



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume XVII, Issue 16

April 26, 2017

Prepared by: Steiner Consulting Group | SteinerConsulting.com | 800-526-4612 | service@steinerconsulting.com

Market Highlights for the Week:

- Imported beef prices remain very firm on extremely limited offerings from Australia
- New Zealand supplies remain underwhelming and a very tight spot market has caused prices to jump in recent days
- Prices reportedly lower for product delivering in late June and July on expectations of lower domestic prices and weaker domestic demand
- US futures jumped today on speculation that US would pull out of NAFTA, which is seen as bullish for beef and bearish for pork and chicken
- US cold storage stocks of boneless beef declined sharply in March

Imported Market Activity for the Week

Prices for imported lean grinding beef continued to trade very firm this week and after talking with market participants it is clear that a two tier market appears to have developed. Product that can deliver by late May or early June commands a significant premium (5-10 cent for lean grinding beef) over product that can deliver in late June or in July. And this is an odd situation, to say the least, since it is unlikely that the imported beef supply will get much better in late June and July. Seasonally supplies of New Zealand beef will be lower going into the

winter and it is highly uncertain what will happen with Australian supplies. At this time we think the premium for nearby product reflects extremely tight conditions for imported beef and the inability of either end users or traders to find sufficient product to cover their needs. Prices for beef cuts also are very firm, in part because prices for domestic product have been strong but also because of robust demand in other markets. Market participants noted that business in the US was quite difficult. We revised a bit higher the projection for Australian shipments to the US for April to around 14,000 MT. Still this volume is extremely low for this time of year and comes

USA MEAT TRADE FLOWS WITH NAFTA COUNTRIES

BASED ON 2016 TRADE DATA. PRODUCT WEIGHT. USDA

	BEEF			PORK			CHICKEN			TURKEY		
	Exports	Imports	Net	Exports	Imports	Net	Exports	Imports	Net	Exports	Imports	Net
Mexico	124,503	182,936	(58,433)	588,828	12,362	576,466	666,337		666,337	130,648	4,236	126,411
Canada	105,459	248,040	(142,581)	191,692	350,910	(159,218)	144,555	11,279	133,276	4,199		4,199
ROW	615,657	581,151	34,506	1,007,576	112,256	895,320	2,141,236	46	2,141,190	85,850	1,770	84,081
Total	845,619	1,012,127	(166,508)	1,788,096	475,527	1,312,569	2,952,127	11,325	2,940,802	220,697	6,006	214,691
NAFTA %	27%	43%		44%	76%		27%	100%		61%	71%	

at a time when imports from New Zealand also are quite limited. Below is a recap of some factors impacting the market for imported beef in the US:

- US fed cattle prices continue to advance and today jumped \$2.70/cwt on firm cash prices and speculation that potential trade disruptions with Mexico will prove to be inflationary for US beef and cattle prices. This latter point was a topic of much discussion among futures cattle traders in Chicago today following reports that the Trump administration is getting ready to pull the US out of NAFTA (North American Free Trade Agreement). On page 1 we have included a summary of the US red meat and poultry trade flows with NAFTA partners and the rest of the world. While the US is a big net exporter of pork and chicken to Mexico and Canada, last year the US actually had a significant trade deficit in beef. In recent years Mexican producers have benefited from the very high prices in the US market and have increased both the supply of beef and the number of cattle they ship to the US. Similarly, Canadian producers shipped more beef into the US market than we shipped back into Canada. The net beef trade deficit last year was near over 200,000 MT. To be clear, if the US pulls out of NAFTA this does not mean that no Mexican or Canadian beef will come into the US. But new agreements will need to be worked out and, in the short term, it is possible that product over certain levels may have to pay a higher tariff. The devil here will be in the details and at this point we have very few details to work with.

