



# US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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## Market Highlights for the Week:

- Cattle futures continued to decline this week even as the beef cutout gained ground and remains higher than a year ago.
- Primary concern of futures traders is the slowdown in slaughter and the possibility that more cattle will need to be marketed in April, May and June.
- USDA already forecasting US beef production in Q2 to increase 13% from a year ago and implied per capita disappearance using USDA production data is forecast to be up 10%, highlighting market concerns. Beef exports remain on a very firm footing due to strong exports into Asian markets, especially S. Korea and Hong Kong.
- US beef exports in January were 15% higher than a year ago and we expect February exports to be up 12%.
- Australian weekly cattle slaughter in the first two weeks of March averaged around 128,000 head/wk, about the same as a year ago but 20,000 head less than the five year average
- Steiner estimates on feed supply as of March 1 to be 8.5% higher than a year ago

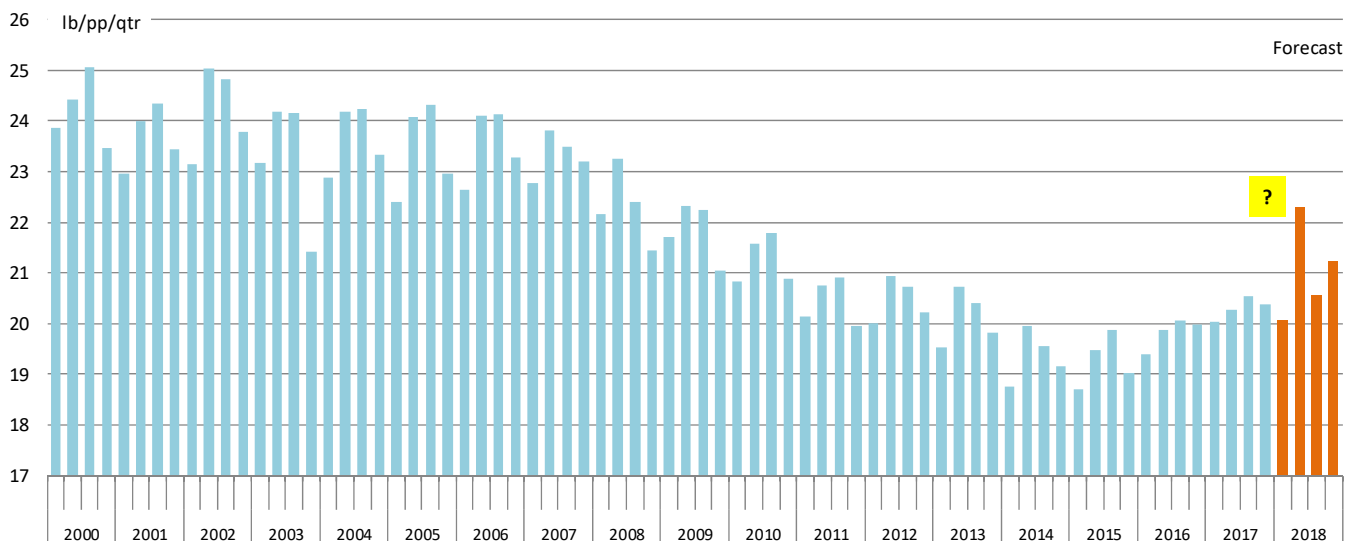
## Imported Market Activity for the Week

Imported beef prices were steady to higher this week as spot supply availability remains limited and some end users were more actively looking for product. Importers expect offerings from New Zealand to improve in April following a smaller than expected slaughter and limited offerings in February and early March. Latest data

shows New Zealand slaughter in February down as much as 19% from the previous year and 26% lower than the five year average. Some importers sold off inventory during this period and spot supply availability is tighter than at the start of the year. Imported beef continues to trade at a modest premium to imported beef but some end users still look to source imported, especially leaner trim, given the freight benefits for plants located near

## Quarterly Per Capita Disappearance, Carass Weight Basis

Actual + USDA WASDE Forecasts for 2018.



