



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume XVII, Issue 42

October 20, 2017

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Notice: This report will now be published on Friday, US Time. We hope this will allow us to present a more complete picture of the market activity for the week and also include the weekly production figures from USDA.

Market Highlights for the Week:

- Imported prices started the week on a soft note but found some stability as the week progressed
- Spot imported beef supplies are particularly thin, especially for lean and extra lean grinding beef
- Offerings from New Zealand remain limited but expectations for higher supplies early next year have created a two tier market, depending on when product will be available for delivery
- US lean grinding beef prices as reported by USDA remain well above year ago levels, mirroring the situation in the broader US beef market
- Customer traffic at established fast food chains continues to decline and these are the key customers for imported grinding beef
- US inventory of cattle on feed on October 1 was 10.813 million head, 5.4% higher than a year ago

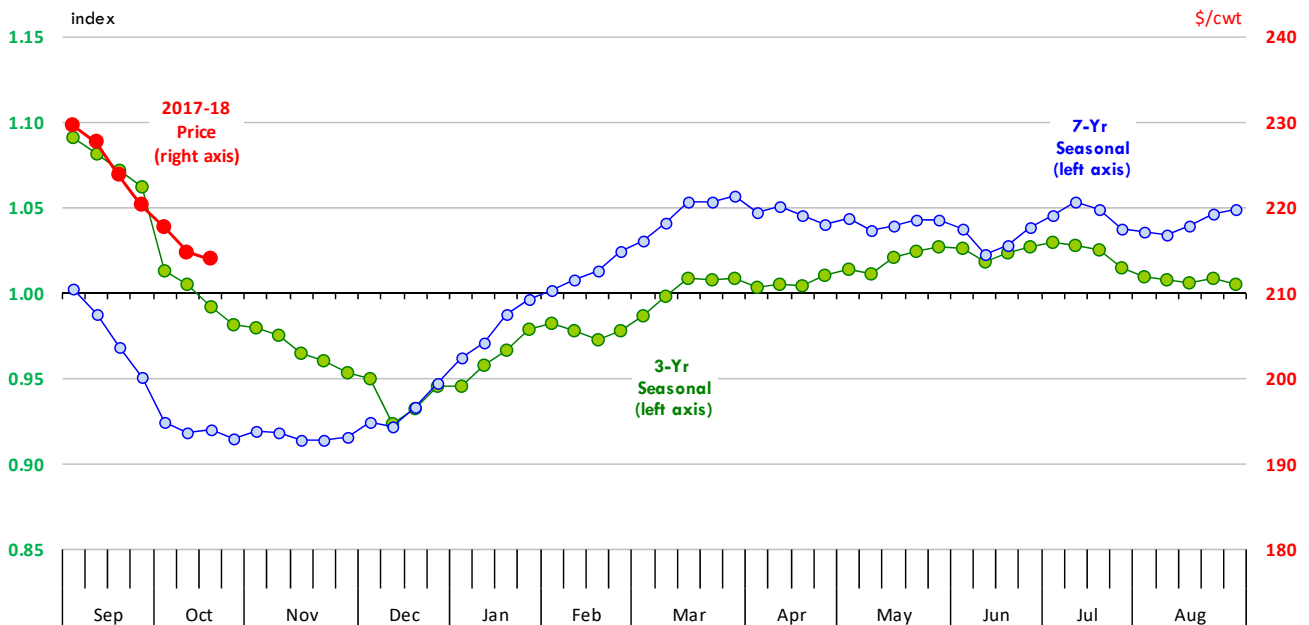
Imported Market Activity for the Week

Prices for imported beef prices were lower earlier in the week but appeared to find some stability as market participants once again have to contend with tight spot supplies and limited offerings from overseas suppliers. Participants we contacted during the week noted that demand was mostly for

lean and extra lean product for Nov/Dec delivery. Spot market is very thin and some users that took on shorts earlier back in Aug/Sep now are looking to deliver against those orders. The two tier market we noted yesterday remains in place, largely reflecting expectations for increased availability from New Zealand and South America in early 2018.

