



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

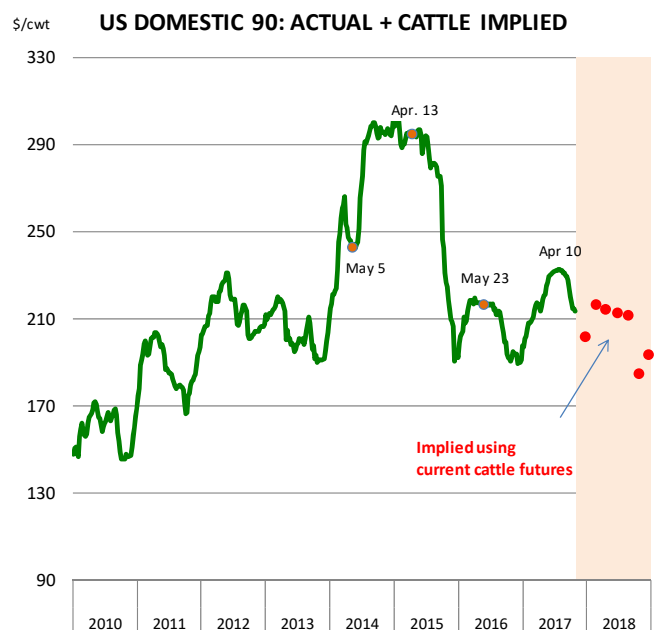
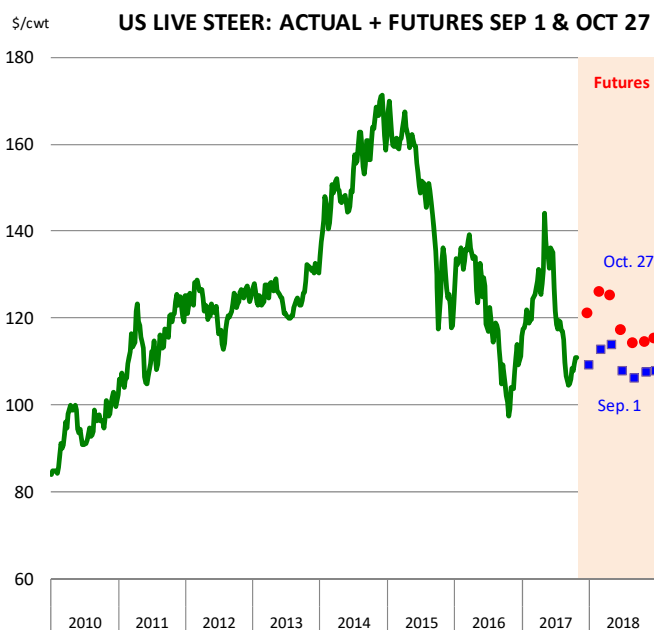
- Cattle slaughter averaged +5.5% y/y in September and early October. However, in the last two weeks slaughter has averaged just 0.9% above year ago
- The slowdown in slaughter has bolstered prices for a number of beef cuts, especially steak product and fat beef trimmings
- The price of 50CL beef trimmings jumped 18% compared to a week ago and it is now 88% higher than last year
- Fed steer prices are currently as much as 7% above last year on a dressed basis while the choice beef cutout is up 10.5%
- The pace of slaughter in the next three months will be key. Feedlot inventories are 5.4% higher than a year ago, with significantly more cattle scheduled to become market ready in February and March.
- Steer weights are well under last year and the decline in slaughter has reduced product availability in the spot market
- Imports of fresh/frozen beef rebounded this week and at 19,162 MT were 35% higher than the same week a year ago and the highest weekly volume since early September.

Imported Market Activity for the Week

Prices for imported beef prices were steady to higher this week on limited trading.

