



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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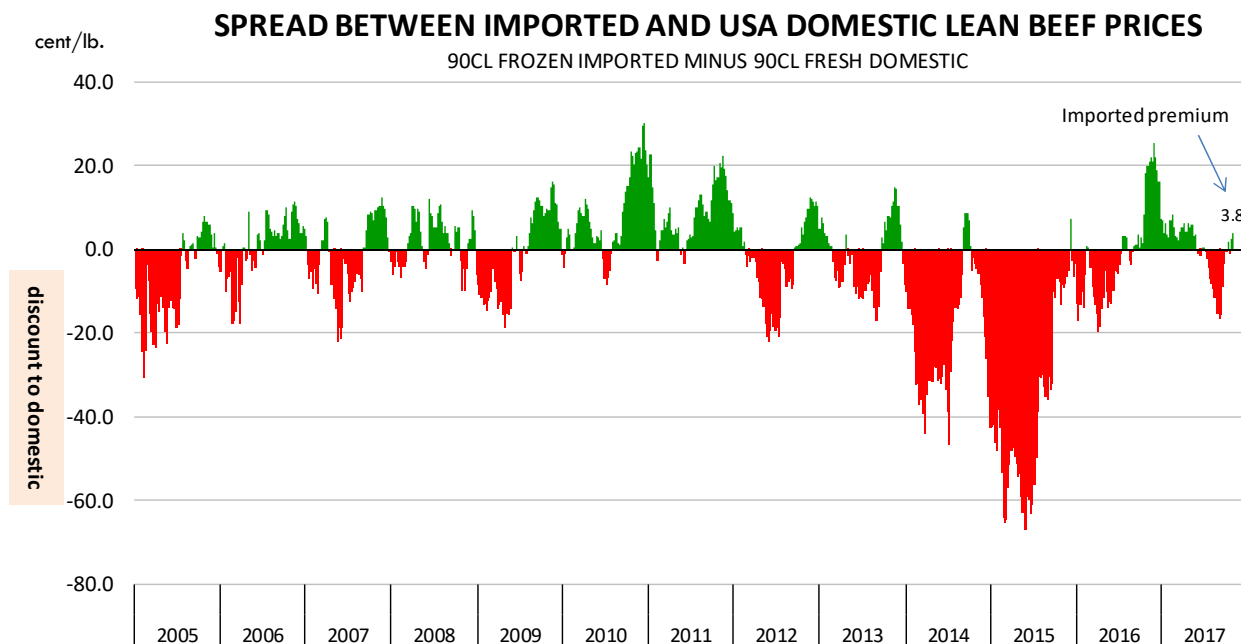
Market Highlights for the Week:

- Fed cattle futures continued to rock higher this week and the February contract closed on Friday up the daily permissible limit
- CME cattle futures have gained as much as 12% in the last four weeks on improving outlook for beef demand in the short to medium term
- Imported lean grinding beef prices now command a premium over fresh domestic product, something that is not unusual during this time of year
- New Zealand beef imports are near their seasonal lows and are not expected to recover until January
- Fed cattle slaughter in the US this week was once again over 500,000 head, 5.1% higher than a year ago and the highest level for this time of year in over a decade
- Steer weights are now 1.7% lower than a year ago as feedlots continue to remain current in their marketings
- Latest Restaurant Performance Index increased, largely due to an improvement in expectations for the future

Imported Market Activity for the Week

Prices for imported beef prices were higher once again this week on good end user demand and robust competition for product both in spot and forward slots. Market participants we contacted reported that imported beef business appears to be quite active and we think in part this reflects the much more bullish tone in the US beef market. Fed cattle prices exploded to the upside following higher prices the week before. February

fed cattle prices were up the daily permissible limit today, closing at \$131.75/cwt. This represents a 12% gain from just a month ago. While end users realize that more imported beef will be available from New Zealand and other markets by the end of this year and in Q1 of next year, forward risk has increased substantially and this means stronger demand for forward coverage in the form of imported beef bookings. We also continue to hear of reports that Australian packers plan to slow down slaughter in the coming weeks due to improved moisture conditions



