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 mostly steady compared to the previous week and only 95CL bull product registered a modest decline
- Australian beef and veal exports to the US market are expected to be near year ago levels and likely at the lowest level for the year.
- Fat beef trim prices have been counter seasonally lower in the last two weeks but prices should be higher in late February and March
- Easter is late this year, which shifts the seasonal slowdown demand during Lent for late March and early April
- Prices for US domestic cow flats have declined sharply in the last two weeks and current values are down as much as 24% compared to a year ago.
- USDA is not expected to issue its regular 'Cattle on Feed' report next week due to the ongoing government shutdown. Our forecast is for total on feed inventory on January 1 to be up 2.4% compared to a year ago.

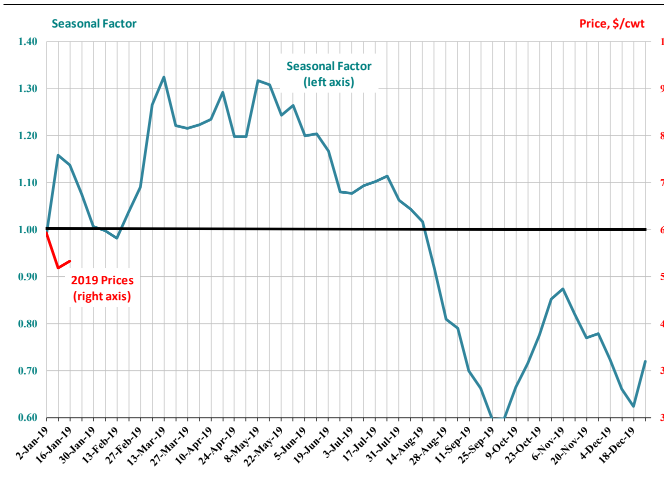
Imported Market Activity for the Week

Imported beef market was for the most part steady last week. The only exception was the price of bull meat, which was as much as 3 cents per pound lower than the previous week. New Zealnd bull slaughter should be near its peak at this time (see chart on page 2) and producers there had a few more loads to show. However, market participants noted that the supply available in the spot market remains relatively thin, at least compared to historical levels. More product is currently traded directly. In addition, the emergence of China as a major beef buyer has dramatically altered the global beef market. Participants are aware that at any time Chinese buyers could assert themselves and clean up available supplies. Lean and extra lean beef are no longer immune to China. In the past Chinese buyers would mostly focus on purchasing fat trim but that no longer is the

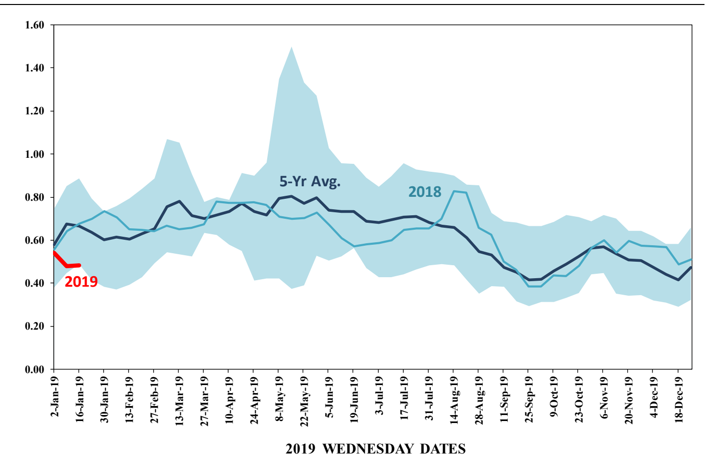
Seasonality and Current Price Performance for Fresh 50CL Beef Trimmings

Source: USDA-AMS and Analysis by Steiner Consulting Group

50CL Trim 5-Yr Seasonal vs. Current Price Trends



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



case and, according to some participants, Chinese buyers are now starting to bid on bull meat as well.

