



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume XVII, Issue 12

March 29, 2017

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Market Highlights for the Week:

- Imported beef prices remain very firm on limited offerings from overseas suppliers and tight spot supplies
- Australia shipments to the US in March likely down 20% from a year ago. New Zealand exports to the US in February were 3% lower than a year ago while exports to China were up 54%. We expect shipments to the US in March will be down in double digits
- New Zealand cow slaughter is down 22% so far this marketing year and the double digit declines are expected to persist in April and May, which account for the bulk of New Zealand cow slaughter
- USA cow and bull slaughter up almost 10% in recent weeks, as drought and reduced profitability induce cow-calf operators to send more cows to market
- US fed cattle prices have increased in recent weeks due to tight front end supplies and seasonal demand

Imported Market Activity for the Week

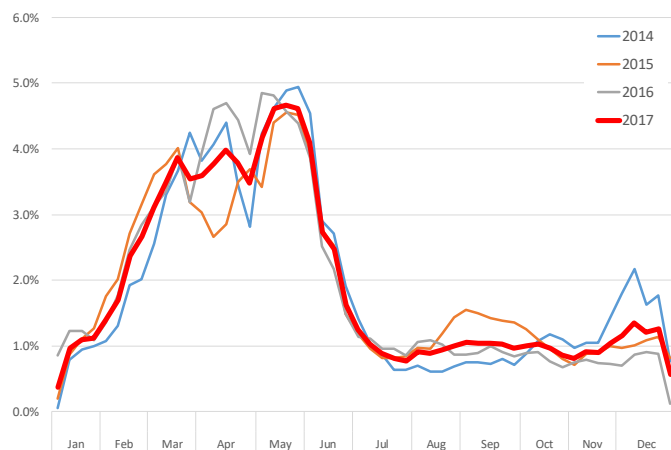
Prices for imported lean grinding beef continued to trade very firm this week and US end users seemed to have little choice but pay up for product. Trading was most active in the lean and extra lean segment but volumes continue to be quite light, a function of a sharp decline in both Australian and New Zealand beef imports and still relatively limited supplies available from South America. Higher prices for US domestic lean and fat trim also have been supportive for imported beef prices so far. Some market participants argue that imported prices

could have advanced further if not for the sharp rise and relatively tight supplies of domestic fat beef trimmings. But one should not be too surprised about the runup in the value of domestic fat beef trimmings at this time of year, it happens almost every year as retailers and foodservice operators ramp up purchases ahead of the spring demand improvement. Eventually, however, the pipeline gets filled up and the demand surge settles down and seasonally prices for fat trim move lower in the second half of April and then into May. For now market participants continue to note that very tight spot supplies and a notable decline in availability of cow

Seasonality in New Zealand Cow Slaughter and Latest USDA Estimates of New Zealand Cow Inventories

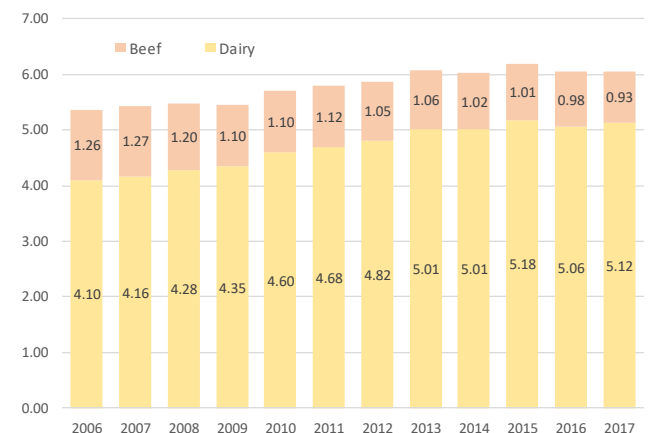
Ratio of Weekly New Zealand Slaughter to Annual Total

2014-16 and Three Year Average Used as Proxy for 2017



N. Zealand Dairy and Beef Cow Inventories. '000 Head

January 1 Inventory. Source: USDA + USDA Forecasts for Jan 1, 2017



meat from New Zealand remain supportive for the imported grinding beef complex.