A number of market participants were in San Diego this week to attend the Annual Meeting of the US Meat Importer's Council of America (MICA). Steiner presented its regular outlook presentation and members can find a copy in the MICA website (micausa.com). The main takeaway from our discussions and outlook session is that while meat supplies

in the US continue to trend higher, robust demand has so far helped absorb the increase in supplies and we have not seen, and do not expect to see, the downward pressure on prices that markets were expecting not long ago. Imported beef prices this week continued to be supported by limited offerings from overseas suppliers and a more robust outlook for domestic lean grinding beef prices by the end of the year and in early 2018. While domestic lean beef values have been drifting lower in recent days, current prices remain above the \$210

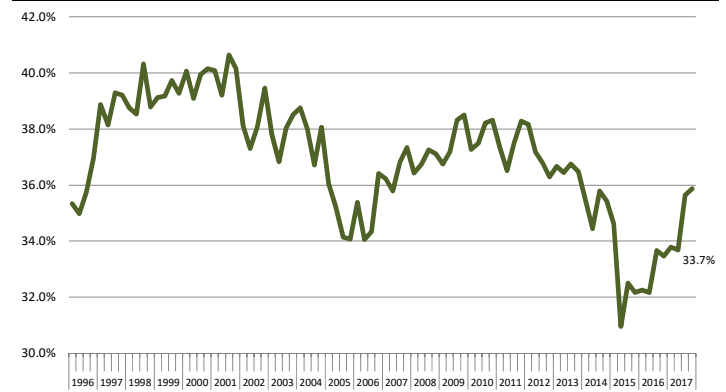


level. More important, in our mind, is the rally in fed cattle futures during the last few weeks, which has changed the risk perception of end users and their need to get more forward coverage. Winter and early spring cattle futures have seen the biggest gains, which is understandable since a big part of the recent up move has come as a response to firm cash prices for fed cattle. **Dec, Feb and April fed cattle futures are up as much as 11% in the last two months.** In early September futures markets were pricing 2018 fed cattle at under \$110/cwt, 6.6% under 2017 levels. Beef production in 2018 is forecast to increase by 3.9% in 2018 and per capita disappearance is expected to be as much as 2.4% higher. Because of the forecast for higher production, fed cattle futures in early September were pricing the average 2018 cattle price at \$109.5/cwt, 6.6% lower than the 2017 price. Today the average fed cattle price based on futures is \$118.9/cwt, 1.3% higher than 2017 levels.

Are US fed cattle futures overstating the case for beef demand in 2018? The answer depends largely on assumptions about economic growth, wage growth and general inflation next year. Labor markets are very tight and this is expected to put upward pressure on wages. Past demand studies have shown beef demand is particularly responsive to shifts in per capita disposable income. Low unemployment should also continue to bolster beef demand. The cattle market does have some short term downside risks. Demand in export markets has been stellar for much of this year and beef exports through September are up in double digits compared to a year ago. Global beef supplies continue to expand but that has been barely enough to keep up with the growth in consumption. A downturn in global economic conditions could have significant negative impacts on beef demand. At this time, most macro economists see the global economy expanding next year. US feedlots placed significantly more cattle than expected in September. The increase in placements should bolster front end supplies by the end of the year and throughout Q1. We calculate that the supply of cattle with 120 days or more on feed on October 1 was 3.2 million head, 1.6% less than a year ago. Front end cattle supplies have been quite current relative to a year ago for much of 2017. However, by November 1 the supply of +120 day cattle is expected to be 5% higher than last year and it is expected to track well above last year through April. Currently futures hold a significant premium for forward months, providing feedlots with an incentive to delay marketings. However, it is imperative for feedlots to maintain the marketing pace. Feedlots fell behind with their marketings in 2015 and were

