180.0	20.0
90 CL Shank	200.0	203.0	197.0	202.0	1.0	180.0	181.0	22.0
85 CL Fores	175.0	180.0	174.0	175.0	5.0	158.0	159.0	21.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	204.0	206.0	195.0	196.0	10.0	188.0	191.0	15.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	175.0	177.0	173.0	174.0	3.0	157.0	158.0	19.0
80 CL Trimmings	160.0	164.0	160.0	164.0	0.0	140.0	142.0	22.0
75 CL Trimmings	141.0	145.0	141.0	145.0	0.0	134.0	135.0	10.0
65 CL Trimmings		UNQ		UNQ	N/A	94.0	95.0	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	270.0	275.0	265.0	270.0	5.0	290.0	295.0	-20.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	220.0	225.0	220.0	225.0	0.0	230.0	235.0	-10.0
Steer Knuckles	230.0	235.0	235.0	240.0	-5.0	245.0	250.0	-15.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	18-Jan-17	18-Jan-17	11-Jan-17	11-Jan-17		20-Jan-16	20-Jan-16	
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	215.0	217.0	213.0	215.0	2.0	203.0	205.0	12.0
90 CL Blended Cow	208.0	210.0	206.0	209.0	1.0	189.0	190.0	20.0
90 CL Shank	209.0	211.0	205.0	207.0	4.0	188.0	191.0	20.0
85 CL Fores	185.0	186.0	185.0	186.0	0.0	165.0	167.0	19.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	214.0	215.0	208.0	210.0	5.0	200.0	203.0	12.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	184.0	185.0	184.0	185.0	0.0	164.0	165.0	20.0
80 CL Trimmings	166.0	167.0	166.0	167.0	0.0	150.0	151.0	16.0
75 CL Trimmings	153.0	155.0	153.0	155.0	0.0	143.0	145.0	10.0
65 CL Trimmings		UNQ		UNQ	N/A	100.0	103.0	N/A
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	275.0	280.0	270.0	275.0	5.0	300.0	305.0	-25.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	225.0	230.0	225.0	230.0	0.0	240.0	245.0	-15.0
Steer Knuckles	240.0	245.0	245.0	250.0	-5.0	250.0	255.0	-10.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	18-Jan-17		11-Jan-17			20-Jan-16		
<u>Domestic Cutouts</u>								
Choice Cutout	193.22		189.39		3.8	229.95		-36.7
Select Cutout	188.06		187.95		0.1	224.14		-36.1
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	208.0	209.0	198.0	209.0	0.0	200.0	208.0	1.0
85 CL Beef Trimmings	179.4	180.0	175.0	180.0	0.0	176.0	187.0	-7.0
50 CL Beef Trim	55.0	61.0	50.0	63.5	-2.5	69.5	77.8	-16.8
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	23.2	35.3	24.0	34.3	1.0	17.0	37.3	-2.0
72 CL Pork Trim	73.0	92.3	65.2	91.3	1.0	45.8	64.3	28.0
<u>Point of Lean Values</u>								
90 CL Domestic	232.2		232.2		0.0	231.1		1.1
50 CL Beef Trimming	122.0		127.0		-5.0	155.6		-33.6
42 CL Pork Trim	83.9		81.6		2.4	88.7		-4.8
72 CL Pork Trim	128.1		126.7		1.4	89.2		38.9
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	118.78		117.73		1.1	133.21		-14.4

