



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

- CME fed cattle futures continued to drift lower this week as market participants, once again, worry about slower than expected marketings and potentially burdensome supplies of market ready cattle in April and May.
- Imported beef prices were also lower, largely because end users remain reluctant to book product for May and June delivery when New Zealand supplies seasonally increase
- Moisture conditions in Australia and New Zealand have been generally positive, which has limited the number of cattle coming to market and thus the supply of beef overseas packers are willing to offer in the US
- US fed cattle slaughter for the week ending March 3 was estimated at 483,000 head, up from 445,000 head the week before and now 3.7% higher than a year ago
- Non-fed cattle slaughter for the week was estimated at 127,000 head, 5.9% higher than a year ago. Non fed slaughter in the last six weeks has averaged 6.1% above year ago levels, in part because low dairy prices are pushing more dairy cows to market

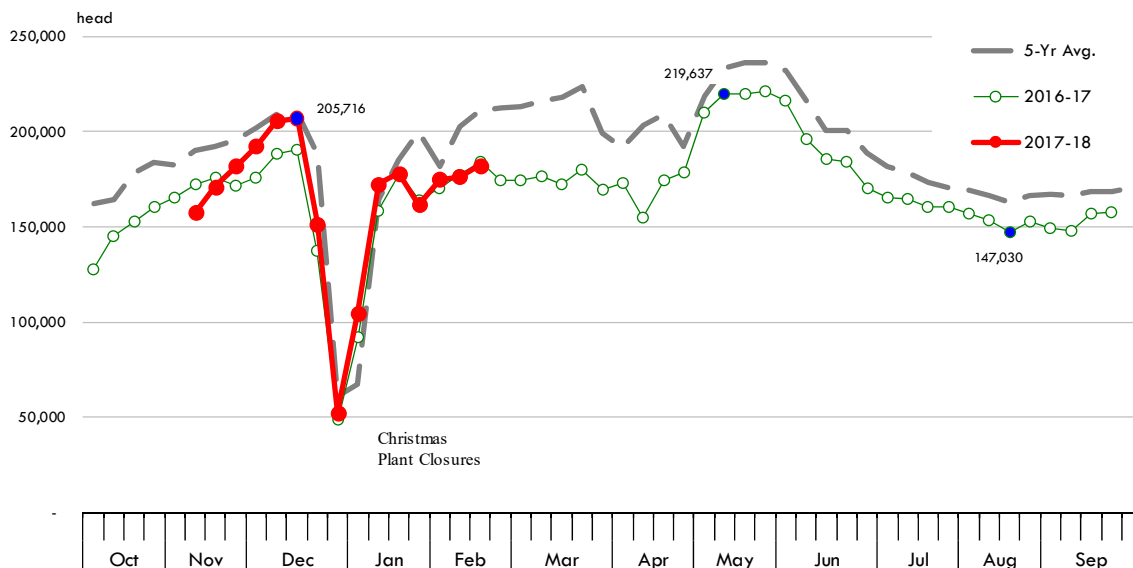
Imported Market Activity for the Week

Imported beef prices were generally lower this week as importers looked to book profits on product they had purchased late last year and early this year. Finding replacement product overseas has been a major issue in the last few weeks and importers continued to point to still very high asking prices in Australia and New Zealand. Lower

slaughter in New Zealand and strong demand for Australian product in Asian markets continues to limit the amount of beef offered in the US. Still, a few offerings surfaced at lower prices than the previous week and some lean beef product traded on a CIF basis at lower levels. Volumes remain light, however. Premiums were noted for fat trim as those US end users looking to secure 80CL and 75CL find they need to match Asian prices in or-

AUSTRALIA & NEW ZEALAND COMBINED CATTLE SLAUGHTER. WEEKLY. OCT - SEP PERIOD.

Data Sources: Meat and Livestock Australia/NZ Meat Board. Last three weeks for NZ estimated by Steiner.