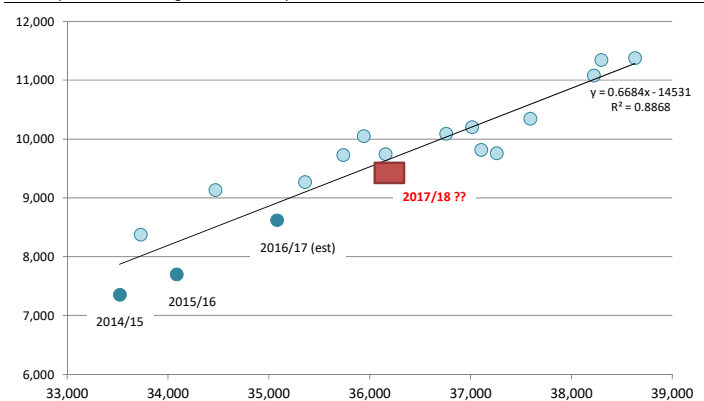
Placements of **Heifers as % of Total Placements** on Feed, Quarterly

Source: USDA/NASS 'Cattle on Feed' Survey, Quarterly Report



Relationship of Calf Crop in Year 1 and Heifer Slaughter in Year 2

Calf Crop for the Year Along X-axis. Inventory of "Other Heifers". Data from USDA/NASS



forced to play from behind for much of that year. Steer weights are well below year ago levels and imply that feedlots remain current. This will be a key item to watch as we move forward, especially if the pace of fed slaughter slows down.

US cattle herd rebuilding and outlook for 2018

The latest US feedlot inventory survey showed that heifer placements have increased substantially in recent months, bolstering the supply of cattle that will be available for marketing later this year and in the first half of 2018. During the period Jul-Sep feedlots placed 3.879 million heifers on feed, 447,000 head (+13%) more than the same period a year ago. Steer placements during this period were 6.934 million head, 110,000 head (+1.6%) higher than last year. Total placements in the last three months have increased by more than half a million head and the increase in heifer placements has accounted for about 80% of the overall increase in placements. The ratio of heifer placements to total placements now stands at 35.9%, the highest since October 2013. The data suggests that

cow herd expansion has slowed down dramatically and it may come to an end by next year if current trends persist. The process of sending more heifers to the feedlot rather than using them to expand the beef cow herd has not been uniform. A handful of states account for the bulk of cattle placed on feed, a function of where feedlots are located and how the cattle herd is dispersed to supply those operations. Heifer placements in NE, KS and IA were a combined 2.060 million head in the last three months, 130,000 head (+6.7%) higher than last year. Heifer placements in these three states a year ago accounted for 39% of total placements compared to 39.7% this year. Heifer placements in Colorado alone in the last three months were 380,000 head, 95,000 head (+33%) higher than a year ago. So while Colorado accounted for less than 9% of total US cattle placements during this period, it accounted for more than 20% of the increase in heifer placements. The bulk of the increase in heifer placements came from the Southern Plains. And this makes sense since the region also led the country in terms of herd expansion. Heifer placements in Texas/Oklahoma in the last three months were 1.035 million head, 210,000 head (+25.5%) higher than a year ago. In its July report USDA estimated the calf crop for 2017 at 36.3 million head, 1.2 million head (+3.5%) higher than a year ago. If confirmed in the January report, this would be the biggest y/y increase in the calf crop in decades. Combined with a larger percentage of heifers going into feedlots, this could imply +1 million additional heifers coming to market in 2018 vs. 2017 levels

Domestic Price Summary

Prices for 90CL boneless beef were quoted at 212 US cents on the top side, 5 cents lower than a week ago but still 16 cents higher than year ago levels. **The weighted average price tonight was quoted at 212 cents, 2 cents lower than a week ago.** 85CL beef trim price on the top side was quoted tonight at 188 cents, steady compared to last week and 18 cents higher than a year ago. 50CL beef price was 75 cents on the high side, 10 cents higher than last week and 36 cents higher than last year. Prices for fat beef trim on a weighted average basis were around 71 cents, 11 cents higher than a week ago.

