



# US Imported Beef Market

## A Weekly Update

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### Market Highlights for the Week:

- CME fed and feeder cattle futures were lower this week as participants reduced some long positions ahead of the monthly cattle on feed report expected to show an increased in feedlot placements and as much as 8% more cattle on feed as of February 1
- US wholesale beef prices were higher this past week but the increase has occurred earlier than normal and some fear it will negatively impact post Easter retail beef features
- Imported beef trade was light as US end users for now are willing to wait for increased offerings rather than chase a very limited supply
- Australian beef shipments to the US currently on track to be down 5% y/y in February and down 9% for the past three months
- Rains in the Southern Plains in the past week have offered some relief to cow-calf operators facing some of the worst drought conditions of the past five years
- China demand remains critical for imported beef markets in 2018, with both Australia and New Zealand expected to ship more product into that market
- US on feed supplies are 7.8% higher than a year ago with placements in January up 4.4%

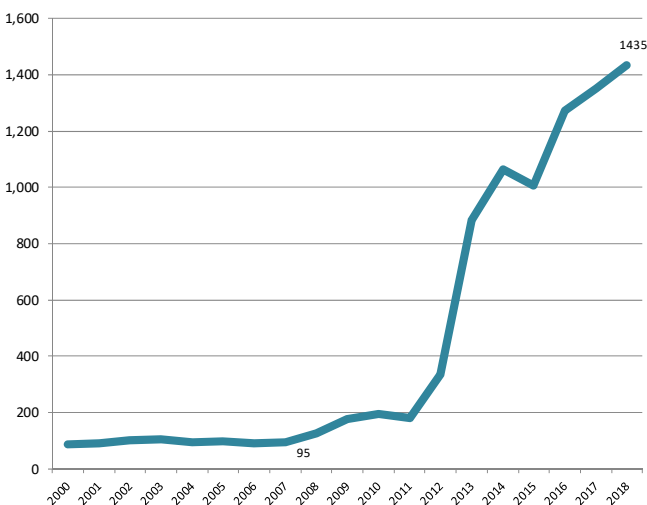
### Imported Market Activity for the Week

Imported beef market was at a standstill this week as overseas offerings remain far from what US importers think they are able to sell to end users. Some product in inventory sold at steady to modestly lower prices on an FOB basis, largely product that was bought at the end of last year at lower prices. But CIF values were just as firm as they were a week ago. Prices for fat trimmings, especially 80CL product, were higher on

limited availability in the spot market and strong competition from Asian markets. Market participants we contacted continued to point out the difficulty of trading imported beef in the US at this time. Some of this is normal for this time of year. New Zealand cow slaughter has yet to pick up and NZ packers are unsure about slaughter levels in March. As a result they have been quite cautious about booking new orders and maintain firm pricing for the moment. There are more large US end users that work directly with overseas packers and

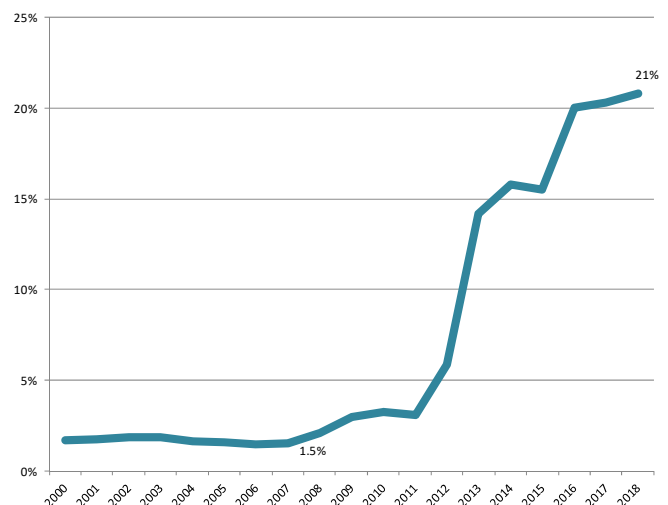
**China + HK Beef Imports from All Markets. MT. CWE. '000 MT**

Source: USDA



**China + HK Imports as % of Exports from Key Countries**

Export Countries Included: Brazil, Australia, USA, New Zealand, Canada, Uruguay, EU & Argentina



