



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

- Imported beef prices were steady to lower on limited trading as US bids at this time remain quite far from asking prices in Australia and New Zealand
- Improved moisture conditions in Queensland and slow slaughter in New Zealand were noted as primary reason for the limited offerings from overseas packers. Some participants noted some business was done for May deliveries but on light volume
- Beef retail activity showed a notable improvement in the last two weeks, helping support overall wholesale beef prices and bolstering packer margins
- Current feature activity is 9% above the five year average as increased beef supplies encourage retailers to feature beef more broadly to bolster store traffic
- The ratio of 90CL and 50CL beef is now near the five year average and fed cattle prices currently imply 90CL beef prices into the summer near current levels but 50CL beef prices are expected to peak in late April and then drift lower in July and August
- CME fed cattle futures remain particularly volatile, with prices down sharply mid-week only to recover much of the lost ground on Friday
- Fed cattle slaughter in the last four weeks has averaged 465,000 head/week, 0.9% higher than a year ago and less than many were projecting for this time of year
- Non-fed slaughter in the last four weeks has averaged 128,000 head, 4.9% higher than a year ago. Non-fed slaughter seasonally declines in March and April, which could help bolster 90CL values in the near term. Seasonally ground beef demand also tends to improve in the spring.

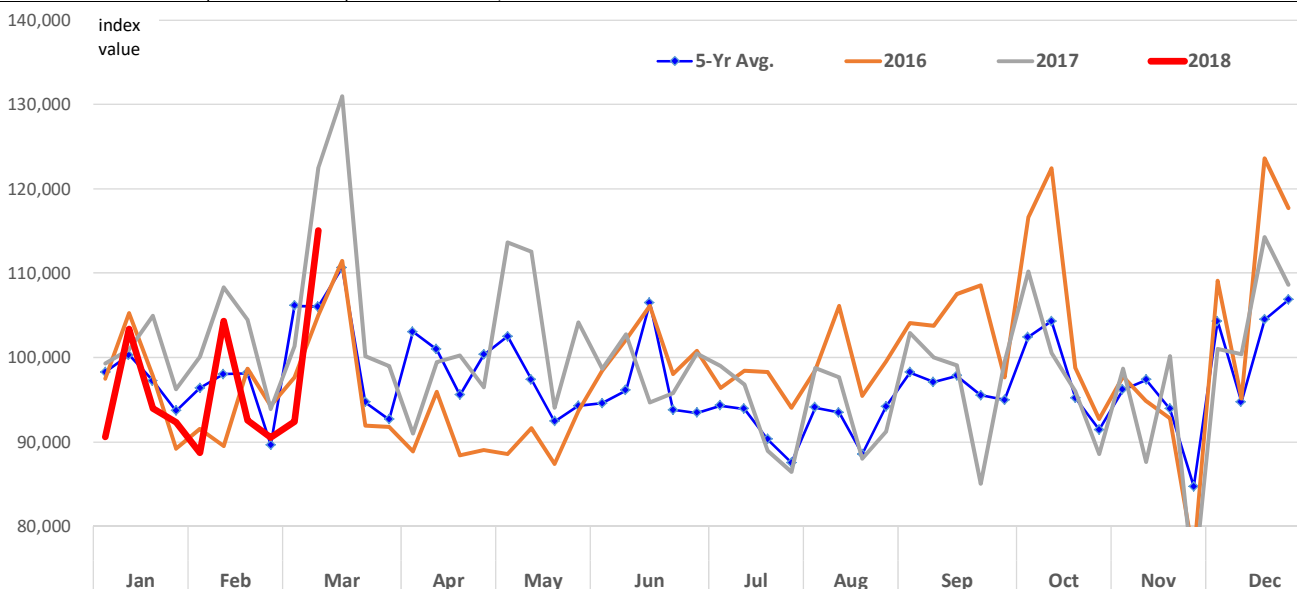
Imported Market Activity for the Week

Imported beef prices were steady to lower this week on limited trading in the open market. Business has been particularly slow in the last two weeks as asking prices from Australia continue to be very firm, with ample rainfall in Queensland limiting the number of cattle coming to market. New Zealand has also experienced significant pre-

cipitation, which appears to have delayed the seasonal increase in cow slaughter. Importers continue to trade beef purchased late last year to generate cash flow and hope to replace later in the month as overseas supplies start to improve. There is some uncertainty as to how large end users, that buy directly from Australian suppliers, will impact prices in April. Some argue that the increasing focus on fresh beef will negatively impact frozen imported

