



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume XVII, Issue 10

March 15, 2017

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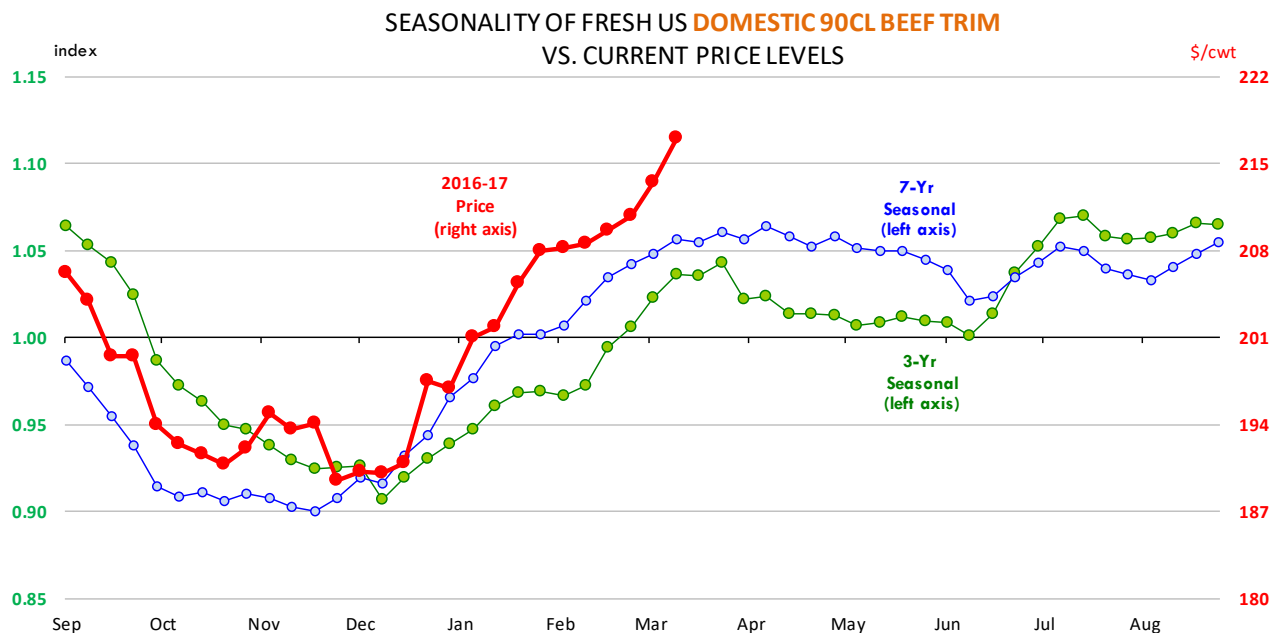
Market Highlights for the Week:

- Imported beef prices sharply higher, particularly the value of 95CL bull which is in extremely tight supply
- Overseas packers have raised asking prices in tandem with the higher prices for domestic product
- Seasonally grinding beef prices move higher during this time of year but the pace of increase has been a bit more rapid than what we normally see
- Fat trim prices also very high in a repeat of the situation we saw last year. More cattle should be available in May, June and July while seasonal demand will taper off, helping pull back the price of fat trimmings
- A number of factors continue to support US fed cattle and fed beef prices

Imported Market Activity for the Week

Prices for imported lean grinding beef continued to escalate higher this week as supplies of imported beef in the spot market remain especially tight and domestic grinding beef values have surged higher despite the larger cow slaughter numbers. Demand for grinding beef always get better at this time of year and for that very reason we decided to show the same chart we did last week. But prices for domestic grinding beef this week have increased at an even faster pace than one would expect from the

improvement in seasonal demand. And higher grinding beef values are not happening in a vacuum. We have seen a notable appreciation in beef and cattle prices in the US, in part because the lower retail and foodservice beef prices have encouraged increased consumption. End users in the US have become increasingly concerned about the pace of price inflation, both for lean and fat trim, which often also leads to some panic buying, and in the short term could further pressure prices higher. The risk of course is that the runup in price impacts feature activity and demand into the summer. But that is



