



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Prepared by: Steiner Consulting Group | SteinerConsulting.com | 800-526-4612 | service@steinerconsulting.com

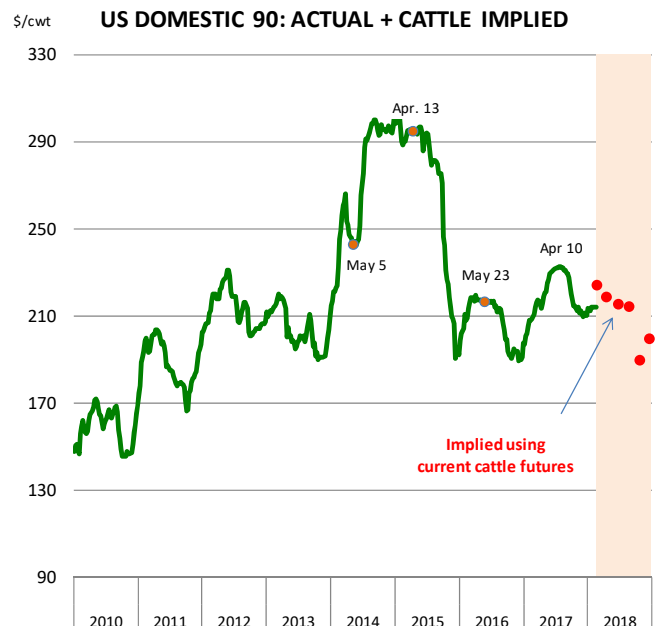
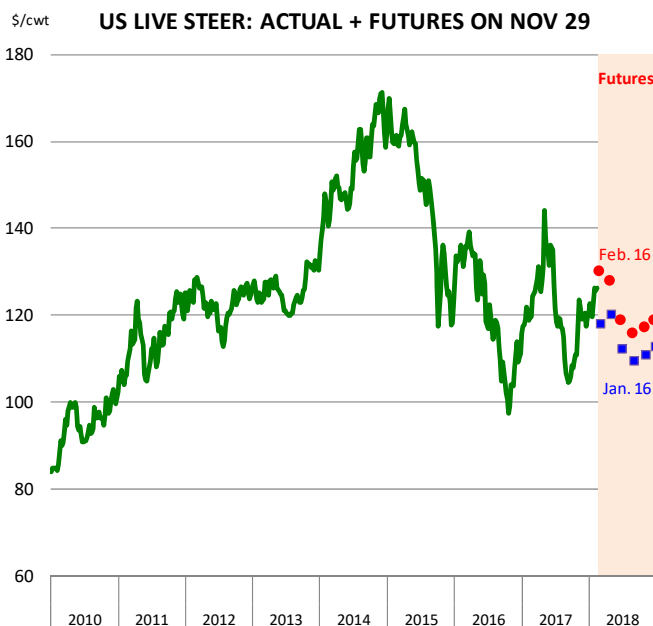
Market Highlights for the Week:

- Imported beef prices were mixed this week with FOB prices lower as traders looked to trade out of some inventory while overseas replacement levels were higher on very light offerings and limited availability from New Zealand
- CME fed cattle futures were higher for the week as traders were buoyed by higher than expected prices in the cash market and firm wholesale prices despite a larger kill
- Fed cattle slaughter at 463k head was estimated 2.1% above last year while non-fed slaughter at 127k head was 3.1% higher
- Retail ground beef features have been lower than a year ago in the last two weeks and some participants fear that the recent surge in fed cattle futures could negatively impact retailer beef promotions in March and April
- Seasonally prices for 90CL fresh domestic product move higher in March and April.
- As some large US fast food operators look to use more fresh lean beef, this could make for a more volatile and higher prices in the spring when retail promotions tend to increase
- Fed cattle placements in the Southern Plains may be higher than many expect, causing the on feed supply as of February 1 to be as much as 7.5% higher than a year ago.