and limited cattle availability/higher cattle prices. Unfortunately, we do not have access to weekly slaughter data for Australia as some packers have stopped reporting the numbers to MLA. There are monthly slaughter statistics but they are released with a significant delay and tell us nothing about current conditions. However, the price data does tell a compelling story. The Eastern Young Cattle Indicator (EYCI) value has jumped almost 14% in the past month on strong demand for young cattle following improving weather conditions. New Zealand slaughter is reportedly off to a slow start but, as with Australia, slaughter data is reported with a significant lag so we have no actual data and rely on anecdotal evidence from market participants. It has been fairly dry in New Zealand in the last two weeks, however and, combined with robust grinding beef prices in the US, this should encourage producers to ramp up slaughter ahead of the normal holiday slowdown.

Imported beef availability

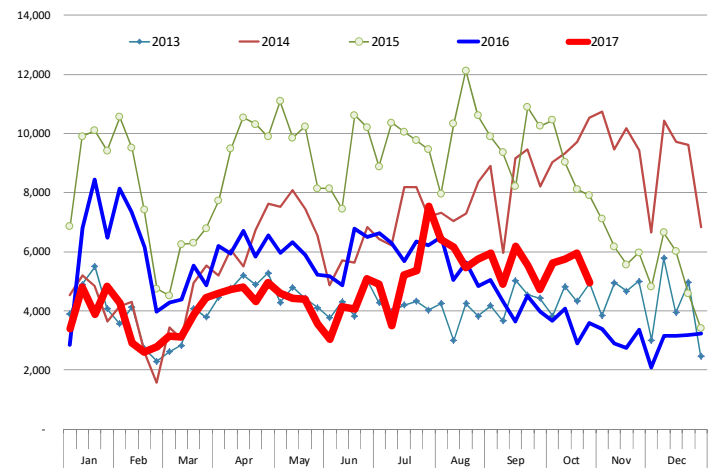
The charts to the right show US imports of Australian and New Zealand beef over the course of the year. It is not unusual for imported beef to trade at a premium to domestic in the fall as beef imports from New Zealand decline sharply while US cow slaughter seasonally increases. For the week ending October 28 USDA reported imports of New Zealand beef were 1,291 MT, down 26% from the same week a year ago. In the last four weeks imports of New Zealand beef are only 1% lower than a year ago. Current weekly imports are just a fraction of the volumes coming on a weekly basis in late June and July. Normally we see a modest increase in New Zealand beef imports by the end of the year but it is not until Jan/Feb when supply availability improves. Market participants continue to point out that spot supplies remain limited and a two tier market has developed for product that will deliver by the end of the year and product for delivery in January. Imports of Australian beef for the week ending October 28 were 4,970 MT, 39% higher than the minimal volumes imported last year but still less than in 2014 and 2015. Normally Australian imported beef availability declines into year end. It is interesting to note the dip in imports by mid February, which coincides with the slowdown in Australian slaughter at the end of Dec/early January.

US Retail and Foodservice Trends

We think the attached chart presents a good approximation of the US seasonal demand for ground beef at retail. The chart was created using USDA weekly

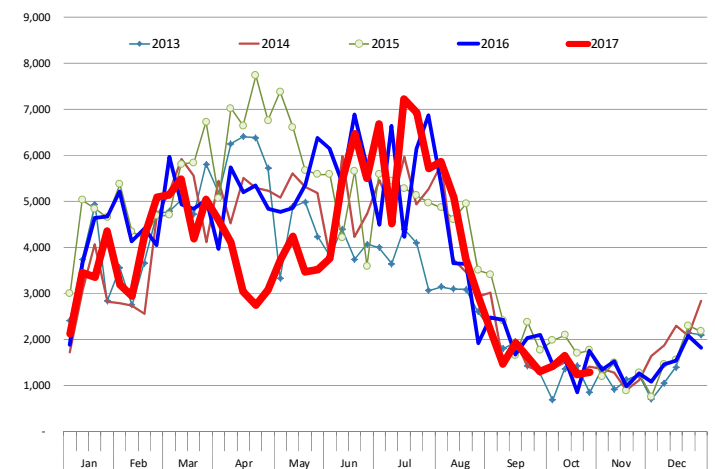
US WEEKLY BEEF IMPORTS FROM AUSTRALIA AS REPORTED BY USDA/AMS. FR/FZ BEEF ONLY. METRIC TON

