



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

- US legislators failed to reach a budget agreement and this means many US federal workers will not be able to come to work on Monday.
- The lapse in funding will not impact the work of food safety inspectors and imported beef will continue to be processed for entry, however US will stop issuing market reports, including price data from the Mandatory Price Reporting system
- Imported beef prices were higher this past week on a combination of lower offerings from Australia and New Zealand and a weaker US dollar
- US fed cattle slaughter last week was up 7.8% vs. the same week last year while non-fed slaughter was up 2.7%
- Futures remain particularly volatile, with prices this week making up most of the ground lost the week before
- USDA currently forecasts US beef production for 2018 to be 27.8 billion pounds on a carcass weight basis (12.6 million MT), 6% larger than a year ago and the largest amount of beef ever produced in the US
- In addition to the record amount of beef produced, pork production is expected to increase by 5% and chicken production is forecast to be 2% higher as well.

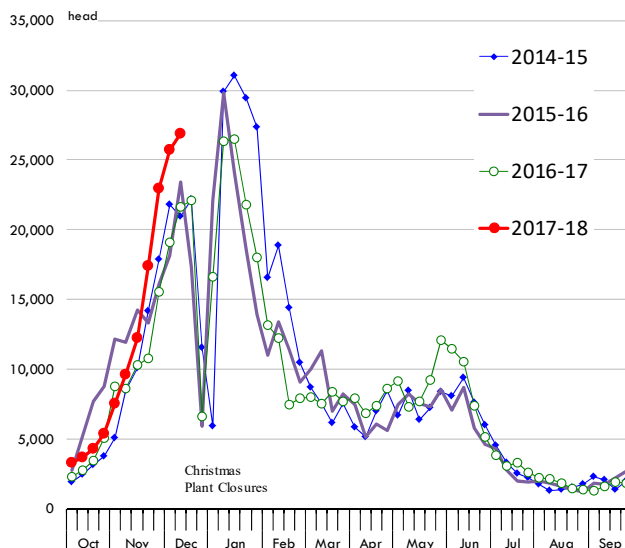
Imported Market Activity for the Week

Imported beef prices were for the most part higher as overseas packers appear to be well sold through February and seem content to hold the line on prices. The weaker US dollar also contributes to the upward price pressure. End user demand best characterized as spotty, with demand mostly for extra lean product, which works

better in formulations given current price of fat trimmings. Price of 50CL beef has increased by at least 30 cents since December, surpassing forecast targets (more on this on page 2). New Zealand tends to set the tone in the market in January and February and that is the case again this year. There was a notable increase in slaughter at the end of last year, which bolstered offerings/sales into the US and pressured prices lower. However, some market participants

