



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume XVII, Issue 6

February 15, 2017

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

Market Highlights for the Week:

- Imported beef prices continued to gain ground but market participants noted significantly more pushback from end users
- For the moment overseas packers are benefiting from tight spot supplies and slaughter levels that are running under year ago
- All eyes now on weather conditions, both in Australia and New Zealand. Australia slaughter climbed last week and New Zealand numbers also expected to increase, especially if dry conditions escalate
- Strong Australian dollar against the USD works against shipping more volumes into the US at this time but beef availability remains key
- Ratio of US lean and fat trim prices relative to cattle now above five year average and indicative of demand improvement

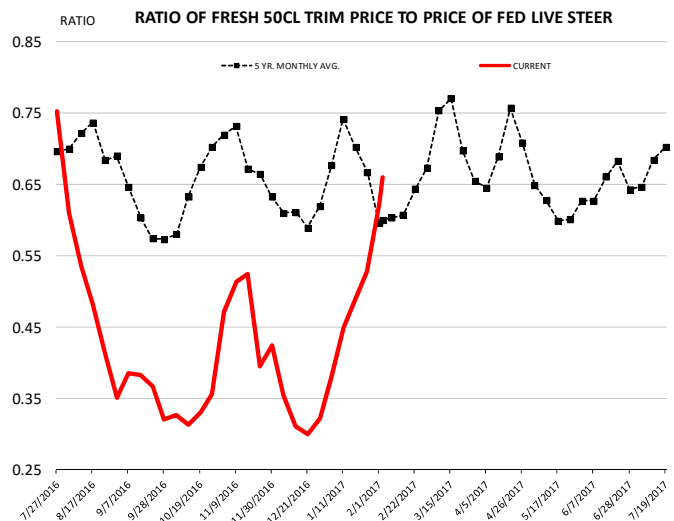
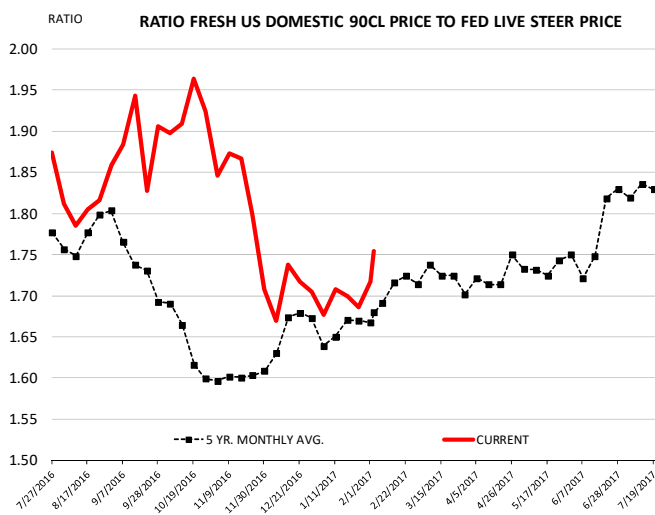
Imported Market Activity for the Week

Prices for imported lean grinding beef traded higher once again this week although market participants we contacted today were split in their opinion about market direction in the short term. The general consensus remains that very thin spot supplies continue to underpin the market, forcing some end users to pay up if they want to secure meat for delivery into March. However, it was also noted by some participants that they see a bit more resistance from end users, especially when it comes to the lean and

extra lean grinding values. The spread between domestic and imported product has widened where domestic values can go into least cost formulations even for operations that derive a freight advantage from using imported beef. Some participants also noted that part of the reason for the firm prices has been due to the fact that the rate of slaughter in Australia and New Zealand has been lower than expected. This means that at this time packers overseas find themselves with a longer position and thus do not seem to be in a rush to sell more beef. This could quickly change, however. A ramp up in

Demand Indicator: Ratio of Lean and Fat Grinding Beef prices to the Price of Live Fed Steers

Based on Weekly Price Data from USDA



slaughter overseas, higher shipments from Brazil and a shift in exchange rates could quickly tip the balance and bring more offers. With each passing week, that long position also will shorten. For the moment we have a standoff, with only those end users desperate to secure product jumping in the market.