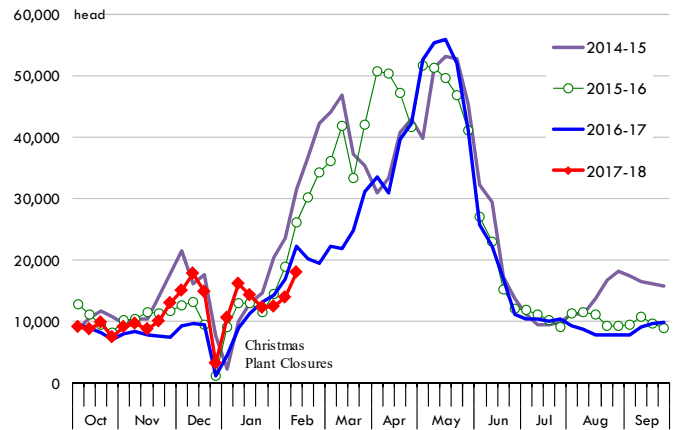
ports. Freight rates from US Midwest slaughter plants to the coast have increased as much as 20%, making imported beef even more competitive vs. domestic fresh product. Prices for imported round cuts were difficult to ascertain, in part because domestic users were unwilling to match what some overseas markets are currently paying. This is particularly the case for flats, which in some markets are getting 15-20 cents above what US market can pay at this time. US end users also recognize that seasonally demand for round cuts declines in Q2 while domestic supply availability should improve considerably.

Key Discussion Points for the Week

- Imported beef supplies from Australia remain limited and this is reflected in the prices currently traded in the US market. Australian February beef shipments to the US were 17,292 MT, about the same as the limited levels of a year ago and well below 2015 and 2016 volumes (see chart). Our early estimate is that shipments in March will be between 20,000 and 21,000 MT, thus 4-6% less than a year ago. April volume will be key. Last year a shortfall of Australian imports during April and limited New Zealand availability caused imported beef to trade at a premium to domestic product. Parts of Queensland received significant moisture during February, limiting the number of cattle coming to market. According to MLA data, cattle slaughter in the first two weeks of March was around 128,000 head, about the same as a year ago and some 20,000 head less than the five year average.
- US domestic beef supply growth has been rather muted in recent weeks. **This has supported the value of the beef cutout but has also created some uneasiness about the supply of cattle and beef that will come to market in Q2.** Total cattle slaughter last week was estimated at 595,000 head, just 1% higher than a year ago. In the last four weeks cattle slaughter has averaged 594,000 head, 1.4% higher than a year ago. The growth in fed cattle numbers has been even smaller. For the week ending March 17 fed cattle slaughter was 464,000 head, 2.2% less than a year ago and in the last four weeks fed slaughter has averaged slightly under last year's levels. Average cattle weights so far have been 0.5% to 1% above year ago

