



# US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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## Market Highlights for the Week:

- Increased offerings from New Zealand pressured imported lean beef prices lower this past week
- The bulk of New Zealand bull slaughter takes place between December and February and the increase in supplies is expected to impact prices in the short term, similar to what happened a year ago
- CME fed cattle futures were down the daily permissible limit on Friday as speculators looked to reduce some of the bullish bets they made in October
- US cattle slaughter on Friday was 649,000 head, 33,000 head (+5%) higher than a year ago
- Fed cattle slaughter is estimated at 515,000 head, 4.7% higher than last year while non fed slaughter at 133,000 head was up 7.1
- US cow prices are now at or below year ago levels and down as much as 50% from their peak.
- The wholesale value of cow cuts and cow grinding beef, on the other hand, is up as much as 10% from a year ago
- NAFTA discussions are heating up, with US ag groups urging the US administration to consider the devastating impact this could have on US livestock and grain producers

## Imported Market Activity for the Week

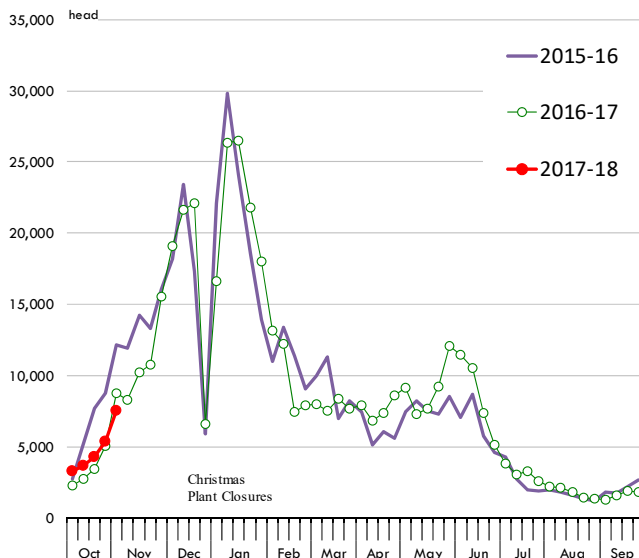
**Imported beef prices were lower for much of this week on increased offerings from New Zealand, a more bearish trend in US fed cattle futures and limited end user interest.**

Market participants continued to note that packers in Australia remain very cautious in offering product into the US and generally prices, especially prices for

fat trimmings, are well outside the range that the US market can bear. New Zealand was much more active this past week, especially with bull meat, and prices drifted lower following the rush of orders. Seasonally bull slaughter increases during this time of year and the recent price decline is, in part, seasonal. Some market participants also noted that New Zealand packers had been somewhat reluctant to offer product in recent weeks given the somewhat