Imported Market Activity for the Week

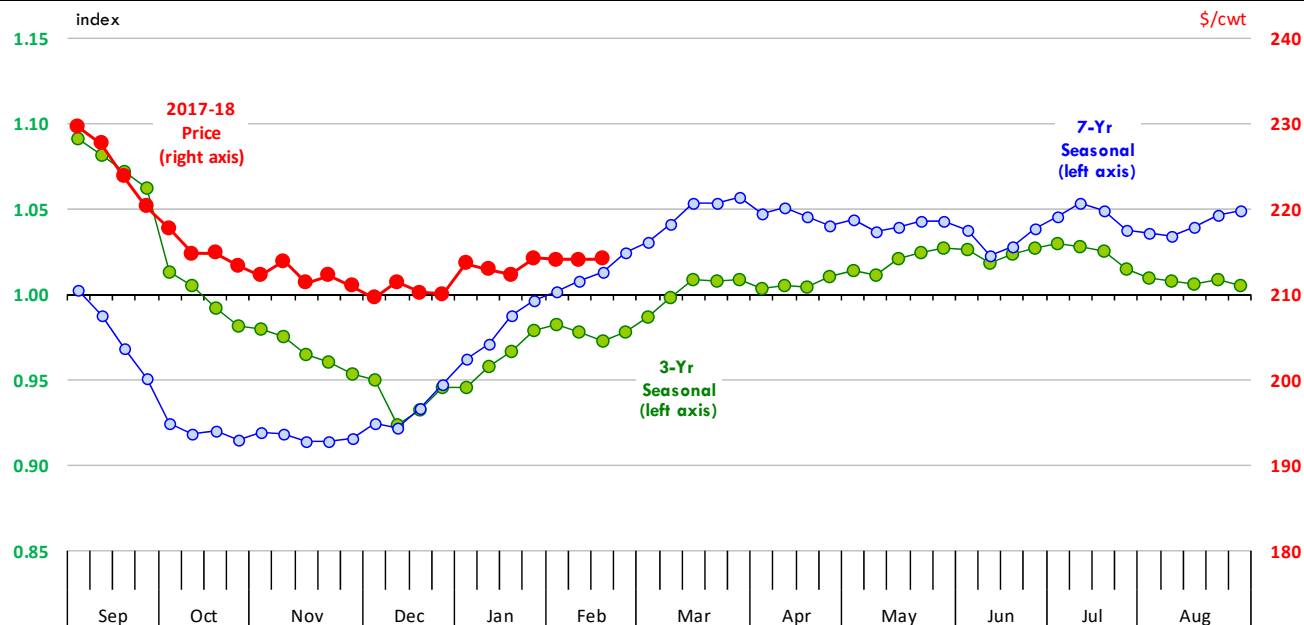
Imported beef market was at an impasse this past week, with overseas asking prices continuing to advance higher while FOB values actually eased a bit. Market participants noted that movement was slow, with end users opting to sit on the sidelines. This caused some sellers that bought at lower levels back in December to take less money in order to keep the flow moving but replacing product remains very

difficult at this time. There is some hope/expectation that New Zealand offerings will start to improve in March so some sellers are willing to book a profit on some of their inventory and look to replace a few weeks from now. Prices for round cuts in the domestic market have underperformed vs. expectations and those looking to trade imported product, mostly from Australia, have had to lower prices by as much as a dime in order to book orders.



Seasonality of Fresh US Domestic 90CL Beef Trim

Current Price vs. 3-Yr and 7-Yr Seasonal



Points of interest for the week:

- CME fed cattle futures surged higher this week as market participants were buoyed by higher prices paid in the cash market and speculation that packers appear to be short bought in the short term. Fed cattle prices started the week at around \$126/cwt but by the end of the week packers were said to have paid \$2 more. February futures are currently near \$130, which means traders expect fed cattle to be even higher this coming week. Concern about large on feed supplies has been replaced by exuberance as cutout values have performed quite well and packer margins remain well in the black. Seasonally the choice beef cutout moves higher into March as retailers look to feature more beef after Lent. Lent this year started in February 16 and it will continue until the end of March.
- Fed cattle slaughter for the week was estimated at 463,000 head, 2.1% higher than a year ago. Non-fed cattle slaughter was estimated at 127,000 head, 3.1% higher than last year. We expect overall cattle slaughter to be over 600k head per week in March, 625k in April and over 640k in May.
- The chart on page 1 illustrates the upward shift in the outlook for fed cattle futures in the last month and what that implies for 90CL beef prices. Based on current futures the price of 90CL beef for the spring is expected to be a dime higher than current levels. However, we could see prices outperform expectations given strong demand for ground beef and the shift among some large fast food operators to using more fresh beef. While sourcing fresh 90CL is relatively easy during the fall and winter, there will be more competition for product in the spring when retail demand starts to heat up.
- The chart above shows the seasonality in the price of domestic 90CL beef during a Sep-Aug period. We have shown both the 3-year and 7-year seasonal. It is quite telling that the price of 90CL did not decline as much as the seasonal would suggest in Nov/Dec. Because prices did not decline as much as expected in the fall they have also increased by less than expected recently. However, as non-fed supplies ease lower in the spring while demand improves, prices should find some short term support. Demand from large chains looking to feature more fresh beef is a big wild card, in our view.
- Ground beef retail features have been lower than a year ago so far in February. The USDA retail weekly feature report shows that ground beef feature activity in the last two weeks has been down 15% from a year ago and 13% lower than the five year average. Last year we saw a big increase in beef features, including ground beef, during March and April. It remains to be seen how beef promotions will fare this year and whether futures traders are justified in their bullish assessment of the spring market.
- USDA will issue on Friday, February 23, the results of its monthly feedlot survey. Earlier last week we provided our forecasts to Bloomberg for their analyst survey, which were as follows:

Our Initial Forecasts Sent to Bloomberg

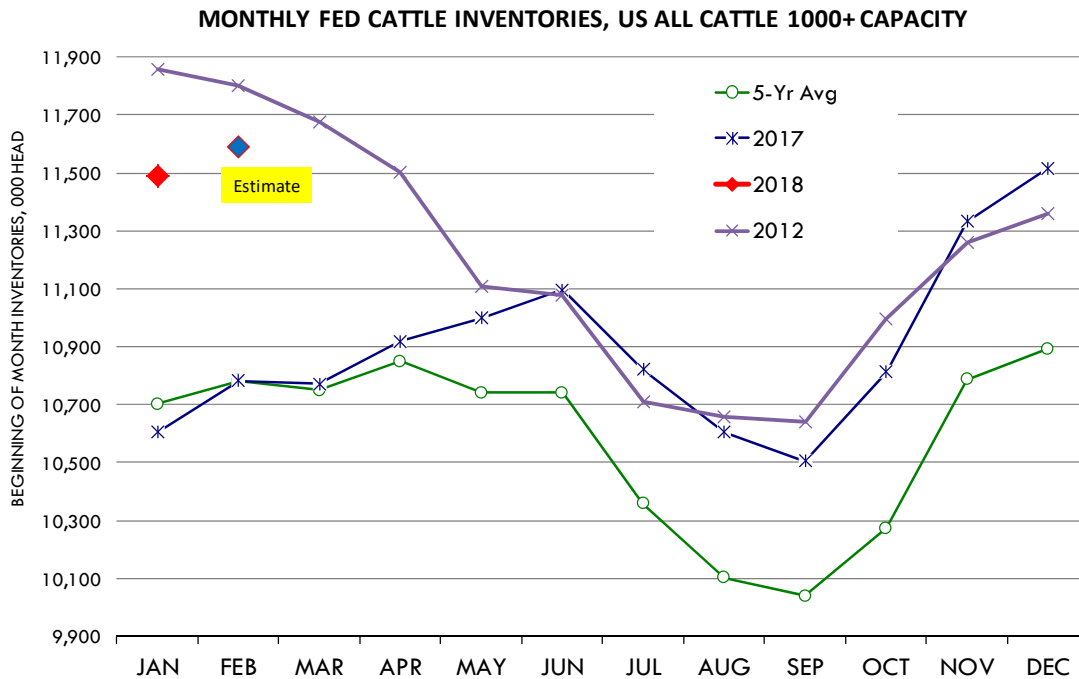
Placed on feed in January: 99.5% of last year
 Marketed during January: 106.2% of last year
 Total on Feed February 1: 106.9% of last year

However, after we sent our forecasts to the wire service we received the latest survey from Texas Cattle Feeders, which alters our thoughts a bit. The TCFA survey of its members showed that placements in Texas during January were 14% larger than a year ago while placements in Oklahoma were up 25% from a year ago. When we adjust for these numbers, then feedlot placements for January result in a 2.5% increase compared to the same period a year ago. Total on feed supplies, if we were to adjust for the TCFA numbers, are projected to be 7.5% larger than a year ago.

