



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 firm on dearth of spot supplies and higher offerings from both Australian and New Zealand producers
- Supply of imported beef that has entered the US market in the first six weeks of this year is down 16% from the comparable period a year ago, according to USDA/AMS data
- Despite some reports of higher slaughter in Australia/New Zealand, that has yet to translate into higher supplies offered into the US market
- Also supportive for imported beef has been the uptrend in US fed cattle values and generally higher beef prices, with the choice beef cut-out this week up \$6/cwt compared to the previous week (but still down \$23 or 10% compared to a year ago)
- Beef demand in the US remains a key topic of discussion and whether it implies higher prices than currently reflected by futures markets

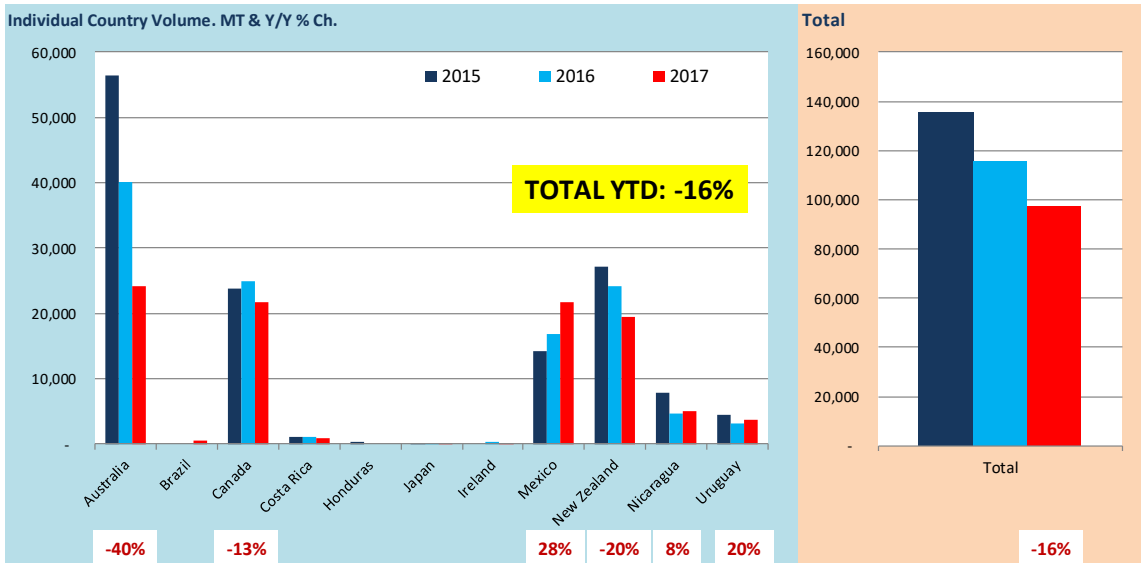
Imported Market Activity for the Week

Prices for imported lean grinding beef were higher this week following the lull that we noted a week ago. End users were back in the market looking to source product and finding, once again, that offers from overseas packers remain firm and at levels well above what they have been showing so far. As we have reported in past issues of this report, a number of factors have contributed to the current premium of imported beef over domestic product. And those factors remain in place. Primary among them we would note the short supplies of imported

beef in the spot market and the impact this has had on the overall grinding complex. We usually include the chart below at the end of this report but it is important to highlight how dramatic the decline in imported beef entries has been during the first six weeks of the year. Keep in mind that the data source for this is USDA/AMS not the Customs Service. The data shows that through week #6, imports from Australia are down 40% compared to the same six week period a year ago and even more significantly when compared to the hey days of 2015, Imports from Canada also are down 13% and imports from New Zealand are down 20%. Some of the de-