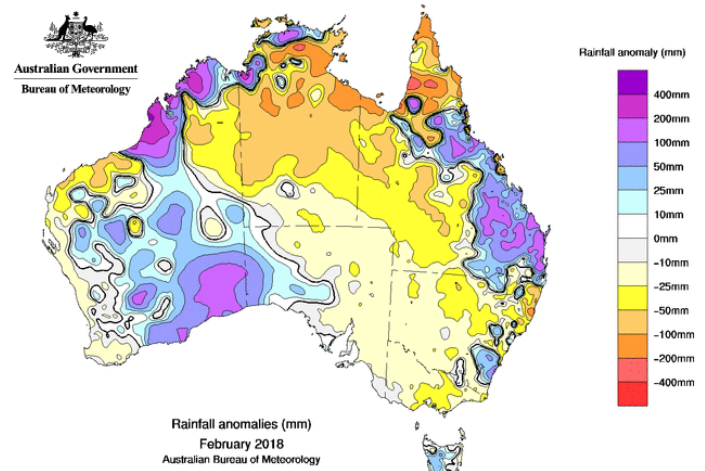


der to secure product. High prices for 50CL beef in the US domestic market have some users looking for imported product. Prices for imported round cuts were generally firm this week. US domestic prices have been trending higher and participants we spoke with expect prices to trend seasonally higher in March and April. Prices for fed beef round cuts also were higher. Choice cap off inside rounds are currently trading well over \$3 per pound in the domestic market while utility domestic cap off insides are trading at around \$2.90 but with limited availability.

Key Points for the Week:

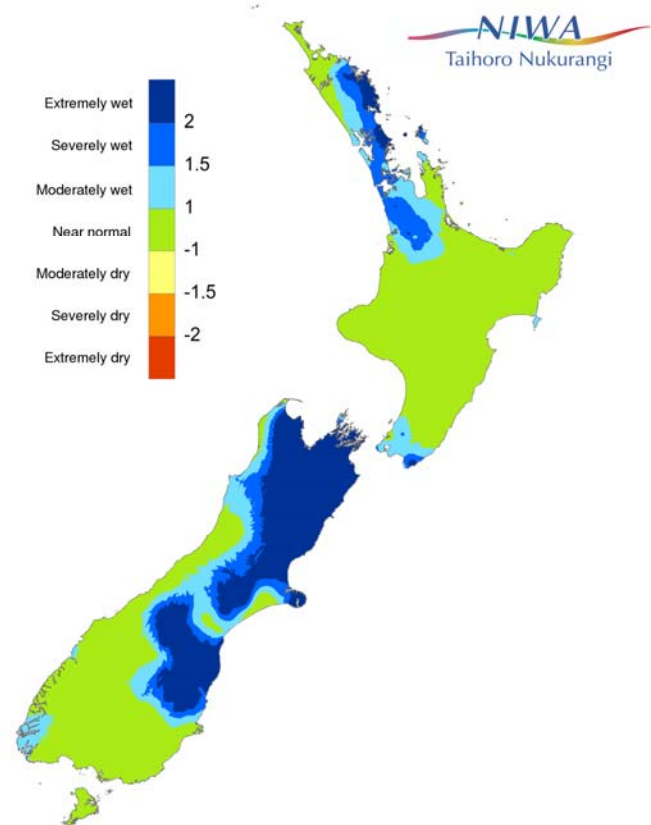
- CME fed cattle futures were down sharply this week. April and June fed cattle declined as much as 500 points (-4%) in the last two weeks on concerns about slowing cattle slaughter and burdensome spring fed cattle supplies. The latest cattle on feed report showed 8% more cattle on feed than a year ago, with many of those cattle likely to become market ready in April, May and June. Market is now sending producers a clear signal to try and market cattle more aggressively. The large basis (difference between cash price and futures) should continue to incentivize feeders to accelerate marketings. Current cash cattle prices are trading at around \$127-\$128/cwt compared to June cattle trading around \$114.
- US fed cattle slaughter is estimated at 483,000 head, 3.7% higher than a year ago. In the previous two weeks fed cattle slaughter averaged around 463,000 head, however, about 10-15,000 head/week less than earlier expected. The slowdown in slaughter will likely push more cattle towards March/April marketing slots. Fed steer weights, which were declining earlier in the year, have stalled and there is some concern that weights will start to trend well above year ago levels in April. The current decline in fed cattle futures may be just what the market needs in order to allow retailers to book beef features for the spring.
- Slaughter in Australia and New Zealand is running at about the same level as a year ago. We don't have data from New Zealand for the last three weeks but we think slaughter there is running about 10-15% lower than a year ago. Combined Australia/New Zealand slaughter for

Australia Rainfall Departure from Normal. February 2018.