Highlight for the week

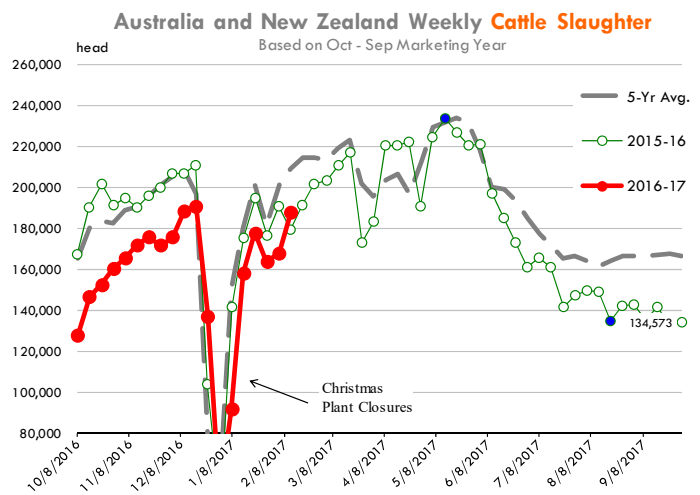
On page 1 we have included two charts that show the price ratios for both lean and fat grinding beef relative to the price of fed cattle. The price ratio of both lean and fat trim relative to fed cattle prices is now above the five year average, an indication in our mind of improved demand for ground beef. Particularly impressive is the improvement in the price of fat beef trim, which not long ago was hovering all time record lows. USDA quoted the price of 50CL trim tonight at 78 cents per pound compared to 35 cents per pound in December. With fed steer prices quoted at \$1.19 per pound, this results in a price ratio (or price multiple) of 0.65. Seasonally fat trim prices hold up quite well in March and April as retailers prepare for post Easter features and patty manufacturers start to build inventory ahead of the spring demand improvement in foodservice. The price of lean grinding beef no longer is trading at the multiples it was back in the fall of 2016 but remains above the five year average.

Implication: Robust ground beef demand in the US bodes well for prices in the spring and summer. Directionally we expect prices to be lower in the coming months as US domestic beef supplies increase (more cattle were placed on feed at the end of 2016 and Q1 placements should also increase). But the higher ratio of grinding beef to fed cattle values implies that the price erosion for grinding product may not be as dramatic as current futures prices indicate

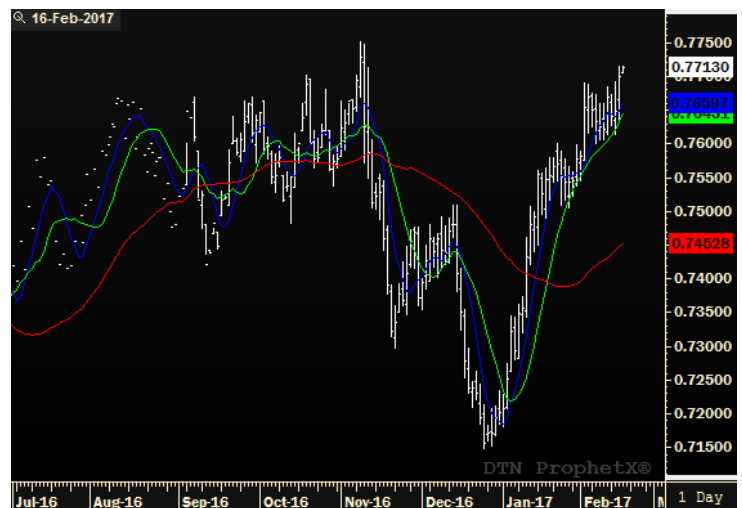
Imported Beef Situation by Product

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

As noted earlier, the focus remains on spot supply conditions and the outlook for overseas shipments into the US. As we noted last week, moisture conditions in New Zealand have started to shift and, if the situation persists, this could lead to a few more cattle coming to market. However, for now New Zealand packers seem to be well sold into the US at least through mid March. A shift in slaughter would change the balance and put some downward pressure



Stronger AUD Adds to the Challenges of Shipping Beef to US



on the value of 90CL beef (see chart above). Bull meat price premiums are quite hefty at this time. High prices for fat trimmings could limit further price gains. Market participants noted very limited trading for 85CL, with more product going to other markets at this time.

