



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 lower this week as overseas packers and importers adjusted some asking prices following the sharp break in US fed cattle prices for spring and summer months
- New Zealand slaughter has started to move higher, normal for this time of year, bolstering availability for May and early June deliveries
- US fed cattle slaughter was lower than expected this week as adverse weather caused packers to cancel Saturday shifts.
- Steer and heifer (fed) cattle slaughter for the week was estimated at 478,000 head, just 0.3% higher than a year ago. In the last six weeks US fed cattle slaughter is down 0.3% y/y even as on feed supplies are almost 9% above last year
- Non-fed cattle slaughter for the week was 127,000 head, 12.9% higher than a year ago as drought and low dairy prices have pushed more beef and dairy cow slaughter to market
- CME futures were higher this week following a modest recovery in the spot cattle market and colder than normal weather
- Argentina finalized the technical steps needed to resume imports of US pork, which could lead to reciprocal action from the US with regard to Argentine beef imports
- USDA expects US beef production in Q2 to increase by 10% compared to a year ago

Imported Market Activity for the Week

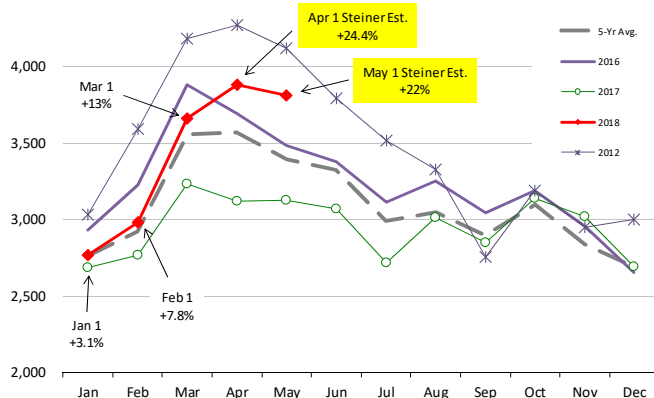
In the last two weeks we have highlighted through this report the extreme uncertainty among US end users, and the difficulty in booking meat at overseas offer levels. It appears that finally the shift in market sentiment is being reflected in traded prices, which have declined notably from what we observed in late March. Some of the lower prices may be due to traders taking short positions, recognizing that they may be able to cover those shorts in May when New Zealand slaughter likely

will hit annual highs. But it also appears that some end users have finally decided to dip their toes and look for bargains. The challenge for larger end users is that they need to be in the market all the time. Some likely booked product at higher levels back in January and February and now are looking to average down their positions. The challenge for some of the large users is not the next two months. Rather, it is the post July market when New Zealand supplies will seasonally decline and domestic cow slaughter also remains relatively low. Prices for imported beef cuts remain quite firm even as

Supplies of Finished Cattle Expected to Build, Drive Larger Beef Production in Late Spring/Summer

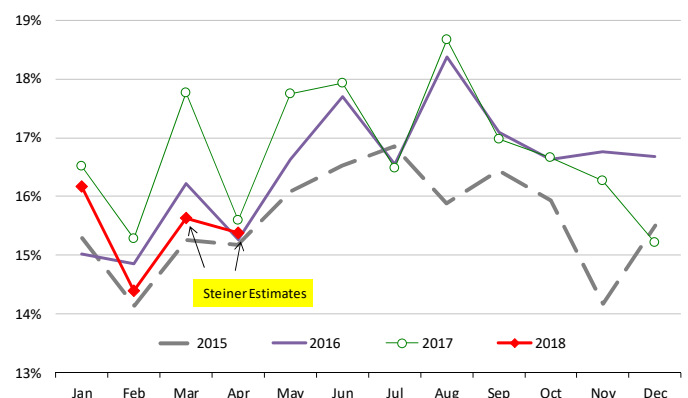
INVENTORY OF CATTLE THAT HAVE BEEN ON FEED FOR 120 DAYS OR MORE

Calculated using the USDA Monthly "Cattle on Feed" Report



FEEDLOT TURN-OVER RATE (MARKETING RATIO VS. INVENTORY)

