



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

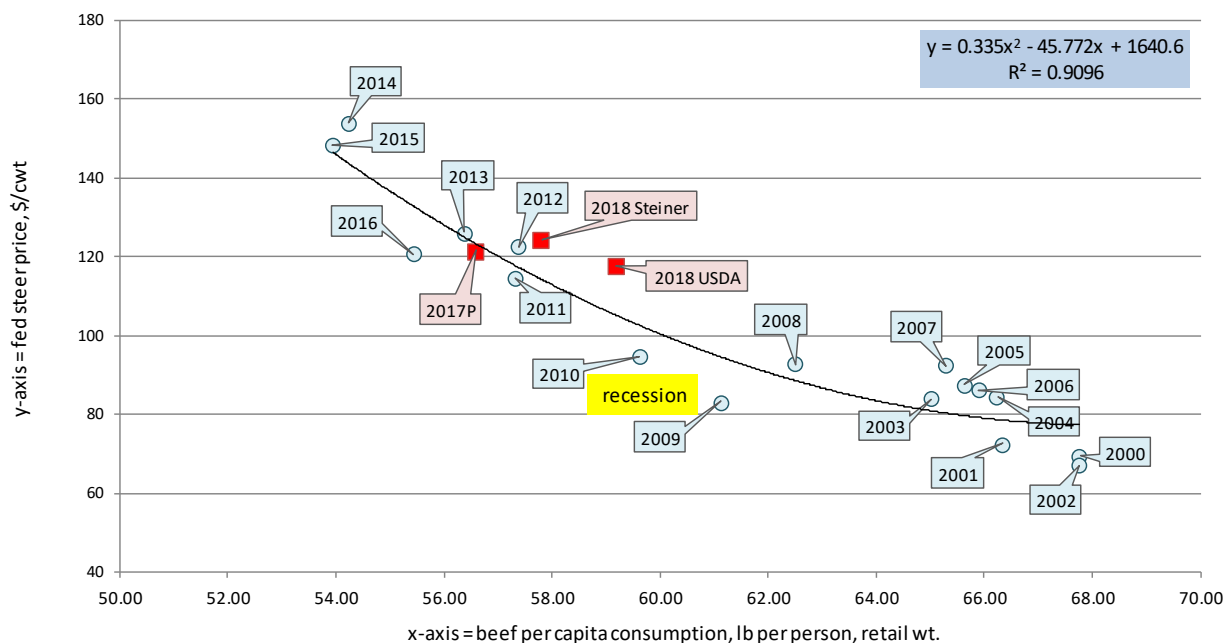
- US feedlots responded to improved profitability outlook by increasing placements 10% in October
- Fed cattle placements during Sep/Oct were up by almost half a million head vs. last year, assuring ample beef supply availability next spring
- Total on feed supplies as of November 1 were 6.3% higher than a year ago, with the bulk of those cattle available for marketing after January 1
- Imported beef supply availability remains particularly limited in the spot market, causing imported lean beef to trade as much as 8 cents above fresh domestic
- Fed cattle futures declined another 1.5% this week following lower cattle prices and slumping wholesale beef values
- There is still a large long position in the fed cattle complex, implying further downside risk for futures should fundamentals continue to erode going into the critical holiday season
- Fed cattle slaughter for the week was 509,000 head, 1.6% higher than a year ago. Non fed slaughter at 128,000 head was unchanged from a year ago.

Imported Market Activity for the Week

Prices for imported beef prices were higher this week on limited offerings from overseas suppliers and continued interest on the part of US end users to cover needs later this year and in early 2018. Spot supplies of imported beef remain particularly thin and this continues to support prices in the near term. Seasonally

slaughter in Australia/New Zealand is lower at this time of year (see charts on page 2) and good moisture conditions continue to limit the number of cattle coming to market. With holiday plant closures looming, overseas packers are in no hurry to put more orders on the books, leading to a bit of standoff with end users that have limited coverage or traders that took on shorts and now need to cover needs. Market is particularly firm for lean grinding beef. Fat trim-

