



# US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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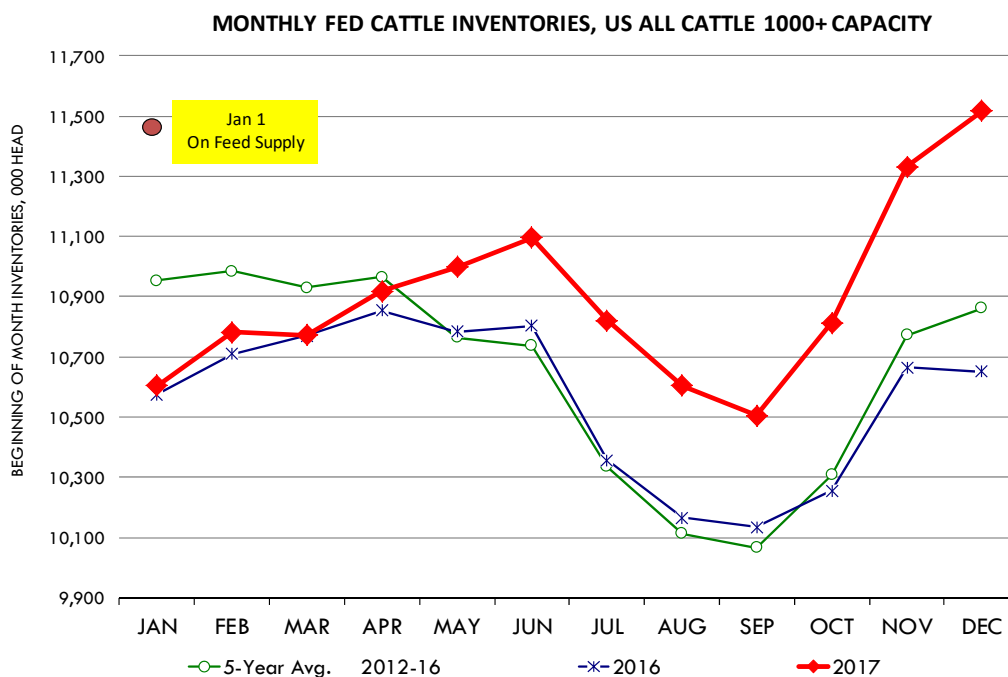
## Market Highlights for the Week:

- Cattle on feed supplies on January 1 were 8.3% higher than a year ago, significantly higher than the 7.7% increase analysts were expecting
- Feedlots placed more cattle on feed during December and total placements in Q4 of the year were almost 900k head larger than the same quarter a year ago
- About 2/3 of the increase in placements was due to more heifers going on feed. Almost the entire increase in US beef production last year was due to more heifers and cows going to market
- Imported beef prices were higher once again this week on higher asking prices in New Zealand and strong demand in other markets, particularly China
- US fed cattle slaughter was lower this week as winter weather caused some plants to either shut down completely or work reduced hours
- CME fed cattle futures declined almost the daily permissible limit on Thursday only to recover much of the ground lost on Friday. Expectations are for futures to decline once again on Monday
- New rules for electronic monitoring of the trucking fleet, which came into effect in December, have further compounded the shortage of trucks and US processors and packers are in the process of raising delivery rates to cope with the shortage of trucks

## Imported Market Activity for the Week

**Imported beef prices were higher once again this week on higher asking prices from overseas suppliers, a strong US dollar and a fairly robust spot market for lean grinding, especially extra lean product.** Market participants noted that trading imported beef was quite difficult. Those that hold a more bearish view of the market

point to dry conditions in Australia (and higher slaughter there), weak dairy prices in New Zealand and ample supplies of US fed beef. End users appear to be in no big hurry to cover needs for March given the confluence of these factors and likely want to see how autumn conditions play out in New Zealand and Australia before pulling the trigger and securing supplies for March and April needs. But we also noted some nervousness in the market, especially since



many think there are a lot of shorts currently that will eventually have to get covered. If a larger New Zealand cow slaughter fails to materialize, then there could be a temporary upward pressure on prices, at least through March. US fed cattle futures remain extremely volatile. Fed cattle futures were down almost the 300 point daily limit on Friday only to recover much of the lost ground today. The recent cattle on feed report will likely be viewed as bearish by futures when they open on Monday and we could see futures sell off, once again. **Below are some key market events/points for this past week:**

**US feedlot supplies are significantly higher and feedlot operators will be incentivized to market cattle aggressively in the next three months.**

The report issued on Friday (US time) showed that January cattle on feed inventories in lots with +1000 head capacity were 11.489 million head, 8.3% higher than the same period a year ago. Analysts polled ahead of the report expected on feed supplies to be 7.7% higher than last year. The increase in on feed numbers implies fed cattle slaughter running about 4 to 4.5% through Q1 and as high as 6% above last year in Q2. These are some big numbers. Front end supplies could quickly build if feedlots fall behind in marketings.