- While imports from Australia and New Zealand have been particularly short in recent weeks, we have seen a notable surge in shipments from Brazil. Some of this was expected but the surge in March certainly will get some people's attention. According to Brazilian trade data, Brazil shipped 3,154 MT of frozen boneless beef to the US market in March. Total shipments for the first quarter were 4,680 MT. The increase in shipments likely came before the explosion of the meat scandal in Brazil and the resulting enhanced inspections. It remains to be seen how this may have impacted April shipments.

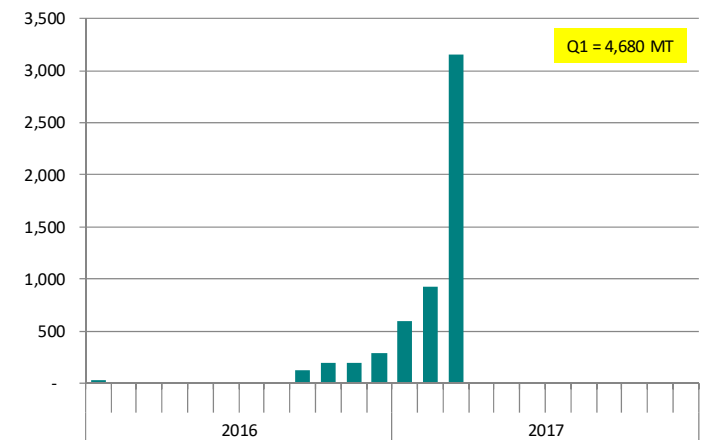
- US cow and bull slaughter in the US continues to be quite high compared to year ago and five year average levels. For the four weeks ending April 22 we estimate that cow/bull slaughter averaged 121,500 head per week, 12% higher than a year ago. The increase in slaughter has come as US producers try to take advantage of excellent prices for cull cows. However, the rally in feeder cattle and good moisture in the country could cause cow numbers to pull back somewhat in May and June. Still, do not expect a

June 2017 Fed Cattle Futures



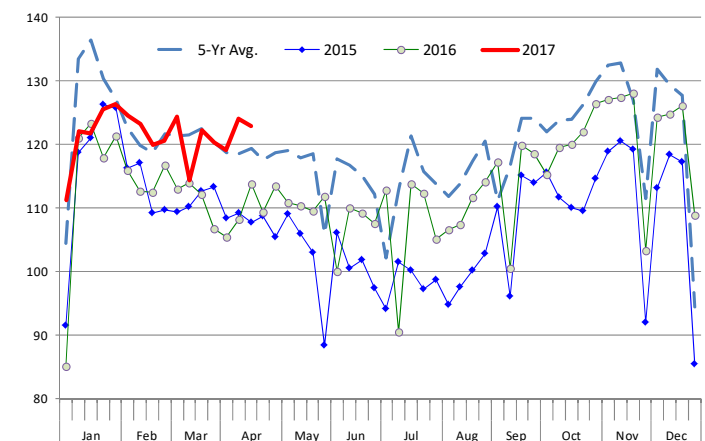
Brazil Fresh/Frz Beef Shipments to the US. Metric Ton

Source: COMEX



Weekly US Cow and Bull Slaughter

000 Head. Data Source: USDA



major decline in cull cow numbers, in part because a larger cow inventory implies more cull cows available.

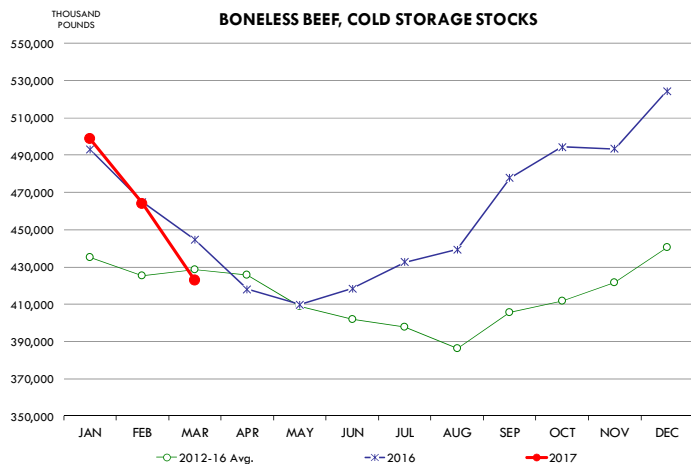
- US inventories of boneless beef declined sharply in April as end users looked to use their inventory posi-

