



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 continue to move higher on tight supplies and seasonally strong demand
- While US market participants recognize prices generally move higher this time of year, they have been caught a bit by surprise by the degree to which prices have advanced and also the very firm prices for beef overall
- Plenty of speculation following the meat industry scandal in Brazil and, at least in the short term, this has provided some psychological support for sellers
- Australian shipments to the US in March down by more than 20% from last year. New Zealand shipments likely lower as well given the sharp decline in cow slaughter in February
- Imported beef continues to trade at a premium to domestic

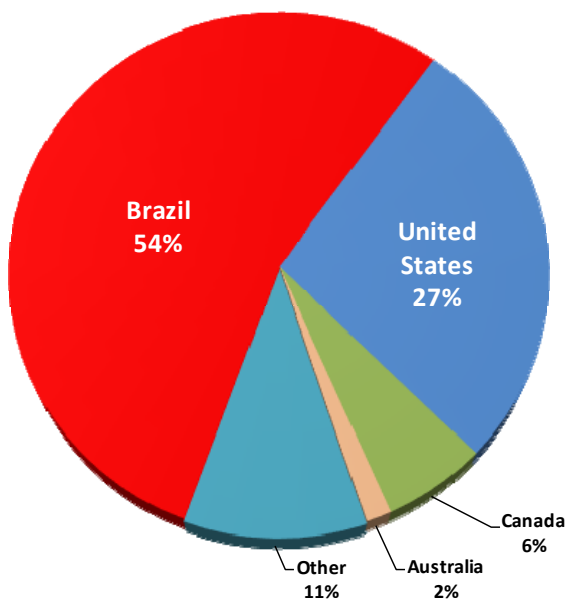
Imported Market Activity for the Week

Prices for imported lean grinding beef seemed to increase on a daily basis this week as market participants continue to struggle with limited supplies of beef in the spot market and very firm offerings from overseas markets. Much of the action continues to focus on the lean and extra lean part of the grinding complex, in part because that's where you can actually find some product. Fat trimming supplies are very thin. The seasonal improvement

in US domestic ground beef demand and higher than expected prices for some fed beef cuts has caused market participants to raise their bids in order to secure imported supplies. But some market participants indicated that this has become harder to do considering the influence and market power of larger buyers. One topic of intense interest among market participants this week was the developing scandal in the Brazilian meat industry, with some of the biggest names in the business mentioned in a series of articles in the popular press. While the companies

