



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume XVII, Issue 45

November 10, 2017

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Market Highlights for the Week:

- CME fed cattle futures declined 5% in the past week following lower prices paid in the cash market and lower fed cattle slaughter
- Fed cattle slaughter for the week was estimated at 499,000 head, down -3.5% from a week ago but still 2.5% higher than the same week last year
- Non-fed cattle slaughter last week was estimated at 126,000 head, down 1.1% from a year ago and the third consecutive week of y/y declines in cow and bull slaughter
- Part of the reason for the recent fed cattle rally was rampant speculation about the supply impact of recalibrating grading cameras
- USDA sent a note to the media this week on the topic of grading, suggesting that recent changes may not be as big an issue as some market speculation
- The US retail ground beef activity index has declined as much as 46% from early September levels and it is now 25% lower than the five year average
- Seasonally US retail ground beef demand declines in Q4 but then improves after the 1st of the year as retailers empty the meat case of holiday items
- US beef imports for week ending November 4 were 17,626 MT, 16% higher than a year ago
- Beef imports from grinding beef supplying countries were 8,160 MT, 21% higher than last year

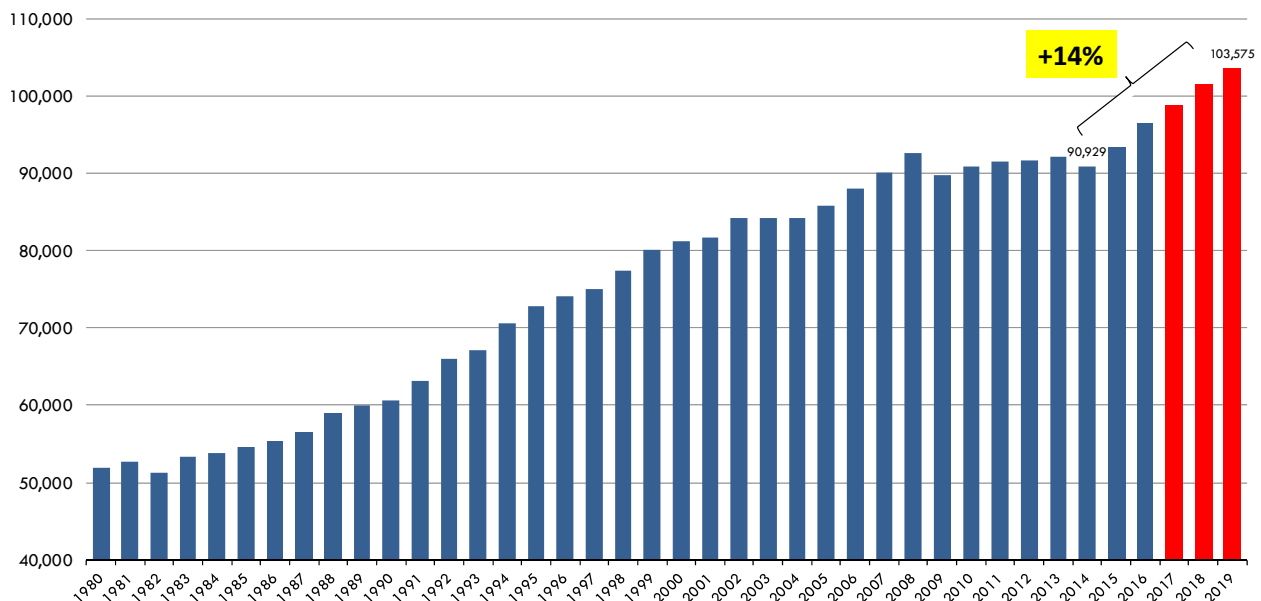
Imported Market Activity for the Week

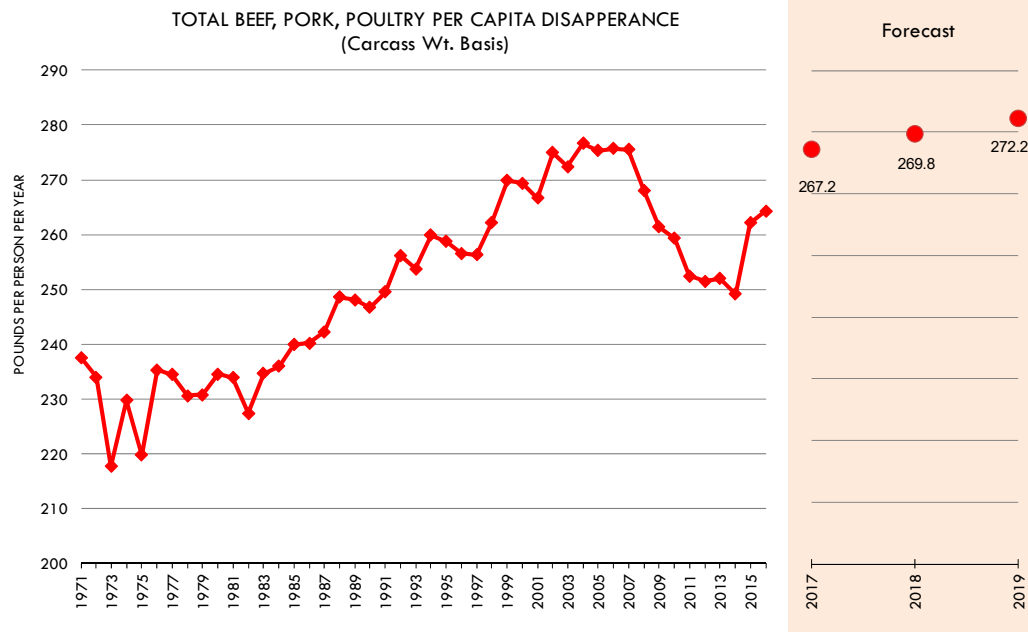
Trading was slow this week as buyers pulled back some bids following the decline in fed cattle prices while overseas packers continued to show firm prices, especially for product that still has a chance to deliver before the end of this year. Spot supplies remain thin and this

continues to support prices in the very near term. Lower prices for fat trimmings also were seen as supportive for this market. Domestic non fed slaughter posted the third y/y decline, in part because of a higher culling rate during Jul-Sep but also due to the knock on effects of higher fed values for 2018 and stronger demand for calves. Prices for cow cuts remain very firm at this time.

Combined USA Beef, Pork, Broiler and Turkey Production

Million Pounds. Carcass Wt. Basis. USDA Actual + Steiner Forecasts





Protein Outlook for 2018

Meat protein demand this year has exceeded even our most bullish expectations and has caused us to revise higher price expectations for 2018 and 2019.