tions to protect against higher prices for both lean and fat boneless beef. The challenge for end users is that those inventories are finite. There was broad expectation in the market that higher slaughter in April, May and June would push overall cattle prices lower and particularly the price of fat trimmings. As a result end users with fat beef inventories looked to deplete them during the high price period. Prices for fat trim continue to stay high, however, and today we noted that offer prices for domestic 50CL beef were as high as \$1.20 per lb. Remember this was an item that was trading at around 35 cents back in December.

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 about a penny higher than year ago levels. **The weighted average price tonight was quoted at 219, 4 cent higher than a week ago.** 85CL beef trim prices on the top side were quoted tonight at 197 cents, 1 cent lower than last week and 5 cents lower than last year. The weighted average price for 85CL beef was 189 cents a pound, 1 cents lower than a week ago. 50CL beef price was 115 cents on the high side, 2.4 cent higher than a week ago and 37 cent higher than last year. On a weighted average basis, the price of 50CL beef is now 111.6 cents, about 14 cents higher than last week

Prices for 42CL pork trim were higher this week from the week before but still as much as 16 cents lower than a year ago. Large hog numbers continue to keep the market for pork well supplied.

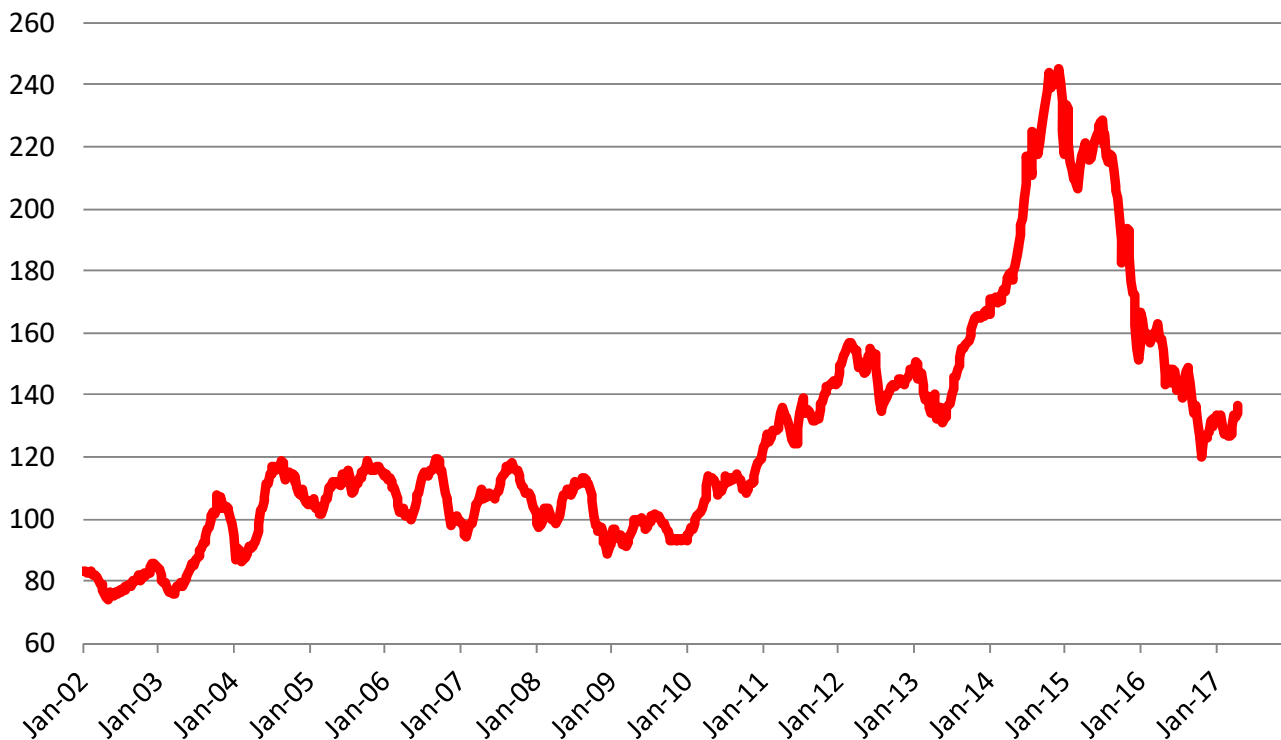


CME Cattle Feeder Index and US Cattle Markets

Special Live Animal Reference Price

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	25-Apr-17	18-Apr-17		26-Apr-16	
CME FEEDER CATTLE INDEX	139.44	136.61	2.1%	146.62	-4.9%
	26-Apr-17	19-Apr-17		27-Apr-16	
FED STEER (5-MKT AVG)	131.60	128.03	2.8%	126.38	4.1%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	122.00	122.00	0.0%	144.50	-15.6%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	118.50	118.50	0.0%	141.00	-16.0%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	108.50	110.00	-1.4%	132.00	-17.8%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	170.52	169.10	0.8%	174.60	-2.3%

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
	26-Apr-17	231.0	19-Apr-17	231.0		27-Apr-16	214.0	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	229.0	231.0	229.0	231.0	0.0	212.0	214.0	17.0
90 CL Blended Cow	210.0	212.0	210.0	212.0	0.0	198.0	200.0	12.0
90 CL Shank	208.0	210.0	208.0	210.0	0.0	199.0	201.0	9.0
