



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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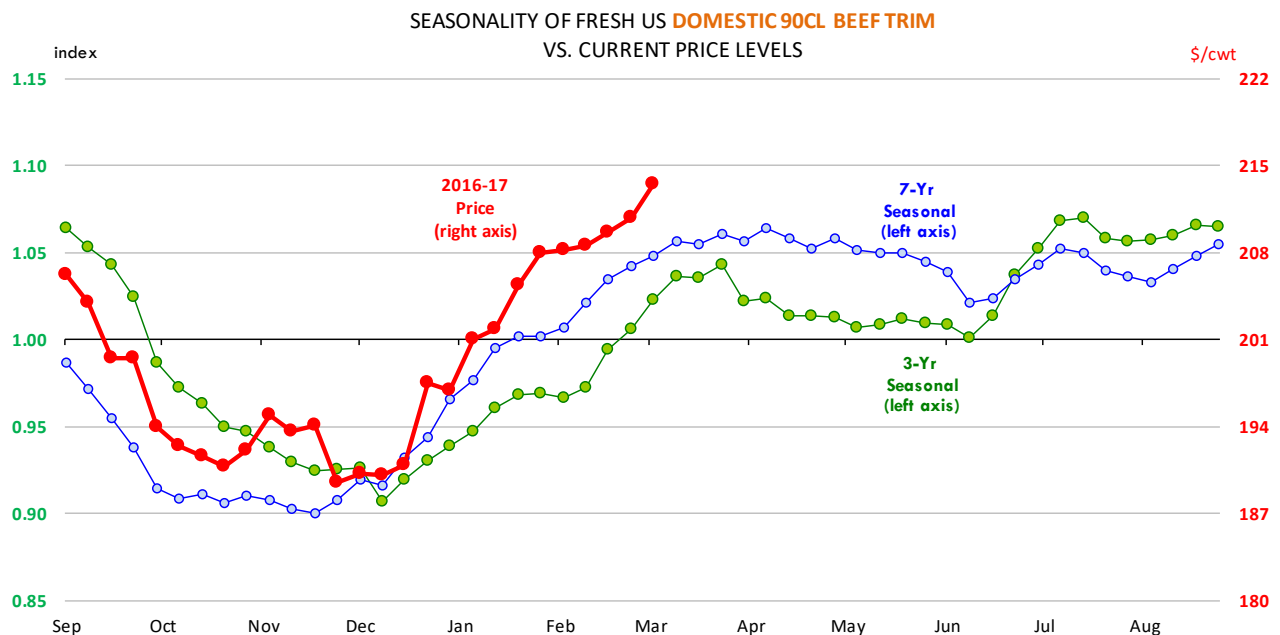
Market Highlights for the Week:

- Imported beef prices continued to trade very firm on limited spot supplies and robust demand from regular users
- US lean grinding beef prices moving higher and at a faster pace than the normal seasonal tendency for this time of year
- Domestic grinding beef prices in the past have stayed firm through the end of March and then moved lower into April and May but when considering the seven year seasonal the decline is less pronounced than the last two years
- USDA expects Australian beef exports to decline 4.5% in calendar 2017. At the end of this year USDA expects Australian cattle inventories to be 28.8 million head, 1.1 million head larger than at the end of 2016
- Drought remains a major wild card, especially with some drought spots starting to become more prominent