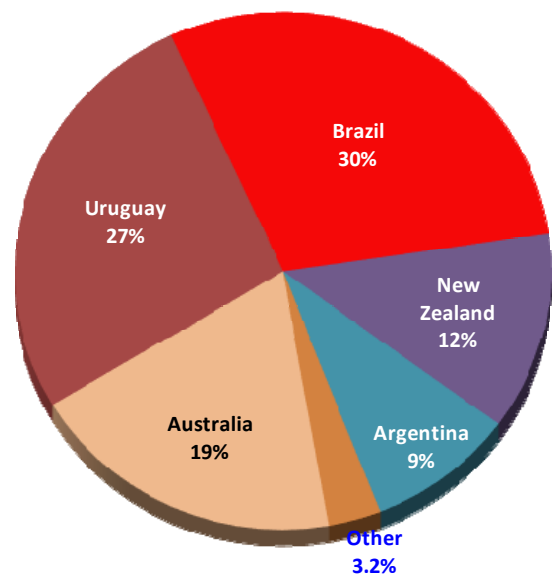
Share of Hong Kong Beef Imports in 2016

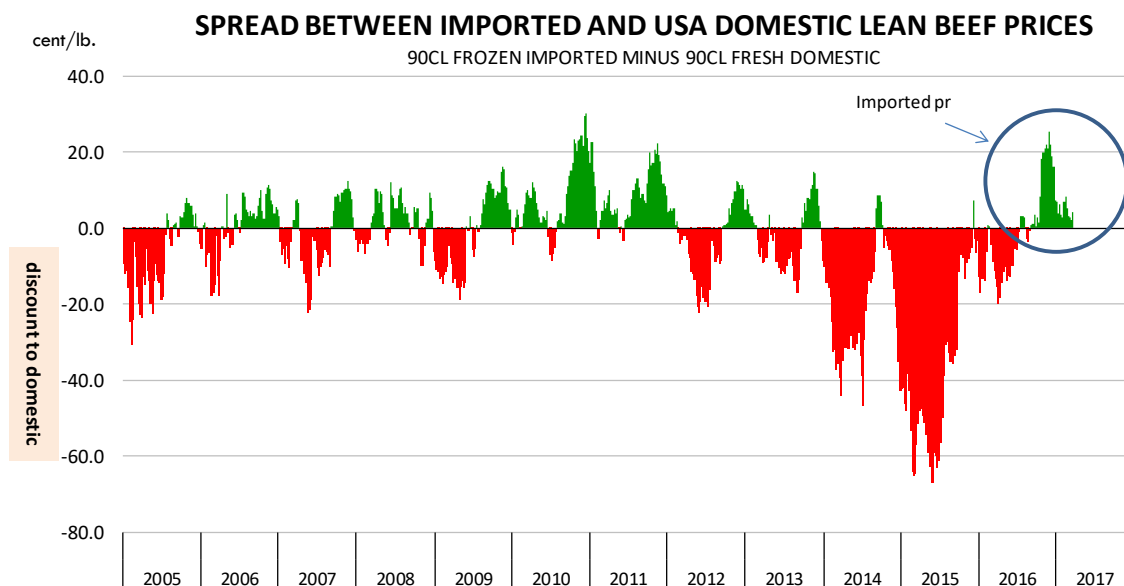
Data Source: GTIS



Share of China Beef Imports in 2016

Data Source: GTIS





involved were quick and forceful in denying that they were running substandard operations, the news still created a lot of panic and uncertainty. The main concern on the part of US end users is the impact that a Chinese ban on Brazilian beef may have on the products they buy from Australia and New Zealand. At this point Chinese and Hong Kong officials have only suspended trade as they plot their next steps. The charts on page 1 show why this is such a big issue. According to trade data from both countries, Brazil was the biggest supplier of beef in both China and Hong Kong last year. Chinese imports of Brazil beef in 2016 were around 171,000 MT, 30% of all beef imports. Hong Kong imports of Brazilian beef a year ago were over 204,000 MT, 56% of all Hong Kong beef imports. So we are talking about roughly 375,000 MT of beef that Brazil shipped to these two markets last year. We seriously doubt that Brazil will be shut out of both these markets but it is a risk. If that happens, it certainly will be very bullish for both US and Australian beef as a flood of Chinese bids will likely lift prices in both US and Australia.

US Supplies: US cow grinding beef supplies continue to run above year ago levels, in part because of dry conditions in parts of the country but also because the higher prices for grinding beef and cull cows are bringing a few more cows forward. Cow and bull slaughter for the week ending March 18 was estimated at 120,000 head, 6% more than a year ago. We expect slaughter for the current week to also be near those levels. Overall cattle slaughter in the US currently hovering near 585,000 head and expectations are for slaughter to increase well over 610,000 head by May. Despite the increase in slaughter and larger supplies prices for beef and cattle in the US have continued to move higher. Fed cattle futures

have been particularly active. Today the front futures contract was quoted at \$122.45/cwt, about \$10/cwt higher than it was just a few weeks ago. One note of clarification for those readers that don't follow US futures markets, especially because Australia does not have a futures market. According to the CME, the marketplace where these contracts are traded, "a livestock futures contract is a legally binding agreement for a buyer to accept delivery and a seller to make delivery of a standardized quantity and quality of cattle, during a standardized timer period to a standardized delivery point for a price negotiated at the Chicago Mercantile Exchange (CME)." As a result, there will be a number of contracts that are traded at any given time depending on the delivery period when the cattle in question will be traded. Most participants do not take delivery of cattle but will sell the contract as it approaches the delivery period. Cattle feeders will use the futures contract to guarantee a future price and thus hedge their risk exposure while packers will use the contract to secure cattle at a given price and thus be able to offer beef prices forward and limit their risk exposure. Effectively the futures contract allow market participants to lay off risk to others in the market (speculators) that are willing and able to handle the risk and the potential profit that comes with it. For more detailed information about US livestock futures contracts you can [follow the link here](#).