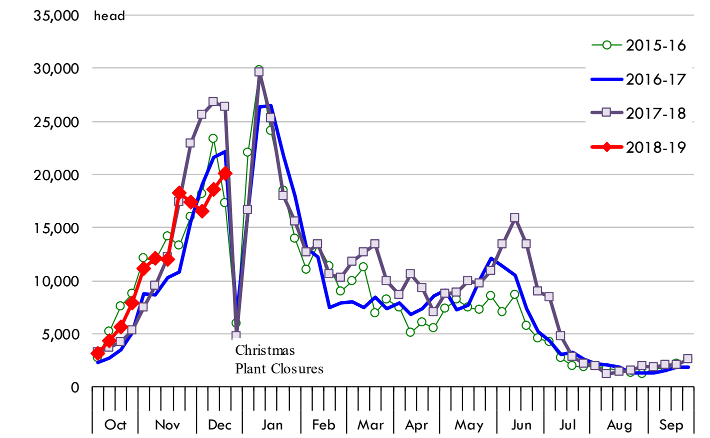
We continue to see **very limited quotes on fat trim prices, especially 75CL and 65CL**. Availability is extremely limited as Asian markets continue to trade at premium to US market at this time. It certainly does not help that US domestic fat trim prices have been a lot weaker than expected. This affects not just the benchmark 50CL market. The price of domestic fresh 65CL trim was quoted last week at around $100/cwt while the price of domestic 75CL beef trim was around $145/cwt. **US domestic prices are about 20-30 cents lower than the very minimal imported product trading** and even lower compared to what Asian markets are paying at this time.

Prices for imported cuts were steady to modestly higher. Prices for knuckles, flats and insides have been somewhat constrained by the weaker US domestic fed beef values. Some US cow cuts have also declined sharply, the most prominent being the decline in the value of Utility flats. With ample supply of fed beef cuts cow packers have been forced to cut prices in order to maintain the flow. Current price of domestic utility cow flats is currently at $204/cwt compared to around $271/cwt a year ago, a 24% decline. Weak prices for fresh domestic product and strong demand in Asian market will continue to limit imported beef trade for such product.

Australian beef exports to the US market in January are expected to be limited, which is normal for this time of year. Based on export data through January 17 we currently project total shipments for the month to be around 12,700 MT, similar to the volume we saw in 2017 and 2018 for this time of year. In the last two years Australian shipments ot the US have been quite limited in the first 3-4 months of the year and it appears likely this year will be no different. Cattle slaughter in Australia low the first two weeks of the year as plants slowly resume operations after the holidays. For the week ending January 4 slaughter in the Australian Eastern states was reported to be just 64,232 head, 4% higher than last year while for the week ending January 11 slaughter was 109,713 head, 7% higher than a year ago. For all of 2018 weekly slaughter in Australia averaged around 134,500 head (including holiday weeks). Forecasts are for Australian slaughter to be under year ago levels in 2019 but much will depend on moisture conditions in the fall and winter months.