USA NATIONAL RETAIL BEEF FEATURE REPORT: ACTIVITY INDEX

Source: USDA LSWBFRTL Report. Latest data point is for March 9, 2018



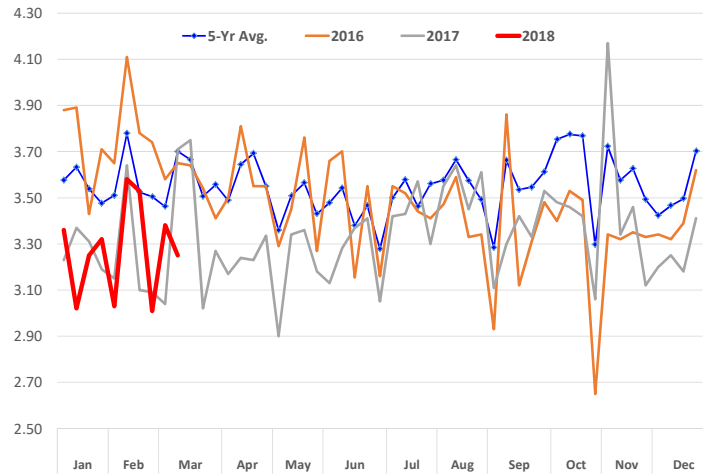
values. Others, however, have do not expect a significant shift the amount of frozen imported product. For now the focus in the market remains on slaughter levels in Australia and New Zealand and product availability for May and June delivery. Central America and Mexico have become significant players in the US market recently, helping offset the limited supply availability from Oceania. As the table on page 9 shows, imports from Nicaragua through the first week of March were almost 9,000 MT, 18% higher than a year ago. Overall US beef imports so far this year are up 9% compared to a year ago, with Canada and Mexico accounting for almost 60% of the increase in imports. Imports from Australia year to date are 1% less than a year ago.

Key Points for the Week:

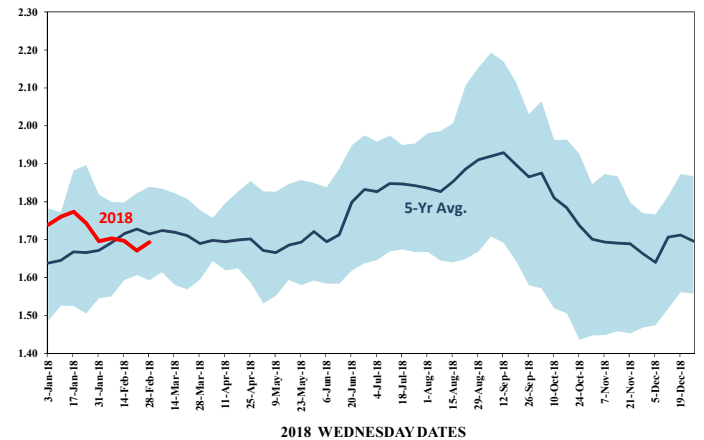
- Beef retail activity continues to be quite robust in recent weeks and this has helped bolster the value of the US beef cutout. On Friday USDA quoted the choice beef cutout at \$224.14/cwt, about \$10 higher than a year ago. The choice beef cutout has gained ground even as beef production continues to track above year ago levels. Beef demand remains in excellent shape and retailer are finding that running retail beef features tends to drive consumer traffic. The chart on page 1 illustrates the retail beef feature index, calculated weekly by USDA. The index reflects the number of beef features in the +20,000 retail locations surveyed. Last year we noted a surge in retail beef activity in early March and there has been a similar increase this year, with the index up 9% from the five year average.
- Higher cutout values and strong beef features did little to allay fed cattle trader concerns last week and futures trading was particularly volatile. Opinions vary as to what was the catalyst for the sharp selloff mid-week. For quite some time there has been a bearish bias in the fed cattle complex due to higher supplies of cattle on feed and a broader increase in meat protein availability. Time and again, however, participants have been surprised by strong beef demand. Indeed, fed cattle prices in the spot market continue to be quite firm and packers appear to be short bought in the near term. As news of firm spot prices filtered through, futures made up much of the ground lost on

