



# 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 remain very firm on limited spot supplies and higher offering prices from overseas packers
- Market participants noting a significant shortage of 95CL bull meat in the spot market.
- New Zealand packers so far reluctant to book more bull meat for March, uncertain of slaughter outlook
- Slaughter in New Zealand down 13% for the marketing year but drier conditions could bring more cattle to market in March and April
- Imported beef trading at a premium to domestic so far this year
- US fat trim prices firm but expectation for somewhat lower prices in the very near term before the seasonal spring runup

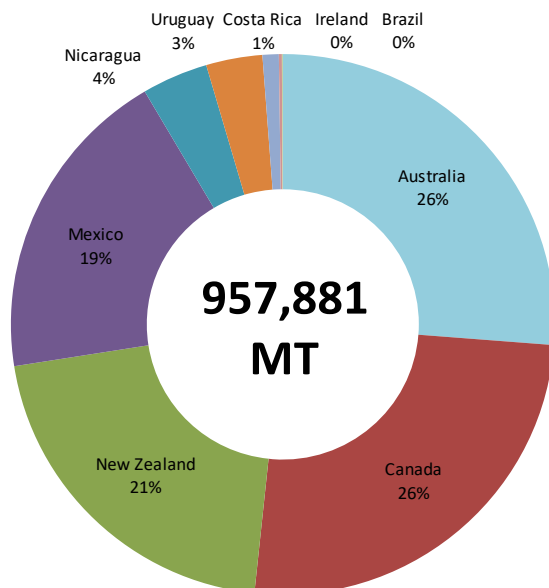
## Imported Market Activity for the Week

Prices for imported lean grinding beef continued to trade very firm this week as spot supplies of imported product remain very thin. Australian beef shipments to the US in January were a little higher than expected but at 11,614 MT they were still about 31% less than in January 2016. With New Zealand slaughter down sharply so far this marketing year, it is also fair to surmise that supplies from that market also were down in January. Brazil continues to be a

non factor. Indeed, the only supplier that has significantly increased shipments in recent weeks has been Mexico. For the most part we do not think Mexico competes with Australia and New Zealand in terms of frozen grinding beef. However, it does present strong competition for chilled cuts, as often Mexican product trades at a significant discount to US domestic product. As you can see in the charts below, Mexico imports in 2016 accounted for 19% of US imports of fresh/frozen beef, just slightly less than imports from New Zealand.

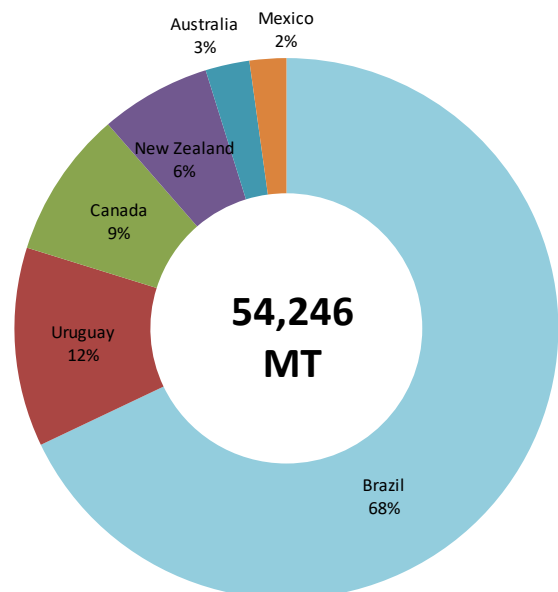
### Share of US Beef Imports in 2016. Fresh/Frozen Beef