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

Imports as of February 11, 2017

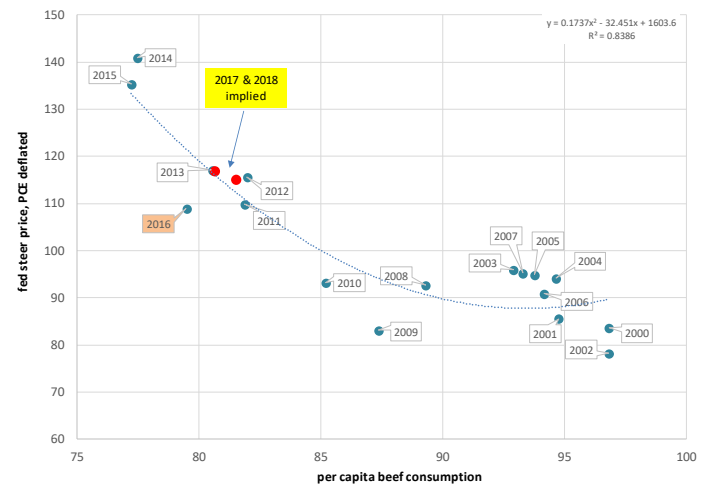


cline in imports from the major countries has been offset by a rush of Mexican shipments. Mexico at this point is shipping more beef into the US than New Zealand. Still, overall imported volume is down 16% from last year, with lean and extra lean beef supplies particularly tight.

Highlight for the week

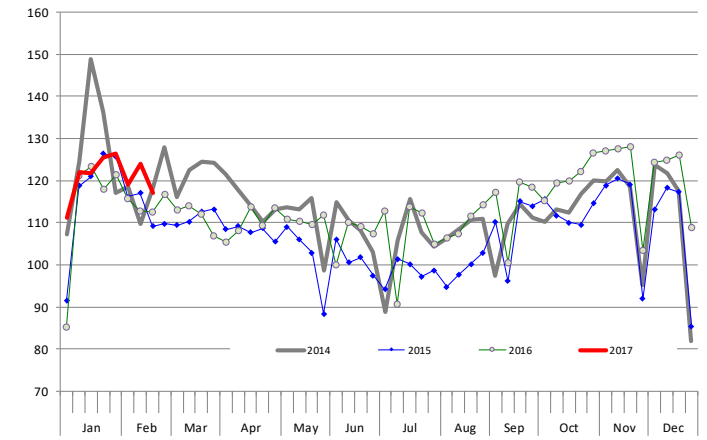
The issue of beef demand in the US market is one of those topics that is discussed often but participants often struggle both with the concept as well as to how they can relate the theoretical data from long run demand indexes with the day to day reality. Rather than give you another long term beef index, showing coincidentally a rising demand following the recession, we thought it would be useful to actually present the actual demand curve for fed cattle and its implications. The demand curve is nothing more than a schedule of supply consumed/demanded and corresponding prices. As you can see, the curve is downward sloping, implying that at higher quantities lower prices will be paid. Often we show the chart with per capita beef consumption and the beef cut-out. However, there is a very strong correlation between the cutout and fed cattle prices so we decided to switch and show the per capita number relative to the price of cattle. Why the change? Because fed cattle prices are traded on the futures exchange each day and also it is a number with which market participants can identify more easily. As you can see from the chart, for the most part the price/supply pairs follow fairly close to the 15 year demand line although there have been departures. In 2009, demand was quite a bit weaker than anticipated (under the demand curve) due to the recession. On the other hand, demand was quite firm in the mid 2000 due to the effect of the Atkins, high protein diets, as well as the wealth effect due to ever rising home values. While fed steer prices were quite high in 2014 and 2015, those prices are actually close to the demand line and largely reflect the impact of much tighter beef supplies. Last year beef demand was softer, we think due in part to the lower price of competing meats. Currently fed cattle futures are pricing fed steer for all of 2016 at an average of \$108.7/cwt, about \$3/cwt higher than a week ago but still under what the normal demand levels would indicate. As a year ago, it is likely that futures continue to price a less robust beef demand level. Also, futures markets still are discounting late summer and fall months, in part because of expectations of larger fed cattle supplies. Keep in mind that the chart above relies on estimates for per capita consumption and those estimates are vulnerable to shifts in supply (more/less beef produced) or shifts in trade (more/less beef stay-

