



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

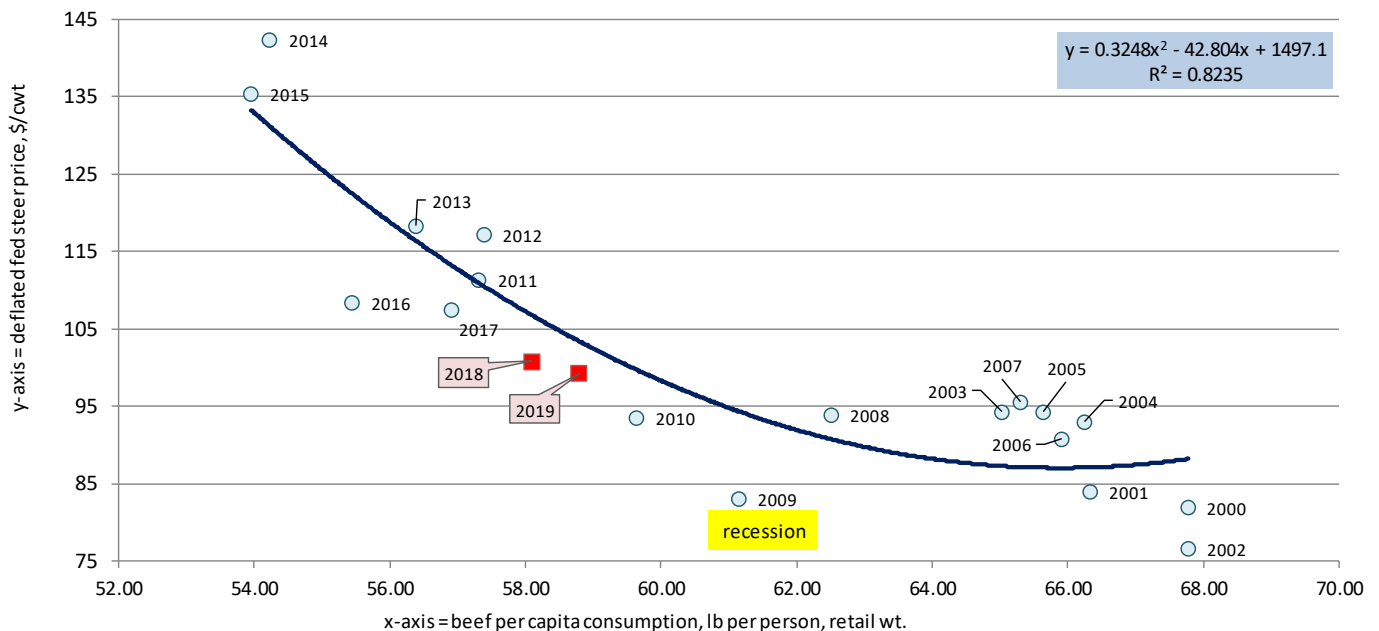
- USDA revised lower its beef production forecasts for 2018, from 5.5% presented in April to 3.9% now. Its first production forecast for 2019 indicates a rather modest 1.8% increase.
- Australian exports of manufacturing beef to the US have increased in the last four months but increased competition from other markets has limited the rate of increase.
- Australia grinding beef exports to China, traditionally a small market for this product, were up 40% in the first four months of the year. China now accounts for 9% of all Australian grinding beef shipments
- New Zealand slaughter has been seasonally increasing and in the last six reported weeks slaughter has averaged 22% above year ago levels. New Zealand slaughter should be near seasonal highs in May but may decline faster than it did last year in June
- US retail beef feature activity has increased significantly in recent weeks, matching the very strong levels we saw last year. Feature activity for the last reported week was up 15% higher than a year ago.
- Robust beef features have limited supplies in the spot market and bolstered fed cattle and grinding beef prices

Imported Market Activity for the Week

Imported beef prices were mixed this week, with participants noting a premium for 95CL bull meat but somewhat softer prices for other grinds. Bull meat availability has been limited in recent weeks New Zealand supplies are seasonally lower and product is going to regular users, with little volume trading in the open mar-

ket. Cow slaughter in New Zealand has been increasing in line with seasonal trends and it should be near annual highs in the next couple of weeks (see chart on page 2). USA spot prices for fed beef cuts and grinding meat remain very firm but futures continue to maintain a significant discount forward, which tends to hinder imported beef trade. It encourages end users to stay short bought and provides an incentive for traders to short the

Relationship of US Fed Steer Price (Deflated) vs. Per Capita Consumption, Retail Basis



market. The risk is that market participants misjudge demand, in which case we could see a short covering rally. For now, however, the market remains particularly challenging for importers as they struggle to draw bids from US end users while overseas packers look to diversify away from the US market.