Low unemployment, disposable income growth and the shift in consumer preferences towards consuming more meat protein should continue to underpin robust demand in the short to medium term. Meat protein supplies are expected to continue to expand but so far expansion has been manageable. Global meat protein demand has been excellent, helping absorb a portion of the supply growth in the US market. However, the bulk of the increase in meat protein supply has been absorbed by the domestic market, evidence of the resurgence in domestic demand. Combined beef, pork, chicken and turkey production in the US in 2017 is currently projected at 98.8 billion pounds, 2.5 billion pounds (+2.6%) higher than a year ago. Combined exports in 2017 are projected to be increase by 854 million pounds or 5.7%. Per capita availability of all four proteins in 2017 was 267.2 pounds per person, 7.3% higher than the bottom in 2014 but still less than the supply available prior to the recession. Per capita availability is expected to increase in the next two years, which should help keep meat price inflation in check. Retail price deflation continues to support higher consumption levels, particularly during key holiday periods. Per capita beef availability in 2017 was 1.6% higher than a year ago but at 80.8 pounds per person it is still well below pre-recession levels. As consumer incomes and wealth has recovered to pre-recession levels, beef demand continues to outpace supply growth, helping support beef prices.

Hog supplies continue to expand as producers have yet to experience a downturn in profitability. Current futures markets imply producers could make as much as \$20/head in 2018. The hog breeding herd is up 1.2% from a year ago and we do not expect producers to significantly change sow inventories in the near term, especially considering the current low feed cost environment. Broiler production growth was lower than expected in the first half of the year as producers struggle to maintain productivity now that a large portion of the broiler supply is grown without the aid of antibiotics. In response producers have significantly expanded the hatching flock, up by more than 6% at last count. Low feed costs and increased competition for market share should continue to underpin broiler supply growth going forward and we see limited price inflation in the sector.

