



# US Imported Beef Market

## A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume XVII, Issue 4

February 1, 2017

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

### Market Highlights for the Week:

- Imported beef prices continue to trade very firm and were higher this week on extremely limited spot supplies and generally good demand from large end users
- Slaughter in Australia has been light, in part due to holiday shortened weeks and this has left some US users struggling to get orders filled
- Bull meat prices have been moving higher as some traders had to cover shorts they took in December. New Zealand bull slaughter normally declines in February and March and NZ packers are reluctant to put more orders on the books
- US cattle inventories up 1.8% and the beef cow inventory up 3.5% compared to a year ago
- Expanding US cow inventories imply a 2.5 to 3% increase in the calf crop for 2017 and more beef in 2018 and 2019

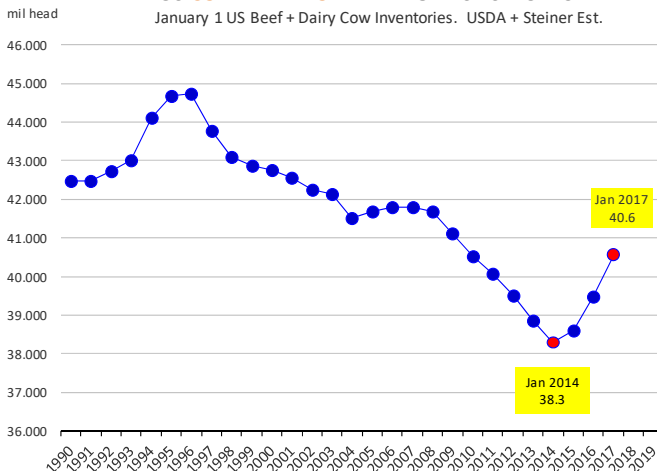
### Imported Market Activity for the Week

Prices for imported lean grinding beef continued to move higher as **spot supplies remain extremely tight** and domestic end users are struggling to find sufficient product to support their needs. Ground beef demand in the US has been quite good, in large part thanks to retail promotions. Some of the market participants we have contacted also have noted that they think foodservice business is showing improvement. Weather in heavily populated areas has been quite mild and this may be supporting foodservice sales. Lower beef prices also have encouraged fast food marketers to focus more ad dollars on beef. The net result is a notable im-

provement in US beef demand and higher prices. Fed cattle prices in the US have increased by about 20% in the last three months. While US beef prices have shown significant improvement, two events have worked to push up prices for imported beef. First, Australian shipments to the US have been particularly light. Exports in January were likely under 10,000 MT, 40% lower than a year ago. New Zealand shipments also are down as slaughter so far this marketing year is down 14% from last year. Second, the stronger Australian dollar has made the US market less attractive. Australian packers already were seeing better offers from Asia and the situation has been further exacerbated in the last month as AUD/USD is back to the 0.75 area.

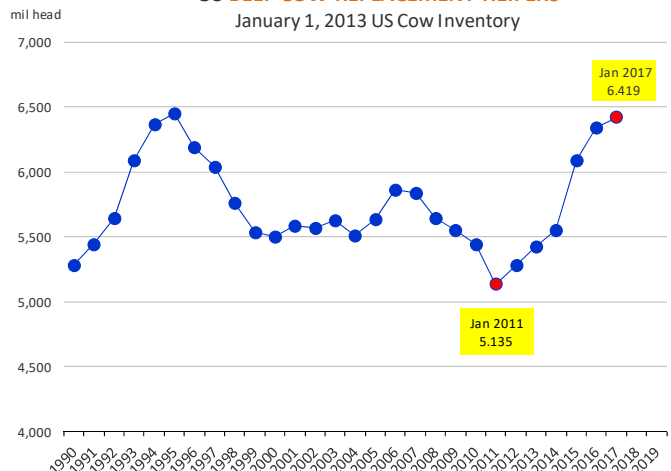
#### US COW INVENTORY THE LOWEST SINCE 1941

January 1 US Beef + Dairy Cow Inventories. USDA + Steiner Est.



#### US BEEF COW REPLACEMENT HEIFERS

January 1, 2013 US Cow Inventory



**Imported Beef Situation by Product**

- Lean grinding beef (95CL, 90CL and 85CL)

Bull meat supplies are tight and some traders that sold product short have had to pay up in order to secure supplies. Seasonally New Zealand bull slaughter peaks in late January and we suspect this year will be no different. Because of the late start, we could see bull slaughter a bit higher than last year in February and March. 90CL cow meat supplies also remain quite limited and end users have had to pay a premium to domestic product to secure supplies. As for 85CL, it was very hard this week to establish a quote, market participants noting that Australia is going to other markets with this product.