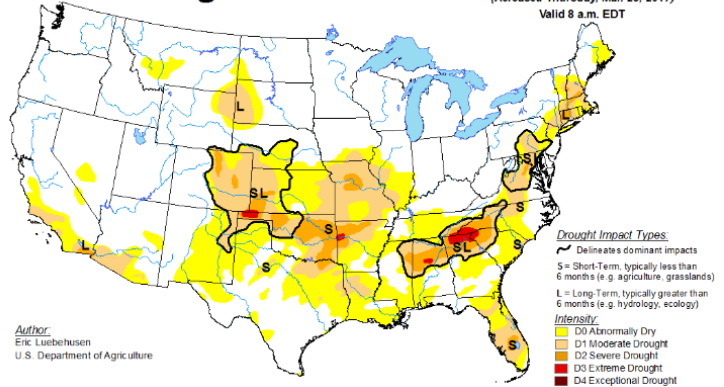
Items of note this week:

- Prices for bull meat continued to move higher this week as spot supplies are almost non-existent and some traders had little choice but pay up in order to cover orders. Prices for 90CL beef were also higher on very tight supplies of cow meat. Market participants noted that on fat trimmings FOB prices in the US were generally steady, with importers owning inventory asking similar prices as US domestic product. Prices for round cuts were steady although end users for the most part were unwilling to pay some of the higher asking prices. While demand from Asian markets continues to be noted as a factor, the reality is that the market on round cuts will be dictated by the trend for domestic product. Imported round cuts have benefited from very firm prices for domestic rounds but that appears to be changing. Already this week US packers were noting that round prices were softening and that was confirmed by the latest USDA price sheet. Seasonally prices for beef rounds move lower into May and June, which explains the reluctance of US end users to pay up for product that may deliver in June or July.

- While Australian beef shipments have been quite limited for some time, **imports of New Zealand beef also appear to be down significantly in recent weeks.** The New Zealand marketing year runs October through September but there is significant seasonality for bull and cow slaughter reflecting the shifts in feed supplies and dairy production. Most of the annual bull slaughter in New Zealand takes place between November and February while most of the cow slaughter takes place between late February and early June. So far this marketing year (through March 3), bull slaughter in New Zealand is about 6.9% under what it was a year ago. While there is a slight possibility we could see bull cow numbers increase relative to a year ago in April and May, we think this is unlikely and expect bull slaughter to average under 7,000 head per week between now and June. Cow slaughter for the period Oct 1 - Mar 3 was a total of 235,075 head, 22.9% under year ago levels. Most of the cow slaughter in New Zealand still is ahead of us. In the last marketing season New Zealand cow slaughter was 1.1 million head. One comes up with a different number if we use the calendar year rather than the marketing year but the point is still the same, most New Zealand cull cows have yet to come to market. The question is **what kind of culling rate will we see in 2017.** New Zealand cow inventory numbers have been steady for the last