Relationship of US Fed Steer Price vs. Per Capita Consumption, Retail Basis



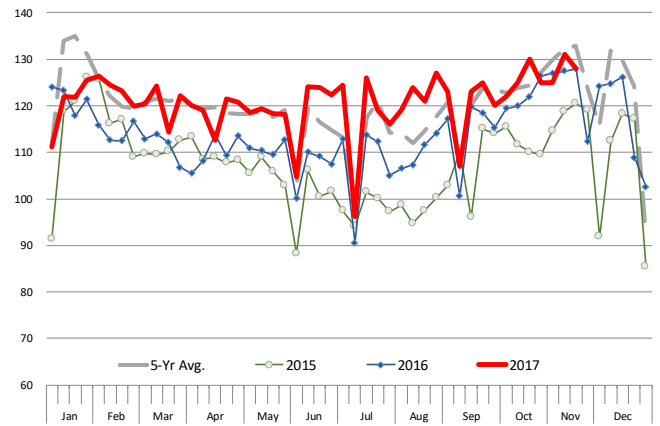
ming prices were steady this week. Prices for cuts continue to hold a premium, largely due to the high price of lean grinding beef as well as continued strong demand for 100VL in the US market.

Outlook for US Fed Cattle in 2018

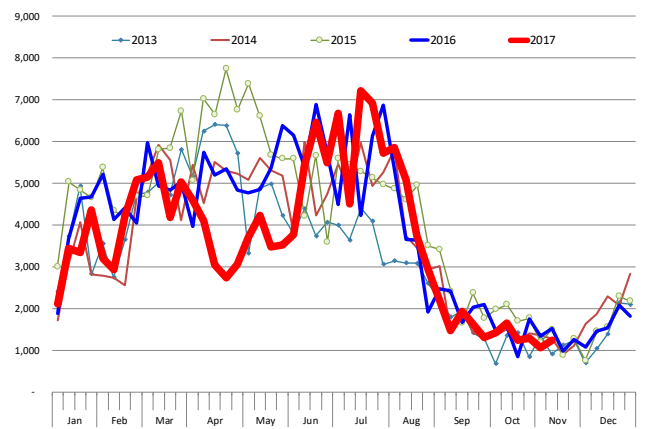
There continues to be a lot of debate among US market participants as to the 2018 outlook for fed cattle prices and consequently grinding beef values. Last year we presented a similar chart to the chart on page 1 showing the long run relationship of per capita beef consumption (retail basis) to fed cattle values. In that chart we tried to show how bearish the outlook for 2017 demand was, largely because futures were pricing a similar trajectory as 2016. For those that would like to see what last year's chart showed we have included it on page 11. What a difference a year makes. Fed cattle prices in 2017 far outperformed that bearish outlook, largely because demand actually returned to the long run trend. So where do we stand now with regard to the same outlook for cattle in the coming year. Much will depend on what happens with available supplies in the domestic market as well as the now very popular assumption that demand will continue to increase in 2018. The chart on page 1 shows two different outlooks based on our (Steiner) assessment and that from the latest USDA WASDE report. You will notice that we both are in agreement that demand in 2018 will outperform this year and also be above the long run trend. The main disagreement comes about the amount of beef that will be available (consumed) on a per capita basis. Why the difference? USDA currently projects US beef production in 2018 to be 27.7 billion pounds (carcass weight basis), 1.2 billion pounds or 4.6% higher than it was in 2016. Our projections are for production next year to be up around 27.4 billion pounds. USDA expects a positive trade balance in beef next year, with exports up around 115 million pounds while exports up 64 million pounds. However, the 4% expected increase in exports is notably less than the 12% increase we anticipate. Currently USDA projects fed steer prices in 2018 to be \$117/cwt, with a range of \$113-\$122. If correct, this would imply fed cattle prices about 4% lower than where they were in 2017. As noted, the export assumption is critical. There is currently a lot of hope/optimism about the outlook of US beef exports to China. However, opening of this market to US beef will likely be a gradual process due to the very strict ban on synthetic hormones and inclusion of beta agonists in feed. Rather, exports to more traditional markets, such as Japan, S. Korea and Mexico as well as growing exports to some smaller markets should carry the bulk of the growth.