Data Source: USDA/FAS



### Share of US Beef Imports in 2016. Cooked/Processed Beef

Data Source: USDA/FAS



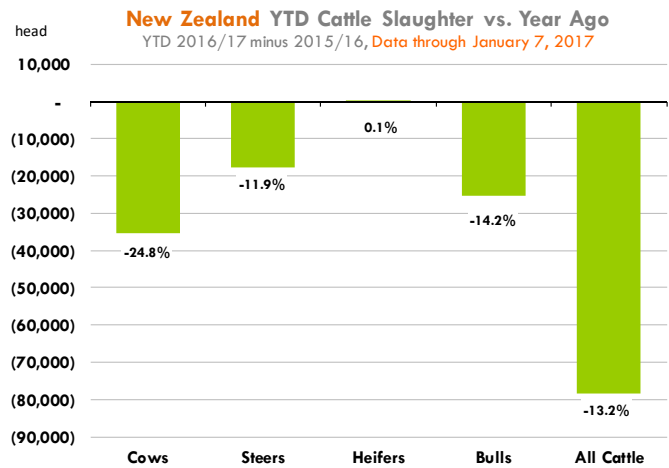
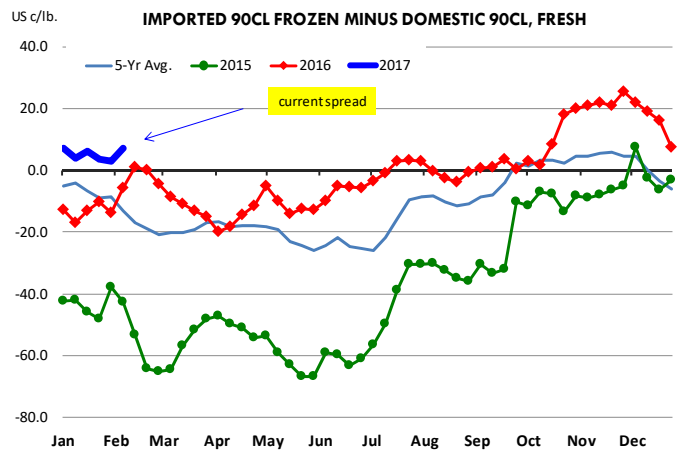
### Imported Beef Situation by Product

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

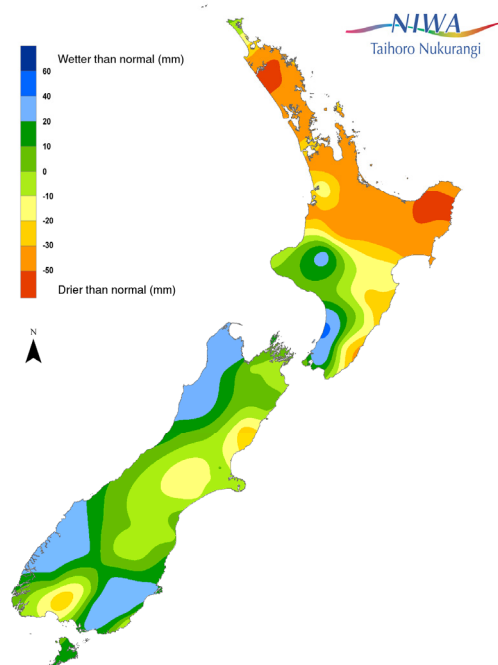
Market participants we contacted today continued to indicate that there is a significant shortage of lean and extra lean grinding beef in the US, with prices advancing by as much as 5 cents compared to the previous week. There was particular interest for New Zealand product but offers were said to be very limited. Packers in New Zealand put a significant amount of product on the books already for delivery in February and the first half of March. They want to see how slaughter develops before offering more product. Seasonally bull slaughter in New Zealand declines in late February and March. Through early January New Zealand slaughter was running about 13% under year ago levels and indications are that supplies have yet to recover. Slaughter data for New Zealand is provided with a significant lag as suppliers there worry about giving overseas buyers too much information. Two factors argue in favor of more New Zealand beef becoming available in March and April. First, we think there are a fair number of animals that were held back due to ample feed supplies and soft prices late last year. As prices have escalated the incentive will be to bring these animals to market. Second, it is getting drier in New Zealand. The map to the right show the soil moisture deficit, which in the past has correlated with higher slaughter rates there. For now New Zealand packers appear content to hold back and limit their offers into the US, in the process extracting more value from buyers here. Imported lean grinding beef prices have traded at a premium to US beef in the first six weeks of this year, a somewhat unusual occurrence.