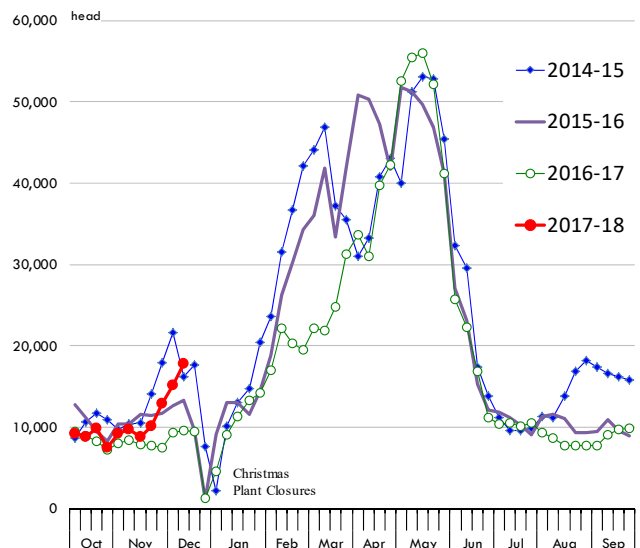
New Zealand Weekly Bull Slaughter

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



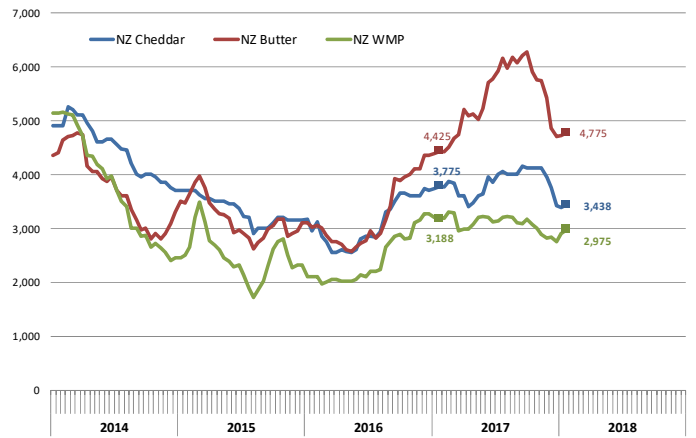
noted that a significant portion of those sales were negotiated directly with end users. Some think that traders are now short and that may be part of the reason for the recent increase in price. We have shown the charts on page 1 before but we think they are instructive in putting the New Zealand supply in perspective. Unfortunately recent slaughter data is not available but we suspect New Zealand bull slaughter is now around 25k head per week and cow slaughter also has started to increase.

Some market participants noted they are seeing a few more offerings of cow meat from New Zealand and there is an expectation that the cow run will start earlier than last year. This would be consistent with the slaughter levels we saw in 2016 and 2015. Why would New Zealand cow slaughter start earlier than it did last year? Excellent moisture conditions last year and higher dairy prices reduced the number of cows marketed in February, March and early April. A return to weather conditions closer to trend should coincide with a more seasonal trend in cow slaughter. Dairy prices also have weakened considerably in recent months. Cheese, butter and dry milk prices are significantly lower than they were back in September and also below year ago levels. According to USDA the price of NZ whole dry milk powder is currently \$2975 MT, 4% less than in September and 7% lower than a year ago. Cheddar prices are down 17% compared to September levels and even high flying butter prices are down 23% compared to four months ago. Are current dairy prices enough to drive a significant liquidation of the New Zealand dairy herd? We don't think so but the recent declines will likely cause the cow cull rate to return to a more seasonal trend during the New Zealand fall months.

Retail ground beef prices in the first three weeks of January were lower as retailers feature ground beef more aggressively than pork chops or boneless chicken breasts. The ground beef retail feature index, a measure of how often ground beef is featured, is up 30% compared to Nov/Dec levels. It is also up 1% compared to a year ago. Ground beef features seasonally increase after the holidays and this year is no different. The price of 50CL beef currently is hovering in the low 80 cents per pound compared to mid 50s back in December. **We think retail ground beef movement has been quite strong, at least so far, and this has limited the amount of fat trim combos that packers need to sell in the open market.** Lower prices have likely contributed to improved retail volume sales. In the first three weeks of the year the average price of 80-89% ground beef (see chart above) was \$3.20/lb., 3%

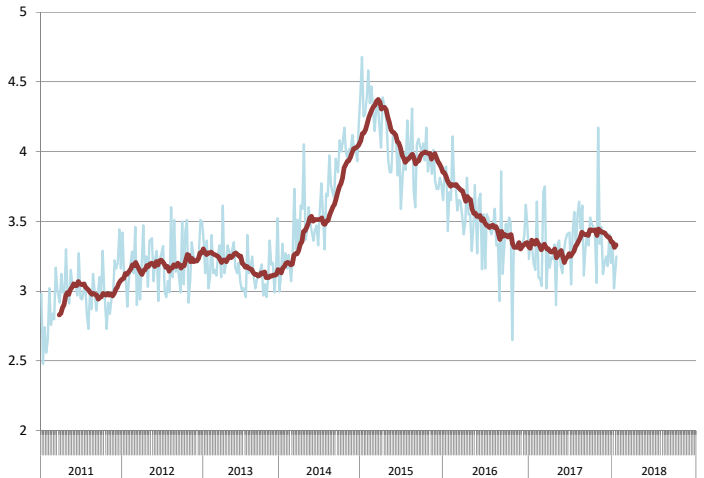
NEW ZEALAND DAIRY PRICES

Value of NZ Cheddar, Butter & Whole Milk Powder (WMP) in US\$. Source: USDA



Feature Price of 80-89% Ground Beef

Based on Weekly USDA Retail Price Survey, US\$/LB.