- Fat grinding beef (80CL, 75CL and 65CL)

Supplies of fat trim remain very light. Asia currently is paying a premium to US market and Australian supplies going there. New Zealand suppliers also indicating they have much higher bids from markets like Indonesia for product and little to no product available for the US. We had not quoted the market for 65CL for a while but pushed hard this week to find a level that could work in the US. However, please note that we see this more as where US end users can purchase the product rather than level where Australian packers are selling this product. At this point US market continues to be a market of last resort with regard to fat trim. Higher prices for US 50CL beef have provided some support but overall levels are well below what asking prices are in Australia.

- Round cuts

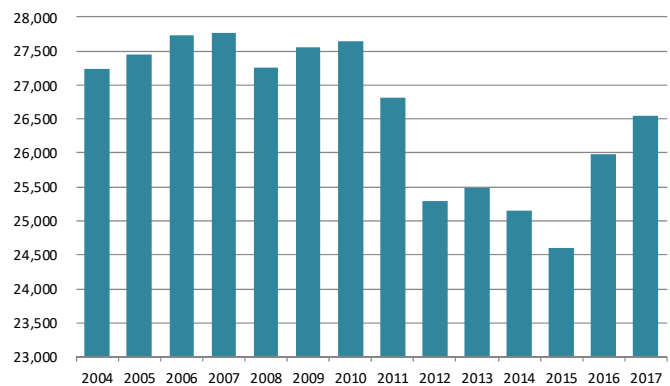
US fed beef prices for round and chuck cuts are weak and US packers we spoke with indicated that it has been difficult to move these products. Choice 168 insides currently trading at \$2.03 per pound, which is roughly the equivalent of cap off inside price of \$2.80. This is roughly equal to what imported insides are trading at this time. The challenge for imported round cuts is that the normal seasonal tendency is for domestic insides to decline into the spring. US end users are therefore reluctant to take significant forward positions, especially after the recent decline in fed cattle futures prices.

Comparing US Cattle Cycles of the Last +50 Years  
Y/Y Change in Cattle Inventories.



**January 1 Feeder Supply, '000 Head**

Data Source: USDA Cattle Inventory Report



\*\* Has not been adjusted for cows that may be in feedlots

**Of note this week**

The US cattle herd continues to expand and this hold far reaching implications for US beef importers. The steady increase of the beef cow herd and larger calf crops reduce the US reliance on imported beef, bolster overall US beef supplies and lower then long run potential returns from sales into this market. Below are some of the main highlights from this very important report and some of the implications as we see them:

- The total inventory of cattle and calves as of January 1, 2017 was 93.585 million head, 1.8% higher than a year ago and 1 percentage point larger than pre-report estimates. This is the largest cattle inventory in the US since 2010 and 5 million head larger than the 2014 cycle low.
- The beef cow herd is currently estimated at 31.2 million head, 3.5% higher than a year ago. Pre-report estimates were expecting the beef cow herd to be up just 1.1% from last year. While USDA made some downward revisions to its beef cow herd estimate for the previous year, current numbers suggest further gains in the 2017 calf crop and thus increasing beef supplies in

2018 and first half of 2019. To us this is probably one of the more bearish numbers in the report, especially given speculation from some producers that herd rebuilding has come to an end.

- Producers also retained more heifers for beef cow replacement, increasing the stock by 79,000 head or +1.2%. Beef cow replacement numbers hit a low of 5.1 million head in 2011 and have been increasing steadily since then. Current replacement numbers are the highest they have been since 1995.

- Feeder cattle supplies (cattle outside feedlots) as of January 1 were 26.522 million head, 2.2% higher than a year ago. Robust marketings during the last quarter of 2016 have helped get feeder supplies more current. On feed inventories were down 1% from the previous year, in line with the monthly USDA survey and also indicating that front end fed cattle supplies also are quite current. This was the most supportive part of the report for fed cattle prices. The report also showed a decline in the feedlot inventory in IA, MN and SD, areas with a larger percentage of farmer feeders. Last year these states showed a notable increase in feedlot cattle numbers but the sharp fed cattle price declines last summer and fall may have discouraged some producers. We see this as supportive for prices going into the spring.