WEEKLY COW & BULL SLAUGHTER, '000 HEAD

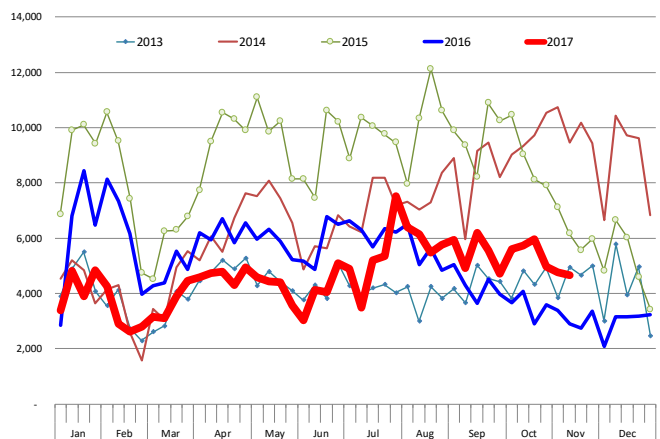
Source: USDA



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



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



Bottom line: Fed cattle prices next year are expected to be steady (our projection) or modestly lower (USDA projection) depending on the amount of beef that will be available in the US market. The consensus view is that demand will continue to improve and this should help support fed cattle values and overall beef prices next year. However, the chart on page 1 allows one to consider other price levels using a different set of assumptions

Domestic Price Summary

Prices for 90CL boneless beef were quoted at 212 US cents on the top side, 8 cents lower than a week ago but still 4 cents higher than year ago levels. **The weighted average price tonight was quoted at 211 cents, 3 cents lower than a week ago.** 85CL beef trim price on the top side was quoted tonight at 182 cents, 5 cents lower compared to last week and 1 cent lower than a year ago. 50CL beef price was 72 cents on the high side, 6 cents lower than last week but still 14 cents higher than last year. Prices for fat beef trim on a weighted average basis were around 69 cents, 3 cent lower than a week ago.

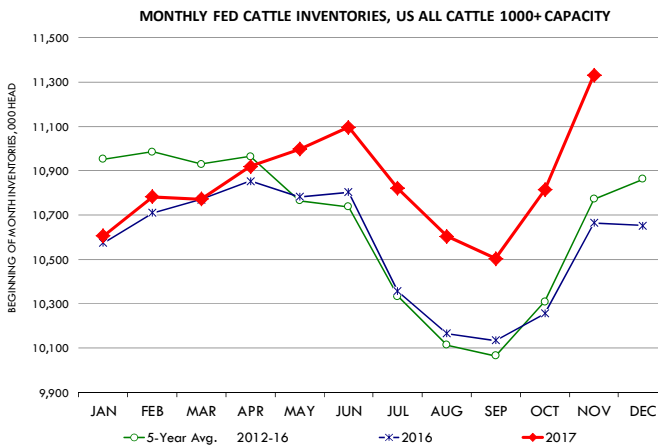
Prices for 42CL and 72CL pork trim were steady compared to the previous week. Higher supplies into the fall should keep the pork trim market well supplied.

US Cattle on Feed Summary

Feedlot placements during September and October increased by 477,000 head (+12%) vs. a year ago and they were also 306,000 head (+7.4%) higher than the five year average. October placements were 2.393 million head, 10.2% higher than a year ago vs. pre report estimates looking for a 7.1% increase. Higher placements in Texas and Nebraska contributed to the larger than expected gain. The increase in placements during Sep/Oct should bolster supplies of market ready cattle in late winter/early spring. Feedlots have been able to stay in front of the increasing cattle supplies for much of this year, with +120 day cattle numbers below both year and five year average numbers. That is no longer the case, however.

We calculate that as of November 1 there were 3.018 million cattle that had been on feed for more than 120 days, 2% higher than a year ago and 6.7% higher than the five year average. While beef demand has shown notable improvement in the last 12 months, we think the beef market has performed well ahead of key holiday periods when retailers and foodservice operators have sought to capitalize on the popularity of beef features. Feedlots will now have to contend with higher supplies of market ready cattle during February and March, when beef demand traditionally is not very strong. Ample supplies of competing proteins and the increased reliance on export demand further adds to the risk in this market.