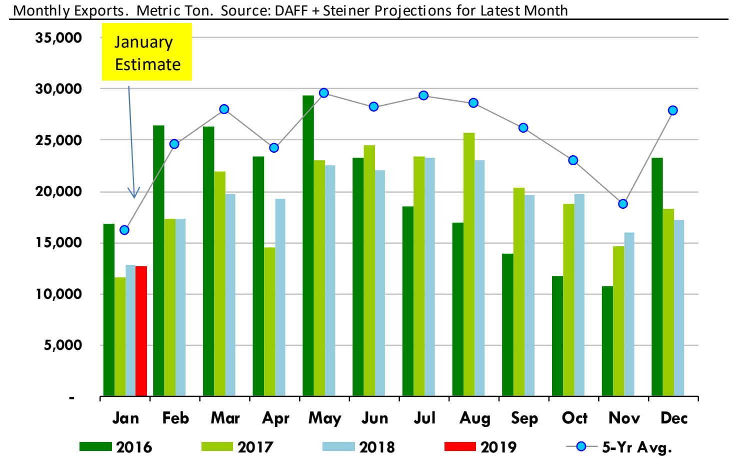
New Zealand Weekly Bull Slaughter

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

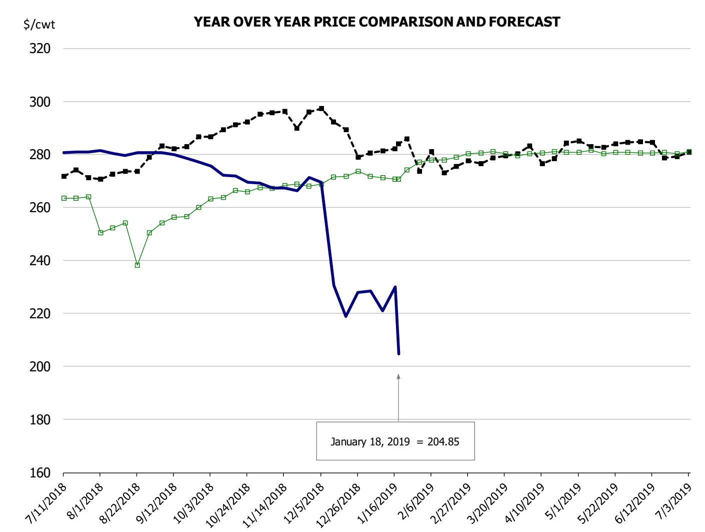


AUSTRALIAN BEEF EXPORTS TO THE UNITED STATES

Monthly Exports. Metric Ton. Source: DAFF + Steiner Projections for Latest Month



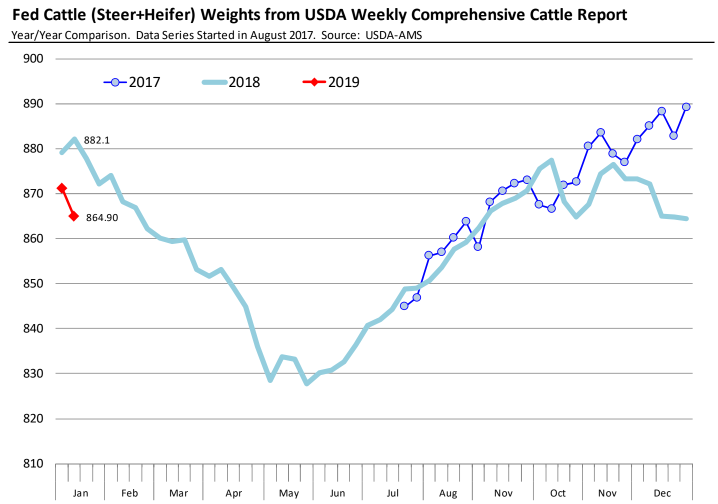
BONER/BREAKER, 171B OUTSIDE ROUND, FLAT, USDA

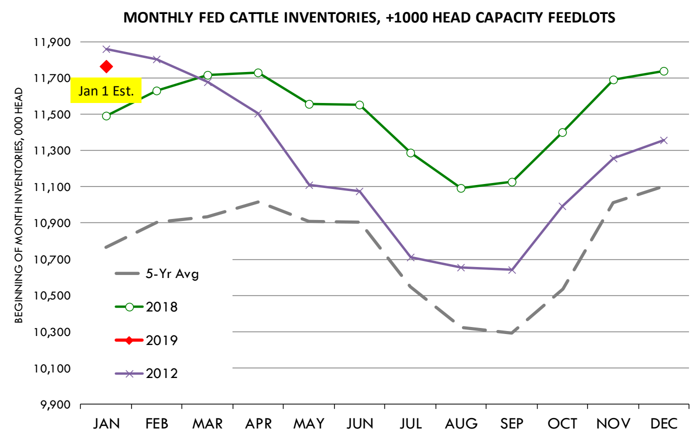


USDA has not reported actual beef and cow slaughter numbers since December 8 and the ongoing US government shutdown means ongoing gaps in our understanding of US supply numbers. As we have noted before, the most critical for the livestock industry is the possible cancellation of the US 'Cattle' inventory report. At this time USDA has not indicated what will happen if the shutdown continues for the next two weeks. Will the report simply be delayed or will it be cancelled completely. Next week US was expected to release the results of its monthly survey of cold storage inventories and cattle on feed numbers. We do not expect those reports will be released even if government were to open. Much of the work necessary to produce those reports has not been done. Below is our forecast for US cattle on feed inventories as of January 1. News services have continued to poll analysts as they do each month and our forecasts will be included in those surveys. Below are our forecasts of the January feedlot survey results (pct. of year ago):

