



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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

Market Highlights for the Week:

- Imported prices for the most part steady this week on limited trading
- Overseas asking prices continue to be quite firm and generally higher than what US end users looking to pay
- Domestic prices slowly drifting lower, in line with the 3-year seasonal price trend
- New Zealand cow slaughter under last year and expected to be relatively limited through early November
- US beef cow slaughter up 13% in the last three months as dry conditions forced producers to liquidate herds in a number of Northern states
- Active retail features limiting fed beef supplies in the spot market in late Sep/early Oct

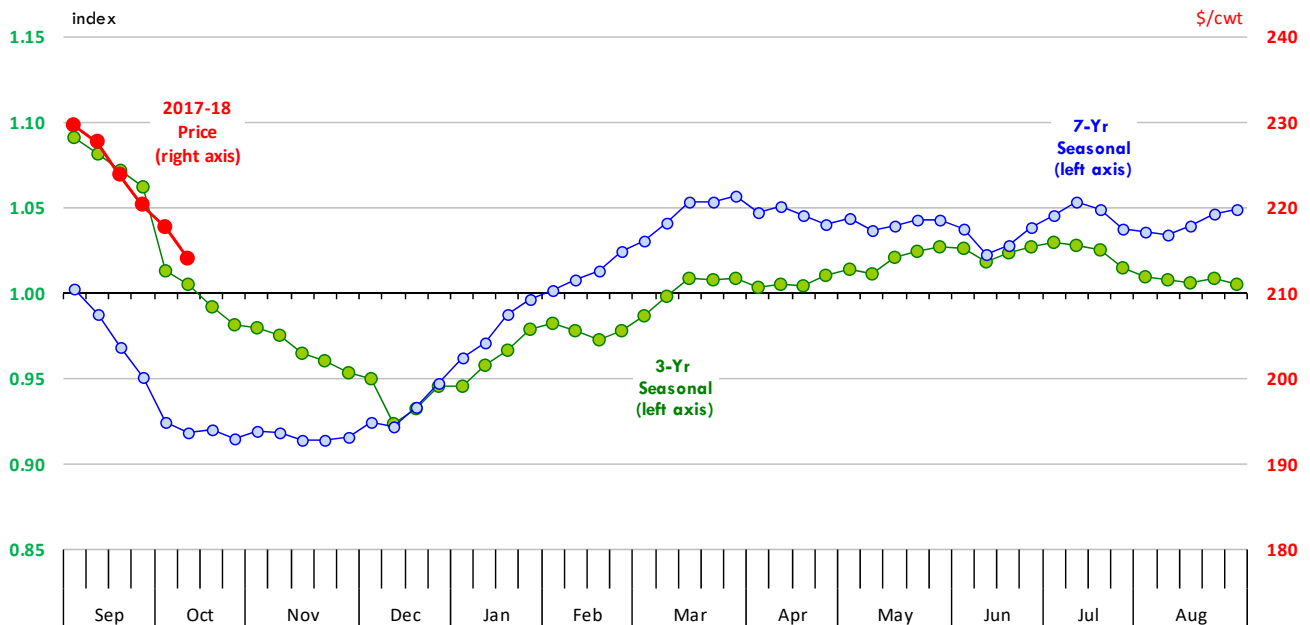
Imported Market Activity for the Week

Prices for imported beef prices were steady this week, with lean and extra lean values priced near the same levels as a week ago. A two tier market is expected to develop in the short term given the lack of supply in the spot market and generally higher than expected prices for domestic product. Availability is expected to improve in Q1 of 2018 due to seasonal increases in imports from New Zealand and Uruguay. While domestic lean beef values are mod-

estly lower from the levels we saw in September, the sharp value erosion that some market participants were expecting has not yet materialized. However, current prices have so far traded in line with the 3-year seasonal tendency and, if that trend continues to hold, it may be yet possible to see domestic lean beef prices test the \$200 mark. Market participants in the US point to reduced offerings and higher prices from Australian suppliers. Improved pasture conditions have reportedly reduced the pressure on Australian producers to send cattle to market and

Seasonality of Fresh US Domestic 90CL Beef Trim

Current Price vs. 3-Yr and 7-Yr Seasonal



helped lift cattle prices in the country. Demand from Asian markets for Australian beef is reportedly good. New Zealand supplies are slowly starting to show up but US participants still indicate that they are not seeing a significant increase in New Zealand offerings. Last year New Zealand cattle slaughter remained under 40,000 head per week until late November, largely due to fewer cows coming to market than in previous years. It is likely New Zealand packers do not want to overcommit for late Nov/Dec deliveries.

