



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

- US imported beef trade was very slow to develop as end users have hit the pause button given extreme uncertainty in meat markets and sharply lower fed cattle prices
- CME fed cattle futures established contract lows mid week, staged a sharp recovery the following day and then sold off again on Friday.
- Markets have been gripped by fear of a full blown trade war between US and China and the potential for slower growth and weaker meat demand
- China is the largest global beef importer but it currently buys minimal amounts from the US. The main reason for the current uncertainty in the trade is due to the impact that a trade war may have on the global economy rather than the direct effect on US beef exports to China
- Australian beef shipments to the US in March were 19,742 MT, 10% lower than a year ago. In the first three months of the year shipments to the US are down 2% while overall Australian beef and veal exports have increased 9%.
- New Zealand cow slaughter is expected to rise sharply in the second half of April and early May, pushing more beef into the US at precisely the same time that US fed cattle slaughter is expected to hit the highest levels since 2012
- 50CL trim values continue to gain ground due to improving seasonal demand and seasonal decline in fed cattle weights

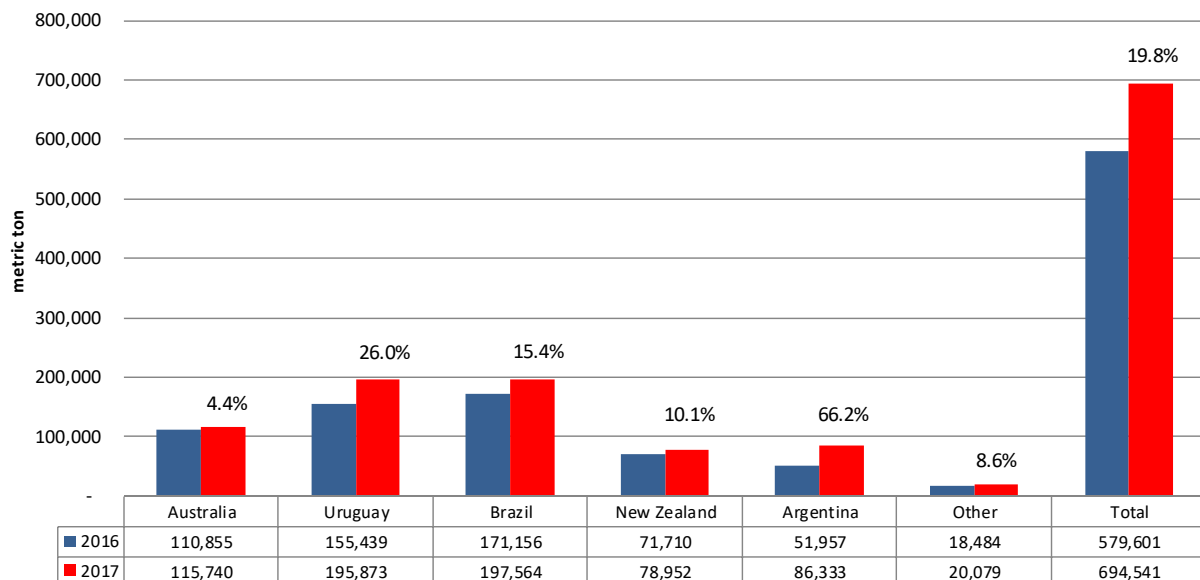
Imported Market Activity for the Week

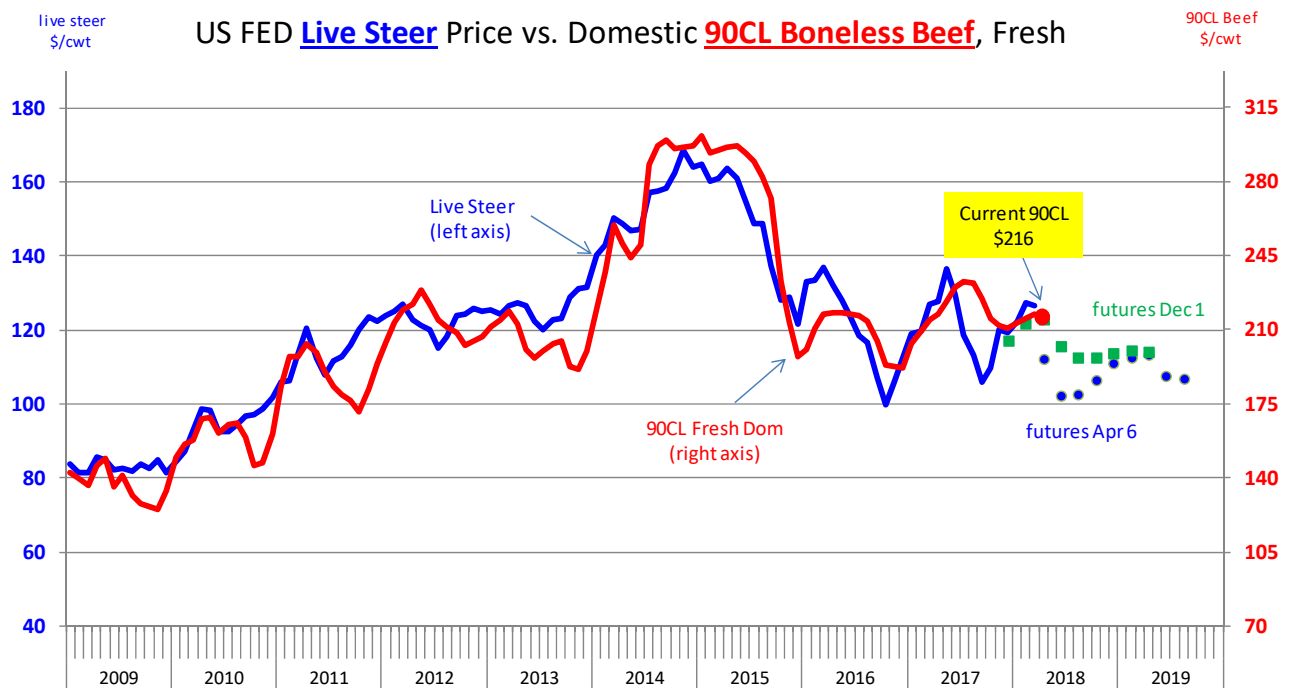
The market for imported beef continues to be quite difficult as extreme uncertainty in the broader complex and sharply lower fed cattle futures have made end users quite ambivalent about booking meat forward...at least not at current offer levels from Australia/NZ. Some market participants noted lower prices for imported beef but it is

somewhat doubtful if some of lower priced FOB loads (this is FOB US) could be covered. Some speculated that traders are taking on some shorts, expecting to purchase product at lower prices in May when New Zealand slaughter is expected to increase. The bearishness for Q2 prices, however, is contrasted with spot market conditions which remain quite tight. Domestic prices for lean grinds continue to trade relatively firm despite rather

China Imports of Fresh/Frozen Beef in 2017

Source: GTIS. Metric Ton. Product Wt. Basis.





large slaughter levels for this time of year. And this brings us to **the real conflict in today's market**. On the one hand, demand conditions appear to be in as good a shape as they were a year ago. Consumer incomes are up, the economy is near full employment and global demand for beef continues to expand. And yet a trade war between the United States and China risks derailing the global economy and thus significantly impacting beef demand both at home and globally. In recent years China has emerged as a major global beef buyer. The chart on page 1 shows the breadth of Chinese beef purchases and the double digit growth last year. In many South American markets exports to China and Hong Kong account for over half of all their beef exports. Cattle inventories in South America continue to expand and producers there count on robust Chinese demand to support prices. Slower growth due to a full blown trade war could cause a slump in global beef prices.