Bottom line: The report confirmed that cattle supplies continued to expand through much of 2016 and producers today have a larger production base (cows/heifers) than they did last year. By holding back more heifers for replacement they also intend to continue to expand the production base this year, albeit at a smaller rate. The larger production base implies continued increases in calf production and thus larger beef supplies in 2018 and likely 2019.

### [US Domestic Price Summary](#)

Prices for 90CL boneless beef were quoted at 210 US cents on the top side, 1 cent higher from a week ago but 3 cents lower than year ago levels. **The weighted average price tonight was quoted at 208, about 3 cents higher than a week ago.** 85CL beef trim prices on the top side were quoted tonight at 188 cents, 5 cents higher from last week and 1 cent higher than last year. The weighted average price for 85CL beef was 186 cents a pound, 4 cents higher from the previous week. 50CL beef price was 81 cents on the high side, 5 cents lower than a week ago and 8 cent lower than the same week last year. On a weighted average basis, the price of 50CL beef is now 75 cents, 9 cents higher than a week ago.

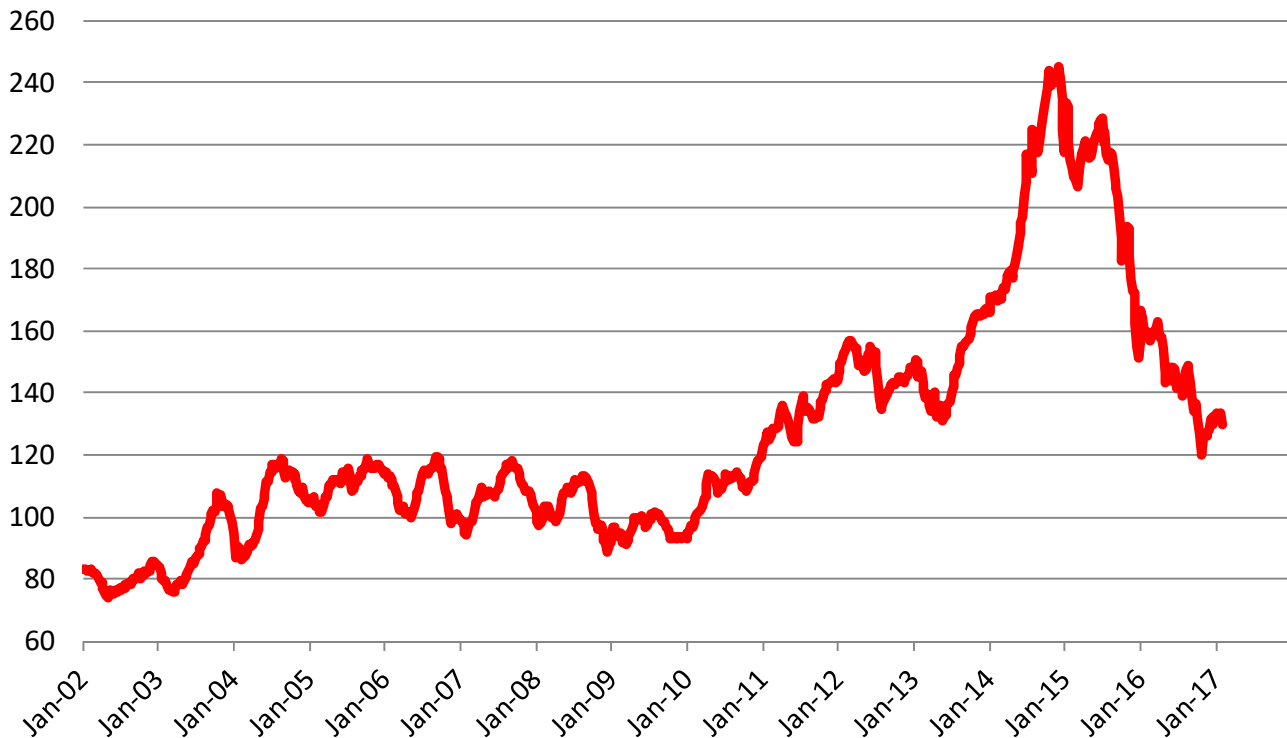
Prices for pork trim were mixed this week, fat trim prices were slightly higher while 72CL trim values were down as much as 5 cents compared to a week ago.