- 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. We noted a particularly wide gap between prices that could be tradeable in the US and what overseas packers were indicating other markets were paying. At this time US bids for this product range from 108-112 CIF but a more realistic price if around 115 to maybe generate a counter overseas. However, packers in Australia currently indicate that Asian markets paying in the 120

area and so interest to sell into the US is quite limited at this time.

- Round cuts

The price of cap off insides was reportedly steady to slightly weaker this week, in line with what we are seeing in the market for domestic product. The value of 168 insides, select (domestic beef) quoted tonight at 210 FOB, which would imply a cap off price of around 270-280 US (depending on trim credit, etc). This is comparable with Australian prices in the mid 270s. The price of flats and knuckles generally steady to slightly higher, in part because of better demand in Asian markets for this product.

Brazil Market Update

So far Brazil beef shipments to the US remain minimal. Industry in Brazil currently is waiting on final approvals from USDA before starting to ship significant volumes of grinding beef. So far the volumes coming into the US are test loads and quite minimal. Potential is for Brazil to ship anywhere between 30,000 to 50,000 MT of beef to the US but much depends on the ability of Brazilian packers to a) resolve outstanding issues regarding lotting protocols (awaiting USDA at this time) and also the ability to get large end users to approve use of Brazilian beef in their specs. While there is a lot of speculation about the quality of product, workmanship, yields and other such factors, the test will be when users bring Brazilian beef and use in manufacturing. The experience with Uruguay a few years ago was quite positive although the main complaint about Uruguayan product has to do with reliability of shipments and shippers able to fulfill commitments. The expectation is that Brazilian suppliers are larger and have more experience, thus will be able to ramp up more quickly in order to service the US market. At this point, supplies coming into the US are minimal.

US Domestic Price Summary

Prices for 90CL boneless beef were quoted at 211 US cents on the top side, 2 cent higher than a week ago but still 2 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, unchanged from last week and 5 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, the same as a week ago and 20 cent higher than the same week last year. On a weighted average basis, the price of 50CL beef is now 78 cents, 1 cent higher than a week ago.

Prices for pork trim were mixed this week, fat trim prices were lower while 72CL trim values managed a small gain from 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
	14-Feb-17	7-Feb-17		16-Feb-16	
CME FEEDER CATTLE INDEX	128.63	127.28	1.1%	156.95	-18.0%
	15-Feb-17	8-Feb-17		17-Feb-16	
FED STEER (5-MKT AVG)	119.72	118.74	0.8%	131.24	-8.8%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	101.00	99.50	1.5%	143.50	-29.6%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	106.50	105.50	0.9%	141.00	-24.5%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	100.00	98.00	2.0%	131.00	-23.7%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	164.04	164.14	-0.1%	167.61	-2.1%