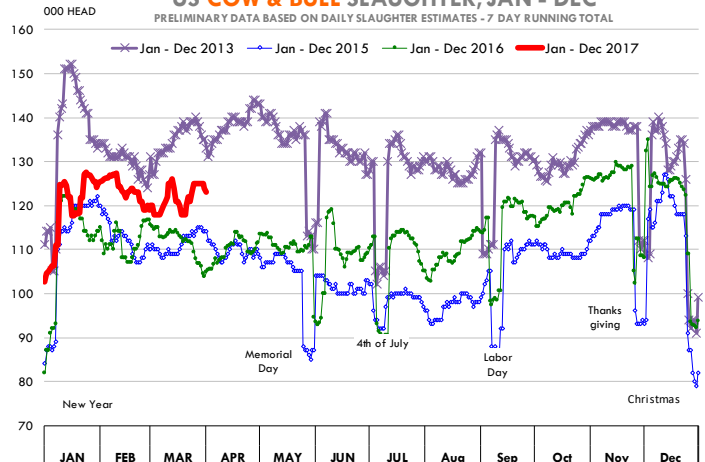
U.S. Drought Monitor

March 21, 2017
(Released Thursday, Mar. 23, 2017)
Valid 8 a.m. EDT



US COW & BULL SLAUGHTER, JAN - DEC

PRELIMINARY DATA BASED ON DAILY SLAUGHTER ESTIMATES - 7 DAY RUNNING TOTAL



few years although the number of beef cows has declined while the number of dairy cows has increased slightly (see chart on page 1). In its latest estimate, USDA projects cow slaughter for calendar year 2017 to decline some 15%. Higher dairy prices and improved moisture conditions are expected to cause the culling rate to decline towards trend after two consecutive years of being significantly above trend. At this point the 22% decline in cow slaughter may seem high but keep in mind that we are looking at a small fraction of the overall annual total. Cow slaughter numbers will seasonally increase in April, May and June but it is unlikely we will be anywhere close to year ago levels.

- USA bull and cow slaughter has increased significantly in recent weeks relative to both 2015 and 2016. But remember that those were two years during which producers were very aggressively trying to rebuild the cow herd and were retaining even the more marginal cows in the hopes of maximizing calf production. Our expectation is for the US culling rate to be slightly under trend in 2017 but much higher than it was a year ago. A higher culling rate and a net increase in the overall cow inventory implies more cows coming to

market in 2017. USDA projects US cow slaughter for 2017 to be up just 1.3%, which seems too low in our view. In the last six weeks US cow and bull slaughter has been running about 9.6% above last year and our expectation is that for the year US cow slaughter will be 8-10% higher than a year ago. As we have mentioned before, one factor to watch as we go into the spring are moisture conditions across much of the US Plains. As the chart above shows, conditions have deteriorated and have the potential to get even worse if the current dry spell persists. If drought conditions worsen, we could see cow cow/bull slaughter remain above 120k head per week into June.

US Domestic Price Summary

Prices for 90CL boneless beef were quoted at 221 US cents on the top side, 2 cent higher than a week ago and now 3 cent higher than year ago levels. **The weighted average price tonight was quoted at 217, 3 cents higher from a week ago.** 85CL beef trim prices on the top side were quoted tonight at 201 cents, 8 cents higher from last week but 9 cent lower than last year. The weighted average price for 85CL beef was 194 cents a pound, 4 cents higher than a week ago. 50CL beef price was 112 cents on the high side, 4 cent higher than the same week last year. On a weighted average basis, the price of 50CL beef is now 102 cents, 10 cent higher than a week ago.

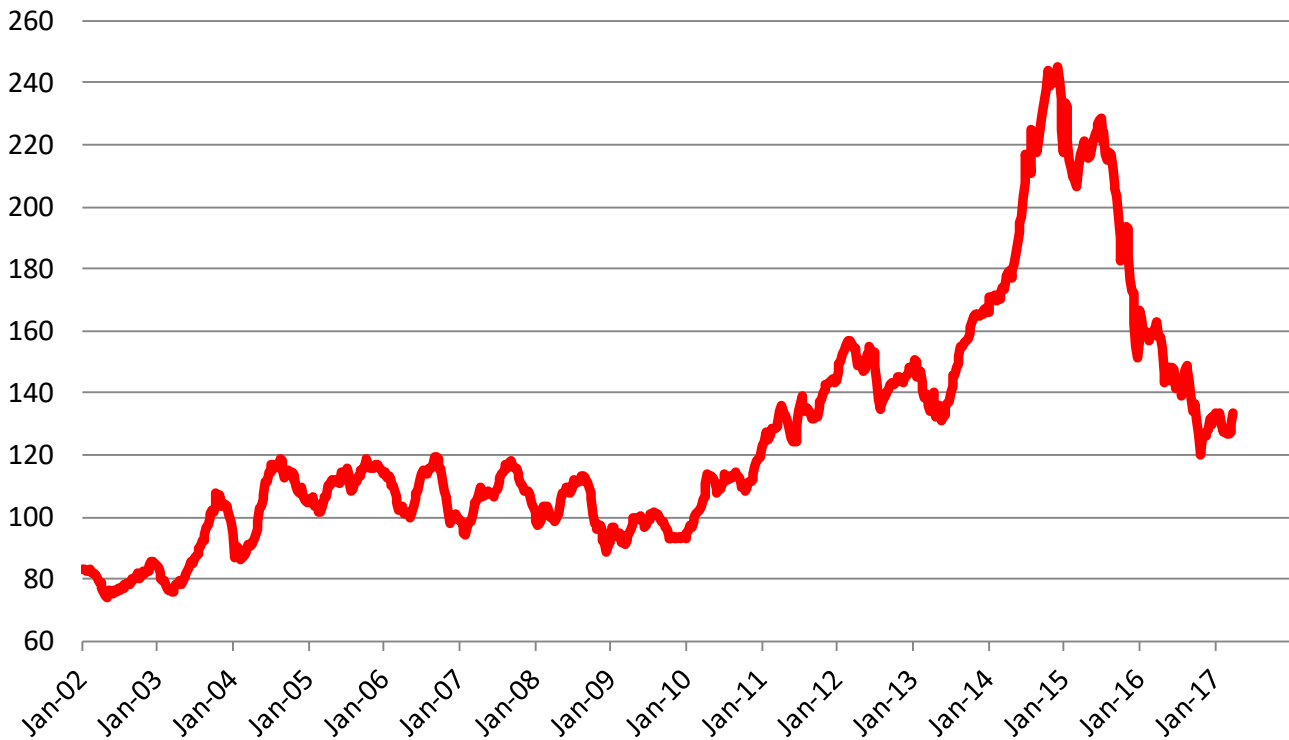
Prices for pork trim were also higher this week from the week before and now as much as 11 cents higher than a year ago.