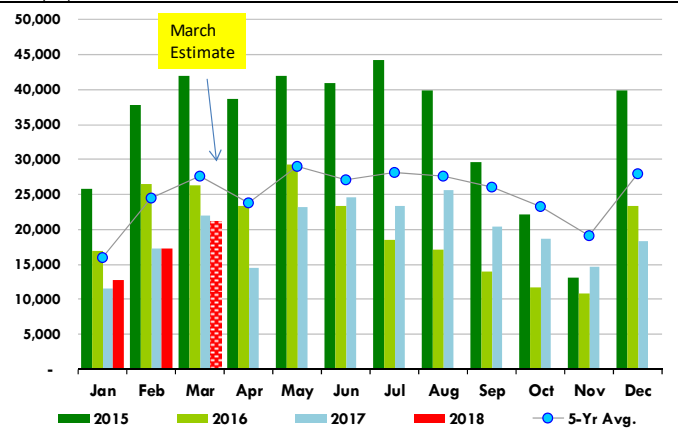
New Zealand Weekly Cow Slaughter

Based on Oct - Sep Marketing Year. Source: New Zealand Meat Board



AUSTRALIAN BEEF EXPORTS TO THE UNITED STATES

Monthly Exports. Metric Ton. Source: DAFF



- levels but we expect they will start to diverge quite significantly from last year in April and May. Our expectation is for fed cattle weights to be around 2% above year ago levels in Q2. Market participants continue to debate the supply of beef that will be available in Q2. The latest USDA report put US beef production in Q2 up 13% from a year ago. We think it will not be as large. In addition, it is important to put the production numbers in perspective and the best way to do that is to calculate beef disappearance rather than overall production numbers. The chart on page 1 shows how unusual that USDA Q2 forecast is but also shows that, large as it is, it still is quite a bit lower than the volume available a few years ago. Still, that big jump in disappearance illustrates why markets remain so nervous about beef/cattle prices this spring and early summer.
- USDA will issue its cattle on feed estimate numbers at the end of next week and our current projections are for feedlot placements to be up 6.3% in February and marketings to be up just a little

over 1% . This implies on feed supplies as of March 1 could be up 8.5% above year ago levels. Inventories of market ready cattle are expected to increase sharply in the next three months. The inventory of cattle that have been on feed for 150 days or more is estimated at 1.175 million head, 16.6% higher than a year ago while the inventory of +120day cattle is estimated at 3.641 million head, 12.5% higher than a year ago. The marketing rate in February was smaller than expected, in part because many cattle were placed on feed at relatively light weights and thus will take a bit longer to become market ready. The marketing rate in March of last year was significantly higher than normal (+17.8%) leading to a shortfall of market ready cattle and higher prices in April/May. So far, fed cattle marketings have been quite low relative to on feed supplies. Fed cattle futures for April and June have declined for fear that Q2 slaughter will overwhelm the market. Let's take the example of April fed cattle. If we assume on feed supplies of 11.8 million head on April 1 (+8%) and a relatively modest 16% marketing rate, this would imply April fed cattle marketings for the month of around 1.9 million head, 11% higher than the same month

a year ago. Assuming a marketing rate of around 17.5% in May and June, which is what we saw last year, would imply a 5.5% increase in feedlot marketings during May and June.

- Beef demand is expected to fix everything in the beef complex and it very well could. However, the jury is still out and robust cutout values at this point reflect in part a smaller than expected increase in supplies. Retailers feature activity has not been as strong as it was a year ago. And limited forward packer sales point to lower beef features for April. For week ending March 17, the retail beef feature activity index was significantly lower than a year ago and also 1% lower than the five year average. It remains to be seen if the recent selloff in the fed cattle complex will encourage retailers to book more beef for Memorial Day and Father's Day features.

# 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-Mar-18	8-Mar-18		14-Mar-17	
CME FEEDER CATTLE INDEX	142.71	144.18	-1.0%	127.61	11.8%
	16-Mar-18	9-Mar-18		15-Mar-17	
FED STEER (5-MKT AVG)	127.82	126.75	0.8%	125.57	1.8%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	103.50	110.50	-6.3%	111.50	-7.2%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	109.50	115.50	-5.2%	120.00	-8.8%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	107.50	111.50	-3.6%	109.00	-1.4%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	173.01	172.02	0.6%	154.79	11.8%