Per Capita Availability (carcass wt. basis) vs. Fed Cattle Annual Supply and Annual Prices. Prices Deflated by PCE



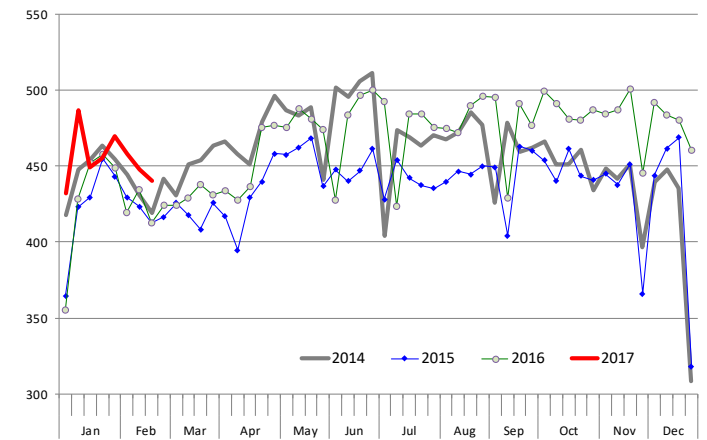
Weekly US Cow and Bull Slaughter

000 Head. Data Source: USDA



Weekly US Steer and Heifer Slaughter

000 Head. Data Source: USDA. Calculations and Estimates for Last Two Weeks by Steiner Consulting



ing in the country). In recent days fed cattle prices have been buoyed by the fact that packers have modestly reduced slaughter levels. On the other hand, US beef exports remain robust, thus limiting per capita availability and helping bolster overall beef and fed cattle values (bullish for imported beef).

US Domestic Price Summary

Prices for 90CL boneless beef were quoted at 212 US cents on the top side, 1 cent higher than a week ago but still 4 cents lower than year ago levels. **The weighted average price tonight was quoted at 210, 2 cents higher than a week ago.** 85CL beef trim prices on the top side were quoted tonight at 188 cents, 3 cents lower from last week and 8 cent lower than last year. The weighted average price for 85CL beef was 187 cents a pound, a penny higher than a week ago. 50CL beef price was 83 cents on the high side, the same as a week ago and 23 cent higher than the same week last year. On a weighted average basis, the price of 50CL beef is now 80 cents, 1 cent higher than a week ago.

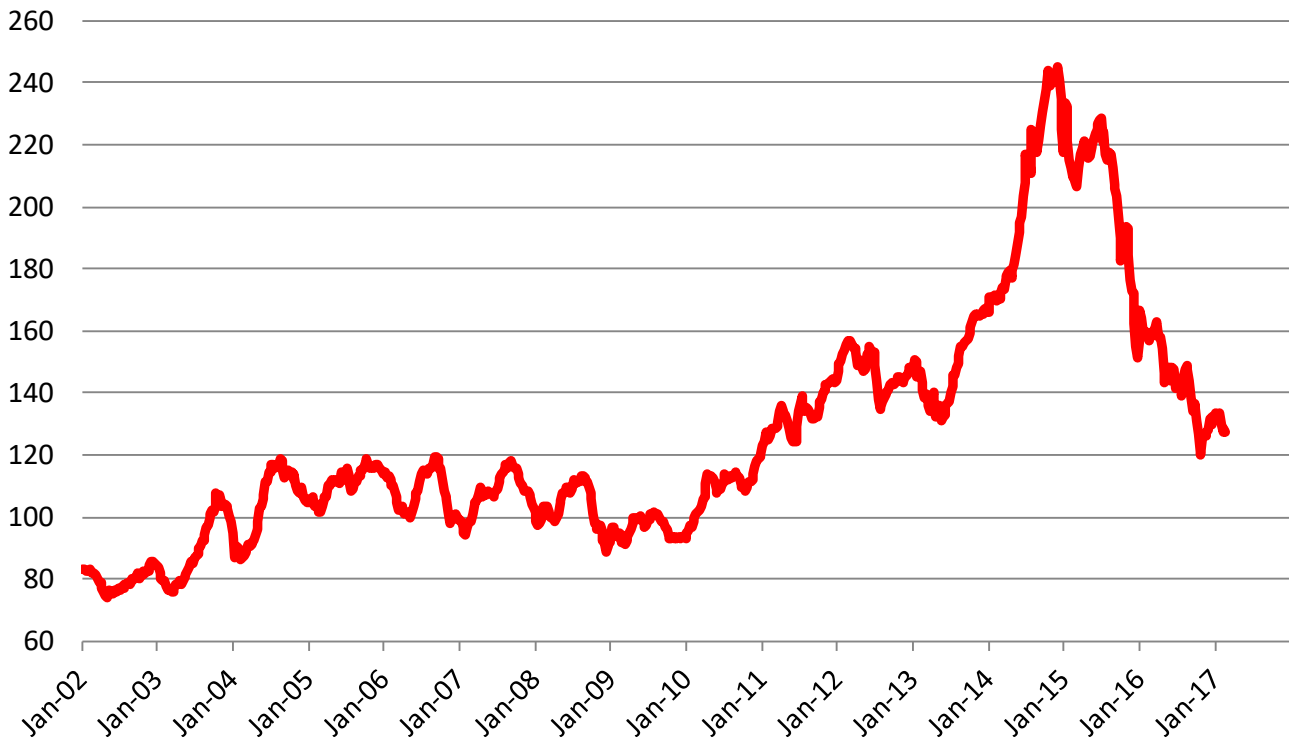
Prices for pork trim were higher this week but compared to a year ago the picture is a bit mixed, with 72CL pork now losing some ground. Increasing slaughter should keep pork trim values under pressure and competitive with beef trimmings.

