



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume XVII, Issue 8

March 1, 2017

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Market Highlights for the Week:

- Imported beef prices were mixed this week, with prices in the US market on an FOB basis slightly lower as sellers were looking to generate some interest
- Overseas offerings remain firm, with New Zealand supplies a bit less than expected/hoped for
- US huge beef trade deficit has disappeared and we expect US beef exports to surpass imports in 2017
- Cow and bull slaughter currently running 11% higher than a year ago (latest week) as higher prices for grinding beef and warm weather brings more cows to market. A larger cow inventory and slowdown in rebuilding implies more cows coming to market in 2017. We expect cow slaughter up 7-10% y/y
- Drought remains a major wild card, especially with some drought spots starting to become more prominent

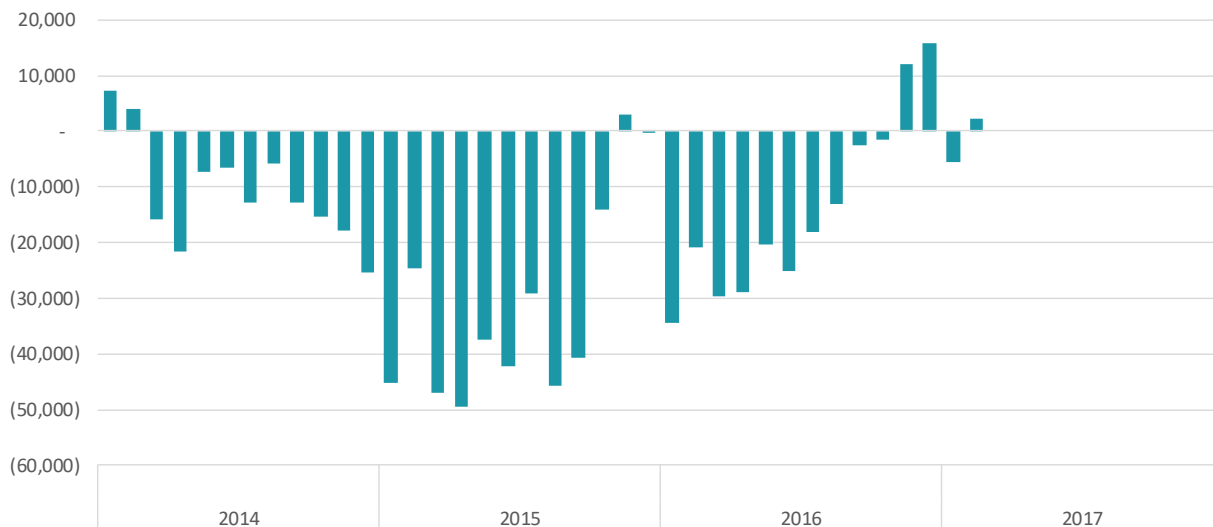
Imported Market Activity for the Week

Prices for imported lean grinding beef were for the most part steady this week although in some cases we noted modest weakness in US FOB values even as offerings from overseas suppliers remain very firm. Market participants in the US noted that end user interest was lackluster at best given the premium of imported beef to domestic. At the same time, they also recognize that larger users remain somewhat short bought and continue to struggle filling orders in the current market. Spot supplies are very tight due to limited Australian and New Zea-

land shipments in the last three months. Australian beef shipments to the US in January were down 31% from the previous year and February shipments were down another 37%. We do not have New Zealand export data for February but shipments to the US in December 2016 were down 21% and January shipments were up just 2%. The only country that has significantly increased shipments to the US in the last two months is Mexico, in part due to fears that the new administration policies will bring about changes to the terms of trade but also because of robust prices in the US and a weak peso. However, most of the beef coming from Mexico we do not think