Futures rallied in October following higher prices



U.S. ALL CATTLE ON FEED: 1,000+ CAPACITY FEEDLOTS

Source: USDA/NASS. Analyst Estimates from Urner Barry

	Number, Thousand Head			Current Year as % of Year Prior		
	2015	2016	2017	Actual	Estimates	Difference
Placed on Feed During Oct	2,286	2,171	2,393	110.2	107.1	3.1
Fed Cattle Marketed Oct	1,630	1,705	1,801	105.6	105.4	0.2
On Feed November 1	10,809	10,665	11,332	106.3	105.7	0.6

paid in the cash market for cattle, optimism about beef demand going into the holidays and speculation that a tighter grading system would reduce the supply of higher grading beef. The focus in the market is now, once again, on the supply front. The total supply of cattle on feed on November 1 was 11.332 million head, 6.3% higher than a year ago. This is the largest cattle on feed inventory since December 2012.

Takeaway: A larger calf crop in the last two years implies expanding on feed supplies. Feedlots will need to aggressively market cattle in Q1 in order to stay current and this will tend to put pressure on prices, especially since end cuts will need to carry more of the carcass and they have to compete with cheaper pork and chicken in the retail case.

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
	16-Nov-17	9-Nov-17		15-Nov-16	
CME FEEDER CATTLE INDEX	158.44	159.37	-0.6%	125.91	25.8%
	17-Nov-17	10-Nov-17		16-Nov-16	
FED STEER (5-MKT AVG)	119.49	123.48	-3.2%	103.72	15.2%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	100.00	100.00	0.0%	106.00	-5.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	98.00	95.50	2.6%	104.00	-5.8%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	91.00	91.00	0.0%	94.00	-3.2%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	168.17	170.06	-1.1%	155.59	8.1%

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
	17-Nov-17	23-Nov-17	10-Nov-17	16-Nov-17		16-Nov-16	22-Nov-16	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	229.0	231.0	227.0	229.0	2.0	205.0	207.0	24.0
90 CL Blended Cow	212.0	215.0	208.0	210.0	5.0	195.0	197.0	18.0
90 CL Shank	210.0	212.0	208.0	210.0	2.0	197.0	198.0	14.0
85 CL Fores	190.0	191.0	190.0	191.0	0.0	184.0	185.0	6.0
85 CL Chucks		UNQ		UNQ	N/A	189.0	190.0	N/A
95 CL Bull, W. Coast	227.0	229.0	225.0	228.0	1.0		205.0	24.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	189.0	190.0	189.0	190.0	0.0	183.0	184.0	6.0
80 CL Trimmings	168.0	170.0	171.0	173.0	-3.0	161.0	162.0	8.0
75 CL Trimmings		UNQ	160.0	161.0	N/A	150.0	155.0	N/A
65 CL Trimmings		UNQ	118.0	119.0	N/A		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	280.0	285.0	275.0	285.0	0.0	275.0	280.0	5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	220.0	225.0	215.0	220.0	5.0		UNQ	N/A
Steer Knuckles		250.0		250.0	0.0	255.0	260.0	-10.0

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

	<i>Current Week</i>		<i>Prior Week</i>		<i>Change From Last Week</i>	<i>Last Year</i>		<i>Change From Last Year</i>
	17-Nov-17		10-Nov-17			16-Nov-16		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	238.0	240.0	235.0	237.0	3.0	220.0	225.0	15.0
90 CL Blended Cow	218.0	220.0	216.0	217.0	3.0	213.0	214.0	6.0
90 CL Shank	218.0	219.0	218.0	219.0	0.0	212.0	213.0	6.0
85 CL Fores	198.0	200.0	197.0	198.0	2.0	192.0	193.0	7.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	237.0	239.0	234.0	235.0	4.0	220.0	223.0	16.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	197.0	199.0	196.0	197.0	2.0	191.0	192.0	7.0
80 CL Trimmings	179.0	180.0	179.0	180.0	0.0	173.0	174.0	6.0
75 CL Trimmings	167.0	168.0	168.0	170.0	-2.0	160.0	161.0	7.0
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	285.0	295.0	285.0	290.0	5.0	280.0	285.0	10.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A		UNQ	N/A
Steer Knuckles	257.0	260.0	255.0	260.0	0.0		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
	17-Nov-17		10-Nov-17			16-Nov-16		
<u>Domestic Cutouts</u>								
Choice Cutout	207.24		213.85		-6.6	182.60		24.6
Select Cutout	187.85		194.51		-6.7	167.70		20.2
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	211.0	212.0	213.5	220.0	-8.0	192.0	208.0	4.0
85 CL Beef Trimmings	179.0	182.3	177.7	187.4	-5.2	156.0	183.0	-0.7
50 CL Beef Trim	67.0	72.0	67.5	79.8	-7.8	50.9	57.8	14.3
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	25.0	39.9	24.2	38.3	1.7	15.0	39.0	0.9
72 CL Pork Trim	60.0	78.3	60.0	78.3	0.0	39.8	60.0	18.3
<u>Point of Lean Values</u>								
90 CL Domestic	235.6		244.4		-8.9	231.1		4.4
50 CL Beef Trimming	144.0		159.5		-15.5	115.5		28.5
42 CL Pork Trim	95.0		91.1		4.0	92.9		2.2
72 CL Pork Trim	108.7		108.7		0.0	83.3		25.3
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	119.49		123.48		-4.0	103.72		15.8