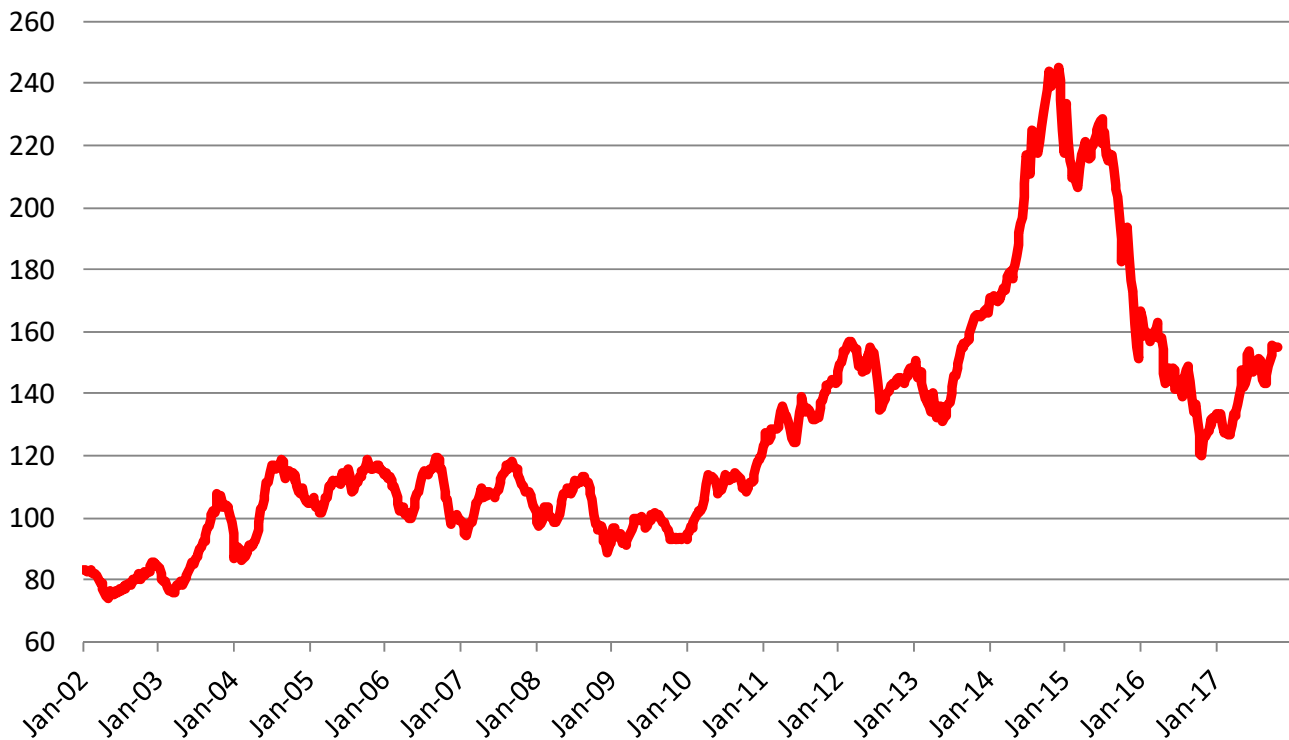
Prices for 42CL and 72CL pork trim were steady compared to the previous week. Higher supplies into the fall should keep the pork trim market well supplied.

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
	26-Oct-17	19-Oct-17		25-Oct-16	
CME FEEDER CATTLE INDEX	155.12	154.79	0.2%	119.95	29.3%
	27-Oct-17	20-Oct-17		26-Oct-16	
FED STEER (5-MKT AVG)	110.92	110.01	0.8%	99.18	11.8%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	111.00	111.50	-0.4%	112.00	-0.9%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	102.50	105.50	-2.8%	107.50	-4.7%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	97.00	98.00	-1.0%	97.00	0.0%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	169.06	169.90	-0.5%	154.43	9.5%