USA Beef Exports Minus Beef Imports. Product Wt. Basis. Monthly

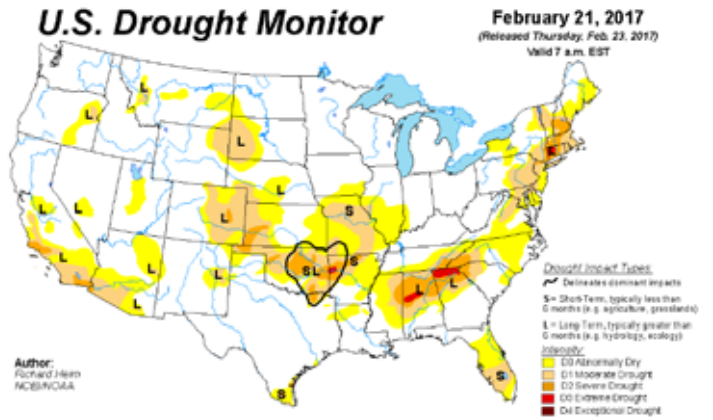
Source: USDA. Jan & Feb 2017 Estimated by Steiner



competes with Australian/New Zealand grinding beef. Over 80% of Mexican shipments are fresh and constitute beef cuts that sell at a more competitive price in the US market than US equivalent. The chart on page 1 shows the significant shift that has taken place in recent months in the US beef balance of trade. In 2015 and the first half of 2016 the United States was importing as much as 40,000 MT more beef than it was importing (net importer). That shifted in the last two months of 2016, with exports exceeding imports by more than 10,000 MT. We think in the first two months of this year net trade has been about flat. Beef imports have declined about 16% from the same two month period the previous year while beef exports in our view during this period are up 20-25% compared to a year ago.

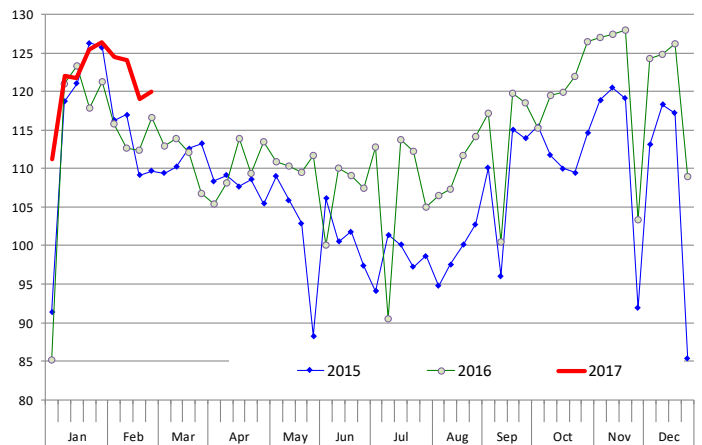
Notes for the week:

- Lean grinding beef prices were somewhat softer, with market participants noting that there was generally good demand, but also limited supply available, of fat trimmings. Some participants we contacted said they simply could not find 85CL available spot as Australian packers in recent months have been selling much of this product into Asian markets. The supply that is coming here usually does not even come into the open market but goes to regular, large users direct.
- The price of 80CL trim was steady to modestly lower but this was largely because those that own this product were trying to make a sale. Getting replacement loads at similar value is very difficult. Domestic prices for 80CL beef currently are trading at par with imported beef. However, in the US a number of buyers of 80CL imported beef use it in cook only operations. US product that is designated as cook only currently trading at a 10 to 15 cent discount to imported frozen 80CL.
- The price of imported round cuts was reportedly higher this week. Prices for fed and non fed domestic rounds have been moving higher and this has likely contributed to the higher trading imported market. USDA quoted select 168,3 inside rounds tonight at \$2.52 per pound, which implies a cap off inside price of around \$3.40 per pound. Current market on imported cap off insides is at around \$2.80 per pound but for delivery into April.
- US cow and bull slaughter has been running higher than year ago levels in recent weeks. WE estimate slaughter this week at around 120,000



Weekly US Cow and Bull Slaughter

000 Head. Data Source: USDA



USD per 1 AUD



head and for the last four weeks cow and bull slaughter has averaged 122,000 head, 8.3% higher than the previous year. The increase may be quite large but in our view it is consistent with the larger US cow inventory, the deterioration in cow-calf producer returns and a slowdown in US herd rebuilding incentives. We expect slaughter to seasonally

decline in the spring and summer but remain above year ago levels (see chart). One big wild card going into the spring are drought conditions and pastures. Already we are seeing some drought develop in the Southeast (which struggled with drought last year) and creeping drought into the Plains. This bears watching as it has the potential to significantly increase cow slaughter numbers in late May and June, a time when traditionally US lean grinding beef prices tend to decline.