Imported beef availability in spot/forward time slots

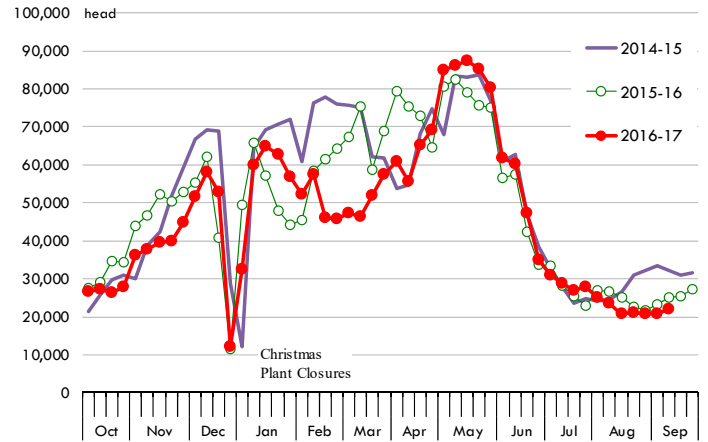
Market participants are offering somewhat different accounts about this topic. In a way it depends on how individual importers are positioned. There are some participants that continue to indicate spot supplies are tight and they find it difficult to secure product overseas. Asking prices there continue to be firm and generally higher than what US market can support at this time. However, those importers/traders that have some inventory continue to struggle to draw bids. Selling product that you already own may require some concessions but then finding replacements in Australia is difficult. Some traders may be selling inventory and then hoping to get an opportunity to replace in a few weeks when New Zealand slaughter picks up. It is a difficult juggling act.

US non-fed slaughter and factors driving it

As we mentioned earlier, domestic lean and extra lean grinding beef supplies are drifting lower, which is normal for this time of year. Non-fed slaughter in the last two weeks has pulled back modestly, in part because of the large number of cows that showed up in the market during July, August and September. Drought in a number of northern States has pushed more cows to market earlier than normal this year and slaughter data appears to confirm this. We looked at weekly slaughter for the period Jul, August and September (Sep data is through Sep 23). The data shows that during this period total cow slaughter was 1.304 million head, 110,500 head (+9%) higher than the previous year. Beef cow slaughter during this period was 625,600 head 69,600 head (+13%) higher than a year ago. Dairy cow slaughter at 678,000 head was 40,900 head (+6%) higher than last year. Much of the increase in beef cow slaughter is due to more cows coming to market in Region 10, which includes Idaho, Oregon

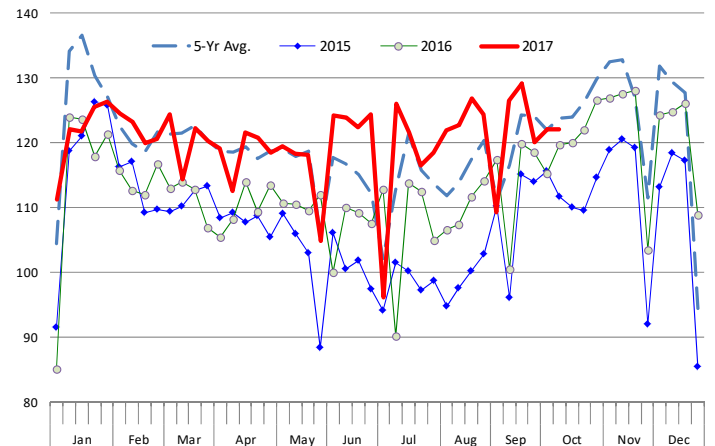
New Zealand Weekly Adult Cattle Slaughter