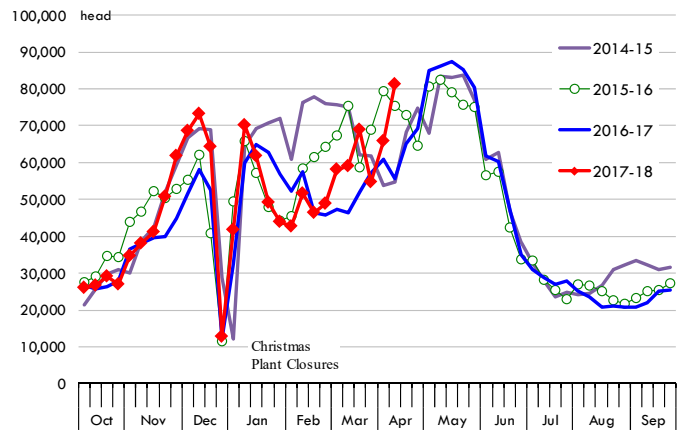
Highlights for the week:

- USDA issued its **forecasts for US beef production in 2018 and 2019** last week and the data shows continued, albeit slower, growth. USDA now is forecasting beef production in 2018 to be 27.278 billion pounds, some **424 million pounds less than the forecast presented a month ago**. This volume represents a 3.9% increase from year ago levels. Only minor adjustments were made to import/export forecasts so the change in per capita consumption is largely driven by the downward revision in production forecasts. Currently USDA is forecasting 2018 per capita consumption on a retail basis to be 58.1 pounds per person, 1.5% less than in last month's forecast but still 2.1% higher than a year ago. Beef production in 2019 is expected to increase a rather modest 1.8% compared to 2018 levels while per capita consumption next year is forecast at 58.8 pounds per person, up 1.2%. The deluge of forecast data can sometimes be overwhelming so we thought the graphical representation on page 1 would help put things in context. It shows the relationship between fed cattle and per capita consumption in the US market. A similar chart can be constructed using the wholesale beef price index (cutout) and it would look very similar. The fed steer price has been deflated so as to remove the effects of inflation and we have included the USDA fed steer price forecasts in their last update. Currently USDA is forecasting US fed steer prices next year to be modestly higher than in 2018, a forecast that fits the historical model.

- New Zealand slaughter is reported with a three week lag, which makes it a bit difficult to assess current supply conditions. Slaughter for the week ending April 14 was sharply higher than a year ago but that is in part because of Easter last year. Average weekly cattle slaughter in the six weeks ending April 14 was 64,650 head/wk, about 22% higher than the same period a year ago but about the same as the five year average. If we assume week-

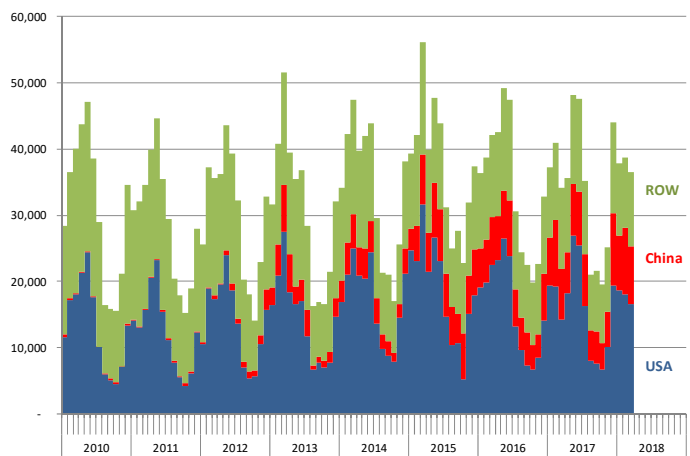
New Zealand Weekly Adult Cattle Slaughter