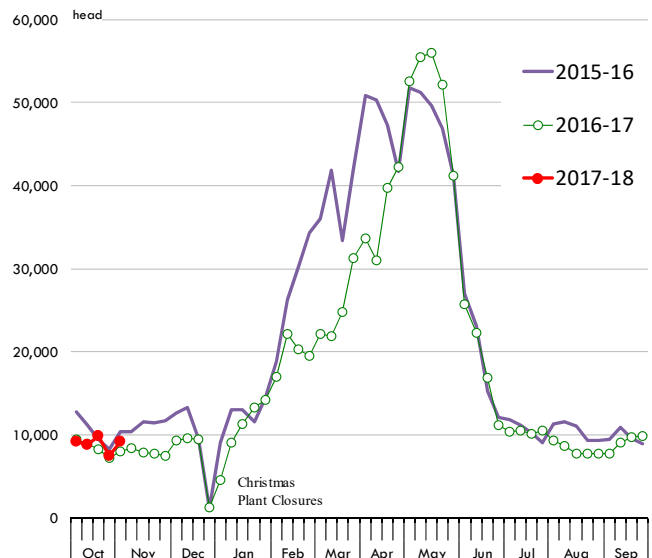
### New Zealand Weekly Bull Slaughter

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



### New Zealand Weekly Cow Slaughter

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



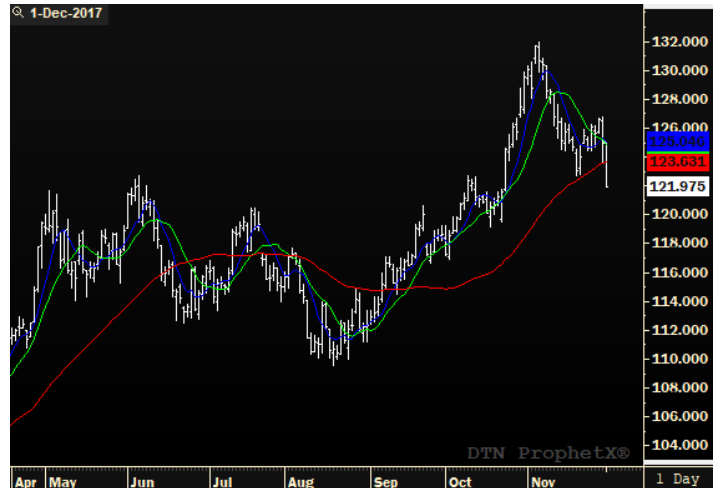
slow start to the season there. However, now that supplies have started to increase NZ packers have been more aggressive to put orders on the book. There is not much time to book orders for January delivery and be able to get them on the water. Cattle slaughter in Australia and New Zealand declines for the holidays and some plants also use the time to perform regular annual maintenance. Offerings for February were even lower than current levels. Prices for 90CL trim were also lower, which could be due to a combination of some traders taking some short positions but also end users that no longer feel comfortable paying the lofty \$220 FOB levels that were routinely available a couple of week ago. From an end user perspective, it may be justifiable to pay \$220 for lean beef when cattle appear like they will go to \$135. As fed cattle futures have deflated in the last week or so, end users are now very uncomfortable with those levels and for the most part were looking to buy at under \$210 FOB .

The market for fat trim in the US is extremely thin at this time and participants noted the wide gulf between offers from Australia and US bids. Other markets, particularly Asia, continues to pay significantly above US levels at this time and very little product is coming to the US. We will offer an update on this next week when the breakdown of Australian export data for November becomes available. Based on export data through November 30 total Australian beef shipments were 87,850 MT and exports to the US were around 14,700 MT. This is the lowest volume of Australian beef exports to the US since April and it is the lowest share of exports so far this year. The export share of just 16.7% is the lowest since October 2016 and appears to support what some market participants are saying - namely that more Australian beef is now going to other markets rather than coming to the US.

**US Cow Prices**

We thought you would find of interest an update on the trend in both US cow prices and the shift in the value of the cow cutout relative to the price of cows. Cow prices in the US have been trending lower in recent years and they are currently as much as 50% lower from the peak in the summer of 2014. Cow prices will differ depending on the amount of fat on the carcass and the carcass size. The premium paid for lean cows will also vary depending on the spread between lean and fat trim in the marketplace. Cow prices, quoted on a dressed weight basis, are today for the most part under year ago levels, which is somewhat surprising considering that the price of cuts and the price of grinding beef has been consist-

**February 2018 Fed Cattle Futures Contract**



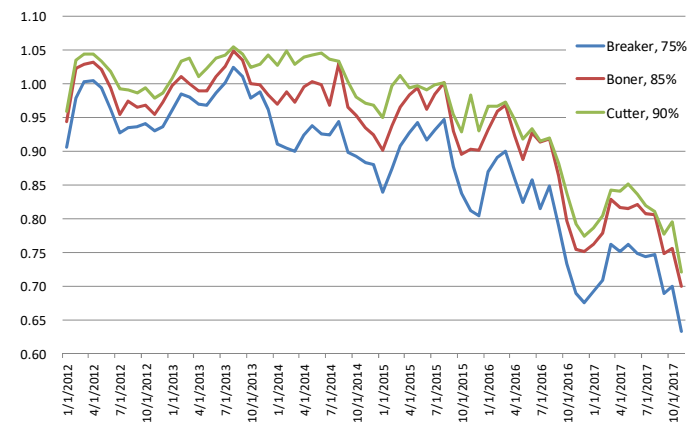
**US Cow Prices. \$/cwt. Dressed Carcass Basis**