Imported beef supplies: The charts in the last two pages of this report continue to show a significant decline in the amount of imported beef coming into the US. Shipments from Australia also reflect lower supplies of imported beef available in the short term. For the month of March we currently estimate Australian beef shipments to the US market at just 20,700 MT, 21% less than a year ago. New Zealand slaughter

numbers have been tracking well under last year, which has further limited availability in the US market. Packers there have had difficulty covering orders already on the books and are reluctant to extend themselves too far for May and early June delivery. The last report available from New Zealand was for the week ending February 25 and it showed slaughter down 25% from the previous year. So far this marketing year New Zealand slaughter is down 5.9%. Cow slaughter is down 20% although most of the slaughter takes place after March 1 while bull slaughter is down 6.7% for the year.

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.

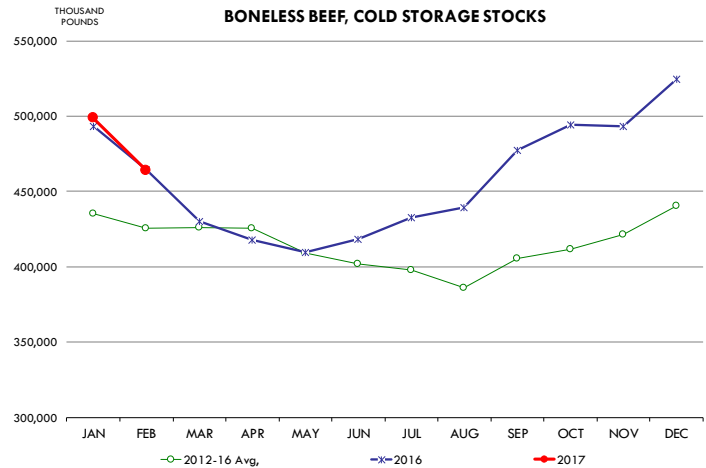
Prices for pork trim were higher this week from the week before and now as much as 12 cents higher than a year ago.

US Cold Storage Update

The total supply of beef, pork, chicken and turkey at the end of February was 2.240 billion pounds, 1.6% less than a year ago but 2.9% higher than the previous month. The pace of increase in inventory was in line with the five year average.

Total beef in cold storage at the end of February was 502.4 million pounds, 6.6% lower than the previous month and 1% under what it was a year ago. The pace of the decline was in line with what we normally see at this time of year.

Total pork in cold storage at the end of the month was 572.0 million pounds, 9% less than a year ago and now 11.3% lower than the five year aver-



age. While the overall supply of pork in cold storage was substantially lower than a year ago, the reason we view the report as modestly bearish due to the pace of inventory build last month. Inventories of pork products increased 9% from the previous month when the five year average increase is around 6%. Most of this was due to more hams in cold storage in February relative to January levels. Ham inventories at the end of February were 125.9 million pounds, 32% more than January and now 8.7% more than a year ago. The five year average inventory build into February is 9%. High ham prices in January and possibly a slower export pace may have contributed to the increase in ham stocks. Current ham prices are notably lower than at the start of the year and we see the increase in ham stocks as somewhat negative for the pork market in the very near term. Inventories of bellies in cold storage remain extremely low, down 74% from a year ago. There was no appreciable increase in belly stocks during February, which is not a surprise since belly prices were near record highs. We should see more bellies go into freezers in March and April, although maybe not enough to bring the stocks to normal levels.