Bottom Line:

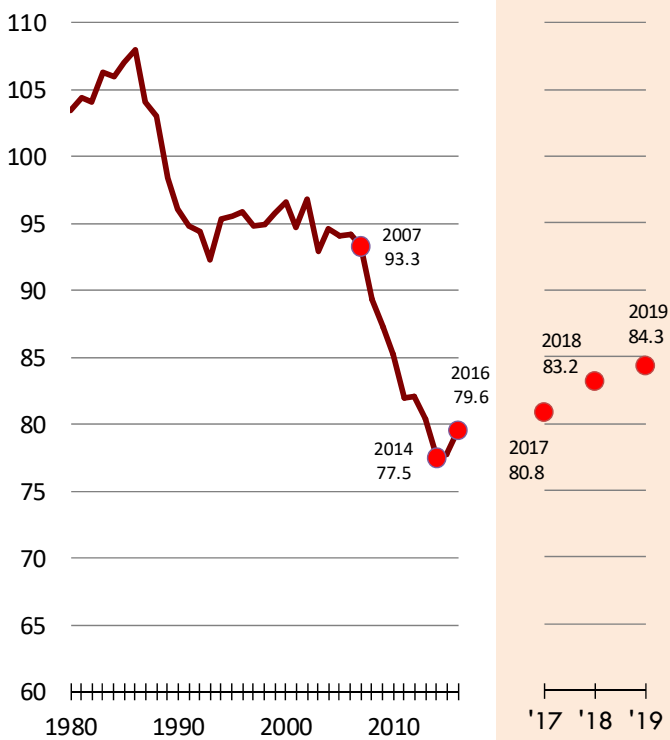
The current feed cost environment and robust consumer demand are conducive for continued meat industry growth. Volatility has increased and we expect this to remain an issue going forward, largely dependent on the timing of retail seasonal promotions and export orders. Increasing supply should help temper meat price inflation but, considering resurgent demand, we think it is prudent to prepare for single digit product inflation in the next two years

Beef Market Outlook

US beef production is expected to expand in the next two years thanks to a larger beef cow herd, good pasture conditions and ample feed supplies. The rate

of growth is expected to slow down, however, as cow-calf producer profits have eroded considerably in the last two years. While it is still early to call the end of this cattle cycle, it is likely that cattle supply expansion may come to an end by the end of 2018 or early 2019. The timing of this will depend greatly on broader demand trends as well as weather conditions. Our current forecast is for cattle slaughter to increase 3.1% in 2018 and 2% in 2019. We expect cattle weights to return to trend in 2018. Weights in 2017 were down 1.4% from the previous year, which removed about 400 million pounds of beef from the marketplace. Cattle traded with a significant forward discount between fall 2016 and spring 2017, effectively encouraging producers to turn cattle faster and thus reducing overall carcass weights. More heifers and cows in the mix further contributed to the decline in weights. The situation at this point is quite different. Futures hold a significant premium for spring contracts and the large spreads should encourage producers to feed cattle a bit longer. Total beef production in 2018 is forecast to increase 4.4% and it is expected to be up another 2.9% in 2019. We expect fed cattle and beef prices to decline only modestly in the next two years despite continued increases in production. Beef demand has outpaced expectations and our current assumption is that the shift in beef demand will be sustained in the next two years. **This is a critical assumption that depends in part on the broader performance of the US and global economy.** Beef exports rose 12.7% in 2016 and they are forecast to be up another 12.9% this year. Beef imports, on the other hand, have contracted for two consecutive years and they are expected to be marginally lower in 2018 and 2019 as well. So while beef production in 2018 is expected to set a new record level, per capita domestic availability is expected to remain well under pre-recession levels. Our current forecast is for per capita availability in 2018 to be 83.2 pounds (carcass wt.), 2.9% higher than a year ago but still 11% lower than in 2007.

