



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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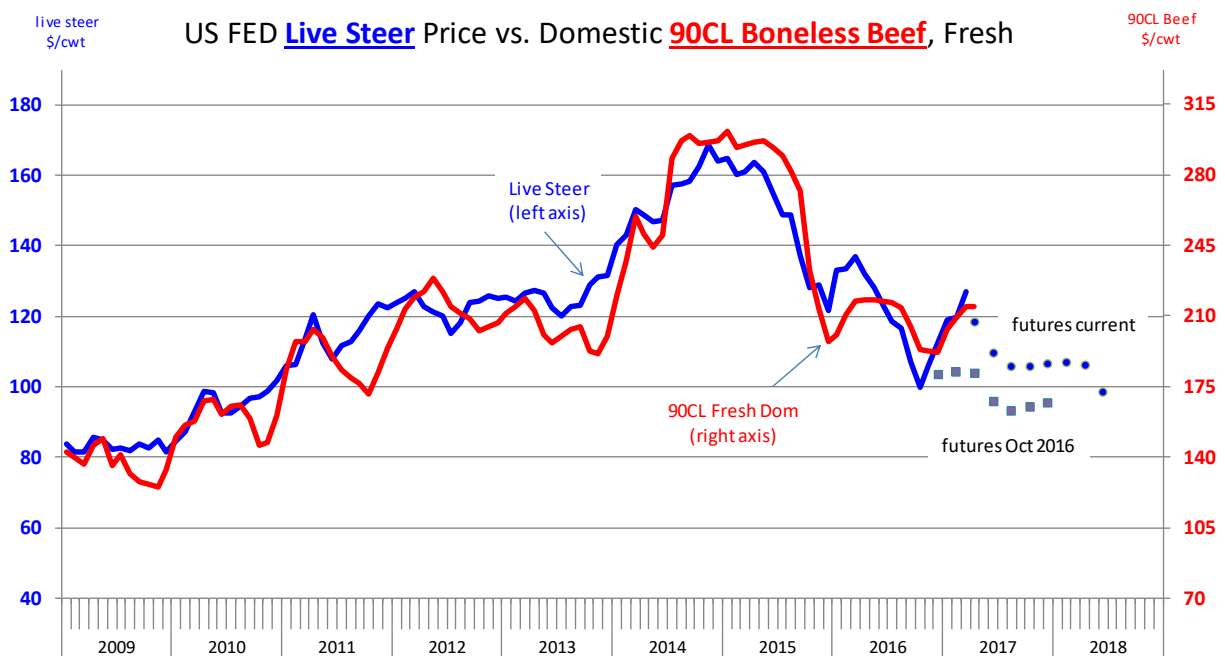
Market Highlights for the Week:

- Imported beef prices took a step back this week, in part due to softer prices for domestic lean grinding beef
- Fat trim prices in the US remain firm but expectations are for prices to move lower in the second half of April and into May
- Australia shipments to the US down 16% in March. We expect shipments from New Zealand also down 10-15% in March
- Combined Australia/New Zealand slaughter has been significantly lower than a year ago in Q1 of 2017 and in the short term supplies will continue to be limited. Expectations are for slaughter to improve modestly in May and June due to more New Zealand cows coming to market
- USA fed cattle futures rallied sharply in February and March but futures are pointing to a notable decline in the summer and fall on larger feedlot supplies

Imported Market Activity for the Week

Prices for imported lean grinding beef were lower this week although market participants were split in their assessment of the market. Some continued to point out that offerings from Australia remain limited and spot supplies are particularly thin. Some Australian processors are expected to run reduced hours for the next few weeks which is expected to further limit availability. Higher cattle prices in Australia, improved moisture conditions

and the impetus for herd rebuilding all were noted as reasons why Australian offerings are light, making for a very challenging market. However, there were others in the market that noted a somewhat softer tone. The main reason for the modest pull-back in prices this week was an increase in availability from New Zealand. New Zealand slaughter has been running well behind last year's levels and some thought it was only a matter of time before we saw New Zealand cow slaughter kick in high gear. It appears that may already be starting. However, what