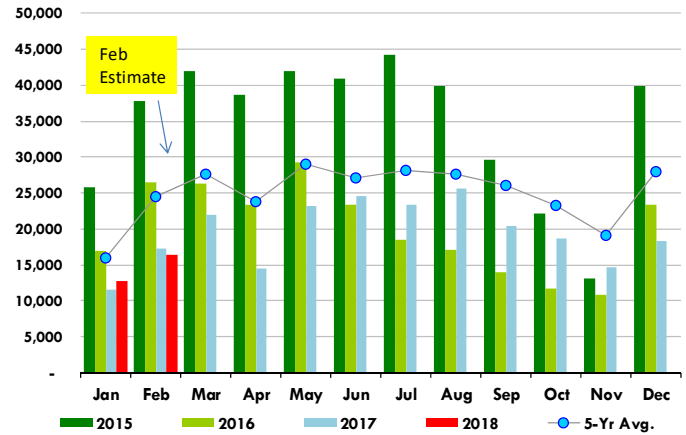
this further limits the amount of imported beef trading in the open market.

**Key Points for the Week:**

- Australian slaughter has improved in recent weeks but the amount of Australian beef coming to the US is expected to be relatively light, at least through March. We currently expect February shipments to the US to be around 16,500 MT, down 5% from the very low levels we saw last year. In the last three months (Dec-Feb) Australian beef shipments to the US have been about 47,500, 9% lower than a year ago. There is broad expectation that shipments are going to improve in Apr and May, in large part because of higher availability from New Zealand.
- But even as supplies in Australia and New Zealand should increase in the next three months, it is far from certain that this will lead to big increase in offerings to the US. Asia demand, and demand from China in particular, remains a key wild card. The chart on page 1 may be familiar to some regular readers but we thought it was instructive in illustrating how big a player China has become in global beef markets. Keep in mind that the data is on a carcass weight basis, roughly 35% more than the product weight volumes. According to the latest USDA forecasts, China/Hong Kong beef imports in 2018 are expected to increase by 6.3%, which we think is rather conservative. But what is more staggering is that in the past decade China/Hong Kong beef imports have increased 14 fold. Those imports now account for over 21% of exports from global producers. About half of the beef exports from Argentina and Uruguay now go into the greater Chinese market and almost 40% of the exports from Brazil now go to China/Hong Kong. Chinese buyers are finding it more difficult to now fill needs in South America and thus have started to source more expensive product from Oceania. New Zealand fr./frz. Beef exports in 2017 were flat compared to a year ago. And yet exports to China were up 18% and now account for about 21% of all New Zealand shipments. Australian beef exports to China in January were near 8,000 MT, 50% higher than a year ago.
- There has been a fair amount of discussion

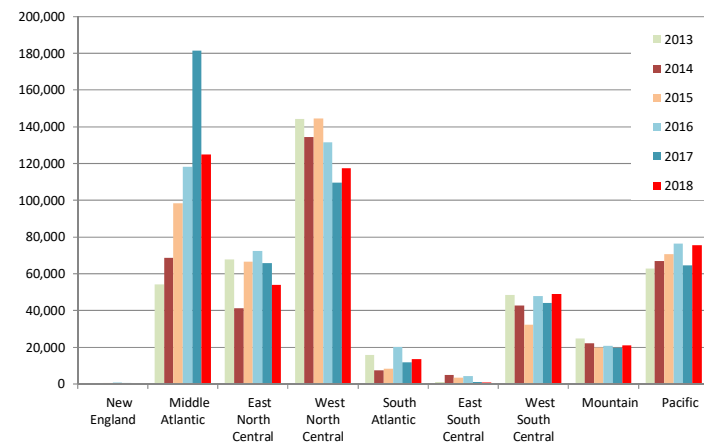
**AUSTRALIAN BEEF EXPORTS TO THE UNITED STATES**