- New Zealand supplies remain limited, in part because of better moisture conditions there. On the other hand we have noted a significant deterioration in dairy prices and, if sustained, this could be enough to bring more cows to market there. For now New Zealand packers seem to be well sold and US market participants have noted that offerings from there remain limited. The help is that with the cow run starting we should see a few more New Zealand product showing up. This was the hope for bull meat but volumes that came in January and February certainly were smaller than many were counting. It remains to be seen if we will see the same situation play out with cow meat supplies.
- The Australian dollar has made a complete U-turn and it has made up all the ground lost following the Trump victory in the US election. The firm Australian dollar and still very high cattle prices in Australia continue to make Australian packers reluctant sellers in the US. Indeed, looking at the export data, Australian shipments in December and January were steady to higher into Asian markets and down sharply into the US.

US Domestic Price Summary

Prices for 90CL boneless beef were quoted at 213 US cents on the top side, 1 cent higher than a week ago but still 5 cents lower than year ago levels. **The weighted average price tonight was quoted at 210, unchanged from a week ago.** 85CL beef trim prices on the top side were quoted tonight at 188 cents, unchanged from last week and 8 cent lower than last year. The weighted average price for 85CL beef was 186 cents a pound, a penny lower than a week ago. 50CL beef price was 92 cents on the high side, 9 cents higher than the same week last year. On a weighted average basis, the price of 50CL beef is now 84 cents, 4 cent higher than a week ago.

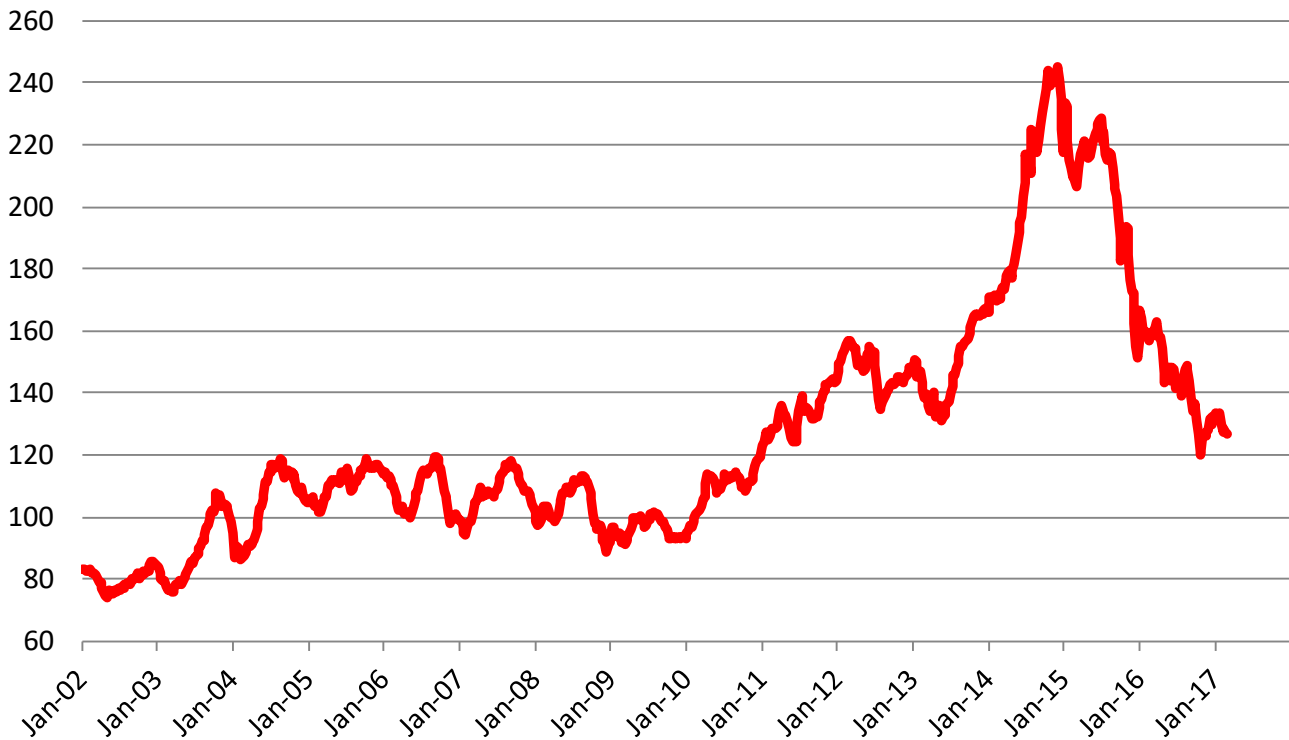
Prices for pork trim were mixed this week but compared to a year ago prices are as much as 12 cents higher