RATIO OF COW CARCASS PRICE VS. COW CUTOUT

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



lower than a year ago and 10% lower than the five year average. Retail ground beef prices have declined by almost 30% from their peak in late 2014.

Cow packer margins remain in great shape, as evidenced by the steady decline in the ratio of cow values relative to the cow cutout. This should continue to

support higher cow slaughter rates into the spring although the rate of slaughter will also depend greatly on moisture conditions as well as calf prices.

Finally, we would like to note the potential impact of a prolonged shutdown of US federal government agencies. It is possible that by Monday US legislators reach a budget agreement that allows US federal workers to return to work. But that is not assured. In 2013, it took three weeks for the US Congress to reach a budget agreement. With elections coming up, both sides are looking to score political points. A prolonged US federal Government shutdown would significantly limit the amount of US beef and cattle market information. Most USDA employees, with the exception of food safety inspectors, would not show up at work and no market reports will be issued. This could affect the release of the monthly USDA "Cold Storage" and "Cattle on Feed". We will continue to provide an update on imported market prices based on our conversations with market participants and will look for alternative market sources on domestic prices until USDA operations resume.

USDA Statement

With the uncertainty around a potential lapse in funding at midnight tonight, we wanted to share with you information on the agency's contingency plans and the steps we've taken to ensure that the Nation's commercial supply of meat, poultry, and processed egg products is safe as required under the authority of the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act.

In the event of a lapse of appropriations, FSIS inspectors will continue to conduct all inspections of domestic and imported products to ensure the safety and wholesomeness of all meat, poultry, and egg products before the USDA mark of inspection can be applied. Additionally, the agency will continue its emergency operations to monitor outbreak investigations and conduct voluntary recalls of meat or poultry products that may be misbranded or adulterated. FSIS also will verify that products exported from the U.S. meet the foreign governments' inspection requirements and are safe for human consumption. FSIS will continue to conduct surveillance and regulatory enforcement to prevent uninspected, misbranded, or adulterated products from entering commerce. Laboratory sampling functions will continue in support of all inspection and in-commerce activities. Functions that are not essential to support inspections, regulatory enforcement, and laboratory sampling will not be performed during a government shutdown.

Please let us know if you have any additional questions.

Sincerely,
Carmen Rottenberg
Acting Deputy Under Secretary for Food Safety

Paul Kiecker
Acting Administrator

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 |
|--|--------------|------------|------------------------|-----------|--------------------------|
| | 18-Jan-18 | 11-Jan-18 | | 17-Jan-17 | |
| CME FEEDER CATTLE INDEX | 0.00 | 0.00 | #DIV/0! | 132.37 | -100.0% |
| | 19-Jan-18 | 12-Jan-18 | | 18-Jan-17 | |
| FED STEER (5-MKT AVG) | 119.08 | 120.87 | -1.5% | 118.78 | 0.3% |
| CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.) | 100.50 | 97.00 | 3.6% | 100.50 | 0.0% |
| BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.) | 103.00 | 100.00 | 3.0% | 105.00 | -1.9% |
| BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.) | 94.50 | 96.50 | -2.1% | 97.50 | -3.1% |
| CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA | 170.10 | 170.40 | -0.2% | 154.79 | 9.9% |