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



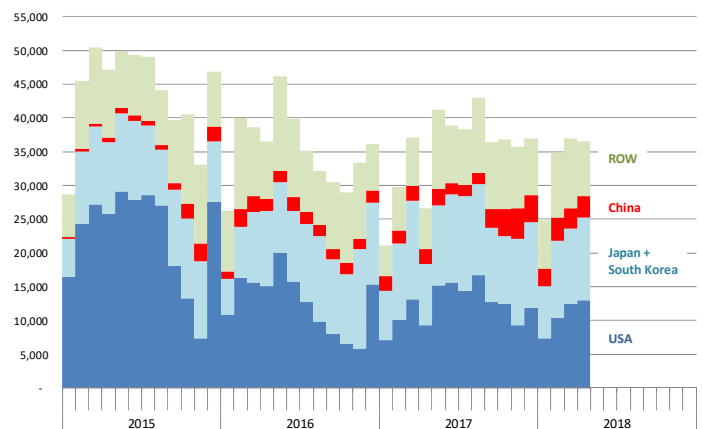
Share of New Zealand Exports Going to US, China and ROW since 2010

Data Source: Statistics New Zealand. Analysis by Steiner Consulting



Total Australian Manufacturing Beef Exports and USA Share

Source: Meat and Livestock Australia. Analysis by Steiner Consulting



ly slaughter growth will continue to mirror the 5-year average in May, it would imply weekly slaughter of around 78,000-85,000 head/week. Different from a year ago, we think weekly slaughter will fall off fairly rapidly in June, however.

- New Zealand slaughter increase has been quite a bit higher than a year ago in recent weeks but strong competition from China may limit the supply coming to the US market. In the first three months of this year New Zealand beef shipments have increased by less than 1% compared to last year although they were higher in March. Exports to the US during Q1 were only slightly higher than last year while exports to China were up 9%. The share of Chinese exports has more than doubled in the last five years and we think by next year China may purchase as much as a third of all New Zealand beef.

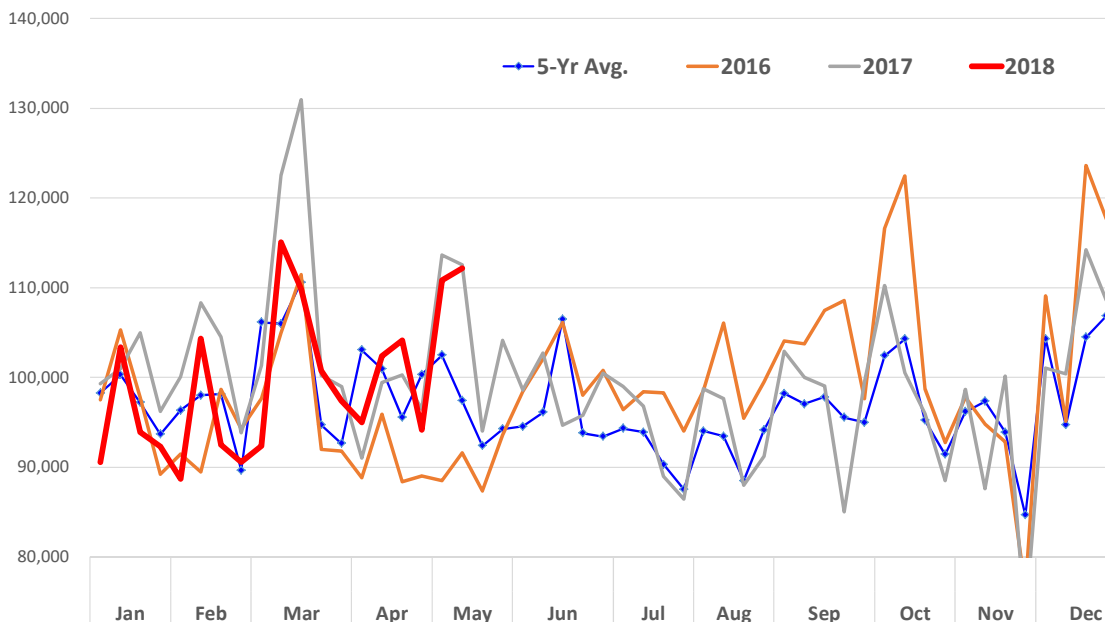
- Australian manufacturing beef exports have increased in recent months but they remain substantially below the volumes that came to the US in 2015 and 2016. Strong demand from other markets, particularly markets in Asia, has allowed Australian packers to diversify away from the US. Australian **manufacturing beef exports in the first four months of this year averaged around 33,300 MT/month.** This represents a 16% increase compared to the same period a year ago. Exports to the US during this period were 10,851 MT/month, 9% higher than a year ago. USA shipments accounted for 33% of manufacturing beef exports. Shipments to Japan/South Korea during this period were only about 1% higher than last year but export to China at 3,050 MT/month were up 40% from a year ago. In 2016, shipments to the USA accounted for 41% of all Australian beef ex-