Seasonality of Fresh US Domestic 90CL Beef Trim

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

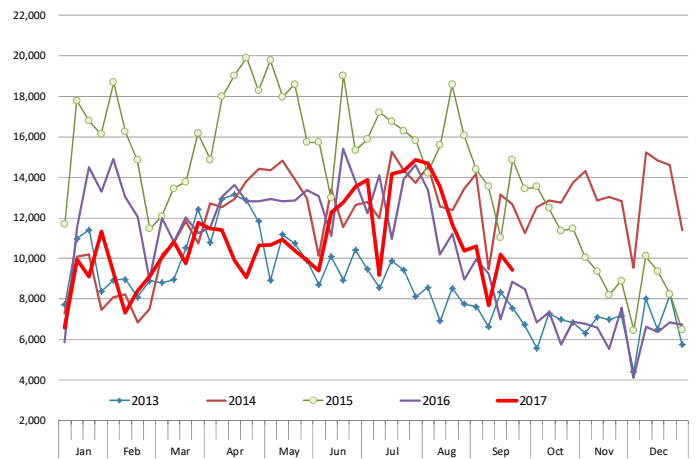


We opted to show on page 1 the same chart we had the previous week. The big debate in the US market at this point is about the direction of domestic lean beef prices in the next two months. Some market participants noted there were domestic suppliers offering product well below quoted USDA sheet and yet finding few bids. Our expectation based on that information was that eventually USDA prices would close lower on Friday. Yet, the USDA price quoted was about the same as it was last week. Prices for 85CL trim were also fully steady this week. The seasonal tendency is for lean beef prices to be lower in October/November but it appears that domestic prices may not follow that seasonal as closely as we earlier thought. While at some point we thought it was possible to see domestic lean beef come close to \$200/cwt, now it appears that prices may perform better than that. Wholesale beef prices have also performed better than earlier expected and fed cattle futures have rallied on expectations of robust beef demand later this year.

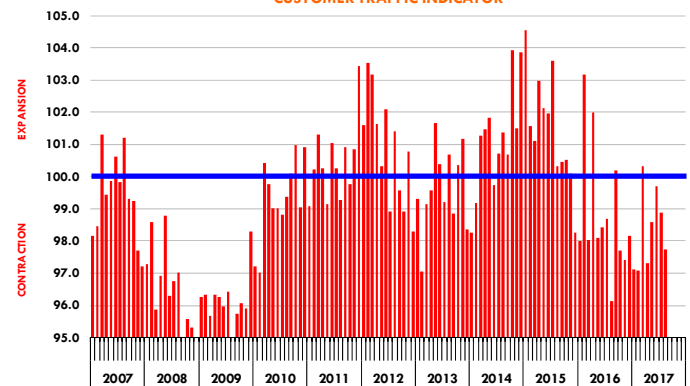
Grinding beef imported volume trending lower

Seasonally the supply of imported grinding beef declines into the fall and this year is no different. The main reason is limited availability from New Zealand and Uruguay. Normally the largest amount grinding beef coming to the US is in Apr/May but this year that was delayed due to the shortfall in New Zealand slaughter. Eventually New Zealand slaughter picked up and this was reflected in larger supplies coming into the US in Jul/Aug. For the week ending October 14, total imports of fresh/frozen beef were 17,587 MT, 1% higher than a year ago but down as much as 8,000 MT from the levels we observed in late July. Beef imports from grinding beef supplying countries were 8,810 MT, 20% higher than the extremely low levels of 2016 but down from the +14,000 MT that was coming into the US in Jul/Aug. Imports from grinding beef supplying countries are expected to remain limited through the end of the year. New Zealand slaughter normally starts to slowly increase at this time of year but availability generally is lower. We do not expect to see significant volumes of extra lean grinding beef from New Zealand until January of next year. Cow slaughter in New Zealand is expected to have a slow start and for the year slaughter is expected to be steady with year ago levels. Dairy prices in global markets for New Zealand product remain firm, especially for butterfat. Weather is always a wild card, as proved to be the case last year.

BEEF IMPORTS FROM MAJOR GRINDING BEEF EXPORTING COUNTRIES. FR/FZ BEEF ONLY. METRIC TON
Data Source: USDA Livestock, Poultry & Grain Market News



RESTAURANT PERFORMANCE INDEX
CUSTOMER TRAFFIC INDICATOR



If beef imports are down, why is lean imported beef trading at a discount?