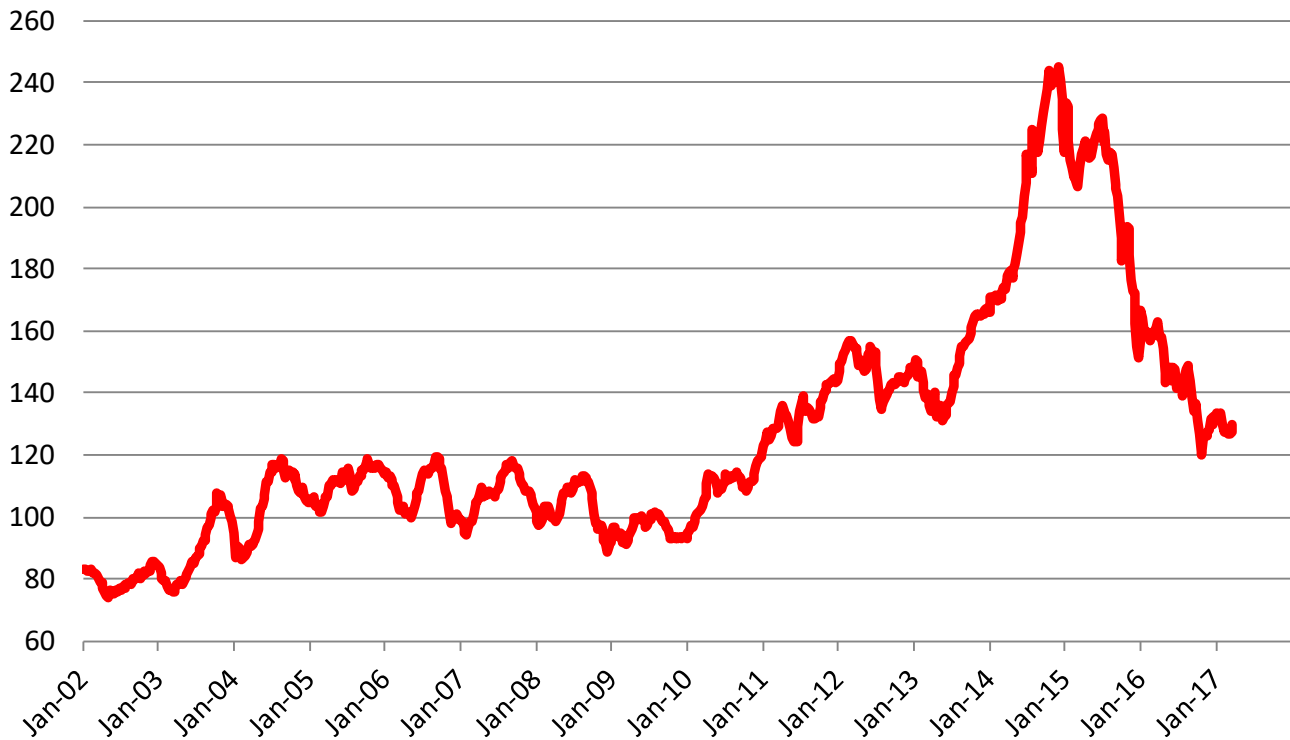
Chicken inventories increased 1.5% in February when normally we see a drawdown in stocks during this month. Breast meat inventories remain burdensome. The inventory of leg quarters increased 3% from the previous month but remains 13% under the five year average. We do not see current inventories of dark meat as problematic for this market going into the spring.

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-Mar-17	14-Mar-17		22-Mar-16	
CME FEEDER CATTLE INDEX	130.02	127.61	1.9%	163.10	-20.3%
	22-Mar-17	15-Mar-17		23-Mar-16	
FED STEER (5-MKT AVG)	0.00	125.57	-100.0%	139.10	-100.0%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	112.50	118.00	-4.7%	148.00	-24.0%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	123.50	120.00	2.9%	143.00	-13.6%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	114.00	109.00	4.6%	134.00	-14.9%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	169.32	168.71	0.4%	173.87	-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-Mar-17	23-Mar-16	15-Mar-17	23-Mar-16				
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	229.0	232.0	225.0	230.0	2.0	204.0	206.0	26.0
90 CL Blended Cow	213.0	214.0	210.0	211.0	3.0	185.0	189.0	25.0
90 CL Shank	212.0	213.0	209.0	210.0	3.0	192.0	195.0	18.0
85 CL Fores	192.0	193.0	190.0	192.0	1.0	172.0	174.0	19.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	228.0	230.0	224.0	228.0	2.0	203.0	205.0	25.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	190.0	191.0	187.0	190.0	1.0	171.0	173.0	18.0
80 CL Trimmings	167.0	168.0	167.0	168.0	0.0	145.0	148.0	20.0
75 CL Trimmings	152.0	153.0	151.0	152.0	1.0	132.0	134.0	19.0
65 CL Trimmings	120.0	125.0	120.0	125.0	0.0	94.0	95.0	30.0
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	270.0	275.0	265.0	270.0	5.0	295.0	300.0	-25.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	225.0	230.0	220.0	225.0	5.0	215.0	220.0	10.0
Steer Knuckles	250.0	255.0	240.0	245.0	10.0	225.0	230.0	25.0