Calculated using USDA Monthly "Cattle on Feed" Survey Data

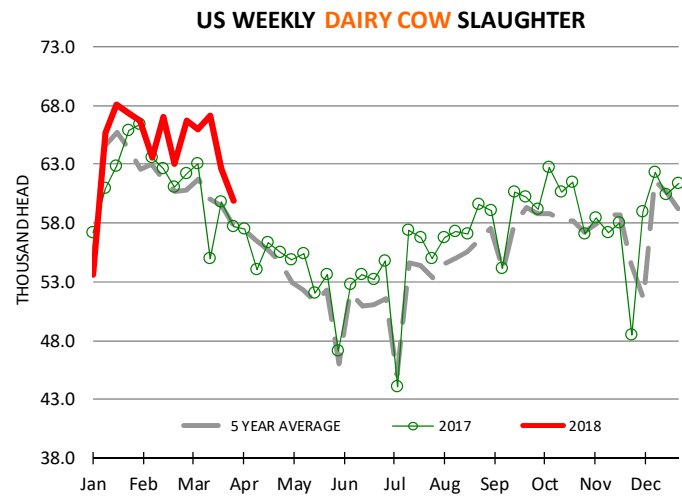


some participants are wary that larger domestic fed cattle slaughter in May and June could bring cheaper domestic values in the market. Overseas markets are currently paying above US levels, which should continue to support imported values. Round cuts and knuckles for delivery in June and July currently are above domestic values and that will likely continue to be the case going forward.

Fed cattle supplies discussion

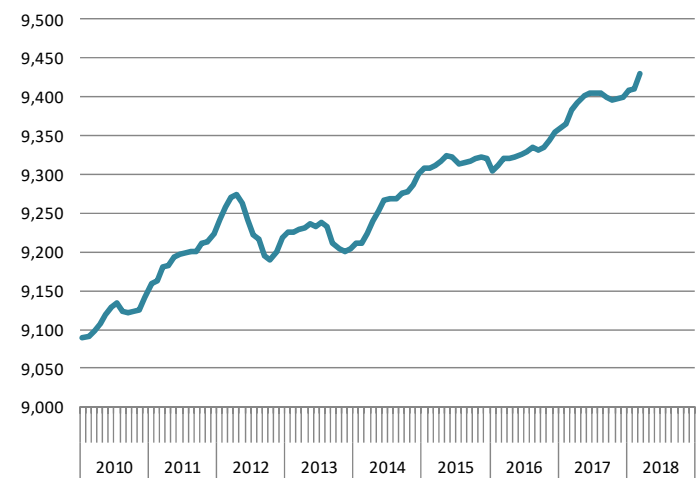
We have been talking about increasing fed cattle supplies in recent weeks and the charts on page 1 summarize our latest thoughts on this topic. We think US feedlots placed fewer cattle on feed in March and placements in April and May will likely remain under year ago levels. This will tend to tighten up fed cattle availability in late fall. However, in the short term on feed supplies remain quite large and this will continue to bolster fed cattle slaughter in late spring and summer months. In its latest update USDA projected US beef production in Q2 to increase by 10% compared to a year ago. This was revised lower from the forecasts presented in March, which were calling for beef production to increase by 13% y/y. The downward revision was warranted and our on projections are still a bit under latest USDA numbers. But the reality is that there will be a lot of finished cattle available for marketing by late April and early May.

We think on April 1 the supply of cattle that had spent at least 120 days on feed was about 24% higher than year ago levels. On May 1 we expect the supply of +120day cattle to be about 22% higher than year ago. The supply of +150day cattle on May 1 is forecast to be 50% higher than the same period a year ago. Indeed, the last time we saw +150day cattle supplies be as large as this year was in Apr/May of 2012. Part of the reason why we have some many long fed cattle available is because producers pushed a lot of young animals onto feedlots last fall. It will be critical to watch fed steer weights in the next eight weeks. If producers do not ramp up the marketing rate in April and May, feedlots risk falling further behind, pressuring fed cattle prices in Q3 and risking a repeat of the what we saw in 2015 and 2016. At this point futures have already priced in a very bearish scenario for May and June, with fed cattle prices down about \$15/cwt (-13%) from current levels. The supply outlook presented in our p1 charts tells