US BEEF PER CAPITA CONSUMPTION
LB/PERSON, CARCASS WT. BASIS



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
	9-Nov-17	2-Nov-17		8-Nov-16	
CME FEEDER CATTLE INDEX	159.37	159.23	0.1%	126.24	26.2%
	10-Nov-17	3-Nov-17		9-Nov-16	
FED STEER (5-MKT AVG)	123.48	119.33	3.5%	104.09	18.6%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	100.00	102.00	-2.0%	104.00	-3.8%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	95.50	95.00	0.5%	104.50	-8.6%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	91.00	94.50	-3.7%	95.00	-4.2%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	170.06	169.85	0.1%	156.60	8.6%

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
	10-Nov-17		3-Nov-17			9-Nov-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	227.0	229.0	222.0	226.0	3.0	207.0	209.0	20.0
90 CL Blended Cow	208.0	210.0	207.0	210.0	0.0	195.0	198.0	12.0
90 CL Shank	208.0	210.0	209.0	211.0	-1.0	198.0	200.0	10.0
85 CL Fores	190.0	191.0	190.0	191.0	0.0	184.0	185.0	6.0
85 CL Chucks		UNQ		UNQ	N/A	189.0	190.0	N/A
95 CL Bull, W. Coast	225.0	228.0	220.0	224.0	4.0	206.0	208.0	20.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	189.0	190.0	188.0	189.0	1.0	183.0	184.0	6.0
80 CL Trimmings	171.0	173.0	172.0	174.0	-1.0	160.0	165.0	8.0
75 CL Trimmings	160.0	161.0	161.0	162.0	-1.0	155.0	160.0	1.0
65 CL Trimmings	118.0	119.0	118.0	120.0	-1.0		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	275.0	285.0	275.0	280.0	5.0	275.0	280.0	5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	215.0	220.0		UNQ	N/A		UNQ	N/A
Steer Knuckles		250.0	245.0	250.0	0.0	255.0	260.0	-10.0

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>
	10-Nov-17		3-Nov-17			9-Nov-16		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	235.0	237.0	234.0	236.0	1.0	226.0	229.0	8.0
90 CL Blended Cow	216.0	217.0	215.0	217.0	0.0	213.0	215.0	2.0
90 CL Shank	218.0	219.0	215.0	217.0	2.0	210.0	212.0	7.0
85 CL Fores	197.0	198.0	194.0	196.0	2.0	193.0	194.0	4.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	234.0	235.0	231.0	233.0	2.0	224.0	225.0	10.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	196.0	197.0	193.0	195.0	2.0	192.0	193.0	4.0
80 CL Trimmings	179.0	180.0	179.0	180.0	0.0	173.0	175.0	5.0
75 CL Trimmings	168.0	170.0		170.0	0.0	161.0	162.0	8.0
65 CL Trimmings	120.0	121.0	121.0	122.0	-1.0		UNQ	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	285.0	290.0	285.0	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	255.0	260.0	255.0	260.0	0.0		265.0	-5.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	10-Nov-17		3-Nov-17			9-Nov-16		
<u>Domestic Cutouts</u>								
Choice Cutout	213.85		208.74		5.1	184.55		29.3
Select Cutout	194.51		193.08		1.4	170.45		24.1
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	213.5	220.0	212.0	215.0	5.0	191.0	199.0	21.0
85 CL Beef Trimmings	177.7	187.4	176.0	186.4	1.0	174.1	186.0	1.4
50 CL Beef Trim	67.5	79.8	68.0	78.3	1.5	49.8	57.5	22.3
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	24.2	38.3	24.0	37.3	1.0	21.0	33.3	5.0
72 CL Pork Trim	60.0	78.3	59.0	76.3	2.0	40.0	61.3	17.0
<u>Point of Lean Values</u>								
90 CL Domestic	244.4		238.9		5.6	221.1		23.3
50 CL Beef Trimming	159.5		156.5		3.0	115.0		44.5
42 CL Pork Trim	91.1		88.7		2.4	79.2		11.9
72 CL Pork Trim	108.7		105.9		2.8	85.1		23.6
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	123.48		119.33		4.2	104.09		19.4