Weekly Reported Retail Feature Prices, USDA National Retail Report: GROUND BEEF 80-89%

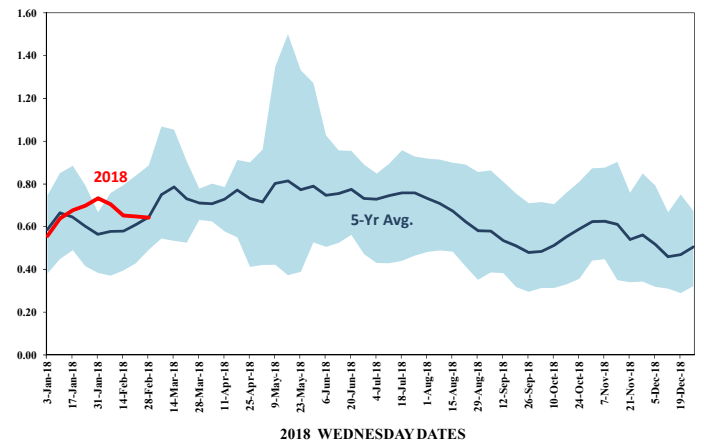
Source: USDA Weekly National Retail Report. Latest data point is for Mar 9, 2018



Price Ratio of 90CL Domestic Boneless Beef vs. Fed Steer Prices



Price Ratio of 50CL Fresh Boneless Beef vs. Fed Steer Prices



Wednesday and early Thursday. It remains to be seen how retail and foodservice demand develops in the next three months. The marketing rate in February was lower than expected, which is a cause for concern. Also packers have less beef sold on a forward basis than a year ago, which could indicate a slowdown in retail activity. The

most recent selloff is a signal that feedlots need to be more aggressive in selling cattle. The lower prices should also help put more beef in retail ads for April and May needs.