### 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-Mar-18	225.0	9-Mar-18	223.0		15-Mar-17	230.0	
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	223.0	225.0	222.0	223.0	2.0	225.0	230.0	-5.0
<b>90 CL Blended Cow</b>	212.0	213.0	211.0	213.0	0.0	210.0	211.0	2.0
<b>90 CL Shank</b>	210.0	214.0	210.0	211.0	3.0	209.0	210.0	4.0
<b>85 CL Fores</b>	192.0	195.0	193.0	194.0	1.0	190.0	192.0	3.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	221.0	223.0	220.0	221.0	2.0	224.0	228.0	-5.0
<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>	191.0	193.0	191.0	193.0	0.0	187.0	190.0	3.0
<b>80 CL Trimmings</b>	178.0	79.0	178.0	179.0	-100.0	167.0	168.0	-89.0
<b>75 CL Trimmings</b>	170.0	174.0	167.0	170.0	4.0	151.0	152.0	22.0
<b>65 CL Trimmings</b>		UNQ	138.0	139.0	N/A	120.0	125.0	N/A
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	285.0	290.0	280.0	285.0	5.0	265.0	270.0	20.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>	235.0	240.0	235.0	240.0	0.0	220.0	225.0	15.0
<b>Steer Knuckles</b>	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
	16-Mar-18		9-Mar-18			15-Mar-17		
<b><i>US East Coast Australian/NZ Lean, FOB US Port</i></b>								
<b>95 CL Bull, E. Coast</b>	232.0	233.0	230.0	231.0	2.0	231.0	233.0	0.0
<b>90 CL Blended Cow</b>	217.0	219.0	216.0	217.0	2.0	217.0	219.0	0.0
<b>90 CL Shank</b>	216.0	217.0	214.0	216.0	1.0	217.0	218.0	-1.0
<b>85 CL Fores</b>	202.0	203.0	199.0	200.0	3.0	197.0	198.0	5.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	229.0	231.0	228.0	229.0	2.0	231.0	232.0	-1.0
<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>	200.0	202.0	197.0	198.0	4.0	195.0	196.0	6.0
<b>80 CL Trimmings</b>	183.0	184.0		UNQ	N/A		175.0	9.0
<b>75 CL Trimmings</b>	172.0	173.0	172.0	173.0	0.0	160.0	161.0	12.0
<b>65 CL Trimmings</b>		UNQ	140.0	145.0	N/A	128.0	132.0	N/A
<b><i>US East Coast Australian Cuts, FOB US Port</i></b>								
<b>Cap Off Steer Insides</b>	294.0	300.0	290.0	295.0	5.0	275.0	280.0	20.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>	250.0	255.0	250.0	255.0	0.0	225.0	230.0	25.0
<b>Steer Knuckles</b>	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	
	16-Mar-18		9-Mar-18			15-Mar-17			
<b><u>Domestic Cutouts</u></b>									
Choice Cutout	225.59		224.14		1.5	221.32		4.3	
Select Cutout	216.86		217.26		-0.4	213.14		3.7	
<b><u>Domestic Lean Grinding Beef</u></b>									
90 CL Boneless	216.0	221.0	215.7	220.0	1.0	215.0	220.0	1.0	
85 CL Beef Trimmings	189.0	201.0	186.0	215.0	-14.0	190.4	192.0	9.0	
50 CL Beef Trim	80.0	84.5	81.3	86.3	-1.8	100.5	107.0	-22.5	
<b><u>Domestic Pork Trim</u></b>									
42 CL Pork Trim	42.8	52.3	35.9	49.3	3.0	36.0	44.3	8.0	
72 CL Pork Trim	63.6	84.3	65.1	83.3	1.0	62.9	85.8	-1.6	
<b><u>Point of Lean Values</u></b>									
90 CL Domestic	245.6		244.4		1.1	244.4		1.1	
50 CL Beef Trimming	169.0		172.5		-3.5	214.0		-45.0	
42 CL Pork Trim	124.4		117.3		7.1	105.4		19.0	
72 CL Pork Trim	117.0		115.6		1.4	119.2		-2.2	
<b><u>National Direct Fed Steer</u></b> <b><u>(5-day accum. wt. avg. price)</u></b>	127.82		126.75		1.1	125.57		2.3	

