



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

- US prices for imported beef were higher this week, in part due to the sharp decline in the value of the US dollar but also limited offerings from Australian and New Zealand suppliers
- USDA currently projecting US beef production to increase 6% in 2018 while pork production is expected to increase 5.4%
- Combined US beef, pork, chicken and turkey production is now expected to increase by 3.8 billion pounds (+3.8%) in 2018, with much of the supply expected to be absorbed by domestic channels
- US fed cattle slaughter for the week was estimated at 488,000 head, 0.2% higher than a year ago while non fed slaughter at 123,000 head was 1% higher than last year
- CME fed cattle futures have declined as much as 5% since the start of the year following lower than expected prices in the cash market and continuing worries that supply increases will require lower prices and not allow cattle to back up in feedlots
- The latest USDA survey indicated there were 8% more cattle on feed at the end of November. The next survey, to be issued at the end of January, will provide an assessment of feedlot supplies in both large and small operations.
- Steer weights are currently near year ago levels and will serve as a barometer for feedlot currentness in the next three months

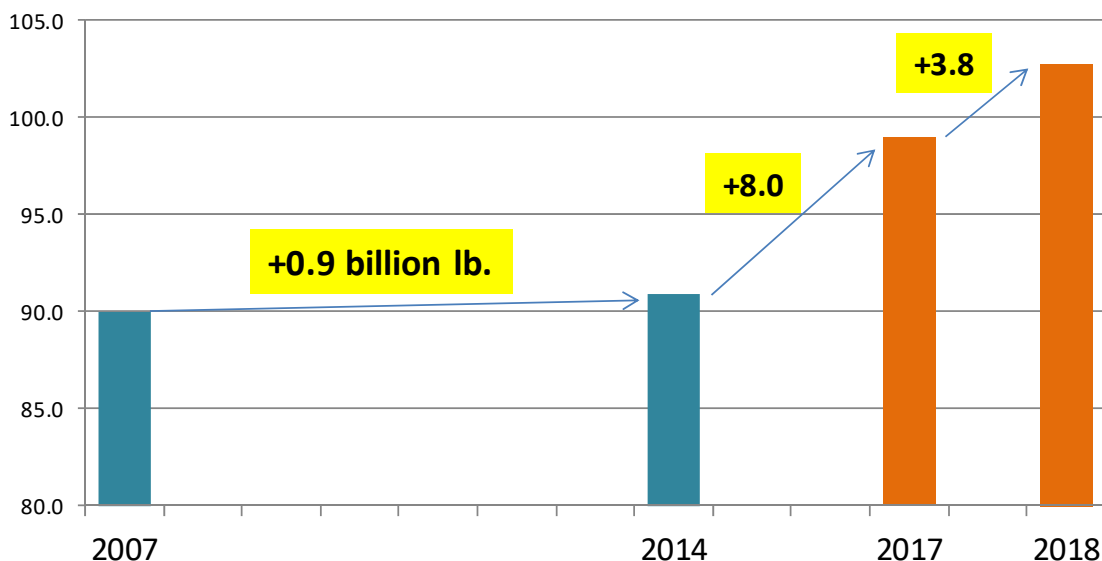
Imported Market Activity for the Week

Imported beef prices were higher this week, especially for lean and extra lean grinding beef. Market participants noted that prices for bull meat appeared to escalate during the week, with some speculating that this was due to block orders from large end users causing New Zealand suppliers to adjust asking prices fairly rapidly. While New

Zealand bull meat supplies are expected to seasonally increase in January and early February, the increase in slaughter in December could cause slaughter to taper off earlier than normal. Offerings from Australia remain limited, with asking prices significantly above current US bids. Covering orders in the US remains particularly difficult. Some fat trimmings were offered but at levels that were close to the price of 80CL domestic. The result was very thin

US Meat Protein Production, Billion Pounds

Source: USDA



trade, which is not unusual for this time of year. The US dollar has declined sharply since mid November, which has affected Australian and New Zealand offerings. Demand for grinding beef in the US continues to be characterized as strong although the recent seasonal increase in the value of fat beef trimmings has caused some end users to take a step back and evaluate their formulations.