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 |
|---|--------------|-------|------------|-------|-----------------------------|-----------|-------|-----------------------------|
| | 19-Jan-18 | 217.0 | 12-Jan-18 | 217.0 | | 18-Jan-17 | | |
| <u>US East Coast Australian/NZ Lean, CIF</u> | | | | | | | | |
| 95 CL Bull, E. Coast | 216.0 | 217.0 | 215.0 | 217.0 | 0.0 | 205.0 | 208.0 | 9.0 |
| 90 CL Blended Cow | 203.0 | 205.0 | 202.0 | 204.0 | 1.0 | 199.0 | 200.0 | 5.0 |
| 90 CL Shank | 205.0 | 206.0 | 198.0 | 200.0 | 6.0 | 200.0 | 203.0 | 3.0 |
| 85 CL Fores | 187.0 | 190.0 | 185.0 | 186.0 | 4.0 | 175.0 | 180.0 | 10.0 |
| 85 CL Chucks | | UNQ | | UNQ | N/A | | UNQ | N/A |
| 95 CL Bull, W. Coast | 215.0 | 216.0 | 214.0 | 216.0 | 0.0 | 204.0 | 206.0 | 10.0 |
| Uruguay CFH 90CL, E. Coast | | UNQ | | UNQ | N/A | | UNQ | N/A |
| <u>US East Coast, Trimmings, CIF</u> | | | | | | | | |
| 85 CL Trimmings | 186.0 | 188.0 | 182.0 | 184.0 | 4.0 | 175.0 | 177.0 | 11.0 |
| 80 CL Trimmings | 164.0 | 167.0 | 165.0 | 167.0 | 0.0 | 160.0 | 164.0 | 3.0 |
| 75 CL Trimmings | 155.0 | 156.0 | 154.0 | 155.0 | 1.0 | 141.0 | 145.0 | 11.0 |
| 65 CL Trimmings | | UNQ | | UNQ | N/A | | UNQ | N/A |
| <u>US East Coast Australian Cuts, CIF</u> | | | | | | | | |
| Cap Off Steer Insides | 285.0 | 290.0 | 280.0 | 285.0 | 5.0 | 270.0 | 275.0 | 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 | 245.0 | 250.0 | 250.0 | 252.0 | -2.0 | 230.0 | 235.0 | 15.0 |

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

| | Current Week | | Prior Week | | Change From Last Week | Last Year | | Change From Last Year |
|---|--------------|-------|------------|-------|-----------------------------|-----------|-------|-----------------------------|
| | 19-Jan-18 | 230.0 | 12-Jan-18 | 229.0 | | 18-Jan-17 | | |
| <i>US East Coast Australian/NZ Lean, FOB US Port</i> | | | | | | | | |
| 95 CL Bull, E. Coast | 229.0 | 230.0 | 225.0 | 229.0 | 1.0 | 215.0 | 217.0 | 13.0 |
| 90 CL Blended Cow | 213.0 | 214.0 | 210.0 | 212.0 | 2.0 | 208.0 | 210.0 | 4.0 |
| 90 CL Shank | 215.0 | 216.0 | 207.0 | 212.0 | 4.0 | 209.0 | 211.0 | 5.0 |
| 85 CL Fores | 195.0 | 196.0 | 194.0 | 195.0 | 1.0 | 185.0 | 186.0 | 10.0 |
| 85 CL Chucks | | UNQ | | UNQ | N/A | | UNQ | N/A |
| 95 CL Bull, W. Coast | 227.0 | 228.0 | 225.0 | 227.0 | 1.0 | 214.0 | 215.0 | 13.0 |
| Uruguay CFH 90CL, E. Coast | | UNQ | | UNQ | N/A | | UNQ | N/A |
| <i>US East Coast, Trimmings, FOB US Port</i> | | | | | | | | |
| 85 CL Trimmings | 194.0 | 195.0 | 193.0 | 194.0 | 1.0 | 184.0 | 185.0 | 10.0 |
| 80 CL Trimmings | 173.0 | 174.0 | 173.0 | 174.0 | 0.0 | 166.0 | 167.0 | 7.0 |
| 75 CL Trimmings | 166.0 | 167.0 | 167.0 | 168.0 | -1.0 | 153.0 | 155.0 | 12.0 |
| 65 CL Trimmings | | UNQ | | UNQ | N/A | | UNQ | N/A |
| <i>US East Coast Australian Cuts, FOB US Port</i> | | | | | | | | |
| Cap Off Steer Insides | 295.0 | 300.0 | 284.0 | 285.0 | 15.0 | 275.0 | 280.0 | 20.0 |
| 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 | 255.0 | 260.0 | 257.0 | 260.0 | 0.0 | 240.0 | 245.0 | 15.0 |