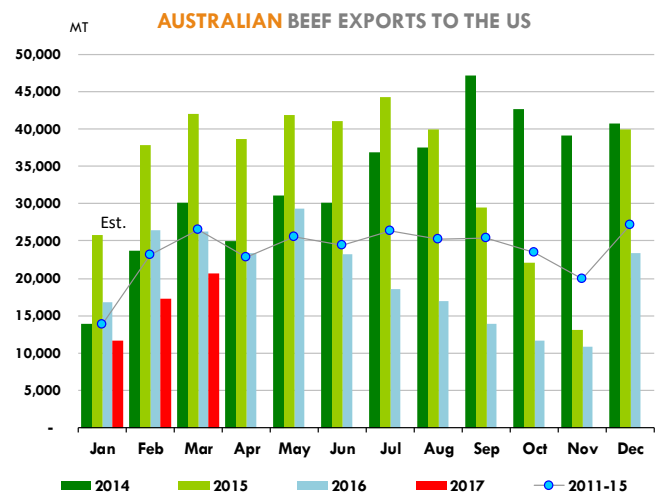
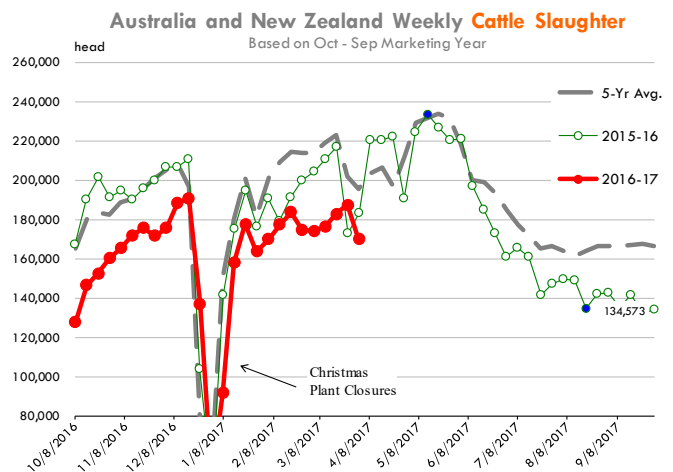
is more uncertain is the supply of New Zealand beef that will hit the open market rather than be diverted to larger users that buy direct. Also it is hard to assess how many orders New Zealand packers already have put on the books. Market participants also noted that fast food business demand appears to have slowed down, which could impact orders for imported beef in the short term. After a rather fast start to the season, in part due to the warmer than normal temperatures in February and early March, we are now seeing somewhat more seasonal temps in heavily populated areas.

Chart of the Week

Periodically we update the chart presented on page 1 and the main reason is to remind everyone of

- a) how important the direction in US fed cattle prices is for the value of lean grinding beef;
- b) the shift in US futures prices in the last six months and
- c) the potential price levels for lean grinding beef as indicated by the latest cattle futures prices.

What do we note so far? First, it has been surprising for some market participants that domestic lean grinding beef prices have pushed higher in the US even as cow meat supplies have increased. However, when viewed in the context of overall fed cattle prices, the recent increase does not seem that far out of sync with the overall market. Prices for end cuts were particularly firm in the US in late March and the price of coarse ground beef improved, which all likely contributed to the robust demand and higher prices for lean domestic grinding beef. Fed cattle futures continue to maintain a significant discount for prices in the next six months although the price levels are quite different than those futures were pricing last fall. The chart shows two sets of data points for futures. One set indicated that cattle prices could drop in the mid 90s per cwt by the summer and fall of 2017. Those were the price levels that futures were pricing last fall. Note that for April of 2017 futures last fall pegged cattle prices to trade in the low 100s compared to current prices that are in the mid 120s. There has been a notable run-up in fed cattle prices in the US in Q1, reflecting both good demand from export and domestic users, more current feedlot supplies and also a more limited supply of imported beef. Still, even with the 10% upward adjustment in futures for the summer and fall of 2017, the expectation is domestic 90CL beef prices to drop in the \$1.90 area by this summer and possibly



even lower in the fall. As we noted last week, much will depend on both the flow of imports in the meantime but also weather conditions this summer.