Imported Market Activity for the Week

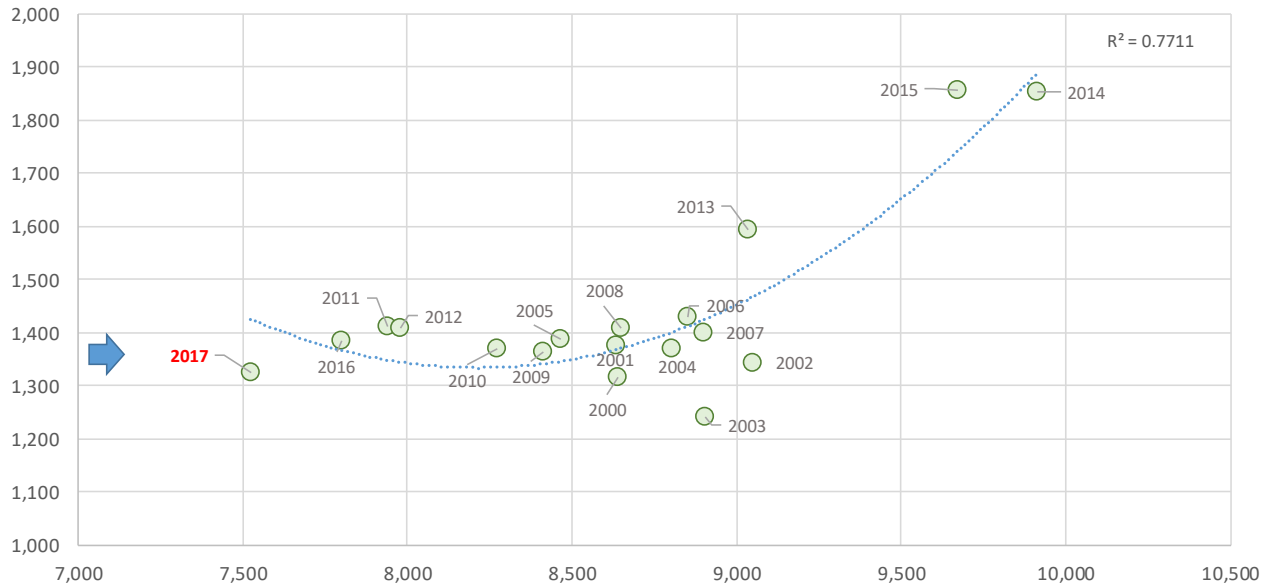
Prices for imported lean grinding beef in the US market were very firm this week on limited supplies in the spot market, high asking prices from Australian packers and sparser than expected offers from New Zealand. Brazil offers for the moment remain very thin, in large part because industry there continues to wait for final USDA approval of the lotting protocols. Without such protocols in place shipments from Brazil will likely remain very limited, going to cook only facilities.

Prices for US domestic lean grinding beef also have been trending higher and this has been an additional factor bolstering the value of imported product. It is not unusual for US lean grinding beef to move higher into the spring, it happens every year and this year is no different. The chart below shows the seasonal factor for domestic fresh 90CL beef. The seasonal factor is nothing fancy, all it shows is the % difference of prices in a given week from the annual average. Because prices in any given year can skew the average, we have shown both the 3 year and 7 year seasonal factor and the trend is



RELATIONSHIP OF AUSTRALIA ANNUAL CATTLE SLAUGHTER VS. AUSTRALIAN EXPORTS

Source: USDA



quite similar. One way to read the chart on page 1 is that prices in March generally are around 5% above the annual price average while prices in November and December are 7-10% under the annual average. While the annual average may be different in different years, by indexing the data one can average across years and come up with a seasonal tendency of prices. Current prices have advanced at a faster pace in March than one would expect from the seasonal tendency alone. From discussions with market participants and also activity in other markets, our general impression is that grinding beef demand in the US is much better than a year ago. This may be in part the result of warm weather in many heavily populated areas. It is not just grinding beef that is doing well at this time. From steak cuts, to chicken breasts, to pork chops and pork butts, prices have increased at a faster pace than one would expect for early March. Seasonally lean grinding beef prices in the US are firm into early April and then they drift lower into the summer. In the last three years the price decline into May and June has been a bit more pronounced than the seven year average.

Other market factors:

- A number of market participants we contacted today indicated they are seeing more limited offerings from New Zealand. In part this has been attributed to ample rainfall in the last two weeks, which has led to slower than expected slaughter runs. For now it appears that New Zealand suppliers are willing to offer product for May delivery but are uncertain of product availability. One would think that the delay in slaughter could lead to higher slaughter and in-

creased availability in late May and June but, for now offerings are reportedly quite thin. The latest slaughter data available for New Zealand slaughter is for week ending February 11 was 52,352 head, up 14.8% from the extremely low levels of a year ago but 7% under the five year average. Indeed, our expectation for the week was for slaughter to be well above 60,000 head. Cow slaughter for the week was 16,955 head, down 10% from the previous year. We think slaughter for the week ending March 4 was around 30,000 head, quite a bit higher than three weeks ago but still about 13% under last year. Judging from some of the comments from market participants we would not be surprised if slaughter was down by even more.