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
	15-Feb-17	228.0	8-Feb-17	223.0		17-Feb-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	226.0	228.0	220.0	223.0	5.0	213.0	215.0	13.0
90 CL Blended Cow	205.0	207.0	202.0	204.0	3.0	195.0	198.0	9.0
90 CL Shank	206.0	208.0	204.0	205.0	3.0		UNQ	N/A
85 CL Fores	185.0	186.0	183.0	185.0	1.0	171.0	172.0	14.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	224.0	225.0	219.0	220.0	5.0	212.0	213.0	12.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	184.0	185.0	181.0	182.0	3.0	169.0	170.0	15.0
80 CL Trimmings	165.0	168.0	162.0	165.0	3.0	145.0	146.0	22.0
75 CL Trimmings	150.0	151.0	148.0	150.0	1.0	132.0	133.0	18.0
65 CL Trimmings	110.0	112.0	101.0	103.0	9.0		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	260.0	265.0	265.0	270.0	-5.0	265.0	275.0	-10.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	220.0	225.0	220.0	225.0	0.0		UNQ	N/A
Steer Knuckles	240.0	250.0	235.0	240.0	10.0	235.0	240.0	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
	15-Feb-17	235.0	8-Feb-17	228.0		17-Feb-16		
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	233.0	235.0	227.0	228.0	7.0	220.0	223.0	12.0
90 CL Blended Cow	215.0	217.0	213.0	214.0	3.0	207.0	208.0	9.0
90 CL Shank	217.0	218.0	213.0	215.0	3.0		UNQ	N/A
85 CL Fores	194.0	195.0	192.0	194.0	1.0	178.0	179.0	16.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	231.0	234.0	225.0	226.0	8.0	218.0	220.0	14.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	193.0	194.0	190.0	192.0	2.0	175.0	176.0	18.0
80 CL Trimmings	174.0	175.0	172.0	174.0	1.0	153.0	154.0	21.0
75 CL Trimmings	161.0	162.0	158.0	160.0	2.0	137.0	138.0	24.0
65 CL Trimmings	122.0	125.0	115.0	120.0	5.0	96.0	97.0	28.0
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	270.0	275.0		275.0	0.0	275.0	285.0	-10.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	227.0	235.0	225.0	230.0	5.0		UNQ	N/A
Steer Knuckles	250.0	260.0	245.0	250.0	10.0	245.0	250.0	10.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	15-Feb-17		8-Feb-17			17-Feb-16		
<u>Domestic Cutouts</u>								
Choice Cutout	188.34		189.43		-1.1	214.35		-26.0
Select Cutout	187.15		186.49		0.7	207.63		-20.5
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	208.0	211.0	207.0	209.0	2.0	208.0	213.0	-2.0
85 CL Beef Trimmings	183.5	191.0	182.0	191.0	0.0	185.0	186.0	5.0
50 CL Beef Trim	77.4	80.5	75.2	80.3	0.3	47.0	60.0	20.5
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	27.9	39.3	25.0	45.3	-6.0	16.0	28.3	11.0
72 CL Pork Trim	58.0	78.6	58.5	77.3	1.3	55.0	88.8	-10.2
<u>Point of Lean Values</u>								
90 CL Domestic	234.4		232.2		2.2	236.7		-2.2
50 CL Beef Trimming	161.0		160.5		0.5	120.0		41.0
42 CL Pork Trim	93.5		107.7		-14.3	67.3		26.2
72 CL Pork Trim	109.2		107.3		1.9	123.3		-14.1
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	119.72		118.74		1.0	131.24		-11.5

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	15-Feb-17	8-Feb-17			17-Feb-16	
Live Cattle Futures						
February '17	116.775	116.775	↓	0.00	133.600	↓ -16.83
April '17	113.350	114.750	↓	-1.40	133.050	↓ -19.70
June '17	104.300	105.250	↓	-0.95	122.625	↓ -18.33
August '17	100.500	101.525	↓	-1.03	118.775	↓ -18.28
Feeder Cattle Futures						
March '17	124.275	122.300	↑	1.98	155.950	↓ -31.68
April '17	124.050	122.975	↑	1.08	155.025	↓ -30.98
May '17	122.875	122.000	↑	0.88	153.750	↓ -30.88
August '17	124.200	123.525	↑	0.67	153.625	↓ -29.43
Corn Futures						
March '17	378 3/4	73 1/3	↑	305.40	367 1/4	↑ 11.50
May '17	386	71 5/7	↑	314.28	371 1/2	↑ 14.50
July '17	392 1/2	75 5/7	↑	316.78	376	↑ 16.50
September '17	397 1/4	79 5/8	↑	317.63	381 1/4	↑ 16.00
Ch Wheat Futures						
March '17	454 3/4	432 1/2	↑	22.25	468 1/2	↓ -13.75
May '17	468 1/4	443 1/2	↑	24.75	474 1/2	↓ -6.25
July '17	480	456	↑	24.00	480 1/4	↓ -0.25
September '17	493 1/2	469 1/4	↑	24.25	490 1/4	↑ 3.25
Slaughter Information						
Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
	15-Feb-17	8-Feb-17	Week	Week	17-Feb-16	Last Year
Total Cattle Slaughter	581,000	589,000	↓	-8,000	528,000	↑ 53,000
	28-Jan-17	21-Jan-17			30-Jan-16	
Total Cow Slaughter	116,046	113,634	↑	2,412	113,488	↑ 2,558
Dairy Cow Slaughter	65,846	62,880	↑	2,966	65,133	↑ 713
Beef Cow Slaughter	50,200	50,754	↓	-554	48,355	↑ 1,845