Imported Beef Supplies

Slaughter in Australia continues to be limited. Slaughter data for the week ending March 31 shows total slaughter in Eastern states at 112,203 head, 2.3% less than the holiday shortened week last year and about 12% less than the levels we saw in late February and early March. Slaughter in Australia will likely remain limited in the short term, in part because of two major public holidays, Easter (April 16) and Anzac Day (April 25). Good rainfall and feed conditions have shortened up the supply of cattle offered and cattle price indicators have been moving higher. Australian beef exports to the US in March were 21,973 MT, 16.4% less than a year ago. Total Australian exports in March were 90,734 MT, 6.2% less than last year. The decline in exports to the US accounted for much of the Australian export decline. Exports to Japan in March actually increased 17.9%, the third consecutive month of double

digit export growth to this key market.

New Zealand slaughter for the week ending March 11 (latest data) was 47,203 head, down 29.9%. In the four weeks ending March 11 New Zealand slaughter was down 21%, which likely has contributed to a significant decline in New Zealand exports for the month of March. We think current weekly slaughter in New Zealand is running at around 55,000-60,000 head but cow slaughter there continues to run dramatically under year ago levels. We should see cow slaughter in New Zealand pick up in late April, May and June as producers prepare for winter. One factor that could contribute to an increase in cow slaughter also is the recent downturn in global dairy prices, down about 10% in the last three weeks.

US Domestic Price Summary

Prices for 90CL boneless beef were quoted at 221 US cents on the top side, unchanged than a week ago and now 1 cent higher than year ago levels. **The weighted average price tonight was quoted at 214, 3 cents lower from a week ago.** 85CL beef trim prices on the top side were quoted tonight at 196 cents, 5 cents lower from last week and 4.5 cent lower than last year. The weighted average price for 85CL beef was 192 cents a pound, 2 cents lower than a week ago. 50CL beef price was 107 cents on the high side, 5 cent lower than the same week last year. On a weighted average basis, the price of 50CL beef is now 102 cents, about the same as a week ago.

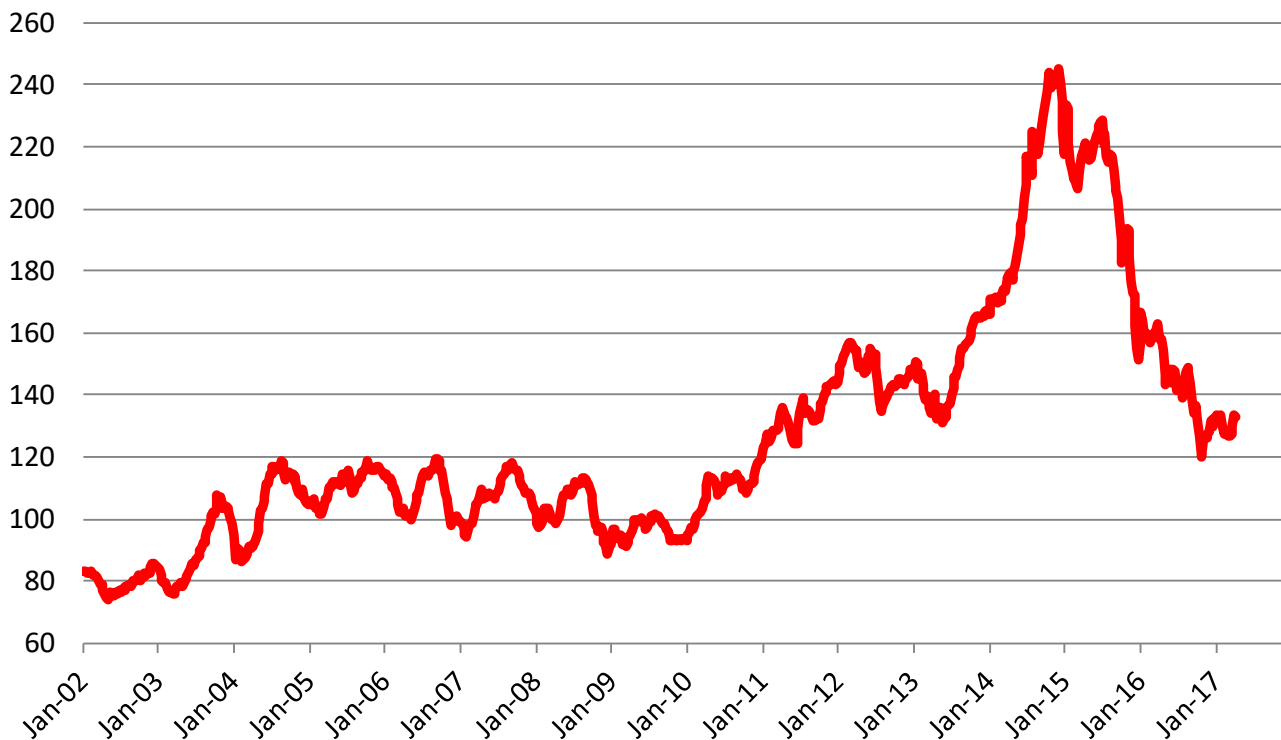
Prices for pork trim were lower this week from the week before but still as much as 9 cents higher than a year ago.