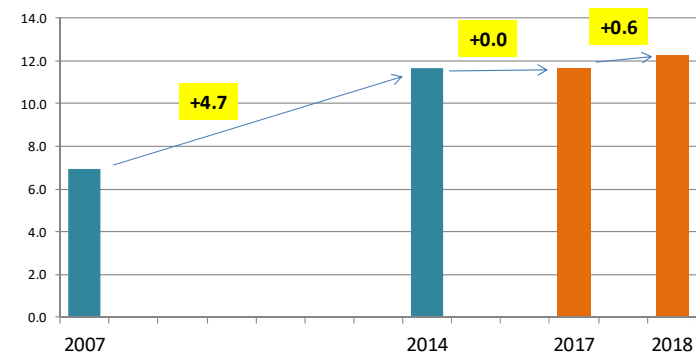
Factors to watch in 2018

Record Meat Protein Production: USDA issued this morning updated forecasts for US meat supplies and use in 2018. The volume of beef, pork and poultry expected to come to market this year exceeds our forecasts and, if true, it will represent a dramatic increase compared to year ago levels. The chart on page 1 looks to illustrate this increase. US meat supplies increased slowly in the eight years between 2007 and 2014. Combined beef, pork, chicken and turkey production in 2007 was 90 billion pounds (carcass weight equivalent). By 2014, production had increased by a mere 0.9 billion pounds. Since then, however, US producers have dramatically increased production. Between 2014 and 2017 US red meat and poultry production increased by 8 billion pounds (+8.9%). In 2018, USDA now forecasts US beef, pork and poultry output to increase an additional 3.8%, by the largest one year increase in production on record. Beef production is forecast to increase 1.6 billion pounds or 6% in 2018. Pork production is forecast to increase 1.4 billion pounds or 5%, while chicken production is forecast to increase by 2%, mostly because industry is running against processing constraints and cannot expand any faster. Will these growth rates materialize? This is going to be a critical factor for markets. As strong as demand was in 2017, it will need to be even stronger in order to absorb the surge in production without significant downward pressure on beef and pork prices.

Drought/Weather Pressures: La Nina was a topic of conversation last year but it failed to have much impact on markets. Once again this year market participants are focusing on the possible impact of La Nina weather on US livestock and grain markets. Often a La Nina weather pattern will result in drought conditions in the US Southern Plains and deteriorating pasture conditions. If that is the case, in the short term this could be bearish for US lean grinding beef prices. La Nina could have the opposite impact on Australian supplies, improving moisture conditions and limiting the amount of Australian beef coming to the US.

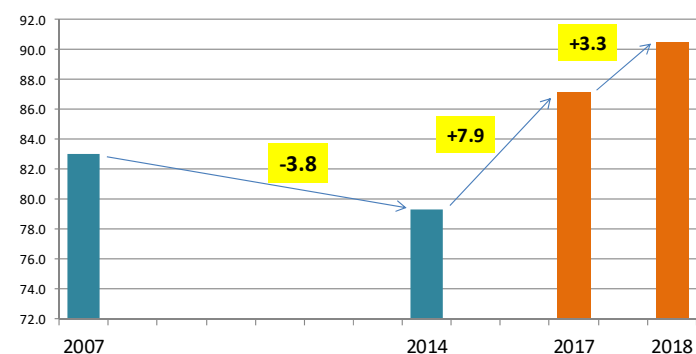
US Net Meat Protein Trade, Billion Pounds

Source: USDA



Meat Protein Availability in the Domestic Market

Source: USDA + Steiner Forecasts



Currency Markets/ Macro: The US dollar gained considerable ground in 2017 but that trend is expected to reverse in 2018. In part this is due to expectations for more rapid growth in other parts of the world and outflow of funds from US\$ denominated assets. The US stock market may be due for a correction, which could also negatively impact the value of the US\$.