New Zealand Standardized Precipitation Index - Last 30 Days

SPI for 9am 02/02/2018 to 9am 04/03/2018



the four weeks ending February 24 is estimated at 173,798 head/week, marginally higher than a year ago but well below 5-year average of 199k head per week. It has been especially wet in New Zealand in the last few weeks and this is expected to keep slaughter low through the end of March. The delay in marketing cull cows in

New Zealand could push more cows to market in April and May. Last year New Zealand cow slaughter was under 30,000 head per week through the end of March but then surged to over 50,000 head per week by May. It appears likely we may follow the same path as a year ago. US end users are well aware of this seasonality, which explains why they continue to sit on the sidelines hoping for increased offerings and lower prices for product delivering in late May and especially June. For now importers are slowly marketings some of the loads they purchased back in December.

- Trade concerns came to the forefront at the end of the week as President Trump suddenly announced tariffs on imported steel and aluminum. The biggest steel supplier to the US is Canada and the tariffs may further complicate ongoing NAFTA negotiations. **While the US is a net beef and cattle importer, the slow shift towards a more protectionist trade policy in the US is generally bearish protein prices.** The United States is a major exporter of pork and chicken. For now there are too many unknowns to even speculate about the impact of a re-negotiated NAFTA agreement. Already some large US importers, such as Mexico, are looking to alternative suppliers, such as Brazil. US livestock and poultry producers are on track to produce all time record meat supplies in 2018 and 2019. The rise of tariff and non-tariff barriers with our key trading partners would cause more protein to stay in domestic channels and pressure prices this summer and fall.

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
	1-Mar-18	22-Feb-18		28-Feb-17	
CME FEEDER CATTLE INDEX	146.03	147.63	-1.1%	127.03	15.0%
	2-Mar-18	23-Feb-18		1-Mar-17	
FED STEER (5-MKT AVG)	126.81	129.07	-1.8%	124.35	2.0%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	111.50	111.50	0.0%	106.50	4.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	117.50	114.50	2.6%	115.50	1.7%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	111.00	107.00	3.7%	106.00	4.7%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	171.59	170.74	0.5%	154.79	10.9%

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
	2-Mar-18	22-Mar-18	23-Feb-18	22-Feb-18		1-Mar-17	22-Feb-17	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	221.0	224.0	224.0	226.0	-2.0	217.0	220.0	4.0
90 CL Blended Cow	211.0	213.0	214.0	215.0	-2.0	205.0	207.0	6.0
90 CL Shank	212.0	213.0	213.0	215.0	-2.0	208.0	209.0	4.0
85 CL Fores	193.0	194.0	195.0	196.0	-2.0	185.0	186.0	8.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	220.0	222.0	223.0	225.0	-3.0	217.0	219.0	3.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	192.0	193.0	194.0	195.0	-2.0	184.0	185.0	8.0
80 CL Trimmings	175.0	177.0	170.0	172.0	5.0	163.0	166.0	11.0
75 CL Trimmings	169.0	170.0	165.0	166.0	4.0	150.0	151.0	19.0
65 CL Trimmings	138.0	139.0		UNQ	N/A		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	280.0	285.0	275.0	280.0	5.0	265.0	270.0	15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	235.0	240.0	230.0	235.0	5.0	220.0	225.0	15.0
Steer Knuckles	250.0	255.0	245.0	250.0	5.0	240.0	245.0	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
	2-Mar-18		23-Feb-18			1-Mar-17		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	230.0	232.0	233.0	234.0	-2.0	231.0	232.0	0.0
90 CL Blended Cow	216.0	217.0		218.0	-1.0	213.0	214.0	3.0
90 CL Shank	215.0	218.0	216.0	218.0	0.0	214.0	215.0	3.0
85 CL Fores	197.0	199.0	199.0	200.0	-1.0	194.0	195.0	4.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	229.0	230.0		231.0	-1.0	230.0	231.0	-1.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	197.0	198.0	198.0	199.0	-1.0	193.0	194.0	4.0
80 CL Trimmings	181.0	182.0	175.0	176.0	6.0	173.0	174.0	8.0
75 CL Trimmings	173.0	174.0		UNQ	N/A	159.0	160.0	14.0
65 CL Trimmings	144.0	145.0		UNQ	N/A		UNQ	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	290.0	295.0	285.0	290.0	5.0	275.0	280.0	15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	250.0	255.0	245.0	250.0	5.0	225.0	230.0	25.0
Steer Knuckles	255.0	260.0		255.0	5.0	255.0	260.0	0.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	2-Mar-18		23-Feb-18			1-Mar-17		
<u>Domestic Cutouts</u>								
Choice Cutout	222.52		218.37		4.2	206.58		15.9
Select Cutout	214.64		212.82		1.8	202.87		11.8
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	216.0	221.0	216.0	216.3	4.7	209.0	213.0	8.0
85 CL Beef Trimmings	186.0	192.0	185.0	189.8	2.2	180.0	188.0	4.0
50 CL Beef Trim	83.3	83.8	81.8	85.8	-2.0	79.8	92.5	-8.8
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	27.6	39.3	26.8	32.2	7.0	26.0	38.3	1.0
72 CL Pork Trim	59.4	78.3	58.0	72.5	5.8	64.0	80.3	-2.0
<u>Point of Lean Values</u>								
90 CL Domestic	245.6		240.4		5.2	236.7		8.9
50 CL Beef Trimming	167.5		171.5		-4.0	185.0		-17.5
42 CL Pork Trim	93.5		76.7		16.7	91.1		2.4
72 CL Pork Trim	108.7		100.6		8.1	111.5		-2.8
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	126.81		129.07		-2.3	124.35		2.5