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
	4-Apr-17	28-Mar-17		5-Apr-16	
CME FEEDER CATTLE INDEX	133.13	133.36	-0.2%	157.79	-15.6%
	5-Apr-17	29-Mar-17		6-Apr-16	
FED STEER (5-MKT AVG)	126.69	131.19	-3.4%	133.69	-5.2%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	117.50	112.50	4.4%	149.50	-21.4%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	121.00	122.00	-0.8%	143.00	-15.4%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	114.50	114.00	0.4%	135.00	-15.2%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	168.60	169.46	-0.5%	175.21	-3.8%

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
	5-Apr-17		29-Mar-17			6-Apr-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	232.0	233.0	233.0	235.0	-2.0	202.0	204.0	29.0
90 CL Blended Cow	210.0	213.0	212.0	217.0	-4.0	189.0	190.0	23.0
90 CL Shank	211.0	212.0	212.0	214.0	-2.0	192.0	193.0	19.0
85 CL Fores	194.0	195.0	194.0	195.0	0.0	173.0	174.0	21.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	232.0	234.0	232.0	233.0	1.0	202.0	203.0	31.0
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	193.0	194.0	0.0	172.0	173.0	21.0
80 CL Trimmings	160.0	165.0	166.0	169.0	-4.0	145.0	146.0	19.0
75 CL Trimmings	152.0	153.0	153.0	155.0	-2.0	134.0	135.0	18.0
65 CL Trimmings		UNQ	120.0	125.0	N/A	97.0	98.0	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	270.0	275.0	270.0	275.0	0.0	285.0	290.0	-15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	220.0	225.0	225.0	230.0	-5.0	210.0	215.0	10.0
Steer Knuckles	245.0	250.0	250.0	255.0	-5.0	225.0	230.0	20.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	5-Apr-17		29-Mar-17			6-Apr-16		
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	236.0	237.0	239.0	240.0	-3.0	210.0	212.0	25.0
90 CL Blended Cow	218.0	220.0	221.0	222.0	-2.0	199.0	200.0	20.0
90 CL Shank	217.0	218.0	218.0	220.0	-2.0	200.0	201.0	17.0
85 CL Fores	199.0	200.0	200.0	201.0	-1.0	180.0	181.0	19.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	239.0	240.0	237.0	238.0	2.0	210.0	211.0	29.0
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	-1.0	178.0	179.0	20.0
80 CL Trimmings	174.0	175.0	174.0	175.0	0.0	155.0	156.0	19.0
75 CL Trimmings		160.0	160.0	161.0	-1.0	137.0	138.0	22.0
65 CL Trimmings	128.0	130.0	128.0	132.0	-2.0	101.0	102.0	28.0
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	280.0	285.0	280.0	285.0	0.0	295.0	300.0	-15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	225.0	230.0	230.0	235.0	-5.0	220.0	225.0	5.0
Steer Knuckles	255.0	260.0	260.0	265.0	-5.0	235.0	240.0	20.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	5-Apr-17		29-Mar-17			6-Apr-16		
<u>Domestic Cutouts</u>								
Choice Cutout	209.71		216.92		-7.2	216.41		-6.7
Select Cutout	200.51		210.26		-9.8	207.43		-6.9
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	213.0	221.0	216.0	221.0	0.0	218.0	222.0	-1.0
85 CL Beef Trimmings	190.0	196.0	191.0	201.0	-5.0	196.0	200.5	-4.5
50 CL Beef Trim	97.5	107.0	99.0	112.1	-5.0	72.8	91.7	15.4
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	33.7	46.3	34.9	48.3	-2.0	27.9	37.3	9.0
72 CL Pork Trim	61.9	83.3	62.9	85.3	-2.0	58.5	80.5	2.8
<u>Point of Lean Values</u>								
90 CL Domestic	245.6		245.6		0.0	246.7		-1.1
50 CL Beef Trimming	214.1		224.1		-10.0	183.3		30.8
42 CL Pork Trim	110.1		114.9		-4.8	88.7		21.4
72 CL Pork Trim	115.6		118.4		-2.8	111.8		3.8
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	126.69		131.19		-4.5	133.69		-7.0