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
	28-Mar-17	21-Mar-17		29-Mar-16	
CME FEEDER CATTLE INDEX	133.36	130.02	2.6%	158.29	-15.7%
	29-Mar-17	22-Mar-17		30-Mar-16	
FED STEER (5-MKT AVG)	131.19	128.54	2.1%	136.09	-3.6%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	117.00	111.50	4.9%	150.50	-22.3%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	122.00	123.50	-1.2%	143.00	-14.7%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	114.00	114.00	0.0%	135.00	-15.6%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	169.46	169.32	0.1%	173.29	-2.2%

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
	29-Mar-17	235.0	22-Mar-17	232.0		30-Mar-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	233.0	235.0	229.0	232.0	3.0	203.0	205.0	30.0
90 CL Blended Cow	212.0	217.0	213.0	214.0	3.0	185.0	187.0	30.0
90 CL Shank	212.0	214.0	212.0	213.0	1.0	192.0	194.0	20.0
85 CL Fores	194.0	195.0	192.0	193.0	2.0	172.0	173.0	22.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	232.0	233.0	228.0	230.0	3.0	203.0	204.0	29.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	193.0	194.0	190.0	191.0	3.0	171.0	172.0	22.0
80 CL Trimmings	166.0	169.0	167.0	168.0	1.0	145.0	146.0	23.0
75 CL Trimmings	153.0	155.0	152.0	153.0	2.0	133.0	135.0	20.0
65 CL Trimmings	120.0	125.0	120.0	125.0	0.0	95.0	96.0	29.0
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	270.0	275.0	270.0	275.0	0.0	295.0	300.0	-25.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	225.0	230.0	225.0	230.0	0.0	215.0	220.0	10.0
Steer Knuckles	250.0	255.0	250.0	255.0	0.0	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
	29-Mar-17	24-Mar-17	22-Mar-17	15-Mar-17		30-Mar-16	23-Mar-16	
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	239.0	240.0	235.0	237.0	3.0	213.0	214.0	26.0
90 CL Blended Cow	221.0	222.0	220.0	221.0	1.0	196.0	200.0	22.0
90 CL Shank	218.0	220.0	219.0	220.0	0.0	202.0	203.0	17.0
85 CL Fores	200.0	201.0	200.0	201.0	0.0	180.0	181.0	20.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	237.0	238.0	234.0	235.0	3.0	212.0	213.0	25.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings		200.0	199.0	200.0	0.0		180.0	20.0
80 CL Trimmings	174.0	175.0		175.0	0.0	155.0	156.0	19.0
75 CL Trimmings	160.0	161.0	160.0	161.0	0.0	138.0	140.0	21.0
65 CL Trimmings	128.0	132.0	128.0	132.0	0.0	101.0	102.0	30.0
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	280.0	285.0	280.0	285.0	0.0	300.0	310.0	-25.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	230.0	235.0	230.0	235.0	0.0	230.0	235.0	0.0
Steer Knuckles	260.0	265.0	260.0	265.0	0.0	240.0	245.0	20.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	29-Mar-17		22-Mar-17			30-Mar-16		
<u>Domestic Cutouts</u>								
Choice Cutout	216.92		223.00		-6.1	221.87		-5.0
Select Cutout	210.26		215.80		-5.5	212.68		-2.4
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	216.0	221.0	216.0	219.0	2.0	217.0	218.0	3.0
85 CL Beef Trimmings	191.0	201.0	192.0	193.0	8.0	196.0	210.0	-9.0
50 CL Beef Trim	99.0	112.1	106.0	108.0	4.1	80.1	102.3	9.8
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	34.9	48.3	34.3	44.3	4.0	24.3	37.3	11.0
72 CL Pork Trim	62.9	85.3	61.3	85.3	0.0	52.1	86.8	-1.5
<u>Point of Lean Values</u>								
90 CL Domestic	245.6		243.3		2.2	242.2		3.3
50 CL Beef Trimming	224.1		216.0		8.1	204.5		19.6
42 CL Pork Trim	114.9		105.4		9.5	88.7		26.2
72 CL Pork Trim	118.4		118.4		0.0	120.5		-2.1
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	131.19		128.54		2.7	136.09		-4.9