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	10-Nov-17	3-Nov-17			9-Nov-16	
<u>Live Cattle Futures</u>						
December '17	120.575	131.325	↓	-10.75	103.475	↑ 17.10
February '18	126.750	129.400	↓	-2.65	104.675	↑ 22.08
April '18	127.100	121.125	↑	5.97	104.725	↑ 22.38
June '18	119.875		↑	119.88	96.925	↑ 22.95
<u>Feeder Cattle Futures</u>						
November '17	158.475	160.550	↓	-2.08	124.550	↑ 33.93
January '18	157.175	161.250	↓	-4.07	119.725	↑ 37.45
March '18	155.075	158.375	↓	-3.30	116.275	↑ 38.80
April '18	155.250	158.250	↓	-3.00	116.275	↑ 38.98
<u>Corn Futures</u>						
December '17	343 1/2	347 3/4	↓	-4.25	340 3/4	↑ 2.75
March '18	356 3/4	361 1/2	↓	-4.75	349 3/4	↑ 7.00
May '18	365 1/4	370	↓	-4.75	357 1/4	↑ 8.00
July '18	373	377 1/2	↓	-4.50	364 1/4	↑ 8.75
<u>Ch Wheat Futures</u>						
December '17	431 1/2	422 1/2	↑	9.00	406 3/4	↑ 24.75
March '18	449	441	↑	8.00	424 1/2	↑ 24.50
May '18	460	454 1/4	↑	5.75	440 1/2	↑ 19.50
July '18	473	468 1/4	↑	4.75	455 3/4	↑ 17.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	11-Nov-17	4-Nov-17			12-Nov-16	
<u>Total Cattle Slaughter</u>	623,000	642,000	↓	-19,000	615,000	↑ 8,000
	28-Oct-17	21-Oct-17			29-Oct-16	
<u>Total Cow Slaughter</u>	116,241	121,425	↓	-5,184	116,300	↓ -59
<u>Dairy Cow Slaughter</u>	57,032	61,495	↓	-4,463	56,300	↑ 732
<u>Beef Cow Slaughter</u>	59,209	59,930	↓	-721	60,000	↓ -791

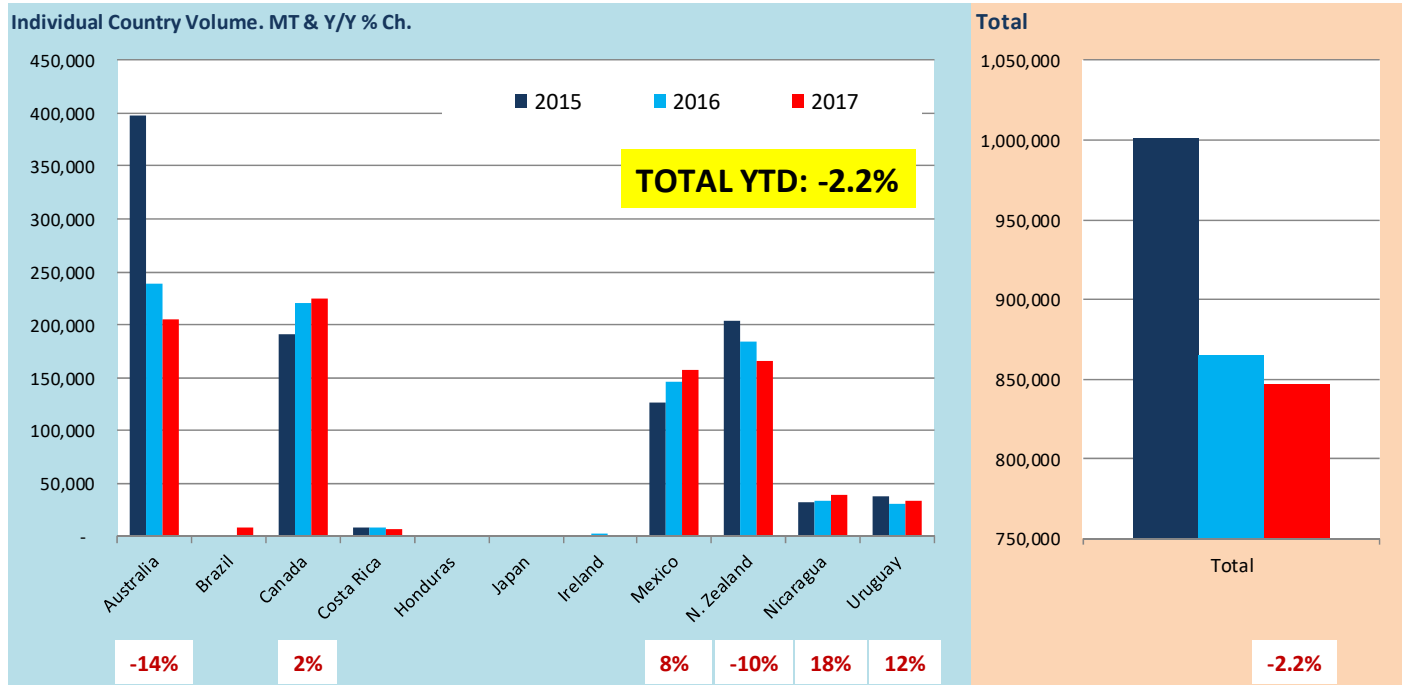
TABLE 7 - US BEEF IMPORTS (Source: USDA/AMS)