This has indeed been a puzzle. Our inclination is to look at demand from established fast food chains and the broader trends in traffic. Retail domestic ground beef demand we think remains quite good and retailers continue to feature ground beef at attractive prices. But most of that demand is geared towards fresh domestic product. The latest data from the National Restaurant Association reported the foot traffic index for August at 97.7 (values under 100 indicate contraction). For the period Mar-Jun the index averaged 99 points. Last year the index was at around 100.2 in the month of September. We view the RPI as an indicator of performance at established chains as they tend to be members of NRA and participate in the survey. Those chains continue to have trouble with increased competition from grocery stores, delivery services. Newer concepts have become more competitive by offering fresh menus and, often, offering hamburger options that advertise attributes such as local, grass fed and always made with fresh beef. This has been an issue for the industry in the last couple of years but it manifests itself more prominently during times when

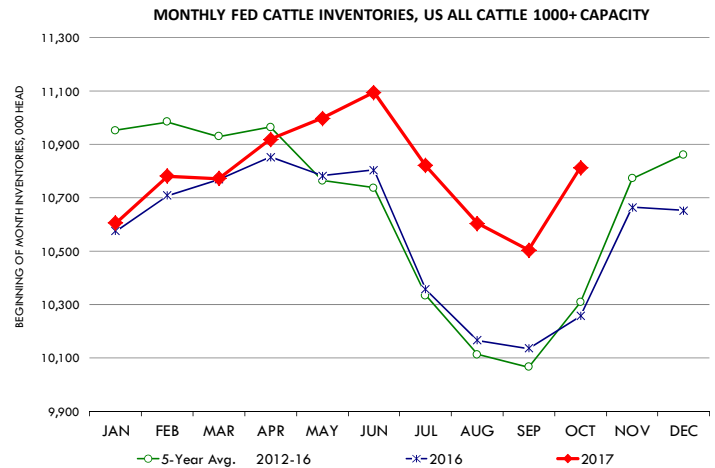
demand seasonally declines. Some market participants also noted some short term issues with regard to purchasing from some end users but at this point we are not in a position to verify such claims. Going forward, it appears to us that imported beef will likely continue to trade at a discount to domestic. This is predicated on the assumption that imported beef supplies will follow a more normal, seasonal trend earlier in 2018. We expect the spread to be relatively narrow, however, given the lack of imported beef availability in the spot market during Q4 of this year.

US Feedlot Supplies Continue to Increase

US feedlots placed significantly more cattle on feed than market participants were expecting. Ahead of the report analysts on average expected placements to increase 7.5% but the USDA survey pegged placements 13.5% higher than a year ago. The higher placements are consistent with feeder sales data, which also showed a similar increase in sales of cattle over 600 pounds. Keep in mind, however, that placements last year were particularly light in Sep/Oct. This was the largest placement figure for the month of September since September 2011. Ample feed supplies and low costs continue to encourage producers to place more cattle on feed.

Fed cattle prices for Feb/Apr have rallied recently but the recent placement data may put some pressure on those spreads. Feedlot placements were higher across all categories. Most of the increase in Texas placements came from cattle 600 pounds and under. Nebraska accounted for the bulk of the overall increase in placements. While total placements increased by 255,000 head from a year ago, 40% of that increase was accounted by Nebraska. And the majority of those cattle was over 700 pounds. We think that should put some pressure on the Dec/Jan spread, which has widened considerably in the last two months.

The number of cattle that on October 1 had been on feed for more than 120 days was 3.139 million head, 1.6% less than the previous year. However, we expect that the +120 day supply will be almost 5% larger y/y by November 1. Cattle slaughter should be quite robust in Q4 as feedlots look to maintain currentness. Packers were quite aggressive in selling forward for Q4 and it appears that the cattle will be there to support those sales. Futures have rallied in the last month on expectations of robust beef demand for year-end holidays and relatively current feedlot supplies. Large placements in September and we think October as well, should bolster supplies for early next spring.



Cattle marketings for September were 2.9% higher than a year ago, which is consistent with fed cattle slaughter for the month (up 2.8%). Fed slaughter will likely be a key item to focus in the next few weeks. Marketings will have to stay high in order to avoid a carwreck in Jan/Feb. Current inventory is up 5.4% and it will likely be up 5.7% on Nov. 1. As long as feedlots are able to stay current in their marketings all will be good. This is predicated on excellent domestic and export demand. Trade disruptions, a stronger US\$, or a downturn in equity markets (negative wealth effect) could spell trouble for the cattle market in early 2018.