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

<i>Futures Contracts</i>	<i>Current Week</i>	<i>Prior Week</i>	<i>Change From Last Week</i>		<i>Last Year</i>	<i>Change From Last Year</i>	
	18-Jan-17	11-Jan-17			20-Jan-16		
<u>Live Cattle Futures</u>							
<i>February '17</i>	120.275	119.125	↑	1.15	131.700	↓	-11.43
<i>April '17</i>	119.400	117.900	↑	1.50	132.525	↓	-13.13
<i>June '17</i>	108.925	107.775	↑	1.15	123.650	↓	-14.73
<i>August '17</i>	104.325	103.200	↑	1.13	119.675	↓	-15.35
<u>Feeder Cattle Futures</u>							
<i>January '17</i>	131.000	132.050	↓	-1.05	160.650	↓	-29.65
<i>March '17</i>	129.550	129.625	↓	-0.07	156.875	↓	-27.33
<i>April '17</i>	129.075	129.075	↓	0.00	156.875	↓	-27.80
<i>May '17</i>	127.575	127.700	↓	-0.13	156.875	↓	-29.30
<u>Corn Futures</u>							
<i>March '17</i>	365	357 1/4	↑	7.75	358	↑	7.00
<i>May '17</i>	372 1/4	364	↑	8.25	363	↑	9.25
<i>July '17</i>	379 1/4	371	↑	8.25	369	↑	10.25
<i>September '17</i>	385 1/2	378	↑	7.50	375	↑	10.50
<u>Ch Wheat Futures</u>							
<i>March '17</i>	431	418 3/4	↑	12.25	478	↓	-47.00
<i>May '17</i>	446	432 1/4	↑	13.75	482 3/4	↓	-36.75
<i>July '17</i>	461 1/2	447 1/4	↑	14.25	489	↓	-27.50
<i>September '17</i>	477	461	↑	16.00	497	↓	-20.00

<i>Slaughter Information</i>	<i>7 Days Ending</i>	<i>7 Days Ending</i>	<i>Change From Last Week</i>		<i>7 Days Ending</i>	<i>Change From Last Year</i>	
	18-Jan-17	11-Jan-17			20-Jan-16		
<u>Total Cattle Slaughter</u>	556,000	646,000	↓	-90,000	572,000	↓	-16,000
	31-Dec-16	24-Dec-16			2-Jan-16		
<u>Total Cow Slaughter</u>	96,995	101,452	↓	-4,457	80,600	↑	16,395
<u>Dairy Cow Slaughter</u>	49,687	53,493	↓	-3,806	43,500	↑	6,187
<u>Beef Cow Slaughter</u>	47,308	47,959	↓	-651	37,100	↑	10,208

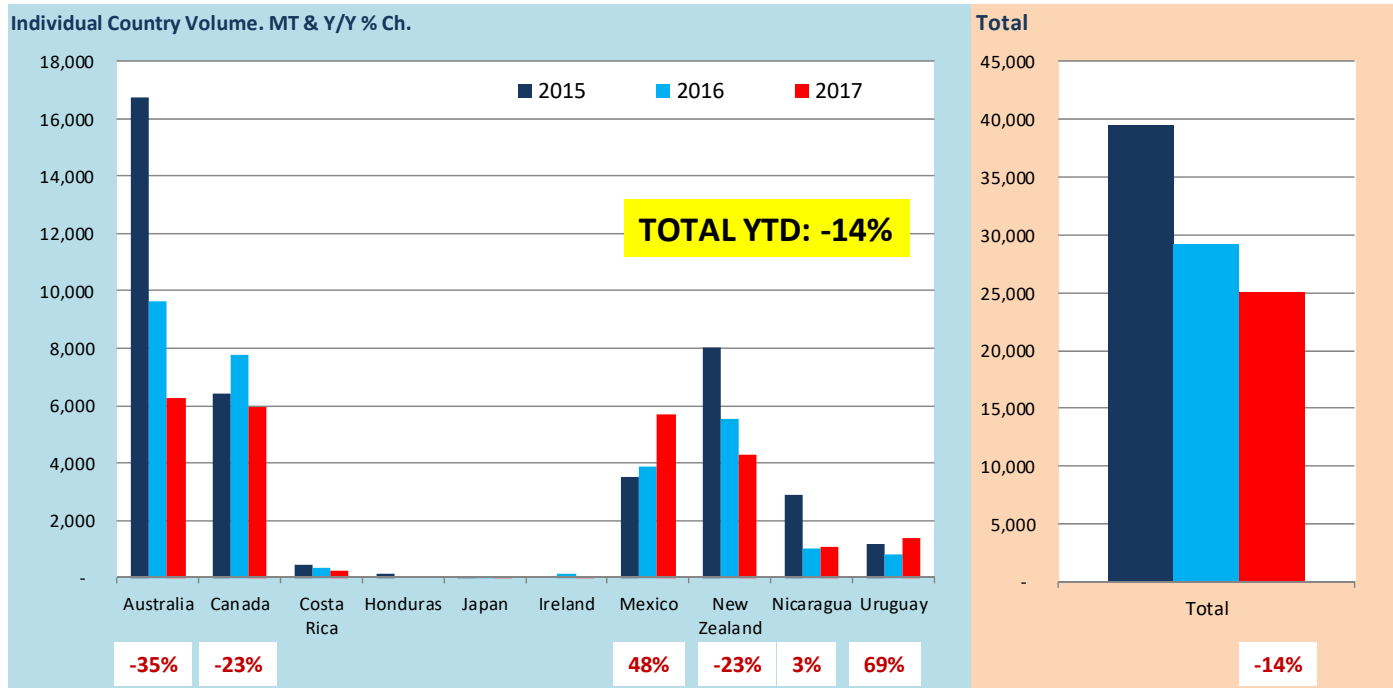
TABLE 7 - US BEEF IMPORTS (Source: USDA/AMS)

