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Through the first quarter US beef imports are up about 6% compared to the same period a year ago. However, the pace of imports has slowed down in recent weeks and we expect only a modest increase in Q2. We also agree with the USDA forecast for only a slight increase in imports for all of 2018. So far the gains in imports have been driven by Canada, which accounted for about 2/3 of the overall increase. **Poor pasture conditions forced Canadian cow-calf operators to push more calves into feedlots last summer and fall, bolstering the supply of cattle on feed at the end of the year and fed cattle slaughter.** Canadian feedlot placements between May and September of last year increased by 32% y/y and on December 1 the feedlot inventory was up 12% compared to the same period a year ago. The larger inventory contributed to the 7% increase in Canadian steer/heifer slaughter YTD. Fed beef production during this period has averaged around 36 million pounds per week, 7% above year ago levels. The rapid pace of slaughter in the last three months and lower placements have reduced on feed inventories in Canada. On March 1 the total inventory in Alberta and Saskatchewan lots was estimated at 897k head, 2.8% higher than a year ago. Imports from Mexico continue to increase as production there has been steadily expanding. Through March 24 beef imports from Mexico were higher than those from Australia (see table). In recent years Mexico has emerged as a key beef supplier to the US. While we do not have specifics on the kind of product coming into the US we think it is mostly beef cuts rather than grinding beef.

Imports from grinding beef suppliers have been lower than a year ago. Spot supplies of lean and extra lean beef are tight, causing imported grinds to trade at a premium to domestic. New Zealand beef imports are up thanks to a surge in shipments late last year. New Zealand supplies should improve seasonally in Q2 but will likely remain near year ago levels as more of their production goes into China. Australian total beef exports in the first quarter were 237,683 MT, 10% higher than the same period a year ago. Shipments to the US during this period were 49,830MT, 2% lower than the same period a year ago. On the other hand, **Australian beef exports to China in Q1 reached 31,000 MT, a 27% increase from year ago levels**. Australian beef exports to Japan in Q1 were 2% higher than a year ago while exports to South Korea were up 8%. Australian beef faces lower tariffs in Asian markets relative to US product. A recent USDA/FAS document nicely summarized the difference in tariffs that US and Australian beef face in Asia and we have included that USDA summary on page 2. The signing in March of the revised Trans Pacific Agreement (TPP-11) is expected to further lower tariffs for Australian beef. Under that agreement, the Japanese beef tariff of 38.6% is expected to decline to 9% over the next 15 years while Canada is expected to phase out its 26.5% tariff in the next five years.

YTD Imported Fresh Beef Passed for Entry in the US

week 12	3/25/2017	3/24/2018		
Australia	44,145	42,838	(1,307)	-3.0%
Brazil	1,214	-	(1,214)	-100.0%
Canada	49,946	57,951	8,005	16.0%
Chile	89	-	(89)	-100.0%
Costa Rica	2,020	1,938	(82)	-4.1%
France	-	-	-	
Honduras	-	434	434	
Ireland	517	676	159	30.8%
Japan	71	193	122	171.8%
Mexico	44,044	46,299	2,255	5.1%
Netherlands	-	-	-	
New Zealand	48,567	51,436	2,869	5.9%
Nicaragua	10,693	12,360	1,667	15.6%
Spain	-	-	-	
Uruguay	6,850	6,190	(660)	-9.6%
Total	208,255	220,317	**12,062**	**5.8%**

Source: AMS - USDA

BEEF IMPORTS FROM MAJOR GRINDING BEEF EXPORTING COUNTRIES. FR/FZ BEEF ONLY. METRIC TON

Data Source: USDA Livestock, Poultry & Grain Market News

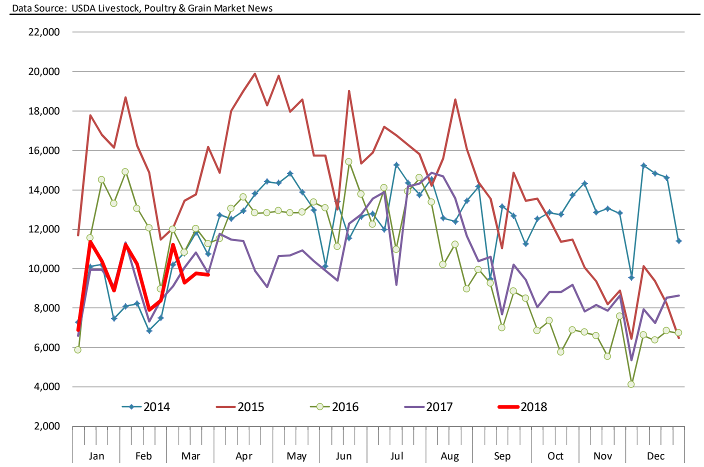

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Table 2: Tariff barriers for Australian and U.S. beef exports to Asia, 2018 (%)

	Japan, chilled beef (JAEPA)	Japan, frozen beef (JAEPA)	Korea, chilled and frozen beef (KAFTA)	China, beef (ChAFTA)
MFN base tariff on beef	38.5	38.5	40.0	12.0
Tariff on Australian beef from April 2016	30.5	27.5	32.0	9.6
Tariff on Australian beef in 2018 (a)	29.3	26.9	26.6	7.2
Tariff on U.S. beef (2018)	38.5	38.5	21.3	12.0

Note: (a) Under JAEPA, the tariff reductions occur from April, while under KAFTA and ChAFTA, they occur from January.
Source: Meat and Livestock Australia and Department of Foreign Affairs and Trade, FTA Briefs, 2017.

Summary prepared by USDA/FAS and published in the semi-annual Australian livestock situation report. You can read the full report at the link below:

https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Livestock%20and%20Products%20Semi-annual_Canberra_Australia_2-27-2018.pdf