ports of manufacturing beef, while exports to Japan/South Korea were 25% and exports to China represented a 5% share. This year USA has a 33% share, Japan/South Korea have a 32% share and China has a 9% share. **Takeaway:** Australian slaughter may be increasing as dry conditions force more cattle to market but strong demand from other markets may limit the increase in the supply coming to the US.

- Memorial Day weekend is just two weeks away and this is peak demand time for beef in the US. Retailers have once again taken advantage of increased beef supply availability to feature more beef in the meat case. The retail beef feature activity index for the week ending May 11 was close to year ago levels and 15% above the five year average. Increased feature activity has bolstered overall beef prices in the US and limited the supply of beef trading in the open market. US packers are processing more cattle on Saturday shifts to fill holiday orders. Spot fed cattle prices have been higher as packers look to source more cattle to meet demand. This has supported June fed cattle futures but participants still remain quite bearish for prices into the summer. The discounted price structure should continue to support more beef features in the second half of the year, something that we observed in 2016.

NATIONAL RETAIL BEEF FEATURE REPORT: ACTIVITY INDEX

Source: USDA LSWBFRTL Report. Latest data point is for May 11, 2018

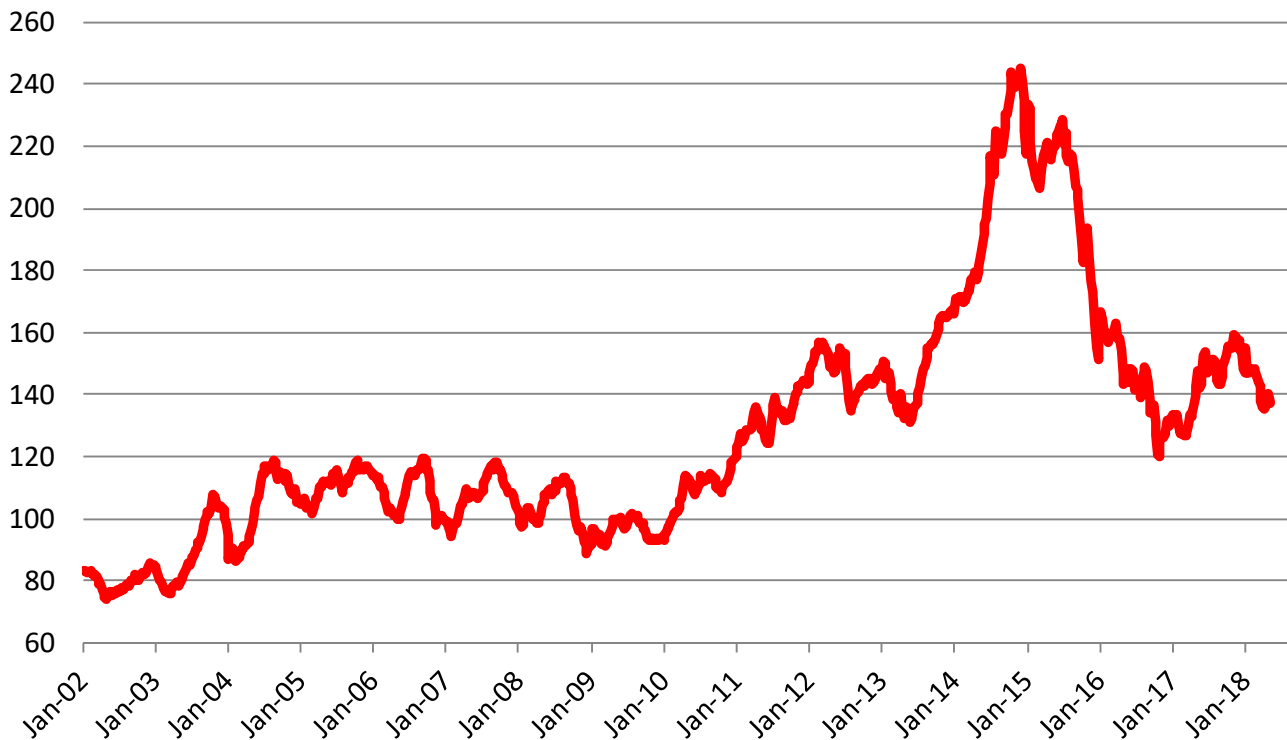


CME Cattle Feeder Index and US Cattle Markets

Special Live Animal Reference Price

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	10-May-18	3-May-18		9-May-17	
CME FEEDER CATTLE INDEX	137.21	137.90	-0.5%	147.66	-7.1%
	11-May-18	4-May-18		10-May-17	
FED STEER (5-MKT AVG)	123.37	124.48	-0.9%	144.52	-14.6%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	102.00	103.00	-1.0%	125.50	-18.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	109.00	110.50	-1.4%	123.00	-11.4%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	102.50	103.50	-1.0%	112.00	-8.5%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	174.31	173.69	0.4%	154.79	12.6%

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
	11-May-18		4-May-18			10-May-17		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	220.0	221.0	216.0	218.0	3.0	237.0	238.0	-17.0
90 CL Blended Cow	198.0	202.0	200.0	203.0	-1.0	212.0	215.0	-13.0
90 CL Shank	200.0	202.0	203.0	205.0	-3.0	210.0	212.0	-10.0