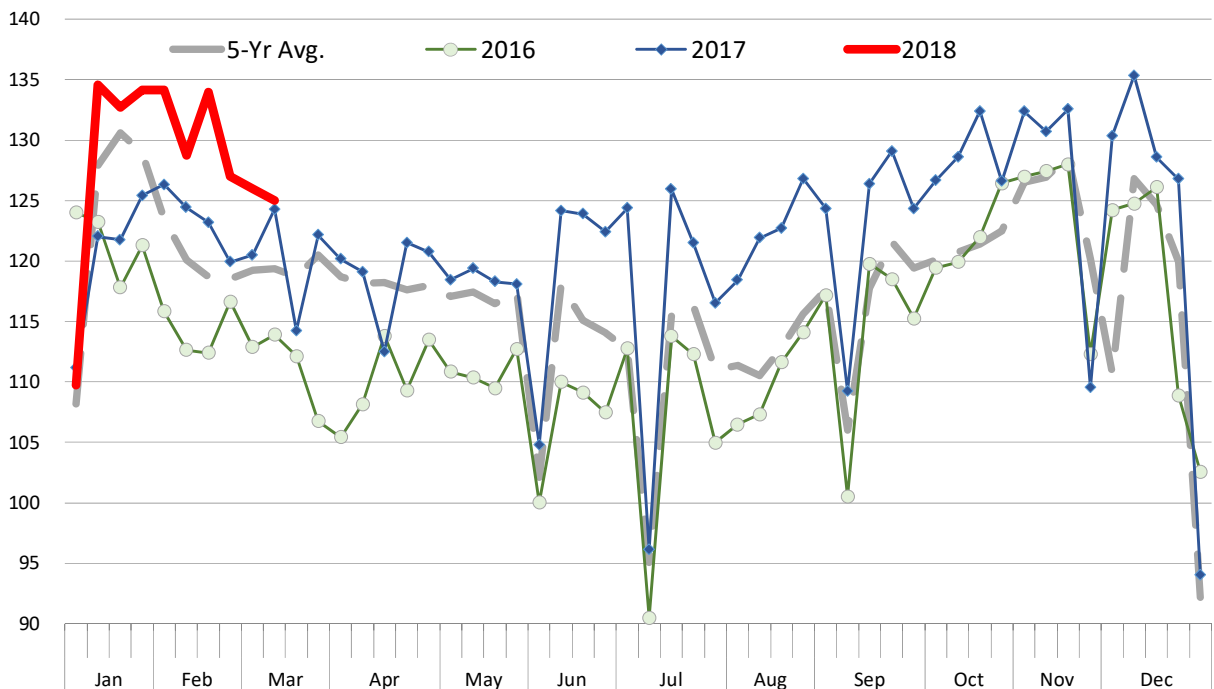
- The price of 90CL beef has not increased as much as some would expect based on the normal seasonal trend for late February and March prices. However, the ratio of 90CL beef to fed steers in late 2017 and January of this year was running above the five year average and current prices are now more in line with the five year average—on a ratio basis. We have presented the charts on page 2 in different formats in the past but we think they provide readers with a general idea as to what current fed steer cattle prices imply for 90CL domestic fresh beef going forward. In the last five years 90CL beef have traded at an average 1.7 multiple to the price of steers during this time of year. The multiple has averaged around 1.8 to 1.9 in July and August, however, for two reasons. Seasonally cull cow numbers tend to decline in the summer months, which limits the amount of 90CL beef available in the market. Fed steer prices also tend to weaken during the summer

months as hot weather takes its toll on grilling demand. Using a 1.9 multiple and fed steer futures currently priced at 111.6 implies 90CL beef at around \$212/cwt, not far from current levels. Key going forward will be drought conditions and the impact this has on cow-calf operations in the Texas Panhandle and the Southeast.

- US fed cattle slaughter is estimated at 472,000 head, 0.3% higher than a year ago. In the last four weeks fed cattle slaughter has averaged 465,000 head, less than 1% higher than a year ago and well below the levels earlier estimated based on feedlot inventory numbers. The relatively slow growth in slaughter numbers has helped support cutout levels but also created concern that feedlots may be falling behind in their marketings. Steer weight remain near year ago levels, indicating that, for now, feedlots remain relatively current. Non fed slaughter last week was estimated at 125,000 head, only 0.6% higher than a year ago. In the last four weeks non-fed slaughter has averaged 128,000 head/week, 4.9% higher than a year ago.