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-Mar-17	23-Mar-16	15-Mar-17	16-Mar-16		23-Mar-16	23-Mar-15	
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	235.0	237.0	231.0	233.0	4.0	213.0	215.0	22.0
90 CL Blended Cow	220.0	221.0	217.0	219.0	2.0	198.0	201.0	20.0
90 CL Shank	219.0	220.0	217.0	218.0	2.0	203.0	204.0	16.0
85 CL Fores	200.0	201.0	197.0	198.0	3.0	181.0	182.0	19.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	234.0	235.0	231.0	232.0	3.0	211.0	212.0	23.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	199.0	200.0	195.0	196.0	4.0	180.0	181.0	19.0
80 CL Trimmings		175.0		175.0	0.0	154.0	155.0	20.0
75 CL Trimmings	160.0	161.0	160.0	161.0	0.0	137.0	138.0	23.0
65 CL Trimmings	128.0	132.0	128.0	132.0	0.0	100.0	101.0	31.0
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	280.0	285.0	275.0	280.0	5.0	300.0	310.0	-25.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	230.0	235.0	225.0	230.0	5.0	230.0	235.0	0.0
Steer Knuckles	260.0	265.0	255.0	260.0	5.0	240.0	245.0	20.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week		Change from Last Year	
	22-Mar-17	15-Mar-17				Last Year		Year
<u>Domestic Cutouts</u>						23-Mar-16		
Choice Cutout	0.00	221.32			-221.3	226.18		-226.2
Select Cutout	0.00	213.14			-213.1	218.15		-218.2
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless		215.0	220.0		#VALUE!	217.0	222.0	#VALUE!
85 CL Beef Trimmings		190.4	192.0		NA	196.0	201.0	NA
50 CL Beef Trim		100.5	107.0		#VALUE!	79.0	113.8	#VALUE!
<u>Domestic Pork Trim</u>								
42 CL Pork Trim		36.0	44.3		#VALUE!	22.3	37.3	#VALUE!
72 CL Pork Trim		62.9	85.8		#VALUE!	54.0	71.3	#VALUE!
<u>Point of Lean Values</u>								
90 CL Domestic	#VALUE!	244.4			#VALUE!	246.7		#VALUE!
50 CL Beef Trimming	#VALUE!	214.0			#VALUE!	227.5		#VALUE!
42 CL Pork Trim	#VALUE!	105.4			#VALUE!	88.7		#VALUE!
72 CL Pork Trim	#VALUE!	119.2			#VALUE!	99.0		#VALUE!
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	0.00	125.57			-125.6	139.10		-139.1

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	22-Mar-17	15-Mar-17			23-Mar-16	
<u>Live Cattle Futures</u>						
April '17	122.450	117.700	↑	4.75	141.550	↓ -19.10
June '17	113.775	108.250	↑	5.53	130.750	↓ -16.98
August '17	108.950	103.975	↑	4.98	124.825	↓ -15.88
October '17	108.550	103.850	↑	4.70	123.900	↓ -15.35
<u>Feeder Cattle Futures</u>						
April '17	134.000	129.225	↑	4.78	165.475	↓ -31.48
May '17	136.350	128.700	↑	7.65	164.775	↓ -28.43
August '17	135.275	127.725	↑	7.55	163.075	↓ -27.80
September '17	136.300	128.975	↑	7.33	163.075	↓ -26.78
<u>Corn Futures</u>						
May '17	358 3/4	363 1/2	↓	-4.75	368 1/4	↓ -9.50
July '17	366 1/2	371	↓	-4.50	373 1/4	↓ -6.75
September '17	374	377 1/2	↓	-3.50	378 1/2	↓ -4.50
December '17	382	385	↓	-3.00	386 1/2	↓ -4.50
<u>Ch Wheat Futures</u>						
May '17	422 1/4	436	↓	-13.75	470 3/4	↓ -48.50
July '17	437 1/2	450 3/4	↓	-13.25	478 1/4	↓ -40.75
September '17	453 1/2	465 1/4	↓	-11.75	488	↓ -34.50
December '17	473 1/4	483	↓	-9.75	502 1/2	↓ -29.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	22-Mar-17	15-Mar-17			23-Mar-16	
<u>Total Cattle Slaughter</u>	595,000	584,000	↑	11,000	541,000	↑ 54,000
	4-Mar-17	25-Feb-17			5-Mar-16	
<u>Total Cow Slaughter</u>	111,006	110,318	↑	688	104,595	↑ 6,411
<u>Dairy Cow Slaughter</u>	62,188	61,011	↑	1,177	59,073	↑ 3,115
<u>Beef Cow Slaughter</u>	48,818	49,307	↓	-489	45,522	↑ 3,296