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

| | Current Week | | Prior Week | | Change From Last Week | Last Year | | Change from Last Year |
|--|--------------|-------|------------|-------|-----------------------------|-----------|-------|-----------------------------|
| | 19-Jan-18 | | 12-Jan-18 | | | 18-Jan-17 | | |
| <u>Domestic Cutouts</u> | | | | | | | | |
| Choice Cutout | 204.86 | | 208.23 | | -3.4 | 193.22 | | 11.6 |
| Select Cutout | 200.16 | | 201.64 | | -1.5 | 188.06 | | 12.1 |
| <u>Domestic Lean Grinding Beef</u> | | | | | | | | |
| 90 CL Boneless | 213.3 | 213.3 | 213.0 | 215.0 | -1.7 | 208.0 | 209.0 | 4.3 |
| 85 CL Beef Trimmings | 180.0 | 187.6 | 179.0 | 182.0 | 5.6 | 179.4 | 180.0 | 7.6 |
| 50 CL Beef Trim | 80.0 | 85.8 | 67.3 | 81.6 | 4.1 | 55.0 | 61.0 | 24.8 |
| <u>Domestic Pork Trim</u> | | | | | | | | |
| 42 CL Pork Trim | 26.0 | 37.3 | 23.9 | 37.3 | 0.0 | 23.2 | 35.3 | 2.0 |
| 72 CL Pork Trim | 73.1 | 92.3 | 70.4 | 87.3 | 5.0 | 73.0 | 92.3 | 0.0 |
| <u>Point of Lean Values</u> | | | | | | | | |
| 90 CL Domestic | 237.0 | | 238.9 | | -1.9 | 232.2 | | 4.8 |
| 50 CL Beef Trimming | 171.5 | | 163.2 | | 8.3 | 122.0 | | 49.5 |
| 42 CL Pork Trim | 88.7 | | 88.7 | | 0.0 | 83.9 | | 4.8 |
| 72 CL Pork Trim | 128.1 | | 121.2 | | 6.9 | 128.1 | | 0.0 |
| <u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u> | 119.08 | | 120.87 | | -1.8 | 118.78 | | 0.3 |