WEEKLY COW & BULL SLAUGHTER. '000 HEAD

Source: USDA



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
	8-Mar-18	1-Mar-18		7-Mar-17	
CME FEEDER CATTLE INDEX	144.18	146.03	-1.3%	126.95	13.6%
	9-Mar-18	2-Mar-18		8-Mar-17	
FED STEER (5-MKT AVG)	126.75	126.81	0.0%	124.86	1.5%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	110.50	111.50	-0.9%	109.00	1.4%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	115.50	117.50	-1.7%	119.00	-2.9%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	111.50	111.00	0.5%	108.00	3.2%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	172.02	171.59	0.3%	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
	9-Mar-18	2-Mar-18	9-Mar-18	2-Mar-18		8-Mar-17		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	222.0	223.0	221.0	224.0	-1.0	219.0	221.0	2.0
90 CL Blended Cow	211.0	213.0	211.0	213.0	0.0	207.0	209.0	4.0
90 CL Shank	20.0	211.0	212.0	213.0	-2.0	208.0	209.0	2.0
85 CL Fores	193.0	194.0	193.0	194.0	0.0	185.0	186.0	8.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	220.0	221.0	220.0	222.0	-1.0	219.0	220.0	1.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	191.0	193.0	192.0	193.0	0.0	184.0	185.0	8.0
80 CL Trimmings	178.0	179.0	175.0	177.0	2.0	165.0	167.0	12.0
75 CL Trimmings	167.0	170.0	169.0	170.0	0.0	150.0	151.0	19.0
65 CL Trimmings	138.0	139.0	138.0	139.0	0.0	120.0	122.0	17.0
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	280.0	285.0	280.0	285.0	0.0	265.0	270.0	15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	235.0	240.0	235.0	240.0	0.0	220.0	225.0	15.0
Steer Knuckles	250.0	255.0	250.0	255.0	0.0	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
	9-Mar-18		2-Mar-18			8-Mar-17		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	230.0	231.0	230.0	232.0	-1.0	230.0	233.0	-2.0
90 CL Blended Cow	216.0	217.0	216.0	217.0	0.0	215.0	217.0	0.0
90 CL Shank	214.0	216.0	215.0	218.0	-2.0	216.0	217.0	-1.0
85 CL Fores	199.0	200.0	197.0	199.0	1.0	194.0	195.0	5.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	228.0	229.0	229.0	230.0	-1.0	231.0	232.0	-3.0
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	197.0	198.0	0.0	193.0	194.0	4.0
80 CL Trimmings		UNQ	181.0	182.0	N/A	172.0	174.0	N/A
75 CL Trimmings	172.0	173.0	173.0	174.0	-1.0	160.0	161.0	12.0
65 CL Trimmings	140.0	145.0	144.0	145.0	0.0	128.0	132.0	13.0
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	290.0	295.0	290.0	295.0	0.0	275.0	280.0	15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	250.0	255.0	250.0	255.0	0.0	225.0	230.0	25.0
Steer Knuckles	255.0	260.0	255.0	260.0	0.0	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
	9-Mar-18		2-Mar-18			8-Mar-17		
<u>Domestic Cutouts</u>								
Choice Cutout	224.14		222.52		1.6	213.61		10.5
Select Cutout	217.26		214.64		2.6	207.29		10.0
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	215.7	220.0	216.0	221.0	-1.0	214.0	215.0	5.0
85 CL Beef Trimmings	186.0	215.0	186.0	192.0	23.0	187.4	193.0	22.0
50 CL Beef Trim	81.3	86.3	83.3	83.8	2.5	90.0	102.0	-15.8
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	35.9	49.3	27.6	39.3	10.0	31.0	42.6	6.7
72 CL Pork Trim	65.1	83.3	59.4	78.3	5.0	66.9	85.8	-2.6
<u>Point of Lean Values</u>								
90 CL Domestic	244.4		245.6		-1.1	238.9		5.6
50 CL Beef Trimming	172.5		167.5		5.0	204.0		-31.5
42 CL Pork Trim	117.3		93.5		23.8	101.4		15.8
72 CL Pork Trim	115.6		108.7		6.9	119.2		-3.6
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	126.75		126.81		-0.1	124.86		1.9