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
	27-Oct-17	22-Oct-17	20-Oct-17	15-Oct-17		26-Oct-16	20-Oct-16	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	220.0	223.0	218.0	223.0	0.0	208.0	210.0	13.0
90 CL Blended Cow	205.0	207.0	204.0	205.0	2.0	198.0	199.0	8.0
90 CL Shank	206.0	209.0	205.0	206.0	3.0	197.0	199.0	10.0
85 CL Fores	188.0	190.0	187.0	190.0	0.0	183.0	184.0	6.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	219.0	220.0	217.0	220.0	0.0	207.0	209.0	11.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	187.0	188.0	186.0	188.0	0.0	182.0	183.0	5.0
80 CL Trimmings	173.0	174.0	172.0	173.0	1.0	160.0	161.0	13.0
75 CL Trimmings	161.0	162.0	160.0	161.0	1.0	145.0	150.0	12.0
65 CL Trimmings	114.0	115.0	114.0	115.0	0.0		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	273.0	275.0	270.0	275.0	0.0	270.0	280.0	-5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	215.0	220.0	210.0	215.0	5.0		UNQ	N/A
Steer Knuckles	245.0	250.0	240.0	245.0	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
	27-Oct-17	23-Oct-17	20-Oct-17	16-Oct-17		26-Oct-16	20-Oct-16	
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	232.0	235.0	232.0	235.0	0.0	220.0	222.0	13.0
90 CL Blended Cow	215.0	216.0	214.0	215.0	1.0	204.0	206.0	10.0
90 CL Shank	215.0	217.0	214.0	215.0	2.0	208.0	209.0	8.0
85 CL Fores	193.0	195.0	191.0	194.0	1.0	186.0	189.0	6.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	230.0	233.0	230.0	233.0	0.0	217.0	219.0	14.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	192.0	193.0	190.0	192.0	1.0	185.0	187.0	6.0
80 CL Trimmings	179.0	180.0	179.0	180.0	0.0	170.0	171.0	9.0
75 CL Trimmings		170.0	169.0	170.0	0.0	155.0	160.0	10.0
65 CL Trimmings	121.0	122.0	120.0	121.0	1.0		UNQ	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	275.0	285.0	275.0	280.0	5.0	280.0	290.0	-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	255.0	260.0	250.0	255.0	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
	27-Oct-17		20-Oct-17			26-Oct-16		
<u>Domestic Cutouts</u>								
Choice Cutout	203.30		199.86		3.4	182.31		21.0
Select Cutout	192.48		191.14		1.3	168.45		24.0
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	212.0	212.1	211.0	217.0	-4.9	190.0	196.0	16.1
85 CL Beef Trimmings	182.0	188.0	183.0	187.2	0.8	167.0	168.0	20.0
50 CL Beef Trim	70.0	75.0	57.4	65.0	10.0	31.0	39.0	36.0
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	23.0	37.3	23.8	37.3	0.0	23.6	34.3	3.0
72 CL Pork Trim	57.0	76.3	57.5	77.3	-1.0	39.8	74.1	2.2
<u>Point of Lean Values</u>								
90 CL Domestic	235.7		241.1		-5.4	217.8		17.9
50 CL Beef Trimming	150.0		130.0		20.0	78.0		72.0
42 CL Pork Trim	88.7		88.7		0.0	81.5		7.1
72 CL Pork Trim	105.9		107.3		-1.4	102.9		3.0
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	110.92		110.01		0.9	99.18		11.7