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

YTD Imported Meat Passed for Entry in the US

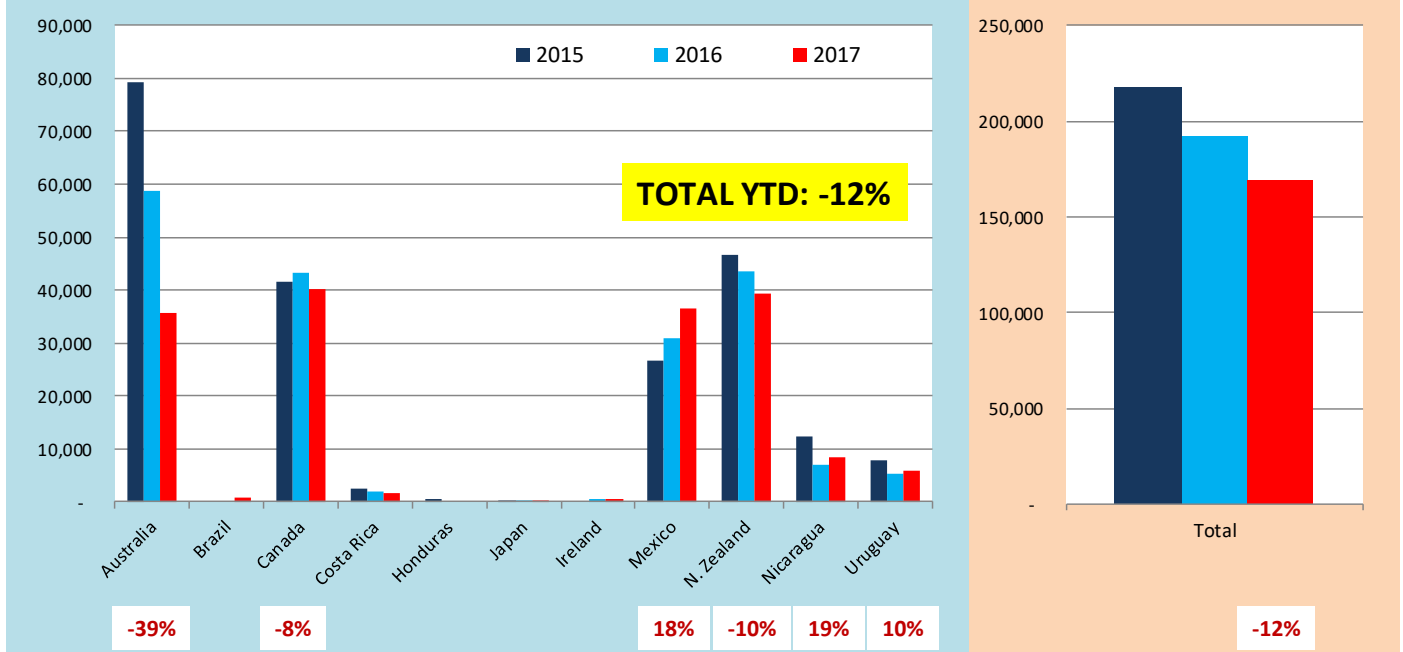
week 9	3/5/2016	3/11/2017		
Australia	58,877	35,789	(23,088)	-39.2%
Brazil		853		
Canada	43,356	40,066	(3,290)	-7.6%
Chile	86	67	(19)	-22.1%
Costa Rica	1,990	1,588	(402)	-20.2%
Honduras			-	
Japan	43	61	18	41.9%
Ireland	539	434	(105)	-19.5%
Mexico	31,054	36,677	5,623	18.1%
New Zealand	43,597	39,346	(4,251)	-9.8%
Nicaragua	7,131	8,473	1,342	18.8%
Uruguay	5,411	5,933	522	9.6%
Total	192,083	169,371	(22,712)	-11.8%