Data Source: USDA Livestock, Poultry & Grain Market News



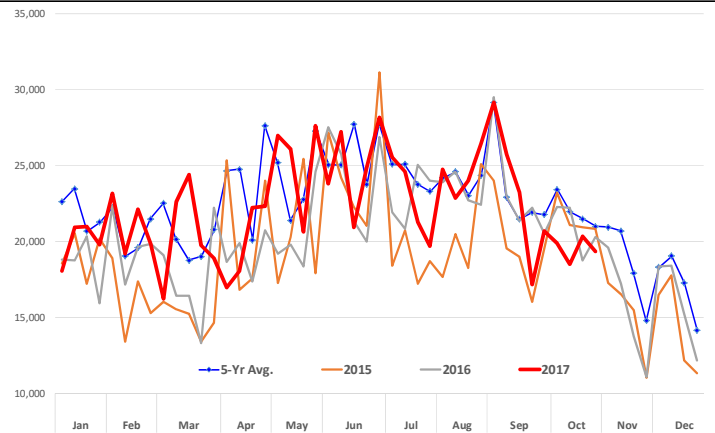
US WEEKLY BEEF IMPORTS FROM NEW ZEALAND AS REPORTED BY USDA/AMS. FR/FZ BEEF ONLY. METRIC TON

Data Source: USDA Livestock, Poultry & Grain Market News



Weekly Ground Beef Retail Activity Index. USDA National Retail Report

Source: USDA Weekly National Retail Report. Latest data point is for Oct 27, 2017



data of ground beef features. It is no surprise that ground beef in the US is featured most prominently during the summer months and the feature rate then declines sharply in Nov/Dec when holiday items dominate the meat case. So far this year the retail ground beef activity index has tracked on the high end of the range of recent years. The index rose sharply in Au-

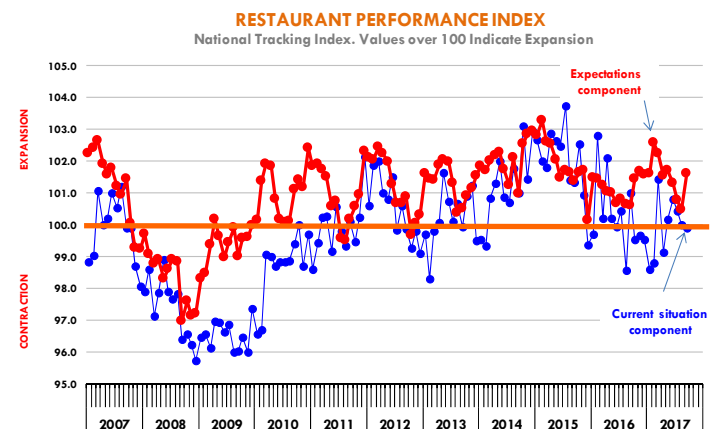
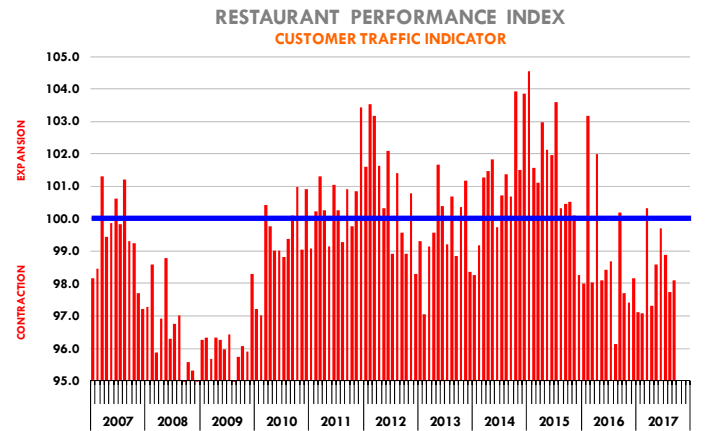
gust and September as retailers likely took advantage of the break in beef prices for Labor Day features. Normally US lean beef prices soften in Nov/Dec. In part this is because of the increase in cow slaughter but we also think this is a function of the decline in ground beef retail features. This may also be one of the reasons why imported beef tends to grab a premium vs. domestic during this time of year.