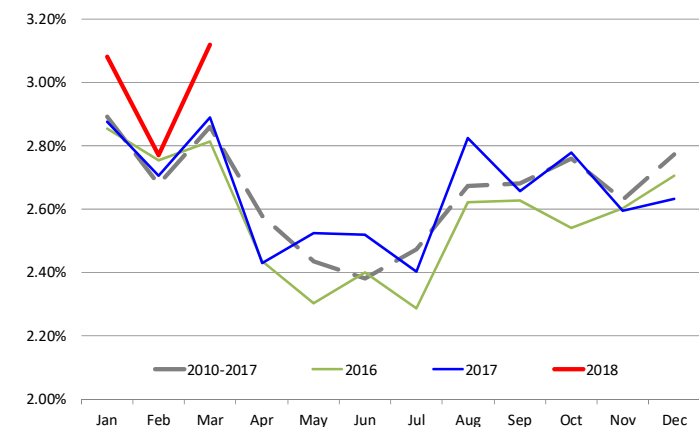
Monthly US Dairy Cow Inventory, '000 Head

Source: USDA



RATIO OF DAIRY COW SLAUGHTER (MONTHLY) VS. MONTHLY DAIRY COW INVENTORY

March Monthly Slaughter Estimated Using Weekly Data. Data from USDA. Analysis by Steiner Consulting



us why the market is so bearish for Q2. Beef demand during the grilling season remains a key wild card, especially following a relatively cold spring for a number of key metro areas.

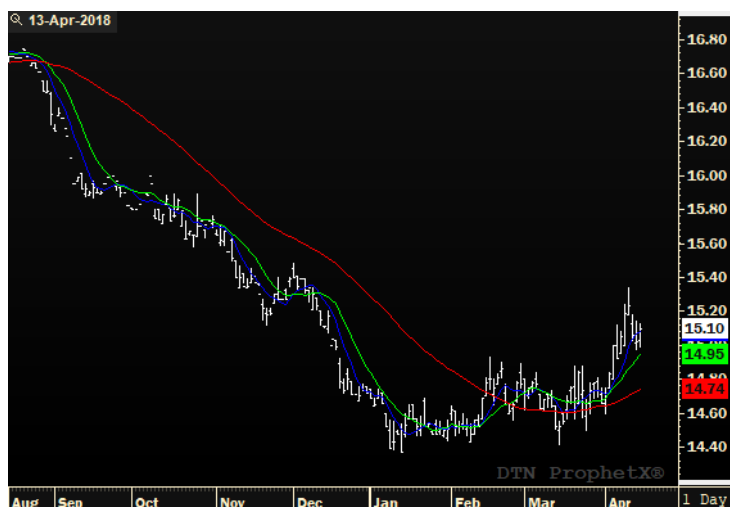
Dairy cow numbers should seasonally decline in late spring summer

Higher dairy cow slaughter has bolstered US grinding beef supplies in the first three months of the year. US weekly dairy cow slaughter Jan-Mar was 64.4 mil head/wk, 5% higher than a year ago. Dairy cow slaughter during the five March weeks was 64.5 mil head/wk, 8.3% higher than last year. There are two reasons for the higher dairy kills: weaker producer margins and a larger dairy herd. According to USDA, the dairy herd on February 1 was 9.410 million head, 45,000 head (+0.5%) higher than a year ago. The US dairy cow inventory has been increasing steadily in the last few years as low feed prices have encouraged expansion. Dairy prices declined sharply in the last quarter of last year and the first three months of this year. Last September futures traders priced the value of Class III Milk for June 2018 at 16.75 cents per pound. By late January the price had declined to 14.4 cents, a 14% pullback. June milk futures continued to trade sideways all the way through March and during that time we saw more dairy cows come to market. We estimate that the ratio of March dairy cow slaughter vs. the March 1 dairy cow inventory was 3.1%, significantly above both year ago and the five year average and a sign of producers liquidating some animals. Dairy cow slaughter seasonally declines in spring and summer, however but the larger herd will likely continue to bring a few more cull animals to market. Dairy prices show signs of improving, with June futures now at 15.13 cents. Expectations are for dairy prices to firm up in the next three months, which may further slow down the number of dairy cows coming to market.

Will Argentine beef trade resume this spring?

