Daily Livestock Report

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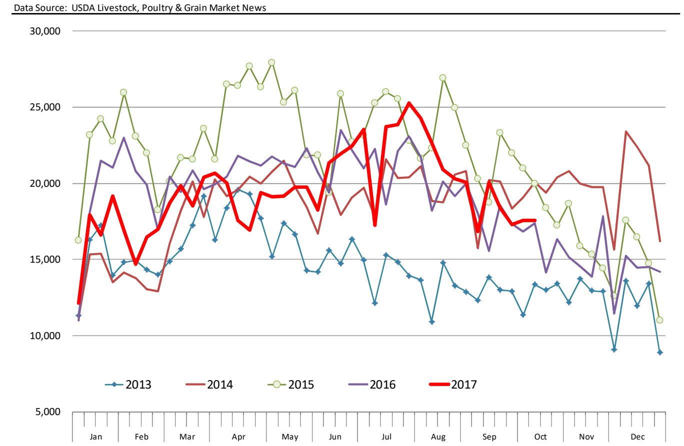
Despite a notable recovery in US beef imports during the third quarter, overall imports of fresh/frozen beef remain under year ago levels. Lack of product availability earlier in the year and strong demand in Asian markets have limited US beef imports from both Australia and New Zealand, traditionally two of the top three imported beef suppliers in the US market. Australian producers are slowly rebuilding their cattle herd, but weather remains a key wild card and has negatively impacted the pace of herd rebuilding recently. Imports of fresh/frozen beef from Australia through mid October were down 17% compared to the same period a year ago. This is up from where they were at the end of June, when imports were tracking as much as 32% under last year's levels . The latest projections from Meat and Livestock Australia indicate that they expect cattle inventories by the middle of next year to be around 27.7 million head, 2.5% higher than the previous year but still well short of the 29.3 million head inventory at the end of June 2013. Australian cattle slaughter for the period Jul 2017 - June 2018 is forecast to increase by 5%. This will likely mean relatively very modest growth in their shipments to the US market. Demand in a number of key markets remains quite robust and this will continue to limit the supply of some products, especially fatty trimmings and beef cuts that come into the US market.

As for New Zealand, there are two key factors that impact supply availability: weather and dairy prices. Over the years New Zealand beef production has become a residual of the dairy industry. According to USDA/FAS data, there were 3.3 million dairy cows in New Zealand in January 2000. Today there are 5.2 million dairy cows. On the other hand, the beef cow herd has declined from almost 1.5 million head in 2000 to 954,000 head in early 2017. New Zealand producers have sought to capitalize on the growing demand for dairy products from China and shifted their industry in that direction. Dairy prices have recovered by as much as 65% from early 2016. Wet weather earlier this year also offered ample grazing opportunities and significantly reduced the number of dairy and beef cows that came to market. The fall cow run eventually did take place (New Zealand fall is Mar-May) but it was delayed by a couple of months and was well short of earlier estimates. The result of lower imports from Australia and New Zealand have been fairly robust prices for lean and extra lean grinding beef in the US. Coupled with strong retail ground beef features, this has led to higher than expected prices for lean grinding beef . As we look forward at 2018, the big unknown is the potential impact of new imports from Brazil and Argentina. Currently Brazil and Argentina are not allowed to ship beef into the US but that is expected to change before the end of the year. Argentina has a small 20,000 MT TRQ as does Uruguay. Brazil does not have its own TRQ allocation. But that may not matter much considering current US prices for lean grinding beef and the steady increase in South American cattle supplies. China is currently the top market for South American beef and it will likely continue to expand its purchases of end cuts in 2018. Access to the US market will provide South American producers with an opportunity to sell into the most lucrative grinding beef market in the world and improve the global perception of their products.

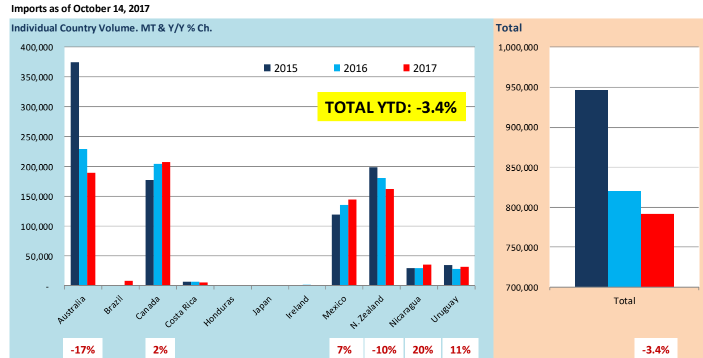
WEEKLY BEEF IMPORTS. FRESH/FROZEN BEEF ONLY. METRIC TON

Data Source: USDA Livestock, Poultry & Grain Market News



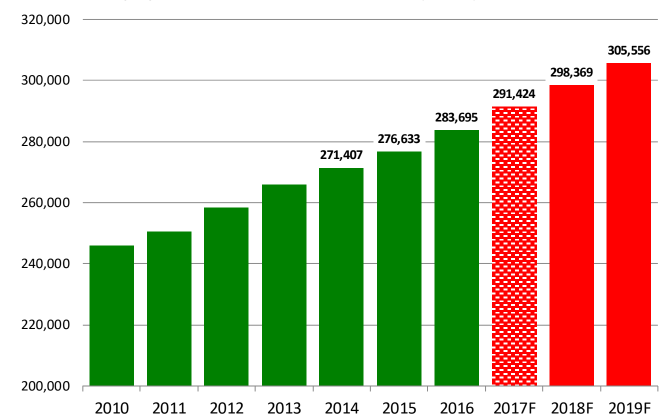
US Beef Imports. Metric Ton. Data Source: USDA/Agricultural Marketing Service

Imports as of October 14, 2017



COMBINED CATTLE INVENTORY OF BRAZIL, ARGENTINA & URUGUAY. JAN. 1

Source: USDA Foreign Agricultural Service + USDA Forecasts from Country Post Reports



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