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

Fat trim continues to go to other markets. Higher prices for 50CL beef in the US have increased the value of fat trim in the US and market participants noted higher premiums for 75CL and 65CL product. However, we cannot stress enough that even at these higher levels the US market is not competitive with regular buyers of fat trimmings. The outlook for 50CL beef is somewhat negative in the very short term. Seasonally we see a runup in the price of fat domestic trim in January, with retailers running ground beef promotions after clearing the meat case of holiday items. However, demand tends to slump somewhat in February and early March. Timing of Lent is always important for fat domestic trimmings and this year Easter Sunday is later than normal. As a result we could see fat beef trimmings trade somewhat soft through mid March. Normally, how-



Soil moisture anomaly (mm) at 9am on 08/02/2017



ever, we would expect prices for fat trim to spike in late March and April, in part because of patty manufacturers putting up inventory to support foodservice demand

in the spring. Lower beef prices have provided both retailers and foodservice operators with incentives to promote beef more aggressively and this has helped move a larger volume of beef than in past years. Some reports also indicating that over a third of beef sold in Q4 was due to special promotions. We think this trend will continue into the spring as foodservice operators shift from trying to minimize costs to capturing more market share.

One big unknown and a topic that we keep hearing more about is the potential impact that changes in US tax regime will have on beef imports. The challenge at this time is that we have yet to see a bill make its way through Congress and the only information available are general articles that describe the effects of a so called border adjusted tax. The effect of this kind of VAT would be to discourage imports and support exports. However, the effects would be short lived as most expect the tax to also bolster the value of the US dollar. In that event, the losses due to the tax on imported product would be offset by the effect of a stronger US dollar. But, at this point this is mostly a matter of speculation. We will keep you apprised. Also more end users in the US are now including political risk in their overall enterprise risk assessments. It is a concept that US domestic companies are not familiar but, unfortunately, one that will get more play in the coming months.

### US Domestic Price Summary

Prices for 90CL boneless beef were quoted at 209 US cents on the top side, 1 cent lower from a week ago and cents lower than year ago levels. **The weighted average price tonight was quoted at 208, about the same as a week ago.** 85CL beef trim prices on the top side were quoted tonight at 191 cents, 3 cents higher from last week and 4 cent higher than last year. The weighted average price for 85CL beef was 186 cents a pound, the same as a week ago. 50CL beef price was 80 cents on the high side, 3 cents higher than a week ago and 18 cent higher than the same week last year. On a weighted average basis, the price of 50CL beef is now 77 cents, 2 cents higher than a week ago.

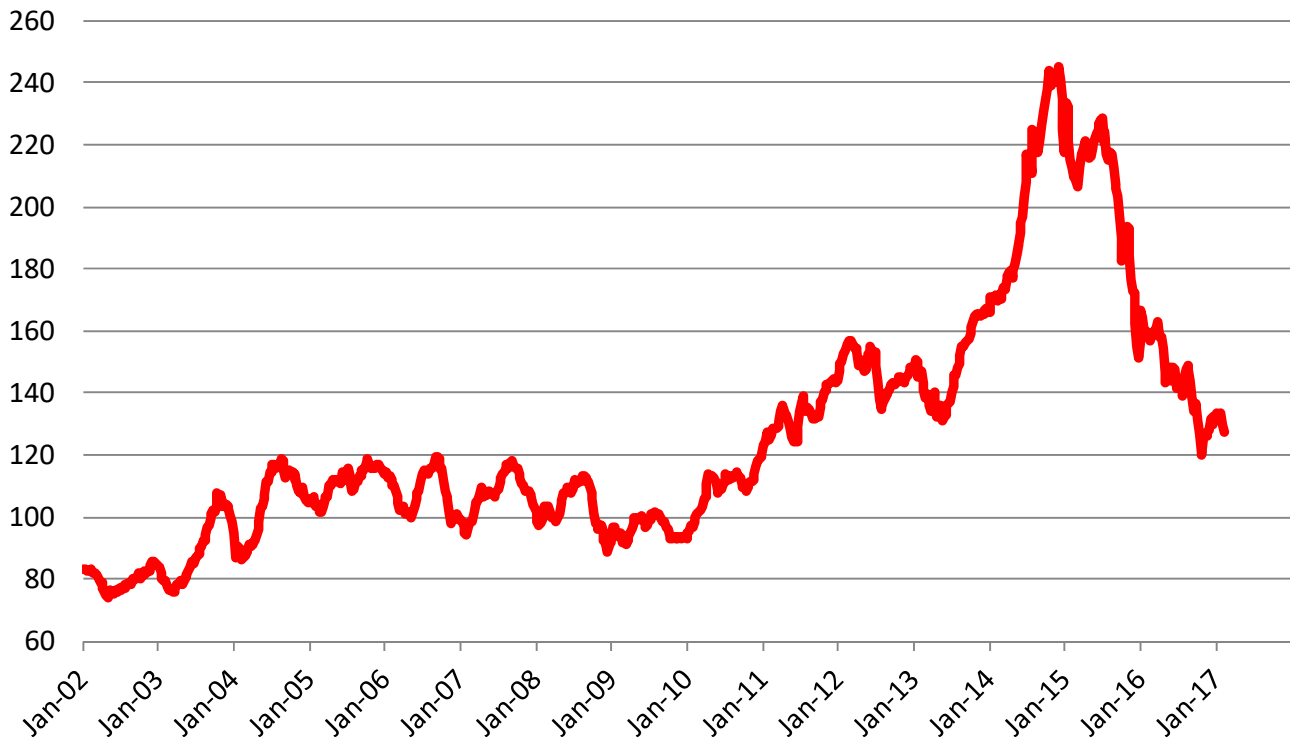
Prices for pork trim were mixed this week, fat trim prices were higher while 72CL trim values were down as much as 4 cents compared to a week ago.