At this point futures markets have rallied on reports of higher prices paid by packers for cattle in the spot market. While there are indeed 7.5% more cattle on feed than a year ago, a lot of these cattle were placed on feed at relatively lighter weights, which tends to spread out the window when they can come to market. Furthermore, strong beef demand has allowed packers to maintain a very strong marketing pace and so far feedlots remain quite current. The downside risk for cattle/beef at this point is that high February prices may limit retail features/promotions going into the spring. Fed cattle prices are currently around \$127/cwt compared to \$120/cwt a year ago. However, strong beef demand has shown that even as beef supplies increase, the appetite for beef is increasing just as fast, thus helping absorb the additional supply.

Our Forecasts Adjusted per TCFA Numbers

Placed on feed in January: 102.5%
 Marketed during January: 106.2%
 Total on Feed Feb. 1: 107.5%



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
	15-Feb-18	8-Feb-18		14-Feb-17	
CME FEEDER CATTLE INDEX	148.15	147.59	0.4%	128.63	15.2%
	16-Feb-18	9-Feb-18		15-Feb-17	
FED STEER (5-MKT AVG)	126.16	126.04	0.1%	119.72	5.4%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	113.00	112.00	0.9%	101.00	11.9%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	110.00	109.50	0.5%	106.50	3.3%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	104.00	103.00	1.0%	100.00	4.0%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	171.83	170.53	0.8%	154.79	11.0%

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
	16-Feb-18	22-Feb-18	9-Feb-18	15-Feb-18		15-Feb-17	21-Feb-17	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	225.0	226.0	225.0	226.0	0.0	216.0	218.0	8.0
90 CL Blended Cow	215.0	216.0	213.0	214.0	2.0	205.0	207.0	9.0
90 CL Shank	213.0	215.0	212.0	213.0	2.0	206.0	208.0	7.0
85 CL Fores	194.0	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	224.0	225.0	224.0	225.0	0.0	214.0	215.0	10.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	194.0	195.0	193.0	194.0	1.0	184.0	185.0	10.0
80 CL Trimmings		168.0	165.0	167.0	1.0	165.0	168.0	0.0
75 CL Trimmings	163.0	165.0		UNQ	N/A	150.0	151.0	14.0
65 CL Trimmings		UNQ		UNQ	N/A	110.0	112.0	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	275.0	280.0	280.0	285.0	-5.0	260.0	265.0	15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	235.0	240.0		UNQ	N/A	220.0	225.0	15.0
Steer Knuckles	240.0	245.0	240.0	245.0	0.0	240.0	250.0	-5.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	16-Feb-18		9-Feb-18			15-Feb-17		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	234.0	234.0	235.0		-1.0	233.0	235.0	-1.0
90 CL Blended Cow	218.0	220.0	221.0	223.0	-3.0	215.0	217.0	3.0
90 CL Shank	217.0	219.0	219.0	220.0	-1.0	217.0	218.0	1.0
85 CL Fores	199.0	200.0	199.0	200.0	0.0	194.0	195.0	5.0
85 CL Chucks	UNQ		UNQ		N/A	UNQ		N/A
95 CL Bull, W. Coast	231.0	232.0	232.0	233.0	-1.0	231.0	234.0	-2.0
Uruguay CFH 90CL, E. Coast	UNQ		UNQ		N/A	UNQ		N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	198.0	199.0	198.0	199.0	0.0	193.0	194.0	5.0
80 CL Trimmings	175.0		174.0	175.0	0.0	174.0	175.0	0.0
75 CL Trimmings	UNQ		170.0	171.0	N/A	161.0	162.0	N/A
65 CL Trimmings	UNQ		UNQ		N/A	122.0	125.0	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	285.0	290.0	290.0	295.0	-5.0	270.0	275.0	15.0
Steer Insides 14/18	UNQ		UNQ		N/A	UNQ		N/A
Steer Flats	245.0	250.0		UNQ	N/A	227.0	235.0	15.0
Steer Knuckles	250.0	255.0	250.0	255.0	0.0	250.0	260.0	-5.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year	
	16-Feb-18	9-Feb-18				15-Feb-17			
<u>Domestic Cutouts</u>									
Choice Cutout	209.88	206.52			3.4	188.34		21.5	
Select Cutout	205.12	202.74			2.4	187.15		18.0	
<u>Domestic Lean Grinding Beef</u>									
90 CL Boneless	215.3	220.0	214.0	214.0	6.0	208.0	211.0	9.0	
85 CL Beef Trimmings	174.7	179.5	171.0	215.0	-35.5	183.5	191.0	-11.5	
50 CL Beef Trim	83.3	87.8	71.6	86.8	1.0	77.4	80.5	7.3	
<u>Domestic Pork Trim</u>									
42 CL Pork Trim	26.0	37.3	28.3	37.3	0.0	27.9	39.3	-2.0	
72 CL Pork Trim	61.0	79.3	66.0	84.3	-5.0	58.0	78.6	0.7	
<u>Point of Lean Values</u>									
90 CL Domestic	244.4		237.8		6.7	234.4		10.0	
50 CL Beef Trimming	175.5		173.5		2.0	161.0		14.5	
42 CL Pork Trim	88.7		88.7		0.0	93.5		-4.8	
72 CL Pork Trim	110.1		117.0		-6.9	109.2		0.9	
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	126.16		126.04		0.1	119.72		6.4	