Last summer Argentina agreed to the open its markets to US pork and this week both countries finalized technical requirements that would allow resumption of trade. Could this lead to a reciprocal resumption of Argentine beef imports into the US? We would expect so, especially since the technical requirements for importing Argentine beef have been largely finalized. It remains to be seen how quickly US pork start to flow into the country but given rising tensions with China it appears US government is now trying to forge better trading relationships with allies and friendly coun-

June 2018 Class III Milk Futures



tries. There were a number of news reports this week that US is also trying to find a way back into the Trans Pacific Partnership (TPP), which could further improve imported beef access into the US market.

Fed cattle slaughter for the week lower than expected

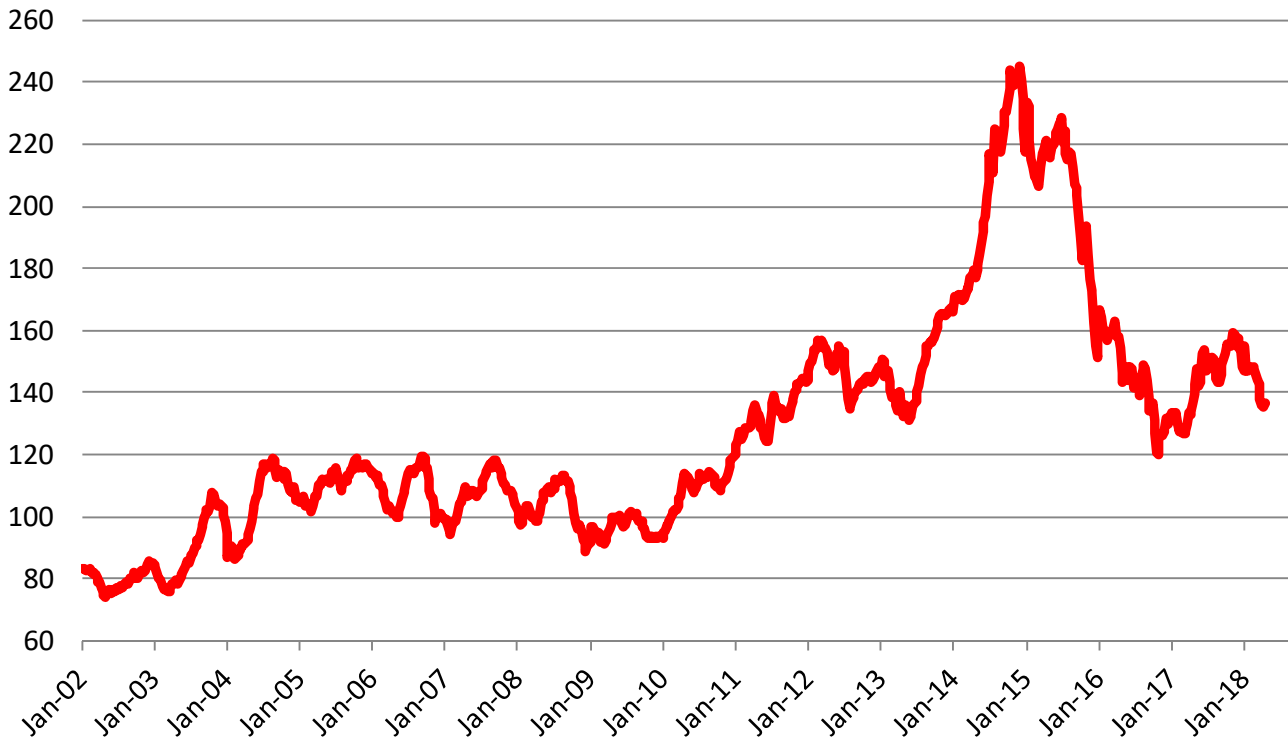
We started the week expecting fed cattle numbers to start climbing higher. After all packer margins remain in excellent shape and were expected to bolster Friday and Saturday shifts. However, at the time we write this report, fed slaughter for the week is estimated at 478,000 head, lower than the previous week and only 0.3% higher than a year ago. In the last six weeks, fed cattle slaughter has averaged 0.3% UNDER year ago levels. We are told that packers were forced to cancel Saturday shifts due to adverse weather conditions. While this will tend to support beef prices in the short term by limiting available beef supplies in the spot market, it also adds to worries that cattle are getting backed up in feedlots, leaving more cattle to be marketed during the summer months when demand starts to falter. Non fed cattle slaughter, on the other hand, remains well above year ago levels as drought and low dairy prices push more beef and dairy cows into the market. Non-fed cow slaughter is estimated at 127,000 head, 12.9% higher than a year ago. In the last six weeks non-fed slaughter has averaged 10% above year ago levels.