85 CL Fores	191.0	194.0	192.0	194.0	0.0	179.0	180.0	14.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	228.0	230.0	228.0	230.0	0.0	211.0	212.0	18.0
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	191.0	192.0	-1.0	177.0	178.0	13.0
80 CL Trimmings	170.0	175.0	163.0	165.0	10.0	155.0	160.0	15.0
75 CL Trimmings	161.0	163.0	152.0	153.0	10.0	134.0	135.0	28.0
65 CL Trimmings	130.0	135.0	123.0	125.0	10.0		100.0	35.0
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	275.0	280.0	275.0	280.0	0.0	290.0	295.0	-15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ	220.0	225.0	N/A	215.0	220.0	N/A
Steer Knuckles	245.0	250.0	245.0	250.0	0.0	230.0	235.0	15.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	26-Apr-17		19-Apr-17			27-Apr-16		
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	239.0	241.0	235.0	236.0	5.0	217.0	219.0	22.0
90 CL Blended Cow	221.0	223.0	218.0	220.0	3.0	206.0	207.0	16.0
90 CL Shank	217.0	218.0	215.0	216.0	2.0	205.0	206.0	12.0
85 CL Fores	201.0	204.0		200.0	4.0	183.0	184.0	20.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	238.0	240.0	234.0	236.0	4.0	219.0	221.0	19.0
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	202.0	198.0	199.0	3.0	182.0	183.0	19.0
80 CL Trimmings	180.0	182.0		175.0	7.0	160.0	162.0	20.0
75 CL Trimmings	167.0	168.0	160.0	161.0	7.0	138.0	139.0	29.0
65 CL Trimmings	135.0	137.0	128.0	130.0	7.0		102.0	35.0
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	280.0	285.0	275.0	285.0	0.0	295.0	305.0	-20.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ	230.0	232.0	N/A	230.0	235.0	N/A
Steer Knuckles	255.0	260.0	250.0	255.0	5.0	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
	26-Apr-17		19-Apr-17			27-Apr-16		
<u>Domestic Cutouts</u>								
Choice Cutout	219.18		215.17		4.0	214.81		4.4
Select Cutout	205.72		202.00		3.7	205.59		0.1
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	218.0	221.0	215.0	219.0	2.0	217.0	220.0	1.0
85 CL Beef Trimmings	192.2	197.0	189.0	198.0	-1.0	194.0	202.0	-5.0
50 CL Beef Trim	106.9	115.1	97.9	112.8	2.4	46.0	78.0	37.1
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	30.1	42.3	29.9	40.3	2.0	45.0	53.3	-11.0
72 CL Pork Trim	70.0	88.3	65.0	87.3	1.0	80.0	103.8	-15.5
<u>Point of Lean Values</u>								
90 CL Domestic	245.6		243.3		2.2	244.4		1.1
50 CL Beef Trimming	230.2		225.5		4.7	156.0		74.2
42 CL Pork Trim	100.6		95.8		4.8	126.8		-26.2
72 CL Pork Trim	122.6		121.2		1.4	144.1		-21.5
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	131.60		128.03		3.6	126.38		5.2