Source: USDA Mandatory Price Reporting. Monthly Averages Calculated from USDA Daily Reports



**RATIO OF COW CARCASS PRICE VS. COW CUTOUT**

Source: USDA Mandatory Price Reporting. Monthly Averages Calculated from USDA Daily Reports



ently above year ago levels for much of the summer and fall. The price of 500lb and up breaker cow carcasses (75CL) was last quoted at \$105.5/cwt (dressed carcass basis), 4.1% less than the same period a year ago. The premium paid for a +500 lb. carcass vs. one that was between 350 and 400 lb. was 16.6% compared to a 17% premium a year ago. The price of a heavy boner

(85CL) cow carcass was quoted at \$105.5/cwt, 4.1% less than last year. Lean cutter cow carcasses tend to fetch the highest price given the premium of lean at the moment. The average price of lean cutter carcasses that are over 500 pounds is \$110.5/cwt (dressed carcass basis), 0.5% less than a year ago. Heavy +500 lb. cutter (90CL) carcasses currently hold a 13% premium over carcasses that are between 350 and 400 pounds dressed.

But even as the price of cows in the market currently is at or under the levels we saw a year ago, the value of cow cuts and grinding beef continues to exceed year ago levels. This obviously means better margins for slaughter facilities that process cows. We also think it is a reflection of the limited processing capacity in the sector. A new cow processing plant was opened in last summer in Kuna Idaho, with a daily processing capacity of 1,700 head and that has certainly helped. However, the ratio of cow carcass prices vs. the cutout is now well below the levels we observed five years ago. The value of the cow cutout, which is a weighted average prices of the various cow cuts and grinds sold, was last quoted at \$167.8/cwt, 9.6% higher than the same period a year ago. The bottom chart on page 2 shows the trend in the ratio of the cow carcass price vs. the cutout value. The ratio was hovering at around .95 to 1.05 between 2012 and 2014. However, with more cull cows coming to market and strong demand for lean beef, the ratio has plummeted and it is currently between .65 and .75. And with more cows expected to come to market next year, we do not expect the ratio to change anytime soon and cow packer margins are expected to remain in excellent shape.

### Domestic Price Summary

Prices for 90CL boneless beef were quoted at 214 US cents on the top side, 1 cent higher than a week ago and 21 cents higher than year ago levels. **The weighted average price tonight was quoted at 211 cents, about the same as a week ago.** 85CL beef trim price on the top side was quoted tonight at 179 cents, 2 cent lower compared to last week but still about 2 cent higher than a year ago. 50CL beef price was 68 cents on the high side, slightly under last week but still 16 cents higher than last year. Prices for fat beef trim on a weighted average basis were around 63 cents, 6 cent lower than a week ago.

Pork prices continue to trade much higher than year ago levels as slaughter has been significantly less than expected and only slightly above year ago. Pork trim demand has been notably better than expected this fall, with higher premiums for both lean (72CL) and fat (42CL) pork.