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
	21-Feb-17	14-Feb-17		23-Feb-16	
CME FEEDER CATTLE INDEX	127.12	128.63	-1.2%	158.69	-19.9%
	22-Feb-17	15-Feb-17		24-Feb-16	
FED STEER (5-MKT AVG)	119.58	119.72	-0.1%	133.10	-10.2%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	105.00	101.00	4.0%	141.50	-25.8%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	112.00	106.50	5.2%	143.50	-22.0%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	103.00	100.00	3.0%	133.00	-22.6%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	165.05	164.04	0.6%	169.50	-2.6%

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
	22-Feb-17	229.0	15-Feb-17	228.0		24-Feb-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	227.0	229.0	226.0	228.0	1.0	219.0	221.0	8.0
90 CL Blended Cow	209.0	210.0	205.0	207.0	3.0	203.0	206.0	4.0
90 CL Shank	209.0	211.0	206.0	208.0	3.0	206.0	207.0	4.0
85 CL Fores	185.0	186.0	185.0	186.0	0.0	175.0	177.0	9.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	225.0	228.0	224.0	225.0	3.0	217.0	218.0	10.0
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	184.0	185.0	0.0	174.0	175.0	10.0
80 CL Trimmings	165.0	168.0	165.0	168.0	0.0	147.0	149.0	19.0
75 CL Trimmings	150.0	151.0	150.0	151.0	0.0	135.0	137.0	14.0
65 CL Trimmings	110.0	112.0	110.0	112.0	0.0	85.0	86.0	26.0
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	255.0	260.0	260.0	265.0	-5.0	270.0	275.0	-15.0
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	233.0	-8.0
Steer Knuckles	230.0	240.0	240.0	250.0	-10.0	240.0	242.0	-2.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	22-Feb-17	235.0	15-Feb-17	235.0		24-Feb-16		
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	232.0	235.0	233.0	235.0	0.0	227.0	229.0	6.0
90 CL Blended Cow	214.0	215.0	215.0	217.0	-2.0	213.0	215.0	0.0
90 CL Shank	215.0	216.0	217.0	218.0	-2.0	215.0	217.0	-1.0
85 CL Fores	194.0	195.0	194.0	195.0	0.0	182.0	183.0	12.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	232.0	233.0	231.0	234.0	-1.0	224.0	226.0	7.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	192.0	194.0	193.0	194.0	0.0	180.0	182.0	12.0
80 CL Trimmings	173.0	174.0	174.0	175.0	-1.0	155.0	157.0	17.0
75 CL Trimmings	160.0	161.0	161.0	162.0	-1.0	141.0	142.0	19.0
65 CL Trimmings		UNQ	122.0	125.0	N/A	89.0	91.0	N/A
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	270.0	275.0	270.0	275.0	0.0	280.0	285.0	-10.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	225.0	230.0	227.0	235.0	-5.0		240.0	-10.0
Steer Knuckles	250.0	255.0	250.0	260.0	-5.0	245.0	250.0	5.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	22-Feb-17		15-Feb-17			24-Feb-16		
<u>Domestic Cutouts</u>								
Choice Cutout	194.53		188.34		6.2	217.72		-23.2
Select Cutout	190.81		187.15		3.7	213.72		-22.9
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	209.0	212.0	208.0	211.0	1.0	209.9	216.0	-4.0
85 CL Beef Trimmings	186.0	188.0	183.5	191.0	-3.0	185.0	196.0	-8.0
50 CL Beef Trim	78.0	83.1	77.4	80.5	2.6	52.3	60.0	23.1
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	26.0	42.3	27.9	39.3	3.0	15.3	37.3	5.0
72 CL Pork Trim	61.0	79.3	58.0	78.6	0.7	51.3	86.8	-7.5
<u>Point of Lean Values</u>								
90 CL Domestic	235.6		234.4		1.1	240.0		-4.4
50 CL Beef Trimming	166.2		161.0		5.2	120.0		46.2
42 CL Pork Trim	100.6		93.5		7.1	88.7		11.9
72 CL Pork Trim	110.1		109.2		0.9	120.5		-10.4
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	119.58		119.72		-0.1	133.10		-13.5