85 CL Fores	187.0	190.0	189.0	190.0	0.0	200.0	202.0	-12.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	219.0	220.0	215.0	216.0	4.0	235.0	236.0	-16.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	187.0	189.0	188.0	189.0	0.0	199.0	201.0	-12.0
80 CL Trimmings	178.0	179.0	179.0	180.0	-1.0	177.0	180.0	-1.0
75 CL Trimmings		UNQ	172.0	173.0	N/A	166.0	167.0	N/A
65 CL Trimmings		UNQ		UNQ	N/A		140.0	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides		290.0		290.0	0.0	280.0	285.0	5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A		UNQ	N/A
Steer Knuckles	250.0	253.0	250.0	255.0	-2.0	245.0	255.0	-2.0

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

	<i>Current Week</i>		<i>Prior Week</i>		<i>Change From Last Week</i>	<i>Last Year</i>		<i>Change From Last Year</i>
	11-May-18		4-May-18			10-May-17		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	225.0	227.0	224.0	225.0	2.0	243.0	244.0	-17.0
90 CL Blended Cow	210.0	212.0	209.0	210.0	2.0	226.0	228.0	-16.0
90 CL Shank	212.0	215.0	212.0	215.0	0.0	220.0	224.0	-9.0
85 CL Fores	198.0	199.0	198.0	199.0	0.0	207.0	210.0	-11.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	225.0	226.0	224.0	225.0	1.0	240.0	242.0	-16.0
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	207.0	208.0	-10.0
80 CL Trimmings	185.0	186.0		186.0	0.0	188.0	190.0	-4.0
75 CL Trimmings	177.0	178.0	176.0	178.0	0.0	170.0	171.0	7.0
65 CL Trimmings	140.0	142.0	140.0	145.0	-3.0	145.0	147.0	-5.0
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	295.0	300.0	295.0	300.0	0.0	285.0	290.0	10.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A		UNQ	N/A
Steer Knuckles	257.0	259.0	255.0	258.0	1.0	255.0	260.0	-1.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	11-May-18		4-May-18			10-May-17		
<u>Domestic Cutouts</u>								
Choice Cutout	230.97		228.30		2.7	244.58		-13.6
Select Cutout	208.69		209.49		-0.8	224.62		-15.9
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	217.0	227.0	218.0	219.0	8.0	220.0	225.0	2.0
85 CL Beef Trimmings	189.0	193.5	190.0	195.0	-1.5	196.0	196.0	-2.5
50 CL Beef Trim	81.0	95.0	93.3	98.8	-3.8	179.3	189.6	-94.6
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	23.4	37.3	23.3	40.0	-2.8	38.0	41.1	-3.9
72 CL Pork Trim	69.0	86.3	61.4	80.3	6.0	75.1	95.5	-9.3
<u>Point of Lean Values</u>								
90 CL Domestic	252.2		243.3		8.9	250.0		2.2
50 CL Beef Trimming	190.0		197.5		-7.5	379.2		-189.2
42 CL Pork Trim	88.7		95.2		-6.5	97.9		-9.2
72 CL Pork Trim	119.8		111.5		8.3	132.6		-12.8
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	123.37		124.48		-1.1	144.52		-21.2