# 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
	30-Nov-17	23-Nov-17		29-Nov-16	
CME FEEDER CATTLE INDEX	157.20	155.58	1.0%	128.18	22.6%
	1-Dec-17	24-Nov-17		30-Nov-16	
FED STEER (5-MKT AVG)	120.64	118.97	1.4%	110.98	8.7%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	97.50	99.50	-2.0%	100.50	-3.0%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	99.00	99.00	0.0%	107.50	-7.9%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	93.00	94.50	-1.6%	90.00	3.3%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	167.81	168.18	-0.2%	153.14	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
	1-Dec-17	224.0	24-Nov-17	230.0		30-Nov-16		
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	217.0	224.0	228.0	230.0	-6.0	200.0	205.0	19.0
<b>90 CL Blended Cow</b>	203.0	205.0	209.0	211.0	-6.0	190.0	194.0	11.0
<b>90 CL Shank</b>	204.0	205.0	208.0	210.0	-5.0	192.0	195.0	10.0
<b>85 CL Fores</b>	187.0	190.0	190.0	191.0	-1.0	175.0	180.0	10.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	217.0	222.0	227.0	229.0	-7.0	199.0	203.0	19.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, CIF</u></b>								
<b>85 CL Trimmings</b>	187.0	188.0	189.0	190.0	-2.0	174.0	177.0	11.0
<b>80 CL Trimmings</b>	167.0	168.0	168.0	170.0	-2.0	161.0	165.0	3.0
<b>75 CL Trimmings</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	285.0	295.0	280.0	285.0	10.0	270.0	275.0	20.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>	225.0	230.0	220.0	225.0	5.0		UNQ	N/A
<b>Steer Knuckles</b>		250.0		250.0	0.0	245.0	250.0	0.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	1-Dec-17	24-Nov-17				30-Nov-16		
<b><i>US East Coast Australian/NZ Lean, FOB US Port</i></b>								
<b>95 CL Bull, E. Coast</b>	230.0	233.0	236.0	239.0	-6.0	215.0	225.0	8.0
<b>90 CL Blended Cow</b>	210.0	215.0		220.0	-5.0	212.0	214.0	1.0
<b>90 CL Shank</b>	212.0	213.0		219.0	-6.0	213.0	215.0	-2.0
<b>85 CL Fores</b>	197.0	198.0	198.0	199.0	-1.0	192.0	194.0	4.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	230.0	232.0	236.0	237.0	-5.0	215.0	220.0	12.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><i>US East Coast, Trimmings, FOB US Port</i></b>								
<b>85 CL Trimmings</b>	196.0	197.0	197.0	198.0	-1.0	191.0	193.0	4.0
<b>80 CL Trimmings</b>	177.0	178.0	179.0	180.0	-2.0	171.0	174.0	4.0
<b>75 CL Trimmings</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><i>US East Coast Australian Cuts, FOB US Port</i></b>								
<b>Cap Off Steer Insides</b>	290.0	295.0	285.0	295.0	0.0	280.0	285.0	10.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Knuckles</b>		260.0		260.0	0.0	255.0	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
	1-Dec-17		24-Nov-17			30-Nov-16		
<b><u>Domestic Cutouts</u></b>								
Choice Cutout	205.99		210.99		-5.0	189.95		16.0
Select Cutout	183.61		187.85		-4.2	172.77		10.8
<b><u>Domestic Lean Grinding Beef</u></b>								
90 CL Boneless	210.0	214.0	212.0	213.0	1.0	187.0	193.0	21.0
85 CL Beef Trimmings	177.3	179.3	179.8	181.0	-1.8	163.8	177.0	2.3
50 CL Beef Trim	60.9	67.6	61.0	67.8	-0.2	45.8	51.5	16.2
<b><u>Domestic Pork Trim</u></b>								
42 CL Pork Trim	26.0	37.3	30.0	37.3	0.0	23.5	32.3	5.0
72 CL Pork Trim	64.0	81.3	62.0	79.3	2.0	42.0	61.3	20.0
<b><u>Point of Lean Values</u></b>								
90 CL Domestic	237.8		236.7		1.1	214.4		23.3
50 CL Beef Trimming	135.3		135.7		-0.4	103.0		32.3
42 CL Pork Trim	88.7		88.7		0.0	76.8		11.9
72 CL Pork Trim	112.8		110.1		2.8	85.1		27.8
<b><u>National Direct Fed Steer</u></b> <b><u>(5-day accum. wt. avg. price)</u></b>	120.64		118.97		1.7	110.98		9.7