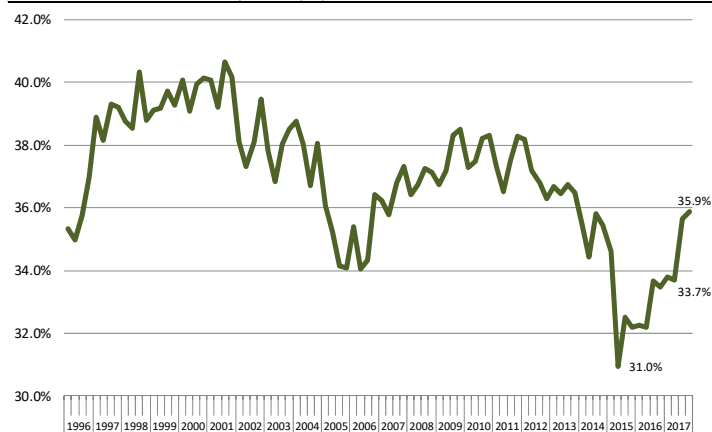
The saving grace for the US beef market so far has been **demand, which is excellent both in domestic and export channels.** Based on weekly export data we currently forecast January beef exports to be as much as 15% above year ago levels. Robust export demand is part of the reason for high 50CL trim prices so far in January.

Strong export demand is not the only factor impacting fat trim prices at the outset of the new year. As we noted last week, **ground beef features at retail are better than last year while pork features are down.** This has benefited ground beef sales (ground beef prices are higher) at the expense of pork loins and chicken breasts. The price of pork loins is down as much as 8% vs. last year while boneless/skinless chicken breasts are selling at significant discounts to published prices.

The latest cattle on feed report also offered a breakdown of the **number of steers and heifers placed on feed in the last quarter of the year.** These numbers are provided on a quarterly basis and offer insights as to the pace of herd rebuilding. Sharp declines in the number of heifers placed on feed imply cow-calf producers are holding them back for herd rebuilding, something that ultimately shows up in the annual cow herd inventory numbers and calf pro-

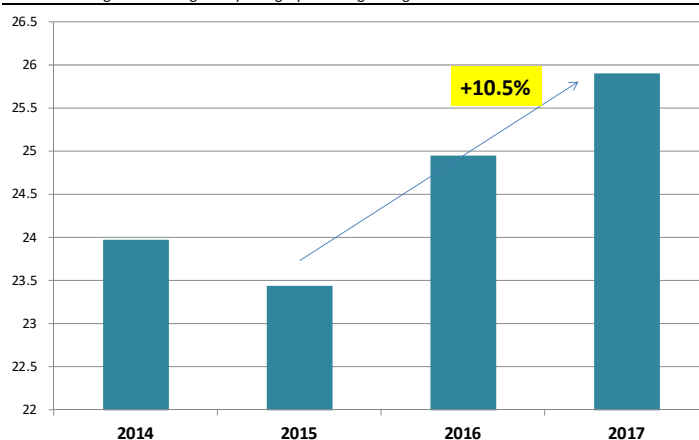
**Placements of Heifers as % of Total Placements on Feed, Quarterly**

Source: USDA/NASS 'Cattle on Feed' Survey, Quarterly Report



**US Federally Inspected Beef Production**

Calculated using Annual Slaughter by Category & Average Weights. Billion Lb. Carcass Wt. Basis



duction statistics. The latest report showed that producers have been placing significantly more heifers on feed due lower calf prices and eroding producer margins. In the final quarter of the year US feedlots placed 11.5 million head of cattle on feed. Steer placements were 7.335 million head, 313,000 head (+4.4%) higher than a year ago. Heifer placements during this period were 4.154 million head, 571,000 head (+15.9%) higher than a year ago. The increase in placements reflects a return to a more "normal" placement rate and points to a slowdown, if not an end, to the herd rebuilding activity in the US. **The ratio of heifer placements to total placements coincides well with the cattle cycle and it appears that the aggressive retention we experienced in 2015/16 has all but come to an end.** Drought this spring and summer could all but put an end to the current cattle cycle and set the stage for higher cattle/beef prices in 2019 and 2020.