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	26-Apr-17	19-Apr-17			27-Apr-16	
<u>Live Cattle Futures</u>						
June '17	118.525	115.875	↑	2.65	117.800	↑ 0.73
August '17	114.775	112.225	↑	2.55	114.700	↑ 0.08
October '17	113.750	111.350	↑	2.40	114.375	↓ -0.63
December '17	114.600		↑	114.60	114.325	↑ 0.27
<u>Feeder Cattle Futures</u>						
May '17	142.075	140.100	↑	1.97	145.075	↓ -3.00
August '17	145.850	142.775	↑	3.07	144.300	↑ 1.55
September '17	146.275	142.750	↑	3.53	144.375	↑ 1.90
October '17	145.525		↑	145.53	144.375	↑ 1.15
<u>Corn Futures</u>						
May '17	359	361 1/2	↓	-2.50	380 3/4	↓ -21.75
July '17	366 3/4	368	↓	-1.25	384 3/4	↓ -18.00
September '17	373 3/4	375 1/2	↓	-1.75	385 1/2	↓ -11.75
December '17	384 1/4	385 3/4	↓	-1.50	390 1/2	↓ -6.25
<u>Ch Wheat Futures</u>						
May '17	407 3/4	420 3/4	↓	-13.00	474 1/4	↓ -66.50
July '17	426 1/2	435 1/2	↓	-9.00	483 1/2	↓ -57.00
September '17	439 1/4	449 1/2	↓	-10.25	493 1/4	↓ -54.00
December '17	462	471 1/5	↓	-9.20	510 1/4	↓ -48.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	26-Apr-17	19-Apr-17			27-Apr-16	
Total Cattle Slaughter	603,000	586,000	↑	17,000	589,000	↑ 14,000
	8-Apr-17	1-Apr-17			9-Apr-16	
Total Cow Slaughter	108,314	109,595	↓	-1,281	98,876	↑ 9,438
Dairy Cow Slaughter	57,455	57,706	↓	-251	53,894	↑ 3,561
Beef Cow Slaughter	50,859	51,889	↓	-1,030	44,982	↑ 5,877