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
	12-Apr-18	5-Apr-18		11-Apr-17	
CME FEEDER CATTLE INDEX	136.42	135.31	0.8%	133.85	1.9%
	13-Apr-18	6-Apr-18		12-Apr-17	
FED STEER (5-MKT AVG)	117.63	116.47	1.0%	125.35	-6.2%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	104.50	108.50	-3.7%	117.00	-10.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	108.00	112.00	-3.6%	118.50	-8.9%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	107.50	109.00	-1.4%	112.50	-4.4%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	173.98	173.90	0.0%	154.79	12.4%

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
	13-Apr-18	20-Apr-18	6-Apr-18	13-Apr-18		12-Apr-17	12-Apr-17	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	216.0	218.0	219.0	221.0	-3.0	229.0	230.0	-12.0
90 CL Blended Cow	198.0	200.0	203.0	205.0	-5.0	209.0	210.0	-10.0
90 CL Shank	205.0	206.0		UNQ	N/A	208.0	210.0	-4.0
85 CL Fores	190.0	191.0	192.0	193.0	-2.0	190.0	193.0	-2.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	215.0	217.0	219.0	220.0	-3.0	228.0	229.0	-12.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings		190.0	191.0	192.0	-2.0	191.0	192.0	-2.0
80 CL Trimmings		178.0	179.0	180.0	-2.0	163.0	165.0	13.0
75 CL Trimmings	171.0	172.0	170.0	172.0	0.0	152.0	153.0	19.0
65 CL Trimmings		UNQ	134.0	135.0	N/A	120.0	123.0	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides		292.0	285.0	290.0	2.0	270.0	275.0	17.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	215.0	220.0	N/A
Steer Knuckles	245.0	247.0	245.0	248.0	-1.0	240.0	245.0	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
	13-Apr-18	6-Apr-18				12-Apr-17		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	223.0	224.0	227.0	228.0	-4.0	232.0	234.0	-10.0
90 CL Blended Cow	208.0	209.0	211.0	212.0	-3.0	217.0	218.0	-9.0
90 CL Shank	214.0	215.0	215.0	217.0	-2.0	216.0	217.0	-2.0
85 CL Fores		200.0	200.0	201.0	-1.0	199.0	200.0	0.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	222.0	223.0	225.0	226.0	-3.0	235.0	236.0	-13.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	198.0	199.0	199.0	200.0	-1.0	198.0	199.0	0.0
80 CL Trimmings	184.0	185.0	184.0	185.0	0.0	174.0	175.0	10.0
75 CL Trimmings	175.0	176.0	174.0	175.0	1.0		160.0	16.0
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	295.0	300.0	290.0	295.0	5.0	275.0	280.0	20.0
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	254.0	255.0	253.0	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
	13-Apr-18		6-Apr-18			12-Apr-17		
<u>Domestic Cutouts</u>								
Choice Cutout	212.61		214.31		-1.7	210.13		2.5
Select Cutout	199.91		205.60		-5.7	198.64		1.3
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	218.3	220.0	220.0	220.0	0.0	213.0	220.0	0.0
85 CL Beef Trimmings	189.0	192.5	188.0	192.7	-0.2	190.0	191.4	1.0
50 CL Beef Trim	87.0	95.8	90.0	100.8	-5.0	98.8	102.0	-6.3
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	27.7	42.5	27.9	42.3	0.3	30.0	42.3	0.3
72 CL Pork Trim	53.8	71.3	50.0	76.3	-5.0	64.0	85.3	-14.0
<u>Point of Lean Values</u>								
90 CL Domestic	244.4		244.4		0.0	244.4		0.0
50 CL Beef Trimming	191.5		201.5		-10.0	204.0		-12.5
42 CL Pork Trim	101.2		100.6		0.6	100.6		0.6
72 CL Pork Trim	99.0		105.9		-6.9	118.4		-19.4
<u>National Direct Fed Steer</u> (5-day accum. wt. avg. price)	117.63		116.47		1.2	125.35		-7.7