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
	28-Feb-17	21-Feb-17		1-Mar-16	
CME FEEDER CATTLE INDEX	127.03	127.12	-0.1%	159.08	-20.1%
	1-Mar-17	22-Feb-17		2-Mar-16	
FED STEER (5-MKT AVG)	124.35	119.58	4.0%	135.86	-8.5%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	106.50	105.00	1.4%	144.50	-26.3%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	115.50	112.00	3.1%	144.00	-19.8%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	106.00	103.00	2.9%	135.00	-21.5%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	165.52	165.05	0.3%	170.97	-3.2%

CME Feeder Cattle Index



Source: Chicago Mercantile Exchange

TABLE 2 – IMPORTED BEEF PRICES, 7:45 DAYS, CIF

	<i>Current Week</i>		<i>Prior Week</i>		<i>Change From Last Week</i>	<i>Last Year</i>		<i>Change From Last Year</i>
	1-Mar-17		22-Feb-17			2-Mar-16		
<u><i>US East Coast Australian/NZ Lean, CIF</i></u>								
<i>95 CL Bull, E. Coast</i>	228.0	230.0	227.0	229.0	1.0	221.0	223.0	7.0
<i>90 CL Blended Cow</i>	205.0	207.0	209.0	210.0	-3.0	203.0	205.0	2.0
<i>90 CL Shank</i>	208.0	209.0	209.0	211.0	-2.0	207.0	208.0	1.0
<i>85 CL Fores</i>	185.0	186.0	185.0	186.0	0.0	179.0	181.0	5.0
<i>85 CL Chucks</i>		UNQ		UNQ	N/A		UNQ	N/A
<i>95 CL Bull, W. Coast</i>	227.0	229.0	225.0	228.0	1.0	220.0	221.0	8.0
<i>Uruguay CFH 90CL, E. Coast</i>		UNQ		UNQ	N/A		UNQ	N/A
<u><i>US East Coast, Trimmings, CIF</i></u>								
<i>85 CL Trimmings</i>	184.0	185.0	184.0	185.0	0.0	177.0	178.0	7.0
<i>80 CL Trimmings</i>	163.0	166.0	165.0	168.0	-2.0	147.0	148.0	18.0
<i>75 CL Trimmings</i>	150.0	151.0	150.0	151.0	0.0	135.0	136.0	15.0
<i>65 CL Trimmings</i>		UNQ	110.0	112.0	N/A	87.0	88.0	N/A
<u><i>US East Coast Australian Cuts, CIF</i></u>								
<i>Cap Off Steer Insides</i>	265.0	270.0	255.0	260.0	10.0	270.0	275.0	-5.0
<i>Steer Insides 14/18</i>		UNQ		UNQ	N/A		UNQ	N/A
<i>Steer Flats</i>	220.0	225.0	220.0	225.0	0.0	230.0	233.0	-8.0
<i>Steer Knuckles</i>	240.0	245.0	230.0	240.0	5.0	240.0	242.0	3.0