Foodservice trends are mixed. The National Restaurant Performance Index showed modest improvement in September but this was largely because of an improvement in expectations rather than actual conditions. Furthermore, the index continued to show contraction in customer counts. The challenge for the restaurant industry is a proliferation of new concept, which has led to significant sales and traffic erosion for established restaurants. Increased competition from grocery stores and other food purveyors continue to pressure established restaurants as well. As food delivery channels proliferate in the US, it is imperative for imported beef to widen its scope.

Domestic Price Summary

Prices for 90CL boneless beef were quoted at 215 US cents on the top side, 3 cents higher than a week ago and 10 cents higher than year ago levels. **The weighted average price tonight was quoted at 214 cents, 2 cents higher than a week ago.** 85CL beef trim price on the top side was quoted tonight at 187 cents, 2 cents lower compared to last week and the same as a year ago. 50CL beef price was 78 cents on the high side, 3 cents higher than last week and 23 cents higher than last year. Prices for fat beef trim on a weighted average basis were around 72 cents, 1 cent 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.

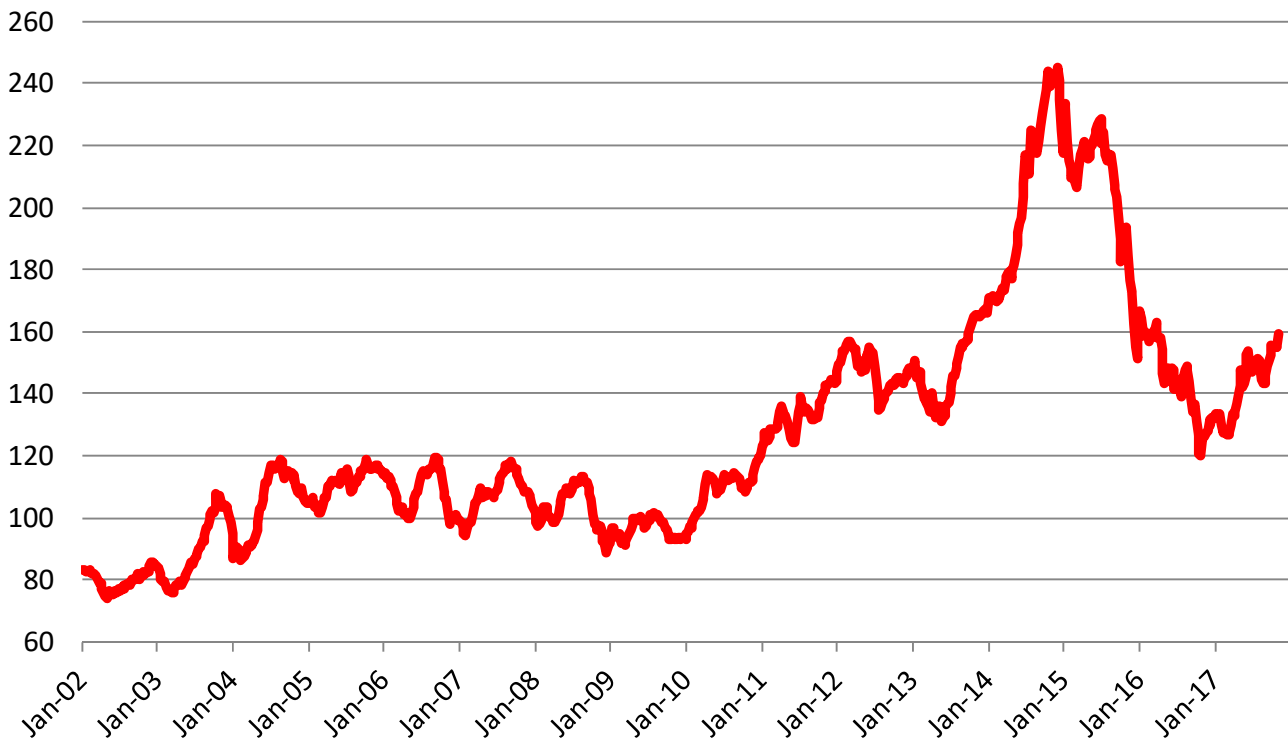


CME Cattle Feeder Index and US Cattle Markets

Special Live Animal Reference Price

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	2-Nov-17	26-Oct-17		1-Nov-16	
CME FEEDER CATTLE INDEX	159.23	155.12	2.6%	125.41	27.0%
	3-Nov-17	27-Oct-17		2-Nov-16	
FED STEER (5-MKT AVG)	119.33	110.92	7.6%	104.04	14.7%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	102.00	111.00	-8.1%	112.50	-9.3%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	95.00	102.50	-7.3%	107.50	-11.6%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	94.50	97.00	-2.6%	95.50	-1.0%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	169.85	169.06	0.5%	155.49	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
	3-Nov-17		27-Oct-17			2-Nov-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	222.0	226.0	220.0	223.0	3.0	210.0	212.0	14.0
90 CL Blended Cow	207.0	210.0	205.0	207.0	3.0	198.0	200.0	10.0
90 CL Shank	209.0	211.0	206.0	209.0	2.0	199.0	201.0	10.0
85 CL Fores	190.0	191.0	188.0	190.0	1.0	184.0	185.0	6.0
85 CL Chucks		UNQ		UNQ	N/A	188.0	189.0	N/A