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

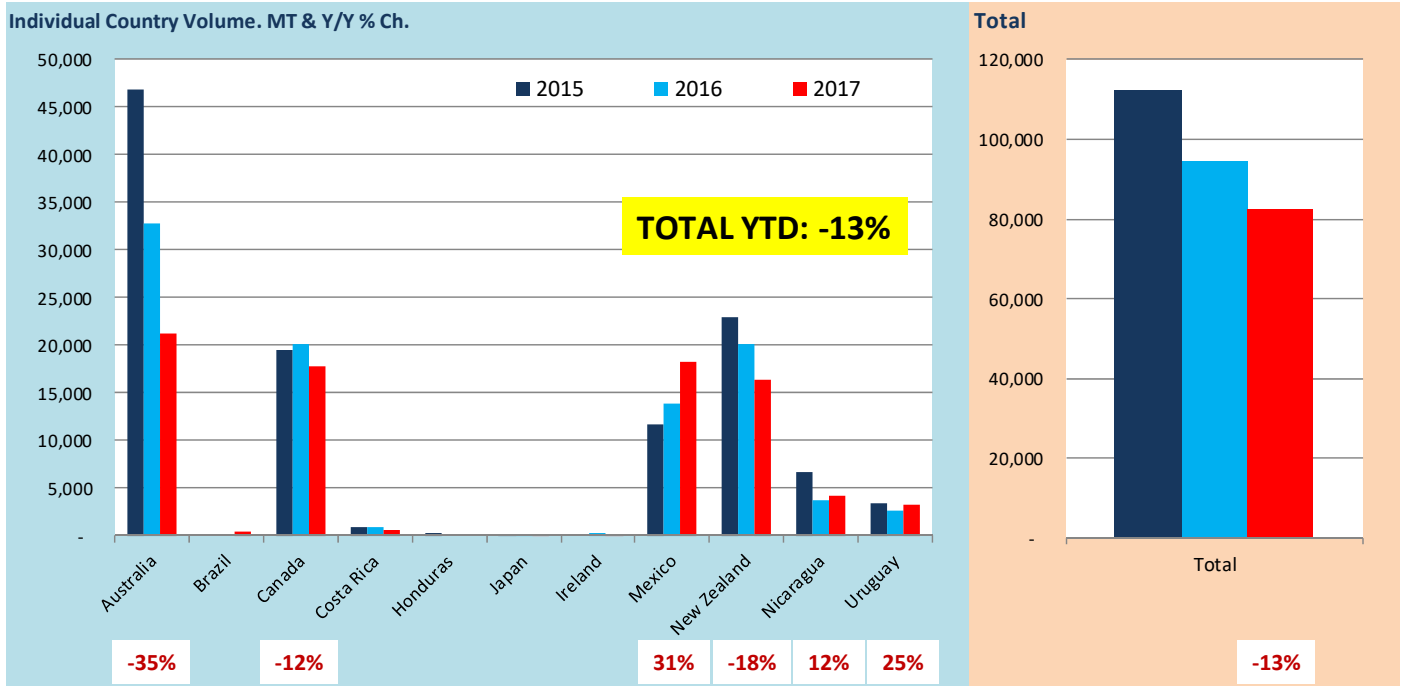
YTD Imported Meat Passed for Entry in the US

week 5	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%
Total	71,604	65,787	(5,817)	-8.1%