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

	<i>Current Week</i>		<i>Prior Week</i>		<i>Change From Last Week</i>	<i>Last Year</i>		<i>Change From Last Year</i>
	<i>1-Mar-17</i>		<i>22-Feb-17</i>			<i>2-Mar-16</i>		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
<i>95 CL Bull, E. Coast</i>	231.0	232.0	232.0	235.0	-3.0	228.0	229.0	3.0
<i>90 CL Blended Cow</i>	213.0	214.0	214.0	215.0	-1.0	209.0	210.0	4.0
<i>90 CL Shank</i>	214.0	215.0	215.0	216.0	-1.0	214.0	215.0	0.0
<i>85 CL Fores</i>	194.0	195.0	194.0	195.0	0.0	186.0	187.0	8.0
<i>85 CL Chucks</i>		UNQ		UNQ	N/A		UNQ	N/A
<i>95 CL Bull, W. Coast</i>	230.0	231.0	232.0	233.0	-2.0	226.0	227.0	4.0
<i>Uruguay CFH 90CL, E. Coast</i>		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
<i>85 CL Trimmings</i>	193.0	194.0	192.0	194.0	0.0	184.0	185.0	9.0
<i>80 CL Trimmings</i>	173.0	174.0	173.0	174.0	0.0	155.0	156.0	18.0
<i>75 CL Trimmings</i>	159.0	160.0	160.0	161.0	-1.0	141.0	142.0	18.0
<i>65 CL Trimmings</i>		UNQ		UNQ	N/A	97.0	98.0	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
<i>Cap Off Steer Insides</i>	275.0	280.0	270.0	275.0	5.0	285.0	290.0	-10.0
<i>Steer Insides 14/18</i>		UNQ		UNQ	N/A		UNQ	N/A
<i>Steer Flats</i>	225.0	230.0	225.0	230.0	0.0	240.0	245.0	-15.0
<i>Steer Knuckles</i>	255.0	260.0	250.0	255.0	5.0	250.0	255.0	5.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	<i>Current Week</i>		<i>Prior Week</i>		<i>Change From Last Week</i>		<i>Change from Last Year</i>	
	<i>1-Mar-17</i>	<i>22-Feb-17</i>	<i>1-Mar-17</i>	<i>22-Feb-17</i>	<i>1-Mar-17</i>	<i>22-Feb-17</i>	<i>2-Mar-16</i>	<i>2-Mar-16</i>
<u><i>Domestic Cutouts</i></u>								
<i>Choice Cutout</i>	206.58	194.53	12.1	220.05	-13.5			
<i>Select Cutout</i>	202.87	190.81	12.1	211.93	-9.1			
<u><i>Domestic Lean Grinding Beef</i></u>								
<i>90 CL Boneless</i>	209.0 213.0	209.0 212.0	1.0	216.0 218.0	-5.0			
<i>85 CL Beef Trimmings</i>	180.0 188.0	186.0 188.0	0.0	191.0 196.0	-8.0			
<i>50 CL Beef Trim</i>	79.8 92.5	78.0 83.1	9.4	60.0 61.0	31.5			
<u><i>Domestic Pork Trim</i></u>								
<i>42 CL Pork Trim</i>	26.0 38.3	26.0 42.3	-4.0	18.7 37.3	1.0			
<i>72 CL Pork Trim</i>	64.0 80.3	61.0 79.3	1.0	50.0 68.3	12.0			
<u><i>Point of Lean Values</i></u>								
<i>90 CL Domestic</i>	236.7	235.6	1.1	242.2	-5.6			
<i>50 CL Beef Trimming</i>	185.0	166.2	18.8	122.0	63.0			
<i>42 CL Pork Trim</i>	91.1	100.6	-9.5	88.7	2.4			
<i>72 CL Pork Trim</i>	111.5	110.1	1.4	94.8	16.7			
<u><i>National Direct Fed Steer</i></u> <u><i>(5-day accum. wt. avg. price)</i></u>	124.35	119.58	4.8	135.86	-11.5			