- USDA issued this week an update of its Post estimates of Australian supplies in calendar year 2017. Different from MLA estimates which use a mid year marketing point, USDA issues calendar year forecasts so they are consistent with both US projections but also projections for other parts of the world. The chart above shows the relationship between Australian slaughter and Australian beef exports, which clearly has a non linear function. The reason for the non linear function is due to the fact that domestic beef demand tends to be fairly inelastic. Once slaughter exceeds certain thresholds the excess supply has to go entirely into export channels, hence the sharp increase in exports in 2014 and 2015. The current projection is for cattle slaughter in 2017 to be the lowest since at least 2000, estimated at 1.325 MT **on a carcass weight basis**. Keep this in mind when comparing with Australian data which are often on a product weight basis (hence less volume). USDA currently projects Australian beef exports to be down 4.3% in 2017

from year ago levels. USDA expects Australian beef exports to the US to drop to 320k MT (carcass weight basis), 5% less than a year ago and 45% lower than in 2015. Our opinion is that USDA forecasts are quite optimistic at this time. Already we are seeing increased competition for Australian product in a number of Asian markets. A stronger US dollar and more beef available from South America could contribute to more Australian beef coming into the US but during the first two months of this year the trend certainly has been for Australian beef to go to other destinations.

US Domestic Price Summary

Prices for 90CL boneless beef were quoted at 215 US cents on the top side, 2 cent higher than a week ago but still 6 cents lower than year ago levels. **The weighted average price tonight was quoted at 214, 4 cents higher from a week ago.** 85CL beef trim prices on the top side were quoted tonight at 193 cents, 5 cents higher from last week but 16 cent lower than last year. The weighted average

price for 85CL beef was 190 cents a pound, 4 cents higher than a week ago. 50CL beef price was 102 cents on the high side, 1 cent lower than the same week last year. On a weighted average basis, the price of 50CL beef is now 96 cents, 10 cent higher than a week ago.

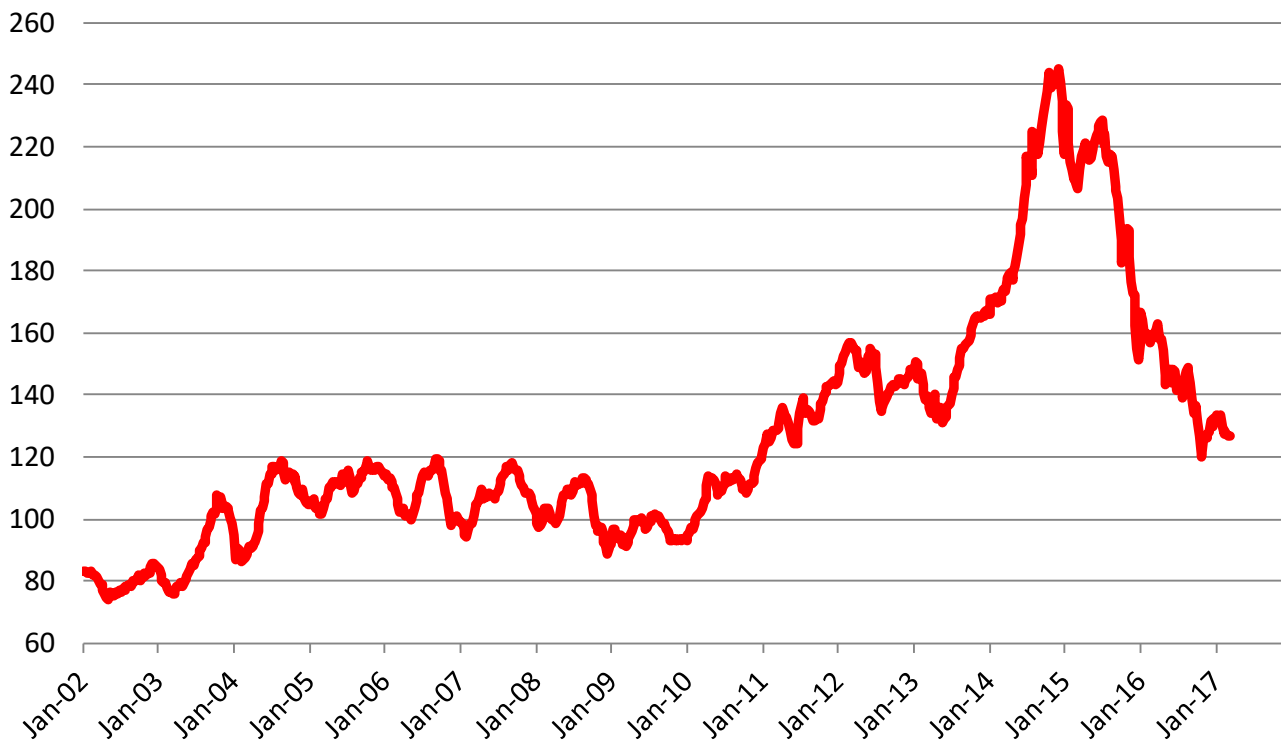
Prices for pork trim were higher this week from the week before and now as much as 12 cents higher than a year ago.