Monthly Exports: Metric Ton. Source: DAFF



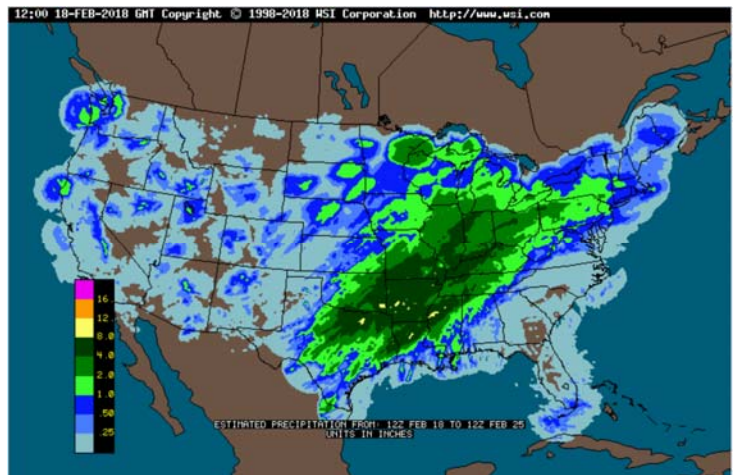
**Jan 31. Boneless Beef Cold Storage Inventories by Federal Region.**

'000 Pounds. Data: USDA 'Cold Storage' Report. Analysis by Steiner Consulting



**Texas and Oklahoma Receive Some Much Needed Rain**

Weekly Precipitation in Inches



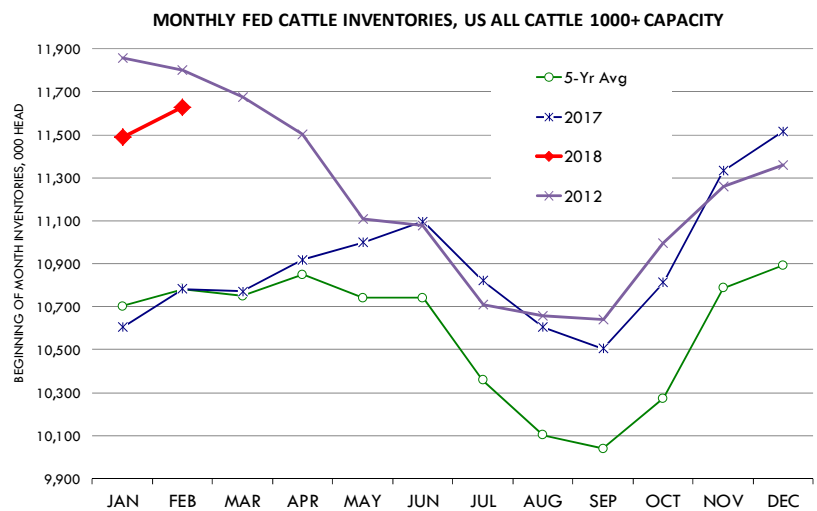
about the amount of beef trimmings end users have started to accumulate in cold storage in order to hedge some of the price risk for the spring. Prices for 50CL beef skyrocketed last year and some have speculated that more fat trim is now

going into the freezer to avoid a repeat this year. USDA does not tell us what kind of beef is in storage but the inventory of boneless beef at the end of January was 456.8 million pounds, 8.4% lower than a year ago and just 1.6% higher than a year ago. When we look at the breakdown of beef inventories, stocks were higher in the Pacific region (+17%), likely to support higher exports. They were also higher in West North Central, cold storage warehouses that are close to packing plants. However, inventories in the Middle Atlantic were down some 56 million pounds (-31%) from a year ago. High prices for fat trim during January appear to have induced processors to work down some of their inventory positions. However, it is important to put such numbers in context. The chart on page 2 shows the distribution of boneless beef cold storage stocks by region and how the January 31 inventory compares to the same period in the last five years. For those that want to know what areas these regions represent we have included a map on page 11.

- Drought conditions in the Southern Plains have been quite significant in the last few months but there was a fair amount of precipitation in the last week that was quite welcome by producers in the region. However, it is important to point out that the bulk of the precipitation occurred in the Eastern part of Oklahoma and Texas. Still, the increase in moisture has provided some optimism that the region may be able to avoid the kind of drought conditions that forced producers to liquidate some 1 million breeding animals in 2011 and 2012.
- The February 1 cattle on feed inventory in +1000 head capacity lots was 11.630 million head, 7.9% higher than a year ago. This is the largest February inventory since February 2012 when it was 11.8 million head. The difference of this year to 2012, however, is that there are fewer cattle that have been in inventory for more than 120 days. In February 2012 the +120day inventory was 3.596 million head compared to 2.984 million head today. The marketing rate today is much faster than it was back then, a function of better demand. For instance the marketing rate in January 2012 was 14.9% of the total inventory compared to 16.2% to-

day. In addition, the cattle placed on feed during the fall of 2011 were not as light as what we saw in 2017, which means feedlots have a bit more flexibility as to when/how to market their cattle this time around.