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>
	11-May-18	4-May-18		10-May-17	
<u>Live Cattle Futures</u>					
<i>June '18</i>	106.050	103.725	↑ 2.33	127.875	↓ -21.83
<i>August '18</i>	105.075	103.800	↑ 1.28	115.875	↓ -10.80
<i>October '18</i>	108.450	108.150	↑ 0.30	112.225	↓ -3.77
<i>December '18</i>	112.650		↑ 112.65	111.350	↑ 1.30
<u>Feeder Cattle Futures</u>					
<i>May '18</i>	140.400	139.325	↑ 1.08	138.600	↑ 1.80
<i>August '18</i>	146.325	144.500	↑ 1.82	140.100	↑ 6.22
<i>September '18</i>	146.775	145.575	↑ 1.20	142.775	↑ 4.00
<i>October '18</i>	147.000		↑ 147.00	142.750	↑ 4.25
<u>Corn Futures</u>					
<i>May '18</i>	398 3/4	376 1/2	↑ 22.25	361 1/2	↑ 37.25
<i>July '18</i>	406 1/4	385 1/2	↑ 20.75	368	↑ 38.25
<i>September '18</i>	413 3/4	393	↑ 20.75	375 1/2	↑ 38.25
<i>December '18</i>	421	402 1/2	↑ 18.50	385 3/4	↑ 35.25
<u>Ch Wheat Futures</u>					
<i>May '18</i>	527 1/2	463 1/4	↑ 64.25	420 3/4	↑ 106.75
<i>July '18</i>	526 1/4	477 1/4	↑ 49.00	435 1/2	↑ 90.75
<i>September '18</i>	541 3/4	495 3/4	↑ 46.00	449 1/2	↑ 92.25
<i>December '18</i>	563	520	↑ 43.00	471 1/2	↑ 91.50

<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>
	12-May-18	5-May-18		13-May-17	
<u>Total Cattle Slaughter</u>	597,000	608,000	↓ -11,000	595,000	↑ 2,000
	28-Apr-18	21-Apr-18		29-Apr-17	
<u>Total Cow Slaughter</u>	118,592	120,139	↓ -1,547	109,369	↑ 9,223
<u>Dairy Cow Slaughter</u>	57,226	59,877	↓ -2,651	55,460	↑ 1,766
<u>Beef Cow Slaughter</u>	61,366	60,262	↑ 1,104	53,909	↑ 7,457