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
	2-Mar-18	23-Feb-18			1-Mar-17		
<u>Live Cattle Futures</u>							
April '18	122.175	127.650	↓	-5.48	117.575	↑	4.60
June '18	114.400	118.675	↓	-4.27	107.800	↑	6.60
August '18	112.100	115.625	↓	-3.53	103.000	↑	9.10
October '18	114.650	115.625	↓	-0.97	102.875	↑	11.78
<u>Feeder Cattle Futures</u>							
April '18	145.275	152.400	↓	-7.13	124.500	↑	20.78
May '18	146.525	152.825	↓	-6.30	123.750	↑	22.78
August '18	150.775	155.350	↓	-4.57	123.700	↑	27.08
September '18	151.175	152.750	↓	-1.57	123.700	↑	27.48
<u>Corn Futures</u>							
March '18	377 1/4	367 1/2	↑	9.75	375 3/4	↑	1.50
May '18	385 1/4	375	↑	10.25	382	↑	3.25
July '18	392 1/2	382 3/4	↑	9.75	389 1/4	↑	3.25
September '18	397 3/4	389 1/2	↑	8.25	395 1/4	↑	2.50
<u>Ch Wheat Futures</u>							
March '18	492	457 3/4	↑	34.25	435 1/2	↑	56.50
May '18	500	471 1/2	↑	28.50	457	↑	43.00
July '18	514 1/2	486 1/2	↑	28.00	470 3/4	↑	43.75
September '18	528 3/4	502 1/2	↑	26.25	485	↑	43.75

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	3-Mar-18	24-Feb-18			4-Mar-17		
<u>Total Cattle Slaughter</u>	629,000	588,000	↑	41,000	596,000	↑	33,000
	17-Feb-18	10-Feb-18			18-Feb-17		
<u>Total Cow Slaughter</u>	121,452	119,408	↑	2,044	113,664	↑	7,788
<u>Dairy Cow Slaughter</u>	67,065	63,556	↑	3,509	62,643	↑	4,422
<u>Beef Cow Slaughter</u>	54,387	55,852	↓	-1,465	51,021	↑	3,366

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

YTD Imported Fresh Beef Passed for Entry in the US

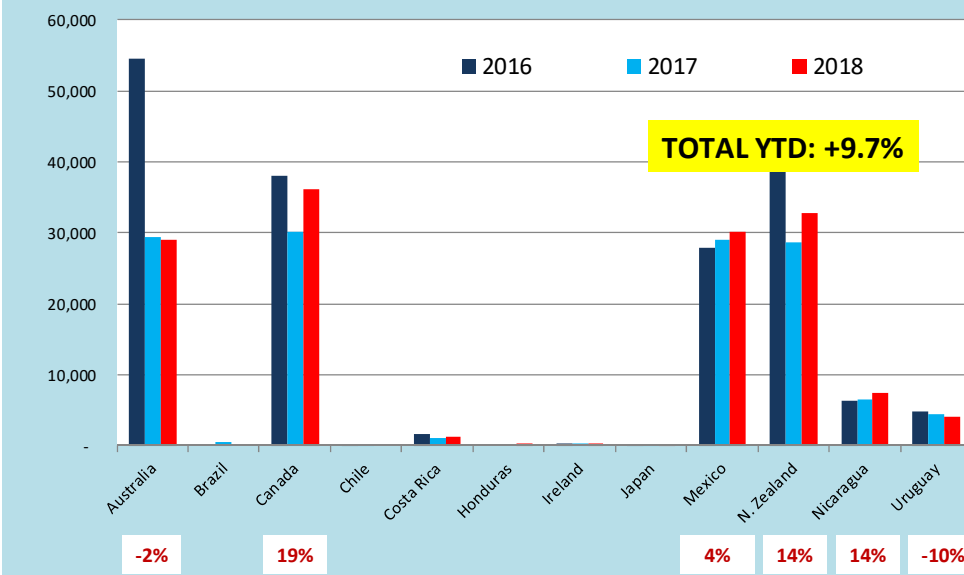
week 8	2/25/2017	2/24/2018		
Australia	29,512	29,067	(445)	-1.5%
Brazil	640	-	(640)	-100.0%
Canada	30,202	36,086	5,884	19.5%
Chile	45	-	(45)	-100.0%
Costa Rica	1,112	1,384	272	24.5%
France	-	-	-	
Honduras	-	302	302	
Ireland	314	461	147	46.8%
Japan	46	142	96	208.7%
Mexico	29,031	30,089	1,058	3.6%
Netherlands	-	-	-	
New Zealand	28,706	32,847	4,141	14.4%
Nicaragua	6,628	7,582	954	14.4%
Spain	-	-	-	
Uruguay	4,510	4,067	(443)	-9.8%
Total	130,794	142,025	11,231	8.6%