Total on feed January 1:	102.4
Placed on feed in Dec:	102.9
Marketed in Dec:	101.1

In the short term weather will continue to impact US fed cattle prices. US fed cattle weights are currently as much as 2% lower than a year ago, which limits the supply of beef coming to market. But, it is still critical for feedlots to maintain the marketing pace. Based on our calculations, the supply of cattle that on January 1 had been on feed for more than 120 days was 571k head or 17.2% higher than a year ago and 761k head or 24% higher than two years ago. And yet futures are currently pricing April fed cattle at $127/cwt compared to an average cash price of $119/cwt last year and $128/cwt in 2017. Beef demand better be excellent this spring.

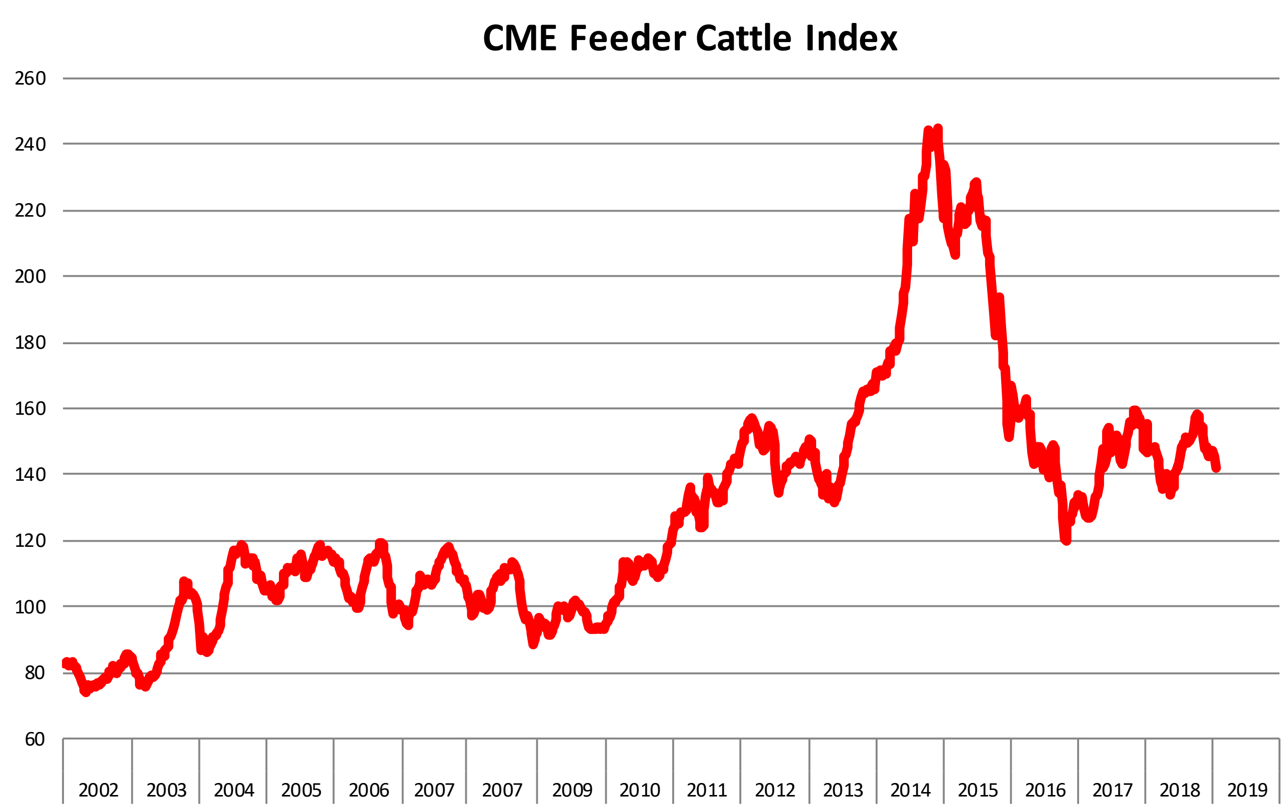




CME Cattle Feeder Index and US Cattle Markets

Special Live Animal Reference Price

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	17-Jan-19	10-Jan-19		18-Jan-18	
CME FEEDER CATTLE INDEX	142.05	145.46	-2.3%	148.01	-4.0%
	18-Jan-19	11-Jan-19		19-Jan-18	
FED STEER (5-MKT AVG)	123.82	121.91	1.6%	119.08	4.0%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	81.00	83.50	-3.0%	100.50	-19.4%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	84.00	86.00	-2.3%	103.00	-18.4%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	78.50	81.00	-3.1%	94.50	-16.9%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	158.37	158.07	0.2%	154.79	2.3%



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
	18-Jan-19		11-Jan-19			19-Jan-18		
US East Coast Australian/NZ Lean, CIF								
95 CL Bull, E. Coast	210.0	213.0	213.0	215.0	-2.0	216.0	217.0	-4.0
90 CL Blended Cow	195.0	198.0	198.0	200.0	-2.0	203.0	205.0	-7.0
90 CL Shank	196.0	197.0	196.0	199.0	-2.0	205.0	206.0	-9.0
85 CL Fores	182.0	187.0	187.0	188.0	-1.0	187.0	190.0	-3.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	210.0	211.0	210.0	213.0	-2.0	215.0	216.0	-5.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, CIF								
85 CL Trimmings	184.0	185.0	186.0	187.0	-2.0	186.0	188.0	-3.0
80 CL Trimmings	172.0	173.0	170.0	173.0	0.0	164.0	167.0	6.0
75 CL Trimmings		UNQ		UNQ	N/A	155.0	156.0	N/A
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
US East Coast Australian Cuts, CIF								