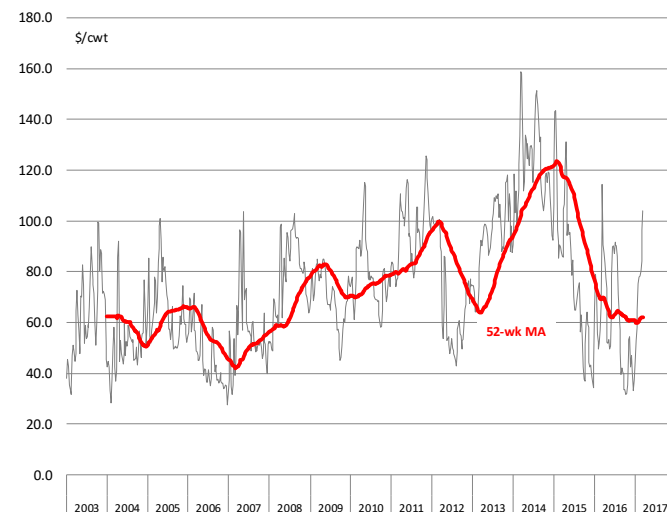
more an issue in our mind for the summer and fall market. At this point end users are struggling to get needs covered and this has led to increased competition for imported beef. Market participants we contacted today indicated spot supplies remain very thin. A considerable amount of the imported beef that has entered likely has gone to large users and the supply of grinding beef available to be traded is quite limited. February Australian beef shipments to the US were 17,292 MT, 35% lower than the previous year and we estimate March shipments will be just a little over 20,000 MT, 23% under last year. Imports from New Zealand are likely at par compared to last year considering the pace of cow slaughter to this point. There is some hope that the recent decline in dairy prices will mean more cow grinding beef becoming available from New Zealand. So far, however, it appears offerings from New Zealand are somewhat limited.

Bottom line: Imported grinding beef market in the US is tight and high priced. While some of this is due to the limited supply of imported beef in the US, we think the primary contributor is the sharp runup in US domestic values and the shift in market psychology, with end users more anxious and thus more aggressive in their bids at a time when overseas partners seem to be in no hurry to market beef. Offerings from Brazil remain very limited at this time due to ongoing issues with certifying the lotting protocols for grinding materials.

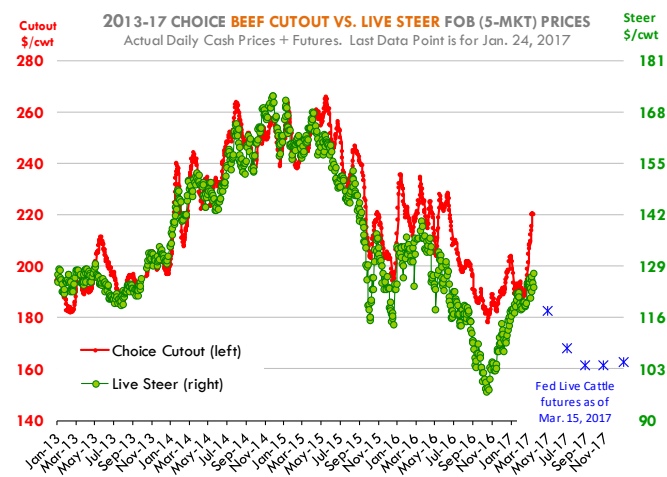
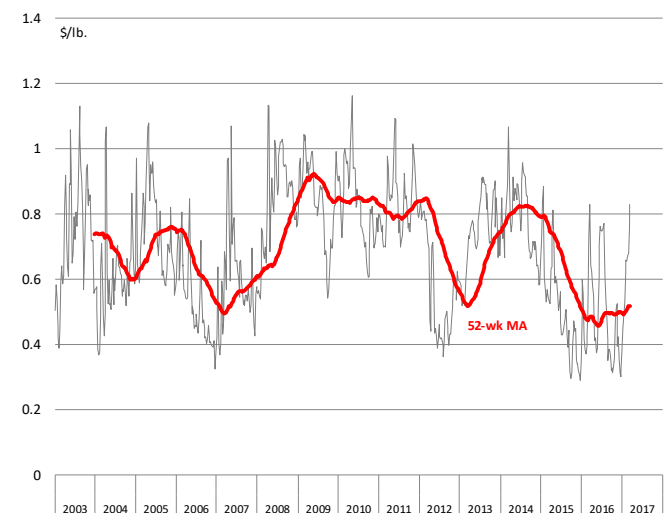
50CL beef prices on fire