# 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
	31-Jan-17	24-Jan-17		2-Feb-16	
CME FEEDER CATTLE INDEX	129.72	133.32	-2.7%	160.14	-19.0%
	1-Feb-17	25-Jan-17		3-Feb-16	
FED STEER (5-MKT AVG)	121.10	121.85	-0.6%	136.03	-11.0%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	100.50	101.50	-1.0%	142.50	-29.5%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	108.00	110.00	-1.8%	138.00	-21.7%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	103.00	105.00	-1.9%	126.50	-18.6%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	163.78	162.42	0.8%	167.66	-2.3%

## 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
	1-Feb-17	215.0	25-Jan-17	212.0		3-Feb-16	201.0	
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	214.0	215.0	210.0	212.0	3.0	200.0	201.0	14.0
<b>90 CL Blended Cow</b>	202.0	203.0	200.0	203.0	0.0	190.0	191.0	12.0
<b>90 CL Shank</b>	204.0	205.0	202.0	204.0	1.0	191.0	192.0	13.0
<b>85 CL Fores</b>	181.0	183.0	179.0	182.0	1.0	167.0	168.0	15.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	212.0	213.0	208.0	209.0	4.0	198.0	200.0	13.0
<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>	180.0	181.0	178.0	180.0	1.0	165.0	166.0	15.0
<b>80 CL Trimmings</b>	160.0	164.0	160.0	164.0	0.0	147.0	148.0	16.0
<b>75 CL Trimmings</b>	148.0	150.0	145.0	146.0	4.0	136.0	137.0	13.0
<b>65 CL Trimmings</b>	101.0	103.0		UNQ	N/A	90.0	92.0	11.0
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	270.0	275.0	270.0	275.0	0.0	295.0	300.0	-25.0
<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	230.0	235.0	-10.0
<b>Steer Knuckles</b>	230.0	235.0	230.0	235.0	0.0	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
	1-Feb-17	22-Feb-17	25-Jan-17	18-Jan-17		3-Feb-16	20-Feb-16	
<b><u>US East Coast Australian/NZ Lean, FOB US Port</u></b>								
<b>95 CL Bull, E. Coast</b>	223.0	224.0	220.0	221.0	3.0	207.0	208.0	16.0
<b>90 CL Blended Cow</b>	210.0	212.0	208.0	209.0	3.0	195.0	196.0	16.0
<b>90 CL Shank</b>	211.0	213.0	209.0	210.0	3.0		196.0	17.0
<b>85 CL Fores</b>	190.0	191.0	185.0	188.0	3.0	170.0	171.0	20.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	221.0	222.0	217.0	218.0	4.0	205.0	207.0	15.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, FOB US Port</u></b>								
<b>85 CL Trimmings</b>	189.0	190.0	185.0	186.0	4.0	168.0	169.0	21.0
<b>80 CL Trimmings</b>	171.0	172.0	168.0	169.0	3.0	153.0	154.0	18.0
<b>75 CL Trimmings</b>	155.0	156.0	154.0	156.0	0.0	141.0	142.0	14.0
<b>65 CL Trimmings</b>	112.0	115.0		UNQ	N/A	97.0	98.0	17.0
<b><u>US East Coast Australian Cuts, FOB US Port</u></b>								
<b>Cap Off Steer Insides</b>	275.0	280.0	275.0	280.0	0.0	305.0	310.0	-30.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>	225.0	230.0	225.0	230.0	0.0	240.0	245.0	-15.0
<b>Steer Knuckles</b>	240.0	245.0	240.0	245.0	0.0	255.0	260.0	-15.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	1-Feb-17		25-Jan-17			3-Feb-16		
<b><u>Domestic Cutouts</u></b>								
Choice Cutout	193.75		191.25		2.5	222.57		-28.8
Select Cutout	190.85		189.16		1.7	218.02		-27.2
<b><u>Domestic Lean Grinding Beef</u></b>								
90 CL Boneless	204.0	210.0	204.0	209.4	0.6	206.0	213.0	-3.0
85 CL Beef Trimmings	181.0	188.0	181.0	183.0	5.0	184.0	187.0	1.0
50 CL Beef Trim	73.0	77.3	62.0	67.3	10.0	43.6	58.0	19.2
<b><u>Domestic Pork Trim</u></b>								
42 CL Pork Trim	23.0	35.3	21.0	32.3	3.0	17.5	37.3	-2.0
72 CL Pork Trim	62.0	81.3	66.9	86.3	-5.0	58.0	88.8	-7.5
<b><u>Point of Lean Values</u></b>								
90 CL Domestic	233.3		232.7		0.7	236.7		-3.3
50 CL Beef Trimming	154.5		134.5		20.0	116.0		38.5
42 CL Pork Trim	83.9		76.8		7.1	88.7		-4.8
72 CL Pork Trim	112.8		119.8		-6.9	123.3		-10.4
<b><u>National Direct Fed Steer</u></b> <b><u>(5-day accum. wt. avg. price)</u></b>	121.10		121.85		-0.8	136.03		-14.9