# 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
	7-Feb-17	31-Jan-17		9-Feb-16	
CME FEEDER CATTLE INDEX	127.28	129.72	-1.9%	159.49	-20.2%
	8-Feb-17	1-Feb-17		10-Feb-16	
FED STEER (5-MKT AVG)	118.74	121.10	-1.9%	134.06	-11.4%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	99.50	100.50	-1.0%	143.50	-30.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	105.50	108.00	-2.3%	142.00	-25.7%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	98.00	103.00	-4.9%	131.00	-25.2%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	164.14	163.78	0.2%	166.38	-1.3%

### 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
	8-Feb-17		1-Feb-17			10-Feb-16		
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	220.0	223.0	214.0	215.0	8.0	204.0	205.0	18.0
<b>90 CL Blended Cow</b>	202.0	204.0	202.0	203.0	1.0	193.0	195.0	9.0
<b>90 CL Shank</b>	204.0	205.0	204.0	205.0	0.0	197.0	200.0	5.0
<b>85 CL Fores</b>	183.0	185.0	181.0	183.0	2.0	168.0	169.0	16.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	219.0	220.0	212.0	213.0	7.0	203.0	204.0	16.0
<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>	181.0	182.0	180.0	181.0	1.0	166.0	168.0	14.0
<b>80 CL Trimmings</b>	162.0	165.0	160.0	164.0	1.0	145.0	150.0	15.0
<b>75 CL Trimmings</b>	148.0	150.0	148.0	150.0	0.0		UNQ	N/A
<b>65 CL Trimmings</b>	101.0	103.0	101.0	103.0	0.0	90.0	92.0	11.0
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	265.0	270.0	270.0	275.0	-5.0	285.0	290.0	-20.0
<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	225.0	230.0	-5.0
<b>Steer Knuckles</b>	235.0	240.0	230.0	235.0	5.0	240.0	245.0	-5.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	8-Feb-17		1-Feb-17			10-Feb-16		
<b><i>US East Coast Australian/NZ Lean, FOB US Port</i></b>								
<b>95 CL Bull, E. Coast</b>	227.0	228.0	223.0	224.0	4.0	214.0	215.0	13.0
<b>90 CL Blended Cow</b>	213.0	214.0	210.0	212.0	2.0	199.0	204.0	10.0
<b>90 CL Shank</b>	213.0	215.0	211.0	213.0	2.0	205.0	206.0	9.0
<b>85 CL Fores</b>	192.0	194.0	190.0	191.0	3.0	174.0	177.0	17.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	225.0	226.0	221.0	222.0	4.0	212.0	213.0	13.0
<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>	190.0	192.0	189.0	190.0	2.0	173.0	175.0	17.0
<b>80 CL Trimmings</b>	172.0	174.0	171.0	172.0	2.0	150.0	151.0	23.0
<b>75 CL Trimmings</b>	158.0	160.0	155.0	156.0	4.0	137.0	139.0	21.0
<b>65 CL Trimmings</b>	115.0	120.0	112.0	115.0	5.0	96.0	97.0	23.0
<b><i>US East Coast Australian Cuts, FOB US Port</i></b>								
<b>Cap Off Steer Insides</b>		275.0	275.0	280.0	-5.0	290.0	300.0	-25.0
<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	230.0	235.0	-5.0
<b>Steer Knuckles</b>	245.0	250.0	240.0	245.0	5.0	245.0	250.0	0.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	8-Feb-17		1-Feb-17			10-Feb-16		
<b><u>Domestic Cutouts</u></b>								
Choice Cutout	189.43		193.75		-4.3	218.19		-28.8
Select Cutout	186.49		190.85		-4.4	213.62		-27.1
<b><u>Domestic Lean Grinding Beef</u></b>								
90 CL Boneless	207.0	209.0	204.0	210.0	-1.0	206.0	211.0	-2.0
85 CL Beef Trimmings	182.0	191.0	181.0	188.0	3.0	184.0	187.4	3.6
50 CL Beef Trim	75.2	80.3	73.0	77.3	3.0	45.0	62.1	18.2
<b><u>Domestic Pork Trim</u></b>								
42 CL Pork Trim	25.0	45.3	23.0	35.3	10.0	17.1	37.3	8.0
72 CL Pork Trim	58.5	77.3	62.0	81.3	-4.0	60.6	78.3	-1.0
<b><u>Point of Lean Values</u></b>								
90 CL Domestic	232.2		233.3		-1.1	234.4		-2.2
50 CL Beef Trimming	160.5		154.5		6.0	124.2		36.3
42 CL Pork Trim	107.7		83.9		23.8	88.7		19.0
72 CL Pork Trim	107.3		112.8		-5.6	108.7		-1.4
<b><u>National Direct Fed Steer</u></b> <b><u>(5-day accum. wt. avg. price)</u></b>	118.74		121.10		-2.4	134.06		-15.3