Takeaway: US fed cattle supplies should continue to expand in 2018 due to an ever increasing calf crop. However, part of the reason for the increase in placements recently is due to more heifers going into the feedlot rather than being held back for herd rebuilding. The latest survey showed that heifer and heifer calf inventories in feedlots are up 13% compared to a year ago while the inventory of steers and steer calves is up just 1.6% compared to last year.

Domestic Price Summary

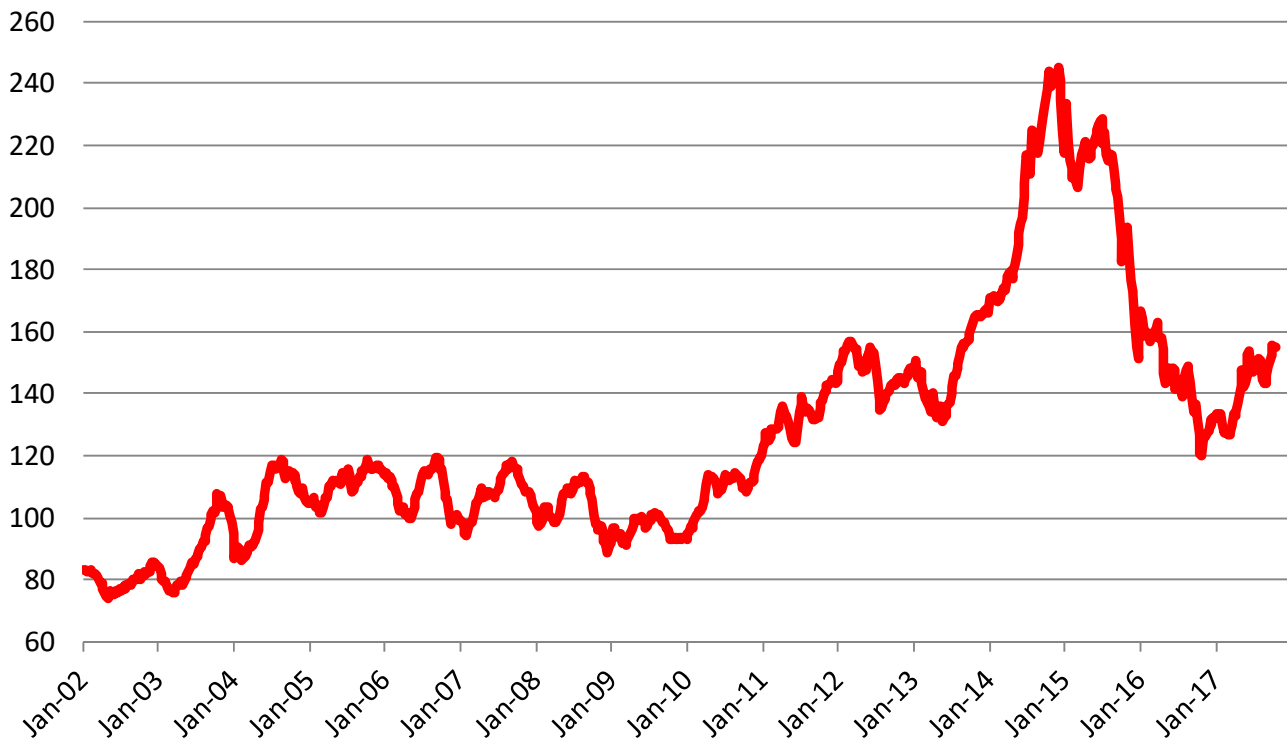
Prices for 90CL boneless beef were quoted at 217 US cents on the top side, 3.4 cents lower than a week ago but still 22 cents higher than year ago levels. **The weighted average price tonight was quoted at 214.17 cents, the same as a week ago.** 85CL beef trim price on the top side was quoted tonight at 184.57 cents, steady compared to last week 18 cents higher than a year ago. 50CL beef price was 65 cents on the high side, 14 cents higher than last week and 32 cents higher than last year. Prices for fat beef trim on a weighted average basis were around 60 cents, 16 cents higher than a week 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
	19-Oct-17	10-Oct-17		18-Oct-16	
CME FEEDER CATTLE INDEX	154.79	155.22	-0.3%	120.58	28.4%
	20-Oct-17	11-Oct-17		19-Oct-16	
FED STEER (5-MKT AVG)	110.01	109.43	0.5%	97.57	12.7%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	111.50	117.00	-4.7%	115.50	-3.5%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	105.50	110.50	-4.5%	107.50	-1.9%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	98.00	99.00	-1.0%	98.00	0.0%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	169.90	170.84	-0.6%	155.63	9.2%