We used the above chart about a year ago at this time to illustrate how the outlook for fed cattle prices had shifted (it had improved) and what that implied for lean grinding beef values. Looking back, lean grinding beef prices performed even better than futures were indicating at the time. This time around the outlook for fed cattle prices has deteriorated significantly, implying lower lean beef prices for late spring and summer. As we noted last week, the concern among market participants is that if beef prices for round cuts do indeed col-

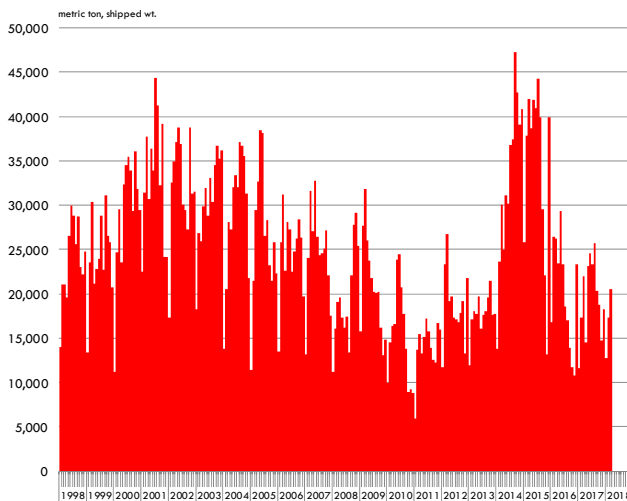
lapse, this could push more cuts into the grinder. Indeed, prices for some cuts already are near grinding value. On Friday USDA reported over 1 million pounds of peeled knuckles trading in the negotiated market at an average price of \$2.17/lb. compared to a 90CL grinding beef market at \$2.16/lb. US fed cattle slaughter for this past week is estimated at 482,000 head, about 5% higher than a year ago. We expect fed cattle slaughter to quickly climb to 500k/week by the end of April and be as high as 540k in late May or early June. These projections reflect on feed supplies that are currently 9% higher than last year. We estimate that on April 1 the supply of +120 day cattle on feed was 24% higher than the same period a year ago. More fed cattle are coming and retailers will have plenty of opportunities to feature beef during the peak of the grilling season.

Imported beef supplies

Australian beef shipments to the US in March were 19,742 MT, 10% lower than a year ago. The decline came even as the overall volume of Australian beef exports in March was slightly higher than the previous year. More Australian beef is currently going to other markets, particularly in Asia, and the expectation is for the US share to decline this year. In the first three months of the year total Australian beef exports to the US were 49,830 MT, 2% less than last year. This volume represented 21% of all Australian

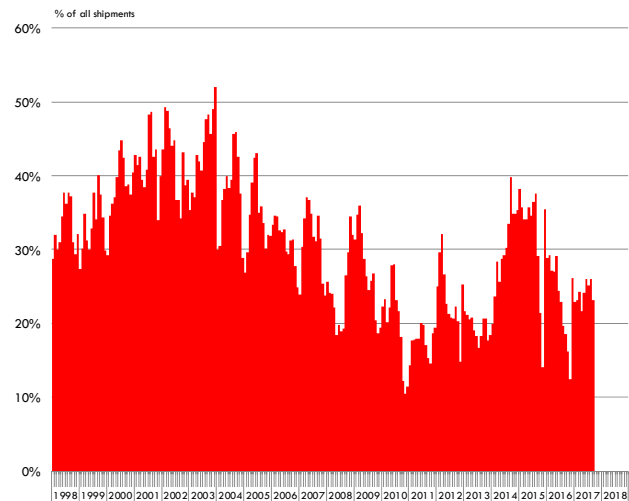
AUSTRALIAN MONTHLY BEEF SHIPMENTS TO THE US

1998 - 2017, metric ton, shipped wt. Source: Australian Department of Water and Agricultural Resources



% OF AUSTRALIAN MONTHLY BEEF EXPORTS GOING TO USA

1998 - 2017, metric ton, shipped wt. Source: Australian Department of Water and Agricultural Resources



beef and veal exports during Q1. Last year shipments to the US accounted for 23% of all exports and in 2015 the US share was 32%. Reduced Australian beef availability will be mostly felt in Q3, when New Zealand participation in the US market seasonally declines. Imported beef has traded at a premium to domestic earlier this year. That premium may decline in May and June as New Zealand supplies increase. Still, we think domestic beef availability will increase at a faster pace and therefore we still expect imported beef to trade at a modest premium. That premium will likely increase in September and October when domestic retail ground beef demand starts to wane, domestic cow meat supplies increase while at the same time less imported beef is available from New Zealand and some of the smaller markets.