NAFTA/Trade Issues: There is a lot of speculation among US market participants about the possibility that the US will leave the NAFTA pact. It is difficult to say whether this is just posturing in order to secure a better negotiating position or if the US is truly contemplating this. If it happens, we think it will have a negative impact on the pork and chicken market, and consequently on beef as well. However, the effect on beef may not be as big as on other proteins since the US is a net beef importer from NAFTA countries. On page 11 we have presented a summary of livestock and meat trade with NAFTA countries. We created this table before the USDA numbers that came out today but we think our estimates are fairly close to the final numbers for 2017. Our own opinion is that NAFTA will be renegotiated but it will remain in place. Canada and Mexico have more to lose and will likely agree to a new deal. The current change in US corporate tax rates has made it more difficult for companies to leave

the US and re-locate in Mexico or Canada.

Brazil/Argentina Beef Trade Resumption: It is highly uncertain if US beef trade with these two countries will resume at any point this year. The political climate in Washington and the upcoming congressional elections present significant obstacles to the resumption of trade. If both countries are allowed to ship into the US this could further bolster beef supplies in the US at a time when domestic production is also expected to ramp up. Depending on when trade resumes, it could lead to an additional 50-60,000 MT of imported beef coming from these two markets.

Domestic Price Summary

Prices for 90CL boneless beef were quoted at 215 US cents on the top side, 1 cent higher than a week ago and 6 cents higher than year ago levels.

The weighted average price tonight was quoted at 214.4 cents, 2 cents higher than a week ago. 85CL beef trim price on the top side was quoted tonight at 182 cents, 1 cent lower compared to last week but still 2 cent higher than a year ago. 50CL beef price was 81.6 cents on the high side, 1 cent higher than last week and 18 cents higher than last year. Prices for fat beef trim on a weighted average basis were 76 cents, 8 cents higher than a week ago.

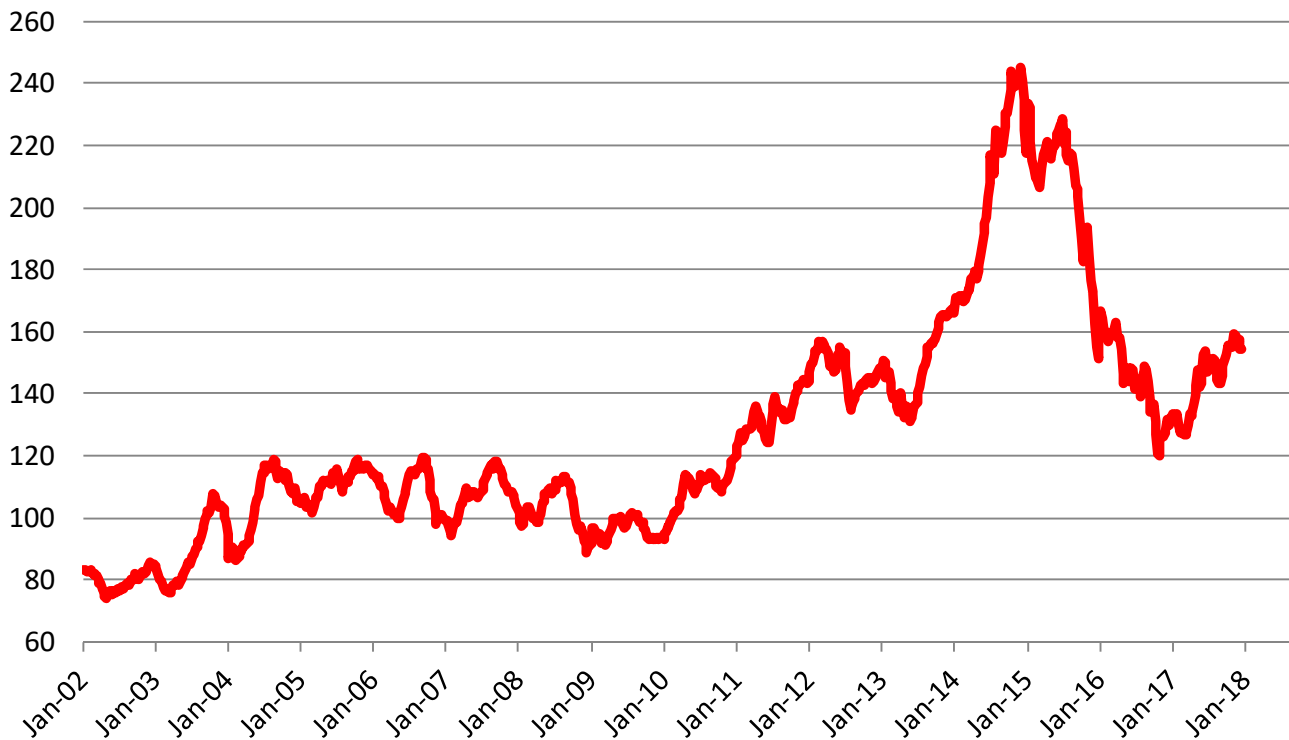
Pork prices continue to trade much higher than year ago levels as slaughter has been significantly less than expected and only slightly above year ago. Pork trim demand has been notably better than expected this fall, with higher premiums for both lean (72CL) and fat (42CL) pork.