**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
	<b>1-Dec-17</b>	<b>24-Nov-17</b>			<b>30-Nov-16</b>		
<b><u>Live Cattle Futures</u></b>							
December '17	117.400	118.575	↓	-1.18	110.750	↑	6.65
February '18	121.975	124.575	↓	-2.60	111.950	↑	10.03
April '18	123.025	125.250	↓	-2.22	111.725	↑	11.30
June '18	115.750	118.225	↓	-2.47	102.900	↑	12.85
<b><u>Feeder Cattle Futures</u></b>							
January '18	150.275	153.300	↓	-3.03	128.425	↑	21.85
March '18	147.900	151.775	↓	-3.88	124.450	↑	23.45
April '18	148.025	151.575	↓	-3.55	124.125	↑	23.90
May '18	147.200	150.875	↓	-3.68	124.125	↑	23.08
<b><u>Corn Futures</u></b>							
December '17	344 1/4	342 1/4	↑	2.00	336 3/4	↑	7.50
March '18	358 1/2	355	↑	3.50	348 1/2	↑	10.00
May '18	366 1/4	363 1/4	↑	3.00	355 3/4	↑	10.50
July '18	374 1/4	371 1/4	↑	3.00	363 1/2	↑	10.75
<b><u>Ch Wheat Futures</u></b>							
December '17	413 1/2	415 3/4	↓	-2.25	380 1/2	↑	33.00
March '18	437 3/4	434 3/4	↑	3.00	402 3/4	↑	35.00
May '18	450	447 1/2	↑	2.50	415 1/2	↑	34.50
July '18	463 1/4	461 1/4	↑	2.00	431 1/4	↑	32.00

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	<b>2-Dec-17</b>	<b>25-Nov-17</b>			<b>3-Dec-16</b>		
<b>Total Cattle Slaughter</b>	477,000	572,000	↓	-95,000	616,000	↓	-139,000
	<b>18-Nov-17</b>	<b>11-Nov-17</b>			<b>19-Nov-16</b>		
<b>Total Cow Slaughter</b>	120,645	120,108	↑	537	117,500	↑	3,145
<b>Dairy Cow Slaughter</b>	58,040	57,150	↑	890	58,400	↓	-360
<b>Beef Cow Slaughter</b>	62,605	62,958	↓	-353	59,100	↑	3,505



# TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

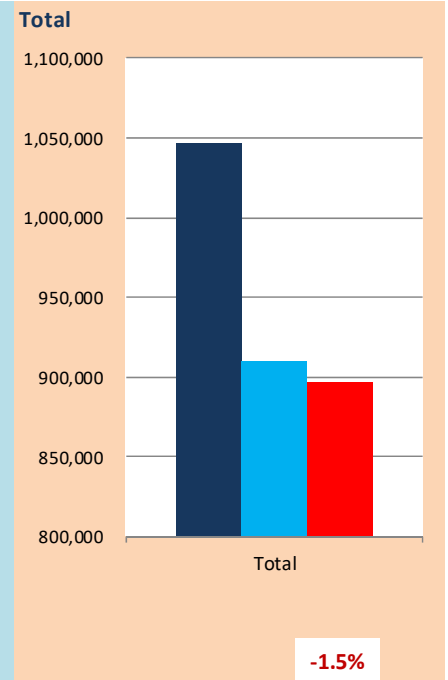
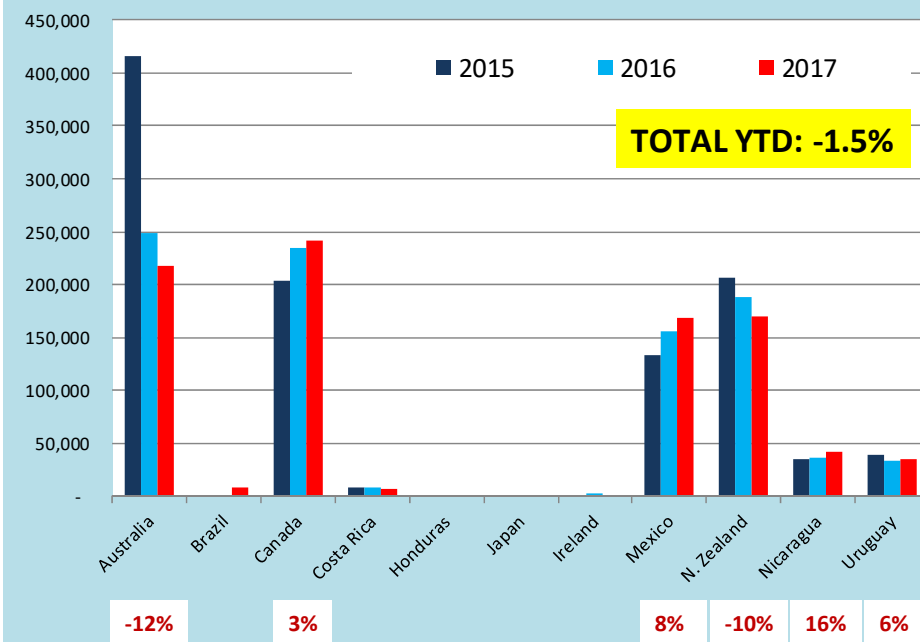
## YTD Imported Fresh Beef Passed for Entry in the US