Source: USDA/FSIS

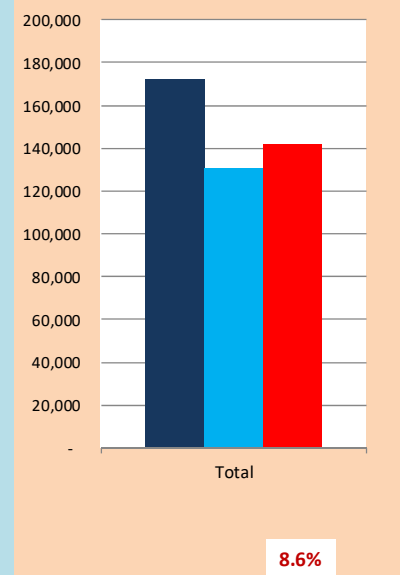
US Beef Imports. Metric Ton. Data Source: USDA/Agricultural Marketing Service

Imports as of February 24, 2018

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



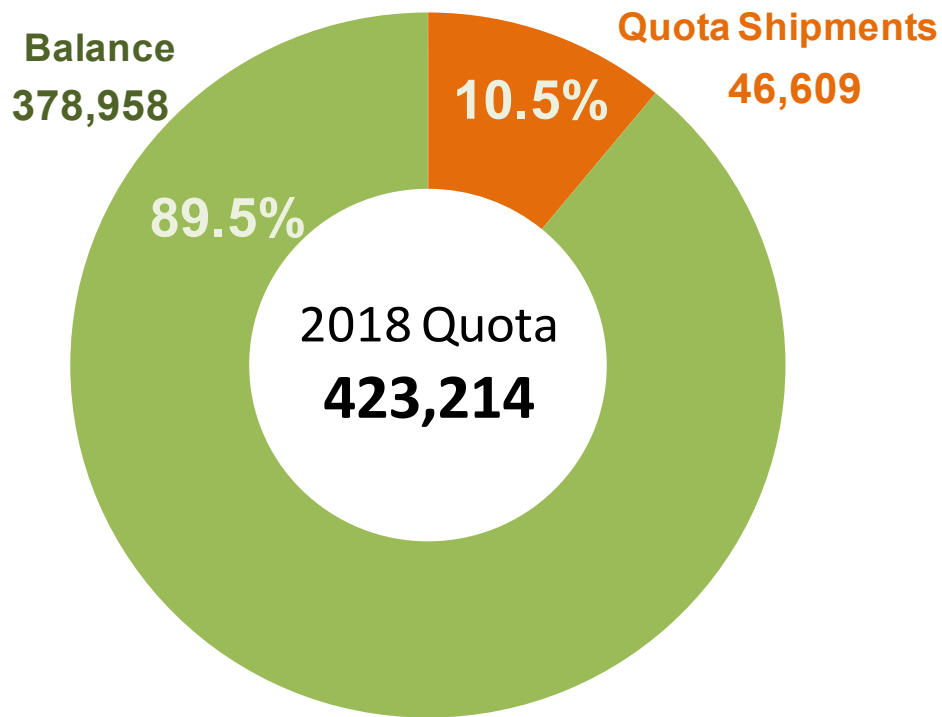
Total



Australian Beef Quota Position

26-Feb-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending February 26

Source: US Customs