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	29-Mar-17	22-Mar-17			30-Mar-16	
<u>Live Cattle Futures</u>						
April '17	121.350	122.450	↓	-1.10	132.350	↓ -11.00
June '17	111.850	113.775	↓	-1.93	123.075	↓ -11.23
August '17	107.550	108.950	↓	-1.40	119.075	↓ -11.53
October '17	107.225	108.550	↓	-1.33	118.500	↓ -11.28
<u>Feeder Cattle Futures</u>						
April '17	133.300	134.000	↓	-0.70	152.575	↓ -19.28
May '17	134.400	136.350	↓	-1.95	150.750	↓ -16.35
August '17	133.225	135.275	↓	-2.05	150.575	↓ -17.35
September '17	134.850	136.300	↓	-1.45	150.575	↓ -15.73
<u>Corn Futures</u>						
May '17	358 1/2	358 3/4	↓	-0.25	367	↓ -8.50
July '17	366	366 1/2	↓	-0.50	371 1/2	↓ -5.50
September '17	373 1/4	374	↓	-0.75	376	↓ -2.75
December '17	382	382	↓	0.00	384	↓ -2.00
<u>Ch Wheat Futures</u>						
May '17	425 1/2	422 1/4	↑	3.25	464	↓ -38.50
July '17	438 1/2	437 1/2	↑	1.00	471 1/2	↓ -33.00
September '17	453 3/4	453 1/2	↑	0.25	481 1/2	↓ -27.75
December '17	473 3/4	473 1/4	↑	0.50	496	↓ -22.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	29-Mar-17	22-Mar-17			30-Mar-16	
<u>Total Cattle Slaughter</u>	610,000	595,000	↑	15,000	532,000	↑ 78,000
	11-Mar-17	4-Mar-17			12-Mar-16	
<u>Total Cow Slaughter</u>	114,328	111,006	↑	3,322	105,339	↑ 8,989
<u>Dairy Cow Slaughter</u>	63,030	62,188	↑	842	59,973	↑ 3,057
<u>Beef Cow Slaughter</u>	51,298	48,818	↑	2,480	45,366	↑ 5,932