US beef production was higher in 2017 and the bulk of the increase was due to more heifers going to slaughter. USDA provides a breakdown by category only for

Federally Inspected cattle so the total in the chart above may not be exactly the same as the final USDA numbers, which covers all commercial production. However, the data is quite interesting. US federally inspected beef production increased by some 950 million pounds (+3.8%) in 2017. About 70% of this increase was due to more heifers coming to market. Higher cow meat production accounted for another 23% of the growth in supplies and more bull meat accounted for 5% of the growth. The amount of beef derived from steers in 2017 was 14.7 billion pounds, only marginally higher than in 2016. While there were 1.7% more steers that came to market last year compared to the year before, steer weights were down and this offset the increase in slaughter. USDA currently expects US beef production to increase by more than 5% in 2018 on a combination of higher slaughter and also heavier carcass weights.

**Finally a topic that has been making the rounds this week is the very tight supply of trucks, especially refrigerated trucks, and the impact this has had on freight rates.** Attached is a chart published in the Wall Street Journal, which we think tells the story quite well. In conversations with market participants this has become a critical issue for many. And it is unlikely that this will be resolved soon. In December a new government rule went into effect, requiring all long haul drivers to have electronic logs that are hard wired to the engine of the truck. In the past there was a lot of talk that truckers, especially independents and those working for small fleets, were engaged in double accounting in order to bypass stricter hours of operation requirements. Now that the new ELDs rules have come into effect, fear of steep fines has significantly constrained trucker ability to juggle loads. There are reports of truckers not showing up, significant delays in deliveries and escalating asking prices for trucks. We think overall this could provide imported beef with an advantage since it raises costs of beef trim shipped from the Midwest to the coast.

**Domestic Price Summary**

Prices for domestic 90CL boneless beef were quoted at 217 US cents on the top side, 3 cent higher than a week ago and 7 cents higher than year ago levels. **The weighted average price tonight was quoted at 217 cents, 3 cents higher than a week ago.** 85CL beef trim price on the top side was quoted tonight at 190 cents, 3 cent higher compared to last week and 8 cents higher than a year ago. 50CL beef price was 91 cents on the high side, 7 cent higher

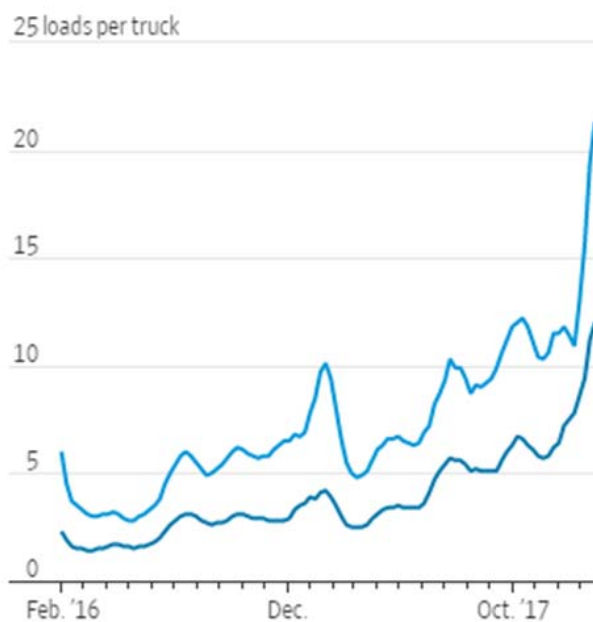
**U.S. ALL CATTLE ON FEED: 1,000+ CAPACITY FEEDLOTS**

Source: USDA/NASS. Analyst Estimates from Urner Barry

	Number, Thousand Head			Current Year as % of Year Prior		
	2016	2017	2018	Actual	Estimates	Difference
Placed on Feed During Dec	1,527	1,785	1,799	100.8	96.9	3.9
Fed Cattle Marketed Dec	1,674	1,777	1,752	98.6	98.6	0.0

**Number of loads per available truck, four week moving average**

- Typical tractor-trailer
- Refrigerated tractor-trailer



Source: DAT Solutions LLC

than last week and 25 cents higher than last year. Prices for fat beef trim on a weighted average basis were 88 cents