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

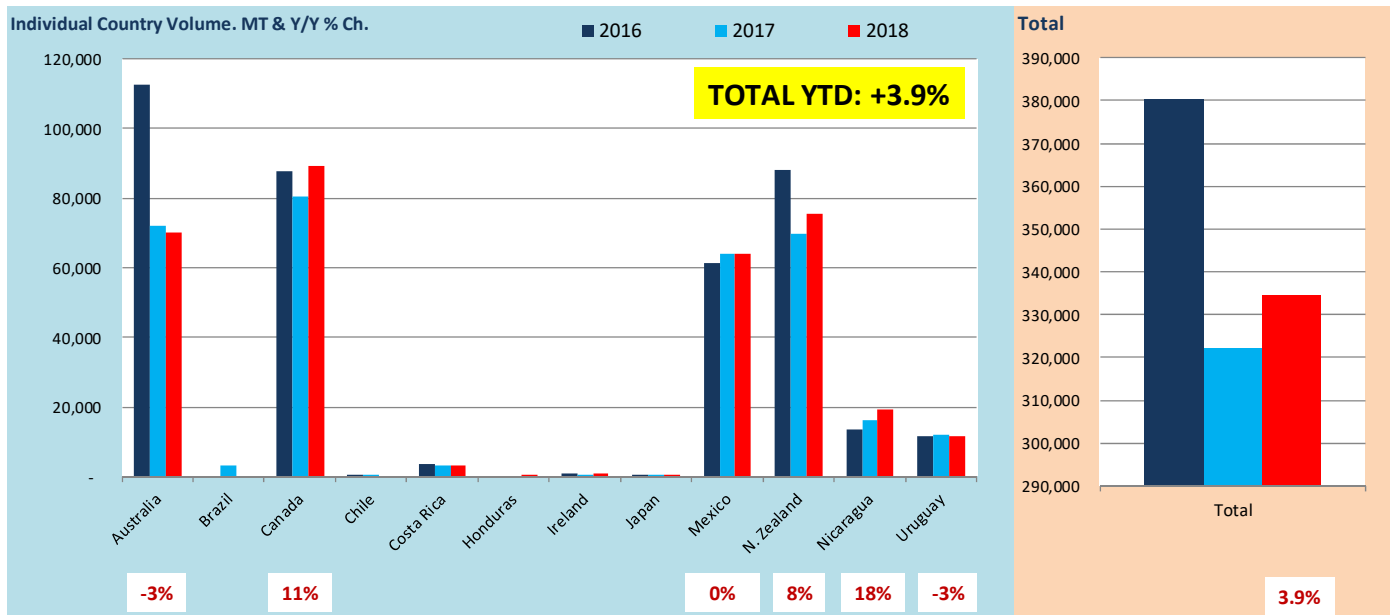
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 18	5/6/2017	5/5/2018		
Australia	72,153	70,199	(1,954)	-2.7%
Brazil	3,084	-	(3,084)	-100.0%
Canada	80,313	89,191	8,878	11.1%
Chile	158	-	(158)	-100.0%
Costa Rica	3,306	3,085	(221)	-6.7%
France	-	-	-	
Honduras	-	735	735	
Ireland	671	928	257	38.3%
Japan	122	220	98	80.3%
Mexico	63,990	63,871	(119)	-0.2%
Netherlands	-	-	-	
New Zealand	69,814	75,678	5,864	8.4%
Nicaragua	16,322	19,181	2,859	17.5%
Spain	-	-	-	
Uruguay	11,978	11,561	(417)	-3.5%
Total	322,017	334,650	12,633	3.9%

Source: AMS - USDA

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

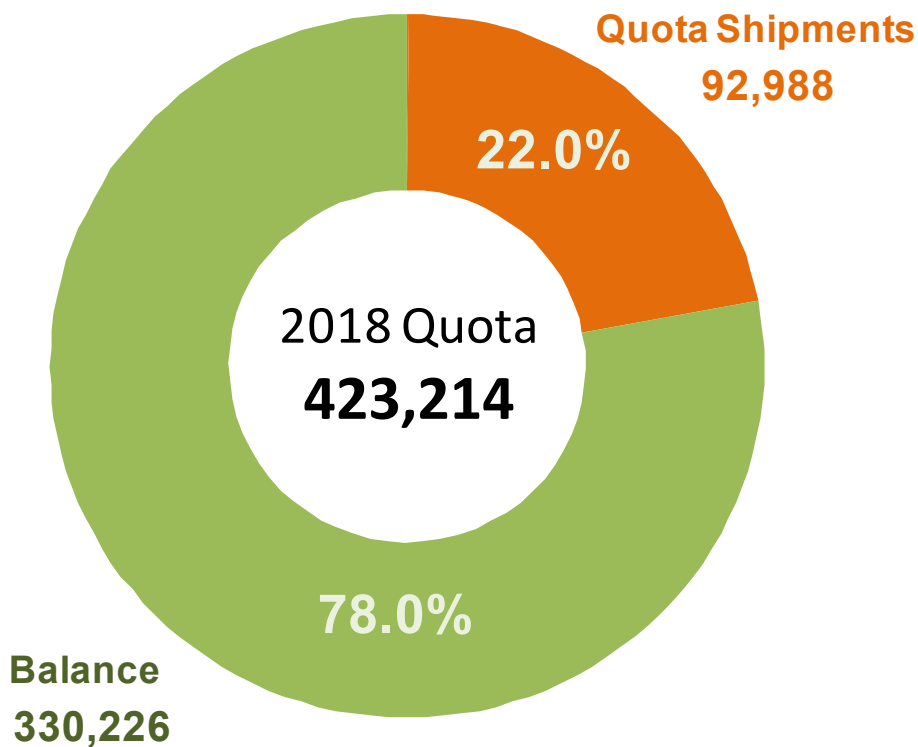
Imports as of May 5, 2018



Australian Beef Quota Position

10-May-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending April 30

Source: US Customs