There has been a lot of surprise in the market about the recent runup in the value of 50CL beef. So we opened the same issue of this report from last year and updated the same charts we showed a year ago with regard to 50CL beef. In the second week of March 2016 the price of 50CL beef shot up to over \$114/cwt after trading in the mid 30s for much of December. Current value of 50CL beef is again over \$100/cwt compared to the low 30s back in December. We do not mean to suggest that such swings are exactly predictable but they also are not unprecedented. The top chart to the right shows how volatile the 50CL trim market normally is. One can go back to 2007, 2008, 2010 and 2012 and see similar spikes and sharp declines. Much of this is directly tied to ground beef promotions and availability in the spot market. This is normally the time of year when both retailers and fast food operators ramp up their buys to meet improving demand. The ratio of fat trim to cattle tells the story. When ground beef is featured, the ratio of fat trim to cattle returns to the 0.8 multiple. However, once ground beef demand seasonally

50CL BEEF TRIMMINGS. WT. AVG. PRICE. USDA



RATIO OF 50CL BEEF TRIMMINGS TO FED STEER PRICE



declines, then the multiple quickly drops under 0.5. So keep in mind seasonal trends when considering the outlook for fat beef trimmings.

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.

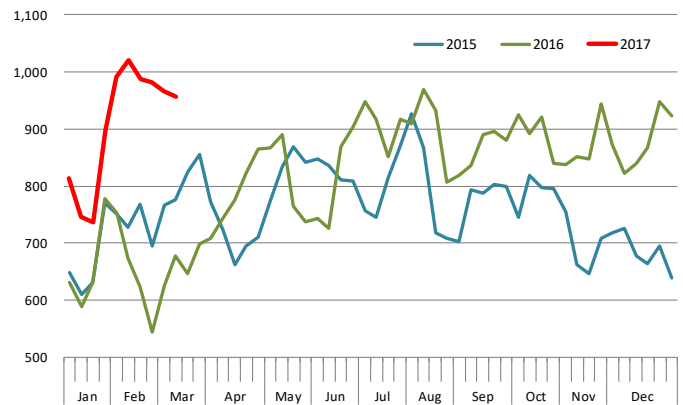
Prices for pork trim were higher this week from the week before and now as much as 12 cents higher than a year ago.

US Beef/Cattle Market Comments

The rally in boxed beef prices has once again pushed implied packer margins back in the black although the extent of beef packer profits is always a point of debate and varies depending on the assumptions you make on operating costs, etc. The comprehensive beef cutout value for the week ending March 10 was quoted by USDA at \$207.87/cwt, a 4% jump from the previous week and now 9% higher than it was four weeks ago. More than half of the increase is due to higher prices for steak cuts but also a sharp recovery in the value of 50CL beef trim (ground beef, hot dog demand). The average calculated feedlot price for last week is around \$200/cwt on a dressed basis. The way we calculated that number is by adding up the sales of all cattle traded on a negotiated basis, both on a live and dressed basis, and converting all to the same dressed value. The value of the drop credit for last week was quoted at \$11.91/cwt on a live basis or \$162/head. Drop credit values have shown steady improvement in recent months and the increase has added an extra \$12.4/head to the packer margin compared to the same period a year ago. Adding up the revenue side (cutout value + drop credit) and subtracting the cost side (cost of cattle) yields a gross margin of around \$225/head. Estimates as to what the packer needs to get to cover operating costs vary, some using \$150/head and others thinking it is close to \$200/head. We really don't want to be in the guessing game and have no particular insight here. Still, it appears to us that the latest numbers do indicate that a) packer margins by most measures are back in the black, and b) they are

Beef Loads Sold For Delivery 22 - 60 Days. 4-WK MA

Data Source: USDA Mandatory Price Reporting System



currently running substantially higher than last year when the gross margin was almost half of what it is today.