Based on Oct - Sep Marketing Year. Source: New Zealand Meat Board



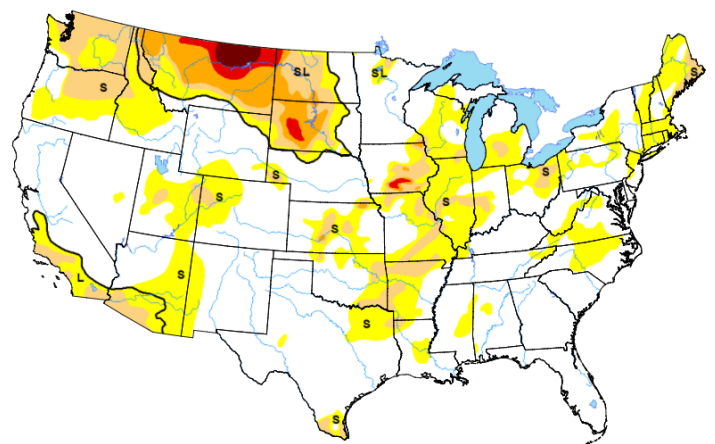
Weekly US Cow and Bull Slaughter

000 Head. Data Source: USDA



Map for October 5, 2017

Data valid: October 3, 2017 | Author: Anthony Artusa, NOAA/NWS/NCEP/CPC



and Washington State. This region also includes a number of cow slaughter plants so cows from surrounding states as well as Saskatchewan likely were processed in these states. Beef cow slaughter in Region 10 during this period was 41,800 head, 26,600 head

(175%) higher than a year ago. The increase in slaughter in this region alone accounted for almost 40% of the entire increase in beef cow slaughter for the period. Cow slaughter in Region 6 (AR, LA, NM, OK & TX) was 171,200 head, 30,800 head (+22%) higher than the previous year. The slaughter increase in the Southern Plains is largely a reflection of the larger cow herd and increased impetus to send marginal cull cows to market this summer. The increase in slaughter in region 10, however, is likely driven by drought conditions in the region. We think the drought conditions in this region likely added 4 percentage points to beef cow slaughter during this period.

Tight spot beef supplies in the US market indicate robust retail demand going into the fall

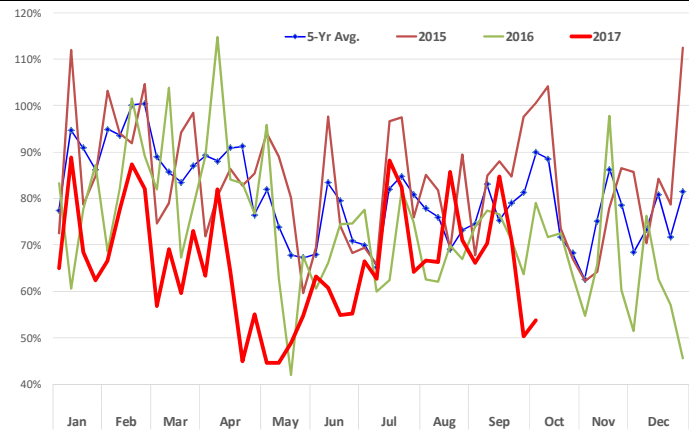
Only a percentage of the beef that is processed on a daily basis is traded/negotiated. Over the years end users have sought to benefit from the increased transparency of the Mandatory Price Reporting system and have shifted more of their purchases on a formula basis. But there is still some product that participants still negotiate and this process makes up the crux of the market discovery process. Sometimes retailers will book a lot of product on a forward basis to support features for specific marketing windows. Sometimes exporters will place big orders with packers in order to service major customers. And sometimes foodservice operators will decide to run promotions and look to cover those needs. When some or all of these things happen, then the cattle processed in a given day or week will go towards those standing orders, reducing the amount of product available in the spot market. Offer prices tend to be firm when there are 5 rather than 15 or 20 loads to sell. The reverse is also the case. When the packer is left with a lot of product to sell on a given week suddenly negotiated volume will pick up, often resulting in lower prices. Looking at the ratio of choice beef loads to fed slaughter (see chart), the ratio is significantly lower than it was a year ago comparable to the levels we saw during the spring. More product is either spoken for or going to fill formula orders, leaving less product available in the spot market and helping support beef prices in the short term.

Domestic Price Summary

Prices for 90CL boneless beef were quoted at 220.5 US cents on the top side, 3.6 cents lower than a week ago but still 22.5 cents higher than year ago

RATIO OF CHOICE BEEF LOADS SOLD IN THE SPOT NEG. MARKET VS. FED CATTLE SLAUGHTER

Ratio Calculated by Steiner Consulting. Based on Weekly Data from USDA Mandatory Price Reporting System and USDA/AMS Slaughter



levels. **The weighted average price tonight was quoted at 214.5 cents, 3 cent lower than a week ago.** 85CL beef trim price on the top side was quoted tonight at 185 cents, 2.8 cent lower compared to last week but and the same price as a year ago. 50CL beef price was 51 cents on the high side, 5.6 cents higher than last week and 14.6 cents higher than last year. Prices for fat beef trim on a weighted average basis were around 44 cents