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	5-Apr-17	29-Mar-17			6-Apr-16	
<u>Live Cattle Futures</u>						
April '17	118.275	121.350	↓	-3.07	132.350	↓ -14.08
June '17	109.425	111.850	↓	-2.43	123.075	↓ -13.65
August '17	105.600	107.550	↓	-1.95	119.075	↓ -13.48
October '17	105.575	107.225	↓	-1.65	118.500	↓ -12.93
<u>Feeder Cattle Futures</u>						
April '17	130.525	133.300	↓	-2.78	152.575	↓ -22.05
May '17	130.425	134.400	↓	-3.97	150.750	↓ -20.33
August '17	132.150	133.225	↓	-1.07	150.575	↓ -18.43
September '17	131.925	134.850	↓	-2.92	150.575	↓ -18.65
<u>Corn Futures</u>						
May '17	364 3/4	358 1/2	↑	6.25	367	↓ -2.25
July '17	372 1/2	366	↑	6.50	371 1/2	↑ 1.00
September '17	380	373 1/4	↑	6.75	376	↑ 4.00
December '17	389 1/4	382	↑	7.25	384	↑ 5.25
<u>Ch Wheat Futures</u>						
May '17	429 3/4	425 1/2	↑	4.25	464	↓ -34.25
July '17	442 1/2	438 1/2	↑	4.00	471 1/2	↓ -29.00
September '17	456 3/4	453 3/4	↑	3.00	481 1/2	↓ -24.75
December '17	477	473 3/4	↑	3.25	496	↓ -19.00

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	5-Apr-17	29-Mar-17			6-Apr-16	
<u>Total Cattle Slaughter</u>	586,000	610,000	↓	-24,000	549,000	↑ 37,000
	18-Mar-17	11-Mar-17			19-Mar-16	
<u>Total Cow Slaughter</u>	104,640	114,328	↓	-9,688	103,257	↑ 1,383
<u>Dairy Cow Slaughter</u>	54,944	63,030	↓	-8,086	57,900	↓ -2,956
<u>Beef Cow Slaughter</u>	49,696	51,298	↓	-1,602	45,357	↑ 4,339