New Zealand cattle slaughter is reported with a significant lag and so is New Zealand beef export data. Latest slaughter data is for week ending March 10 and it shows total cattle slaughter for that week was 58,266 head, 23% higher than the same time last year. Cow slaughter for the week was 24,619 head, 10% higher than a year ago. Cow slaughter is expected to peak at a little over 50,000 head by mid-May.

Beef imports from other markets have shown robust growth, in part because of still relatively high lean grinding beef prices. Central American suppliers have established themselves in recent years and last year they had to rely on the additional quota available under CAFTA. As the chart on page 9 shows, imports from Nicaragua are currently at 13,360 MT, almost 15.8% higher than a year ago. On the other hand, imports from Uruguay remain minimal and we do not expect much

Uruguayan beef to enter the US out of quota. China now accounts for over half of Uruguayan beef exports and we don't expect that to change anytime soon.

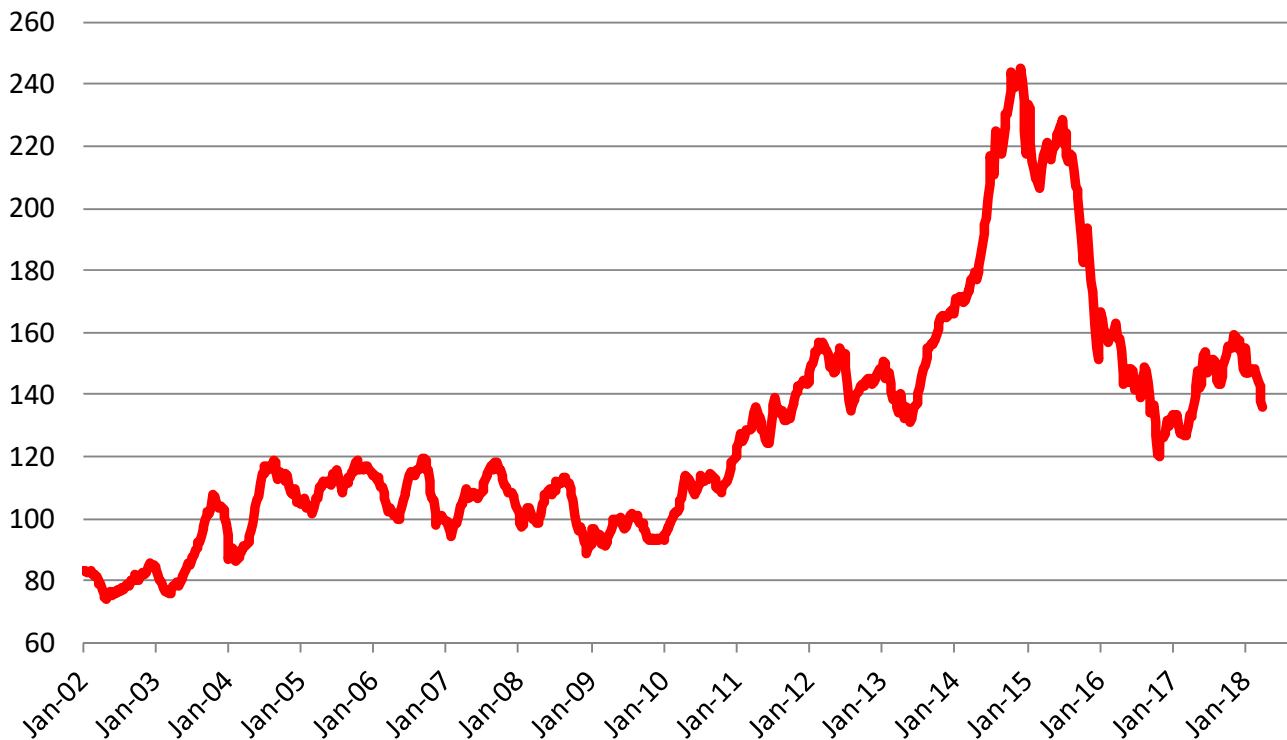
Bottom line: Imported beef supplies in the US will increase modestly in May and June as New Zealand slaughter increases. However, with strong demand in Asian markets, beef availability in the US will remain somewhat limited. The big wild card in all this is the outlook for global growth in the event of a full blown trade war between the US and China. It is difficult to say at this point how this issue will progress. In the short term, however, imported beef supplies in the US will not be as ample as in past years and imported beef will likely remain at a premium to domestic, especially once New Zealand supplies seasonally decline.