YTD Imported Meat Passed for Entry in the US

	1/9/2017	1/7/2017		
Australia	9,655	6,262	(3,393)	-35.1%
Brazil		97		
Canada	7,742	5,934	(1,808)	-23.4%
Chile			-	
Costa Rica	338	229	(109)	-32.2%
Honduras			-	
Japan	7	4	(3)	-42.9%
Ireland	124	49	(75)	-60.5%
Mexico	3,849	5,679	1,830	47.5%
New Zealand	5,559	4,307	(1,252)	-22.5%
Nicaragua	1,045	1,075	30	2.9%
Uruguay	804	1,361	557	69.3%

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

Imports as of January 7, 2017

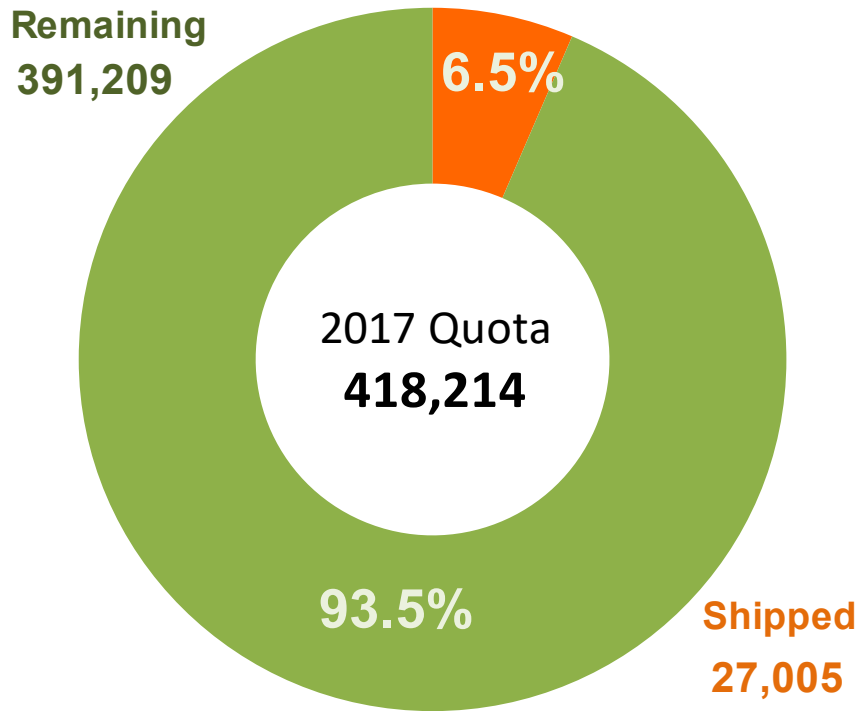


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

16-Jan-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending January 16

Source: US Customs