**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
	<b>8-Feb-17</b>	<b>1-Feb-17</b>			<b>10-Feb-16</b>		
<b>Live Cattle Futures</b>							
February '17	116.775	115.575	↑	1.20	132.625	↓	-15.85
April '17	114.750	113.700	↑	1.05	132.075	↓	-17.33
June '17	105.250	104.225	↑	1.03	122.100	↓	-16.85
August '17	101.525	100.225	↑	1.30	118.750	↓	-17.23
<b>Feeder Cattle Futures</b>							
March '17	122.300	122.075	↑	0.22	151.300	↓	-29.00
April '17	122.975	121.725	↑	1.25	151.300	↓	-28.33
May '17	122.000	120.625	↑	1.38	150.975	↓	-28.98
August '17	123.525	121.650	↑	1.88	150.975	↓	-27.45
<b>Corn Futures</b>							
March '17	73 1/3	368 1/4	↓	-294.90	360 1/4	↓	-286.90
May '17	71 5/7	375 3/4	↓	-304.03	365 1/4	↓	-293.53
July '17	75 5/7	382 3/4	↓	-307.03	370	↓	-294.28
September '17	79 5/8	389 1/4	↓	-309.63	375 1/2	↓	-295.88
<b>Ch Wheat Futures</b>							
March '17	432 1/2	433 3/4	↓	-1.25	461 1/2	↓	-29.00
May '17	443 1/2	446	↓	-2.50	464 3/4	↓	-21.25
July '17	456	459 3/4	↓	-3.75	469 1/2	↓	-13.50
September '17	469 1/4	474	↓	-4.75	478 1/2	↓	-9.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	<b>8-Feb-17</b>	<b>1-Feb-17</b>			<b>10-Feb-16</b>		
<b>Total Cattle Slaughter</b>	589,000	576,000	↑	13,000	577,000	↑	12,000
	<b>21-Jan-17</b>	<b>14-Jan-17</b>			<b>23-Jan-16</b>		
<b>Total Cow Slaughter</b>	113,634	113,679	↓	-45	110,314	↑	3,320
<b>Dairy Cow Slaughter</b>	62,880	60,933	↑	1,947	62,246	↑	634
<b>Beef Cow Slaughter</b>	50,754	52,746	↓	-1,992	48,068	↑	2,686