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> |
|-------------------------------------|---------------------|-------------------|----------------------------------|------------------|----------------------------------|
| | 12-Jan-18 | 5-Jan-18 | | 11-Jan-17 | |
| <u>Live Cattle Futures</u> | | | | | |
| February '18 | 117.375 | 119.250 | ↓ -1.88 | 119.125 | ↓ -1.75 |
| April '18 | 119.450 | 120.850 | ↓ -1.40 | 117.900 | ↑ 1.55 |
| June '18 | 111.625 | 112.325 | ↓ -0.70 | 107.775 | ↑ 3.85 |
| August '18 | 109.050 | 109.400 | ↓ -0.35 | 103.200 | ↑ 5.85 |
| <u>Feeder Cattle Futures</u> | | | | | |
| January '18 | 144.350 | 146.625 | ↓ -2.28 | 132.050 | ↑ 12.30 |
| March '18 | 142.650 | 141.975 | ↑ 0.68 | 129.625 | ↑ 13.03 |
| April '18 | 143.000 | 142.350 | ↑ 0.65 | 129.075 | ↑ 13.93 |
| May '18 | 142.700 | 142.250 | ↑ 0.45 | 129.075 | ↑ 13.63 |
| <u>Corn Futures</u> | | | | | |
| March '18 | 346 1/4 | 351 1/4 | ↓ -5.00 | 357 1/4 | ↓ -11.00 |
| May '18 | 354 3/4 | 359 1/4 | ↓ -4.50 | 364 | ↓ -9.25 |
| July '18 | 362 3/4 | 367 1/2 | ↓ -4.75 | 371 | ↓ -8.25 |
| September '18 | 370 3/4 | 375 1/4 | ↓ -4.50 | 378 | ↓ -7.25 |
| <u>Ch Wheat Futures</u> | | | | | |
| March '18 | 420 1/2 | 430 3/4 | ↓ -10.25 | 418 3/4 | ↑ 1.75 |
| May '18 | 434 1/4 | 442 3/4 | ↓ -8.50 | 432 1/4 | ↑ 2.00 |
| July '18 | 446 1/2 | 455 3/4 | ↓ -9.25 | 447 1/4 | ↓ -0.75 |
| September '18 | 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>Total Cattle Slaughter</u> | 611,000 | 541,000 | ↑ 70,000 | 609,074 | ↑ 1,926 |
| | 30-Dec-17 | 23-Dec-17 | | 31-Dec-16 | |
| <u>Total Cow Slaughter</u> | 88,689 | 116,349 | ↓ -27,660 | 97,000 | ↓ -8,311 |
| <u>Dairy Cow Slaughter</u> | 44,608 | 61,370 | ↓ -16,762 | 49,700 | ↓ -5,092 |
| <u>Beef Cow Slaughter</u> | 44,081 | 54,979 | ↓ -10,898 | 47,300 | ↓ -3,219 |

TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

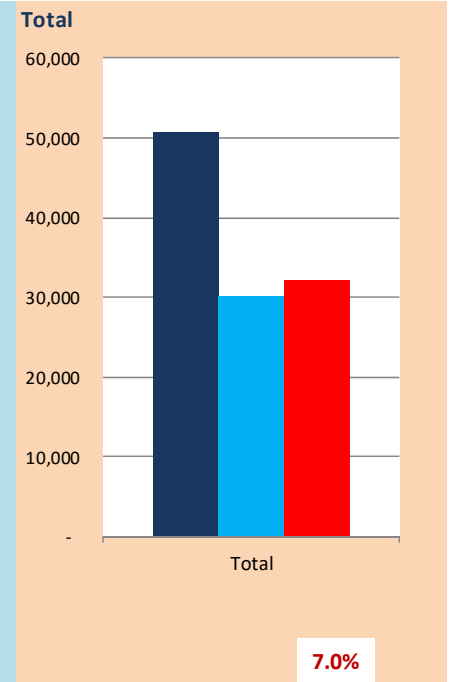
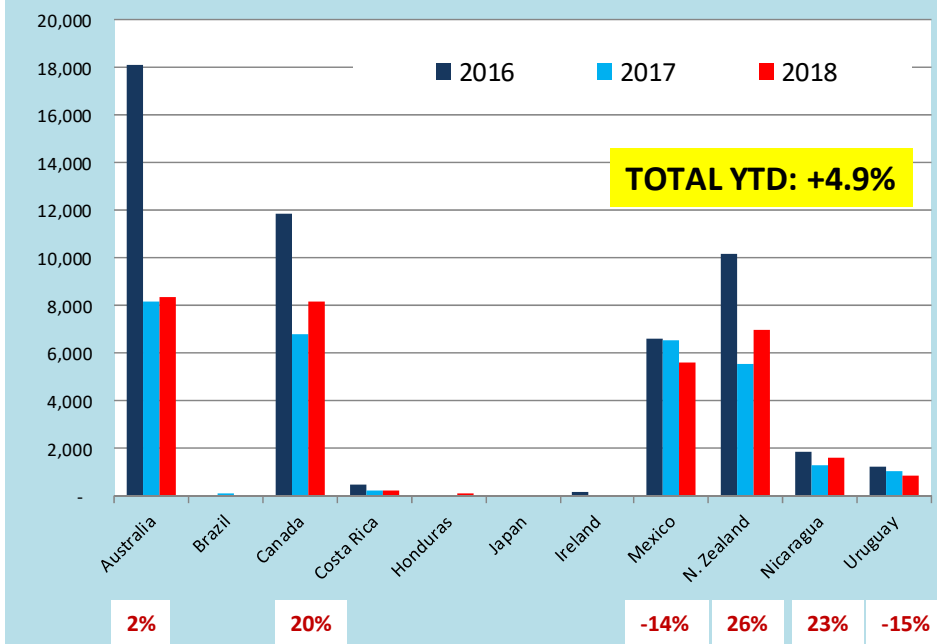
YTD Imported Fresh Beef Passed for Entry in the US