95 CL Bull, W. Coast	220.0	224.0	219.0	220.0	4.0	209.0	211.0	13.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	188.0	189.0	187.0	188.0	1.0	183.0	184.0	5.0
80 CL Trimmings	172.0	174.0	173.0	174.0	0.0	161.0	165.0	9.0
75 CL Trimmings	161.0	162.0	161.0	162.0	0.0	150.0	155.0	7.0
65 CL Trimmings	118.0	120.0	114.0	115.0	5.0		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	275.0	280.0	273.0	275.0	5.0	275.0	280.0	0.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ	215.0	220.0	N/A		UNQ	N/A
Steer Knuckles	245.0	250.0	245.0	250.0	0.0	245.0	255.0	-5.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	3-Nov-17		27-Oct-17			2-Nov-16		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	234.0	236.0	232.0	235.0	1.0	228.0	230.0	6.0
90 CL Blended Cow	215.0	217.0	215.0	216.0	1.0	210.0	212.0	5.0
90 CL Shank	215.0	217.0	215.0	217.0	0.0	209.0	212.0	5.0
85 CL Fores	194.0	196.0	193.0	195.0	1.0	191.0	194.0	2.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	231.0	233.0	230.0	233.0	0.0	227.0	228.0	5.0
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	195.0	192.0	193.0	2.0	191.0	193.0	2.0
80 CL Trimmings	179.0	180.0	179.0	180.0	0.0	171.0	172.0	8.0
75 CL Trimmings		170.0		170.0	0.0	160.0	161.0	9.0
65 CL Trimmings	121.0	122.0	121.0	122.0	0.0		UNQ	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	285.0	290.0	275.0	285.0	5.0	280.0	290.0	0.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ	225.0	230.0	N/A		UNQ	N/A
Steer Knuckles	255.0	260.0	255.0	260.0	0.0	260.0	265.0	-5.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	3-Nov-17		27-Oct-17			2-Nov-16		
<u>Domestic Cutouts</u>								
Choice Cutout	208.74		203.30		5.4	187.44		21.3
Select Cutout	193.08		192.48		0.6	173.93		19.2
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	212.0	215.0	212.0	212.1	2.9	191.0	205.0	10.0
85 CL Beef Trimmings	176.0	186.4	182.0	188.0	-1.6	167.0	186.0	0.4
50 CL Beef Trim	68.0	78.3	70.0	75.0	3.3	46.4	54.9	23.3
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	24.0	37.3	23.0	37.3	0.0	23.0	34.3	3.0
72 CL Pork Trim	59.0	76.3	57.0	76.3	0.0	41.0	58.3	18.0
<u>Point of Lean Values</u>								
90 CL Domestic	238.9		235.7		3.2	227.8		11.1
50 CL Beef Trimming	156.5		150.0		6.5	109.8		46.7
42 CL Pork Trim	88.7		88.7		0.0	81.5		7.1
72 CL Pork Trim	105.9		105.9		0.0	80.9		25.0
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	119.33		110.92		8.4	104.04		15.3

