Daily Livestock Report

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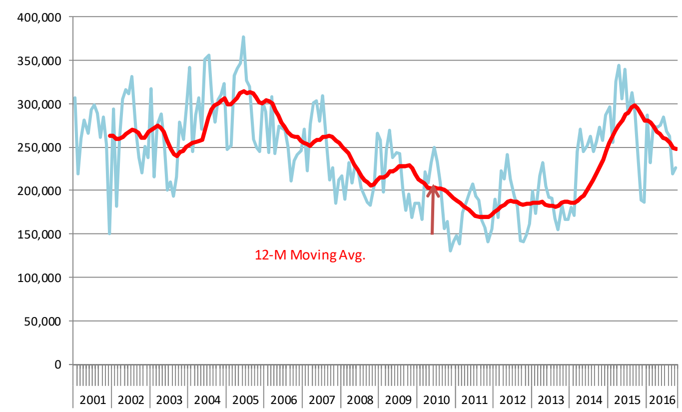
We will get an update on trade data for November tomorrow. At this point this is old news but it is still helpful in recognizing trends. Analysts will use the numbers to also update their supply/demand balance sheets and demand calculations. What we will be looking for in the report tomorrow is how good the monthly export statistics, for both beef and pork, match up with the weekly data, which are more timely but can be more volatile. Anecdotal evidence and the weekly numbers indicate that pork exports were extremely strong in November, it will be interesting to see if the official numbers support that view.

As we will spend sometime in the next couple of days discussing exports, we thought it would be a good idea to **review the import picture for beef**. Pork imports tend to be a bit more stable, with Canada being the primary supplier into the US market. **For beef we rely on a number of trading partners, with Australia, New Zealand and Mexico being our top three markets**. We have actual data on beef imports through October so we had to make a projection for the last two months of the year. We used both a combination of trend statistics and information from supplying countries to derive the total number for 2016. You will notice that the final number we come up with is a bit different from the USDA number but we are not that far off. The main thing that stands out when looking at the imported beef flow in 2015 and 2016 is the sharp decline in imports from Australia. In 2015, US beef imports from Australia were 1.258 billion pounds (on a carcass weight basis). **This year we are estimating the total volume to be around 770 million pounds, 488 million pounds (-39%) less than a year ago**. The decline should not come as a surprise to our readers, a number of times during the year we noted that improved moisture conditions in Australia and a smaller herd were bound to limit the amount of beef they could ship into the US. Also important to note is that other markets, particularly South Korea and Japan, have been bidding very aggressively on Australian beef and outbid us for product. The sharp decline in grinding beef prices in the US, especially in the price of fat beef trimmings (80s, 75s, 65s) has made the US significantly less competitive than other destinations. The decline in Australian imports more than offset any gains in imports from Canada and Mexico.

We have reproduced below the last balance sheet that USDA produced in its WASDE report in December. They will publish an updated version next week. The point is to place the import numbers in the broader context of beef supplies but also to review what USDA last expected supplies to be in 2017. **According to their latest forecast, USDA expects beef imports to decline another 341 million pounds in 2017. Where will this decline come from?** Australian beef imports could decline a bit more but much will depend on weather conditions there. Australian cattle supply availability in 2017 is expected to be similar to 2016 levels so if we are going to see a reduction in Australian beef imports it will be because of good moisture and because Asian markets stay competitive. But keep in mind that the stronger US dollar tends to be supportive of imports. Also remember that Brazil (and Argentina later this year) could ship significantly more than last year. Those two factors (dollar, South American beef) could cause imports to decline less than currently forecast. We will update you on this regularly.

Monthly US Beef Imports. Carcass Wt. Basis. All Countries

Source: USDA



US Beef Imports in 2015 & 2016

2016 Estimated by Steiner to Approx USDA Report

	2015	2016	change.
Argentina	1	-	(1)
Australia	1,258	770	(488)
Brazil	150	145	(5)
Canada	628	735	107
Mexico	392	478	86
New Zealand	662	603	(58)
Nicaragua	104	127	23
Uruguay	137	120	(17)
Other	39	37	(2)
Total	3,371	3,015	(356)

Beef Supply and Demand Table Presented by USDA in the December WASDE

Source: USDA WASDE Report

		Beg. Stocks	Production /1	Imports	Total Supply	Exports	Net Trade (exp - imp)	Ending Stocks	Total Use	Per Capita 2/ 3/
		Million Pounds. Carcass Wt. Basis /4								
2015		591	23,760	3,371	27,721	2,265	(1,106)	683	24,773	54
2016 Proj.	Nov	683	25,119	3,011	28,813	2,459	(552)	700	25,654	55
	Dec	683	25,204	3,021	28,908	2,484	(537)	700	25,724	56
	Y/Y %		6.1%	-10.4%	4.3%	9.7%		2.5%	3.8%	3.2%
2017 Proj.	Nov	700	26,224	2,680	29,604	2,630	(50)	600	26,374	57
	Dec	700	26,004	2,680	29,384	2,630	(50)	600	26,154	56
	Y/Y %		3.2%	-11.3%	1.6%	5.9%		-14.3%	1.7%	0.9%