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

YTD Imported Meat Passed for Entry in the US

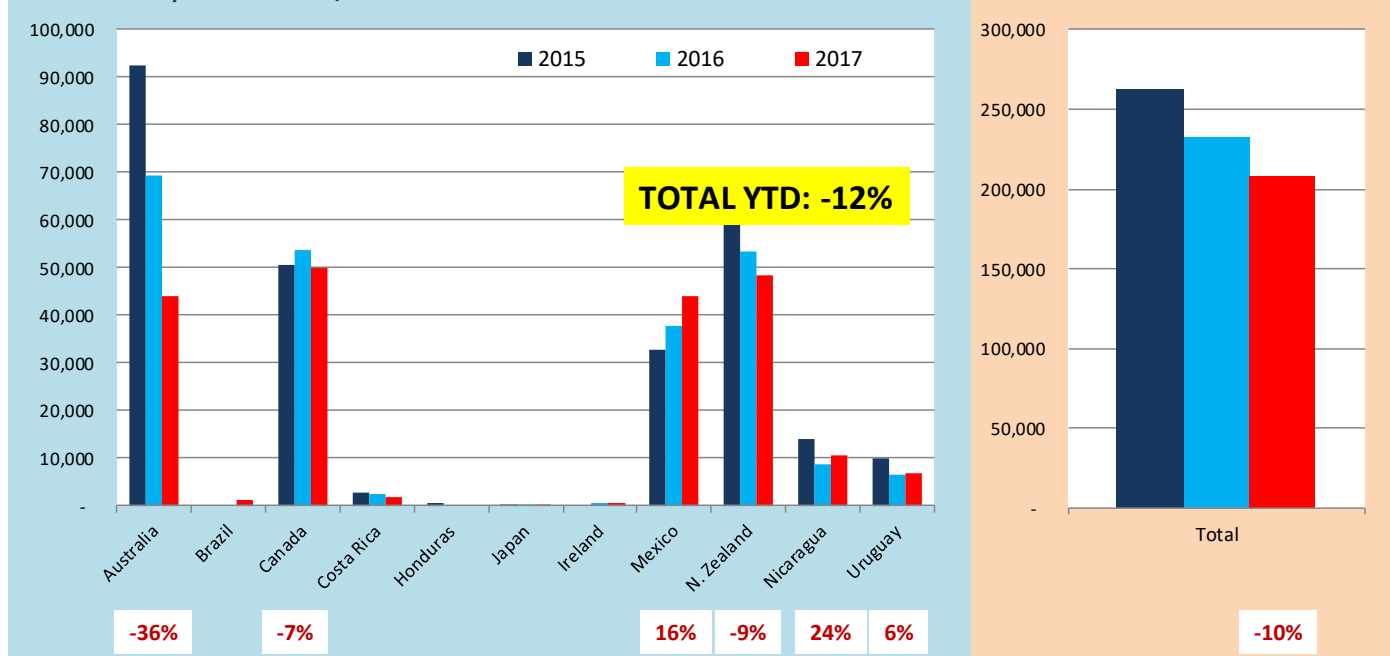
week 9	3/19/2016	3/25/2017		
Australia	69,269	44,145	(25,124)	-36.3%
Brazil		1,214		
Canada	53,626	49,946	(3,680)	-6.9%
Chile	86	89	3	3.5%
Costa Rica	2,416	2,020	(396)	-16.4%
Honduras			-	
Japan	45	71	26	57.8%
Ireland	660	517	(143)	-21.7%
Mexico	37,833	44,044	6,211	16.4%
New Zealand	53,470	48,567	(4,903)	-9.2%
Nicaragua	8,658	10,693	2,035	23.5%
Uruguay	6,489	6,850	361	5.6%
Total	232,554	208,255	(24,299)	-10.4%