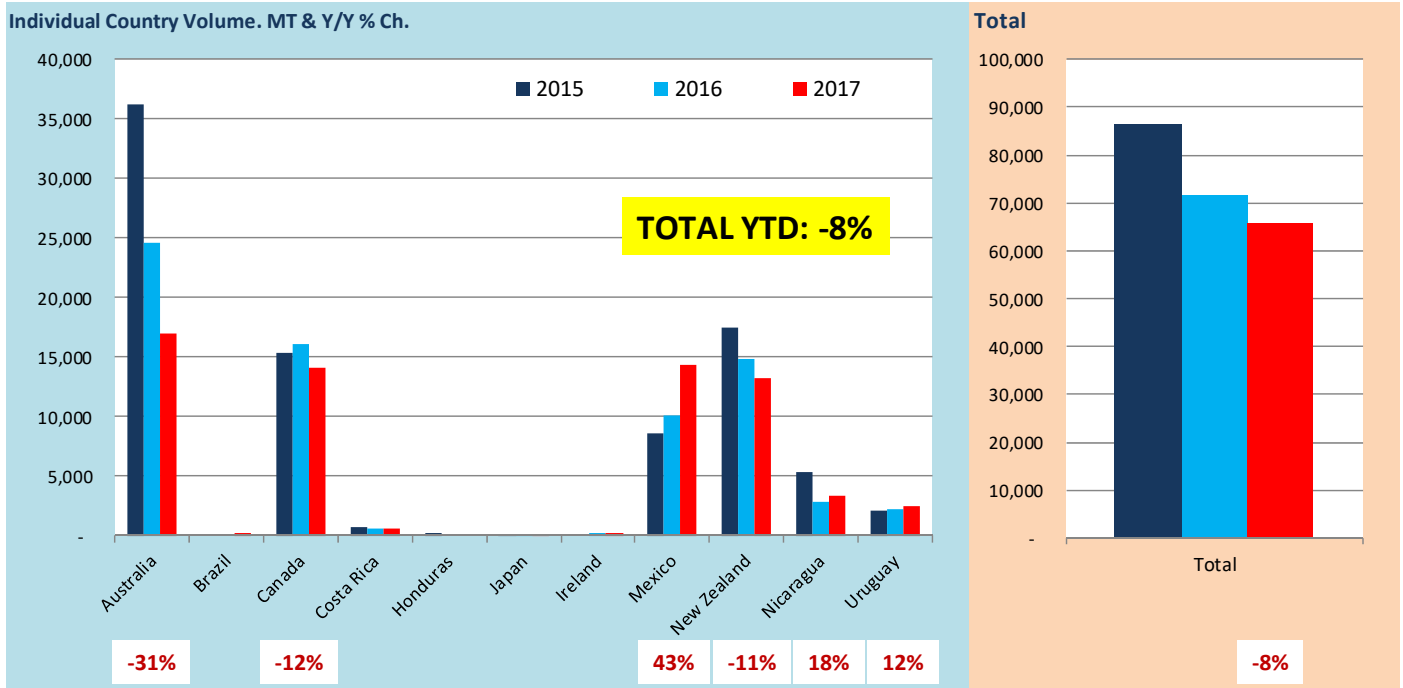
# TABLE 7 - US BEEF IMPORTS (Source: USDA/AMS)

## YTD Imported Meat Passed for Entry in the US

week 4	1/23/2016	1/28/2017		
Australia	24,591	16,934	(7,657)	-31.1%
Brazil		291		
Canada	16,077	14,130	(1,947)	-12.1%
Chile		23	23	
Costa Rica	619	582	(37)	-6.0%
Honduras			-	
Japan	16	23	7	43.8%
Ireland	239	192	(47)	-19.7%
Mexico	10,065	14,413	4,348	43.2%
New Zealand	14,883	13,270	(1,613)	-10.8%
Nicaragua	2,862	3,378	516	18.0%
Uruguay	2,251	2,512	261	11.6%