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
	20-Oct-17	223.0	11-Oct-17	227.0		19-Oct-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	218.0	223.0	226.0	227.0	-4.0	205.0	206.0	17.0
90 CL Blended Cow	204.0	205.0	209.0	210.0	-5.0	185.0	192.0	13.0
90 CL Shank	205.0	206.0	207.0	208.0	-2.0	187.0	194.0	12.0
85 CL Fores	187.0	190.0	189.0	191.0	-1.0	176.0	179.0	11.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	217.0	220.0	225.0	226.0	-6.0	203.0	205.0	15.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	186.0	188.0	188.0	190.0	-2.0	175.0	178.0	10.0
80 CL Trimmings	172.0	173.0	173.0	175.0	-2.0	154.0	156.0	17.0
75 CL Trimmings	160.0	161.0	160.0	161.0	0.0		UNQ	N/A
65 CL Trimmings	114.0	115.0	113.0	114.0	1.0		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	270.0	275.0	275.0	280.0	-5.0	265.0	279.0	-4.0
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	240.0	245.0	245.0	250.0	-5.0		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
	20-Oct-17	23-Oct-17	11-Oct-17	14-Oct-17		19-Oct-16	19-Oct-16	
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	232.0	235.0	236.0	237.0	-2.0	211.0	214.0	21.0
90 CL Blended Cow	214.0	215.0	215.0	217.0	-2.0	195.0	198.0	17.0
90 CL Shank	214.0	215.0	214.0	215.0	0.0	197.0	200.0	15.0
85 CL Fores	191.0	194.0	194.0	195.0	-1.0	184.0	186.0	8.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	230.0	233.0	234.0	235.0	-2.0	210.0	213.0	20.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	190.0	192.0	193.0	194.0	-2.0	183.0	185.0	7.0
80 CL Trimmings	179.0	180.0	180.0	182.0	-2.0	165.0	166.0	14.0
75 CL Trimmings	169.0	170.0	169.0	170.0	0.0	155.0	160.0	10.0
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	275.0	280.0	280.0	285.0	-5.0	280.0	285.0	-5.0
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	250.0	255.0	255.0	260.0	-5.0		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
	20-Oct-17		11-Oct-17			19-Oct-16		
<u>Domestic Cutouts</u>								
Choice Cutout	199.86		196.32		3.5	178.54		21.3
Select Cutout	191.14		188.76		2.4	169.49		21.7
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	211.0	217.0	211.0	220.5	-3.4	191.0	195.0	22.0
85 CL Beef Trimmings	183.0	187.2	182.0	185.0	2.2	168.0	169.0	18.2
50 CL Beef Trim	57.4	65.0	47.0	51.0	14.0	30.5	33.0	32.0
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	23.8	37.3	25.0	37.3	0.0	25.0	31.3	6.0
72 CL Pork Trim	57.5	77.3	60.4	81.3	-4.0	39.0	58.3	19.0
<u>Point of Lean Values</u>								
90 CL Domestic	241.1		244.9		-3.8	216.7		24.4
50 CL Beef Trimming	130.0		102.0		28.0	66.0		64.0
42 CL Pork Trim	88.7		88.7		0.0	74.4		14.3
72 CL Pork Trim	107.3		112.8		-5.6	80.9		26.4
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	110.01		109.43		0.6	97.57		12.4