Cap Off Steer Insides	270.0	275.0	270.0	275.0	0.0	285.0	290.0	-15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	220.0	225.0	215.0	220.0	5.0		UNQ	N/A
Steer Knuckles	240.0	245.0	240.0	245.0	0.0	245.0	250.0	-5.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	18-Jan-19		11-Jan-19			19-Jan-18		
US East Coast Australian/NZ Lean, FOB US Port								
95 CL Bull, E. Coast	222.0	223.0	223.0	224.0	-1.0	229.0	230.0	-7.0
90 CL Blended Cow	206.0	207.0	206.0	208.0	-1.0	213.0	214.0	-7.0
90 CL Shank	205.0	206.0	205.0	206.0	0.0	215.0	216.0	-10.0
85 CL Fores		194.0	193.0	194.0	0.0	195.0	196.0	-2.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	220.0	221.0	221.0	222.0	-1.0	227.0	228.0	-7.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, FOB US Port								
85 CL Trimmings	192.0	193.0	192.0	193.0	0.0	194.0	195.0	-2.0
80 CL Trimmings		UNQ		UNQ	N/A	173.0	174.0	N/A
75 CL Trimmings		UNQ		UNQ	N/A	166.0	167.0	N/A
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
US East Coast Australian Cuts, FOB US Port								
Cap Off Steer Insides	280.0	285.0	280.0	285.0	0.0	295.0	300.0	-15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	225.0	230.0	220.0	225.0	5.0		UNQ	N/A
Steer Knuckles	250.0	255.0		250.0	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
	18-Jan-19			11-Jan-19				19-Jan-18			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
Domestic Cutouts											
Choice Cutout		213.15			212.46		0.7		204.86		8.3
Select Cutout		209.45			206.27		3.2		200.16		9.3
Domestic Lean Grinding Beef											
90 CL Boneless	193.9	206.8	201.7	195.0	206.0	200.7	1.0	211.0	219.0	213.4	-11.7
85 CL Beef Trimmings	160.0	177.0	168.6	162.0	177.8	167.7	0.9	178.2	202.5	181.4	-12.8
50 CL Beef Trim	70.4	70.4	58.9	74.0	74.0	57.2	1.8	86.2	86.2	80.4	-21.5
Domestic Pork Trim											
42 CL Pork Trim	17.9	37.3	22.5	20.0	37.3	24.7	-2.2	22.5	38.0	27.3	-4.8
72 CL Pork Trim	39.0	69.3	53.3	31.0	79.8	50.4	3.0	77.3	79.8	78.9	-25.6
Point of Lean Values											
90 CL Domestic		224.1			223.0		1.2		237.1		-13.0
50 CL Beef Trimming		117.8			114.3		3.5		160.7		-42.9
42 CL Pork Trim		53.6			58.8		-5.2		65.0		-11.3
72 CL Pork Trim		74.0			69.9		4.1		109.6		-35.6
National Direct Fed Steer (5 day accum. wt. avg. price)		123.82			121.91		1.9		119.08		4.7