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

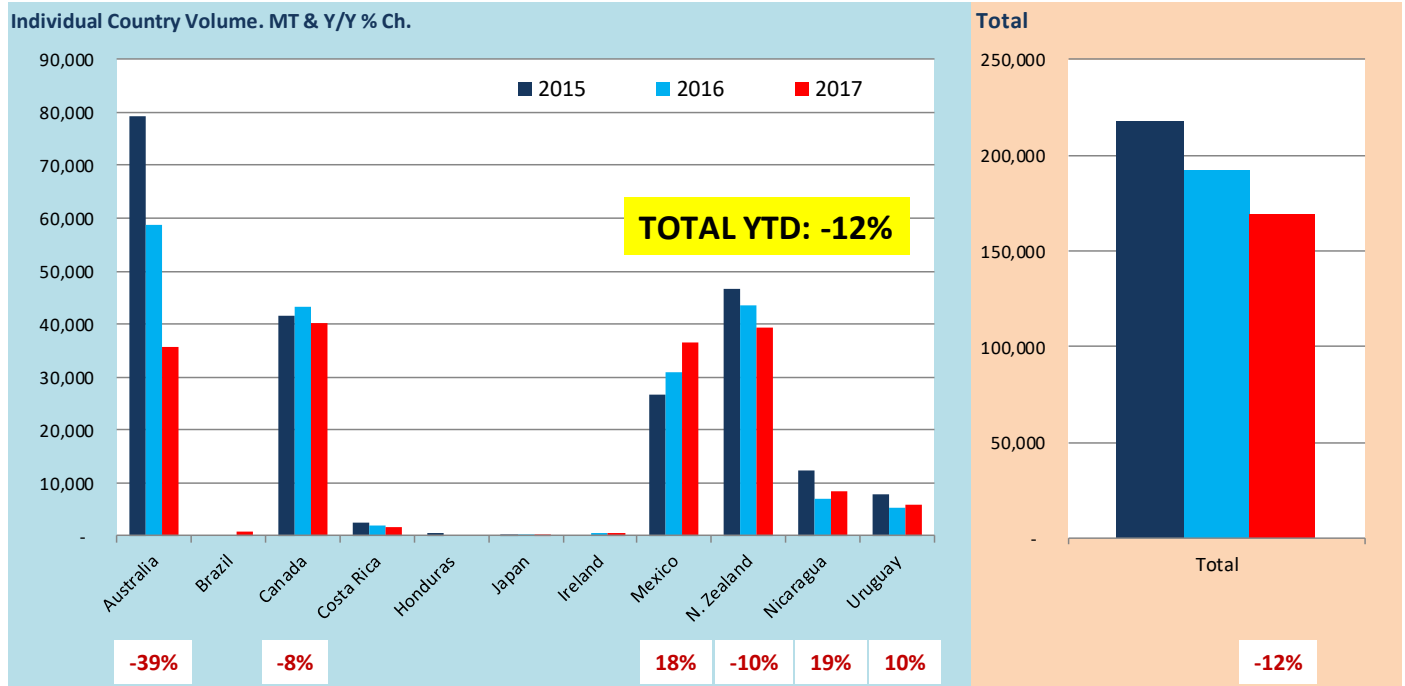
YTD Imported Meat Passed for Entry in the US

week 9	3/12/2016	3/18/2017		
Australia	64,402	39,684	(24,718)	-38.4%
Brazil		1,117		
Canada	48,718	44,924	(3,794)	-7.8%
Chile	86	89	3	3.5%
Costa Rica	2,272	1,740	(532)	-23.4%
Honduras			-	
Japan	45	68	23	51.1%
Ireland	587	469	(118)	-20.1%
Mexico	34,475	40,493	6,018	17.5%
New Zealand	48,439	43,529	(4,910)	-10.1%
Nicaragua	7,922	9,485	1,563	19.7%
Uruguay	6,000	6,181	181	3.0%
Total	212,945	187,878	(25,067)	-11.8%