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

<i>Futures Contracts</i>	<i>Current Week</i>	<i>Prior Week</i>	<i>Change From Last Week</i>	<i>Last Year</i>	<i>Change From Last Year</i>
	20-Oct-17	11-Oct-17		19-Oct-16	
<u>Live Cattle Futures</u>					
October '17	111.675	113.775	↓ -2.10	102.850	↑ 8.83
December '17	116.600	118.525	↓ -1.93	103.050	↑ 13.55
February '18	121.275	122.175	↓ -0.90	103.575	↑ 17.70
April '18	121.525	122.675	↓ -1.15	103.050	↑ 18.48
<u>Feeder Cattle Futures</u>					
October '17	153.625	154.150	↓ -0.53	127.450	↑ 26.18
November '17	153.075	155.675	↓ -2.60	122.850	↑ 30.23
January '18	151.325	154.250	↓ -2.93	119.300	↑ 32.03
March '18	148.450	152.100	↓ -3.65	119.300	↑ 29.15
<u>Corn Futures</u>					
December '17	344 1/2	346	↓ -1.50	347 3/4	↓ -3.25
March '18	358 1/2	359 1/2	↓ -1.00	357 1/2	↑ 1.00
May '18	367 1/4	368	↓ -0.75	364 1/2	↑ 2.75
July '18	374 3/4	375 3/4	↓ -1.00	371 1/2	↑ 3.25
<u>Ch Wheat Futures</u>					
December '17	426	433 1/4	↓ -7.25	405	↑ 21.00
March '18	444 1/2	452 1/4	↓ -7.75	425 3/4	↑ 18.75
May '18	458 3/4	464 3/4	↓ -6.00	439 1/2	↑ 19.25
July '18	472 1/2	478 1/2	↓ -6.00	450 3/4	↑ 21.75

<i>Slaughter Information</i>	<i>7 Days Ending</i>	<i>7 Days Ending</i>	<i>Change From Last Week</i>	<i>7 Days Ending</i>	<i>Change From Last Year</i>
	21-Oct-17	14-Oct-17		22-Oct-16	
<u>Total Cattle Slaughter</u>	632,000	622,000	↑ 10,000	601,000	↑ 31,000
	7-Oct-17	30-Sep-17		8-Oct-16	
<u>Total Cow Slaughter</u>	115,690	113,336	↑ 2,354	109,100	↑ 6,590
<u>Dairy Cow Slaughter</u>	62,765	59,200	↑ 3,565	57,100	↑ 5,665
<u>Beef Cow Slaughter</u>	52,925	54,136	↓ -1,211	52,000	↑ 925

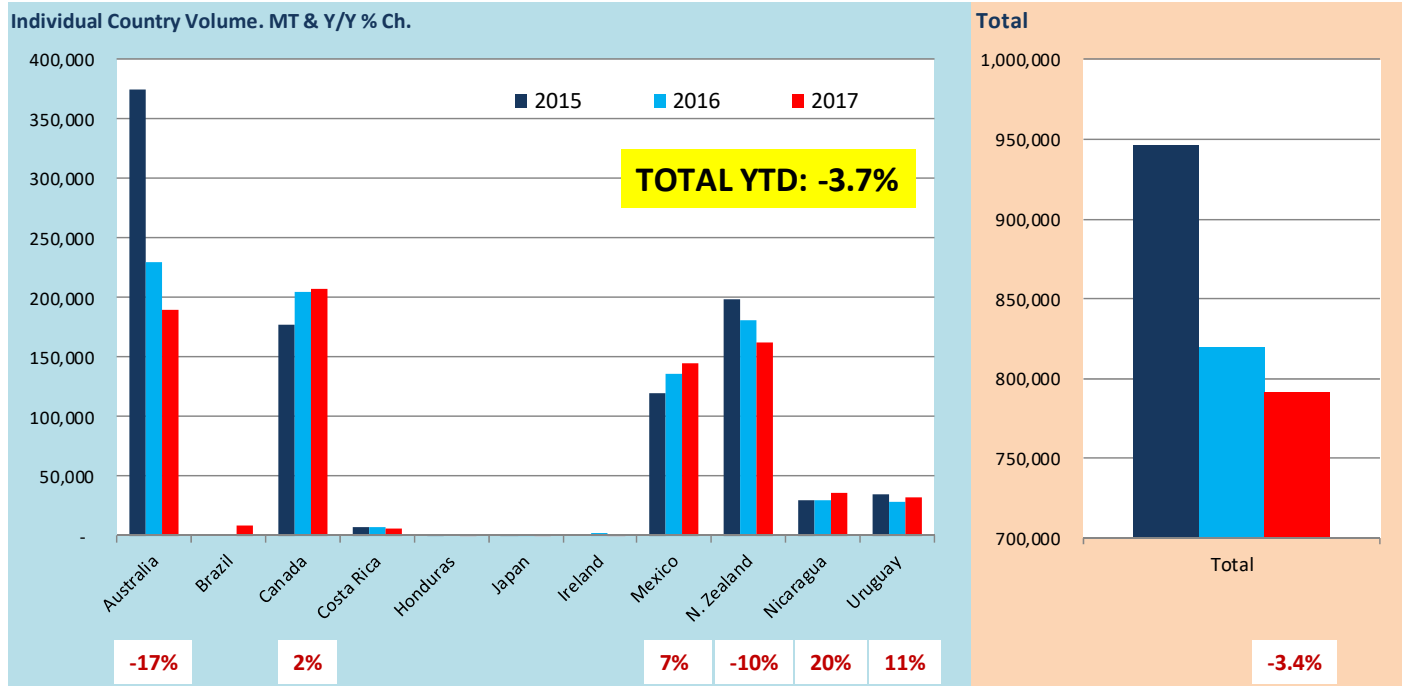
TABLE 7 - US BEEF IMPORTS (Source: USDA/AMS)