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	22-Feb-17	15-Feb-17			24-Feb-16	
<u>Live Cattle Futures</u>						
February '17	121.300	116.775	↑	4.52	136.800	↓ -15.50
April '17	116.075	113.350	↑	2.73	135.975	↓ -19.90
June '17	106.425	104.300	↑	2.13	125.150	↓ -18.73
August '17	102.325	100.500	↑	1.83	121.100	↓ -18.78
<u>Feeder Cattle Futures</u>						
March '17	125.100	124.275	↑	0.82	157.975	↓ -32.88
April '17	125.525	124.050	↑	1.48	157.900	↓ -32.38
May '17	124.650	122.875	↑	1.78	156.200	↓ -31.55
August '17	125.975	124.200	↑	1.77	156.200	↓ -30.23
<u>Corn Futures</u>						
March '17	371	378 3/4	↓	-7.75	359 3/4	↑ 11.25
May '17	378 1/4	386	↓	-7.75	364 1/2	↑ 13.75
July '17	385 1/2	392 1/2	↓	-7.00	370	↑ 15.50
September '17	391 1/4	397 1/4	↓	-6.00	375 1/2	↑ 15.75
<u>Ch Wheat Futures</u>						
March '17	441 1/4	454 3/4	↓	-13.50	442 3/4	↓ -1.50
May '17	456	468 1/4	↓	-12.25	451 1/4	↑ 4.75
July '17	469 3/4	480	↓	-10.25	459 3/4	↑ 10.00
September '17	484 1/2	493 1/2	↓	-9.00	471 1/4	↑ 13.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	22-Feb-17	15-Feb-17			24-Feb-16	
Total Cattle Slaughter	566,000	581,000	↓	-15,000	541,000	↑ 25,000
	4-Feb-17	28-Jan-17			6-Feb-16	
Total Cow Slaughter	116,849	116,046	↑	803	108,231	↑ 8,618
Dairy Cow Slaughter	66,435	65,846	↑	589	64,632	↑ 1,803
Beef Cow Slaughter	50,414	50,200	↑	214	43,599	↑ 6,815