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
	25-Jan-18	18-Jan-18		24-Jan-17	
CME FEEDER CATTLE INDEX	0.00	0.00	#DIV/0!	133.32	-100.0%
	26-Jan-18	19-Jan-18		25-Jan-17	
FED STEER (5-MKT AVG)	122.90	119.08	3.2%	121.85	0.9%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	104.00	100.50	3.5%	100.50	3.5%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	102.50	103.00	-0.5%	110.00	-6.8%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	97.50	94.50	3.2%	105.00	-7.1%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	171.93	170.10	1.1%	154.79	11.1%

## 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
	26-Jan-18	219.0	19-Jan-18	217.0		25-Jan-17		
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	217.0	219.0	216.0	217.0	2.0	210.0	212.0	7.0
<b>90 CL Blended Cow</b>	207.0	208.0	203.0	205.0	3.0	200.0	203.0	5.0
<b>90 CL Shank</b>	208.0	209.0	205.0	206.0	3.0	202.0	204.0	5.0
<b>85 CL Fores</b>	190.0	194.0	187.0	190.0	4.0	179.0	182.0	12.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	216.0	218.0	215.0	216.0	2.0	208.0	209.0	9.0
<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>	189.0	191.0	186.0	188.0	3.0	178.0	180.0	11.0
<b>80 CL Trimmings</b>	167.0	168.0	164.0	167.0	1.0	160.0	164.0	4.0
<b>75 CL Trimmings</b>		UNQ	155.0	156.0	N/A	145.0	146.0	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	290.0	285.0	290.0	0.0	270.0	275.0	15.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		UNQ		UNQ	N/A	220.0	225.0	N/A
<b>Steer Knuckles</b>	245.0	250.0	245.0	250.0	0.0	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
	26-Jan-18	23-Jan-18	19-Jan-18	16-Jan-18		25-Jan-17	18-Jan-17	
<b><i>US East Coast Australian/NZ Lean, FOB US Port</i></b>								
<b>95 CL Bull, E. Coast</b>	230.0	231.0	229.0	230.0	1.0	220.0	221.0	10.0
<b>90 CL Blended Cow</b>	218.0	219.0	213.0	214.0	5.0	208.0	209.0	10.0
<b>90 CL Shank</b>	216.0	218.0	215.0	216.0	2.0	209.0	210.0	8.0
<b>85 CL Fores</b>	199.0	200.0	195.0	196.0	4.0	185.0	188.0	12.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	229.0	230.0	227.0	228.0	2.0	217.0	218.0	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>	197.0	199.0	194.0	195.0	4.0	185.0	186.0	13.0
<b>80 CL Trimmings</b>	174.0	175.0	173.0	174.0	1.0	168.0	169.0	6.0
<b>75 CL Trimmings</b>		UNQ	166.0	167.0	N/A	154.0	156.0	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>	295.0	300.0	295.0	300.0	0.0	275.0	280.0	20.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		UNQ		UNQ	N/A	225.0	230.0	N/A
<b>Steer Knuckles</b>	255.0	260.0	255.0	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	
	26-Jan-18	19-Jan-18	26-Jan-18	19-Jan-18		25-Jan-17			
<b><u>Domestic Cutouts</u></b>									
Choice Cutout	206.83	204.86			2.0	191.25		15.6	
Select Cutout	201.83	200.16			1.7	189.16		12.7	
<b><u>Domestic Lean Grinding Beef</u></b>									
90 CL Boneless	216.7	216.7	213.3	213.3	3.4	204.0	209.4	7.3	
85 CL Beef Trimmings	181.2	190.8	180.0	187.6	3.1	181.0	183.0	7.8	
50 CL Beef Trim	84.8	92.8	80.0	85.8	7.0	62.0	67.3	25.5	
<b><u>Domestic Pork Trim</u></b>									
42 CL Pork Trim	25.2	37.3	26.0	37.3	0.0	21.0	32.3	5.0	
72 CL Pork Trim	70.2	91.3	73.1	92.3	-1.0	66.9	86.3	5.0	
<b><u>Point of Lean Values</u></b>									
90 CL Domestic	240.7		237.0		3.7	232.7		8.1	
50 CL Beef Trimming	185.5		171.5		14.0	134.5		51.0	
42 CL Pork Trim	88.7		88.7		0.0	76.8		11.9	
72 CL Pork Trim	126.7		128.1		-1.4	119.8		6.9	
<b><u>National Direct Fed Steer</u></b> <b><u>(5-day accum. wt. avg. price)</u></b>	122.90		119.08		3.8	121.85		1.1	