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
	16-Feb-18	9-Feb-18			15-Feb-17		
<u>Live Cattle Futures</u>							
February '18	130.100	126.850	↑	3.25	116.775	↑	13.33
April '18	127.650	126.125	↑	1.53	113.350	↑	14.30
June '18	118.675	118.000	↑	0.67	104.300	↑	14.38
August '18	115.625	114.975	↑	0.65	100.500	↑	15.13
<u>Feeder Cattle Futures</u>							
March '18	149.725	150.925	↓	-1.20	124.275	↑	25.45
April '18	152.400	151.775	↑	0.63	124.050	↑	28.35
May '18	152.825	151.775	↑	1.05	122.875	↑	29.95
August '18	155.350	154.075	↑	1.28	122.875	↑	32.48
<u>Corn Futures</u>							
March '18	367 1/2	361 1/2	↑	6.00	378 3/4	↓	-11.25
May '18	375	369 1/2	↑	5.50	386	↓	-11.00
July '18	382 3/4	377 1/4	↑	5.50	392 1/2	↓	-9.75
September '18	389 1/2	384 1/2	↑	5.00	397 1/4	↓	-7.75
<u>Ch Wheat Futures</u>							
March '18	457 3/4	446 3/4	↑	11.00	454 3/4	↑	3.00
May '18	471 1/2	459 3/4	↑	11.75	468 1/4	↑	3.25
July '18	486 1/2	473 1/2	↑	13.00	480	↑	6.50
September '18	502 1/2	487 1/2	↑	15.00	493 1/2	↑	9.00

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	17-Feb-18	10-Feb-18			18-Feb-17		
Total Cattle Slaughter	629,000	588,000	↑	41,000	596,000	↑	33,000
	3-Feb-18	27-Jan-18			4-Feb-17		
Total Cow Slaughter	124,147	125,021	↓	-874	116,849	↑	7,298
Dairy Cow Slaughter	66,750	67,309	↓	-559	66,435	↑	315
Beef Cow Slaughter	57,397	57,712	↓	-315	50,414	↑	6,983