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

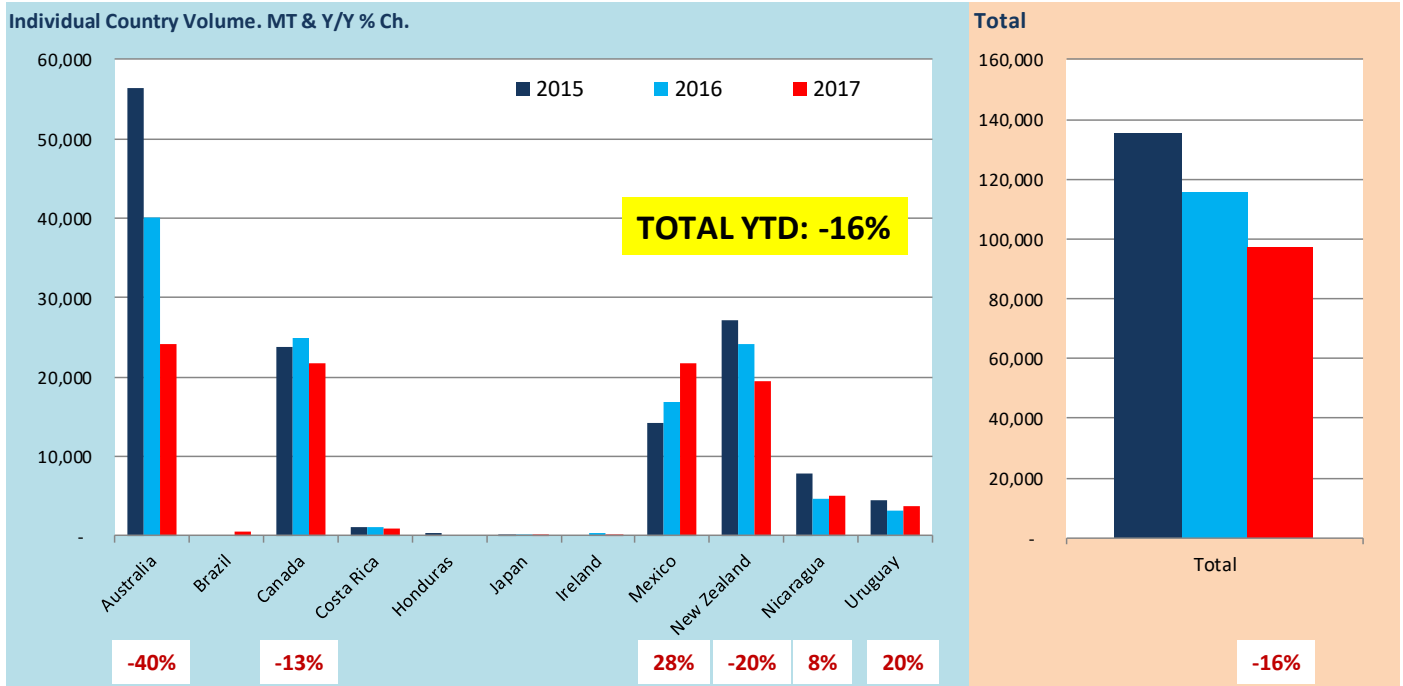
YTD Imported Meat Passed for Entry in the US

week 5	2/6/2016	2/11/2017		
Australia	40,053	24,104	(15,949)	-39.8%
Brazil		490		
Canada	25,012	21,767	(3,245)	-13.0%
Chile	22	45	23	104.5%
Costa Rica	1,104	844	(260)	-23.6%
Honduras			-	
Japan	24	33	9	37.5%
Ireland	288	216	(72)	-25.0%
Mexico	16,881	21,670	4,789	28.4%
New Zealand	24,238	19,401	(4,837)	-20.0%
Nicaragua	4,618	4,970	352	7.6%
Uruguay	3,162	3,795	633	20.0%
Total	115,403	97,375	(18,028)	-15.6%