Source: USDA/FSIS

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

Imports as of March 11, 2017

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

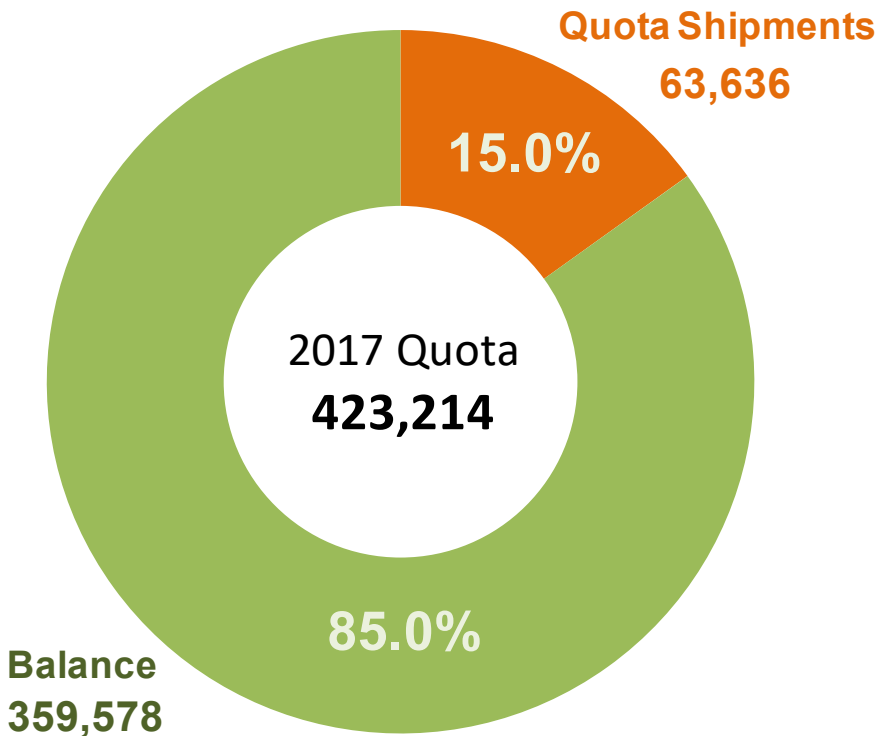


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

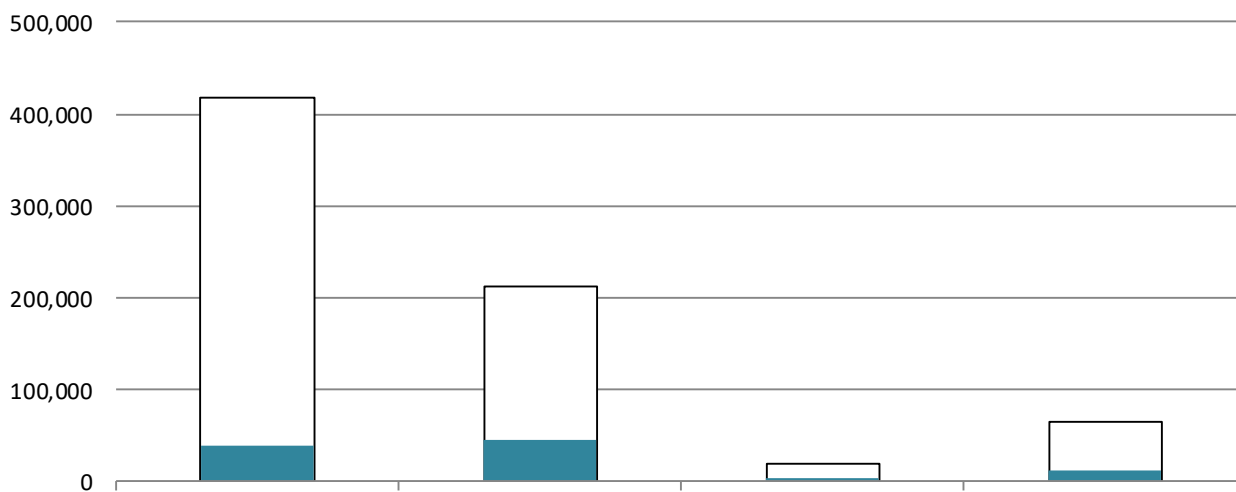
21-Mar-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending March 20

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	57,237,515	44,898,029	2,962,273	9,331,154
2017 YTD	38,795,166	45,596,764	3,697,907	13,271,930
% ch.	-32%	2%	25%	42%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	9%	21%	18%	20%