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

Imports as of January 28, 2017

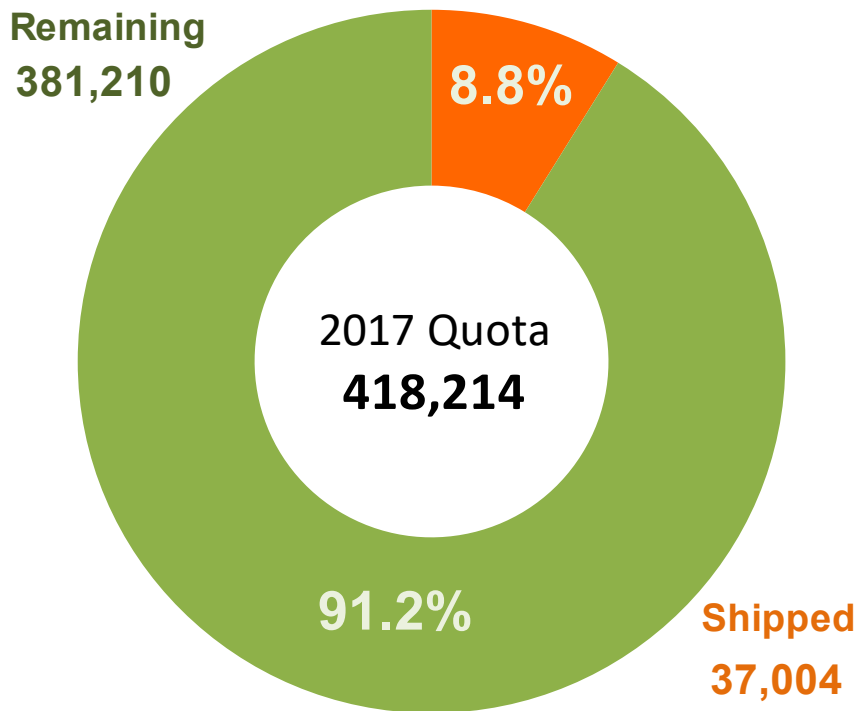


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

# Australian Beef Quota Position

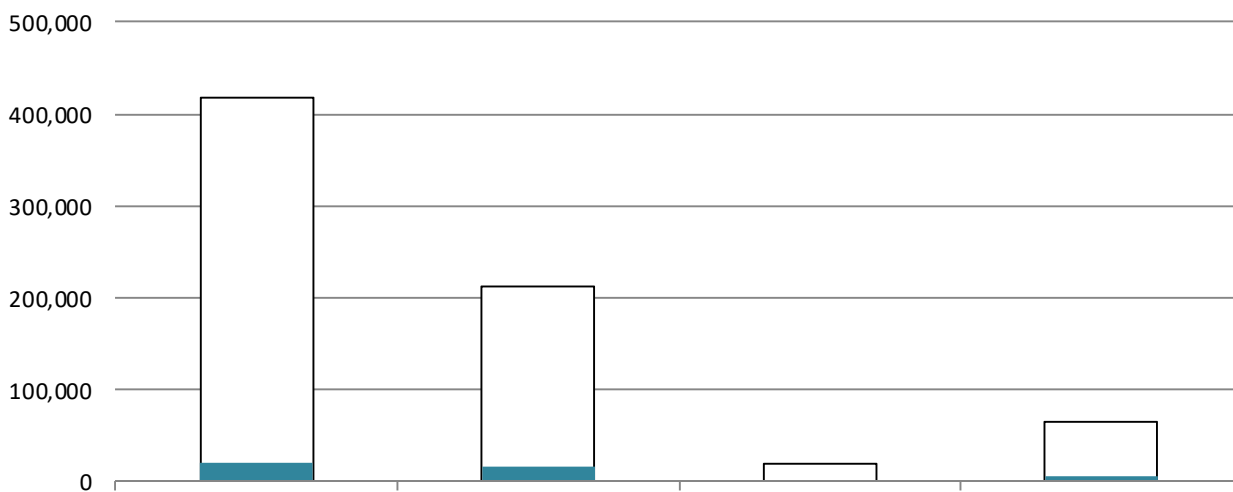
6-Feb-17

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending February 6

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	24,713,417	14,330,038	702,257	3,622,159
2017 YTD	20,926,318	17,335,281	1,555,209	5,800,711
% ch.	-15%	21%	121%	60%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	<b>5%</b>	<b>8%</b>	<b>8%</b>	<b>9%</b>