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
	27-Oct-17	20-Oct-17			26-Oct-16		
<u>Live Cattle Futures</u>							
October '17	115.375	111.675	↑	3.70	103.050	↑	12.33
December '17	120.825	116.600	↑	4.23	104.400	↑	16.43
February '18	125.750	121.275	↑	4.47	105.150	↑	20.60
April '18	125.025	121.525	↑	3.50	104.600	↑	20.43
<u>Feeder Cattle Futures</u>							
October '17	156.475	153.625	↑	2.85	121.975	↑	34.50
November '17	155.950	153.075	↑	2.88	123.925	↑	32.03
January '18	153.000	151.325	↑	1.68	118.350	↑	34.65
March '18	152.900	148.450	↑	4.45	118.350	↑	34.55
<u>Corn Futures</u>							
December '17	348 3/4	344 1/2	↑	4.25	354	↓	-5.25
March '18	362 1/2	358 1/2	↑	4.00	363 1/4	↓	-0.75
May '18	371 1/4	367 1/4	↑	4.00	370	↑	1.25
July '18	378 3/4	374 3/4	↑	4.00	376 1/2	↑	2.25
<u>Ch Wheat Futures</u>							
December '17	427 1/4	426	↑	1.25	411 1/2	↑	15.75
March '18	445 1/4	444 1/2	↑	0.75	432	↑	13.25
May '18	459 1/4	458 3/4	↑	0.50	447 1/4	↑	12.00
July '18	474	472 1/2	↑	1.50	460 1/2	↑	13.50

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	28-Oct-17	21-Oct-17			29-Oct-16		
<u>Total Cattle Slaughter</u>	617,000	629,000	↓	-12,000	613,000	↑	4,000
	14-Oct-17	7-Oct-17			15-Oct-16		
<u>Total Cow Slaughter</u>	118,032	115,690	↑	2,342	109,800	↑	8,232
<u>Dairy Cow Slaughter</u>	60,680	62,765	↓	-2,085	56,200	↑	4,480
<u>Beef Cow Slaughter</u>	57,352	52,925	↑	4,427	53,600	↑	3,752

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

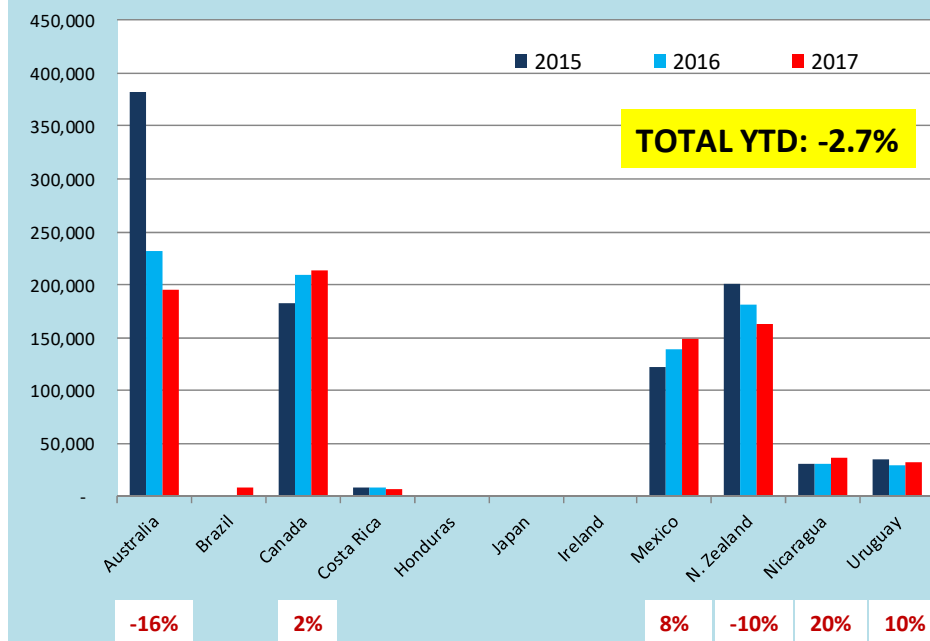
YTD Imported Fresh Beef Passed for Entry in the US

week 42	10/15/2016	10/21/2017		
Australia	232,581	195,815	(36,766)	-15.8%
Brazil	-	9,022		
Canada	209,555	213,472	3,917	1.9%
Chile	414	226	(188)	-45.4%
Costa Rica	7,919	6,730	(1,189)	-15.0%
Honduras	-	342	342	
Japan	193	265	72	37.3%
Ireland	2,049	1,835	(214)	-10.4%
Mexico	139,016	149,554	10,538	7.6%
Netherlands	-	228		
New Zealand	181,569	163,705	(17,864)	-9.8%
Nicaragua	30,954	37,169	6,215	20.1%
Uruguay	29,438	32,517	3,079	10.5%
Total	833,689	810,880	(22,809)	-2.7%