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
	13-Apr-18	6-Apr-18			12-Apr-17		
<u>Live Cattle Futures</u>							
April '18	116.550	112.225	↑	4.33	124.200	↓	-7.65
June '18	103.650	102.325	↑	1.33	114.350	↓	-10.70
August '18	104.275	102.775	↑	1.50	110.375	↓	-6.10
October '18	108.725	106.700	↑	2.02	109.850	↓	-1.13
<u>Feeder Cattle Futures</u>							
April '18	139.375	135.325	↑	4.05	137.500	↑	1.88
May '18	140.375	135.625	↑	4.75	137.825	↑	2.55
August '18	145.100	141.450	↑	3.65	139.950	↑	5.15
September '18	146.575	142.300	↑	4.27	139.950	↑	6.63
<u>Corn Futures</u>							
May '18	386 1/4	388 1/2	↓	-2.25	369	↑	17.25
July '18	394 1/2	397	↓	-2.50	376	↑	18.50
September '18	401 1/2	404	↓	-2.50	382 3/4	↑	18.75
December '18	410 3/4	412 1/2	↓	-1.75	392 1/2	↑	18.25
<u>Ch Wheat Futures</u>							
May '18	472 1/2	472 1/4	↑	0.25	433 1/4	↑	39.25
July '18	489 1/4	488 1/2	↑	0.75	446 1/4	↑	43.00
September '18	507 3/4	505 1/2	↑	2.25	459 3/4	↑	48.00
December '18	531 1/4	528 1/4	↑	3.00	480 1/4	↑	51.00

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	14-Apr-18	7-Apr-18			15-Apr-17		
<u>Total Cattle Slaughter</u>	597,000	608,000	↓	-11,000	595,000	↑	2,000
	31-Mar-18	24-Mar-18			1-Apr-17		
<u>Total Cow Slaughter</u>	115,015	119,899	↓	-4,884	109,595	↑	5,420
<u>Dairy Cow Slaughter</u>	59,933	62,673	↓	-2,740	57,706	↑	2,227
<u>Beef Cow Slaughter</u>	55,082	57,226	↓	-2,144	51,889	↑	3,193

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

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

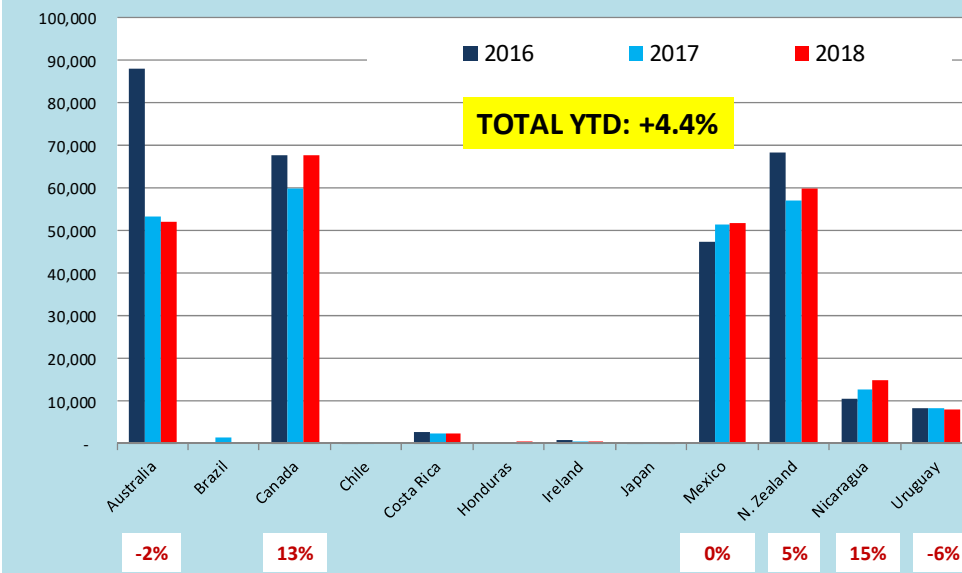
week 14	4/8/2017	4/7/2018		
Australia	53,486	52,156	(1,330)	-2.5%
Brazil	1,618	-	(1,618)	-100.0%
Canada	60,119	67,634	7,515	12.5%
Chile	112	-	(112)	-100.0%
Costa Rica	2,647	2,366	(281)	-10.6%
France	-	-	-	
Honduras	-	548	548	
Ireland	648	758	110	17.0%
Japan	87	199	112	128.7%
Mexico	51,537	51,694	157	0.3%
Netherlands	-	-	-	
New Zealand	57,255	59,952	2,697	4.7%
Nicaragua	12,865	14,842	1,977	15.4%
Spain	-	-	-	
Uruguay	8,505	7,991	(514)	-6.0%
Total	248,982	258,141	9,159	3.7%