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
	17-Nov-17	10-Nov-17			16-Nov-16		
<u>Live Cattle Futures</u>							
December '17	118.850	120.575	↓	-1.73	108.200	↑	10.65
February '18	124.675	126.750	↓	-2.08	108.500	↑	16.18
April '18	124.875	127.100	↓	-2.22	108.625	↑	16.25
June '18	117.650	119.875	↓	-2.22	100.325	↑	17.33
<u>Feeder Cattle Futures</u>							
November '17	151.725	158.475	↓	-6.75	126.975	↑	24.75
January '18	150.125	157.175	↓	-7.05	125.325	↑	24.80
March '18	150.175	155.075	↓	-4.90	121.050	↑	29.13
April '18	149.525	155.250	↓	-5.72	121.050	↑	28.48
<u>Corn Futures</u>							
December '17	343	343 1/2	↓	-0.50	338 1/2	↑	4.50
March '18	355	356 3/4	↓	-1.75	346 1/2	↑	8.50
May '18	363 1/2	365 1/4	↓	-1.75	353 1/2	↑	10.00
July '18	371 1/4	373	↓	-1.75	360 1/4	↑	11.00
<u>Ch Wheat Futures</u>							
December '17	427 1/4	431 1/2	↓	-4.25	397	↑	30.25
March '18	443 1/2	449	↓	-5.50	414 1/4	↑	29.25
May '18	454 1/4	460	↓	-5.75	428	↑	26.25
July '18	466 3/4	473	↓	-6.25	442 3/4	↑	24.00

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	18-Nov-17	11-Nov-17			19-Nov-16		
<u>Total Cattle Slaughter</u>	639,000	623,000	↑	16,000	629,000	↑	10,000
	4-Nov-17	28-Oct-17			5-Nov-16		
<u>Total Cow Slaughter</u>	121,446	116,241	↑	5,205	116,700	↑	4,746
<u>Dairy Cow Slaughter</u>	58,409	57,032	↑	1,377	58,500	↓	-91
<u>Beef Cow Slaughter</u>	63,037	59,209	↑	3,828	58,200	↑	4,837