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
	5-Apr-18	29-Mar-18		4-Apr-17	
CME FEEDER CATTLE INDEX	135.31	136.21	-0.7%	133.13	1.6%
	6-Apr-18	30-Mar-18		5-Apr-17	
FED STEER (5-MKT AVG)	116.47	121.03	-3.8%	126.69	-8.1%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	108.50	104.50	3.8%	117.50	-7.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	112.00	108.00	3.7%	121.00	-7.4%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	109.00	107.50	1.4%	114.50	-4.8%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	173.90	172.52	0.8%	154.79	12.3%

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
	6-Apr-18		30-Mar-18			5-Apr-17		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	219.0	221.0	221.0	223.0	-2.0	232.0	233.0	-12.0
90 CL Blended Cow	203.0	205.0	208.0	210.0	-5.0	210.0	213.0	-8.0
90 CL Shank		UNQ	207.0	210.0	N/A	211.0	212.0	N/A
85 CL Fores	192.0	193.0	193.0	194.0	-1.0	194.0	195.0	-2.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	219.0	220.0	220.0	222.0	-2.0	232.0	234.0	-14.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	191.0	192.0	191.0	192.0	0.0	193.0	194.0	-2.0
80 CL Trimmings	179.0	180.0	179.0	180.0	0.0	160.0	165.0	15.0
75 CL Trimmings	170.0	172.0	170.0	172.0	0.0	152.0	153.0	19.0
65 CL Trimmings	134.0	135.0	135.0	136.0	-1.0		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	285.0	290.0	285.0	295.0	-5.0	270.0	275.0	15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	220.0	225.0	N/A
Steer Knuckles	245.0	248.0		250.0	-2.0	245.0	250.0	-2.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	6-Apr-18		30-Mar-18			5-Apr-17		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	227.0	228.0	230.0	231.0	-3.0	236.0	237.0	-9.0
90 CL Blended Cow	211.0	212.0	213.0	215.0	-3.0	218.0	220.0	-8.0
90 CL Shank	215.0	217.0	215.0	218.0	-1.0	217.0	218.0	-1.0
85 CL Fores	200.0	201.0	202.0	203.0	-2.0	199.0	200.0	1.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	225.0	226.0	228.0	229.0	-3.0	239.0	240.0	-14.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	199.0	200.0	200.0	202.0	-2.0		199.0	1.0
80 CL Trimmings	184.0	185.0	184.0	185.0	0.0	174.0	175.0	10.0
75 CL Trimmings	174.0	175.0	174.0	175.0	0.0		160.0	15.0
65 CL Trimmings		UNQ		UNQ	N/A	128.0	130.0	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	290.0	295.0	295.0	300.0	-5.0	280.0	285.0	10.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	225.0	230.0	N/A
Steer Knuckles	253.0	255.0	255.0	260.0	-5.0	255.0	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
	6-Apr-18		30-Mar-18			5-Apr-17		
<u>Domestic Cutouts</u>								
Choice Cutout	214.31		221.04		-6.7	209.71		4.6
Select Cutout	205.60		208.69		-3.1	200.51		5.1
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	220.0	220.0	215.0	216.0	4.0	213.0	221.0	-1.0
85 CL Beef Trimmings	188.0	192.7	188.0	189.0	3.7	190.0	196.0	-3.3
50 CL Beef Trim	90.0	100.8	82.0	96.8	3.9	97.5	107.0	-6.3
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	27.9	42.3	36.0	39.0	3.3	33.7	46.3	-4.0
72 CL Pork Trim	50.0	76.3	58.3	60.3	16.0	61.9	83.3	-7.0
<u>Point of Lean Values</u>								
90 CL Domestic	244.4		240.0		4.4	245.6		-1.1
50 CL Beef Trimming	201.5		193.7		7.8	214.1		-12.6
42 CL Pork Trim	100.6		92.9		7.7	110.1		-9.5
72 CL Pork Trim	105.9		83.7		22.2	115.6		-9.7
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	116.47		121.03		-4.6	126.69		-10.2