YTD Imported Fresh Beef Passed for Entry in the US

week 44	10/29/2016	11/4/2017		
Australia	239,544	205,564	(33,980)	-14.2%
Brazil	-	9,022		
Canada	220,430	224,603	4,173	1.9%
Chile	435	226	(209)	-48.0%
Costa Rica	8,280	6,946	(1,334)	-16.1%
Honduras	-	379	379	
Japan	209	276	67	32.1%
Ireland	2,117	1,935	(182)	-8.6%
Mexico	145,801	157,592	11,791	8.1%
Netherlands	-	228		
New Zealand	184,667	166,067	(18,600)	-10.1%
Nicaragua	33,344	39,325	5,981	17.9%
Uruguay	30,275	33,984	3,709	12.3%
Total	865,102	846,147	(18,955)	-2.2%

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

Imports as of November 4, 2017

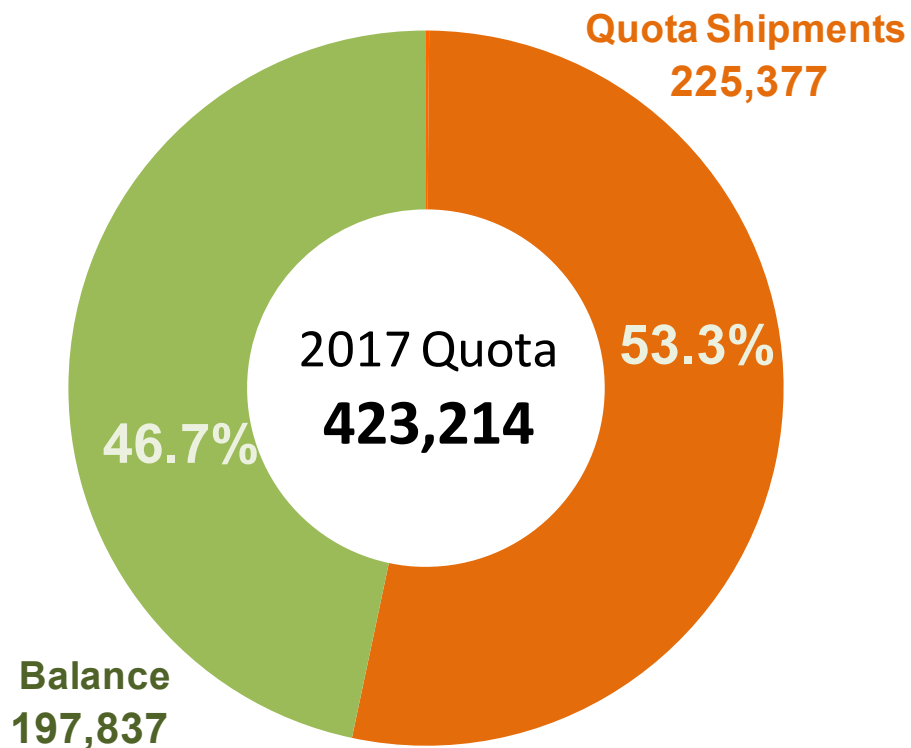


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled by each country based on the new Customs report

Australian Beef Quota Position

9-Nov-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending November 6

Source: US Customs