- The latest report indicated that feedlots placed 2.068 million cattle on feed during January, 87,000 head (+4.4%) more than a year ago. Prior to the report analysts were expecting placements to be about the same as a year ago. Our initial estimate was for placements to be 0.5% lower. However, after looking at regional placements in Texas and Oklahoma, we were expecting placements to be up 2.5%. But the increase in placements in January was not entirely due to lighter calves in Texas that were forced into feedlots. Total Texas placements in January were 400,000 head, 11% higher than a year ago and consistent with the numbers we were getting prior to the report. The bulk of the increase was from cattle weighing under 700 pounds. But placements of light calves in other areas were down, which offset the increase in Texas and other states in the Southern Plains. The report showed a notable increase (40,000 head) in the 700-799 pound category and then a significant increase in the +900 pound category (39,000 head). Until now market participants have been somewhat ambivalent about trading in the fed complex. On the one hand feedlot supplies are large, setting up a somewhat bearish scenario for prices, but on the other hand the pace of marketings has allowed feedlots to stay current.



# 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
	22-Feb-18	15-Feb-18		21-Feb-17	
CME FEEDER CATTLE INDEX	147.63	148.15	-0.4%	127.12	16.1%
	23-Feb-18	16-Feb-18		22-Feb-17	
FED STEER (5-MKT AVG)	129.07	126.16	2.3%	119.58	7.9%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	111.50	113.00	-1.3%	105.00	6.2%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	114.50	110.00	4.1%	112.00	2.2%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	107.00	104.00	2.9%	103.00	3.9%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	170.74	171.83	-0.6%	154.79	10.3%

## 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
	23-Feb-18	22-Feb-18	16-Feb-18	15-Feb-18		22-Feb-17	21-Feb-17	
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	224.0	226.0	225.0	226.0	0.0	217.0	219.0	7.0
<b>90 CL Blended Cow</b>	214.0	215.0	215.0	216.0	-1.0	209.0	210.0	5.0
<b>90 CL Shank</b>	213.0	215.0	213.0	215.0	0.0	209.0	211.0	4.0
<b>85 CL Fores</b>	195.0	196.0	194.0	196.0	0.0	185.0	186.0	10.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	223.0	225.0	224.0	225.0	0.0	215.0	218.0	7.0
<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>	194.0	195.0	194.0	195.0	0.0	184.0	185.0	10.0
<b>80 CL Trimmings</b>	170.0	172.0		168.0	4.0	165.0	168.0	4.0
<b>75 CL Trimmings</b>	165.0	166.0	163.0	165.0	1.0	150.0	151.0	15.0
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A	110.0	112.0	N/A
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	275.0	280.0	275.0	280.0	0.0	255.0	260.0	20.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>	230.0	235.0	235.0	240.0	-5.0	220.0	225.0	10.0
<b>Steer Knuckles</b>	245.0	250.0	240.0	245.0	5.0	230.0	240.0	10.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	23-Feb-18	23-Feb-18	16-Feb-18	16-Feb-18		22-Feb-17	22-Feb-17	
<b><i>US East Coast Australian/NZ Lean, FOB US Port</i></b>								
<b>95 CL Bull, E. Coast</b>	233.0	234.0	234.0	234.0	0.0	232.0	235.0	-1.0
<b>90 CL Blended Cow</b>		218.0	218.0	220.0	-2.0	214.0	215.0	3.0
<b>90 CL Shank</b>	216.0	218.0	217.0	219.0	-1.0	215.0	216.0	2.0
<b>85 CL Fores</b>	199.0	200.0	199.0	200.0	0.0	194.0	195.0	5.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>		231.0	231.0	232.0	-1.0	232.0	233.0	-2.0
<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>	198.0	199.0	198.0	199.0	0.0	192.0	194.0	5.0
<b>80 CL Trimmings</b>	175.0	176.0		175.0	1.0	173.0	174.0	2.0
<b>75 CL Trimmings</b>		UNQ		UNQ	N/A	160.0	161.0	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>	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>	245.0	250.0	245.0	250.0	0.0	225.0	230.0	20.0
<b>Steer Knuckles</b>		255.0	250.0	255.0	0.0	250.0	255.0	0.0

**TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES**

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year	
	23-Feb-18		16-Feb-18			22-Feb-17			
<b><u>Domestic Cutouts</u></b>									
Choice Cutout	218.37		209.88		8.5	194.53		23.8	
Select Cutout	212.82		205.12		7.7	190.81		22.0	
<b><u>Domestic Lean Grinding Beef</u></b>									
90 CL Boneless	216.0	216.3	215.3	220.0	-3.7	209.0	212.0	4.3	
85 CL Beef Trimmings	185.0	189.8	174.7	179.5	10.3	186.0	188.0	1.8	
50 CL Beef Trim	81.8	85.8	83.3	87.8	-2.0	78.0	83.1	2.6	
<b><u>Domestic Pork Trim</u></b>									
42 CL Pork Trim	26.8	32.2	26.0	37.3	-5.0	26.0	42.3	-10.0	
72 CL Pork Trim	58.0	72.5	61.0	79.3	-6.8	61.0	79.3	-6.8	
<b><u>Point of Lean Values</u></b>									
90 CL Domestic	240.4		244.4		-4.1	235.6		4.8	
50 CL Beef Trimming	171.5		175.5		-4.0	166.2		5.3	
42 CL Pork Trim	76.7		88.7		-12.0	100.6		-23.9	
72 CL Pork Trim	100.6		110.1		-9.4	110.1		-9.4	
<b><u>National Direct Fed Steer</u></b> <b><u>(5-day accum. wt. avg. price)</u></b>	129.07		126.16		2.9	119.58		9.5	

**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>23-Feb-18</b>	<b>16-Feb-18</b>			<b>22-Feb-17</b>		
<b><u>Live Cattle Futures</u></b>							
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
<b><u>Feeder Cattle Futures</u></b>							
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
<b><u>Corn Futures</u></b>							
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
<b><u>Ch Wheat Futures</u></b>							
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
	<b>24-Feb-18</b>	<b>17-Feb-18</b>			<b>25-Feb-17</b>		
<b><u>Total Cattle Slaughter</u></b>	629,000	588,000	↑	41,000	596,000	↑	33,000
	<b>10-Feb-18</b>	<b>3-Feb-18</b>			<b>11-Feb-17</b>		
<b><u>Total Cow Slaughter</u></b>	119,408	124,147	↓	-4,739	115,192	↑	4,216
<b><u>Dairy Cow Slaughter</u></b>	63,556	66,750	↓	-3,194	63,522	↑	34
<b><u>Beef Cow Slaughter</u></b>	55,852	57,397	↓	-1,545	51,670	↑	4,182