**TABLE 5 – FUTURES AND SLAUGHTER INFORMATION**

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	<b>26-Jan-18</b>	<b>19-Jan-18</b>			<b>25-Jan-17</b>	
<b><u>Live Cattle Futures</u></b>						
February '18	124.600	117.375	↑	7.22	119.875	↑ 4.72
April '18	124.625	119.450	↑	5.18	118.675	↑ 5.95
June '18	116.175	111.625	↑	4.55	108.100	↑ 8.08
August '18	113.050	109.050	↑	4.00	103.975	↑ 9.08
<b><u>Feeder Cattle Futures</u></b>						
March '18	146.725	142.650	↑	4.07	129.850	↑ 16.88
April '18	147.225	143.000	↑	4.22	129.375	↑ 17.85
May '18	147.050	142.700	↑	4.35	129.375	↑ 17.68
August '18	150.050		↑	150.05		↑ 150.05
<b><u>Corn Futures</u></b>						
March '18	356 1/2	346 1/4	↑	10.25	366 1/4	↓ -9.75
May '18	365	354 3/4	↑	10.25	373 1/2	↓ -8.50
July '18	373 1/4	362 3/4	↑	10.50	380 3/4	↓ -7.50
September '18	380 3/4	370 3/4	↑	10.00	387	↓ -6.25
<b><u>Ch Wheat Futures</u></b>						
March '18	441	420 1/2	↑	20.50	424 1/2	↑ 16.50
May '18	453 3/4	434 1/4	↑	19.50	438 1/2	↑ 15.25
July '18	466 1/2	446 1/2	↑	20.00	453 1/2	↑ 13.00
September '18	480 1/4	460 1/2	↑	19.75	468 1/2	↑ 11.75
<b><u>Slughter Information</u></b>						
Slughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
	Week	Week	Week	Week	Week	Week
	<b>27-Jan-18</b>	<b>20-Jan-18</b>			<b>28-Jan-17</b>	
<b>Total Cattle Slaughter</b>	588,000	615,000	↓	-27,000	581,000	↑ 7,000
	<b>13-Jan-18</b>	<b>6-Jan-18</b>			<b>14-Jan-17</b>	
<b>Total Cow Slaughter</b>	125,337	103,642	↑	21,695	113,679	↑ 11,658
<b>Dairy Cow Slaughter</b>	65,680	53,656	↑	12,024	60,933	↑ 4,747
<b>Beef Cow Slaughter</b>	59,657	49,986	↑	9,671	52,746	↑ 6,911



# TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

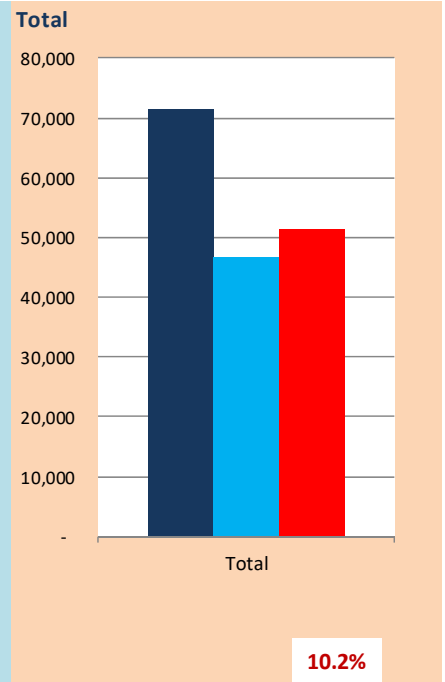
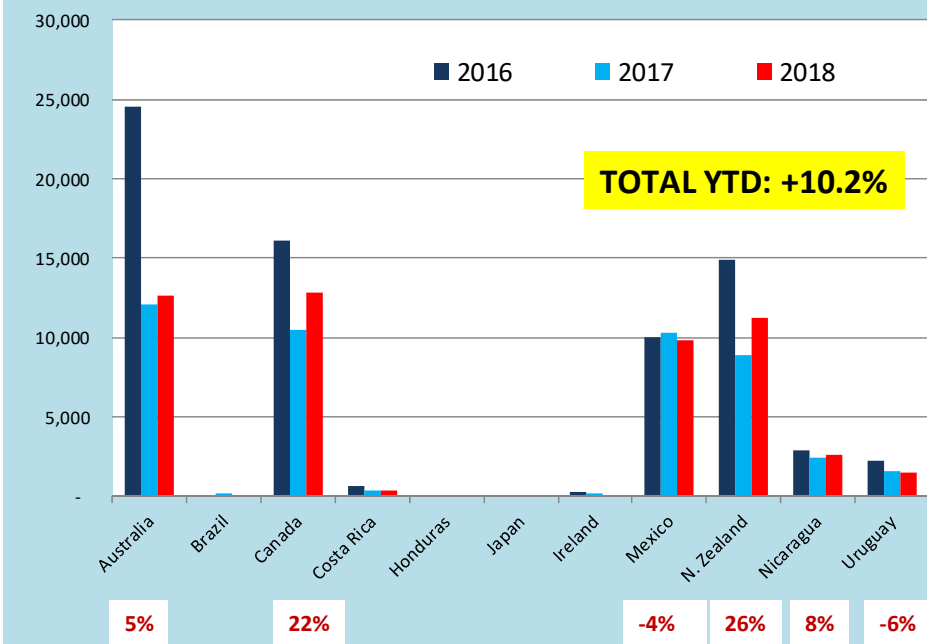
## YTD Imported Fresh Beef Passed for Entry in the US