Prices for 42CL and 72CL pork trim were mixed compared to the previous week. Higher supplies into the fall should keep the pork trim market 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
	10-Oct-17	3-Oct-17		11-Oct-16	
CME FEEDER CATTLE INDEX	155.22	155.65	-0.3%	126.93	22.3%
	11-Oct-17	4-Oct-17		12-Oct-16	
FED STEER (5-MKT AVG)	109.43	107.98	1.3%	100.80	8.6%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	117.00	114.50	2.2%	114.00	2.6%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	110.50	111.50	-0.9%	109.50	0.9%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	99.00	100.00	-1.0%	99.00	0.0%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	170.84	172.28	-0.8%	155.84	9.6%

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
	11-Oct-17	11-Oct-17	4-Oct-17	4-Oct-17		12-Oct-16	12-Oct-16	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	226.0	227.0	225.0	226.0	1.0	198.0	202.0	25.0
90 CL Blended Cow	209.0	210.0	209.0	210.0	0.0	184.0	186.0	24.0
90 CL Shank	207.0	208.0	205.0	207.0	1.0		UNQ	N/A
85 CL Fores	189.0	191.0	189.0	191.0	0.0	175.0	177.0	14.0
85 CL Chucks		UNQ		UNQ	N/A	178.0	179.0	N/A
95 CL Bull, W. Coast	225.0	226.0	224.0	225.0	1.0	195.0	200.0	26.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	188.0	190.0	188.0	190.0	0.0	174.0	176.0	14.0
80 CL Trimmings	173.0	175.0	170.0	175.0	0.0	155.0	156.0	19.0
75 CL Trimmings	160.0	161.0	160.0	161.0	0.0	137.0	140.0	21.0
65 CL Trimmings	113.0	114.0	113.0	114.0	0.0		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	275.0	280.0	275.0	280.0	0.0	275.0	280.0	0.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	210.0	215.0	210.0	215.0	0.0		UNQ	N/A
Steer Knuckles	245.0	250.0	245.0	250.0	0.0		UNQ	N/A

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	11-Oct-17		4-Oct-17			12-Oct-16		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	236.0	237.0	236.0	237.0	0.0	210.0	213.0	24.0
90 CL Blended Cow	215.0	217.0	216.0	217.0	0.0	193.0	195.0	22.0
90 CL Shank	214.0	215.0	214.0	215.0	0.0	195.0	197.0	18.0
85 CL Fores	194.0	195.0	194.0	195.0	0.0	182.0	183.0	12.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	234.0	235.0	234.0	235.0	0.0	210.0	211.0	24.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	193.0	194.0	193.0	194.0	0.0	181.0	183.0	11.0
80 CL Trimmings	180.0	182.0	181.0	182.0	0.0	165.0	166.0	16.0
75 CL Trimmings	169.0	170.0	169.0	170.0	0.0	150.0	153.0	17.0
65 CL Trimmings	120.0	121.0	120.0	121.0	0.0		UNQ	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	280.0	285.0	280.0	285.0	0.0	285.0	287.0	-2.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	225.0	230.0	225.0	230.0	0.0		UNQ	N/A
Steer Knuckles	255.0	260.0	255.0	260.0	0.0		UNQ	N/A

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	11-Oct-17		4-Oct-17			12-Oct-16		
<u>Domestic Cutouts</u>								
Choice Cutout	196.32		197.41		-1.1	181.50		14.8
Select Cutout	188.76		189.55		-0.8	172.17		16.6
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	211.0	220.5	217.0	224.0	-3.6	185.0	198.0	22.5
85 CL Beef Trimmings	182.0	185.0	172.0	187.8	-2.8	161.4	185.0	0.0
50 CL Beef Trim	47.0	51.0	42.0	45.4	5.6	28.3	36.4	14.6
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	25.0	37.3	30.0	38.3	-1.0	22.0	30.0	7.3
72 CL Pork Trim	60.4	81.3	62.0	80.3	1.0	38.0	57.3	24.0
<u>Point of Lean Values</u>								
90 CL Domestic	244.9		248.9		-3.9	220.0		24.9
50 CL Beef Trimming	102.0		90.9		11.1	72.8		29.2
42 CL Pork Trim	88.7		91.1		-2.4	71.4		17.3
72 CL Pork Trim	112.8		111.5		1.4	79.5		33.3
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	109.43		107.98		1.5	100.80		8.6