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	*Current Week*	*Prior Week*	*Change From Last Week*	*Last Year*	*Change From Last Year*
	18-Jan-19	**11-Jan-19**		**19-Jan-18**	
Live Cattle Futures					
February '19	126.525	124.975	↑ 1.55	117.375	↑ 9.15
April '19	127.375	126.375	↑ 1.00	119.450	↑ 7.93
June '19	117.450	117.200	↑ 0.25	111.625	↑ 5.83
August '19	113.600	114.275	↓ -0.68	109.050	↑ 4.55
Feeder Cattle Futures					
January '19	141.450	146.125	↓ -4.68	144.350	↓ -2.90
March '19	142.825	144.900	↓ -2.08	142.650	↑ 0.17
May '19	144.400	145.750	↓ -1.35	143.000	↑ 1.40
August '19	145.050	146.050	↓ -1.00	143.000	↑ 2.05
Corn Futures					
March '19	381 3/4	378 1/4	↑ 3.50	346 1/4	↑ 35.50
May '19	390	386 3/4	↑ 3.25	354 3/4	↑ 35.25
July '19	397 1/4	394 1/4	↑ 3.00	362 3/4	↑ 34.50
September '19	399 3/4	397 1/4	↑ 2.50	370 3/4	↑ 29.00
Ch Wheat Futures					
March '19	517 3/4	519 1/2	↓ -1.75	420 1/2	↑ 97.25
May '19	523 1/2	525	↓ -1.50	434 1/4	↑ 89.25
July '19	528 3/4	529 1/2	↓ -0.75	446 1/2	↑ 82.25
September '19	536 3/4	537 3/4	↓ -1.00	460 1/2	↑ 76.25

Slaughter Information	*7 Days Ending*	*7 Days Ending*	*Change From Last Week*	*7 Days Ending*	*Change From Last Year*
	19-Jan-19	**12-Jan-19**		**20-Jan-18**	
Total Cattle Slaughter	620,000	626,000	↓ -6,000	613,000	↑ 7,000
	5-Jan-19	**29-Dec-18**		**6-Jan-18**	
Total Cow Slaughter	Data not available	Data not available	↓ 0	103,642	↓ -103,642
Dairy Cow Slaughter			↓ 0	53,656	↓ -53,656
Beef Cow Slaughter			↓ 0	49,986	↓ -49,986