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

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

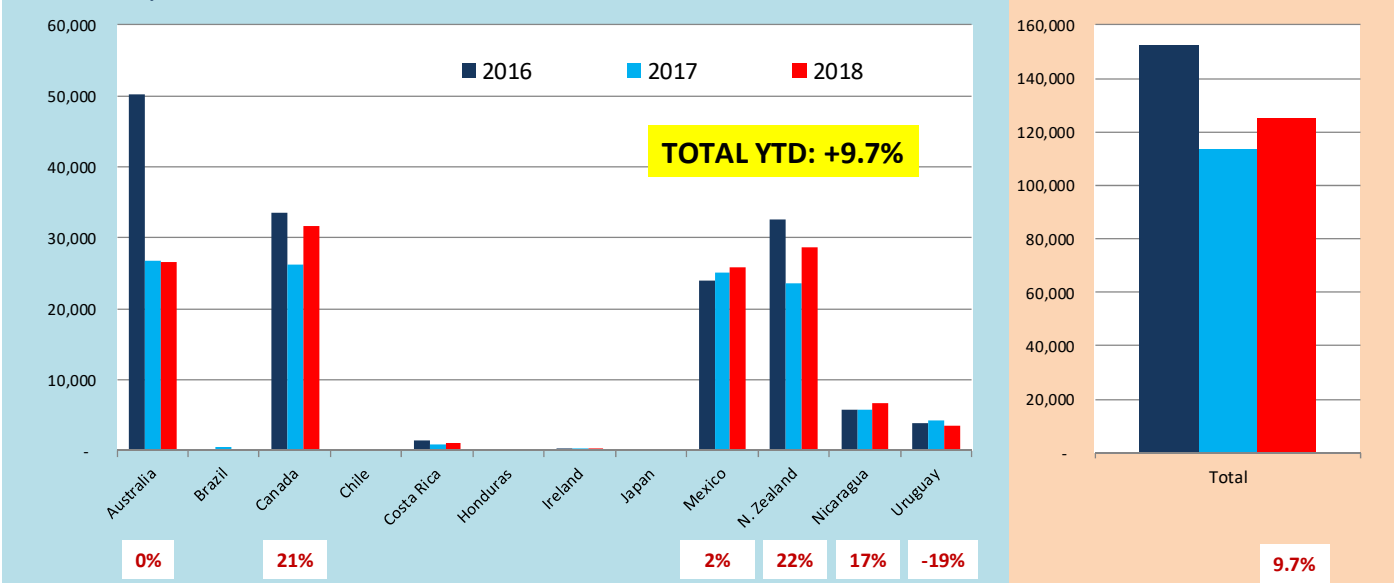
week 7	2/18/2017	2/17/2018		
Australia	26,719	26,620	(99)	-0.4%
Brazil	605	-	(605)	-100.0%
Canada	26,239	31,675	5,436	20.7%
Chile	45	-	(45)	-100.0%
Costa Rica	991	1,088	97	9.8%
France	-	-	-	
Honduras	-	245	245	
Ireland	291	434	143	49.1%
Japan	40	137	97	242.5%
Mexico	25,180	25,798	618	2.5%
Netherlands	-	-	-	
New Zealand	23,619	28,703	5,084	21.5%
Nicaragua	5,715	6,686	971	17.0%
Spain	-	-	-	
Uruguay	4,353	3,523	(830)	-19.1%
<b>Total</b>	-	-	-	

Source: USDA/FSIS

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

Imports as of February 17, 2018

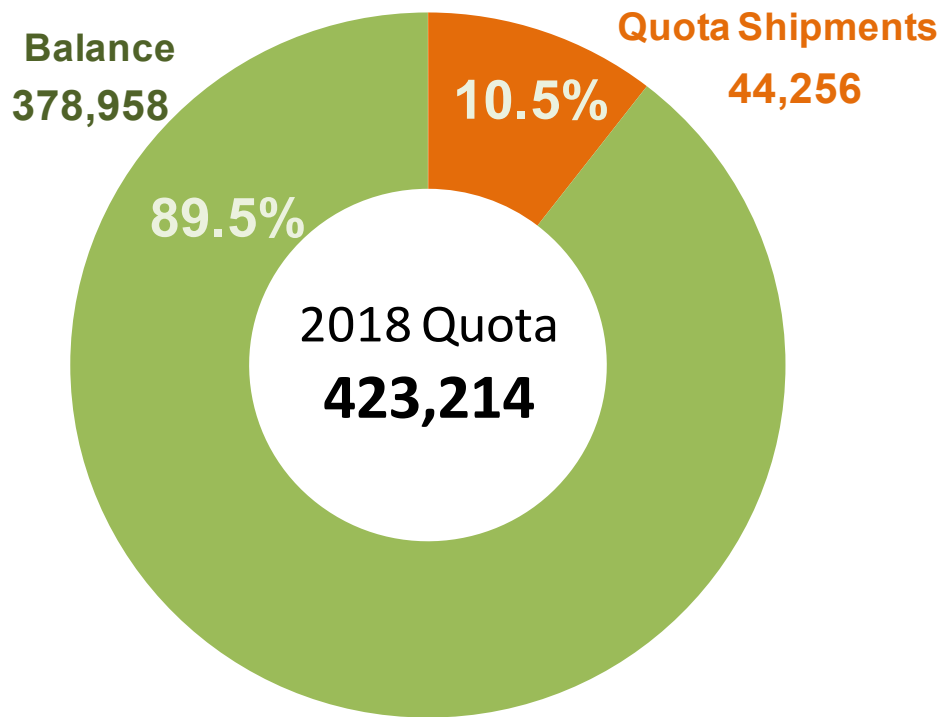
Individual Country Volume. MT & Y/Y % Ch.



# Australian Beef Quota Position

22-Feb-18

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending February 19

Source: US Customs