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From	
			Week	Week		Last Year	Last Year
	11-Oct-17	4-Oct-17			12-Oct-16		
<u>Live Cattle Futures</u>							
October '17	113.775	109.075	↑	4.70	102.850	↑	10.93
December '17	118.525	114.925	↑	3.60	103.050	↑	15.48
February '18	122.175	118.925	↑	3.25	103.575	↑	18.60
April '18	122.675	120.250	↑	2.43	103.050	↑	19.63
<u>Feeder Cattle Futures</u>							
October '17	154.150	152.100	↑	2.05	127.450	↑	26.70
November '17	155.675	153.500	↑	2.18	122.850	↑	32.83
January '18	154.250	151.025	↑	3.22	119.300	↑	34.95
March '18	152.100	149.000	↑	3.10	119.300	↑	32.80
<u>Corn Futures</u>							
December '17	346	348 1/4	↓	-2.25	347 3/4	↓	-1.75
March '18	359 1/2	361 1/4	↓	-1.75	357 1/2	↑	2.00
May '18	368	370 1/4	↓	-2.25	364 1/2	↑	3.50
July '18	375 3/4	378 1/4	↓	-2.50	371 1/2	↑	4.25
<u>Ch Wheat Futures</u>							
December '17	433 1/4	442	↓	-8.75	405	↑	28.25
March '18	452 1/4	460 1/2	↓	-8.25	425 3/4	↑	26.50
May '18	464 3/4	474 1/4	↓	-9.50	439 1/2	↑	25.25
July '18	478 1/2	486 1/4	↓	-7.75	450 3/4	↑	27.75

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	11-Oct-17	4-Oct-17			12-Oct-16		
<u>Total Cattle Slaughter</u>	641,000	636,000	↑	5,000	614,000	↑	27,000
	23-Sep-17	16-Sep-17			24-Sep-16		
<u>Total Cow Slaughter</u>	116,874	114,303	↑	2,571	107,600	↑	9,274
<u>Dairy Cow Slaughter</u>	60,206	60,599	↓	-393	58,200	↑	2,006
<u>Beef Cow Slaughter</u>	56,668	53,704	↑	2,964	49,400	↑	7,268

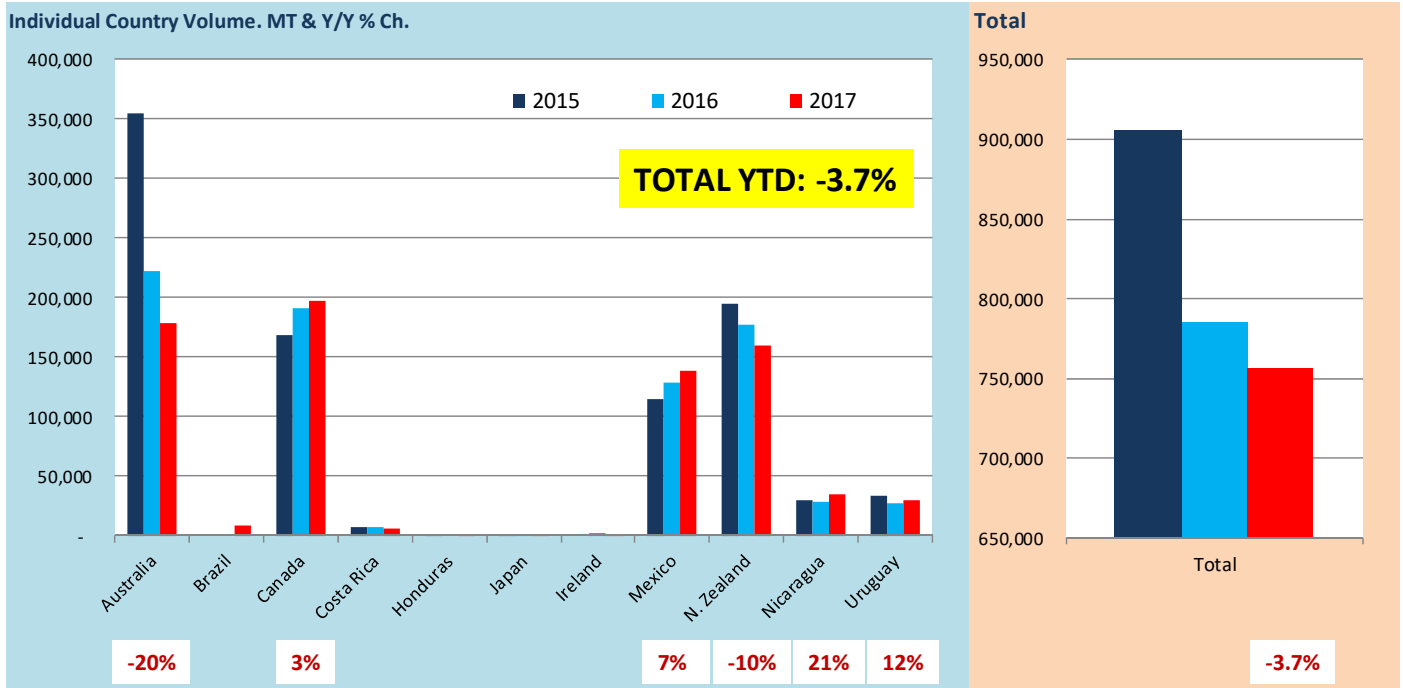
TABLE 7 - US BEEF IMPORTS (Source: USDA/AMS)