Source: AMS - USDA

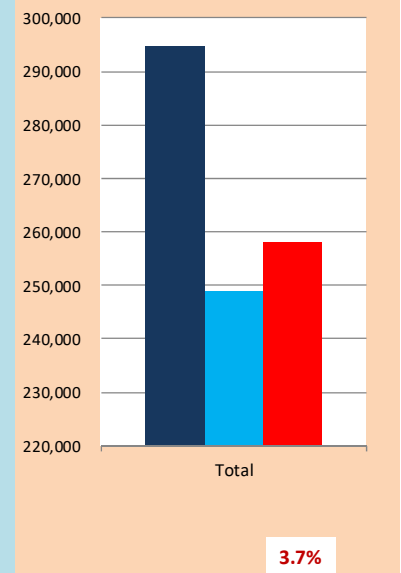
US Beef Imports. Metric Ton. Data Source: USDA/Agricultural Marketing Service

Imports as of April 7, 2018

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



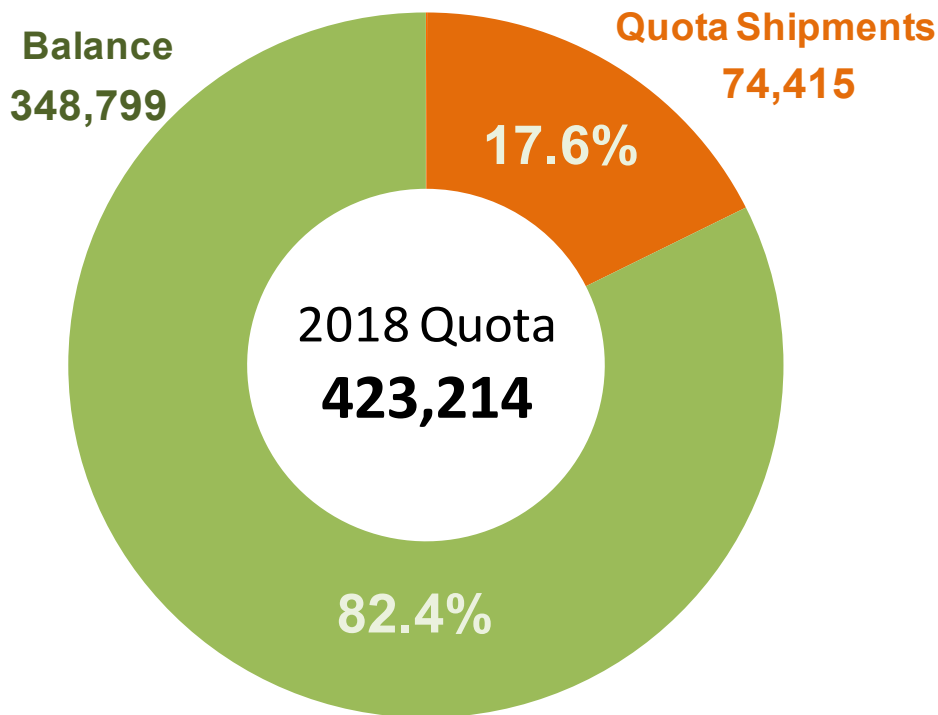
Total



Australian Beef Quota Position

12-Apr-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending April 9

Source: US Customs