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-Mar-17	28-Feb-17		8-Mar-16	
CME FEEDER CATTLE INDEX	126.95	127.03	-0.1%	159.66	-20.5%
	8-Mar-17	1-Mar-17		9-Mar-16	
FED STEER (5-MKT AVG)	124.86	124.35	0.4%	135.53	-7.9%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	109.00	106.50	2.3%	146.00	-25.3%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	119.00	115.50	3.0%	144.00	-17.4%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	108.00	106.00	1.9%	135.00	-20.0%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	167.16	165.52	1.0%	172.86	-3.3%

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-Mar-17		1-Mar-17			9-Mar-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	219.0	221.0	217.0	220.0	1.0	214.0	217.0	4.0
90 CL Blended Cow	207.0	209.0	205.0	207.0	2.0	195.0	197.0	12.0
90 CL Shank	208.0	209.0	208.0	209.0	0.0	197.0	199.0	10.0
85 CL Fores	185.0	186.0	185.0	186.0	0.0	177.0	179.0	7.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	219.0	220.0	217.0	219.0	1.0	214.0	215.0	5.0
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		177.0	8.0
80 CL Trimmings	165.0	167.0	163.0	166.0	1.0	147.0	148.0	19.0
75 CL Trimmings	150.0	151.0	150.0	151.0	0.0		UNQ	N/A
65 CL Trimmings	120.0	122.0		UNQ	N/A		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	265.0	270.0	265.0	270.0	0.0	275.0	280.0	-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	230.0	235.0	-10.0
Steer Knuckles	240.0	245.0	240.0	245.0	0.0	240.0	242.0	3.0



Note: We corrected the reported bull meat price for the previous week.

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-Mar-17		1-Mar-17			9-Mar-16		
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	230.0	233.0	231.0	232.0	1.0	224.0	225.0	8.0
90 CL Blended Cow	215.0	217.0	213.0	214.0	3.0	207.0	208.0	9.0
90 CL Shank	216.0	217.0	214.0	215.0	2.0	209.0	211.0	6.0
85 CL Fores	194.0	195.0	194.0	195.0	0.0	185.0	186.0	9.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	231.0	232.0	230.0	231.0	1.0	223.0	224.0	8.0
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	193.0	194.0	0.0	184.0	185.0	9.0
80 CL Trimmings	172.0	174.0	173.0	174.0	0.0	155.0	156.0	18.0
75 CL Trimmings	160.0	161.0	159.0	160.0	1.0	141.0	142.0	19.0
65 CL Trimmings	128.0	132.0		UNQ	N/A	97.0	98.0	34.0
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	275.0	280.0	275.0	280.0	0.0	285.0	290.0	-10.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	225.0	230.0	225.0	230.0	0.0	240.0	245.0	-15.0
Steer Knuckles	255.0	260.0	255.0	260.0	0.0	250.0	255.0	5.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year	
	8-Mar-17		1-Mar-17			9-Mar-16			
<u>Domestic Cutouts</u>									
Choice Cutout	213.61		206.58		7.0	223.82		-10.2	
Select Cutout	207.29		202.87		4.4	213.64		-6.3	
<u>Domestic Lean Grinding Beef</u>									
90 CL Boneless	214.0	215.0	209.0	213.0	2.0	215.0	221.0	-6.0	
85 CL Beef Trimmings	187.4	193.0	180.0	188.0	5.0	196.0	209.0	-16.0	
50 CL Beef Trim	90.0	102.0	79.8	92.5	9.5	87.0	103.3	-1.3	
<u>Domestic Pork Trim</u>									
42 CL Pork Trim	31.0	42.6	26.0	38.3	4.4	24.5	37.3	5.4	
72 CL Pork Trim	66.9	85.8	64.0	80.3	5.6	49.8	74.0	11.8	
<u>Point of Lean Values</u>									
90 CL Domestic	238.9		236.7		2.2	245.6		-6.7	
50 CL Beef Trimming	204.0		185.0		19.0	206.7		-2.7	
42 CL Pork Trim	101.4		91.1		10.4	88.7		12.7	
72 CL Pork Trim	119.2		111.5		7.7	102.8		16.4	
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	124.86		124.35		0.5	135.53		-10.7	