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
	6-Apr-18	30-Mar-18			5-Apr-17		
<u>Live Cattle Futures</u>							
April '18	112.225	113.750	↓	-1.53	118.275	↓	-6.05
June '18	102.325	102.575	↓	-0.25	109.425	↓	-7.10
August '18	102.775	101.475	↑	1.30	105.600	↓	-2.82
October '18	106.700	105.425	↑	1.28	105.575	↑	1.13
<u>Feeder Cattle Futures</u>							
April '18	135.325	133.325	↑	2.00	130.525	↑	4.80
May '18	135.625	134.025	↑	1.60	130.425	↑	5.20
August '18	141.450	140.425	↑	1.02	132.150	↑	9.30
September '18	142.300	141.325	↑	0.98	132.150	↑	10.15
<u>Corn Futures</u>							
May '18	388 1/2	387 3/4	↑	0.75	364 3/4	↑	23.75
July '18	397	396 1/4	↑	0.75	372 1/2	↑	24.50
September '18	404	403 1/4	↑	0.75	380	↑	24.00
December '18	412 1/2	411 1/2	↑	1.00	389 1/4	↑	23.25
<u>Ch Wheat Futures</u>							
May '18	472 1/4	451	↑	21.25	429 3/4	↑	42.50
July '18	488 1/2	468 1/2	↑	20.00	442 1/2	↑	46.00
September '18	505 1/2	485 1/4	↑	20.25	456 3/4	↑	48.75
December '18	528 1/4	506 1/2	↑	21.75	477	↑	51.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	7-Apr-18	31-Mar-18			8-Apr-17		
<u>Total Cattle Slaughter</u>	597,000	608,000	↓	-11,000	595,000	↑	2,000
	24-Mar-18	17-Mar-18			25-Mar-17		
<u>Total Cow Slaughter</u>	119,899	123,678	↓	-3,779	111,624	↑	8,275
<u>Dairy Cow Slaughter</u>	62,673	67,125	↓	-4,452	59,785	↑	2,888
<u>Beef Cow Slaughter</u>	57,226	56,553	↑	673	51,839	↑	5,387

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

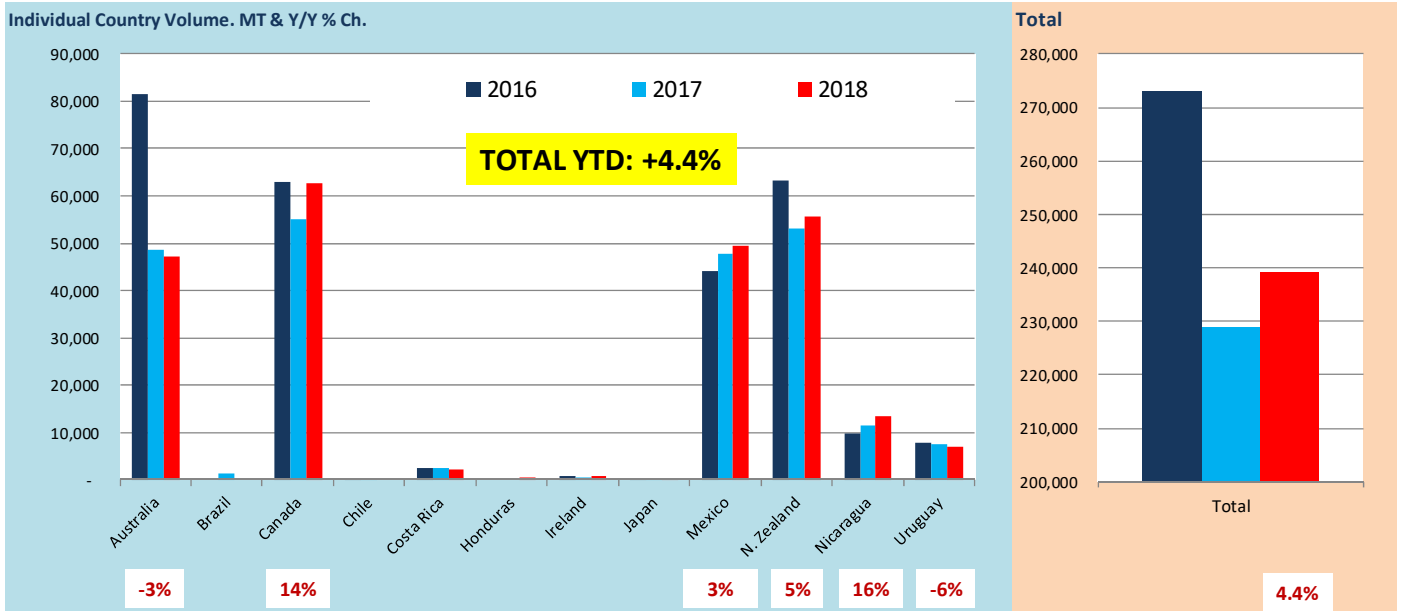
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 13	4/1/2017	3/31/2018		
Australia	48,745	47,153	(1,592)	-3.3%
Brazil	1,437	-	(1,437)	-100.0%
Canada	55,142	62,784	7,642	13.9%
Chile	112	-	(112)	-100.0%
Costa Rica	2,539	2,188	(351)	-13.8%
France	-	-	-	
Honduras	-	473	473	
Ireland	623	703	80	12.8%
Japan	80	195	115	143.8%
Mexico	47,900	49,346	1,446	3.0%
Netherlands	-	-	-	
New Zealand	53,156	55,735	2,579	4.9%
Nicaragua	11,536	13,360	1,824	15.8%
Spain	-	-	-	
Uruguay	7,566	7,117	(449)	-5.9%
Total	228,937	239,054	10,117	4.4%