Source: USDA/FSIS

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

Imports as of February 11, 2017

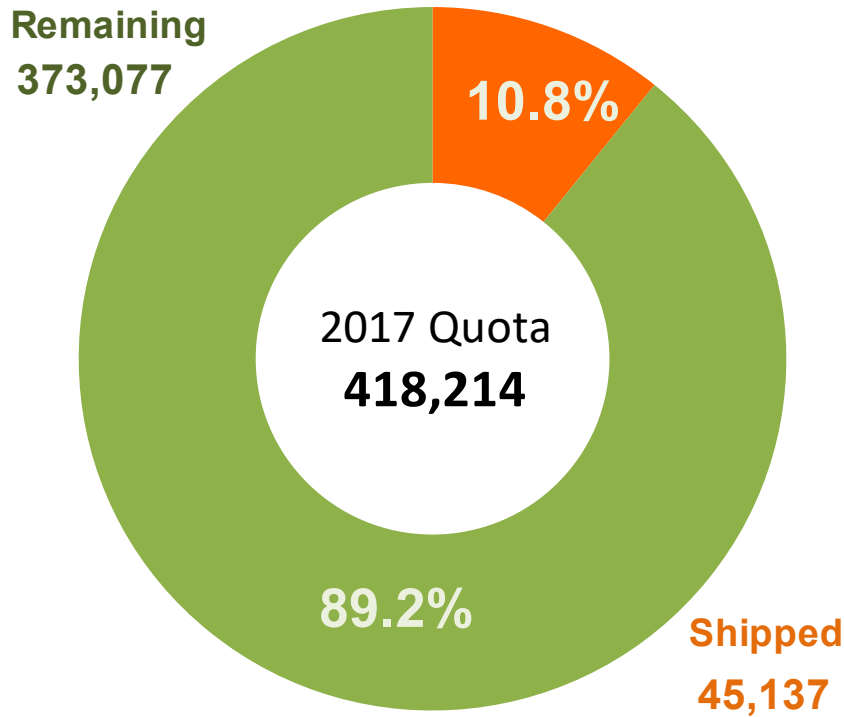


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

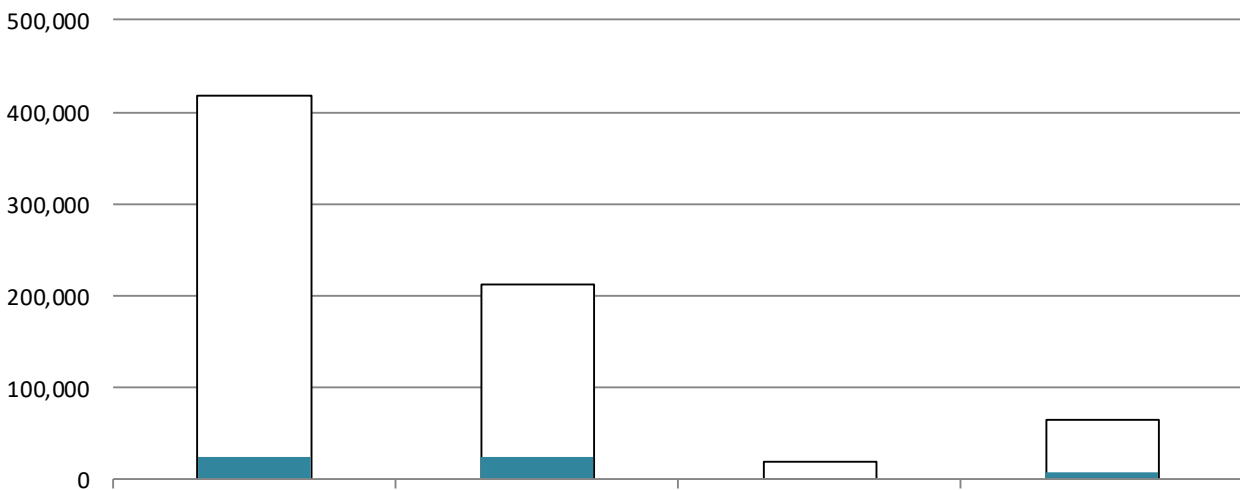
20-Feb-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending February 21

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	37,048,253	24,611,032	1,551,379	5,635,667
2017 YTD	24,724,273	25,362,601	2,197,650	7,681,778
% ch.	-33%	3%	42%	36%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	6%	12%	11%	12%