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

YTD Imported Fresh Beef Passed for Entry in the US

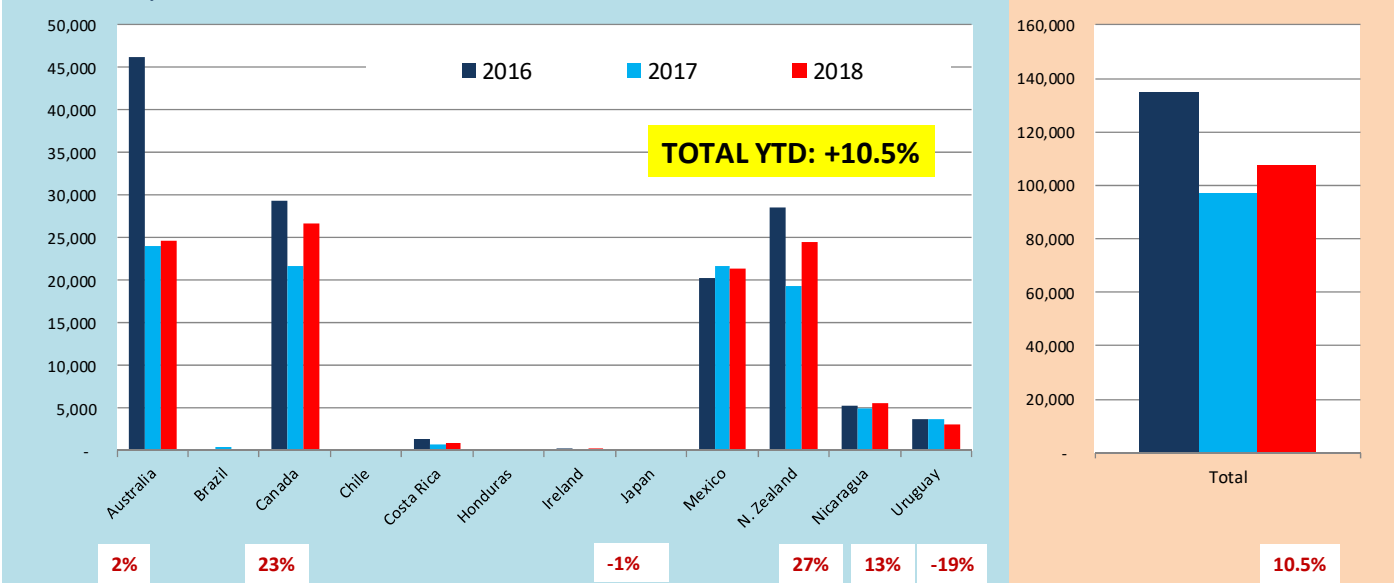
week 6	2/11/2017	2/10/2018		
Australia	24,104	24,652	548	2.3%
Brazil	490	-	(490)	-100.0%
Canada	21,767	26,733	4,966	22.8%
Chile	45	-	(45)	-100.0%
Costa Rica	844	871	27	3.2%
France	-	-	-	
Honduras	-	188	188	
Ireland	216	384	168	77.8%
Japan	33	128	95	287.9%
Mexico	21,670	21,417	(253)	-1.2%
Netherlands	40	-	(40)	-100.0%
New Zealand	19,401	24,553	5,152	26.6%
Nicaragua	4,970	5,621	651	13.1%
Spain	-	-	-	
Uruguay	3,795	3,065	(730)	-19.2%
Total	-	-	-	

Source: USDA/FSIS

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

Imports as of February 10, 2018

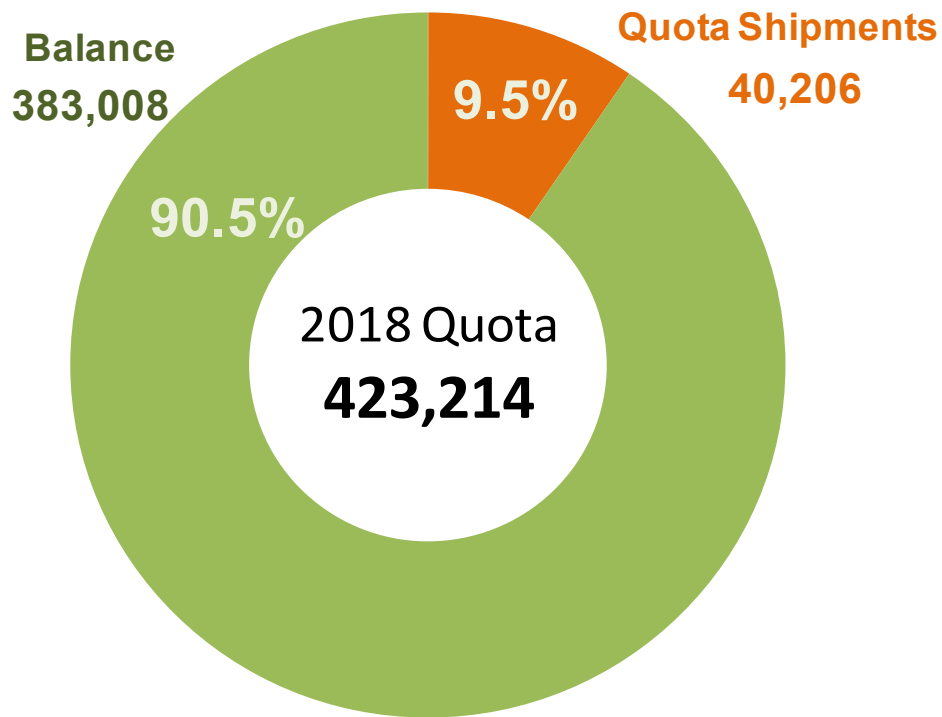
Individual Country Volume. MT & Y/Y % Ch.



Australian Beef Quota Position

15-Feb-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending February 12

Source: US Customs