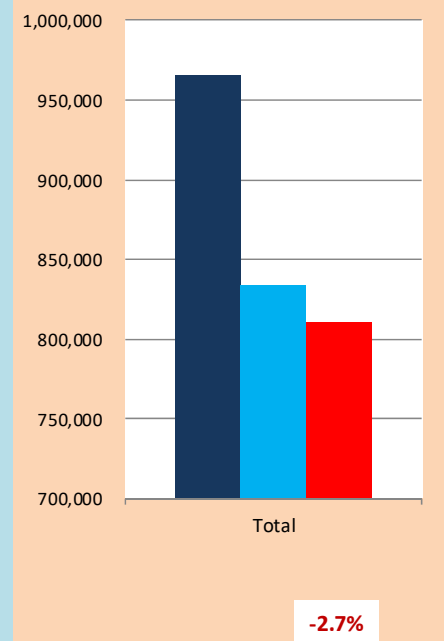
US Beef Imports. Metric Ton. Data Source: USDA/Agricultural Marketing Service

Imports as of October 21, 2017

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



Total

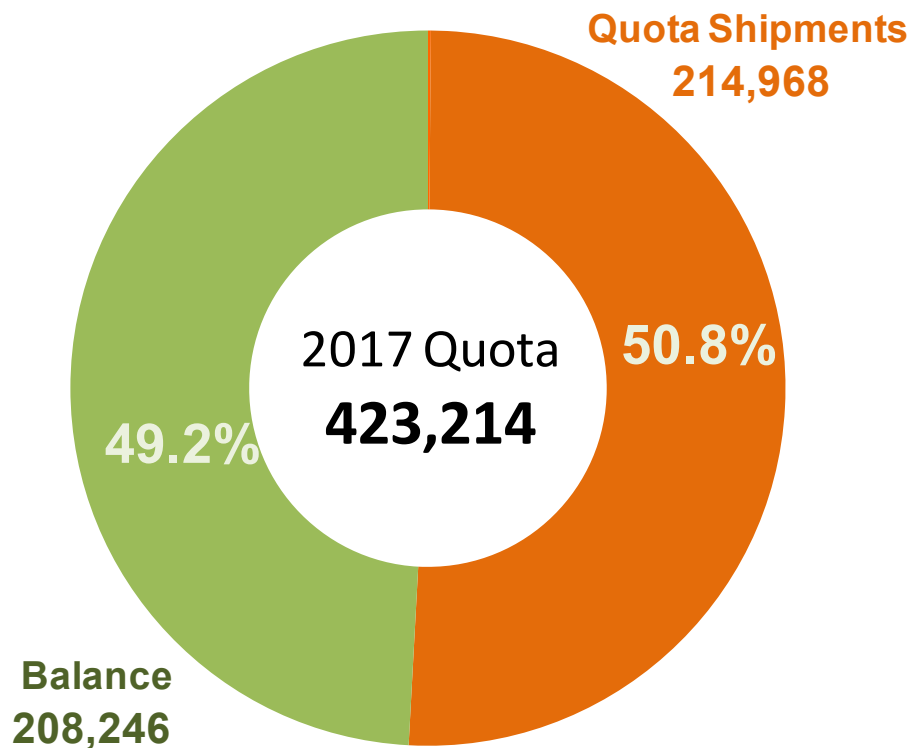


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

23-Oct-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending October 26

Source: US Customs