Source: USDA/FSIS

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

Imports as of March 25, 2017

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

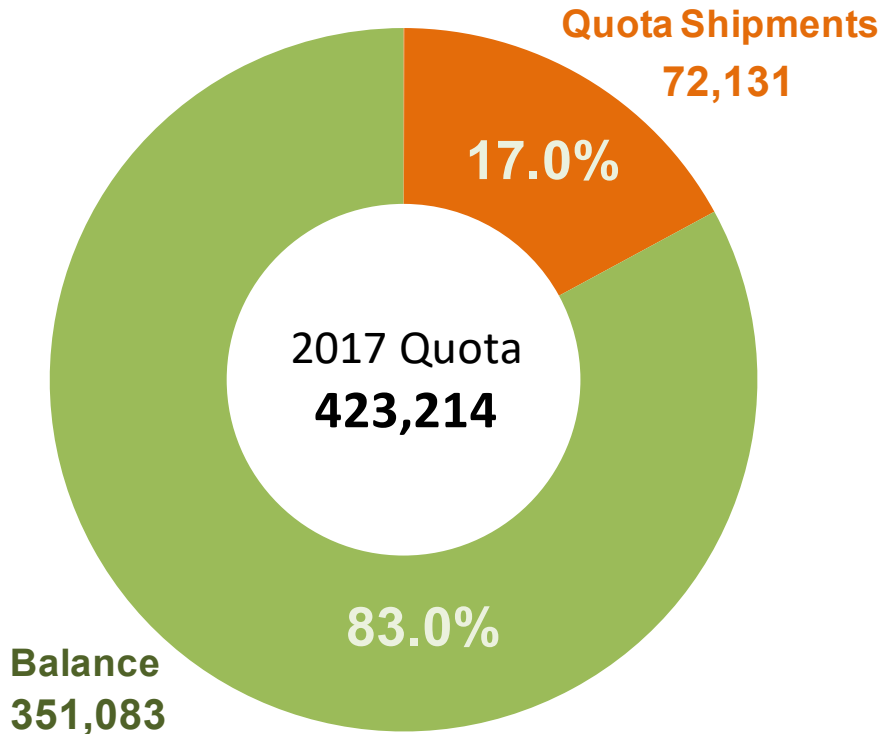


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

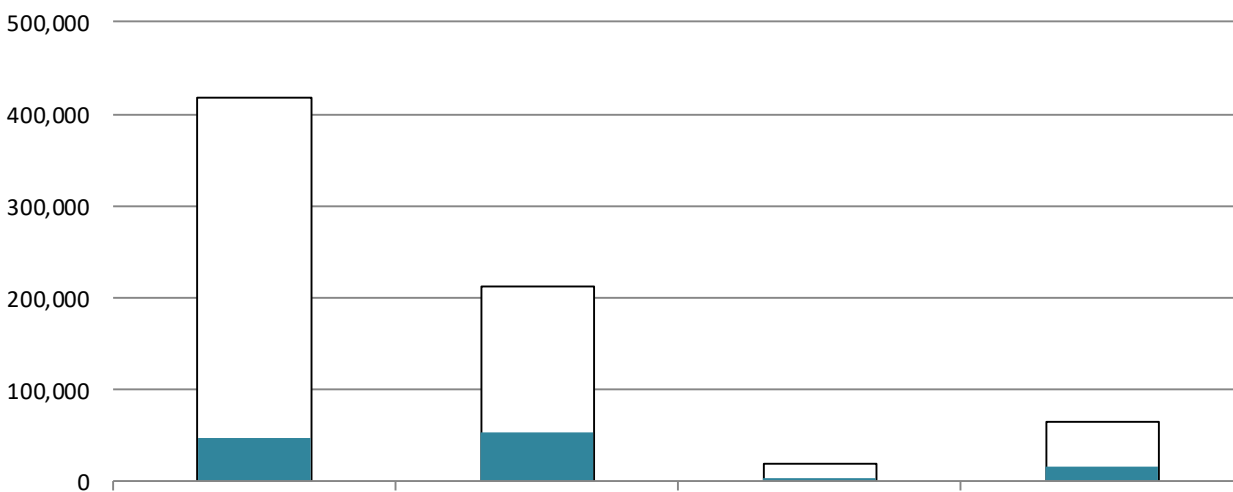
31-Mar-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending April 3

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	67,842,855	54,760,369	3,827,177	10,788,836
2017 YTD	48,184,768	54,394,463	4,955,563	16,162,007
% ch.	-29%	-1%	29%	50%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	12%	25%	25%	25%