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>	
	1-Mar-17	22-Feb-17			2-Mar-16		
<u><i>Live Cattle Futures</i></u>							
<i>April '17</i>	117.575	116.075	↑	1.50	136.475	↓	-18.90
<i>June '17</i>	107.800	106.425	↑	1.38	125.975	↓	-18.18
<i>August '17</i>	103.000	102.325	↑	0.67	121.150	↓	-18.15
<i>October '17</i>	102.875		↑	102.88	121.000	↓	-18.13
<u><i>Feeder Cattle Futures</i></u>							
<i>April '17</i>	124.500	125.525	↓	-1.03	157.850	↓	-33.35
<i>May '17</i>	123.750	124.650	↓	-0.90	156.500	↓	-32.75
<i>August '17</i>	123.700	125.975	↓	-2.27	156.175	↓	-32.48
<i>September '17</i>	125.425		↑	125.43	156.175	↓	-30.75
<u><i>Corn Futures</i></u>							
<i>March '17</i>	375 3/4	371	↑	4.75	354 1/2	↑	21.25
<i>May '17</i>	382	378 1/4	↑	3.75	356 1/4	↑	25.75
<i>July '17</i>	389 1/4	385 1/2	↑	3.75	360 3/4	↑	28.50
<i>September '17</i>	395 1/4	391 1/4	↑	4.00	366 1/4	↑	29.00
<u><i>Ch Wheat Futures</i></u>							
<i>March '17</i>	435 1/2	441 1/4	↓	-5.75	441 1/4	↓	-5.75
<i>May '17</i>	457	456	↑	1.00	448 3/4	↑	8.25
<i>July '17</i>	470 3/4	469 3/4	↑	1.00	455 1/4	↑	15.50
<i>September '17</i>	485	484 1/2	↑	0.50	465	↑	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>	
	1-Mar-17	22-Feb-17			2-Mar-16		
<u><i>Total Cattle Slaughter</i></u>	590,000	566,000	↑	24,000	540,000	↑	50,000
	11-Feb-17	4-Feb-17			13-Feb-16		
<i>Total Cow Slaughter</i>	115,192	116,849	↓	-1,657	105,319	↑	9,873
<i>Dairy Cow Slaughter</i>	63,522	66,435	↓	-2,913	61,811	↑	1,711
<i>Beef Cow Slaughter</i>	51,670	50,414	↑	1,256	43,508	↑	8,162

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

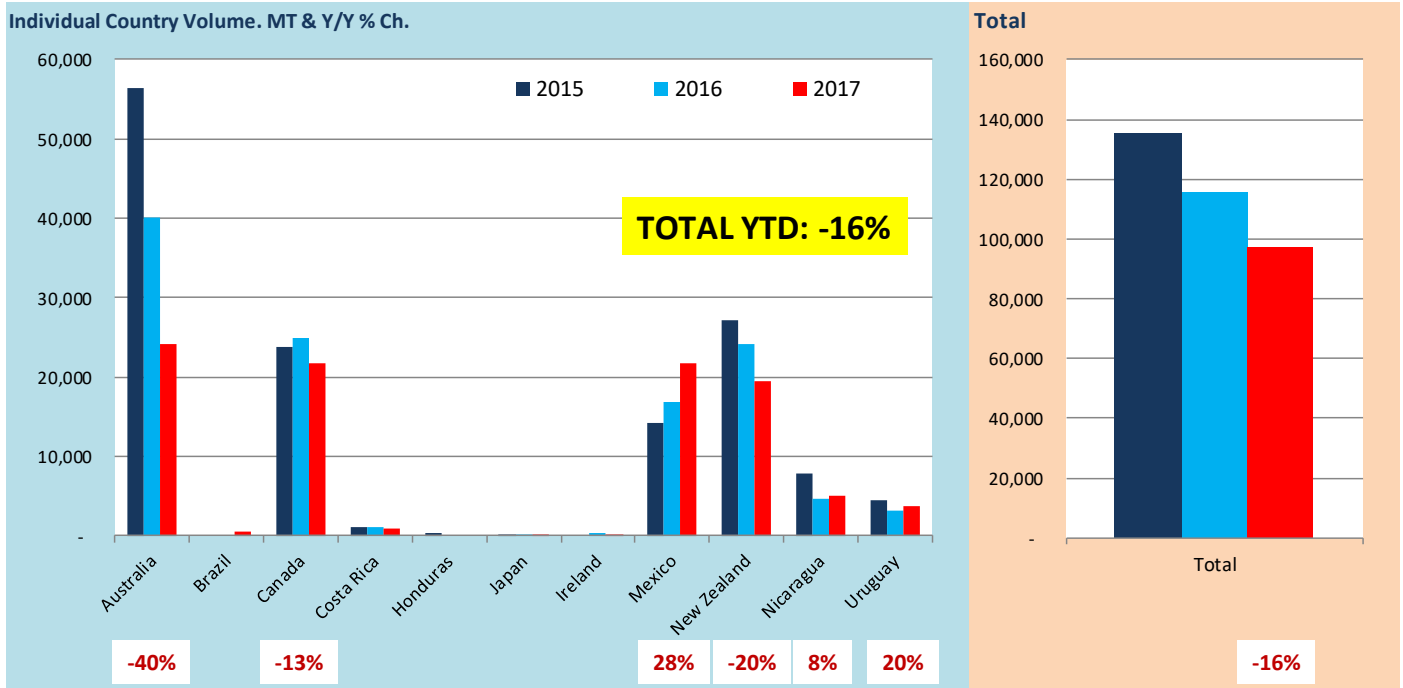
YTD Imported Meat Passed for Entry in the US