**TABLE 5 – FUTURES AND SLAUGHTER INFORMATION**

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	<b>1-Feb-17</b>	<b>25-Jan-17</b>			<b>3-Feb-16</b>	
<b>Live Cattle Futures</b>						
February '17	115.575	119.875	↓	-4.30	136.950	↓ -21.38
April '17	113.700	118.675	↓	-4.97	135.900	↓ -22.20
June '17	104.225	108.100	↓	-3.88	125.175	↓ -20.95
August '17	100.225	103.975	↓	-3.75	121.375	↓ -21.15
<b>Feeder Cattle Futures</b>						
March '17	122.075	129.850	↓	-7.77	158.250	↓ -36.18
April '17	121.725	129.375	↓	-7.65	157.625	↓ -35.90
May '17	120.625	127.500	↓	-6.88	157.025	↓ -36.40
August '17	121.650		↑	121.65	157.025	↓ -35.38
<b>Corn Futures</b>						
March '17	368 1/4	366 1/4	↑	2.00	371	↓ -2.75
May '17	375 3/4	373 1/2	↑	2.25	376	↓ -0.25
July '17	382 3/4	380 3/4	↑	2.00	381 1/4	↑ 1.50
September '17	389 1/4	387	↑	2.25	385 1/2	↑ 3.75
<b>Ch Wheat Futures</b>						
March '17	433 3/4	424 1/2	↑	9.25	480	↓ -46.25
May '17	446	438 1/2	↑	7.50	483 3/4	↓ -37.75
July '17	459 3/4	453 1/2	↑	6.25	488 1/4	↓ -28.50
September '17	474	468 1/2	↑	5.50	496 1/2	↓ -22.50

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	<b>1-Feb-17</b>	<b>25-Jan-17</b>			<b>3-Feb-16</b>	
<b>Total Cattle Slaughter</b>	576,000	612,000	↓	-36,000	520,000	↑ 56,000
	<b>14-Jan-17</b>	<b>7-Jan-17</b>			<b>16-Jan-16</b>	
<b>Total Cow Slaughter</b>	113,679	104,298	↑	9,381	114,886	↓ -1,207
<b>Dairy Cow Slaughter</b>	60,933	57,139	↑	3,794	65,528	↓ -4,595
<b>Beef Cow Slaughter</b>	52,746	47,159	↑	5,587	49,358	↑ 3,388