The improvement in packer margins should make packers more willing buyers than a year ago at a time when feedlot supplies are considerably more current. But that is not the only thing that's positive in the current market. One of the insights included in the USDA beef comprehensive cutout report is volume of beef that has already been sold for future delivery. As the top chart shows, the volume of forward sales improved significantly in the last quarter of last year and it continues to run well above year ago levels so far in the first quarter. The report showed that for the week ending March 10 packers had sold 908 loads for delivery between early April and mid May. During the same week last year sales for this time period were around 633 loads. But because week to week volumes move around a lot, a four week moving average makes more sense. At this time the four week moving average is at 956 loads/week, 41% higher than the same period last year. Sales for time periods past 60 days are also running about 17% higher than last year. In other words, packers have been more successful in selling beef forward, something you want to see if you expect an increase in cattle supplies/availability. Also interesting/important is that packers are selling more beef into export markets. We see these higher sales in the weekly export data and they are also reflected in the comprehensive cutout report. For the last four weeks packers sold an average of 889 loads/week for export, about 34% more than they did for the same period last year. Export sales are volatile but so far this year the pace of shipments has been quite robust, helping clean up spot supplies and contributing to the overall improvement in fed cattle prices.

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-Mar-17	7-Mar-17		15-Mar-16	
CME FEEDER CATTLE INDEX	127.61	126.95	0.5%	160.41	-20.4%
	15-Mar-17	8-Mar-17		16-Mar-16	
FED STEER (5-MKT AVG)	125.57	124.86	0.6%	137.89	-8.9%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	111.50	109.00	2.3%	147.00	-24.1%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	120.00	119.00	0.8%	145.00	-17.2%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	109.00	108.00	0.9%	136.00	-19.9%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	168.71	167.16	0.9%	173.46	-2.7%

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-Mar-17	23-Mar-17	8-Mar-17	15-Mar-17		16-Mar-16	23-Mar-16	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	225.0	230.0	219.0	221.0	9.0	213.0	214.0	16.0
90 CL Blended Cow	210.0	211.0	207.0	209.0	2.0	195.0	196.0	15.0
90 CL Shank	209.0	210.0	208.0	209.0	1.0	197.0	199.0	11.0
85 CL Fores	190.0	192.0	185.0	186.0	6.0	177.0	178.0	14.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	224.0	228.0	219.0	220.0	8.0		213.0	15.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	187.0	190.0	184.0	185.0	5.0		177.0	13.0
80 CL Trimmings	167.0	168.0	165.0	167.0	1.0	146.0	149.0	19.0
75 CL Trimmings	151.0	152.0	150.0	151.0	1.0		UNQ	N/A
65 CL Trimmings	120.0	125.0	120.0	122.0	3.0		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	285.0	295.0	-25.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	220.0	225.0	220.0	225.0	0.0	225.0	230.0	-5.0
Steer Knuckles	240.0	245.0	240.0	245.0	0.0	235.0	240.0	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
	15-Mar-17	23-Mar-17	8-Mar-17	15-Mar-17		16-Mar-16	23-Mar-16	
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	231.0	233.0	230.0	233.0	0.0	218.0	220.0	13.0
90 CL Blended Cow	217.0	219.0	215.0	217.0	2.0	205.0	206.0	13.0
90 CL Shank	217.0	218.0	216.0	217.0	1.0	209.0	210.0	8.0
85 CL Fores	197.0	198.0	194.0	195.0	3.0	184.0	185.0	13.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	231.0	232.0	231.0	232.0	0.0	218.0	219.0	13.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	195.0	196.0	193.0	194.0	2.0	183.0	184.0	12.0
80 CL Trimmings		175.0	172.0	174.0	1.0	157.0	159.0	16.0
75 CL Trimmings	160.0	161.0	160.0	161.0	0.0		142.0	19.0
65 CL Trimmings	128.0	132.0	128.0	132.0	0.0	101.0	105.0	27.0
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	275.0	280.0	275.0	280.0	0.0	300.0	310.0	-30.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	225.0	230.0	225.0	230.0	0.0	235.0	240.0	-10.0
Steer Knuckles	255.0	260.0	255.0	260.0	0.0	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-Mar-17		8-Mar-17			16-Mar-16		
<u>Domestic Cutouts</u>								
Choice Cutout	221.32		213.61		7.7	233.92		-12.6
Select Cutout	213.14		207.29		5.8	223.68		-10.5
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	215.0	220.0	214.0	215.0	5.0	217.0	218.0	2.0
85 CL Beef Trimmings	190.4	192.0	187.4	193.0	-1.0	196.0	201.0	-9.0
50 CL Beef Trim	100.5	107.0	90.0	102.0	5.0	109.5	117.0	-10.0
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	36.0	44.3	31.0	42.6	1.7	26.0	37.3	7.0
72 CL Pork Trim	62.9	85.8	66.9	85.8	0.0	45.8	84.8	1.1
<u>Point of Lean Values</u>								
90 CL Domestic	244.4		238.9		5.6	242.2		2.2
50 CL Beef Trimming	214.0		204.0		10.0	234.0		-20.0
42 CL Pork Trim	105.4		101.4		3.9	88.7		16.7
72 CL Pork Trim	119.2		119.2		0.0	117.7		1.5
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	125.57		124.86		0.7	137.89		-12.3