Source: USDA/FSIS

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

Imports as of February 4, 2017

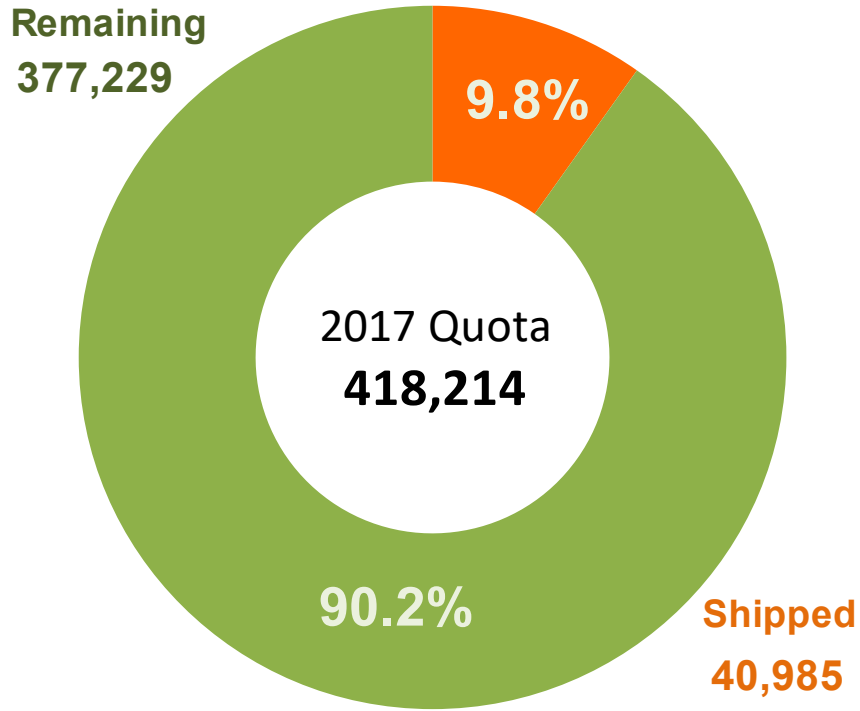


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

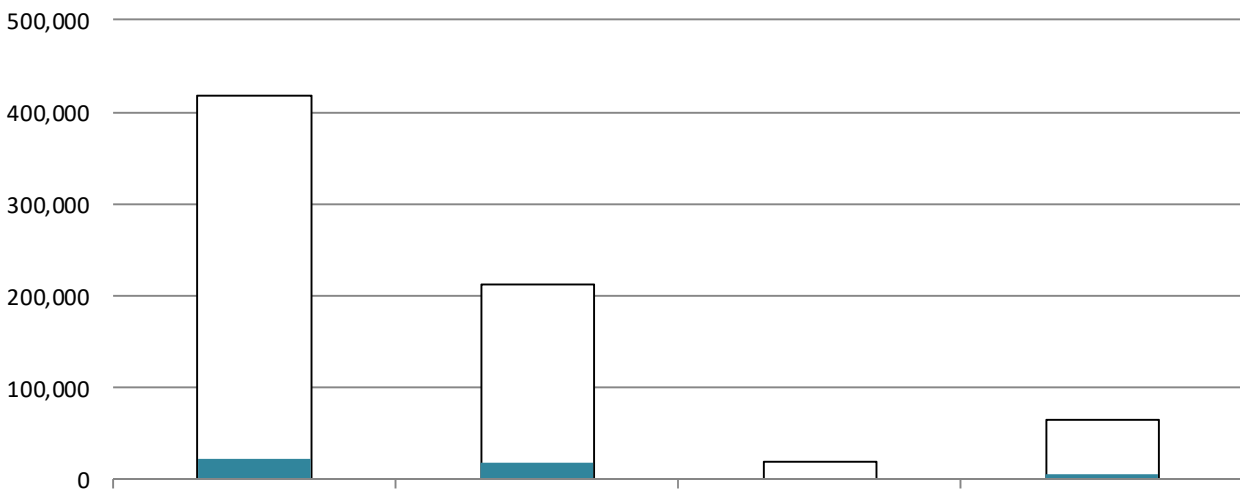
14-Feb-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending February 13

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	31,027,104	19,701,604	1,011,308	4,961,514
2017 YTD	21,782,264	19,055,560	1,729,008	6,718,461
% ch.	-30%	-3%	71%	35%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	5%	9%	9%	10%