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

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

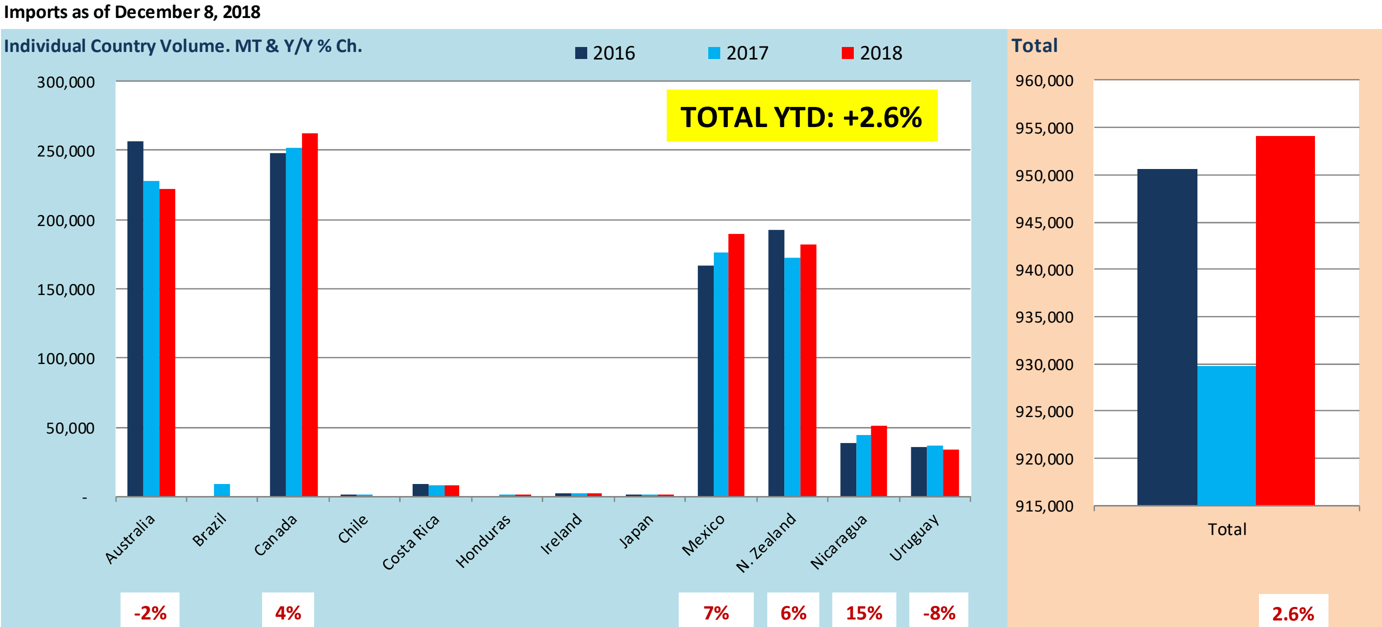
week 49	12/9/2017	12/8/2018		
Australia	227,691	222,513	(5,178)	-2.3%
Brazil	9,022	-	(9,022)	-100.0%
Canada	251,837	262,364	10,527	4.2%
Chile	226	-	(226)	-100.0%
Costa Rica	7,736	7,655	(81)	-1.0%
France	-	-	-	
Honduras	511	1,732	1,221	238.9%
Ireland	2,204	2,705	501	22.7%
Japan	301	391	90	29.9%
Mexico	176,714	189,294	12,580	7.1%
Netherlands	228	-	(228)	-100.0%
New Zealand	172,239	182,498	10,259	6.0%
Nicaragua	44,718	51,570	6,852	15.3%
Spain	-	-	-	
Uruguay	36,367	33,435	(2,932)	-8.1%
Total	929,794	954,157	**24,363**	**2.6%**

Source: AMS - USDA

Note: Due to lapse in US government funding this report is not being updated. We will start reporting again once funding has been restored.