| week 2 | 1/14/2017 | 1/13/2018 | | |
|--------------|---------------|---------------|--------------|-------------|
| Australia | 8,208 | 8,369 | 161 | 2.0% |
| Brazil | 107 | - | | |
| Canada | 6,836 | 8,189 | 1,353 | 19.8% |
| Chile | 23 | - | (23) | -100.0% |
| Costa Rica | 264 | 231 | (33) | -12.5% |
| Honduras | - | 95 | 95 | |
| Japan | 17 | 54 | 37 | 217.6% |
| Ireland | 49 | 46 | (3) | -6.1% |
| Mexico | 6,560 | 5,626 | (934) | -14.2% |
| Netherlands | - | - | | |
| New Zealand | 5,564 | 6,994 | 1,430 | 25.7% |
| Nicaragua | 1,341 | 1,650 | 309 | 23.0% |
| Uruguay | 1,064 | 903 | (161) | -15.1% |
| Total | 30,062 | 32,157 | 2,095 | 7.0% |

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

Imports as of January 13, 2018

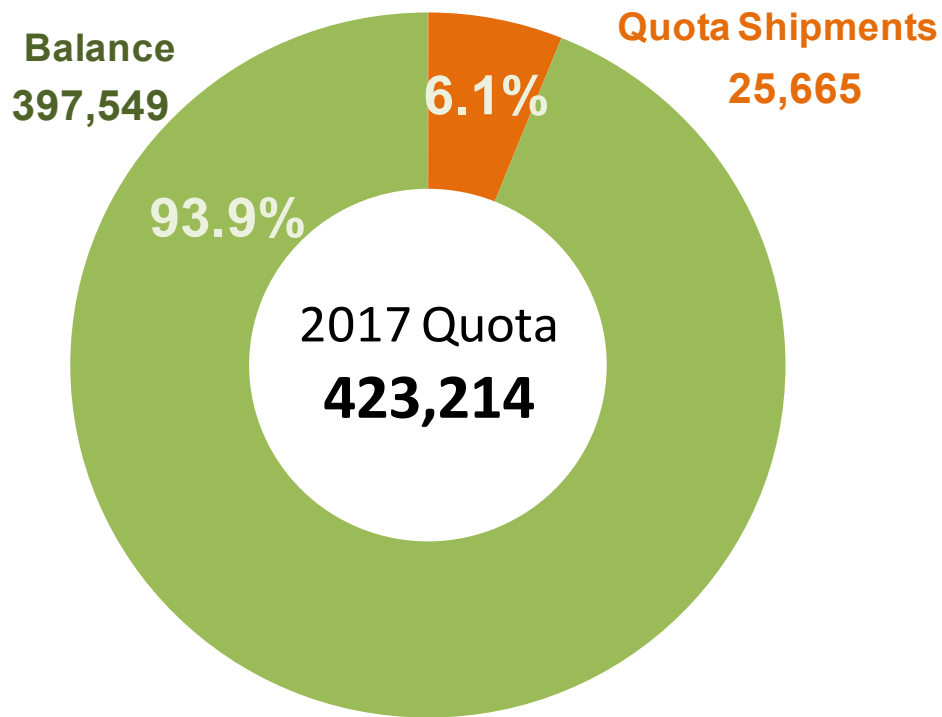
Individual Country Volume. MT & Y/Y % Ch.



Australian Beef Quota Position

18-Jan-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending January 9

Source: US Customs