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
	11-Jan-18	4-Jan-18		10-Jan-17	
CME FEEDER CATTLE INDEX	0.00	0.00	#DIV/0!	132.31	-100.0%
	12-Jan-18	5-Jan-18		11-Jan-17	
FED STEER (5-MKT AVG)	120.87	122.80	-1.6%	117.73	2.7%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	97.00	100.00	-3.0%	103.00	-5.8%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	100.00	105.00	-4.8%	107.00	-6.5%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	96.50	95.00	1.6%	98.50	-2.0%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	170.40	169.42	0.6%	154.79	10.1%

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
	12-Jan-18	217.0	5-Jan-18	213.0		11-Jan-17	198.0	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	215.0	217.0	210.0	213.0	4.0	197.0	198.0	19.0
90 CL Blended Cow	202.0	204.0	201.0	202.0	2.0	195.0	200.0	4.0
90 CL Shank	198.0	200.0	197.0	199.0	1.0	197.0	202.0	-2.0
85 CL Fores	185.0	186.0	184.0	185.0	1.0	174.0	175.0	11.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	214.0	216.0	210.0	211.0	5.0	195.0	196.0	20.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	182.0	184.0	182.0	183.0	1.0	173.0	174.0	10.0
80 CL Trimmings	165.0	167.0		165.0	2.0	160.0	164.0	3.0
75 CL Trimmings	154.0	155.0		UNQ	N/A	141.0	145.0	10.0
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	280.0	285.0	280.0	285.0	0.0	265.0	270.0	15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	220.0	225.0	N/A
Steer Knuckles	250.0	252.0	250.0	252.0	0.0	235.0	240.0	12.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	12-Jan-18	5-Jan-18				11-Jan-17		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	225.0	229.0	228.0	231.0	-2.0	213.0	215.0	14.0
90 CL Blended Cow	210.0	212.0	212.0	213.0	-1.0	206.0	209.0	3.0
90 CL Shank	207.0	212.0	208.0	210.0	2.0	205.0	207.0	5.0
85 CL Fores	194.0	195.0	194.0	195.0	0.0	185.0	186.0	9.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	225.0	227.0	229.0	230.0	-3.0	208.0	210.0	17.0
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	194.0	192.0	193.0	1.0	184.0	185.0	9.0
80 CL Trimmings	173.0	174.0	173.0	174.0	0.0	166.0	167.0	7.0
75 CL Trimmings	167.0	168.0	165.0	165.0	3.0	153.0	155.0	13.0
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	284.0	285.0	285.0	287.0	-2.0	270.0	275.0	10.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	225.0	230.0	N/A
Steer Knuckles	257.0	260.0		260.0	0.0	245.0	250.0	10.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	12-Jan-18		5-Jan-18			11-Jan-17		
<u>Domestic Cutouts</u>								
Choice Cutout	208.23		209.51		-1.3	189.39		18.8
Select Cutout	201.64		202.32		-0.7	187.95		13.7
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	213.0	215.0	212.0	214.2	0.8	198.0	209.0	6.0
85 CL Beef Trimmings	179.0	182.0	180.0	183.2	-1.2	175.0	180.0	2.0
50 CL Beef Trim	67.3	81.6	71.0	81.0	0.6	50.0	63.5	18.1
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	23.9	37.3	22.1	37.3	0.0	24.0	34.3	3.0
72 CL Pork Trim	70.4	87.3	67.0	83.3	4.0	65.2	91.3	-4.0
<u>Point of Lean Values</u>								
90 CL Domestic	238.9		238.0		0.9	232.2		6.7
50 CL Beef Trimming	163.2		162.0		1.2	127.0		36.2
42 CL Pork Trim	88.7		88.7		0.0	81.6		7.1
72 CL Pork Trim	121.2		115.6		5.6	126.7		-5.6
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	120.87		122.80		-1.9	117.73		3.1