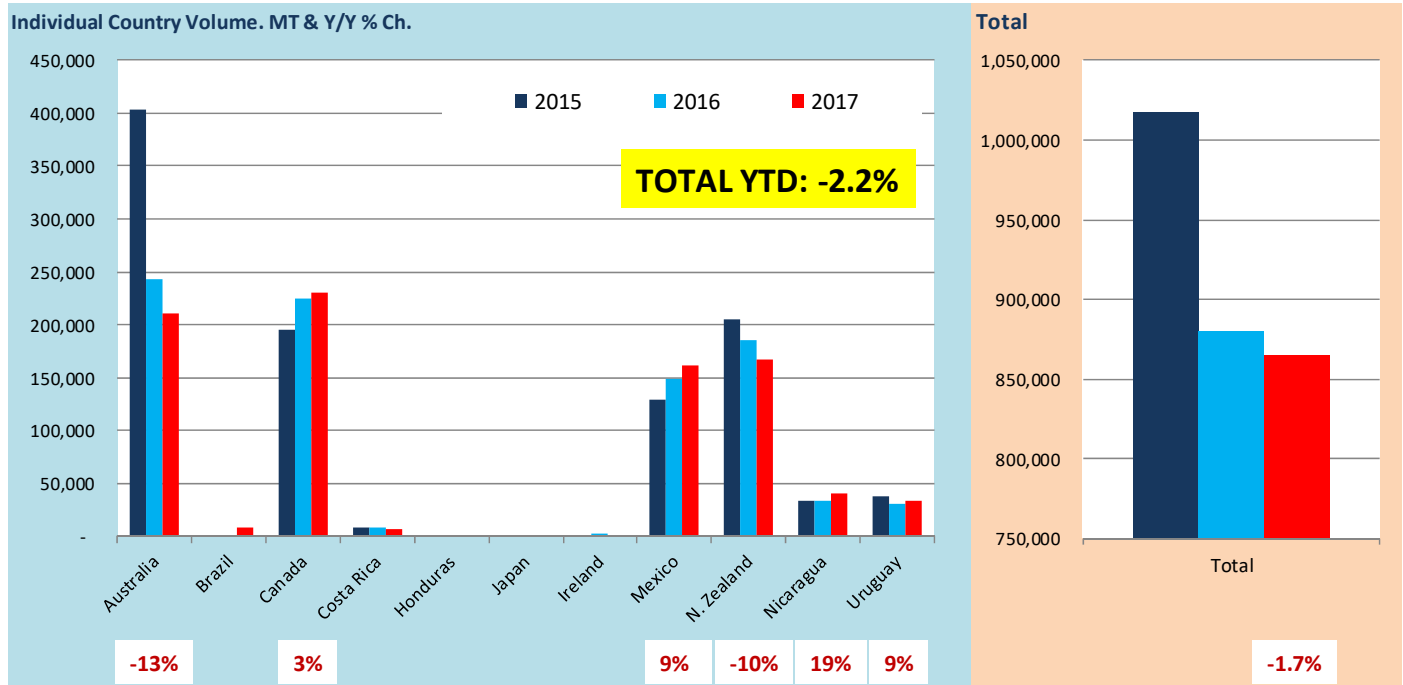
TABLE 7 - US BEEF IMPORTS (Source: USDA/AMS)

YTD Imported Fresh Beef Passed for Entry in the US

week 45	11/5/2016	11/11/2017		
Australia	242,452	210,240	(32,212)	-13.3%
Brazil	-	9,022		
Canada	224,890	230,845	5,955	2.6%
Chile	435	226	(209)	-48.0%
Costa Rica	8,428	7,112	(1,316)	-15.6%
Honduras	-	399	399	
Japan	218	278	60	27.5%
Ireland	2,167	1,985	(182)	-8.4%
Mexico	149,208	162,130	12,922	8.7%
Netherlands	-	228		
New Zealand	186,192	167,305	(18,887)	-10.1%
Nicaragua	34,274	40,727	6,453	18.8%
Uruguay	31,365	34,342	2,977	9.5%
Total	879,630	864,837	(14,793)	-1.7%