Source: USDA/FSIS

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

Imports as of March 11, 2017

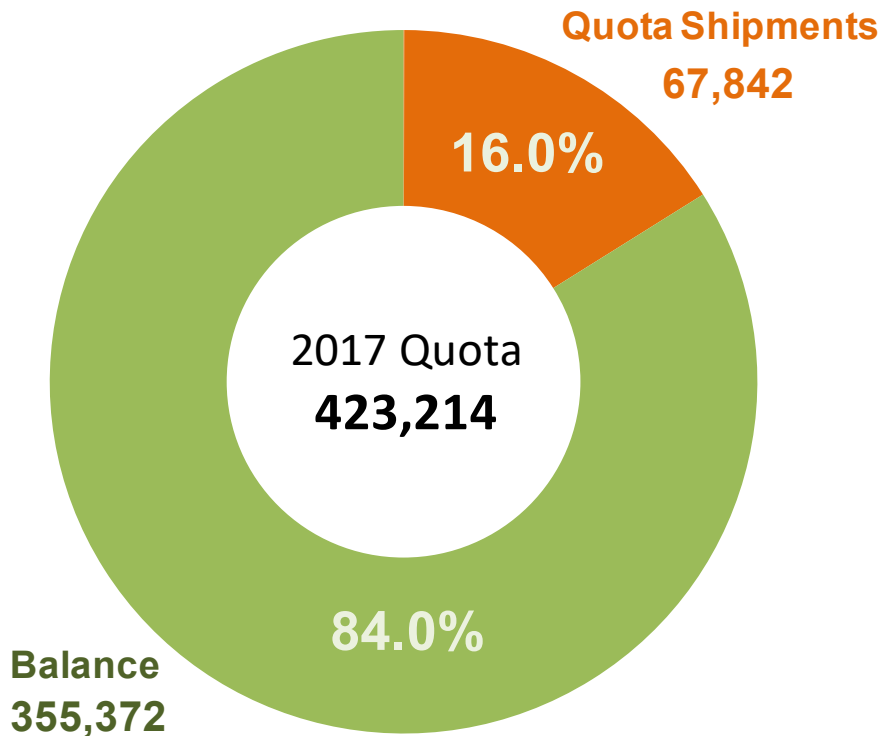


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

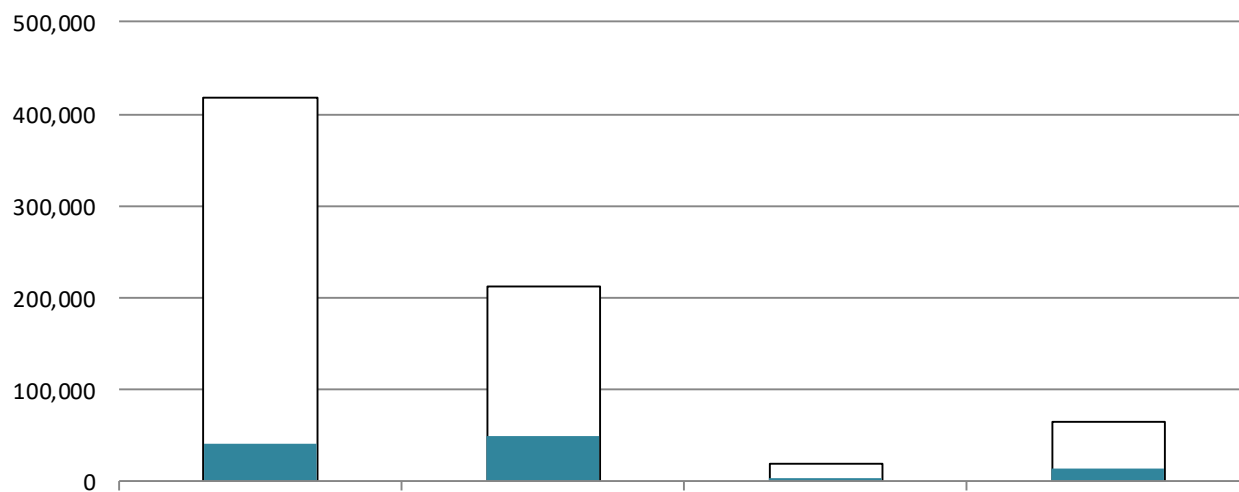
27-Mar-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending March 27

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	61,283,391	48,718,745	3,325,422	9,991,539
2017 YTD	42,296,006	48,993,351	3,718,155	15,031,458
% ch.	-31%	1%	12%	50%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	10%	23%	19%	23%