**TABLE 5 – FUTURES AND SLAUGHTER INFORMATION**

Futures Contracts	Current Week	Prior Week	Change From		Last Year	Change From	
	16-Mar-18	9-Mar-18	Last Week		15-Mar-17	Last Year	
<b><u>Live Cattle Futures</u></b>							
April '18	123.125	122.175	↑	0.95	115.975	↑	7.15
June '18	114.300	114.400	↓	-0.10	106.250	↑	8.05
August '18	111.650	112.100	↓	-0.45	102.050	↑	9.60
October '18	114.400	114.650	↓	-0.25	102.100	↑	12.30
<b><u>Feeder Cattle Futures</u></b>							
April '18	143.150	145.275	↓	-2.13	122.775	↑	20.38
May '18	144.650	146.525	↓	-1.88	122.300	↑	22.35
August '18	149.750	150.775	↓	-1.03	124.400	↑	25.35
September '18	150.625	151.175	↓	-0.55	124.400	↑	26.23
<b><u>Corn Futures</u></b>							
March '18	383	377 1/4	↑	5.75	365 1/4	↑	17.75
May '18	390 1/2	385 1/4	↑	5.25	372 1/4	↑	18.25
July '18	398	392 1/2	↑	5.50	379 3/4	↑	18.25
September '18	402 1/2	397 3/4	↑	4.75	386 1/4	↑	16.25
<b><u>Ch Wheat Futures</u></b>							
March '18	489	492	↓	-3.00	427 1/2	↑	61.50
May '18	489 1/4	500	↓	-10.75	447	↑	42.25
July '18	505 1/2	514 1/2	↓	-9.00	462 3/4	↑	42.75
September '18	522	528 3/4	↓	-6.75	477 3/4	↑	44.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From		7 Days Ending	Change From	
	17-Mar-18	10-Mar-18	Last Week		18-Mar-17	Last Year	
<b>Total Cattle Slaughter</b>	597,000	608,000	↓	-11,000	595,000	↑	2,000
	<b>3-Mar-18</b>	<b>24-Feb-18</b>			<b>4-Mar-17</b>		
<b>Total Cow Slaughter</b>	0	117,441	↓	-117,441	111,006	↓	-111,006
<b>Dairy Cow Slaughter</b>	0	63,098	↓	-63,098	62,188	↓	-62,188
<b>Beef Cow Slaughter</b>	0	54,343	↓	-54,343	48,818	↓	-48,818



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

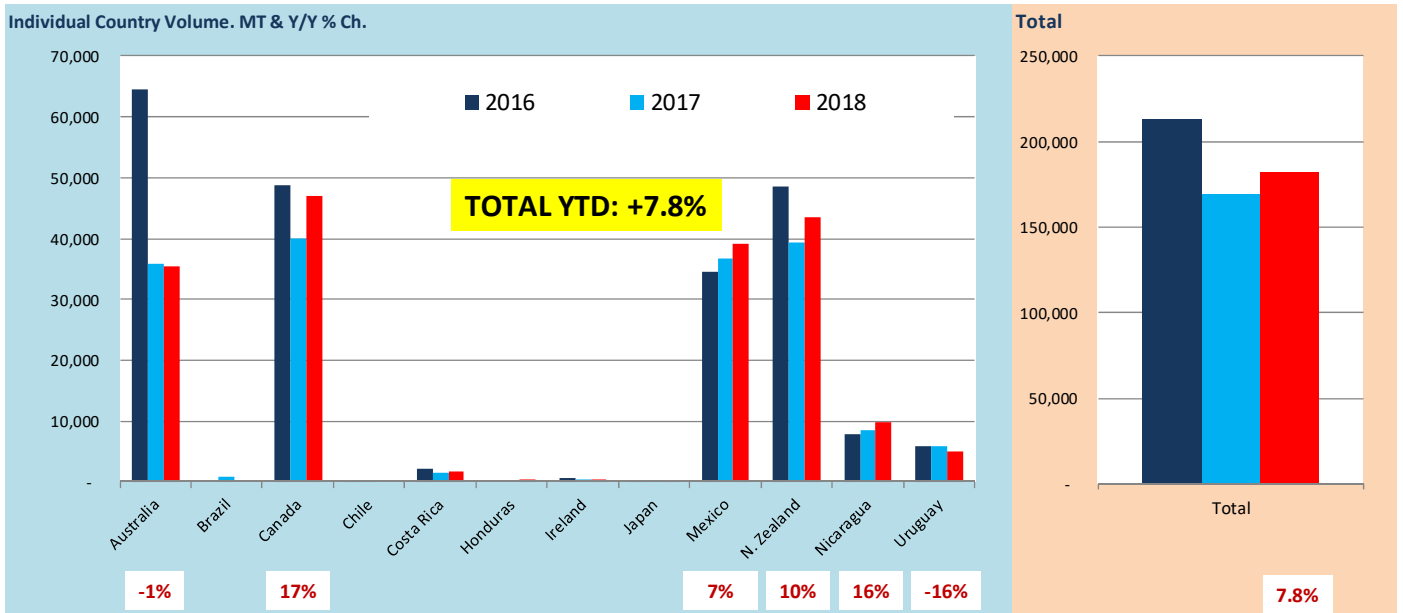
## YTD Imported Fresh Beef Passed for Entry in the US