YTD Imported Fresh Beef Passed for Entry in the US

week 39	9/24/2016	9/30/2017		
Australia	221,948	178,495	(43,453)	-19.6%
Brazil	-	9,022		
Canada	191,448	197,525	6,077	3.2%
Chile	391	202	(189)	-48.3%
Costa Rica	7,283	6,356	(927)	-12.7%
Honduras	-	285	285	
Japan	172	250	78	45.3%
Ireland	1,940	1,783	(157)	-8.1%
Mexico	128,854	138,111	9,257	7.2%
Netherlands	-	228		
New Zealand	177,674	159,404	(18,270)	-10.3%
Nicaragua	28,395	34,365	5,970	21.0%
Uruguay	27,243	30,556	3,313	12.2%
Total	785,348	756,583	(28,765)	-3.7%

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

Imports as of September 30, 2017

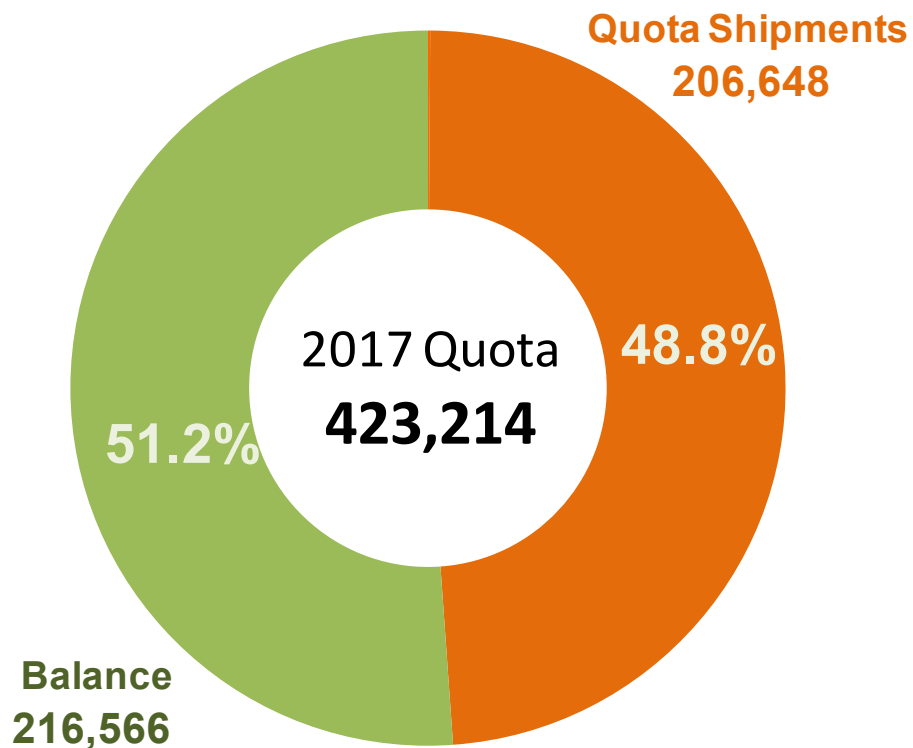


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

9-Oct-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending October 9

Source: US Customs