week 47	11/19/2016	11/25/2017		
Australia	248,572	218,334	(30,238)	-12.2%
Brazil	-	9,022		
Canada	234,412	241,595	7,183	3.1%
Chile	458	226	(232)	-50.7%
Costa Rica	8,646	7,343	(1,303)	-15.1%
Honduras	-	437	437	
Japan	233	291	58	24.9%
Ireland	2,167	2,031	(136)	-6.3%
Mexico	156,467	168,944	12,477	8.0%
Netherlands	-	228		
New Zealand	188,444	169,761	(18,683)	-9.9%
Nicaragua	36,717	42,660	5,943	16.2%
Uruguay	33,430	35,549	2,119	6.3%
<b>Total</b>	<b>909,672</b>	<b>896,421</b>	<b>(13,251)</b>	<b>-1.5%</b>

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

Imports as of November 25, 2017

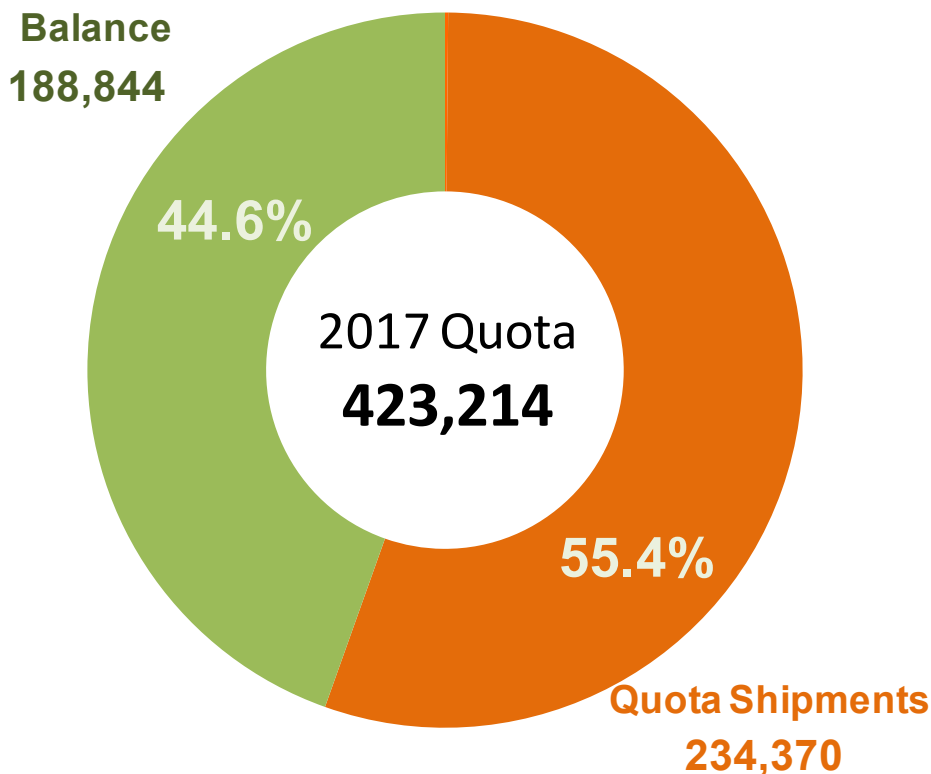
Individual Country Volume. MT & Y/Y % Ch.



# Australian Beef Quota Position

30-Nov-17

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending November 20

Source: US Customs