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>
	12-Jan-18	5-Jan-18		11-Jan-17	
<u><i>Live Cattle Futures</i></u>					
<i>February '18</i>	117.375	119.250	↓ -1.88	119.125	↓ -1.75
<i>April '18</i>	119.450	120.850	↓ -1.40	117.900	↑ 1.55
<i>June '18</i>	111.625	112.325	↓ -0.70	107.775	↑ 3.85
<i>August '18</i>	109.050	109.400	↓ -0.35	103.200	↑ 5.85
<u><i>Feeder Cattle Futures</i></u>					
<i>January '18</i>	144.350	146.625	↓ -2.28	132.050	↑ 12.30
<i>March '18</i>	142.650	141.975	↑ 0.68	129.625	↑ 13.03
<i>April '18</i>	143.000	142.350	↑ 0.65	129.075	↑ 13.93
<i>May '18</i>	142.700	142.250	↑ 0.45	129.075	↑ 13.63
<u><i>Corn Futures</i></u>					
<i>March '18</i>	346 1/4	351 1/4	↓ -5.00	357 1/4	↓ -11.00
<i>May '18</i>	354 3/4	359 1/4	↓ -4.50	364	↓ -9.25
<i>July '18</i>	362 3/4	367 1/2	↓ -4.75	371	↓ -8.25
<i>September '18</i>	370 3/4	375 1/4	↓ -4.50	378	↓ -7.25
<u><i>Ch Wheat Futures</i></u>					
<i>March '18</i>	420 1/2	430 3/4	↓ -10.25	418 3/4	↑ 1.75
<i>May '18</i>	434 1/4	442 3/4	↓ -8.50	432 1/4	↑ 2.00
<i>July '18</i>	446 1/2	455 3/4	↓ -9.25	447 1/4	↓ -0.75
<i>September '18</i>	460 1/2	369 1/2	↑ 91.00	461	↓ -0.50

<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>
	13-Jan-18	6-Jan-18		14-Jan-17	
<u><i>Total Cattle Slaughter</i></u>	611,000	541,000	↑ 70,000	609,074	↑ 1,926
	30-Dec-17	23-Dec-17		31-Dec-16	
<i>Total Cow Slaughter</i>	88,689	116,349	↓ -27,660	97,000	↓ -8,311
<i>Dairy Cow Slaughter</i>	44,608	61,370	↓ -16,762	49,700	↓ -5,092
<i>Beef Cow Slaughter</i>	44,081	54,979	↓ -10,898	47,300	↓ -3,219

TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

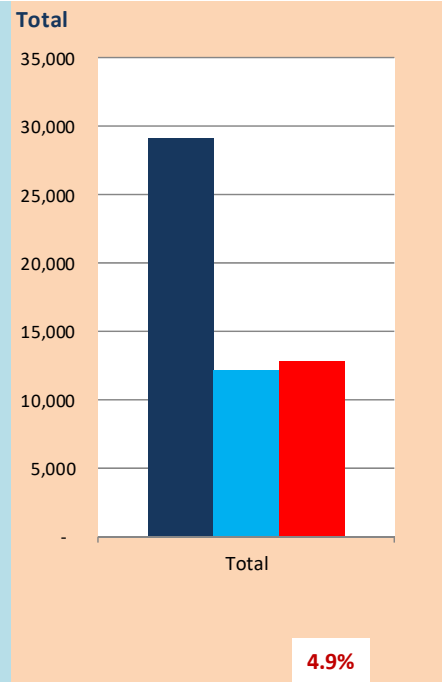
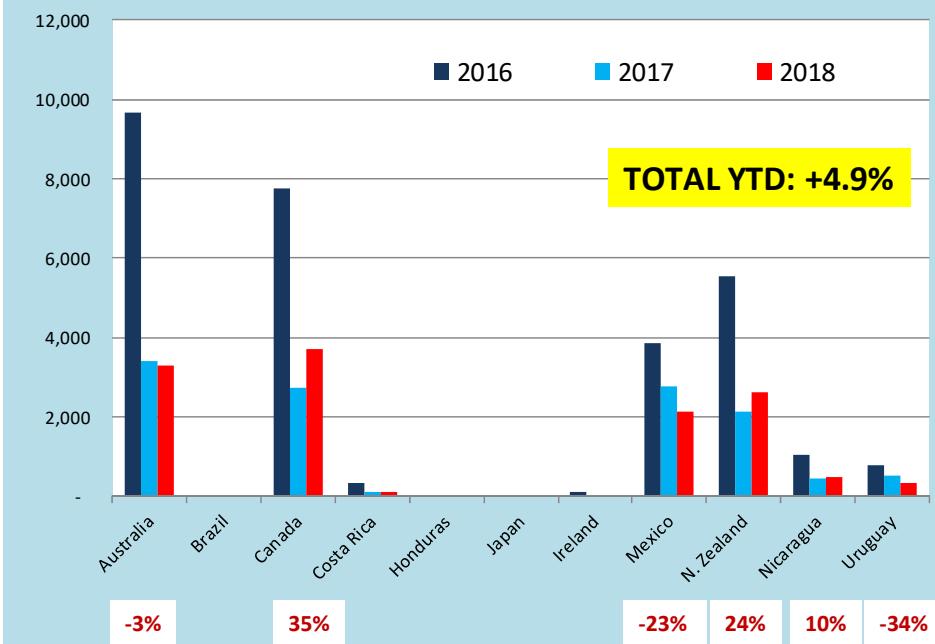
YTD Imported Fresh Beef Passed for Entry in the US

week 1	1/7/2017	1/6/2018		
Australia	3,398	3,297	(101)	-3.0%
Brazil	-	-		
Canada	2,738	3,709	971	35.5%
Chile	-	-	-	
Costa Rica	121	100	(21)	-17.4%
Honduras	-	19	19	
Japan	4	27	23	575.0%
Ireland	24	-	(24)	-100.0%
Mexico	2,765	2,126	(639)	-23.1%
Netherlands	-	-		
New Zealand	2,119	2,617	498	23.5%
Nicaragua	442	487	45	10.2%
Uruguay	523	346	(177)	-33.8%
Total	12,134	12,728	594	4.9%