Source: AMS - USDA

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

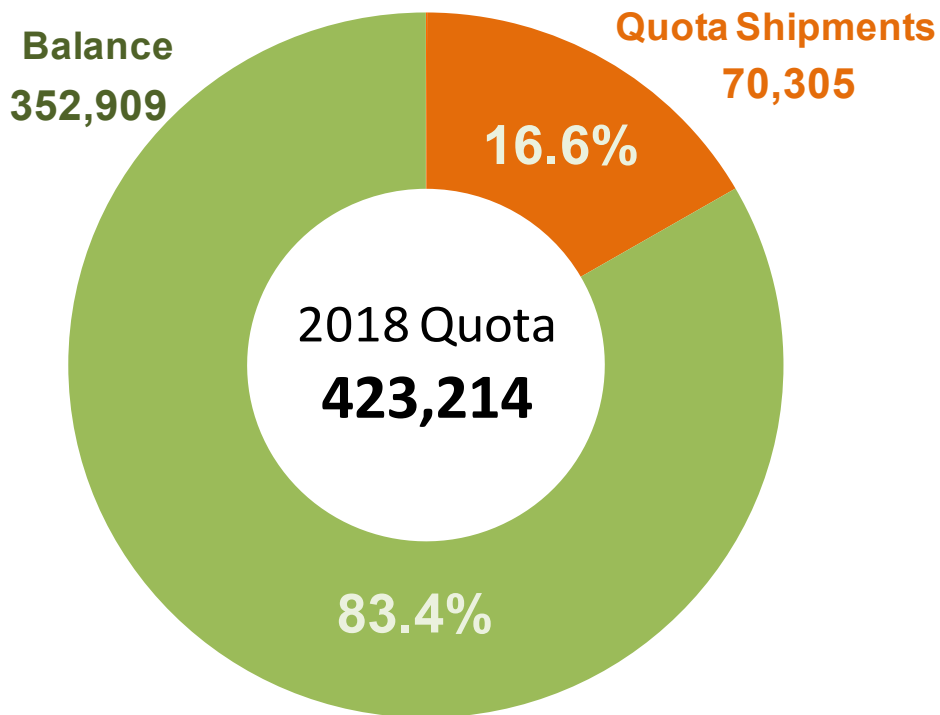
Imports as of March 31, 2018



Australian Beef Quota Position

5-Apr-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending April 2

Source: US Customs