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>	
	3-Nov-17	27-Oct-17			2-Nov-16		
<u>Live Cattle Futures</u>							
October '17	126.875	115.375	↑	11.50	105.375	↑	21.50
December '17	131.325	120.825	↑	10.50	106.300	↑	25.03
February '18	129.400	125.750	↑	3.65	106.125	↑	23.28
April '18	121.125	125.025	↓	-3.90	98.225	↑	22.90
<u>Feeder Cattle Futures</u>							
October '17	160.550	156.475	↑	4.08	126.575	↑	33.98
November '17	161.250	155.950	↑	5.30	120.925	↑	40.33
January '18	158.375	153.000	↑	5.38	117.925	↑	40.45
March '18	158.250	152.900	↑	5.35	117.925	↑	40.33
<u>Corn Futures</u>							
December '17	347 3/4	348 3/4	↓	-1.00	346 1/4	↑	1.50
March '18	361 1/2	362 1/2	↓	-1.00	355 1/2	↑	6.00
May '18	370	371 1/4	↓	-1.25	363	↑	7.00
July '18	377 1/2	378 3/4	↓	-1.25	370	↑	7.50
<u>Ch Wheat Futures</u>							
December '17	422 1/2	427 1/4	↓	-4.75	417 3/4	↑	4.75
March '18	441	445 1/4	↓	-4.25	434 1/2	↑	6.50
May '18	454 1/4	459 1/4	↓	-5.00	449	↑	5.25
July '18	468 1/4	474	↓	-5.75	462	↑	6.25

<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>	
	4-Nov-17	28-Oct-17			5-Nov-16		
<u>Total Cattle Slaughter</u>	642,000	617,000	↑	25,000	611,000	↑	31,000
	21-Oct-17	14-Oct-17			22-Oct-16		
<u>Total Cow Slaughter</u>	121,425	118,032	↑	3,393	112,000	↑	9,425
<u>Dairy Cow Slaughter</u>	61,495	60,680	↑	815	56,600	↑	4,895
<u>Beef Cow Slaughter</u>	59,930	57,352	↑	2,578	55,400	↑	4,530

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

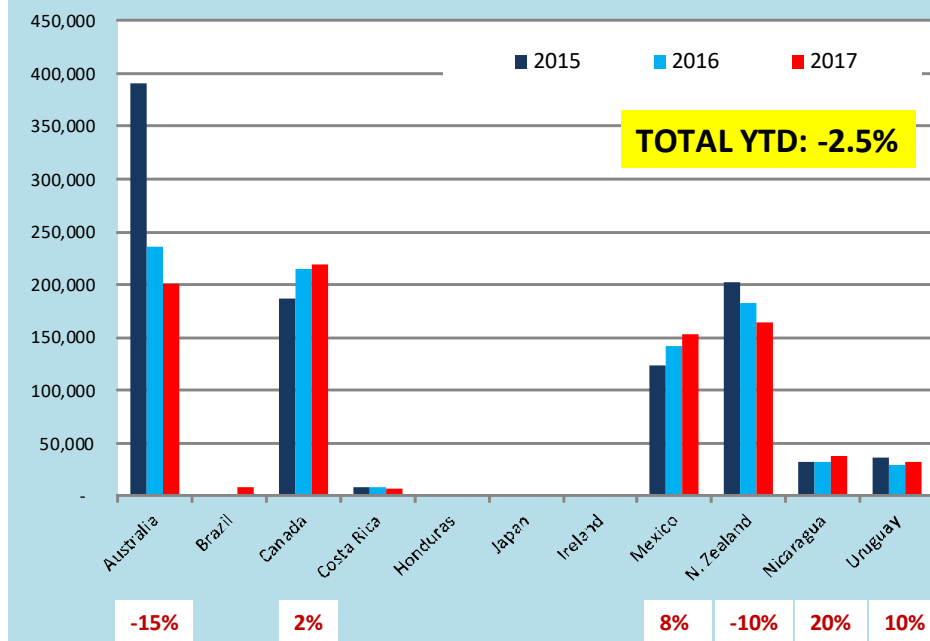
YTD Imported Fresh Beef Passed for Entry in the US