week 10	3/11/2017	3/10/2018		
Australia	35,789	35,484	(305)	-0.9%
Brazil	853	-	(853)	-100.0%
Canada	40,066	46,952	6,886	17.2%
Chile	67	-	(67)	-100.0%
Costa Rica	1,588	1,658	70	4.4%
France	-	-	-	
Honduras	-	378	378	
Ireland	434	534	100	23.0%
Japan	61	171	110	180.3%
Mexico	36,677	39,092	2,415	6.6%
Netherlands	-	-	-	
New Zealand	39,346	43,424	4,078	10.4%
Nicaragua	8,473	9,854	1,381	16.3%
Spain	-	-	-	
Uruguay	5,933	4,958	(975)	-16.4%
<b>Total</b>	<b>169,371</b>	<b>182,504</b>	<b>13,133</b>	<b>7.8%</b>

Source: USDA/FSIS

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

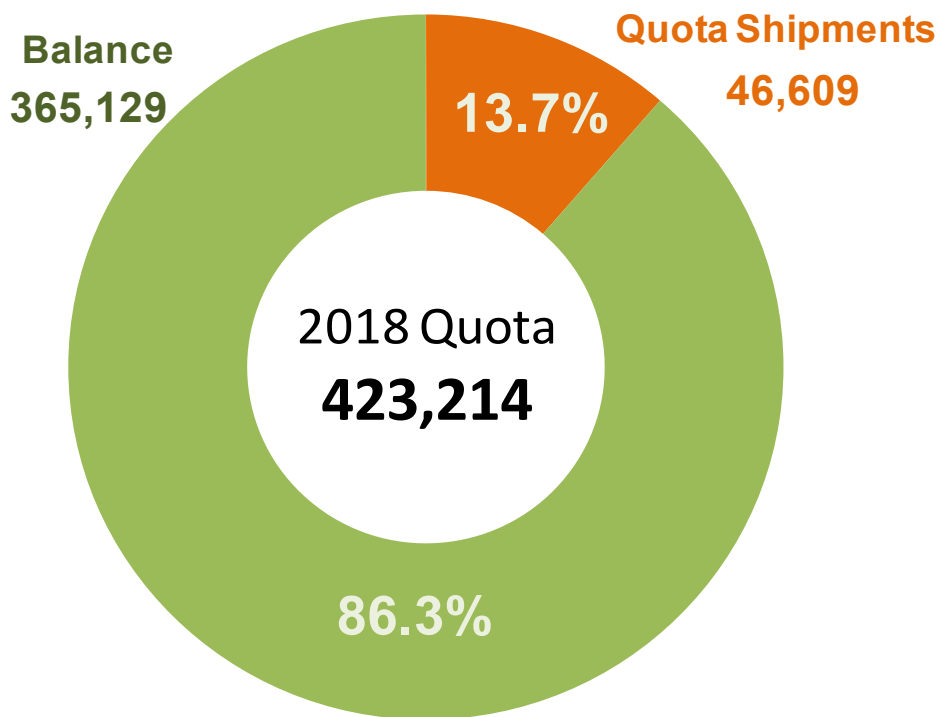
Imports as of March 10, 2018



# Australian Beef Quota Position

8-Mar-18

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending March 12

Source: US Customs