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

YTD Imported Meat Passed for Entry in the US

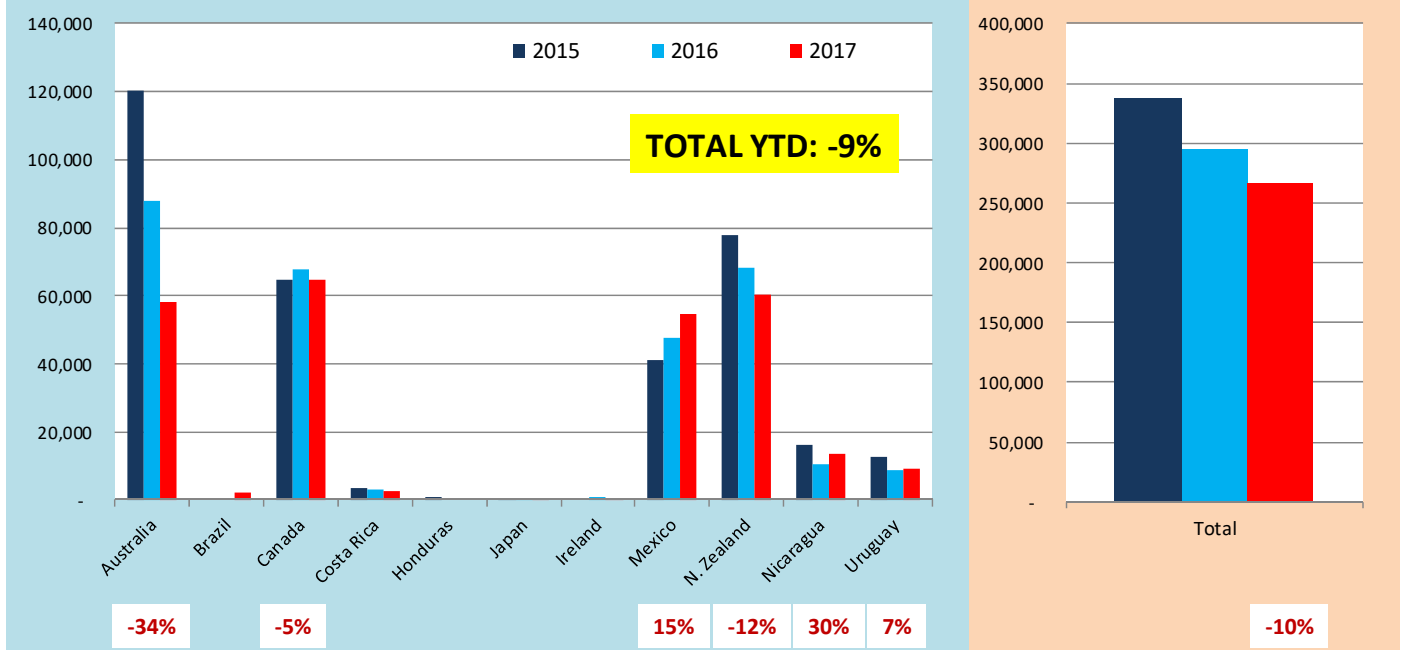
week 15	4/9/2016	4/15/2017		
Australia	88,107	58,285	(29,822)	-33.8%
Brazil		2,008		
Canada	67,719	64,640	(3,079)	-4.5%
Chile	163	112	(51)	-31.3%
Costa Rica	2,853	2,798	(55)	-1.9%
Honduras			-	
Japan	62	90	28	45.2%
Ireland	835	648	(187)	-22.4%
Mexico	47,459	54,682	7,223	15.2%
New Zealand	68,375	60,297	(8,078)	-11.8%
Nicaragua	10,597	13,765	3,168	29.9%
Uruguay	8,553	9,138	585	6.8%
Total	294,723	266,567	(28,156)	-9.6%