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

Imports as of January 6, 2018

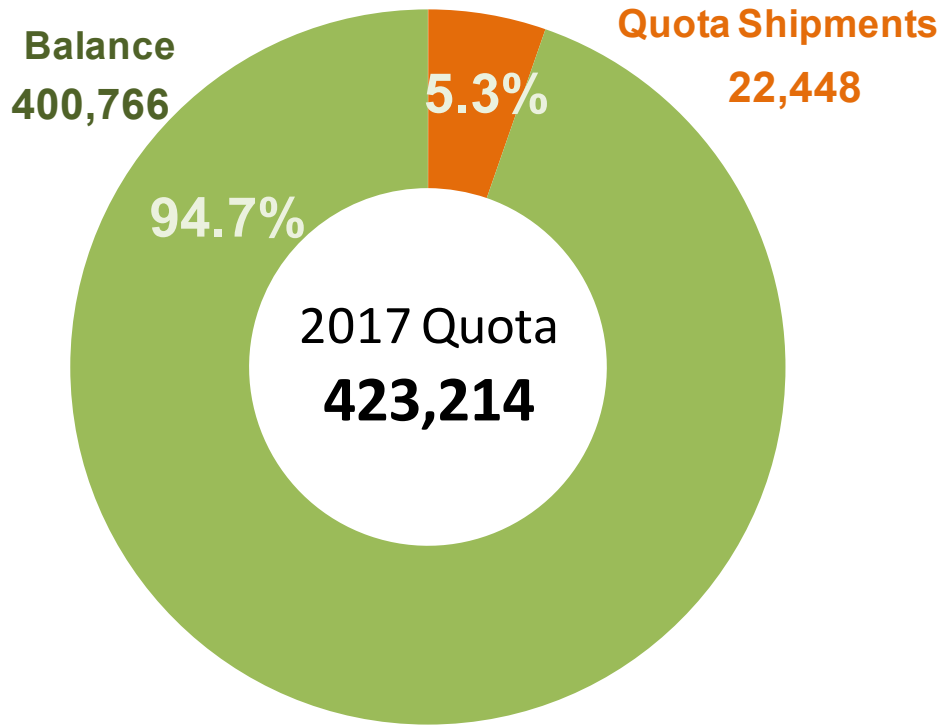
Individual Country Volume. MT & Y/Y % Ch.



Australian Beef Quota Position

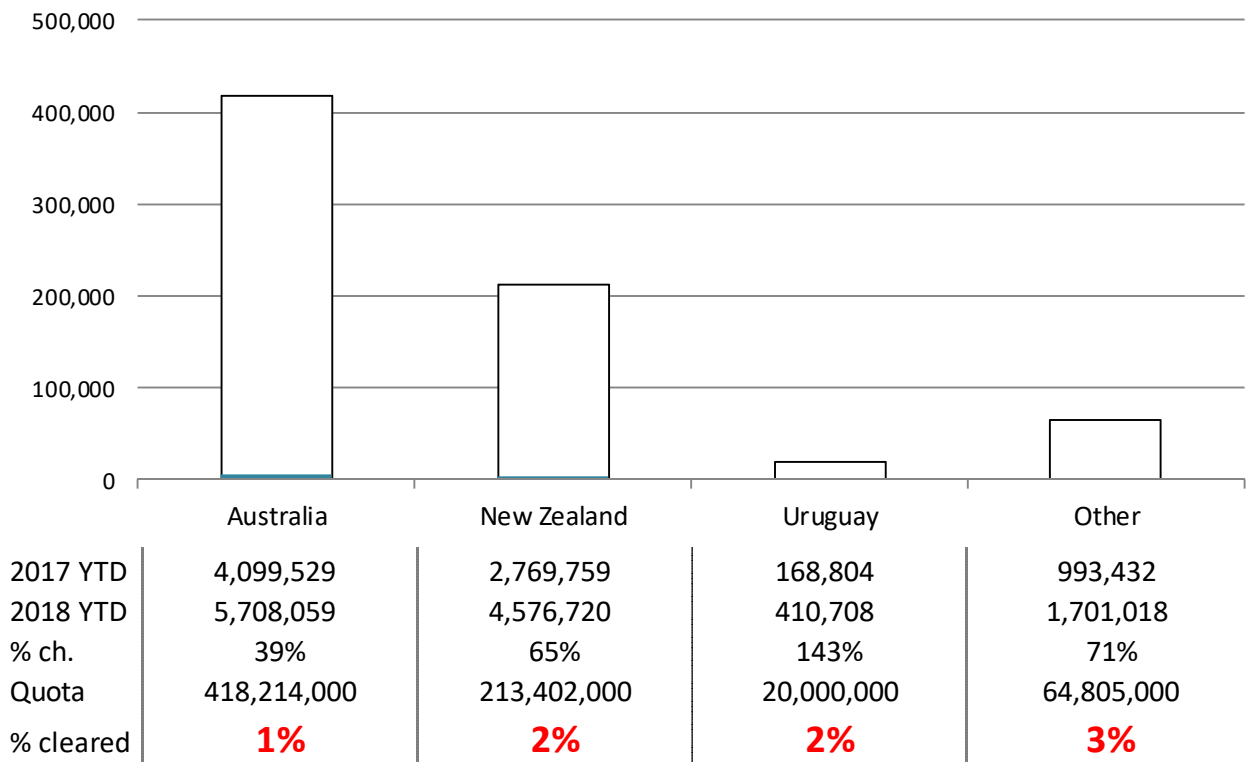
11-Jan-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending January 9