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From		Last Year	Change From	
	15-Mar-17	8-Mar-17	Last Week		16-Mar-16	Last Year	
<u>Live Cattle Futures</u>							
April '17	117.700	115.975	↑	1.73	141.550	↓	-23.85
June '17	108.250	106.250	↑	2.00	130.750	↓	-22.50
August '17	103.975	102.050	↑	1.93	124.825	↓	-20.85
October '17	103.850	102.100	↑	1.75	123.900	↓	-20.05
<u>Feeder Cattle Futures</u>							
April '17	129.225	122.775	↑	6.45	165.475	↓	-36.25
May '17	128.700	122.300	↑	6.40	164.775	↓	-36.08
August '17	127.725	124.400	↑	3.32	163.075	↓	-35.35
September '17	128.975	124.275	↑	4.70	163.075	↓	-34.10
<u>Corn Futures</u>							
May '17	363 1/2	365 1/4	↓	-1.75	368 1/4	↓	-4.75
July '17	371	372 1/4	↓	-1.25	373 1/4	↓	-2.25
September '17	377 1/2	379 3/4	↓	-2.25	378 1/2	↓	-1.00
December '17	385	386 1/4	↓	-1.25	386 1/2	↓	-1.50
<u>Ch Wheat Futures</u>							
May '17	436	427 1/2	↑	8.50	470 3/4	↓	-34.75
July '17	450 3/4	447	↑	3.75	478 1/4	↓	-27.50
September '17	465 1/4	462 3/4	↑	2.50	488	↓	-22.75
December '17	483	477 3/4	↑	5.25	502 1/2	↓	-19.50

Slaughter Information	7 Days Ending	7 Days Ending	Change From		7 Days Ending	Change From	
	15-Mar-17	8-Mar-17	Last Week		16-Mar-16	Last Year	
Total Cattle Slaughter	584,000	579,000	↑	5,000	552,000	↑	32,000
	25-Feb-17	18-Feb-17			27-Feb-16		
Total Cow Slaughter	110,318	113,664	↓	-3,346	108,224	↑	2,094
Dairy Cow Slaughter	61,011	62,643	↓	-1,632	62,504	↓	-1,493
Beef Cow Slaughter	49,307	51,021	↓	-1,714	45,720	↑	3,587

TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

YTD Imported Meat Passed for Entry in the US

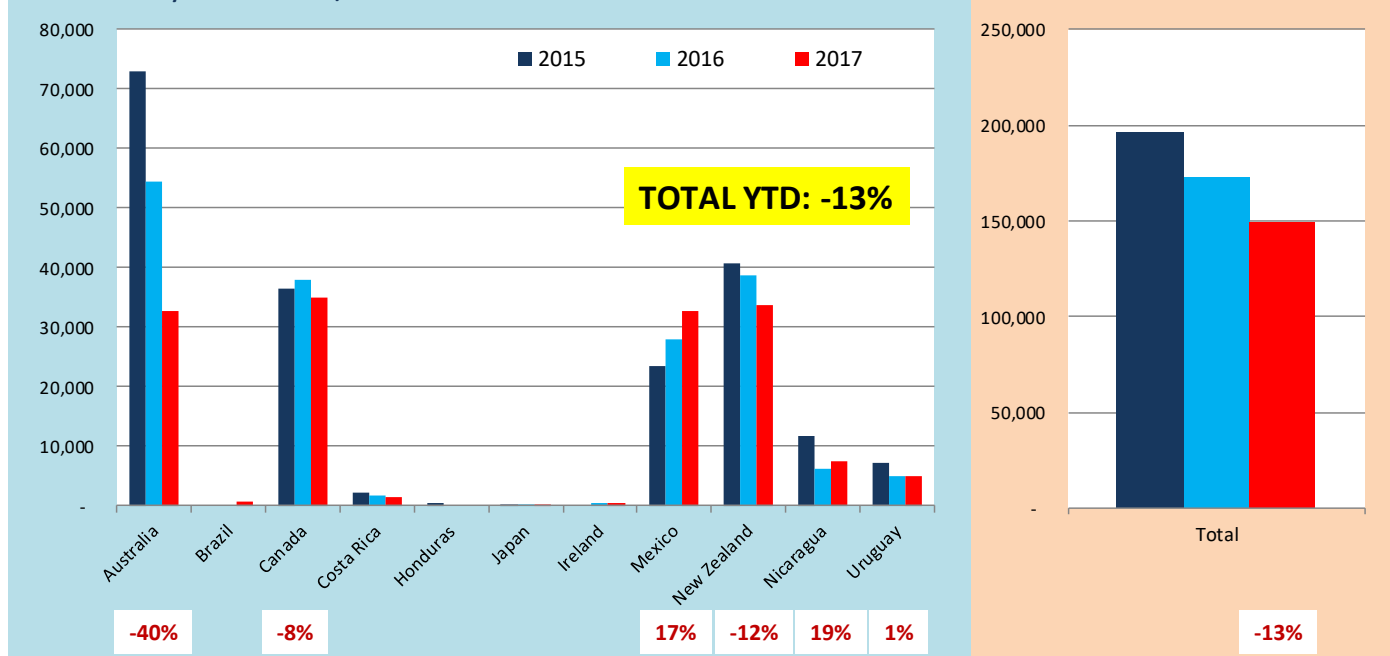
week 9	2/27/2016	3/4/2017		
Australia	54,496	32,670	(21,826)	-40.1%
Brazil		801		
Canada	38,027	34,986	(3,041)	-8.0%
Chile	42	67	25	59.5%
Costa Rica	1,772	1,377	(395)	-22.3%
Honduras			-	
Japan	33	55	22	66.7%
Ireland	431	389	(42)	-9.7%
Mexico	27,926	32,806	4,880	17.5%
New Zealand	38,663	33,854	(4,809)	-12.4%
Nicaragua	6,296	7,463	1,167	18.5%
Uruguay	4,959	4,991	32	0.6%
Total	172,644	149,515	(23,129)	-13.4%