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

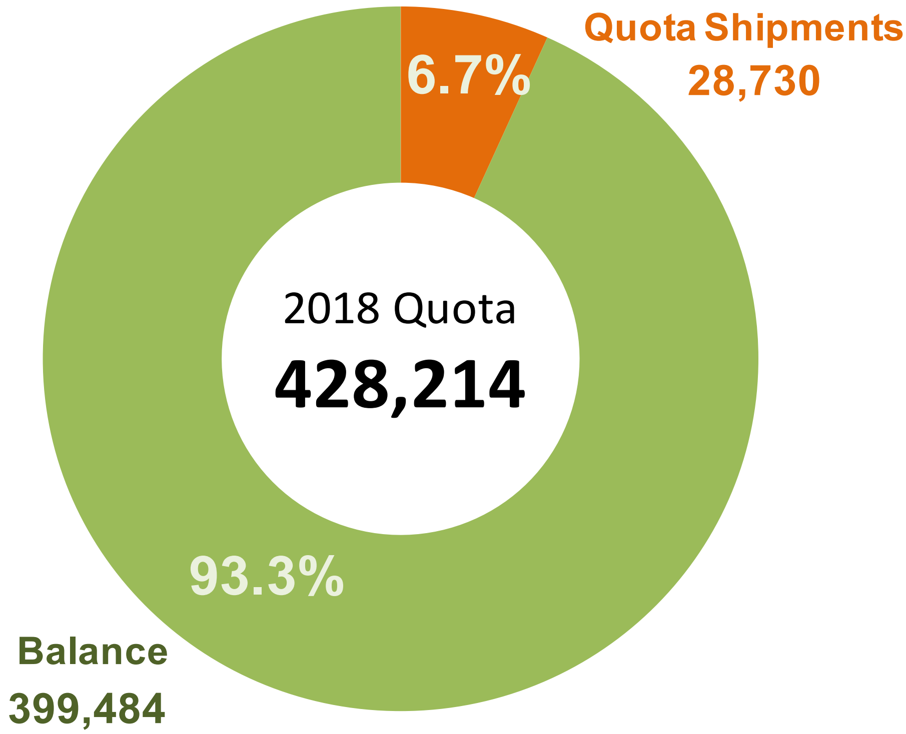
Imports as of December 8, 2018



Australian Beef Quota Position

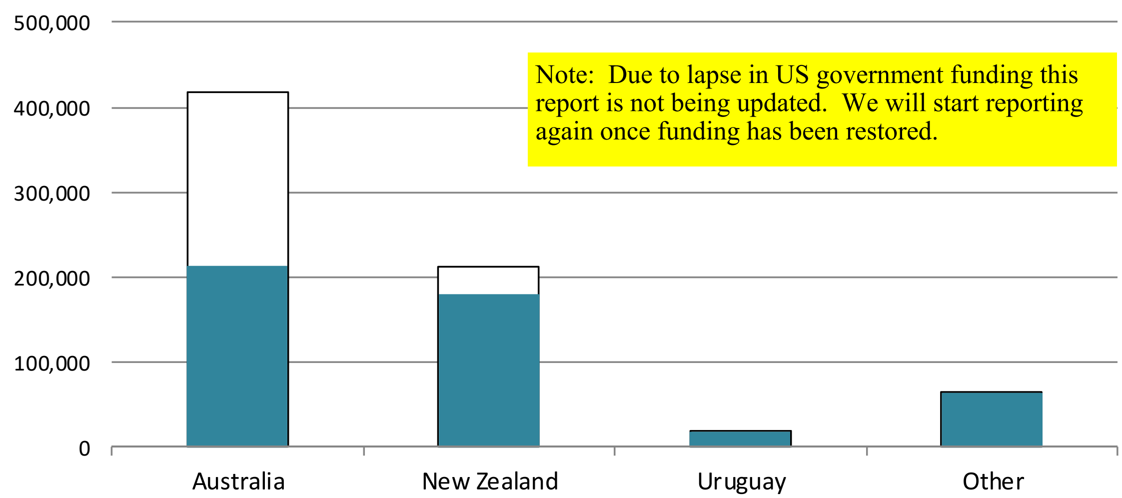
17-Jan-19

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending December 10

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2017 YTD	218,892,117	172,662,228	19,015,750	63,771,065
2018 YTD	213,623,736	179,453,176	18,940,850	64,805,000
% ch.	-2%	4%	0%	2%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	**51%**	**84%**	**95%**	**100%**

Note: Customs did not provide an update this week. Data reflects last week's levels.