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>	
	9-Mar-18	2-Mar-18			8-Mar-17		
<u>Live Cattle Futures</u>							
<i>April '18</i>	123.125	122.175	↑	0.95	115.975	↑	7.15
<i>June '18</i>	114.300	114.400	↓	-0.10	106.250	↑	8.05
<i>August '18</i>	111.650	112.100	↓	-0.45	102.050	↑	9.60
<i>October '18</i>	114.400	114.650	↓	-0.25	102.100	↑	12.30
<u>Feeder Cattle Futures</u>							
<i>April '18</i>	143.150	145.275	↓	-2.13	122.775	↑	20.38
<i>May '18</i>	144.650	146.525	↓	-1.88	122.300	↑	22.35
<i>August '18</i>	149.750	150.775	↓	-1.03	124.400	↑	25.35
<i>September '18</i>	150.625	151.175	↓	-0.55	124.400	↑	26.23
<u>Corn Futures</u>							
<i>March '18</i>	383	377 1/4	↑	5.75	365 1/4	↑	17.75
<i>May '18</i>	390 1/2	385 1/4	↑	5.25	372 1/4	↑	18.25
<i>July '18</i>	398	392 1/2	↑	5.50	379 3/4	↑	18.25
<i>September '18</i>	402 1/2	397 3/4	↑	4.75	386 1/4	↑	16.25
<u>Ch Wheat Futures</u>							
<i>March '18</i>	489	492	↓	-3.00	427 1/2	↑	61.50
<i>May '18</i>	489 1/4	500	↓	-10.75	447	↑	42.25
<i>July '18</i>	505 1/2	514 1/2	↓	-9.00	462 3/4	↑	42.75
<i>September '18</i>	522	528 3/4	↓	-6.75	477 3/4	↑	44.25

<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>	
	10-Mar-18	3-Mar-18			11-Mar-17		
<u>Total Cattle Slaughter</u>	597,000	608,000	↓	-11,000	595,000	↑	2,000
	24-Feb-18	17-Feb-18			25-Feb-17		
<u>Total Cow Slaughter</u>	117,441	121,452	↓	-4,011	110,318	↑	7,123
<u>Dairy Cow Slaughter</u>	63,098	67,065	↓	-3,967	61,011	↑	2,087
<u>Beef Cow Slaughter</u>	54,343	54,387	↓	-44	49,307	↑	5,036

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

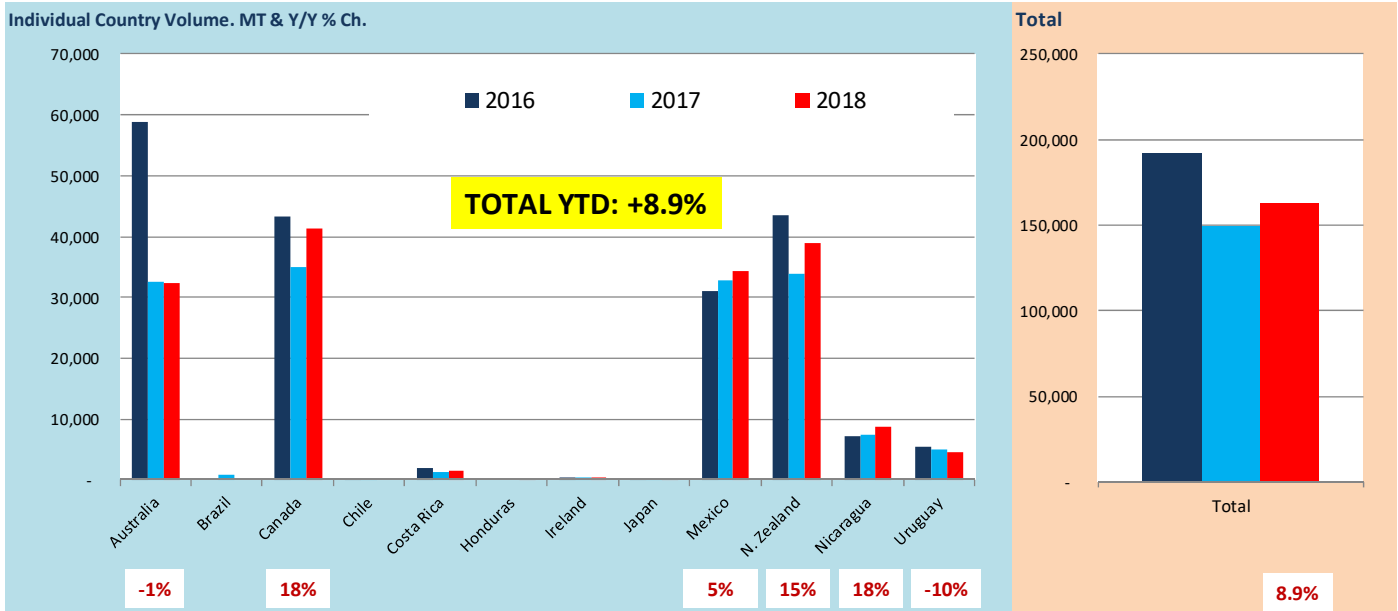
YTD Imported Fresh Beef Passed for Entry in the US