# TABLE 7 - US BEEF IMPORTS

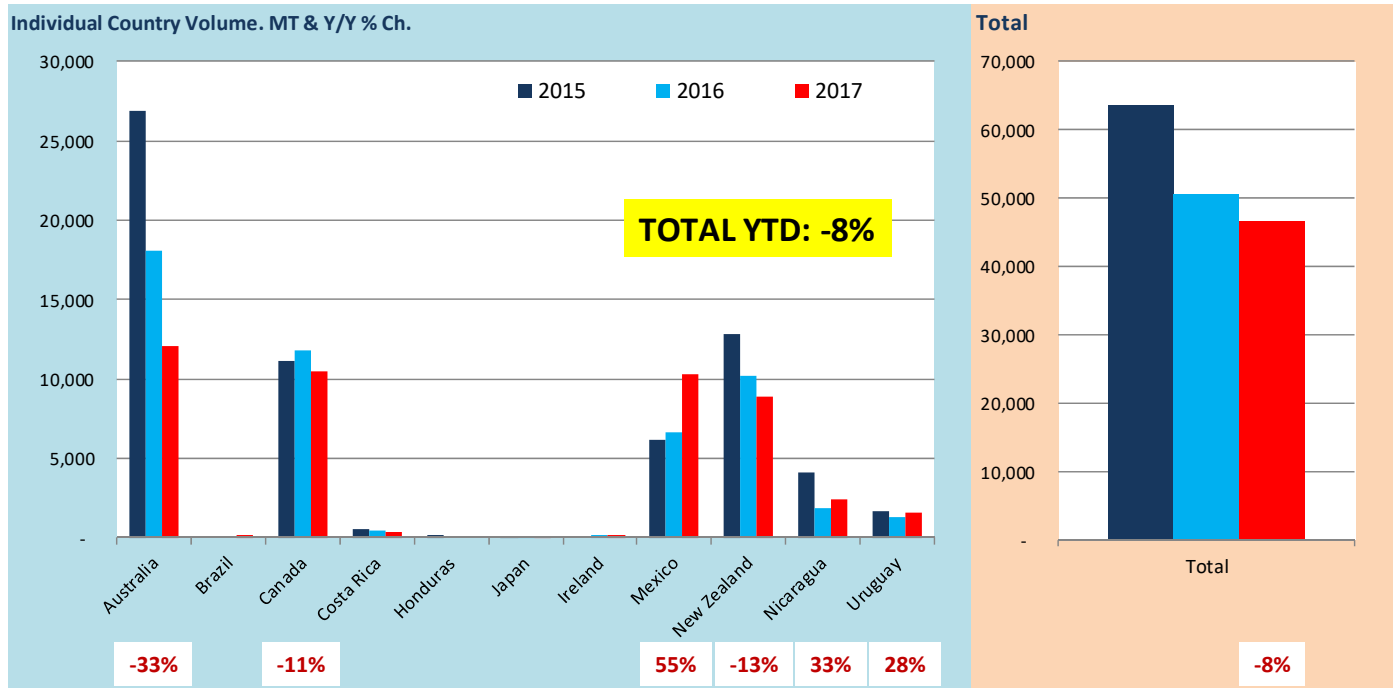
(Source: USDA/AMS)

## YTD Imported Meat Passed for Entry in the US

week 3	1/16/2016	1/21/2017		
Australia	18,107	12,100	(6,007)	-33.2%
Brazil		161		
Canada	11,841	10,498	(1,343)	-11.3%
Chile		23	23	
Costa Rica	472	382	(90)	-19.1%
Honduras			-	
Japan	12	20	8	66.7%
Ireland	194	146	(48)	-24.7%
Mexico	6,646	10,289	3,643	54.8%
New Zealand	10,203	8,913	(1,290)	-12.6%
Nicaragua	1,852	2,469	617	33.3%
Uruguay	1,265	1,619	354	28.0%

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

Imports as of January 21, 2017

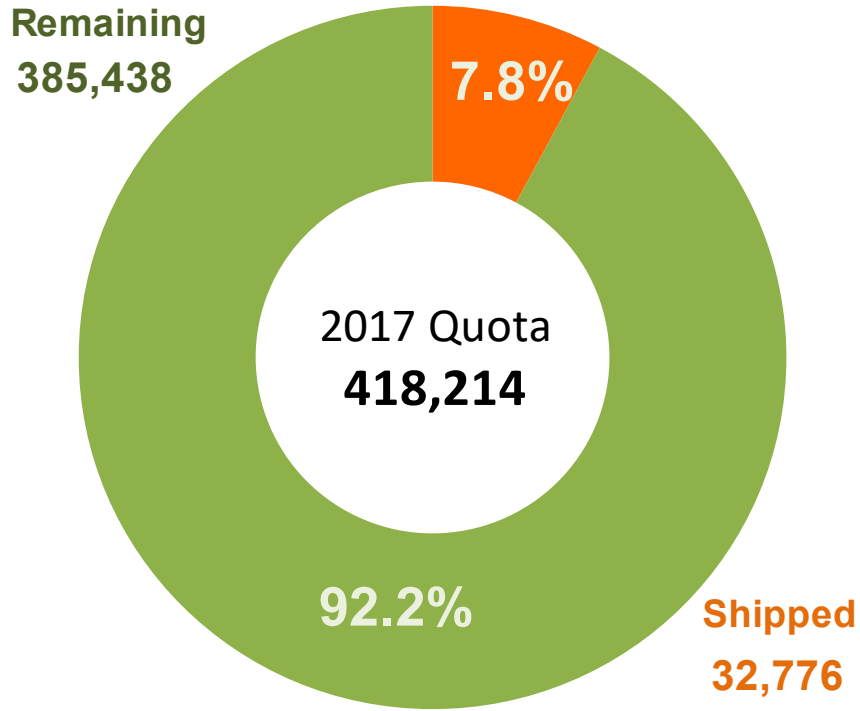


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

# Australian Beef Quota Position

**30-Jan-17**

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending January 30

Source: US Customs