week 3	1/21/2017	1/20/2018		
Australia	12,100	12,685	585	4.8%
Brazil	161	-		
Canada	10,498	12,809	2,311	22.0%
Chile	23	-	(23)	-100.0%
Costa Rica	382	414	32	8.4%
Honduras	-	114	114	
Japan	20	92	72	360.0%
Ireland	146	46	(100)	-68.5%
Mexico	10,289	9,829	(460)	-4.5%
Netherlands	-	-		
New Zealand	8,913	11,235	2,322	26.1%
Nicaragua	2,469	2,660	191	7.7%
Uruguay	1,619	1,516	(103)	-6.4%
<b>Total</b>	<b>46,636</b>	<b>51,400</b>	<b>4,764</b>	<b>10.2%</b>

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

Imports as of January 20, 2018

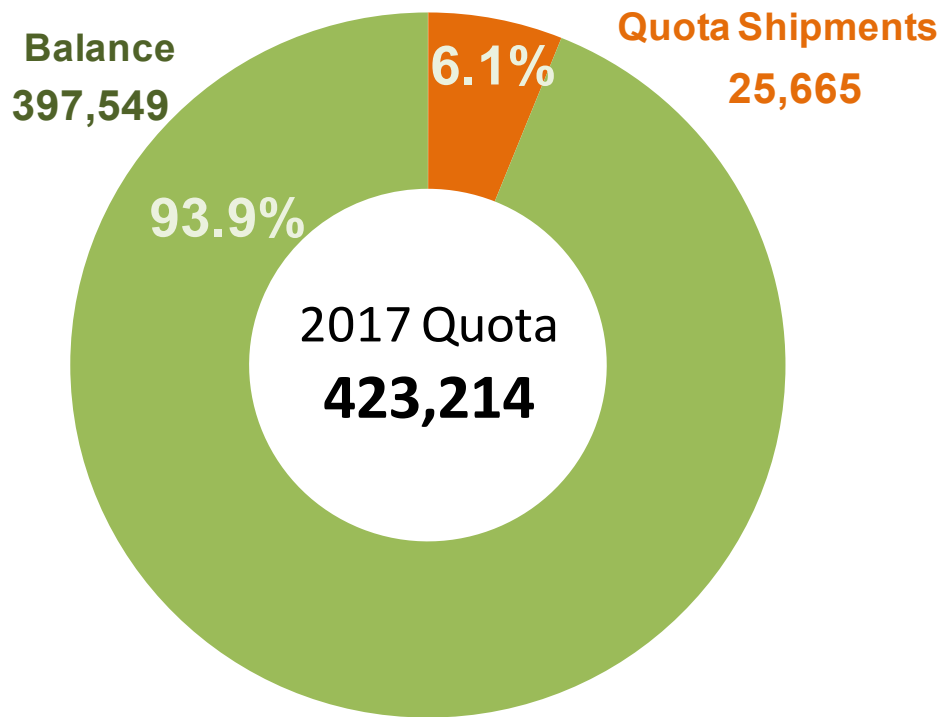
Individual Country Volume. MT & Y/Y % Ch.



# Australian Beef Quota Position

25-Jan-18

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending January 22

Source: US Customs