YTD Imported Fresh Beef Passed for Entry in the US

week 41	10/8/2016	10/14/2017		
Australia	229,684	189,858	(39,826)	-17.3%
Brazil	-	9,022		
Canada	204,383	207,938	3,555	1.7%
Chile	413	226	(187)	-45.3%
Costa Rica	7,583	6,522	(1,061)	-14.0%
Honduras	-	304	304	
Japan	191	258	67	35.1%
Ireland	2,024	1,835	(189)	-9.3%
Mexico	135,806	145,113	9,307	6.9%
Netherlands	-	228		
New Zealand	180,716	162,468	(18,248)	-10.1%
Nicaragua	30,123	36,081	5,958	19.8%
Uruguay	28,626	31,865	3,239	11.3%
Total	819,551	791,718	(27,833)	-3.4%

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

Imports as of October 14, 2017

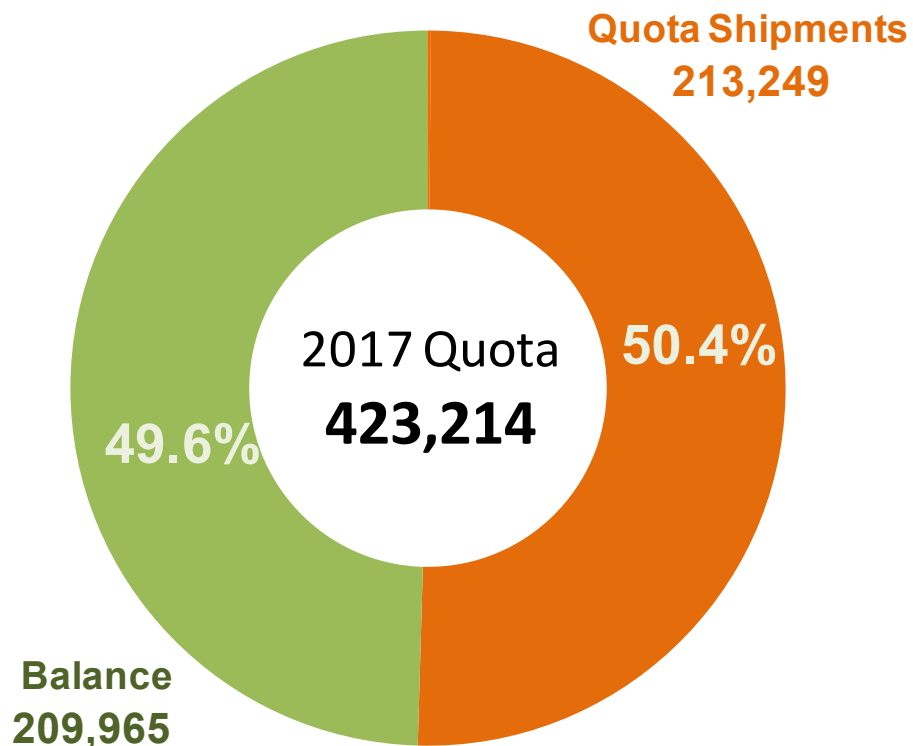


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

19-Oct-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending October 19

Source: US Customs