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	8-Mar-17	1-Mar-17			9-Mar-16	
Live Cattle Futures						
April '17	115.975	117.575	↓	-1.60	136.875	↓ -20.90
June '17	106.250	107.800	↓	-1.55	126.400	↓ -20.15
August '17	102.050	103.000	↓	-0.95	121.750	↓ -19.70
October '17	102.100	102.875	↓	-0.78	121.900	↓ -19.80
Feeder Cattle Futures						
April '17	122.775	124.500	↓	-1.72	159.175	↓ -36.40
May '17	122.300	123.750	↓	-1.45	158.975	↓ -36.68
August '17	124.400	123.700	↑	0.70	158.650	↓ -34.25
September '17	124.275	125.425	↓	-1.15	158.650	↓ -34.38
Corn Futures						
March '17	365 1/4	375 3/4	↓	-10.50	359	↑ 6.25
May '17	372 1/4	382	↓	-9.75	360	↑ 12.25
July '17	379 3/4	389 1/4	↓	-9.50	365	↑ 14.75
September '17	386 1/4	395 1/4	↓	-9.00	370 3/4	↑ 15.50
Ch Wheat Futures						
March '17	427 1/2	435 1/2	↓	-8.00	462 1/4	↓ -34.75
May '17	447	457	↓	-10.00	466 3/4	↓ -19.75
July '17	462 3/4	470 3/4	↓	-8.00	472 3/4	↓ -10.00
September '17	477 3/4	485	↓	-7.25	482	↓ -4.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	8-Mar-17	1-Mar-17			9-Mar-16	
Total Cattle Slaughter	579,000	590,000	↓	-11,000	545,000	↑ 34,000
	18-Feb-17	11-Feb-17			20-Feb-16	
Total Cow Slaughter	113,664	115,192	↓	-1,528	104,956	↑ 8,708
Dairy Cow Slaughter	62,643	63,522	↓	-879	58,813	↑ 3,830
Beef Cow Slaughter	51,021	51,670	↓	-649	46,143	↑ 4,878

TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

YTD Imported Meat Passed for Entry in the US

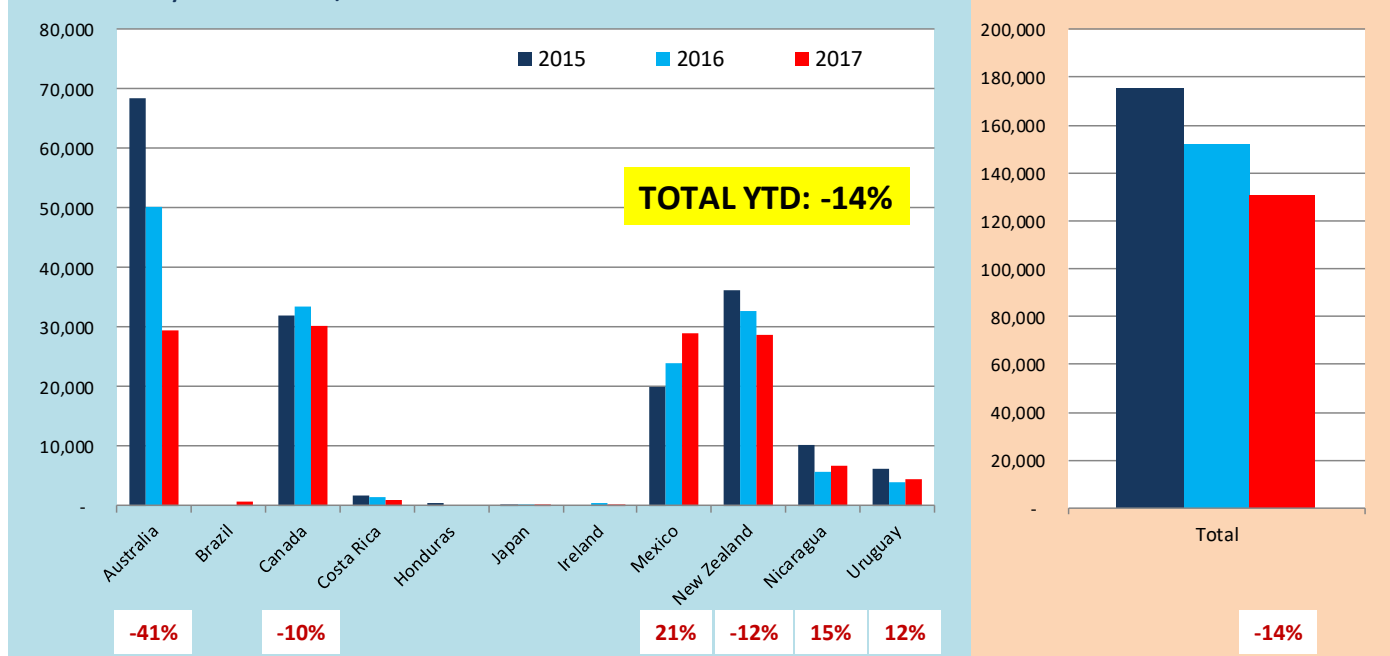
week 5	2/20/2016	2/25/2017		
Australia	50,211	29,512	(20,699)	-41.2%
Brazil		640		
Canada	33,524	30,202	(3,322)	-9.9%
Chile	42	45	3	7.1%
Costa Rica	1,491	1,112	(379)	-25.4%
Honduras			-	
Japan	28	46	18	64.3%
Ireland	384	314	(70)	-18.2%
Mexico	24,043	29,031	4,988	20.7%
New Zealand	32,698	28,706	(3,992)	-12.2%
Nicaragua	5,781	6,628	847	14.7%
Uruguay	4,017	4,510	493	12.3%
Total	152,219	130,794	(21,425)	-14.1%

Source: USDA/FSIS

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

Imports as of February 25, 2017

Individual Country Volume. MT & Y/Y % Ch.



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

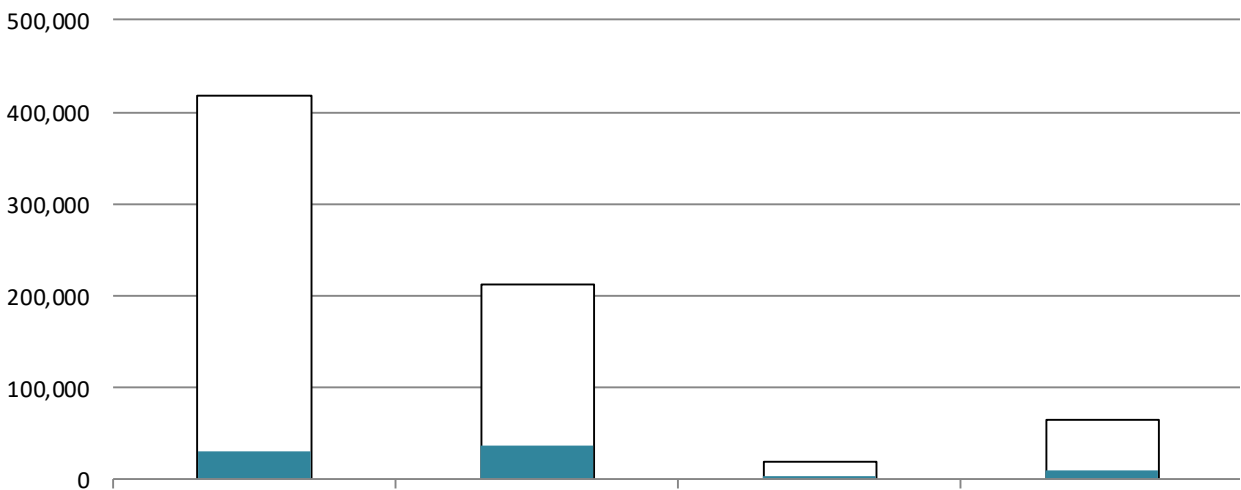
28-Feb-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending March 6

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	46,382,271	33,958,211	2,044,991	7,564,908
2017 YTD	31,184,326	36,561,211	3,083,613	10,259,682
% ch.	-33%	8%	51%	36%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	7%	17%	15%	16%