Source: USDA/FSIS

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

Imports as of April 15, 2017

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

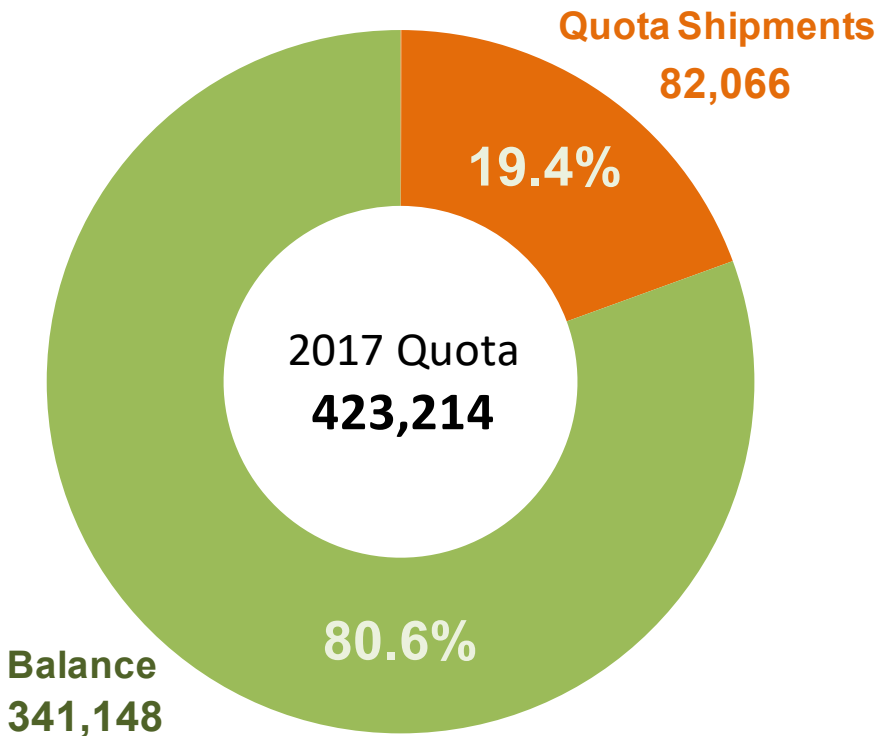


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

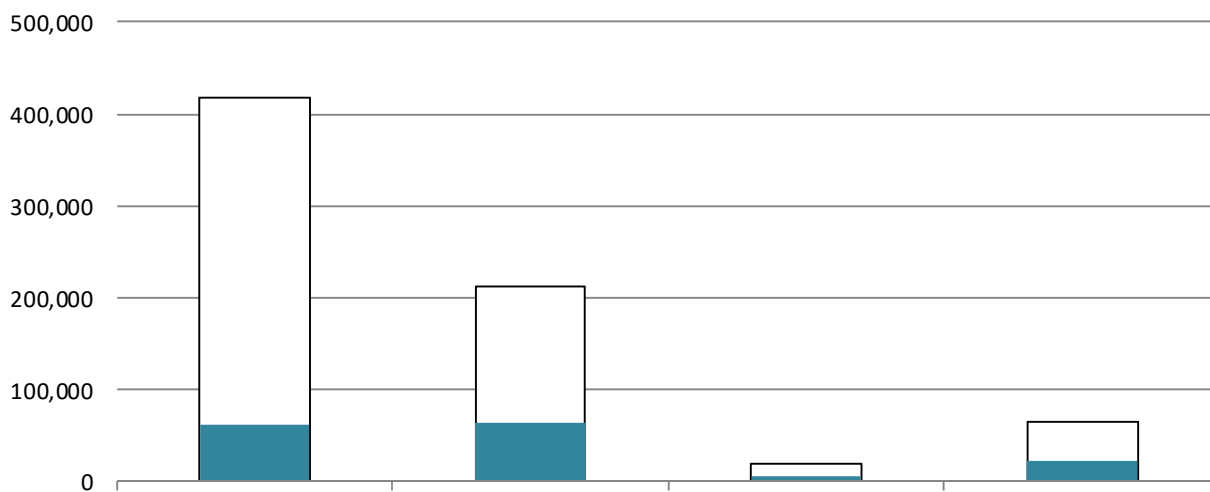
24-Apr-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending April 24

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	85,051,752	68,827,968	5,113,565	13,407,231
2017 YTD	61,855,636	63,190,759	6,780,627	21,921,187
% ch.	-27%	-8%	33%	64%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	15%	30%	34%	34%