week 5	2/13/2016	2/18/2017		
Australia	46,232	26,719	(19,513)	-42.2%
Brazil		605		
Canada	29,402	26,239	(3,163)	-10.8%
Chile	42	45	3	7.1%
Costa Rica	1,341	991	(350)	-26.1%
Honduras			-	
Japan	27	40	13	48.1%
Ireland	336	291	(45)	-13.4%
Mexico	20,227	25,180	4,953	24.5%
New Zealand	28,643	23,619	(5,024)	-17.5%
Nicaragua	5,278	5,715	437	8.3%
Uruguay	3,752	4,353	601	16.0%
Total	135,280	113,844	(21,436)	-15.8%

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

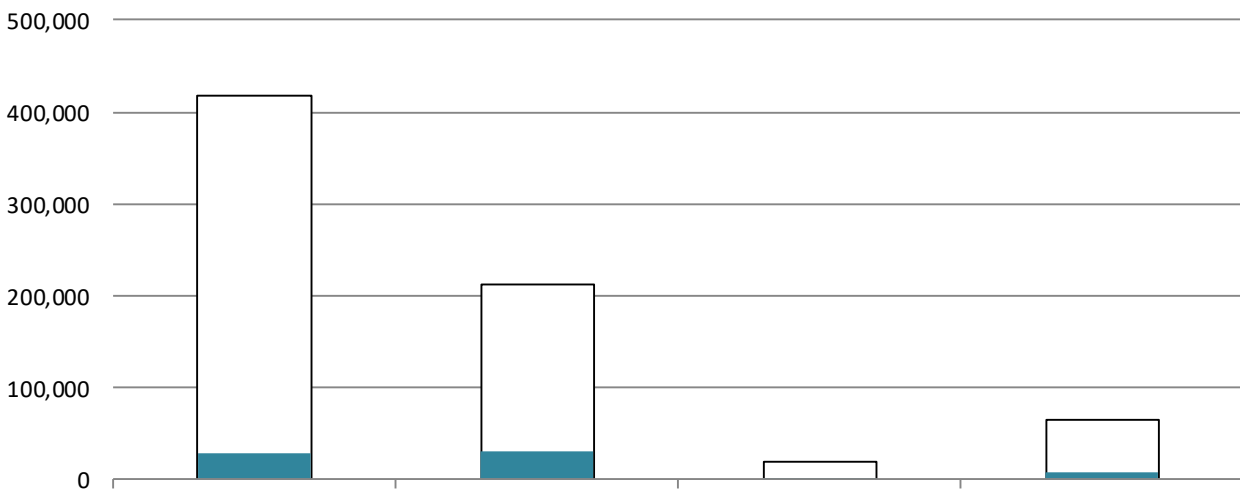
28-Feb-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending February 27

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	41,917,225	28,324,472	1,770,084	6,844,788
2017 YTD	27,869,193	30,385,660	2,425,931	8,900,532
% ch.	-34%	7%	37%	30%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	7%	14%	12%	14%