week 43	10/22/2016	10/28/2017		
Australia	236,165	200,785	(35,380)	-15.0%
Brazil	-	9,022		
Canada	215,455	219,099	3,644	1.7%
Chile	435	226	(209)	-48.0%
Costa Rica	8,118	6,824	(1,294)	-15.9%
Honduras	-	360	360	
Japan	202	274	72	35.6%
Ireland	2,049	1,912	(137)	-6.7%
Mexico	142,494	153,655	11,161	7.8%
Netherlands	-	228		
New Zealand	183,318	164,996	(18,322)	-10.0%
Nicaragua	31,834	38,143	6,309	19.8%
Uruguay	29,916	32,997	3,081	10.3%
Total	849,985	828,522	(21,463)	-2.5%

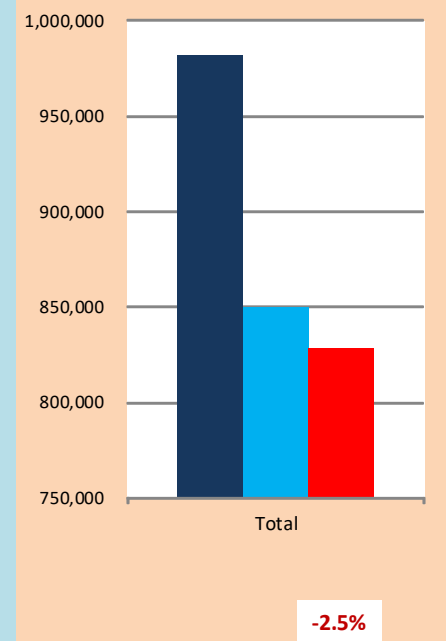
US Beef Imports. Metric Ton. Data Source: USDA/Agricultural Marketing Service

Imports as of October 28, 2017

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



Total

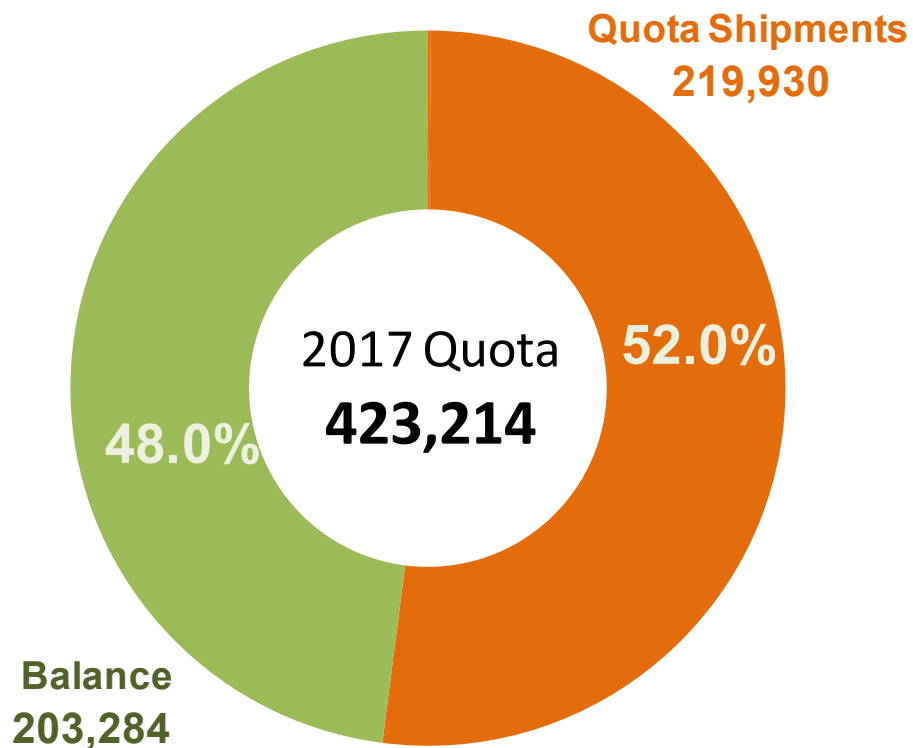


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

31-Oct-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending October 30

Source: US Customs