Source: US Customs



2017 Projected Trade with NAFTA Countries & World

Data Source: Foreign Agricultural Service/USDA. December trade was trend estimated by Steiner Consulting

	Mexico		Canada		World Total	
Beef	'000 US\$	Head	'000 US\$	Head	'000 US\$	Head
Cattle Exports	\$ 54,991	40,329	\$ 159,215	161,089	\$ 246,737	212,142
Cattle Imports	\$ 662,822	1,057,406	\$ 768,307	601,981	\$ 1,410,804	1,639,146
Net Trade	\$ (607,831)	(1,017,078)	\$ (609,093)	(440,893)	\$ (1,164,067)	(1,427,004)
Exports as % of World	22%	19%	65%	76%		
	'000 US\$	MT	US\$	MT	US\$	MT
Beef Exports	\$ 748,694	134,857	\$ 784,018	108,936	\$ 6,433,873	954,277
Beef Imports	\$ 939,841	197,044	\$ 1,183,705	240,480	\$ 4,915,535	950,200
Net Trade	\$ (191,147)	(62,186)	\$ (399,687)	(131,544)	\$ 1,518,338	4,076
Exports as % of World	12%	14%	12%	11%		
Pork	'000 US\$	Head	'000 US\$	Head	'000 US\$	Head
Hog Exports	\$ 6,053	28,290	\$ 1,654	2,981	\$ 18,806	55,986
Hog Imports			\$ 320,648	5,167,649	\$ 320,655	5,167,666
Net Trade			\$ (318,994)	(5,164,668)	\$ (301,849)	(5,111,681)
Exports as % of World	32%	51%	9%	5%		
	'000 US\$	MT	'000 US\$	MT	'000 US\$	MT
Pork Exports	\$1,304,169	660,962	\$ 767,149	189,824	\$ 5,318,815	1,908,099
Pork Imports	\$ 48,095	14,049	\$ 911,097	292,906 #	\$ 1,613,235	445,902
Net Trade	\$1,256,074	646,913	\$ (143,947)	(103,082)	\$ 3,705,580	1,462,198
Exports as % of World	25%	35%	14%	10%		
Poultry	'000 US\$	MT	'000 US\$	MT	'000 US\$	MT
Chicken Exports	\$ 515,890	623,907	\$ 295,291	130,881	\$ 2,934,519	3,020,590
Exports as % of World	18%	21%	10%	4%		
Turkey Exports	\$ 254,481	145,766	\$ 10,612	3,190	\$ 425,479	234,832
Exports as % of World	60%	62%	2%	1%		