week 9	3/4/2017	3/3/2018		
Australia	32,670	32,347	(323)	-1.0%
Brazil	801	-	(801)	-100.0%
Canada	34,986	41,299	6,313	18.0%
Chile	67	-	(67)	-100.0%
Costa Rica	1,377	1,484	107	7.8%
France	-	-	-	
Honduras	-	321	321	
Ireland	389	509	120	30.8%
Japan	55	153	98	178.2%
Mexico	32,806	34,375	1,569	4.8%
Netherlands	-	-	-	
New Zealand	33,854	39,009	5,155	15.2%
Nicaragua	7,463	8,829	1,366	18.3%
Spain	-	-	-	
Uruguay	4,991	4,483	(508)	-10.2%
Total	149,515	162,809	13,294	8.9%

Source: USDA/FSIS

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

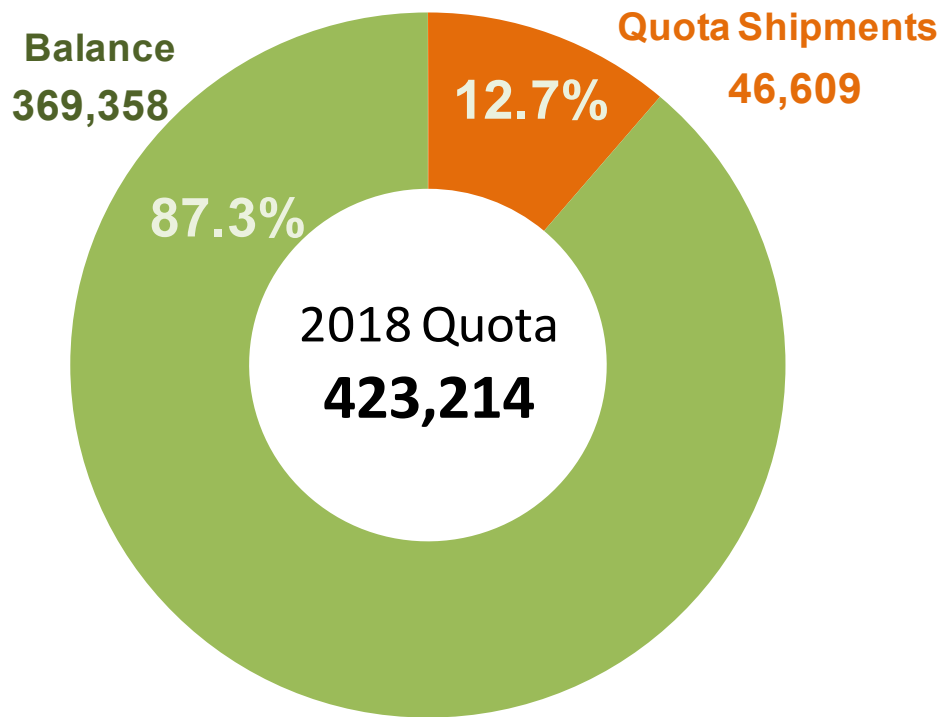
Imports as of March 3, 2018



Australian Beef Quota Position

8-Mar-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending March 5

Source: US Customs