Source: USDA/FSIS

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

Imports as of March 4, 2017

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

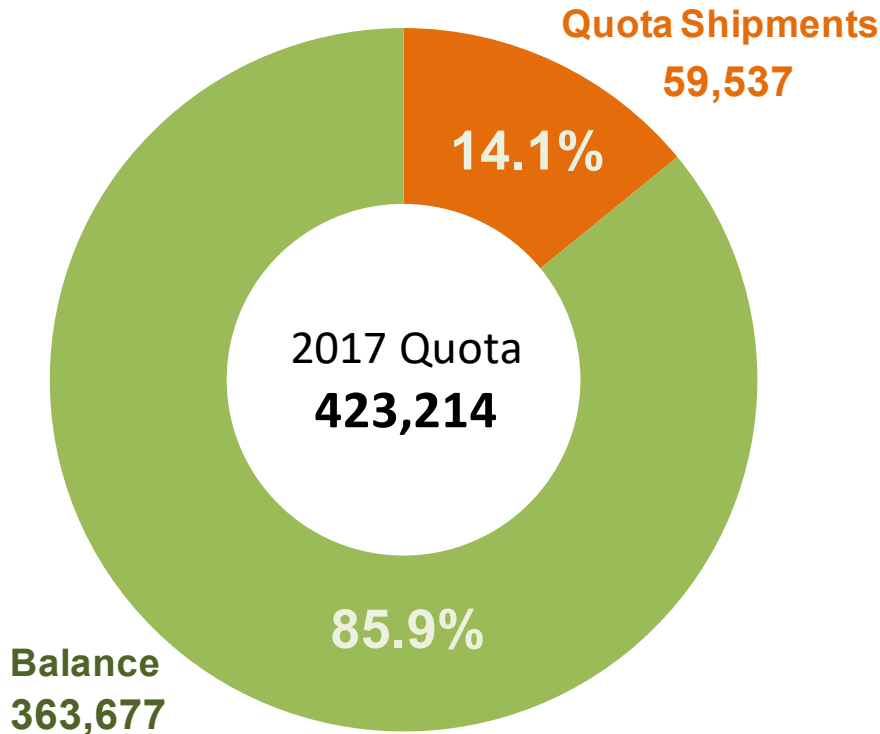


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

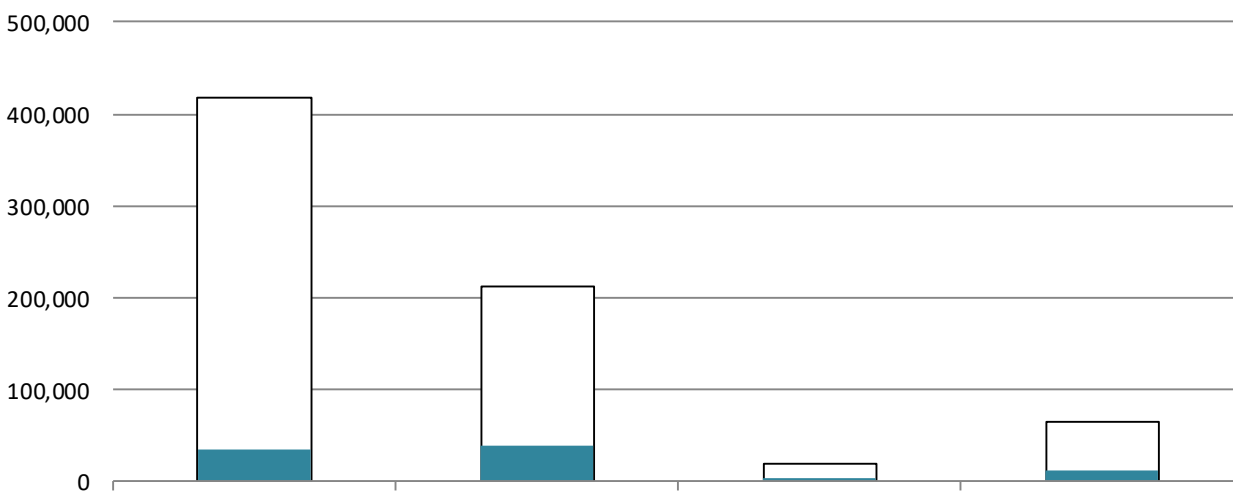
14-Mar-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending March 13

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	50,418,973	38,703,343	2,538,624	8,468,315
2017 YTD	34,194,963	40,086,700	3,166,772	11,755,751
% ch.	-32%	4%	25%	39%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	8%	19%	16%	18%