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

Imports as of November 11, 2017

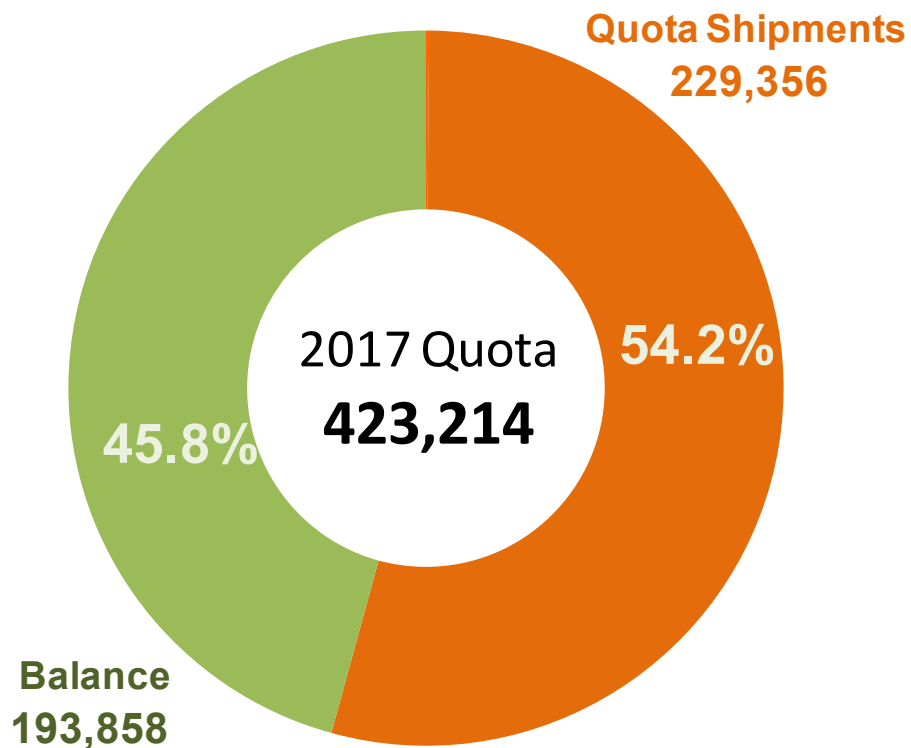


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

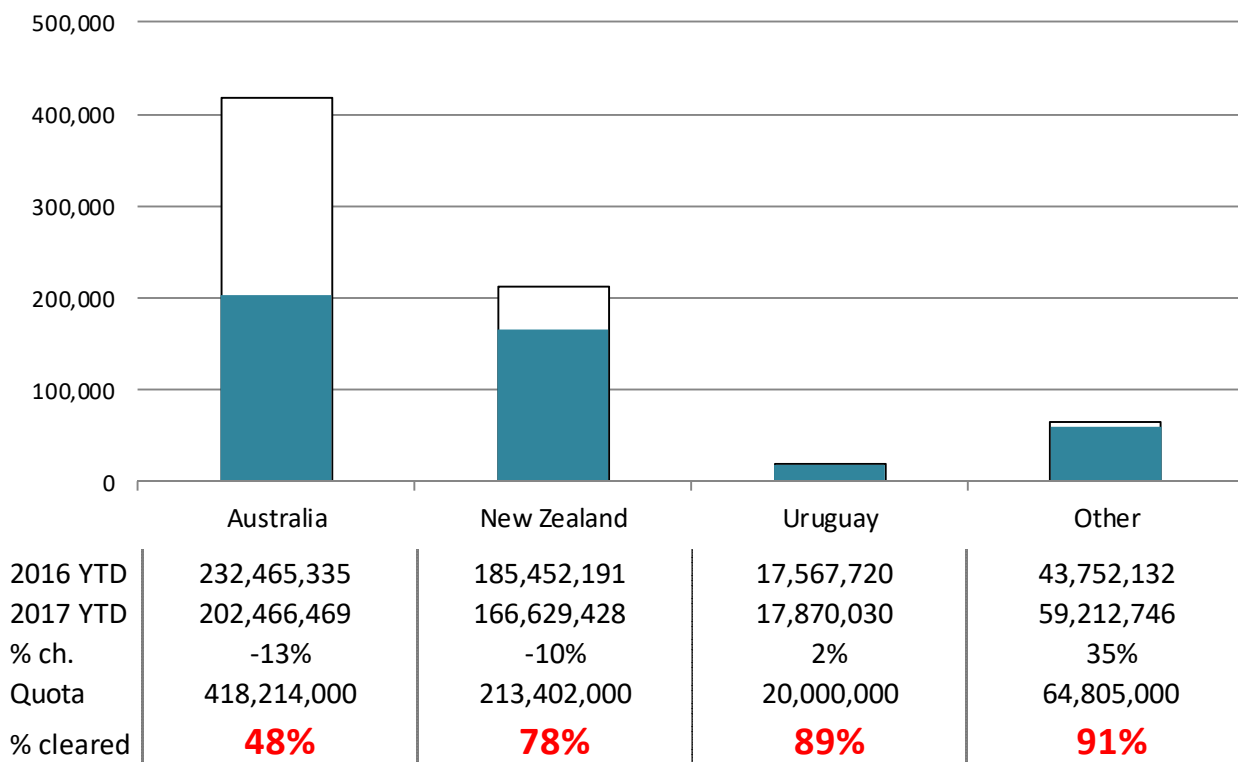
16-Nov-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending November 13

Source: US Customs



Relationship of US Fed Steer Price vs. Per Capita Consumption, Retail Basis

